Newlat FOOD SpA

A multibrand company

ANNUAL FINANCIAL REPORT AS AT 31 DECEMBER 2021

The Annual Report is published in Italian and English. Only the original Italian text is legally binding. The translation has been prepared for practical purposes.

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LETTER TO THE SHAREHOLDERS

Dear stakeholders,

2021 was a year of important milestones for Newlat Food that propelled the Group towards new, more ambitious goals. With the acquisition of Symington's last August, not only does the Group have a level of turnover that is now almost double that of the 2019 IPO, but a broader and more international business profile and management culture.

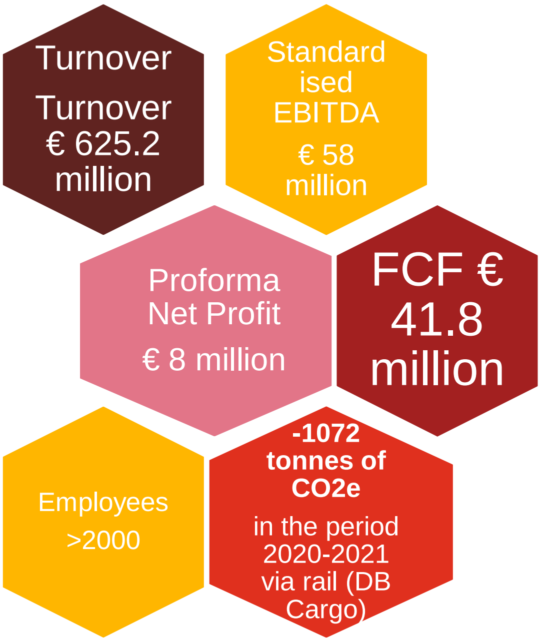
The German market grew by +4% compared to 2020 despite the exceptional growth (+10%) recorded last year. 2021 also saw growth of +18.8% in the dairy sector, which has been one of the main drivers of the group's organic growth for many years now, demonstrating the important presence that Centrale del Latte d'Italia has in the milk derivatives market, not only at a national level. This past year has also seen the launch of B2B projects that have enabled us to establish important international partnerships in the baby food segment, with excellent growth prospects. The first figures show a positive sales trend that projects significant growth in the Special Products segment.

The company has also achieved significant results in the area of ESG practices: we have invested in a team of managers with many years of experience in the field, which has enabled us to accelerate our sustainable development in a short space of time and to achieve significant goals. In fact, in 2021 we were recognised by Statista and *Corriere della Sera* as one of the 100 Italian companies "most attentive to the climate" thanks to the improvement in the ratio of CO_2 emissions to turnover in the last two years: a result that flatters us and encourages us to continue along the path of improving our environmental performance and policies.

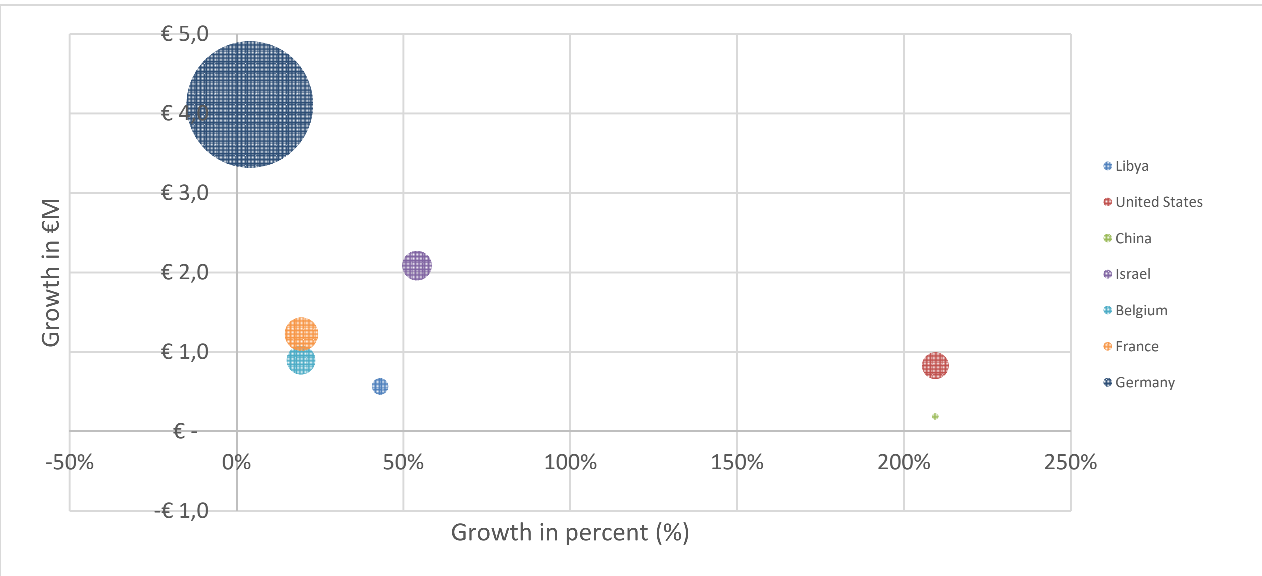
Despite the general volatility and inflationary wave that characterised the entire second half of 2021, Newlat Food once again showed great determination and flexibility, reacting in a timely manner to challenging market conditions and succeeding not only in improving margins, despite a slight decrease in revenues, but also in converting 72% of EBITDA into FCF. The resources derived from operational performance, together with the funds raised through the issuance of the bond in February 2021, have allowed us to maintain a solid financial structure, which is very important to continue our strategy of growth by external lines. 2022 will be a year of great challenges, not only because of geopolitical uncertainty and persistent inflationary pressure, but also because of our determination to continue implementing the projects of integrating recent acquisitions, from which we expect cost synergies and commercial development, and further growth through external lines, with the aim of reaching one billion euros in sales by the end of the year.

MAIN GROUP HIGHLIGHTS IN 2021

Key Figures



SALES PER COUNTRY 2021 v. 2020



GROUP HISTORY

Year 2004

- Acquisition of the Guacci pasta factory by the Mastrolia family.

Year 2005

- Acquisition of the Eboli plant for the production of pasta and the Pezzullo brand.

Year 2006

- Acquisition of the factories and the brand for the production of Corticella branded pasta from Euricom Group.

Year 2008

- Acquisition of the Sansepolcro factory for the production and licensed sale of Buitoni pasta and baked goods.
- Acquisition of Newlat SpA operating in the dairy division through the Giglio, Polenghi, Torre in Pietra and Fior di Salento brands.

Year 2009

- Expansion of the brands in the dairy division through the acquisition of the Ala and Optimus brands.

Year 2013

- Acquisition of the German company for the production and sale of Birkel and 3Glocken branded pasta.

Year 2014

- Purchase of Centrale del Latte di Salerno S.p.A. and its brand, engaged in the production and sale of dairy products.

Year 2015

- Acquisition of the plant in Parma for the production and sale of products belonging to the baby food and protein- and gluten-free food sectors through a co-packaging contract with Kraft-Heinz.

Year 2019

- Acquisition of Industrie Alimentari Delverde S.p.A., owner of the Delverde brand in the pasta market.
- Access to the capital market through the placement of equity instruments for trading on the STAR segment of the Mercato Telematico Azionario stock market organised and managed by Borsa Italiana.

Year 2020

Acquisition of the company Centrale del Latte d'Italia S.p.A. listed in the STAR segment of the Mercato Telematico Azionario stock market organised and managed by Borsa Italiana.

Year 2021

Purchase of 100% of the ordinary shares and voting rights of the Symington's Group, comprising Symington's Limited, Symington's (Holdings) Limited and Symington's Australia PTY Limited. Group operating mainly in the UK and produces – both under its own brands and for third-party brands – a wide range of instant noodles (Naked) where it is a market leader in the authentic and Asian inspiration segment, soups and various ready meals under the Mug Shot brand, rice and couscous ready meals (Twistd), baked goods including croutons (Rochelle brand), cake and cake mixes (with about 75% market share in the private label segment), Chicken Tonight brand condiments and Ragu brand sauces.

COVID 19 AND THE CONFLICT IN UKRAINE

Covid-19 – The world economy was strongly impacted by the pandemic spread of Covid-19 infections. At the date of preparation of this financial report, the pandemic seems to have ended its devastating effects on the world economy and people's habits. The end of the state of emergency at the end of March suggests a return to normality and the reopening of activities linked to tourism and the HO.RE.CA. sector.

The beginning of the conflict in Ukraine generated a lot of uncertainty for the world economy, and the gradual increase in costs related to the supply of raw materials and energy led to a review of the economic conditions of sale. Management has been closely monitoring and assessing the impact on current operations. As of today, based on the information available and the fact that the Group's exposure to the Russian market is currently limited, there are no particular critical issues to be reported, without prejudice to assessing what will be the next developments of the conflict and the related impacts.

STRATEGIC ACTIVITIES AND COMMERCIAL INITIATIVES FOR 2021-2021

Strategic activities during the year were aimed at:

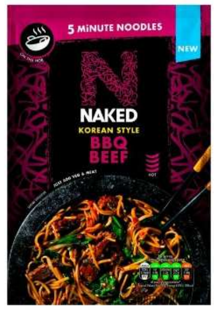
- Creation of the third hub of the Italian milk market with operations integrating Centrale del Latte d'Italia S.p.A.'s activities with those of Newlat Food S.p.A. Centrale del Latte d'Italia S.p.A. remains a listed and independent company for the development of new investments in this sector.
- Acquisition of Symington's Group, which contributed to product diversification as well as consolidating a leading position in the UK.
- Introduction of Naked products to the Italian and German markets
- The turnover of the group, in continuity of scope, amounted to Euro 625 million.
- Turnover in the first two months of the year increased compared to the same period last year (CAGR +6%).
- Advertising investments for the launch of the Granfetta and Crostino brand.

MAIN COMMERCIAL INITIATIVES FOR 2021-2022

Delverde line launch - Sansepolcro, Tuscany

New Birkel line without eggs

Mug Shot - 100% recyclable bag



Naked “5 minute noodle”

Chicken Tonight Roast Chicken Dinner Kit

Milk bottles made of rPET recycled plastic

Mukki FSC paper bottle and sugar cane cap

Extension of the “Crostino Dorato” range

Polenghi restyling: 150 years of history of the first milk brand in Italy

Mukki Bimbo line: organic infant milk

Mukki Training: high-protein milk for athletes

Lactose-free Optimus mascarpone

Cuore Veg: line of vegetable drinks

Mukki Yogurt 100% natural in 100% recyclable paper cup

Polenghi milk 100% from Lombardy

Mukki Special for women

Granfetta TV spot

ENVIRONMENT, SOCIAL AND GOVERNANCE

All the Group's efforts are always aimed at respecting the environment and creating value for local communities. Specifically:

1. Processes to **improve energy efficiency** have been initiated, including through the installation of alternative sources and the support of projects for the planting of green areas.
2. The ongoing activities of **Life Cycle Assessment** and Environmental Product Declarations continued.
3. A process was initiated to analyse the **Carbon Footprint of the Organisation**, which saw the completion on some plants and the certification of the facility in Florence.
4. 9 plants with >95% recyclable waste.
5. Activities related to the awareness of dairy products and the dairy supply chain continued with schools, as well as partnerships with universities on research projects regarding the evolution of products and production processes.
6. Greater attention to packaging through the increasing use of FSC (Forest Stewardship Council) certified paper and rPET.
7. Progressive elimination of virgin plastic from the packaging processes of Milk & Dairy and in the Pasta and Bakery segments
8. 14.72% reduction in CO_2 emissions in relation to turnover.
9. Re-use of production waste in the livestock sector
10. Energy consumed/turnover ratio.
11. In 2021, the Group was ranked by Statista as one of the "most climate-conscious Italian companies" thanks to the improvement in the ratio of CO2 emissions to consolidated turnover in the last two years. The study was published in the *Corriere della Sera* newspaper.
12. Established a Strategic Sustainability Committee, reporting directly to the Board of Directors, consisting of the main corporate functions involved in the development of business policies and practices.
13. Approved a multi-year Sustainability Plan.

THE GROUP'S VALUE CHAIN

The Group shares the results generated by the value generation process with stakeholders based on the analysis and management of critical success factors:

- Satisfaction of new consumer demands and recent market trends
- Achievement of international quality standards
- Continuous investments in research and development
- Continuous search and maintenance of the best suppliers
- Production planning based on the principles of timeliness, efficiency and high quality
- Integrated, efficient logistics
- Dialogue with key stakeholders, including customers and consumers
- Strong communications strategy to support our brands
- In-depth knowledge and continuous market analysis
- Comprehensive and proven organisation of the sales network

BUSINESS STRATEGY GUIDELINES

M&A: Growth of external lines through acquisitions of companies operating in sectors complementary to those currently served.

Focus on special products: Increase in market share for special products (health and wellness) and products for babies.

Development of brands: Increase in the communication capacity of trademarks.

International growth: Consolidation of presence on foreign markets and development of a competitive position in the German market.

Research and development: Investments in new technologies and new products.

Improvement in production efficiency: Continuous pursuit of efficiencies in all production sectors.

INTRODUCTION TO THE REPORT ON OPERATIONS

The continuous search for growth through external lines led to the acquisition of 100% of the ordinary shares and voting rights of the Symington's Group in the third quarter.

The company operates in the UK and produces – both under its own brands and for third-party brands – a wide range of instant noodles (Naked) where it is a market leader in the authentic and Asian inspiration segment, soups and various ready meals under the Mug Shot brand, rice and couscous ready meals (Twistd), baked goods including croutons (Rochelle brand), cake and cake mixes (with about 75% market share in the private label segment), Chicken Tonight brand condiments and Ragu brand sauces. These products are mainly sold in the United Kingdom, the United States and Australia. The company has three production plants and a logistics distribution centre located in northern England, with annual revenues of approximately Euro 123 million.

The acquisition aims to consolidate Newlat Food's presence in the UK market, leveraging Symington's national distribution platform.

The acquisition of Symington's falls perfectly within the plans and timings envisaged by the external growth and capital utilisation strategies announced during the IPO phase, thus allowing the Newlat Group to exceed the annual revenue threshold of over Euro 600 million from August 2021.

The transaction will generate significant synergies between Newlat Food and Symington's, including:

- The instant food market.
- Cross-selling and expansion of the Group's product portfolio.
- Internalisation or production.
- Synergies in the supply of raw materials.

In a market that is still heavily influenced by the pandemic, the Group managed to maintain excellent sales, registering a slight decrease of 2.6% compared with the same period of the previous year, with a linear performance during the last quarter. All this demonstrates the Group's ability to achieve outstanding performances that are even better than the market.

In this context, worthy of note is the excellent performance of the dairy sector which saw results +19% thanks to the acquisition of new customers in the purchase of mascarpone.

There was an excellent recovery in the milk sector, which, after a drop of 7%, recorded a positive trend in Q4 compared with the same period of the previous year.

The other business units showed a substantial linearity with respect to the same period of the previous year, but much higher than the company forecasts and the performance of the market.

The new instant noodles segment, acquired during 2021, for the same scope of consolidation recorded a decrease of 6% mainly due to a greater promotional boost compared with the same period of the previous year and a contraction in demand back to pre-COVID levels.

The first months of 2022 saw an increase in turnover in almost all business units in terms of both quantity and average sales price:

- +8% in the milk segment
- +7% in the dairy segment
- +5% in the pasta segment
- +5% in the bakery segment
- +5% in the instant noodles segment

This result is even more surprising if we consider that the first months of the year usually do not represent periods of growth for the food sector.

These figures augur well for the end of the financial year and provide a solid basis to develop the guidelines of the business plan and to embark on external growth.

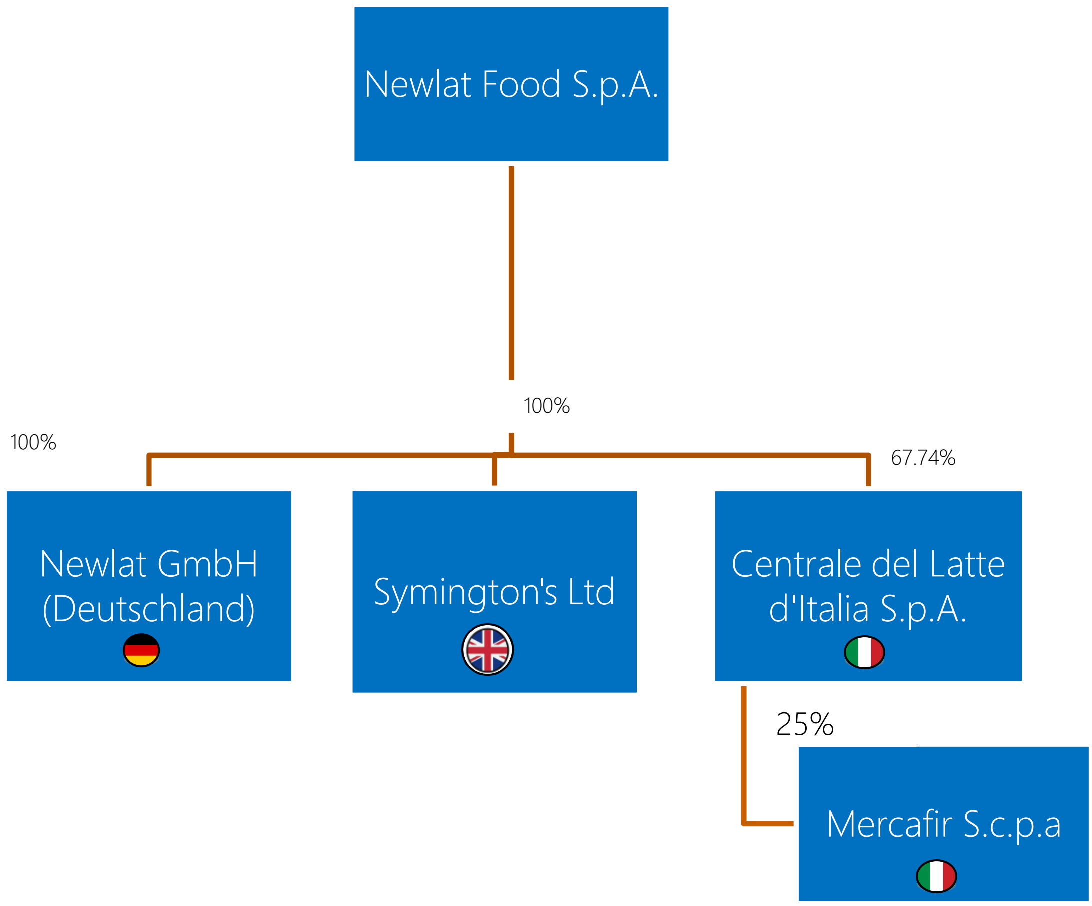
Growth figures by geographical area are also reassuring: +5% in the German market and +8% in the Italian market, which offer hope also in light of the recent acquisition of the Symington's Group and the inclusion of new products in a context of strong expansion.

Finally, the financial data once again confirm the Group's great ability to generate cash from operations, thanks also to those synergies and economies of scale that made it possible to maintain the margins recorded in the same period of the previous year (8.8% proforma EBITDA margin at 31 December 2021 v 91% at 31 December 2020 with the same scope of consolidation) and a net financial position improving by Euro 24 million and with a cash conversion of 77%.

The proforma data contained in this Report on Operations has not been audited by PricewaterhouseCoopers S.p.A.

THE COMPANY STRUCTURE AS AT 31 DECEMBER 2021

Below is a graphical representation of the companies belonging to the Newlat Group at 31 December 2021:



The table below shows the main information regarding the Subsidiaries of Newlat:

Name	Registered Office	Currency	Share capital at 31 December 2021	Control percentage As at 31 December	
				2021	2020
Newlat Food S.p.A.	Italy - Via J.F. Kennedy 16, Reggio Emilia	EUR	27,000,000	Parent company	Parent company
Symington's Limited	2528254 Dartmouthway, Leeds	GBP	100	100%	
Newlat Deutschland	Germany - Franzosenstraße 9, Mannheim	EUR	1,025,000	100%	100%
Centrale Latte d'Italia	Italy - Via Filadelfia 220, Turin	EUR	28,840,041	67.74%	67.59%

A table summarising the carrying amount of each subsidiary recorded in the Company's separate financial statements at 31 December 2021 and the equity and profit/loss data for each subsidiary is also provided below:

Name	Carrying amount of equity investment (in thousands of euros)	Shareholders' equity (thousands of euros)	Profit / loss for the year (in thousands of euros)
	31/12/2021	31/12/2021	31/12/2021
Newlat GmbH Deutschland	68,873	32,440	3,796
Symington's Limited	63,914	25,254	(930)
Centrale del Latte d'Italia S.p.A.	25,405	63,137	2,294

The financial statements of subsidiaries have been audited.

Below is a brief description of the activity carried out by the Parent Company's subsidiary and by the merged companies:

- Newlat Food S.p.A.: a company specialising in the production and sale of fresh and UHT milk, fresh and UHT cream, yoghurt and different types of butter and cheese, mascarpone and dairy products, in the production and sale of pasta, including organic pasta, wholemeal pasta, long and short pasta, pasta nests and premium lasagne, in the production of baked goods such as croutons and rusks, in the production of speciality and baby products.
- Newlat GmbH Deutschland: a company active in the production and sale in Germany of traditional forms of German pasta such as *spätzle* and flavoured pasta, instant cups and sauces.
- Centrale del Latte d'Italia S.p.A.: a company specialising in the production and sale of fresh and UHT milk, fresh and UHT cream, yoghurt and different types of butter and cheese.
- Symington's Limited, a company specialising in the production and sale of instant noodles

COMPANY BODIES

Pursuant to article 12 of the new by-laws, Newlat Food S.p.A. is managed by a Board of Directors with no fewer than 3 members and no more than 15. The Shareholders' Meeting shall determine the number of Board members from time to time, before their appointment. The directors remain in office for the period set by the shareholders' appointment resolution, up to a maximum of three financial years, and are eligible for re-election. Their term shall expire on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term, unless there are grounds for termination and forfeiture as provided for by law and by the new by-laws.

The Board of Directors consisting of:

a. four members in office with immediate effect; and

b. three members, who fulfil the independence requirements, in office from the trading start date (29 October 2019).

The following table displays the composition of the Board of Directors:

Name and surname	Position	Place and date of birth
Angelo Mastrolia	Executive Chairman of the Board of Directors and Director (**)	Campagna (SA), 5 December 1964
Giuseppe Mastrolia	Chief Executive Officer and Director (**)	Battipaglia (SA), 11 February 1989
Stefano Cometto	Chief Executive Officer and Director (**)	Monza, 25 September 1972
Benedetta Mastrolia	Director (***)	Rome, 18 October 1995
Maria Cristina Zoppo	Director (*) (***)	Turin, 14 November 1971
Valentina Montanari	Director (*) (***)	Milan, 20 March 1967
Eric Sandrin	Director (*) (***)	Saint-Amand-Montrond, 13 August 1964

(*) Independent director pursuant to article 148 of the Consolidated Law on Finance (TUF) and article 3 of the Corporate Governance Code, who took office when the Company's shares began to trade on the STAR segment of the MTA, i.e. 29 October 2019.
(**) Executive Director.
(***) Non-executive director.

The members of the Board of Statutory Auditors are as follows:

Name and surname	Position	Place and date of birth	Date first appointed
Massimo Carlomagno	Chairman	Agnone (IS), 22 September 1965	28.02.2005
Ester Sammartino	Standing Auditor	Agnone (IS), 23 May 1966	28.02.2005
Antonio Mucci	Standing Auditor	Montelongo (CB), 24 March 1946	30.07.2009
Giovanni Carlozzi	Alternate Auditor	Matrice (CB), 23 May 1942	28.06.2011
Giorgio de Franciscis	Alternate Auditor	Pesaro, 24 July 1941	28.06.2011

Control and Risks Committee

Name and surname	Position	Place and date of birth	Date first appointed
Valentina Montanari	Chairman	Milan, 20 March 1967	29.10.2019
Maria Cristina Zoppo	Member	Turin, 14 November 1971	25.09.2020
Eric Sandrin	Member	Saint-Amand-Montrond, 13 August 1964	29.10.2019

Remuneration and Appointments Committee

Name and surname	Position	Place and date of birth	Date first appointed
Eric Sandrin	Chairman	Saint-Amand-Montrond, 13 August 1964	29.10.2019
Maria Cristina Zoppo	Member	Turin, 14 November 1971	25.09.2020
Valentina Montanari	Member	Milan, 20 March 1967	29.10.2019

Committee for transactions with related parties

Name and surname	Position	Place and date of birth	Date first appointed
Maria Cristina Zoppo	Chairman	Turin, 14 November 1971	25.09.2020
Valentina Montanari	Member	Milan, 20 March 1967	29.10.2019
Eric Sandrin	Member	Saint-Amand-Montrond, 13 August 1964	29.10.2019

Supervisory Board pursuant to Italian Legislative Decree 231/01

Name and surname	Position	Place and date of birth	Date first appointed
Massimo Carlomagno	Chairman	Agnone (IS), 22 September 1965	27.12.2016
Ester Sammartino	Member	Agnone (IS), 23 May 1966	27.12.2016

Rocco Sergi is the Financial Reporting Officer.

PricewaterhouseCoopers S.p.A. is the independent auditor appointed for the years 2019-2027.

CORPORATE GOVERNANCE

Corporate governance is the set of rules, systems and mechanisms designed to effectively implement the organisation's decision-making processes in the interest of all Group stakeholders. The parent company Newlat Food S.p.A. complies with the Corporate Governance Code for Listed Companies, which was approved in January 2020, replacing the previous version. A traditional governance system is in place which includes three structures: the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

Board of Directors

The Board of Directors is the body charged with administering the company using the powers allocated to it by law and by the by-laws. It is structured and operates to ensure that its functions are performed efficiently and effectively. Directors act and make decisions to create value for shareholders, and they report on operations during the Shareholders' Meeting. With regard to appointing and replacing the entire Board of Directors and/or some of its members, the Company's by-laws require board members to be elected on the basis of candidate slates in accordance with the methods outlined in more detail in the Report on Corporate Governance and Ownership Structure (attached to this document) and in compliance with existing legislation on gender representation. On 8 July 2019, the Shareholders' Meeting appointed a four-person Board of Directors, increased to seven when the Company's shares began trading on the MTA, which will remain in office until the 2021 financial statements are approved.

Board of Directors committees

The Board of Directors has no internal committees other than those required by the Corporate Governance Code, with the exception of the Related Party Transactions Committee, in order to comply with the provisions of the Related Parties Regulation.

The Company has assigned to a single committee, namely the Remuneration and Appointments Committee, the functions envisaged in Articles 4 and 5 of the Corporate Governance Code.

The Board of Directors' internal committees are as follows:

- The Control and Risks Committee helps the Board of Directors to assess and make decisions regarding the Internal Control and Risk Management System, the approval of annual and half-year financial statements and relations between the Company and the independent auditor, where support is provided in the form of an adequate investigative phase. For this purpose, the Committee has three members with sufficient financial and accounting experience: Valentina Montanari, as Chairman, Maria Cristina Zoppo and Eric Sandrin, all of whom are non-executive and independent directors.

- The Remuneration and Appointments Committee plays an advisory and recommendatory role, with investigative functions, in the assessments and decisions relating to the composition of the Board of Directors and to the remuneration of directors and managers with strategic responsibilities, overseeing their application and making general recommendations on the matter. The Remuneration Committee is composed of three members, all of whom are non-executive and independent directors. All members have suitable financial and accounting experience and knowledge. With regard to determining remuneration for board members, the Shareholders' Meeting allots a salary for the duration of the mandate which may consist of a fixed portion and a variable portion commensurate with the achievement of certain targets and/or with the Company's financial results. To be able to list on the STAR segment, exchange regulations require the Remuneration Committee to ensure that a significant share of the pay for executive directors and senior managers be incentive-linked.

Please see the report on remuneration published in accordance with article 123-*ter* of the Consolidated Law on Finance (TUF) for information on the general remuneration policy and the remuneration of executive directors, managers with strategic responsibilities and non-executive directors. For this purpose, the Committee has three members with sufficient financial and accounting experience: Eric Sandrin, as Chairman, Maria Cristina Zoppo and Valentina Montanari, all of whom are non-executive and independent directors.

- The Related Party Transactions Committee (hereinafter also the "RPT Committee") is responsible for ensuring the integrity of transactions with related parties by giving an opinion on the Company's interest in completing a specific transaction, as well as on the suitability and fairness of the corresponding conditions. This committee comprises three non-executive and independent directors: Maria Cristina Zoppo as Chair, Valentina Montanari and Eric Sandrin.

Board of Statutory Auditors

Members of the Board of Auditors are selected on the basis of their ability to meet requirements of professionalism, independence and integrity in accordance with legislation and regulations. The Company's Board of Statutory Auditors was appointed during the Shareholders' Meeting on 8 July 2019 and will remain in office until the approval of the 2021 financial statements.

Internal Control and Risk Management System

The Internal Control and Risk Management System (ICRMS) is the set of rules, procedures and organisational structures designed to enable the Company to conduct its business correctly and in line with set objectives, using a suitable process for identifying, measuring, managing and monitoring the main risks. The Board of Directors identified the nature and level of risk compatible with the Company's strategic objectives when it drew up its strategic, industrial and financial plans. This assessment included all and any risks that may become significant in terms of sustaining the Company's activities in the medium to long term. In support of the ICRMS and the Control and Risks Committee, on 8 July 2019 the Board of Directors appointed Angelo Mastrolia as the director responsible for the ICRMS who will perform the functions referred to in article 6 of the Corporate Governance Code. With the help of the Control and Risks Committee, the Board of Directors has also drawn up guidelines for the ICRMS, identifying the system itself as a cross-sectional process integral to all business activities and based on the international principles of Enterprise Risk Management (ERM).

The purpose of the ICRMS is to help the Group 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 and classifying 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 compliance with existing legislation and regulations to avoid damage to the company's reputation and/or financial losses). In view of this, the Internal Audit Department verifies the suitability of the ICRMS through an audit schedule that is approved by the Board of Directors and makes provision for regular reports containing sufficient information on the performance of its activities, as well as timely reports on events of particular importance.

The Board of Directors annually assesses the effectiveness of the ICRMS and its suitability in view of the characteristics of the business based on information and evidence received with the support of the investigative activities performed by the Control and Risks Committee, the Head of Internal Audit and the Supervisory Board pursuant to Italian Legislative Decree 231/2001.

Organisational Model pursuant to Italian Leg. Decree 231/2001, Code of Ethics and fight against corruption

The Newlat Food S.p.A. Board of Directors approved its Organisation, Management and Control Model in accordance with Italian Legislative Decree 231/2001 on 30.03.2016, last updated on 9 August 2019. The Model was drawn up on the basis of guidelines issued by Confindustria (the Italian industry confederation) in accordance with the relevant legislation, and sets out standards for behaviour, procedures and control activities, in addition to powers and mandates designed to prevent the offences outlined in Italian Legislative Decree 231/2001.

The Model 231 was published and communicated to all personnel, third-party contractors, customers, suppliers and partners.

No reports of non-compliant behaviour or violations of the Code of Ethics were received during the year.

In order to ensure that the Model is correctly implemented, a Supervisory Board (SB) has been established, currently comprising Massimo Carlomagno, as Chairman, and Ester Sammartino.

The SB sends the Board of Directors a written report every six months on how the Model 231 is being implemented and disseminated within each Company department.

The implementation of adequate regular and/or sporadic information flows to the SB is another important tool helping it to fulfil its legal monitoring responsibilities and ensuring that the Model serves its purpose of preventing liability.

No breaches of the Model or irregularities have emerged after examining the information received from managers of the various areas of the Company, and no acts or conduct have come to light that constitute an infringement of the provisions of Italian Legislative Decree 231/2001.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year under review are illustrated below:

- On 1 February 2021, the Board of Directors of Newlat S.p.A. approved the issue of an unrated, unsecured, non-convertible and non-subordinated senior bond for a minimum value of Euro 150 million and a maximum of Euro 200 million. The duration of the bond is set at six years from the date of issue.
- On 19 February 2021, this bond was successfully issued at an interest rate of 2.625% for a value of Euro 200 million. This substantial amount of liquidity was partially used for the acquisition of all of Symington's shares on 4 August 2021 and will also be used for future acquisitions.
- On 4 August 2021 a contract was stipulated with Speedboat Acquisitionco Limited, as the seller, for the purchase of 100% of the ordinary shares and voting rights of the Symington's Group (consisting of Symington's Limited, Symington's Limited (Holding) and Symington's Australia PTY Limited) for a consideration of GBP 53 million, equal to Euro 62.13 million. Not being subject to any conditions precedent, the operation involved the purchase of the shares on the same date of 4 August 2021.

SHAREHOLDERS AND FINANCIAL MARKETS

The Newlat Group maintains a constant dialogue with its shareholders through responsible and transparent communication carried out by the Investor Relations department, with the aim of facilitating an understanding of the Company's situation, outlook, Group strategies and the prospects for the reference market. This department is also tasked with organising presentations, events and roadshows that enable a direct relationship to be established between the financial community and the Group's senior management. For further information, and to consult the economic-financial data, corporate presentations, periodic publications, official communications and updates on the share price, visit the Investor Relations section of www.newlat.com.

The following is a graphical representation of the performance of Newlat Food stock over the course of 2021.

During the period in question, the official Newlat Food share price increased by 20% from Euro 5.54 to Euro 6.65.

The market capitalisation at 31 December 2021 was Euro 292,168,082.

All shares issued were fully paid up.

REPORT ON OPERATIONS

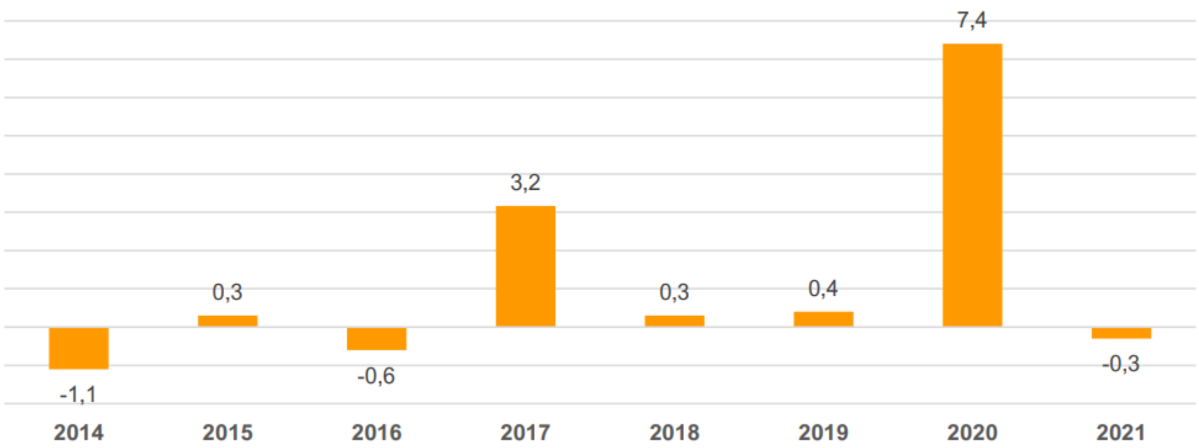
The Newlat Group is an important player in the Italian and European agri-food sector. In particular, the Group has a strong position in its domestic market and a significant presence in the German market.

The Newlat Group is mainly active in the pasta, dairy and baked goods sectors, as well in special products such as health & wellness, gluten free and baby food. The Newlat Group's product range is divided into the following business units:

- Pasta
- Milk Products
- Dairy Products
- Bakery Products
- Special Products
- Instant Noodles
- Other Products

After 2020, which saw the highest growth in expenditures of the last decade (+7.4%), 2021 was expected to be a year with "rebounding" trends. Instead, expenditures only fell by 0.3% compared to the previous year, also supported by price increases in the last months of the year.

Dynamic of annual costs 2014-2021



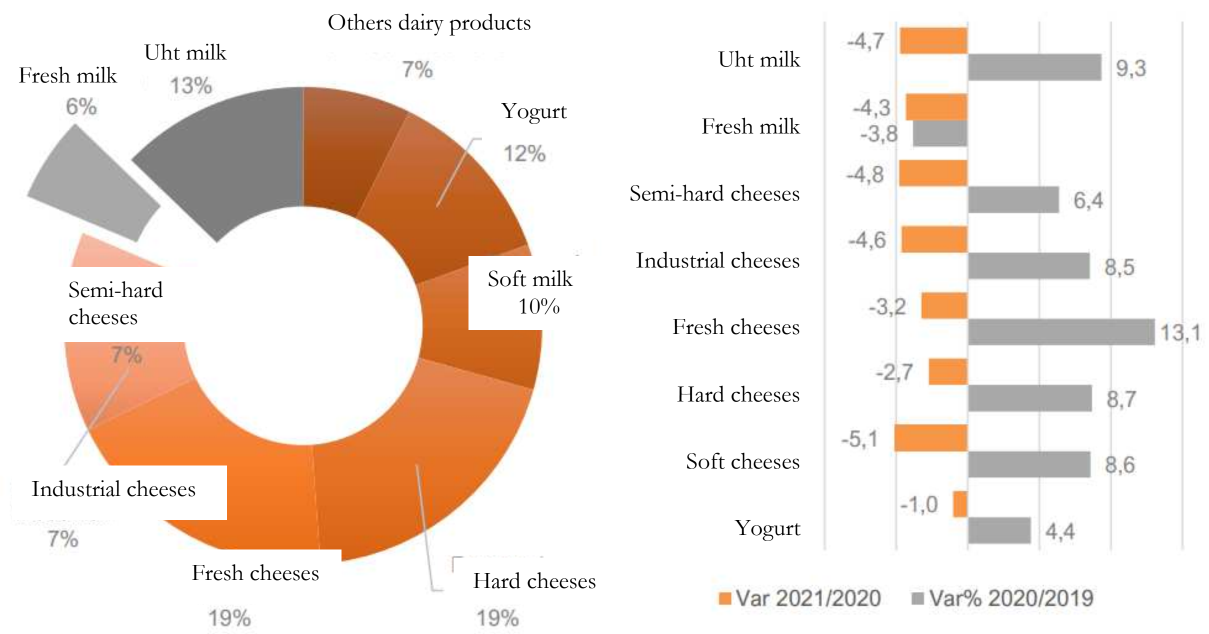
Source: Ismea elaboration from Nielsen data

The Milk Products and Dairy Products market

Spending on dairy products fell sharply, with turnover of around Euro 11 billion in 2021, down 4.1% on the previous year. A sharp decline in both volumes and spending affected all products in the sector, but it was once again milk that experienced the most difficulties. Indeed, while the negative trend for other products was merely a readjustment after the abnormal increases in 2020, for fresh milk it was another consecutive decline, which, combined with the contraction in UHT, means that in 2021 milk purchases will fall by around 126 million litres compared with 2020.

Of the various milk products, only the highly digestible UHT semi-skimmed milk product is in positive territory (+2% compared to 2020 and a good +20% compared to 2019), which means that it is not only the return to breakfast at the café that is spurring the sector, but also consumption tending towards a healthy lifestyle. Price increases of between 1.5% and 2.5% were recorded for all product categories. Cheese expenditures fell but were still higher than in 2019, with a good performance by fresh cheeses (mainly dairy products), which, despite losing 3.2%, were up 10% versus the pre-Covid period. Hard cheeses also did well, with spending down 2.7% but still 6% higher than in 2019. For both fresh and hard cheeses, average prices are up 1.5%.

Milk & Dairy Products – weight on segment and change on an annual basis



Source: Ismea elaboration from Nielsen data

The Pasta and Bakery Products market

After the strong turbulence generated mainly by the first wave of the pandemic, the durum wheat and pasta supply chain seems to be returning to pre-Covid levels, with production and consumption trends in line with those of 2019. The market is also normalising, with a substantial easing of the price pressure that had characterised the last two campaigns.

In 2020, the Italian supply chain produced 11% more pasta than in 2019 despite the prolonged halt of the ho.re.ca sector, with growth peaks of over 40% at certain times of the year. A return to pre-pandemic levels is expected in 2021, with production 1% higher than in 2019. Demand is also normalising: in Q1 2021, pasta consumption fell by 15.1% compared to the same period in 2020. The estimate for 2021 is -3.4% compared to 2020, which will bring consumption back to 2019 levels (an estimated +1%).

Despite the slowdown in exports in the first part of 2021 after the record in 2020, Italy obviously remains the world leader in terms of production (3.9 million tonnes), exports (2.4 million tonnes) and consumption: every Italian eats more than 23 kg a year, beating Tunisia (17 kg), Venezuela (15) and Greece (12) in this special (and somewhat surprising) ranking. Although demand is normalising after the peaks of 2020 due to pandemic restrictions, according to the Italian Food Union survey domestic consumption in 2021 is expected to be in line with or higher than in 2019.

As mentioned above, the pace in 2021 was set by exports. After years of uninterrupted growth that led the sector's foreign turnover to exceed 2.3 billion in 2020, in the first 7 months of the year shipments fell by more than 10% in value and 18% in quantity, but a comparison with pre-Covid values for the same period in 2019 shows a growth of 13%, confirming an adjustment in a framework of general structural growth. One pasta dish in four in the world is Italian, and well over half (62%) of domestic production ends up abroad. The main customers are Germany, the UK, the US, France and Japan, five countries that alone account for more than half of exports, while the fastest growing markets are China, Canada, Spain and Saudi Arabia.

Commodity prices

Manufacturing the Group's products requires a large number and variety of raw and semi-finished materials including, but not limited to, milk, durum wheat semolina, common wheat flour, eggs and packaging materials.

In 2021 the raw materials costs for milk and cream varied over the course of the year, with an overall increase compared with the previous year. This trend is also expected to increase in 2022.

The price of soft and durum wheat saw significant increases in the second half of the year due to a drastic reduction in stocks and an increase in transport costs, particularly container freights.

Strong price increases were also recorded in the world of paper and plastics and in all components related to primary and secondary packaging.

The following table contains the income statement of the Group's proforma consolidated financial statements:

(In thousands of euros and as a percentage of revenue from contracts with customers)	**Proforma at 31 December**					
	2021	**%**	**2020**	**%**	**2021 v 2020**	**%**
Revenue from contracts with customers	625,226	100.0%	641,975	100.0%	(16,749)	(2.6%)
Cost of sales	(497,520)	(79.6%)	(504,226)	(78.5%)	6,706	(1.3%)
Gross operating profit/(loss)	**127,706**	**20.4%**	**137,749**	**21.5%**	**(10,043)**	**(7.3%)**
Sales and distribution costs	(82,231)	(13.2%)	(76,953)	(12.0%)	(5,279)	6.9%
Administrative costs	(26,414)	(4.2%)	(33,549)	(5.2%)	7,135	(21.3%)
Net write-downs of financial assets	(1,201)	(0.2%)	(1,677)	(0.3%)	476	(28.4%)
Other revenues and income	9,908	1.6%	8,970	1.4%	938	10.5%
Income from business combinations	-	-	23,839	3.7%	(23,839)	(100.0%)
Other operating costs	(7,295)	(1.2%)	(7,992)	(1.2%)	697	(8.7%)
Operating profit/(loss) (EBIT)	**20,473**	**3.3%**	**50,388**	**7.8%**	**(29,915)**	**(59.4%)**
Financial income	1,157	0.2%	586	0.1%	571	97.5%
Financial expenses	(9,210)	(1.5%)	(4,657)	(0.7%)	(4,553)	97.8%
Profit/(loss) before taxes	**12,420**	**2.0%**	**46,317**	**7.2%**	**(33,897)**	**(73.2%)**
Income taxes	(4,453)	(0.7%)	(6,585)	(1.1%)	2,131	(32.4%)
Net profit/(loss)	**7,967**	**1.3%**	**39,732**	**6.1%**	**(31,765)**	**(79.9%)**

The following is a brief commentary on the most significant changes to the main income statement items that occurred in the years under review.

Revenue from contracts with customers

Revenue from contracts with customers contains the contractual fees to which the Group 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, Newlat 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)	**Proforma at 31 December**				**Changes**	
	2021	**%**	**2020**	**%**	**2021 v. 2020**	**%**
Pasta	150,137	24.0%	148,587	23.1%	1,550	1%
Milk Products	230,004	36.8%	246,092	38.3%	(16,088)	-7%
Bakery Products	39,467	6.3%	39,076	6.1%	391	1%
Dairy Products	40,026	6.4%	33,693	5.2%	6,333	19%
Special Products	34,787	5.6%	34,005	5.3%	782	2%
Instant noodles	117,393	18.8%	125,032	19.5%	(7,639)	-6%
Other products	13,413	2.1%	15,490	2.4%	(2,077)	-13%
Revenue from contracts with customers	**625,226**	**100.0%**	**641,975**	**100.0%**	**-16,748**	**(2.6%)**

Revenues from the Pasta segment were up during the periods under review due to higher sales volumes in the private label and B2B sectors and a stabilisation in the German market.

Revenues from the Milk Products segment decreased as a result of lower volumes and an increased promotional drive with a decrease in the average sales price.

Revenues from the Bakery Products segment are substantially in line with the previous year.

Revenues in the Dairy Products segment increased sharply as a result of higher sales volumes.

Revenues from the Special Products segment increased by 2% compared to the previous year due to higher sales volumes.

Revenues from the Instant Noodles segment decreased as a result of a drop in demand, mainly due to a return of pre-Covid demand and a higher impact of promotional activities.

Revenues from the Other Products segment decreased as a result of lower sales volumes due to the effects of the COVID-19 pandemic in the Food Service and Ho.Re.CA sectors.

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)	**Proforma at 31 December**				**Changes**	
	2021	**%**	**2020**	**%**	**2021 v. 2020**	**%**
Mass Distribution	373,389	59.7%	388,126	60.5%	(14,736)	-4%
B2B partners	58,489	9.4%	60,300	9.4%	(1,811)	-3%
Normal trade	71,296	11.4%	72,063	11.2%	(767)	-1%
Private labels	109,753	17.6%	107,704	16.8%	2,049	2%
Food services	12,299	2.0%	13,782	2.0%	(1,483)	-11%
Total revenue from contracts with customers	**625,226**	**100.0%**	**641,975**	**100.0%**	**-16,749**	**(2.6%)**

Revenues from the Mass Distribution channel decreased primarily because of lower sales volumes in the milk sector. The contribution of the Mass Distribution channel went from 60.5% to 59.7%.

Revenues from the B2B partners channel decreased due to a decrease in sales volumes. The B2B partners channel's contribution to revenues remains substantially unchanged.
Revenues from the Normal Trade channel were broadly in line with the previous year, as was the contribution to the consolidated figures.

Revenues from the private label channel increased as a result of higher sales volumes in the dairy sector. The contribution of 17.6% is mainly due to the inclusion of Symington's in the new scope of consolidation.

Revenues from the Foodservice channel decreased as a result of lower sales volumes due to COVID-19.

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

(In thousands of euros and as a percentage)	Proforma at 31 December				Changes	
	2021	**%**	**2020**	**%**	**2021 v. 2020**	**%**
Italy	330,419	52.8%	350,836	54.6%	(20,417)	-6%
Germany	107,300	17.2%	103,188	16.1%	4,112	4%
United Kingdom	120,471	19.3%	131,567	20.5%	(11,096)	-8%
Other countries	67,036	10.7%	56,384	8.8%	10,652	19%
Total revenue from contracts with customers	**625,226**	**100.0%**	**641,975**	**100.0%**	**-16,748**	**(2.6%)**

Revenues in Italy were down because of lower sales volumes.

Revenues from Germany increased because of higher sales volumes in the Dairy sector.

Revenues from the United Kingdom decreased because of lower sales volumes in the instant noodles and pasta segment

Revenues from Other Countries increased because of higher sales volumes in the Dairy and Pasta sector.

Gross operating result and operating result

The following table provides a reconciliation of the ROS for the periods under review:

(In thousands of euros and as a percentage)	At 31 December	
	2021	**2020**
Normalised operating profit/loss (EBIT)	23,535	26,549
Revenue from contracts with customers	625,227	641,975
ROS (*)	**3.8%**	**4.1%**

(*) ROS (return on sales) is an alternative performance indicator not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure to those provided by the Group's financial statements when assessing the Group's results. Operating profit/loss (EBIT) at 31 December 2021 and 2020 was normalised as non-recurring income and expenses were not taken into account

ROS decreased slightly as a result of a lower operating result.

The following table provides a reconciliation of the ROI (return on investment) for the periods under review:

(In thousands of euros and as a percentage)	At 31 December	
	2021	**2020**
Normalised operating profit/loss (EBIT)	23,535	26,549
Net invested capital (*)	213,147	150,863
ROI (*)	**11.0%**	**17.6%**

(*) Net invested capital and ROI (return on investment) 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. Operating profit/loss (EBIT) at 31 December 2021 and 2020 was normalised as non-recurring income and expenses were not taken into account

EBITDA

The following table provides a reconciliation of EBITDA, the EBITDA margin and cash conversion at 31 December 2021 and 2020:

(In thousands of euros and as a percentage)	At 31 December	
	2021	**2020**
Operating profit/(loss) (EBIT)	20,473	50,388
Amortisation, depreciation and write-downs	33,278	30,203
Net write-downs of financial assets	1,201	1,677
Income from business combinations		(23,839)
EBITDA (*) (A)	**54,951**	**58,429**
Revenue from contracts with customers	625,225	641,975
EBITDA margin (*)	**8.8%**	**9.1%**
investments (B)	13,254	14,364
Cash conversion [(A) - (B)]/(A)	**75.9%**	**75.4%**

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)	**Proforma at 31 December**				**Changes**	
	2021	**%**	**2020**	**%**	**2021 v 2020**	**%**
Pasta	12,781	8.5%	12,123	8.2%	658	5.4%
Milk Products	16,831	7.3%	22,336	9.1%	(5,505)	(24.6%)
Bakery Products	7,069	17.9%	6,776	17.3%	293	4.3%
Dairy Products	4,720	11.8%	4,150	12.3%	570	13.7%
Special Products	3,752	10.8%	3,591	10.6%	161	4.5%
Instant Noodles	9,218	7.9%	8,783	7.0%	435	5.0%
Other assets	580	4.3%	670	4.3%	(90)	(13.4%)
EBITDA	**54,951**	**8.8%**	**58,429**	**9.1%**	**(3,478)**	**(6.0%)**

EBITDA from the Pasta segment increased due to higher sales volumes with more generous margins.

EBITDA in the Milk Products segment decreased, mainly as a result of a decrease in sales volumes, a decrease in the average sales price and a deterioration in the supply chain.

EBITDA from the Bakery Products segment increased mainly due to the increase in sales volumes with higher margins.

EBITDA from the Dairy Products segment increased due to higher sales volumes. In terms of impact, there was a decrease in margins due to a slight deterioration in the supply chain.

EBITDA from the Special Products segment was broadly in line with the previous year.

EBITDA in the Instant Noodles segment increased compared to the previous year despite the decrease in sales volumes due to higher margin sales.

EBITDA from the Other Products segment was broadly in line with the previous year.

Net profit/(loss)

The table below provides a reconciliation of the ROE at 31 December 2021 and 2020.

The significant increase in ROE related mainly to the Group's performance.

(In thousands of euros and as a percentage)	At 31 December	
	2021	**2020**
Normalised net profit/(loss)	11,028	15,893
Shareholders' equity	143,602	156,056
ROE (*)	**7.2%**	**10.2%**

(*) ROE (return on equity) is an alternative performance indicator not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure to those provided by the Group's financial statements when assessing the Group's results. Net profit/loss at 31 December 2021 and 2020 was normalised as non-recurring income and expenses were not taken into account

Net financial debt

The following table provides details of the composition of the Company's net financial debt as at 31 December 2021 and 31 December 2020, 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)	At 31 December	
Net financial debt	**2021**	**2020**
A. Cash	354.00	323.00
B. Other cash and cash equivalents	384,534	181,804
C. Other current financial assets	35	4
D. Cash and cash equivalents (A)+(B)+(C)	**384,923**	**182,131**
E. Current financial payables	(104,642)	(42,546)
F. Current portion of non-current financial debt	(30,525)	(27,145)
G. Current financial indebtedness (E)+(F)	**(135,167)**	**(69,691)**
H. Net current financial indebtedness (G)+(D)	**249,756**	**112,440**
I. Non-current financial debt	(119,937)	(107,247)
J. Debt instruments	(198,455)	-
K. Trade and other non-current payables	-	-
L. Non-current financial indebtedness (I)+(J)+(K)	**(318,392)**	**(107,247)**
M. Net financial indebtedness (H)+(L)	**(68,635)**	**5,193**
Purchase of treasury shares	15,759	922
Acquisition of SYMGT		(63,914)
SYMG IFRS		(25,700)
N. Proforma net financial debt	**(52,876)**	**(83,499)**

The change in net financial debt as at 31 December 2021 compared with proforma figures as at 31 December 2020 totalling Euro 30,622 thousand was mainly due to the generation of cash from operations and better management of net working capital.

At 31 December 2021, without considering lease liabilities, net financial debt was as follows:

(In thousands of euros)	At 31 December	
	2021	**2020**
Proforma net financial indebtedness	**(52,876)**	**(83,498)**
Current lease liabilities	7,887	6,570
Non-current lease liabilities	31,175	38,136
Proforma net financial position	**(13,814)**	**(38,793)**

The following table shows some of the Group's solvency indicators at 31 December 2021 and 2020:

(In thousands of euros)	Year ended 31 December	
	2021	**2020 proforma**
Net financial debt / Equity	(0.37)	(0.54)
Net financial debt / EBITDA	(1.10)	(1.85)
EBITDA / financial expenses	6.39	13.65

INVESTMENTS

The following table provides a breakdown of the Group's investments in property, plant and equipment and intangible assets in the years ending 31 December 2021 and 2020:

(In thousands of euros and as a percentage)	At 31 December			
	2021	%	**2020**	%
Land and buildings	37	0.3%	855	6.3%
Plant and machinery	9,391	74.0%	9,024	66.0%
Industrial and commercial equipment	484	3.8%	451	3.3%
Other assets	231	1.8%	191	1.4%
Assets under construction and payments on account	1,434	11.3%	2,555	18.7%
Investments in property, plant and equipment	**11,577**	**90.8%**	**13,076**	**95.7%**
Patents and intellectual property rights	149	1.2%	487	3.6%
Concessions, licences, trademarks and similar rights	44	0.3%	52	0.4%
Other assets	914	7.2%	51	0.4%
Investments in intangible assets	**1,107**	**1.6%**	**590**	**4.4%**
Total investments	**12,684**	**100.0%**	**13,666**	**100.0%**

During the reporting period, the Group made investments totalling Euro 12,684 thousand.

The Group's investment policy is aimed at innovation and diversification in terms of product supply. In particular, the Group 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 lines at the Lodi plant and for packaging at the Vicenza plant, as well as an innovative automated warehouse at the Turin plant.

Investments in intangible assets mainly relate to the purchase and updating of application software and investments of a long-term nature in customers of the subsidiary Symington's.

The following table provides a breakdown by business unit of the Group's investments in property, plant and equipment and intangible assets at 31 December 2021 and 2020.:

(In thousands of euros and as a percentage)	At 31 December			
	2021	%	**2020**	%
Special Products	582	4.6%	398	2.9%
Pasta	1,718	13.5%	1,584	11.6%
Bakery Products	561	4.4%	498	3.6%
Milk Products	6,823	53.8%	10,860	79.5%
Dairy Products	542	4.3%	48	0.4%
Instant Noodles	2,257	17.8%	-	-
Other assets	201	1.6%	278	2.0%
Total investments	**12,684**	**100.0%**	**13,666**	**100.0%**

Investments in the Milk Products business unit mainly relate to the efficiency of production facilities at the plant of Reggio Emilia and the Centrale del Latte d'Italia Group.

Investments in the Special Products business unit relate mainly to new software and packaging systems.

Investments in the Dairy business unit relate mainly to the new production line at the Lodi plant

Investments in the Pasta business unit relate mainly to the new packaging facility for pasta products, located at the Sansepolcro (AR) plant.

Investments in the Bakery Products business unit mainly relate to the new packaging facility for baked products, located at the Sansepolcro (AR) plant.

OTHER INFORMATION

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

This section provides information on exposure to risks connected with the activities of the Group 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 Group'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 Group 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 Group, 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 Group'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 Group (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 Group 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 Group. The current macroeconomic context causes significant uncertainty regarding forecasts, with the resulting risk that reduced performance could impact margins in the short term. The Group pursues its aim of increasing its industrial efficiency and improving its production capacity while reducing overheads.

Risks connected with the external growth strategy

The Group 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 Group 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 Group is also exposed to the risk that its past or future 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 Group 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 Group; (ii) increasing prevalence of online sales (where the Group is starting to have a presence) resulting in a decrease in product prices, especially in the mass distribution channel, through which the Group generates a significant percentage of its revenues, namely 59.7% on a proforma basis at 31 December 2021; (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 Group 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 Group 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 Group 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 Group operates;

- credit risk, arising from the possibility of counterparty default;
- liquidity risk, arising from a lack of financial resources to meet commitments.

The Group'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 Group to adequately meet its operational, working capital financing and investment needs, as well as to comply with its financial obligations. The Group'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 Group'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 consolidated results and equity.

The main exchange rates to which the Group 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.

The Group does not adopt specific policies to hedge exchange rate fluctuations because management does not believe that this risk can significantly harm the Group'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 Group operates would not have a significant impact on the net result and shareholders' equity of the years under review.

Interest rate risk

The Group 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 consolidated 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 consolidated income statement and consolidated 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
Year ended 31 December 2021	(255)	255	(255)	255
Year ended 31 December 2020	(531)	531	(495)	495

Credit risk

The Group 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 Group'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 (from consolidated financial statements) at 31 December 2021 and 2020 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 31 December 2021	52,423	16,587	862	16,937	**86,809**
Provision for bad debts	-	(1,825)	(862)	(16,937)	**(19,624)**
Net trade receivables at 31 December 2021	**52,423**	**14,762**	**-**	**(0)**	**67,185**
Gross trade receivables at 31 December 2020	51,716	17,917	3,375	16,937	**89,945**
Provision for bad debts	-	(819)	(921)	(16,937)	**(18,677)**
Net trade receivables at 31 December 2020	51,716	17,098	2,454	(0)	**71,268**

Liquidity risk

Liquidity risk is the risk that, due to the inability to find new funds or to liquidate assets on the market, the Group 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 Group 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 Group'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 Group's liquidity is the resources absorbed by operating activities: the sector in which the Group operates 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 Group's financial equilibrium.

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

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

(In thousands of euros)	**Carrying amount at 31 December 2021**	**Expiry**					
		Year 2022	**Year 2023**	**Year 2024**	**Year 2025**	**Year 2026**	**Beyond**
Total financial liabilities	**414,496**	**127,280**	**34,052**	**18,674**	**7,931**	**6,908**	**219,652**

The financial requirements are adequately covered by the existing cash and credit lines as well as the financial resources that will be generated in the future by operations.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to Consob Communication no. 6064293 of 28 July 2006, it is hereby disclosed that, during 2021, no atypical and/or unusual transactions occurred outside the Company's normal business that could give rise to doubts regarding the accuracy and completeness of the information in the financial statements, conflicts of interest, protection of assets and the safeguarding of minority shareholders. The accounting and financial effects of extraordinary transactions occurring in the year have been 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 the Parent Company holds 2,642,828 treasury shares as at 31 December 2021. The subsidiaries do not hold any shares of the Parent Company.

Sub-offices

At its meeting on 16 July 2020, the Board of Directors of the subsidiary Centrale del Latte d'Italia S.p.A. resolved to set up a secondary office in Florence.

Corporate governance

Information on corporate governance is provided in a separate report that is an integral part of the financial statements, annexed to this Report.

Public Grants

Following the signing on 22 December 2017 with Agenzia Nazionale per l'attrazione degli investimenti e lo sviluppo di impresa S.p.A. – INVITALIA – of the subsidised loan Contract pursuant to the Decree of 9 December 2014 of the Ministry of Economic Development and subsequent amendments and additions, Centrale del Latte d'Italia S.p.A. was granted a total loan of Euro 8,197,945, of which Euro 745,267 as a non-repayable contribution and Euro 7,452,678 as a subsidised loan.

In 2020 the Centrale del Latte d'Italia S.p.A. received and recorded in the Financial Statements the second tranche of the subsidised loan amounting to Euro 2,642,373.75.

In 2018 the company received a contribution for the year amounting to Euro 200.00 following the acceptance of application no. 3509007 of 22.12.2016 submitted to AVEPA - Venetian Agency for Payments in Agriculture referring to the investment measure for the processing and sale of livestock and agricultural products referred to in the RDP - Rural Development Programme of the Veneto Region, Reg. EU no. 1305/2013 DGR Notice no. 1937 of 23 December 2015.

TRANSACTIONS WITH RELATED PARTIES

The Group'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 has adopted its own Procedure for Transactions with Related Parties, the latest version of which was approved on 25 June 2021 with effect from 1 July 2021, following the favourable opinion of the RPT Committee expressed at its meeting on 16 June 2021. This procedure was drawn up taking into account the guidelines provided by the Consob Related Parties Regulation, as last amended by Resolution no. 22144 of 22 December 2021.

The explanatory notes to the consolidated and separate financial statements report on the income statement and statement of financial position items pertaining to related party transactions at 31 December 2021 and 2020. This information has been extracted from the consolidated and separate financial statements and from calculations carried out by the Company based on the outcome of general and operational accounting work.

The Group 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.

For information on the remuneration of members of corporate bodies and senior managers, see the explanatory notes to the separate and consolidated financial statements.

The Group deals with the following related parties:

- 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**").

Events after the reporting date

There are no further significant events subsequent to the closing date of this annual report.

ANNEX A - PROFORMA CONSOLIDATED FINANCIAL STATEMENTS

Proforma consolidated income statement

(In thousands of euros)	As at 31 December proforma	
	2021	**2020**
Revenue from contracts with customers	625,226	641,975
Cost of sales	(497,520)	(504,226)
of which from related parties	*(3,052)*	*(3,581)*
Gross operating profit/(loss)	**127,706**	**137,749**
Sales and distribution costs	(82,231)	(76,953)
Administrative costs	(26,414)	(33,549)
of which from related parties	*(268)*	*(180)*
Net write-downs of financial assets	(1,201)	(1,677)
Other revenues and income	9,908	8,970
Income from business combinations		23,839
Other operating costs	(7,295)	(7,992)
Operating profit/(loss)	**20,473**	**50,388**
Financial income	1,157	586
of which from related parties		*134*
Financial expenses	(9,210)	(4,657)
of which from related parties	*(133)*	*(204)*
Profit/(loss) before taxes	**12,420**	**46,317**
Income taxes	(4,453)	(6,585)
Net profit/(loss)	**7,967**	**39,732**
Profit (loss) attributable to minority interests	**1,106**	**1,339**
Group net profit/(loss)	**6,861**	**38,393**
Basic net profit/(loss) per share	0.18	0.99
Diluted net profit/(loss) per share	0.18	0.99

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CONSOLIDATED NON-FINANCIAL STATEMENT

Drafted pursuant to Italian Legislative Decree 254/2016

Newlat FOOD SpA

A multibrand company

METHODOLOGICAL NOTE

[GRI 102-50]; [GRI 102-52]; [GRI 102-53]; [GRI 102-56]

The Consolidated Non-Financial Statement (hereinafter also referred to as the "NFS" or "Statement") of the Newlat Food Group (hereinafter also referred to as the "Group" or the "Company") was prepared in accordance with the provisions of Legislative Decree no. 254 of 30 December 2016, transposing European Directive 2014/95/EU as amended and supplemented into Italian law.

The indicators reported refer to the reporting year that runs from 1 January to 31 December 2021. Where possible and for the best comparison, the data and information of the previous two years have also been reported.

With regard to the changes in the Group's structure over the three-year period, note that in 2019 the scope included the companies Newlat Food S.p.A. and Newlat GmbH Deutschland. In April 2020 the Group acquired the company Centrale del Latte d'Italia S.p.A., which had four operating plants: Florence, Turin, Vicenza and Rapallo (GE). Since 2021, the factories in Lodi, Reggio Emilia and Salerno have been leased from Newlat Food S.p.A. to Centrale del Latte d'Italia S.p.A. Finally, in August 2021 the Group acquired the British company Symington's Limited. For greater clarity, see Table 1.

Table 1 Scope of Consolidation

Corporate evolution			Plants (identified by geographical location)	2021	2020	2019
		2021				
Centrale del Latte di Salerno S.p.A.	**Newlat Food Spa**	**Centrale del Latte d'Italia S.p.A.**	**Salerno**[1]	X	X	X
Newlat Food Spa			**Reggio Emilia**	X	X	X
			Lodi	X	X	X
		Newlat Food S.p.A.	**Corte dei Frati (CR)**	X	X	X
			Bologna	X	X	X
			Ozzano Taro (PR)	X	X	X
			Sansepolcro (AR)	X	X	X
			Eboli (SA)[2]	X	X	X
Delverde S.p.A.			**Fara San Martino (CH)**	X	X	X
Newlat GmbH			**Mannheim (Germany)**	X	X	X
Centrale del Latte d'Italia S.p.A.			**Turin**	X	X	
			Vicenza	X	X	
			Rapallo (GE)	X	X	
			Florence[3]	X	X	
Symington's Limited			**Dartmouth Way – Leeds (United Kingdom)**[4]	X		
			Bradford (United Kingdom)	X		
			Consett (United Kingdom)	X		

[1] The Salerno plant also manages the warehouses in Pozzuoli (NA), Lecce and Rome
[2] In Eboli (SA) there are two production units: the processing plant and the mill
[3] The Florence plant also manages the warehouses in Arezzo, Livorno, San Vincenzo, Siena, Massa, Grosseto and the island of Elba
[4] The Darthmouth Way plant also operates a warehouse in Leeds

The scope of reporting of non-financial information at 31.12.2021 is therefore Newlat Food Spa (hereinafter also "Newlat Food") and the subsidiaries Newlat GmbH Deutschland, Centrale del Latte d'Italia S.p.A. (hereinafter also "CLI" or "Centrale del Latte d'Italia") and Symington's Limited (hereinafter also "Symington's"), consolidated on a line-by-line basis in the Consolidated Financial Statements as at 31 December 2021.

This Consolidated Non-Financial Statement takes as its reference the "Sustainability Reporting Standards" published in 2016 by the Global Reporting Initiative (GRI) and updated to 2020 for indicators relating to GRI 207-Taxes, GRI 403-Health and Safety, GRI 303-Water and Effluents and GRI 306-Waste and uses the "GRI-Referenced" approach. The following GRI reporting principles required for the definition of the content and quality of the document were taken into consideration for the preparation of the Statement: Stakeholder inclusiveness, Sustainability context, Materiality, Completeness, Accuracy, Balance, Clarity, Comparability, Reliability, Timeliness as reported in GRI Standard 101: Foundation.

For greater clarity, references to the GRI Standards are given within the text highlighted with the symbol *[GRI No.]*.

This Statement sets out non-financial information relating to issues considered material to the Group, taking into account the relevant stakeholders and business model.

In order to provide an accurate representation of the ESG performance achieved, the inclusion of dimensions that are directly measurable was prioritised, avoiding where possible reference to estimates, which, where required, are based on the best possible methods available or on sample surveys, and their use is indicated within the individual indicators.

During the 2021 reporting process, note that it was decided to update specific 2020 data following refinements made to their calculations, as reported in the notes to the pertinent tables. Specifically, up-to-date data can be found in the chapters *Process environmental impact* and *Protection of worker health and safety*.

The reporting process coordinated by the Administration, Finance and Control department used special Reporting Packages sent to the relevant information officers.

The Statement was approved by the Newlat Food S.p.A. Board of Directors on 18/03/2022.

The independent audit of the non-financial statement – Limited assurance – was entrusted to PricewaterhouseCoopers S.p.A. and was completed with the issue of the "Independent auditor’s report on the consolidated non-financial statement pursuant to art. 3.C.10, Italian Legislative Decree no. 254/2016 and art. 5 of the Consob regulation adopted with resolution no. 20267 of January 2018". The Report is available on page 118 of this document.

As required by Regulation EU 852/2020 (EU Taxonomy), Article 8 - Transparency of undertakings in non-financial statements, the Group is required to provide information on its so-called Taxonomy eligible activities, and in particular to turnover, capital expenditures and operating expenditures related to assets or processes associated with economic activities considered as environmentally sustainable in accordance with the relevant delegated acts. This information, reported in the chapter "Regulation EU 852/2020", is not subject to the Limited assurance mentioned above.

BUSINESS MODEL AND VALUE CHAIN

[GRI 102-2]; [GRI 102-6]; [GRI 102-9]

Newlat Food Group was founded in 2004 in Reggio Emilia, where its registered office is still located today.

The Company, and indirectly the Group, has pursued and is pursuing continuous growth, thanks also to the implementation of a policy focused on the acquisition of both nationally and internationally recognised companies and brands.

The history of Newlat Food Group begins with the first acquisition of the Guacci brand in 2004, then continues the following year with the acquisition first of the Pezzullo brand and then of the entire plant located in Eboli (then owned by Nestlé).

In the following years, from 2008, the Group expanded its product portfolio by acquiring Giglio, a company specialising in the milk and dairy sector.

There were more acquisitions in 2008, first with the purchase of the historic Buitoni plant in Sansepolcro, belonging to Nestlé, and subsequently with the acquisition of the licence to use the Buitoni brand.

In 2020, the Group also acquired a majority stake in Centrale del Latte d'Italia.

Finally, in August 2021, 100% of the ordinary shares of the British company Symington's Limited were acquired, a business operating in the food sector with the production of Instant Noodles and Ready Food.

Today, thanks to the strategy pursued, the Group has an established position in the domestic market and a significant presence in the German and British markets through its subsidiaries Newlat GmbH and Symington's, the latter also present in the US and Australian markets.

As of 1 January 2022, the concession of the Buitoni brand for products made by the Group at the Sansepolcro (Arezzo) plant will end, and the plant will continue to operate, making products with the Group's own brands with the same care and quality.

Below is a list of the Trademarks and Companies involved in the acquisitions, reporting the year in which the transaction was concluded.

Table 2 Acquisitions of companies and brands

Company/Trademark	Year of Acquisition
Guacci	2004
Pezzullo	2005
Corticella	2006
Matese	2008
Giglio	2008
Sansepolcro plant (Buitoni licence until 31/12/2021)	2008
Polenghi Lombardo	2009
Optimus	2009
3Glöcken	2013
Birkel	2013
Centrale del Latte di Salerno	2014
Ozzano Taro plant (Plasmon co-packing)	2015
Delverde	2019
Centrale del Latte D'Italia	2020
Symington's	2021

As can be seen from Table 1 above relating to the reporting scope, the Group operates through 18 production plants, of which 14 are in Italy, one in Germany and three in the United Kingdom, divided as follows:

- 5 pasta factories, one of which also produces baked goods
- 7 milk processing plants
- 2 mills
- 1 plant for gluten-free, protein-free and baby food products
- 3 soup and ready meal establishments

The Group employs more than 2,000 people, mainly at the production sites in Italy and England.

With regard to the last two years of reporting, note that despite the pandemic the Company's sales did not suffer. This aspect demonstrated the resilience of the Group's business model, even in a complex and difficult context such as the one resulting from the spread of the coronavirus.

With regard to the health emergency, the Company has worked to ensure strict measures for its workers to operate safely, confirming a strong commitment to comply with health regulations and protocols.

The Company is an important player in the Italian and European agri-food industry. Specifically, the Group is active in the food and beverage sector and is mainly active in pasta, dairy products, bakery products, specialty products, including baby food and foods for people with special nutritional needs, and other convenience products, such as instant noodles, soups, sauces and preparations. The Group's main activities are the selection of suppliers and the purchase of raw materials necessary for its business and the production, processing, packaging, sale and distribution of food and beverages. The Group buys both food ingredients and packaging, which are essential to package the product and ensure maximum quality and proper preservation, and services, which are essential to ensure the continuity of production processes. The table below shows the total expenditures and the share of purchases broken down by category of supplier.

Table 3 Total expenditures by category of supplier

Suppliers - expenditure (million)	2021		2020		2019	
Type of Supply	€	%	€	%	€	%
Goods	304	71%	274	74%	160	79%
Services	124	29%	98	26%	44	21%
Total	**428**	**100%**	**372**	**100%**	**204**	**100%**

Most purchases are related to the supply of raw materials and semi-finished products, thus reflecting the characteristics of the company's businesses, which focus on the production of basic foodstuffs. It is also possible to note a gradual increase in expenditures on goods and services due to the growth of the Group, mainly through the acquisitions made in the last three years, the consequent expansion in the market and the widening of the range of products offered.

The Group cares about the quality and safety of its products in order to protect the health of the consumer. It operates in a B2B market, whose main customers are large-scale retailers and traditional food shops, which are punctually restocked to guarantee the end customer a fresh product that is always available. Product quality, freshness and safety are ensured not only through the numerous checks performed on the product during all stages of the production cycle, but also through careful selection of raw materials and suppliers, the latter qualified on the basis of various elements, including: high quality standards, fulfilment of the Group's business and responsible growth objectives and optimisation of the cost of raw materials, in order to maintain a competitive advantage in terms of quality and overall service offered to the customer.

To make this possible, the Group is committed to tracing and certifying the origin of raw materials, where possible favouring suppliers operating within the same countries where the Company's production plants are located. Given the high spoilage rate of some ingredients, such as dairy products, the relative proximity of suppliers and processing sites is of paramount importance to ensure optimum quality and food safety conditions throughout the production chain, right up to the end consumer. In fact, the Group has strong control over the milk supply chain, with local suppliers – especially in Piedmont, Veneto, Tuscany and Campania – that are frequently monitored and which it invests in with a view to mutual long-term appreciation.

The following tables show the share of purchases from local suppliers[5] in the Group's total expenditures, also showing the amount spent on local suppliers, broken down by company and respective countries of operation.

Table 4 Percentage of expenditures focused on local suppliers [*GRI 204-1*]

Suppliers - expenditure (million)	2021		2020		2019	
	€M	%	€M	%	€M	%
Purchase of goods and services from Newlat Food S.p.A. and CLI S.p.A.	338	100%	323	100%	161	100%
of which purchase of goods and services from ITALY	329	98%	299	92%	135	84%

Suppliers - expenditure (million)	2021		2020		2019	
	€M	%	€M	%	€M	%
Purchase of goods and services of Newlat GmbH	47	100%	49	100%	43	100%
of which purchase of goods and services from GERMANY	44	94%	32	66%	37	86%

Suppliers - expenditure (million)	2021	
	€M	%
Purchase of goods and services of Symington's Ltd	43	100%
of which purchase of goods and services from ENGLAND	36	84%

As proof of the great attention that the Company pays to the development of its own territory and to supporting local industries, the figures show the high percentage of goods and services purchased from suppliers located in the same country in which the various Group companies operate. As much as 96% of value spent comes from suppliers considered to be local.

5 Suppliers are considered to be local if they have their registered office in the same country in which the supply is purchased and processed by one of the Group's plants. Therefore, the local suppliers of Germany and the United Kingdom are considered to have their registered offices in the two respective countries, and similarly all those based in Italy are considered to be local suppliers for Italy.

THE GROUP'S CONTRIBUTION TO THE 2030 AGENDA

The Company's business contributes to achieving some of the 17 Sustainable Development Goals (SDGs) identified by the United Nations in its 2030 Agenda.

Indeed, the implementation of the 2030 Agenda requires a strong involvement not only of institutions, but of all actors in the community, including businesses. Among the goals that the international community has set itself, many are closely related to current food systems. Approximately one-third of global greenhouse gas emissions are due to the agri-food system[6], 70% of the world's freshwater withdrawals are directed to agriculture,[7] and in Italy alone employment in the agri-food chain accounts for more than 17 million people.[8] Aware of the potential impact on ESG issues, the Group has initiated a process to boost its contribution to achieving the Sustainable Development Goals. These Goals have been identified considering the specificities of the food sector and taking into account the Group's business model, its Code of Ethics, practices, policies and activities. In light of these considerations, the following are the Goals the Group can contribute to.

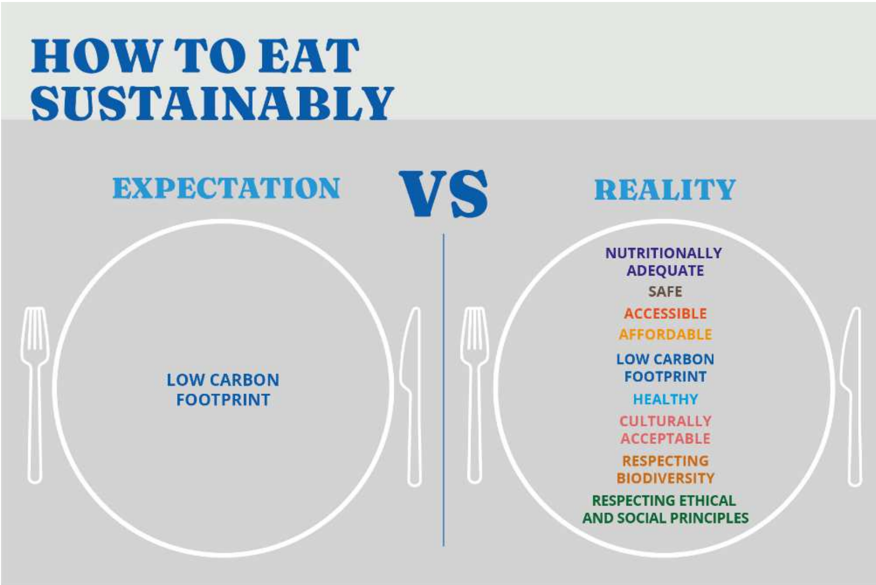
6 Ritchie, H., & Roser, M. (2020). Environmental Impacts of Food Production. Taken from Our World in Data: https://ourworldindata.org/environmental-impacts-of-food#breakdown-of-where-food-system-emissions-come-from

7 Ritchie, H., & Roser, M. (2020). Environmental Impacts of Food Production. Taken from Our World in Data: https://ourworldindata.org/environmental-impacts-of-food

8 Cirianni, A., Fanfani, R., & Gismondi, R. (2021). *Struttura produttiva e performance economica della filiera agroalimentare italiana.* Rome: Istat. Taken from https://www.istat.it/it/files/2021/06/IWP_4-2021.pdf

The Group's Mission and Vision

By virtue of its values, policies and activities, the Company has defined a Group mission and vision. The mission is to pursue consumer well-being through the production of healthy, quality products at affordable prices, promoting the best Italian tradition, while the Group's vision is to convey brands "Made in Italy" that are representative of healthy food and have a worldwide reach, as well as to act as a consolidating player in the agri-food sector.



For our Group, responsible development means conducting business in a way that takes into account multiple aspects and does not only aim to offer a product with a reduced environmental impact. In fact, Research and Development also takes into account – with equal attention – the impact of food on human health and consumer safety, accessibility to all sections of the population and respect for all eating habits and customs.

THE CORPORATE GOVERNANCE MODEL AND SUSTAINABILITY MANAGEMENT

[GRI 102-18]

Newlat Food S.p.A. has structured a Corporate Governance Model based on the recommendations of Borsa Italiana's Corporate Governance Code.

Newlat Food S.p.A. has adopted a traditional form of administration and control. Therefore, corporate management is assigned to the Board of Directors, the supervisory functions to the Board of Statutory Auditors, and the statutory audit, as well as the financial audit, to the Independent Auditors appointed by the Shareholders' Meeting.

The Group is focusing on the adaptation of its corporate structure, on international best practices, on the updating of its relevant Codes, and on the implementation of risk management processes according to the main reference frameworks. Sustainability management has become an integral part of the Group's strategy from 2021. During the year, a Sustainability Management Committee was also set up, reporting directly to the Board of Directors, comprising the main corporate functions involved in the development of business policies and practices.

In 2021 the Group also integrated the main ESG risks into its Enterprise Risk Management (ERM) model, assessing with management how to manage them and identifying remedial activities where deemed necessary. Please refer to the section "Policies and risks" for further details.

With the aim of increasing its transparency, commitment and focus on ESG issues, the Group has established a multi-year Sustainability Plan, approved by the Board of Directors and illustrated below. This plan may be supplemented in future years.

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Table 5 Group Sustainability Plan

Goal	Target	Deadline
Integration of Group policies	Formalisation of a Sustainability Policy	2022
	Formalisation of an Environmental Policy	2022
	Formalisation of a D&I Policy	2022
	Formalisation of a Human Rights Policy	2022
Integration of Group values	Definition of a common value system for all Group companies	2022
	Publication of a single Code of Conduct for the Group	2022
Reduction of environmental impacts	Implementation of ISO 14001-certified EMS in all Centrale del Latte d'Italia plants	2024
Reduction of food waste	Launch of partnership with Too Good To Go for the recovery of short-lived food products	2022
Stakeholder Engagement	Initiation of dialogue with all categories of Stakeholders identified by the Group	2024
Increase oversight of the supply chain in order to ensure alignment of Group values throughout the value chain	Integration of additional ESG elements into supply chain monitoring for Italian companies	2022
Increased awareness of sustainability issues within the Group	Develop a training programme for facilitators on sustainability issues and its promotion in the company	2022
Attention to employees	Maintain third-party certification of the Occupational Health and Safety Management System for Italian plants	2022

Regulation EU 852/2020

The Taxonomy Regulation (hereinafter also "Regulation") is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. Following the issuance of this document, from 2022, being subject to European Directive 2014/95/EU on the Non-Financial Statement, the Group is required to disclose information regarding the alignment to the taxonomy using specific indicators, namely the share of turnover, capital expenditures (Capex) and operating expenditures (Opex) associated with so-called taxonomy-eligible economic activities, i.e. bearing a substantial contribution to the first two environmental objectives contained in the Regulation: mitigation and adaptation to climate change.

In line with article 8, paragraph 2 of the Regulation and on the basis of the activities that the Group carries out as a company active in the food sector, all the activities defined as taxonomy eligible and listed in the Delegated Act (hereinafter also "Act") were examined.

After an in-depth analysis involving all business divisions and functions, none of the Group's main economic activities were found to be taxonomy eligible. It can therefore be concluded that the Group, with its operations, cannot be identified as a significant source of greenhouse gas emissions.

The taxonomy-eligibility assessment took into account the Group's core activities, i.e. production, processing and sale of food and beverages. At the same time, other activities that are not considered sources of revenue, such as the management of owned properties, the expansion of production sites and the management or installation of production facilities, have not been reported as taxonomy-eligible activities, nor have they been included in the Group's key performance indicators (KPIs) because they are not sources of revenue.

From the 2021 reporting year, the KPIs Revenue, Capex and Opex must be reported in relation to taxonomy eligible and non-taxonomy eligible economic activities.

The Group's Revenues derive from non-taxonomy-eligible activities, therefore they are not covered by the current Act. Accordingly, capital and operating expenditures related to the Group's activities are not taxonomy eligible.

The table below, however, provides information on Revenues, Capex and Opex.

Table 6 Share of taxonomy-eligible and non-taxonomy-eligible economic activities in consolidated total Turnover, Capex and Opex

	Share of taxonomy-eligible economic activities (in %)	Share of non-taxonomy-eligible economic activities (in %)
Revenues	0%	100%
Capital expenditures (Capex)	0%	100%
Operating expenditures (Opex)	0%	100%

STAKEHOLDER ENGAGEMENT

[GRI 102-40]; [GRI 102-42]; [GRI 102-43]

Newlat Food Group is constantly in contact with different types of subjects, which generate interests and expectations in relation to the Group. These subjects can therefore be defined as stakeholders and can refer to subjects within the Group structure, such as partners and shareholders and employees, as well as outside the Group, as is the case with suppliers, customers, consumers and local communities.

Each type of stakeholder corresponds to a different and specific type of relationship. This diversity is a direct consequence of the substantial difference between their interests and expectations.

It follows that the Group, in its desire to pay increasing attention to the dialogue with these subjects, will have to address them differently, through a carefully and precisely targeted dialogue.

Indeed, the importance of this dialogue is mainly due to the fact that it allows the Group to achieve the objectives of improving and enhancing the knowledge of its network, enabling, on the one hand, an increase in the positive impacts generated and, on the other, to mitigate the negative impacts of business activities on the environment and society. The dialogue allows the Group to gather important information on the context it operates in and to receive constant feedback on its work, thus facilitating responsible development of its business and environment.

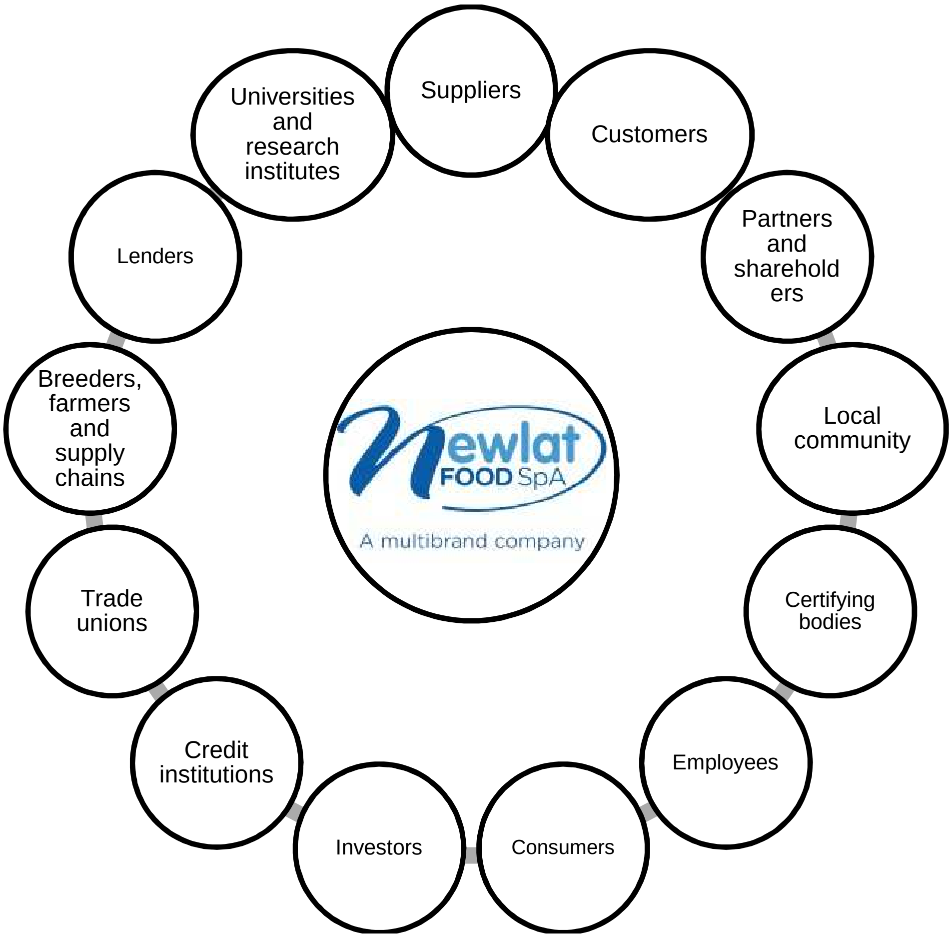
In 2021, with the aim of establishing a profitable and ongoing dialogue with all stakeholders, the Group launched a multi-year Stakeholder Engagement plan that involved numerous parties through one-to-one meetings, workshops and online surveys. Such an exercise will allow timely identification of changes in the Group's impacts and the evolution of business dynamics accordingly.

The Company stakeholders are represented in schematic form in Figure 1, which shows that the Group wants to give its stakeholders equal, albeit specific, importance.

A brief description of each stakeholder and the relevant aspects is given below:

- Identification of stakeholders;
- Identification of specific interests for each stakeholder.
- Type of relationship and dialogue objectives;
- Importance and attention given by the Group, including with reference to the significant areas.

Figure 1 Group stakeholders



1. *Partners and shareholders*

Newlat Food and Centrale del Latte d'Italia are listed on the Star segment of the Mercato Telematico Azionario of Borsa Italiana S.p.A. The shareholding structure of the two companies as of December 2021 is shown in Figure 2.

Figure 2 Distribution of Newlat Food S.p.A. shares

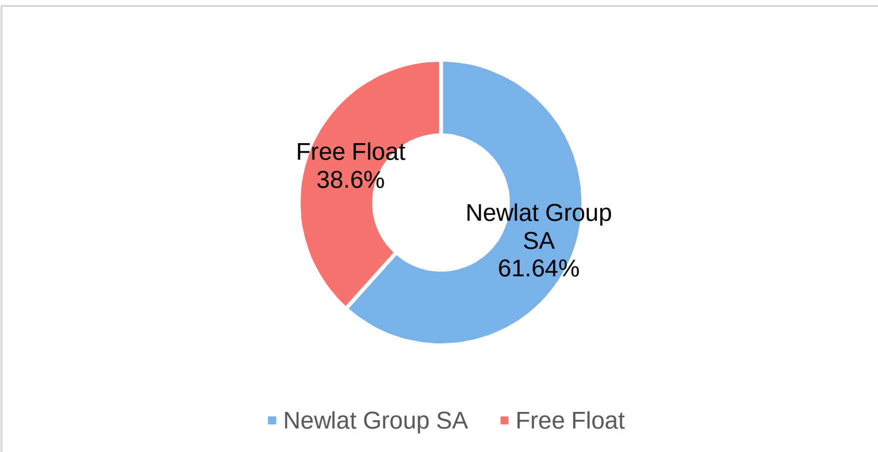
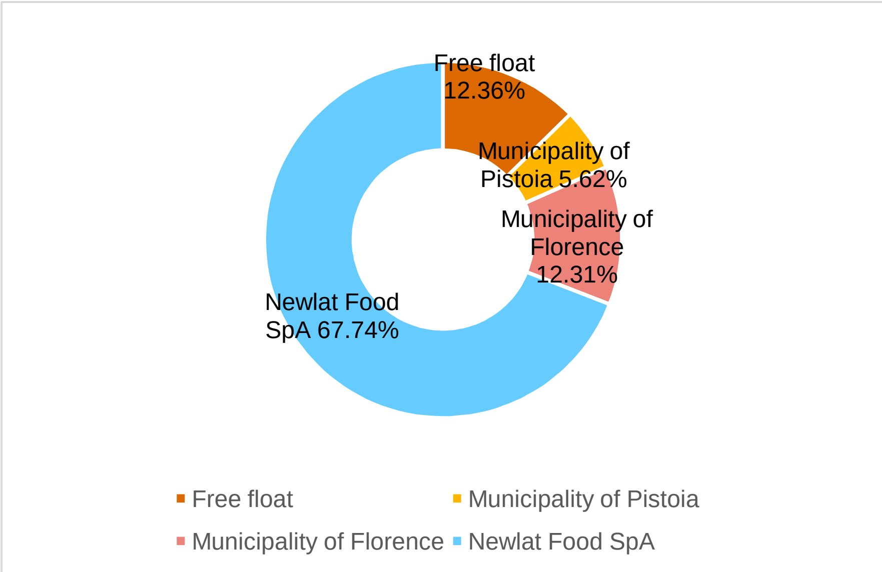


Figure 3 Distribution of Centrale del Latte d'Italia S.p.A. shares



In addition to the standard forms of communication of a binding nature, the Group wants to focus on partners and shareholders, through this document and through an internal report that is truthful, usable and prompt.

In order to ensure commitment to this objective, the Group has established specific figures, such as Investor Relators (for communications to partners and shareholders) and the Reporting Officer, as well as the usual internal and external control bodies (to ensure that the data reported to management is true).

2. *Employees*

The company has always regarded its personnel as one of its most important assets. The Group constantly invests in its employees to ensure a healthy and safe working environment, continuous professional development and their direct involvement.

The Group develops its relationship with workers by defining group guidelines, aimed at defining and sharing the company's values and mission.

With regard to the COVID-19 health emergency and its impact on Group employees, since the beginning of 2020 the Group has implemented measures to combat and contain the virus in the workplace, thus protecting employees and caring for the needs of individuals.

3. *Suppliers*

In order to make its products, the Company uses suppliers that support the Group in achieving its business and sustainable development objectives. In particular, the Group wants high quality standards to be guaranteed for its products, optimising the cost of raw materials, in order to maintain a competitive advantage also on the commercial side.

For this reason too, the Company aims to develop long-term partnerships and collaborations. In this way, the Group establishes virtuous supply circles, oriented towards trust and future growth.

4. *Customers*

The Group’s sales network consists mainly of agents with whom the Company has established solid collaborative relationships over time, in order to efficiently and effectively reach its customers. Although most customers belong to the large-scale retailing segment, the Group has always kept the smallest distribution channels open, trying to reach the end consumer more directly.

The Group carries out promotional and marketing activities in order to establish a direct dialogue with its customers. However, there is an awareness that the strongest tool for dialogue is the Company’s focus on the level of quality and food safety of its products. For this reason, the Group, wanted to implement a system of specific safeguards throughout all phases of the procurement and production cycle, including through obtaining various certifications.

5. *Local community*

The Group aims to establish a clear and well-defined presence within the context in which it operates. In this regard, the context is understood as the geographical area in which the Group operates, but also as the set of elements that make up these areas. Among these elements is the local community and its socio-economic development. The company plans and conducts various initiatives to support the many communities it operates in, sometimes for charity, sometimes to raise awareness, sometimes for development.

It is also worth mentioning the contribution to the local supply chain that the Group, as a successfully operating business on the market, provides across a large part of the country.

6. *Certifying bodies*

The Group wanted to implement a management system for its operations over time that would allow full compliance with current regulations, as well as compliance with industry best practices.

In order to adapt sufficiently to these aspects, the Group has invested in some of the most important certifications related to the sector, focusing on ensuring high quality in its products and standards applied to production processes.

More detailed information on the types and applicability of certifications per facility can be found in the section "Certifications" and in Annex 1, at the end of this document.

7. *Consumers*

Consumer satisfaction has always been the Group's primary objective. The company takes great care to ensure the quality and safety of its products. In pursuit of this objective, the Group seeks to continuously innovate through significant and constant investments in research and development, in order to meet the growing needs of the market, both in terms of nutrition and taste. Furthermore, thanks to its wide range of products, the Group aims to satisfy particular groups of consumers with specific nutritional needs due to age, health reasons, food intolerances, or ethical, cultural and religious factors.

8. *Trade unions*

In their role as representatives of the workers, trade unions are the interlocutors with which the Group deals with regard to the application of contracts, the management of regulations and the definition of projects and initiatives concerning employees with a view to promoting and protecting work in the company's activities.

9. *Investors*

Those who choose to invest and place their trust in the Group have always been at the heart of what the company does. The support provided is indispensable, and the desire to establish a long-term relationship has always been a common goal. Among them are now mainly people who have seen the Group's business grow over time and who pursue responsible development.

10. *Credit institutions*

The Group's growth opportunities pass through relations with credit institutions, as irreplaceable partners for the development of the Company's resources and financial capabilities. Proving to be a reliable partner and attentive to the pursuit of growth that respects the interests of all stakeholders is a key element of shared success.

11. *Farmers and supply chains*

The relationship with the players in the agricultural world which the Group purchases its raw materials from is of fundamental importance to guarantee operational continuity, product quality and safety and to achieve consumer satisfaction. The Group maintains relations with numerous farmers within various supply chains and recognises their efforts through regular audits to ensure high standards for the end consumer, not only in terms of quality but also environmental and social impact.

In fact, the company encourages farming practices that are attentive to social and environmental impacts, supporting the development of farmers. In particular, as far as milk is concerned, through its subsidiary Centrale del Latte d'Italia the Group has developed an extensive control over the supply chain, thus allowing for an adequate recognition of milk producers and the safeguarding of the territory and the zootechnical heritage through, for example, the promotion of the respect of animal welfare principles.

12. *Lenders*

Lenders contribute to the development of the Group through the lending of capital, therefore the Group assures its lenders of the transparency of the information reported having an impact on their assessments and decisions. The company maintains relations with lenders based on propriety and transparency, guaranteeing stability and credibility. Similarly, lenders are chosen from among those with all the necessary guarantees of soundness, transparency and who operate in the market with consolidated experience.

13. *Universities and research institutes*

The synergies between the Group, universities and other research bodies have enabled it to undertake projects geared towards innovation, research and the development of processes and products aimed at increasing consumer satisfaction. Thanks to these partnerships, the Group also carries out training, mainly related to the promotion of a healthy food culture.

The institutions and universities the Group works with include those in the regions it operates in most, with a view to increasingly consolidating and developing the relationship with the local area.

MATERIAL TOPICS FOR THE GROUP

[GRI 102-47]

The identification of material topics is the result of the process of identifying, assessing and prioritising ESG elements relevant to the Newlat Food Group and its stakeholders, as required by the GRI Standards 2016 guidelines.

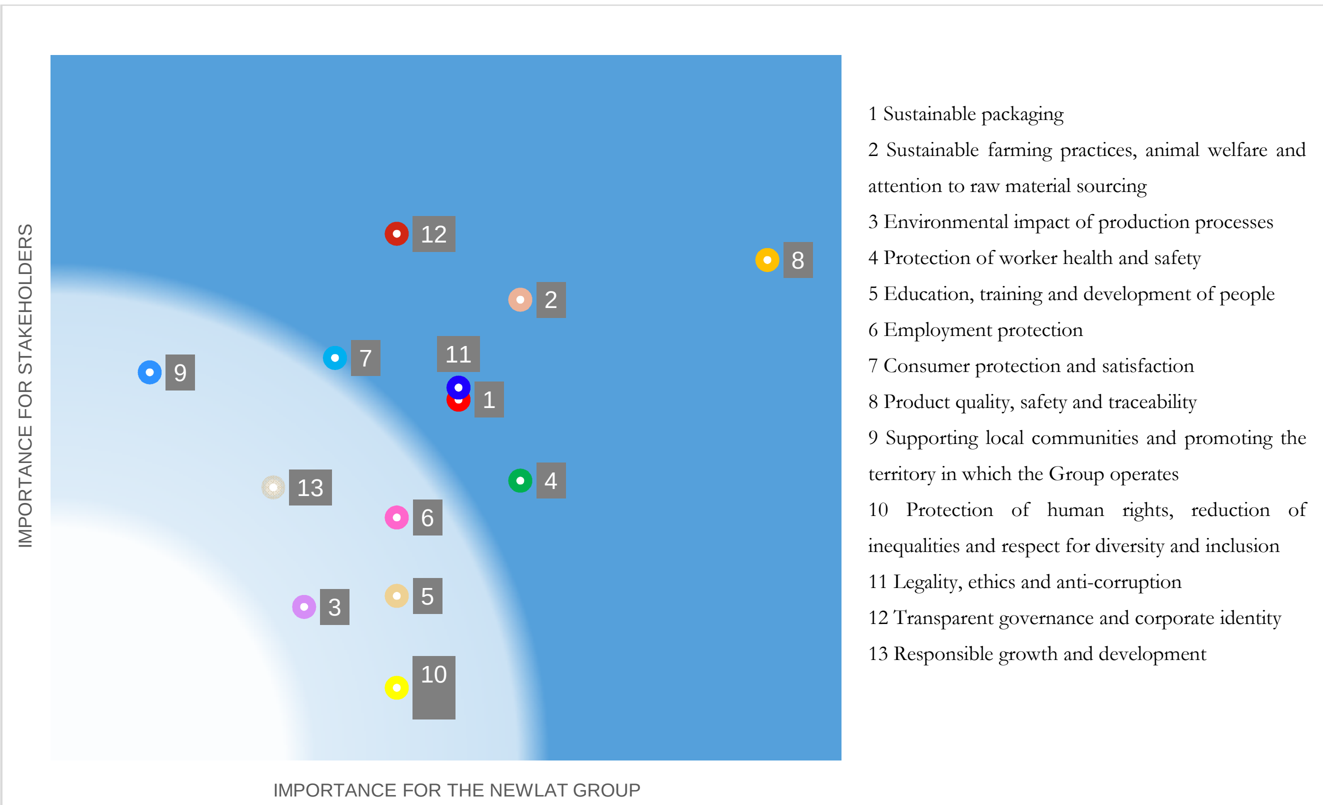
The concept of "significance" is also closely related, among other aspects, to the ability of these topics to affect the Group's capacity to create value not just in the short term, but also in the medium and long term.

The Group has therefore assessed the potential material topics with the aim of identifying those relevant to the organisation in the non-financial field, which could help stakeholders decide whether or not to invest in the company, thus creating value for the latter.

As noted in the previous section, in 2021 the Group undertook a stakeholder engagement plan. The process of updating the materiality matrix of this NFS has therefore required the assessment of relevant issues both from an internal perspective, through the involvement of management, and from an external perspective, through the direct involvement of stakeholders.

The result of the materiality assessment process described above consists, therefore, of a list of topics considered key for the responsible development of the business and to assess and manage its impacts, which have been approved by the Board of Directors.

Figure 4 Materiality matrix



The table below also shows the relationship between the topics enumerated in Italian Legislative Decree 254/16 and the material aspects identified by the Group, which will be detailed later.

Table 7 Reconciliation between the areas of Italian Legislative Decree 254/16 and the Group's material topics

Areas indicated by Italian Legislative Decree 254/16	Material topic	Description of the material topic
Environmental aspects	Sustainable packaging	Among the materials used by the Group, a significant part is linked to packaging, an object that must guarantee the quality and satisfaction of the end consumer of each of our products. In order to ensure the best possible environmental performance, our focus is on reducing packaging material in absolute terms, prioritising recyclable materials and preferably materials from renewable sources. We are also committed to adopting and promoting behaviour with our stakeholders aimed at improving the environmental impact of packaging.
	Process environmental impact	The Group's entire value chain has an impact on the environment, from procurement through production to distribution. Current production and research and development for new products and technologies must aim for continuous improvement to limit the environmental impact in terms of energy consumption, emissions, waste production and water consumption. The latter is a limited and fundamental resource, which is of particular importance for our production. Monitoring and making efficient use of water in our factories is an ongoing commitment, as is careful management of water withdrawals and discharges to reduce consumption and impacts on water basins.
	Sustainable farming practices, animal welfare and attention to raw materials	Supporting sustainable agriculture that meets the world's food needs while protecting the environment and safeguarding farmers and consumers is a key element in ensuring a long-term business vision. Sustainable agriculture aims to increase productivity in food systems, protect and enhance natural resources, improve livelihoods, increase resilience and adapt the governance of the sector to new challenges. The monitoring of the entire supply chain allows the development of milk producers by promoting initiatives aimed at safeguarding the local region and the livestock.

		The Group is committed to joint projects with suppliers to raise quality and quantity standards, improve animal welfare and promote the production of the highest quality raw materials.
Social aspects	Product quality, safety and traceability	Ensuring maximum food safety throughout the production chain, from the selection of the raw material to their processing and packaging through to the traceability of distribution by means of a constant control and verification system that allows rapid intervention if necessary.
	Consumer protection and satisfaction	The consumer is at the centre of the group's brand activities. With this in mind, we are committed to ensuring the highest quality of our products and consumer satisfaction, listening and responding to their requests and needs, welcoming their opinion as a possible source of improvement and innovation and promoting opportunities and channels of communication.
	Supporting local communities and promoting the territory in which the Group operates	The Group's industrial operations cannot disregard the surrounding region that they are both users and an active part of. With this in mind, we are committed to promoting initiatives to enhance and develop local communities and regions.
Personnel aspects	Protection of worker health and safety	Guaranteeing the right of every worker to work in a healthy, safe place by promoting training and initiatives aimed at ensuring a safe, secure environment for all workers, regardless of ability and type of employment relationship is a priority. The Group is committed to implementing a system that ensures active control over the protection of workers in compliance with applicable regulations.
	Employment protection	Promoting the conditions to guarantee workers a stable, long-lasting employment relationship, investing in their professional development and internal growth, pursuing their protection through constant dialogue with the trade unions.
	Education, training and development of people	Create an organisation of people of value through training that enables the development of professional and cross-cutting skills, as well as special attention to the education of new hires, in order to create a talent retention and human capital development system within the Group.
Respect for human rights	Protection of human rights, reduction of inequalities and respect for diversity and inclusion	Ensure respect for the Universal Declaration of Human Rights and combat discrimination on grounds of gender, age, disability, ethnic, social and geographical origin, trade union membership, language, religion, political or sexual orientation, gender identity, nationality, marital status, in

		recruitment, hiring, training, remuneration, reward and dismissal procedures.
Fight against active and passive corruption	Legality, ethics and anti-corruption	The group operates on the basis of the ethical principles of legality and anti-corruption through internal procedures aimed at complying with the rules of conduct for all its stakeholders.
	Transparent governance and corporate identity	Respect for the values of integrity, transparency, accountability and fairness that allow for dialogue with all stakeholders and facilitate their involvement. Report social, economic and environmental performance as transparently and comprehensively as possible to build a strong corporate identity and continuous improvement objectives.
Cross-cutting aspects	Responsible development and growth	In line with the Group's policies and in accordance with the corporate vision, promote innovation through a system of generation, selection and development of new product projects, assessing their feasibility within the Group's own plants or seeking partnerships with external companies. The Group seeks opportunities for international growth in order to strengthen its competitiveness and expand its scope of action in an efficient, responsible manner, in compliance with relevant regulations and sustainable development.

THE RISK IDENTIFICATION PROCESS

The Newlat Food Group has implemented an Enterprise Risk Management (ERM) model to measure, monitor and manage risks in accordance with internationally recognised approaches. The Model is a tool of the Board of Directors drafted with the cooperation of all corporate functions, in order to have a complete, updated mapping of the risks that the Group is exposed to, an assessment and classification of such risks by means of common metrics aimed at identifying and prioritising measures to ensure their proper management.

Roles and responsibilities are defined within the company to ensure the proper identification and management of the main risks that could compromise the achievement of the company's objectives.

The Risk Assessment performed assesses Strategic, Operational, Reporting and Compliance risks, including ESG risks.

Periodic monitoring of the ERM model ensures continuous monitoring of the development of risks, the status of implementation of treatment plans and the emergence of new risks.

The impacts of the COVID-19 pandemic and climate change were also taken into account in the risk assessment.

Following is a summary of the main risks generated and suffered in the areas of business identified by Italian Legislative Decree. 254/2016. The management methods in place, as well as the policies practised, have also been defined in order to mitigate the risks identified, and therefore to ensure business continuity and the achievement of corporate objectives.

Risks related to environmental aspects

In its production operations, the Group is exposed to specific environmental risks generated by and related to the following aspects:

- Energy consumption
- Waste generation
- Management of processing scrap
- Noise pollution from production processes
- Emissions into the atmosphere
- Withdrawal, consumption and discharge of water, as well as its treatment
- Spillage of hazardous substances

With regard to climate change impacts, the Group has one plant 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.

Risks related to social aspects

The main risks related to social issues include the risk of not respecting the balance of environmental and animal resources at the basis of the supply chain of all the Group's products, the risk of defining an inadequate supplier evaluation system in terms of analysing compliance with social issues, the risk of incorrect application of competition and the free market, as well as the risk of not supporting the generation of socio-economic development in the local community and the risk of the supply chain.

Closely related to regulatory aspects, also worth mentioning is the risk of producing and selling products that do not comply with current regulatory requirements on food quality and safety.

As regards the risks incurred, the risk of incorrect application of competition and the free market by the supply chain relied on by the Group should be considered. The consequence of this risk would be the potential application of monopolistic policies by suppliers, favoured by the limited availability of raw materials, and their failure to comply with sustainability issues considered by the Company to be significant.

Risks related to personnel aspects

With regard to personnel management, the following risks have been defined for the Group:

- Risk of lack of attractiveness and/or inability to retain key resources and skills.
- Risk of not finding valuable personnel or who best meet the needs of the specific reference business.
- Risk of the personnel's lack of training, including in the form of continuous updating.
- Risk linked to the non-effective implementation of activities and projects aimed at developing a continuous dialogue between the company and its employees.

In addition to the aforementioned risks, there are also risks associated with the failed/inadequate implementation of measures to bring company procedures and operations into line with current regulations on worker health and safety.

This risk must also be understood as a risk incurred, if the consequences of non-compliance with the regulations in force are attributable to non-compliance by the employee. Among the risks incurred, mention should also be made of the risk associated with the limited availability and quality of direct and indirect labour, as well as the risk of loss of interest in working in the company, with consequent production discontinuity due to conflicts and a reduction in the efficiency and effectiveness of the services rendered.

Risks relating to respect for human rights

With reference to respect for human rights, the Group is mainly exposed to the risks generated by:

- Exploitation of child labour
- Use of forced labour (or off the books) and illegal brokering
- Violation of the rights of workers and individuals in general (the main one being discrimination)

These risks are also relevant for the Group with regard to the hypothesis of direct and indirect financing of organisations that operate in violation of human rights.

The following risks have been identified:

- Risk of being subject to the management and control of legal persons/entities that are not concerned about the respect of human rights.
- Risk of being financed directly or indirectly by organisations that do not operate in accordance with legal requirements.

Risks related to corruption issues

The risk of corruption must be considered taking into account that the Group operates in countries with a medium/high risk of corruption, such as Italy, or a medium risk, such as Germany.

The risk of corruption is especially relevant for the Group with regard to relations between private individuals. The risk of corruption towards public bodies/authorities/bodies, taking into account the Group's overall relations appears to be potential.

The main risks identified are:

- Risk of corruption related to ordinary business activities in relationships with suppliers, customers and third parties of all kinds.
- The risk of corruption linked to the management of relations and obligations vis-à-vis the Public Administration and the Supervisory Authorities (e.g. the management of inspection visits or the transmission of data and communications).

Among the risks incurred, we find the same risks as those identified above should the Group act as a passive party to corrupt conduct.

ENVIRONMENTAL ASPECTS

SUSTAINABLE FARMING PRACTICES, ANIMAL WELFARE AND ATTENTION TO RAW MATERIALS

The adoption of sustainable agricultural practices, the respect and promotion of animal welfare and the attention paid to the selection of raw materials are of fundamental importance to the Group. In fact, these elements are closely interconnected: practices that respect the environment and animal welfare allow for a reduction and more prudent use of potentially harmful substances such as plant protection products and antibiotics, thus procuring products of higher quality and safer for the final consumer. Moreover, for some time now these elements have taken on a particular importance in the agri-food sector, both because of its specific vulnerability to certain risk factors, such as climate change, and because of the particular importance of the relationship of trust between producers and consumers with regard to the quality, safety and sustainability of agri-food production.

With this in mind, thanks to constant research and development Newlat Food has avoided using palm oil as an ingredient in the bakery products it offers, using alternative fats that are considered less impactful. Symington's, on the other hand, is a member of the Roundtable on Sustainable Palm Oil (RSPO), a non-profit organisation that promotes the cultivation and use of sustainable palm oil, and uses palm oil in its products exclusively from certified and sustainable sources.

The Group also promotes responsible practices and high quality raw materials through continuous collaboration with its supply chains. The raw materials used as ingredients in the production process are mainly semolina for dry pasta, flour for baked goods and milk for dairy products.

With regard to the semolina supply chain, a supply chain project has been set up to procure 100% Italian wheat from suppliers certified under ISO 22005, who provide the Group with organic and wholemeal ingredients to make Delverde pasta

With regard to milk, the company Centrale del Latte d'Italia has a strong control of the production chain, and thanks to close cooperation with farms and conferring breeders it has implemented numerous projects and chain agreements focused on the long term, aimed on the one hand at developing the production of Italian milk, and on the other at guaranteeing high safety and quality standards. There are 11 managed supply chains, including:

- The 100% Tuscan Milk Chain with 55 mainly family-run stables with an average of about 40 head and in some cases just 7 or 8 cows.
- Mugello Selection Milk Chain, which includes about 30 farms in the Tuscan Apennines.
- Maremma Selection Milk Chain, with 16 farms, all located in the province of Grosseto.
- 100% Italian Infant Milk and 100% Italian Organic Infant Milk supply chains, all of which are family-run short supply chains, certified for animal welfare and from which the milk is obtained, collected within 24 hours of the first milking, which meets specific requirements regulated by the Sistema Rintracciabilità Infanzia (SRI) specification. All stables belonging to the two supply chains are geolocated to ensure a minimum distance from industrial areas, motorways and other sources of pollution. The Organic Baby Milk chain also boasts one of the first five European farms to have implemented a robotised system for the distribution of food

rations to cattle. The same farm supplies around 80% of its food rations through self-management of its own fields, thus representing an example of a closed-cycle supply chain.

- 100% Piedmontese milk chain, from which raw material is obtained from 33 Piedmontese farms with animal welfare certification. Four of them breed cows with the original genetic heritage, selected to produce milk with the protein Beta-Casein A2, which gives the milk a high nutritional value.
- Park Milk Chain, obtained exclusively from raw material coming from farms located in the territory of the Cilento Vallo di Diano e Alburni Park and which operate in respect of animal welfare.

Integrated supply chain project (PIF)

The Group's commitment has taken concrete form in the PIF called "Promotion of Tuscan Cow's Milk" and undertaken by the Mukki brand together with the Tuscan farms that supply this raw material. The project aims to develop a well-structured milk supply chain with a low environmental impact, which increases animal welfare and the quality of the milk. The Florence production plant and the participating farmers aim to develop solutions for improvement and innovation on several fronts. These include:

- The promotion of renewable energies, optimising and rationalising their use.
- The modernisation of machinery and equipment, thus reducing atmospheric emissions, increasing production and animal welfare and improving safety in the workplace.
- The construction and renovation of farm production facilities, such as stables, manures and barns, with a view to improving animal welfare, and consequently the quality and quantity of production.

Among the objectives that Mukki is aiming to achieve through the PIF are also projects aimed at reducing the environmental impact of the entire life cycle of Tuscan milk. Thus an innovative Production Regulation of Tuscan Milk has been drawn up that defines a set of rules, good practices, requirements and production methods for conferring companies. Furthermore, a Life Cycle Assessment (LCA) has been undertaken, which has led to an Environmental Product Declaration (EPD) on the Mugello Selection Milk line, and this analysis is also under way on the Mukki 100% Tuscan Milk line. A process was then launched to analyse Tuscan milk with a view to pursuing both a continuous improvement in nutritional quality and a reduction in methane emissions into the atmosphere.

Finally, as part of the PIF an animal welfare assessment was initiated among the conferring farms using the Classyfarm method.

Animal welfare

For some time, the European Community public opinion and consumer associations have been paying increasing attention to the issue of animal welfare. For the Group, respect for animal welfare is of fundamental importance as it is closely linked to the quantity, quality and safety of milk. In fact, stress alters the hormones responsible for, among other things, the activity of the mammary glands in animals: the adrenaline released in a state of poor well-being leads to a reduction in the milk obtained from the milking process. Furthermore, a stressful condition can lead to a reduction in the protein and fat content, thus altering the nutritional properties of the product and even compromising the cheese production process.9 Animal welfare also means improving the health of cattle and reducing the use of drugs, which are responsible for antibiotic resistance. In fact, the presence of antibiotics in foodstuffs is an extremely important issue for the health and safety of the consumer: the drugs used for therapeutic interventions on an animal can be transferred to milk and thus be ingested by the consumer. Respect for animal welfare is therefore an advantage for farmers, who gain in productivity, product quality and animal life span, for the consumer, who gets a healthier, higher quality product, and for the environment, with less impactful structures that are more integrated with the surrounding landscape and more energy efficient.

The Group's commitment to protecting the health and welfare of the dairy cows on its conferring farms is therefore an essential factor, as is respect for the environment and care for the consumer. With a view to continually improving the quality and safety of its products, the company has undertaken to increase the proportion of milk from suppliers who guarantee animal welfare: 100% of the fresh, high quality milk of the Tapporosso and Latte Tigullio brands comes from farms in Piedmont that have animal welfare certification, as does the high quality fresh milk of the Centrale del Latte di Vicenza brand. Recently, the Centrale del Latte Salerno brand also earned the animal welfare certification "Gli Allevamenti del Benessere" on the Latte del Parco line, recognised by the Associazione Italiana Allevatori (AIA). Furthermore, the Mukki brand has initiated projects aimed at raising animal welfare among the conferring farms: farmers conferring to Mukki will undergo Classyfarm audits by designated veterinarians in order to obtain an animal welfare assessment.

Currently, 93% of High Quality milk from local suppliers comes from supply chains with animal welfare certification. In Turin, Rapallo and Vicenza the share is as high as 100%, while in Florence it is 99%.

Supplier selection

The Group's suppliers mainly include those for food raw materials, especially milk and semolina, for packaging, for finished products made by third parties, for services and for auxiliary production materials. Such materials, products and services may have a direct or indirect impact on the quality and safety of the products offered by the Company. The Group undertakes to require its suppliers and external contractors to comply with the principles of conduct adopted by the Group itself. For this reason, each supplier, business partner or external contractor is notified of the existence of the Code of Ethics, the Organisational Model pursuant to Italian Legislative Decree 231/01 and the regulatory principles adopted by Newlat Food Group.

9 Pulina, et al. (2016). "Sustainable ruminant production to help feed the planet". *Italian Journal of Animal Science.*

[GRI 308-1]; [GRI 414-1] Therefore, the Group's Italian companies, in addition to taking into account certain key elements such as the professionalism and experience of suppliers or a quality-price ratio that also fully satisfies the end consumer, have implemented a structured supplier evaluation and selection process that ensures both high standards from the point of view of quality and safety of supply and the consideration of environmental and social criteria. In order to manage these requirements correctly and to promote continuous improvement, the company applies an Integrated Quality Management System procedure that covers the procurement process, supplier qualification and audits, thus enabling suppliers to be accredited and their performance monitored over time:

1. Pre-qualification and supplier risk assessment

The pre-qualification process is essential to verify that the supplier complies with all national and EU regulations and has all the necessary authorisations. In order to assess the professional suitability of the supplier, minimising any risks associated with the supply, the Group may, for example, request the HACCP plan, DURC documentation, samples of materials and raw materials estimates, or verify the regular payment of wages or take out insurance to cover any damage caused by the supplier. Furthermore, the quality and safety characteristics of the raw materials supplied are checked at this stage. These are defined in specifications and technical sheets that are the result of cooperation and discussions with the suppliers themselves, and include requirements that are much more ambitious than those laid down in current laws, such as environmental protection and compliance with ethical and social principles. The checklists used for supplier qualification audits contain specific references to these criteria, including possession of environmental certification, such as ISO 14001, ethical certification, such as SA8000, SMETA, animal welfare, worker health and safety conditions and the quality of raw materials supplied, which is also assessed on the basis of information on the potential risk of genetically modified organisms (GMOs) or any recalls.

Suppliers of raw materials and ingredients

All suppliers of raw materials and ingredients are assigned a risk level using a risk assessment form. In the pre-qualification phase, suppliers of milk and of all raw materials subject to constraints by Regulations and Chain Contracts (e.g. the Tuscan Milk Chain, the Italian Wheat Chain, or the Infant Milk Chain) are subject to preliminary audits divided into two complementary phases: an assessment of the structures and management of the farm and a hygiene and health check aimed at examining hygiene and food safety aspects. These audits cover both the site where the raw material is processed and the farm where primary production takes place. During farm visits and inspections, farmers are also made aware of the importance of environmentally friendly practices, animal welfare principles and the prudent use of medicines. Moreover, milk samples are systematically taken from each farm and analysed by accredited internal and external laboratories for fat, protein, lactose, somatic cells, bacterial count and other nutritional parameters in order to verify compliance with the regulations in force and to classify the quality of the milk (high quality, for example), thus determining the appropriate payment based on these values.

Suppliers of primary packaging, ancillary materials, finished products made by third parties and services

The risk class of these categories of suppliers is not determined through a risk assessment form, but on the basis of the relevance and impact of the individual product or service on the end result to be ensured. The assessment and selection of suppliers may also be based on further criteria: in the case of finished products, the Procedure may for example provide for the request of a product sample which is subject to sensory evaluation and chemical and microbiological conformity to ascertain quality and safety standards. Similarly, the selection of a packaging supplier may be based among other things on compliance with the material data sheet, suitability for food contact, the performance of the materials supplied on the packaging lines, the guaranteed integrity of strength and durability of the packaging, etc.

2. Performance monitoring and supplier retention

If the supplier meets the requirements set out in the Procedure, it is declared eligible to be added to the Group's supplier list, and subsequently performance monitoring is initiated. This assessment is performed at a frequency determined on the basis of the level of risk attributed to each supplier and by various means, such as updating informative documents, performing audits and monitoring visits or analysing any complaints received. A non-compliant audit may lead to the supplier being declared ineligible to supply to the Group. If, on the other hand, the score is sufficient but below a certain threshold, the supplier will receive feedback on the issues raised and an improvement plan to correct any non-conformities.

PROCESS ENVIRONMENTAL IMPACT

The Group's primary objective is to ensure the continuity of production through a constant supply of resources employed in production operations. The awareness that each production can have an impact on the local region makes it necessary to pursue certain strategies. In this sense, the Group is striving for ever-increasing process efficiency with a view to limiting the environmental impact of its plants. The choices that the company makes to achieve this goal are, for example, the introduction of more efficient machinery, the selection of energy from renewable sources or raising people's awareness of reducing consumption. Furthermore, over the years some of the Group's plants have adopted an Environmental Management System in accordance with the UNI ISO 14001 international standard and certified by a third party. Today, there are five such plants: Ozzano Taro (PR), Turin, Vicenza, Rapallo (GE) and Florence. It is being considered to extend this management system to the Group's other Italian plants as well, with a view to pursuing continuous improvement in its environmental practices and increasing worker awareness. In accordance with its commitment to containing the use of non-renewable resources, for the Florence plant the Group has obtained certification of the Organisation's Carbon Footprint as per the ISO 14064 standard.

All consumption, atmospheric emissions, water use and waste production are systematically monitored, so that the values for these data can be determined and the results achieved can be accurately quantified following the improvements made. The main areas of analysis of the Group's environmental impact, discussed in more detail on the following pages, include:

- Energy consumption and emissions
- Water management and use of water
- Waste management and spills

Energy consumption and emissions

Energy consumed within the organisation

The Group's energy consumption comes from various sources. Energy is used within the production process to power machinery and equipment. For the world of pasta and bakery products, energy consumption is therefore due to the cooking and drying processes. While for the milk world energy is mainly used in heat treatments and to power the cold chain, which are essential to guarantee the safety of the final product. The Group also uses diesel in the production plants to provide continuous power to the refrigeration cells in case of emergency, by means of generators.

Energy is also used in part for the lighting and air conditioning of work spaces, such as offices, plants and warehouses, as well as for the operation of all electronic devices and to power the Group's fleet of cars and goods transport vehicles for direct sales to customers.

The energy sources used by the Group are both renewable and non-renewable. The Group's energy consumption is shown below.

Table 8 Energy consumed within the organisation, divided into renewable and non-renewable sources [*GRI 302-1*]

Sources	UoM	2021	2020	2019
Natural gas	m3	25,858,068	25,499,402	19,148,692
Diesel for generators or heating	l	6,535	30,308	23,975
Diesel fuel for vehicles	l	287,385		
Petrol for cars	l	13,825	-	-
LPG for vehicles	l	48,405	-	-
Steam[10]	MWh	19,474	21,189	20,390
Electricity purchased	MWh	74,992	69,898	70,246
of which from non-renewable sources[11]	MWh	71,212	67,012	70,246
of which from renewable sources[12]	MWh	3,780	2,886	0
Self-produced electricity	MWh	25,718	26,234	17,525
Self-produced electricity sold	MWh	(43)	(152)	(231)

Sources[13]	UoM	2021	2020	2019
Natural gas	GJ	912,273	913,022	675,049
Diesel for generators or heating	GJ	234	1,320	858
Diesel fuel for vehicles	GJ	10,289		
Petrol for cars	GJ	403	-	-
LPG for vehicles	GJ	1,161	-	-
Steam	GJ	70,105	76,280	73,404
Electricity purchased[14]	GJ	269,971	251,633	252,885
of which from non-renewable sources[15]	GJ	256,363	241,243	252,885
of which from renewable sources[16]	GJ	13,608	10,390	0
Self-produced electricity	GJ	92,585	94,443	63,089
Self-produced electricity sold	GJ	(155)	(548)	(832)
Total energy consumed[17]	**GJ**	**1,252,583**	**1,245,389**	**1,004,603**

Since 2021 the Group has also started to quantify the fuel consumption of its own vehicles, whether diesel, petrol or LPG. A significant share of this consumption is accounted for by the newly acquired Symington's.

10 Value relative to the steam generated at 16 bar and 200°C by the district heating system.

11 The figure for 2020 and 2019 was updated following a refinement of the calculation methodology, taking into account only the certified origin (GO) and no longer what is declared by the supplier.

12 The figure for 2020 and 2019 was updated following a refinement of the calculation methodology, taking into account only the certified origin (GO) and no longer what is declared by the supplier.

13 The conversion factors used to calculate the value of GJ of energy consumed come from the "National Standard Parameters Table - ISPRA 2020" for the year 2021 and from DEFRA's "GHG Conversion Factors for Company Reporting" for 2020 and 2019.

14 The data relating to energy acquired from renewable sources are calculated using the Italian (source: GSE) and German (AG Energiebilanzen) national energy mix as reference for the relevant years.

15 The figure for 2020 and 2019 was updated following a refinement of the calculation methodology, taking into account only the certified origin (GO) and no longer what is declared by the supplier.

16 The figure for 2020 and 2019 was updated following a refinement of the calculation methodology, taking into account only the certified origin (GO) and no longer what is declared by the supplier.

17 The total amount of energy consumed does not include the amount of fuel used for the car fleet shown in the table, nor the amount of electricity self-produced (nor sold to third parties) by the natural gas-fired cogeneration plants, since the share of energy is already included within natural gas consumption. The figure for 2020 and 2019 was updated following refinements to the calculation methodology.

Excluding the consumption of fuel used to power the car fleet and despite the increase in the reporting boundary, the Group's energy consumption in 2021 remained constant and in line with the value of the previous two years.

For the purposes of reporting actual consumption, only properties owned by the Group or that are in any case under the direct control of the latter have been taken into account.

The Group's share of self-generated energy currently derives entirely from cogeneration plants. The extension of other energy plants in factories is also being assessed with the aim of reducing the environmental impact of energy consumption.

Energy intensity

The Group considered the product produced in the relevant reporting year as a representative unit of the energy intensity. Energy intensity was thus obtained by determining the ratio of average energy consumed, expressed in Giga joules, per tonne of product produced.

Table 9 Energy intensity calculated as the ratio of energy consumed to product produced [*GRI 302-3*]

Formula	Absolute values		Energy Intensity index
FY 2021			
Total energy consumed (GJ)	1,252,583	=	3.03
Total product produced (tonnes)	413,279		

Table 10 Energy intensity calculated as the ratio of energy consumed to turnover [*GRI 302-3*]

Formula	Absolute values		Energy Intensity index	% Change YoY
FY 2021				
Total energy consumed (TJ)	1,252.583	=	2.00	- 17.01%
Turnover (€M)	625.226			
FY 2020				
Total energy consumed (TJ)	1,245.389	=	2.41	- 23.00%
Turnover (€M)	516.943			
FY 2019				
Total energy consumed (TJ)	1,004.603	=	3.13	
Turnover (€M)	320.902			

Table 10 shows a gradual reduction in the Group's energy intensity index over the last three years.

Reducing energy consumption
[GRI 302-4]

The company aims to continuously improve the efficiency of its production processes. Limiting the environmental impact makes it possible to strengthen the competitiveness of companies, especially those that intend to respond to the growing environmental awareness of consumers, as in the case of the Group.

With this in mind, a number of programmes and investments aimed at reducing energy consumption were launched in 2021. These include the installation of a new energy-efficient compressor at the Fara San Martino plant, which will reduce energy consumption by 30%, resulting in an estimated annual savings of 282 MWh compared to the system currently in operation. In addition, a multi-year plan to increase the energy efficiency of lighting systems by installing LED technology is under way in all Group plants.

Direct and indirect GHG[18] emissions

The following data illustrate the amount of CO2eq emissions produced by the Group, both directly (Scope 1) and indirectly (Scope 2), in the course of its production operations. Emissions are net of any allowance trades with third parties or purchases of Guarantee of Origin (GO) certificates.

Table 11 Direct and indirect GHG emissions [*GRI 305-1*]; [*GRI 305-2*][19]

Emissions - tCO_2e	2021	2020	2019
Direct emissions – Scope 1	47,356[20]	45,964	33,984
Indirect emissions - Scope 2 - market based	40,888	39,588	40,950
Indirect emissions - Scope 2 - location based	26,965	26,026	25,931
Total Emissions (market based)	**88,244**	**85,552**	**74,934**
Total Emissions (location based)	**74,321**	**71,990**	**59,915**

Emissions into the atmosphere produced by the Group are closely linked to electricity consumption, the consumption of natural gas, the use of fossil fuels and emissions deriving from the climate altering substances present in the cold rooms.

18 Greenhouse gases
19 Data from the previous two years have been updated to make them comparable with the year 2021 in which the Scope 2 emissions were calculated using the Location-based and Market-based methods. The GHG Emissions Calculation tool was used to calculate the emissions:
Scope 1, fuels: EPA, "Emission Factors for Greenhouse Gas Inventories" 2018;
Scope 1, refrigerant gases: European regulation Fgas 517-2014;
Scope 2, steam: EPA, "Emission Factors for Greenhouse Gas Inventories" 2018;
Scope 2, location-based electricity: Isprambiente, "Fattori di emissione atmosferica di gas a effetto serra nel settore elettrico nazionale e nei principali Paesi Europei", Ed. 2020;
Scope 2, market-based electricity: European Residual Mixes 2018 v1.2 (published July 2019).
20 Unlike previous years, the 2021 Scope 1 emissions figure includes the company car fleet and emissions from the use of climate-change agents in refrigeration systems.

Total emissions increased, following a steady trend that goes hand in hand with the Group's growth. In fact, between the 2020 figure and the 2021 figure the increase is justified by the consolidation for the entire year of Centrale del Latte d'Italia S.p.A. (previously only consolidated for nine months) and Symington's for five months, not present in the previous year.

In order to provide an indication of performance over the three-year period with respect to turnover, the carbon intensity is shown below.

Carbon intensity

Table 12 Carbon intensity [*GRI 305-4*]

Formula	Absolute values		Carbon Intensity index
FY 2021			
Total emissions (tCO_2e)	88,244	=	0.2135
Total product produced (tonnes)	413,279		

Table 13 Energy intensity calculated as the ratio of energy consumed to turnover [*GRI 305-4*]

Formula	Absolute values		Energy Intensity index	% Change YoY
FY 2021				
Total emissions (tCO_2e)	88,244	=	141.14	-14.72%
Turnover (€M)	625.226			
FY 2020				
Total emissions (tCO_2e)	85,552	=	165.50	-13.67%
Turnover (€M)	516.943			
FY 2019				
Total emissions (tCO_2e)	74,934	=	191.70	
Turnover (€M)	320.902			

As of 2021, the Group reports the carbon intensity index that is presented above also for the previous two years by comparing Total Emissions (market based) to proforma consolidated sales.

The Group's environmental performance between 2019 and 2020 was also recognised by a major study carried out by Statista (a German digital platform that manages one of the world's leading statistics and business intelligence portals) and published in the *Corriere della Sera* newspaper. In fact, the Group is one of the most climate-conscious Italian companies, thanks to the improvement in the ratio of CO2 emissions to turnover.

Home-work commuting plan

The Group implemented a Home-Work Commuting Plan in 2021 for the Reggio Emilia, Florence and Turin plants. This plan is aimed at promoting a reduction in the use of individual motor vehicles in systematic home-work commuting, thus helping to decongest vehicle traffic and reducing the resulting environmental impact. First of all, the Group carried out an internal survey to monitor the commuting habits of staff and to raise awareness of this issue. Following the survey, various initiatives to promote more sustainable mobility were considered, and after the first period of implementation of the Plan regular employee surveys will be conducted to monitor travel trends following the awareness-raising activities undertaken and measures adopted.

Water management and use of water

[GRI 303-1]; [GRI 303-2]

Water is a precious resource and its responsible use is one of the basic principles of environmental protection and preservation. The Group uses water both as a raw material, e.g. in the production of dry pasta, baked goods and some ready meals, and for cooling, rinsing and washing production facilities and machinery, which is essential to ensure high standards of hygiene. In smaller quantities, water is also used to provide hygiene services to employees. With a view to limiting waste as much as possible and optimising water use, the group's companies have set up a monitoring system to manage water as efficiently as possible.

The water used by the Group comes mainly from groundwater, drawn from its own wells, or from water supplied by the public waterworks. In compliance with regulatory standards for the food industry, the Group uses only potable water as an ingredient.

The Group pays careful attention to the disposal of wastewater to avoid damage to the environment caused by an improper performance of this activity. Water discharges are managed in full compliance with the regulations in force in the various states where the plants are located.

The way in which wastewater is managed differs from site to site on the basis of different production processes, and consequently different management methods. Before being discharged, where necessary wastewater is treated in biological or chemical-physical purification plants, either within the Group or by third parties, in order to reduce impurities and the concentration of pollution parameters. In fact, industrial water discharges must comply with limit values established in current regulations.

Incoming and outgoing water is periodically subjected to routine sampling and analysis, generally performed by qualified laboratories. Among the measures to make water use more efficient, some time ago the Vicenza plant implemented a recovery system through the installation of two tanks that allow the recovery of quantities of water between the various washing processes, limiting withdrawals and discharges. The Rapallo plant, in addition to the analyses performed by the managing body, provides for further periodic self-checks to verify compliance with the parameters of the wastewater discharged into the public sewerage system.

The following table shows the Group's water withdrawals for the year 2021, broken down by type and source of supply. As most of the factories operate in areas considered by the WRI (World Resource Institute) as high or extremely high water stress, the water from these areas is 729,513 m3, or approximately 19.4% of the total water abstracted. Plants in these areas[21] include those in Bologna, Fara San Martino (CH), Corte de Frati (CR), Eboli, Salerno, Sansepolcro and Florence.

Table 14 Water withdrawal [*GRI 303-3*][22]

Water sources - m3	2021	2020	2019
	< 1000 mg/L	< 1000 mg/L	< 1000 mg/L
Surface water	3,939	34,647	41,265
Groundwater	3,007,983	2,779,903	3,231,120
Public waterworks or water supplied by water companies	758,072	464,306	38,546
Total water consumed	**3,769,994**	**3,278,856**	**3,310,931**

As in previous years, in 2021 only fresh water (with ≤1,000 mg/l total dissolved solids) was taken. Due to the increase in the number of production units included in the consolidation, the Group experienced an increase in water withdrawals in 2021 compared to the previous two years.

21 All other Group plants operate in areas considered to be at medium-high or lower risk of water stress.
22 As a result of refinements in the calculation of water withdrawal, the water withdrawn in 2019 and 2020 is only freshwater.

Waste management and spills

In order to reduce the impact of waste produced by the Group's activities on the environment and optimise the recovery of production waste and surpluses, the Company is constantly looking for effective and efficient solutions. Among the various fronts, in addition to the efficiency of the industrial process, which is constantly measured and monitored, initiatives are conducted to promote the circularity of the Group's economy, without prejudice to the importance of careful differentiation of the waste produced to promote recycling.

More than half of the sites achieve a waste recyclability rate of 95% or more. This was achieved by the plants of:

- Ozzano Taro
- Reggio Emilia
- Lodi
- Corte de' Frati (CR)
- Eboli
- Florence
- Salerno
- Vicenza
- Mannheim
- Warehouses in Pozzuoli, Lecce and Rome[23]

Among these, the plants in Ozzano Taro, Corte de' Frati, Vicenza, Mannheim and the three warehouses were actually able to achieve a 100% recyclability rate. Moreover, to reduce waste production, almost all animal and vegetable waste and surpluses were reused in animal husbandry in 2021.

With a view to continuous improvement, over the years the Group has implemented a constant, accurate monitoring system aimed at quantifying waste and tracking its recovery and disposal.

The waste disposed of comes mainly from production processes. Waste management is based on specific procedures, in accordance with the legal provisions of the various states that the Group's plants are located in.

The table summarises the amount of waste produced in the past two years and how it was disposed of.

23 The Pozzuoli, Lecce and Rome sites are the only Group warehouses that produce waste.

Table 15 Waste by type and disposal [*GRI 306-3*][24]

Waste - Tonnes	2021			2020		
	Hazardous	Non-Hazardous	Total	Hazardous	Non-Hazardous	Total
Disposal	43	1,588	**1,631**	32	1,315	**1,347**
Recycling	25	9,050	**9,075**	21	6,088	**6,109**
Total	**68**	**10,638**	**10,706**	**53**	**7,403**	**7,456**

During 2021 there was an increase in the amount of waste produced by the Group, mainly due to the increase in the reporting boundary. Compared to 2020, thanks in part to virtuous practices favouring the recycling of waste, as well as attention to waste management, the share of deliveries to recycling at Group level has increased by 4%. Therefore, 85% of waste is destined for recycling.

[GRI 307-1] Thanks to the environmental policies and practices adopted, the Group has maintained good conduct by managing to comply with environmental regulations without recording any non-compliance with applicable laws and regulations during 2021, as in previous years.

Fighting waste

Combating food waste can make a significant contribution to reducing environmental impacts. Such waste accounts for 6% of global greenhouse gas emissions.[25] The Group has undertaken various activities aimed at reducing food waste, thus contributing to the promotion of virtuous conduct to foster a circular economy.

One of these initiatives is participation in the TECH4MILK project. In partnership with the University of Turin and the Institute of Food Production Sciences, Centrale del Latte d'Italia has provided human resources, expertise and advanced milk sterilisation equipment to optimise the thermal treatment processes of UHT milk. This project aims to extend the shelf-life of UHT milk and thus reduce the amount of beverage discarded due to exceeding the expiry date.

The Group also donates surplus products to support people in need, with a view to making the most of products close to their expiry date. Products that have expired but are still perfectly suitable for consumption are donated free of charge to the needy through local associations and charities such as Banco Alimentare. Moreover, the Group is working on a partnership with the Too Good To Go platform to support the Pact Against Food Waste. Thanks to this synergy, products that would otherwise no longer be sold through ordinary channels can be recovered and consumed.

Also with a view to contributing to the fight against waste, the company Centrale del Latte d'Italia has implemented new production and packaging lines for fresh and UHT milk that guarantee a reduction in waste materials and greater possibilities for recycling.

24 The waste presented in the previous NFS as destined for Incineration, Landfill and Consortium Sewerage Treatment has now been reclassified under Disposal.

25 Ritichie, H. (2020). Food waste is responsible for 6% of global greenhouse gas emissions. Taken from Our World in Data: https://ourworldindata.org/food-waste-emissions

SUSTAINABLE PACKAGING

To make its products, the Group mainly uses raw materials of vegetable or animal origin, in addition to packaging materials and packaging, which are necessary to preserve the products during distribution and sale and to ensure quality, safety, goodness and proper preservation for the final consumer over time and thus contribute to reducing food waste. In fact, it is estimated that in upper-middle-income countries as much as 67% of food waste occurs in households,[26] sometimes as a result of poor storage due to packaging. Functional packaging extends the shelf-life of the food, allows the appropriate quantity to be purchased and helps in interpreting the expiry date providing information on proper storage. Packaging is therefore crucial to support the fight against food waste.

Current regulations concerning materials in contact with foodstuffs sometimes impose a reduced freedom of choice for the Group, however it is believed that implementing increasingly responsible solutions is of fundamental importance. With increasing consumer and governmental initiatives to reduce the environmental impacts of packaging and in light of the Plastics Strategy presented by the European Union, the adoption of sustainable packaging can create new opportunities for innovation and competitiveness for the private sector, contributing to the achievement of a circular economy.

In this context, the sustainability of packaging represents a path of continuous improvement for the Group to limit its environmental impact without sacrificing the safety, resistance and durability of its packaging. The company pursues this goal through a multifaceted commitment:

- Use recycled, recyclable and renewable materials, moderating the use of virgin materials.
- Reduce the amount of packaging material in absolute terms.
- Reduce the types of material used.
- Choose materials responsibly.

With this in mind, Centrale del Latte di Torino has long been a member of CORIPET, a voluntary consortium for the recycling of PET plastic bottles. Thanks to this synergy, today all fresh and ESL[27] milk in PET plastic bottles of the Tapporosso and Latte Tigullio brands (produced in the Turin plant) come from recycled rPET plastic, a lightweight, highly resistant material that is itself recyclable. The Vicenza plant is also introducing rPET packaging for use with a selection of products, such as ESL milk and highly digestible UHT.[28]

The Group has also increased its use of innovative and renewable materials for packaging. The Florence plant uses Tetra Rex Plant Based,[29] a renewable material composed of cardboard and plastic of vegetable origin, obtained from sugar cane, for its 1 litre packs of fresh milk and ESL bearing the Mukki brand. The Tapporosso and Latte Tigullio brands have also launched Plant-based Tetra Rex packaging for the ESL Bio milk range. Compared to the old packaging, the adoption of the new packaging allows a reduction in CO_2 emissions. In 2021, Mukki's Plant-based Tetra Rex packaging was certified carbon neutral by the Carbon Trust. This recognition is also in progress for the Tapporosso brand. By adopting Tetra Rex Plant-based packaging, Mukki has also changed its secondary packaging from plastic baskets to cardboard boxes, thus reducing its annual use of plastic.

26 United Nations Environment Programme (2021). Food Waste Index Report 2021. Nairobi.
27 Extended Shelf Life milk
28 Ultra High Temperature - long-life milk
29 Tetra Rex Plant-based packages are produced by Tetra Pak, a company engaged in food processing and packaging solutions.

Among the various initiatives aimed at using alternative materials to plastic, Centrale del Latte d'Italia S.p.A. has adopted fully recyclable paper pots for its 100% natural yoghurt line (produced under the brands Mukki, Tapporosso, Latte Tigullio and Centrale del Latte Vicenza). Brown paper packaging, also certified zero-emission, is another important innovation adopted by the Group. Brown paper, which is not chemically bleached, lighter and totally recyclable, has been introduced on the LAATTE (branded Tapporosso and Latte Tigullio) and Latte del Parco (branded Centrale del latte Salerno) lines. On the latter line, which is also certified carbon neutral, the packaging also plays the important role of informing the consumer about the origin and route of the milk. Using a QR code, it is possible to identify the time of milking and the milking stalls, and to learn about the history and the regions of the farms involved.

The Group also pays particular attention to the responsible management of packaging raw materials: 99% of the packaging used by Centrale del Latte d'Italia is made from FSC-certified paper and therefore obtained from forests managed in accordance with strict environmental, social and economic standards.

Also in the pasta and bakery world, investments are currently being made to innovate current packaging for better environmental performance. Among the various projects being tested are, for example, the development of a recyclable and compostable wrapper for rusks and the adoption of packaging for dry pasta in various formats made from 30% recycled plastic materials. FSC-certified paper packaging has long been used by the Pezzullo brand for all its pasta lines. Pezzullo also pays attention to the sustainability of secondary packaging: collaboration with the 100% Campania network[30] has made it possible to use cartons for transporting the pasta made from paper and cardboard from the separate waste collection of families and companies in the Campania region. In 2021 the UK subsidiary Symington's also innovated its product packaging, switching to the use of recyclable packaging on its Sachets line of Mugshot brand products and other private label lines. In the same year, Symington's obtained FSC Chain of Custody certification for its paper packaging.

30 100% Campania is a network formed by six companies in Campania belonging to the paper and packaging chain with the aim of developing environmentally friendly and sustainable packaging and supports from the waste from the local separate collection of paper and cardboard.

SOCIAL ASPECTS

PRODUCT QUALITY, SAFETY AND TRACEABILITY

One of the Group's primary objectives has always been to guarantee the quality and safety of the products it offers. This is ensured by a careful selection of raw materials, numerous checks carried out on the product during all stages of the production process, extensive controls of distribution methods, the involvement of all employees in activities to raise awareness of these materials and significant and constant investment in research and development, aimed at improving the products offered in terms of both nutrition and taste. In order to ensure that all aspects of product quality and health and safety are constantly monitored, the Group has a Quality Policy, supported by a management system and specific internal functions responsible for monitoring this issue.

Food quality and safety monitoring cover all stages of the food chain, with prevention and control of known and emerging risks. The adoption of such a management system therefore enables the Group to guarantee the end consumer a safe, quality product that complies with the standards and regulations in force in all the countries it operates in.

The Company ensures the quality and safety of the products it offers right from the supplier selection phase, their qualification being based on the rigorous evaluation and selection processes discussed in the previous section. The adequacy of procurement requirements is formalised in the specifications and contracts outlined with suppliers and verified through continuous and effective controls to monitor quality and food safety indicators. As soon as the raw materials arrive at the plant, the first analyses are performed on the product so that it can be accepted or rejected if it does not meet the required parameters. The Group also promotes the quality and food safety of the products it offers through regular internal audits on production processes, aimed at ascertaining the adequate hygienic conditions and the correct structural requirements of the production sites, promptly identifying potential areas for intervention and improvement. With this in mind, quality and safety assessments of the finished products are periodically organised within the plants to verify that the production process has met the established criteria.

A high level of food safety is also achieved thanks to the effective adoption of control systems and protocols, including the HACCP (Hazard Analysis Critical Control Points) methodology, which makes it possible to manage the potential risks known and regulated by regulations deriving from chemical, physical, biological and microbiological contaminants, or the systematic monitoring of packaging safety, verified through scrupulous controls on the finished product aimed at minimising the potential risk of migration of harmful substances, such as MOSH, MOAH and bisphenol A. Over the years, the company has also outlined a structured system for preventing and combating food and product fraud, following the guidelines of a number of international standards, including the International Food Safety Standard (IFS). The process has several stages:

- Identify potential critical issues concerning fraudulent activities throughout the supply chain.
- Assess the vulnerability of each category of raw materials, ingredients or packaging materials by assigning a risk level.
- Develop and implement a fraud mitigation plan, outlining specific mitigation actions for each plant and based on the level of risk.

- Review and update the vulnerability on an annual basis or whenever there is a change in the identified risk levels.

The Group's commitment is also reflected in its constant attention to product production phases. With regard to the processing of dairy products and the production of dry pasta, the company strictly follows production regulations and standards with the aim of offering the end consumer a safe, genuine product that respects tradition. In the instant food, baby food and bakery product lines, on the other hand, there are continuous activities to reformulate existing recipes and create new products, aimed at continuous improvement in terms of safety, quality and goodness, including from a nutritional point of view.

The traceability of raw materials and ingredients is one of the other key elements that ensure high standards of quality and food safety for the Group and consumers. As supply chains are complex and articulated systems, it is necessary to provide appropriate assurances regarding the control and management measures implemented to mitigate the risks that raw materials may face on their way to the final consumer. Also, in view of the growing demands of consumers, who are increasingly attentive to the traceability and safety of the products they buy, the Company is constantly collaborating with the various players in the supply chain in order to identify the causes of potential risks and, if necessary, take appropriate measures to prevent any problems from arising.

Certifications

For the Group, earning certifications, whether mandatory or voluntary, is both a driver for continuous improvement and a way of implementing a system of specific controls throughout all phases of the procurement and production cycle. In fact, with these certifications the company is committed to satisfying the many needs of consumers with respect to social and environmental issues and to seeking high standards of quality and safety in order to promote the characteristics of the products it offers.

The Group has earned a total of 161 certifications. The average number of certifications per plant[31] is 8.1 and rises to 9.2 for Italian factories alone.

All facilities of Newlat Food and Centrale del Latte d'Italia are ISO 9001:2015 certified for their quality management system, which enables them to pursue continuous improvement of company processes and performance, thus enabling the Company to assure its customers and consumers that the quality of its products will be maintained over time. Again with a view to ensuring well-defined quality standards, more than half of the Group's plants have obtained BRCGS and IFS certifications with the aim of strengthening and promoting food safety throughout the value chain. The Group also has “organic” certifications, which ensure pesticide- and chemical-free cultivation, traceability of raw materials and manufacturing and sales processes in accordance with certain standards, both for the milk and pasta lines. Both lines have also earned accreditations for the traceability of the supply chain, such as the ISO 22005:2008 certification, which attests to the 100% Italian origin of the raw materials milk and semolina. Finally, the company has obtained Non-GMO Project certification, which attests to the absence of genetically modified organisms (GMOs) in the non-dairy beverage line. Obtaining this certification has enabled the company, which is one of the few Italian companies to hold it, to become a key player in the plant-based food sector. In addition to product and supply chain certifications, three

31 Excluding warehouses

of the Group's laboratories – at the Ozzano Taro, Salerno and Florence plants – have earned ISO 17025:2018 certification.

With a view to continuous improvement and harmonisation of company processes, which is necessary since the growth of the Group has led to an increase in the number of production sites, each of which already has its own management systems, a Group policy has been defined and a process is under way to standardise existing systems under a central coordination.

[*GRI 416-2*] Commitment to high standards of food quality and safety is also reflected in the low number of incidents of non-compliance concerning the health and safety impacts of the products offered. Thanks to the effectiveness of numerous controls, 16 incidents of non-compliance with voluntary codes were recorded in 2021, leading to the withdrawal of products from the market on the Group's own initiative. This included the recall of a dry pasta lot due to the presence of the mustard allergen, a common problem for all pasta producers. On this occasion, the analyses performed revealed the presence of the allergen in raw materials purchased from third parties, thus enabling the Group to resort to effective and timely solutions that were later recognised by a Ministry of Health measure and valid for all producers in Italy. In the reporting year, the number of incidents of non-compliance remained low, in line with the trend of the last two years. No administrative or criminal sanctions have been imposed on the Company over the entire three-year period due to the low level of non-compliance recorded.

CONSUMER PROTECTION AND SATISFACTION

One of the Group's objectives is to listen to and meet the needs and requirements of consumers as purchasing habits shift towards more conscious and responsible consumption. On the one hand, in light of the increasing talk of sustainable development, consumers are paying increasing attention to the environmental and social impact of their diet. In fact, we are witnessing a rapid change in eating habits as a result of choices oriented towards greater awareness of agricultural practices that respect the environment, the local region and animal welfare. On the other hand, partly as a result of the pandemic of the last two years, there is growing attention to the way food is produced, seen as a determining factor in everyone's health and well-being. The Group has always promoted a healthy and balanced diet, and in fact the Company's production is based mainly on foods such as milk, unseasoned dairy products, pasta and other lightly refined baked goods: all foods at the bottom of the food pyramid, for which daily consumption is recommended. Today, however, consumers are also increasingly attentive to the origin, quality and impact of food products, so the Group is constantly investing in projects aimed at satisfying consumers who are increasingly sensitive to environmental and nutritional issues.

On the one hand, there have been innovations in the materials used for product packaging, a subject discussed in more detail in the previous sections. At the same time, product lines have been created from farms with animal welfare certification, organic, from local raw materials, in recognition of the commitment to promote and protect the local region.

The wide range of products on offer also means that consumers with specific nutritional needs can be catered for.

For consumers who need specific nutrients, the Mukki brand has launched infant formula product lines developed in collaboration with child nutrition experts, such as Mukki Bimbo, which contains a mix of ingredients carefully selected for children aged 1 to 3 and made according to even stricter specifications than those in place for early childhood. In addition to this, there are other special lines, such as Mukki Donna milk, enriched with vitamins and minerals to support the specific nutritional needs of women, and Mukki Training milk, with a high protein content intended for athletes.

There are also products formulated for consumers with special nutritional needs due to intolerances or allergies. These include the LAATTE line, made by selecting raw materials exclusively with beta-casein A2 protein, which enhances the natural digestibility of milk, lactose-free product lines, such as Latte Zero, designed for those who are lactose intolerant, and gluten-free products, of which the Güdo brand offers a wide range.

The Group also aims to satisfy consumers with nutritional needs related to ethical, cultural and religious reasons. The Cuore Veg range of non-dairy drinks and desserts is designed for those who prefer an alternative to animal products. The Group also has halal and kosher certifications that ensure full compliance with food rules and traditions.

Finally, for consumers seeking well-being through their diet, there are functional, probiotic, whole-food and low-fat products. These include the Benessere line of milk under the Mukki brand, enriched with nutrients for heart and bone health, the Flora Plus yoghurt launched by Centrale del Latte di Vicenza and containing vitamin B6 which contributes to the proper functioning of the immune system, the Delverde line of wholemeal pasta or the Naked brand instant noodles made with ingredients of natural origin.

Consumer protection in compliance with current regulations

A wide range of product offerings and a constant quest to ensure maximum customer satisfaction entails various risks, including regulatory risks related to the labelling of many products, as well as those related to process and product quality, or those related to communicating with customers and consumers to promote the articles.

[GRI 417-2]; [GRI 417-3] Consumer protection is the result of a careful process that, by pursuing responsible marketing and labelling, has not resulted in any sanctions during 2021. The Group guarantees accurate, complete and truthful information so that the consumer can make a rational, informed decision. Specifically, aware of the importance of the correct use of advertising media, the Company encourages the adoption of high standards of responsibility and transparency in the promotion of its products.

[GRI 418-1] Finally, the Group pays great attention to the protection of customer and consumer data, avoiding any improper use of such information, in compliance with the relevant regulations. During 2021, no complaints were received concerning breaches of customer privacy and/or loss of customer data.

SUPPORTING LOCAL COMMUNITIES AND PROMOTING THE TERRITORY IN WHICH THE GROUP OPERATES

The Group's industrial activities are closely linked to the local regions and communities it operates in. The company has always been committed to promoting a variety of initiatives aimed at promoting and developing local communities and regions. The activities undertaken in support of the community thus make it possible to strengthen the link with the region and to restore the trust that consumers place in the brand. In 2021 the Group made this link concrete by means of numerous initiatives and projects of various kinds, such as donations, sponsorships, product giveaways and partnerships with local bodies or universities aimed at supporting initiatives and activities to raise awareness and sometimes even educate adults and children, consumers and non-consumers.

The group works with charities, parishes and other associations such as food banks, Caritas, the Italian Red Cross and Civil Protection to support people in need by donating food. Among other projects aimed at supporting local communities, Centrale del Latte di Vicenza participated in the creation of a Donated Human Milk Bank (BLUD) by setting up a specific laboratory for pasteurising and freezing human breast milk to be used for babies born prematurely in the neonatal intensive care unit of the San Bortolo Hospital in Vicenza. Moreover, in 2021, following a grant from the Agenzia per le Erogazioni in Agricoltura (AGEA), the Ozzano Taro plant produced more than a tonne of baby food as food aid for the needy in Italy.

With a view to promoting well-being, solidarity and social cohesion, in 2021 the Group supported social and cultural initiatives such as conferences and educational meetings and local sporting events such as marathons, marches, tournaments and summer camps through sponsorships and donations of dairy products, pasta and baked goods.

A further initiative aimed at promoting the region took the form of the Latte del Parco product line at the end of 2020. This product is the result of a project undertaken by Centrale del Latte Salerno under the patronage of Legambiente, aimed at promoting the natural and cultural wealth of the Cilento, Vallo di Diano e Alburni national park area and promoting local excellence while limiting environmental impact. Again with a view to consolidating relations with its suppliers, strengthening the livestock supply chain and ensuring stability for the supplying farms, Centrale del Latte d'Italia signed an agreement with the Tuscan milk producers of the Mukki chain setting the price of milk at the stable for the three-year period 2021-2023.

With a view to promoting the promotion and protection of the local area, including through raising awareness among children, the Latte Tigullio brand launched the Combomerenda product, which features a collection of cards of different characters, the Combo fighters, friends of the environment and defenders of the sea and nature.

Initiatives in the local region are complemented by activities in the company. For some time now, Centrale del Latte d'Italia has been organising free educational visits for both students and adults during which it is possible to explore the entire milk production cycle, touching the cutting-edge tools and technologies used to process the milk we consume every day. In 2021, the Turin plant launched a new educational programme dedicated to primary and secondary schools: a Virtual Tour of Centrale del Latte di Torino. In addition to exploring the stages of milk production, the visits include a series of educational courses on health, well-being and healthy eating. In this context, together with the MIUR[32] and various professionals in the food sector, the Turin plant organises seminars aimed at providing teachers with updates on the importance of nutrition for pupils, from nursery to high school. The 18th edition of the event was held in 2021. Some of the Group's factories also offer the possibility of visiting the farms and herds the milk actually comes from in order to bring producers and consumers closer together.

The numerous factories spread throughout the region contribute to support the communities they operate in, generating income for their workers and for their direct and indirect suppliers. In fact, the numerous supply chains managed by the Group are among the primary beneficiaries of the value generated by its business.

Partnerships with universities

Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A. are increasingly partnering with Italian universities to promote research, development and innovation projects of strategic importance for boosting the competitiveness of the production system, including through the consolidation of research centres and facilities. These synergies are aimed on the one hand at promoting educational and training initiatives, and on the other at stimulating innovation, research and development, thus generating a virtuous circle of knowledge creation and technical skills.

In addition to the numerous visits and conferences aimed at raising awareness of the company's business, every year Centrale del Latte d'Italia and Newlat Food offer university students opportunities to enter the company through internships and apprenticeships.

Moreover, important partnerships have been established with organisations and universities, including the University of Pisa, the Sant'Anna School for Advanced Studies and Further Education and the National Research Centre (CNR) in order to promote innovative technologies and methods for the continuous improvement of milk quality and the adoption of more sustainable agricultural and production practices.

Major projects in 2021 include:

PIF - Promoting the value of Tuscan cow's milk

Already mentioned above, the project will be carried out together with all the Tuscan breeders (100% direct and indirect participants) who have historically conferred milk to Centrale, in partnership with the University of Pisa and the Sant'Anna School for Advanced Studies and Further Education.

Working with Centrale del Latte d'Italia S.p.A., the Sant'Anna School performed an overall assessment of the potential environmental impacts associated with the management of the four agricultural systems at different levels of ecological intensification, using the Life Cycle Assessment (LCA) methodology. In the project, an integrated model of interview data and processed data was developed for modelling impacts related to cattle enteric fermentation and nitrogen and phosphorus excretion. The assessment of impacts associated with the Tuscan Milk production chain will be based on a comprehensive set of potential environmental impact indicators that take into account resource consumption (renewable and

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non-renewable energy, water), waste production, emissions into the environment (greenhouse gas emissions, acidification potential, eutrophication and photochemical smog production) as recommended by the European Platform for LCA (ILCD) and the PCR (Product Category Rules) "Processed Liquid Milk and Cream" and the "General Programme Instruction" of the EPD (Environmental Product Declaration) system.

TECH4MILK - innovative technologies and solutions at the service of Piedmont's milk supply chain to promote its competitiveness and sustainability

TECH4MILK consists of 5 sub-projects that aim to improve the sustainability of the supply chain from primary production to processing and to promote concrete solutions and monitoring mechanisms to increase the competitiveness of Piedmontese dairy production in national and international markets, creating social and environmental as well as economic value.

The university involved is the University of Turin - Department of Agricultural, Forestry and Food Sciences and Department of Veterinary Sciences.

Specifically, the Turin plant participated as leader in the sub-project entitled "Optimisation of production and processing processes and development of new products to increase the competitiveness of the Piedmontese milk chain in national markets".

"NU.T.RA.PAC" - New technologies for processing, packaging and preservation of food, bakery and dairy products

The Nutrapac project was launched in cooperation with the University of Modena and Reggio Emilia, specifically the Department of Life Sciences, involving the Lodi, Ozzano Taro and Sansepolcro sites. The project consists of 6 sub-projects, each involving different plants:

1. Research into new packaging solutions oriented towards quality and food safety - Sansepolcro and Ozzano Taro plants.
2. Development of new packaging processes/plant solutions - Sansepolcro and Ozzano Taro plants.
3. Research of technologies to contain acrylamide content and prevent risk of cross-contamination of allergens, for biscuits intended for specific consumer groups - Ozzano Taro plant.
4. Development of new processes/plant solutions for preparation, moulding and baking - Ozzano Taro plant.
5. Research on new technological solutions for food processing and preservation with regard to dairy products (mascarpone) - Lodi plant.
6. Development of new processes/plant solutions for food processing and preservation, with regard to dairy products (mascarpone) - Lodi plant.

From food waste to the development of functional foods in synergy between research and business: dairy processing by-products as a source of bioactive molecules

This project involves a collaboration between the Vicenza plant and the University of Padua and seeks to make use of milk production waste with the aim of reducing waste, encouraging the circular bio-economy in accordance with the objectives of the European Green Deal for the recovery of agro-food industry waste and identifying bioactive molecules and peptides with antioxidant and anti-inflammatory properties for the possible subsequent functionalisation of foodstuffs with these bioactive molecules.

The project consists of the following phases:

- Evaluation of milk processing by-products, both in terms of quality and protein composition.
- Extraction of the various peptide fractions from the protein component to identify bioactive peptides with antioxidant and/or anti-inflammatory activity.
- Once the bioactive peptides have been identified, their bioavailability will be analysed using cell lines simulating the intestinal epithelium.
- Cellular assessment of the expression of antioxidant and anti-inflammatory enzyme proteins by Western blot and RT PCR techniques to evaluate their effects on gene transcription.
- In vivo evaluation of the peptides of interest to assess whether the effects shown in vitro can also be transferred to a complex organism.

PROTECTION OF WORKER HEALTH AND SAFETY

[GRI 403-1]; [GRI 403-2]; [GRI 403-3]; [GRI 403-4]; [GRI 403-5]; [GRI 403-6]; [GRI 403-7]

One of the main risks created by business activities is related to the health and safety of workers who mainly work in production, and the protection of its workforce has always been at the top of the Group's commitments.

In fact, the health and safety of personnel is a subject that is treated with particular care, sensitivity and attention in order to guarantee and promote a safe environment in the workplace. The Group adopts health and safety management systems that comply with the requirements of the relevant regulations. The regulations refer to the laws of the countries where the plants are located: Italian Legislative Decree 81/2008 for the companies located in Italy, i.e. Centrale del Latte d'Italia and Newlat Food, the 1974 Health & Safety at Work etc. Act for the Symington's Group located in England and the Arbeitssicherheitsgesetz for the plant located in Germany.

In view of the Group's growth through the acquisition and integration of other companies, the constant objective is to make the management of health and safety risks at work more efficient and effective by harmonising and standardising the systems in place in the various locations. It is also aimed at implementing a single training plan, divided by country, for all employees of the various company sites.

For the Group, the identification and assessment of the hazards and risks that may contribute to the potential occurrence of accidents and/or occupational illness in the workplace is the first and most important requirement to be complied with to ensure the health and safety of workers and to identify the measures to be implemented to protect them. All facilities, workplaces, machines, equipment and working methods are subject to assessments in several areas, including warehouse work, laboratory work, maintenance and activities carried out in external areas. At the same time, assessments were made of cross-cutting risks, including risks of fire, noise, vibration, etc. Performed by consultants with proven professional experience, the assessments are systematically repeated, and when activities, installations and equipment are introduced or modified or following any accidents or major incidents, these assessments are reviewed. Workers are encouraged to move away from any hazards or dangerous situations at work and to report them to the appropriate persons. All reports received are collected, assessed and then submitted to the employer or management during regular meetings. At these meetings, the problems that have arisen, any accidents and near misses are highlighted and discussed, and if necessary corrective actions are identified and defined. Following the reporting of accidents or injuries, a procedure is undertaken to establish the details of the incident and any corrective or preventive action.

The Group constantly monitors the health situation of its employees through the supervision of a company physician: all employees are subject to a medical examination to ensure good health and fitness for work. The examination is repeated at a frequency defined by the doctor on the basis of each employee's job description and any resulting risks. Worker participation in occupational health and safety issues is ensured through periodic meetings between the main actors responsible for health and safety and the workers themselves. Moreover, Symington's has provided its workers with the Engage application, which allows direct communication on health and safety issues.

As required by the laws of the countries the Company operates in, the Group provides employees with both general and specific training on health and safety in the workplace. The participation of employees in training is mandatory and takes place during working hours. The effectiveness of the training provided is assessed through employee feedback and the administration of final tests.

The Group promotes workers' health through healthcare funds that allow for the reimbursement or reduction of healthcare costs or through facilitated access to private health and life insurance services.

The Company regularly monitors all accidents that occur in the workplace.
[GRI 403-10] In 2021, as in the previous two years, no occupational illnesses were recorded. The injuries recorded so far are minor, such as minor cuts, bruises and burns. The table below shows the situation regarding accidents at work in the Group.

Table 16 Work-related injuries [*GRI 403-9*]

	2021	2020	2019
Number of deaths as a result of work-related injuries	0	0	0
Number of serious work-related injuries	0	0	0
Number of recordable work-related injuries	44	26	37
Number of hours worked	2,976,201.2	2,202,515.60	1,404,134.50
Death rate as a result of work-related injuries	-	-	-
Rate of high-consequence work-related injuries	-	-	-
Rate of recordable work-related injuries[33]	14.8%	11.8%	26.35%

The occupational health and safety management system is subject to periodic audits by third parties to ensure the application and effectiveness of the procedures adopted and the controls in place. With these audits, the Group seeks to ensure impartiality and third-party verification. The occupational health and safety management system covers all activities and tasks within the company and includes all workers, both employees and external contractors. In fact, the Group's business does not provide for outsourcing activities in places where it is difficult to monitor and ensure the health and safety of personnel. On the contrary, a limited number of non-employee workers operate in the Group's plants, whose safety conditions are evaluated jointly by the Company's health and safety managers and the managers of the these workers' employer. The UK subsidiary Symington's is also in the process of adopting an ISO 45001:2008 management system for occupational health and safety.

With reference to non-employees of the Group but still under the control of the organisation, a system for monitoring hours has not yet been established. Such workers mainly correspond to: cleaning, porterage and concierge staff or any workers belonging to external companies. There are also some agency workers in some of the plants.

Over the last two years, general risks have been compounded by the impact that the spread of SARS-CoV-2 has had and is still having on a global scale.

The Group has put in place certain measures to protect its resources in accordance with the protocols in force, and they cover the following aspects:

33 The figure for 2019-2020 was recalculated using the following formula: (The number of recordable accidents at work / Number of hours worked) x [1,000,000] to align the indicator with the 2021 figure

Timely update of the risk assessment in order to deal with risks associated with the COVID-19 pandemic evolution.

Continuous communication to all personnel of good hygiene practices and the guidelines to be followed in the case of contact with people infected by SARS-CoV-2.

Implementation of protocols for interaction with external parties (e.g. carriers, couriers, etc.) authorised to access the Group's facilities, to ensure business continuity.

Restriction of access in order to maintain safety distances in enclosed spaces and shared areas such as toilets and canteens;

Activation of organisational protocols such as access to smart working, where possible, and alternating holidays.

Implementation of shared protocols on the management of COVID-19 and establishment of specific COVID committees involving the employer and all persons responsible for occupational health and safety.

The company bodies responsible for the health and safety of employees have and will continue to monitor the evolution of events, so as to promptly implement the actions deemed most appropriate for the management of the health emergency.

EMPLOYMENT PROTECTION

One of the company's strengths is certainly its human capital, made up of all the employees and contractors who gravitate around the company system. In fact, human resources represent an indispensable resource for the creation of value, guaranteeing company competitiveness and constant and sustainable development, ensuring customers and consumers a quality product and thus enabling the Group to achieve its objectives in the short, medium and long term. In turn, the Group generates opportunities through the creation of employment in the regions it operates in and the inclusion and development of talent in its business. The Group's practice is to attract resources, train them, develop them and consolidate relationships with them over time. In fact, the company pays particular attention to the early stages of hiring, when it seeks the best match between the skills required and the candidates' profiles. This is also confirmed by the following figures.

The Group therefore offers all employees a safe, stimulating working environment, promoting respect for employees' personal space and enabling a work-life balance.

Information on employees and other workers
[GRI 102-8]

The Group's workforce varied significantly in the three-year period 2019-2021 due to the acquisitions made during the years covered by the report. Specifically, there is an increase in both permanent and fixed-term contracts.

Table 17 Employees with a permanent or fixed-term contract

Employees	2021			2020			2019		
Contract type	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent	1,420	549	**1,969**	1,040	342	**1,382**	767	254	**1,021**
Fixed-term	108	22	**130**	106	17	**123**	66	9	**75**
Total	**1,528**	**571**	**2,099**	**1,146**	**359**	**1,505**	**833**	**263**	**1,096**

Table 18 Employees with full-time or part-time contracts

Employees	2021			2020			2019		
Type of Contract – FT/PT	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time	1,477	478	**1,955**	1,122	300	**1,422**	812	226	**1,038**
Part-time	51	93	**144**	24	59	**83**	21	37	**58**
Total	**1,528**	**571**	**2,099**	**1,146**	**359**	**1,505**	**833**	**263**	**1,096**

Table 19 Employees by geographical area

Employees Geographical Area	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	1,024	316	**1,340**	1,037	329	**1,366**	729	233	**962**
England	398	224	**622**	-	-	**-**	-	-	**-**
Germany	106	31	**137**	109	30	**139**	104	30	**134**
Total	**1,528**	**571**	**2,099**	**1,146**	**359**	**1,505**	**833**	**263**	**1,096**

The Group's activities continue to grow from year to year, also as a result of the acquisition of the British company. In fact, full-time contracts increased from 1,422 to 1,955, and part-time contracts similarly increased from 83 to 144. The trend of permanent contracts as a percentage of total active contracts at the end of 2021 is positive at 94%, up by 2.16% compared to 2020.

[GRI 401-2] In any case, the Group does not differentiate between full-time employees, part-time employees, fixed-term employees or permanent employees in the granting of benefits, but treats all equally.

More than half of the Group's employees work in Italy, where the Group has its foundations, although from 2021 the number of employees working abroad will become significant: almost 800 people divided between the UK and Germany, reflecting the Group's international expansion.

Collective bargaining agreements

The Group pays attention to the protection of its employees and is committed to strictly complying with the regulations in force.

As in the previous two years, again in 2021 all employees of the Italian companies and 90% of the employees of Newlat GmbH are covered by collective labour agreements. These agreements, also due to the different union organisation and contractual conditions in the Anglo-Saxon world, are not envisaged in the English company Symington's Ltd. For this reason, the percentage of workers covered by collective agreements is lower than in the last two years.

Table 20 Employees covered by collective bargaining agreements [*GRI 102-41*]

Newlat Food Group employees	2021	2020	2019
Number of employees - Group	2099	1,505	1,096
No. of employees covered by collective agreements - Group	1467	1,491	1,081
% employees covered by collective or supplementary agreements - Italy and Germany	100%	99%	99%
% employees covered by collective or supplementary agreements - Group[34]	70%		

In Italy, all employees are covered by a national collective agreement (CCNL), to which is added a supplementary contract, which applies to almost all employees (99%).

34 The figure includes Symington's

New employee hires and employee turnover
[GRI 401-1]

The tables below show the data regarding resignations and recruitment during the three-year period 2019-2021.

The relationship between new hires and turnover is stable, demonstrating that there have been no major changes to the workforce, gross of the expansion of the workforce following the integration of Symington's.

As in previous years, it is evident that the turnover and hiring process is decreasing the average age of personnel, with a high number of under-30s entering the workforce and an older age group leaving. The staff renewal process is one of the pillars for growth and the maintenance of competitive advantage. This process is ongoing and an attempt is being made to maintain the right balance between experience and innovation, thus ensuring that new resources can join the workforce.

Table 21 Hiring in the Newlat Food Group

Employees -	2021			2020			2019		
New hires	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30	74	15	**89**	53	7	**60**	40	11	**51**
30-50	41	17	**58**	31	9	**40**	22	7	**29**
>50	16	2	**18**	6	0	**6**	5	-	**5**
Total	**131**	**34**	**165**	**90**	**16**	**106**	**67**	**18**	**85**

Table 22 Turnover in Newlat Food Group

Employees -	2021			2020			2019		
Employee turnover	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30	46	19	**65**	15	6	**21**	12	3	**15**
30-50	45	30	**75**	16	8	**24**	9	6	**15**
>50	56	15	**71**	52	12	**64**	47	7	**54**
Total	**147**	**64**	**211**	**83**	**26**	**109**	**68**	**16**	**84**

Education, training and development of people

The attention, protection and development of people are elements underpinning the Group's growth, the importance of which is also recognised by the current Code of Ethics. They are asked to work with loyalty and mutual trust for the benefit of common success.

The professionalism and skills developed by all employees are an important success factor for any company. The continuous training of personnel and the adoption of a corporate culture aimed at supporting the professional development of workers are a fundamental requirement for ensuring high product and process standards, and consequently for the responsible development of the Group. The Company therefore promotes the professional and personal growth of its employees, establishing a culture based on the development of the individual in the various operational contexts.

The commitment to ensure the growth of its personnel goes hand in hand with the Group's priorities for meeting the needs of its stakeholders, organising training courses deemed to be a priority for this purpose and providing incentives for staff at all levels to participate in them. Based on the data below, it can be seen that the Group does not make any distinction when it comes to gender in its investments in training and development.

Employee training

With this in mind, and in compliance with the regulations of the various countries that the Group operates in, employees are guaranteed constant training from the moment they are hired.

The training provided focuses mainly on food safety, occupational health and safety and other aspects considered to be of high added value for the Group and its stakeholders, the aim being also to increase technical and professional skills. Training is thus aimed at both preserving and expanding the know-how acquired over time by the Group.

Table 23 Average hours of training per year per employee of the Newlat Food Group [*GRI 404-1*]

Average hours of training	2021[35]			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	4	11	**4**	4	3	**3**	3	8	**4**
Managers+Office personnel	5	4	**4**	2	3	**3**	6	5	**6**
Manual workers+Technical managers	15	7	**14**	13	5	**12**	23	8	**20**
Total	**13**	**6**	**11**	**11**	**4**	**9**	**19**	**7**	**17**

35 Training hours for Symington's are not available.

PROTECTION OF HUMAN RIGHTS, REDUCTION OF INEQUALITIES, RESPECT FOR DIVERSITY AND INCLUSION

Throughout the value chain there are potential risks for human rights violations. Among the most sensitive areas are the supply chain and the employed workforce. The impacts of the Group's work on the latter, however, are dominated by a strong core culture on these aspects, such as the culture in Italy, Germany and England, the countries where the Group produces and where the entire workforce works. In these countries there are also regulations in place that facilitate the management of impacts on the inviolable rights of the individual.

Starting with the selection process and throughout the career path, the Group adopts and promotes conduct based on propriety and protection of personal dignity. This commitment also translates into the dissemination of a corporate culture based on the promotion of a working environment free of all discrimination. In fact, the Company strongly condemns and opposes with positive actions any direct or indirect form of discrimination based on sex, ethnicity, nationality, religion, age, disability, gender, sexual orientation, marital status, membership in political parties or associations, physical and/or economic condition and any other possible form of intolerance. At the same time, the Group recognises the respect and promotion of diversity as an added value for the development of a successful corporate culture capable of fully capitalising on Human Capital.

In the process of internationalisation and expansion, the Group's staff has not only expanded in number, but also in terms of nationality, culture and expertise, thus making a positive contribution to the company's growth. In addition to supporting such diversity, the Company recognises, promotes and defends full equality and equal opportunities without differences among its employees.
Even in its relations with the supply chain, the Group is committed to observing the principles set out in the Universal Declaration of Human Rights, the relevant national and international laws and the Code of Ethics.

In order to communicate its commitment to its suppliers, when signing agreements or contracts the Group provides them with its Organisational Model pursuant to Italian Legislative Decree 231/01 and its Code of Ethics with the aim of sharing its principles and attention to respect for human rights and inequalities.

[GRI 406-1] As evidence of the Group's proper conduct during the year, as in the previous two-year period, there were no incidents of discrimination.

Diversity among employees

The composition of employees shows that there is a process of generational turnaround between older and younger workers. The share of under-30s in the last three years has increased from 7% in 2019 to 13% in 2021, a relative increase of about 85%.

As previously indicated, this process is of particular interest for the future growth of the Group.

Table 24 Diversity among employees [*GRI 405-1*]

Group Employees 2021	< 30		30 - 50		> 50		Total no.	Tot. %
	Men	Women	Men	Women	Men	Women		
Executives	1	-	6	-	18	1	**26**	1%
Managers+Office personnel	16	28	108	130	155	82	**519**	25%
Manual workers+Technical managers	185	40	580	191	459	99	**1554**	74%
Total	**202**	**68**	**694**	**321**	**632**	**182**	**2099**	100%
% by age group	75%	25%	68%	32%	78%	22%		
% of Total	10%	3%	33%	15%	30%	9%		

Group Employees 2020	< 30		30 - 50		> 50		Total no.	Tot. %
	Men	Women	Men	Women	Men	Women		
Executives	-	-	9	1	18	2	**30**	2%
Managers+Office personnel	6	22	74	89	166	74	**431**	28%
Manual workers+Technical managers	112	2	404	103	356	67	**1,044**	70%
Total	**118**	**24**	**487**	**193**	**540**	**143**	**1,505**	100%
% by age group	83%	17%	72%	28%	79%	21%		
% of Total	8%	2%	32%	13%	36%	9%		

Group Employees 2019	< 30		30 - 50		> 50		Total no.	Tot. %
	Men	Women	Men	Women	Men	Women		
Executives	-	-	5	1	7	2	**15**	1%
Managers+Office personnel	2	10	54	45	93	40	**244**	22%
Manual workers+Technical managers	56	9	363	113	253	43	**837**	77%
Total	**58**	**19**	**422**	**159**	**353**	**85**	**1,096**	100%
% by age group	75%	25%	73%	27%	81%	19%		
% of Total	5%	2%	39%	15%	32%	8%		

The Group aims not to create a difference in treatment between men and women and does not implement policies or practices designed to favour one over the other.

GOVERNANCE

TRANSPARENT GOVERNANCE AND CORPORATE IDENTITY

Transparency and integrity are the values that guide the Group in defining its Corporate Governance system. In fact, an integral and transparent governance structure and constant attention to compliance with laws and regulations contribute decisively to increasing both the competitiveness of the Company and the sustainability of its development in the medium and long term, among other things promoting a relationship of trust between the Company and its stakeholders, with whom there is continuous and transparent communication. Based on these principles and values of Corporate Governance, the Group defines the structure of functions and responsibilities and develops an appropriate control system, ensuring both conscious management choices and an effective monitoring of business risk management. The control system in place is also aimed at guaranteeing a correspondence between the corporate identity and the way the company operates: in fact, one of the objectives is to monitor the alignment between the practices adopted internally, the mission, the vision and the image that stakeholders have of the Group.

With the aim of improving the efficiency and transparency of their corporate governance, Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A. adopted the Corporate Governance Code for Listed Companies published by the Corporate Governance Committee of Borsa Italiana. The Group's Corporate Governance is structured according to the traditional model, therefore the sovereign body of the company with decision-making powers is the Shareholders' Meeting, management responsibility is entrusted to the Board of Directors, supervisory functions to the Board of Statutory Auditors, and the statutory audit is assigned to Independent Auditors. The composition of the Boards of Directors of the Group companies at the end of the year is shown in the following table.

Table 25 Diversity in governance bodies - BoD [*GRI 405-1*]

Group 2021	< 30		30 - 50		> 50		Total
Diversity of Governance Bodies - BoD	Men	Women	Men	Women	Men	Women	
Members of Governance Bodies	0	1	5	1	2	3	12
% Members of Governance Bodies by age group	-	100%	83%	17%	40%	60%	-
% Members of Governance Bodies of the Total		8%	42%	8%	17%	25%	-

Group 2020	< 30		30 - 50		> 50		Total
Diversity of Governance Bodies - BoD	Men	Women	Men	Women	Men	Women	
Members of Governance Bodies	0	1	2	1	2	1	7
% Members of Governance Bodies by age group	-	100%	66%	33%	66%	33%	-
% Members of Governance Bodies of the Total	-	14%	29%	14%	29%	14%	-

Group 2019 Diversity of Governance Bodies - BoD	< 30		30 - 50		> 50		Total
	Men	Women	Men	Women	Men	Women	
Members of Governance Bodies	0	1	2	1	2	1	7
% Members of Governance Bodies by age group	-	100%	67%	33%	67%	33%	-
% Members of Governance Bodies of the Total	-	13%	25%	13%	25%	13%	-

In order to pursue objectives in a responsible manner, executive directors and strategic managers have been allocated a portion of variable remuneration with an MBO (management by objectives) logic, linked also to the group's non-financial performance. Among the aspects mentioned are the reduction of CO2 emissions and elements concerning the circular economy of the products managed by the Group.

Tax management

[GRI 207-1; GRI 207-2]; [GRI 207-3]

In line with the principles defined in the Code of Ethics, the Group also acts in accordance with the values of transparency and integrity in the management of its taxes. Acting responsibly from a fiscal point of view is essential for the protection of social assets and for the creation of value in the medium and long term. Moreover, the Company sees the payment of taxes as an important channel through which to contribute to the economic and social development of the countries it is present in.

With this in mind, the Group pays great attention to compliance with tax regulations, acting with extreme responsibility and committing itself to interpreting the relevant tax rules and principles in the individual jurisdictions it operates in, i.e. Italian, English and German. As a Group tax strategy has not yet been formalised, the Board of Directors defines the approach to be adopted, with the aim of ensuring uniform tax management for all interested entities. Responsibility for compliance lies with the internal departments of each subsidiary, while the parent company's Administration, Finance and Control department is responsible for supervising and coordinating intercompany relations. This approach is inspired by a logic that on the one hand guarantees the correct and timely calculation and payment of taxes due by law and the execution of the related obligations, and on the other the correct management of tax risk, understood as the risk of violating tax rules or abusing the principles and purposes of the tax system. In detail, tax-related risks are identified and managed according to the company's Enterprise Risk Management model.

The Company has also adopted a set of rules, procedures and principles that are part of the broader system of organisation and control and that are to be considered fundamental points of reference that all parties are required to respect depending on the type of relationship they have with the Group.

The Group maintains a collaborative and transparent relationship with tax authorities, institutions and trade associations. The objective is to manage compliance and reputational risks and safeguard corporate assets, as well as to pursue the primary interest of creating value for shareholders over the medium and long term.

Furthermore, the Group does not operate with the aim of benefiting from domestic or international conduct and operations that do not reflect economic reality and from which undue tax advantages could be obtained, such as for example investments in or through countries considered to have privileged taxation with the sole aim of reducing the tax burden. For tax purposes, intercompany relationships are conducted at arm's length, as defined by the OECD (Model Tax Convention and Transfer Pricing Guidelines), with the aim of aligning transfer conditions and prices as far as possible.

The Group uses tax incentives generally applicable to all operators, complying with all specific regulations only where the incentives are aligned with its industrial and operational objectives and in line with the economic substance of its investments.

For the Group, tax compliance is considered to be one of the fundamental aspects of the Company's ethical and responsible management. Consequently, violations of tax laws are among those that can be reported through the Company's internal channels. To date, the Group has not received any solicitations from its stakeholders on tax issues.

Table 26 Country-by-country reporting [*GRI 207-4*]

Names of resident entities	Main activities of the organisation	Number of employees	Revenues from sales to third parties	Revenues from intragroup transactions with other tax jurisdictions	Pre-tax profit/loss	Tangible assets other than cash and cash equivalents	Corporate income tax accrued on profits/losses
Italy							
Newlat Food S.p.A.	Production of dry pasta and baked goods	728	136,477.00	20,632.00	2,011.43	84,112.00	1,151.12
Centrale del Latte d'Italia S.p.A.	Production and processing of dairy products	612	281,798.00	1,598.00	3,196.85	209,012.00	904.00
Total Italy		1,340	418,275.00	22,230.00	5,208.28	293,124.00	2,055
Germany							
Newlat GmbH	Production of dry pasta	137	89,588.12	-	5,758.00	30,523.00	1,961.72
Total Germany		137	89,588.12	-	5,758.00	30,523.00	1,961.72
United Kingdom							
Symington's Ltd	Production of ready meals (instant noodles, sauces, soups)	622	48,030.00	-	2,005.00	39,588.00	1,074.00
Total United Kingdom		622	48,030.00	-	2,005.00	39,588.00	1,074.00

LEGALITY, ETHICS AND ANTI-CORRUPTION

In order to operate in a proper, law-abiding manner and avoid any type of active or passive corruption, the Group is committed to putting in place the necessary preventive measures to mitigate the risks of non-compliance with the laws of all the countries it operates in, and by means of a Code of Ethics it informs its collaborators of the values that inspire it and the principles and guidelines that guide the behaviour of all the Company's internal and external stakeholders.

In accordance with Italian Legislative Decree 231/2001, Newlat Food has also adopted an Organisation, Management and Control Model (OMCM) aimed among other things at preventing corruption-related offences. In order to ensure the effective application of its OMCM, the company has planned and effectively adopted a structured system of procedures and implemented dedicated control activities. The Italian subsidiary Centrale del Latte d'Italia has also adopted its own OMCM for the same purposes.

Both companies have also appointed a Supervisory Board (SB), which has been entrusted with the task of monitoring the correct application and effectiveness of the OMCM. This task is ensured by the Supervisory Board by means of a specific audit plan and by examining the information flows submitted periodically by the relevant corporate functions.

Both Newlat Food and its Italian subsidiary Centrale del Latte periodically update their 231 Models, also implementing whistleblowing channels in accordance with the provisions contained in the recent EU Directive 1937/2019.

Newlat Food's constant attention to ethical issues and social responsibility has led the company to identify an Ethics Officer within its staff to whom it entrusts the management of complaints and reports on this issue. This action was supported by the provision of specific channels and procedures.

Lastly, note that constant coordination between the parties involved in the control system in accordance with the provisions of the Corporate Governance Code makes it possible to best meet the expectations of all stakeholders.

[GRI 205-3]; [GRI 206-1]; [GRI 419-1] As a result of the audits and investigations carried out, no substantiated bribery incidents were recorded during 2021. Similarly, there were no actions for anti-competitive behaviour, antitrust or monopolistic practices, nor penalties for non-compliance with social and economic laws and regulations.

Most of the Italian plants and the UK company have obtained SMETA (Sedex Members Ethical Trade Audit) certification, aimed at promoting transparency and demonstrating the good ethical practices adopted by the Group, not only within the Company but also along the entire supply chain. The certification bases its assessment criteria on the ETI (Ethical Trade Initiative) code, integrating them with national and local laws in the countries concerned and based on four pillars: compliance with labour regulations, business ethics, health and safety in the workplace and the environment.

Earning certification therefore allows, on the one hand, strengthening the control systems of the supply chain through the identification and mitigation of potential risks in an effective manner, and on the other hand promoting the good practices identified through a systematic monitoring of the supply chain. Therefore, such certification leads to various benefits, including:

- Knowing, monitoring and evaluating the working conditions and health and safety of workers applied by its suppliers, strengthening commercial relations with suppliers who are more virtuous in adopting good practices and international standards.
- Promoting respect for human rights and decent working conditions, thereby encouraging compliance with relevant rules, regulations and policies, such as the Modern Slavery Act (2015), and deterring the adoption of unlawful practices, such as unauthorised subcontracting.

RESPONSIBLE DEVELOPMENT AND GROWTH

Up until now the Group has pursued steady, significant growth, keeping in mind and systematically monitoring not only its economic performance, but also its environmental and social performance. Given the growing consumer awareness of ESG issues and the urgent demand for ESG-friendly products, integrating sustainability strategies and objectives into business operations is no longer just an option but a necessity, as well as a competitive factor for the entire private sector. This trend is even more pronounced for the agri-food sector, which is particularly exposed to certain environmental risk factors such as extreme heat waves, reduced availability of water, the spread of pests and diseases and other phenomena linked to climate change.

For these reasons, the Group operates so that the value created increases not only in the short term, but above all in the medium and long term, promoting ethical conduct, reconciling the legitimate expectations of the various stakeholders and limiting the direct and indirect environmental impact of its production in order to preserve the environment for the benefit of future generations and in compliance with current regulations. With this in mind, the Research and Development (R&D) division, also thanks to constant targeted investments, is committed to identifying new and innovative solutions, both in production and in processes, paying particular attention to safety and environmental performance, with the aim of pursuing increasingly responsible development.

One of the growth strategies pursued by the Group is the continuous search for opportunities for international development, with the aim of strengthening competitiveness, expanding and differentiating the range of products offered and increasing the share of exports of Italian products in foreign markets. In fact, considering that exports of Italian agri-foodstuffs are constantly increasing, growth and consolidation in international markets enables the company to pursue its objectives, promoting and supporting the creation of value for all its stakeholders. In 2021 the company expanded its operations into the UK market by acquiring the Symington's Group and consolidating its presence in the German market: to date, the two markets respectively account for 17% and 20% of the Group's turnover. The proportion of consolidated turnover deriving from the Italian market is constantly decreasing, as a result of the Group's strategy to develop in foreign markets as well. The objective of expansion, including into other markets such as Asia and the Americas, goes hand in hand with investments to ensure a high level of product quality and to seek solutions that are increasingly close to consumers and stakeholders' needs.

In fact, the Company's growth occurs mainly through processes of acquisition of companies and brands, selected not only on the basis of competitiveness and profitability but also with respect to values and objectives shared with the Group, including integrity, transparency, the commitment to limit the impact of its operations on the environment, the observance of principles and rules on human rights and the protection of the community.

TABLE OF CORRELATION WITH ITALIAN LEGISLATIVE DECREE 254/16

Scope of Italian Legislative Decree 254/2016	Material topic	Reference Chapter	Standard-Specific Topic GRI STANDARDS 2016 (2020 update)		Limitations on the 2021 reporting scope[36]	Notes
		Introduction – Methodological note	102-1	Name of the organisation	-	
			102-45	Entities included in the consolidated financial statements	-	
			102-48	Restatements of information	-	
			102-50	Reporting period	-	
			102-52	Reporting cycle	-	
			102-53	Contact point for questions regarding the report	-	
			102-56	External assurance	-	
		Introduction – Business Model	102-2	Activities, brands, products and services	-	
			102-3	Location of headquarters	-	
			102-4	Location of operations	-	
			102-6	Markets served	-	
			102-9	Supply chain	-	
			102-15	Key impacts, risks and opportunities	-	
		Introduction – Corporate Governance Model and Sustainability Management	102-5	Ownership and legal form	-	
			102-18	Governance structure	-	
		Introduction – Stakeholder Engagement	102-21	Consulting stakeholders on economic, environmental, and social topics	-	
			102-40	List of stakeholder groups	-	
			102-42	Identifying and selecting stakeholders	-	
			102-43	Approach to stakeholder engagement	-	
		Introduction – Materiality	102-47	List of material topics	-	
Environmental aspects	Sustainable farming practices, animal welfare and attention to raw materials	Sustainable farming practices, animal welfare and attention to raw materials	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
			308-1	New suppliers that were screened using environmental criteria	Only for the companies: Centrale del Latte d'Italia and Newlat Food	
			414-1	New suppliers that were screened using social criteria	Only for the companies: Centrale del Latte d'Italia and Newlat Food	
	Process environmental impact	Process environmental impact	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
		Process environmental impact – Energy consumption and emissions	302-1	Energy consumption within the organisation	-	
			302-3	Energy intensity	-	
			302-4	Reducing energy consumption	-	
			305-1	Direct GHG emissions	-	

36 Unless otherwise stated, this includes all Newlat Food Group companies consolidated on a line-by-line basis, as indicated in the Methodological Note

				(Scope 1)		
			305-2	Indirect GHG emissions from energy consumption (Scope 2)	-	
			305-4	GHG emissions intensity	-	
		Process environmental impact – Water management and use of water	303-1	Interaction with water as a shared resource	-	
			303-2	Management of water discharge-related impacts	-	
			303-3	Water withdrawal	-	
		Process environmental impact – Waste management and spills	306-3	Waste generated	-	
			307-1	Non-compliance with environmental laws and regulations	-	
	Sustainable packaging	Sustainable packaging	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
Social aspects	Product quality, safety and traceability	Product quality, safety and traceability	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
			416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	
	Consumer protection and satisfaction	Consumer protection and satisfaction	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
		Consumer protection and satisfaction – Consumer protection in compliance with current regulations	417-2	Incidents of non-compliance concerning product and service information and labelling	-	
			417-3	Incidents of non-compliance concerning marketing communications	-	
			418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	
	Supporting local communities and promoting the territory in which the Group operates	Supporting local communities and promoting the territory in which the Group operates	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
		Introduction – Business Model	204-1	Proportion of spending on local suppliers	-	
Personnel aspects	Protection of worker health and safety	Protection of worker health and safety	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
			403-1	Occupational health and safety management system	-	
			403-2	Hazard identification, risk assessment, and incident investigation	-	
			403-3	Occupational health services	-	
			403-4	Worker participation, consultation, and communication on occupational health and	-	

				safety		
			403-5	Worker training on occupational health and safety	-	
			403-6	Promotion of worker health	-	
			403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-	
			403-9	Work-related injuries	-	
			403-10	Work-related ill health	-	
	Employment protection	Employment protection	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
			102-8	Information on employees and other workers	-	
			102-41	Collective bargaining agreements	-	
			401-1	New employee hires and employee turnover	-	Turnover data are reported in absolute value
			401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	
	Education, training and development of people	Education, training and development of people	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
		Education, training and development of people – Employee training	404-1	Average hours of training per year per employee	Only for the companies: Centrale del Latte d'Italia, Newlat Food and Newlat Deutschland	
Human rights	Protection of human rights, reduction of inequalities and respect for diversity and inclusion	Protection of human rights, reduction of inequalities and respect for diversity and inclusion	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
			406-1	Incidents of discrimination and corrective actions taken	-	
			405-1	Diversity of governance bodies and employees	-	
Anti-corruption	Transparent governance and corporate identity	Transparent governance and corporate identity	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	
			405-1	Diversity of governance bodies and employees	-	
		Transparent governance and corporate identity – Tax management	207-1	Approach to taxation	-	
			207-2	Tax governance, control and risk management	-	
			207-3	Stakeholder engagement and management of tax concerns	-	
			207-4	Country-by-country reporting	-	
	Legality, ethics and anti-corruption	Legality, ethics and anti-corruption	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	

			205-3	Ascertained incidents of corruption and actions taken	-	
			206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	-	
			419-1	Non-compliance with laws and regulations in the social and economic area	-	
Cross-cutting aspects	Responsible development and growth	Responsible development and growth	103-1	Explanation of the material topic and its boundary	-	
			103-2	The management approach and its components	-	
			103-3	Evaluation of the management approach	-	

Annex 1/a: Certifications held by the company Centrale del Latte d'Italia S.p.A. - Plants

Centrale del Latte d'Italia S.p.A.	Plants						
Certification	Turin	Rapallo	Florence	Vicenza	Reggio Emilia	Salerno	Lodi
Management System Asseveration pursuant to art. 30 of Italian Legislative Decree 81/2008 and subsequent amendments	X	X	X	X	X	X	X
Plant export authorisation - South Korea					X		
Plant export authorisation - Brazil					X		
Organic (EU Reg. 834/2007)	X	X	X	X	X	X	X
BRCGS			X	X			X
DT for the certification of the A2A2 Milk Supply Chain	X	X					
DT for the certification of dairy products made with milk from farms having certification of animal welfare	X	X		X			
FSSC 22000	X	X	X		X		
Welfare farms						X	
Halal	X		X	X	X		X
IFS			X	X	X		X
Registration regional HACCP laboratories list Tuscany region			X				

Kosher Star-K							X
Non-GMO Project (non-dairy drink products only)				X			
US FDA Registration (non-dairy drinks only)				X			X
SMETA					X		X
UNI EN ISO 14001:2015	X	X	X	X			
UNI EN ISO 22000:2018			X	X			
UNI EN ISO 22005:2008	X	X		X			
UNI EN ISO 9001:2015 (multisite)	X	X	X	X	X	X	X
UNI CEI EN ISO/IEC 17025:2018			X			X	
Vegan				X			

Annex 1/b: Certifications held by the company Newlat Food S.p.A.

Newlat Food S.p.A.	Plants					
Certification	Ozzano Taro	Cremona	Bologna	Sansepolcro	Fara S. Martino	Eboli
AOECS (gluten-free products)	X					
Management System Asseveration pursuant to art. 30 of Italian Legislative Decree 81/2008 and subsequent amendments	X	X	X	X	X	X
Plant export authorisation - China	X					
Organic (EU Reg. 834/2007)	X	X		X	X	X

Organic JAS (Japanese Agricultural Standards)					X	
Organic IBD (IBD Certificacoes)					X	
BRCGS	X	X		X	X	X
FSSC 22000				X	X	
Halal	X					
IFS	X	X		X	X	X
Kosher Star-K and 1K		X		X	X	
Kosher Orthodox Union	X				X	X
Non-GMO Project (US products only)					X	
US FDA Registration (for US exports)	X			X	X	X
SMETA	X	X	X	X	X	X
UNI EN ISO 14001:2015	X					
UNI EN ISO 22005:2008					X	
UNI EN ISO 9001:2015 (multisite)	X	X	X	X	X	X
UNI CEI EN ISO/IEC 17025:2018	X					
Vegan					X	
Woolsworth (held by "La Molisana")				X		

Annex 1/c: Certifications held by the company Centrale del Latte d'Italia SpA and Newlat Food SpA - Warehouses

Centrale del Latte d'Italia SpA and Newlat Food SpA	Warehouses										
Certification	San Vincenzo	Livorno	Grosseto	Massa	Siena	Elba	Arezzo	San Pietro (Rapallo)	Pozzuoli	Rome	Lecce
Organic (EU Reg. 834/2007)	X	X	X	X	X	X	X	X	X	X	X
UNI EN ISO 9001:2015 (multisite)	X	X	X	X	X	X	X	X	X	X	X
UNI EN ISO 14001:2015								X			

Annex 1/d: Certifications held by Newlat Deutschland GmbH and Symington's Ltd

Newlat GmbH	Plants
Certification	Mannheim
Organic	X
Gluten-free	X
IFS	X
ISO50001	X
Kosher	X
Schwäbische Spätzle"	X

Symington's Ltd.	Plants		
Certification	Dartmouth Way - Leeds	Bradford	Consett
BRCGS	X	X	X
RSPO	X	X	X
Rainforest Alliance	X		
SMETA	X	X	X
Halal		X	X

Independent Auditor's Report

[*GRI 102-56*: External Assurance]

Independent auditor's report on the consolidated non-financial statement

in accordance with article 3, paragraph 10, of Legislative Decree no. 254/2016 and article 5 of the CONSOB Regulation adopted with Resolution no. 20267 of January 2018

To the Board of Directors of Newlat Food SpA

Pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of 30 December 2016 (hereinafter the "Decree") and article 5 of CONSOB Regulation no. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Newlat Food SpA (hereinafter also the "Company") and its subsidiaries (hereinafter, "Newlat Group" or the "Group") for the year ended 31 December 2021, prepared in accordance with article 4 of the Decree, presented in the "2021 Sustainability Report" and approved by the Board of Directors of the Company on 18 March 2022 (hereinafter, the "NFS").

Our review does not extend to the information set out in the paragraph "Regulation EU 852/2020" of the NFS, required by article 8 of European Regulation 2020/852.

Responsibilities of the Directors and those charged with governance ("Collegio Sindacale") for the NFS

The Directors of Newlat Food SpA are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the GRI - Sustainability Reporting Standards defined in 2016 and updated in 2020 (hereinafter, the "GRI Standards") referred to in the "Methodological note" paragraph of the NFS, identified by them as the reporting standard with reference to the selection of GRI Standards reported therein.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of Newlat Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

Those charged with governance ("*Collegio Sindacale*") of Newlat Food SpA are responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's independence and quality control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance engagements other than audits or reviews of historical financial information" (hereinafter, "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of the Company's personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. Understanding of the following matters:
    a. Business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
    b. Policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
    c. Key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

    With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;
4. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In detail, we held meetings and interviews with the management of Newlat Food SpA and we performed limited analyses of documentary evidence, to gather information about the processes and procedures

for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at the parent company level,
    a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
    b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.
- for the plants located in Ozzano Taro (PR), Sansepolcro (AR) and Lodi, which we selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we carried out meetings and interviews, during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Newlat Group for the year ended 31 December 2021 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards with reference to the selection of GRI Standards reported therein.

Our conclusion on the NFS of Newlat Group does not extend to the information set out in the paragraph "Disclosure about the EU Taxonomy (2021 NFS)" of the NFS, required by article 8 of European Regulation 2020/852.

Bologna, 31 March 2022

PricewaterhouseCoopers SpA

signed by

Gianni Bendandi
(Partner)

signed by

Paolo Bersani
(Authorised signatory)

This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian is authoritative. References in this report to the NFS refer to the NFS in the Italian original and not to any translation thereof.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

in accordance with article 123-bis of the TUF

(traditional administration and control model)

Issuer: Newlat Food S.p.A.

Website: www.newlat.it

Year to which the Report refers: 2021

Date of approval of the report: 18 March 2022

GLOSSARY

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

Corporate Governance Code: The Corporate Governance Code of listed companies approved by the Corporate Governance Committee (promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria) and published on 31 January 2020.

Civil Code: the Italian Civil Code.

Board of Directors: the Issuer's Board of Directors.

Issuer/Newlat/Company: the issuer of transferable securities to which the Report refers.

Financial Year: the 2021 financial year which the Report refers to.

Newlat Group or **Group**: jointly the Issuer and the companies directly and/or indirectly controlled by it pursuant to article 2359 of the Italian Civil Code and article 93 of the TUF.

Consob Issuers' Regulation: the Regulation issued by Consob with Resolution no. 11971 of 1999 (as subsequently amended) on issuers.

Consob Markets Regulation: the Regulation issued by Consob with Resolution no. 20249 of 2017 on markets.

Consob Related Parties Regulation: the Regulation issued by Consob with Resolution no.17221 of 12 March 2010 (as subsequently amended) on related party transactions.

Report: the report on corporate governance and ownership structure that companies are required to draw up pursuant to article 123-*bis* of the Consolidated Law on Finance.

Remuneration Report: the report on remuneration policy and compensation paid that companies are required to prepare and publish pursuant to article 123-ter of the Consolidated Law on Finance and 84-quater Consob Issuers' Regulation.

Consolidated Law on Finance/TUF: Italian Legislative Decree no. 58 of 24 February 1998.

1. ISSUER PROFILE

Issuer's corporate mission

The Issuer is at the head of the Newlat Group, an important player in the Italian and European agri-food sector, with a strong position in its domestic market and a significant presence in the German market, and the English market as well. The Newlat Group is mainly active in the pasta, dairy and baked goods sectors, as well in special products such as health & wellness, gluten free and baby food. The Group's products are marketed through numerous trademarks, many of which are known nationally and internationally.

The Newlat Group has grown over the years thanks to the implementation of organic growth policies, but, above all, thanks to external growth, having perfected over the last 10 years multiple acquisitions from leading national and international counterparties in the agri-food sector.

The Newlat Group currently relies on 18 production facilities to manufacture its products, including 14 sites in Italy, one in Germany and three in the UK, the latter of which will be added to last year's total following the acquisition of Symington's Limited in August 2021.

The Newlat Group's product range is divided into the following business units: (i) Pasta; (ii) Milk Products; (iii) Dairy Products; (iv) Bakery Products; (v) Special Products (gluten-free products; low-protein products and products for infants and children up to 3 years of age); (vi) Instant Noodles (soups and various ready meal dishes) and (vii) Other Products (such as sauces, as well as instant cups, salads and sausages). In addition to products marketed under its own brands, Newlat produces for third parties and for the private label market.

The Newlat Group's mission is to pursue the well-being of the consumer by producing healthy, high-quality products at affordable prices, promoting the best of Italian tradition and leveraging an international production and trade platform.

The Newlat Group's vision is to purvey "Made in Italy" brands that are representative of healthy food and that enjoy worldwide distribution, and to act as a consolidating player in the agri-food sector. The activity of the Newlat Group also relies on the following reference values: healthy foods and solid business.

On 29 October 2019 (the "**Trading Start Date**"), the Issuer was admitted to trading on the STAR segment of the MTA (now ESM - Euronext Star Milan) with the ticker symbol NWL.

On 30 March 2020, Newlat Group S.A., the parent company of Newlat Food S.p.A., entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as the sellers, under which Newlat Group purchased 6,473,122 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 46.24% of the share capital and voting rights, against the payment, for every three CLI shares subject to purchase and sale, of a total consideration of Euro 3.00 and 1 ordinary share of Newlat Food held by Newlat Group S.A., corresponding to a unit price for each share subject to purchase and sale of Euro 1.00 and 0.33 Newlat Food ordinary shares. The transaction allowed the sellers to become shareholders of Newlat Food S.p.A. with a total shareholding of 5.30% before the future share capital increase the public purchase and exchange offer.

The operation was not subject to any conditions precedent. Newlat Group and the sellers executed the purchase and sale agreement on 1 April 2020.

Newlat Group S.A. assigned to Newlat Food S.p.A. the shares subject to purchase and sale that were purchased by Newlat Group S.A. within the meaning of the aforementioned agreement, as well as an additional 187,120 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 1.34% of share capital already held by Newlat Group, for a total of 6,660,242 ordinary shares, representing 47.57% of the share capital under the same financial terms as the agreement entered into with the previous sellers and, therefore, against payment of a cash consideration by Newlat Food.

As a result of the acquisition of the interest in Centrale del Latte d'Italia S.p.A., Newlat Food launched a mandatory public purchase and exchange offer (the "PPEO") on the remaining ordinary shares, pursuant to and in accordance with applicable law, at the same consideration paid to Newlat Group (as well as the same consideration paid by Newlat Group to the sellers) and, therefore, equal to 0.33 newly issued Newlat Food ordinary shares and Euro 1 for each Centrale del Latte d'Italia S.p.A. ordinary share attached to the PPEO.

Newlat Food S.p.A.'s subscription offer to the shareholders of Centrale del Latte d'Italia S.p.A. finished at the end of July 2020. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offeror's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020.

On 1 February 2021, the Board of Directors of Newlat S.p.A. approved the issue of an unrated, unsecured, non-convertible and non-subordinated senior bond for a minimum value of Euro 150 million and a maximum of Euro 200 million. The duration of the bond is set at six years from the date of issue.

On 19 February 2021 a bond was successfully issued, called "Up to € 200,000,000 Senior Unsecured Fixed Rate Notes due February 2027" at an interest rate of 2.625%.

On 4 August 2021 a contract was stipulated with Speedboat Acquisitionco Limited, as the seller, for the purchase of 100% of the ordinary shares and voting rights of the Symington's Group (consisting of Symington's Limited, Symington's Limited (Holding) and Symington's Australia PTY Limited) for a consideration of GBP 53 million, equal to Euro 62.13 million.

Not being subject to any conditions precedent, the operation involved the purchase of the shares on the same date of 4 August 2021.

Adopted corporate governance system

The Issuer's corporate governance system reflects the by-laws approved on 8 July 2019 by the Extraordinary Shareholders' Meeting of the Company in order to adjust the Issuer's corporate governance system following the start of trading of shares on Euronext Star Milan, as last amended on 25 June 2020 by the Extraordinary Shareholders' Meeting of the Company due to the share capital increase, approved at the same meeting (the "**By-laws**").

The Company's corporate governance system is consistent with the principles contained in the Corporate Governance Code, which the Company has applied since the 2021 financial year, informing the market in this Report.

The Company is organised according to the traditional model featuring the Shareholders' Meeting, Board of Directors and Board of Statutory Auditors. The characteristics of these bodies are provided below in the dedicated parts of the Report.

On 8 July 2019, the Issuer's Ordinary Shareholders' Meeting awarded the audit firm PricewaterhouseCoopers S.p.A. ("**PwC**") the assignment to audit the accounts (including the audit of the regular keeping of the accounts, as well as the proper recording of operations in the accounting records) for the 2019-2027 financial years, for the Issuer's financial statements and the Newlat Group's consolidated financial statements. Also by resolution of 8 July 2019, the Issuer's Ordinary Shareholders' Meeting appointed PwC to carry out a limited audit of the Newlat Group's condensed consolidated half-year financial statements for the six-month periods as at 30 June 2020 - 2027.

As defined in article 2497 et seq. of the Italian Civil Code, the Issuer is subject to the management and control of Newlat Group S.A. For more information on this management and control, please refer to paragraph 2 (l) of the Report.

Sustainable success

The Issuer pays particular attention to sustainable development issues in environmental, social and governance terms. During the 2021 financial year the implementation of activities aimed at achieving sustainable success continued.

In order to create long-term value for the benefit of its shareholders, taking into account the interests of the Company's relevant stakeholders, Newlat has maintained an ongoing dialogue with these parties, taking care to concretely incorporate their input by launching a stakeholder engagement plan.

In order to pursue the objective set, the Issuer (i) has identified an internal management committee made up of the structures mainly involved in sustainable development with the task of supporting the Board of Directors, (ii) has updated the materiality matrix that defines priorities in terms of impact on ESG issues (iii) has included quantitative and qualitative KPIs in its remuneration policy alongside the original purely financial indicators; (iv) has strengthened the internal control and risk management system by updating the ERM model to include ESG risks.

By incorporating performance objectives that are not only financial in nature, Newlat pays concrete attention to the environmental and social role of its business, which, among other goals, aims to manage its impacts on stakeholders.

Moreover, since the first year of listing the Company has been preparing the Non-Financial Statement pursuant to Italian Legislative Decree no. 254/16, which illustrates – to the extent necessary to ensure an understanding of the company's operations – its performance, its results and the impact it has produced, environmental, social and personnel issues, respect for human rights and the fight against active and passive corruption. This document also incorporates the outcome of a screening exercise performed on so-called Taxonomy-eligible activities under Regulation EU 2020/852.

Nature of SMEs

For the purposes of Article 1, paragraph 1, letter w- quater 1) of the TUF,[37] "**SME**" refers to: "... *the small and medium enterprises that are issuers of listed shares and that have a market capitalisation of less than Euro 500 million. The issuers of listed shares that have exceeded that limit for three consecutive years are not considered SMEs...*".

The market capitalisation of the Issuer as at 31 December 2021 was Euro 292,168,082. In consideration of the above, the Issuer falls within the aforementioned definition of "SMEs" for all purposes envisaged by current legislation.

[37] Text currently in force (see art. 44-bis of Italian Legislative Decree no. 76 of 16.7.2020, converted by Law no. 120 of 11.9.2020 which abolished the turnover parameter).

2. INFORMATION ON PROPRIETARY ASSETS (pursuant to article 123-bis, paragraph 1 of the TUF) as at 18 March 2022

(a) Structure of share capital

At the date of the Report, the share capital was subscribed and paid in for Euro 43,935,050.00 (forty-three million nine hundred thirty-five thousand fifty/00), divided into 43,935,050 ordinary shares, without par value.

On 8 July 2019, the Issuer's Extraordinary Shareholders' Meeting approved a paid capital increase entailing a share split, excluding the option rights, pursuant to and for the purposes of article 2441, paragraph five, of the Italian Civil Code, to be executed in one or more tranches, before 31 December 2020, for a maximum amount of Euro 200,000,000, including any premium, by issuing a maximum number of 23,000,000 ordinary shares without an indication of par value, a maximum number set by the Board of Directors according to their issue price, to be offered as part of the private placement of the shares deriving from this capital increase, reserved for institutional investors,[38] essential to the Listing.

The capital increase described above was carried out in the amount of Euro 13,780,482 by issuance of 13,780,482 shares, as per the declarations pursuant to article 2444 of the Italian Civil Code, filed with the Reggio Emilia Register of Companies on 29 October 2019 and 29 November 2019 respectively.

Subsequently, on 25 June 2020 the Extraordinary Shareholders' Meeting of the Company resolved on a new capital increase to serve the full mandatory public purchase and exchange offer announced by the Company on 1 April 2020 and concerning all CLI shares, less those already held by the Issuer.

Specifically, the Company approved a dissoluble paid-in capital increase excluding the option right pursuant to art. 2441, fourth paragraph, first sentence of the Italian Civil Code, to be executed on one or more occasions and also in several tranches, for a maximum amount, including a premium, of Euro 24,080,032, and more precisely for a maximum amount of Euro 4,666,673 in addition to a maximum premium of Euro 19,413,359, through the issue of a maximum number of 4,666,673 ordinary shares without the indication of par value, having regular dividend rights and the same characteristics as ordinary shares already in circulation, at an issue price per share of Euro 5.16 (charged for Euro 1 in capital and Euro 4.16 in premium), by 31 December 2020 by means of a contribution in kind (i) of 6,660,242 ordinary shares of CLI by Newlat Group S.A.; and (ii) of CLI ordinary shares subject to the PPEO.

The capital increase was carried out in two tranches in the amount of Euro 13,780,482 by issuance of 3,154,568 shares, as per the declarations pursuant to article 2444 of the Italian Civil Code, filed with the Reggio Emilia Register of Companies on 31 July 2020 and 6 August 2020 respectively.

[38] Qualified investors as defined in article 34-ter, paragraph 1, letter b) of the Issuers Regulation and foreign institutional investors within the meaning of Regulation S of the United States Securities Act of 1933, as subsequently amended, with the exception of investors in the United States of America, Australia, Canada, Japan and any other country in which the offer of financial instruments is not permitted without authorisation by the competent authorities.

(b) **Restrictions on the transfer of securities (pursuant to article 123- bis, paragraph 1, letter b) of the TUF)**

There is no restriction on the free transfer of the Issuer's shares nor any limitation on their possession, nor are there any approval clauses for access to Newlat's ownership structure, pursuant to the law or the By-laws.

(c) **Significant shareholdings (pursuant to article 123-bis, paragraph 1, letter c) of the TUF)**

On the basis of the information available at the date of this Report, shareholders that hold stakes equal to or greater than 5% of the voting capital, directly and/or indirectly, including through intermediaries, trustees and subsidiaries, are shown in the following table:

Declarant	Direct shareholder	Holding % of the ordinary capital	Holding % of the voting capital
Angelo Mastrolia	Newlat Group S.A.	61.658%	75.455%

(d) **Securities conferring special rights (pursuant to article 123-bis, paragraph 1, letter d) of the TUF)**

At the date of the Report there are no securities conferring special rights of control.

Under article 6 of the By-laws, by way of derogation from the rule that each share entitles its holder to one vote, a shareholder is entitled to a double vote per share (and therefore to two votes per share) if both the following conditions are met: (a) the right to vote is vested in the same person by virtue of a legitimate right in rem (full ownership with voting rights, bare ownership with voting rights or usufruct with voting rights) (the "**Legitimate Right in Rem**") for a continuous period of at least 36 months starting from a date coinciding with or following the Trading Start Date and also taking into account, if applicable, the period prior to the Trading Start Date; (b) the occurrence of the assumption under (a) is attested: (i) the continuous registration – for a period of at least 36 months – in the special list specifically established and governed by article 6 of the By-laws (the "**Special List**"), as well as (ii) by a special communication certifying the ownership of the shares referring to the effective date of the continuous period issued by the intermediary with whom the shares are deposited in accordance with current legislation. The conditions for the allocation of the increased vote are assessed by the Board of Directors in the person of the Chairman or of directors delegated for this purpose, assisted where necessary by specially appointed colleagues.

The Company shall register and update the List on a quarterly basis or whenever dictated by sector regulations and, in any case, by the record date for the Shareholders' Meeting, provided that the allotment conditions of the previous paragraph have occurred before said record date.

The increase of voting rights is also calculated for the purposes of determining constituent and deliberative quorums that refer to portions of share capital, but it does not affect the non-voting rights due by virtue of the possession of certain portions of share capital.

(e) **Employee ownership: mechanism for exercising voting rights (pursuant to article 123-bis, paragraph 1, letter e) of the TUF)**

The By-laws make no special provision for the exercise of employees' voting rights.

(f) **Restrictions on voting rights (pursuant to article 123-bis, paragraph 1, letter f) of the TUF)**

There are no special provisions in the By-laws that restrict or limit voting rights or separate the financial rights attached to securities from their ownership.

(g) **Shareholder agreements (pursuant to article 123-bis, paragraph 1, letter g) of the TUF)**

At the date of the Report, the Issuer is not aware of any shareholder agreements pertaining to the Shares within the meaning of article 122 of the TUF.

(h) **Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h) of the TUF) and By-laws provisions on takeover bids (pursuant to articles 104, paragraph 1-ter and 104-bis, paragraph 1 of the TUF)**

Change of control clauses

Below are the change of control clauses of the most important contracts:

(i) On 5 October 2015, Heinz Italia S.p.A., as customer, and the Issuer, as supplier, and Newlat Group S.A., as guarantor, entered into a production and supply contract, subsequently amended on 4 November 2015, 27 January 2016, 28 April 2016, 24 October 2016, 4 April 2017 and 27 November 2017 (the "**Co-Packing Contract**"), governing the terms and conditions of production, packaging and supply by the Company of certain products (including but not limited to biscuits, pasta, milk powder, liquid milk, freeze-dried products, cereals, flours, etc.) to Heinz Italia S.p.A. Under the Co-Packing Agreement, Heinz Italia S.p.A. has the right to terminate the contract, subject to prior written notice of between 60 and 90 days, in certain cases, including a change of control of the Company[39].

(ii) On 7 July 2020, CLI entered into a loan agreement with MPS Capital Services Banca per le Imprese S.p.A. and Deutsche Bank S.p.A. (the "**Loan Agreement**") for a maximum amount of Euro 31,500,000.00 at the Euribor rate increased by a margin of 175 basis points, to be repaid within 72 months from the date of signing the agreement. The Company granted the aforementioned lending banks a first-demand personal guarantee for the maximum total amount equal to the principal amount of the loan, as well as the related interest, charges and other accessories. Under the Loan Agreement, in the event of a change of control,[40] CLI shall repay the loan in full, pay interest, as well as any other amount due to the banks no later than 15 working days from such event.

[39] "Change of control" under the Co-Packing Agreement means the case where control of the Company, defined as the power to direct the management and policies of an entity, whether through voting rights, on a contractual or other basis, is obtained, directly or indirectly, by a person other than the one who, at the date of the Co-Packing Agreement, controls the Company.

[40] There is a "change of control" under the Loan Agreement if (i) the Company ceases at any time to hold control of CLI or in any case a shareholding of at least 50% + 1 of CLI's voting share capital, or (ii) Angelo Mastrolia ceases at any time to hold the position of Chairman of CLI's Board of Directors.

Provisions on takeover bids in the by-laws

The By-laws do not derogate from the passivity rule provisions referred to in article 104, paragraph 1 and 1-bis of the TUF, nor do they make provision for application of the neutralisation rules referred to in article 104-bis, paragraphs 2 and 3, of the TUF.

(i) **Powers to increase the share capital and authorisations to purchase treasury shares (pursuant to article 123-bis, paragraph 1, letter m) of the TUF)**

Increase the share capital

Pursuant to the By-laws, the Shareholders' Meeting, by means of a special resolution adopted in an extraordinary session, may grant the Board of Directors the power, pursuant to article 2443 of the Italian Civil Code, to increase the capital on one or more occasions up to a specified amount and for a maximum period of 5 (five) years from the date of the resolution, also excluding the option right. The capital increase resolution adopted by the Board of Directors in execution of this delegation of power must be recorded in the minutes drawn up by the Notary.

Without prejudice to the other cases of exclusion or limitation of the option right provided for by applicable laws and regulations, in paid capital increase resolutions, the option right may be excluded up to a maximum of 10% (ten per cent) of the existing share capital, provided that the issue price corresponds to the market value of the shares and this is confirmed in a special report by an independent auditor or an external audit firm pursuant to article 2441, paragraph 4 of the Italian Civil Code

The By-laws provide that the Company may issue equity instruments, in compliance with the provisions of law.

At the date of the Report, the Board of Directors was delegated neither to increase the share capital pursuant to article 2443 of the Civil Code nor to issue equity instruments.

Authorisations to purchase treasury shares

Pursuant to article 2357 and following of the Italian Civil Code, as well as the combined provisions of article 132 TUF and article 144-bis of Consob Issuers' Regulation no. 11971/99, and in any case in any other manner allowed under applicable laws and regulations, the Ordinary Shareholders' Meeting convened on 11 October 2021 authorised the purchase of one or more tranches of common shares of Newlat Food S.p.A. up to a maximum number that, taking into account treasury shares held from time to time in the portfolio by the Company and its subsidiaries, does not in the aggregate exceed one-fifth of the Company's share capital as defined in article 2357, section 3, of the Italian Civil Code, or any other maximum amount envisaged by the laws in force at any given time. The authorisation to purchase treasury shares is aimed at providing the Company with a stock of treasury shares at its disposal, using, selling them at any time, in full or in part, on one or more occasions and with no time limits, as part of extraordinary transactions such as, among others, swaps, contributions, exchanges, corporate and/or financial transactions of an extraordinary nature on the capital or even financing transactions and operations of an extraordinary nature such as, among others, mergers or similar, sales and acquisition projects and/or future industrial projects in line with the Company's corporate development strategy, as well as in the context of exchange and/or sale of share packages and/or for the conclusion of commercial and/or strategic alliances or for other uses deemed of financial and/or management interest to the Company as well as to proceed with any acts of disposal of treasury shares acquired also to allow to seize the opportunities for maximising the value that may derive from operations, and therefore also for trading.

The authorisation has a duration of 18 months from the date of the resolution of the Ordinary Shareholders' Meeting.

As at 31 December 2021, the Company had 2,635,570 treasury shares.

The subsidiaries do not hold any shares of the Company.

At the date of the Report, the Company owned 3,101,564 treasury shares, accounting for 7.06% of share capital.

(l) **Management and control activities (pursuant to articles 2497 et seq. of the Italian Civil Code)**

The Issuer is subject to management and control activities by Newlat Group S.A. pursuant to article 2497 et seq. of the Italian Civil Code.

* * *

Note also that the information required by article 123-bis, paragraph 1, letter i) ("agreements between companies and directors...providing for indemnities in the event of resignation or dismissal without just cause or if their employment relationship ceases following a takeover bid") is contained in the section of this Report dedicated to remuneration (Section 8).

The information required by article 123-bis, paragraph 1, letter l), first part ("rules applicable to the replacement of directors...if different from and additional to the applicable legislative and regulatory provisions") are illustrated in the section of this Report on the Board of Directors (Sec. 4.2).

Finally, the information required by art. 123-bis, paragraph 1, letter l), second part ("the rules applicable...to the amendment of the by-laws, if different from and additional to the applicable legislative and regulatory provisions") are illustrated in the section of the Report on the Shareholders' Meeting (Sec. 13).

3. COMPLIANCE

The Issuer has acceded to the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., applying it from 2021, which is available to the public on Borsa Italiana's website (https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf).

In accordance with the "comply or explain" principle underlying the Corporate Governance Code and in line with EU Recommendation no. 208/2014, this Report gives an account of the recommendations which the Company has not presently decided to comply with in part or in full.

Neither the Issuer nor its subsidiaries are subject to non-Italian legal provisions that influence the Issuer's corporate governance structure.

4. BOARD OF DIRECTORS

4.1. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors:

i. Guides the Company pursuing its sustainable success: (i) By implementing a strategy incorporating environmental, social and governance elements, (ii) including qualitative ESG KPIs in the remuneration policies; (iii) strengthening the internal control and risk management system by assessing, monitoring and managing ESG risks.

ii. Defines its own strategies and those of the Group aimed at the pursuit of sustainable success by conducting a materiality analysis for ESG issues to identify the main risks and opportunities based on the impacts on its stakeholders and identifying ways to manage these, constantly monitoring their proper implementation.

iii. Defines the system of corporate governance that is most suitable for carrying out the company's operations and pursuing its strategies.

iv. Promotes dialogue with shareholders and stakeholders relevant to the Company through the organisation of and/or participation in workshops and specially organised one-to-one meetings with shareholders, investors, analysts and other stakeholders, aimed at understanding market demands and their suggestions in order to create value in the long term.

Pursuant to article 16 of the By-laws, the Board of Directors is vested with all powers for the ordinary and extraordinary management of the Company.

The Board of Directors is responsible, without prejudice to the limits of the law and without the power of delegation, for decisions relating to: a) mergers and demergers, in the cases referred to in articles 2505 and 2505-bis of the Italian Civil Code, also as referred to in article 2506-ter of the Italian Civil Code; b) the establishment and closure of branches; c) which directors can formally represent the company; d) possible capital reductions should one or more shareholders withdraw; e) bringing the Bylaws into line with legal and regulatory provisions; f) the transfer of the registered office within Italy; g) the issuance of bonds within the limits provided for by applicable laws and regulations.

The Board of Directors also:

- reviews and approves the strategic, industrial and financial plans of the Company and the Group, regularly monitoring their implementation;
- defines the Issuer's corporate governance system and the Group's structure;
- defines the nature and level of risk compatible with the Company's strategic objectives, including in its assessments all risks that may become significant in terms of sustainability in the medium to long term;
- assesses the overall operational performance, taking into account, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with targets;
- assesses the adequacy of the organisational, administrative and accounting structure of the Issuer as well as that of strategically important subsidiaries, with particular reference to the Internal Control and Risk Management System (ICRMS);

- Establishes the frequency with which the delegated bodies must report to the Board on the activity carried out when exercising the powers conferred on them.
- assesses the overall operational performance, taking into account, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with targets;
- decides on the operations of the Issuer and its subsidiaries, where such operations are strategic or of significant importance to the Issuer's results, assets and liabilities and cash flows;
- Performs an evaluation of the functioning of the Board and its committees and of their size and composition, taking into account, inter alia, elements such as the professional characteristics and experience (managerial or otherwise) of the members, as well as their gender and seniority with an eye on diversity criteria.
- adopts, in order to ensure proper management of corporate information and as recommended by the Chief Executive Officer or the Chairman of the Board of Directors, a procedure for the internal management and external disclosure of documents and information concerning the Issuer, with particular reference to inside information.

In 2021 the Board of Directors did not deem it necessary or appropriate to develop justified proposals to be submitted to the Shareholders' Meeting for the definition of a corporate governance system that is more functional to the company's needs, as better described in Section 13.

The Board of Directors adopted a policy for the management of dialogue with the general public, which is described in Section 12.

4.2 APPOINTMENTS AND REPLACEMENTS (pursuant to article 123-bis, paragraph 1, letter l) of the TUF)

Appointments

The By-laws, in compliance with the provisions of article 147-ter of the TUF, provide for the slate voting mechanism to be used for appointing directors.

The Company is administered by a Board of Directors with no fewer than 3 (three) members and no more than 15 (fifteen).

The appointment of the Board of Directors is resolved by the Ordinary Shareholders' Meeting on the basis of slates submitted by shareholders, in accordance with the procedure described below, without prejudice to other mandatory laws and regulations.

Shareholders who, at the time, hold – either individually or together with other submitting shareholders – a stake at least equal to the share determined from time to time by Consob pursuant to the applicable laws and regulations, are entitled to submit the slates. Ownership of the minimum stake is determined in relation to shares that are registered to the shareholder on the day when the slate is submitted to the Company, it being understood that the relevant certification may be produced between submission and the deadline for publication of the slate.

Each shareholder, the shareholders adhering to a shareholders' agreement pursuant to article 122 of the TUF, the parent company, subsidiaries, joint ventures and the other entities between which there is a direct or indirect link, pursuant to applicable laws and regulations, may submit - or contribute to the submission, even through an intermediary or trust company - and vote for only one slate.

Each candidate may appear on only one slate under penalty of ineligibility.

Each slate shall bear the names, marked with a sequential number, of no more than 15 (fifteen) candidates.

Each slate must include at least some candidates - in accordance with the provisions of applicable legislation - who meet the independence requirements prescribed by applicable laws or regulations (including the market regulations of Borsa Italiana S.p.A.), indicating them separately and placing one of them at the top of the list.

For the period of application of applicable laws and regulations on gender balance, each slate that presents a number of candidates equal to or greater than 3 (three) must include candidates of both genders, at least in the minimum proportion required by applicable laws and regulations, as specified in the notice of convocation of the Shareholders' Meeting.

The following must be filed when the slates are submitted:

a) Information on the shareholders who have submitted the list, including their stake.

b) a declaration by shareholders other than those who hold, even jointly, a controlling interest or a relative majority, certifying the absence of any direct or indirect link, within the meaning of applicable laws and regulations, with the latter;

c) the *curriculum vitae* of the candidates and a statement in which each candidate declares, under his or her own responsibility, that there are no grounds for ineligibility and incompatibility and that he or she fulfils the conditions for appointment;

d) information on candidates and indication of any eligibility to qualify as an independent director in accordance with applicable legislation and with the codes of conduct on corporate governance adopted by the Company;

e) a declaration from each candidate accepting their candidacy;

f) any other additional or different declaration, information and/or document required by applicable laws and regulations.

The slates are filed with the Company within the deadlines set out in applicable laws and regulations, as indicated in the notice of convocation at the Company's registered office or also communicated remotely, and made available to the public under the terms and conditions set out in applicable laws and regulations.

Any slate that fails to comply with the above provisions shall be deemed not to have been submitted.

Each person entitled to vote may vote for only one slate. Each shareholder votes for a particular slate and therefore all the candidates indicated therein, without the possibility of variations or exclusions.

Candidates will be appointed from the slates that have obtained the highest number of votes according to the following criteria:

a) From the slate that has obtained the highest number of votes ("**Majority Slate**"), all directors to be elected minus one shall be drawn in the progressive order in which they were listed.

b) from the second slate that has obtained the highest number of votes and that is not even indirectly connected with the shareholders who have submitted, or with those who have voted, the Minority Slate ("**Minority Slate**"), a director is drawn, in the person of the candidate indicated with the first number on said slate.

If votes are tied between lists, the Shareholders' Meeting, using the majorities specified in law, will vote again solely on the tied slates, with the list obtaining the highest number of votes during this second vote prevailing.

If the above methods fail to produce a Board of Directors that complies with provisions on independence requirements, the following procedure is followed: the candidate who does not meet the independent director requirements established by applicable laws and regulations and was elected last sequentially from the Majority Slate will be replaced by the first candidate sequentially from the same slate who does meet said requirements. If this procedure should also fail to ensure the necessary number of directors who meet the independence requirements established by applicable laws and regulations, candidates who do meet said requirements will be presented and the Shareholders' Meeting shall choose replacements using the majorities specified in law.

If the above methods fail to produce a Board of Directors that complies with provisions on gender balance, the candidates of the most represented gender elected last sequentially from the Majority Slate are replaced with the first unelected candidates of the other gender who appear on the same slate; where this is not possible, in order to ensure compliance with the aforementioned provisions on gender balance, the

Shareholders' Meeting shall appoint the missing directors using the methods and majorities specified by law, without application of the slate vote.

In any case, slates that have not obtained a percentage of votes equal to at least half of that required for their submission will not be taken into account.

If only one slate has been submitted, the Shareholders' Meeting will vote on it and if it obtains a relative majority, the candidates listed will be elected as directors in sequential order, up to the number set by the Shareholders' Meeting, without prejudice to the obligation to appoint a number of directors who are independent pursuant to article 147-ter of the TUF equal to the minimum number established by the By-laws and by applicable laws and regulations, and to comply with the rules on gender balance, where applicable. If the minimum number of independent and least-represented-gender directors established by the By-laws and by current laws and regulations is not elected, the Shareholders' Meeting will replace the directors with the lowest sequential number who do not fulfil the relevant requirements with the subsequent candidates from the same slate who do. If applying this process fails to identify suitable replacements, the Shareholders' Meeting will hold another vote using the majorities specified by law. In this case, replacements will be made starting with the candidates with the lowest sequential number.

If the number of candidates in the Majority Slate and the Minority Slate is lower than the number of directors to be elected, the remaining directors shall be elected by the Shareholders' Meeting with the majorities provided for by law, without prejudice to the obligation of the Shareholders' Meeting to appoint a number of independent and least-represented gender directors that is not less than the minimum established by the By-laws and by applicable laws and regulations. All directors will be appointed using the same methods and majorities even if no slate is submitted.

Replacement

Pursuant to article 15 of the By-laws, should the legal or regulatory requirements for the office of a director, including the requirement for independence, no longer be met, this shall entail the forfeiture of the office.

In addition, should the office of one more directors be terminated for any reason, they are replaced freely in accordance with the provisions of article 2386 of the Italian Civil Code, choosing where possible from the candidates originally presented on the same slate as the outgoing director who have re-affirmed their candidacy, without prejudice to the obligation to maintain the minimum number of independent directors pursuant to article 147-ter of the TUF established by the By-laws and by law, and to the obligation to maintain gender balance according to applicable laws and regulations.

Note that in addition to the provisions of the law, of the Consolidated Law on Finance, of the Instructions to the Regulations of Markets Organised and Managed by Borsa Italiana S.p.A. (for issuers with the STAR status) and the provisions of the By-laws and the Corporate Governance Code, the Issuer need not comply with other requirements on the composition of the Board of Directors.

With regard to information on the role of the Board of Directors and the Board Committees in the processes of self-assessment, appointment and succession of directors, please refer to Section 7.

4.3 COMPOSITION (pursuant to article 123-bis, paragraph 2, letters d) and d-bis) of the TUF)

The Board of Directors is composed of 3 (three) executive directors and 4 (four) non-executive directors, all of whom have the expertise and skills appropriate to the tasks entrusted to them.

The number and skills of non-executive directors are such as to ensure that they have a significant say in the passing of board resolutions and to guarantee effective monitoring of management. The Board of Directors consists of 3 (three) independent non-executive directors. The Issuer's Board of Directors in office on the date of this Report comprises seven members, as resolved by the Issuer's Ordinary Shareholders' Meeting on 8 July 2019.

The Board of Directors will remain in office for a period of three years, until approval of the financial statements for the year ending 31 December 2021.

The table below displays the composition of the Issuer's Board of Directors as of the date of this Report.

Name and surname	Position	Place and date of birth
Angelo Mastrolia	Chairman of the Board of Directors and Director (**)	Campagna (SA), 5 December 1964
Giuseppe Mastrolia	Chief Executive Officer and Director (**)	Battipaglia (SA), 11 February 1989
Stefano Cometto	Chief Executive Officer and Director (**)	Monza, 25 September 1972
Benedetta Mastrolia	Director (***)	Rome, 18 October 1995
Maria Cristina Zoppo	Director (*)	Turin, 14 November 1971
Valentina Montanari	Director (*)	Milan, 20 March 1967
Eric Sandrin	Director (*)	Saint-Amand-Montrond, 13 August 1964

(*) Independent director pursuant to the combined provisions of articles 147-ter, paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance and article 2 of the Corporate Governance Code.
(**) Executive director.
(***) Non-executive director.

Below is a summary of the personal and professional characteristics of the members of the Board of Directors.

Angelo Mastrolia - born in Campagna (SA) on 5 December 1964, he obtained his diploma in surveying in 1982 and attended the Faculty of Law at the University of Salerno. His entrepreneurial activity began in the 1980s in the milk and milk-based products sector, taking on the role of manager in the family company Piana del Sele Latteria S.p.A. After a stint in the leasing and real estate and industrial investments sectors, and in the supply of furnishings for luxury boats, in 2004, through the company TMT Finance SA (now Newlat Group), he began a series of acquisitions in the food & beverage sector, including the acquisition of Industrie Alimentari Molisane S.r.l., a producer of Pezzullo, Corticella and Guacci pasta, and in 2008 the acquisition of Newlat S.p.A. by Parmalat S.p.A., following approval from the antitrust authority. Following the acquisition of Newlat, in his role as controlling shareholder and Executive Chairman Angelo Mastrolia continued to ensure that the Newlat Group consolidated and grew in the domestic and international food & beverage sector, including through the acquisitions of the Birkel and Drei Glocken brands, the production plant at Ozzano Taro, the Delverde company in 2019, Centrale del Latte d'Italia S.p.A. in 2020 and finally the English company Symington's Ltd in 2021.

Giuseppe Mastrolia – born in Battipaglia (SA) on 11 February 1989, he obtained his diploma in accounting in 2007 from the Kennedy Institute of Battipaglia (SA), and since 2008 he has been a member of the Issuer's Board of Directors and held the positions of Chief Commercial Officer and Chief Executive Officer (with responsibility for Sales & Marketing). As of April 2020, he also holds the position of Deputy-Chair of the Board of Directors of the subsidiary Centrale del Latte d'Italia S.p.A. and, as of August 2021, he is CEO of the English subsidiary Symington's Ltd.

Stefano Cometto – born in Monza on 25 September 1972, he received his Law degree from the University of Bologna in 1998 and obtained his Doctorate in Law from Nebrija University in Madrid in 2013. From 1998 to 1999 he was Lieutenant in the Finance Police. From 1999 to 2000 he was an internal lawyer in the credit department of San Paolo IMI S.p.A., and from 2000 to 2001 he was an employment lawyer for Unicredit S.p.A. (at the time, Rolo Banca 1473). From 2001 to 2007 he worked at Confindustria as an official in charge of industrial and trade union relations, as well as a legal adviser for trade unions. In 2008 he joined the Newlat Group, where he is the Issuer's Chief Executive Officer and Chief Operating Officer. As of April 2020, he joined the Board of Directors of the subsidiary Centrale del Latte d'Italia S.p.A., where – as of January 2021 – he has been granted executive powers.

Benedetta Mastrolia – born in Rome on 18 October 1995, she earned a BA in Economics and Business from the University of London in 2017 and an MA in Corporate Finance from City, University of London's Cass Business School in 2018. In 2014 she joined the Issuer's Board of Directors. In April 2020 she joined the Board of Directors of the subsidiary Centrale del Latte d'Italia S.p.A., and in August 2021 she became Director of the English subsidiary Symington's Ltd.

Maria Cristina Zoppo – born in Turin on 14 November 1971, she obtained her degree in Economics and Business from the University of Turin in 1995. Since 1999 she has been enrolled in the Register of Accounting Professionals of Ivrea, Pinerolo and Turin, as well as in the Register of Statutory Auditors. From 1996 to 2015 she served as a consultant and executive manager at the Turin office of Studio Pirola, Pennuto, Zei & Associati. She is currently a Partner at BDO Tax & Legal S.r.l. professional studio, a member of the BDO international network of auditing and consulting firms and Partner of BDO Italia S.p.A. Since 2016, she has held the position of Director and member of the Management Control Committee of Banca Intesa Sanpaolo S.p.A., and since 2021 she has held the position of Standing Auditor of Juventus Football S.p.A.

Valentina Montanari – born in Milan on 20 March 1967, she obtained her degree in Economics and Business from the State University of Pavia in 1991. Since 1995 she has been enrolled in the Register of the Order of Chartered Accountants of Milan and worked as an auditor at the Register of the Ministry of Justice. In 1996 she obtained a Master's Degree in Management and Financial Policy and in 1997 she obtained a Master's Degree in Corporate Finance, both from SDA Bocconi. She has built up significant experience as chief financial officer of listed Italian groups and as an independent director. From 2003 to 2013 she worked at RCS MediaGroup S.p.A., working as, among other things, director of several companies belonging to the group, group director of administration and taxation and Group CFO. From 2012 to 2013 she was Group CFO at Gefran S.p.A. and from 2013 to 2016 she held the same position at Il Sole 24 Ore S.p.A. From 2017 to 2018 she served as Group CFO of AC Milan, from 2016 to 2021 she served as Independent Director in Cerved Group. Since January 2013 she has held the position of Independent Director in Mediolanum Gestione Fondi SGR p.A., and since October 2021 she has been a member of the Control, Risk and Sustainability Committee in the same company. Since April 2019 she has held the position of Group CFO and financial reporting officer at FNM Group S.p.A. Finally, since January 2022 she has held the position of Director on the Board of Directors of the University of Pavia.

Eric Sandrin – born in Saint-Amand-Montrond on 13 August 1964, he obtained a degree in Political Science from the *Institut d'études politiques* in Paris in 1985, a Master's degree (DEA) in private law from Paris XII University (*Paris-Est Créteil*) in 1990 and a Master's degree from Cornell Law School in 1994. In 1990 he began his career as a lawyer at the Cleary Gottlieb law firm in New York. From 2000 to 2008 he was general counsel art General Electric, before performing the same role at Atos Origin from 2008 to 2011. In 2011 he joined the SCOR Group, holding the position of general counsel until 2014. Since 2014 he has been general counsel at the Kering Group.

Please refer to Table 2 in the appendix for more details on the composition of the Board of Directors.

Diversity policies in Board composition and corporate organisation

The Company applies diversity criteria – including gender – in the composition of the Board of Directors as envisaged by current legislation and in compliance with the priority objective of ensuring that Board members are suitably competent and professional.

The current composition of the Board of Directors continues to comply with the regulations, also in light of the new paragraph 1-ter of article 147-ter of the TUF, according to which at least two-fifths of the directors elected to the Board of Directors must belong to the less-represented gender.

The directors in office at the closing date of this Report have adequate skills and professionalism, and the composition of the internal Committees of the Board has ensured the presence of directors having the specific skills specified by law and the Corporate Governance Code.

Although the Board of Directors has not adopted a specific policy, it considers that the business can in any case be managed effectively only if the Board comprises members with different managerial and professional skills, as well as a balance of gender, age and seniority.

Maximum number of positions held in other companies

Due to its status as a non-large company, the Board of Directors has not defined general criteria regarding the maximum number of administration and control positions held in other companies that can be considered compatible with effectively performing the role of director of the Issuer, without prejudice to the duty of each Director to assess the compatibility of the positions of director and auditor held in other companies listed on regulated markets, in financial, banking, insurance or other companies of significant size, with the diligent performance of the tasks assumed as Director of the Company.

However, it is the Board's intention to carry out such an assessment from time to time, taking into account the opinion of the Remuneration and Appointments Committee and mainly using as evaluation criteria: (i) the role of the director within the Company (executive, non-executive, independent); (ii) the nature and size of the entity in which the positions are held and the role of the director with respect to such entities (including, among other things, the corporate purpose of the entity, the governance structure, the tasks assigned and the powers awarded); and (iii) whether these entities belong to the same group as the Issuer. Each director also has a duty to assess the compatibility of the director and statutory auditor posts they hold in other companies listed on regulated markets, in financial, banking and insurance firms or in other companies of significant size, with being able to properly fulfil their tasks as director of the Issuer.

The table in Annex A shows the main positions held by members of the Board of Directors.

4.4 OPERATION OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

On 10 September 2021 Newlat approved the rules of the Board of Directors, which include the rules for the operation of the Board itself and its committees, including how to record minutes of meetings and procedures for submitting information to directors.

Specifically, minutes are to be taken by the Secretary, who is entitled to make audio recordings of the meetings to facilitate the taking of minutes, or by the Notary in the cases envisaged by current law.

Following the meeting, a draft of the minutes is sent to all directors and auditors for comments and observations, which are then collected by the Corporate & Legal Affairs function.

The final text of the minutes is transcribed in the register of meetings and resolutions of the Board of Directors by the competent company structures and is signed by the Chair and the Secretary.

With regard to the effective management of pre-meeting information, the Board of Directors has established that the documentation supporting the items on the agenda of each meeting must be sent to the directors and statutory auditors sufficiently in advance, as a rule no later than the second day prior to the date set for the meeting, except in cases of urgency in which the documentation is made available as soon as possible.

Pursuant to article 17 of the By-laws, the Board of Directors is validly constituted with the presence of a majority of its serving members and validly resolves by absolute majority of the directors present. In the event of a tie, the vote of the Chair of the Board of Directors prevails.

Pursuant to article 19 of the By-laws, the Board of Directors may delegate, within the limits provided for by current laws and regulations, some of its responsibilities to an executive committee composed of some of its members or to one or more of its members, and determine their powers and, after consulting the Board of Statutory Auditors, their remuneration. The Board of Directors may also set up internal committees with advisory and recommendatory functions, and determine their powers partly in order to ensure that the corporate governance system conforms to codes of conduct adopted by the Company.

The Board of Directors may also appoint General Managers and special attorneys for certain acts or categories of acts, and assign their respective powers.

The Board of Directors appoints a Financial Reporting Officer, subject to the mandatory but non-binding opinion of the Board of Statutory Auditors, and can remove said officer if necessary. The Board of Directors, pursuant to article 154-bis, paragraph 4 of the TUF, ensures that the Financial Reporting Officer has adequate means and powers to carry out the tasks assigned to them by law, and that there is compliance with administrative and accounting procedures.

Pursuant to article 17 of the By-laws, the Chairman of the Board of Directors convenes and chairs the Board of Directors, sets the agenda and coordinates its work.

Convocation takes place using any and all suitable means in consideration of notice times, sent as a rule at least 5 (five) calendar days before the meeting to each member of the Board and the Board of Statutory Auditors; in case of urgency, this time frame may be reduced to 24 (twenty-four) hours before the meeting. In any case, meetings of the Board of Directors will be deemed validly constituted, even in the absence of a formal convocation, if all the serving directors and the majority of the serving statutory auditors are present, and all eligible parties have been previously informed of the meeting and have not opposed the discussion of what is on the agenda. The Board of Directors may also be convened by the Board of Statutory Auditors or even by each individual statutory auditor, pursuant to article 151 of the TUF.

Meetings of the Board of Directors are also held by video or teleconference provided that each of the participants can be identified by all the others and that each is able to intervene in real time during the discussion of the agenda items, as well as to receive, transmit and view documents. Provided these circumstances are in place, the meeting shall be deemed to have been held at the place where the Chairman is present.

The Board – also from time to time – appoints the Secretary of the Board, either from within or outside its own members.

The deliberations of the Board shall be recorded in minutes that are signed by the Chairman and the Secretary.

In accordance with article 18 of the By-laws, the remuneration payable to directors is determined by the Shareholders' Meeting. Directors are entitled to be reimbursed for expenses incurred in the performance of their duties. The remuneration of directors with special responsibilities, as defined in the By-laws, shall be determined by the Board of Directors after consulting the Board of Statutory Auditors.

Pursuant to article 27 of the By-laws, the Board of Directors may, during the year and when it deems it appropriate, distribute interim dividends for the same year, in compliance with applicable laws and regulations.

Dividends not collected within five years from the date on which they become due are retained by the Company.

In 2021, the Board of Directors held 7 meetings lasting an average of 1 hour. The meetings were regularly attended by the directors.

Six meetings of the Board of Directors have been scheduled for the current year, of which one was already held at the date of this Report, namely on 18 March 2022, the latter being called to approve this Report.

Information on the composition of the Board of Directors and the participation of directors in board meetings is given in Table 2 annexed to the Report.

At the invitation of the Chairman and depending on the items on the agenda, board meetings are also attended by the Company's managers in order to provide more extensive information to board meetings, as when non-executive directors acquire detailed information on specific issues that affect the Company's activities. Indeed, people who were invited to participate in the meetings with respect to specific items on the agenda include: the Group Financial Director, Fabio Fazzari, the Financial Reporting Officer, Rocco Sergi, as well as the Head of Internal Audit, Fabrizio Carrara.

4.5 ROLE OF THE CHAIR OF THE BOARD OF DIRECTORS

The Chair of the Board of Directors acts as a liaison between the executive and non-executive directors, ensuring the effective operation of the Board.

Specifically, with the help of the Board's Secretary, the Chair of the Board of Directors:

- Monitors and ensures that pre-meeting disclosures and supplementary information are provided in a complete, comprehensive manner that enables directors to act in an informed manner in the performance of their role.
- Ensures that the activities of Board committees with investigative, propositional and advisory functions are coordinated with the activities of the Board of Directors, through participation in the meetings of those committees.
- In agreement with the CEO, ensures that the executives of the Company and those of the Group companies it heads who are responsible for the corporate functions competent according to the subject matter attend Board meetings, including at the request of individual directors, in order to provide the appropriate details on the items on the agenda, ensuring their presence and verifying that such executives provide complete and accurate information. On this subject, note that executives are always present when their presence is required because of the topics on the agenda;
- Monitors and ensures that after their appointment and during their terms of office all members of the administration and control bodies can participate in initiatives aimed at providing them with an adequate knowledge of the business sectors the Company operates in, of corporate dynamics and their evolution, also with a view to the sustainable success of the Issuer, as well as of the principles of correct risk management and of the relevant regulatory and self-regulatory framework. On this point, note the initiatives aimed at providing the members of the Board of Directors and the Board of Statutory Auditors with a complete knowledge of the Company.
- Ensures the adequacy and transparency of the Board of Directors' self-assessment process, with the support of the appointments committee.

The Secretary of the Board

The Company has not appointed a Secretary of the Board of Directors, who is appointed from time to time at each meeting, even from outside the Company.

4.6 EXECUTIVE DIRECTORS

Chief Executive Officers

Pursuant to article 19 of the By-laws, the Board of Directors may delegate, within the limits provided for by current laws and regulations, some of its responsibilities to one or more of its members, and determine their powers and, after consulting the Board of Statutory Auditors, their remuneration.

By resolution of 8 July 2019, the Board of Directors, without prejudice to the responsibilities, powers and entitlements reserved by law and by the By-laws for the Board of Directors, the Chairman and other corporate functions, delegated the following powers to the CEOs Giuseppe Mastrolia and Stefano Cometto:

Giuseppe Mastrolia:

All powers of ordinary and extraordinary administration:

- with no amount limit in all intra-group transactions,
- up to Euro 300,000.00 (three hundred thousand euros) in relation to third parties independently and with sole signing authority,
- without any amount limit with the joint signature with another member of the Board of Directors, except for matters and activities relating to the environment, occupational safety and product health, which are the exclusive competence of the CEO(s) or managers who have assumed the specific managerial responsibilities and powers, or for those matters that the law or the bylaws dictate are the exclusive competence of the Board of Directors and the Shareholders' Meeting

Stefano Cometto:

All powers relating to the function of employer, for all divisions, business units, plants and local units/warehouses belonging to the Company, including activities aimed at implementing and complying with the rules on workplace safety and hygiene, protection of workers' health and protection of the environment, with the power of delegation, as well as all tasks resulting from and/or related to the powers specified herein.

In particular, in his capacity as an employer and in addition to the Company's signature and power of representation, Stefano Cometto is awarded powers in the following areas, among others:

1) <u>employment contracts</u>

2) <u>production organisation</u>

3) <u>food hygiene, safety and safety</u>

4) <u>environmental protection</u>

5) <u>management and control powers</u>

6) <u>leases, real rights</u>

7) Purchase and sale of goods and services; with the following amount limits:

- Movable property up to Euro 100,000.00 for each transaction when signed individually and up to Euro 300,000.00 when signed jointly with any other member of the Board of Directors.
- Motor vehicles of all kinds, aircraft and boats up to Euro 100,000.00 for each transaction when signed individually and up to Euro 300,000.00 when signed jointly with any other member of the Board of Directors.
- supplies and provisions for any type of use that must have an initial maximum duration of one year, subject to renewal, and up to an annual amount of Euro 100,000.00;
- Works contracts, tenders, consultancies and freelance arrangements, including on an ongoing basis, drawing up the related contracts up to an annual amount of Euro 100,000.00.

8) collections, disposals and receipts

9) banking and financial transactions, with the following amount limits:

- Euro 100,000.00 for: withdrawals from the Company's bank accounts and payments to its creditors; drawing or accepting bills of exchange; requesting cashier's checks; collecting cheque books to be issued on the Company's current accounts and signing the related request; issuing statements of indemnity.
- Euro 80,000.00 for: opening, modifying or closing post office current accounts; carrying out any operation permitted on such accounts including withdrawals and the issuance of postal orders; collecting; issuing receipt and discharge in due form for sums or anything else due to the Company from private individuals, firms, entities, institutions, companies of any kind, insurers, banks and pension funds.

10) insurance

11) contracts, tenders and licences

12) judicial proceedings

13) transactions and arbitration

14) tax compliance and obligations

Chair of the Board of Directors

By resolution of 8 July 2019, the Board of Directors appointed Angelo Mastrolia as Chair of the body, assigning him all the powers of ordinary and extraordinary administration, except for matters and activities relating to occupational safety, the environment and product health, which are the exclusive competence of the CEO(s) or managers who have assumed the specific managerial powers and responsibilities, as well as for all matters that by law or by-laws are the exclusive competence of the Board of Directors or the Shareholders' Meeting.

The Chair, Angelo Mastrolia, is also the sole shareholder of Newlat Group S.A., which in turn owns a 61.65% stake in the Company's share capital.

Disclosure to the Board by directors/delegated bodies

The Managing Directors report to the Board of Directors on the activities carried out in exercising the powers delegated to them from time to time.

Other executive directors

There are no other executive directors on the Company's Board of Directors, other than those mentioned in the paragraphs above.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

Independent directors

At the end of 2021, the Issuer's Board of Directors included 3 (three) directors who met the independence requirements set out in article 147-*ter* of the TUF and the Corporate Governance Code.

The independent directors of the Issuer are indicated below:

a) Maria Cristina Zoppo

b) Valentina Montanari

c) Eric Sandrin

The number and skills of the Independent Directors are considered adequate for the needs of the Company and the operation of the Board of Directors, as well as the constitution of the relevant committees.

Note that the Chair of the Board of Directors does not qualify as independent.

The Independent Directors were appointed by the Board of Directors on 8 July 2019, whose effective entry into office was subject to the Date of commencement of trading of the Company's shares, thus the current governing body has not provided quantitative and qualitative criteria for assessing the significance of the relevant circumstances under the Corporate Governance Code for the purpose of assessing the independence of directors.

However, immediately after the appointment, as well as during the course of the mandate on an annual basis, namely on 19 March 2020 and 19 March 2021, the Board of Directors verified that each of the non-executive directors met the independence requirements. On these occasions, the Board of Directors confirmed the independence of the aforementioned directors, given that, in accordance with article 148, paragraph 3 of the Consolidated Law on Finance and the Corporate Governance Code:

a) They are not significant shareholders of the Company.

b) In the previous three financial years they have not been an executive director or an employee of the Company, of one of its strategically important subsidiaries or of a company under common control with the Company, or of a significant shareholder of the Company.

c) In the previous three years they have not had a significant direct or indirect commercial, financial or professional relationship (i) with the Company or its subsidiaries, or with its executive directors or top management; or (ii) with a person who, even together with others through a shareholders' agreement, controls the Company.

d) In the previous three financial years they have not received from the Company, one of its subsidiaries or the parent company significant additional remuneration with respect to the "fixed" remuneration for the office of non-executive director of the Company and to the remuneration envisaged for participation in board committees, not even in the form of participation in incentive plans linked to company performance, including share-based plans.

e) They have not been a director of the Company for more than nine years, even non-consecutive, in the last 12 years.

f) They do not hold the office of executive director in another company in which an executive director of the Company has an office of director.

g) They are not shareholders or directors of a company or an entity belonging to the network of the company appointed to audit the Company.

h) They are not close members of the family of a person in one of the situations referred to in the preceding points.

In making the above assessment, the Board of Directors took into consideration all the information available, in particular the information provided by the directors being assessed, which was deemed sufficient and complete for a timely examination of those circumstances that could compromise independence, as stressed by Recommendation 6.

In analysing everything in its possession, the Board of Directors applied the criteria laid down in the Corporate Governance Code, and in particular those set out in Recommendation 7.

The Board of Statutory Auditors noted that the verification criteria and procedures used by the Board of Directors to assess the independence of its members were correctly applied, most recently on 19 March 2021.

The Independent Directors in office at the date of this Report did not meet in the absence of the other directors, considering the opportunities to meet within the meetings of the board committees in which all the independent directors participate to be sufficient.

Lead Independent Director

By resolution of the Board of Directors on 9 August 2019, the Company appointed independent director Eric Sandrin as lead independent director with effect subject to the Trading Start Date.

The Lead Independent Director is assigned the task of coordinating the requests and contributions of the non-executive directors, and in particular of the independent directors.

Specifically, the Lead Independent Director:

- Cooperates with the Chair of the Board of Directors in order to ensure that directors are provided with complete, timely information flows and to define the initiatives aimed at enabling directors and statutory auditors to have a better knowledge of the Company and the Group and of corporate dynamics.
- Contributes to the evaluation process of the Board of Directors.
- Informs the Chair of the Board of Directors of any matters to be submitted for the examination and assessment of the governing body.
- Coordinates the meetings attended only by Independent Directors.

5. MANAGEMENT OF COMPANY INFORMATION

At its meeting on 6 September 2019, the Company's Board of Directors resolved to approve the *Rules for the handling of inside information, the establishment and maintenance of the RIL and Insider List and Internal Dealing* ("**Rules**") aimed at regulating, in addition to confidentiality and reporting obligations, the process of managing documents and information concerning Newlat and the companies belonging to its group, with particular regard to Confidential Information and Insider Information, as well as the establishment, maintenance and updating of the records of the parties who have access to the aforementioned information and the Internal Dealing obligations.

These Rules, which entered into force on the date when the application for the Issuer's shares to be admitted for trading was deposited with the Italian Stock Exchange, are published on the Issuer's website at https://corporate.newlat.it/wp-content/uploads/2020/04/Regolamento-info-privilegiate-internal-dealing.DOCX.pdf.

The purpose of the Rules is to ensure compliance with the applicable laws and regulations and to ensure that the Company timely, completely and adequately discloses the Group's inside information to the market, while guaranteeing maximum privacy and confidentiality until it is disclosed to the public.

Relevant and Inside Information is managed according to a process that breaks down into the following stages:

a) the Relevant or Inside Information is identified and reported by the competent IICOF (i.e. each "Inside Information Competent Organisational Function", identified within the Group, that becomes aware of Relevant or Inside Information due to its own activities) to the IIMF (i.e. the "Inside Information Management Function", in this case, the Chairman of the Board of Directors);

b) the IIMF identifies and records the Relevant or Inside Information;

c) Relevant Information is monitored based on the different stages of its evolution towards Inside Information, and the additional IICOFs involved in the process are recorded;

d) where applicable, the Relevant Information becomes Inside Information.

The IIMF is the corporate figure responsible for deciding whether the information qualifies as inside information. If it does, the IIMF acts to ensure that the Inside Information directly pertaining to the Issuer is communicated to the public as soon as possible, in accordance with the Rules and with applicable laws and regulations, unless there are grounds to activate the delay procedure referred to in article 3.4 of the Rules.

Pursuant to the laws and regulations in force, the Issuer has established an electronic register of persons who have access to Insider Information ("Insider List") and a register of persons who have access to Relevant Information ("RIL"), the keeping of which is the responsibility of the FGIP with the support of the Legal and Corporate Affairs Function for the updating and maintenance thereof.

In order to update the Insider List promptly, the IIMF mainly relies on the information contained in the RIL. When a piece of information becomes Inside Information, people are deleted from the RIL and added to the Insider List.

Section II of the Rules on internal dealing governs the reporting obligations, restrictions and control measures in relation to transactions carried out by relevant persons and persons closely associated with them of the Issuer and the Subsidiaries (as defined in the Rules).

In particular, the Relevant Managers are absolutely prohibited from directly or indirectly carrying out Transactions on their own behalf or on behalf of third parties in the 30 days preceding the publication of the annual or semi-annual or infra-monthly results that the Issuer is required to, or has decided to, make public ("Black-Out Period"), without prejudice to the provisions of art. 8 of the Rules.

The Issuer's Board of Directors, by means of a special resolution, may establish additional periods during which there is a ban/limitation on the completion of Newlat securities transactions in conjunction with particular events. It is understood that both Relevant Managers and all Recipients in possession of Inside Information must refrain from carrying out or recommending to third parties any operation on the securities, from inducing third parties to carry out operations on the securities or from communicating the Inside Information to third parties, unless such communication takes place in the normal performance of their role.

6. INTERNAL BOARD COMMITTEES (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

On 9 August 2019, in accordance with the recommendations on corporate governance, the Company's Board of Directors resolved, with effect from the Trading Start Date, to establish committees with investigative, proactive and advisory functions, such as:

- A Control and Risk and Sustainability Committee, which is described in more detail in Section 9.2 (the "**Internal Control and Risks Committee**").
- An appointments and remuneration committee, which is described in greater detail in Sections 7.2 and 8.2 (the "**Appointments and Remuneration Committee**").
- A committee for transactions with related parties, which is described in greater detail in Section 10 (the "**RPT Committee**").

The Board of Directors has determined the composition of the individual committees by giving priority to the expertise and experience of their members.

At the date of the Report, the Committees were composed as follows:

Position	**Internal Control and Risks Committee**	**Remuneration and Appointments Committee**	**RPT Committee**
Chairman	Valentina Montanari	Eric Sandrin	Maria Cristina Zoppo
Component	Eric Sandrin	Valentina Montanari	Valentina Montanari
Component	Maria Cristina Zoppo	Maria Cristina Zoppo	Eric Sandrin

When setting up the aforementioned board committees, the Board of Directors also adopted the relevant rules defining the operation of the committees, including the procedures for recording minutes of meetings and the procedures for managing the information to be provided to the directors who are members of the committees.

Specifically, each set of rules specifies the composition of the relevant committee, the expertise required of each member, as well as the way in which the chair is to be appointed and the procedure for the replacement of members.

The rules also establishes the manner in which the Committee's meetings are convened, the related timing, specifying the places where the meetings may be held and the persons to whom the notice must be sent, as well as determining the validity of the constitution of each meeting and of the deliberations on the items on the agenda.

Furthermore, in order to ensure the completeness of information flows, while protecting the confidentiality of the data and information provided, the rules provide that any documentation relating to items on the agenda shall normally be made available within the second day prior to the day set for the meeting, except in cases of urgency where the documentation is made available as soon as possible.

Finally, they specify the tasks attributed to each committee, indicating the means that its members may use to carry out their activities. All this in compliance with the duty of confidentiality regarding news and information acquired in the exercise of their functions, even after the expiry of the mandate of the individual members.

Additional committees (other than those envisaged by the law or recommended by the Corporate Governance Code)

The Board of Directors has not established any additional committees - other than those required by law or recommended by the Corporate Governance Code.

7. SELF-ASSESSMENT AND DIRECTOR SUCCESSION - APPOINTMENTS COMMITTEE

7.1 SELF-ASSESSMENT AND DIRECTOR SUCCESSION

The Board of Directors assesses the effectiveness of its activities and the contribution made by its individual members through questionnaires specifically prepared by external consultants of the Company.

As the Issuer is a company with a concentrated ownership and not a large one, the self-assessment is carried out every three years with the renewal of the Board of Directors, and focuses on its size, composition and actual operation, also considering the role played by the Board of Directors in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system.

The Board of Directors currently in office will expire with the Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2021, therefore, in view of the above, it has performed its own self-assessment and expressed its opinion on its optimal quantitative and qualitative composition, the results of which have been published on the Company's website www.newlat.com, from which the following emerged:

- The appropriateness of the current number of seven Directors to ensure an adequate balance of expertise and experience required by the Company's and the Group's business, suggesting an increase in the presence of members with digital and IT expertise, as well as ESG and, in particular, with skills in sustainability.
- Adequacy of the current ratio of Executive (3), Non-Executive (4) and Independent Directors pursuant to the Corporate Governance Code (3), as it is suitable to ensure an effective operation of the Board of Directors.

In general, the Board of Directors considers its composition to be adequate in terms of both skills and diversity given the presence of international managers with strong skills in accounting, finance and risk management capable of providing concrete support to the pursuit of the Company's strategic objectives and the tasks of the Board itself.

As far as the operation of the Board of Directors is concerned, the Directors believe that the organisation of the meetings is appropriate to the Company's structure, both in terms of the number of meetings and their duration, at which there is constant participation by all members, as well as external parties involved from time to time due to the topics on the agenda of the various meetings.

The conditions under which the meetings are held were also considered suitable and satisfactory, in terms of participation, in-depth examination of individual issues, and informed and independent deliberation.

With regard to the composition and operation of the internal committees (Control and Risk Committee, Appointments and Remuneration Committee and Related Party Transaction Committee), they were deemed adequate and suitable for the corporate structure. These board committees are all made up of highly experienced professionals who are able to carry out their tasks effectively. The activities entrusted to each of them of an investigative, advisory and propositional nature vis-à-vis the Board of Directors were deemed compliant and in line with the principles and recommendations provided by the Corporate Governance Code.

In conclusion, the Board of Directors considers its composition to be adequate both in qualitative and quantitative terms due to (i) the presence of a high degree of diversification of professional experience; (ii) the adequate operation of the body itself, whose activities are carried out in a climate of trust, cooperation and interaction between the members of the Board.

Succession plans

As of the date of this Report, due to the fact that Newlat qualifies as a non-large company with concentrated ownership, as defined in the Corporate Governance Code, no succession plan for executive directors has been adopted.

The Board of Directors reserves the right to perform an analysis in the future to assess the appropriateness of defining measures to ensure the continuity of management, including through the adoption of a succession plan, without prejudice to the provisions of the Corporate Governance Code.

7.2 APPOINTMENTS COMMITTEE

Composition and operation of the appointments committee (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

On 9 August 2019 the Company's Board of Directors set up a single Appointments and Remuneration Committee composed exclusively of independent Directors, appointing the directors Emanuela Paola Banfi and Valentina Montanari as members, and Eric Sandrin as its chair. On 25 September 2020, following the resignation of director Emanuela Paola Banfi and the co-optation of director Maria Cristina Zoppo, the Newlat Board of Directors appointed the latter as a member of the Remuneration and Appointments Committee.

Minutes are duly taken at meetings of the Committee, and the Chair of the Committee reports these to the next meeting of the Board of Directors.

The meetings of the Appointments and Remuneration Committee, held on 5 March 2021, 16 June 2021, 19 June 2021, 5 July 2021 and 14 July 2021, were also attended by Newlat's financial reporting officer at the invitation of the committee chair in view of the items on the agenda.

The members of the Board of Statutory Auditors may also attend the meetings as permanent guests.

Functions of the appointments committee

The Appointments Committee:

- Assisted the Board of Directors in the self-assessment of the Board itself and its committees, supporting the Chair of the Board of Directors in ensuring the adequacy and transparency of the self-assessment process.
- Assists the Board of Directors in defining the optimal composition of the Board and its committees.
- Assists the Board of Directors in identifying candidates for the office of director in the event of co-option.

Should the Company adopt a succession plan for executive directors, the Appointments Committee will be asked to support the preparation, updating and implementation of such plan.

The Appointments Committee plays an advisory and recommendatory role and has the task of assisting the Board of Directors at a preliminary stage with the assessments and decisions relating to the composition of the Board of Directors.

The Appointments Committee has the right to access the information and the corporate functions and structures necessary to perform its tasks, having at its disposal financial resources and making use of external consultants within the terms set by the Board of Directors.

8. REMUNERATION OF DIRECTORS – REMUNERATION COMMITTEE

8.1 REMUNERATION OF DIRECTORS

For the information in this Section, please refer to the Remuneration Report, prepared by the Company and available at https://corporate.newlat.it/corporate-governance/assemblea-azionisti/.

8.2 REMUNERATION COMMITTEE

Composition and operation of the remuneration committee (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

As stated in Section 7.2 On 9 August 2019 the Company's Board of Directors set up a single Appointments and Remuneration Committee composed exclusively of independent Directors, currently composed of the directors Maria Cristina Zoppo and Valentina Montanari as members, and Eric Sanrdin as its chair.

All the members of the Remuneration Committee have knowledge and experience in financial matters or remuneration policies that was deemed adequate by the Board of Directors at the time of their appointment.

In accordance with the provisions of the Corporate Governance Code, no director takes part in the meetings of the Remuneration Committee at which proposals relating to their remuneration are formulated.

Minutes are duly taken at meetings of the Committee, and the Chair of the Committee reports these to the next meeting of the Board of Directors.

The meetings of the Appointments and Remuneration Committee, held on 5 March 2021, 16 June 2021, 19 June 2021, 5 July 2021 and 14 July 2021, were also attended by Newlat's financial reporting officer at the invitation of the committee chair in view of the items on the agenda.

The members of the Board of Statutory Auditors may also attend the meetings as permanent guests.

Functions of the remuneration committee

The Remuneration Committee:

- Assisted the Board of Directors in drawing up the remuneration policy.
- Submits proposals and expresses opinions on the remuneration of executive directors and other directors holding particular positions, and on the setting of performance targets related to the variable component of such remuneration.
- Monitors the concrete application of the remuneration policy, and verifies the actual achievement of performance targets.
- Periodically assesses the adequacy and overall consistency of the policy for the remuneration of directors and top management.

During the financial year, the Remuneration Committee carried out the following main activities:

- Analysis of 2022 performance targets linked to corporate sustainability.

- Discussion of the 2021 Remuneration Report.

The Remuneration Committee has the right to access the information and the corporate functions and structures necessary to perform its tasks, having at its disposal financial resources and making use of external consultants within the terms set by the Board of Directors.

The Remuneration Committee did not use the services of a consultant in order to obtain information on market practices regarding remuneration policies.

9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – CONTROL AND RISK COMMITTEE

In accordance with Principle XVIII of the Corporate Governance Code, the Issuer has defined the guidelines of the internal control and risk management system (hereinafter also referred to as "**SCIGR**") consisting of the set of rules, procedures and organisational structures aimed at an effective and efficient identification, measurement, management and monitoring of the main risks, in order to contribute to the sustainable success of the Company, in accordance with its strategies.

Assessment of the adequacy of the Internal Control and Risk Management System

For the 2021 financial year, the assessment of the overall adequacy of the Internal Control and Risk Management System was expressed on the basis of the analysis of the following aspects:

Significant events with an impact on the corporate governance and control model:

- Regulatory developments related to governance
- Amendments to Procedures regarding Corporate Governance,
- Risk Assessment and the Audit Plan
- Changes in the composition of the management and control bodies and in the organisational structure
- Changes in delegated and proxy powers
- Compliance with Law no. 262/05 on accounting and corporate documentation
- Information systems
- Export compliance
- Transactions involving derivative financial instruments
- Transactions involving own shares
- Related-party transactions
- Intragroup transactions and transactions with a potential conflict
- Transactions involving internal dealing
- Monitoring of the Internal Control and Risk Management Systems of subsidiaries
- Main pending litigation
- Situation of non-performing loans

Results of audits performed by internal and external audit bodies:

- Results of monitoring carried out by Internal Audit
- Meetings between the Control Bodies
- Information from the financial reporting officer
- Results of monitoring by the Supervisory Body
- Results of third-party audits of quality, occupational health and safety, and environmental management systems
- Information from the Prevention and Protection Service and the Environmental Protection Service

Based on the information and evidence gathered and having consulted with the Control and Risk Committee, the Board of Directors considers that the Internal Control and Risk Management System in place in 2021 is adequate and effective with respect to the Group's size and characteristics, and overall capable of achieving the corporate objectives.

Internal Control and Risk Management System on financial reporting (ICRMS)

The Company considers the Internal Control and Risk Management System on financial reporting to be an integral part of its risk management system.

With specific regard to the Internal Control and Risk Management System on financial reporting, the Group has defined its own system of accounting control rules that defines the rules that the Group follows.

In addition to this system, there are internal instructions and rules (including, by way of example, the system of powers and proxies, reporting instructions, supporting information systems, visits to the offices of Group companies) through which the Parent Company ensures an efficient system of data exchange with its Subsidiaries.

The 2021 assessment highlighted the relevant processes that were subjected to timely review during the year with respect to specific control objectives (*existence, completeness and accuracy, valuation, rights and obligations, presentation and disclosure*).

Any deficiencies/improvement actions identified during the audits and reporting as described above require immediate identification of actions to be taken, as well as regular monitoring of their resolution.

The main characteristics of the SCIGR and the methods of coordination between the actors involved therein, inspired by national and international best practice models, are described below.

The corporate and supervisory bodies within the ICRMS are:

- The Board of Directors

- The Internal Control and Risks Committee

- The executive director responsible for internal audit

- The Head of Internal Audit

- The Supervisory Board (Italian Legislative Decree 231/01)

- The Financial Reporting Officer

- The Board of Statutory Auditors

- The Independent Auditor

The Company's ICRMS is based on three levels of control:

Level I Control – the operating teams are primarily responsible for the ICRMS process. These teams – as part of their daily activities – are called upon to identify, measure, evaluate, monitor, mitigate and report the risks deriving from ordinary business activities in accordance with the ICRMS and the applicable internal procedures.

Level II Control – corporate risks are monitored, guidelines on the related control systems are proposed and their adequacy is verified to ensure the efficiency and effectiveness of operations, as well as adequate risk control, prudent conduct of business, reliability of information, and compliance with laws, regulations and internal procedures.

Level III Control – the Head of Internal Audit verifies and ensures the adequacy and effective operation of the Level I and II Controls and – in general – of the ICRMS, evaluating its completeness, functionality and reliability in terms of efficiency and effectiveness, as well as identifying any violations of applicable procedures and standards.

The central role in the Internal Control and Risk Management System is played by the Board of Directors, which defines the nature and level of risk compatible with the Company's objectives.

When working effectively, the Company's ICRMS guarantees, with reasonable certainty, the achievement of operational, disclosure and compliance objectives. Specifically:

- The operational objective of the internal control system concerns the effectiveness and efficiency of the Company in using resources, protecting itself from losses, and safeguarding the Company's assets. This system is also aimed at ensuring that staff work towards the pursuit of company objectives, without putting other interests before Newlat's.
- The objective of disclosure translates into the preparation of timely and reliable reports for the decision-making process within and outside the company organisation.
- The compliance objective ensures, on the other hand, that all operations and actions are conducted in compliance with laws and regulations, prudential requirements and internal company procedures.

The ICRMS involves every sector of the activity carried out by the Company, distinguishing between operational and control tasks and reasonably reducing any possible conflict of interest.

In particular, the internal control system is based on the following elements:

- Formalised and clear organisational system in the allocation of responsibilities.
- Authorisation and signature powers assigned consistent with the responsibilities.
- System of procedures to govern all business processes.
- IT systems geared towards segregation of duties.
- Management control and reporting system.
- Functions responsible in a structured manner for external communication.
- Periodic audits of the main company processes.

The Company's ICRMS is based on the following principles:

➢ Every operation, transaction and action must be true, verifiable, coherent and documented.

➢ No one can manage an entire process independently (so-called segregation of duties).

➢ The internal control system documents the performance of controls, including supervision.

Responsibility for the proper functioning of the internal control system is vested in each business function for all processes for which it is responsible.

The type of corporate control structure existing in the Company includes:

- Line controls, carried out by individual operating units on the processes for which they have operational responsibility, aimed at ensuring the correct conduct of operations.
- Monitoring activities, carried out by the managers of each process and aimed at verifying the correct performance of the underlying activities, on the basis of hierarchical controls.
- Activities for the detection, evaluation and monitoring of the internal control system over the administrative and accounting systems and processes that are relevant to the financial statements.

Lastly, with regard to the ICRMS, it should be noted that in the exercise of its functions, during the Board meeting of 19 March 2021, the Board of Directors:

- Approved the internal audit plan after consulting the Board of Statutory Auditors and the executive director responsible for internal audit, after consulting the Committee for Internal Control and Risks.
- After obtaining the opinion of the Internal Control and Risk Committee, assessed the adequacy of the system in relation to the characteristics of the company and its risk profile, as well as its effectiveness.

9.1 CHIEF EXECUTIVE OFFICER

The Board of Directors has identified the Executive Chair of the Board of Directors, Angelo Mastrolia, as the director responsible for establishing, maintaining and supervising the operation of the Internal Control and Risk Management System.

Within the scope of the responsibilities entrusted to him by the Board of Directors, the Chair has implemented the guidelines and directives of the Internal Control and Risk Management System, defined by the Board of Directors. Below are the actions taken.

- Identify the main corporate risks, to be periodically submitted to the Board of Directors, taking into account the characteristics of the activities carried out.
- Implement the guidelines defined by the Board, taking care of the design, creation and management of the internal control and risk management system, continually verifying its adequacy and effectiveness.
- Update the internal control and risk management system with respect to the dynamics of operating conditions and the legislative and regulatory landscape.
- Entrust the internal audit function with performing audits on specific operational areas and on compliance with internal rules and procedures in the execution of company operations, simultaneously notifying the Chair of the Board of Directors, the Chair of the Control and Risks Committee and the Chair of the Board of Statutory Auditors.
- Promptly report to the Control and Risks Committee on problems and issues emerging in the course of its activities or of which it has been informed, so that the Committee can take appropriate action.

9.2 CONTROL AND RISKS COMMITTEE

Composition and operation of the Control and Risk Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)

On 9 August 2019, the Company's Board of Directors set up the Control and Risk Committee composed solely of independent directors, namely the directors Maria Cristina Zoppo and Eric Sandrin as members, and Valentina Montanari as its chair.

All the members of the Control and Risk Committee have adequate expertise in the Company's business, functional to assess the relevant risks, and have an adequate knowledge and experience in accounting and finance or risk management.

Minutes are duly taken at meetings of the Committee, and the Chair of the Committee reports these to the next meeting of the Board of Directors.

Meetings of the Control and Risk Committee have always been attended by Newlat's financial reporting officer, as well as – at the invitation of the committee chair – the head of the internal audit department and representatives of the independent auditor, depending on the items on the agenda.

The members of the Board of Statutory Auditors may also attend the meetings as permanent guests.

Functions assigned to the control and risks committee

The Control and Risks Committee:

- Supports the Board of Directors in carrying out its tasks in the field of internal control and risk management.
- After consulting the Financial Reporting Officer, the independent auditors and the Board of Statutory Auditors, assesses the correct use of the accounting standards, as well as their consistency for the purposes of preparing the consolidated financial statements.
- Assesses the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its operations and the performance achieved.
- Examines the content of periodic non-financial information relevant to the internal control and risk management system.
- Expresses opinions on specific aspects relating to the identification of the main corporate risks, and supports the assessments and decisions of the Board of Directors relating to the management of risks arising from prejudicial events the latter has become aware of.
- Examines periodic and particularly significant reports prepared by the internal audit function.
- Where deemed necessary, entrusts the internal audit function to carry out audits on specific operational areas, giving simultaneous notice to the Chair of the Board of Statutory Auditors.
- When it is time to approve the annual and semi-annual financial reports, it reports to the Board of Directors on the activities carried out, as well as on the adequacy of the internal control and risk management system.

During the financial year, the Control and Risks Committee carried out the following main activities:

- Analysis of the 2021 internal audit.
- Analysis of the risks and 2022 audit plan.
- Preparatory activities for drafting the 2021 financial statements.
- Discussions with the Control and Risks Committee of the subsidiary Centrale del Latte d'Italia S.p.A.
- Analysis and approval of the materiality matrix for the Non-Financial Statement ("NFS").
- Illustration of the impairment test procedure and its results.
- Impacts of COVID on the business and financial statement valuations.
- Update with the independent auditors on the activities of the financial statements and NFS.
- 262 testing progress and results.
- Meeting with the Supervisory Body.
- Analysis of the draft Corporate Governance Report.

The Control and Risk Committee has the right to access the information and the corporate functions and structures necessary to perform its tasks, having at its disposal financial resources and making use of external consultants within the terms set by the Board of Directors.

9.3 HEAD OF INTERNAL AUDIT

On 10 September 2021 the Board of Directors appointed Mr Fabrizio Carrara as head of the Internal Audit function, the person responsible for verifying that the internal control and risk management system is functional, adequate and consistent with the guidelines defined by the Board of Directors.

The Board of Directors assigned Fabrizio Carrara a remuneration consistent with company policies, ensuring that he is provided with adequate resources to perform his duties.

The head of the Internal Audit department is not responsible for any operational area, reports hierarchically to the Board of Directors and has direct access to all information useful for carrying out the task.

On 18 March 2022 the Board of Directors approved the work plan prepared by the Head of Internal Audit, having consulted the Board of Statutory Auditors and the CEO.

During the year, the head of the Internal Audit function:

- Verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risk management system through an audit plan approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks.
- Prepares periodic reports containing adequate information on their activities, on the way in which risk management is conducted and on compliance with the plans defined for their containment, as well as an assessment of the suitability of the internal control and risk management system, transmitting such information to the chairs of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the CEO, except in cases where the subject of these reports specifically concerns the activities of such parties.
- Prepares timely reports on events of particular importance, also at the request of the Board of Statutory Auditors, submitting them to the chairs of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the CEO, except in cases where the subject of such reports specifically concerns the activities of such parties.
- As part of the audit plan, checks the reliability of information systems, including accounting systems.

The main activities carried out by the Head of Internal Audit during the year were as follows:

- Drafting of the Audit Plan proposal based on the identification and prioritisation of the main business risks present in the ERM.
- Carrying out of the independent monitoring programme defined with the Financial Reporting Officer as part of the Corporate Reporting Control System.
- Activities relating to relations with the Independent Auditor.
- Verification of the design of the internal control system to support non-financial reporting (NFS).

9.4 ORGANISATIONAL MODEL AS PER ITALIAN LEGISLATIVE DECREE 231/2001

The Company adopted an organisation, management and control model pursuant to and for the purposes of Italian Legislative Decree 231/2001 (the "Model 231").

The Model 231 consists of: (a) a general part, relating to issues concerning, among other things, the validity and application of Italian Legislative Decree no. 231/2001, the composition and functioning of the supervisory body, and the penalty code to be applied in case of violations of the rules of conduct of Model 231; and (b) the special parts, containing the general principles of conduct and control protocols for each of the offences deemed to be a risk to the Company.

Specifically, note that the 231 Model aims to prevent the following types of offences:

- Offences against the Public Administration (articles 24 and 25 of the Decree).
- Computer crimes and unlawful processing of data (article 24-bis of the Decree).
- Organised crime (article 24-ter of the Decree).
- Offences relating to health and safety at work (art. 25 septies).
- Crimes for the purpose of terrorism or subversion of the democratic order (art. 25 quater).
- Offences against industry and commerce (art. 25 bis 1).
- Corporate offences (art. 25 ter).
- Crimes against the individual (art. 25 quinquies).
- Offences concerning copyright infringement (art. 25 novies).
- Transnational offences (Law no. 146/2006).
- Employment of undocumented third-country nationals (art. 25 duodecies).
- Offences of inducement not to make statements or to make false statements to the judicial authority (art. 25 decies).
- Receiving, laundering and using money, goods or benefits of unlawful origin, and self-laundering (art. 25 octies).
- Crimes of counterfeiting money, public credit cards, revenue stamps and instruments or signs of recognition (article 25-bis of the Decree).
- Environmental offences (art. 25 undecies).
- Market abuse offences (article 25-sexies of the Decree).
- Crimes of racism and xenophobia (article 25-terdecies of the Decree).

The Company's 231 Model is available at https://corporate.newlat.it/corporate-governance/codice-etico-e-modello-231/.

The functions of the Supervisory Board are assigned to Mr Massimo Carlomagno as Chair, and to Ms Ester Sammartino as a member, in exercise of the power provided by the applicable law. In this way, the Supervisory Body meets the applicable requirements of autonomy, independence, professionalism and continuity of action.

9.5 INDEPENDENT AUDITORS

At the date of the Report, the company responsible for independently auditing the Issuer's accounts was PricewaterhouseCoopers S.p.A., with its registered office at Piazza Tre Torri 2, Milan, no. 119644 in the Register of Independent Auditors held by the Ministry of Economy and Finance.

The Issuer's Ordinary Shareholders' Meeting of 8 July 2019 conferred on the Independent Auditors, effective from the Trading Start Date, an external audit assignment (including checking that books are being properly kept and operating events are being properly entered into accounting ledgers) pursuant to articles 13 and 17 of Italian Legislative Decree no. 39 of 2010 for the 2019-2027 financial years, in relation to the Issuer's separate financial statements and the consolidated financial statements of the Newlat Group, replacing PwC's existing assignment awarded on 28 June 2017. Also by resolution of 8 July 2019, and also effective as of the Trading Start Date, the Issuer's Ordinary Shareholders' Meeting awarded the independent auditors the assignment to carry out a limited audit of the Newlat Group's condensed consolidated half-year financial statements for the six-month periods as at 30 June 2020 - 2027.

9.6 FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS

On 9 August 2019, the Issuer's Board of Directors, in compliance with the provisions of article 154-bis of the Consolidated Law on Finance and with the relevant appointment procedures laid down in article 19 of the By-laws, decided to appoint, with effect from the Company's shares starting to trade on the MTA (now ESM), Rocco Sergi as the Financial Reporting Officer.

Article 19 of the Issuer's By-laws provides that the FRO shall be appointed by the Board of Directors, subject to the mandatory but non-binding opinion of the Board of Statutory Auditors, in accordance with the provisions of Article 154-bis of the Consolidated Law on Finance. The Bylaws also require the FRO to have at least three years' experience in administration, finance and control and to meet the integrity requirements for directors. If these requirements are no longer being met, the office shall be forfeited and this must be declared by the Board of Directors within 30 (thirty) days of becoming aware of the failing.

Pursuant to article 154-bis of the Consolidated Law on Finance, the FRO shall:

- draw up written statements accompanying the Company's documents and communications disseminated to the market and relating to accounting information, including interim accounting information;
- prepare appropriate administrative and accounting procedures for preparing the separate financial statements and, where applicable, the consolidated financial statements and any other financial communications;
- certify with a special report on the separate financial statements, the condensed half-year financial statements and the consolidated financial statements (i) the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements; (ii) that the documents are prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002; (iii) that the documents correspond to the ledgers and accounting records; (iv) the suitability of the documents to provide a true and fair picture of the results, assets and liabilities and cash flows of the Issuer and of the companies included in the consolidation; (v) for the separate and consolidated financial statements, that the report on operations includes a reliable analysis of the operating performance and result, as well as the situation of the Issuer and of the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed; (vi) for the condensed half-year financial statements, that the interim report on operations contains a reliable analysis of the information referred to in article 154-ter, paragraph 4 of the TUF.

9.7 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company promotes meetings and exchanges of information between the various bodies responsible for the verification and monitoring of organisational, administrative, accounting, internal control and risk management systems.

Specifically, without prejudice to the provisions of the law with regard to auditors and statutory auditors,[41] prior to the approval by the Board of Directors of the Company's draft financial statements (statutory and consolidated) and half-yearly report a collective meeting is held involving the following bodies:

- Control and Risks Committee:
- Board of Statutory Auditors
- Supervisory Board (pursuant to Italian Legislative Decree 231/2001)
- Head of the Internal Audit Function
- Financial Reporting Officer
- Director responsible for the Internal Control and Risk Management System
- Statutory auditors

during which information will be exchanged on the main findings and/or critical issues identified during the audits performed, with regard to organisational, administrative, accounting, internal control and risk management structures. The meetings are recorded in minutes.

In addition to the periodic meetings mentioned above, the continuity and timeliness of information exchanges between the aforementioned control bodies is ensured by:

- The participation of the Board of Statutory Auditors in the meetings of the Control and Risk Committee.
- Periodic reporting by the Supervisory Board to the Control and Risk Committee and the Board of Statutory Auditors.
- Periodic reporting by the Head of Internal Audit to the Control and Risk Committee and the Board of Statutory Auditors.
- The exchange of information between the Control and Risk Committee, the statutory auditor and the Financial Reporting Officer on the accounting standards applied and the adequacy of the administrative and accounting procedures applied in preparing the financial reports of the Company and the Group.

[41] The reference is to the following articles of the Consolidated Law on Finance: art. 150, paragraph 3 (The Board of Statutory Auditors and the statutory auditor or auditing firm shall promptly exchange data and information relevant to the performance of their respective duties) and paragraph 4 (Those in charge of internal control shall also report to the Board of Statutory Auditors on their own initiative or at the request of even one of the Statutory Auditors); art. 151, paragraph 1 (The Statutory Auditors may, even individually, at any time perform inspections and controls, as well as ask the directors for information, also with regard to subsidiary companies, on the performance of company operations or on specific business, or address such requests for information directly to the management and control bodies of the subsidiary companies) and paragraph 2 (The Board of Statutory Auditors may exchange information with the corresponding bodies of the subsidiary companies on the management and control systems and on the general performance of the company's business. [omitted]).

10. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 26 June 2021 the Issuer's Board of Directors resolved on the amendments made to the procedure for regulating related-party transactions (hereinafter the **"Related Party Procedure"**) adopted by the Company by board resolution on 6 September 2019, available at https://corporate.newlat.it/wp-content/uploads/2021/06/Procedura-OPC-Newlat-2021.pdf

The Related Parties Procedure governs the procedures for the instruction and approval of transactions with related parties defined as of greater importance on the basis of the criteria set out in the regulation adopted by Consob with resolution no. 17221 on 12 March 2010 and subsequent amendments and additions (the **"Related Parties Regulation"**) and transactions with related parties defined as of lesser importance, meaning transactions other than transactions of greater importance and transactions of a small amount (the latter are those transactions with related parties whose value does not exceed Euro 200,000.00 whether it is a natural or a legal person).

The Related Parties Procedure defines transactions of greater importance as those in which at least one of the significance indicators mentioned in Annex 3 of the Related Parties Regulations exceeds the 5% threshold and entrusts a specific corporate structure, consisting of the FRO supported by the competent functions, with the task of ascertaining how the procedure should be applied to a given transaction, including whether a transaction is classified as being of greater or lesser importance.

In accordance with the Related Parties Regulation, the procedure for transactions of lesser importance requires that, before approving a transaction with related parties, the Related Parties Committee, composed exclusively of independent (pursuant to the TUF and the Corporate Governance Code) and unrelated directors, expresses a non-binding reasoned opinion on the Company's interest in completing it, as well as on the suitability and substantial fairness of the conditions envisaged. In this regard, it is noted that the Issuer has identified the RPT Committee as the competent body in relation to transactions with related parties.

With regard to transactions of greater importance, the Related Parties Procedure provides that the RPT Committee be involved in the negotiation and investigation phases, and at the end of the latter express its reasoned opinion on the Company's interest in completing the transaction and on the suitability and substantial fairness of the relevant conditions. The RPT Committee shall make its own assessments and, in the event of a negative opinion or one subject to the acceptance of certain findings:

(a) In the case of a transaction of greater importance that is not the responsibility of the Shareholders' Meeting or does not have to be authorised by it, the Board of Directors may: (i) approve the transaction, provided that the approval resolution fully incorporates the findings made by the RPT Committee; or (ii) approve the transaction despite the contrary opinion or in any case without taking into account the findings of the Committee, provided that the completion of the transaction is authorised by the Shareholders' Meeting, pursuant to article 2364, paragraph 1, no. 5) of the Italian Civil Code and in accordance with the provisions of paragraph (b) below; or (iii) decide not to proceed with the transaction.

(b) In the case of a transaction of greater importance falling within the competence of the Shareholders' Meeting or which must be authorised by it, without prejudice to the provisions of articles 2368, 2369 and 2373 of the Italian Civil Code, the transaction may not be carried out if the majority of unrelated shareholders (meaning persons entitled to vote other than the counterparty to a given transaction and related parties both to the counterparty to a given transaction and to the Company) who vote do so against the transaction, provided that the unrelated shareholders present at the Shareholders' Meeting represent at least 10% of the share capital.

The provisions of the Related Parties Procedure do not apply to transactions approved by Newlat Food and addressed to all shareholders on equal terms, including:

a) Rights issues, including those servicing convertible bonds, and free capital increases pursuant to article 2442 of the Italian Civil Code.

b) Demergers in the strict sense, whether total or partial, with proportional share allocation.

c) Reductions in share capital by means of reimbursement to shareholders pursuant to article 2445 of the Civil Code and purchases of treasury shares pursuant to article 132 of the Consolidated Law on Finance.

The rules laid down in the Related Parties Procedure also do not apply in the following cases:

(a) Shareholders' resolutions on the remuneration payable to members of the Board of Directors pursuant to article 2389, paragraph 1 of the Italian Civil Code, as well as resolutions on the remuneration of directors with special responsibilities included in the total amount for the remuneration of all directors previously determined by the Shareholders' Meeting pursuant to article 2389, paragraph 3 of the Italian Civil Code.

(b) Resolutions, other than those indicated under (a), on the remuneration of directors with special responsibilities and other managers with strategic responsibilities, provided that:

  i) The Company has adopted a remuneration policy approved by the Shareholders' Meeting that the Remuneration and Appointments Committee was involved in drafting.

  ii) A report explaining the remuneration policy has been submitted for the approval or advisory vote of the Shareholders' Meeting.

  iii) The remuneration awarded is identified in accordance with that policy and quantified on the basis of criteria that do not involve discretionary assessments.

(c) Transactions of a small amount.

(d) Compensation plans based on financial instruments approved by the Shareholders' Meeting pursuant to article 114-bis of the Consolidated Law on Finance and related executive operations.

(e) Transactions that are part of ordinary business and the related financial activity of the Company or of the subsidiary that performs the transaction, carried out at conditions similar to those usually practised with unrelated parties for transactions of a corresponding nature, scale and risk, or based on regulated rates or prices imposed on or practised with subjects with whom the Company is legally obliged to enter into a contract at a certain amount.

(f) Transactions carried out by the Company with its subsidiaries or transactions carried out between such subsidiaries, as well as those with associates, if there are no significant interests of other related parties of the Company in the subsidiaries or associates.

(g) Shareholders' resolutions on the fees payable to members of the Board of Statutory Auditors pursuant to article 2402 of the Italian Civil Code.

(h) Transactions to be carried out on the basis of instructions for stability purposes given by Supervisory Authorities, or on the basis of provisions issued by the parent company for the execution of instructions given by Supervisory Authorities in the interest of the stability of the Group.

The procedure allows the adoption of framework resolutions relating to series of homogeneous operations to be carried out by the Company, directly or through subsidiaries, with certain categories of related parties.

Please note that any decisions regarding the renewal – even if tacit or automatic - of contracts and relationships that the Issuer enters into with related parties in the period prior to the formal adoption of the Related Parties Procedure described above will be taken in accordance with this procedure.

Committee for transactions with related parties

On 9 August 2019 the Company's Board of Directors set up the Related Parties Committee, composed solely of independent directors, appointing the directors Eric Sandrin and Valentina Montanari as members, and Emanuela Paola Banfi as its chair. On 25 September 2020, following the resignation of director Emanuela Paola Banfi and the co-optation of director Maria Cristina Zoppo, the Newlat Board of Directors appointed the latter as a member of the Related Parties Committee.

Minutes are duly taken at meetings of the Committee, and the Chair of the Committee reports these to the next meeting of the Board of Directors. Specifically, the Related Parties Committee:

- formulates prior opinions on the procedures governing the identification and management of related party transactions carried out by the Issuer and/or Group companies, as well as on the related amendments;
- formulates prior and reasoned opinions, in the cases expressly provided for, on the Issuer's interest in completing the transaction with related parties, as well as on the suitability and substantial fairness of the related conditions; and
- in the case of related party transactions of greater importance, the RPT Committee is involved in the negotiation phase and the investigation phase through the receipt of a complete and timely information flow, with the right to request information and to make comments to the parties responsible for conducting the negotiations or the investigation.

During the financial year, the Related Parties Committee carried out the following main activities:

- Updating of the Related Parties Procedure, following the amendments made by Consob to the Related Parties Regulation.

11. BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT AND REPLACEMENT

Pursuant to the provisions of articles 21, 22 and 23 of the By-laws, the Issuer has adopted a transparent procedure for the appointment of statutory auditors which guarantees, among other things, adequate and timely information on the personal and professional characteristics of candidates for the office.

The Board of Statutory Auditors is elected by the Ordinary Shareholders' Meeting on the basis of slates submitted by shareholders as per the provisions below, ensuring gender balance in accordance with the provisions of applicable laws and regulations.

The presentation of slates is governed by applicable laws and regulations and by the By-laws.

Slates can be submitted by shareholders who, alone or together with others, represent, at the time of submission, at least the stake required to submit lists of candidates for the office of director.

The slates are filed with the Company within the deadlines set out in applicable laws, as indicated in the notice of convocation at the Company's registered office or also communicated remotely, and made available to the public under the terms and conditions set out in applicable laws and regulations. Each shareholder, the shareholders adhering to a shareholders' agreement pursuant to article 122 of the TUF, the parent company, subsidiaries, joint ventures and the other entities between which there is a direct or indirect link, pursuant to applicable laws and regulations, may submit - or contribute to the submission, even through an intermediary or trust company - and vote for only one slate. Each candidate may appear on only one slate under penalty of ineligibility.

Each slate shall contain a sequential number of candidates not exceeding the number of members to be elected.

The slates are divided into two sections: one for candidates for the office of standing auditor, the other for candidates for the office of alternate auditor. The first of the candidates in each section must appear in the register of auditors and must have carried out auditing activities for a period of not less than 3 (three) years.

Each slate that – considering both sections – has a number of candidates equal to or greater than 3 (three) must also include candidates of both genders, so that at least two-fifths (rounded up) of the candidates for the office of standing auditor and at least one candidate for the office of alternate auditor (where the list also includes candidates for the office of alternate auditor) belong to the least-represented gender.

The following must be filed when the slates are submitted: a) information on the shareholders who have submitted the slate, including their stake; b) a declaration by shareholders other than those who hold, even jointly, a controlling interest or a relative majority, certifying the absence of any direct or indirect link, within the meaning of applicable laws and regulations, with the latter; c) the curriculum vitae of the candidates and a statement in which each candidate declares, under his or her own responsibility, that there are no grounds for ineligibility and incompatibility and that he or she fulfils the conditions for appointment; d) information relating to the candidates with an indication of the administration and control positions held in other companies, as well as a statement by the same candidates attesting to the fulfilment of the requirements, including those of integrity, professionalism, independence and related to the accumulation of positions, provided for by current laws and regulations and by the By-laws and their acceptance of the candidacy and office, if elected; e) a declaration from each candidate accepting their candidacy; f) any other additional or different declaration, information and/or document required by applicable laws and regulations.

Any slate that fails to comply with the above provisions shall be deemed not to have been submitted.

Members of the Board of Auditors must meet the requirements of integrity, professionalism, independence and the limit of accumulation of positions provided for by applicable laws and regulations, as well as by the Corporate Governance Code. Matters relating to commercial law, company law, financial market law, tax law, business economics, corporate finance, disciplines having a similar or comparable object, and matters and sectors relating to the business sector of the Company are considered strictly relevant to the scope of the Company's activities.

The election of the Board of Statutory Auditors shall take place in accordance with the following provisions: a) from the slate that has obtained the highest number of votes ("majority slate"), two effective members and one alternate shall be drawn in the order in which they are listed; b) from the slate that has obtained the second-highest number of votes in the Shareholders' Meeting ("minority slate"), the remaining effective member, who shall also be appointed Chairman of the Board of Statutory Auditors, and the other alternate member shall be drawn in the order in which they are listed. If more than one slate has obtained the same number of votes, a new vote shall be taken on said slates by all those who can vote and are present at the Shareholders' Meeting, with the candidates from the slate that secures a relative majority being elected.

If gender balance is not ensured in accordance with the provisions of applicable laws and regulations, considering the statutory auditors and alternate auditors separately, the elected candidate belonging to the most represented gender who was last in the sequential order in each section of the majority slate, will be replaced by the unelected candidate from the least represented gender taken from the same section of the same slate in the sequential order of presentation. If the number of candidates elected on the basis of the slates submitted is lower than the number of statutory auditors to be elected, the remainder will be elected by the Shareholders' Meeting, which decides by relative majority and in such a way that the gender balance required by applicable laws and regulations is respected.

In the case of submission of a single slate, the Board of Statutory Auditors is drawn entirely from it in compliance with applicable laws and regulations. If, on the other hand, no slate is submitted, the Shareholders' Meeting decides by relative majority in accordance with the provisions of law. In such cases, the Chairman of the Board of Statutory Auditors shall be appointed by relative majority of the votes present at the Shareholders' Meeting.

The Chairman of the Board of Statutory Auditors shall be the statutory auditor elected from the minority slate unless only one slate is voted on or no slate is presented; in such cases, the Chairman of the Board of Statutory Auditors shall be appointed by the Shareholders' Meeting by relative majority of the votes present.

11.2 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to article 123-bis, paragraph 2, letters d) and d-bis) of the TUF)

Pursuant to article 21 of the By-laws, the Board of Statutory Auditors shall consist of three standing auditors and two alternate auditors who shall hold office for three financial years, expiring on the date of approval of the financial statements for the third financial year of their office, and shall be eligible for re-election.

The Issuer's Board of Statutory Auditors in office on the Report Date consists of 3 standing auditors and 2 alternate auditors. This Board of Statutory Auditors was appointed by the Issuer's Ordinary Shareholders' Meeting for a period of 3 years, until approval of the financial statements for the year ending 31 December 2021.

In particular, the Issuer's Board of Statutory Auditors in office consists of:

Name and surname	Position	Place and date of birth
Massimo Carlomagno	Chairman	Agnone (IS), 22 September 1965
Ester Sammartino	Standing Auditor	Agnone (IS), 23 May 1964
Antonio Mucci	Standing Auditor	Montelongo (CB), 24 March 1946
Giovanni Carlozzi	Alternate Auditor	Matrice (CB), 23 May 1942
Giorgio de Franciscis	Alternate Auditor	Pesaro, 24 July 1941

The By-laws provide that the Board of Statutory Auditors is to be appointed on the basis of slates. In this regard, it should be noted that the Issuer's Board of Statutory Auditors was appointed before the entry into force of the current By-laws and that, therefore, the provisions on slate voting will apply from the next renewal, for the approval of the financial statements as at 31 December 2021.

Below is a summary of the personal and professional characteristics of the members of the Statutory Board of Auditors.

Massimo Carlomagno - born in Agnone (IS) on 22 September 1965, he obtained a degree in Economics and Business from the University of Salerno in 1990 and has been enrolled in the Register of Chartered Accountants since 1996. From 1999 to 2005 he held the position of Chairman of the Board of Directors of Finanziaria Regionale del Molise S.p.A. Since 2005 he has held the position of Chairman of the Issuer's Board of Statutory Auditors.

Ester Sammartino - born in Agnone (IS) on 23 May 1966, she obtained a degree in Economics and Business from the University of Chieti in 1992 and has been enrolled in the Register of Chartered Accountants since 2002. From 1990 to 2005 she served as a director at Lamel Legno S.r.l. Since 2005 she has been a standing member of the Issuer's Board of Statutory Auditors, and since 2021 she has been a Statutory Auditor of Centrale del Latte d'Italia S.p.A.

Antonio Mucci – born in Montelongo (CB) on 24 March 1946, he obtained a degree in Economics and Business from the University of Bari in 1973 and has been enrolled in the Register of Chartered Accountants since 1995 and is also enrolled in the Register of Auditors. From 1991 to 2018 he held the position of auditor in various public bodies, such as the province of Campobasso and the municipalities of Termoli, Larino, Trivento, Riccia, Santa Croce di Magliano, Rotello, Bonefro, Matrice, Montagano, Macchia Valfortore, Morrone del Sannio and Ururi. From 1996 to 2005 he served as Chairman of the Board of Auditors of the Consorzio di Bonifica di Larino. From 1996 to 1999 he served as Chairman of the Board of

Statutory Auditors of the cooperative B&G. He was a member of the Board of Statutory Auditors of Piana del Sele S.r.l. from 2007 to 2013. He served first as a member of the board of statutory auditors (from 2011 to 2013) and then as Chairman (from 2014 to 2016) of Finmolise S.p.A. Since 2014 he has held the position of standing auditor on the Issuer's Board of Statutory Auditors.

Giovanni Carlozzi– born in Matrice (CB) on 23 May 1942, he obtained a degree in Economics and Business from the University of Naples in 1968 and has been enrolled in the Register of Auditors since 12 April 1995. Since 9 September 1994 he has held the office of statutory auditor and sole auditor of Molise verso il 2000 Società Cooperativa r.l. Since 2009 he has held the position of alternate auditor for the Issuer.

Giorgio de Franciscis - born in Pesaro on 24 July 1941, he obtained a degree in Economic and Maritime Sciences from the Naples Naval Institute in 1969 and has been enrolled in the Register of Auditors since 1995. Since 1986 he has been a tax professional and auditor and from 1987 to 1993 he was Chairman of the Board of Auditors of the Istituto Autonomo Case Popolari di Campobasso, as well as a director and censor of the Bank of Italy (Campobasso branch) from 1990 to 2001. Since 2013 he has held the position of Chairman of the Board of Statutory Auditors at the Neuromed Foundation. He also holds certain positions in public bodies. Specifically, since 2014 he has been Chairman of the Board of Auditors of the Molise Region and since 2016 he has been Chairman of the Board of Auditors of the Municipality of Isernia. Since 2011 he has held the position of alternate auditor for the Issuer.

The Board of Statutory Auditors in office at the date of this Report has an adequate composition to ensure the independence and professionalism of its function.

Specifically, no situations referred to in Recommendation 7 of the Corporate Governance Code were found.

Diversity criteria and policies

Note that the Issuer has adopted a diversity policy with respect to the composition of the control bodies that ensures a balance between genders, pursuant to the provisions of article 148, paragraph 1-bis of the Consolidated Law on Finance. The composition of the Board of Statutory Auditors at the date of the Report complies with these provisions on gender balance.

Independence

All members of the Board of Statutory Auditors meet the independence requirements for directors as set out in Recommendation 7 of the Corporate Governance Code.

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 8 July 2019, thus on a date prior to the Date of Commencement of Trading of the Company's shares, thus no quantitative and qualitative criteria have been provided for assessing the significance of the relevant circumstances under the Corporate Governance Code for the purpose of assessing the independence of directors.

However, immediately after its appointment and on an annual basis, namely on 19 March 2020 and 19 March 2021, the control body assessed and confirmed its independence in accordance with Article 148, paragraph 3 of the Consolidated Law on Finance and the Corporate Governance Code.

In making the above assessment, all the information available to each member of the Board of Statutory Auditors was taken into account, applying all the criteria set out in the Corporate Governance Code with respect to the independence of Directors, as set out in Recommendation 7.

Remuneration

As resolved by the Shareholders' Meeting of 8 July 2019, the remuneration of the Statutory Auditors is appropriate to the competence, professionalism and commitment required by the importance of the role held, the size and sector of the Company, as well as its situation.

Management of interests

Any statutory auditor who, on their own behalf or on behalf of third parties, has an interest in a particular transaction of the Company is required to promptly and exhaustively inform the other members of the Board of Statutory Auditors, as well as the Chairman of the Board of Directors, about the nature, terms, origin and scope of the interest.

12. SHAREHOLDER RELATIONS

Access to information

The Issuer has created an online section on its website that is easily identifiable and accessible and which contains information about the Company that is relevant to its shareholders, in order to allow them to exercise their rights in an informed manner.

This section is available at https://corporate.newlat.it/.

The Issuer has appointed a person responsible for managing relations with shareholders as Investor Relator, in the person of Ms Benedetta Mastrolia.

The Issuer has also entered into a contract with Barabino & Partners, a leading consulting firm in the field of communications, to best convey relevant information and news, both in terms of form and dissemination through the main press organs.

Dialogue with shareholders

In accordance with the provisions of the previous Corporate Governance Code, the Issuer's Board of Directors held that it is in its own specific interest – as well as a duty towards the market – to establish an ongoing dialogue from the moment of the Listing, based on a mutual understanding of roles, with all shareholders as well as with institutional investors.

It has been decided that this dialogue can be facilitated by setting up dedicated teams within the Company.

In this regard, as specified in the previous paragraph, the Company appointed Benedetta Mastrolia as head of relations with institutional investors and other shareholders in order to ensure proper, continuous and complete communication, it being understood that, in the context of such relations, the communication of announcements concerning the Company must take place in compliance with the aforementioned internal procedure.

13. SHAREHOLDERS' MEETINGS

Pursuant to the provisions of applicable laws, an ordinary session of the Shareholders' Meeting is able to approve the financial statements, to appoint and dismiss the directors, statutory auditors and the Chairman of the Board of Statutory Auditors and to determine the remuneration of the directors and statutory auditors, and decides on anything else within its competence under the law. An extraordinary session of the Shareholders' Meeting will deliberate on amendments to the Bylaws, as well as on everything reserved to its competence by law.

The Shareholders' Meeting resolves on all matters for which it is competent under law and under the Bylaws; moreover, it is expressly invested with the power to dismiss the directors of the Company, even in the absence of just cause, if the relationship of trust between them and the Company has ceased to exist for any reason.

Each share gives the right to one vote, except for the shares with increased voting rights, as detailed in Section 2, letter (d) above.

In order to reduce the constraints and formalities that make it difficult and/or burdensome for shareholders to attend shareholders' meetings and exercise their voting rights, the Issuer has promoted initiatives aimed at encouraging the widest possible participation of shareholders in shareholders' meetings and facilitating the exercise of shareholders' rights.

As of the date of this Report, there have been no cases in which shareholders controlling the Issuer have submitted proposals to the Shareholders' Meeting on matters for which the Directors had not made a specific proposal.

As of the date of the Report, the Issuer has not proposed – for the approval of the Shareholders' Meeting – rules governing the conduct of Shareholders' Meetings.

All members of the Board of Directors attended the Shareholders' Meetings of 24 April 2021 and 11 October 2021, with the exception of Mr Giuseppe Mastrolia, who was absent with cause from the meeting of 11 October 2021.

Given that the corporate governance system adopted by the Issuer is considered suitable and functional to the Company's needs, the Board of Directors did not deem it necessary to submit further proposals to the Shareholders' Meeting regarding the identification of a new administration and control model.

14. FURTHER CORPORATE GOVERNANCE PRACTICES (pursuant to art. 123-bis, paragraph 2, letter a), second part of the TUF)

The Issuer has not applied any other corporate governance practices than those indicated in the previous sections of this Report.

15. CHANGES SINCE THE REPORTING DATE

There have been no other changes to the corporate governance structure since the end of the period aside from those reported in the specific sections.

16. COMMENTS ON THE LETTER OF 22 December 2020 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

At the meeting of 18 March 2022, the Chair brought the Chair of the Corporate Governance Committee's letter of 3 December 2021 to the attention of the Board of Directors and the Board of Statutory Auditors.

Below are the Company's considerations and the initiatives taken regarding the recommendations of the Committee.

On the issue of sustainable success, the Committee "*recommends that companies include in their corporate governance report adequate and concise information on the methods adopted for its pursuit and on the approach adopted in promoting dialogue with relevant stakeholders. In this regard, it is recommended to provide summary information on the content of the policy of dialogue with shareholders in general, without prejudice to the advisability of publishing it in full, or at least in its essential elements, on the company's website*".

The issue of sustainability plays an absolutely significant role for the Company, also in light of the growing importance attributed to these issues by national and international investors.

Therefore, in 2021 the Company started a process to analyse, identify and implement activities aimed at achieving performance targets linked to corporate sustainability in the medium to long term.

At its meeting of 18 March 2022, the Board of Directors approved the Non-Financial Statement for the year 2021, a document that has been produced since 2019, which saw the involvement of internal stakeholders, the definition of a materiality analysis and the approval of the commitments that the Company has assumed for 2022, as detailed in the Non-Financial Statement for the year 2021.

Since the previous year, the Issuer has identified non-financial, qualitative objectives within its remuneration policy in order to encourage and promote the Company's sustainable success.

On the issue of proportionality, due to the new categories of companies identified by the Corporate Governance Code, the Committee "*recommends evaluating the classification of the company with respect to the categories of the Code and the simplification options available for companies that are not large and/or concentrated, as well as to adequately indicate the choices made*".

On the subject of proportionality, the Company – based on the new definitions identified by the Corporate Governance Code – considers that it falls within the definition of a "concentrated company" given that there is one shareholder who directly holds the majority of the voting rights that can be exercised at the Shareholders' Meeting.

On the issue of assessing independence, the Committee "*recommends that the criteria used to assess the significance of professional, business or financial relationships and additional remuneration be provided in the corporate governance report*".

The assessment of the maintenance of independence requirements of the Company's independent directors was carried out at the time of their appointment, complying both with the independence requirements of article 148, paragraph 3 of the TUF, as referred to in article 147-*ter*, paragraph 4 of the TUF, and with the independence criteria detailed in the Corporate Governance Code, without any exceptions. The maintenance of these requirements is then assessed annually (at the meeting of the Board of Directors that approves the draft financial statements and the consolidated financial statements), and the outcome of said assessment is communicated to the market by means of a press release. This assessment was last performed at the meeting of the Board of Directors on 19 March 2021, in the presence of the Board of Statutory Auditors.

In view of the renewal of the governing body, which will expire with the approval of the financial statements for the year ending 31 December 2021, the Board of Directors will be called upon to define – at least at the beginning of its mandate – the quantitative and qualitative criteria for assessing the significance of certain relationships that compromise, or appear to compromise, the independence of a director.

On the issue of pre-meeting information, the Committee "*invites boards of directors to have regard to the preparation of board and committee rules, paying particular attention to the explicit determination of the deadlines deemed appropriate for the submission of documentation and the exclusion of generic confidentiality requirements as possible exemptions to compliance with such deadlines*".

On 10 September 2021, the Board of Directors adopted its own rules governing among other things the timing of the distribution of supporting documentation for Board meetings to the members of the Board and the Board of Statutory Auditors.

On the issue of appointment and succession of directors, the Committee invited "*non-concentrated ownership companies to properly consider the recommendations made to them with respect to the renewal of the board of directors*".

Given that based on the definitions of the Corporate Governance Code the Company qualifies as a company with concentrated ownership and does not fall within the category of "large" companies, at the date of this Report, partly due to the recent listing, the Board of Directors has not adopted a plan for the succession of executive directors.

The Board of Directors reserves the right to perform an analysis in the future to assess the appropriateness of defining measures to ensure the continuity of management, including through the adoption of a succession plan, without prejudice to the provisions of the Corporate Governance Code.

On the issue of gender equality, the Committee "*invites companies to provide adequate information in the corporate governance report on the concrete identification and application of such measures*".

As explained in more detail in this Report, the Issuer is particularly attentive to the effective application of policies aimed at protecting gender equality.

On the subject of remuneration policies, the Committee "*in addition to reiterating the opportunity for an improvement of the policies in the definition of clear and measurable rules for the payment of the variable component and of any termination indemnity, recommends to adequately consider the consistency of the parameters identified for the variable remuneration with the strategic objectives of the business and the pursuit of sustainable success, where appropriate evaluating the inclusion of non-financial parameters. With particular regard to remuneration parameters linked to the achievement of environmental and social objectives, the Committee recommends that companies ensure that such parameters are predetermined and measurable*".

As mentioned earlier, the Company identified performance targets not only in financial terms, but also linked to corporate sustainability, especially in social and environmental terms.

Regarding the possibility of disbursing sums not linked to predetermined parameters, the Company confirms that at the date of this Report there were no such cases, as well as confirming that the remuneration paid to the corporate bodies is commensurate to the competence, professionalism and commitment required of them.

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE AS AT 18 MARCH 2022

STRUCTURE OF THE SHARE CAPITAL				
	No. of shares	No. of voting rights	Listed (show market) /unlisted	Rights and obligations
Ordinary shares (specifying whether voting rights may be increased)	43,935,050	68,665,050	Listed on Euronext - Star Milan	Increased vote pursuant to art. 6, paragraph 9 of the Bylaws[42]
Preferred shares	0	0	-	-
Multiple-vote shares	0	0	-	-
Other categories of shares with voting rights	0	0	-	-
Savings shares	0	0	-	-
Convertible savings shares	0	0	-	-
Other categories of non-voting shares	0	0	-	-
Other	0	0	-	-

OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe newly issued shares)				
	Listed (show market) /unlisted	No. of instruments issued	Category of shares in service of the conversion/exercise	No. of shares in service of the conversion/year
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

[42] See Section 2 (d) of this Report.

SIGNIFICANT EQUITY INVESTMENTS			
Declarant	Direct shareholder	Holding % of the ordinary capital	Holding % of the voting capital
Angelo Mastrolia	Newlat Group S.A.	61.65%	75.46%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT THE END OF THE FINANCIAL YEAR

Board of Directors													
Position	**Members**	**Year of birth**	**Date first appointed (*)**	**Start of term**	**End of term**	**Slate (presenters) (**)**	**Slate (M/m) (***)**	**Exec.**	**Non exec.**	**Indep . Code**	**Indep . TUF**	**No. of other posts (****)**	**Participation (*****)**
Chairman •	Angelo Mastrolia	1964	30/11/2006	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A	x				11	7/7
Chief Executive Officer	Stefano Cometto	1972	30/01/2013	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A	x				4	6/7
Director Executive Officer	Giuseppe Mastrolia	1989	29/06/2011	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A	x				3	7/7
Director	Benedetta Mastrolia	1995	05/06/2014	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A		x			2	7/7
Director	Maria Cristina Zoppo	1971	25.09.20	25.09.20	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A		x	x	x	5	6/7
Director	Valentina Montanari	1967	29/10/2019	29/10/2019	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A		x	x	x	2	6/7
Director ○	Eric Sandrin	1964	29/10/2019	29/10/2019	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A		x	x	x	21	6/7
------------------- DIRECTORS WHO LEFT OFFICE DURING THE YEAR -------------------													
Director	-	-	-	-	-	-	-	-	-	-	-	-	-

Indicate the number of meetings held during the year: 7

Indicate the quorum required for the submission of slates by minorities for the election of one or more members (pursuant to article 147-*ter* of the TUF): 2.5%

NOTES

The following symbols must be inserted in the "Position" column:
• This symbol indicates the director responsible for the internal control and risk management system.
○ This symbol indicates the Lead Independent Director (LID)
(*) The date of first appointment of each director is the date on which the director was appointed for the very first time to the Issuer's Board of Directors.
(**) This column indicates whether the slate from which each director was drawn was submitted by shareholders (specifying "Shareholders") or by the Board of Directors (specifying "BoD").
(***) This column indicates whether the slate from which each director was drawn is "majority" (specifying "M") or "minority" (specifying "m").
(****) This column shows the number of directorial or statutory auditor positions held by the person concerned in other listed companies or of significant size. The Corporate Governance Report provides more details on these positions.
(*****) This column indicates the attendance of directors at board meetings (indicate the number of meetings attended out of the total number of meetings attended; e.g. 6/8, 8/8 etc.).

TABLE 3: STRUCTURE OF THE BOARD COMMITTEES AT THE END OF THE YEAR

BoD		Executive Committee		RPT Committee		Control and Risks Committee		Remuneration Committee		Remuneration and		*Other committee*		*Other committee*	
Position/Qualification	**Members**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**
Independent as per TUF and Code	Maria Cristina Zoppo	N/A	N/A	1/1	C	7/7	M	5/5	M	5/5	M	-	-	-	-
Independent as per TUF and Code	Valentina Montanari	N/A	N/A	1/1	M	7/7	C	5/5	M	5/5	M	-	-	-	-
Independent as per TUF and Code	Eric Sandrin	N/A	N/A	1/1	M	7/7	M	5/5	C	5/5	C	-	-	-	-
------------------- DIRECTORS WHO LEFT OFFICE DURING THE YEAR -------------------															
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
---------------ANY MEMBERS WHO ARE NOT DIRECTORS---------------															
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTES

(*) This column indicates the attendance of directors at committee meetings (indicate the number of meetings attended out of the total number of meetings attended; e.g. 6/8, 8/8 etc.).

(**) This column shows the status of the director within the committee: "P": chairman; "M": member.

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT THE END OF THE YEAR

Board of Statutory Auditors									
Position	**Members**	**Year of birth**	**Date first appointed (*)**	**Start of term**	**End of term**	**Slate (M/m) (**)**	**Indep. Code**	**Attendance at Board of Statutory Auditors meetings (***)**	**No. of other posts (****)**
Chairman	Massimo Carlomagno	1965	28.02.2005	08.07.2019	Shareholders' Meeting to approve the 2021 financial statements	N/A	x	6/6	6
Standing Auditor	Ester Sammartino	1966	28.02.2005	08.07.2019	Shareholders' Meeting to approve the 2021 financial statements	N/A	x	6/6	6
Standing Auditor	Antonio Mucci	1946	12.06.2009	08.07.2019	Shareholders' Meeting to approve the 2021 financial statements	N/A	x	6/6	1
Alternate Auditor	Giovanni Carlozzi	1942	29.06.2011	N/A	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A	N/A	N/A
Alternate Auditor	Giorgio De Franciscis	1941	29.06.2011	N/A	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A	N/A	N/A
--------------------STATUTORY AUDITORS WHO LEFT OFFICE DURING THE YEAR-------------------									
-	-	-	-	-	-	-	**-**	-	-

Indicate the number of meetings held during the year: 6

Indicate *the quorum* required for the submission of slates by minorities for the election of one or more members (pursuant to article 148 of the TUF): 2.5%

NOTES

(*) The date of first appointment of each statutory auditor is the date on which they were appointed for the very first time to the Issuer's Board of Statutory Auditors.
(**) This column indicates whether the slate from which each statutory auditor was drawn is "majority" (specifying "M") or "minority" (specifying "m").
(***) This column indicates the attendance of statutory auditors at meetings of the board of statutory auditors (indicate the number of meetings attended out of the total number of meetings attended; e.g. 6/8, 8/8 etc.).
(****) This column shows the number of director or statutory auditor positions held by the person in question pursuant to article 148-bis of the Consolidated Law on Finance and the related implementing provisions contained in the Consob Issuers' Regulation. The full list of positions is published by Consob on its website in accordance with article 144-quinquiedecies of the Consob Issuers' Regulation.

Annex A - List of the main positions held by the Directors

List of the main positions held, at the date of this Report, by each Director in other companies listed on regulated markets, including abroad, in financial, banking, insurance or other companies of significant size.

Name and surname	Company	Position	*Status*
Angelo Mastrolia	TMT Property S.r.l.	Chair of the Board of Directors	In office
	Symington's Ltd	Managing Director	In office
	Centrale del Latte d'Italia S.p.A.	Chair of the Board of Directors	In office
	Newservice S.r.l.	Chair of the Board of Directors	In office
	New Property S.p.A.	Chair of the Board of Directors	In office
	Newlat Group SA	Sole Director	In office
	Newlat GmbH	Director	In office
	Latterie Riunite Piana del Sele S.r.l. in liquidation	Liquidator	In office
	Biochemia System S.r.l.	Sole Director	In office
	ABGM Group S.A.	Sole Director	In office
	CFR Hypermarché S.A.	Sole Director	In office
	TMT Group S.A.	Sole Director	In office
Giuseppe Mastrolia	New Property S.p.A.	Deputy Chair of the Board of Directors	In office
	Symington's Ltd	CEO	In office
	Centrale del Latte d'Italia S.p.A.	Deputy Chair of the Board of Directors	In office
	Newlat GmbH	CEO	In office
	TMT Property S.r.l.	Director	In office
Stefano Cometto	Newservice S.r.l.	Deputy Chair and Chief Executive Officer	In office

	Centrale del Latte d'Italia S.p.A.	Director	In office
	New Property S.p.A.	Chief Executive Officer	In office
	RA Creations S.r.l.s in liquidation	Liquidator	In office
	Gopura Consulting Srl.s	Sole Director	In office
Benedetta Mastrolia	New Property S.p.A.	Director	In office
	Centrale del Latte d'Italia S.p.A.	Director	In office
	Symington's Ltd	Director	In office
Maria Cristina Zoppo	Banca Intesa Sanpaolo S.p.A.	Director	In office
		Management Control Committee Member	In office
	Juventus F.C. S.p.A.	Standing Auditor	In office
	Schoeller Allibert S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Imerys Talc Italy S.p.A.	Alternate Auditor	In office
	BDO Tax S.r.l. S.t.p.	Proxy	
Valentina Montanari	University of Pavia	Director	In office
	Mediolanum Fund Management SGR p.A.	Director	In office
		Member of the Control, Risks and Sustainability Committee	In office
Eric Sandrin	Gucci (China) Trading Limited	Shareholder representative	In office
	Kering Investment Management Group Co. Limited	Director	In office
	Kering Tokyo Investment Limited	Director	In office

	Kering Investment SA	Chief Executive Officer	In office
	Kering RE	Chief Executive Officer	In office
	Kering Studio	General Manager (*Directeur Général*)	In office
	Boucheron Uk Limited	Director	In office
	Bottega Veneta International Sarl	Director	In office
	Autumnpaper Limited	Director	In office
	Birdswan Solutions Limited	Director	In office
	Alexander Mcqueen Trading Limited	Director	In office
	Balenciaga Uk LTD	Director	In office
	Balenciaga Japan LTD	Director	In office
	Boucheron Holding SAS	Member of the Strategic Committee *(comité stratégique*)	In office
	Kering Eyewear Apac Limited	Director	In office
	Kering Holland NV	Director	In office
	Balenciaga SA	Director	In office
	GG France 14	Chairman	In office
	Boucheron Joaillerie (USA), INC	Director	In office
	Kering (China) Enterprise Management Limited	Director	In office
	GG France 13	Chairman	In office

Annex B - List of the main positions held by the Statutory Auditors

List of the main positions held, at the date of this Report, by each Statutory Auditor in other companies listed on regulated markets, including abroad, in financial, banking, insurance or other companies of significant size.

Name and surname	**Company**	**Position**	***Status***
Massimo Carlomagno	New Property SpA.	Chairman of the Board of Statutory Auditors	In office
	Korg Italy S.p.A.	Statutory Auditor	In office
	Bakoo S.p.A.	Statutory Auditor	In office
	Centrale del Latte d'Italia S.p.A.	Alternate Auditor	In office
		SB Chair	In office
	Municipality of Esine	Sole Auditor	In office
Ester Sammartino	New Property S.p.A.	Statutory Auditor	In office
	Centrale del Latte d'Italia S.p.A.	Statutory Auditor	In office
		SB member	In office
	Municipality of Pognana lario	Sole Auditor	In office
	Municipality of Caslino D'Erba	Sole Auditor	In office
	Municipality of Borghetto Lodigiano	Sole Auditor	In office
Antonio Mucci	New Property S.p.A.	Statutory Auditor	In office

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FINANCIAL STATEMENTS AND EXPLANATORY NOTES

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of euros)	**Notes**	**At 31 December**	
		2021	**2020**
Non-current assets			
Property, plant and equipment	8.1	157,417	151,541
Investment property			
Right-of-use assets	8.2	38,572	18,452
of which from related parties		*3,948*	*6,708*
Intangible assets	8.3	97,824	51,058
Equity investments in associates	8.4	1,401	1,397
Non-current financial assets measured at fair value through profit or loss	8.5	731	746
Financial assets measured at amortised cost	8.6	801	801
of which from related parties		*735*	*735*
Deferred tax assets	8.7	7,580	5,466
Total non-current assets		**304,326**	**229,461**
Current assets			
Inventories	8.8	63,881	41,347
Trade receivables	8.9	67,184	71,268
of which from related parties		*19*	*606*
Current tax assets	8.10	3,324	1,888
Other receivables and current assets	8.11	11,262	11,003
Current financial assets measured at fair value through profit or loss	8.12	35	4
Cash and cash equivalents	8.13	384,888	182,127
of which from related parties		*126,552*	*69,351*
Total current assets		**530,574**	**307,637**
TOTAL ASSETS		**834,900**	**537,099**
Shareholders' equity			
Share capital		43,935	43,935
Reserves		81,447	61,134
Currency reserve translation		(478)	0
Net profit/(loss)		5,134	37,556
Total shareholders' equity attributable to the Group	8.14	**130,038**	**142,626**
Shareholders' equity attributable to minority interests	8.14	**14,477**	**13,431**
Total consolidated equity	8.14	**144,515**	**156,057**
Non-current liabilities			
Provisions for employee benefits	8.15	14,223	15,411
Provisions for risks and charges	8.16	2,030	1,587
Deferred tax liabilities	8.7	19,097	12,081
Non-current financial liabilities	8.17	287,216	94,811
Non-current lease liabilities	8.2	31,175	12,436
of which from related parties		*1,261*	*4,144*
Other non-current liabilities		0	0
Total non-current liabilities		**353,741**	**136,326**
Current liabilities			
Trade payables	8.18	179,024	151,388
of which from related parties		*163*	*213*
Current financial liabilities	8.17	127,280	63,121
of which from related parties		*40,435*	*981*
Current lease liabilities	8.2	7,887	6,570
of which from related parties		*2,881*	*2,812*
Current tax liabilities	8.10	3,364	3,438
Other current liabilities	8.19	19,087	20,200
of which from related parties		*411*	
Total current liabilities		**336,643**	**244,717**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**834,900**	**537,099**

CONSOLIDATED INCOME STATEMENT

(In thousands of euros)	Notes	At 31 December	
		2021	2020
Revenue from contracts with customers	9.1	555,863	469,827
Cost of sales	9.2	(440,414)	(370,189)
of which from related parties		*(3,052)*	*(3,581)*
Gross operating profit/(loss)		**115,450**	**99,638**
Sales and distribution costs	9.2	(74,137)	(54,372)
Administrative costs	9.2	(22,460)	(22,724)
of which from related parties		*(268)*	*(180)*
Net write-downs of financial assets	9.3	(1,201)	(1,509)
Other revenues and income	9.4	7,839	8,057
Income from business combinations	9.5	0	24,864
Other operating costs	9.6	(8,437)	(5,236)
Operating profit/(loss)		**17,055**	**48,718**
Financial income	9.7	1,157	536
of which from related parties			*134*
Financial expenses	9.7	(8,658)	(3,851)
of which from related parties		*(133)*	*(204)*
Profit/(loss) before taxes		**9,555**	**45,404**
Income taxes	9.8	(3,316)	(6,761)
Net profit/(loss)		**6,239**	**38,643**
Profit (loss) attributable to minority interests		**1,106**	**1,088**
Group net profit/(loss)		**5,134**	**37,556**
Basic net profit/(loss) per share	9.9	0.12	0.63
Diluted net profit/(loss) per share	9.9	0.12	0.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of euros)	Notes	At 31 December	
		2021	2020
Net profit/(loss) (A)		**6,239**	**38,643**
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:			
Hedge Accounting	8.14	(778)	-
Actuarial gains/(losses)	8.15	(234)	(1,317)
Tax effect on actuarial gains/(losses)	8.15	75	336
Currency translation	8.14	(478)	-
Total other components of comprehensive income that will not be subsequently reclassified to the income statement		**(1,416)**	**(981)**
Total other components of comprehensive income, net of tax effect (B)		**(1,416)**	**(981)**
Total comprehensive net profit/(loss) (A)+(B)		**4,824**	**37,662**
Profit (loss) attributable to minority interests		**1,113**	**969**
Group net profit/(loss)		**3,711**	**36,693**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands of euros)	Notes	Share capital	Reserves	Net profit/(loss)	Total shareholders' equity attributable to the Group	Shareholders' equity attributable to minority interests	Total
At 31 December 2019	8.14	**40,780**	**43,593**	**7,173**	**91,544**		**91,544**
Allocation of net profit/(loss) for the previous year			**7,173**	**(7,173)**	**-**		**-**
Acquisition of Centrale del Latte d'Italia SpA		**2,221**	**9,101**		**11,322**	**19,817**	**31,139**
PPEO and acquisition of minority stake in Centrale del Latte d'Italia S.p.A.		**934**	**3,617**		**4,551**	**(7,354)**	**(2,803)**
Capital increase costs net of tax			**(564)**		**(564)**		**(564)**
Total capital increase		**3,155**	**12,154**	**-**	**15,309**	**12,463**	**27,772**
Purchase of treasury shares			(922)		(922)		(922)
Total purchase of treasury shares		**-**	**(922)**	**-**	**(922)**	**-**	**(922)**
Net profit/(loss)				37,556	37,556	1,088	38,643
Actuarial gains/(losses) net of the related tax effect			(862)		(862)	(120)	(982)
Total comprehensive net profit/(loss) for the year			**(862)**	**37,556**	**36,693**	**968**	**37,662**
At 31 December 2020	8.14	**43,935**	**61,136**	**37,556**	**142,626**	**13,431**	**156,057**
Allocation of net profit/(loss) for the previous year			37,556	(37,556)	**-**		**-**
Treasury shares			(15,759)		(15,759)		(15,759)
Total treasury shares			**(15,759)**		**(15,759)**		**(15,759)**
Other changes			(541)		**(541)**	(67)	**(608)**
Net profit/(loss)				5,134	**5,134**	1,106	**6,239**
Hedge accounting			(779)		**(779)**		**(779)**
Currency reserve translation			(478)		**(478)**		**(478)**
Actuarial gains/(losses) net of the related tax effect			(166)		**(166)**	7	**(159)**
Total comprehensive net profit/(loss) for the year			**(1,423)**	**5,134**	**3,710**	**1,113**	**4,824**
At 31 December 2021	8.14	**43,935**	**80,968**	**5,134**	**130,038**	**14,477**	**144,515**

CONSOLIDATED CASH FLOW STATEMENT

(In thousands of euros)	**Notes**	**At 31 December**	
		2021	**2020**
Profit/(loss) before taxes		9,555	45,404
- Adjustments for:			
Amortisation, depreciation and write-downs	8.1-8.2-8.3	30,843	21,392
Capital losses/(gains) on disposal	8.23-8.24	-	(5)
Financial expense/(income)	8.25	7,500	3,315
of which from related parties		*(133)*	*(51)*
Other non-monetary changes from business combinations		-	(24,865)
Other non-monetary changes	8.7-8.8-8.15-8.16	-	(15)
Cash flow generated /(absorbed) by operating activities before changes in net working capital		**47,898**	**45,226**
Change in inventory	8.8	(4,413)	(4,721)
Change in trade receivables	8.9	14,848	3,104
Change in trade payables	8.18	5,315	26,175
Change in other assets and liabilities	8.5-8.10-8.17-8.19	2,872	3,019
Use of provisions for risks and charges and for employee benefits	8.14-8.15	(744)	(624)
Taxes paid	8.10	(4,539)	(3,562)
Net cash flow generated /(absorbed) by operating activities		**61,236**	**68,616**
Investments in property, plant and equipment	8.1-8.2	(12,936)	(13,776)
Investments in intangible assets	8.3	(380)	(588)
Investments of financial assets	8.5-8.11	(19)	
Deferred fee for acquisitions	8.17-8.19	(600)	(1,500)
Acquisition of controlling stake in Centrale del Latte d'Italia SpA			19,760
SYMG acquisition		(63,914)	
Net cash flow generated /(absorbed) by investment activities		**(77,849)**	**3,896**
New long-term financial debt	8.17	82,976	65,079
Repayments of long-term financial debt	8.17	(24,866)	(42,000)
Issuance of Bond Loan	8.17	198,455	
Repayments of lease liabilities	8.2	(13,865)	(7,309)
of which from related parties		*(2,814)*	*(3,046)*
Net interest expense	9.7	(7,500)	(3,315)
IPO fee	8.13		
Dividends paid	8.14		
Acquisition of minority interests		(67)	(2,803)
Treasury shares		(15,759)	(922)
Net cash flow generated/(absorbed) by financing activities		**219,374**	**8,730**
Total changes in cash and cash equivalents		**202,760**	**81,243**
Cash and cash equivalents at start of year		**182,127**	**100,884**
of which from related parties		*69,351*	*45,338*
Total changes in cash and cash equivalents		202,760	81,243
Cash and cash equivalents at end of year		**384,888**	**182,127**
of which from related parties		*126,552*	*69,351*

RECONCILIATION STATEMENT AS AT 31 December 2021 WITH THE VALUES OF THE PARENT COMPANY'S SEPARATE FINANCIAL STATEMENTS

(In thousands of euros)	Shareholders' Equity	of which Net profit for the period
Balances resulting from the Parent Company's separate financial statements	140,619	860
Effect of full consolidation: -		
- Difference between the book value of the consolidated subsidiary Newlat GmbH and the relative share of equity	(40,230)	
- Difference between the book value of the consolidated subsidiary Centrale del Latte d'Italia SpA and the relative share of equity	26,632	
- Pro-rata results achieved by investees	4,273	4,273
- Other changes in shareholders' equity	(1,256)	
- Recognition of minority interests/shareholders	14,477	1,106
Shareholders' equity and profit/loss for the period from the Group's consolidated financial statements	144,515	6,239

1. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 General information and significant transactions carried out in 2021

Newlat Food S.p.A. is incorporated in Italy in the form of a public limited company operating under Italian law. The Company has its registered office at Via J. F. Kennedy 16, Reggio Emilia.

The Newlat Group is a group operating in the food sector with a large and structured product portfolio organised into the following business units: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products, Instant Noodles and Other Activities.

The Company is subject to management and coordination by the parent Newlat Group S.A. (hereinafter "**Newlat Group**"), a company that directly owns 61.66% of the share capital, while the remaining part (38.34%) is held by institutional investors and traded on the STAR segment of the MTA market managed by Borsa Italiana.

Acquisition of the Symington's Group

The continuous search for growth through external lines led to the acquisition of 100% of the ordinary shares and voting rights of the Symington's Group in the third quarter.

The company operates in the UK and produces – both under its own brands and for third-party brands – a wide range of instant noodles (Naked) where it is a market leader in the authentic and Asian inspiration segment, soups and various ready meals under the Mug Shot brand, rice and couscous ready meals (Twistd), baked goods including croutons (Rochelle brand), cake and cake mixes (with about 75% market share in the private label segment), Chicken Tonight brand condiments and Ragu brand sauces. These products are mainly sold in the United Kingdom, the United States and Australia. The company has three production plants and a logistics distribution centre located in northern England, with annual revenues of approximately Euro 123 million.

The acquisition aims to consolidate Newlat Food's presence in the UK market, leveraging Symington's national distribution platform.

The acquisition of Symington's falls perfectly within the plans and timings envisaged by the external growth and capital utilisation strategies announced during the IPO phase, thus allowing the Newlat Group to exceed the annual revenue threshold of over Euro 600 million from August 2021.

The transaction will generate significant synergies between Newlat Food and Symington's, including:

- The instant food market.
- Cross-selling and expansion of the Group's product portfolio.
- Internalisation or production.
- Synergies in the supply of raw materials.

Business combinations

Business combinations, in which the control of a business is acquired, are recognised in accordance with IFRS 3 "Business combination", applying the acquisition method. In particular, identifiable assets, liabilities and potential liabilities are recognised at fair value at the date of acquisition, i.e. the date when control is acquired (the acquisition date), except for deferred tax assets and liabilities, assets and liabilities relative to employee benefits and assets held for sale, which are recognised based on the relative accounting standards. If positive, the difference between the cost of acquisition and the current value of the assets and liabilities is recorded in intangible assets as goodwill; if negative, after having checked that the current values of the assets and liabilities acquired and the cost of acquisition have been properly measured, it is recorded directly in the statement of other comprehensive income, as revenue. Minority interests on the date of acquisition can be measured at fair value or at the pro-rata of the value of the net assets recognised for the acquired company. The valuation method is chosen on a transaction-by-transaction basis. When the assets and liabilities of the acquired business are calculated on a provisional basis, this must be completed within twelve months of the date of acquisition, taking into account only information relating to facts and circumstances existing at the Acquisition Date. In the year in which the aforementioned calculation is concluded, the provisionally recognised values are adjusted with retrospective effect. The ancillary expenses of the transaction are recognised in the income statement at the moment at which they are incurred. The cost of acquisition is represented by the fair value on the Acquisition Date of the assets transferred, the liabilities assumed and the equity instruments issued for the purpose of the acquisition, and also includes the contingent consideration, i.e. the part of the fee whose amount and disbursement are dependent on future events. The contingent consideration is recognised on the basis of its fair value at the Acquisition Date, and subsequent changes in fair value are recognised in the income statement if the contingent consideration is a financial asset or liability, while contingent considerations classified as equity are not restated and the subsequent elimination occurs directly in equity. Where control is acquired in subsequent phases, the acquisition cost is determined by adding the fair value of the investment previously held in the acquiree and the amount paid for the additional portion. Any difference between the fair value of the investment previously held and its carrying value is charged to the income statement. When control is acquired, any amounts previously recognised as other components of comprehensive income are recognised in the statement of other comprehensive income or, if such reclassification is not envisaged, in another shareholders' equity item. The following table provides the book values of the net assets acquired as part of the Symington's Group Acquisition.

(In thousands of euros)	**As at 1 August 2021**
Property, plant and equipment	9,412
Right-of-use assets	26,514
Intangible assets	1,630
Prepaid taxes	2,952
Inventories	18,121
Trade receivables	11,965
Current tax assets	444
Other receivables and current assets	3,645
Cash and cash equivalents	275
Non-current lease liabilities	(23,111)
Trade payables	(22,321)
Current lease liabilities	(3,757)
Current tax liabilities	(2,135)
Total net assets acquired	**23,632**
Payment by bank transfer	(63,914)
Goodwill	**40,282**

The transaction was booked in accordance with the guidance contained in IFRS 3 – "Business Combinations" since it can be categorised as an acquisition.

Management carried out a valuation of assets and liabilities at fair value with the aid of independent third-party consultants. The analysis did not identify contingent considerations and the following allocations were found:

(In thousands of euros)	As at 1 August 2021	Adjustments to fair value	As at 1 August 2021
Property, plant and equipment	9,412		9,412
Right-of-use assets	26,514		26,514
Intangible assets	1,630	47,423	49,053
Prepaid taxes	2,952		2,952
Inventories	18,121		18,121
Trade receivables	11,965		11,965
Current tax assets	444		444
Other receivables and current assets	3,645		3,645
Cash and cash equivalents	275		275
Non-current lease liabilities	(23,111)		(23,111)
Trade payables	(22,321)		(22,321)
Deferred tax liabilities		(7,141)	(7,141=
Current lease liabilities	(3,757)		(3,757)
Current tax liabilities	(2,135)		(2,135)
Total net assets acquired	**23,632**		**23,632**
Payment by bank transfer	(63,914)		(63,914)
Goodwill	**40,282**	(40,282)	**-**

Intangible assets with a finite useful life where the gains arising from the acquisition have been allocated are shown below:

(In thousands of euros)	As at 1 August 2021	Deferred tax liabilities 2021	As at 1 August 2021
Core brands defined useful life	10,806		10,806
Other brands defined useful life	2,936		2,936
Customer relationships defined useful life	17,618		17,618
Know how defined useful life	6,225		6,225
Goodwill	2,697	7,141	9,838
Total Goodwill	40,282	7,141	47,423

The purchase price allocation process is still being defined and may change over the coming months.

Management expects to conclude the final valuation of the assets and liabilities at fair value by the end of the next half-year as at 30 June 2022.

2. ADOPTED ACCOUNTING STANDARDS

The accounting standards and measurement criteria adopted in the preparation and drafting of the annual report at 31 December 2021 are set out below.

The annual financial report at 31 December 2021 was prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The term "IFRS" also encompasses International Accounting Standards (IAS) that are still in force, as well as all interpretations of the International Financial Interpretations Committee, which was formerly named the International Financial Interpretations Committee ("IFRIC"), and of the Standing Interpretations Committee ("SIC").

The preparation of financial statements in accordance with IFRS requires judgements, estimates and assumptions that have an effect on the assets, liabilities, costs and revenues. The final results may be different to those obtained through these estimates. 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, trademarks with an indefinite useful life, depreciation and amortisation of non-current assets, deferred taxes, the provision for doubtful receivables and the provision for inventory write-downs, the provisions for risks, the defined benefit plans for employees and the payables for the purchase of equity investments contained in the other liabilities.

In particular, discretionary measurements and significant accounting estimates relate to the determination of the recoverable amount of non-financial assets calculated as the greater of fair value less costs to sell and value in use. Value in use is calculated based on a discounted cash flow model. The recoverable value depends significantly on the discount rate used in the discounted cash flow model, as well as on expected future cash flows and the growth rate used. The key assumptions used to determine the recoverable value for the two cash-generating units, including a sensitivity analysis, are described in note 8.3 of the Consolidated Financial Statements at 31 December 2020.

The use of significant accounting estimates and assumptions also relates to the determination of the fair value of assets and liabilities acquired as part of business combinations. In fact, at the date of acquisition, the Group must separately recognise, at their fair value, assets, liabilities and contingent liabilities identifiable and acquired or assumed as part of the business combination, and determine the present value of the strike price of any call options on minority shares. This process requires the preparation of estimates, based on valuation techniques, which require judgement in the forecasting of future cash flows as well as the development of other assumptions such as long-term growth rates and discount rates for valuation models developed also with the use of experts outside the management team. The accounting impacts of the determination of the fair value of the assets acquired and liabilities assumed, as well as of the call options of minority interests for the business combinations that occurred during the year, are provided in the previous paragraph of this Note.

2.1 Basis of preparation

The Consolidated Financial Statements consists of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and the notes.

The layout adopted for the statement of financial position provides for the separation of assets and liabilities between current and non-current.

An asset is classified as current when:

- it is assumed that this activity is carried out, or is owned for sale or consumption, in the normal course of the operating cycle;
- it is held primarily for the purpose of trading;
- it is assumed that it will be realised within twelve months of the reporting date;
- it consists of cash and cash equivalents (unless it is prohibited to exchange it or use it to settle a liability for at least twelve months from the reporting date).

All other assets are classified as non-current. In particular, IAS 1 includes property, plant and equipment, intangible assets and long-term financial assets as non-current assets.

A liability is classified as current when:

- it is expected to be extinguished in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it will be extinguished within twelve months of the reporting date;
- there is no unconditional right to defer its settlement for at least twelve months from the reporting date. Clauses of a liability that could, at the discretion of the counterparty, result in its extinction through the issue of equity instruments do not affect its classification.

The chosen income statement layout provides for the classification of costs by destination.

The statement of other comprehensive income includes the result for the year and, with the same categories, income and expenses that, according to IFRSs, are directly recognised under equity.

The statement of changes in equity includes, in addition to the total gains / losses for the period, the amounts of transactions with shareholders and movements in reserves during the year.

In the statement of cash flows, the financial flows from operating activities are presented using the indirect method, under which the profit or loss for the year is adjusted by the effects of non-monetary operations, by any deferral or provision of previous or future operating inflows or outflows, and by elements of revenue or costs related to financial flows deriving from investment activities or financing activities.

The Consolidated Financial Statements have been prepared in thousands of euro, the functional currency of the Group. The statement of financial position, income statement, statement of cash flows, explanatory notes and tables are in thousands of euro, unless otherwise indicated.

The consolidated financial statements were prepared:

- on the basis of the best knowledge of IFRSs and taking into account the best doctrine on the subject;
- under the going-concern principle, in accordance with the principle of accrual accounting, in compliance with the principle of materiality of information and substance over form, and with a view to encouraging consistency with future presentations. The assets and liabilities and costs and revenues are not offset against each other, unless this is permitted or required by international accounting standards;
- on the basis of the conventional historical cost criterion, except for the measurement of financial assets and liabilities in cases where application of the fair value criterion is mandatory.

Criteria for preparation of the consolidated financial statements

The consolidated financial statements were prepared in order to represent the assets, liabilities, revenues and costs directly and indirectly attributable to the Newlat Group.

2.2 Consolidation criteria and methodology

The Consolidated Financial Statements include the results, assets and liabilities and cash flows of Newlat Food and the subsidiaries approved by the respective administrative bodies, prepared on the basis of their relative accounting situations and, where applicable, adjusted accordingly to bring them into compliance with IFRS.

The reporting date of the consolidated entities is aligned with that of the Parent Company.

The following table summarises, with reference to the companies included in the scope of the Consolidated Financial Statements, the information relating to the company name, registered office, functional currency and share capital at 31 December 2021:

Name	Registered Office	Currency	Share capital at 31 December 2021
Newlat Food S.p.A.	Italy - Via J.F. Kennedy 16, Reggio Emilia	EUR	43,935,050
Newlat Deutschland GmbH	Germany - Franzosenstraße 9, Mannheim	EUR	1,025,000
Centrale del Latte d'Italia SpA	Italy - Via Filadelfia 220, 10137 Turin	EUR	28,840,041
Symington's Limited	Leeds, 2528254 Dartmouthway	GBP	100,000

It should be noted that at the reference dates of the Consolidated Financial Statements, all the companies included within the scope were consolidated using the line-by-line method.

Note also that the 25% interest held by Centrale del Latte d'Italia SpA in Mercafir was valued using the equity method

In preparing the Consolidated Financial Statements, all balances and transactions carried out between the companies included in the scope have been eliminated and therefore the Consolidated Financial Statements do not include any of the transactions in question.

Subsidiaries

An investor controls an entity when: (i) it is exposed, or has rights, to variable returns from its involvement with the entity and (ii) it has the ability to affect those returns through its power over said entity. The existence of control is checked every time facts and/or circumstances point to a change in one of the aforementioned elements constituting control. Subsidiaries are consolidated using the line-by-line method from the date on which control was acquired. They cease to be consolidated from the date on which control is transferred to third parties. The following criteria were adopted for line-by-line consolidation:

- assets and liabilities and income and expenses of the subsidiaries are consolidated line-by-line, attributing to the minority shareholders, where applicable, their portion of equity and net profit/loss for the period; these portions are shown separately in equity and the statement of other comprehensive income;
- gains and losses, including related tax effects, on transactions between companies consolidated on a line-by-line basis and unrealised gains and losses on transactions with third parties are derecognised, except for losses that are not derecognised if the transaction provides evidence of impairment of the transferred asset. The mutual debit and credit positions, costs and revenues and financial expenses and income are also eliminated.

Equity investments in associates

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in determining the financial and operating policies of the investee company without having control or joint control over it. Investments in associates are measured using the shareholders' equity method. Under the equity method, the equity investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise the equity interest of the participant in the gains and losses of the investee realised after the acquisition date

Conversion of items in foreign currency

Transactions in currencies other than the functional currency are recognised at the exchange rate on the date of the transaction. Monetary assets and liabilities in currencies other than the euro are then adjusted at the exchange rate in place on the reporting date. Any forex differences are reflected in the income statement under "Foreign exchange gains and losses".

Intra-group transactions

Profits arising from transactions between consolidated companies and not yet realised with respect to third parties are eliminated, as are the receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies. Intra-group losses are not eliminated because they are considered representative of impairment of the transferred asset.

2.3 Accounting standards and measurement criteria

Adopted accounting standards

The Consolidated Financial Statements were prepared based on the IFRSs in force issued by the International Accounting Standards Board ("**IASB**") and endorsed by the European Union at the closing date of each year in question.

Below are the criteria used with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the criteria used to recognise the income components.

Property, plant and equipment

Property, plant and equipment is recognised as such only if the following conditions are met simultaneously:

- it is probable that the future economic benefits related to the asset will be enjoyed by the company;
- the cost can be reliably determined.

Property, plant and equipment are initially measured at cost, defined as the monetary or equivalent amount paid or the fair value of other considerations made to acquire an asset, at the time of purchase or replacement. Subsequent to initial recognition, property, plant and equipment are valued using the cost method, net of recorded depreciation and any accumulated impairment losses.

The cost includes the costs directly incurred to make their use possible, as well as any dismantling and removal costs that will be incurred as a result of contractual obligations that require the return of the asset to its original condition.

Costs incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when incurred. The capitalisation of the costs inherent in the extension, modernisation or improvement of structural elements owned or used by third parties shall be carried out to the extent that they meet the requirements to be classified separately as an asset or part of an asset.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. The useful life estimated by the Group for the various categories of property, plant and equipment is shown below:

Category of assets	Useful Life
Land and buildings	10-33 years
Plant and machinery	4-20 years
Industrial and commercial equipment	2-9 years
Other assets	5-20 years

At the end of each financial year, the company checks whether significant changes have occurred in the expected characteristics of the economic benefits deriving from the capitalised assets and, if so, modifies the depreciation criterion, which is considered a change in accounting estimate in accordance with IAS 8.

The value of the asset is completely reversed at the time of its disposal or when the company expects that it will not be able to derive any economic benefit from its disposal.

Capital grants shall be accounted for when it is reasonably certain that they will be received and all conditions relating to them are met. Contributions are then deducted from the value of assets or suspended among liabilities and credited pro rata to the income statement in relation to the useful life of the related assets.

Intangible assets

An intangible asset is an asset that simultaneously fulfils the following conditions:

- it is identifiable;
- it is non-monetary;
- it has no physical consistency;
- it is under the control of the company preparing the accounts;
- it is expected to produce future economic benefits for the company.

If an asset does not meet the above requirements to be defined as an intangible asset, the expense incurred to acquire it or generate it internally is recognised as a cost when incurred.

Intangible assets are initially stated at cost. The cost of intangible assets acquired from outside includes the purchase price and any directly attributable costs.

Internally generated goodwill is not recognised as an asset, neither are intangible assets arising from research (or the research phase of an internal project).

An intangible asset arising from development or the development phase of an internal project is recognised if compliance with the following conditions can be demonstrated:

- the technical feasibility of completing the intangible asset so as to be available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- the manner in which the intangible asset is capable of generating future economic benefits and in particular the existence of a market for the product of the intangible asset or for the intangible asset itself or, if it is to be used for internal purposes, its usefulness;
- the availability of adequate technical, financial and other resources to complete the development and the use or sale of the asset;
- the ability to reliably measure the cost attributable to the intangible asset during its development.

Intangible assets are measured using the cost method in accordance with one of the two different criteria set out in IAS 38 (cost model and revaluation model). The cost model requires an intangible asset to be recognised at cost after initial recognition, net of accumulated amortisation and any accumulated impairment losses.

The useful life estimated by the Group for the various categories of intangible assets is shown below:

Category of assets	Useful Life
Goodwill	unlimited
Drei Glocken and Birkel brands	unlimited
Other brands ITALY	18 years
Intangible assets with a finite useful life SYM (core brands, other brands, customer relationships, know-how)	25 years 15 years 13 years
Software licences	5 years
Other assets	5 years

The following main intangible assets can be identified within the Group:

Goodwill

Goodwill is classified as an intangible asset with an indefinite useful life and is initially recognised at cost, as described earlier, and then subjected to (at least) annual testing to determine whether it has impaired (for more details, see the below paragraph "Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets"). Reversals are not permitted in the case of a previous write-down due to impairment.

Trademarks with an indefinite useful life

Trademarks, for which the conditions for classification as intangible assets with an indefinite useful life are met, are not amortised systematically and are subject to impairment testing at least once a year and whenever there are indicators of impairment.

Intangible assets with a finite useful life

Intangible assets with a finite useful life are recognised at cost, as previously described, net of accumulated amortisation and any impairment losses.

Amortisation begins when the asset becomes available for use and is apportioned systematically based on the asset's estimated useful life; the criteria mentioned in the paragraphs "Property, plant and equipment" and "Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets", respectively, contain the criteria for the value to be amortised and the recoverability of the book value.

Lease contracts

a) *Right-of-use assets and lease liabilities – 31 December 2021 (IFRS 16)*

The Group chose early adoption, from 1 January 2018, of the new accounting standard IFRS 16 - "Leases", which replaces IAS 17 - "Leasing" and its related interpretations.

In accordance with IFRS 16, a contract is, or contains, a lease if, in exchange for consideration, it conveys the right to control the use of a specified asset for a period of time. The contract is re-evaluated to verify whether it is, or contains, a lease only if the terms and conditions of the contract are changed.

For a contract that is, or contains, a lease, each lease component is separated from the non-lease components, unless the Group applies the practical expedient referred to in paragraph 15 of IFRS 16. This practical expedient allows the lessee to choose, for each class of underlying asset, not to separate the non-lease components from the lease components and to recognise each lease component and the associated non-lease components as a single lease component.

The duration of the lease is determined as the non-cancellable period of the lease, to which must be added both the following periods:

- periods covered by a lease extension option, if the lessee is reasonably certain to exercise the option; and
- periods covered by the lease termination option, if the lessee is reasonably certain not to exercise the option.

In assessing whether the lessee is reasonably certain to exercise the option to extend the lease or not to exercise the option to terminate the lease, all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option shall be considered. The lessee must redefine the lease term in the event of a change in the non-cancellable lease period.

At the effective date of the contract, the Group recognises the right-of use-asset and the related lease liability.

At the effective date of the contract, the right-of-use asset is valued at cost. The cost of the right-of-use asset includes:

- The initial value of the lease liability.
- payments due for the lease made on or before the effective date, net of the lease incentives received;
- the initial direct costs incurred by the lessee; and
- The estimate of the costs to be incurred by the lessee for the dismantling and removal of the underlying asset and for the restoration of the site where it is located or for the restoration of the underlying asset under the terms and conditions of the lease, unless such costs are incurred for the production of inventories.

On the lease start date, the lessee shall measure the lease liability at the current value of the payments due for the lease but not yet paid. Payments due for the lease include the following amounts:

- fixed payments, net of any outstanding lease incentives;
- variable payments due for the lease that depend on an index or rate, initially measured using an index or rate on the effective date;
- the amounts expected to be paid by the lessee as guarantees of the residual value;
- The exercise price of the purchase option, if the lessee is reasonably certain to exercise the option.

- Lease termination penalty payments, if the lease term takes into account the lessee's exercise of the lease termination option.

Payments due for the lease must be discounted using the implicit interest rate of the lease, if it can be easily determined. If this is not possible, the lessee must use its marginal lending rate, i.e. the incremental interest rate that the company would have to pay to obtain a loan of the same duration and amount as the lease agreement.

Subsequent to initial recognition, right-of-use assets are measured at cost:

- net of accumulated depreciation/amortisation and impairment; and
- adjusted to take into account any restatement of the lease liability.

Subsequent to initial recognition, the lease liability is measured:

- by increasing the book value to take account of interest;
- by decreasing the book value to take account of lease payments that have been made; and
- by restating the book value to take account of any new valuations or changes in the lease or revision of payments due for fixed leases.

In the case of lease changes that do not constitute a separate lease, the right-of-use asset is restated (up or down), in line with the change in the lease liability at the date of the change. The lease liability is restated according to the new terms of the lease agreement, using the discount rate at the date of the change.

It should be noted that the Group makes use of two exemptions under IFRS 16, with reference to: (i) short-term leases (i.e. leases with a duration of 12 months or less from the effective date), in relation to certain categories of fixed assets, and (ii) leases of low-value assets (i.e. when the value of the underlying asset, if new, is less than USD 5,000, for example). In such cases, the right-of-use asset and the related lease liability are not recognised, and the payments due for the lease are recognised in the income statement.

Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets

On each reporting date, a test is carried out to ascertain whether there are any indicators of impairment of property, plant and equipment and intangible assets that are not fully depreciated/amortised or of indefinite useful life.

Where these indicators are present, the recoverable value of the above-mentioned assets is estimated, and any write-down is recognised in the Income Statement. The recoverable value of an asset is the higher of the fair value, less costs to sell, and the related value in use, determined by discounting the estimated future cash flows for that asset, including, if they are significant and can be reasonably determined, those arising from the sale at the end of its useful life, net of any costs of disposal. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuations of the cost of the money, in proportion to the period of the investment and the specific risks of the asset.

For an asset that does not generate sufficiently independent cash flows, the recoverable value is determined in relation to the cash generating unit (CGU) to which said asset belongs.

Impairment is recognised in the income statement if the book value of the asset, or of the CGU to which it is allocated, is higher than its recoverable value. The impairment of a CGU is initially recognised as a reduction in the book value of any goodwill attributed to it and, therefore, as a reduction in other assets, in proportion to their book value and within the limits of their recoverable value. If the conditions for a previous write-down no longer exist, the book value of the asset is restored via the income statement, up to the limit of the net book value that the asset in question would have had without write-down and amortisation/depreciation. Reversals of goodwill impairment are not permitted in the case of a previous write-down due to impairment.

Financial assets

At the time of initial recognition, financial assets must be classified as "Financial assets at amortised cost", "Financial assets at fair value through other comprehensive income" or "Financial assets at fair value through profit or loss" on the basis of the following elements:

- The entity's business model for the management of the financial assets.
- The characteristics of the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if the disposal entails the substantial transfer of all risks and rewards connected to the assets. On the other hand, if a significant portion of the risks and rewards relating to the disposed financial assets has been retained, they continue to be recognised in the financial statements, even if legally their ownership has been effectively transferred.

Financial assets measured at amortised cost net of the related amortisation provision

a) Financial assets at amortised cost – 31 December 2021 (IFRS 9)

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect" business model; and
- the contractual conditions of the financial asset provide for cash flows on certain dates which consist only of payments of capital and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, the financial assets in question are measured at amortised cost using the effective interest method. The amortised cost method is not used for assets valued at historical cost whose short duration makes the effect of discounting negligible, those without a defined maturity or for revocable credit lines.

This category mainly includes trade receivables arising from the transfer of goods and the provision of services, recognised in accordance with the terms of the contract with the customer in accordance with IFRS 15 and classified according to the nature of the debtor and/or the expiry date of the receivable (this definition includes invoices to be issued for services already rendered).

Moreover, since trade receivables are generally short-term and do not provide for the payment of interest, the amortised cost is not calculated, and they are recognised on the basis of the nominal value reported in invoices issued or contracts concluded with customers: this provision is also adopted for trade receivables with a contractual maturity of more than 12 months, unless the effect is particularly significant. The choice stems from the fact that the amount of short-term receivables is very similar whether you apply the historical cost method or the amortised cost method, and the impact of discounting would therefore be wholly negligible.

Trade receivables are subject to impairment testing in accordance with IFRS 9. For the purposes of the measurement process, trade receivables are divided into maturity time bands. For performing loans, a collective assessment is made by grouping the individual exposures on the basis of similar credit risk. The valuation is based on losses recorded for assets with similar credit risk characteristics based on historical experience and takes into account expected losses.

a) Financial assets at fair value through other comprehensive income – 31 December 2021 (IFRS 9)

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect and sell" business model; and
- the contractual conditions of the financial asset provide for cash flows on certain dates which consist only of payments of capital and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Following initial recognition, equity investments that do not qualify as subsidiaries, associates or joint control investees are measured at fair value, and amounts recognised as a counter-entry in equity should not be subsequently transferred to the income statement, even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is the relative dividends.

For the equity instruments included in this category and not listed in an active market, the cost criterion is used to estimate fair value only on a residual basis and in limited circumstances, or when the most recent information to measure fair value is insufficient, or if there is a broad range of possible fair value measurements and cost represents the best estimate of fair value within that range of values.

Financial assets at fair value through profit or loss

a) Financial assets at fair value through profit or loss – 31 December 2021 (IFRS 9)

This category contains financial assets other than those classed as "Financial assets at fair value through other comprehensive income" or as "Financial assets at amortised cost". This item, in particular, includes only equity instruments held for purposes other than trading for which the Group has not opted for measurement at fair value through other comprehensive income, and bonds.

Financial assets at fair value through profit or loss are initially recognised at fair value, usually represented by the transaction price.

After initial recognition, these financial assets are measured at fair value. Any gains or losses resulting from the change in fair value are attributed to the Consolidated income statement.

Inventories

Inventories are assets:

- held for sale in the normal course of business;
- used in production processes for sale;
- in the form of materials or supplies of goods to be used in the production process or in the provision of services.

Inventories are recognised and measured at the lesser of cost and the net realisable value.

The cost of inventories includes all purchase costs, transformation costs and other costs incurred to bring inventories to their current location and condition, while it does not include exchange differences in the case of inventories invoiced in foreign currency. In accordance with the provisions of IAS 2, the weighted average cost method is used to determine the cost of inventories.

When the net realisable value is less than cost, the surplus is immediately written down in the income statement.

Cash and cash equivalents

Cash and cash equivalents are recorded, depending on their nature, at nominal value or amortised cost. Other cash equivalents represent short-term and highly liquid financial commitments that are readily convertible into known cash values and subject to a negligible risk of change in value, with an original maturity or a maturity at the time of purchase of not more than 3 months.

Payables

Payables relating to the year ended 31 December 2021.

Trade and other payables are recognised initially at fair value and are subsequently measured using the amortised cost method.

Payables to banks and other lenders are initially stated at their fair value, net of directly attributable ancillary costs, and subsequently measured at amortised cost, applying the effective interest rate criterion. When there is a change in the estimate of expected cash flows, the value of liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal effective rate initially determined. Payables to banks and other lenders are classified as current liabilities, unless the Group has an unconditional right to defer payment for at least twelve months after the reference date.

Payables are derecognised when they are settled and when the Group has transferred all risks and charges relating to the instrument.

Employee benefits

These include benefits granted to employees or their dependants and can be liquidated by means of payments (or with the supply of goods and services) made directly to employees, spouses, children or other dependants or to third parties such as insurance companies, and are divided into short-term benefits, benefits due to employees for termination of employment and post-employment benefits.

Short-term benefits, which also include incentive programmes in the form of annual bonuses, MBOs and one-off renewals of national collective agreements, are accounted for as a liability (cost provision) after deducting any amount already paid, and as a cost, unless some other IFRS requires or permits the inclusion of benefits in the cost of an asset (for example, the cost of personnel employed in the development of internally generated intangible assets).

The category of benefits for termination of employment includes departure incentive plans arising in the event of voluntary resignation involving the participation of the employee or a group of employees in trade union agreements for the activation of so-called solidarity funds, and redundancy plans, which take place when the company unilaterally terminates the contract. The company recognises the cost of these benefits as a financial liability at the earliest of the time when the company is unable to withdraw the offer of these benefits and the time when the company recognises the costs of a restructuring that falls within the scope of IAS 37. Provisions for departures shall be reviewed at least every six months.

Post-employment benefit plans are broken down into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans mainly include:

- supplementary pension funds involving a defined contribution by the company;
- the severance indemnity fund, limited to the shares accruing from 1 January 2007 for undertakings with more than 50 employees, irrespective of the destination chosen by the employee;
- employee severance indemnities accruing from 1 January 2007 and earmarked for supplementary pensions, in the case of undertakings with fewer than 50 employees;
- supplementary healthcare funds.

Defined benefit plans, on the other hand, include:

- the severance indemnity, limited to the amount accrued up to 31 December 2006 for all undertakings, as well as the amounts accrued since 1 January 2007 and not intended for supplementary pensions for undertakings with fewer than 50 employees;
- supplementary pension funds that provide for the payment of a defined benefit to members;
- long-service bonuses, which provide for an extraordinary payment to the employee upon reaching a certain level of working seniority.

In defined contribution plans, the obligation of the reporting company is determined on the basis of the contributions due for that year and therefore the measurement of the obligation does not require actuarial assumptions and there is no possibility of actuarial gains or losses.

The accounting for defined benefit plans is characterised by the use of actuarial assumptions to determine the value of the obligation. This valuation is entrusted to an external actuary and is carried out annually. For discounting purposes, the company uses the projected unit credit method, which projects future expenditure based on historical statistical analysis, the demographic curve, and the financial discounting of these cash flows based on the market interest rate. Actuarial gains and losses are recognised as a counter-entry in equity as required by IAS 19.

Provisions for risks and charges, and contingent assets and liabilities

Contingent assets and liabilities can be divided into several categories depending on their nature and their accounting impact. Specifically:

- the provisions are actual obligations of an uncertain amount and occurrence/maturity which arise from past events and for which it is probable that there will be a financial outlay that can be reliably estimated in terms of amount;
- contingent liabilities are possible obligations with a distinct probability of having to make a financial outlay;
- remote liabilities are those for which a financial outlay is unlikely;
- potential assets are assets which are uncertain and cannot therefore be recognised in the financial statements;
- the onerous contract is a contract in which the non-discretionary costs necessary to fulfil the obligations assumed are greater than the economic benefits that are supposed to be obtainable from the contract;
- restructuring is a programme planned and controlled by the company's management that significantly changes the scope of an activity undertaken by the company or the way in which the activity is managed.

For the purpose of recognising the charge, provisions are recorded in cases where there is uncertainty about the maturity or the amount of the flow of resources necessary to fulfil the obligation or other liabilities and in particular trade payables or provisions for presumed payables.

Provisions differ from other liabilities in that there is no certainty as to their maturity or the amount of future expenditure required. Due to their different nature, provisions are shown separately from trade payables and provisions for presumed payables.

Liabilities or allocations to a provision are recognised when:

- there is a current legal or implied obligation resulting from past events;
- it is probable that resources designed to produce economic benefits will have to be used to settle the obligation;
- the obligation can be reliably estimated.

Provisions require the use of estimates. In extremely rare circumstances where a reliable estimate cannot be made, the liability is classed as a contingent liability.

The allocation to the provision for risks and charges is an amount that represents the best possible estimate of the expenditure needed to liquidate the relevant obligation outstanding on the reporting date and takes into account the risks and uncertainties that inevitably surround many events and circumstances. The amount of the allocation reflects any future events that may affect the amount required to settle an obligation if there is sufficient objective evidence that they will occur.

Once the best possible estimate of the expense necessary to settle the related obligation outstanding on the reporting date has been determined, the current value of the provision is determined, in the event that the effect of the present value of money is a relevant aspect.

Revenue from contracts with customers

a) Revenue from contracts with related customers - year ended 31 December 2021 (IFRS 15)

The Group applies IFRS 15 as of 1 January 2018. In accordance with this standard, revenue from contracts with customers is recognised when the following conditions are met:

- the contract with the customer has been identified;
- performance obligations set forth in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations set forth in the contract;
- the performance obligation set forth in the contract has been met.

The Group recognises revenue from contracts with customers when (or as) it fulfils the performance obligation, transferring the promised good or service (or asset) to the customer. The asset is transferred when (or as) the customer acquires control over it.

The Group transfers control over the good or service over time, and therefore fulfils the performance obligation and recognises revenue over time, when one of the following criteria is met:

- The customer simultaneously receives and uses the benefits arising from the entity's service as it is provided.
- The service of the Group creates or improves the asset (e.g. work in progress) that the customer controls as the asset is created or improved.
- The service of the Group does not create an asset which has an alternative use for the Group and the Group has the enforceable right to payment for the service completed up to the date in question.

If the performance obligation is not met over time, it is met at a specific moment. In that case, the Group recognises revenue when the customer acquires control over the promised asset.

The contractual consideration included in the contract with the customer may include fixed or variable amounts or both. If the contractual consideration includes a variable amount (e.g. discounts, concessions, incentives, penalties or other similar elements), the Group estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Group includes the amount of the estimated variable consideration in the transaction price only to the extent to which it is highly likely that when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenue recognised.

Incremental costs for obtaining customer contracts are accounted for as assets and amortised throughout the term of the underlying contract, if the Group expects them to be recovered. Incremental costs for obtaining the contract are costs that the Group incurs to obtain the contract with the customer and which it would not have incurred if it had not obtained the contract. The costs for obtaining the contract which would have been incurred even if the contract had not been obtained should be recognised as a cost at the moment they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

Recognition of costs

Costs are recognised in the income statement according to the accruals principle.

Dividends

Dividends received are recognised in the income statement according to the accruals principle, i.e. in the year in which the related right to receive them emerges, following the shareholders' resolution to distribute dividends from the investee company.

Distributed dividends are shown as changes in equity in the year in which they are approved by the Shareholders' Meeting.

Income taxes

Current taxes are calculated based on the taxable income for the year, applying the tax rates in force at the date of the financial statements. Current taxes for the year and for prior years, where unpaid, are recognised as liabilities. Current tax assets and liabilities, for the current year and for prior years, must be determined at the value expected to be recovered from or paid to, respectively, the tax authorities, applying the tax rates and legislation that is in force or imminent at the reporting date.

Deferred taxes can be divided into:

- deferred tax liabilities, which are the amounts of income taxes payable in future years relating to taxable temporary differences;
- deferred tax assets, which are the amounts of income taxes recoverable in future years relating to deductible temporary differences, carry-over of unused tax losses, carry-over of unused tax credits.

To calculate the amount of deferred tax assets and liabilities, the tax rate is applied to the temporary taxable or deductible differences identified, or to unused tax losses and unused tax credits.

At each reporting date, recognised and unrecognised deferred tax assets are revalued to check whether they are likely to be recovered.

The dictates of IFRIC 12 have been considered without detecting any significant impacts.

Net profit/(loss) per share

Basic earnings per share are calculated by dividing the net profit (loss) pertaining to the Group by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares.

Diluted earnings per share are calculated by dividing the profit (loss) pertaining to the Group by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares. To calculate the diluted earnings per share, the weighted average number of shares in circulation is modified assuming that all assignees exercise rights with a potentially dilutive effect, while the profit (loss) pertaining to the Group is adjusted to take into account any effects, net of taxes, of the exercise of such rights.

Operating segments

The operating segment is a part of the group that undertakes business activities that generate revenue and costs, whose operating results are periodically reviewed by the Chairman of the Board of Directors, in his role as Chief Operating Decision Maker (CODM), for the purpose of taking decisions on the resources to be allocated to the sector and evaluating results, and for which financial information is available.

2.4 Recently issued accounting standards

The following accounting standards, amendments and interpretations were applied for the first time by the Group as at 1 January 2021:

- On 13/01/2021, the European Commission issued Regulation no. 2021/25 approving the document "Interest rate Benchmark Reform - Phase 2", applicable from 01/01/2021, containing amendments to, among others, the following standards: “IFRS 9 – Financial Instruments”, “IFRS 7 – Financial Instruments: Disclosures”, “IFRS 16 – Leases”. The amendments provide for a specific accounting treatment that spreads changes in the value of financial instruments or leases over time due to the replacement of the index used to determine interest rates, thus avoiding immediate repercussions on the result for the year and interruptions to hedging relationships following the replacement of the index used to determine interest rates.
- On 31/03/2021 IASB issued “Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021". This document was published on 30 August 2021 in the Official Journal of the European Community. The amendment increases the period of application of the practical expedient introduced on 28/05/2020 for the accounting of rental concessions relating to COVID-19 by twelve months, from 30/06/2021 to 30/06/2022. The amendment is effective from 01/04/2021.

The adoption of these amendments/interpretations had no effect on the consolidated financial statements as at 31/12/2021.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applicable and not adopted in advance by the Group as at 31 December 2021

On 14/05/2020 the IASB published the following amendments effective for financial years beginning on or after 01/01/2022:

- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract", aimed at providing clarification on how to determine the onerousness of a contract. The amendment clarifies that when estimating whether a contract is onerous, it is necessary to take into account all costs directly attributable to the contract, including incremental costs and all other costs that the company cannot avoid as a result of entering into such contract.
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", intended to define that revenues from the sale of goods produced by an asset before it is ready for its intended use are recognised in profit or loss together with the related production costs.
- Amendments to IFRS 3 "Reference to the Conceptual Framework". The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.
- Issuance of the document "Annual Improvements to IFRS Standards 2018-2020 Cycle", containing amendments essentially of a technical and editorial nature to the following international accounting standards: "IFRS 1 – First-time Adoption of International Financial Reporting Standards", "IFRS 9 – Financial Instruments, "IAS 41 – Agriculture" and examples of ""IFRS 16 – Leases".

These amendments have now been approved following their publication in the Official Journal of the European Union on 02/07/2021.

The Group will adopt these new standards, amendments and interpretations as per their expected date of application.

Any impact on the Group's consolidated financial statements resulting from the new standards/interpretations is still being assessed.

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

At the date of this Annual Financial Report, the following standards have been issued by the IASB and not yet endorsed by the European Union.

- On 23/01/2020, the IASB issued "Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current" to clarify the requirements for classifying liabilities as "current" or "non-current". More specifically, the amendments (i) specify that conditions existing at the end of the reporting period are those that should be used to determine whether a right to defer settlement of a liability exists; (ii) specify that management's expectations about events after the balance sheet date are not relevant; and (iii) clarify the situations that should be considered as settling a liability. The amendments enter into force on 01/01/2023.
- On 18/05/2017, the IASB issued the standard "IFRS 17 – Insurance Contracts", which is intended to replace the current "IFRS 4 – Insurance Contracts". Applicable for financial years beginning on or after 01/01/2023, the new standard governs the accounting treatment of insurance contracts issued and reinsurance contracts held.
- On 12/02/2021, the IASB issued the document "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies". The objective of the amendments is to develop guidance and examples to assist companies in applying a judgement of materiality in disclosing accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to disclosures about accounting policies. The amendments are effective for financial years beginning on or after 01/01/2023.
- On 12/02/2021 the IASB issued the document "Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". The amendments provide some clarification regarding the distinction between changes in accounting estimates and changes in accounting policies: the former are applied prospectively to future transactions and other future events, the latter are generally also applied retrospectively to past transactions and other past events. The amendments are effective from financial years beginning on or after 01/01/2023.
- On 05/07/2021, the IASB issued the document "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document addresses from a practical point of view the application of the exemption envisaged by paragraphs 15 and 24 of IAS 12 to transactions that give rise to both an asset and a liability upon initial recognition, and may result in temporary tax differences of the same amount. Under the proposed amendments, the exemption from initial recognition in IAS 12 would not apply to transactions that give rise to equal and offsetting amounts of taxable and deductible temporary differences when executed. The amendments are effective from financial years beginning on or after 01/01/2023.

The Group will adopt these new standards, amendments and interpretations as per their expected date of application. Any impact on the Group's consolidated financial statements resulting from the new standards/interpretations is still being assessed.

3. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates derived from past experience and based on assumptions that are considered reasonable and realistic given the circumstances.

Applying these estimates and assumptions affects the amounts presented in the Statement of Financial Position, the Income Statement, the Statement of Other Comprehensive Income and the Statement of Cash Flows, and in other information provided. The amounts of the financial statement items for which the aforementioned estimates and assumptions have been used may differ, even significantly, from those reported in the financial statements that highlight the effects of the occurrence of the event being estimated, due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

The following areas require the directors to be most subjective when producing the estimates and would significantly affect the Group's results if there were a change in the conditions underlying the assumptions used:

a) Impairment of property, plant and equipment and intangible assets with a finite useful life: property, plant and equipment and intangible assets with a finite useful life are subject to testing in order to ascertain whether impairment has occurred when indicators exist that predict difficulties in recovering the corresponding net book value through use. Checking for the existence of the aforementioned indicators requires directors to make subjective valuations based on the information available from both internal and external sources, as well as on historical experience. In addition, if it is determined that impairment may have occurred, the Group calculates said impairment using what are deemed to be suitable valuation techniques. Correctly identifying impairment indicators, as well as the estimates for their calculation, depends on subjective valuations and factors that can vary over time, influencing the valuations and estimates made by management.

b) Impairment of intangible assets with an indefinite useful life (goodwill): the value of goodwill is verified annually in order to check for any impairment that should be recognised in the income statement. In particular, the test in question involves allocating goodwill to cash generating units and then calculating the relative recoverable value, understood as the greater of fair value and value in use. If the recoverable value is less than the book value of the cash generating units, the goodwill allocated to them is written down. Goodwill is verified at least once a year, and in the event of trigger events verification is repeated during the year.

c) Impairment of intangible assets with an indefinite useful life (trademarks): the value of trademarks with an indefinite useful life is subject to an impairment test each year and whenever there are indicators of impairment. The value in use is determined using the discounted cash flow (DCF) method, based on a discount rate and an explicit forecast period of 3 years in accordance with the plans approved by the Group. After the explicit forecast period, the specific growth rate used is equal to the expected long-term inflation rate. The forecast values for future years and the parameters determined with reference to current market information are subject to uncertainties due to unpredictable future legal developments and possible developments in the pasta market; therefore, write-downs may be necessary in subsequent years.

d) Provision for bad debts: the determination of this provision reflects management estimates related to the historical and expected solvency of the bad debts in question.

e) Provisions for risks and charges: it is sometimes hard to determine whether or not a current obligation (legal or implied) exists. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors believe it to be merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting any allocation being made.

f) Useful life of property, plant and equipment and intangible assets: useful life is determined when the asset is recorded in the financial statements. Useful life is measured based on historical experience, market conditions and expectations of future events that could affect useful life, including technological changes. As a result, the effective useful life may differ from the estimated useful life.

g) Prepaid tax assets: prepaid tax assets are recognised to the extent that it is probable that there will be sufficient future tax gains against which temporary differences or any tax losses may be used.

h) Inventories: Closing inventories of obsolete or slow-to-move products are periodically subjected to valuation tests and are written down where their recoverable value is less than their book value. The write-downs carried out are based on assumptions and estimates of the directors based on their experience and the historical results achieved.

i) *Lease* liabilities: the amount of *the lease* liability and consequently of the related right-of-use assets depends on the determination of *the lease term*. This determination is subject to management assessments, with particular reference to the inclusion or otherwise of the periods covered by the lease renewal and termination options provided for in the lease agreements. These assessments will be reviewed upon the occurrence of a significant event or significant change in circumstances that has an impact on management's reasonable certainty of exercising an option not previously considered in determining the lease term or not exercising an option previously considered in determining the lease term.

4. MANAGEMENT OF FINANCIAL RISKS

The main business risks identified, monitored and, as specified below, actively managed by the Group 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 Group operates;
- credit risk, arising from the possibility of counterparty default;
- liquidity risk, arising from a lack of financial resources to meet commitments.

The Group'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 Group to adequately meet its operational, working capital financing and investment needs, as well as to comply with its financial obligations. The Group'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.

4.1 Market risk

Exchange risk

Exposure to the risk of exchange rate fluctuations derives from the Group'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 consolidated results and equity.

The main exchange rates to which the Group 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.

The Group does not adopt specific policies to hedge exchange rate fluctuations because management does not believe that this risk can significantly harm the Group'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 Group operates would not have a significant impact on the net result and shareholders' equity of the years under review.

Interest rate risk

The Group 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 consolidated 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 consolidated income statement and consolidated 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
Year ended 31 December 2021	(255)	255	(255)	255
Year ended 31 December 2020	(531)	531	(495)	495

4.2 Credit risk

The Group 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 Group's commercial activity, where its counterparties are 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 Group manages the credit risk of both types of customers through a consolidated practice, which provides for targeted and prudent management with a credit limit granted on the basis of commercial, financial and perceived market risk information.

The Group operates in business areas with low levels of credit risk, given the nature of its activities and the fact that its credit exposure is spread over a large number of customers. Assets are recognised net of any write-downs determined on the basis of counterparties' default risk, taking into account available solvency information and historical and prospective data.

Positions are regularly monitored for compliance with payment terms and overdue reminder actions are conducted in coordination with the sales force. If, on the other hand, a spot analysis of the individual case reveals an objective condition of partial or total bad debt, the amount of the write-down takes into account an estimate of recoverable flows. The credit management methodology means it is not deemed important to divide customer exposure into different risk classes.

Moreover, the Group has credit insurance policies with leading companies in the sector in order to mitigate the risk associated with the solvency of customers.

The credit risk deriving from receivables that the Group has with banks is, on the other hand, moderate and derives substantially from temporary surplus liquidity stocks usually invested in bank deposits and current accounts.

The following table provides a breakdown of trade receivables at 31 December 2021 and 2020 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 31 December 2021	52,423	16,587	862	16,937	**86,809**
Provision for bad debts	-	(1,825)	(862)	(16,937)	**(19,624)**
Net trade receivables at 31 December 2021	**52,423**	**14,762**	**-**	**(0)**	**67,185**
Gross trade receivables at 31 December 2020	51,716	17,917	3,375	16,937	**89,945**
Provision for bad debts	-	(819)	(921)	(16,937)	**(18,677)**
Net trade receivables at 31 December 2020	51,716	17,098	2,454	(0)	**71,268**

4.3 Liquidity risk

Liquidity risk is the risk that, due to the inability to find new funds or to liquidate assets on the market, the Group 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 Group 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 Group'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 Group's liquidity is the resources absorbed by operating activities: the sector in which the Group operates 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 Group's financial equilibrium.

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

The following table shows, by contractual maturity bands, the Group's financial requirements at 31 December 2021 and 2020, expressed according to the following assumptions:

(i) cash flows are not discounted;

(ii) cash flows are allocated to time bands on the basis of the first due date provided for in the contractual terms;

(iii) all instruments held on the reporting date for which payments have already been contractually designated are included. Future commitments planned but not yet recognised are not included;

(iv) when the amount payable is not fixed (e.g. future interest repayments), the financial liability is measured at market conditions at the reporting date; and

(v) cash flows also include the interest that the company will pay until the maturity of the debt at the reporting date.

	At 31 December 2021					
(In thousands of euros)	**less than 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Financial liabilities	136,648	39,302	44,013	219,652	439,615	414,497
Other non-current liabilities					-	
Lease liabilities	6,973	10,777	8,550	13,205	39,505	39,062
Trade payables	179,024	-	-	-	179,024	179,024
Other current liabilities	19,087	-	-	-	19,087	19,087

	At 31 December 2020					
(In thousands of euros)	**less than 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Financial liabilities	63,121	43,816	37,950	13,322	**158,209**	**157,932**
Lease liabilities	6,973	6,289	4,609	1,360	**19,230**	**19,006**
Trade payables	151,388	-	-	-	**151,388**	**151,388**
Other current liabilities	20,200	-	-	-	**20,200**	**20,200**

5. CAPITAL MANAGEMENT POLICY

The Group's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in compliance with contractual commitments made with lenders.

The Group provides itself with the capital necessary to finance the needs of business development and operations; the sources of financing are divided into a mix of risk capital and debt capital, to ensure a balanced financial structure and the minimisation of the total cost of capital, thereby benefiting all stakeholders.

The remuneration of risk capital is monitored on the basis of market trends and business performance, once all other obligations have been fulfilled, including debt servicing; therefore, in order to ensure an adequate return on capital, the safeguarding of business continuity and business development, the Group continually monitors the level of debt in relation to equity, business performance and expected cash flow forecasts, in the short and medium/long term.

6. FINANCIAL ASSET AND LIABILITY CATEGORIES AND INFORMATION ON FAIR VALUE

Categories of financial assets and liabilities

The following tables provide a breakdown of financial assets and liabilities by category at 31 December 2021 and 2020:

(In thousands of euros)	**Book value at 31 December**	
	2021	**2020**
FINANCIAL ASSETS:		
Financial assets at amortised cost:		
Financial assets measured at amortised cost	801	801
Trade receivables	67,184	71,268
Other receivables and current assets	11,262	11,003
Cash and cash equivalents	393,094	182,127
	475,506	**265,199**
Financial assets valued at fair value through profit or loss:		
Non-current financial assets measured at fair value through profit or loss	731	746
Current financial assets measured at fair value through profit or loss	35	4
	766	**750**
TOTAL FINANCIAL ASSETS	**473,107**	**265,949**

(In thousands of euros)	**Book value at 31 December**	
	2021	**2020**
FINANCIAL LIABILITIES:		
Financial liabilities at amortised cost:		
Non-current financial liabilities	287,216	94,811
Non-current lease liabilities	31,175	12,436
Trade payables	179,024	151,388
Current financial liabilities	127,280	63,121
Current lease liabilities	7,887	6,570
Other current liabilities	19,087	20,200
TOTAL FINANCIAL LIABILITIES	**651,670**	**348,526**

The tables above show that most of the outstanding financial assets and liabilities are short-term items. In view of their nature, for most items, the book value is considered a reasonable approximation of the fair value.

Non-current financial assets and liabilities are settled or valued at market rates and it is therefore considered that their fair value is substantially in line with current book values.

Information on fair value

In relation to assets and liabilities recognised in the statement of financial position and measured at fair value, IFRS 13 requires that these values be classified on the basis of a hierarchy of levels, reflecting the significance of the inputs used in determining fair value. The following table shows the fair value classification of financial instruments based on the following hierarchical levels:

- **Level 1**: fair value determined using unadjusted prices listed on active markets for identical financial instruments. Therefore, in Level 1 the emphasis is on determining the following elements: (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; (b) the entity's ability to transact the asset or liability at the price of that market on the valuation date.
- **Level 2**: fair value determined with valuation techniques using variables observable on active markets. The inputs for this level include: (a) prices listed for similar assets or liabilities in active markets; (b) prices listed for identical or similar assets or liabilities in non-active markets; (c) data other than observable listed prices for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implicit volatility, credit spreads, input corroborated by the market.
- **Level 3**: fair value determined with valuation techniques using non-observable market variables.

The following tables summarise the financial assets and liabilities measured at fair value, broken down by hierarchy, at 31 December 2021 and 2020:

(In thousands of euros)	**At 31 December 2021**		
	Level 1	**Level 2**	**Level 3**
Non-current financial assets measured at fair value through profit or loss	-	-	731
Current financial assets measured at fair value through profit or loss	-	-	35
Total financial assets measured at fair value	**-**	**-**	**766**

(In thousands of euros)	**At 31 December 2020**		
	Level 1	**Level 2**	**Level 3**
Non-current financial assets measured at fair value through profit or loss	-	-	746
Current financial assets measured at fair value through profit or loss	-	-	4
Total financial assets measured at fair value	**-**	**-**	**750**

There were no transfers between the different levels of the fair value hierarchy in the periods considered.

7. OPERATING SEGMENTS

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 Group's activity is identifiable in the following business segments: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products, Instant Noodles and Other Activities.

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 Group's performance at and for the year ended 31 December 2021, and the reconciliation of these items with respect to the corresponding amount included in the Consolidated Financial Statements:

	At and for the year ended 31 December 2021							
(In thousands of Euro)	Pasta	Milk products	Bakery Products	Dairy Products	Special Products	Instant Noodles	Other assets	Total Financial Statements
Revenue from contracts with customers (third parties)	150,184	229,957	39,467	40,026	34,787	48,030	13,413	**555,863**
EBITDA (*)	**12,781**	**16,831**	**7,069**	**4,720**	**3,752**	**2,165**	**580**	**47,898**
EBITDA margin	**8.51%**	**7.32%**	**17.91%**	**11.79%**	**10.79%**	**4.51%**	**4.32%**	**8.62%**
Amortisation, depreciation and write-downs	4,386	15,841	1,871	334	2,286	4,384	541	**29,643**
Net write-downs of financial assets							1,201	**1,201**
Income from business combinations							-	**-**
Operating profit/(loss)	**8,395**	**990**	**5,199**	**4,386**	**1,466**	**(2,219)**	**(1,162)**	**17,055**
Financial income	-	-	-	-	-		1,157	**1,157**
Financial expenses	-	-	-	-	-		(8,658)	**(8,658)**
Profit/(loss) before taxes	**8,395**	**990**	**5,199**	**4,386**	**1,466**	**(2,219)**	**(8,663)**	**9,555**
Income taxes	-	-	-	-	-		(3,316)	**(3,316)**
Net profit/(loss)	**8,395**	**990**	**5,199**	**4,386**	**1,466**	**(2,219)**	**(11,979)**	**6,239**
Total assets	**109,960**	**244,525**	**16,017**	**942**	**16,814**	**54,548**	**392,094**	**834,900**
Total liabilities	**90,480**	**185,627**	**18,661**	**588**	**10,287**	**24,098**	**360,644**	**690,385**
Investments	**1,718**	**6,823**	**561**	**542**	**582**	**2,257**	**201**	**12,684**
Employees (number)	**502**	**589**	**196**	**72**	**167**	**622**	**72**	**2,220**

(*) 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 below shows the main statement of financial position and income statement items examined by the chief operating decision maker in order to assess the Group's performance at and for the year ended 31 December 2020, and the reconciliation of these items with respect to the corresponding amount included in the Consolidated Financial Statements:

	At and for the year ended 31 December 2020						
(In thousands of Euro)	Pasta	Milk products	Bakery Products	Dairy Products	Special Products	Other products	Total Financial Statements
Revenue from contracts with customers (third parties)	148,587	198,975	39,076	33,693	34,005	15,490	**469,826**
EBITDA (*)	**12,123**	**17,936**	**6,776**	**4,150**	**3,591**	**670**	**45,246**
EBITDA margin	**8.2%**	**9.0%**	**17.3%**	**12.3%**	**10.6%**	**4.3%**	**9.6%**
Amortisation, depreciation and write-downs	5,099	10,964	1,164	118	2,180	359	**19,884**
Net write-downs of financial assets						1,509	**1,509**
Income from business combinations						24,865	**24,865**
Operating profit/(loss)	**7,024**	**6,972**	**5,612**	**4,032**	**1,411**	**23,667**	**48,718**
Financial income	-	-	-	-	-	536	**536**
Financial expenses	-	-	-	-	-	(3,851)	**(3,851)**
Profit/(loss) before taxes	**7,024**	**6,972**	**5,612**	**4,032**	**1,411**	**20,352**	**45,404**
Income taxes	-	-	-	-	-	(6,761)	**(6,761)**
Net profit/(loss)	**7,024**	**6,972**	**5,612**	**4,032**	**1,411**	**13,591**	**38,643**
Total assets	**113,738**	**268,468**	**16,156**	**8,602**	**17,962**	**112,173**	**537,099**
Total liabilities	**40,827**	**249,723**	**16,933**	**13,205**	**15,932**	**44.4239**	**381,043**
Investments	1,584	10,860	498	48	398	278	**13,666**
Employees (number)	490	544	192	60	155	58	**1,499**

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

Revenue from contracts with customers in the "Pasta" and "Milk Products" segments totalled Euro 380,141 thousand and Euro 347,562 thousand for the years ended 31 December 2021 and 2020, equal to 68% and 74% respectively of all revenue from contracts with customers. EBITDA in the "Pasta" and "Milk Products" segments totalled Euro 29,612 thousand and Euro 30,059 thousand respectively for the years ended 31 December 2021 and 2020, equal to 61.8% and 66.4% respectively.

The biggest EBITDA margins over the two years under review were delivered by the "Bakery Products" and "Dairy Products" segments. The Special Products sector also has a double-digit EBITDA margin.

In particular, revenues from the "Pasta" sector increased by Euro 1,550 thousand from Euro 148,587 thousand to Euro 150,137 thousand in the year ended 31 December 2021. The EBITDA of the "Pasta" sector increased from Euro 12,123 to Euro 12,781. The related EBITDA margin recorded a significant increase, from 8.2% at 31 December 2020 to 8.5% at 31 December 2021.

Revenues from the "Milk Products" sector increased by Euro 31,029 thousand from Euro 198,975 thousand in the year ended 31 December 2020 to Euro 230,004 thousand in the year ended 31 December 2021. This increase was mainly due to the acquisition of Centrale del Latte d'Italia SpA. The EBITDA in the Milk Products segment remained constant despite the increase in turnover, mainly due to a reduction in margins caused by a worsening of purchasing conditions in the raw materials and packaging segment. The related EBITDA margin decreased by 1.68%, from 9% in the year ended 31 December 2020 to 7.32% in the year ended 31 December 2021.

In addition to the sectoral information, the statement of financial position and income statement data by geographical area, as required by IFRS 8, is provided below.

The following table displays revenue from contracts with customers by geographical area for the years ended 31 December 2021 and 2020:

(In thousands of euros)	Year ended 31 December	
	2020	**2020**
Italy	330.419	303,719
Germany	107.300	103,188
United Kingdom	51,108	6,396
Other countries	67,036	56,523
Total revenue from contracts with customers	**555,863**	**469,826**

Finally, in accordance with IFRS 8, paragraph 34, for the years ended 31 December 2021 and 2020, the Group did not have any customers generating more than 10% of its revenues.

8. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8.1 Property, plant and equipment

The table below shows a breakdown of and changes in the item "Property, plant and equipment" for the years 31 December 2021 and 2020:

(In thousands of euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Assets under construction and payments on account	Total
Historical cost at 31 December 2020	**93,456**	**245,723**	**24,067**	**4,972**	**1,901**	**14,382**	**384,501**
Investments	37	8,698	482	96	111	1,599	11,023
Disposals		(423)	(85)	(26)			(534)
Change to the consolidation scope	6,415	46,466	1,835				54,716
Reclassifications	6,485	6,829	37			(13,351)	-
Historical cost at 31 December 2021	**106,393**	**307,293**	**26,335**	**5,042**	**2,012**	**2,630**	**449,705**
Accumulated depreciation as at 31 December 2020	**(31,497)**	**(174,525)**	**(21,801)**	**(4,665)**	**(473)**	**-**	**(232,961)**
Depreciation	(2,021)	(11,101)	(1,260)	(87)	(27)		(14,496)
Disposals		372	72	26			470
Change to the consolidation scope	(4,348)	(39,615)	(1,340)				(45,303)
Accumulated depreciation as at 31 December 2021	**(37,866)**	**(224,869)**	**(24,329)**	**(4,726)**	**(500)**	**-**	**(292,290)**
Net carrying amount at 31 December 2020	**61,959**	**71,198**	**2,266**	**307**	**1,428**	**14,382**	**151,541**
Net carrying amount at 31 December 2021	**68,527**	**82,424**	**2,006**	**316**	**1,512**	**2,630**	**157,417**

Investments in property, plant and equipment for the year ended 31 December 2021 totalled Euro 11,023 thousand and were attributable mainly to the renovation of production lines and the new automated warehouse of the production site of Centrale del Latte d'Italia in Turin and the new production line at the Lodi plant. For more information on investments, please refer to the specific chapter "Investments".

The net value of property, plant and equipment disposed of in the years ending 31 December 2021 and 2020 is not significant.

At 31 December 2021 there were no capital contributions to the reduction of core plant and equipment.

At 31 December 2021 the Group did not record any write-downs of tangible assets.

8.2 Right-of-use assets and lease liabilities

The table below shows a breakdown of the item "Right-of-use assets" for the year ended 31 December 2021:

(In thousands of euros)	**Right-of-use assets**
Historical cost at 31 December 2020	**38,487**
Increases	6,295
Change to the consolidation scope	26,819
Historical cost at 31 December 2021	**71,601**
Accumulated depreciation as at 31 December 2020	**(20,035)**
Depreciation	(12,994)
Accumulated depreciation as at 31 December 2021	**(33,029)**
Net carrying amount at 31 December 2020	**18,452**
Net carrying amount at 31 December 2021	**38,572**

At 31 December 2021, the Group found no indicators of long-term impairment for right-of-use assets.

The following table displays the non-discounted contractual values of the Group's lease liabilities at 31 December 2021, following the application of IFRS 16 as of 1 January 2018:

	At 31 December 2021					
(In thousands of euros)	**less than 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Lease liabilities	6,973	10,777	8,550	13,205	**39,505**	**39,062**

The discount rate was determined on the basis of the marginal borrowing rate of the Group, i.e. the rate that the Group would have to pay for a loan, with a similar maturity and collateral, needed to obtain an asset of similar value to the right-of-use asset in a similar economic climate. The Group has decided to apply a single discount rate to a lease portfolio with reasonably similar characteristics, such as leases with a similar residual maturity for a similar underlying asset class, in a similar economic climate.

The main information relating to the lease agreements held by the Group, which acts mainly as a lessee, is shown in the following table:

(In thousands of euros)	**At 31 December 2021**
Net book value of right-of-use assets (real estate)	32,962
Net book value of right-of-use assets (machinery)	3,783
Net book value of right-of-use assets (motor vehicles)	1,827
Total net book value of right-of-use assets	**38,572**
Current lease liabilities	7,887
Non-current lease liabilities	31,175
Total lease liabilities	**39,062**
Depreciation of right-of-use assets (real estate)	(7,057)
Depreciation of right-of-use assets (machinery)	(5,427)
Depreciation of right-of-use assets (motor vehicles)	(509)
Total depreciation of right-of-use assets	**(12,994)**
Interest expense on leases	**944**

Real estate right-of-use assets relate mainly to the production plants in Sansepolcro (AR), Ozzano Taro (PR), Reggio Emilia, Lodi, Lecce and Eboli (SA), Bologna and Corte de' Frati (CR), leased to Newlat under the agreements entered into with the related party New Property S.p.A. The term of the lease of the aforementioned properties has been set at six years, based on the withdrawal options provided for in the contracts themselves and on managerial assessments. The rental contracts stipulated between the parties have the same structure, namely: (i) a term of six years automatically extendable for a further six years, with any subsequent tacit renewals every six years, and (ii) the early termination options exercisable by the lessor upon renewal and by the lessee, which may withdraw at any time and without cause, with six months' notice. On the basis of the assessments carried out and in accordance with IFRS 16, management is reasonably certain of holding the leases for a period of six years from the date of signing of the contracts.

These leases fall within the scope of related party transactions; please see the specific section of these consolidated financial statements.

Machinery right-of-use assets refer mainly to the lease of capital goods used in the production process.

With the acquisition of Symington's, additional right-of-use assets were acquired, the details of which are summarised below:

(In thousands of euros)	**At 31 December 2021**
Net book value of right-of-use assets (real estate)	24,107
Net book value of right-of-use assets (machinery)	1,257
Total net book value of right-of-use assets	**25,364**

8.3 Intangible assets

The table below shows a breakdown of and changes in the item "Intangible assets" for the years 31 December 2021 and 2020.

(In thousands of euros)	Goodwill	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other assets	Assets under development	Total
Historical cost at 31 December 2020	**3,863**	**4,827**	**118,715**	**4,026**	**2**	**131,433**
Investments		72	43	958	26	**1,099**
Change to the consolidation scope		226		7,232		**7,457**
Purchase Price Allocation	9,838		13,742	23,843		**47,423**
Reclassifications				2	(2)	-
Historical cost at 31 December 2021	**13,701**	**5,125**	**132,499**	**36,061**	**26**	**187,412**
Accumulated amortisation as at 31 December 2020	**-**	**(3,906)**	**(72,442)**	**(4,026)**	**-**	**(80,374)**
Change to the consolidation scope		(113)		(5,785)		**(5,898)**
Purchase Price Allocation			(318)	(844)		**(1,162)**
Amortisation		(207)	(397)	(1,548)		**(2,152)**
Accumulated amortisation as at 31 December 2021	**-**	**(4,226)**	**(73,157)**	**(12,203)**	**-**	**(89,586)**
Net carrying amount at 31 December 2020	**3,863**	**921**	**46,273**	**0**	**2**	**51,058**
Net carrying amount at 31 December 2021	**13,701**	**899**	**59,342**	**23,858**	**26**	**97,824**

Investments in intangible assets for the year ended 31 December 2021 amounted to Euro 1,099 thousand and were mainly attributable to investments in the customers of the subsidiary Symington's. For more information on investments, please refer to the specific chapter "Investments".

There were no indicators of long-term impairment for intangible assets for the year ended 31 December 2021.

The following is a description of the main items that make up intangible assets:

Goodwill

The goodwill refers

- to the acquisition of Centrale del Latte di Salerno S.p.A. merged by incorporation into Newlat Food S.p.A. from 2019, which represents the cash generating unit (CGU). This amount reflects the difference between the purchase price and the equity of Centrale del Latte di Salerno on the acquisition date in December 2014.

The impairment test, approved by the Board of Directors on 18 March 2022, was prepared with the support of an independent professional, comparing the book value of goodwill with the recoverable value of the related cash generating unit (CGU).

The impairment test is carried out at least annually and whenever there are indicators of impairment.

The 2019-2022 business plan has not been revised, but for impairment testing purposes the individual plans have been revised to better reflect the current data and the impacts of COVID-19 on the CGU.

The recoverable amount is the value in use, determined by discounting the CGU's forecast data represented by the Centrale del Latte di Salerno division ("DCF Method") for the three years after the reporting date. The key assumptions used by management to determine the forecast data of the CGU are estimates of growth of revenues, EBITDA, operating cash flows, the growth rate of the terminal value and the weighted average cost of capital (discount rate), taking into account past profits/losses and future expectations.

The reasonableness of the margins in the explicit forecast period was also verified and deemed to be equal to that recorded in 2021.

The terminal value of the CGU was determined using the perpetual yield criterion of the CGU's normalised cash flow, with reference to the latest forecast period considered, assuming a growth rate and a discount rate ("WACC", which represents the weighted average between the cost of equity and the cost of debt, after tax), as represented below:

(Percentage)	**At 31 December 2021**
Growth rate	0.5%
WACC	8.23%

For the purposes of estimating the value in use of the CGU to which goodwill is allocated:

(i) the following sources of information have been used:

a) internal sources: IAS 36 requires that the estimate of value in use be based on senior management's most up-to-date results flows forecasts. For the goodwill impairment test a three-year 2022-2024 plan was used. The Company's Board of Directors approved this test, as well as the flows represented therein, on 18 March 2022. For the goodwill impairment test as at 31 December 2021, improvements in operating costs are prudently expected and therefore an increase of 1% was considered in subsequent years.

b) external sources: for the goodwill impairment test, external sources of information were used for the purposes of calculating the cost of capital set out below. All information for calculating the cost of capital is from an external source. The estimated calculation of the weighted average cost of capital was based on:

- the CAPM to estimate the cost of equity;

- the WACC (Modigliani-Miller) formula for estimating the weighted average cost of capital (after tax).

The cost of capital was calculated considering the financial structure of Centrale del Latte di Salerno corresponding to 100% equity and having liquidity available rather than financial debts as at 31 December 2020.

(ii) the following main basic assumptions were also used:

a) average revenue increase of 1 % per annum from 2022 to 2024; and

b) EBITDA margin in the forecast years of 21%.

The revenue growth assumed for the years of the explicit period is marginally higher than the expected growth of the Italian market, in view of the good competitive position of the subsidiary, but above all in view of (i) the company's planned growth strategies, focused on R&D activities (including high protein milk); (ii) a guaranteed supply chain with strong local roots; (iii) and the development of new Group products.

After the 2021 results, the Group estimated the plan flows used for the impairment test, forecasting a consolidation of the results achieved for 2022 and subsequent years and a transition to new normality, with a progressive replacement of the volumes generated by the pandemic with structural volumes.

The following table displays the assumptions underlying the calculation of the discount rate for the year ending 31 December 2021:

Component	Parameter
Risk-free rate	0.80%
Market risk premium	6.00%
Levered beta	0.62
Cost of equity	2.50%
Cost of net debt	3.00%
Discount rate	**8.23%**

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its book value by more than Euro 14.3 million. The value in use was calculated on the basis of a weighted average cost of capital (WACC) equal to 8.23%, and a terminal cash flow growth rate (g) of 0.5%. Sensitivity analyses were also carried out to verify the effects on the impairment test results of a ±0.5% and ±0.25% change respectively in the WACC and growth rate, both parameters deemed to be significant. In particular, assuming no other changes, individual changes in the main parameters used for the test in question do not result in the recoverable value of the CGU being less than the relative book value. To negate the difference between value in use and book value, the cost of capital (WACC) would have to increase by more than 20% and the terminal growth rate would have to be equal to zero.

- The acquisition of Symington's for a total of Euro 9,838 provisionally allocated to the item "goodwill" pending the conclusion of the purchase price allocation. Considering the results obtained by the Symington's Group as at 31 December 2021 and the still provisional valuation of the assets and liabilities at fair value, Management deemed it unnecessary to perform any impairment test.

Industrial patents and rights to use intellectual property

This item consists almost exclusively of software costs.

Concessions, licences, trademarks and similar rights and other intangible assets

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Trademarks with an indefinite useful life *(a)*	44,799	44,799
Trademarks with a finite useful life *(b)*	695	1,026
Symington's assets with a finite useful life *(c)*	36,444	
Total net book value	**81,938**	**45,825**

The impairment test on brands with an indefinite useful life is carried out at least annually and whenever there are indicators of impairment.

a) Trademarks with an indefinite useful life

This item refers to:

- the Drei Glocken and Birkel brands registered by Newlat Deutschland for a total of Euro 18.8 million. The value of these brands has been subjected to impairment testing, with the help of an independent third-party professional. The impairment test as at 31 December 2021 used the 2019-2022 Economic and Financial Plan approved by the Board of Directors on 22 July 2019, updated with the current data as at 31 December 2021. The flows used for the purpose of preparing the impairment test differ from the flows present in the above-mentioned Economic and Financial Plan in that the Company has, prudentially, considered a growth in turnover of 3% for the next 3 years, contrary to Plan forecasts. The Board of Directors approved this *impairment test*, as well as the flows represented therein, on 18 March 2022.

The impairment test was carried out using the Relief From Royalty method. In line with valuation doctrine and standard practice, this technique involves estimating the additional costs that would arise if the company was without a particular asset and had to obtain it under license from third parties. First, royalty rates in line with the relevant sector were used. These rates were then applied not only to the expected revenues generated by the brands over the period covered by the Plan, but also to a normalised flow, considering a perpetual return as a terminal value, consistent with the indefinite useful life of the trademarks. Consistent with standard valuation practice, there was also a tax amortisation benefit (TAB) amount, representing the tax benefit related to the deductibility of amortisation of the asset under analysis, which constitutes an additional element for determining the value attributable to the brands.

Under the relief from royalty method, the brands were measured using an explicit forecast period of 3 years, which reflects the assumptions regarding the short- and medium-term developments of the reference market. After the explicit forecast period, the terminal value of the assets was determined using the perpetuity method, assuming a specific long-term growth rate defined according to the expected long-term inflation rate and the characteristics of the sector. The information relating to the explicit forecast period used to determine the value in use is based on assumptions founded on past experience, supplemented by current internal developments and verified through market data and external analyses. In this regard, the most important assumptions include: (i) the development of future sales prices, revenues and costs; (ii) the influence of the market regulatory environment; (iii) expected investments and expected market shares; and (iv) exchange rates and growth rates. For the revenues of the financial years 2022 and 2023, however, the

Company's annual growth rate (CAGR) was estimated at 3%, in line with the growth prospects of the German pasta market and the Company's historical data, as well as the market-leading positions of the "Birkel" and "Drei Glocken" brands. Any significant changes to the assumptions described above would affect the determination of the value in use.

The Group estimated the plan flows used for the impairment test, forecasting a consolidation of the results achieved for 2021 and subsequent years and a transition to new normality, with a progressive replacement of the volumes generated by the pandemic with structural volumes.

The discount rates applied are determined on the basis of external factors deriving from the market and adjusted on the basis of the prevailing risks of the cash generating units.

The main assumptions used for the purposes of the impairment test are summarised below:

(Percentage)	**At 31 December 2021**	**At 31 December 2020**
WACC	6.6%	6.4%
Long-term growth rate (inflation rate expected in the long term)	0.5%	0.5%

The following table displays the assumptions underlying the calculation of the discount rate for the year ending 31 December 2021:

Component	**Parameter**
Risk-free rate	0.02%
Market risk premium	5.8%
Levered beta	0.62
Cost of equity	2.5%
Cost of net debt	3.0%
Discount rate	**6.63%**

The following were also assumed when determining the value of the trademarks:

- a growth rate (g) of 0.5%, which is prudent compared with medium-to-long-term inflation estimates for the reference market, Germany, of around 2.2%.
- A TAB of Euro 3.8 million, determined on the basis of the original value of the asset, assuming a reference period of 15 years from the date of reference of the impairment and using a tax rate of 31%.
- It should be noted that the value attributed to the terminal value is 88% of the recoverable value of the assets.

The results of the impairment tests carried out at 31 December 2020 showed that the recoverable value of each asset exceeds the relative book value at each reference date. In particular, for the impairment test conducted on the year ending 31 December 2021, the recoverable value was estimated at Euro 20 million, compared with a book value of approximately Euro 18.9 million, i.e. a surplus of Euro 1.1 million.

Sensitivity analyses were also carried out to verify the effects on the results of the impairment test of changes to certain significant parameters. At 31 December 2021, the recoverable amount would have been equal to the carrying amount if the discount rate used had been greater than 0.5% or the growth rate reduced by 0.25%

- the Centrale Latte Rapallo-Latte Tigullio, Mukki and Centrale del Latte di Vicenza brands recorded in the separate financial statements of the subsidiary for a total of Euro 19,132 thousand and revalued during purchase price allocation for a total of Euro 6,823 thousand.

Below are the fair values of Centrale del Latte d'Italia SpA brands following the purchase price allocation:

(In thousands of euros)	At 31 December
	2021
MUKKI	9,206
CENTRALE LATTE DI VICENZA	5,395
RAPALLO – LATTE TIGULLIO	5,897
TAPPO ROSSO	5,372
Total intangible assets with an acquired indefinite net useful life	**25,870**

Trademarks with an indefinite useful life are tested for impairment at least annually on the basis of the requirements of IAS 36.

The impairment test prepared for this purpose is based on the calculation of the value in use of the CGU of Centrale del Latte d'Italia and compared with the relative CIN of the CGU subject to verification.

The value in use, starting from the current year and as detailed in the section on °Accounting Estimates", is determined using the discounted cash flow (DCF) method, based on a discount rate and an explicit forecast period of five years based on the Plan approved by the Board of Directors of Centrale del Latte d'Italia SpA on 10 February 2020 (forecasts in line with the approved plan for the forecasts for 2022 and 2023, and estimates for subsequent periods based on a reasonable growth trend).

After the explicit forecast period, the specific growth rate used is equal to the expected long-term inflation rate. The forecast values for future years and the parameters determined with reference to current market information are subject to uncertainties due to unpredictable future legal developments and possible developments in the market the Company competes in. Therefore, write-downs may be necessary in subsequent years.

The impairment test, approved by the Board of Directors on 18 March 2022, was prepared with the support of an independent professional, comparing the book value with the recoverable value of the related cash generating unit (CGU).

The recoverable amount is the value in use, determined by discounting the CGU's forecast data ("DCF Method") for the five years after the reporting date.

The key assumptions used by management to determine the forecast data of the CGU are estimates of growth of revenues, EBITDA, operating cash flows, the growth rate of the terminal value and the weighted average cost of capital (discount rate), taking into account past profits/losses and future expectations.

The reasonableness of the margins in the explicit forecast period was also verified and in fact aligned with the margin achieved in 2021.

The terminal value of the CGU was determined using the perpetual yield criterion of the CGU's normalised cash flow, with reference to the latest forecast period considered, assuming a zero growth rate and a discount rate ("WACC", which represents the weighted average between the cost of equity and the cost of debt, after tax), as represented below:

Growth rate: 0%

WACC: 6.6%

For the purposes of estimating the value in use of the CGU:

(i) the following sources of information have been used:

a) internal sources: IAS 36 requires that the estimate of value in use be based on senior management's most up-to-date results flows forecasts. For the goodwill impairment test as at 31 December 2020 the 2022-2026 Plan was used, estimating the result flows in a uniform manner for subsequent years. The Company's Board of Directors approved this test, as well as the flows represented therein, on 18 March 2022. For the purposes of estimating the value in use, investments of approximately Euro 4.7 million were envisaged in the first two years of the plan and then a stabilisation of approximately Euro 2 million in subsequent years. For the impairment test as at 31 December 2021, in the interests of prudence, no improvements in operating costs are predicted aside from those already achieved in the current year, and therefore a constant margin was considered over the period (EBITDA margin of 8.4%).

b) external sources: for the goodwill impairment test, external sources of information were used for the purposes of calculating the cost of capital set out below. All information for calculating the cost of capital is from an external source. The estimated calculation of the weighted average cost of capital was based on:

- the CAPM to estimate the cost of equity;

- the WACC formula for estimating the weighted average cost of capital (after tax).

The cost of capital was calculated considering the financial structure of the panel of comparables considered in the analysis.

(ii) the following main basic assumptions were also used:

a) average revenue increase of 1.5% per annum from 2022 to 2026; and

b) EBITDA margin in the forecast years of 8.8%.

The revenue growth assumed for the years of the explicit period is marginally higher than the expected growth of the Italian market, in view of the good competitive position of the company, but above all in view of (i) the company's planned growth strategies; (ii) a guaranteed supply chain with strong local roots; (iii) and the development of new products.

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its book value by more than Euro 38 million.

Sensitivity analyses were also carried out to verify the effects on the impairment test results of a ±2% and ±1% change respectively in the WACC and growth rate, both parameters deemed to be significant. In particular, assuming no other changes, individual changes in the main parameters used for the test in question do not result in the recoverable value of the CGU being less than the relative book value.

b) Trademarks with a finite useful life

This item includes brands owned by Newlat Food S.p.A., amortised according to the residual useful life, estimated on the basis of the period of time over which it is considered that they are guaranteed to generate cash flows.

c) Symington's assets with a finite useful life (c)

This item includes provisional allocations to trademarks with finite useful lives, know-how and customer lists, which were defined in the purchase price allocation following the acquisition of Symington's. The allocation is not yet final and may change as a result of the definition of the purchase price allocation process.

8.4 Equity investments in associates

At 31 December 2021 the investments of associate companies amounting to Euro 1,401 thousand refer mainly to the investment held by Centrale del Latte d'Italia SpA in Mercafir Scpa.

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

At 31 December 2021 and 2020, non-current financial assets valued at fair value through profit or loss amounted to Euro 731 thousand and Euro 746 thousand respectively. These balances, which are not material, relate to smaller corporate capital instruments.

8.6 Financial assets measured at amortised cost

At 31 December 2021 and 2020, financial assets at amortised cost amounted to Euro 801 thousand. These balances refer to security deposits paid against existing lease agreements.

8.7 Prepaid tax assets and deferred tax liabilities

Prepaid tax assets are recognised on the financial statements where it is probable that future taxable income will be realised against which they can be used.

At 31 December 2021, no prepaid tax assets relating to tax losses of the incorporated Delverde Industrie Alimentari S.p.A. were recognised in 2019, as they were the subject of an appeal to the Revenue Agency to have them recognised and to be exempt from the carry-over restriction up to the limit of the equity of the incorporated company. The amount of these tax losses, not recognised in the financial statements, is approximately Euro 30.6 million.

The following table shows a breakdown of "Prepaid tax assets" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Provisions	3,008	2,994
Tax losses carried forward	107	940
Leases	80	165
Amortisation	682	825
Other	738	542
Sym Tax losses	1,607	
PPA effects	1,353	-
Gross prepaid tax assets	**7,575**	**5,466**
Offsetting with deferred tax liabilities	-	-
Total prepaid tax assets	**7,575**	**5,466**

Deferred tax liabilities arising from intangible assets at 31 December 2021 are attributable to the Drei Glocken and Birkel brands belonging to Newlat Deutschland and the tax effect of the purchase price allocation:

(In thousands of euros)	At 31 December	
	2021	**2020**
Intangible assets	11,086	11,086
Property, plant and equipment	464	464
Other	622	531
PPA Allocation	6,925	
Gross deferred tax liabilities	**19,097**	**12,081**
Offsetting with prepaid tax assets	-	-
Total deferred tax liabilities	**19,097**	**12,081**

The following table displays a breakdown of and changes in the gross value of prepaid tax assets and deferred tax liabilities for the years ending 31 December 2021 and 2020:

(In thousands of euros)	**Provisions**	**Tax losses carried forward**	**Leases**	**Amortisation**	**Other**	**Total prepaid tax assets**
Balance at 31 December 2020	**2,995**	**940**	**165**	**825**	**541**	**5,466**
Provisions (releases) to income statement	13	(833)	(85)	(143)	274	(774)
Change in consolidation scope		1,607			1,353	2,960
Provisions (releases) to statement of other comprehensive income	-	-	-	-	(77)	(77)
Balance at 31 December 2021	**3,008**	**1,714**	**80**	**682**	**2,201**	**7,575**

(In thousands of euros)	**Trademarks**	**Land**	**Others**	**Total deferred tax liabilities**
Balance at 31 December 2020	**11,086**	**464**	**531**	**12,081**
Provisions (releases) to income statement	-	-	91	91
Provisions (releases) to statement of other comprehensive income	-	-	-	-
PPA Allocation	6,925	-	-	6,925
Balance at 31 December 2021	**18,011**	**464**	**622**	**19,097**

Prepaid tax assets and deferred tax liabilities arise from the temporary differences between the value attributed to an asset or liability in the financial statements and the value attributed to that asset or liability for tax purposes.

8.8 Inventories

The following table shows a breakdown of "Inventories" as at 31 December 2021 and 2020:

(In thousands of euros)	**At 31 December**	
	2021	**2020**
Raw materials, supplies, consumables and spare parts	34,353	22,135
Finished products and goods	29,850	20,120
Semi-finished products	2,535	8
Advance payments	26	97
Total gross inventories	**66,764**	**42,360**
Inventory write-down reserve	(2,883)	(1,013)
Total inventories	**63,881**	**41,347**

Inventories are recorded net of the obsolescence reserve, which amounted to Euro 2,883 thousand at 31 December 2021 and related mainly to spare parts for slow-moving equipment. Changes in the inventories write-down reserve during 2021 are shown below:

(In thousands of euros)	**Inventory write-down reserve**
Balance at 31 December 2019	**944**
Change to the consolidation scope	69
Balance at 31 December 2020	**1,013**
Uses/Releases	(45)
Change to the consolidation scope	1,916
Balance at 31 December 2021	**2,883**

8.9 Trade receivables

The following table shows a breakdown of "Trade receivables" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Trade receivables from customers	86,790	89,339
Trade receivables from related parties	19	606
Trade receivables (gross)	86,809	89,945
Provision for doubtful trade receivables	**(19,624)**	**(18,677)**
Total trade receivables	**67,185**	**71,268**

The following table displays the changes in the provision for doubtful trade receivable for the year ended 31 December 2021:

(In thousands of euros)	**Provision for doubtful trade receivables**
Balance at 31 December 2019	**15,420**
Provisions	1,509
Uses	(28)
Change to the consolidation scope	1,776
Balance at 31 December 2020	**18,677**
Provisions	1,201
Uses	(317)
Change to the consolidation scope	63
Balance at 31 December 2021	**19,624**

The net value of overdue trade receivables at 31 December 2021 amounted to Euro 34,368 thousand, a decrease compared with the previous year.

Analysis of the credit risk, including details of the provisioning for doubtful receivables for the individual bands of overdueness, can be found in the section "Management of Financial Risks" above.

Analysis of trade receivables from related parties can be found in the section "Transactions with Related Parties" below.

The book value of trade receivables is deemed to approximate their fair value.

8.10 Current tax assets and liabilities

Current tax assets amounted to Euro 3,324 thousand and Euro 1,888 thousand at 31 December 2021 and 2020, respectively.

Current tax liabilities totalled Euro 3,364 thousand at 31 December 2021 and Euro 3,438 thousand at 31 December 2020.

The changes in the net balances of the assets and liabilities under review for the year ended 31 December 2021 mainly concern the setting aside of current income taxes, amounting to Euro 3,364 thousand, and payments amounting to Euro 3,324 thousand.

8.11 Other receivables and current assets

The following table shows a breakdown of "Other receivables and current assets" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2,021	**2,020**
Tax assets	2,573	6,103
Receivables from social security institutions	3	805
Accrued income and prepaid expenses	3,270	945
Advance payments	1,936	825
Other receivables	3,480	2,324
Total other receivables and current assets	**11,263**	**11,003**

Receivables from social security institutions at 31 December 2021 and 2020 mainly refer to receivables from INAIL, amounting to Euro 3 thousand and Euro 805 thousand respectively.

Advance payments at 31 December 2021 and 2020 refer mainly to sums paid for future supplies in the respective amounts of Euro 1,936 thousand and Euro 825 thousand.

Tax assets as at 31 December 2021 mainly include VAT credits.

8.12 Current financial assets measured at fair value through profit or loss

The following table provides a breakdown of "Current financial assets measured at fair value through profit or loss" at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Derivative financial instruments	20	
Unlisted shares	15	4
Total current financial assets measured at fair value through profit or loss	**35**	**4**

This item includes bonds held for sale.

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8.13 Cash and cash equivalents

The following table shows a breakdown of "Cash and cash equivalents" at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Bank and postal deposits	384,534	181,804
Cash in hand	354	323
Total cash and cash equivalents	**384,888**	**182,127**

Bank and postal deposits refer to cash and cash equivalents deposited mainly in current accounts held with leading banking and financial institutions.

At 31 December 2021, cash and cash equivalents were not subject to restrictions or constraints.

Part of the aforementioned cash and cash equivalents, amounting to Euro 69,351 thousand and Euro 126,552 thousand respectively at 31 December 2020 and 2021, is attributable to the cash pooling of Newlat Food and Newlat GmbH with the parent company Newlat Group S.A.

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

8.14 Shareholders' equity

At 31 December 2021 the item Shareholders' Equity totalled Euro 144,515 thousand.

As reported in the statement of changes in consolidated equity, such changes in the year ended 31 December 2021 related to:

- The recognition of the net profit for the year, in the amount of Euro 5,134 thousand.
- Purchase of treasury shares for Euro 15,759 thousand.
- Actuarial losses of Euro 159 thousand, relating to the discounting of the employee severance indemnity provision.
- Negative translation reserve of Euro 478 thousand.
- Recognition of negative components for Euro 778 thousand related to hedge accounting transactions
- Other changes of Euro 546 thousand.
- Recognition of minority interests for a total amount of Euro 14,477 thousand.

Share capital

As at 31 December 2021, the Company's fully subscribed and paid-up share capital totalled Euro 43,935,050, divided into 43,935,050 ordinary shares that were dematerialised as a result of the IPO operation.

8.15 Provisions for employee benefits

The table below shows a breakdown of and changes in the item "Provisions for employee benefits" for the years 31 December 2021 2020:

(In thousands of euros)	**Employee severance indemnity (Italian companies)**	**Newlat Deutschland Pension Plan**	**Employee benefits**
Balance at 31 December 2020	**14,789**	**622**	**15,411**
Service Cost			-
Financial expenses	39	24	63
Actuarial losses/(gains)	268	-	268
Benefits paid	(1,518)	-	(1,518)
Balance at 31 December 2021	**13,578**	**646**	**14,223**

Provisions for employee benefits represent the estimated obligation, determined on the basis of actuarial techniques, relating to the amount to be paid to employees when their employment with the company ends.

Employee severance indemnity (TFR)

The liability for Newlat's employee severance indemnity, which falls within the IAS 19 definition of defined benefit plans, was determined according to actuarial logic. The following are the main actuarial, financial and demographic assumptions used to determine the value of the liability at 31 December 2021 and 2020, in accordance with the provisions of IAS 19:

	At 31 December	
	2021	**2020**
Financial assumptions		
Discount rate	0.56%	0.34%
Inflation rate	1.75%	1.00%
Annual rate of salary increase	1.75%	1.00%
Demographic assumptions		
Death	SIM/SIF2002 ISTAT table	SIM/SIF2002 ISTAT table
Retirement	Achievement of the first pensionable requirement according to current legislation	Achievement of the first pensionable requirement according to current legislation

The following table summarises the main assumptions relating to the annual turnover rate and requests for specific severance pay advances adopted for the calculation of Newlat's provisions for employee benefits in accordance with the provisions of IAS 19:

	At 31 December	
	2021	**2020**
Annual turnover rate and TFR Advances	**Newlat Food**	**Newlat Food**
Frequency of advances	1.90%	2.00%
Frequency of turnover	1.90%	2.00%

The following table summarises the sensitivity analysis for each actuarial, financial and demographic assumption, showing the effects (in absolute terms) that would have occurred as a result of changes to the reasonably possible actuarial assumptions on 31 December 2021 and 2020:

(In thousands of euros)	Discount rate		Inflation rate		Rate of salary increase		Change in retirement age	
	+0.50 %	**-0.50 %**	**+0.50 %**	**0.50 %**	**+0.50%**	**-0.50%**	**+ 1 year**	**- 1 year**
Employee benefits (severance indemnities) at 31 December 2021	(629)	678	371	(371)	-	-	176	(156)
Employee benefits (severance indemnities) at 31 December 2020	(598)	653	398	(368)	-	-	83	(87)

Newlat Deutschland Pension Plan

The following table summarises the main actuarial and financial assumptions made, in accordance with IAS 19, to determine the value of the liability relating to the Newlat Deutschland staff pension plan at 31 December 2021 and 2020:

	At 31 December	
	2021	**2020**
Discount rate	2.02%	2.02%
Rate of pension increase	1.70%	1.70%

8.16 Provisions for risks and charges

The table below shows a breakdown of and changes in the item "Provisions for risks and charges" for the years 31 December 2021 and 2020:

(In thousands of euros)	Provision for agents' indemnities	Provision for legal risks	Other provisions for risks and charges	Total provisions for risks and charges
Balance at 31 December 2020	**1,236**	**224**	**126**	**1,587**
Provisions	114	466	1	581
Uses	(28)	-	-	(28)
Releases	(110)	-	-	(110)
Balance at 31 December 2021	**1,212**	**690**	**127**	**2,030**

The provision for agents' indemnities, amounting to Euro 1,212 thousand at 31 December 2021, represents a reasonable forecast of the charges that would be borne by the Group in the event of future interruption of agency relationships.

The provision for legal risks relates to the contingent liability following an audit by the Guardia di Finanza for the years 2016 and 2017. The Company's management has prudently decided to set aside a provision representing the maximum potential risk.

8.17 Current and non-current financial liabilities

The following table shows a breakdown of "Current and non-current financial liabilities" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December 2021		At 31 December 2020	
	Current portion	Non-current portion	Current portion	Non-current portion
Payables to Newlat Group SA for cash pooling	40,435		981	
Total financial debt to Newlat Group	**40435**	**-**	**981**	**-**
Deutsche Bank loan agreement	3,000	6,000	3,000	9,000
BPM loan agreement	3,153	6,420	3,115	9,573
BPER loan agreement	1,990	5,062	1,970	7,052
BPER loan agreement	7,500	7,500		
Trade credit facilities	20,309		7,638	
Commerzbank	30,000			
Bond	4,530	198,455		
Other lines of credit	625	4,375	12,000	
Current account overdrafts	13		3	
BANCA CARIGE	-		255	-
UNICREDIT	962	1,929		
UNICREDIT FILIERA	465	3,813	2,772	2,891
ICREA BANCA D'ALBA	400	500	400	1,000
MEDIOCREDITO	447	693	436	1,140
CREDEM	-		378	-
UBI BANCA			191	-
INTESA SANPAOLO			481	-
MONTE PASCHI DI SIENA			-	-
BANCA POPOLARE DI SONDRIO (SWITZERLAND)	251	235	690	485
UNICREDIT CDP	386	3,483	378	3,886
UNICREDIT FILIERA			464	4,280
BANCO BPM	3,013	4,648	2,456	7,661
INVITALIA LOAN ACCOUNT	325	3,135	246	3,359
CARIPARMA	317		504	317
CREDITO COOP CENTROVENETO	42		1,139	42
BANCA CAMBIANO 1884	1,010	766	997	1,777
BNL GRUPPO BNP PARIBAS			-	-
MPS CAPITAL SERVICES BANCA PER LE IMPRESE	1,485	12,302	1,429	13,787
CHIANTI BANCA	403	616	397	1,019
BPER BANCA		5,000	-	-
BANCA PASSADORE	671	340	662	1,011
BANCO DESIO	499	848	491	1,347
MONTE DEI PASCHI DI SIENA	4,049	21,096	4,040	25,145
Other lines of credit			10,959	
payables to other lenders	1,000		4,652	39
Total financial debt to banks and other lenders	**86,845**	**287,216**	**62,140**	**94,811**
Total financial liabilities	**127,280**	**287,216**	**63,121**	**94,811**

Covenant on debt positions

- Unicredit S.p.A. loan on behalf of Cassa Depositi e Prestiti and Unicredit S.p.A. loan pertaining to the supply chain agreement with Centrale del Latte d'Italia S.p.A. and Centrale del Latte di Vicenza S.p.A., both expiring on 31 December 2030 and with a total outstanding debt of Euro 8.1 million at 31 December 2021: net financial debt to net equity ratio of 1.5 or less on 31 December of every year;
- Loan awarded by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte d'Italia S.p.A., grace period expiring on 30 June 2025 and with outstanding debt of Euro 2 million at 31 December 2021: borrower's net financial debt to net equity ratio of 1.5 or less on 31 December of every year;
- Loan awarded by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte d'Italia S.p.A., expiring on 30 June 2025 and with outstanding debt of Euro 0.7 million at 31 December 2021: borrower's net financial debt to net equity ratio of 1.25 or less on 31 December of every year;
- Contract awarded by Mediocredito to Centrale del Latte d'Italia S.p.A., expiring on 28 June 2024 and with outstanding debt of Euro 1.140 million at 31 December 2021: net financial debt to net equity ratio of 1.5 or less on 31 December of every year;
- Loan agreement entered into by Centrale del Latte d'Italia S.p.A. (the "Company") with the financial institutions MPS Capital Services Banca per le Imprese S.p.A. and Deutsche Bank S.p.A. on 7 July 2020 for Euro 31,500 thousand. At 31 December of each year, the ratio of net financial position to EBITDA must be less than 4. Residual debt as at 31 December 2021 amounting to Euro 25.415 million.
- Bond: the Issuer will make sure that none of its Subsidiaries will incur any additional Indebtedness (other than Permitted Indebtedness) provided however that commencing with the Relevant Period ending 30 June 2021 each of the Issuer and any of its Subsidiaries may incur Additional Indebtedness if, as at the date of such event, the following requirements (each an "Indebtedness Requirement") are satisfied:
    - (i) The Consolidated Leverage Ratio is equal to or less than 3:1, and (2) the Equity Ratio is equal to or less than 1.5:1, in each case as set out in the previous reporting period Certificate.
    - (ii) To the extent that the Issuer or one of its Subsidiaries has completed in a Relevant Period the acquisition of a company or business with an Enterprise Value of at least Euro 100,000,000 (the "Relevant Acquisition"), (1) the Consolidated Net Leverage Ratio is equal to or less than 4:1 and (2) the Equity Ratio is equal to or less than 2:1, in each case as set out in the Certificate of Compliance relating to the immediately preceding Relevant Period, such ratio to apply until the end of the second Relevant Period following the Relevant Acquisition.

  Notwithstanding the foregoing, after an Activated Indebtedness has occurred, as resulting from the Compliance Certificate delivered on a Reporting Date, the Issuer may give notice that such Activated Indebtedness is resolved by delivering on an Interim Reporting Date an Interim Compliance Certificate pursuant to Condition 4(b) (Compliance Certificate) below. Upon delivery of such Interim Compliance Certificate, the Leverage Requirement shall be deemed to be satisfied for the purposes of this Condition 4(a).

At 31 December 2021 the parameters indicated above were met.

The following table shows the net financial position, in the format as per the Consob Communication:

(In thousands of euros)	At 31 December	
Net financial debt	**2021**	**2020**
A. Cash	354.00	323.00
B. Other cash and cash equivalents	384,534	181,804
C. Other current financial assets	35	4
D. Cash and cash equivalents (A)+(B)+(C)	**384,923**	**182,131**
E. Current financial payables	(104,642)	(42,546)
F. Current portion of non-current financial debt	(30,525)	(27,145)
G. Current financial indebtedness (E)+(F)	**(135,167)**	**(69,691)**
H. Net current financial indebtedness (G)+(D)	**249,756**	**112,440**
I. Non-current financial debt	(119,937)	(107,247)
J. Debt instruments	(198,455)	-
K. Trade and other non-current payables	-	-
L. Non-current financial indebtedness (I)+(J)+(K)	**(318,392)**	**(107,247)**
M. Net financial indebtedness (H)+(L)	**(68,635)**	**5,193**

Without considering the effects of IFRS 16, the net financial position would be determined as follows:

(In thousands of euros)	At 31 December	
	2021	2020
Net financial debt	**(68,636)**	**5,194**
Current lease liabilities	7,887	6,570
Non-current lease liabilities	31,175	38,136
Net Financial Position	**(29,573)**	**49,899**

Below is a description of the main items that make up the Group's financial liabilities at 31 December 2021:

Lender	Conditions	Amount loaned	Amount disbursed	Outstanding debt	Expiry	Guarantees given to subsidiaries
Deutsche Bank loan agreement	Rate: 3-month Euribor + 1.1% spread	15,000	15,000	9,000	28/11/2024	---
BPM loan agreement	Rate: 3-month Euribor + 1.5% spread	15,000	15,000	9,573	31/12/2024	---
BPER loan agreement	Rate: 3-month Euribor + 1.0% spread	10,000	10,000	7,052	18/07/2020	---
BPER loan agreement	Rate: 3-month Euribor + 1.0% spread	15,000	15,000	15,000	27/02/2023	
Credit Agricole Cariparma	Rate: 3-month Euribor + 0.85	1,500	1,500	190	29/05/2022	---
Unicredit Banca d'Impresa S.p.A.	Rate: 1%	1,500	1,500	191	31/05/2022	---
Credit Agricole Cariparma	Rate: 3-month Euribor + 1%	500	500	127	12/10/2022	---
Banco BPM S.p.A.	Rate: 3-month Euribor + 1%	3,000	3,000	868	31/12/2022	---
Banca Passadore S.p.A.	Rate: 3-month Euribor + 1.5%	2,000	2,000	1,011	01/01/2023	---
Banco BPM S.p.A.	Rate: 3-month Euribor + 2.1%	3,500	3,500	1,340	30/06/2023	---
Banca di Credito Cooperativo di Cambiano S.c.p.a.	Rate: 3-month Euribor + 1.35%	4,000	4,000	1,777	01/07/2023	---
Banca Popolare di Sondrio S.c.p.a.	Rate: 1-month Euribor + 1.10%	1,000	1,000	485	10/11/2023	---
Chianti Banca Credito Cooperativo s.c.	Rate: 6-month Euribor + 1.50%	2,000	2,000	1,019	10/02/2024	---
ICREA Banca D'Alba	Rate: 3-month Euribor + 1.5%	2,000	2,000	900	31/03/2024	---
Banco Desio	Rate: 1.50%	2,000	2,000	1,347	18/08/2024	
Unicredit S.p.A.	Rate: 6-month Euribor + 1.80%	10,000	10,000	2,000	30/06/2025	Euro 20 million mortgage on owned property in Vicenza
Unicredit S.p.A.	Rate: 6-month Euribor + 2.75%	3,000	3,000	700	30/06/2025	Euro 20 million mortgage on owned property in Vicenza
MPS Capital Services Banca per le Imprese	Rate: 6-month Euribor +	28,300	28,300	13,787	03/07/2028	Euro 60 million

S.p.A.	1.75%					mortgage on owned property in Florence and Euro 28.3 million special lien on facilities
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti	Rate: 0.50% - discounted rate 2.95%	1,095	1,095	2,042	31/12/2030	Mortgage on owned property in Turin
Unicredit S.p.A.	Rate: 2.95%	1,095	1,095	2,229	31/12/2030	Mortgage on owned property in Turin
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti	Rate: 0.50% - discounted rate 2.95%	2,400	363	1,826	31/12/2030	Mortgage on owned property in Vicenza
Unicredit S.p.A.	Rate: 2.95%	2,400	363	2,051	31/12/2030	Mortgage on owned property in Vicenza
Invitalia S.p.A.	Rate: 0.124%	7,453	1,242	3,462	30/06/2031	Mortgage on owned properties in Turin, Casteggio and Rapallo
Mediocredito	Rate: 2.60%	2,000	2,000	1,140	28/06/2024	---
Banco BPM	Rate: 3-month Euribor + 1.2%	1,500	1,500	695	30/06/2024	---
Banca del Centro veneto Cred. Coop s.c.	Rate: 6-month Euribor + 1.40%	1,000	1,000	42	22/01/2022	Centrale del Latte d'Italia third-party general guarantee
Monte dei Paschi di Siena (POOL)	Rate: 6-month Euribor + 1.75%	31,500	31,500	25,145	30/06/2026	Current account pledge
Banco BPM S.p.A.	Rate: 1.20%	5,000	5,000	4,757	01/07/2026	Unsecured loan
Bper Banca			5,000	5,000	31/12/2026	SACE guarantee
Bond	Rate: 2.650%	200,000	200,000	202,985	01-Feb-27	SACE guarantee
Account overdrafts				11		
Other lines of credit				35,000		
Advances on invoices				20,309		
Payables to other financial backers				41,435		

The following table shows, in accordance with IAS 7, changes in financial liabilities arising from cash flows generated and/or absorbed by financing activities, as well as from non-monetary items:

(In thousands of euros)	At 31 December 2020	Change in consolidation scope	New loans	Repayments	Reclassifications	At 31 December 2021
Non-current financial liabilities	94,811	-	202,986	(16,259)	5,678	287,216
Current financial liabilities	63,121	-	75,062	(5,225)	(5,678)	127,280
Total financial liabilities	**157,932**	**-**	**278,048**	**(21,484)**	**-**	**414,496**

8.18 Trade payables

The following table shows a breakdown of "Trade payables" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Trade payables to suppliers	178,861	151,175
Trade payables to related parties	163	213
Total trade payables	**179,024**	**151,388**

This item mainly includes payables relating to the Group's normal production activities.

Analysis of trade payables to related parties can be found in the section "Transactions with Related Parties" of the Consolidated Financial Statements.

The book value of trade payables is deemed to approximate their fair value.

8.19 Other current liabilities

The following table shows a breakdown of "Other current liabilities" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Payables to employees	9,263	10,181
Payables to social security institutions	3,606	3,837
Payables for acquisitions of business units		600
Tax liabilities	2,200	1,575
Accrued expenses and deferred income	2,407	2,934
Miscellaneous payables	1,419	1,073
Total other current liabilities	**19,087**	**20,200**

Payables to employees relate mainly to salaries to be settled and deferred charges such as holidays, leave and additional monthly payments.

Payables to social security institutions mainly refer to liabilities with the INPS and other social security institutions for the payment of contributions.

Tax payables at 31 December 2021 mainly include payables to the Treasury for withholding taxes, amounting to Euro 2,200 thousand.

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9. NOTES TO THE CONSOLIDATED INCOME STATEMENT

9.1 Revenue from contracts with customers

The following table displays a breakdown of "Revenue from Contracts with Customers" by operating segment:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Pasta	150,137	148,587
Milk products	230,004	198,975
Bakery Products	39,467	39,076
Dairy Products	40,026	33,693
Special Products	34,787	34,005
Instant noodles	13,413	-
Other assets	48,030	15,490
Total revenue from contracts with customers	**555,863**	**469,826**

The following table displays a breakdown of "Revenue from Contracts with Customers" by distribution channel:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Mass Distribution	358,731	305,066
B2B partners	50,489	50,619
Normal trade	71,296	61,035
Private labels	63,048	40,833
Food services	12,299	12,273
Total revenue from contracts with customers	**555,863**	**469,826**

The following table displays "Revenue from Contracts with Customers" by geographical area:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Italy	330,419	303,719
Germany	107,300	103,188
United Kingdom	51,108	6,396
Other countries	67,036	56,523
Total revenue from contracts with customers	**555,863**	**469,826**

Revenue from contracts with customers for the year ended 31 December 2021 is almost exclusively related to the sale of goods. Revenues associated with such sales of goods are recognised when control of the asset is transferred to the customer.

The increase in revenues was mainly due to the acquisition of Symington's and the inclusion in the scope of consolidation of Centrale del Latte d'Italia SpA from 1 January compared to only 9 months in 2020. For more a more detailed analysis of the trend in revenues compared to 31 December 2021 see the report on operations.

In the year just ended, the Group had consolidated revenues of Euro 555,863 thousand, up 18% compared with Euro 469,826 thousand recorded in the same period of the previous year. This result was due mainly to the change in the scope of consolidation.

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9.2 Operating costs

The following table provides details of operating costs broken down by purpose for the years ending 31 December 2021 and 2020:

(In thousands of euros)	**Year ended 31 December**	
	2021	**2020**
Cost of sales	440,414	370,188
Sales and distribution costs	74,137	54,372
Administrative costs	22,460	22,725
Total operating costs	**537,010**	**447,286**

The table below shows details of the same operating costs broken down according to their nature:

(In thousands of euros)	**Year ended 31 December**	
	2021	**2020**
Purchase and consumption of raw materials and finished goods	276,151	226,509
Personnel costs	82,090	70,664
Packaging	42,024	32,898
Transport	28,108	23,423
Utilities	17,832	19,292
Amortisation, depreciation and write-downs	27,465	19,883
Sales commissions	16,433	16,163
Porterage and logistics	7,501	6,792
Surveillance and cleaning	3,837	5,351
Maintenance and repair	10,211	6,335
Royalties payable	1,923	2,052
Cost for use of third-party assets	4,115	4,705
Advertising and promotions	7,639	2,547
Consultancy and professional services	2,135	2,885
Insurance	1,361	1,220
Laboratory analysis and testing	1,584	1,090
Production plant services	359	428
Remuneration of the chairman and directors	995	444
External auditor's fees	371	314
Statutory auditors' fees	81	19
Other minor operating costs	4,795	4,272
Total operating costs	**537,010**	**447,286**

Operating costs for the year ended 31 December 2021 increased as a result of the acquisition of Symington's and the inclusion of Centrale del Latte d'Italia SpA in the Newlat scope of consolidation as at 1 January. For more a more detailed analysis see the report on operations.

9.3 Net write-downs of financial assets

The item "Net write-downs of financial assets", amounting to Euro 1,201 thousand for the year ended 31 December 2021, refers to the write-down of overdue trade receivables. A breakdown of changes to the provision for bad debts for the years ended 31 December 2021 and 2020 can be found in Note 8.9 above, "Trade receivables" of the Consolidated Financial Statements.

9.4 Other revenues and income

The following table provides a breakdown of "Other revenues and income":

(In thousands of euros)	Year ended 31 December	
	2020	**2020**
Repayments and compensation	3,788	3,230
Advertising revenues and promotional contributions	-	88
Tax credit for research and development activities	362	200
Leases receivable	60	215
Other revenues from the Ozzano plant	1,063	961
Capital gains from disposals	-	2
Other	2,567	3,361
Total other revenue and income	**7,840**	**8,057**

9.5 Income from business combinations

This item equal to Euro 24,865 thousand represented the fair value measurement of the assets and liabilities of Centrale del Latte d'Italia SpA, whose control was acquired on 1 April 2020.

9.6 Other operating costs

The following table shows a breakdown of "Other operating costs":

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Stamps, duties and local taxes	1,873	2,187
Corporate canteen	140	239
Repayments and compensation	447	1
Benefits and membership fees	61	43
Losses	-	1
Other	5,902	2,765
Total other operating costs	**8,437**	**5,236**

9.7 Financial income and expenses

The following table provides a breakdown of "Financial income":

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Interest income from cash pooling	-	156
Net foreign exchange gains	855	106
Other financial income	302	275
Total financial income	**1,157**	**536**

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The following table provides a breakdown of "Financial expenses":

(In thousands of euros)	**Year ended 31 December**	
	2021	**2020**
Interest on loans	2,112	2,689
Interest expense on lease liabilities	435	354
Interest expense and charges to Newlat Group		3
Fees and commissions	401	306
Net foreign exchange losses	562	374
Net interest expense on provisions for employee benefits	38	79
Other financial expenses	347	46
Bond interest	4,763	-
Total financial expenses	**8,658**	**3,851**

9.8 Income taxes

The following table provides a breakdown of "Income taxes":

(In thousands of euros)	**Year ended 31 December**	
	2021	**2020**
Current taxes	2,857	4,669
Prior-year taxes	63	185
Provision for litigation	469	
Current taxes to equity		295
Total current taxes	**3,499**	**5,149**
Decrease (increase) in prepaid taxes	774	1,385
Increase (decrease) in deferred taxes	292	228
Change in consolidation scope	(1,138)	
Total deferred taxes	**(72)**	**1,613**
Total income taxes	**3,316**	**6,761**

The provision for litigation relates to the contingent liability following an audit by the Guardia di Finanza for the years 2016 and 2017. The Company's management has prudently decided to set aside a provision representing the maximum potential risk.

The following table displays a reconciliation of the theoretical tax rate with the effective impact on the pre-tax result:

(In thousands of euros)	**Year ended 31 December**	
	2021	**2020**
Profit/(loss) before taxes	**9,555**	**45,404**
Theoretical rate	27.9%	27.9%
Theoretical tax charge	**2,666**	**12,668**
Adjustments		
Non-recurring income from business combinations	-	(6,937)
Prior-year taxes	63	185
Tax incentives		200
Provision for disputed taxes	469	
Other	118	645
Income taxes	**3,316**	**6,761**

9.9 Net profit/(loss) per share

The table below shows the net profit/loss per share, calculated as the ratio of net income to the weighted average number of ordinary shares in circulation during the period.

	At 31 December	
	2021	**2020**
Profit for the year attributable to the Group in thousands of euros	5,133	37,556
Weighted average number of shares in circulation	41,292,222	40,598,782
Earnings per share (in Euro)	**0.12**	**0.93**

The diluted earnings per share is the same as the basic earnings per share because there are no financial instruments with potential dilutive effects.

TRANSACTIONS WITH RELATED PARTIES

The Group'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 were 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 Group deals with the following related parties:

- Newlat Group, a direct parent company; and
- Companies controlled by the direct parent or indirect parent companies 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 Group's transactions with related parties at 31 December 2021 and 2020:

(In thousands of euros)	**Parent company**	**Companies controlled by the parent companies**				
	Newlat Group	**New Property**	**Other companies controlled by the parent companies**	**Total**	**Total statement of financial position items**	**% of statement of financial position item**
Right-of-use assets						
At 31 December 2021		3,948		3,948	38,572	10.2%
At 31 December 2020		6,708		6,708	18,452	36.4%
Non-current financial assets at amortised cost						
At 31 December 2021		735		735	801	91.7%
At 31 December 2020		735		735	801	91.7%
Trade receivables						
At 31 December 2021			19	19	67,184	0.0%
At 31 December 2020		587	19	606	71,268	0.9%
Cash and cash equivalents						
At 31 December 2021	126,552			126,552	384,888	32.2%
At 31 December 2020	69,351			69,351	182,127	38.1%
Non-current lease liabilities						
At 31 December 2021		1,261		1,261	31,175	4.0%
At 31 December 2020		4,144		4,144	12,436	33.3%
Trade payables						
At 31 December 2021	105		58	163	179,024	0.1%
At 31 December 2020	105		108	213	151,388	0.1%
Current financial liabilities						
At 31 December 2021	40,435			40,435	127,280	31.8%
At 31 December 2020	981			981	63,121	1.6%
Current lease liabilities						
At 31 December 2021		2,881		2,881	7,887	36.5%
At 31 December 2020		2,812		2,812	6,570	42.8%
Other current liabilities						
At 31 December 2021		411		411	19,087	2.2%

The following table provides a breakdown of the income statement items relating to the Group's transactions with related parties for the years ended 31 December 2021 and 2020:

(In thousands of euros)	Parent company	Companies controlled by the parent companies		Total	Total statement of financial position items	% of statement of financial position item
	Newlat Group	New Property	Other companies controlled by the parent companies			
Cost of sales						
At 31 December 2021		2,760	292	3,052	440,414	0.7%
At 31 December 2020	-	3,303	278	3,581	370,189	1.0%
Administrative costs						
At 31 December 2021	268			268	22,460	1.2%
At 31 December 2020	180	-	-	180	22,724	0.8%
Financial income						
At 31 December 2021	-			-	1,157	0.0%
At 31 December 2020	134	-	-	134	536	25.0%
Financial expenses						
At 31 December 2021	-	133		133	8,658	1.5%
At 31 December 2020	3	201	-	204	3,851	5.3%

Transactions with parent company Newlat Group

Cash and cash equivalents, amounting to Euro 126,552 thousand and Euro 69,351 thousand respectively at 31 December 2021 and 2020, as well as financial liabilities for Euro 39,595 thousand and Euro 981 thousand are attributable to the cash pooling relationships with the parent company. The administrative expenses as at 31 December 2021 are attributable to operating expenses incurred by Newlat Food SpA for Euro 268 thousand for service contracts and fees for the cost sharing agreements.

Transactions with companies controlled by the parent companies

The following are the companies controlled by the parent companies with which the Group has conducted transactions during the periods under review:

- New Property S.p.A., a real estate company to which lease royalties are paid;
- Other companies controlled by the parent companies, such as Newservice S.r.l., Latterie Riunite Piana del Sele S.r.l. and Piana del Sele Latteria Sociale S.p.A.

New Property S.p.A.

At 31 December 2021, Euro 3,948 thousand of right-of-use assets and Euro 2,881 thousand and Euro 1,261 thousand respectively of current and non-current lease liabilities relate to the real estate spun off to New Property S.p.A. of 2017 and subsequently leased to Newlat. The recognition of these contracts according to IFRS 16 led to the recognition of depreciation, recorded in the cost of sales, of Euro 2,760 thousand, and financial charges of Euro 133 thousand for the year ended 31 December 2021.

10. COMMITMENTS AND GUARANTEES

The guarantees given to the Group by Newlat Group S.A. amounted to Euro 47,900 thousand at 31 December 2021 and refer, in the amount of Euro 32,400 thousand, to a surety provided in relation to payables to banks for available lines of credit. The remaining amount, totalling Euro 15,500 thousand at 31 December 2021, refers to letters of sponsorship in favour of Newlat Deutschland in relation to transactions with UniCredit.

11. OTHER INFORMATION

11.1 Remuneration of Directors and Statutory Auditors

The fees payable to Directors and Statutory Auditors amounted to Euro 995 thousand and Euro 81 thousand respectively in the year ended 31 December 2021. Remuneration to directors with strategic responsibilities amounted to Euro 484.

11.2 External Auditor's fees

The independent auditors' fees for activities carried out in 2021 totalled Euro 370 thousand.

11.3 Research and Development

R&D within the Group is focused on the ability to develop innovative products, occasionally evocative of local traditions in the relevant markets.

Research and development costs incurred during the three-year period under review have been instrumental in pursuing the Group's production and commercial strategies, aimed at making product ranges more innovative and strengthening its position in the market.

Research and development expenses totalled Euro 6,986 thousand for the year ended 31 December 2021, corresponding to 1.53 % of revenues from contracts with Group customers, fully expensed in the income statement.

It should be noted that, for 2020, the Company intends to avail itself of the research and development tax credit provided for in article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in the manner specified in the said legislation.

Outlook

Right from the beginning of the pandemic, the Group has shown that it is ready to deal with this situation, offering suitable product and service responses to the various demands that have arisen, particularly after the various stages of this experience.

The same thing applies to activities performed in line with Group guidelines. These are less commercial and logistical and more operations-oriented, such as strengthening liquidity and carefully managing trade receivables and operating costs, making sure in all cases to prioritise customer and employee satisfaction.

All this has enabled the Group, as we can see by the results, to deliver better margins and create more value for its shareholders.

At the date of approval of the following report, a conflict has started in Europe involving Russia and Ukraine. 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 prices in the raw materials, primary and secondary packaging, transport and energy sectors is affecting the Group's commercial policies, which has redefined the sales conditions with its main customers.

In view of the above, the Group is unable to predict the extent to which these events might affect the outlook for the Company for 2022, 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 Group 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 Group's solid financial structure as described below:

- the considerable level of cash reserves available at 31 December 2021;
- the presence of authorised and unused lines of credit at 31 December 2021 from the Newlat Group to the majority shareholder Newlat Group S.A.;
- the continual support given by the leading banks to the Newlat Group, partly because of its market-leading status.

Note that the Group's economic and financial performance in 2021 was higher than budgeted. It should also be noted that the cash and cash equivalents at 31 December 2021, amounting to Euro 393 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 Group's operations.

Events after the reporting date

There are no further significant events subsequent to the closing date of this annual report.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 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 Chair of the Board of Directors, and Rocco Sergi, as Financial Reporting Officer, of Newlat Food Group, 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 consolidated financial statements during the 2021 financial year.

It is furthermore declared that the consolidated financial statements at 31 December 2021:

a) were prepared in compliance with the applicable international accounting standards adopted by the European Community, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;

b) correspond with the accounting books and records;

c) provide a true and correct representation of the asset, economic and financial situation of the issuer and of the companies included in the consolidation.

The management report includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the key risks and uncertainties they are exposed to.

Reggio Emilia, 18 March 2022

Chair of the Board of Directors	Financial Reporting Officer
Angelo Mastrolia	Rocco Sergi

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537/2014

To the Shareholders of Newlat Food SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Newlat Food SpA (hereinafter also the "Company") and its subsidiaries (hereinafter, "Newlat Group" or the "Group"), which comprise the consolidated statement of financial position as of 31 December 2021, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of Newlat Food SpA give a true and fair view of the financial position of Newlat Group as of 31 December 2021 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of this report. We are independent of Newlat Food SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*Auditing procedures performed in response to key audit matters*
Indefinite-lived intangible assets and impairment testing process *(See notes 2.3 – "Accounting standards and measurement criteria" and 8.3 - "Intangible assets – Trademarks with an indefinite useful life" to the consolidated financial statements as of 31 December 2021)*	
Indefinite-lived intangible assets relating to the "Drei Glocken" and "Birkel" brands of the German subsidiary Newlat GmbH and to the "Mukki", "Centrale del Latte di Vicenza", "Centrale del Latte di Rapallo - Latte Tigullio" and "Tappo Rosso" brands of the subsidiary Centrale del Latte d'Italia SpA, recognised in the consolidated financial statements of Newlat Group as of 31 December 2021 for around Euro 18.9 million and around Euro 25.9 million, respectively, are tested annually for impairment, as required by IAS 36. Estimating the recoverable amounts of assets being tested for impairment, determined using the value in use method, requires the Directors of Newlat Group to develop estimates that by nature contain significant elements of judgement in relation to the following: - the identification of the cash generating units ("CGUs") to which an asset and/or asset group is to be allocated; - the definition of the assumptions underlying the estimation of future cash flows from the CGUs identified, discounted to 31 December 2021, for the purpose of determining the recoverable amount of those assets. We considered this a key audit matter in consideration of the importance of those items and the materiality of the carrying amounts of indefinite-lived intangible assets in the consolidated financial statements as of 31 December 2021.	The process of identification and measurement of the recoverable amounts of indefinite-lived intangible assets, preliminary to the identification of possible impairment losses, requires in-depth knowledge of the relevant markets and specialist skills. In performing our audit procedures on this financial statements area, we also used the support of business valuation experts from the PwC network. We obtained an understanding of the evaluations and criteria used by the Directors to identify the CGUs to which the indefinite-lived intangible assets have been allocated. We verified, on a test basis, the accuracy and reasonableness of the projections used to determine the future cash flows of the CGUs identified. We assessed the reasonableness of the assumptions underlying the calculation of the recoverable amounts of indefinite-lived intangible assets recognised in the consolidated financial statements, also through specific sensitivity analyses performed independently on the key parameters used in the impairment test, namely the discount rate applied to the estimated future cash flows and the perpetual growth rate "g". Finally, we verified the disclosures provided on those assets in the explanatory notes to the consolidated financial statements.

Accounting treatment of the acquisition of control of Symington's Ltd

(See note 1.1 – "General information and significant transactions carried out in 2021 – Symington Group's acquisition" to the consolidated financial statements as of 31 December 2021)

On 4 August 2021, Newlat Food SpA acquired control of UK-based Symington's Ltd and its subsidiaries.

As required by IFRS 3 (revised) – "Business combinations", in the consolidated financial statements of Newlat Food SpA as of 31 December 2021 the transaction was accounted for under the acquisition method. The Company, with reference to the acquisition date, (provisionally) determined the fair values of the purchase price paid, the identifiable assets acquired and the liabilities and contingent liabilities assumed, and identified a positive difference of approximately Euro 40.3 million, which was allocated to intangible assets with finite lives for a total of around Euro 37.5 million, with the related deferred tax liabilities, and for the remainder to goodwill.

To determine the above-mentioned fair values, the Company, also with the support of an external UK advisor, used valuation processes and methods that are intrinsically characterised by a high degree of subjectivity.

In consideration of the subjectivity that characterises the process of determining the fair values of the assets acquired and liabilities assumed, and in consideration of the materiality of intangible assets with finite lives recognised in the consolidated financial statements as of 31 December 2021, we considered this area a key audit matter.

Our audit approach to the recognition of this extraordinary transaction consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the Company to determine the fair value of the net assets acquired.

The process of identifying the assets, liabilities and contingent liabilities and measuring the fair value of the net assets of the Symington's Group acquired requires in-depth knowledge of the relevant markets and specialist skills. In performing our audit procedures on the recognition of the acquisition, we used the support of business valuation experts from the PwC network.

We obtained an understanding of the evaluations and criteria used by the Directors to determine the fair value of the net assets of the Symington's Group acquired.

We assessed the reasonableness of the key assumptions underlying the calculation of the fair value of the net assets acquired and the projections used to determine the future cash flows.

Finally, we verified the accuracy and completeness of disclosures provided in the explanatory notes to the consolidated financial statements on those net intangible assets.

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Other matters

The Company, as required by law, has included in the explanatory notes to the consolidated financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the consolidated financial statements of Newlat Food SpA does not extend to those figures.

Responsibilities of the Directors and those charged with governance ("Collegio Sindacale") for the consolidated financial statements

The Directors of Newlat Food SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the parent company Newlat Food SpA or to cease operations, or have no realistic alternative but to do so.

Those charged with governance *("Collegio Sindacale")* of Newlat Food SpA are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italy) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italy), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italy, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) no. 537/2014

The shareholders of Newlat Food SpA, in general meeting on 8 July 2019, engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) no. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

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We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The Directors of Newlat Food SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italy) no. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with article 14, paragraph 2, letter e) of Legislative Decree no. 39/2010 and article 123-bis, paragraph 4, of Legislative Decree no. 58/1998

The Directors of Newlat Food SpA are responsible for preparing a report on operations (jointly prepared for both separate and consolidated financial statements) and a report on corporate governance and ownership structure as of 31 December 2021, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italy) no. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/1998 with the consolidated financial statements of Newlat Food SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Newlat Group as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

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Statement in accordance with article 4 of CONSOB's Regulation implementing Legislative Decree no. 254 of 30 December 2016

The Directors of Newlat Food SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree no. 254 of 30 December 2016.

We have verified that the Directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree no. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Bologna, 31 March 2022

PricewaterhouseCoopers SpA

signed by

Gianni Bendandi
(Partner)

This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian is authoritative. References in this report to the consolidated financial statements refer to the consolidated financial statements in the Italian original and not to any translation thereof.

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

SEPARATE STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December	
		2021	2020
Non-current assets			
Property, plant and equipment	8.1	24,004,976	27,233,984
Right-of-use assets	8.2	7,713,708	14,316,808
of which from related parties		*2,964,000*	*6,708,184*
Intangible assets	8.3	4,992,992	5,555,126
Equity investments in subsidiaries	8.4	158,192,025	93,665,498
Non-current financial assets measured at fair value through profit or loss	8.5	31,746	42,075
Financial assets measured at amortised cost	8.6	618,104	801,325
of which from related parties		*552,000*	*735,000*
Deferred tax assets	8.7	3,518,246	3,940,110
Total non-current assets		**199,071,798**	**145,554,926**
Current assets			
Inventories	8.8	20,737,505	27,126,027
Trade receivables	8.9	57,223,671	53,452,738
of which from related parties		*19,060,235*	*4,095,585*
Current tax assets	8.10	3,008,076	703,107
Other receivables and current assets	8.11	3,138,940	3,782,094
of which from related parties		*124,348*	
Current financial assets measured at fair value through profit or loss	8.12	4,240	4,240
Cash and cash equivalents	8.13	318,854,380	100,324,191
of which from related parties		*116,018,584*	*21,428,029*
Total current assets		**402,966,811**	**185,392,397**
TOTAL ASSETS		**602,038,609**	**330,947,324**
Shareholders' equity			
Share capital		43,935,050	43,935,050
Reserves		95,822,604	104,279,104
Net profit/(loss)		860,156	7,254,348
Total shareholders' equity attributable	8.14	**140,617,810**	**155,468,502**
Non-current liabilities			
Provisions for employee benefits	8.15	6,092,874	10,058,831
Provisions for risks and charges	8.16	846,480	1,460,882
Non-current financial liabilities	8.17	223,437,672	25,625,013
Non-current lease liabilities	8.2	4,550,759	10,479,739
of which from related parties		*954,000*	*4,144,343*
Total non-current liabilities		**234,927,784**	**47,624,465**
Current liabilities			
Trade payables	8.18	71,624,270	86,109,629
of which from related parties		*883,418*	*2,923,916*
Current financial liabilities	8.17	135,182,447	22,021,041
of which from related parties		*64,687,456*	*6,267,280*
Current lease liabilities	8.2	2,834,796	4,438,890
of which from related parties		*2,156,000*	*2,811,890*
Current tax liabilities	8.10	1,590,031	2,469,802
Other current liabilities	8.19	15,261,472	12,814,996
of which from related parties		*6,293,246*	
Total current liabilities		**226,493,015**	**127,854,358**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**602,038,609**	**330,947,324**

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SEPARATE INCOME STATEMENT

(In euros)	Notes	At 31 December	
		2021	**2020**
Revenue from contracts with customers	9.1	157,079,788	265,608,451
of which from related parties		*20,191,425*	*16,467,088*
Cost of sales	9.2	(134,509,452)	(218,355,965)
of which from related parties		*(5,767,832)*	*(6,665,557)*
Gross operating profit/(loss)		**22,570,336**	**47,252,486**
Sales and distribution costs	9.2	(13,125,333)	(24,039,900)
Administrative costs	9.2	(8,384,321)	(12,623,177)
of which from related parties		*(180,000)*	*(180,000)*
Net write-downs of financial assets	9.3	(446,906)	(976,965)
Other revenues and income	9.4	13,108,624	6,507,469
of which from related parties		*6,777,000*	
Other operating costs	9.5	(6,546,288)	(3,244,848)
Operating profit/(loss)		**7,176,114**	**12,875,065**
Financial income	9.6	1,024,357	192,349
of which from related parties		*52,000*	*192,349*
Financial expenses	9.6	(6,189,483)	(1,960,841)
of which from related parties		*(101,000)*	*(205,345)*
Profit/(loss) before taxes		**2,010,987**	**11,106,573**
Income taxes	9.7	(1,150,832)	(3,853,396)
Net profit/(loss)		**860,155**	**7,253,178**
Basic net profit/(loss) per share	9.8	0.02	0.63
Diluted net profit/(loss) per share	9.8	0.02	0.63

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

(In euros)	Notes	At 31 December	
		2021	**2020**
Net profit/(loss) (A)		**860,155**	**7,253,178**
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:			
Actuarial gains/(losses)	8.13	(297,000)	(642,350)
Tax effect on actuarial gains/(losses)	8.13	82,875	176,885
Currency translation		-	
Total other components of comprehensive income that will not be subsequently reclassified to the income statement		**(214,125)**	**(465,465)**
Total other components of comprehensive income, net of tax effect (B)		**(214,125)**	**(465,465)**
Total comprehensive net profit/(loss) (A)+(B)		**646,030**	**6,787,713**

SEPARATE STATEMENT OF CHANGES IN EQUITY

(In euros)	Notes	Share capital	Reserves	Net profit/(loss)	Total net equity
At 31 December 2019		**40,780,482**	**86,037,456**	**7,474,719**	**134,292,657**
Allocation of net profit/(loss) for the previous year			**7,474,719**	**(7,474,719)**	**-**
Acquisition of Centrale del Latte d'Italia SpA		2,220,568	9,101,000		11,321,568
Acquisition of minority stakes in Centrale del Latte d'Italia S.p.A.		934,000	3,617,599		4,551,599
Capital increase costs			(564,286)		**(564,286)**
Total capital increase	**8.13**	**3,154,568**	**12,154,313**	**-**	**15,308,881**
Treasury shares			(921,920)		(921,920)
Total treasury shares	**8.13**		**(921,920)**		**(921,920)**
Net profit/(loss)				7,254,348	7,254,348
Actuarial gains/(losses) net of the related tax effect			(465,465)		(465,465)
Total comprehensive net profit/(loss) for the year	**8.13**		**(465,465)**	**7,254,348**	**6,788,883**
At 31 December 2020		**43,935,050**	**104,279,104**	**7,254,348**	**155,468,502**
Allocation of net profit/(loss) for the previous year			**7,254,348**	**(7,254,348)**	-
					-
Treasury shares			(15,759,634)		(15,759,634)
Total treasury shares	**8.13**		**(15,759,634)**		**(15,759,634)**
Net profit/(loss)				860,155	860,155
Actuarial gains/(losses) net of the related tax effect			(214,125)		(214,125)
Other changes			262,912		262,912
At 31 December 2021	**8.13**	**43,935,050**	**95,822,605**	**860,155**	**140,617,810**

SEPARATE STATEMENT OF CASH FLOWS

(In euros)	Notes	At 31 December	
		2021	2020
Profit/(loss) before taxes		2,010,987	11,107,743
- Adjustments for:			
Amortisation, depreciation and write-downs	8.1-8.2-8.3	9,198,906	11,783,414
Capital losses/(gains) on disposal	8.23-8.24	-	(5,000)
Financial expense/(income)	8.25	5,165,127	1,767,492
of which from related parties		*(101,000)*	*(12,997)*
Other non-monetary changes	8.7-8.8-8.15-8.16	-	(15,000)
Cash flow generated /(absorbed) by operating activities before changes in net working capital		**16,375,019**	**24,638,650**
Change in inventory	8.8	6,388,522	(4,497,369)
Change in trade receivables	8.9	(4,217,838)	(2,094,470)
Change in trade payables	8.18	(14,485,359)	16,532,911
Change in other assets and liabilities	8.5-8.10-8.17-8.19	(1,444,390)	(774,720)
Use of provisions for risks and charges and for employee benefits	8.14-8.15	261,312	698,570
Taxes paid	8.10	(4,106,572)	(2,426,705)
Net cash flow generated /(absorbed) by operating activities		**(1,229,307)**	**32,076,865**
Investments in property, plant and equipment	8.1-8.2	(2,237,892)	(5,353,507)
Investments in intangible assets	8.3	(129,866)	(295,045)
Divestment of financial assets	8.4-8.5-8.6	(418,922)	
Disposal of property, plant and equipment	8.1-8.2	-	64,855
Acquisition of controlling stake in Centrale del Latte d'Italia SpA			(9,463,702)
SYMG acquisition		(63,914,054)	
Net cash flow generated /(absorbed) by investment activities		**(66,700,734)**	**(15,047,399)**
New long-term financial debt	8.17	118,000,000	25,000,000
Repayments of long-term financial debt	8.17	(5,481,196)	(4,720,799)
Issuance of Bond Loan	8.17	198,455,261	-
Repayments of lease liabilities	8.2	(3,589,074)	(4,479,162)
of which from related parties		*(3,846,233)*	*(3,504,308)*
Net interest expense	9.6	(5,165,127)	(1,767,492)
Treasury shares	8.13	(15,759,634)	(921,920)
Net cash flow generated/(absorbed) by financing activities		**286,460,230**	**13,110,627**
Total changes in cash and cash equivalents		**218,530,189**	**30,140,094**
Cash and cash equivalents at start of year		**100,324,191**	**70,184,098**
of which from related parties		*21,428,029*	*24,159,000*
Total changes in cash and cash equivalents		218,530,189	30,140,094
Cash and cash equivalents at end of year		**318,854,380**	**100,324,191**
of which from related parties		*118,790,347*	*21,428,029*

1. EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1.1 General information and significant transactions carried out in 2021

Newlat Food S.p.A. is incorporated in Italy in the form of a public limited company operating under Italian law. The Company has its registered office at Via J. F. Kennedy 16, Reggio Emilia.

The Newlat Group is a group operating in the food sector with a large and structured product portfolio organised into the following business units: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products, Instant Noodles and Other Activities.

The Company is subject to management and coordination by the parent Newlat Group S.A. (hereinafter "**Newlat Group**"), a company that directly owns 61.66% of the share capital, while the remaining part (38.34%) is held by institutional investors and traded on the STAR segment of the MTA market managed by Borsa Italiana.

Acquisition of the Symington's Group

The continuous search for growth through external lines led to the acquisition of 100% of the ordinary shares and voting rights of the Symington's Group in the third quarter.

The company operates in the UK and produces – both under its own brands and for third-party brands – a wide range of instant noodles (Naked) where it is a market leader in the authentic and Asian inspiration segment, soups and various ready meals under the Mug Shot brand, rice and couscous ready meals (Twistd), baked goods including croutons (Rochelle brand), cake and cake mixes (with about 75% market share in the private label segment), Chicken Tonight brand condiments and Ragu brand sauces. These products are mainly sold in the United Kingdom, the United States and Australia. The company has three production plants and a logistics distribution centre located in northern England, with annual revenues of approximately Euro 123 million. The acquisition aims to consolidate Newlat Food's presence in the UK market, leveraging Symington's national distribution platform.

The acquisition of Symington's falls perfectly within the plans and timings envisaged by the external growth and capital utilisation strategies announced during the IPO phase, thus allowing the Newlat Group to exceed the annual revenue threshold of over Euro 600 million from August 2021.

The transaction will generate significant synergies between Newlat Food and Symington's, including:

- The instant food market.
- Cross-selling and expansion of the Group's product portfolio.
- Internalisation or production.
- Synergies in the supply of raw materials.

Business combinations

Business combinations, in which the control of a business is acquired, are recognised in accordance with IFRS 3 "Business combination", applying the acquisition method. In particular, identifiable assets, liabilities and potential liabilities are recognised at fair value at the date of acquisition, i.e. the date when control is acquired (the acquisition date), except for deferred tax assets and liabilities, assets and liabilities relative to employee benefits and assets held for sale, which are recognised based on the relative accounting standards. If positive, the difference between the cost of acquisition and the current value of the assets and liabilities is recorded in intangible assets as goodwill; if negative, after having checked that the current values of the assets and liabilities acquired and the cost of acquisition have been properly measured, it is recorded directly in the statement of other comprehensive income, as revenue. Minority interests on the date of acquisition can be measured at fair value or at the pro-rata of the value of the net assets recognised for the acquired company. The valuation method is chosen on a transaction-by-transaction basis. When the assets and liabilities of the acquired business are calculated on a provisional basis, this must be completed within twelve months of the date of acquisition, taking into account only information relating to facts and circumstances existing at the Acquisition Date. In the year in which the aforementioned calculation is concluded, the provisionally recognised values are adjusted with retrospective effect. The ancillary expenses of the transaction are recognised in the income statement at the moment at which they are incurred. The cost of acquisition is represented by the fair value on the Acquisition Date of the assets transferred, the liabilities assumed and the equity instruments issued for the purpose of the acquisition, and also includes the contingent consideration, i.e. the part of the fee whose amount and disbursement are dependent on future events. The contingent consideration is recognised on the basis of its fair value at the Acquisition Date, and subsequent changes in fair value are recognised in the income statement if the contingent consideration is a financial asset or liability, while contingent considerations classified as equity are not restated and the subsequent elimination occurs directly in equity. Where control is acquired in subsequent phases, the acquisition cost is determined by adding the fair value of the investment previously held in the acquiree and the amount paid for the additional portion. Any difference between the fair value of the investment previously held and its carrying value is charged to the income statement. When control is acquired, any amounts previously recognised as other components of comprehensive income are recognised in the statement of other comprehensive income or, if such reclassification is not envisaged, in another shareholders' equity item. The following table provides the book values of the net assets acquired as part of the Symington's Group Acquisition.

(In thousands of euros)	**As at 1 August**
	2021
Property, plant and equipment	9,412
Right-of-use assets	26,514
Intangible assets	1,630
Prepaid taxes	2,952
Inventories	18,121
Trade receivables	11,965
Current tax assets	444
Other receivables and current assets	3,645
Cash and cash equivalents	275
Non-current lease liabilities	(23,111)
Trade payables	(22,321)
Current lease liabilities	(3,757)
Current tax liabilities	(2,135)
Total net assets acquired	**23,632**
Payment by bank transfer	(63,914)
Goodwill	**40,282**

The transaction was booked in accordance with the guidance contained in IFRS 3 – "Business Combinations" since it can be categorised as an acquisition.

Management carried out a valuation of assets and liabilities at fair value with the aid of independent third-party consultants, thus closing the business combination as at 31 December 2021. The analysis did not identify contingent considerations and the following allocations were found:

(In thousands of euros)	**As at 1 August**	**Adjustments Fair value**	**As at 1 August**
	2021		**2021**
Property, plant and equipment	9,412		9,412
Right-of-use assets	26,514		26,514
Intangible assets	1,630	47,423	49,053
Prepaid taxes	2,952		2,952
Inventories	18,121		18,121
Trade receivables	11,965		11,965
Current tax assets	444		444
Other receivables and current assets	3,645		3,645
Cash and cash equivalents	275		275
Non-current lease liabilities	(23,111)		(23,111)
Trade payables	(22,321)		(22,321)
Deferred tax liabilities		(7,141)	(7,141)
Current lease liabilities	(3,757)		(3,757)
Current tax liabilities	(2,135)		(2,135)
Total net assets acquired	**23,632**		**23,632**
Payment by bank transfer	(63,914)		(63,914)
Goodwill	**40,282**	(40,282)	**-**

Intangible assets with a finite useful life where the gains arising from the acquisition have been allocated are shown below:

(In thousands of euros)	**As at 1 August**	**Deferred tax liabilities**	**As at 1 August**
	2021	**2021**	**2021**
Core brands definite defined useful life	10,806		10,806
Other brands defined useful life	2,936		2,936
Customer relationships defined useful life	17,618		17,618
Know how defined useful life	6,225		6,225
Goodwill	2,697	7,141	9,838
Total Goodwill	40,282	7,141	47,423

The purchase price allocation process is still being defined and may change over the coming months.

Management expects to conclude the final valuation of the assets and liabilities at fair value by the end of the next half-year as at 30 June 2022.

Milk&dairy transaction with the subsidiary Centrale del Latte d'Italia S.p.A.

On 21 December 2020 a lease agreement for the Milk & Dairy business unit was stipulated between CLI and the parent company Newlat Food S.p.A., the main characteristics of which are as follows:

Start: 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 includes the production sites in Reggio Emilia, Salerno and Lodi and the related warehouses in Eboli, Pozzuoli, Rome 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 lease agreements for the properties of Reggio Emilia and Eboli stipulated between the Lessor and the company New Property S.p.A., Centrale del Latte d'Italia takes over the lease agreements by charging Newlat Food for the portions of the fees not pertaining to the BU. With regard to the takeover of credit and debit positions, all receivables and payables accrued as at 31 December 2020 remain respectively in favour of and borne by Newlat Food.

Status of the assets: 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.

The main accounting effects deriving from the initial registration of the Milk & Dairy lease agreement were:

- Decrease in the value of right-of-use assets and corresponding lease liabilities by approximately Euro 10.7 million.
- Purchase of inventories for a value of approximately Euro 6.5 million.
- Sale of net payables to employees for approximately Euro 4.6 million and related payables to Centrale del Latte.
- Taking over relations with agents for approximately Euro 1.0 million and related payables due to Centrale del Latte.

2. ADOPTED ACCOUNTING STANDARDS

The accounting standards and measurement criteria adopted in the preparation and drafting of the annual report at 31 December 2021 are set out below.

The annual financial report at 31 December 2021 was prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The term "IFRS" also encompasses International Accounting Standards (IAS) that are still in force, as well as all interpretations of the International Financial Interpretations Committee, which was formerly named the International Financial Interpretations Committee ("IFRIC"), and of the Standing Interpretations Committee ("SIC").

The preparation of financial statements in accordance with IFRS requires judgements, estimates and assumptions that have an effect on the assets, liabilities, costs and revenues. The final results may be different to those obtained through these estimates. 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 and the provision for inventory write-downs, the provisions for risks, the defined benefit plans for employees and the payables for the purchase of equity investments contained in the other liabilities.

In particular, discretionary measurements and significant accounting estimates relate to the determination of the recoverable amount of non-financial assets calculated as the greater of fair value less costs to sell and value in use. Value in use is calculated based on a discounted cash flow model. The recoverable value depends significantly on the discount rate used in the discounted cash flow model, as well as on expected future cash flows and the growth rate used. The key assumptions used to determine the recoverable value for the two cash-generating units, including a sensitivity analysis, are described in note 8.3 of the Consolidated Financial Statements at 31 December 2021.

The use of significant accounting estimates and assumptions also relates to the determination of the fair value of assets and liabilities acquired as part of business combinations. In fact, at the date of acquisition, the Group must separately recognise, at their fair value, assets, liabilities and contingent liabilities identifiable and acquired or assumed as part of the business combination, and determine the present value of the strike price of any call options on minority shares. This process requires the preparation of estimates, based on valuation techniques, which require judgement in the forecasting of future cash flows as well as the development of other assumptions such as long-term growth rates and discount rates for valuation models developed also with the use of experts outside the management team. The accounting impacts of the determination of the fair value of the assets acquired and liabilities assumed, as well as of the call options of minority interests for the business combinations that occurred during the year, are provided in the previous paragraph of this Note.

2.1 Basis of preparation

The Separate Financial Statements consist of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and the notes.

The layout adopted for the statement of financial position provides for the separation of assets and liabilities between current and non-current.

An asset is classified as current when:

- it is assumed that this activity is carried out, or is owned for sale or consumption, in the normal course of the operating cycle;
- it is held primarily for the purpose of trading;
- it is assumed that it will be realised within twelve months of the reporting date;
- it consists of cash and cash equivalents (unless it is prohibited to exchange it or use it to settle a liability for at least twelve months from the reporting date).

All other assets are classified as non-current. In particular, IAS 1 includes property, plant and equipment, intangible assets and long-term financial assets as non-current assets.

A liability is classified as current when:

- it is expected to be extinguished in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it will be extinguished within twelve months of the reporting date;
- there is no unconditional right to defer its settlement for at least twelve months from the reporting date. Clauses of a liability that could, at the discretion of the counterparty, result in its extinction through the issue of equity instruments do not affect its classification.

The chosen income statement layout provides for the classification of costs by destination.

The statement of other comprehensive income includes the result for the year and, with the same categories, income and expenses that, according to IFRSs, are directly recognised under equity.

The statement of changes in equity includes, in addition to the total gains / losses for the period, the amounts of transactions with shareholders and movements in reserves during the year.

In the statement of cash flows, the financial flows from operating activities are presented using the indirect method, under which the profit or loss for the year is adjusted by the effects of non-monetary operations, by any deferral or provision of previous or future operating inflows or outflows, and by elements of revenue or costs related to financial flows deriving from investment activities or financing activities.

The Separate Financial Statements were drafted in euros, the functional currency of the Company. The statement of financial position, income statement, statement of cash flows, explanatory notes and tables are in thousands of euro, unless otherwise indicated.

The separate financial statements were prepared:

- on the basis of the best knowledge of IFRSs and taking into account the best doctrine on the subject;
- under the going-concern principle, in accordance with the principle of accrual accounting, in compliance with the principle of materiality of information and substance over form, and with a

view to encouraging consistency with future presentations. The assets and liabilities and costs and revenues are not offset against each other, unless this is permitted or required by international accounting standards;

- on the basis of the conventional historical cost criterion, except for the measurement of financial assets and liabilities in cases where application of the fair value criterion is mandatory.

Conversion of items in foreign currency

Transactions in currencies other than the functional currency are recognised at the exchange rate on the date of the transaction. Monetary assets and liabilities in currencies other than the euro are then adjusted at the exchange rate in place on the reporting date. Any forex differences are reflected in the income statement under "Foreign exchange gains and losses".

2.2 Accounting standards and measurement criteria

Adopted accounting standards

The Separate Financial Statements were prepared based on the IFRSs in force issued by the International Accounting Standards Board ("**IASB**") and endorsed by the European Union at the closing date of each year in question.

Below are the criteria used with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the criteria used to recognise the income components.

Property, plant and equipment

Property, plant and equipment is recognised as such only if the following conditions are met simultaneously:

- it is probable that the future economic benefits related to the asset will be enjoyed by the company;
- the cost can be reliably determined.

Property, plant and equipment are initially measured at cost, defined as the monetary or equivalent amount paid or the fair value of other considerations made to acquire an asset, at the time of purchase or replacement. Subsequent to initial recognition, property, plant and equipment are valued using the cost method, net of recorded depreciation and any accumulated impairment losses.

The cost includes the costs directly incurred to make their use possible, as well as any dismantling and removal costs that will be incurred as a result of contractual obligations that require the return of the asset to its original condition.

Costs incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when incurred. The capitalisation of the costs inherent in the extension, modernisation or improvement of structural elements owned or used by third parties shall be carried out to the extent that they meet the requirements to be classified separately as an asset or part of an asset.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. The useful life estimated by the Company for the various categories of property, plant and equipment is shown below:

Category of assets	Useful Life
Land and buildings	10-33 years
Plant and machinery	4-20 years
Industrial and commercial equipment	2-9 years
Other assets	5-20 years

At the end of each financial year, the company checks whether significant changes have occurred in the expected characteristics of the economic benefits deriving from the capitalised assets and, if so, modifies the depreciation criterion, which is considered a change in accounting estimate in accordance with IAS 8.

The value of the asset is completely reversed at the time of its disposal or when the company expects that it will not be able to derive any economic benefit from its disposal.

Capital grants shall be accounted for when it is reasonably certain that they will be received and all conditions relating to them are met. Contributions are then deducted from the value of assets or suspended among liabilities and credited pro rata to the income statement in relation to the useful life of the related assets.

Intangible assets

An intangible asset is an asset that simultaneously fulfils the following conditions:

- it is identifiable;
- it is non-monetary;
- it has no physical consistency;
- it is under the control of the company preparing the accounts;
- it is expected to produce future economic benefits for the company.

If an asset does not meet the above requirements to be defined as an intangible asset, the expense incurred to acquire it or generate it internally is recognised as a cost when incurred.

Intangible assets are initially stated at cost. The cost of intangible assets acquired from outside includes the purchase price and any directly attributable costs.

Internally generated goodwill is not recognised as an asset, neither are intangible assets arising from research (or the research phase of an internal project).

An intangible asset arising from development or the development phase of an internal project is recognised if compliance with the following conditions can be demonstrated:

- the technical feasibility of completing the intangible asset so as to be available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- the manner in which the intangible asset is capable of generating future economic benefits and in particular the existence of a market for the product of the intangible asset or for the intangible asset itself or, if it is to be used for internal purposes, its usefulness;
- the availability of adequate technical, financial and other resources to complete the development and the use or sale of the asset;
- the ability to reliably measure the cost attributable to the intangible asset during its development.

Intangible assets are measured using the cost method in accordance with one of the two different criteria set out in IAS 38 (cost model and revaluation model). The cost model requires an intangible asset to be recognised at cost after initial recognition, net of accumulated amortisation and any accumulated impairment losses.

The useful life estimated by the Group for the various categories of intangible assets is shown below:

Category of assets	Useful Life
Goodwill	unlimited
Other brands	18 years
Software licences	5 years
Other assets	5 years

The following main intangible assets can be identified within the Company:

Goodwill

Goodwill is classified as an intangible asset with an indefinite useful life and is initially recognised at cost, as described earlier, and then subjected to (at least) annual testing to determine whether it has impaired (for more details, see the below paragraph "Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets"). Reversals are not permitted in the case of a previous write-down due to impairment.

Intangible assets with a finite useful life

Intangible assets with a finite useful life are recognised at cost, as previously described, net of accumulated amortisation and any impairment losses.

Amortisation begins when the asset becomes available for use and is apportioned systematically based on the asset's estimated useful life; the criteria mentioned in the paragraphs "Property, plant and equipment" and "Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets", respectively, contain the criteria for the value to be amortised and the recoverability of the book value.

Lease contracts

a) Right-of-use assets and lease liabilities – 31 December 2021 (IFRS 16)

The Company chose early adoption, from 1 January 2018, of the new accounting standard IFRS 16 - "Leases", which replaces IAS 17 - "Leasing" and its related interpretations.

In accordance with IFRS 16, a contract is, or contains, a lease if, in exchange for consideration, it conveys the right to control the use of a specified asset for a period of time. The contract is re-evaluated to verify whether it is, or contains, a lease only if the terms and conditions of the contract are changed.

For a contract that is, or contains, a lease, each lease component is separated from the non-lease components, unless the Company applies the practical expedient referred to in paragraph 15 of IFRS 16. This practical expedient allows the lessee to choose, for each class of underlying asset, not to separate the non-lease components from the lease components and to recognise each lease component and the associated non-lease components as a single lease component.

The duration of the lease is determined as the non-cancellable period of the lease, to which must be added both the following periods:

- periods covered by a lease extension option, if the lessee is reasonably certain to exercise the option; and
- periods covered by the lease termination option, if the lessee is reasonably certain not to exercise the option.

In assessing whether the lessee is reasonably certain to exercise the option to extend the lease or not to exercise the option to terminate the lease, all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option shall be considered. The lessee must redefine the lease term in the event of a change in the non-cancellable lease period.

At the effective date of the contract, the Group recognises the right-of use-asset and the related lease liability.

At the effective date of the contract, the right-of-use asset is valued at cost. The cost of the right-of-use asset includes:

- the initial value of the lease liability;
- payments due for the lease made on or before the effective date, net of the lease incentives received;
- the initial direct costs incurred by the lessee; and
- the estimate of the costs to be incurred by the lessee for the dismantling and removal of the underlying asset and for the restoration of the site where it is located or for the restoration of the underlying asset under the terms and conditions of the lease, unless such costs are incurred for the production of inventories.

On the lease start date, the lessee shall measure the lease liability at the current value of the payments due for the lease but not yet paid. Payments due for the lease include the following amounts:

- fixed payments, net of any outstanding lease incentives;
- variable payments due for the lease that depend on an index or rate, initially measured using an index or rate on the effective date;
- the amounts expected to be paid by the lessee as guarantees of the residual value;
- the exercise price of the purchase option, if the lessee is reasonably certain to exercise the option; and
- lease termination penalty payments, if the lease term takes into account the lessee's exercise of the lease termination option.

Payments due for the lease must be discounted using the implicit interest rate of the lease, if it can be easily determined. If this is not possible, the lessee must use its marginal lending rate, i.e. the incremental interest rate that the company would have to pay to obtain a loan of the same duration and amount as the lease agreement.

Subsequent to initial recognition, right-of-use assets are measured at cost:

- net of accumulated depreciation/amortisation and impairment; and

- adjusted to take into account any restatement of the lease liability.

Subsequent to initial recognition, the lease liability is measured:

- by increasing the book value to take account of interest;
- by decreasing the book value to take account of lease payments that have been made; and
- by restating the book value to take account of any new valuations or changes in the lease or revision of payments due for fixed leases.

In the case of lease changes that do not constitute a separate lease, the right-of-use asset is restated (up or down), in line with the change in the lease liability at the date of the change. The lease liability is restated according to the new terms of the lease agreement, using the discount rate at the date of the change.

It should be noted that the Company makes use of two exemptions under IFRS 16, with reference to: (i) short-term leases (i.e. leases with a duration of 12 months or less from the effective date), in relation to certain categories of fixed assets, and (ii) leases of low-value assets (i.e. when the value of the underlying asset, if new, is less than Usd 5,000, for example). In such cases, the right-of-use asset and the related lease liability are not recognised, and the payments due for the lease are recognised in the income statement.

Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets

On each reporting date, a test is carried out to ascertain whether there are any indicators of impairment of property, plant and equipment and intangible assets that are not fully depreciated/amortised or of indefinite useful life.

Where these indicators are present, the recoverable value of the above-mentioned assets is estimated, and any write-down is recognised in the Income Statement. The recoverable value of an asset is the higher of the fair value, less costs to sell, and the related value in use, determined by discounting the estimated future cash flows for that asset, including, if they are significant and can be reasonably determined, those arising from the sale at the end of its useful life, net of any costs of disposal. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuations of the cost of the money, in proportion to the period of the investment and the specific risks of the asset.

For an asset that does not generate sufficiently independent cash flows, the recoverable value is determined in relation to the cash generating unit (CGU) to which said asset belongs.

Impairment is recognised in the income statement if the book value of the asset, or of the CGU to which it is allocated, is higher than its recoverable value. The impairment of a CGU is initially recognised as a reduction in the book value of any goodwill attributed to it and, therefore, as a reduction in other assets, in proportion to their book value and within the limits of their recoverable value. If the conditions for a previous write-down no longer exist, the book value of the asset is restored via the income statement, up to the limit of the net book value that the asset in question would have had without write-down and amortisation/depreciation. Reversals of goodwill impairment are not permitted in the case of a previous write-down due to impairment.

Financial assets

At the time of initial recognition, financial assets must be classified as "Financial assets at amortised cost", "Financial assets at fair value through other comprehensive income" or "Financial assets at fair value through profit or loss" on the basis of the following elements:

- the entity's business model for the management of the financial assets; and
- the characteristics of the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if the disposal entails the substantial transfer of all risks and rewards connected to the assets. On the other hand, if a significant portion of the risks and rewards relating to the disposed financial assets has been retained, they continue to be recognised in the financial statements, even if legally their ownership has been effectively transferred.

Financial assets measured at amortised cost

a) Financial assets at amortised cost – 31 December 2021 (IFRS 9)

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect" business model; and
- the contractual conditions of the financial asset provide for cash flows on certain dates which consist only of payments of capital and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, the financial assets in question are measured at amortised cost using the effective interest method. The amortised cost method is not used for assets valued at historical cost whose short duration makes the effect of discounting negligible, those without a defined maturity or for revocable credit lines.

This category mainly includes trade receivables arising from the transfer of goods and the provision of services, recognised in accordance with the terms of the contract with the customer in accordance with IFRS 15 and classified according to the nature of the debtor and/or the expiry date of the receivable (this definition includes invoices to be issued for services already rendered).

Moreover, since trade receivables are generally short-term and do not provide for the payment of interest, the amortised cost is not calculated, and they are recognised on the basis of the nominal value reported in invoices issued or contracts concluded with customers: this provision is also adopted for trade receivables with a contractual maturity of more than 12 months, unless the effect is particularly significant. The choice stems from the fact that the amount of short-term receivables is very similar whether you apply the historical cost method or the amortised cost method, and the impact of discounting would therefore be wholly negligible.

Trade receivables are subject to impairment testing in accordance with IFRS 9. For the purposes of the measurement process, trade receivables are divided into maturity time bands. For performing loans, a collective assessment is made by grouping the individual exposures on the basis of similar credit risk. The valuation is based on losses recorded for assets with similar credit risk characteristics based on historical experience and takes into account expected losses.

b) Financial assets at fair value through other comprehensive income – 31 December 2021 (IFRS 9)

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect and sell" business model; and
- the contractual conditions of the financial asset provide for cash flows on certain dates which consist only of payments of capital and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Following initial recognition, equity investments that do not qualify as subsidiaries, associates or joint control investees are measured at fair value, and amounts recognised as a counter-entry in equity should not be subsequently transferred to the income statement, even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is the relative dividends.

For the equity instruments included in this category and not listed in an active market, the cost criterion is used to estimate fair value only on a residual basis and in limited circumstances, or when the most recent information to measure fair value is insufficient, or if there is a broad range of possible fair value measurements and cost represents the best estimate of fair value within that range of values.

Financial assets at fair value through profit or loss

a) Financial assets at fair value through profit or loss – 31 December 2021 (IFRS 9)

This category contains financial assets other than those classed as "Financial assets at fair value through other comprehensive income" or as "Financial assets at amortised cost". This item, in particular, includes only equity instruments held for purposes other than trading for which the Company has not opted for measurement at fair value through other comprehensive income, and bonds.

Financial assets at fair value through profit or loss are initially recognised at fair value, usually represented by the transaction price.

After initial recognition, these financial assets are measured at fair value. Any gains or losses resulting from the change in fair value are attributed to the separate income statement.

Inventories

Inventories are assets:

- held for sale in the normal course of business;
- used in production processes for sale;
- in the form of materials or supplies of goods to be used in the production process or in the provision of services.

Inventories are recognised and measured at the lesser of cost and the net realisable value.

The cost of inventories includes all purchase costs, transformation costs and other costs incurred to bring inventories to their current location and condition, while it does not include exchange differences in the case of inventories invoiced in foreign currency. In accordance with the provisions of IAS 2, the weighted average cost method is used to determine the cost of inventories.

When the net realisable value is less than cost, the surplus is immediately written down in the income statement.

Cash and cash equivalents

Cash and cash equivalents are recorded, depending on their nature, at nominal value or amortised cost. Other cash equivalents represent short-term and highly liquid financial commitments that are readily convertible into known cash values and subject to a negligible risk of change in value, with an original maturity or a maturity at the time of purchase of not more than 3 months.

Payables

Payables relating to the year ended 31 December 2021.

Trade and other payables are recognised initially at fair value and are subsequently measured using the amortised cost method.

Payables to banks and other lenders are initially stated at their fair value, net of directly attributable ancillary costs, and subsequently measured at amortised cost, applying the effective interest rate criterion. When there is a change in the estimate of expected cash flows, the value of liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal effective rate initially determined. Payables to banks and other lenders are classified as current liabilities, unless the Company has an unconditional right to defer payment for at least twelve months after the reference date.

Payables are derecognised when they are settled and when the Group has transferred all risks and charges relating to the instrument.

Employee benefits

These include benefits granted to employees or their dependants and can be liquidated by means of payments (or with the supply of goods and services) made directly to employees, spouses, children or other dependants or to third parties such as insurance companies, and are divided into short-term benefits, benefits due to employees for termination of employment and post-employment benefits.

Short-term benefits, which also include incentive programmes in the form of annual bonuses, MBOs and one-off renewals of national collective agreements, are accounted for as a liability (cost provision) after deducting any amount already paid, and as a cost, unless some other IFRS requires or permits the inclusion of benefits in the cost of an asset (for example, the cost of personnel employed in the development of internally generated intangible assets).

The category of benefits for termination of employment includes departure incentive plans arising in the event of voluntary resignation involving the participation of the employee or a group of employees in trade union agreements for the activation of so-called solidarity funds, and redundancy plans, which take place when the company unilaterally terminates the contract. The company recognises the cost of these benefits as a financial liability at the earliest of the time when the company is unable to withdraw the offer of these benefits and the time when the company recognises the costs of a restructuring that falls within the scope of IAS 37. Provisions for departures shall be reviewed at least every six months.

Post-employment benefit plans are broken down into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans mainly include:

- supplementary pension funds involving a defined contribution by the company;
- the severance indemnity fund, limited to the shares accruing from 1 January 2007 for undertakings with more than 50 employees, irrespective of the destination chosen by the employee;
- employee severance indemnities accruing from 1 January 2007 and earmarked for supplementary pensions, in the case of undertakings with fewer than 50 employees;

- supplementary healthcare funds.

Defined benefit plans, on the other hand, include:

- the severance indemnity, limited to the amount accrued up to 31 December 2006 for all undertakings, as well as the amounts accrued since 1 January 2007 and not intended for supplementary pensions for undertakings with fewer than 50 employees;
- supplementary pension funds that provide for the payment of a defined benefit to members;
- long-service bonuses, which provide for an extraordinary payment to the employee upon reaching a certain level of working seniority.

In defined contribution plans, the obligation of the reporting company is determined on the basis of the contributions due for that year and therefore the measurement of the obligation does not require actuarial assumptions and there is no possibility of actuarial gains or losses.

The accounting for defined benefit plans is characterised by the use of actuarial assumptions to determine the value of the obligation. This valuation is entrusted to an external actuary and is carried out annually. For discounting purposes, the company uses the projected unit credit method, which projects future expenditure based on historical statistical analysis, the demographic curve, and the financial discounting of these cash flows based on the market interest rate. Actuarial gains and losses are recognised as a counter-entry in equity as required by IAS 19.

Provisions for risks and charges, and contingent assets and liabilities

Contingent assets and liabilities can be divided into several categories depending on their nature and their accounting impact. Specifically:

- the provisions are actual obligations of an uncertain amount and occurrence/maturity which arise from past events and for which it is probable that there will be a financial outlay that can be reliably estimated in terms of amount;
- contingent liabilities are possible obligations with a distinct probability of having to make a financial outlay;
- remote liabilities are those for which a financial outlay is unlikely;
- potential assets are assets which are uncertain and cannot therefore be recognised in the financial statements;
- the onerous contract is a contract in which the non-discretionary costs necessary to fulfil the obligations assumed are greater than the economic benefits that are supposed to be obtainable from the contract;
- restructuring is a programme planned and controlled by the company's management that significantly changes the scope of an activity undertaken by the company or the way in which the activity is managed.

For the purpose of recognising the charge, provisions are recorded in cases where there is uncertainty about the maturity or the amount of the flow of resources necessary to fulfil the obligation or other liabilities and in particular trade payables or provisions for presumed payables.

Provisions differ from other liabilities in that there is no certainty as to their maturity or the amount of future expenditure required. Due to their different nature, provisions are shown separately from trade payables and provisions for presumed payables.

Liabilities or allocations to a provision are recognised when:

- there is a current legal or implied obligation resulting from past events;
- it is probable that resources designed to produce economic benefits will have to be used to settle the obligation;
- the obligation can be reliably estimated.

Provisions require the use of estimates. In extremely rare circumstances where a reliable estimate cannot be made, the liability is classed as a contingent liability.

The allocation to the provision for risks and charges is an amount that represents the best possible estimate of the expenditure needed to liquidate the relevant obligation outstanding on the reporting date and takes into account the risks and uncertainties that inevitably surround many events and circumstances. The amount of the allocation reflects any future events that may affect the amount required to settle an obligation if there is sufficient objective evidence that they will occur.

Once the best possible estimate of the expense necessary to settle the related obligation outstanding on the reporting date has been determined, the current value of the provision is determined, in the event that the effect of the present value of money is a relevant aspect.

Revenue from contracts with customers

a) Revenue from contracts with related customers - year ended 31 December 2021 (IFRS 15)

The Company applies IFRS 15 as of 1 January 2018. In accordance with this standard, revenue from contracts with customers is recognised when the following conditions are met:

- the contract with the customer has been identified;
- performance obligations set forth in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations set forth in the contract;
- the performance obligation set forth in the contract has been met.

The Company recognises revenue from contracts with customers when (or as) it fulfils the performance obligation, transferring the promised good or service (or asset) to the customer. The asset is transferred when (or as) the customer acquires control over it.

The Company transfers control over the good or service over time, and therefore fulfils the performance obligation and recognises revenue over time, when one of the following criteria is met:

- the customer simultaneously receives and uses the benefits arising from the entity's service as it is provided;
- the service of the Company creates or improves the asset (e.g. work in progress) that the customer controls as the asset is created or improved;
- the service of the Company does not create an asset which has an alternative use and the Company has the enforceable right to payment for the service completed until the date considered.

If the performance obligation is not met over time, it is met at a specific moment. In that case, the Company recognises revenue when the customer acquires control over the promised asset.

The contractual consideration included in the contract with the customer may include fixed or variable amounts or both. If the contractual consideration includes a variable amount (e.g. discounts, concessions, incentives, penalties or other similar elements), the Company estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Group Company the amount of the estimated variable consideration in the transaction price only to the extent to which it is highly likely that when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenue recognised.

Incremental costs for obtaining customer contracts are accounted for as assets and amortised throughout the term of the underlying contract, if the Company expects them to be recovered. Incremental costs for obtaining the contract are costs that the Company incurs to obtain the contract with the customer and which it would not have incurred if it had not obtained the contract. The costs for obtaining the contract which would have been incurred even if the contract had not been obtained should be recognised as a cost at the moment they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

Recognition of costs

Costs are recognised in the income statement according to the accruals principle.

Dividends

Dividends received are recognised in the income statement according to the accruals principle, i.e. in the year in which the related right to receive them emerges, following the shareholders' resolution to distribute dividends from the investee company.

Distributed dividends are shown as changes in equity in the year in which they are approved by the Shareholders' Meeting.

Income taxes

Current taxes are calculated based on the taxable income for the year, applying the tax rates in force at the date of the financial statements. Current taxes for the year and for prior years, where unpaid, are recognised as liabilities. Current tax assets and liabilities, for the current year and for prior years, must be determined at the value expected to be recovered from or paid to, respectively, the tax authorities, applying the tax rates and legislation that is in force or imminent at the reporting date.

Deferred taxes can be divided into:

- deferred tax liabilities, which are the amounts of income taxes payable in future years relating to taxable temporary differences;
- deferred tax assets, which are the amounts of income taxes recoverable in future years relating to deductible temporary differences, carry-over of unused tax losses, carry-over of unused tax credits.

To calculate the amount of deferred tax assets and liabilities, the tax rate is applied to the temporary taxable or deductible differences identified, or to unused tax losses and unused tax credits.

At each reporting date, recognised and unrecognised deferred tax assets are revalued to check whether they are likely to be recovered.

Net profit/(loss) per share

Basic earnings per share are calculated by dividing the net profit (loss) pertaining to the Company by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares.

Diluted earnings per share are calculated by dividing the profit (loss) pertaining to the Company by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares. To calculate the diluted earnings per share, the weighted average number of shares in circulation is modified assuming that all assignees exercise rights with a potentially dilutive effect, while the profit (loss) pertaining to the Company is adjusted to take into account any effects, net of taxes, of the exercise of such rights.

Operating segments

The operating segment is a part of the group that undertakes business activities that generate revenue and costs, whose operating results are periodically reviewed by the Chairman of the Board of Directors, in his role as Chief Operating Decision Maker (CODM), for the purpose of taking decisions on the resources to be allocated to the sector and evaluating results, and for which financial information is available.

2.3 Recently issued accounting standards

In accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRS in force as of 1 January 2021 are briefly explained below.

- On 13/01/2021, the European Commission issued Regulation no. 2021/25 approving the document "Interest rate Benchmark Reform - Phase 2", applicable from 01/01/2021, containing amendments to, among others, the following standards: “IFRS 9 - Financial Instruments”, “IFRS 7 - Financial Instruments: Disclosures”, “IFRS 16 - Leases”. The amendments provide for a specific accounting treatment that spreads changes in the value of financial instruments or leases over time due to the replacement of the index used to determine interest rates, thus avoiding immediate repercussions on the result for the year and interruptions to hedging relationships following the replacement of the index used to determine interest rates.
- On 31/03/2021 IASB issued “Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021". This document was published on 30 August 2021 in the Official Journal of the European Community. The amendment increases the period of application of the practical expedient introduced on 28/05/2020 for the accounting of rental concessions relating to COVID-19 by twelve months, from 30/06/2021 to 30/06/2022. The amendment is effective from 01/04/2021.

The adoption of these amendments/interpretations had no effect on the annual financial statements as at 31/12/2021.

Accounting standards endorsed by the European Union but not yet mandatory

At the date of this Annual Financial Report, the following standards have been endorsed by the European Union but are not yet mandatory.

On 14/05/2020 the IASB published the following amendments effective for financial years beginning on or after 01/01/2022:

- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract", aimed at providing clarification on how to determine the onerousness of a contract. The amendment clarifies that when estimating whether a contract is onerous, it is necessary to take into account all costs directly attributable to the contract, including incremental costs and all other costs that the company cannot avoid as a result of entering into such contract.

- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", intended to define that revenues from the sale of goods produced by an asset before it is ready for its intended use are recognised in profit or loss together with the related production costs.

- Amendments to IFRS 3 "Reference to the Conceptual Framework". The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.

- Issuance of the document "Annual Improvements to IFRS Standards 2018-2020 Cycle", containing amendments essentially of a technical and editorial nature to the following international accounting standards: "IFRS 1 – First-time Adoption of International Financial Reporting Standards", "IFRS 9 – Financial Instruments, "IAS 41 – Agriculture" and examples of '"IFRS 16 – Leases".

These amendments have now been approved following their publication in the Official Journal of the European Union on 02/07/2021. The company will adopt these new standards, amendments and interpretations as per their expected date of application.

Any impact on the annual financial statements resulting from the new standards/interpretations is still being assessed.

Accounting standards and interpretations issued by the IASB and not yet endorsed by the European Union

At the date of this Annual Financial Report, the following standards have been issued by the IASB and not yet endorsed by the European Union.

- On 23/01/2020, the IASB issued "Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current" to clarify the requirements for classifying liabilities as "current" or "non-current". More specifically, the amendments (i) specify that conditions existing at the end of the reporting period are those that should be used to determine whether a right to defer settlement of a liability exists; (ii) specify that management's expectations about events after the balance sheet date are not relevant; and (iii) clarify the situations that should be considered as settling a liability. The amendments enter into force on 01/01/2023.
- On 18/05/2017, the IASB issued the standard "IFRS 17 – Insurance Contracts", which is intended to replace the current "IFRS 4 – Insurance Contracts". Applicable for financial years beginning on or after 01/01/2023, the new standard governs the accounting treatment of insurance contracts issued and reinsurance contracts held.
- On 12/02/2021, the IASB issued the document "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies". The objective of the amendments is to develop guidance and examples to assist companies in applying a judgement of materiality in disclosing accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to disclosures about accounting policies. The amendments are effective for financial years beginning on or after 01/01/2023.
- On 12/02/2021 the IASB issued the document "Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". The amendments provide some clarification regarding the distinction between changes in accounting estimates and changes in accounting policies: the former are applied prospectively to future transactions and other future events, the latter are generally also applied retrospectively to past transactions and other past events. The amendments are effective from financial years beginning on or after 01/01/2023.
- On 07/05/2021, the IASB issued the document "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document addresses from a practical point of view the application of the exemption envisaged by paragraphs 15 and 24 of IAS 12 to transactions that give rise to both an asset and a liability upon initial recognition, and may result in temporary tax differences of the same amount. Under the proposed amendments, the exemption from initial recognition in IAS 12 would not apply to transactions that give rise to equal and offsetting amounts of taxable and deductible temporary differences when executed. The amendments are effective from financial years beginning on or after 01/01/2023.

The company will adopt these new standards, amendments and interpretations as per their expected date of application. Any impact on the annual financial statements resulting from the new standards/interpretations is still being assessed.

3. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates derived from past experience and based on assumptions that are considered reasonable and realistic given the circumstances.

Applying these estimates and assumptions affects the amounts presented in the Statement of Financial Position, the Income Statement, the Statement of Other Comprehensive Income and the Statement of Cash Flows, and in other information provided. The amounts of the financial statement items for which the aforementioned estimates and assumptions have been used may differ, even significantly, from those reported in the financial statements that highlight the effects of the occurrence of the event being estimated, due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

The following areas require the directors to be most subjective when producing the estimates and would significantly affect the Group's results if there were a change in the conditions underlying the assumptions used:

a) Impairment of property, plant and equipment and intangible assets with a finite useful life: property, plant and equipment and intangible assets with a finite useful life are subject to testing in order to ascertain whether impairment has occurred when indicators exist that predict difficulties in recovering the corresponding net book value through use. Checking for the existence of the aforementioned indicators requires directors to make subjective valuations based on the information available from both internal and external sources, as well as on historical experience. In addition, if it is determined that impairment may have occurred, the Group calculates said impairment using what are deemed to be suitable valuation techniques. Correctly identifying impairment indicators, as well as the estimates for their calculation, depends on subjective valuations and factors that can vary over time, influencing the valuations and estimates made by management.

b) Impairment of intangible assets with an indefinite useful life (goodwill): the value of goodwill is verified annually in order to check for any impairment that should be recognised in the income statement. In particular, the test in question involves allocating goodwill to cash generating units and then calculating the relative recoverable value, understood as the greater of fair value and value in use. If the recoverable value is less than the book value of the cash generating units, the goodwill allocated to them is written down.

c) Impairment of intangible assets with an indefinite useful life (trademarks): the value of trademarks with an indefinite useful life is subject to an annual impairment test. The value in use is determined using the discounted cash flow (DCF) method, based on a discount rate and an explicit forecast period of 3 years in accordance with the budgets approved by the Group. After the explicit forecast period, the specific growth rate used is equal to the expected long-term inflation rate. The forecast values for future years and the parameters determined with reference to current market information are subject to uncertainties due to unpredictable future legal developments and possible developments in the pasta market; therefore, write-downs may be necessary in subsequent years.

d) Provision for bad debts: the determination of this provision reflects management estimates related to the historical and expected solvency of the bad debts in question.

e) Provisions for risks and charges: it is sometimes hard to determine whether or not a current obligation (legal or implied) exists. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors believe it to be merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting any allocation being made.

f) Useful life of property, plant and equipment and intangible assets: useful life is determined when the asset is recorded in the financial statements. Useful life is measured based on historical experience, market conditions and expectations of future events that could affect useful life, including technological changes. As a result, the effective useful life may differ from the estimated useful life.

g) Prepaid tax assets: prepaid tax assets are recognised to the extent that it is probable that there will be sufficient future tax gains against which temporary differences or any tax losses may be used.

h) Inventories: Closing inventories of obsolete or slow-to-move products are periodically subjected to valuation tests and are written down where their recoverable value is less than their book value. The write-downs carried out are based on assumptions and estimates of the directors based on their experience and the historical results achieved.

i) *Lease* liabilities: the amount of *the lease* liability and consequently of the related right-of-use assets depends on the determination of *the lease term*. This determination is subject to management assessments, with particular reference to the inclusion or otherwise of the periods covered by the lease renewal and termination options provided for in the lease agreements. These assessments will be reviewed upon the occurrence of a significant event or significant change in circumstances that has an impact on management's reasonable certainty of exercising an option not previously considered in determining the lease term or not exercising an option previously considered in determining the lease term.

4. 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.

4.1 Market risk

Exchange risk

Exposure to the risk of exchange rate fluctuations derives from the Group'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 consolidated 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.

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 years under review.

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 consolidated 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 Separate income statement and Separate 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
Year ended 31 December 2021	(40)	40	(40)	40
Year ended 31 December 2020	(169)	169	(169)	169

4.2 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 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 Company manages the credit risk of both types of customers through a consolidated practice, which provides for targeted and prudent management with a credit limit granted on the basis of commercial, financial and perceived market risk information.

The Company operates in business areas with low levels of credit risk, given the nature of its activities and the fact that its credit exposure is spread over a large number of customers. Assets are recognised net of any write-downs determined on the basis of counterparties' default risk, taking into account available solvency information and historical and prospective data.

Positions are regularly monitored for compliance with payment terms and overdue reminder actions are conducted in coordination with the sales force. If, on the other hand, a spot analysis of the individual case reveals an objective condition of partial or total bad debt, the amount of the write-down takes into account an estimate of recoverable flows. The credit management methodology means it is not deemed important to divide customer exposure into different risk classes.

Moreover, the Company has credit insurance policies with leading companies in the sector in order to mitigate the risk associated with the solvency of customers.

The credit risk deriving from receivables that the Company has with banks is, on the other hand, moderate and derives substantially from temporary surplus liquidity stocks usually invested in bank deposits and current accounts.

The following table provides a breakdown of trade receivables at 31 December 2021 and 2020 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 31 December 2021	41,876	15,107	1,243	15,769	**73,996**
Provision for bad debts		(166)	(837)	(15,769)	**(16,772)**
Net trade receivables at 31 December 2021	**41,876**	**14,941**	**406**	**(0)**	**57,224**
Gross trade receivables at 31 December 2020	42,458	10,026	1,570	15,769	**69,823**
Provision for bad debts		(211)	(390)	(15,769)	**(16,370)**
Net trade receivables at 31 December 2020	**42,458**	**9,815**	**1,180**	**(0)**	**53,453**

4.3 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 following table shows, by contractual maturity bands, the Company's financial requirements at 31 December 2021 and 2020, expressed according to the following assumptions:

(vi) cash flows are not discounted;

(vii) cash flows are allocated to time bands on the basis of the first due date provided for in the contractual terms;

(viii) all instruments held on the reporting date for which payments have already been contractually designated are included. Future commitments planned but not yet recognised are not included;

(ix) when the amount payable is not fixed (e.g. future interest repayments), the financial liability is measured at market conditions at the reporting date; and

(x) cash flows also include the interest that the company will pay until the maturity of the debt at the reporting date.

(In thousands of euros)	At 31 December 2021					
	less than 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Financial liabilities	135,182	20,951	19,782	198,455	374,370	358,620
Lease liabilities	2,835	3,747	1,154		7,736	7,386
Trade payables	71,624	-	-	-	71,624	71,624
Other current liabilities	15,261	-	-	-	15,261	15,261

(In thousands of euros)	At 31 December 2020					
	less than 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Financial liabilities	22,021	8,159	17,743		**47,923**	**47,646**
Lease liabilities	4,840	4,333	4,608	1,360	**15,141**	**14,919**
Trade payables	86,110	-	-	-	**86,110**	**86,110**
Other current liabilities	12,815	-	-	-	**12,815**	**12,815**

5. CAPITAL MANAGEMENT POLICY

The Company's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in compliance with contractual commitments made with lenders.

The Company provides itself with the capital necessary to finance the needs of business development and operations; the sources of financing are divided into a mix of risk capital and debt capital, to ensure a balanced financial structure and the minimisation of the total cost of capital, thereby benefiting all stakeholders.

The remuneration of risk capital is monitored on the basis of market trends and business performance, once all other obligations have been fulfilled, including debt servicing; therefore, in order to ensure an adequate return on capital, the safeguarding of business continuity and business development, the Company continually monitors the level of debt in relation to equity, business performance and expected cash flow forecasts, in the short and medium/long term.

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FINANCIAL ASSET AND LIABILITY CATEGORIES AND INFORMATION ON FAIR VALUE

Categories of financial assets and liabilities

The following tables provide a breakdown of financial assets and liabilities by category at 31 December 2021 and 2020:

(In thousands of euros)	**Book value at 31 December**	
	2021	**2020**
FINANCIAL ASSETS:		
Financial assets at amortised cost:		
Financial assets measured at amortised cost	618	801
Trade receivables	57,224	53,453
Other receivables and current assets	3,139	3,782
Cash and cash equivalents	327,060	100,324
	388,040	**158,360**
Financial assets valued at fair value through profit or loss:		
Non-current financial assets measured at fair value through profit or loss	32	42
Current financial assets measured at fair value through profit or loss	4	4
	36	**46**
TOTAL FINANCIAL ASSETS	**388,076**	**158,407**

(In thousands of euros)	**Book value at 31 December**	
	2021	**2020**
FINANCIAL LIABILITIES:		
Financial liabilities at amortised cost:		
Non-current financial liabilities	217,604	25,625
Non-current lease liabilities	4,551	10,480
Trade payables	71,624	86,110
Current financial liabilities	141,016	22,021
Current lease liabilities	2,835	4,439
Other current liabilities	15,261	12,815
TOTAL FINANCIAL LIABILITIES	**452,891**	**161,489**

The tables above show that most of the outstanding financial assets and liabilities are short-term items. In view of their nature, for most items, the book value is considered a reasonable approximation of the fair value. Non-current financial assets and liabilities are settled or valued at market rates and it is therefore considered that their fair value is substantially in line with current book values.

Information on fair value

In relation to assets and liabilities recognised in the statement of financial position and measured at fair value, IFRS 13 requires that these values be classified on the basis of a hierarchy of levels, reflecting the significance of the inputs used in determining fair value. The following table shows the fair value classification of financial instruments based on the following hierarchical levels:

- **Level 1**: fair value determined using unadjusted prices listed on active markets for identical financial instruments. Therefore, in Level 1 the emphasis is on determining the following elements: (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; (b) the entity's ability to transact the asset or liability at the price of that market on the valuation date.
- **Level 2**: fair value determined with valuation techniques using variables observable on active markets. The inputs for this level include: (a) prices listed for similar assets or liabilities in active markets; (b) prices listed for identical or similar assets or liabilities in non-active markets; (c) data other than observable listed prices for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implicit volatility, credit spreads, input corroborated by the market.
- **Level 3**: fair value determined with valuation techniques using non-observable market variables.

The following tables summarise the financial assets and liabilities measured at fair value, broken down by hierarchy, at 31 December 2021 and 2020:

(In thousands of euros)	**At 31 December 2021**		
	Level 1	**Level 2**	**Level 3**
Non-current financial assets measured at fair value through profit or loss	-	-	32
Current financial assets measured at fair value through profit or loss	-	-	4
Total financial assets measured at fair value	**-**	**-**	**36**

(In thousands of euros)	**At 31 December 2020**		
	Level 1	**Level 2**	**Level 3**
Non-current financial assets measured at fair value through profit or loss	-	-	42
Current financial assets measured at fair value through profit or loss	-	-	4
Total financial assets measured at fair value	**-**	**-**	**46**

There were no transfers between the different levels of the fair value hierarchy in the periods considered.

6. OPERATING SEGMENTS

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 Group's activity is identifiable in the following business segments: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products and Other activities.

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 year ended 31 December 2021, and the reconciliation of these items with respect to the corresponding amount included in the Separate Financial Statements:

	At 31 December 2021				
(In thousands of euros)	Pasta	Bakery Products	Special Products	Other assets	**Separate Financial Statements total**
Revenue from contracts with customers (third parties)	75,140	39,467	34,787	7,687	**157,080**
EBITDA (*)	5,553	7,069	3,752	-	**16,374**
EBITDA margin	7.38%	17.91%	10.79%	0.00%	**10.42%**
Amortisation, depreciation and write-downs	4,055	1,871	2,286	541	**8,753**
Net write-downs of financial assets				447	**447**
Income from business combinations				-	**-**
Operating profit/(loss)	**1,498**	**5,199**	**1,466**	**(988)**	**7,176**
Financial income	-	-	-	1,024	**1,024**
Financial expenses	-	-	-	(6,189)	**(6,189)**
Profit/(loss) before taxes	**1,498**	**5,199**	**1,466**	**(6,153)**	**2,011**
Income taxes	-	-	-	(1,151)	**(1,151)**
Net profit/(loss)	**1,498**	**5,199**	**1,466**	**(7,304)**	**860**
Total assets	**63,428**	**16,017**	**16,814**	**505,780**	**602,039**
Total liabilities	**75,249**	**18,661**	**10,287**	**357,224**	**461,421**
Investments	1,093	561	582	131	**2,367**
Employees (number)	502	196	167	72	**937**

(*) 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 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 year ended 31 December 2020, and the reconciliation of these items with respect to the corresponding amount included in the Separate Financial Statements

(In thousands of euros)	Year ended 31 December 2020						
	Pasta	Milk products	Bakery Products	Dairy Products	Special Products	Other assets	**Separate Financial Statements total**
Revenue from contracts with customers (third parties)	71,504	71,895	39,075	33,693	34,006	15,436	**265,608**
EBITDA (*)	**4,379**	**5,094**	**6,777**	**4,150**	**3,591**	**668**	**24,659**
EBITDA margin	**6.12%**	**7.09%**	**17.34%**	**12.32%**	**10.56%**	**4.33%**	**9.28%**
Amortisation, depreciation and write-downs	3,557	3,429	1,164	118	2,180	358	**10,806**
Net write-downs of financial assets	-	-	-	-	-	977	**977**
Operating profit/(loss)	**821**	**1,666**	**5,612**	**4,033**	**1,411**	**(667)**	**12,875**
Financial income	-	-	-	-	-	192	**192**
Financial expenses	-	-	-	-	-	(1,960)	**(1,960)**
Profit/(loss) before taxes	**821**	**1,666**	**5,612**	**4,033**	**1,411**	**(2,435)**	**11,108**
Income taxes	-	-	-	-	-	(3,853)	**(3,853)**
Net profit/(loss)	**821**	**1,666**	**5,612**	**4,033**	**1,411**	**(6,288)**	**7,254**
Total assets	**112,845**	**61,955**	**16,156**	**8,602**	**17,962**	**113,427**	**330,947**
Total liabilities	**39,934**	**39,156**	**16,933**	**13,205**	**15,932**	**50,318**	**175,478**
Investments	2,415	585	1,556	161	645	263	**5,625**
Employees (number)	357	154	192	60	155	58	**976**

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

Revenue from contracts with customers in the "Pasta" sector totalled Euro 75,230 thousand and Euro 71,504 thousand for the years ended 31 December 2021 and 2020, equal to 47.9% and 27% respectively of all revenue from contracts with customers. EBITDA in the "Pasta" segment totalled Euro 5,553 thousand and Euro 4,379 thousand respectively for the years ended 31 December 2021 and 2020, equal to 33.9% and 17.8% respectively.

The biggest EBITDA margins over the two years under review were delivered by the "Bakery Products" and "Dairy Products" segments.

In addition to the sectoral information, the statement of financial position and income statement data by geographical area, as required by IFRS 8, is provided below.

The following table displays revenue from contracts with customers by geographical area for the years ended 31 December 2021 and 2020.

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Italy	107,400	181,603
Germany	12,134	26,059
United Kingdom	3,078	6,396
Other countries	34,468	57,946
Total revenue from contracts with customers	**157,080**	**265,608**

Finally, in accordance with IFRS 8, paragraph 34, for the years ended 31 December 2021 and 2020, the Company did not have any customers generating more than 10% of its revenues.

8. NOTES TO THE SEPARATE STATEMENT OF FINANCIAL POSITION

8.1 Property, plant and equipment

The table below shows a breakdown of and changes in the item "Property, plant and equipment" for the years 31 December 2021 and 2020:

(In thousands of euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost at 31 December 2020	**14,609**	**123,318**	**4,581**	**5,185**	**490**	**148,183**
Investments		1,994	36	43	165	2,238
Disposals		(30)	(3)	(26)		(59)
Reclassifications		482	8		(490)	-
Historical cost at 31 December 2021	**14,609**	**125,764**	**4,622**	**5,202**	**165**	**150,362**
Accumulated depreciation as at 31 December 2020	**(9,630)**	**(102,331)**	**(4,385)**	**(4,603)**	**-**	**(120,949)**
Depreciation	(327)	(4,881)	(117)	(142)		(5,467)
Disposals		30	3	26		59
Accumulated depreciation as at 31 December 2021	**(9,957)**	**(107,182)**	**(4,499)**	**(4,719)**	**-**	**(126,357)**
Net carrying amount at 31 December 2020	**4,979**	**20,987**	**196**	**582**	**490**	**27,234**
Net carrying amount at 31 December 2021	**4,652**	**18,582**	**123**	**483**	**165**	**24,005**

Investments in property, plant and equipment for the year ended 31 December 2021 totalled Euro 2,238 thousand and were attributable mainly to the renovation of production lines. For more information on investments, please refer to the specific chapter "Investments".

The net value of property, plant and equipment disposed of in the years ending 31 December 2021 and 2020 is not significant.

At 31 December 2021 there were no capital contributions classified as a reduction in core plant and equipment.

During the year, the Company did not record write-downs of property, plant and equipment.

As at 31 December 2021, there are no real estate assets or proprietary capital goods subject to any kind of guarantee given to third parties.

8.2 Right-of-use assets and lease liabilities

The table below shows a breakdown of the item "Right-of-use assets" for the year ended 31 December 2021:

(In euros)	**Right-of-use assets**
Historical cost at 31 December 2020	**29,219**
Increases	
Milk&dairy transaction	(9,520)
Decreases	
Historical cost at 31 December 2021	**19,588**
Accumulated depreciation as at 31 December 2020	**(14,902)**
Depreciation	(2,593)
Milk&dairy transaction	5,503
Disposals	
Accumulated depreciation as at 31 December 2021	**(11,874)**
Net carrying amount at 31 December 2020	**14,317**
Net carrying amount at 31 December 2021	**7,714**

At 31 December 2021, the Company found no indicators of long-term impairment for right-of-use assets.

The following table displays the non-discounted contractual values of the Company's lease liabilities at 31 December 2021, following the application of IFRS 16 as of 1 January 2018:

	At 31 December 2021					
(In thousands of euros)	**less than 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Lease liabilities	2,835	3,747	1,154		**7,736**	**7,386**

The discount rate was determined on the basis of the marginal borrowing rate of the Company, i.e. the rate that the Company would have to pay for a loan, with a similar maturity and collateral, needed to obtain an asset of similar value to the right-of-use asset in a similar economic climate. The Company has decided to apply a single discount rate to a lease portfolio with reasonably similar characteristics, such as leases with a similar residual maturity for a similar underlying asset class, in a similar economic climate.

The main information relating to the lease agreements held by the Company, which acts mainly as a lessee, is shown in the following table:

(In thousands of euros)	**At 31 December 2021**
Net book value of right-of-use assets (real estate)	6,848
Net book value of right-of-use assets (machinery)	793
Net book value of right-of-use assets (motor vehicles)	73
Total net book value of right-of-use assets	**7,714**
Current lease liabilities	2,835
Non-current lease liabilities	4,551
Total lease liabilities	**7,386**
Depreciation of right-of-use assets (real estate)	(2,243)
Depreciation of right-of-use assets (machinery)	(274)
Depreciation of right-of-use assets (motor vehicles)	(76)
Total depreciation of right-of-use assets	**(2,593)**
Interest expense on leases	**273**

Real estate right-of-use assets relate mainly to the production plants in Sansepolcro (AR), Ozzano Taro (PR) and Eboli (SA), as well as the plants of Bologna and Corte de' Frati (CR), leased to Newlat under the agreements entered into with the related party New Property. The term of the lease of the aforementioned properties has been set at six years, based on the withdrawal options provided for in the contracts themselves and on managerial assessments. The rental contracts stipulated between the parties have the same structure, namely: (i) a term of six years automatically extendable for a further six years, with any subsequent tacit renewals every six years, and (ii) the early termination options exercisable by the lessor upon renewal and by the lessee, which may withdraw at any time and without cause, with six months' notice. On the basis of the assessments carried out in accordance with IFRS 16, management is reasonably certain of holding the leases for a period of six years from the date of signing of the contracts.

These leases fall within the scope of related party transactions; please see the Section 10 of the Separate Financial Statements below.

Machinery right-of-use assets refer mainly to the lease of capital goods used in the production process.

8.3 Intangible assets

The table below shows a breakdown of and changes in the item "Intangible assets" for the year ended 31 December 2021:

(In thousands of euros)	Goodwill	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other assets	Assets under development	Total
Historical cost at 31 December 2020	**9,376**	**20,174**	**43,812**	**2,666**	**9**	**76,037**
Investments		71	33		26	**130**
Disposals						**-**
Reclassifications		9			(9)	**-**
Historical cost at 31 December 2021	**9,376**	**20,254**	**43,845**	**2,666**	**26**	**76,167**
Accumulated amortisation as at 31 December 2020	**(5,512)**	**(18,847)**	**(43,508)**	**(2,615)**	**-**	**(70,482)**
Amortisation		(304)	(337)	(51)		**(692)**
Disposals						**-**
Accumulated amortisation as at 31 December 2021	**(5,512)**	**(19,151)**	**(43,845)**	**(2,666)**	**-**	**(71,174)**
Net carrying amount at 31 December 2020	**3,864**	**1,327**	**304**	**51**	**9**	**5,555**
Net carrying amount at 31 December 2021	**3,864**	**1,103**	**-**	**-**	**26**	**4,993**

Investments in intangible assets for the year ended 31 December 2021 amounted to Euro 130 thousand and were mainly attributable to the purchase of software. For more information on investments, please refer to the specific chapter "Investments".

There were no indicators of long-term impairment for intangible assets for the year ended 31 December 2021.

The following is a description of the main items that make up intangible assets:

Goodwill

Goodwill refers to the acquisition in December 2014 of Centrale del Latte di Salerno S.p.A. (hereinafter **"Centrale del Latte di Salerno"**), which is the only cash generating unit (CGU) to which it has been allocated. This amount reflects the difference between the purchase price and the equity of Centrale del Latte di Salerno on the acquisition date, as shown below:

(In thousands of euros)	
Purchase cost	12,701
Net equity at 31 December 2014	8,838
GOODWILL	**3,863**

In line with IAS 36, impairment testing was carried out at the individual reporting dates to check for any impairment of goodwill. The *impairment* test, approved by the Board of Directors on 18 March 2022, was prepared by an independent professional, comparing the book value of goodwill with the recoverable value of the related *cash generating unit* (CGU).

The impairment test is carried out at least annually and whenever there are indicators of impairment.

The 2019-2022 business plan has not been revised, but for impairment testing purposes the individual plans have been revised to better reflect the current data and the impacts of COVID-19 on the CGU.

The impairment test, approved by the Board of Directors on 18 March 2022, was prepared with the support of an independent professional, comparing the book value of goodwill with the recoverable value of the related cash generating unit (CGU).

The recoverable amount is the value in use, determined by discounting the CGU's forecast data represented by the Centrale del Latte di Salerno division ("DCF Method") for the three years after the reporting date. The key assumptions used by management to determine the forecast data of the CGU are estimates of growth of revenues, EBITDA, operating cash flows, the growth rate of the terminal value and the weighted average cost of capital (discount rate), taking into account past profits/losses and future expectations.

The reasonableness of the margins in the explicit forecast period was also verified and deemed to be equal to that recorded in 2021.

The terminal value of the CGU was determined using the perpetual yield criterion of the CGU's normalised cash flow, with reference to the latest forecast period considered, assuming a growth rate and a discount rate ("WACC", which represents the weighted average between the cost of equity and the cost of debt, after tax), as represented below:

(Percentage)	**At 31 December 2021**
Growth rate	0.5%
WACC	8.23%

For the purposes of estimating the value in use of the CGU to which goodwill is allocated:

(iii) the following sources of information have been used:

a) internal sources: IAS 36 requires that the estimate of value in use be based on senior management's most up-to-date results flows forecasts. For the goodwill impairment test a three-year 2022-2024 plan was used. The Company's Board of Directors approved this test, as well as the flows represented therein, on 18 March 2022. For the goodwill impairment test as at 31 December 2021, improvements in operating costs are prudently foreseen and therefore an increase of 1% was considered in subsequent years.

b) external sources: for the goodwill impairment test, external sources of information were used for the purposes of calculating the cost of capital set out below. All information for calculating the cost of capital is from an external source. The estimated calculation of the weighted average cost of capital was based on:

- the CAPM to estimate the cost of equity;

- the WACC (Modigliani-Miller) formula for estimating the weighted average cost of capital (after tax).

The cost of capital was calculated considering the financial structure of Centrale del Latte di Salerno corresponding to 100% equity and having liquidity available rather than financial debts as at 31 December 2021.

(iv) the following main basic assumptions were also used:

a) average revenue increase of 1 % per annum from 2022 to 2024; and

b) EBITDA margin in the forecast years of 21%.

The revenue growth assumed for the years of the explicit period is marginally higher than the expected growth of the Italian market, in view of the good competitive position of the subsidiary, but above all in view of (i) the company's planned growth strategies, focused on R&D activities (including high protein milk); (ii) a guaranteed supply chain with strong local roots; (iii) and the development of new Group products. After the 2021 results, the Group estimated the plan flows used for the impairment test, forecasting a consolidation of the results achieved for 2022 and subsequent years and a transition to new normality, with a progressive replacement of the volumes generated by the pandemic with structural volumes.

The following table displays the assumptions underlying the calculation of the discount rate for the year ending 31 December 2021:

Component	Parameter
Risk-free rate	0.80%
Market risk premium	6.00%
Levered beta	0.62
Cost of equity	2.50%
Cost of net debt	3.00%
Discount rate	**8.23%**

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its book value by more than Euro 14.3 million. The value in use was calculated on the basis of a weighted average cost of capital (WACC) equal to 8.23%, and a terminal cash flow growth rate (g) of 0.5%. Sensitivity analyses were also carried out to verify the effects on the impairment test results of a ±0.5% and ±0.25% change respectively in the WACC and growth rate, both parameters deemed to be significant. In particular, assuming no other changes, individual changes in the main parameters used for the test in question do not result in the recoverable value of the CGU being less than the relative book value. To negate the difference between value in use and book value, the cost of capital (WACC) would have to increase by more than 20% and the terminal growth rate would have to be equal to zero.

Industrial patents and rights to use intellectual property

This item consists almost exclusively of software costs.

Concessions, licences, trademarks and similar rights

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 31 December 2021:

(In thousands of euros)	At 31 December	
	2021	**2020**
Trademarks with a finite useful life	695	1,026
Total net book value	**695**	**1,026**

Trademarks with a finite useful life

This item includes brands owned by Newlat, amortised according to the residual useful life, estimated on the basis of the period of time over which it is considered that they are guaranteed to generate cash flows.

8.4 Equity investments in subsidiaries

This item consists of:

- The purchase value of all shares in Newlat GmbH on 29 October 2019 from the parent company Newlat Group S.A. The final fee paid to Newlat Group amounted to Euro 68,873 thousand.
- The purchase value of Centrale del Latte d'Italia for Euro 25,405 thousand as detailed in the section "Acquisition of Centrale del Latte d'Italia S.p.A.".
- The purchase value of Symington's for Euro 63,914 thousand as better described in the section "Acquisition of Symington's".

The book value of the equity investment is significantly higher than the shareholders' equity of Newlat GmbH.

In line with the requirements of international accounting standards, an impairment test was carried out to ascertain whether the carrying value of the investment had been impaired. The impairment test, approved by the Board of Directors on 18 March 2022, was prepared with the support of an independent professional, comparing the book value of the equity investment with the recoverable value of the related cash generating unit (CGU).

The recoverable amount is the value in use, determined by discounting the CGU's forecast data ("DCF Method") in the unlevered version for the three years after the reporting date. The key assumptions used by management to determine the forecast data of the CGU are estimates of growth of revenues, EBITDA, operating cash flows, the growth rate of the terminal value and the weighted average cost of capital (discount rate), taking into account past profits/losses and future expectations.

The reasonableness of the margins in the explicit forecast period was also verified and deemed to be equal to that recorded in 2021.

The terminal value of the CGU was determined using the perpetual yield criterion of the CGU's normalised cash flow, with reference to the latest forecast period considered, assuming a growth rate and a discount rate (WACC, which represents the weighted average between the cost of equity and the cost of debt, after tax), as represented below:

(Percentage)	**At 31 December 2021**
Growth rate	0.50%
WACC	6.13%

For the purposes of estimating the value in use of the CGU, the following sources of information were used:

- <u>internal sources</u> the estimate of value in use is based on senior management's most up-to-date results flows forecasts. For the equity investment impairment test as at 31 December 2021, the 2019/2022 economic and financial plan drafted for the listing operation was used, presented on the Italian Stock Exchange and approved by the Board of Directors on 22 July 2019. The Company's Board of Directors approved this test and the flows represented therein on 18 March 2022. For the purpose of estimating the value in use, investments of approximately Euro 800 were envisaged for the three-year period 2022-2024. For the equity investment impairment test as at 31 December 2021, no improvements in operating costs are expected and therefore a constant margin was considered over the period (EBITDA margin of 11.6%). This means that any EBITDA growth is due to expected growth in turnover, which is 3% higher than the company's past CAGR and the relevant market.

- <u>external sources:</u> for the impairment test, external sources of information were used for the purposes of calculating the cost of capital set out below. All information for calculating the cost of capital is from an external source. The estimated calculation of the weighted average cost of capital was based on:

  - the CAPM to estimate *the cost of equity*;

  - the WACC (Modigliani-Miller) formula for estimating the weighted average cost of capital (after tax).

  The cost of capital was calculated considering the present financial structure of Newlat GmbH corresponding to 100% equity and having net liquidity available rather than net financial debts as at 31 December 2021.

- the following main basic assumptions were also used:

  a) average annual revenue increase of 3% per annum from 2022 to 2024; and

  b) EBITDA margin in the forecast years of 11.6%.

For the 2021 and 2022 revenues, however, the average annual growth rate ("CAGR") was estimated at 3%, which is conservative given the outlook for the German pasta market, the leading positions of the Birkel and Drei Glocken brands and the historical performance of the company with growth rates well above 3%. Any significant changes to the assumptions described above would affect the determination of the value in use.

After a positive 2021, the Group estimated the plan flows used for the impairment test, forecasting a consolidation of the results achieved in subsequent years and a transition to new normality, with a progressive replacement of the volumes generated by the pandemic with structural volumes.

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its book value by more than Euro 51.6 million. The value in use was calculated on the basis of a weighted average cost of capital (WACC) equal to 6.13% and a terminal cash flow growth rate (g) of 0.5%. Sensitivity analyses were also carried out to verify the effects on the *impairment test* results of a ±0.5% and ±0.25% change respectively in the WACC and growth rate, both parameters deemed to be significant. In particular, assuming no other changes, individual changes in the main parameters used for the test in question do not result in the recoverable value of the CGU being less than the relative book value. To negate the difference between value in use and book value, the cost of capital (WACC) would have to be equal to 10.5% and the growth rate equal to 0%.

No impairment test was performed on the investment held in Centrale del Latte d'Italia in view of the excellent results of the investee company and the capitalisation at 31 December 2021 above book value. Furthermore, the impairment test on the brands of the Centrale del Latte prepared at consolidated level is based on the calculation of the value in use of the CGU of Centrale del Latte d'Italia before the milk&dairy transaction and compared with the relative CIN of the CGU subject to verification. The value in use is determined using the discounted cash flow (DCF) method, based on a discount rate and an explicit forecast period of five years based on the Plan approved by the Board of Directors of Centrale del Latte d'Italia SpA on 10 February 2020 (forecasts in line with the approved plan for the forecasts for 2022 and 2023, and estimates for subsequent periods based on a reasonable growth trend). The value of the CGU thus determined is higher than the carrying value of the investment recorded in the separate financial statements of Newlat Food S.p.A.

No impairment test was performed on the investment held in Symington's SpA in view of the excellent results of the investee company and the purchase price allocation process not yet completed.

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

At 31 December 2021 and 2020, non-current financial assets valued at fair value through profit or loss amounted to Euro 32 thousand and Euro 42 thousand respectively. These balances, which are not material, relate to smaller corporate capital instruments.

8.6 Financial assets measured at amortised cost

At 31 December 2021 and 2020, financial assets at amortised cost amounted to Euro 618 thousand and Euro 801 thousand respectively. These balances refer to security deposits paid against existing lease agreements.

8.7 Prepaid tax assets and deferred tax liabilities

The following table shows a breakdown of "Prepaid tax assets" as at 31 December 2021 and 2020:

(In euros)	At 31 December	
	2021	**2020**
Provisions	2,080	2,472
Tax losses carried forward	165	
Leases	79	165
Amortisation	620	775
Other	576	527
Gross prepaid tax assets	**3,521**	**3,940**
Offsetting with deferred tax liabilities	-	-
Total prepaid tax assets	**3,521**	**3,940**

Prepaid tax assets are recognised where it is probable that future taxable income will be realised against which they can be used.

At 31 December 2021, the Company did not recognise prepaid tax assets relating to tax losses of the incorporated Delverde Industrie Alimentari S.p.A., as they will be the subject of a future appeal to the Revenue Agency to have them recognised and to be exempt from the carry-over restriction up to the limit of the equity of the incorporated company. The amount of these unrecognised tax losses is approximately Euro 30.6 million.

The following table displays a breakdown of and changes in the gross value of prepaid tax assets for the years ending 31 December 2021 and 2020:

(In thousands of euros)	**Provisions**	**Tax losses carried forward**	**Leases**	**Amortisation**	**Other**	**Total prepaid tax assets**
Balance at 31 December 2020	**2,472**	**-**	**165**	**775**	**528**	**3,940**
Provisions (releases) to income statement	(121)	165	(81)	(155)	(37)	(229)
Change in extraordinary transactions	(271)		(5)			(276)
Provisions (releases) to statement of other comprehensive income	-	-	-	-	83	83
Balance at 31 December 2021	**2,080**	**165**	**79**	**620**	**574**	**3,518**

Prepaid tax assets arise from the temporary differences between the value attributed to an asset or liability in the financial statements and the value attributed to that asset or liability for tax purposes.

8.8 Inventories

The following table shows a breakdown of "Inventories" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Raw materials, supplies, consumables and spare parts	12,464	15,438
Finished products and goods	9,220	12,598
Advance payments	-	34
Total gross inventories	**21,684**	**28,070**
Inventory write-down reserve	(946)	(944)
Total inventories	**20,738**	**27,126**

Inventories are recorded net of the obsolescence reserve, which amounted to Euro 946 thousand at 31 December 2021 and related mainly to spare parts for slow-moving machinery.

8.9 Trade receivables

The following table shows a breakdown of "Trade receivables" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Trade receivables from customers	54,936	65,727
Trade receivables from related parties	19,060	4,096
Trade receivables (gross)	73,996	69,823
Provision for doubtful trade receivables	**(16,772)**	**(16,370)**
Total trade receivables	**57,224**	**53,453**

The following table displays the changes in the provision for doubtful trade receivable for the year ended 31 December 2021:

(In euros)	**Provision for doubtful trade receivables**
Balance at 31 December 2020	**(16,370)**
Provisions	(446)
Uses	44
Balance at 31 December 2021	**(16,772)**

The net value of overdue trade receivables at 31 December 2020 amounted to Euro 17,804 thousand.

Analysis of the credit risk, including details of the provisioning for doubtful receivables for the individual bands of overdueness, can be found in the section "Management of Financial Risks" above.

Analysis of trade receivables from related parties can be found in the section "Transactions with Related Parties" below.

The book value of trade receivables is deemed to approximate their fair value.

8.10 Current tax assets and liabilities

Current tax assets totalled Euro 3,009 thousand at 31 December 2021 and Euro 704 thousand at 31 December 2020.

Current tax liabilities totalled Euro 1,590 thousand at 31 December 2021 and Euro 2,470 thousand at 31 December 2020.

The changes in the net balances of the assets and liabilities under review for the year ended 31 December 2021 mainly concern the setting aside of current income taxes amounting to Euro 446 thousand and payments amounting to Euro 2,639 thousand.

8.11 Other receivables and current assets

The following table shows a breakdown of "Other receivables and current assets" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2,021	**2,020**
Tax assets	457	1,842
Receivables from social security institutions	789	805
Accrued income and prepaid expenses	284	332
Advance payments	1,130	622
Other receivables	479	181
Total other receivables and current assets	**3,139**	**3,782**

Receivables from social security institutions at 31 December 2021 and 2020 mainly refer to receivables from INAIL, amounting to Euro 780 thousand and Euro 805 thousand respectively.

Payments on account at 31 December 2021 and 2020 mainly refer to down payments for supplies.

Tax credits at 31 December 2020 mainly include credits for tax consolidation of Euro 124 thousand, credits for research and development of Euro 200 thousand and other credits of Euro 133 thousand.

8.12 Current financial assets measured at fair value through profit or loss

The following table provides a breakdown of "Current financial assets measured at fair value through profit or loss" at 31 December 2021 and 2020:

(In euros)	At 31 December	
	2021	**2020**
Unlisted shares	4,240	4,240
Total current financial assets measured at fair value through profit or loss	**4,240**	**4,240**

This item includes bonds held for sale.

8.13 Cash and cash equivalents

The following table shows a breakdown of "Cash and cash equivalents" at 31 December 2021 and 2020:

(In euros)	At 31 December	
	2021	**2020**
Bank and postal deposits	318,849	100,297
Cash in hand	5	27
Total cash and cash equivalents	**318,854**	**100,324**

Bank and postal deposits refer mainly to cash and cash equivalents deposited in current accounts held with leading banking and financial institutions.

At 31 December 2021, cash and cash equivalents were not subject to restrictions or constraints.

Part of the aforementioned cash and cash equivalents, amounting to Euro 116,019 thousand and Euro 21,428 thousand respectively at 31 December 2021 and 2020, is attributable to the cash pooling of Newlat

Food with the parent company Newlat Group S.A. and with the subsidiaries Centrale del Latte d'Italia S.p.A. and Newlat GmbH.

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

8.14 Shareholders' equity

At 31 December 2021 the item Shareholders' Equity totalled Euro 140,618 thousand. The statement of changes in equity is shown in the relevant section.

The changes that affected shareholders' equity for the year ended 31 December 2021 related to the following:

- The recognition of the net profit for the year, in the amount of Euro 860 thousand.
- Actuarial losses of Euro 214 thousand relating to the discounting of the employee severance indemnity provision.
- Other changes 263 thousand.
- Purchase of treasury shares for Euro 15,760 thousand.

Share capital

As at 31 December 2021, the Company's fully subscribed and paid-up share capital totalled Euro 43,935,050, divided into 43,935,050 ordinary shares that were dematerialised as a result of the IPO operation.

Legal reserve

At 31 December 2021, the legal reserve totalled Euro 2,860 thousand.

Reserves

Please refer to the statement of changes in equity for a breakdown of and changes in reserves in 2021, of which the possibility of use is shown in this statement, with reference to 31 December 2021.

Nature/ description	Amount	Possible use	Quota available
Share capital	43,935,050	B	
Capital reserves:			
Reserve L.413/91	1,314,285	A, B	1,314,285
FTA reserve	6,937,413	B	6,937,413
IAS reserve	(775,463)		(775,463)
Costs to Shareholders' Equity	(4,224,615)		(4,224,615)
Share premium reserve	78,865,110	A, B, C	78,865,110
Other non-distributable reserves	123,110	A, B	123,110
Treasury shares	(16,681,554)		(16,681,554)
Profit reserves			
Legal reserve	2,860,293	B	2,860,293
Extraordinary reserve	27,278,563	A, B, C	27,278,563
Other reserves	125,463	A, B, C	125,463
Total			95,822,605
Non-distributable portion			10,336,528
Residual distributable portion			85,486,077

Notes
A Available for capital increases
B Available to cover any losses
C Distributable to shareholders

8.15 Provisions for employee benefits

The table below shows a breakdown of and changes in the item "Provisions for employee benefits" for the years 31 December 2021 2020:

(In thousands of euros)	**Employee benefits**
Balance at 31 December 2019	**10,082**
Financial expenses	79
Actuarial losses/(gains)	634
Benefits paid	(737)
Balance at 31 December 2020	**10,059**
Current service cost	
Financial expenses	27
Actuarial losses/(gains)	297
Benefits paid	(420)
Change for milk & dairy transaction	(3,871)
Balance at 31 December 2021	**6,092**

Provisions for employee benefits represent the estimated obligation, determined on the basis of actuarial techniques, relating to the amount to be paid to employees when their employment with the company ends.

Employee severance indemnity (TFR)

The debt for Newlat's employee severance indemnity, which falls within the IAS 19 definition of defined benefit plans, was determined according to actuarial logic. The following are the main actuarial, financial and demographic assumptions used to determine the value of the liability at 31 December 2021 and 2020, in accordance with the provisions of IAS 19:

	At 31 December	
	2021	**2020**
Financial assumptions		
Discount rate	0.56%	0.34%
Inflation rate	1.75%	1.00%
Annual rate of salary increase	1.75%	1.00%
Demographic assumptions		
Death	SIM/SIF2002 ISTAT table	SIM/SIF2002 ISTAT table
Retirement	Achievement of the first pensionable requirement according to current legislation	Achievement of the first pensionable requirement according to current legislation

The following table summarises the main assumptions relating to the annual turnover rate and requests for severance pay advances adopted for the calculation of Newlat's provisions for employee benefits , in accordance with the provisions of IAS 19:

	At 31 December	
	2021	**2020**
Annual turnover rate and TFR Advances	**Newlat Food**	**Newlat Food**
Frequency of advances	1.90%	2.0%
Turnover rate	1.90%	2.0%

The following table summarises the sensitivity analysis for each actuarial, financial and demographic assumption, showing the effects (in absolute terms) that would have occurred as a result of changes to the reasonably possible actuarial assumptions on 31 December 2021 and 2020:

(In thousands of euros)	**Discount rate**		**Inflation rate**		**Rate of salary increase**		**Change in retirement age**	
	+0.50%	**-0.50%**	**+0.50%**	**0.50%**	**+0.50%**	**-0.50%**	**+ 1 year**	**- 1 year**
Employee benefits (severance indemnities) at 31 December 2021	(398)	435	304	(245)	-	-	107	(71)
Employee benefits (severance indemnities) at 31 December 2020	(598)	653	398	(368)	-	-	83	(87)

8.16 Provisions for risks and charges

The table below shows a breakdown of and changes in the item "Provisions for risks and charges" for the year ended 31 December 2021:

(In thousands of euros)	Provision for agents' indemnities	Provision for legal risks	Other provisions for risks and charges	Total provisions for risks and charges
Balance at 31 December 2020	**1,236**	**69**	**156**	**1,461**
Provisions		466	1	467
Milk&dairy transaction	(971)			(971)
Releases	(110)	-	-	(110)
Balance at 31 December 2021	**155**	**535**	**157**	**846**

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.

The provision for legal risks relates to the contingent liability following an audit by the Guardia di Finanza for the years 2016 and 2017. The Company's management has prudently decided to set aside a provision representing the maximum potential risk.

8.17 Current and non-current financial liabilities

The following table shows a breakdown of "Current and non-current financial liabilities" as at 31 December 2021 and 2020:

	At 31 December 2021		At 31 December 2020	
(In thousands of euros)	Current portion	Non-current portion	Current portion	Non-current portion
Payables to Newlat Group SA for cash pooling	15,981		981	
Payables to Newlat GMBH for cash pooling	25,926			
Payables to CLI for cash pooling	22,776		5,286	
Total financial payables for cash pooling	**64,683**	**-**	**6,267**	**-**
Deutsche Bank loan agreement	3,000	6,000	3,000	9,000
BPM loan agreement	3,153	6,420	3,115	9,573
BPER loan agreement	1,990	5,062	1,970	7,052
BPER loan agreement	7,500	7,500		
Trade credit facilities	20,309		7,638	
Commerzbank	30,000			
Bond	4,534	198,455		
Current account overdrafts	13		31	
Total financial debt to banks and other lenders	**70,499**	**223,437**	**15,754**	**25,625**
Total financial liabilities	**135,182**	**223,438**	**22,021**	**25,625**

The following table shows an analysis by maturity of the financial liabilities outstanding at 31 December 2021:

(In thousands of euros)	**Carrying amount at 31 December 2021**	**Expiry**					
		Year 2022	**Year 2023**	**Year 2024**	**Year 2025**	**Year 2026**	**Beyond**
Payables to Newlat Group SA for cash pooling	15,981	15,981		-			
Payables to Newlat GMBH for cash pooling	25,926	25,926					
Payables to CLI for cash pooling	22,776	22,776					
Deutsche Bank loan agreement	9,000	3,000	3,000	3,000		-	
BPM loan agreement	9,573	3,153	3,191	3,229		-	
BPER loan agreement	7,052	1,990	2,010	2,030	1,023		
BPER loan agreement	15,000	7,500	7,500	-			
Trade credit facilities	20,309	20,309					
Commerzbank	30,000	30,000					
Bond	202,989	4,534					198,455
Current account overdrafts	13	13					
Total financial liabilities	**358,618**	**135,182**	**15,701**	**8,259**	**1,023**	**-**	**198,455**

Bond: the Issuer will make sure that none of its Subsidiaries will incur any additional Indebtedness (other than Permitted Indebtedness) provided however that commencing with the Relevant Period ending 30 June 2021 each of the Issuer and any of its Subsidiaries may incur Additional Indebtedness if, as at the date of such event, the following requirements (each an "Indebtedness Requirement") are satisfied:

- (i) The Consolidated Leverage Ratio is equal to or less than 3:1, and (2) the Equity Ratio is equal to or less than 1.5:1, in each case as set out in the previous reporting period Certificate.
- (ii) To the extent that the Issuer or one of its Subsidiaries has completed in a Relevant Period the acquisition of a company or business with an Enterprise Value of at least Euro 100,000,000 (the "Relevant Acquisition"), (1) the Consolidated Net Leverage Ratio is equal to or less than 4:1 and (2) the Equity Ratio is equal to or less than 2:1, in each case as set out in the Certificate of Compliance relating to the immediately preceding Relevant Period, such ratio to apply until the end of the second Relevant Period following the Relevant Acquisition.

Notwithstanding the foregoing, after an Activated Indebtedness has occurred, as resulting from the Compliance Certificate delivered on a Reporting Date, the Issuer may give notice that such Activated Indebtedness is resolved by delivering on an Interim Reporting Date an Interim Compliance Certificate pursuant to Condition 4(b) (Compliance Certificate) below. Upon delivery of such Interim Compliance Certificate, the Leverage Requirement shall be deemed to be satisfied for the purposes of this Condition 4(a).

The following table shows the Net Financial Position, according to the classification scheme indicated in the Consob Communication:

(In thousands of euros)	At 31 December	
Net financial debt	**2,021**	**2,020**
A. Cash	5	27
B. Other cash and cash equivalents	318,849	100,297
C. Securities held for trading	4	4
D. Cash and cash equivalents (A)+(B)+(C)	**318,858**	**100,328**
E. Current financial receivables		
F. Current bank payables	(119,539)	(13,936)
G. Current portion of non-current debt	(15,643)	(8,085)
H. Other current financial debt	(2,835)	(4,439)
I. Current financial debt (F)+(G)+(H)	**(138,017)**	**(26,460)**
J. Net current financial debt (I)+ (E)+ (D)	**180,841**	**73,868**
K. Non-current bank payables	(24,982)	(25,625)
L. Bonds issued	(198,455)	
M. Other non-current financial payables	(4,551)	(10,480)
N. Non-current financial debt (K)+(L)+(M)	**(227,988)**	**(36,105)**
O. O. Net financial debt (J)+ (N)	**(47,146)**	**37,763**

Without considering the effects of IFRS 16, the net financial position would be determined as follows:

(In thousands of euros)	At 31 December	
	2021	**2020**
Net financial debt	**(47,146)**	**38,685**
Current lease liabilities	2,835	4,439
Non-current lease liabilities	4,551	10,480
Net Financial Position	**(39,760)**	**53,604**

The following table shows, in accordance with IAS 7, changes in financial liabilities arising from cash flows generated and/or absorbed by financing activities, as well as from non-monetary items.

(In thousands of euros)	At 31 December 2020	Change in consolidation scope	New loans	Repayments	Reclassifications	At 31 December 2021
Non-current financial liabilities	25,625	-	217,986		(20,173)	223,438
Current financial liabilities	22,021	-	108,420	(15,431)	20,173	135,182
Total financial liabilities	**47,646**	**-**	**326,406**	**(15,431)**	**-**	**358,620**

8.18 Trade payables

The following table shows a breakdown of "Trade payables" as at 31 December 2021 and 2020:

(In thousands of euros)	At 31 December	
	2021	**2020**
Trade payables to suppliers	70,741	83,185
Trade payables to related parties	883	2,924
Total trade payables	**71,624**	**86,109**

This item mainly includes payables relating to the Company's normal production activities.

Analysis of trade payables to related parties can be found in the section "Transactions with Related Parties" below of the Separate Financial Statements.

The book value of trade payables is deemed to approximate their fair value.

8.19 Other current liabilities

The following table shows a breakdown of "Other current liabilities" as at 31 December 2021 and 2020:

(In thousands of euros)	**At 31 December**	
	2021	**2020**
Payables to employees	5,102	7,111
Payables to social security institutions	1,780	2,539
Tax liabilities	1,606	1,575
Accrued expenses and deferred income	673	914
Miscellaneous payables	5,909	676
Total other current liabilities	**15,261**	**12,815**

Payables to employees relate to salaries to be settled and deferred charges such as holidays, leave and additional monthly payments.

Payables to social security institutions mainly refer to liabilities with the INPS and other social security institutions for the payment of contributions.

Tax payables at 31 December 2021 mainly include payables to the Treasury for withholding taxes, amounting to Euro 1,574 thousand.

9. NOTES TO THE SEPARATE INCOME STATEMENT

9.1 Revenue from contracts with customers

The following table displays a breakdown of "Revenue from Contracts with Customers" by operating segment:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Pasta	75,140	71,504
Milk products	-	71,895
Bakery Products	39,467	39,075
Dairy Products		33,693
Special Products	34,787	34,006
Other products	7,687	15,436
Total revenue from contracts with customers	**157,080**	**265,608**

The following table displays a breakdown of "Revenue from Contracts with Customers" by distribution channel:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Mass Distribution	75,732	143,193
B2B partners	49,270	41,352
Normal trade	5,400	37,750
Private labels	25,548	37,256
Food services	1,130	6,057
Total revenue from contracts with customers	**157,080**	**265,608**

The following table displays "Revenue from Contracts with Customers" by geographical area:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Italy	107,400	181,603
Germany	12,134	26,059
United Kingdom	3,078	6,396
Other countries	34,468	57,946
Total revenue from contracts with customers	**157,080**	**265,608**

Sectoral information is given in Section 7 of the Separate Financial Statements above.

Revenue from contracts with customers for the year ended 31 December 2021 is almost exclusively related to the sale of goods. Revenues associated with such sales of goods are recognised when control of the asset is transferred to the customer.

9.2 Operating costs

The table below shows details of the operating costs broken down according to their use:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Cost of sales	(134,509)	(218,356)
Sales and distribution costs	(13,125)	(24,040)
Administrative costs	(8,384)	(12,623)
Total operating costs	**(156,019)**	**(255,019)**

The table below shows details of the same operating costs broken down according to their nature:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Purchase and consumption of raw materials and finished goods	69,546	127,221
Personnel costs	33,100	45,905
Packaging	12,460	17,463
Transport	7,139	14,289
Utilities	7,799	12,615
Amortisation, depreciation and write-downs	8,751	10,806
Sales commissions	518	4,317
Porterage and logistics	2,133	3,456
Surveillance and cleaning	2,093	4,058
Maintenance and repair	2,462	2,618
Royalties payable	1,837	2,052
Cost for use of third-party assets	2,061	2,920
Advertising and promotions	699	579
Consultancy and professional services	750	708
Insurance	644	669
Laboratory analysis and testing	676	1,090
Production plant services	300	428
Remuneration of the chairman and directors	353	300
External auditor's fees	241	224
Statutory auditors' fees	16	16
Other minor operating costs	2,442	3,284
Total operating costs	**156,019**	**255,019**

Operating expenses for the year ended 31 December 2021 decreased as a result of the transaction related to the milk&dairy sector in favour of the subsidiary Centrale del Latte d'Italia S.p.A.

9.3 Net write-downs of financial assets

The item "Net write-downs of financial assets", amounting to Euro 446 thousand for the year ended 31 December 2021, refers to the write-down of trade receivables. A breakdown of changes to the provision for bad debts for the year ended 31 December 2021 can be found in Note 8.8 "Trade receivables" above of the Separate Financial Statements.

9.4 Other revenues and income

The following table provides a breakdown of "Other revenues and income":

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Repayments and compensation	5,665	2,631
Advertising revenues and promotional contributions	-	361
Tax credit for research and development activities	-	200
Leases receivable	3,699	159
Other revenues from the Ozzano plant	873	34
Capital gains from disposals	4	2
Royalties to GmbH	1,391	1,317
Other	1,477	1,804
Total other revenue and income	**13,109**	**6,507**

9.5 Other operating costs

The following table shows a breakdown of "Other operating costs":

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Stamps, duties and local taxes	419	676
Corporate canteen	140	230
Repayments and compensation	447	1
Benefits and membership fees	61	43
Losses		1
Other	5,479	2,295
Total other operating costs	**6,546**	**3,245**

9.6 Financial income and expenses

The following table provides a breakdown of "Financial income":

(In euros)	Year ended 31 December	
	2021	**2020**
Interest income from cash pooling		84
Net foreign exchange gains	855	106
Other financial income	169	2
Total financial income	**1,024**	**192**

The following table provides a breakdown of "Financial expenses":

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Interest on loans	559	797
Interest expense on lease liabilities	273	355
Interest expense and charges to Newlat Group		3
Fees and commissions	191	306
Net foreign exchange losses	359	374
Net interest expense on provisions for employee benefits	27	79
Other financial expenses	16	46
Bond interest	4,763	-
Total financial expenses	**6,189**	**1,961**

9.7 Income taxes

The following table provides a breakdown of "Income taxes":

(In thousands of euros and as a percentage of revenue from contracts with customers)	Year ended 31 December	
	2021	**2020**
Current taxes	446	2,289
Prior-year taxes	8	-
Provision for litigation	469	
Current taxes to equity		295
Total current taxes	**923**	**2,584**
Decrease (increase) in prepaid taxes	(54)	1,269
Increase (decrease) in deferred taxes	283	-
Total deferred taxes	**229**	**1,269**
Total income taxes	**1,151**	**3,853**

The following table displays a reconciliation of the theoretical tax rate with the effective impact on the pre-tax result:

(In thousands of euros)	Year ended 31 December	
	2021	**2020**
Profit/(loss) before taxes	**2,011**	**11,108**
Theoretical rate	24.0%	24.0%
Theoretical tax charge	**483**	**2,666**
Adjustments		
Tax incentives		200
Other	668	987
Income taxes	**1,151**	**3,853**
Effective rate	**57.24%**	**34.69%**

9.8 Net profit/(loss) per share

The table below shows the net profit/loss per share, calculated as the ratio of net income to the weighted average number of ordinary shares in circulation during the period:

	At 31 December	
	2021	**2020**
Profit for the year attributable to the Group in thousands of euros	860,155	7,253
Weighted average number of shares in circulation	41,292,222	40,598,782
Earnings per share (in Euro)	**0.02**	**0.18**

The diluted earnings per share is the same as the basic earnings per share because there are no financial instruments with potential dilutive effects.

10. TRANSACTIONS WITH RELATED PARTIES

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 were 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 Group, a direct parent company; and
- Centrale del Latte d'Italia S.p.A. and Newlat Gmbh direct subsidiaries
- Companies controlled by the direct parent or indirect parent companies 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 31 December 2021 and 2020:

(In thousands of euros)	**Parent company**	**Subsidiaries**		**Companies controlled by the parent companies**		**Total**	**Total statement of financial position items**	**% of statement of financial position item**
	Newlat Group	**Newlat GmbH**	**Centrale del Latte d'Italia S.p.A.**	**New Property**	**Other companies controlled by the parent companies**			
Right-of-use assets								
At 31 December 2021				2,964		2,964	7,714	38.4%
At 31 December 2020				6,708		6,708	14,317	46.9%
Non-current financial assets at amortised cost								
At 31 December 2021				552		552	618	89.3%
At 31 December 2020				735		735	801	91.7%
Trade receivables								
At 31 December 2021		13,278	5,763		19	19,060	57,224	33.3%
At 31 December 2020		3,364	125	587	19	4,095	53,453	7.7%
Other receivables and current assets								
At 31 December 2021			124			124	3,139	4.0%
Cash and cash equivalents								
At 31 December 2021	81,583	30,059	4,377			116,019	318,854	36.4%
At 31 December 2020	15,572	4,750	1,105			21,428	100,324	21.4%
Non-current lease liabilities								
At 31 December 2021				954		954	4,551	21.0%
At 31 December 2020				4,144		4,144	10,480	39.5%
Trade payables								
At 31 December 2021	105		725		58	883	71,624	1.2%
At 31 December 2020	105		2,711		108	2,924	86,110	3.4%
Current financial liabilities								
At 31 December 2021	15,986	25,926	22,776			64,687	135,182	47.8%
At 31 December 2020	981		5,286			6,267	22,021	28.5%
Current lease liabilities								
At 31 December 2021				2,156		2,156	2,835	76.1%
At 31 December 2020				2,812		2,812	4,439	63.3%
Other current liabilities								
At 31 December 2021			5,882	411		6,293	15,261	41.2%

The following table provides a breakdown of the income statement items relating to the Company's transactions with related parties for the years ended 31 December 2021 and 2020:

	Parent company	**Subsidiaries**		**Companies controlled by the parent companies**				
(In thousands of euros)	**Newlat Group**	**Newlat GmbH**	**Centrale del Latte d'Italia S.p.A.**	**New Property**	**Other companies controlled by the parent companies**	**Total**	**Total statement of financial position items**	**% of statement of financial position item**
Revenue from contracts with customers								
Year ended 31 December 2021		12,353	8,279			20,191	157,080	12.9%
Year ended 31 December 2020		13,095	3,372			16,467	265,608	6.2%
Cost of sales								
Year ended 31 December 2021		677	2,039	2,760	292	5,768	134,509	4.3%
Year ended 31 December 2020	-		3,085	3,303	278	6,666	218,356	3.1%
Other revenues and income								
Year ended 31 December 2021			6,777			6,777	13,109	51.7%
Administrative costs								
Year ended 31 December 2021	180					180	8,384	2.1%
Year ended 31 December 2020	180			-	-	180	12,623	1.4%
Financial income								
Year ended 31 December 2021	-		52			52	1,024	5.1%
Year ended 31 December 2020	134			-	-	134	192	69.8%
Financial expenses								
Year ended 31 December 2021	-			101		101	6,189	1.6%
Year ended 31 December 2020	3			202	-	205	196	104.5%

Centralised treasury operations

Cash and cash equivalents, amounting to Euro 116,019 thousand and Euro 21,428 thousand respectively at 31 December 2021 and 2020, are attributable to the cash pooling relationships of Newlat Food S.p.A. with the parent company and the subsidiaries Centrale del Latte d'Italia S.p.A. e Newlat GmbH.

Financial liabilities amounting to Euro 64,683 thousand and Euro 6,267 thousand respectively at 31 December 2021 and 2020 are attributable to the cash pooling of Newlat Food S.p.A. with the parent company and the subsidiaries Centrale del Latte d'Italia S.p.A. and Newlat GmbH.

Transactions with the parent company for direction and coordination

Administrative expenses for the years ended 31 December 2021 and 31 December 2020 are attributable to cost-sharing services provided by the parent company Newlat Group SA.

Transactions with the subsidiaries Newlat and Centrale del Latte d'Italia S.p.A.

Transactions with the subsidiaries Newlat Gmbh and Centrale del Latte d'Italia are commercial transactions governed by specific commercial agreements.

As of 1 January 2021, rental income of Euro 3.7 million was recognised as a result of the transaction related to the milk&dairy business unit.

Transactions with companies controlled by the parent companies

The following are the companies controlled by the parent companies with which the Company has conducted transactions during the periods under review:

- New Property S.p.A., a real estate company to which lease royalties are paid;
- other companies controlled by the parent companies, such as Newservice S.r.l., Latterie Riunite Piana del Sele S.r.l. and Piana del Sele Latteria Sociale S.p.A.

At 31 December 2021, Euro 2,694 thousand of right-of-use assets and Euro 954 thousand and Euro 2,165 thousand respectively of current and non-current lease liabilities relate to real estate spun off to New Property S.p.A. on 1 June 2017 and subsequently leased to Newlat. The recognition of these contracts according to IFRS 16 led to the recognition of depreciation, recorded in the cost of sales, of Euro 2,605 thousand, and financial charges of Euro 101 thousand for the year ended 31 December 2021.

11. COMMITMENTS AND GUARANTEES

The guarantees given to the Company by Newlat Group S.A. amounted to Euro 47,900 thousand at 31 December 2021 and refer, in the amount of Euro 32,400 thousand, to a surety provided in relation to payables to banks for available lines of credit. The remaining amount, totalling Euro 15,500 thousand at 31 December 2021, refers to letters of sponsorship in favour of Newlat Deutschland in relation to transactions with UniCredit.

A guarantee was issued to MPS and Deutsche Bank to cover the loan granted to Centrale del Latte d'Italia S.p.A.

12. OTHER INFORMATION

12.1 Remuneration of Directors and Statutory Auditors

The fees payable to Directors and Statutory Auditors amounted to Euro 353 thousand and Euro 15.6 thousand respectively in the year ended 31 December 2021.

12.2 External Auditor's fees

The independent auditors' fees for activities carried out in 2021 totalled Euro 70 thousand.

12.3 Research and Development

Newlat Food S.p.A.'s R&D is focused on the ability to develop innovative products, occasionally evocative of local traditions in the relevant markets.

Research and development costs incurred during 2021 and 2020 have been instrumental in pursuing the Company's production and commercial strategies, aimed at making product ranges more innovative and strengthening its position in the market.

Research and development expenses totalled Euro 2,740 thousand for the year ended 31 December 2021, fully expensed in the income statement and corresponding to 1.7% of revenues from contracts with the Company's customers for 2021.

It should be noted that the Company intends to avail itself of the research and development tax credit provided for in article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in the manner specified in the said legislation.

12.4 Proposal for allocation of the net result

Dear Shareholders, the separate financial statements that we submit for your approval show a net profit of Euro 860,155, of which we propose to allocate 5% to the legal reserve and 95% to the extraordinary reserve.

RESULTS, ASSETS AND LIABILITIES AND CASH FLOWS OF THE PARENT COMPANY NEWLAT GROUP SA THAT EXERCISES MANAGEMENT AND CONTROL

(in thousands of euros)	ANNUAL FINANCIAL STATEMENTS AS AT 31.12.2021 STATEMENT OF FINANCIAL POSITION
	ASSETS
Intangible Assets	2
Tangible Assets	29,932
Equity investments	27,650
Other non-current receivables	2
Total non-current assets	**57,584**
Receivables and other current items	118,560
Short-term liquidity and investments	78,685
Total current assets	**197,245**
Total assets	**254,829**
	LIABILITIES
Shareholders' Equity	**90,314**
Provisions for risks and charges	3,004
Total non-current liabilities	**3,004**
Current payables and liabilities	161,511
Total current liabilities	**161,511**
Total liabilities	**254,829**
	INCOME STATEMENT
Other revenues and income	224
Other operating costs	(2,491)
Financial income/charges	(1,341)
Capital gains from securities	16,659
Profit/(loss) before taxes	**13,051**
Income taxes	(934)
Profit/loss for the year	**12,117**

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 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 Chair of the Board of Directors, and Rocco Sergi, as Financial Reporting Officer, of Newlat Food Group, 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 financial statements during the 2021 financial year.

It is furthermore declared that the financial statements at 31 December 2021:

d) were prepared in compliance with the applicable international accounting standards adopted by the European Community, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;

e) correspond with the accounting books and records;

f) provide a true and correct representation of the asset, economic and financial situation of the issuer and of the companies included in the consolidation.

The management report includes a reliable analysis of the performance and results of operations as well as the issuer's situation, together with a description of the key risks and uncertainties the issuer is exposed to.

Reggio Emilia, 18 March 2022

Chair of the Board of Directors

Angelo Mastrolia

Financial Reporting Officer

Rocco Sergi

Independent auditor's report

in accordance with article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537/2014

To the Shareholders of Newlat Food SpA

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Newlat Food SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2021, the income statement, statement of other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and explanatory notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Newlat Food SpA as of 31 December 2021 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the separate financial statements" section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of separate financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the investment in the German subsidiary Newlat GmbH *(See notes 2.2 – "Accounting standards and measurement criteria" and 8.4 - "Equity investments in subsidiaries" to the separate financial statements as of 31 December 2021)*	
As of 31 December 2021, the carrying amount of the investment in the fully-owned subsidiary Newlat GmbH reported in the separate financial statements of Newlat Food SpA was equal to approximately Euro 68.9 million. Equity investments in subsidiaries are carried at cost, which is compared with the recoverable amount, i.e. the higher of fair value less costs of disposal and value in use. The valuation models applied to determine the recoverable amounts (values in use) of investments in subsidiaries are based on complex valuations and estimates made by management. In detail, the models applied in the valuation of investments in subsidiaries and the assumptions used in those models are influenced by future market conditions with regard to the future cash flows, the perpetual growth rate and the discount rate. In order to assess the recoverability of the investment in Newlat GmbH as of 31 December 2021, the Directors of Newlat Food SpA, with the support of an external advisor, prepared a specific impairment test. In our statutory audit of the separate financial statements we considered this a key audit matter in consideration of the materiality of the balance relative to the financial position of Newlat Food SpA as of 31 December 2021.	Our audit approach involved, first of all, understanding and evaluating the method and procedures defined by the Company to determine the recoverable amount of the investment in Newlat GmbH, which were approved by the Board of Directors on 18 March 2022, in accordance with IAS 36. We verified, also involving business valuation experts from the PwC network, that the method used by the Company was consistent with IAS 36 and with prevailing valuation practice. The key valuation parameters adopted by the Company were analysed in terms of reasonableness. With specific reference to the method of determination of the discount rate (average weighted cost of capital, "WACC"), we verified that the latter had been determined in accordance with best practices and using market data adopted for entities operating in the same segment as the German subsidiary. Similarly, we analysed the determination of the medium-/long-term growth rate ("g") against the guidance provided by IFRS as adopted by the European Union. We analysed the reasonableness of estimated future cash flows. We also verified the mathematical accuracy of the valuation models prepared by the Company. Finally, we verified the adequacy and

	completeness of disclosures provided in the explanatory notes to the separate financial statements.

Emphasis of matter

We draw your attention to the disclosures provided in note 1.1 – "General information and significant transactions carried out in 2021", paragraphs "Acquisition of the Symington's Group" and "Milk & dairy transaction with the subsidiary Centrale del Latte d'Italia SpA", and in other paragraphs of the explanatory notes to the separate financial statements concerning the accounting and financial effects of the acquisition by Newlat Food SpA, on 4 August 2021, of 100% of UK-based Symington's Ltd and the coming into effect for legal purposes, as from 1 January 2021, of the lease of the milk & dairy business to the subsidiary Centrale del Latte d'Italia SpA, which transactions affect the comparability of the separate financial statements as of 31 December 2021 with the prior year's separate financial statements.
Our opinion is not modified for this matter.

Other matters

The Company, as required by law, has included in the explanatory notes to the separate financial statements the key figures of the latest separate financial statements of the entity which directs and coordinates its activities. Our opinion on the separate financial statements of Newlat Food SpA does not extend to those figures.

Responsibilities of the Directors and those charged with governance ("Collegio Sindacale") for the separate financial statements

The Directors of Newlat Food SpA are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance (*"Collegio Sindacale"*) of Newlat Food SpA are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

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Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italy) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italy), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the separate financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italy, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated to those charged with governance, we determined those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) no. 537/2014

The shareholders of Newlat Food SpA, in general meeting on 8 July 2019, engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) no. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The Directors of Newlat Food SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the separate financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italy) no. 700B in order to express an opinion on the compliance of the separate financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with article 14, paragraph 2, letter e) of Legislative Decree no. 39/2010 and article 123-bis, paragraph 4, of Legislative Decree no. 58/1998

The Directors of Newlat Food SpA are responsible for preparing a report on operations (prepared jointly for the separate and the consolidated financial statements) and a report on the Company's corporate governance and ownership structure as of 31 December 2021, including their consistency with the relevant separate financial statements and their compliance with the law.

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We have performed the procedures required under auditing standard (SA Italy) no. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4 of Legislative Decree no. 58/1998, with the separate financial statements of Newlat Food SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of Newlat Food SpA as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 31 March 2022

PricewaterhouseCoopers SpA

signed by

Gianni Bendandi
(Partner)

"This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian is authoritative. References in this report to the separate financial statements refer to the separate financial statements in the Italian original and not to any translation thereof."

REPORT OF THE BOARD OF STATUTORY AUDITORS AND OF THE SHAREHOLDERS' MEETING

NEWLAT FOOD S.p.A.

Registered Office in Reggio Emilia, Via Kennedy, 16 - 42124

Share capital Euro 43,935,050.00
fully paid-in
Reggio Emilia Companies Register, Tax ID and VAT no.
00183410653
Economic Administrative Index no. RE277595
Company subject to management and coordination by Newlat Group S.A. pursuant to articles 2497 et seq. of the Italian Civil Code

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Report of the Board of Statutory Auditors to the Newlat Food S.p.A. Shareholders' Meeting of 28 April pursuant to art. 153 of Italian Legislative Decree 58/1998 and art. 2429 of the Italian Civil Code

Shareholders,

1. Introduction: legislative, regulatory and code of conduct sources

This Report was prepared by the Board of Statutory Auditors of **NEWLAT FOOD S.p.A. (hereinafter the "Company" or "NEWLAT FOOD")** appointed by the Shareholders' Meeting on 8 July 2019 and currently in office until the approval of the financial statements for the year ended 31 December 2021. The Board of Statutory Auditors is composed of Massimo Carlomagno (Chairman), Ester Sammartino and Antonio Mucci (Standing Auditors).

This Report details the supervision activities and other activities carried out by the Board of Statutory Auditors during the year ended 31 December 2021, prepared pursuant to Legislative Decree no. 58/1998 ("TUF") and subsequent amendments, art. 2429 of the Italian Civil Code, the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Association of Certified Accountants and Accounting Experts, and also in compliance with the guidance contained in the CONSOB Communication DEM/1025564 of 6 April 2001, as amended.

Since **NEWLAT FOOD** has adopted the traditional Governance model, and given that PricewaterhouseCoopers S.p.A. (hereinafter also "PWC") was appointed as independent auditor for the financial years 2019 to 2027, the Board of Statutory Auditors sees itself as the "Internal Control and Accounts Auditing Committee", which has additional specific control and monitoring functions on financial reporting and statutory auditing provided for in article 19 of Italian Legislative Decree of 27 January 2010 no. 39, as amended, which are also acknowledged in this Report.

With this Report, the Board of Statutory Auditors also reports on the supervision activities carried out with regard to the obligations relating to non-financial information pursuant to Italian Legislative Decree no. 254/2016.

2. Supervision of compliance with laws, regulations and articles of association

During the 2021 financial year, the Board of Statutory Auditors met 6 times, and precisely on 5 February, 26 March, 3 May, 15 June, 3 September and 26 October. The Board of Statutory Auditors attended all the meetings of the Board of Directors held in 2021, and all those after 31 December 2021 to date. The

Remuneration and Appointments Committee met 5 times in 2021. The Control and Risks Committee met 7 times in 2021 and 2 times in 2022. The Related Party Transactions Committee met 1 time in 2021.

The Board of Statutory Auditors participated in the Shareholders' Meetings of 29 April 2021 and 11 October 2021. The Board of Statutory Auditors met regularly with the independent auditing firm PWC.

The Board of Statutory Auditors liaised with the Head of the Internal Audit Department and held regular meetings with the heads of some key corporate functions (such as the Chairman and CEO, Deputy CEO, Deputy CEO & COO, the Financial Reporting Officer and CFO). The Board of Directors appointed Mr Fabrizio Carrara as Head of the Internal Audit Function. Mr Carrara took up his post in September 2021. His work involved the following areas: - Methodological support to management in the definition of the ERM Model for the Newlat Food Spa Group. - Definition of the "risk-based" Group Audit plan of the Internal Audit function. - Performance of certain assurance activities for certain business processes. - Methodological support to the Company’s financial reporting officer.

During the year 2021, the activity of the Internal Audit function was carried out in line with the provisions of the approved Audit Plan which provides for: Compliance audits (with a focus on Italian Legislative Decree 231/2001), Financial audits (aimed at providing assurance on the reliability of financial data) and Operational audits on the areas of business processes of greatest interest. As part of the Audit Plan, the Internal Audit Manager verified the accounting systems with a view to improving the reliability of the information systems.

The recent meeting of the Control and Risks Committee was informed of the outcome of the Internal Audit function's activities for 2021.

The Financial Reporting Officer was provided with information on the activities of the Internal Audit Manager under Law 262/05 for the year 2021, through the half-yearly reports on the adequacy of the control model implemented for the purposes of 262 and the results of the tests performed by the Internal Audit function in this area.
The Board of Statutory Auditors continuously acquired useful documentation and information in order to plan its activities, which concerned in particular:

a) Supervision of: (i) Compliance of the resolutions adopted by the corporate bodies with the law and regulatory provisions, as well as with the Articles of Association; (ii) Pursuant to Article 149, paragraph 1, letter c-*bis* of Italian Legislative Decree 58/98, the method of actual implementation of the Corporate Governance Code of listed companies which **NEWLAT FOOD** has adhered to; (iii) Compliance with the obligations regarding inside information; (iv) Compliance of the internal procedure concerning related party transactions with the principles specified in the Regulations approved by CONSOB with Resolution no. 17221 of 12 March 2010 and subsequent amendments (hereinafter "RPT Regulation"); (v) The functioning of the corporate information process, verifying compliance with the laws and regulations concerning the preparation and layout of the separate and consolidated financial statements, as well as the accompanying documentation, for this purpose also examining the Annual Report of the Financial Reporting Officer; (vi) The actions taken with reference to the provisions on privacy, for which the Company has appointed a Data Protection Officer; and (vii) Compliance of the non-financial statement (hereinafter also "NFS") with the provisions of Italian Legislative Decree no. 254/2016 and subsequent amendments;

b) Verification of the following: (i) Compliance with the rules on the holding of meetings of corporate bodies and the fulfilment of the periodic reporting obligation by the delegated bodies regarding the exercise of delegated powers; (ii) That none of the Statutory Auditors had an interest, on their own behalf or on behalf of third parties, in a specific transaction during the 2021 financial year and that the conditions of independence are maintained, including through the internal process of continuous self-assessment concerning the recurrence and maintenance of the eligibility requirements of members and the correctness and effectiveness of their operations; (iii) Monitoring the actual methods of implementing corporate governance rules; and (iv) Preparation of the Remuneration Report.

To date, there have been no reports to Consob pursuant to Article 149 (3) of the Consolidated Law on Finance (TUF).

3. Most significant economic, financial and equity transactions - related party transactions

The Board of Statutory Auditors reports the significant events during the year under review:

- With regard to events after the reporting date, a bond of Euro 200 million was issued in February 2021. The aforementioned unsecured, non-convertible loan called "€ 200,000,000 Senior Unsecured Fixed Rate Notes due February 2027" was approved by the Central Bank of Ireland on 2 February 2021. On 9 February 2021, following the achievement of the maximum amount of the Offer of Euro 200 million, the market was notified of the early closure, the Offer having been successful. Bonds were sold for a total amount of Euro 200,000,000 at an issue price of 100% of the nominal value, represented by 200,000 Bonds with a nominal value of Euro 1,000 each. The maturity date of the bonds was set at 19 February 2027. In synergy with SACE, as an anchor investor benefiting pro-rata from a SACE guarantee, Cassa Depositi e Prestiti subscribed Euro 60 million of the bond issued by Newlat Food SpA on the Electronic Bond Market (MOT) and the Irish Stock Exchange. The resources from the aforementioned operation will be used to support Newlat Food in the continuation of its external growth strategy, aimed at acquiring potential targets in the food&beverage sector in order to support the Group's expansion and the consolidation of its market leadership position.
    - This substantial amount of liquidity was partially used for the acquisition of all of Symington's shares on 4 August 2021 and will also be used for future acquisitions.
    - On 4 August 2021 a contract was stipulated with Speedboat Acquisitionco Limited, as the seller, for the purchase of 100% of the ordinary shares and voting rights of the Symington's Group (consisting of Symington's Limited, Symington's Limited (Holding) and Symington's Australia PTY Limited) for a consideration of GBP 53 million, equal to Euro 62.13 million. Not being subject to any conditions precedent, the operation involved the purchase of the shares on the same date of 4 August 2021. The company operates in the UK and produces – both under its own brands and for third-party brands – a wide range of instant noodles (Naked) where it is a market leader in the authentic and Asian inspiration segment, soups and various ready meals under the Mug Shot brand, rice and couscous ready meals (Twistd), baked goods including croutons (Rochelle brand), cake and cake mixes (with about 75% market share in the private label segment), Chicken Tonight brand condiments and Ragu brand sauces. These products are mainly sold in the United Kingdom, the United States and Australia. The company has three production plants and a logistics distribution centre located in northern England, with annual revenues of approximately Euro 123 million. The acquisition aims to consolidate Newlat Food's presence in the UK market, leveraging Symington's national distribution platform. The acquisition of Symington's falls perfectly within the plans and timings envisaged by the external growth and capital utilisation strategies announced during the IPO phase, thus allowing the Newlat Group to exceed the annual revenue threshold of over Euro 600 million from August 2021. The transaction will generate significant synergies between Newlat Food and Symington's, including: the instant food market; cross-selling and expansion of the Group's product portfolio; internalisation of production; and synergies in the sourcing of raw materials.

Taking into account the size and structure of the Company and NEWLAT FOOD Group, the Board of Statutory Auditors considers that the Board of Directors, in its Annual Financial Report for the year ended 31 December 2021, provided an adequate illustration of the transactions with subsidiaries and other related parties, explaining the economic, financial and equity effects.

The Board of Statutory Auditors highlights the main events relating to the year ended 31 December 2021 of the company Centrale del Latte d'Italia Spa with Newlat Food as the largest shareholder:

- A lease agreement was stipulated by Newlat Food SpA and Centrale del Latte d'Italia for the lease of all the dairy companies of the Newlat Food SpA group involved in the processing of raw materials and the production of milk & dairy products. The contract will last for two years. The activities of the Business Unit are carried out through the plants in Reggio Emilia, Salerno and Lodi with the warehouses in Reggio Emilia, Lodi, Rome Eboli, Pozzuoli and Lecce. The fee consists of a fixed component of Euro 2 million and a variable of 1.5% based on the Branch's quarterly turnover;

- Last year, PricewaterhouseCoopers S.p.A. took over from Deloitte & Touche Spa for the audit of Centrale del Latte d'Italia SpA.
- The Company issued its report for the financial statements which contains no particular findings or disclosures, and certifies that the financial statements comply with IFRS accounting standards.

4. Supervision of compliance with the principles of good administration

In order to monitor compliance with the principles of good administration, in addition to attendance at all Board of Directors meetings, the Board of Statutory Auditors declares that:

- It has obtained the information during the 2021 financial year about the activities performed and the most significant economic, financial and equity transactions carried out by NEWLAT FOOD and its subsidiaries in the 2021 financial year from the Directors. All this is reported accurately in the documents relating to the consolidated financial statements and the separate financial statements. Based on the information made available to the Board of Statutory Auditors, the latter can reasonably consider that the transactions carried out in 2021 were performed in accordance with the law and the Articles of Association, and that they were not demonstrably irresponsible, reckless or in conflict with the resolutions passed by the Shareholders' Meeting or likely to compromise the integrity of the share capital.
- It did not identify any atypical or unusual transactions with Group companies or with third parties carried out during the 2021 financial year. Reference should be made to the Management Report and the risk analysis contained in the consolidated financial statements and the separate financial statements for the risks and effects of the transactions carried out.

The Board of Directors identified the nature and level of risk compatible with the Company's strategic objectives when drawing up its strategic, industrial and financial plans. This assessment included all and any risks that may become significant in terms of sustaining the Company's activities in the medium to long term. In support of the ICRMS and the Control and Risks Committee, on 8 July 2019 the Board of Directors appointed Mr Angelo Mastrolia as the director responsible for the ICRMS, who will perform the functions listed in the Corporate Governance Code. With the help of the Control and Risks Committee, the Board of Directors also prepared guidelines for the Internal Control and Risk Management System (ICRMS). The ICRMS is capable of identifying, measuring, managing and monitoring major risks and is in line with national and international best practice.

5. Supervision activities on the adequacy of the organisational structure

Within its scope of responsibility, the Board of Statutory Auditors acquired knowledge and monitored the adequacy of the Company's organisational structure and considers that the structure, which was being adjusted with the entry of new figures, is adequate. The Company has a Supervisory Board which currently consists of Massimo Carlomagno, as Chairman, and Ester Sammartino, as a Member. The Company's Board of Directors approved its Organisation, Management and Control Model in accordance with Italian Legislative Decree 231/2001 on 30 March 2016, updating it on 9 August 2019. The Model was drawn up on the basis of guidelines issued by Confindustria (the Italian industry confederation) in accordance with the relevant legislation, and sets out standards for behaviour, procedures and control activities, in addition to powers and mandates designed to prevent the offences outlined in Italian Legislative Decree 231/2001. Soon, also in light of recent regulatory developments, an Organisation, Management and Control Model as envisaged by Italian Legislative Decree 231/2001 will be implemented.

No breaches of the Model or irregularities have emerged after examining the information received from managers of the various areas of the Company, and no acts or conduct have come to light that constitute an infringement of the provisions of Italian Legislative Decree 231/2001.

During the past year the Board of Statutory Auditors of Newlat Food exchanged information with the Board of Statutory Auditors of Centrale del Latte d'Italia SpA.

Regarding the self-assessment process of the Board of Directors and its Committees, a largely adequate picture emerges.

At the meeting of 18 March 2022, the Chair of the Board of Directors informed those present of the content of the letter from the Chair of the Italian Corporate Governance Committee dated 3 December 2021, which provides an initial indication of the process for adopting the new Corporate Governance Code.

Specifically, he focused on the analysis of the recommendations contained therein on sustainable success, proportionality, independence assessment, pre-meeting disclosure, appointment and succession of directors, gender equality and remuneration policies, underscoring how the practices implemented by the Company are in line with these requirements, as highlighted by the 2021 Corporate Governance Report, which was the subject of discussion during the same meeting of 18 March 2022.

6. Supervision of the internal control and risk management system and the administrative and accounting system

The Board of Statutory Auditors examined the assessment expressed by the Board of Directors on the adequacy and effective functioning of the Internal Control and Risk Management System (hereinafter "ICRMS") through: (i) identification of the ICRMS Guidelines, within which the company validated the integrated risk management model; (ii) certification of the Separate Financial Statements and Consolidated Financial Statements by the Chairman of the Board of Directors and the Financial Reporting Officer, who provided the appropriate statements; (iii) regular meetings with the Internal Audit Manager; (iv) examination of company documents and the results of the work carried out by PWC; (v) participation in the work of the Control and Risks Committee. It received information from PWC concerning the new regulations having an impact on auditing activities, as well as confirmation of the independence of PWC and communication of the non-statutory audit services provided; and (vi) with reference to the issues of social responsibility, monitored the data and information related to sustainability, which were presented in the Non-Financial Statement.

Ample space has been given to information relating to the financial and operational risks that the Company is exposed to, as well as to the measurement criteria that have affected financial statement items, also in compliance with the recent bulletin no. 1/21 issued by Consob dated 16 February 2021 regarding the information to be provided on the subject of Covid-19.

7. Audit of the separate financial statements, the consolidated financial statements and the consolidated non-financial report

The Board of Statutory Auditors carried out the checks on compliance with the rules relating to the preparation of the Separate Financial Statements of NEWLAT FOOD and the Group Consolidated Financial Statements for the year ended 31 December 2021, and duly noted the statement of the responsible bodies for which the separate financial statements and the consolidated financial statements were prepared in accordance with IAS/IFRS accounting standards. The notes to the financial statements contain the information required by the international accounting standards regarding the impairment of assets. The procedure adopted by the Company for the impairment test since its listing was updated in March 2022 for both goodwill and the value of trademarks. The Company used external experts for the procedure (impairment tests).

The Board of Statutory Auditors monitored the approval of the Non-Financial Statement. The Board of Statutory Auditors met both the function responsible for its preparation and representatives of PWC, and examined the documentation made available. The Board of Statutory Auditors acknowledges the report of

PWC, from which it can be seen that there are no elements, facts or circumstances that suggest that the NFS was not drafted in compliance with the relevant regulations.

PricewaterhouseCoopers S.p.A., which was appointed the task of statutory auditing, issued, on 31 March 2022, among other things the reports pursuant to Article 14 of Italian Legislative Decree 39/2010 and art. 10 of Regulation (EU) No. 537/2014 for the Separate Financial Statements and Consolidated Financial Statements of NEWLAT FOOD S.p.A. as of 31 December 2021, reporting that no irregularities were found. In particular, PWC certifies that the separate financial statements and the consolidated financial statements provide a truthful and correct representation of the equity and financial situation of Newlat Food S.p.A. as of 31 December 2021 and of the Newlat Group as of 31 December 2021, respectively, and of the net result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005.

8. Methods of actual implementation of corporate governance rules

The Board of Statutory Auditors reports, based on acquired information, on the adjustment of the corporate governance structure of the Company. From the start of the listing and periodically thereafter, the Company carried out a self-assessment of the members of the Board of Directors and its Committees. The Board of Statutory Auditors verified that the Annual Corporate Governance Report was prepared in accordance with existing regulations. No complaints or reports were received by the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code.

9. Comments on the adequacy of provisions imposed upon subsidiaries pursuant to art. 114 of Italian Legislative Decree 58/1998 - Management and Coordination

The Board of Statutory Auditors supervised the adequacy of the instructions given by Newlat Food to its subsidiaries pursuant to article 114 of Italian Legislative Decree 58/1998, considering them sufficient to meet the reporting obligations established by law. With regard to the close functional and operational links, also considering the presence of Newlat Food SpA personnel in subsidiaries, a correct, constant and adequate flow of information is guaranteed, supported by suitable documents and accounting processes relating to the management of the investee companies. There are no comments worthy of note on the adequacy of the instructions given to subsidiaries in order to acquire the information flows necessary to ensure the timely fulfilment of the reporting obligations established by law. The Board of Statutory Auditors also acknowledges that Newlat Food SpA is subject to the management and coordination of Newlat Group SA.

10. Opinions of the Board of Statutory Auditors

During 2021 and after 31 December 2021 until today, the Board of Statutory Auditors issued the following opinion: (i) Opinion on the assignment of non-auditing tasks to PWC.

11. Conclusions and proposals regarding the financial statements and their approval

Based on the supervision activities carried out during the financial year, the Board of Statutory Auditors, taking into account the above, does not find any reason to oppose the approval of the NEWLAT FOOD S.p.A. financial statements as of 31 December 2021 and the proposal made by the Board of Directors on 18 March 2022 regarding the allocation of the net result for the financial year.

Dear Shareholders, at the end of our Report we would like to express our warmest thanks to all those who have actively cooperated with us, and to all of you for the trust and esteem you have shown us with our appointment.

We recall that the term of the current Board of Statutory Auditors is due to expire and that at the next Shareholders' Meeting the Shareholders will have to appoint the members of the Board of Statutory Auditors.

31 March 2022

On behalf of the Board of Statutory Auditors

Mr. Massimo Carlomagno Chairman