



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

## 2020 FINANCIAL REPORT

Centrale del Latte d'Italia S.p.A. – Registered Office: Via Filadelfia 220 – 10137 Turin  
Branch office: Via dell'Olmatello 20 – 50127 Florence  
Share capital €28,840,041.20 fully paid CCIAA (Chamber of Commerce, Industry, Craft Trade and Agriculture) Turin no. 520409 - Turin Court no. 631/77 Tax code – VAT no. 01934250018  
Tel 0113240200 – Fax 0113240300 Email: [posta@centralelatte.torino.it](mailto:posta@centralelatte.torino.it) [www.centralelatteitalia.com](http://www.centralelatteitalia.com)

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**REPORT OF THE BOARD OF STATUTORY AUDITORS****INDEPENDENT AUDITOR'S REPORT**

## BOARD OF DIRECTORS

C. E.	C. N. E.	C. I.
●		
●		
●		
	●	
	●	
	●	●
	●	●

Angelo Mastrolia **Chairman**  
 Giuseppe Mastrolia **Deputy Chairman**  
 Edoardo Pozzoli **Chief Executive Officer**  
 Stefano Cometto **Director**  
 Benedetta Mastrolia **Director**  
 Anna Claudia Pellicelli **Director**  
 Valeria Bruni Giordani **Director**

E.D. = Executive Director  
 N.E.D. = Non-Executive Director  
 I.D. = Independent Director

C. C. R.	C. R.	C. P. C.	C. I.
●		●	
	●		
●	●	●	●
●	●	●	●

C.R.C. = Control and Risks Committee  
 R.C. = Directors' Remuneration Committee  
 R.P.C. = Related Party Transactions Committee  
 I.D. = Independent Directors

## INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A. - Turin

## BOARD OF STATUTORY AUDITORS

Deborah Sassorossi **Chairperson**  
 Francesco Fino **Standing Auditor**  
 Giovanni Rayneri **Standing Auditor**

## FINANCIAL REPORTING OFFICER

Giuseppe Bodrero **CFO and INVESTOR RELATOR**

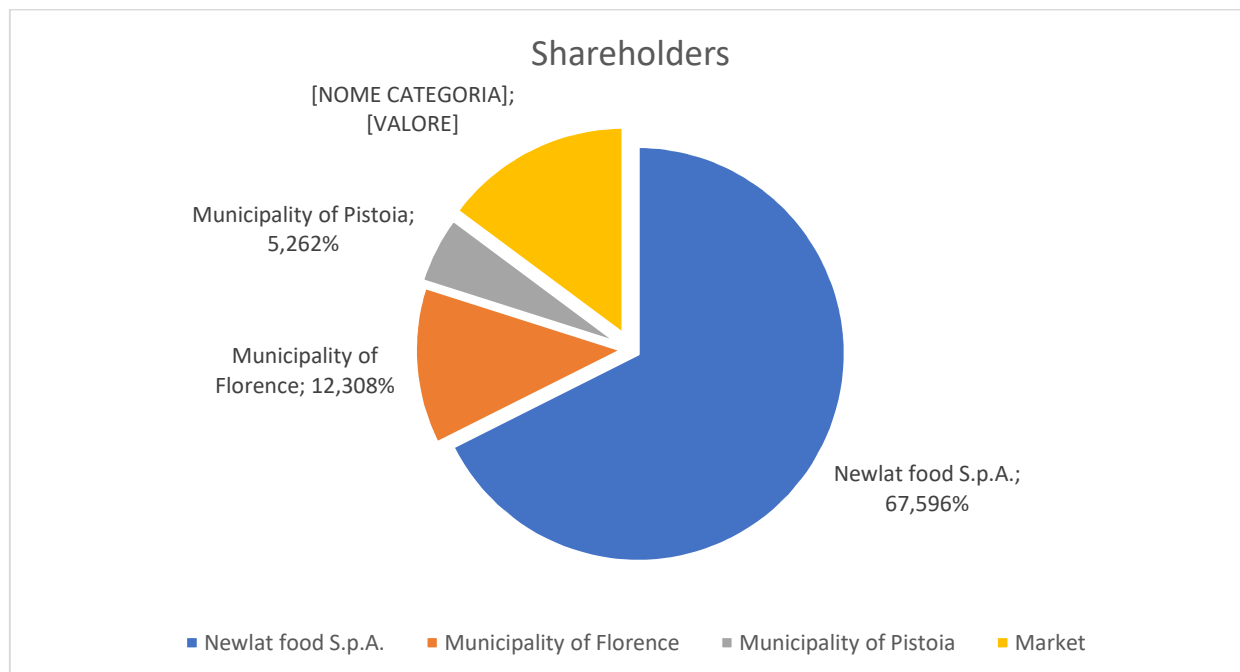
At 31 December 2020, following the mergers by incorporation that took place during the year, Centrale del Latte d'Italia S.p.A. owns a connecting interest:



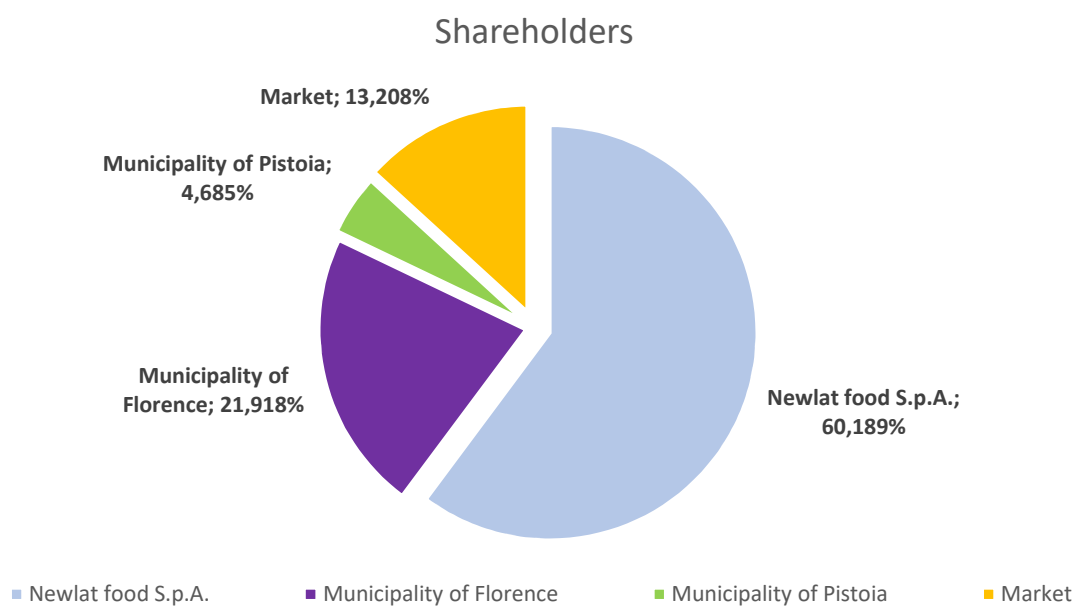
### The shareholders

The Company's share capital amounted to €28,840,021.20 fully paid-in, divided into 14,000,020 ordinary shares with no nominal value.

**With effect from 1 April 2020**, following the termination of the voting rights increased as a result of the provisions of art. 127 quinquies, paragraph 2 of the TUF and art. 44 of the CONSOB-Banca d'Italia Consolidated Post-trading Provision, as well as the provisions of the By-laws in art. 5, the number of voting rights is equal to 14,000,020. Those holding ordinary shares representing more than 5% of the total are as follows:



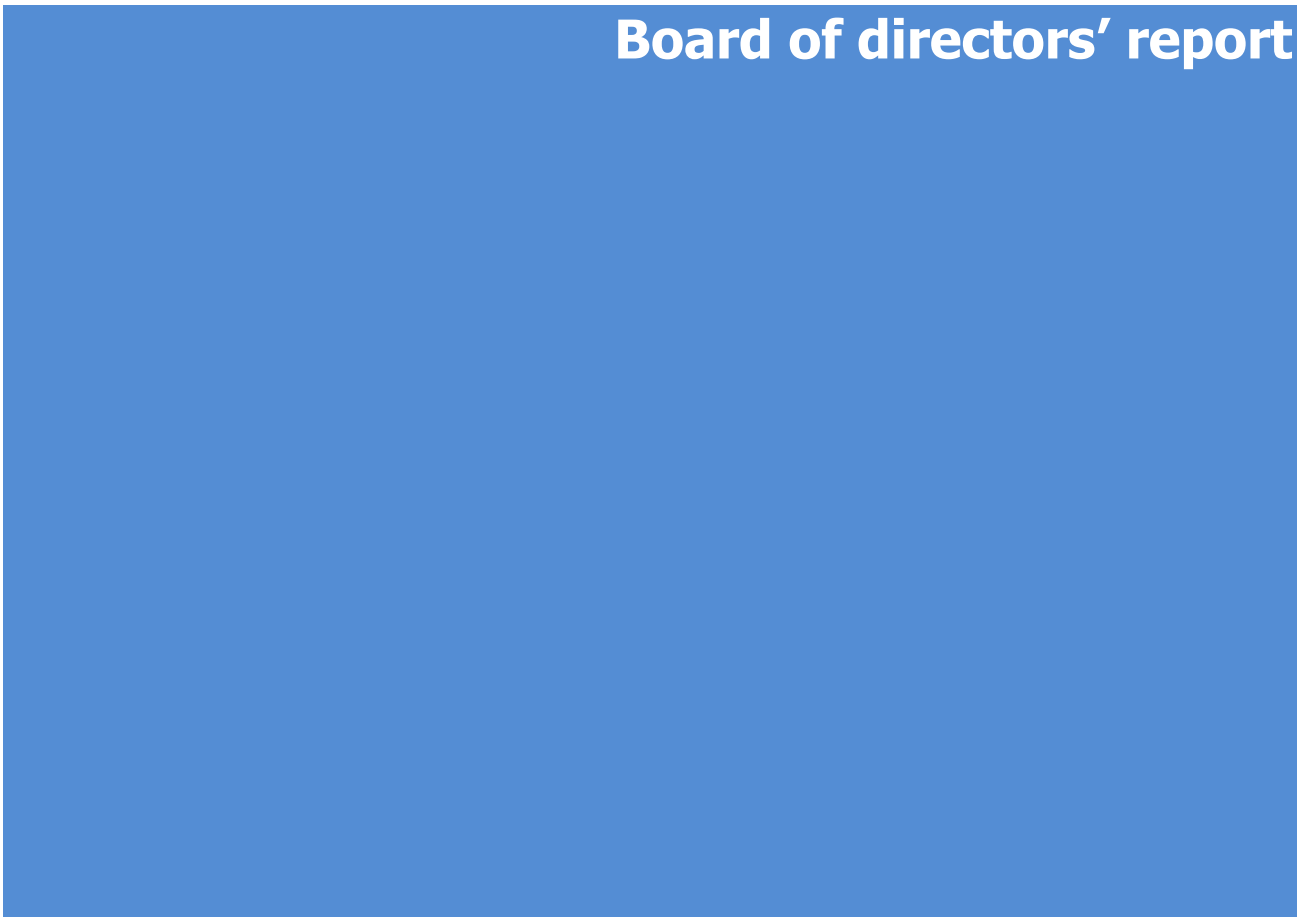
**With effect from 1 April 2021**, following the attribution of the increased vote as a result of the provisions of art. 127 quinquies, paragraph 2 of the TUF and art. 44 of the CONSOB-Banca d'Italia Consolidated Post-trading Provision, as well as the provisions of the By-laws in art. 5, the number of voting rights is equal to 15,723,126. Those holding ordinary shares representing more than 5% of the total are as follows:



# Centrale del Latte d'Italia

## 2020 Financial Report

### Board of directors' report



## Shareholders,

### Performance for the year 2020

In a particularly difficult year, marked by the global emergency caused by the COVID-19 pandemic, Centrale del Latte d'Italia was able to overcome the general difficulties of the period and record the best economic and financial results of its history.

The 2020 financial year was the first year of implementation of the new Business Plan and the results achieved were significantly higher than expectations, reaching a profitability level (EBITDA margin) of 10.1% and more than tripling the level achieved in the three previous financial years.

Despite the health emergency having had a considerable impact on the Italian economy, with the closure of some production sites especially in March and April, due to the primary importance of food for the entire community – especially in the face of a health emergency – Centrale del Latte d'Italia was nevertheless able to continue its operations, albeit with greater organisational and economic obstacles, managing to meet all the needs posed by clients and consumers.

The event that distinguished 2020 from an economic, financial and organisational standpoint was the entry on 1 April into the Newlat Food S.p.A. Group, now the main shareholder of Centrale del Latte d'Italia. Newlat Food made available its organisational experience and industrial know-how for the benefit of the company, accelerating the implementation of the activities defined in the business plan and multiplying opportunities at commercial, operational and management levels.

The operation consolidated the Italian dairy market by merging operators that complement each other well in terms of geographical positioning, offering considerable potential for synergies. Many activities have been analysed and implemented from both commercial and production points of view, and this will also continue during 2021, guaranteeing greater exploitation of production capacities while continuing to maintain proximity to the local market.

The business plan, which is currently being finalized – as more fully described in the section on the events subsequent to the end of the year – identifies CLI as the platform of reference for the entire dairy world, leveraging the high-quality regional production chains of Tuscany and Piedmont and its managerial continuity.

Much of the overall recovery in efficiency is linked to the significant organisational simplification resulting from the merger of the subsidiaries Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A., as more fully detailed in the section "Merger of Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into Centrale del Latte d'Italia S.p.A." below. Also in July, the company completed an important optimisation of the costs and structure of the financial debt by taking out a medium-long term loan amounting to €31.5 million with MPS Capital services and Deutsche Bank, used among other things to repay the bond loan in September 2020, ahead of schedule.

On the commercial front, the company benefited from pricing policies that highlight the excellent positioning of its brands and that have allowed the application of an average price to customers that was higher than the previous year, thanks also to the very strong reduction of promotional initiatives during the height of the pandemic.

With regard to corporate management, there was a sharp decrease in the costs of supplying goods and services, first of all those relating to the cost of raw materials and packaging materials, after revision of the main supplier contracts.

Also worthy of note is the conclusion of a historic agreement and the signing of a unique contract with the Mugello farms. The contract, which aims to stabilise the price of milk for the next three years, was accepted and endorsed with great satisfaction by the entire supply chain. The same attention was also paid to farms in Piedmont though just for one year, with the same satisfaction of all the actors involved. The entire supply chain will benefit greatly from price stability, and the company Centrale del Latte d'Italia will be able to define its commercial policies with greater visibility on the main cost item.

Personnel costs also improved significantly thanks to a review of internal processes, and above all the merger by incorporation of subsidiaries into a single company that has simplified and freed up previously unexpressed energies.

Overall, the integration of the company into the Newlat Food Group has led to significant efficiency gains during 2020 in production and in commercial and organisational terms.

The effects of all this are clearly evident in the company's economic and financial results: 2020 EBITDA reached €18.3 million, with a margin of 10.1% of revenues, a net increase compared to 2019 when consolidated EBITDA amounted to €6.463 million and the margin was 4.1% of revenues.

The result for the year 2020 was positive and amounted to €4.1 million against a net loss of €6.5 million (the 2019 figure refers to the consolidated result).

From a financial point of view, we want to highlight the net improvement in the financial position (€15.4 million when compared to the scope of the 2019 consolidated financial statements), and the achievement of an NFP/Shareholders' equity ratio of 1.

In this context, the Company has strengthened its vantage in the domestic market, positioning itself as the third Italian milk hub, being able to count on a market share of 8.0% in the fresh milk + ESL sector and 4.1% in the shelf-stable milk (UHT) sector.

Indeed, in the regions of Piedmont - Aosta Valley, Tuscany, Liguria and Veneto the Company maintains a leadership position with market shares in the four regions of 30.1% in the fresh milk + ESL sector and 15.2% in the shelf-stable (UHT) milk sector.

Regarding foreign countries, export development also continued successfully in the online trade channel, as well as the experience of the Chinese virtual flagship store on Tmall, the largest B2C (business to consumer) e-commerce platform of the Alibaba Group.

Overall, exports of Centrale del Latte d'Italia increased from €4.7 million to €5.2 million, or 2.9% of turnover.

In 2020, investments continued in the construction of the new automated warehouse for the storage of finished products and for the modernisation and redevelopment of some production lines in the division's Turin plant. These investments are partly supported by the Supply Chain Contract and the Development Contract project with Invitalia and will end in the first half of 2021.

### **Merger of Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into Centrale del Latte d'Italia S.p.A.**

On 9 April 2020, the Board of Directors of Centrale del Latte d'Italia S.p.A. approved the proposed merger by incorporation, within the meaning of article 2501-ter of the Italian Civil Code, of the wholly-owned subsidiaries Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into Centrale del Latte d'Italia S.p.A.

The proposed merger, prepared in accordance with art. 2501-quater of the Italian Civil Code, was filed by the merging companies and the Merger was approved by resolution of the BoDs of the merging companies in April 2020 (on 24 April 2020 with regard to Centrale del Latte d'Italia).

On 20 July 2020 the deed of merger was signed, which therefore establishes legal effectiveness from said date but provides for tax and accounting effectiveness of the merger as at 1 January 2020.

The main objectives of the merger can be summarised as follows:

- the merger process allows for a simplification of the corporate structure that effectively determines the legal consolidation of the Group;
- the rationalisation of the corporate structure implies a reduction in costs of over €3 million per year, resources that contributed positively to the results for the period.

### **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 €8,197,945, of which €745,267 as a non-repayable contribution and €7,452,678 as a subsidised loan.

In 2020 the Company received and recorded in the Financial Statements the second tranche of the subsidised loan amounting to €2,642,373.75.

In 2018 the company received a contribution for the year amounting to €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.



The financial management and position of the company for 2020 are shown in the reclassified financial statements in the annex to this report. This annex contains a description of the criteria adopted in preparing the reclassified financial statements, specific notes referring to the items in the mandatory schedules and information on "alternative performance indicators".

### Considerations regarding the illustration of Centrale del Latte d'Italia S.p.A.'s financial management and position

As previously explained, on 20 July 2020 the wholly-owned subsidiaries Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. were merged into Centrale del Latte d'Italia S.p.A. with tax and accounting effect retroactive to 1 January 2020. From a substantive point of view, this operation represented the legal consolidation of the subsidiaries that until 31 December 2019 were consolidated using the line-by-line method in the Group's consolidated financial statements.

In consideration of this aspect, the analyses and comments in this document are carried out "with the same scope", therefore considering the consolidated data as at 31 December 2019 as comparative elements.

### Summary of the main data for the year

As previously indicated, the considerations and comparative analyses below compare the results reported by Centrale del Latte d'Italia S.p.A. at 31 December 2020 and the results reported at the consolidated level at 31 December 2019.

The financial management and position of the company for 2020 are shown in the reclassified financial statements in the annex to this report. This annex contains a description of the criteria adopted in preparing the reclassified financial statements, specific notes referring to the items in the mandatory schedules and information on "alternative performance indicators".

Below are the main financial statement indicators compared with the same indicators of the company Centrale del Latte d'Italia in the previous year. Due to the merger by incorporation of Centrale del Latte di Vicenza and Centrale del Latte di Toscana into Centrale del Latte d'Italia, it is considered more explanatory to report the comparison between the same indicators taking into account the consolidated data of the Centrale del Latte d'Italia Group for the previous year. For this reason, the following tables also include this type of comparison.

<i>(thousands of euros)</i>	<b>2020</b>		<b>2019</b>		<b>change</b>	
			<b>consolidated</b>			
Revenue from contracts with customers	180,570	100.0%	175,151	100.0%	5,419	3.1%
Cost of sales	131,089	72.6%	134,361	76.7%	(3,271)	-2.4%
EBITDA	18,301	10.1%	6,463	3.7%	11,838	183.2%
EBIT	7,447	5.7%	(5,302)	-3.0%	12,749	240.5%
Profit (loss) before taxes	5,572	4.3%	(6,780)	-3.9%	12,352	182.2%
Net profit/(loss)	4,132	2.3%	(6,511)	-3.7%	10,643	163.5%

(\*) EBITDA is calculated as the absolute sum of the operating result (€7,447 thousand), depreciation/amortisation (€10,094 thousand) and write-downs (€760 thousand).

Revenue from contracts with customers amounted to €180,570 million compared to €175,151 million in the consolidated financial statements of the previous year.

<i>(thousands of euros)</i>	2020		2019		Change	
			consolidated			
Fresh milk + ESL	64,881	35.9%	66,690	38.1%	(1,809)	-2.7%
UHT milk	44,287	24.5%	40,336	23.0%	3,951	9.8%
Yoghurt	8,836	4.9%	7,740	4.4%	1,096	14.2%
Fourth range products	3,223	1.8%	4,956	2.8%	(1,733)	-35.0%
Bulk milk and cream	3,449	1.9%	3,114	1.8%	335	10.8%
Other packaged products	46,164	25.6%	44,888	25.6%	1,276	2.8%
Non-dairy products	4,562	2.5%	2,686	1.5%	1,876	69.8%
Export	5,170	2.9%	4,742	2.7%	428	9.0%
<b>Total</b>	<b>180,571</b>	<b>100.0%</b>	<b>175,151</b>	<b>100.0%</b>	<b>5,420</b>	<b>3.1%</b>

In 2020 sales of shelf-stable milk products performed very well, rising by 9.8%, more than offsetting the negative result (-2.7%) reported by fresh milk and ESL (extended shelf life) products, due mainly to lower demand in the traditional channel as a result of restrictions imposed to prevent the spread of the Covid-19 infection.

There was a marked increase in non-dairy products, of significant strategic value, which grew by 69.8%.

Sales related to packaged products increased by about 2.8% thanks to the change in consumer habits, who preferred less perishable products.

Also worthy of note is the sharp increase in exports, which recorded excellent progress of 9.0%.

### Other revenues

Other revenues amounted to €3 million, compared to €1.8 million in 2019 and €3.4 million in 2019 in the consolidated financial statements. Their composition is illustrated in a table in the explanatory notes.

### Personnel costs

Personnel costs reached €24.5 million compared to €26.0 million in 2019. The average number of employees in 2020 was 392, compared to 414 in 2019. The number of employees was 383 at 31 December 2020, compared to 402 at 31 December 2019. The breakdown of the average number of employees at the end of 2020 was as follows:

- Executives 17
- Managers 19
- White-collar workers 173
- Blue-collar workers 183

### Depreciation/Amortisation

Depreciation of tangible fixed assets increased from €9.5 million in the consolidated financial statements for 2019 to €10.0 million in 2020 (of which €2.2 million related to amortisation of rights of use recorded in application of IFRS 16), while amortisation of intangible fixed assets amounted to €0.1 million, in line with the previous year.

### Capital gains on disposal of non-current assets

Capital gains from the disposal of non-current assets amounted to €21 thousand, relating to the sale of other plant and machinery.

## Financial situation

The company's net financial position at the end of 2020 was negative by €57.9 million before the application of IFRS 16, and negative by €61.9 million after the application of IFRS 16, mainly with medium-long term maturities, and reflects the current investments in the company's facilities. Note that the bond loan was repaid early in 2020. The average cost of the financial debt was 2.1%.

<i>(thousands of euros)</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>Change</b>
		<b>consolidated</b>	
Cash and cash equivalents	33,791	18,951	14,840
Deposits with centralised cash systems	13,031	0	13,031
<b>Total current financial assets</b>	<b>46,822</b>	<b>18,951</b>	<b>27,871</b>
Payables to banks	(10,696)	(8,090)	(2,606)
Current portion of long-term loans	(18,803)	(24,335)	5,532
Current portion of Bond Loan	0	(2,931)	2,931
Current portion of payables to other lenders	(6,022)	(317)	(5,705)
<b>Total current financial liabilities</b>	<b>(35,521)</b>	<b>(35,673)</b>	<b>152</b>
Payables for long-term loans	(69,147)	(44,358)	(24,789)
M/L-term payables to other lenders	(3)	(10)	6
Payables for bond loan 2017-2024	0	(11,872)	11,872
<b>Total non-current financial liabilities</b>	<b>(69,150)</b>	<b>(56,239)</b>	<b>(12,911)</b>
<b>Total financial liabilities</b>	<b>(104,671)</b>	<b>(91,912)</b>	<b>(12,759)</b>
<b>Net financial position before IFRS</b>	<b>(57,849)</b>	<b>(72,961)</b>	<b>15,112</b>
Current portion of payables for leases and rights of use	(2,084)	(2,052)	(33)
Payables for leases and rights of use	(1,947)	(2,284)	337
<b>Net financial position after IFRS</b>	<b>(61,881)</b>	<b>(77,297)</b>	<b>15,416</b>

## FINANCIAL AND OPERATIONAL RISKS OF THE COMPANY.

### Business risks

The main risk related to the Company's business is represented by the fluctuation in the price of the raw material milk. During normal periods, the Company controls such risk by entering into annual contracts with milk producers, fixing the purchase price at the beginning of the dairy year and normally maintaining it for the entire period from 1 April to 31 March of the following year, except in special situations where negotiations take place on different bases.

Currently the company has entered into three-year agreements with suppliers in Mugello to allow for better financial and operational planning.

For purchases outside the main supply channel, every effort is made to negotiate prices at the best market conditions available at the time of need.

### Financial risks

The company's financial instruments include bank loans, bank deposits on demand and short-term deposits. The objective of these instruments is to finance operations. Other financial instruments include trade payables and receivables arising from operations.

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

### Interest rate risk

The Company's exposure to interest rate risk is mainly related to financing and long-term loans to which interest equal to the Euribor at 3, 6 and 12 months plus a fixed spread is normally applied. With the application of the so-called "Basel 2" agreement, the Company is subject to analysis by credit institutions that assign it a rating. The fixed spread may be higher or lower based on this rating. The breakdown of the rate applied to individual loans is shown in the explanatory notes to the financial statements in the specific note on financial payables.

### Liquidity risk

The company controls liquidity risk by planning the use of liquidity, taking into account financial investments, financial assets (trade receivables and other financial assets) and expected cash flows from operations. Furthermore, during the year the Company stipulated centralised liquidity management contracts with the direct and indirect parent companies (Newlat Food SpA and Newlat Group SA) in order to optimise liquidity management available throughout the group.

### Credit risk

The company mainly deals with known, reliable customers. Individual receivables are monitored during the year so that the amount of exposure to losses is not significant. The maximum risk is equal to the book value of these assets in the event the counterpart becomes insolvent.

### Other risks

With regard to the first of ENASARCO Foundation's two lawsuits, an appeal by the Foundation is pending before the Court of Cassation to get an annulment of the Rome Court of Appeal judgement no. 8634/2014 of 18 November 2014, which ordered our Company to repay €811 thousand for welfare contributions acknowledged as owing to the Foundation by the Court of Rome in judgement no. 1260/2013 of 28 February 2013.

With regard to the second lawsuit and the injunction 9800/2012 awarded to the ENASARCO Foundation in the amount of €658 thousand, it was defined at first instance with judgement no. 5185/2015 of 20 July 2015 by the Court of Rome that revoked the injunction. The Enasarco Foundation appealed, the hearing scheduled for 9 January 2018 was postponed to 25 September 2018 and then further postponed to June 2020. On 23 June 2020, the Rome Court of Appeals (Labour section) rejected the appeal, confirming that Latte d'Italia S.p.A. had acted properly.

A third lawsuit was initiated on 11 January 2017 following the rejection by the Regional Employment Relations Committee, at the Rome Interregional Employment Division, of the appeal against the ENASARCO Foundation's assessment report of 11 November 2014. The Foundation has issued another payment demand on top of the assessment report totalling €423,829.69. On 30 May 2017, notice was served of an enforcement order and a writ of execution issued by the ENASARCO Foundation for the payment of Euro 432,764.64 relating to the assessment report of 11 November 2014 and pertaining to the years 2011-2013. The company asked the Court of Rome,

within the time limits allowed, to suspend the temporary enforcement of the injunction. On 6 July 2017, the Court of Rome suspended the temporary enforcement of the injunction and set a date of 20 December 2017 to hear the merits of the case. At the end of said hearing, the presiding judge arranged a new hearing for 17 May 2018. At the new hearing, the presiding judge, having heard the submissions from the parties, arranged the deferral of two submissions that did not take place at the hearing and further adjourned the hearing until 22 November 2018 for continuation and for assessment of the admission of further depositions or the awarding of a ruling deferral with a deadline for brief. On 19 July, in view of the deferred submission order, the hearing took place at the Court of Turin (Labour Section), featuring examination of the two submissions. On 21 March 2019, the Court of Rome (first Labour section) revoked the injunction sought by the ENASARCO Foundation in relation to the dispute over contributions between 2011 and 2013 and found in favour of the Company.

By writ of summons dated 5 February 2020, the bankruptcy of Cedi Sisa Centro Nord in liquidazione S.p.A. filed suit against Centrale del Latte di Vicenza S.p.A. (now Centrale del Latte d'Italia S.p.A.) requesting a revocatory action pursuant to art. 67, paragraph 2 of the Financial Law and thus a refund to the Receiver of the sum of €648 thousand. The Bankruptcy declared that Centrale del Latte allegedly received these payments in the six months prior to Cedi's publication of the filing of the application for composition with creditors in the Company Register. An out-of-court settlement was reached with the counterparty, which – without prejudice to waivers of the amounts listed in the statement of affairs – provides for Centrale del Latte's payment of the sum of €51.5 thousand.

### **General risks**

As is known, starting in January and extending throughout 2020, the national and international scenario has been characterized by the spread of the Coronavirus and the consequent restrictive measures to contain it, implemented by the government authorities of the countries concerned. These circumstances, extraordinary in their nature and extent, have had direct and indirect repercussions on the business and have created an environment of general uncertainty whose future course and related effects cannot be foreseen.

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, from the lockdown to the subsequent gradual reopening. The same thing applies to activities performed in line with the need to strengthen 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 Company, as we can see by the results, to deliver better margins and create more value for its shareholders.

The commercial and production organisations have played a crucial role in customer relations: this approach puts the end consumer at the centre of Company policies and guidelines while reinforcing brand loyalty.

The potential effects of this phenomenon on the financial statements are not yet determinable and will be constantly monitored, although the considerations made, also in consideration of the sector the Company operates in, do not seem to suggest short-term repercussions on the Company's business and income flows.

### **Performance of the stock of the company Centrale del Latte d'Italia S.p.A.**

In 2020 the stock of Centrale del Latte d'Italia S.p.A., listed on the Italian stock exchange in the STAR segment (High Requirement Security Segment), reached a maximum value of €2.66 per share compared to a low of €1.74. On the last trading day of the year the company's stock closed at €2.55 per share, which is equivalent to a market capitalisation of €35.7 million.

## OTHER INFORMATION

### Information on compliance with codes of conduct (art. 89-bis of the Consob Regulation).

#### Corporate Governance Code

The Company has adopted a Corporate Governance Code in the application of its Corporate Governance, understood as the system of rules according to which companies are managed and controlled. The Corporate Governance Code in its latest version approved by the Board of Directors on 30 October 2015 and in force on 1 January 2016 is available on the company's website: [https://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-Autodisciplina-2016\\_CLI.pdf](https://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-Autodisciplina-2016_CLI.pdf)

#### Internal dealing code of conduct

The company has adopted a Code of Conduct aimed at regulating disclosure obligations, and established a register of persons who have access to inside information, in compliance with the provisions of art. 2.6.3, 2.6.4 and 2.6 bis of the "Regulation of markets organised and managed by Borsa Italiana S.p.A." approved by Consob Resolution no. 13655 of 9 July 2002 and art. 152 bis-octies of the Consob Regulation for issuers concerning the transactions referred to in art. 2.6.4 of the Stock Exchange Regulation carried out on their behalf by important persons as defined in art. 2 of the Internal dealing code of conduct. The latest version of the internal dealing code of conduct approved by the Board of Directors on 1 October 2016 is available on the Company's website: [https://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016\\_CLI.pdf](https://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016_CLI.pdf)

**Code of procedures for managing related party transactions.** The company adopted the Code of Conduct with related parties in compliance with the provisions of Consob Resolution no. 17221 of 12 March 2010, as subsequently amended and supplemented. The version of the related party code of conduct approved by the Board of Directors on 19 June 2020 is available on the Company's website: <https://centralelatteitalia.com/wp-content/uploads/2021/01/Procedura-OPC-CLI.pdf>

#### Intragroup transactions and transactions with related parties

It should be noted that related-party transactions, including intra-group transactions, are not classed as atypical or unusual since they fall within the normal course of business for the group companies. Such transactions shall be carried out at arm's length. Information on relations with related parties, including the information required by the Consob Communication of 28 July 2006, is presented in the explanatory notes.

#### Organisational model pursuant to Italian Legislative Decree 231/2001- Risk management and internal control systems

Centrale del Latte d'Italia S.p.A. (CLI) believes that the adoption of a Model meeting the requirements of Italian Legislative Decree 231/2001 constitutes a further valid tool to raise awareness among directors, employees and all other third parties who have relations with CLI to maintain proper, transparent conduct that reflects the ethical-social values that inspire CLI in the pursuit of its corporate purpose, and in any case such as to prevent the risk of committing the crimes enumerated in Legislative Decree 231/2001.

The adoption and dissemination of the model aims to create a full awareness in potential offenders that they are committing an offence, and constant observation and control of activities to allow Centrale del Latte d'Italia S.p.A. to prevent or react promptly in order to prevent the commission of offences. The updated model was approved by the Board of Directors and is available on the Company's website: <https://centralelatteitalia.com/investor-relations/modello-d-leg-231-2001-e-codice-etico/>

#### Company branches

Registered office and production: Turin, Via Filadelfia 220

Branch office: Florence, Via dell'Olmattello 20

Production and distribution plant: Rapallo (GE), Via S. Maria del Campo 157 and Via San Pietro 47.

Production and distribution plant: Vicenza (Vi), Via Faedo 60.

Production and distribution plant: Florence, Via dell'Olmattello 20.

**Treasury shares.**

The Company does not hold any treasury shares and did not dispose of any during the year.

**Stock option plans**

As at 31 December 2020 there are no stock options plans.

**Management and coordination**

The Company asserts that it is not subject to management and coordination by Newlat Food SpA because: (i) the main decisions relating to the management of the Company are taken within the Company's own bodies; (ii) the Company's Board of Directors is responsible, among other things, for the examination and approval of the Company's strategic, industrial and financial plans and budgets, the examination and approval of the Company's financial and credit access policies, the examination and approval of the organisational structure, the assessment of the adequacy of the Company's organisational, administrative and accounting structure; (iii) the Company operates independently with respect to relations with customers and suppliers, without any interference from parties outside the Company.

## EVENTS AFTER THE REPORTING DATE.

Starting from 1 January 2021, a lease agreement was stipulated for the lease of a business unit between Newlat spa and Centrale del Latte d'Italia, leasing all the dairy companies of the Newlat food spa group involved in the processing of raw materials and the production of so-called Milk & Dairy (i.e. milk and milk-based products, as well as dairy products) for a total expected 2020 turnover and EBITDA that should exceed €100 million and €10 million, respectively. This operation will make possible further synergies that generate profitability already in 2021, allowing the integration of the respective industrial plants and the generation of cost and supply synergies as well as the exchange of industrial know-how.

The contract, with effect from 1 January 2021, has a duration of two years and will be automatically renewed for a further year unless terminated with at least six months' notice. The activities of the Business Unit under the Contract are carried out through the plants in Reggio Emilia, Salerno and Lodi, as well as with the warehouses in Reggio Emilia, Lodi, Rome Eboli, Pozzuoli and Lecce. Under the terms of the Contract, CLI shall pay Newlat Food an annual fee as follows:

- a fixed component equal to €2,000,000.00 plus VAT; and
- a variable component that – starting from 1 January 2021 – will be determined on a quarterly basis equal to 1.5% of the turnover of the Business Unit for the quarter plus VAT.

The Transaction constitutes a transaction with a related party for CLI pursuant to the Regulation adopted with Consob Resolution no. 17221 of 12 March 2010, as subsequently supplemented and amended, as Newlat Food, CLI's counterpart in the Transaction, exercises legal control over CLI pursuant to art. 93 of Italian Legislative Decree 58/1998, as amended, and art. 2359, paragraph 1, no. 1 of the Civil Code. The Transaction constitutes a "significant" transaction between related parties pursuant to the provisions of art. 8, paragraph 1 of the RPT Regulation since the relevant indices relating to the equivalent value of the Transaction and the assets of the Business Unit identified in Annex 3 of the RPT Regulation are higher than the relevant threshold of 2.5%, applicable to the Transaction. The Transaction was approved by the CLI Board of Directors during the meeting of 15 December 2020, after a unanimous favourable opinion of the CLI Related Party Transactions Committee issued on the same date. With regard to the Transaction, the functions attributed to the RPT Committee were performed by Professor Anna Claudia Pellicelli and Ms. Valeria Bruni Giordani, independent and unrelated directors of CLI, as well as by the statutory auditor Mr. Giovanni Rayneri. In support of its assessments, the RPT Committee availed itself of the support of Mr. Ferdinando Frascini, Partner of the Corporate Finance Advisory Department of the company BDO Italia S.p.A., as well as a chartered accountant and auditor, as an independent expert, who issued his opinion of functional adequacy on 14 December 2020.

The Company signed an agreement with Tuscan milk producers for the three-year period 2021-2023, establishing an agreement on the price of milk from the stable, the only one in Italy lasting three years, thus consolidating the partnership between industry and the world of agriculture and creating the conditions to give stability and a future to our companies and to strengthen the Tuscan livestock supply chain. With this agreement an Integrated Supply Chain Project was also launched with new production guidelines, capable of developing local Tuscan products, increasing the physical and psychological well-being of animals, launching new original products with a high health content, in new eco-sustainable packaging, aimed at particular consumption segments and representing a further leap in the quality of Mukki milk in the milk market. In such an uncertain economy and where extremely prudent choices prevail, with this agreement the Tuscan supply chain has launched a message guaranteeing stability for all farms that supply CLI and seeks to set an example for the entire Italian livestock sector.



**BUSINESS OUTLOOK.**

The company aims to maintain and increase profitability through the consolidation of its market shares, also through the supervision of new distribution channels, the launch of innovative products and the strengthening of export development. New stimuli and opportunities will also materialise through the development of the activities of the Newlat Food group through the leasing of a business unit, strengthening the presence of CLI throughout the country. Simplification of organisational structures and cost rationalisation will also continue in 2021.

Despite the extreme complexity of the period, since the beginning of the pandemic CLI has been able to provide adequate responses to the new market needs in terms of services and products. This determination allowed the company to carefully manage working capital and operating costs, strengthening its flexibility and maintaining customer and employee satisfaction as a priority.

All transactions conducted during the year have enabled the company to deliver better margins and create more value for its shareholders, a trend that continued in the early months of 2021. On the basis of these positive foundations, although there remains considerable uncertainty about what path the Coronavirus will take, the management of Centrale del Latte d'Italia remains fully confident in the continuation of the strengthening of margins and liquidity.

Turin, 05 March 2021

The Chairman  
of the Board of Directors  
Angelo Mastrolia

# Centrale del Latte d'Italia 2020 Financial Report

## Report on operations - Annexes

### ALTERNATIVE PERFORMANCE INDICATORS (API)

In order to facilitate the understanding of the CLI Company's economic and financial performance, some alternative performance indicators ("**APIs**") have been identified. These indicators are tools that make it easier for managers to identify operational trends and make decisions about investments, resource allocation and other operational decisions.

For a correct interpretation of these APIs, note the following:

- These indicators are calculated exclusively based on historical data and correspond to the figures reported in CLI's financial statements and are not indicative of future performance.
- APIs are not required by the accounting standards of reference (International Financial Reporting Standards) relating to CLI, and while they are derived from the financial statements they are not subject to audit.
- The APIs must not be considered as substitutes for the indicators provided by the accounting standards of reference.
- The definitions of the indicators used by CLI may not be consistent with those adopted by other companies/groups and therefore may not be comparable with them.

### DEFINITION OF ALTERNATIVE PERFORMANCE INDICATORS (API)

- **EBITDA**: corresponds to the net result before depreciation/amortisation, write-downs, financial income and charges, taxes.
- **EBIT**: corresponds to the operating result as shown in the income statement.

## RECLASSIFIED FINANCIAL STATEMENTS

### RECLASSIFIED INCOME STATEMENT BY TYPE

<i>(thousands of euros)</i>	2020		2019 consolidated		change	
Revenues from sales and services	180,570	98.6%	175,151	97.9%	5,419	3.1%
Change in inventory	(431)	-0.2%	347	0.2%	(778)	-224.1%
Other revenues and income	3,009	1.6%	3,437	1.9%	(428)	-12.4%
<b>Value of production</b>	<b>183,149</b>	<b>100.0%</b>	<b>178,935</b>	<b>100.0%</b>	<b>4,214</b>	<b>2.4%</b>
Services	(43,423)	-23.7%	(43,980)	-24.6%	557	-1.3%
Consumption of raw materials	(94,911)	-51.8%	(100,341)	-56.1%	5,431	-5.4%
Other operating costs	(2,050)	-1.1%	(2,151)	-1.2%	102	-4.7%
<b>Added value</b>	<b>42,765</b>	<b>23.4%</b>	<b>32,462</b>	<b>18.1%</b>	<b>6,089</b>	<b>18.8%</b>
Personnel costs	(24,464)	-13.4%	(25,999)	-14.5%	1,534	-5.9%
<b>EBITDA</b>	<b>18,301</b>	<b>10.0%</b>	<b>6,463</b>	<b>3.6%</b>	<b>11,838</b>	<b>183.2%</b>
Allocation to the provision for bad debts	(760)	-0.4%	(1,176)	-0.7%	416	-35.4%
Depreciation of tangible assets	(10,003)	-5.5%	(9,463)	-5.3%	(539)	5.7%
Amortisation of intangible assets	(91)	0.0%	(85)	0.0%	(6)	
Write-down of tangible assets	0	0.0%	(1,041)	-0.6%	1,041	
<b>Operating profit/(loss) - EBIT</b>	<b>7,447</b>	<b>4.1%</b>	<b>(5,302)</b>	<b>-3.0%</b>	<b>12,749</b>	<b>240.5%</b>
Financial income	322	0.2%	356	0.2%	(33)	-9.4%
Financial expenses	(2,198)	-1.2%	(1,833)	-1.0%	(364)	19.9%
<b>Profit/(loss) before taxes</b>	<b>5,572</b>	<b>3.0%</b>	<b>(6,780)</b>	<b>-3.8%</b>	<b>12,235</b>	<b>180.5%</b>
Income taxes	(395)	-0.2%	(133)	-0.1%	(262)	197.2%
(Deferred)/prepaid taxes	(1,044)	-0.6%	401	0.2%	(1,445)	-360.4%
<b>Net profit (loss) for the year</b>	<b>4,132</b>	<b>2.3%</b>	<b>(6,512)</b>	<b>-3.6%</b>	<b>10,527</b>	<b>161.7%</b>

### COMPREHENSIVE INCOME STATEMENT

<i>(thousands of euros)</i>	2020	2019 consolidated	change
<b>Total net profit/(loss)</b>	<b>4,132</b>	<b>(6,512)</b>	<b>10,644</b>
Actuarial profits/(losses) relating to defined benefit plans	(158)	(146)	(12)
<b>Total overall other profits/(losses)</b>	<b>(158)</b>	<b>(146)</b>	<b>(12)</b>
<b>Net overall profit/(loss)</b>	<b>3,974</b>	<b>(6,658)</b>	<b>10,631</b>

Reclassified balance sheet

<i>(thousands of euros)</i>	2020		2019 consolidated	
Technical fixed assets	112,005		114,606	
Technical assets under development	12,862		10,797	
Intangible assets	19,631		19,630	
Intangible assets under development	3		25	
Write-downs of land and buildings	(1,041)		(1,041)	
Equity investments and securities	2,100		2,053	
<b>Total fixed assets</b>	<b>145,560</b>	<b>108.7%</b>	<b>146,070</b>	<b>99.8%</b>
<b>Working capital</b>				
Trade receivables	22,926		21,465	
Warehouse inventories	10,337		10,755	
Other short-term assets	8,221		13,509	
Trade payables	(45,578)		(39,159)	
Other payables	(6,576)		(5,464)	
Tax liabilities	(968)		(799)	
<b>Net working capital</b>	<b>(11,638)</b>	<b>-8.7%</b>	<b>307</b>	<b>0.2%</b>
<b>TOTAL ASSETS USED</b>	<b>133,922</b>	<b>100.0%</b>	<b>146,377</b>	<b>100.0%</b>
<b>Long-term liabilities and provisions</b>				
Employee severance indemnity	4,730		5,514	
Other provisions	126		65	
Provision for directors' end-of-service indemnities	0		342	
Provision for deferred taxes	6,099		6,089	
<b>Total long-term liabilities and provisions</b>	<b>10,955</b>	<b>8.2%</b>	<b>12,010</b>	<b>8.2%</b>
<b>Financial position</b>				
Bank cash and securities	(33,791)		(18,951)	
Deposits with centralised cash systems	(13,031)		-	
Payables to banks	10,696		8,090	
Current portion of M/L-term loans	18,803		24,335	
Current portion of payables to other lenders	6,022		277	
M/L-term payables to other lenders	10		49	
Current portion of the bond loan	0		2,931	
M/L-term loans	69,147		44,358	
Bond loan 2017-2024	0		11,872	
<b>Net financial position before IFRS 16</b>	<b>57,856</b>	<b>43.2%</b>	<b>72,961</b>	<b>49.8%</b>
Current portion of IFRS 16 right-of-use financial payables	2,084		2,052	
IFRS 16 right-of-use financial payables	1,941		2,283	
<b>Net financial position after IFRS 16</b>	<b>61,881</b>	<b>46.2%</b>	<b>77,297</b>	<b>52.8%</b>
<b>Shareholders' equity</b>				
Share capital	28,840		28,840	
Reserves	28,113		34,741	
Net profit/(loss) for the period	4,132		(6,511)	
<b>Total shareholders' equity</b>	<b>61,086</b>	<b>45.6%</b>	<b>57,070</b>	<b>39.0%</b>
<b>TOTAL SHAREHOLDERS AND MINORITY EQUITY</b>	<b>133,922</b>	<b>100.0%</b>	<b>146,377</b>	<b>100.0%</b>

**Statement of cash flows**

	<b>2020</b>	<b>2019 consolidated</b>
Cash availability at the beginning of the year	11,623	9,258
Merger effect	(765)	0
<b>A. Cash flow for operations</b>		
<b>Profit (loss) for the year</b>	<b>4,132</b>	<b>(6,511)</b>
Amortisation of intangible assets	91	85
Depreciation of tangible assets	10,003	9,463
<b>Total depreciation, amortization and write-downs</b>	<b>10,094</b>	<b>9,548</b>
Severance indemnities accrued during the year net of amounts paid and the OCI effect	(942)	(450)
Provision for Director end-of-service indemnities	(342)	(40)
Deferred tax liabilities	10	(71)
Allocation (use) of the provision for risks and charges	61	(61)
<b>Total net provisions</b>	<b>(1,213)</b>	<b>(621)</b>
Adjustment of equity investments to the SE		(89)
<b>Total non-monetary flows</b>	<b>0</b>	<b>(89)</b>
Changes in net working capital		
Net trade receivables and other receivables (including intercompany)	1,310	8,647
Financial receivables from subsidiaries	-	0
Inventories	418	(784)
Other receivables	2,520	1,643
Suppliers (including parent company and intercompany)	6,418	(1,429)
Miscellaneous payables	1,111	(223)
Tax liabilities	169	(165)
<b>Total change in net working capital</b>	<b>11,947</b>	<b>7,689</b>
<b>Operating cash flow</b>	<b>24,960</b>	<b>10,016</b>
<b>B. Cash flow from (for) investments</b>		
Net acquisition of technical fixed assets	(9,424)	(12,113)
Net acquisition of intangible fixed assets	(70)	(91)
Financial (investments)/disinvestments	(48)	(31)
Change in non-current assets held for sale	-	-
<b>Total cash flow from (for) investments</b>	<b>(9,542)</b>	<b>(12,235)</b>
<b>Free cash flow</b>	<b>15,418</b>	<b>(2,220)</b>
<b>C. Cash flow from changes in shareholders' equity</b>		
Dividends distributed	-	-
<b>Total cash flow from changes in shareholders' equity</b>	<b>-</b>	<b>-</b>
<b>D. Cash flow from financing activities</b>		
Change in medium/long-term borrowings	10,159	3,898
Capital repayment (lease)	(310)	(346)
<b>Total cash flow from financing activities</b>	<b>9,849</b>	<b>3,552</b>
<b>Total cash flows for the period</b>	<b>25,267</b>	<b>1,333</b>
<b>CASH AND BANKS AT THE END OF THE YEAR (net of payables due to banks)</b>	<b>36,125</b>	<b>10,858</b>
of which bank deposits and cash on hand	46,822	18,951
of which payables to banks	(10,696)	(8,090)
Financial charges paid	1,920	449
Taxes paid	0	161

## Net Financial Position

<i>(thousands of euros)</i>	<b>31/12/2020</b>	<b>31/12/2019 separate</b>	<b>Change v 2020</b>	<b>31/12/2019 consolidated</b>	<b>Change v 2020</b>
Cash and cash equivalents	33,791	11,623	22,168	18,951	14,840
Deposits with centralised cash systems	13,031.281	0	13,031	0	13,031
<b>Total current financial assets</b>	<b>46,822</b>	<b>11,623</b>	<b>35,199</b>	<b>18,951</b>	<b>27,871</b>
Payables to banks	(10,696)	0	(10,696)	(8,090)	(2,606)
Current portion of long-term loans	(18,803)	(10,165)	(8,638)	(24,335)	5,532
Current portion of Bond Loan	0	(2,931)	2,931	(2,931)	2,931
Current portion of payables to other lenders	(6,022)	(22)	(6,000)	(317)	(5,705)
<b>Total current financial liabilities</b>	<b>(35,521)</b>	<b>(13,119)</b>	<b>(22,402)</b>	<b>(35,673)</b>	<b>152</b>
Payables for long-term loans	(69,147)	(12,015)	(57,132)	(44,358)	(12,774)
M/L-term payables to other lenders	(3)	(27)	24	(10)	33
Payables for bond loan 2017-2024	0	(11,872)	11,872	(11,872)	23,744
<b>Total non-current financial liabilities</b>	<b>(69,150)</b>	<b>(23,914)</b>	<b>(45,236)</b>	<b>(56,239)</b>	<b>(12,911)</b>
<b>Total financial liabilities</b>	<b>(104,671)</b>	<b>(37,032)</b>	<b>(67,639)</b>	<b>(91,912)</b>	<b>196,583</b>
<b>Net financial position before IFRS</b>	<b>(57,849)</b>	<b>(25,409)</b>	<b>(32,440)</b>	<b>(72,961)</b>	<b>15,112</b>
Current portion of payables for leases and rights of use	(2,084)	(288)	(1,796)	(2,052)	(33)
Payables for leases and rights of use	(1,947)	(645)	(1,302)	(2,284)	337
<b>Net financial position after IFRS</b>	<b>(61,881)</b>	<b>(26,342)</b>	<b>(35,539)</b>	<b>(77,297)</b>	<b>15,416</b>

**Annex d) Economic and financial indicators****Financial statements of Centrale del Latte d'Italia S.p.A. – economic and financial indicators**

	2020	2019
		consolidated
Current assets	86,786	64,679
Non-current assets	147,080	146,070
Current liabilities	(90,727)	(83,108)
Non-current liabilities	(82,053)	(70,572)
<b>Invested capital</b>	<b>143,138</b>	<b>127,641</b>
<b>Operating profit/(loss)</b>	<b>7,447</b>	<b>(5,302)</b>
<b>ROI Return on Investment</b>	<b>5.2%</b>	<b>-4.2%</b>
Net profit/(loss)	4,132	(6,511)
Shareholders' Equity	61,086	57,070
<b>ROE Return on Equity</b>	<b>6.8%</b>	<b>-11.4%</b>
Operating profit	7,447	(5,302)
Revenues from sales and services	180,570	175,151
<b>ROS Return on Sales</b>	<b>4.1%</b>	<b>-3.0%</b>
Financial expenses	2,198	1,883
Financial payables	104,672	91,912
<b>ROD Return on Debts</b>	<b>2.1%</b>	<b>2.0%</b>



	<b>2020</b>	<b>2019</b> <b>consolidated</b>
Cash and cash equivalents	46,822	18,951
Current and non-current liabilities	172,780	153,680
<b>Quick ratio</b>	<b>0.27</b>	<b>0.12</b>
Current assets	86,786	64,679
Current liabilities	(90,727)	(83,108)
<b>Current ratio</b>	<b>0.96</b>	<b>0.78</b>
Revenues from sales and services	180,570	175,151
Invested capital	143,138	127,641
<b>Rotation rate of invested capital</b>	<b>1.26</b>	<b>1.37</b>
Net financial debt	61,881	77,297
Equity	61,086	57,070
<b>NFD / Equity</b>	<b>1.01</b>	<b>1.35</b>

# Centrale del Latte d'Italia

## 2020 Financial Report

### 2020 Financial statements – Financial statements

## INCOME STATEMENT

(values in euro units)

<i>thousands of Euro</i>	<b>31/12/2020</b>	<b>31/12/2019 separate</b>
Revenue from contracts with customers	180,570,149	78,371,279
<i>of which from related parties</i>	<i>3,084,547</i>	-
Cost of sales	(131,089,704)	(58,325,962)
<i>of which from related parties</i>	<i>3,372,248</i>	-
<b>Gross operating profit/(loss)</b>	<b>49,480,445</b>	<b>20,045,318</b>
Sales and distribution costs	(31,406,062)	(15,527,946)
Administrative costs	(11,071,229)	(6,281,157)
Net write-downs of financial assets	(700,156)	(1,147,159)
Other revenues and income	3,009,016	1,763,934
Other operating costs	(1,864,829)	(996,670)
<b>Operating profit/(loss)</b>	<b>7,447,186</b>	<b>(2,143,680)</b>
Financial income	322,129	168,497
Financial expenses	(2,197,612)	(881,189)
<b>Profit (loss) before taxes</b>	<b>5,571,703</b>	<b>(2,856,372)</b>
Income taxes	(1,439,666)	(496,346)
<b>Net Profit/(Loss)</b>	<b>4,132,036</b>	<b>(3,352,718)</b>
Number of shares with rights	14,000,020	14,000,020
Basic and diluted net earnings/(losses) per share	0.295	-0.239

## COMPREHENSIVE INCOME STATEMENT

(values in euro units)

<b>Net profit/(loss) (A)</b>	<b>4,132,036</b>	<b>(3,352,718)</b>
Actuarial gains/(losses)	(158,314)	(64,421)
<b>Total other components of comprehensive income that will not be subsequently reclassified to the income statement (B)</b>	<b>(158,314)</b>	<b>(64,421)</b>
<b>Total comprehensive net profit/(loss) (A)+(B)</b>	<b>3,973,722</b>	<b>(3,417,139)</b>
Number of shares with rights	14,000,020	14,000,020
Basic and diluted net earnings/(losses) per share	0.284	-0.244

## BALANCE SHEET

(values in euro units)

	<b>31/12/2020</b>		<b>31/12/2019 separate</b>	
<b>Non-current assets</b>				
Property, plant and equipment	119,747,897		31,117,669	
Right-of-use assets	4,077,642		927,122	
Intangible assets	19,634,199		6,241,061	
Equity investments in associates	1,396,719		57,028,319	
Non-current financial assets measured at fair value through profit or loss	703,762		5,529	
Deferred tax assets	1,519,312		1,389,165	
<b>Total non-current assets</b>	<b>147,079,533</b>	<b>62.9%</b>	<b>96,708,865</b>	<b>74.8%</b>
<b>Current assets</b>				
Inventories	10,336,765		3,681,954	
Trade receivables	22,926,224		9,874,243	
<i>of which from related parties</i>	<i>2,710,754</i>		<i>742,298</i>	
Current tax assets	1,160,350		2,038,601	
Other receivables and current assets	5,540,958		5,428,883	
Cash and cash equivalents	46,821,800		11,623,113	
<i>of which from related parties</i>	<i>13,031,281</i>		<i>0</i>	
<b>Total current assets</b>	<b>86,786,098</b>	<b>37.1%</b>	<b>32,646,794</b>	<b>25.2%</b>
<b>TOTAL ASSETS</b>	<b>233,865,631</b>	<b>100.0%</b>	<b>129,355,659</b>	<b>100.0%</b>
<b>Shareholders' equity</b>				
Share capital	28,840,041		28,840,041	
Reserves	28,113,442		39,445,709	
Net profit/(loss)	4,132,036		(3,352,720)	
<b>Total net equity</b>	<b>61,085,519</b>	<b>26.1%</b>	<b>64,933,030</b>	<b>50.2%</b>
<b>Non-current liabilities</b>				
Provisions for employee benefits	4,729,842		2,034,953	
Allowances for risks and charges	126,172		399,158	
Deferred tax liabilities	6,099,421		2,105,400	
Non-current financial liabilities	69,150,140		23,913,266	
Non-current lease liabilities	1,946,999		644,531	
<b>Total non-current liabilities</b>	<b>82,052,574</b>	<b>35.1%</b>	<b>29,097,308</b>	<b>22.5%</b>
<b>Current liabilities</b>				
Trade payables	45,578,043		18,829,893	
<i>of which from related parties</i>	<i>124,838</i>		<i>2,273,101</i>	
Current financial liabilities	35,521,272		13,096,868	
Current lease liabilities	2,084,298		288,177	
Current tax liabilities	968,201		128,111	
Other current liabilities	6,575,724		2,982,272	
<b>Total current liabilities</b>	<b>90,727,538</b>	<b>38.8%</b>	<b>35,325,321</b>	<b>27.3%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>233,865,631</b>	<b>100.0%</b>	<b>129,355,659</b>	<b>100.0%</b>

**STATEMENT OF CASH FLOWS**

(values in euro units)

	31/12/2020	31/12/2019 separate
Cash availability at the beginning of the year	11,623,113	7,654,156
Merger effect	(764,770)	
<b>A. Cash flow for operations</b>		
<b>Profit (loss) for the year</b>	<b>4,132,036</b>	<b>(3,352,720)</b>
Amortisation of intangible assets	90,933	3,851
Depreciation of tangible assets	10,002,718	2,644,713
<b>Total depreciation, amortization and write-downs</b>	<b>10,093,651</b>	<b>2,648,564</b>
Severance indemnities accrued during the year net of amounts paid and the OCI effect	(942,111)	(137,667)
Provision for Director end-of-service indemnities	(342,024)	(39,685)
Deferred tax liabilities	10,131	(32,475)
Allocation (use) of the provision for risks and charges	60,877	(19,406)
<b>Total net provisions</b>	<b>(1,213,127)</b>	<b>(229,233)</b>
Adjustment of equity investments to the SE		
<b>Total non-monetary flows</b>	<b>0</b>	<b>0</b>
Changes in net working capital		
Net trade receivables and other receivables (including intercompany)	1,309,941	3,255,400
Financial receivables from subsidiaries	-	3,001,250
Inventories	418,226	(366,317)
Other receivables	2,520,286	2,294,876
Suppliers (including parent company and intercompany)	6,418,333	(857,178)
Miscellaneous payables	1,111,355	(93,867)
Tax liabilities	169,203	(261,893)
<b>Total change in net working capital</b>	<b>11,947,343</b>	<b>6,972,271</b>
<b>Operating cash flow</b>	<b>24,959,903</b>	<b>6,038,882</b>
<b>B. Cash flow from (for) investments</b>		
Net acquisition of technical fixed assets	(9,423,911)	(5,859,020)
Net acquisition of intangible fixed assets	(70,400)	-
Financial (investments)/disinvestments	(47,659)	(5,001,991)
Change in non-current assets held for sale	-	-
<b>Total cash flow from (for) investments</b>	<b>(9,541,970)</b>	<b>(10,861,011)</b>
<b>Free cash flow</b>	<b>15,417,933</b>	<b>(4,822,129)</b>
<b>C. Cash flow from changes in shareholders' equity</b>		
Dividends distributed	-	-
<b>Total cash flow from changes in shareholders' equity</b>	<b>-</b>	<b>-</b>
<b>D. Cash flow from financing activities</b>		
Change in medium/long-term borrowings	10,159,131	9,136,988
Capital repayment (lease)	(309,909)	(345,901)
<b>Total cash flow from financing activities</b>	<b>9,849,221</b>	<b>8,791,087</b>
<b>Total cash flows for the period</b>	<b>25,267,155</b>	<b>3,968,958</b>
<b>CASH AND BANKS AT THE END OF THE YEAR (net of payables due to banks)</b>	<b>36,125,498</b>	<b>11,623,114</b>
of which bank deposits and cash on hand	46,821,821	11,623,113
of which payables to banks	(10,696,303)	0
Financial charges paid	1,919,586	448,575
Taxes paid	0	160,697

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
*(values in euro units)*

	Balance as at 01/01/2019	Allocation of the profit	Distribution of dividends	Total net profit/(loss)	Changes in the period	Balance as at 31/12/2019
Share capital	28,840,041	-	-	-	-	28,840,041
Share premium reserve	14,324,577	-	-	-	-	14,324,577
Exchange premium reserve	3,096,015	-	-	-	-	3,096,015
Reserve unavailable from business combinations	13,902,917	-	-	-	-	13,902,917
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,856,699	24,350	-	-	-	1,881,049
Other reserves	10,522,192	462,660	-	-	-	10,984,852
Reserve unavailable from IFRS application	1,265,967	-	-	-	-	1,265,967
Profit/(loss) carried forward	41,478	-	-	-	-	41,478
Reserve discounted employee severance indemnity	(44,155)	-	-	-	(54,782)	(98,937)
Merger deficit	(6,148,733)	-	-	-	-	(6,148,733)
Profit (loss) for the period	487,010	(487,010)	-	(3,352,720)	-	(3,352,720)
	<b>68,340,530</b>	<b>0</b>	<b>0</b>	<b>(3,352,720)</b>	<b>(54,782)</b>	<b>64,933,030</b>

	Balance as at 01/01/2020	Allocation of the profit	Distribution of dividends	Overall net profit/(loss)	Changes in the period	Balance as at 31/12/2020
Share capital	28,840,041	-	-	-	-	28,840,041
Share premium reserve	14,324,577	-	-	-	-	14,324,577
Exchange premium reserve	3,096,015	-	-	-	-	3,096,015
Reserve unavailable from business combinations	13,902,917	-	-	-	-	13,902,917
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,881,049	-	-	-	-	1,881,049
Other reserves	10,984,852	-	-	-	-	10,984,852
Reserve unavailable from IFRS application	1,265,967	-	-	-	-	1,265,967
Profit/(loss) carried forward	41,478	(3,352,720)	-	-	-	(3,311,242)
Reserve discounted employee severance indemnity	(98,937)	-	-	-	(158,314)	(257,251)
Merger deficit	(6,148,733)	-	-	-	(7,821,233)	(13,969,966)
Profit (loss) for the period	(3,352,720)	3,352,720	-	4,132,036	-	4,132,036
	<b>64,933,030</b>	<b>0</b>	<b>0</b>	<b>4,132,036</b>	<b>(7,979,546)</b>	<b>61,085,519</b>

# Centrale del Latte d'Italia

## 2020 Financial Report

### Explanatory notes to the 2020 Financial Statements

## The Company

Centrale del Latte d'Italia S.p.A., incorporated and domiciled in Italy with registered office in Turin, Via Filadelfia 220, processes and sells:

- Milk and dairy products
- Packaged products in the fresh/very fresh segment
- Fourth range vegetables
- Non-dairy products

The Company will last until 31 December 2050 and may be extended one or more times by resolution of the Shareholders' Meeting.

The Company's shares are listed in the STAR segment of the Italian stock exchange, and according to the results of the shareholders' register and on the basis of the information available on Consob's website ([www.consob.it](http://www.consob.it)) and the official communications received and available at the date of this Annual Financial Report as at 31 December 2020, shareholders that directly or indirectly hold stakes greater than 5% of the voting capital are: (i) Newlat Food S.p.A. 67.596%, (ii) Municipality of Florence 12.308%, (iii) Municipality of Pistoia 5.262%.

The shareholder Newlat Food S.p.A. holds a dominant position of influence over Centrale del Latte d'Italia S.p.A. within the meaning of art. 2359 (2) of the Civil Code (dominant influence) and art. 93 of the TUF.

The publication of the 2020 Financial Statements was authorised by the Board of Directors on 5 March 2021.

The Centrale del Latte d'Italia Group has four production plants in Turin, Florence, Vicenza, and Rapallo (GE) able to directly produce fresh and ESL (Extended Shelf Life) milk, shelf-stable milk (UHT), yoghurt, mascarpone, non-dairy drinks and to sell packaged products in the fresh segment under its own brands such as eggs, cheese, pasta, fourth range salads made through selected companies. It has 383 employees and over 320 refrigerated vehicles that supply 2,770 retail outlets and over 11,600 normal trade customers every day, and collects about 119 million litres of milk from 161 stables.

In this context, the Group has strengthened its market position as the third Italian milk hub, being able to count on an Italian market share of 8.0% in the fresh milk + ESL sector and 4.1% in the shelf-stable milk (UHT) sector.

In the regions of Piedmont - Aosta Valley, Tuscany, Liguria and Veneto the Group maintains a leadership position with market shares in the four regions of 30.1% in the fresh milk + ESL sector and 15.2% in the shelf-stable (UHT) milk sector.

(Source IRI Infoscan Iper+Super+LSP at 31 December 2020).

## Structure and content of the financial statements

The Financial Statements at 31 December 2020 consist of the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the changes in shareholders' equity and the explanatory notes. The balance sheet represents the assets and liabilities by maturity, separating current and non-current items with maturities respectively within and beyond 12 months.

The comprehensive income statement is presented separately from the income statement, the latter prepared on the basis of the classification of the cost of sales. The cash flow statement is presented using the indirect method.

The 2020 Financial Statements are drafted in euros.

In order to ensure the correct comparability of the data for the two financial years compared, the results of the previous financial year were reclassified where appropriate.

## Accounting audit

The 2020 Financial Statements were audited by Deloitte & Touche S.p.A.



## IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2020

The following accounting standards, amendments and interpretations were applied for the first time by the Group as at 1 January 2020:

- On 31 October 2018 the IASB published the document "**Definition of Material (amendments to IAS 1 and IAS 8)**". That document introduced changes to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Its aim was to make the definition of "material" more specific, and to introduce the concept of "obscured information" alongside the concept of omissions or misstatements, which were already present in the two amended standards. The amendment clarifies that information is "obscured" if it has been described in such a way that produces, for the primary readers of financial statements, an effect similar to that which would have occurred if that information had been omitted or misstated.

The adoption of this amendment had no effect on the Company's financial statements.
- On 29 March 2018, the IASB published an amendment to the "**References to the Conceptual Framework in IFRS Standards**". The amendment is effective for years starting on or after 1 January 2020, but early adoption is permitted. The Conceptual Framework defines the basic concepts of financial reporting and guides the Board in elaborating the IFRS standards. The document helps to ensure that the standards are conceptually coherent and that similar transactions are dealt with in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in elaborating accounting standards when no IFRS applies to a specific transaction. In general it also helps the parties to understand and interpret the standards.

The adoption of this amendment had no effect on the Company's financial statements.
- On 26 September 2019, the IASB published the "**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**". It amended IFRS 9 Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. The amendment changed some of the requirements for the application of hedge accounting, by introducing temporary derogations to mitigate the impact of the uncertainty of the IBOR reform on future cash flows in the period preceding its completion. The amendment also requires companies to report additional information about their hedging relations that are directly affected by the uncertainties of the reform, to which these derogations apply.

The adoption of this amendment had no effect on the Company's financial statements.
- On 22 October 2018 the IASB published "**Definition of a Business (amendments to IFRS 3)**". The document provides clarification regarding the definition of business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to satisfy the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

The amendment also introduced an optional concentration test that rules out the presence of a business if the price paid refers substantially to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed.

The adoption of this amendment had no effect on the Company's financial statements.
- On 28 May 2020 the IASB published an amendment entitled "**Covid-19 Related Rent Concessions (Amendment to IFRS 16)**". The document allows lessees to account for the reductions in rents related to Covid-19 without having to assess whether the definition of lease modification in IFRS 16 is respected through an analysis of the contracts. Therefore, lessees who apply this option will be able to account for the effects of the rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to financial statements starting on 1 June 2020, but the Company has availed itself of the possibility of applying this amendment early on 1 January 2020.

The adoption of this amendment had no effect on the Company's financial statements.

### **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 2020**

The following accounting standards, amendments and interpretations were applied for the first time by the Group as at 1 January 2021:

- On 28 May 2020 the IASB published an amendment entitled "**Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)**". The amendments extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance. These amendments will come into force on 1 January 2021.

The directors do not expect a significant effect in the Company's financial statements from the adoption of this amendment, also in consideration of the fact that the Company does not have complex financial operations.

- In light of the IBOR Interbank Interest Rate Reform, on 27 August 2020 the IASB published the document "**Interest Rate Benchmark Reform - Phase 2**" which contains amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: *Disclosures*;
- IFRS 4 *Insurance Contracts*; and
- IFRS 16 *Leases*.

All amendments will come into force on 1 January 2021.

The directors do not expect a significant effect in the Company's financial statements from the adoption of this amendment, also in consideration of the fact that the Company does not have complex financial operations.

### **IFRS accounting standards, amendments and interpretations not yet approved by the European Union**

At the date of this document, the competent bodies of the European Union have not yet concluded the endorsement process required for the adoption of the amendments and standards described below:

- On 18 May 2017 the IASB published **IFRS 17 - Insurance Contracts**, which is intended to replace IFRS 4 - Insurance Contracts.

The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts held by an insurer.

The new standard also provides for presentation and disclosure requirements to improve comparability between entities in this sector.

The new principle measures an insurance contract based on a General Model or a simplified version thereof, called a Premium Allocation Approach ("PAA").

The main characteristics of the General Model are:

- o the estimates and assumptions of future cash flows are always the current ones;
- o measurement reflects the time value of money;
- o the estimates provide for extensive use of observable market information;
- o there is a current and explicit measurement of the risk;
- o the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and
- o the expected profit is recognised in the contractual period of coverage, taking into account the adjustments deriving from changes in the assumptions relating to the cash flows of each group of contracts.

The PAA approach measures the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, an entity expects that liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the valuation of liabilities for existing claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will take place within one year from the date on which the claim occurred.

An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

The standard applies from 1 January 2023 but early application is permitted only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from contracts with customers.

The directors do not expect significant effects in the Company's financial statements.

- On 23 January 2020 the IASB published "**Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**". The document aims to clarify how to classify payables and other liabilities as short or long term. The amendments will come into force on 1 January 2023, but early adoption is permitted.

The directors are currently assessing the possible effects of the introduction of this amendment on the Company's financial statements.

- On 14 May 2020 the IASB published the following amendments:
  - **Amendments to IFRS 3 - Business Combinations:** 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 IFRS 3.
  - **Amendments to IAS 16 - Property, Plant and Equipment:** the amendments are intended to prevent the deduction from the cost of tangible assets of the amount received from the sale of goods produced during the testing phase of the activity. These sales revenues and related costs will therefore be recognised in the income statement.
  - **Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets:** this amendment clarifies that all costs directly attributable to the contract must be taken into account in the estimate of the possible cost of a contract. Consequently, the assessment of the possible cost of a contract includes not only the incremental costs (e.g., the cost of the direct material used in the process), but also all the costs that the company cannot avoid since it has entered into a contract (e.g. the share of the personnel cost and depreciation of the machinery used for the fulfilment of the contract).
  - **Annual Improvements 2018-2020:** amendments were made to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and the Illustrative Examples of IFRS 16 - Leases.

All amendments will come into force on 1 January 2022.

The directors are currently assessing the possible effects of the introduction of these amendments on the Company's financial statements.

### **Merger by incorporation of Centrale del Latte di Vicenza and Centrale del Latte della Toscana into Centrale del Latte d'Italia**

As described in the Report on Operations, on 9 April 2020, the Board of Directors of Centrale del Latte d'Italia S.p.A. approved the proposed merger by incorporation, within the meaning of article 2501-ter of the Italian Civil Code, of Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. into Centrale del Latte d'Italia S.p.A.

The Merger Project, prepared in accordance with art. 2501-quater of the Italian Civil Code, was filed by the merging companies and the Merger was approved by resolutions of the BoDs of the merging companies in April 2020 (on 28 April 2020 with regard to Centrale del Latte d'Italia S.p.A.).

On 20 July 2020 the deed of merger was signed, which therefore establishes legal effectiveness from said date but provides for tax and accounting effectiveness of the merger as at 1 January 2020.

The main objectives of the merger can be summarised as follows:

- the merger process allows for a simplification of the corporate structure that effectively determines the legal consolidation of the Group;
- the rationalisation of the corporate structure implies a reduction in costs of over €3 million per year, resources that contributed and will contribute positively to the results for the period.

Given that the merger was a mere reorganisation of the corporate structure not resulting in transfers of control of the companies being merged by incorporation, the merger of Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into Centrale del Latte d'Italia S.p.A. is excluded from the scope of IFRS 3 - *Business combinations*.

In the absence of references to specific IFRS standards or interpretations, it was considered that in paragraph 13 IAS 1 requires in general terms that the financial statements provide a reliable and faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recording criteria provided by the IFRS Framework for assets, liabilities, costs

and revenues, and that in paragraph 15 IAS 1 establishes the obligation to select, in accordance with the hierarchy established by IAS 8, the accounting standards suitable for achieving the general objective of reliable and faithful representation.

In this context, account was also taken of the preliminary Assirevi Guidelines on IFRS ("OPI") no. 2 (Revised) – The accounting treatment of mergers in financial statements. Considering that the merger *i)* did not entail an economic exchange with third parties or a change in control over the acquired entity and *ii)* it is naturally devoid of significant influence on the cash flows of the merging companies, the choice of accounting criteria favoured principles that ensure the continuity of values.

Applying the principle of continuity of values of the merger meant giving importance to the persistence of the control relationship between the companies involved in the transaction. In other words, the merger that took the form of a restructuring led to a convergence between Centrale del Latte d'Italia S.p.A.'s separate financial statements and the Centrale del Latte Group's consolidated financial statements, implementing a so-called "legal consolidation".

Therefore, the incorporation of the assets and liabilities of the acquired companies in the acquirer's financial statements did not result in the emergence of greater current values of these assets than those previously expressed in the consolidated financial statements, nor in greater goodwill.

The write-off difference between the book value of the investments held in Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. and the corresponding values in the shareholders' equity of the respective companies was recognised in the financial statements of the incorporating party as a direct reduction in shareholders' equity under the item "Merger deficit" for a total of €7.8 million.

In Centrale del Latte d'Italia S.p.A.'s financial statements, the comparative data relating to its balance sheet, income statement, comprehensive income statement, cash flow statement and shareholders' equity are those relating to Centrale del Latte d'Italia S.p.A.'s financial statements as at 31 December 2019.

In order to provide information that on the one hand is consistent with the criteria for preparing the financial statements governed by IFRS, and on the other hand allows a homogeneous comparison for an adequate analysis of performance within the explanatory notes, it is appropriate to refer to a homogeneous scope, which in fact coincides with the consolidated financial statements of the Group prepared as at 31 December 2019.

To this end, the consolidated data of the Balance Sheet and Income Statement as at 31 December 2019 are included and also referred to in the Report on operations.

	<b>31/12/2020</b>		<b>31/12/2019 consolidated</b>	
<b>Non-current assets</b>				
Property, plant and equipment	119,747,897		120,058,425	
Right-of-use assets	4,077,642		4,304,000	
Intangible assets	19,634,199		19,654,732	
Equity investments in associates	1,396,719		1,396,785	
Non-current financial assets measured at fair value through profit or loss	703,762		657,353	
Deferred tax assets	1,519,312		1,663,598	
<b>Total non-current assets</b>	<b>147,079,533</b>	<b>62.9%</b>	<b>147,734,893</b>	<b>70.1%</b>
<b>Current assets</b>				
Inventories	10,336,765		10,754,991	
Trade receivables	22,926,224		21,464,790	
<i>of which from related parties</i>	<i>2,710,754</i>		-	
Current tax assets	1,160,350		2,496,557	
Other receivables and current assets	5,540,958		9,348,616	
Cash and cash equivalents	46,821,800		18,950,538	
<i>of which from related parties</i>	<i>13,031,281</i>		-	
<b>Total current assets</b>	<b>86,786,098</b>	<b>37.1%</b>	<b>63,015,492</b>	<b>29.9%</b>
<b>TOTAL ASSETS</b>	<b>233,865,631</b>	<b>100.0%</b>	<b>210,750,385</b>	<b>100.0%</b>
<b>Shareholders' equity</b>				
Share capital	28,840,041		28,840,041	
Reserves	28,113,442		34,741,131	
Net profit/(loss)	4,132,036		(6,511,297)	
<b>Total net equity</b>	<b>61,085,519</b>	<b>26.1%</b>	<b>57,069,875</b>	<b>27.1%</b>
<b>Non-current liabilities</b>				
Provisions for employee benefits	4,729,842		5,513,639	
Allowances for risks and charges	126,172		407,319	
Deferred tax liabilities	6,099,421		6,089,290	
Non-current financial liabilities	69,150,140		56,238,727	
Non-current lease liabilities	1,946,999		2,283,774	
<b>Total non-current liabilities</b>	<b>82,052,574</b>	<b>35.1%</b>	<b>70,532,749</b>	<b>33.5%</b>
<b>Current liabilities</b>				
Trade payables	45,578,043		39,159,710	
<i>of which from related parties</i>	<i>124,838</i>		-	
Current financial liabilities	35,521,272		35,672,930	
Current lease liabilities	2,084,298		2,051,754	
Current tax liabilities	968,201		798,998	
Other current liabilities	6,575,724		5,464,370	
<b>Total current liabilities</b>	<b>90,727,538</b>	<b>38.8%</b>	<b>83,147,761</b>	<b>39.5%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>233,865,631</b>	<b>100.0%</b>	<b>210,750,385</b>	<b>100.0%</b>

<i>thousands of Euro</i>	<b>31/12/2020</b>	<b>31/12/2019 consolidated</b>
Revenue from contracts with customers	180,570,149	175,151,125
<i>of which from related parties</i>	<i>3,084,547</i>	-
Cost of sales	(131,089,704)	(134,360,596)
<i>of which from related parties</i>	<i>3,372,248</i>	-
<b>Gross operating profit/(loss)</b>	<b>49,480,445</b>	<b>40,790,529</b>
Sales and distribution costs	(31,406,062)	(34,858,662)
Administrative costs	(11,071,229)	(11,507,343)
Net write-downs of financial assets	(700,156)	(1,167,953)
Other revenues and income	3,009,016	3,438,116
Other operating costs	(1,864,829)	(1,996,920)
<b>Operating profit/(loss)</b>	<b>7,447,186</b>	<b>(5,302,233)</b>
Financial income	322,129	355,953
Financial expenses	(2,197,612)	(1,833,348)
<b>Profit (loss) before taxes</b>	<b>5,571,703</b>	<b>(6,779,628)</b>
Income taxes	(1,439,666)	268,331
<b>Net Profit/(Loss)</b>	<b>4,132,036</b>	<b>(6,511,297)</b>
Number of shares with rights	14,000,020	14,000,020
Basic and diluted net earnings/(losses) per share	0.295	-0.465

#### COMPREHENSIVE INCOME STATEMENT

<b>Net profit/(loss) (A)</b>	<b>4,132,036</b>	<b>(6,511,297)</b>
Actuarial gains/(losses)	(158,314)	(146,212)
<b>Total other components of comprehensive income that will not be subsequently reclassified to the income statement (B)</b>	<b>(158,314)</b>	<b>(146,212)</b>
<b>Total comprehensive net profit/(loss) (A)+(B)</b>	<b>3,973,722</b>	<b>(6,657,509)</b>
Number of shares with rights	14,000,020	14,000,020
Basic and diluted net earnings/(losses) per share	0.284	-0.476

## Use of estimates

As part of the preparation of the Financial Statements as at 31 December 2020, valuations, estimates and assumptions are made that influence the application of accounting standards and the amounts of assets, liabilities, costs and revenues recognised in the Financial Statements. The estimates and related assumptions are based on past experience and other factors considered reasonable in this case and have been adopted to estimate the book value of assets and liabilities that is not readily inferred from other sources. However, it should be noted that these estimates will not necessarily coincide with the results of the estimate. The main estimates used by the Company relate to valuations to recognise provisions for bad debts, amortisation and depreciation, impairment of assets, employee benefits, taxes and provisions for risks and charges.

Moreover, some measurement processes, especially the more complex ones such as establishing any impairment of non-current assets, are normally carried out fully only during the preparation of the annual financial statements, when all the necessary information is available, except for those cases in which there are impairment indicators that require an immediate assessment of possible losses in value.

### *Impairment tests*

As illustrated in the Report on Operations, Centrale del Latte d'Italia S.p.A. was acquired by NewLat Food S.p.A. on 1 April 2020, with consequent changes in management and management strategy that led to some reorganisations and the definition of guidelines in the performance of certain activities.

Until 31 December 2019, Centrale del Latte d'Italia did not perform impairment tests on the basis of future forecast cash flows (Discounted Cash Flow) but rather used the fair value method based on appraisals prepared by independent experts, aimed at verifying the recoverable values of the individual registered brands with indefinite useful life, excluding the representation of the business in a "cash-generating unit" context. This approach was consistent with the Group's organisational structure, which envisaged the existence of three companies that individually included intangible assets with an indefinite useful life, with consequent implications in terms of verifying recoverable value even at the legal entity level.

The management structure and business model did not envisage a strategy and a business model based on the brand, nor based on the geographical location of the production divisions, but rather identified an overall business model that had as its objective the sale of food products in the markets of Piedmont, Liguria, Tuscany and partially Veneto (an aspect that is also consistent with the IFRS 8 information provided in the explanatory notes to the Group's 2019 consolidated financial statements and those of previous years).

The reorganisation of the Group completed in 2020 with the merger of the subsidiaries has in fact confirmed the strategic utility of the transaction, creating an overlap between the organisational structure and the structure of the decision-making and strategic planning process, thus allowing the identification of the cash-generating unit aimed at recovering the assets registered at the level of the entire company Centrale del Latte d'Italia.

Based on these assumptions, value in use is calculated based on a discounted cash flow model relating to the cash generating unit identifiable in the Company as a whole. The recoverable value therefore 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 of the cash-generating unit, including a sensitivity analysis, are described in the note commenting on intangible assets.

In order to meet the requirements of transparency and completeness of the information related to the performance of the impairment test (also in consideration of the instructions in CONSOB communication no. 0003907 of 19.01.2015) if the recoverability of assets with an indefinite useful life had been verified according to the fair value methodology, in continuity with the past the recoverable value of each of the registered brands would have been significantly higher than the respective book value recorded (aspect in line with the results of the impairment tests carried out for the financial statements of 31 December 2019 and those of previous years).

## Intangible assets

Intangible fixed assets may have a useful life that is either definite or indefinite, if there is no foreseeable limit to the period over which such asset is expected to generate positive cash flows for the Company.

These fixed assets are included in the assets of the balance sheet when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably. They are recognised at the value of the contribution, at the cost of acquisition or of production inclusive of any ancillary costs.

After initial recognition:

- Intangible assets with a finite useful life are amortised systematically according to their expected future profitability, so that the net value at the end of the period corresponds to their residual profitability or the amount recoverable according to the business plans for carrying out production. Amortisation begins when the asset is available for use.
- Intangible assets with an indefinite useful life are not amortised, but rather subject to preliminary checks to identify impairments at least once a year through specific recoverability analyses.

Intangible assets with an indefinite useful life consist mainly of trademarks that have no limitations in terms of useful life from a legal, contractual, economic and competitive point of view. Assets with an indefinite useful life are tested for impairment at least annually in accordance with IAS 36.

The "Goodwill" balance sheet item represents the fair value of the consideration transferred, plus the recognised amount of any third-party shareholdings in the acquiree, less the net amount recognised (usually the fair value) of the identifiable assets acquired.

The software category includes the group operating system used to manage all business and is amortised at the rate of 20% per year.

### Tangible assets

Tangible assets are recognised at purchase cost increased by directly related costs necessary to make the asset available for use and net of commercial rebates or discounts. The final balance is net of the related depreciation provisions.

The depreciation recognised in the comprehensive income statement is calculated in a systematic and constant manner on the basis of rates deemed representative of the estimated economic and technical life of the assets, as detailed below:

• Buildings	2% - 3% -4%
• Light construction	10%
• General plants	5% - 10%
• Specific plants	5% - 16%
• Equipment	10% - 20%
• Furnishings and ordinary office machines	5% - 12%
• Electronic machines	15% - 20%
• Vehicles and internal means of transport	20%
• Motor vehicles	25%
• Refrigerated vans	16%

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

Land is not depreciated since it is assumed to have an indefinite useful life.

Profits and losses deriving from the sale or disposal of fixed assets, calculated based on their book value, are recognised in the comprehensive income statement under operating income and charges. Maintenance and repair costs are charged to the income statement of the financial year they are incurred in, with the exception of those of an incremental nature, which are allocated to the fixed assets they refer to and depreciated with respect to their residual possibility of use. Expenses for which it is likely that the related future economic benefits will flow to the Company are incremental in nature.

### Leases

Based on the new IFRS 16 standard adopted, the new standard provides a revised definition of a lease and introduces a criterion based on control (right of use) of an asset in order to distinguish between lease contracts and service contracts, identifying the following as discriminating factors: the identification of the asset, the right to substitution of the asset, the right to obtain substantially all the economic benefits from that use and, finally, the right to direct the use of the asset underlying the contract. The standard establishes a single lease contract recognition and measurement model for the lessee, which provides for the recognition of the asset subject to the lease with a counter-entry of a financial payable.

Upon the first application of the standard (reflected in the comparative data), the Company chose to apply the standard retrospectively in accordance with paragraphs C7-C13 of IFRS 16. More specifically, the Company has accounted for the lease contracts that were previously operational (in application of IAS 17) as follows:

- A financial liability, equal to the current value of the remaining future payments on the transition date, discounted using the incremental borrowing rate applicable on the transition date for each contract.
- A right of use under Tangible fixed assets equal to the value of the financial liability at the transition date.

The rate used to define the financial payable is representative of the cost of the debt, for the current year equal to an average of 2.3%.



The company availed itself of the exemption granted by IFRS 16:5(a) for short-term leases.

Likewise, the company availed itself of the exemption granted by IFRS 16:5(b) with regard to lease contracts for which the underlying asset constitutes a low-value asset (i.e. the assets underlying the lease contract do not exceed the value of USD 5,000 when new).

During the year, the Company's Management renegotiated the lease contracts relating to fresh milk and UHT milk packaging machines used in the production process of the Florence site. The renegotiations carried out are to be considered as part of the ongoing renewal and reorganisation process, also following the change in governance resulting from the change of control, and have resulted in a benefit in terms of monthly cost and greater flexibility of contract durations, introducing annual contracts that can be tacitly renewed unless cancelled six months before the natural expiry date.

Given the evolving strategic context (also in consideration of the business unit lease that will result in the concentration of the "milk & dairy" business within Centrale del Latte d'Italia starting from 1 January 2021 with all the consequent synergies), it was decided to express the financial payable in the same terms as the contractual obligation in place at the balance sheet date (approximately 18 months). If the contracts had not been renegotiated, the payable for leases would have been approximately €1.6 million higher (with no significant impact in terms of net financial position or KPI).

### **Impairment of other fixed assets**

Tangible assets, intangible assets and other non-current assets are subject to analysis in order to verify whether there is any indication that these assets may have become impaired. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least once a year as required by IAS 36. The value of the fixed asset is reduced if the net book value exceeds the recoverable value, defined as the greater of the net market value (fair value net of disposal costs) and current value in use.

### **Financial assets**

In accordance with IFRS 9, financial assets are classified in the following three categories:

- Financial assets measured at amortised cost (AC) using the effective interest method: these assets are part of a hold-to-collect business model and generate contractual cash flows that have Principal and Interest. This category includes financial assets other than derivatives such as loans and receivables with fixed or determinable payments that are not listed on an active market. Discounting is omitted when the effect is irrelevant. This category includes cash and cash equivalents, trade receivables and, at the end of the period, interest-bearing loans disbursed.
- Financial assets measured at fair value with changes in fair value recognised in the comprehensive income statement (FVOCI - fair value through other comprehensive income): these assets fall under a hold-to-collect-and-sell business model and generate contractual cash flows that have Principal and Interest.
- Financial assets measured at fair value through profit or loss (FVPL): this category has a residual nature and includes all financial assets other than those measured at amortised cost and at fair value through other comprehensive income. This category includes minority interests, as designated by IFRS 9.

### **Financial liabilities**

Financial liabilities are initially recorded at fair value, increased by any directly attributable transaction costs. Subsequent valuations are carried out using the amortised cost method, if significant.

### **Inventories**

These are stated at the lesser of cost of purchase and market value. The cost is determined for finished products based on the average cost inclusive of the purchase cost of the raw material, plus the direct production costs and structural costs directly attributable to the product. Commercial products, raw materials, ancillary and consumable materials are determined using the weighted annual average cost method. The market value is determined on the basis of selling prices net of selling costs.

### **Trade receivables**

Receivables are recorded at their nominal value, which, except in cases of significant deferrals granted to customers, corresponds to the value determined using the amortised cost method. Their value is adjusted at the end of the period to the presumed realisable value and written down in the event of impairment by assessing the expected losses taking into account a time horizon of 12 months in the absence of evidence of a significant increase in credit risk.

Recognition of the assignment of receivables is subject to the requirements of IFRS 9 for derecognition of financial assets. Consequently, all the receivables assigned to factoring companies having a with-recourse or no-recourse clause – in the event that the latter include clauses that imply the maintenance of significant exposure to the progress of the financial flows deriving from the assigned receivables – continue to be recorded in the financial statements even though they have been legally assigned, with concurrent accounting of a financial liability for the same amount.

#### **Assets held for sale**

Assets held for sale are classified as such if their book value will be recovered mainly through sale rather than through continuous use. These conditions are deemed to have been met when a sale is considered highly likely and the assets are immediately available for sale in their current condition.

#### **Employee benefits - Employee severance indemnity**

An employee severance indemnity (TFR) is mandatory for Italian companies pursuant to Law no. 297/1982. From 1 January 2007, the implementing decrees of the budget law introduced significant amendments to the rules on employee severance indemnities, including employees' right to choose where their indemnities are allocated when they accrue. Specifically, new flows are allocated to pension schemes or kept within the company (in this case, the Company must pay TFR contributions to a treasury account set up with INPS). The amendment of the law resulted in the transformation of the nature of the severance indemnity from a defined benefit plan to a defined contribution plan for the amounts accruing after said amendment, while the portion accrued as at 31 December 2006 maintained the nature of a defined benefit plan.

Actuarial gains and losses are shown in the comprehensive income statement - OCI net of the tax effect and recognised in equity.

#### **Provision for risks and charges**

Provisions are recorded in the Financial Statements when the Company has a legal or implicit obligation to pay certain amounts resulting from past events and it is likely that the Company will be required to pay a financial outlay to satisfy the obligation. These amounts are accounted for only when the relative amount can be reliably estimated.

Risks for which a liability is only a possibility are described in the notes to the financial statements, in the provisions' comments.

In the case of events that are only remotely possible, i.e. events that have very little chance of occurring, no provision is established, nor shall any information be provided.

Provisions are included at the present value of expected cash disbursements when the effect of the discount is material.

#### **Revenues**

Revenues from sales and services are recognised when there is an effective transfer of control resulting from the transfer of title or the performance of the service.

Revenues are shown net of any returns, allowances, trade discounts and premiums.

In application of IFRS 15 (first applied in the consolidated financial statements as at 31 December 2018), the Group recognised the promotional contributions paid (on the basis of annual contracts stipulated with large-scale retail outlets) as not considered in the standard as a separate performance obligation with respect to the performance obligation "sale of assets".

Revenues from the provision of services are recognised when the completion of the transaction at the reporting date can be reliably determined based on the actual date of the service itself.

#### **Public grants**

Grants are booked to the Financial Statements when it is reasonably certain that the Company will meet the conditions set out to receive the grant and that the grants will be received. Public contributions on plants are recorded as deferred income and charged as income to the income statement systematically over the useful life of the asset they refer to.

Operating grants are recognised in the income statement in the year that the conditions for their recognition are met.

Law no. 124 of 4 August 2017 (so-called Annual Market and Competition Law) introduced, in art. 1, paragraphs 125-129, new information obligations regarding the transparency of public disbursements, received and granted. The reporting criterion to be followed is the "cash criterion". Information on contributions received in 2018 (in the cases referred to in Law no. 124 of 4 August 2017) is set out in the Note on Other Financial Revenues and Payables.

## Costs

Costs include the production cost of purchasing the products and goods that are sold. The item includes all material, processing and overhead costs directly associated with production. These include depreciation of property, plant and equipment and intangible assets as well as transport costs.

They are shown in the Financial Statements according to the accrual principle net of returns, discounts, premiums and allowances.

## Financial expenses

Interest expense is recognised on an accruals basis considering the amount financed and the effective interest rate applied.

## Taxes

The taxes charged to the period are determined in accordance with current tax regulations. For temporary differences, deferred taxes are calculated based on the tax rates expected to be in effect when the temporary differences are reversed between the value of accounting assets and liabilities and the value attributed to them for tax purposes. The recognition of deferred tax assets only occurs if it is probable that there will be taxable income against which the deductible temporary difference can be offset. Deferred tax payables are recognised on all taxable temporary differences.

In the verification of the recoverability of deferred tax assets recorded in the financial statements at 31 December 2020, with particular regard to the tax losses generated in the Italian tax consolidation, the taxable results expected for the explicit period of the 2020-2022 business plan prepared by the Group were taken into account.

"Tax Consolidation" was introduced in 2005, governed by Italian Presidential Decree 971/86, amended with Legislative Decree 344/2003, which provides for an optional regime for Group taxation that consists in the determination by the parent company of a single taxable income for the Group, corresponding to the algebraic sum of the total net income of the participating parties and consequently of a single income tax for the Group Companies.

The Companies that joined the Tax Consolidation are Centrale del Latte d'Italia S.p.A., Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A., companies merged by incorporation in 2020.

## Segment reporting

The organisation of the Company is based on a single segment of production and sale of food products, consequently the economic and financial components of the Financial Statements are essentially entirely attributable to this business.

## Earnings per share

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares in circulation during the period, and are presented at the bottom of the income statement. At the reporting date, there were no financial instruments having a potential dilutive effect on the capital.

## Capital - Capital management policies and processes

With regard to the share capital and reserves of Joint Stock Companies, Italian legislation establishes that:

The Company's share capital may not be less than €50,000.

Any change in the amount of share capital must be resolved by the Shareholders' Meeting, which for a maximum period of five years may delegate power to the Board of Directors to increase the capital up to a certain amount. The Shareholders' Meeting is also obliged to take the appropriate measures when it appears that the share capital has decreased by more than one third as a result of ascertained losses, as well as to reduce the share capital if within the following year such losses are not reduced by less than one third. If due to the loss of more than one third of the capital this falls below the legal minimum mentioned above, the Shareholders' Meeting must deliberate either the reduction of the capital or the simultaneous increase thereof to a figure not lower than said minimum, or the transformation of the Company.

A share premium reserve is constituted if the Company issues shares at a price higher than their nominal value, and may not be distributed until the statutory reserve has reached one-fifth of the share capital.

With regard to treasury shares, the Company may not purchase treasury shares except within the limits of distributable profits and available reserves resulting from the last duly approved Financial Statements. The purchase must be authorised by the Shareholders' Meeting and in no case may the nominal value of the shares purchased exceed one-fifth of the share capital.

The objectives identified by the Company in the management of capital are the creation of value for all shareholders, the safeguarding of business continuity and support for the Company's development. The Company therefore intends to maintain an adequate level of capitalisation, which at the same time allows achieving a satisfactory economic return for shareholders and guaranteeing economic accessibility to external sources of financing, including through the achievement of an adequate rating.

The Company constantly monitors the level of debt with respect to equity, and in particular the level of net debt and cash generated by the business.

In order to achieve the above objectives, the Company works to constantly improve the profitability of its businesses.

## ANALYSIS OF INCOME STATEMENT ITEMS

As previously explained, on 20 July 2020 the wholly-owned subsidiaries Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. were merged into Centrale del Latte d'Italia S.p.A. with tax and accounting effect retroactive to 1 January 2020. From a substantive point of view, this operation represented the legal consolidation of the subsidiaries that until 31 December 2019 were consolidated using the line-by-line method in the Group's consolidated financial statements.

In consideration of this aspect, the tables in this document are also presented "with the same scope", therefore considering the consolidated data as at 31 December 2019.

## ANALYSIS OF INCOME STATEMENT ITEMS

### REVENUES

#### Revenue from contracts with customers

Breakdown of sales by turnover segment:

<i>(thousands of euros)</i>	2020		2019		Change	
			separate			
Fresh milk + ESL	64,881	35.9%	31,281	39.9%	33,600	107.4%
UHT milk	44,287	24.5%	14,671	18.7%	29,616	201.9%
Yoghurt	8,836	4.9%	1,930	2.5%	6,906	357.8%
Fourth range products	3,223	1.8%	4,469	5.7%	(1,246)	-27.9%
Bulk milk and cream	3,449	1.9%	425	0.5%	3,024	711.5%
Other packaged products	46,164	25.6%	19,744	25.2%	26,420	133.8%
Non-dairy products	4,562	2.5%	1,120	1.4%	3,442	307.3%
Export	5,170	2.9%	4,732	6.0%	438	9.2%
<b>Total</b>	<b>180,571</b>	<b>100.0%</b>	<b>78,372</b>	<b>100.0%</b>	<b>102,199</b>	<b>130.4%</b>

The following table provides a comparison of the consolidated data at 31 December 2019, comparable by scope to the 2020 figures

<i>(thousands of euros)</i>	2020		2019		Change	
			consolidated			
Fresh milk + ESL	64,881	35.9%	66,690	38.1%	(1,809)	-2.7%
UHT milk	44,287	24.5%	40,336	23.0%	3,951	9.8%
Yoghurt	8,836	4.9%	7,740	4.4%	1,096	14.2%
Fourth range products	3,223	1.8%	4,956	2.8%	(1,733)	-35.0%
Bulk milk and cream	3,449	1.9%	3,114	1.8%	335	10.8%
Other packaged products	46,164	25.6%	44,888	25.6%	1,276	2.8%
Non-dairy products	4,562	2.5%	2,686	1.5%	1,876	69.8%
Export	5,170	2.9%	4,742	2.7%	428	9.0%
<b>Total</b>	<b>180,571</b>	<b>100.0%</b>	<b>175,151</b>	<b>100.0%</b>	<b>5,420</b>	<b>3.1%</b>

Please refer to the report on operations for comments on performance for the year.

## 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 €8,197,945, of which €745,267 as a non-repayable contribution and €7,452,678 as a subsidised loan.

In 2020 the Company received and recorded in the Financial Statements the second tranche of the subsidised loan amounting to €2,642,373.75.

In 2018 the company received a contribution for the year amounting to €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.

## Breakdown of other revenues

	2020		2019		change	
Contingent assets	518,985	28.0%	478,486	27.1%	40,499	8.5%
Operating grants	1,056,797	21.0%	378,556	21.5%	678,241	179.2%
Sales of recovery materials	38,376	3.0%	45,073	2.6%	(6,697)	-14.9%
Others	553,839	11.0%	196,044	11.1%	357,795	182.5%
Lease income	28,389	4.0%	75,169	4.3%	(46,780)	-62.2%
Contributions from suppliers	30,885	1.0%	14,230	0.8%	16,655	117.0%
Compensation	22,447	0.0%	9,051	0.5%	13,396	148.0%
Revenue from revaluation items	738,560	1.0%	435,241	24.7%	303,319	69.7%
Capital gains from disposals	20,737	8.0%	132,085	7.5%	(111,348)	-84.3%
<b>Total</b>	<b>3,009,016</b>	<b>100.0%</b>	<b>1,763,934</b>	<b>100.0%</b>	<b>1,245,081</b>	<b>70.6%</b>

## Consumption of subsidiary raw materials and consumables

Costs of raw materials, subsidiary materials and consumables amount to €94,910,805 and include:

	2020		2019 separate		change	
Purchases of MP miscellaneous foods	56,740,935	59.8%	22,826,384	49.6%	33,914,551	69.3%
Purchases of commercial products	18,442,749	19.4%	11,189,212	24.3%	7,253,537	14.8%
Packaging material	14,420,836	15.2%	5,531,411	12.0%	8,889,425	18.2%
Ancillary materials and consumables	1,915,827	2.0%	804,633	1.7%	1,111,194	2.3%
Purchase of intercompany products	3,390,458	3.6%	5,518,592	12.0%	(2,128,134)	-4.4%
Ancillary intercompany materials	0	0.0%	60,477	0.1%	(60,477)	-0.1%
Purchases MP intercompany	0	0.0%	65,992	0.1%	(65,992)	-0.1%
<b>Total</b>	<b>94,910,805</b>	<b>100.0%</b>	<b>45,996,702</b>	<b>100.0%</b>	<b>48,914,103</b>	<b>100.0%</b>

The following table provides a comparison of the consolidated data at 31 December 2019, comparable by scope to the 2020 figures

	2020		2019 consolidated		change	
Purchases of MP miscellaneous foods	60,131,393	63.4%	63,200,430	137.4%	(3,069,037)	-6.3%
Purchases of commercial products	18,442,749	19.4%	19,626,999	42.7%	(1,184,250)	-2.4%
Packaging material	14,420,836	15.2%	14,742,804	32.1%	(321,968)	-0.7%
Ancillary materials and consumables	1,915,827	2.0%	2,771,250	6.0%	(855,423)	-1.7%
<b>Total</b>	<b>94,910,805</b>	<b>100.0%</b>	<b>100,341,483</b>	<b>218.1%</b>	<b>(5,430,678)</b>	<b>-11.1%</b>

## Personnel costs

Personnel costs amounted to a total of €24,464,406, broken down as follows:

	2020		2019 separate		change	
Wages and salaries	17,265,361	70.6%	8,090,863	71.9%	9,174,498	113.4%
Social security contributions	5,772,039	23.6%	2,469,133	22.0%	3,302,906	133.8%
Employee severance indemnity	1,137,984	4.7%	513,472	4.6%	624,512	121.6%
Other costs	289,022	1.2%	173,408	1.5%	115,614	66.7%
<b>Total</b>	<b>24,464,406</b>	<b>100%</b>	<b>11,246,876</b>	<b>100.0%</b>	<b>13,217,530</b>	<b>117.5%</b>

Note that the portion of employee severance indemnities that accrued during 2020 amounting to €1,137,984 and part of the social security contributions represent a cost for defined contribution plans, fully paid into the INPS Treasury account or other social security funds.

The average number of employees at the Turin, Rapallo (GE), Vicenza and Florence plants at 31 December 2020 was 392 (414 at 31 December 2019).

	new hires	resignations	promotions	in office	average employees
Executives	0	-3	0	15	<b>17</b>
Managers	1	-1	0	19	<b>19</b>
White-collar workers	2	-6	0	170	<b>173</b>
Manual workers	8	-13	0	179	<b>183</b>
<b>TOTAL</b>	<b>11</b>	<b>-23</b>	<b>0</b>	<b>383</b>	<b>392</b>

## Depreciation/Amortisation

Depreciation on tangible fixed assets, which also includes depreciation on lease assets recorded in application of IFRS 16, was calculated and allocated for a total of €10,002,718.

The breakdown by category of fixed assets is as follows:

	2020		2019 separate		change	
Land	37,166	0.4%	37,152	1.4%	14	0.0%
Buildings	1,623,951	16.2%	543,556	20.5%	1,080,395	198.8%
Plant and machinery	6,608,156	66.1%	1,527,530	57.7%	5,080,626	332.6%
Industrial and commercial equipment	1,733,445	17.3%	540,325	20.4%	1,193,120	220.8%
<b>Total</b>	<b>10,002,718</b>	<b>100.0%</b>	<b>2,648,563</b>	<b>100.0%</b>	<b>7,354,155</b>	<b>277.7%</b>

### Cost of services

Cost of services amount to €42,859,701 and include:

	2020		2019 separate		change	
Product distribution transport	17,925,449	41.8%	9,076,918	45.1%	8,848,531	97.5%
Industrial services	5,910,207	13.8%	2,367,626	11.8%	3,542,581	149.6%
Energy and methane gas	5,048,008	11.8%	1,730,594	8.6%	3,317,414	191.7%
Commercial services and advertising	4,416,776	10.3%	1,766,643	8.8%	2,650,133	150.0%
Administrative services	3,386,477	7.9%	2,902,338	14.4%	484,139	16.7%
Maintenance services	3,178,521	7.4%	527,632	2.6%	2,650,889	502.4%
Services for purchases	2,167,417	5.1%	792,974	3.9%	1,374,443	173.3%
Insurance services	543,628	1.3%	361,764	1.8%	181,864	50.3%
Free products	283,219	0.7%	541,473	2.7%	(258,254)	-47.7%
ICO administrative services		0.0%	61,601	0.3%	(61,601)	-100.0%
<b>Total</b>	<b>42,859,701</b>	<b>100.0%</b>	<b>20,129,563</b>	<b>100.0%</b>	<b>22,730,138</b>	<b>112.9%</b>

The following table provides a comparison of the consolidated data at 31 December 2019, comparable by scope to the 2020 figures

	2020		2019 consolidated		change	
Product distribution transport	17,925,449	41.8%	19,127,758	95.0%	(1,202,309)	-6.3%
Industrial services	5,910,207	13.8%	6,100,775	30.3%	(190,568)	-3.1%
Energy and methane gas	5,048,008	11.8%	4,462,209	22.2%	585,799	13.1%
Commercial services and advertising	4,416,776	10.3%	3,912,696	19.4%	504,080	12.9%
Administrative services	3,386,477	7.9%	3,866,009	19.2%	(479,532)	-12.4%
Maintenance services	3,178,521	7.4%	2,799,947	13.9%	378,574	13.5%
Services for purchases	2,167,417	5.1%	2,120,180	10.5%	47,237	2.2%
Insurance services	543,628	1.3%	458,197	2.3%	85,431	18.6%
Free products	283,219	0.7%	620,336	3.1%	(337,117)	-54.3%
<b>Total</b>	<b>42,859,701</b>	<b>100.0%</b>	<b>43,468,107</b>	<b>100.0%</b>	<b>(608,406)</b>	<b>-1.4%</b>

### Costs for use of leased assets

Costs for use of leased assets amount to €562,998 and include among other things costs incurred for rents and leases not covered by the application of IFRS 16 (exemptions for low amounts or contract duration of less than 12 months).

	2020		2019 separate		change	
Industrial leases	500,335	88.9%	168,861	93.8%	331,474	196.3%
Rental of areas and buildings	3,637	0.6%	11,183	6.2%	(7,546)	-67.5%
Royalties	59,026	10.5%	0		59,026	
<b>Total</b>	<b>562,998</b>	<b>100.0%</b>	<b>180,044</b>	<b>100.0%</b>	<b>323,928</b>	<b>180%</b>



### Other operating costs

Other operating expenses amount to €2,049,649 and include:

	2020		2019 separate		change	
Non-income taxes and duties	1,163,629	56.8%	443,174	42.2%	720,455	162.6%
Contingent liabilities	609,401	29.7%	462,671	44.1%	146,730	31.7%
Membership fees	134,550	6.6%	104,389	9.9%	30,161	28.9%
Business expenses	6,853	0.3%	11,633	1.1%	(4,780)	-41.1%
Fines	9,538	0.5%	4,571	0.4%	4,967	108.7%
Losses	112,813	5.5%	20,213	1.9%	92,600	458.1%
Subscriptions to magazines and books	12,864	0.6%	2,761	0.3%	10,103	365.9%
<b>Total</b>	<b>2,049,649</b>	<b>100.0%</b>	<b>1,049,410</b>	<b>100.0%</b>	<b>1,000,238</b>	<b>95.3%</b>

### Financial income and expenses

The breakdown of financial income and expenses is shown in the following table:

	2020		2019 separate		change	
<b>Financial income</b>						
Interest from banks	2,193	0.7%	3,632	2.2%	(1,439)	-39.6%
Interest on VAT refunds	66,796	20.7%	19,691	11.7%	47,105	239.2%
Interest from subsidiaries		0.0%	107,660	63.9%	(107,660)	-100.0%
Income on equity investments	116,299	36.1%		0.0%	116,299	
Others	136,840	42.5%	37,514	22.3%	99,326	264.8%
<b>Total financial income</b>	<b>322,129</b>	<b>100.0%</b>	<b>168,497</b>	<b>100.0%</b>	<b>153,632</b>	<b>91.2%</b>
<b>Financial expenses</b>						
Interest on mortgages and loans	1,493,850	68.0%	322,774	36.6%	1,171,076	362.8%
Interest on bank accounts	103,116	4.7%	5,762	0.7%	97,354	1689.6%
Charges on sureties	98,615	4.5%	83,611	9.5%	15,004	17.9%
Financial charges from discounting employee severance indemnities	18,623	0.8%	23,024	2.6%	(4,401)	-19.1%
Bond loan financial charges	225,380	10.3%	81,767	9.3%	143,613	175.6%
Bond loan interest	152,952	7.0%	283,196	32.1%	(130,244)	-46.0%
Others	105,077	4.8%	81,054	9.2%	24,023	29.6%
<b>Total financial expenses</b>	<b>2,197,612</b>	<b>100.0%</b>	<b>881,188</b>	<b>100.0%</b>	<b>1,316,424</b>	<b>149.4%</b>

### Taxes and duties

Current income taxes amounted to €395,312 compared to €1,048,420 in 2019.

	2020		2019 separate		change	
IRES for the year 24%						
IRAP for the year 3.9%	(448,634)	86%	(897,976)	86%	(845,610)	94%
Taxes from previous years	53,322	14%	(150,444)	14%	(150,444)	100%
<b>Total taxes and duties</b>	<b>(395,312)</b>	<b>100%</b>	<b>(1,048,420)</b>	<b>100%</b>	<b>(996,054)</b>	<b>1902%</b>
Prepaid/(Deferred) taxes and prior years	(1,044,355)		552,065			
<b>Total net taxes and duties</b>	<b>(1,439,666)</b>		<b>(496,355)</b>			

In accordance with paragraph 81, letter c of IAS 12, the reconciliation of income taxes recognised in the financial statements at 31 December 2020 ("effective") and "theoretical" taxes at the same date is provided below.

The purpose of the following table is to reconcile gross profit before taxes with the taxable income:

<b>IRES rate 24%</b>	<b>2020</b>	<b>%</b>
<b>Net profit/(loss)</b>	<b>5,571,702</b>	
<b>Actual IRES</b>		
<b>Taxes prepaid on the use of tax losses</b>	<b>1,198,014</b>	<b>21.5%</b>
<i>Lower taxes for negative adjustments:</i>		
- lower taxes on directors' emoluments paid during the period	125,211	2.2%
- lower taxes as a result of Super/Hyper amortisation/depreciation	397,906	7.1%
- other lower taxes (negative adjustments)	192,860	3.5%
<i>Higher taxes for positive adjustments</i>		
- higher taxes on non-deductible impairments	(167,077)	-3.0%
- higher taxes on unpaid emoluments	(1,533)	0.0%
- higher taxes on contingent liabilities	(138,591)	-2.5%
- higher taxes on car costs	(131,425)	-2.4%
- other higher taxes (other positive adjustments)	(138,157)	-2.5%
<b>"Theoretical" income taxes</b>	<b>1,337,208</b>	<b>24%</b>
<b>IRAP rate 3.9%</b>	<b>2020</b>	<b>%</b>
<b>Value added (IRAP taxable base)</b>	<b>7,447,186</b>	
<b>"Actual" income taxes (from financial statements)</b>	<b>480,217</b>	6.4%
<i>Lower taxes for negative adjustments:</i>		
- lower taxes on flat-rate deductions	122,475	1.6%
- Lower taxes for contribution tax wedge effect	794,025	10.7%
- other lower taxes (negative adjustments)	3,614	0.0%
<i>Higher taxes for positive adjustments</i>		
- higher taxes on non-deductible impairments	(32,332)	-0.4%
- higher taxes on directors' remuneration	(37,185)	-0.5%
- higher taxes on contingent liabilities	(22,521)	-0.3%
- higher taxes on personnel costs	(967,564)	-13.0%
- other higher taxes (other positive adjustments)	(50,289)	-0.7%
<b>"Theoretical" income taxes</b>	<b>290,440</b>	<b>3.90%</b>

## ANALYSIS OF ASSETS

### NON-CURRENT ASSETS

#### Tangible assets

Changes in tangible fixed assets, including the effect of the application of IFRS 16 and corresponding provisions, are shown in the following tables:

TANGIBLE ASSETS with IFRS 16	Land	Buildings	Plant and machinery	Industrial, commercial and other equipment	TOTAL	Assets under development	TOTAL
Historical cost	2,755,761	19,514,710	34,386,024	9,547,742	66,204,237	10,758,066	76,962,303
Depreciation Reserves	-37152	-12,221,881	-24,529,253	-8,129,226	-44,917,512	0	-44,917,512
<b>Opening balance</b>	<b>2,718,609</b>	<b>7,292,829</b>	<b>9,856,772</b>	<b>1,418,516</b>	<b>21,286,726</b>	<b>10,758,066</b>	<b>32,044,791</b>
Historical cost of merger effect	17,316,000	39,947,588	79,673,622	11,325,127	148,262,337	39,320	148,301,657
Accumulated depreciation for merger effect	0	-10,678,022	-37,317,192	-7,988,808	-55,984,022	0	-55,984,022
Acquisitions	48	1,080,982	9,651,978	555,248	11,288,257	2,064,502	13,352,759
Transfers	0	0	0	0	0	0	0
Disposals and write-offs	0	-59,482	-5,718,167	-775,259	-6,552,908	0	-6,552,908
Use of provisions	0	55,546	2,034,614	575,820	2,665,980	0	2,665,980
Amortisation	-37,166	-1,623,951	-6,608,156	-1,733,445	-10,002,718	0	-10,002,718
<b>Closing balance</b>	<b>19,997,491</b>	<b>36,015,489</b>	<b>51,573,472</b>	<b>3,377,200</b>	<b>110,963,652</b>	<b>12,861,887</b>	<b>123,825,540</b>

In 2020 the Company continued with its investment programme, making new investments in plant and equipment for a total of €13.4 million.

TANGIBLE ASSETS only IFRS 16	Land	Buildings	Plants and machinery	Industrial, commercial and other equipment	TOTAL	Assets under development	TOTAL
Historical cost	184,613	289,071	110,041	662,462	1,246,187	0	1,246,187
Depreciation Reserves	(37,152)	(68,921)	(48,847)	(164,145)	(319,065)	0	(319,065)
<b>Opening balance</b>	<b>147,461</b>	<b>220,150</b>	<b>61,194</b>	<b>498,317</b>	<b>927,122</b>	<b>0</b>	<b>927,122</b>
Historical cost of merger effect	0	1,305,354	2,478,316	1,414,280	5,197,950	0	5,197,950
Accumulated depreciation for merger effect	0	(270,243)	(1,062,425)	(488,250)	(1,820,918)	0	(1,820,918)
Acquisitions	48	124,805	5,278,987	224,161	5,628,001	0	5,628,001
Transfers					0	0	0
Disposals and write-offs		(55,962)	(5,040,447)	(402,301)	(5,498,710)	0	(5,498,710)
Use of provisions		53,926	1,425,674	361,560	1,841,160	0	1,841,160
Amortisation	(37,166)	(338,515)	(1,207,034)	(614,248)	(2,196,963)	0	(2,196,963)
<b>Closing balance</b>	<b>110,343</b>	<b>1,039,516</b>	<b>1,934,264</b>	<b>993,520</b>	<b>4,077,643</b>	<b>0</b>	<b>4,077,643</b>

The values of tangible fixed assets determined solely by the application of IFRS 16 are as follows:

TANGIBLE ASSETS with IFRS 16	Land	Buildings	Plants and machinery	Industrial, commercial and other equipment	TOTAL	Assets under development	TOTAL
<b>Opening balance</b>	<b>-37</b>	<b>-12,222</b>	<b>-24,529</b>	<b>-8,129</b>	<b>-44,918</b>	<b>0</b>	<b>-44,918</b>
<b>provisions</b>							
Accumulated depreciation for merger effect	0	-10,678	-37,317	-7,989	-55,984	0	-55,984
Amortisation	-37	-1,459	-6,672	-1,839	-10,007	0	-10,007
Use of provisions	0	56	2,035	576	2,666	0	2,666
<b>Closing balance</b>	<b>-74</b>	<b>-24,303</b>	<b>-66,483</b>	<b>-17,381</b>	<b>-108,242</b>	<b>0</b>	<b>-108,242</b>

### Intangible assets

Changes in intangible fixed assets and corresponding provisions are shown in the following tables:

INTANGIBLE ASSETS	Trademarks	Goodwill	Software	In progress	Total
Initial historical cost	19,516,057	350,078	837,125	0	20,703,260
Initial accumulated depreciation	(13,625,074)	0	(837,125)		(14,462,199)
<b>Opening balance</b>	<b>5,890,983</b>	<b>350,078</b>	<b>0</b>	<b>0</b>	<b>6,241,061</b>
Historical cost of merger effect	21,222,756	0	246,680	25,000	21,494,436
Accumulated depreciation for merger effect	(7,982,069)	0	(98,696)		(8,080,765)
Acquisition	0	0	88,549	3,000	91,549
Decreases	0	0		(25,000)	(25,000)
Use of provision	0				0
Amortisation/depreciation for the period	0	0	(87,082)		(87,082)
Final historical cost	40,738,813	350,078	1,172,354	3,000	42,264,245
Final accumulated depreciation	(21,607,143)	0	(1,022,903)	0	(22,630,046)
<b>Closing balance</b>	<b>19,131,670</b>	<b>350,078</b>	<b>149,451</b>	<b>3,000</b>	<b>19,634,199</b>

In view of the market shares, the huge advertising and marketing investments and the reputation of the brands of the Company and the Group, it is considered that they have an indefinite useful life.

With the merger by incorporation of Centrale del Latte di Vicenza and Centrale del Latte della Toscana, the "Mukki" and "Centrale del Latte di Vicenza" brands totalling €19,132 thousand are included as intangible assets with an indefinite useful life, in addition to the "Centro Latte Rapallo - Latte Tigullio" brand already owned by Centrale del Latte d'Italia S.p.A.

Trademarks with an indefinite useful life are tested for impairment annually on the basis of the requirements of IAS 36.

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, using a discount rate and an explicit forecast period of five years in accordance with the Plan approved by the Board of Directors on 10 February 2020. The forecasts for periods after 2022 are in line with the approved plan, i.e. they indicate flows consistent with 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 regard 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 05 March 2021, 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 2020. 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:	6.2%

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 indefinite useful life impairment test as at 31 December 2020 the 2020-2022 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 05 March 2021. For the purposes of estimating the value in use, investments of approximately €4.7 million were envisaged in the first two years of the plan, then foreseeing a stabilisation of approximately €2 million in subsequent years. For the impairment test as at 31 December 2020, 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 8.9%).
- b) external sources: for the goodwill impairment test, external sources of information were used for the purposes of calculating the cost of capital. All information for calculating the cost of capital is from an external source. The estimate of the 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 using 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 1.7% per annum from 2021 to 2025; and
- b) EBITDA margin in the forecast years of 8.9%.

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 €35 million.

The value in use was calculated on the basis of a weighted average cost of capital (WACC) equal to 6.2% and a terminal cash flow growth rate (g) of 0. Sensitivity analyses were also carried out to verify the effects on the impairment test results of a  $\pm 2\%$  and  $\pm 1\%$  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.

**Long-term investments****List of other financial assets**

The increase in 2020 refers to investments in Futura S.r.l. and Mercafir S.c.p.A., an associate company, acquired in the merger by incorporation of Centrale del Latte della Toscana S.p.A.

	Subsidiaries	Futura	Mercafir	Other companies
<b>Opening balance</b>	<b>57,028,319</b>	<b>0</b>	<b>0</b>	<b>4,279</b>
Merger effect	(57,028,319)	645,600	1,392,626	10,883
Increases	0	43,000	78,793	0
Decreases	-	0	(74,699)	0
<b>Closing balance</b>	<b>0</b>	<b>688,600</b>	<b>1,396,719</b>	<b>15,162</b>

**Equity investments in associate companies**

The values indicated refer to the adjustment to the shareholders' equity of the associate companies to their last approved financial statements (2019 financial year). During the reporting period, the associate company Mercafir S.c.p.A. distributed dividends totalling €74.7 thousand, therefore the value of shareholders' equity is substantially in line with the value recorded as at 31 December 2019 in the Group's consolidated financial statements.

Associates	Share capital	Shareholders' equity	Profit (loss) for the year	Stake held	Equity investment value in the Financial Statements
Mercafir S.c.p.a.	2,075,174	5,909,312	316,432	24.90%	1,396,719
Filat S.c.a.r.l.	12,000	12,479	3	33.33%	4,159

**Other financial assets**

The equity investment in Futura S.r.l. is valued at the fair value identified with the support of independent experts. This fair value can be classified as level 2 and 3 on the basis of the parameters used in the valuation techniques applied.

The fair value of the company Futura S.r.l. was determined using the equity method. This method of estimation is based on the principle of the expression at current value of the individual assets and liabilities that make up the assets of a company or a functional part of it. According to this methodology, the value is the result of an estimate – at market values and assuming a going concern – of all tangible and intangible assets (in cases where they can be determined individually), less all liabilities.

This method does not explicitly take into account the aspects related to the company's ability to produce future economic results.

This method is commonly used to evaluate non-operating holding companies of equity investments, such as Futura S.r.l., whose main activities are equity investments and business units leased to investee companies.

The value of the equity investment net of the holding company discount is equal to €688.6 thousand.

The value of other equity investments held (not significant) is considered to represent the fair value of the equity interest (mainly consortium investments).

## Receivables for prepaid taxes

Changes in temporary differences that generated prepaid taxes are as follows:

	Opening balance	Merger effect	Increases	Decreases	Closing balance
Provision for bad debts - taxed		1,039,633	1,547,295	(413,686)	2,173,242
Directors' fees	371,459	8,092	6,388	(379,551)	6,388
Recovery of depreciation from tax assessment	91,784	0		(6,832)	84,952
Tax recovery of building depreciation	109,382	0			109,382
Trademarks		38,424		(17,617)	20,807
Membership Fees		1,611		(1,611)	0
Losses from tax consolidation	5,029,208	153,842		(1,280,793)	3,902,257
	<b>5,601,833</b>	<b>1,241,602</b>	<b>1,553,683</b>	<b>(2,100,090)</b>	<b>6,297,028</b>

Deferred taxes have been calculated on the temporary differences for the year and on the final balance thereof, net of what will be absorbed in 2020, applying the rates of IRES 24% and IRAP 3.9%, corresponding to the rates that will be applied when these differences will be reversed.

Changes in prepaid taxes are as follows:

	Opening balance	Merger effect	Increases	Decreases	Closing balance
Provision for bad debts - taxed		261,717	371,351	(111,180)	521,888
Directors' fees	89,907	1,185	1,533	(91,092)	1,533
Recovery of depreciation from tax assessment	25,608			(5,219)	20,389
Tax recovery of building depreciation	30,529			(375)	30,154
Trademarks		10,270		(4,466)	5,804
Membership Fees		450		(450)	0
Losses from tax consolidation	1,243,933			(304,389)	939,544
	<b>1,389,977</b>	<b>273,622</b>	<b>372,884</b>	<b>(517,171)</b>	<b>1,519,312</b>

Prepaid taxes on prior losses relate to tax losses that can be carried forward indefinitely, generated within the scope of the national tax consolidation.

The accounting for prepaid taxes on prior losses is based on future taxable income expected for the explicit period of the plan (2020-2022).

## CURRENT ASSETS

### Inventories

Inventories amounted to €10,336,765 at 31 December 2020. The breakdown is as follows:

	Opening balance	Merger effect	Closing balance	Change
Raw materials, subsidiary materials and consumables	2,131,091	4,360,734	6,497,630	4,366,539
Finished products and goods	1,550,863	2,712,303	3,908,013	2,357,150
Inventory write-down reserve	0	0	(68,877)	68,877
	<b>3,681,954</b>	<b>7,073,037</b>	<b>10,336,765</b>	<b>6,723,689</b>

### Trade receivables

Trade receivables as at 31 December 2020 amounted to €22,926,224, due in full within the year, deriving from normal commercial sales transactions and are shown net of their respective provisions for impairment. The nominal value of receivables (which, with exceptions, corresponds to the value determined by applying the amortised cost method) is adjusted at the end of the period to their presumed realisable value and written down in the case of impairment by measuring the expected credit loss (according to the provisions of IFRS 9).

The breakdown of the provisions for doubtful accounts and their changes during 2020 are shown in the following table:

	Opening balance	Merger effect	Increases	Decreases	Closing balance
Provision for bad debts - taxed	396,936	1,136,861	622,323	0	2,156,120
Provision for doubtful accounts 0.5%	539,839	114,480	150,000	(654,319)	150,000
	<b>936,775</b>	<b>1,251,341</b>	<b>772,323</b>	<b>(654,319)</b>	<b>2,306,120</b>

### Tax assets

Tax receivables totalled €1,160,350 and their change in 2020 is shown in the following table:

	Opening balance	Merger effect	Closing balance	Change
Advance payment of taxes on severance pay	25,463		25,463	0
Other receivables		316,432	33,298	33,298
Direct tax refund	2,009,013	61,283	1,101,164	(907,849)
Withholding tax on interest income	4,126	210	424	(3,702)
	<b>2,038,602</b>	<b>377,925</b>	<b>1,160,350</b>	<b>(878,252)</b>

### Receivables from others

Receivables from others include:

	Opening balance	Merger effect	Closing balance	Change
Advances to suppliers	105,108	0	203,528	98,420
Loans to employees	14,716	75,632	123,706	108,990
Accrued income and prepaid expenses	356,308	497,033	613,278	256,970
Security deposits	70,879	44,330	224,730	153,851
Credits to be received	32,991	29,672	727,055	694,064
Receivables from distributors	136,584	25,311	126,678	(9,906)
Miscellaneous	362,868	100,184	341,194	(21,674)
VAT receivable	4,349,428	3,147,572	3,180,789	(1,168,639)
<b>Total other receivables</b>	<b>5,428,882</b>	<b>3,919,734</b>	<b>5,540,958</b>	<b>112,076</b>



### Accrued income and prepaid expenses

The breakdown of accrued income and prepaid expenses is shown in the table below:

	Opening balance	Merger effect	Closing balance	Change
<b>PREPAID EXPENSES</b>				
VAT surety policies	40,777	552	21,102	(19,675)
Loan commissions	113,616	49,876	201,363	87,747
Rent	2,148	7,333	235	(1,913)
Consulting services	176,393	85,449	249,324	72,931
Directors' fees	0	261,842	0	0
Maintenance fees	23,374	32,857	71,140	47,766
Others	0	59,124	70,114	70,114
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>356,308</b>	<b>497,033</b>	<b>613,278</b>	<b>256,970</b>

### Cash and cash equivalents

Cash and cash equivalents, entirely unrestricted, amount to €46,821,800, of which deposits in the centralised treasury equal to €13,031,281, the latter being deposits with centralised treasury systems in the context of the contract signed with the direct parent company Newlat Food S.p.A. and the indirect parent company Newlat SA.

## ANALYSIS OF LIABILITIES

### SHAREHOLDERS' EQUITY

#### Share capital

The fully subscribed and paid-in share capital totalled €28,840,041.20 divided into 14,000,020 shares with no par value.

The changes in shareholders' equity are shown in the relevant financial statements for the year ending 31 December 2020.

#### Availability and distributability of shareholders' equity reserves

	31/12/2020	nature	uses	available	Distributable
Share capital	28,840,041				
Share premium reserve	14,324,577	Profit/capital	-	YES	NO
Exchange premium reserve	3,096,015	Merger	-	YES	NO
Reserve unavailable from business combination	13,902,917	Profit/capital	-	NO	NO
Revaluation reserve	196,523	Profit/capital	-	YES	YES
Legal reserve	1,881,049	Profit/capital	-	YES	YES
Other reserves	10,984,852	Profit/capital	YES	YES	YES
Reserve unavailable from IFRS application	1,265,967	Profit/capital	-	NO	NO
Profit (loss) carried forward	(3,311,242)	Profit/capital	-	NO	NO
Reserve for severance indemnity discount	(257,251)		-	NO	NO
Merger deficit	(13,969,966)	Merger	-	NO	NO
Profit (loss) for the period	4,132,036	Profit/capital	-	YES	NO
<b>Total net equity</b>	<b>61,085,519</b>				

## NON-CURRENT LIABILITIES

### Financial payables

Below is an analysis of the items that contribute to the Company's financial debt, broken down by maturity.

Financial payables to banks and other lenders amount to €98,006,407 and are divided as follows:

	Within 12 months	Within 5 years	Over 5 years	Total payables beyond the year	Total payables
Payables to banks for loans	18,802,530	55,824,705	13,321,981	69,146,686	87,949,215
Payables for financial leases	29,747	3,216		3,216	32,963
Financial payables for leased assets IFRS 16	2,084,298	1,931,228	16,409	1,947,637	4,031,935
Bond loan 2017-2024	0	0	0	0	0
Payables to other lenders	5,992,292	0	0	0	5,992,292
<b>Totals</b>	<b>26,908,867</b>	<b>57,759,149</b>	<b>13,338,390</b>	<b>71,097,539</b>	<b>98,006,406</b>

The item "payables to other lenders" mainly refers to financial lease contracts.

### Bond Loan 2017-2024.

The €15 million bond loan issued by Centrale del Latte d'Italia S.p.A. and expiring on 1 December 2024 was fully repaid in September 2020.

**Medium-long term bank loans**

Below is a breakdown of the medium-to-long-term bank loans:

LENDER	CONDITIONS	GRANTED	DISBURSED	OUTSTANDING DEBT	EXPIRY	Guarantees
UBI Banca S.p.A.	3-month Euribor + 2.50%	1,500	1,500	191	09/01/2021	---
Banca Popolare di Sondrio S.c.p.a.	6-month Euribor + 0.60%	1,500	1,500	252	31/01/2021	---
Banca Popolare di Sondrio S.c.p.a.	0.90%	1,500	1,500	189	01/02/2021	---
Intesa Sanpaolo S.p.A.	3-month Euribor + 1.30%	2,000	2,000	128	31/03/2021	---
Intesa Sanpaolo S.p.A.	3-month Euribor + 1%	3,000	3,000	353	30/06/2021	---
Banco BPM S.p.A.	3-month Euribor + 1.2%	1,500	1,500	171	30/06/2021	---
Banca del Centroveneto Cred. Coop s.c.	3-month Euribor + 1.7%	2,500	2,500	636	30/07/2021	---
Credito Emiliano S.p.A.	6-month Euribor + 1.5% spread	1,000	1,000	378	06/09/2021	---
Unicredit S.p.A.	6-month Euribor + 1.5%	3,000	3,000	1,015	31/10/2021	---
Banca CARIGE S.p.A.	6-month Euribor + 1.3%	1,000	1,000	255	31/12/2021	---
Banco BPM S.p.A.	1-month Euribor + 0.7%	1,500	1,500	36	31/12/2021	---
Unicredit S.p.A.	3-month Euribor + 2%	1,500	1,500	607	31/12/2021	---
Credit Agricole Cariparma	3-month Euribor + 0.85	1,500	1,500	568	29/05/2022	---
Unicredit Banca d'Impresa S.p.A.	1%	1,500	1,500	569	31/05/2022	---
Credit Agricole Cariparma	3-month Euribor + 1%	500	500	252	12/10/2022	---
Banco BPM S.p.A.	3-month Euribor + 1%	3,000	3,000	1,728	31/12/2022	---
Banca Passadore S.p.A.	3-month Euribor + 1.5%	2,000	2,000	1,673	01/01/2023	---
Banco BPM S.p.A.	3-month Euribor + 2.1%	3,500	3,500	2,215	30/06/2023	---
Banca di Credito Cooperativo di Cambiano S.c.p.a.	3-month Euribor + 1.35%	4,000	4,000	2,773	01/07/2023	---
Banca Popolare di Sondrio S.c.p.a.	1-month Euribor + 1.10%	1,000	1,000	733	10/11/2023	---
ChiantiBanca Credito Cooperativo s.c.	6-month Euribor + 1.50%	2,000	2,000	1,415	10/02/2024	---
ICREA Banca D'Alba	3-month Euribor + 1.5%	2,000	2,000	1,400	31/03/2024	---
Banco Desio	1.50%	2,000	2,000	1,838	18/08/2024	---
Unicredit S.p.A.	6-month Euribor + 1.80%	10,000	10,000	2,571	30/06/2025	Euro 20 million mortgage on owned property in Vicenza
Unicredit S.p.A.	6-month Euribor + 2.75%	3,000	3,000	900	30/06/2025	Euro 20 million mortgage on owned property in Vicenza
MPS Capital Services Banca per le Imprese S.p.A.	6-month Euribor + 1.75%	28,300	28,300	15,217	03/07/2028	Euro 60 million 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	0.50% - discounted 2.95%	1,095	1,095	2,263	31/12/2030	Mortgage on owned property in Turin
Unicredit S.p.A.	2.95%	1,095	1,095	2,471	31/12/2030	Mortgage on owned property in Turin
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti	0.50% - discounted 2.95%	2,400	363	2,001	31/12/2030	Mortgage on owned property in Vicenza
Unicredit S.p.A.	2.95%	2,400	363	2,273	31/12/2030	Mortgage on owned property in Vicenza
Invitalia S.p.A.	0.12%	7,453	3,604	3,604	30/06/2031	Mortgage on owned properties in Turin, Casteggio and Rapallo
Mediocredito	2.60%	2,000	2,000	1,576	28/06/2024	---
Banco BPM	3-month Euribor + 1.2%	1,500	1,500	966	30/06/2024	---
Banca del Centroveneto Cred. Coop s.c.	6-month Euribor + 1.40%	1,000	1,000	545	22/01/2022	Centrale del Latte d'Italia third-party general guarantee
Monte dei Paschi di Siena (POOL)	6-month Euribor + 1.75%	31,500	31,500	29,185	30/06/2026	Current account pledge
Banco BPM S.p.A.	1.20%	5,000	5,000	5,000	01/07/2026	---
<b>TOTAL</b>		<b>141,243</b>	<b>133,320</b>	<b>87,949</b>		

With regard to the loan disbursed by Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti and Invitalia S.p.A., in application of the provisions of IFRS 9, the present value of the loan was determined at market rates. The difference with respect to the nominal value of the loan is considered comparable to a contribution on the investments made by the Group, with consequent return of the benefit in a manner related to the amortisation plan of the assets themselves.

The total residual debt and the summary of maturities are as follows:

	within 12 months	within 5 years	over 5 years	Totals
Intesa Sanpaolo S.p.A.	481	0	0	481
Banca Popolare di Sondrio (Switzerland)	690	485	0	1,174
Invitalia S.p.A.	246	1,729	1,630	3,605
Unicredit S.p.A. supply chain	464	2,126	2,153	4,743
Unicredit S.p.A. CDP	378	1,841	2,046	4,265
Mediocredito	436	1,140	0	1,576
Banca CARIGE S.p.A.	255	0	0	255
Banco BPM S.p.A.	2,456	7,661	0	10,116
Cassa Depositi e Prestiti	2,772	2,891	0	5,663
Credito Emiliano S.p.A.	378	0	0	378
UBI Banca S.p.A.	191	0	0	191
Banco Desio	491	1,347	0	1,838
MPS	1,429	6,295	7493	15,217
MPS capital	4,040	25,145	0	29,185
Chianti banca	397	1,019	0	1,415
Banca Passadore	662	1,011	0	1,673
Iccrea Banca d'Alba	400	1,000	0	1,400
Banca Cambiano 1884	997	1,777	0	2,773
Credito coop Centoveneto	1,139	42	0	1,181
Cariparma	504	317	0	821
	<b>18,802</b>	<b>55,825</b>	<b>13,322</b>	<b>87,950</b>

Below is a breakdown of the payables to other lenders, essentially relating to the lease liability determined in the context of IFRS 16:

	within 12 months	within 5 years	over 5 years	Totals
Payables to other financial backers	6,022	3	0	6,025

### Financial position.

In accordance with Consob Communication no. DEM/6264293 of 28 July 2006 and CESR's recommendation of 10 February 2005 "Recommendations for the implementation of the European Commission's regulation on prospectuses", the net financial position of the Company as at 31 December 2020 is shown in the following table:

<i>(thousands of euros)</i>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>Change</b>
		<b>separate</b>	
Cash and cash equivalents	33,791	11,623	22,168
Deposits with centralised cash systems	13,031	0	13,031
<b>Total current financial assets</b>	<b>46,822</b>	<b>11,623</b>	<b>35,199</b>
Payables to banks	(10,696)	0	(10,696)
Current portion of long-term loans	(18,803)	(10,165)	(8,638)
Current portion of Bond Loan	0	(2,931)	2,931
Current portion of payables to other lenders	(6,022)	(22)	(6,000)
<b>Total current financial liabilities</b>	<b>(35,521)</b>	<b>(13,119)</b>	<b>(22,402)</b>
Payables for long-term loans	(69,147)	(12,015)	(57,132)
M/L-term payables to other lenders	(3)	(27)	24
Payables for bond loan 2017-2024	0	(11,872)	11,872
<b>Total non-current financial liabilities</b>	<b>(69,150)</b>	<b>(23,914)</b>	<b>(45,236)</b>
<b>Total financial liabilities</b>	<b>(104,671)</b>	<b>(37,032)</b>	<b>141,704</b>
<b>Net financial position before IFRS</b>	<b>(57,849)</b>	<b>(25,409)</b>	<b>(32,440)</b>
Current portion of payables for leases and rights of use	(2,084)	(288)	(1,796)
Payables for leases and rights of use	(1,947)	(645)	(1,302)
<b>Net financial position after IFRS</b>	<b>(61,881)</b>	<b>(26,342)</b>	<b>(35,539)</b>

### 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 9.8 million at 31 December 2020: net financial debt to net equity ratio of 1.5 or less on 31 December of every year.
- Loan granted by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte d'Italia S.p.A. (former Centrale del Latte di Vicenza S.p.A.) grace period expiring on 30 June 2025 and with outstanding debt of Euro 2.571 million at 31 December 2020: borrower's net financial debt to net equity ratio of 1.5 or less on 31 December of every year. This parameter is considered to be applicable to the financial data of Centrale del Latte d'Italia as at 31 December 2020 as the new holder of the loan agreement.
- Loan granted by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte d'Italia S.p.A. (former Centrale del Latte di Vicenza S.p.A.) expiring on 30 June 2025 and with outstanding debt of Euro 0.9 million at 31 December 2020: borrower's net financial debt to net equity ratio of 1.25 or less on 31 December of every year. This parameter is considered to be applicable to the financial data of Centrale del Latte d'Italia as at 31 December 2020 as the new holder of the loan agreement.
- Contract awarded by Mediocredito to Centrale del Latte d'Italia S.p.A., expiring on 28 June 2024 and with outstanding debt of Euro 1.576 million at 31 December 2020: net financial debt to net equity ratio of 1.5 or less on 31 December of every year.
- Loan granted by MPS Capital Services S.p.A. and Deutsche Bank S.p.A. expiring on 30 June 2020 and with outstanding debt of €29.185 million on 31 December 2020: on 31 December and 30 June of each year the ratio of financial debt to EBITDA of less than 4 (calculated on the Parent's consolidated financial statements) and the ratio of Free Cash Flow to Debt Service greater than 1 (calculated on the statutory financial statements of Centrale del Latte d'Italia S.p.A.)

At 31 December 2020 the parameters indicated above were met.

## Deferred tax liabilities

Changes in temporary differences that generated deferred taxes are as follows:

	Opening balance	Merger effect	Increases	Decreases	Closing balance
Trademarks	5,603,482	12,690,370			18,293,852
Land development	1,663,000	0			1,663,000
Taxes	91,967	1,567,579	140,052	(10,051)	1,789,547
Equity investments		5,660			5,660
Capital gains	233,252	0		(93,164)	140,088
	<b>7,591,701</b>	<b>14,263,609</b>	<b>140,052</b>	<b>(103,215)</b>	<b>21,892,147</b>

Deferred taxes were calculated on the temporary differences for the year and on the final balance thereof, net of what was absorbed in 2019, applying the IRES 24% and IRAP 3.9% rates, corresponding to the rates assumed to be applied when these differences will be reversed.

Changes in deferred taxes are as follows:

	Opening balance	Merger effect	Increases	Decreases	Closing balance
Trademarks	1,563,371	3,540,974			5,104,345
Land development	463,977				463,977
Taxes	22,072	437,354	39,075	(2,952)	495,549
Equity investments		5,560			5,560
Capital gains	55,980			(25,993)	29,987
	<b>2,105,400</b>	<b>3,983,888</b>	<b>39,075</b>	<b>(28,945)</b>	<b>6,099,418</b>

## Long-term provisions

### Provisions for employee benefits

At 31 December 2020 the employee severance indemnity provision amounted to €4,729,842.

<b>Opening balance</b>	<b>2,034,953</b>
Merger effect	3,478,686
Interest cost	18,623
Decreases and uses	(960,733)
Loss (actuarial income) via OCI	158,314
<b>Closing balance</b>	<b>4,729,842</b>

In the period of reference, the actuarial report prepared for the determination of the debt for severance indemnities was revised with respect to the previous year, with regard to some input data, in order to adjust the liability to the current value as at 31 December 2020.

Actuarial gains and losses are shown in the comprehensive income statement - OCI net of the tax effect and recognised in equity. The main actuarial assumptions relate to the technical interest rate, the inflation rate and the revaluation rates of remuneration and severance pay. Technical assessments were performed based on the assumptions described in the following tables:

- annual technical discount rate -0.02%
- annual inflation rate 1.00%
- annual rate of employee severance increase 2.25%

With regard to the discount rate, the Iboxx Eurozone Corporates AA 7-10 index was used as a reference for the valuation of this parameter.

### Sensitivity analysis

The occurrence of reasonably possible changes in actuarial assumptions at the year-end closing date would have had the following effects on the defined benefit obligation:

	Annual discount rate		Annual inflation rate		Annual turnover rate	
	0.25%	-0.25%	0.25%	-0.25%	2.00%	-2.00%
Defined-benefit obligation	4,576,548	4,891,409	4,774,575	4,685,669	4,677,282	4,786,307

### Provision for risks and charges

The provision for risks and charges changed as follows:

	Opening balance	Merger effect	Increases	decreases	Closing balance
Provision for agents' indemnities	57,134		1,074		58,208
Provision for future losses	0	8,162	60,000	(198)	67,964
<b>TOTAL PROVISION FOR RISKS AND CHARGES</b>	<b>57,134</b>	<b>8,162</b>	<b>61,074</b>	<b>(198)</b>	<b>126,172</b>

Provisions for risks cover liabilities deemed probable at the balance sheet date.

### CURRENT LIABILITIES

**Short-term bank payables and current portion of long-term loans** total €29,498,832.

**Current portion of payables to other lenders** amounts to €6,022,039.

**Current portion of right-of-use payables** amount to €2,084,298.

**Payables to suppliers** amount to €45,578,043, all payable within the year.

**Tax payables** amount to €968,201 and include the following accounting items:

	Opening balance	Merger effect	Closing balance	Change
Payables for income taxes	12,116	0	271,960	259,844
Withholding tax payable to employees	93,512	568,888	669,326	575,814
Payables for withholding taxes on self-employment	22,483	36,787	26,915	4,432
Payables for non-income taxes	0	(253)	0	0
Others	0	65,466	0	0
	<b>128,111</b>	<b>605,422</b>	<b>968,201</b>	<b>840,090</b>

**Payables to social security institutions** include payables for contributions due on salaries and those relating to the separate management of coordinated and continuous contractors, for a value of €1,231,678.

The item "other payables" includes:

	Opening	Merger effect balance	Closing balance	Change
Payables for wages and salaries	1,539,318	1,147,392	3,070,244	1,530,926
Accruals and deferrals	686,383	597,632	2,019,715	1,333,332
Payables to social security institutions	578,509	689,141	1,298,194	719,685
Payables for emoluments to Directors and Statutory Auditors	130,750	6,709	0	-130,750
Other payables	0	59,537	182,243	182,243
Payables for employee union deductions	318	3,850	5,327	5,009
	<b>2,935,278</b>	<b>2,504,261</b>	<b>6,575,724</b>	<b>3,640,446</b>

The breakdown of accrued expenses and deferred income is shown in the following table:

	Opening balance	Merger effect	Closing balance	Change
<b>DEFERRED INCOME</b>				
Operating grants	395,276	398,818	1,420,243	1,024,967
Capital grants	190,817	0	383,993	193,176
Others	0	0	40,825	40,825
<b>Total deferred income</b>	<b>586,093</b>	<b>398,818</b>	<b>1,845,061</b>	<b>1,258,968</b>
<b>ACCRUED LIABILITIES</b>				
Bank loan interest	14,272	182,924	147,543	133,271
Interest on ordinary bank accounts	0	472	6,153	6,153
Bank charges and commissions		0	11,593	
Other expenses	-4,924	15,420	9,366	14,290
Interest on bond loan 2017-2024	90,942	0	0	-90,942
<b>Total accrued liabilities</b>	<b>100,290</b>	<b>198,816</b>	<b>174,655</b>	<b>-70,499</b>
<b>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>686,383</b>	<b>597,634</b>	<b>2,019,716</b>	<b>1,188,469</b>

#### COMMITMENTS AND OTHER POTENTIAL LIABILITIES

At 31 December 2020 there were no commitments or other potential liabilities not reflected in the Financial Statements, with the exception of potential liabilities that could arise from the ENASARCO dispute, detailed in the "other risks" section.

#### Transactions with related parties

Equity investments held in the issuer by Directors and Statutory Auditors as well as by spouses who are not legally separated and minor children, directly or through subsidiaries.

Important people	Position		Shares held	Acquired	Sold	Shares held
			to 01/01/2020	in 2020	in 2020	to 31/12/2020
Riccardo POZZOLI	Chairman and Chief Executive Officer	left office	55,125		55,125	0
Adele ARTOM	Director	left office	(*) 5,920,096		(*) 5,920,096	0
Antonella FORCHINO	Director	left office	(*) 145,852		(*) 145,852	0
Maurizio MACCHIAVELLO	Director	left office	10,000		10,000	0
Angelo MASTROLIA	Chairman	active	187,120	9,276,582	0	9,463,702

(\*) also through directly controlled companies

The income statement for the period includes costs for directors, statutory auditors and executives with strategic responsibilities for a total of €280,000.



### Commercial relations with other related parties

The following table shows the status of transactions with related parties at 31 December 2020

	Receivables	Payables	Costs	Revenues
<b>Newlat Food S.p.A. to</b>				
Centrale del Latte d'Italia S.p.A.	124,838	6,891,580	3,084,547	3,372,248
	<b>124,838</b>	<b>6,891,580</b>	<b>3,084,547</b>	<b>3,372,248</b>
<b>Centrale del Latte d'Italia S.p.A. to:</b>				
Newlat Food S.p.A.	6,891,580	124,838	3,372,248	3,084,547
	<b>6,891,580</b>	<b>124,838</b>	<b>3,372,248</b>	<b>3,084,547</b>
<b>Newlat Group S.A. to</b>				
Centrale del Latte d'Italia S.p.A.		8,850,455		
	<b>0</b>	<b>8,850,455</b>	<b>0</b>	<b>0</b>
<b>Centrale del Latte d'Italia S.p.A. to:</b>				
Newlat Group S.A.	8,850,455			
	<b>8,850,455</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>15,866,873</b>	<b>15,866,873</b>	<b>6,456,795</b>	<b>6,456,795</b>

(\*) The receivables of Centrale del Latte d'Italia S.p.A. from Newlat Food S.p.A. and Newlat Group S.A. specified in the table above include financial assets held by centralised treasury systems.

### Remuneration paid to Directors and Statutory Auditors.

For information regarding the remuneration paid to Directors and Statutory Auditors, please refer to the report on the remuneration of members of the boards of directors and statutory auditors, general managers and other executives with strategic responsibilities.

## FINANCIAL AND OPERATIONAL RISKS OF THE COMPANY

### Business risks

The main risk related to the Company's business is represented by the fluctuation in the price of the raw material milk. During normal periods, the Company controls such risk by entering into annual contracts with milk producers, fixing the purchase price at the beginning of the dairy year and normally maintaining it for the entire period from 1 April to 31 March of the following year, except in special situations where negotiations take place on different bases.

Currently the company has entered into three-year agreements with suppliers in Mugello to allow for better financial and operational planning.

For purchases outside the main supply channel, every effort is made to negotiate prices at the best market conditions available at the time of need.

### Financial risks.

The company's financial instruments include bank loans, bank deposits on demand and short-term deposits. The objective of these instruments is to finance operations. Other financial instruments include trade payables and receivables arising from operations.

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

### Interest rate risk

The Company's exposure to interest rate risk is mainly related to financing and long-term loans to which interest equal to the Euribor at 3, 6 and 12 months plus a fixed spread is normally applied. With the application of the so-called "Basel 2" agreement, the Company is subject to analysis by credit institutions that assign it a rating. The fixed spread may be higher or lower based on this rating. At the reporting date, no changes were applied. The breakdown of the rate applied to individual loans is shown in the explanatory notes to the financial statements in the specific note on financial payables.

**Liquidity risk.**

The company controls liquidity risk by planning the use of liquidity, taking into account financial investments, financial assets (trade receivables and other financial assets) and expected cash flows from operations. Furthermore, during the year the Company stipulated centralised liquidity management contracts with the direct and indirect parent companies (Newlat Food SpA and Newlat Group SA) in order to optimise liquidity management available throughout the group.

**Credit risk.** The company mainly deals with known, reliable customers. Individual receivables are monitored during the year so that the amount of exposure to losses is not significant. The maximum risk is equal to the book value of these assets in the event the counterpart becomes insolvent.

**Risk of concentrated turnover.**

The Group's turnover is not concentrated in a few clients. The clientele is wide-ranging and belongs to the segments of large-scale and traditional retail.

**Other risks**

With regard to the first of ENASARCO Foundation's two lawsuits, an appeal by the Foundation is pending before the Court of Cassation to get an annulment of the Rome Court of Appeal judgement no. 8634/2014 of 18 November 2014, which ordered our Company to repay €811 thousand for welfare contributions acknowledged as owing to the Foundation by the Court of Rome in judgement no. 1260/2013 of 28 February 2013.

With regard to the second lawsuit and the injunction 9800/2012 awarded to the ENASARCO Foundation in the amount of €658 thousand, it was defined at first instance with judgement no. 5185/2015 of 20 July 2015 by the Court of Rome that revoked the injunction. The Enasarco Foundation appealed, the hearing scheduled for 9 January 2018 was postponed to 25 September 2018 and then further postponed to June 2020. On 23 June 2020, the Rome Court of Appeals (Labour section) rejected the appeal, confirming that Latte d'Italia S.p.A. had acted properly.

A third lawsuit was initiated on 11 January 2017 following the rejection by the Regional Employment Relations Committee, at the Rome Interregional Employment Division, of the appeal against the ENASARCO Foundation's assessment report of 11 November 2014. The Foundation has issued another payment demand on top of the assessment report totalling €423,829.69. On 30 May 2017, notice was served of an enforcement order and a writ of execution issued by the ENASARCO Foundation for the payment of Euro 432,764.64 relating to the assessment report of 11 November 2014 and pertaining to the years 2011-2013. The company asked the Court of Rome, within the time limits allowed, to suspend the temporary enforcement of the injunction. On 6 July 2017, the Court of Rome suspended the temporary enforcement of the injunction and set a date of 20 December 2017 to hear the merits of the case. At the end of said hearing, the presiding judge arranged a new hearing for 17 May 2018. At the new hearing, the presiding judge, having heard the submissions from the parties, arranged the deferral of two submissions that did not take place at the hearing and further adjourned the hearing until 22 November 2018 for continuation and for assessment of the admission of further depositions or the awarding of a ruling deferral with a deadline for brief. On 19 July, in view of the deferred submission order, the hearing took place at the Court of Turin (Labour Section), featuring examination of the two submissions. On 21 March 2019, the Court of Rome (first Labour section) revoked the injunction sought by the ENASARCO Foundation in relation to the dispute over contributions between 2011 and 2013 and found in favour of the Company.

By writ of summons dated 5 February 2020, the bankruptcy of Cedi Sisa Centro Nord in liquidazione S.p.A. filed suit against Centrale del Latte di Vicenza S.p.A. (now Centrale del Latte d'Italia S.p.A.) requesting a revocatory action pursuant to art. 67, paragraph 2 of the Financial Law and thus a refund to the Receiver of the sum of €648 thousand. The Bankruptcy declared that Centrale del Latte allegedly received these payments in the six months prior to Cedi's publication of the filing of the application for composition with creditors in the Company Register. An out-of-court settlement was reached with the counterparty, which – without prejudice to waivers of the amounts listed in the statement of affairs – provides for Centrale del Latte's payment of the sum of €51.5 thousand.

**General risks**

As is known, starting in January and extending throughout 2020, the national and international scenario has been characterised by the spread of the Coronavirus and the consequent restrictive measures to contain it, implemented by the government authorities of the

countries concerned. These circumstances, extraordinary in their nature and extent, have had direct and indirect repercussions on the business and have created an environment of general uncertainty whose future course and related effects cannot be foreseen.

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, from the lockdown to the subsequent gradual reopening. The same thing applies to activities performed in line with the need to strengthen 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 Company, as we can see by the results, to deliver better margins and create more value for its shareholders.

The commercial and production organisations have played a crucial role in customer relations: this approach puts the end consumer at the centre of Company policies and guidelines while reinforcing brand loyalty.

The potential effects of this phenomenon on the financial statements are not yet determinable and will be constantly monitored, although the considerations made, also in consideration of the sector the Company operates in, do not seem to suggest short-term repercussions on the Company's business and income flows.

#### **FEES PAYABLE TO INDEPENDENT AUDITORS.**

##### **Article 149-duodecies of the Issuers' Regulation**

**DELOITTE & TOUCHE S.p.A.** - Statutory audit €115,000

#### **EVENTS AFTER THE END OF THE FINANCIAL YEAR**

Starting from 1 January 2021 a lease agreement was stipulated for the lease of a business unit between Newlat SpA and Centrale del Latte d'Italia, leasing all the dairy companies of the Newlat Food SpA group involved in the processing of raw materials and the production of so-called milk & dairy products (i.e. milk and milk products, as well as dairy products) for a total turnover and EBITDA expected for the 2020 financial year that should exceed €100 million and €10 million, respectively. This operation will make possible further synergies that generate profitability already in 2021, allowing the integration of the respective industrial plants and the generation of cost and supply synergies as well as the exchange of industrial know-how.

The contract, with effect from 1 January 2021, has a duration of two years and will be automatically renewed for a further year unless terminated with at least six months' notice. The activities of the Business Unit under the Contract are carried out through the plants in Reggio Emilia, Salerno and Lodi, as well as with the warehouses in Reggio Emilia, Lodi, Rome Eboli, Pozzuoli and Lecce. Under the terms of the Contract, CLI shall pay Newlat Food an annual fee as follows:

- a fixed component equal to €2,000,000.00 plus VAT; and
- a variable component that – starting from 1 January 2021 – will be determined on a quarterly basis equal to 1.5% of the turnover of the Business Unit for the quarter plus VAT.

The Transaction constitutes a transaction with a related party for CLI pursuant to the Regulation adopted with Consob Resolution no. 17221 of 12 March 2010, as subsequently supplemented and amended, as Newlat Food, CLI's counterpart in the Transaction, exercises legal control over CLI pursuant to art. 93 of Italian Legislative Decree 58/1998, as amended, and art. 2359, paragraph 1, no. 1 of the Civil Code. The Transaction constitutes a "significant" transaction between related parties pursuant to the provisions of art. 8, paragraph 1 of the RPT Regulation since the relevant indices relating to the equivalent value of the Transaction and the assets of the Business Unit identified in Annex 3 of the RPT Regulation are higher than the relevant threshold of 2.5%, applicable to the Transaction. The Transaction was approved by the CLI Board of Directors during the meeting of 15 December 2020, after a unanimous favourable opinion of the CLI Related Party Transactions Committee issued on the same date. With regard to the Transaction, the functions attributed to the RPT Committee were performed by Professor Anna Claudia Pellicelli and Ms. Valeria Bruni Giordani, independent and unrelated directors of CLI, as well as by the statutory auditor Mr. Giovanni Rayneri. In support of its assessments, the RPT Committee availed itself of the support of Mr. Ferdinando Frascini, Partner of the Corporate Finance Advisory Department of the company BDO Italia S.p.A., as well as a chartered accountant and auditor, as an independent expert, who issued his opinion of functional adequacy on 14 December 2020.

The Company signed an agreement with Tuscan milk producers for the three-year period 2021-2023, establishing an agreement on the price of milk from the stable, the only one in Italy lasting three years, thus consolidating the partnership between industry and the world of agriculture and creating the conditions to give stability and a future to our companies and to strengthen the Tuscan livestock supply chain. With this agreement an Integrated Supply Chain Project was also launched with new production guidelines, capable of developing local Tuscan products, increasing the physical and psychological well-being of animals, launching new original products with a high health content, in new eco-sustainable packaging, aimed at particular consumption segments and representing a further leap in

the quality of Mukki milk in the milk market. In such an uncertain economy and where extremely prudent choices prevail, with this agreement the Tuscan supply chain has launched a message guaranteeing stability for all farms that supply CLI and seeks to set an example for the entire Italian livestock sector.

#### **BUSINESS OUTLOOK.**

The company aims to maintain and increase profitability through the consolidation of its market shares, also through the supervision of new distribution channels, the launch of innovative products and the strengthening of export development. New stimuli and opportunities will also materialise through the development of the activities of the Newlat Food group through the leasing of a business unit, strengthening the presence of CLI throughout the country. Simplification of organisational structures and cost rationalisation will also continue in 2021.

Despite the extreme complexity of the period, since the beginning of the pandemic CLI has been able to provide adequate responses to the new market needs in terms of services and products. This determination allowed the company to carefully manage working capital and operating costs, strengthening its flexibility and maintaining customer and employee satisfaction as a priority.

All transactions conducted during the year have enabled the company to deliver better margins and create more value for its shareholders, a trend that continued in the early months of 2021. On the basis of these positive foundations, although there remains considerable uncertainty about what path the Coronavirus will take, the management of Centrale del Latte d'Italia remains fully confident in the continuation of the strengthening of margins and liquidity.

Turin, 05 March 2021

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

## **2020 Financial Statements**

**Certification of the financial statements  
pursuant to art. 154-bis of Italian Legislative  
Decree 58/98**

**Certification of the financial statements as at 31 December 2020 pursuant to article 154-bis of Italian Legislative Decree 58/98 and subsequent amendments and additions.**

Taking into account the provisions of art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, the undersigned Angelo Mastrolia, as Chairman of the Board of Directors, and Giuseppe Bodrero, as Financial Reporting Officer, of Centrale del Latte d'Italia S.p.A., certify,

- the financial statements are adequate, in relation to the characteristics of the company;
- the effective application of the administrative and accounting procedures used to prepare the financial statements as at 31 December 2020 from 1 January 2020 to 31 December 2020

It is furthermore declared that the financial statements at 31 December 2020:

- a) were drafted in conformity with the applicable international accounting standards endorsed by the European Community under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
- b) correspond to the accounting records;
- c) are capable of providing a true and correct representation of the issuer's balance sheet, economic and financial situation.

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.

The Chairman  
of the Board of Directors  
Angelo Mastrolia

Financial  
Reporting Officer  
Mr. Giuseppe Bodrero

Turin, 05 March 2021

# **Centrale del Latte d'Italia**

## **2020 Financial Report**

**Report on corporate governance and the  
ownership structure (Art. 123-bis TUF)**  
**Approved by the Board of Directors on**  
**5 March 2021**

**REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE (Art. 123-bis Italian Legislative Decree 58/1998 Consolidated Law on Finance).****1. ISSUER PROFILE**

Centrale del Latte d'Italia S.p.A. (hereinafter also the "Company" or "CLI") is engaged in the production, treatment, processing and sale of milk, however processed, and dairy products and foodstuffs in general. The Company is also able to execute all commercial, financial, industrial, securities and real estate transactions necessary or useful for the achievement of the corporate purpose, including the assumption of equity investments in companies with a corporate purpose similar to its own or instrumental to its own business (including the issue of personal or collateral guarantees also in the interest of third parties and the assumption of loans and financing including mortgages) with the strict exclusion of fiduciary and professional activities reserved by law, the collection of savings from the public, the exercise with respect to the public of any activity qualified by the law as "financial activity".

The Company is administered by a Board of Directors with no more than fourteen members as decided by the Shareholders' Meeting at the time of appointment. Directors are elected on the basis of slates of candidates.

Centrale del Latte S.p.A. falls within the definition of SMEs within the meaning of art. 1, paragraph 1, letter w-quater.1) of the TUF and art. 2-ter of the Consob Issuers' Regulation in consideration of the average capitalisation value of the last three financial years. As the annual average for 2020 was also less than €500 million (approximately €34 million), the Company maintains the status of an SME.

In light of the foregoing, it should be noted that the relevant threshold for disclosure obligations pursuant to art. 120 of the TUF would be 5%. However, taking into account Consob Management Determination no. 46 of 3 March 2021 and the qualification of SME, until 13 April 2021, barring early revocation or extension, the additional initial threshold of 3% applies for the disclosure of significant shareholdings.

CLI provided Consob with the information relating to the acquisition of the qualification of SME referred to in art. 1, paragraph 1, letter w-quater.1) of the TUF before the deadline of 24 December 2018 and according to the methods envisaged in Resolution 20621 of 10 October 2018. In January 2021 Consob published the list of SMEs on its website, and the Company appears in this list.

**2. INFORMATION ON PROPRIETARY ASSETS (pursuant to article 123-bis, paragraph 1 of the TUF) as at 05 March 2021****Share capital structure (pursuant to article 123-bis, paragraph 1, letter a) of the TUF)**

The Company's fully subscribed and paid-in share capital totalled €28,840,041.20, divided into 14,000,020 ordinary shares with a par value of €2.06. All the shares of the Company are listed on the STAR segment of the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.

The ordinary shares are registered, freely transferable and issued in dematerialised form under centralised management with Monte Titoli S.p.A.

Each ordinary share gives the right to one vote at all ordinary and extraordinary shareholders' meetings, as well as to other property and administrative rights in accordance with applicable legal and statutory provisions.

<b>STRUCTURE OF THE SHARE CAPITAL</b>				
	<b>no. of shares</b>	<b>% of Share Capital</b>	<b>Listed</b>	<b>Rights and obligations</b>
Ordinary shares	14,000,020	100%	Italian Stock Exchange FTSE Italia STAR	Right to vote at ordinary and extraordinary shareholders' meetings
Shares with limited right to vote	-	-		
Shares without voting rights	-	-		

**Other financial instruments**

There are no other financial instruments that give the right to subscribe newly issued shares, including free newly issued shares, nor share-based incentive plans.



### Share-based incentive plan

At the date of approval of this Report, there were no share-based incentive plans in place, including free increases in share capital.

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

There are no restrictions on the transfer of Company securities.

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

Those holding ordinary shares representing more than 5% (or the threshold reduced to 3% until 13 April 2021, as indicated in para. 1 of this Report) as at 31 December 2020 were:

IMPORTANT STAKES			
Declarant	Direct shareholder	% share of Ordinary capital	% share of Voting capital
Angelo Mastrolia	Newlat Food S.p.A.	67.59%	67.59%
Municipality of Florence	Municipality of Florence	12.31%	12.31%
Municipality of Pistoia	Municipality of Pistoia	5.62%	5.62%

With effect from 1 April 2021, the Municipality of Florence will accrue an increased vote, and therefore as a result of the provisions of art. 127 quinquies, paragraph 2 of the TUF and art. 44 of the CONSOB-Banca d'Italia Consolidated Post-trading Provision, as well as the provisions of the By-laws in art. 5, the structure of the share capital, the number of voting rights and holders of ordinary shares worth more than 5% (or the threshold reduced to 3% until 13 April 2021, as indicated in para. 1 of this Report) will be as follows:

	Share capital at 31 December 2020		Share Capital as at 1 April 2021	
	no. of shares	Number of voting rights	no. of shares	Number of voting rights
Total shares				
of which:				
Ordinary shares	14,000,020	14,000,020	14,000,020	15,723,126
Ordinary shares with an increased vote	-	-	1,723,106	3,446,212

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

No shares with special controlling rights have been issued.

### Employee ownership (pursuant to article 123-bis, paragraph 1, letter e) of the TUF)

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

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

There are no restrictions on voting rights.

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

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

### Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h) of the TUF)

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 €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 parent company Newlat FOOD S.p.A. 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,<sup>1</sup> the Company 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.

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

#### Powers for increases in the share capital

Pursuant to art. 5 of the By-laws and art. 2443 of the Italian Civil Code, the Extraordinary Shareholders' Meeting held on 29 April 2020 resolved to grant the Board of Directors for a maximum period of five years from the date of the aforementioned resolution i) the power to increase the share capital for a maximum total nominal amount not exceeding €30,000,000.00 (the "Maximum Total Amount"), including any premium, on one or more occasions, paid and divisible, but with the power of the Board of Directors to set the severability for individual tranches of use of the power, with or without warrants, also excluding the option right pursuant to article 2441, paragraphs 4 and 5 of the Italian Civil Code and ii) the power pursuant to article 2420-ter of the Italian Civil Code to issue bonds within the same Maximum Total Amount, including convertible bonds, with or without warrants, also excluding the option right pursuant to article 2441 of the Italian Civil Code.

The Board of Directors shall also have the right to decide whether to submit newly issued financial instruments for trading and to delegate any decision to activate a guarantee and/or placement consortium.

#### Authorisations to purchase treasury shares

The Directors of the Company have not been given authorisation to acquire treasury shares.

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

The Company is not subject to management and coordination.

### **Other information (reference)**

Note that with regard to the additional information referred to in article 123-bis, paragraph 1 of the TUF:

- the information required in letter i) concerning any agreements between the Company and the directors that provide for indemnity in the event of resignation or dismissal without cause or termination of employment following a takeover is contained in the Remuneration Report published in accordance with art. 123-ter of the TUF;
- the information required by letter l) relating to the appointment and replacement of directors and to the amendment of the By-laws, if different from and additional to the applicable laws and regulations, is illustrated in section 4.1 of this Report on the Board of Directors.

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<sup>1</sup> There is a "change of control" under the Loan Agreement if (i) Newlat FOOD S.p.A. 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.

### 3. COMPLIANCE (pursuant to article 123-bis, paragraph 2, letter a) of the TUF)

#### Compliance with codes of conduct

In compliance with the codes of conduct on corporate governance promoted by Borsa Italiana S.p.A., CLI has adopted the following codes:

#### Corporate Governance Code

CLI has adopted its own Corporate Governance Code in the application of its Corporate Governance, understood as the system of rules according to which companies are managed and controlled. The latest version of the Code on 1 October 2016 and the annual report on Corporate Governance are available on the Company's website at:

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

Note that the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. has been thoroughly revised by the Corporate Governance Committee established by the business associations (ABI, ANIA, Assonime, Confindustria) of Assogestioni and Borsa Italiana itself. This Code, approved by the Corporate Governance Committee on 31 January 2020, is applicable from 2021, with information to be included in the corporate governance reports to be published in 2022.

That said, the Company's Corporate Governance Code will be appropriately updated in order to incorporate the new principles of corporate governance.

#### Internal dealing code of conduct

The Company has adopted a Code of Conduct aimed at regulating disclosure obligations, and established a register of persons who have access to inside information, in compliance with the provisions of art. 2.6.3, 2.6.4 and 2.6 bis of the "Regulation of markets organised and managed by Borsa Italiana S.p.A." approved by Consob Resolution no. 13655 of 9 July 2002 and art. 152 bis-octies of the Consob Regulation for issuers concerning the transactions referred to in art. 2.6.4 of the Stock Exchange Regulation carried out on their behalf by important persons as defined in art. 2 of the Internal dealing code of conduct.

The latest version of the internal dealing code of conduct dated 1 October 2016 is available on the company's website at:

[http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016\\_CLI.pdf](http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016_CLI.pdf)

Regular communications to the market have been disseminated within the times and in accordance with the procedures set forth in the Issuers' Regulation.

Such communications are available on the company's website at:

<http://centralelatteitalia.com/governance/comunicazioni-internal-dealing/>

As at 31 December 2020 the above significant parties hold the following shares of the Company's share capital:

Angelo Mastrolia, 67,59%.

#### Code of procedures for managing related party transactions

CLI adopted the code of procedures for the management of related parties pursuant to Consob Resolution no. 17221 as subsequently amended.

The latest version of the code dated 19 June 2020 is available on the Company's website at:

<https://centralelatteitalia.com/wp-content/uploads/2021/01/Procedura-OPC-CLI.pdf>

#### 4. BOARD OF DIRECTORS

##### **Appointment and replacement of Directors (pursuant to article 123-bis, paragraph 1, letter I) of the TUF)**

The Company is administered by a Board of Directors with three to fourteen members as decided by the Shareholders' Meeting at the time of appointment. Directors are elected on the basis of slates of candidates. The slates of Directors to be elected – except those with fewer than three candidates – must be drawn up taking into account the criterion that ensures gender balance, guaranteeing the least-represented gender a number of candidates at least equal to the percentage required by applicable laws and regulations on gender balance, which must be calculated on the basis of criteria envisaged thereby. Slates can only be submitted by shareholders who, alone or together with others, hold a total of shares with voting rights representing at least 2.5% (two point five per cent) of the capital with voting rights at the ordinary meeting. This percentage was confirmed by Consob, which, with management decision no. 44 of 29 January 2021, specified the minimum percentage required to submit a slate of candidates to be 2.5% of the share capital.

A shareholder may not submit – even through an intermediary or trust company – more than one slate or vote for different slates. Each candidate may appear on only one slate under penalty of ineligibility. Candidates who already hold positions of Director in five other companies or entities whose securities are admitted to trading on a regulated market included in the list envisaged in articles 63 and 67 of Italian Legislative Decree 58/1998 may not be included on the slates. The minority slate that has obtained the highest number of votes and is not in any way, even indirectly, linked to the slate resulting first by number of votes has the right to place a member on the Board of Directors. The slates submitted must be filed at the company's registered office by the twenty-fifth day preceding the date of the Shareholders' Meeting called to deliberate on the appointment of members of the Board of Directors.

Together with each slate, the declarations with which the individual candidates accept the candidacy and declare under their own responsibility that there are no grounds for ineligibility and incompatibility and that they fulfil the legal and statutory requirements for their posts shall be filed by the deadline specified above. Any slate that fails to comply with the above provisions shall be deemed not to have been submitted.

If a single slate is submitted, the entire Board of Directors shall be drawn from it. If no slate is submitted, the Shareholders' Meeting decides by majority of voters, excluding from the calculation those who abstain.

If the composition of the Board of Directors does not allow gender balance to be respected in accordance with applicable laws and regulations when following the order of listing, the last elected candidates from the majority list of the most-represented gender shall be removed in the number necessary to ensure compliance with the requirement, and shall be replaced by the first unelected candidates of the least-represented gender from the same slate. In the absence of candidates of the less-represented gender on the majority slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall add other members to the body with the legal majorities, ensuring compliance with the requirement.

The timing and manner of submission of slates shall be specified in the notice of convocation.

The slates presented shall be made available to the public on the Company's website and in the other ways envisaged by law at least twenty-one days before the date of the Meeting.

The Directors have a maximum term of office of three years ending on the date of the shareholders' meeting convened to approve the financial statements for the final year of their term. They shall be eligible for re-election.

Before proceeding with their appointment, the Shareholders' Meeting shall determine the number of members of the Board and their term of office. If the number of Directors is lower than the maximum envisaged, the Shareholders' Meeting may increase such number while the Board is in office.

The term of office of the Directors appointed in this manner will expire at the same time as the Directors in office at the time of their appointment.

The shareholders' meeting determines the remuneration due to the members of the Board of Directors.

There is no plan for succession in the event of early replacement of Directors, including executive Directors, with respect to the ordinary expiration of office.

##### **Composition of the Board of Directors and its Committees**

The Board of Directors currently in office expires with the approval of the Financial Statements as at 31 December 2022 and is composed as follows:

- Angelo Mastrolia – Chairman of the Board of Directors
- Giuseppe Mastrolia – Deputy Chairman of the Board of Directors

- Edoardo Pozzoli – Chief Executive Officer
- Stefano Cometto – Managing Director
- Benedetta Mastrolia – Non-executive director
- Valeria Bruni Giordani – Independent non-executive director
- Anna Claudia Pellicelli – Independent non-executive director

The structure and tasks of the Board of Directors are shown in table 1), attached.

The current Board of Directors was appointed at the Shareholders' Meeting on 29 April 2020.

Until that date, the Board of Directors was composed as follows:

- Riccardo Pozzoli – Chairman of the Board of Directors and Chief Executive Officer
- Lorenzo Marchionni – Deputy Chairman of the Board of Directors
- Adele Artom – Non-executive director
- Piera Braja – Independent non-executive director
- Antonella Forchino – Non-executive director
- Elsa Fornero – Independent non-executive director
- Renato Giallombardo – Independent non-executive director
- Maurizio Macchiavello – Chief Executive Officer of the Rapallo Operations Unit
- Laura Materassi – Independent non-executive director
- Lorenzo Petretto – Non-executive director
- Edoardo Pozzoli – Executive Director and General Manager
- Luciano Roasio – Independent non-executive director
- Alberto Tazzetti – Independent non-executive director

At the meeting of the Board of Directors on 1 April 2020 Luciano Roasio resigned as director, as well as member of the Remuneration Committee, Chairman of the Control and Risks Committee and Chairman of the Supervisory Body. At the same board meeting, pursuant to art. 13 of the By-laws Angelo Mastrolia was therefore appointed by co-option, Piera Braja was appointed as member of the Control and Risks Committee, and Elsa Fornero as member of the Remuneration Committee.

Furthermore, on 29 June 2020 the independent non-executive director Antonella Mansi – appointed by the Shareholders' Meeting on 29 April 2020 – resigned with immediate effect. Subsequently, on 16 July 2020 the Board of Directors resolved to coopt Anna Claudia Pellicelli pursuant to article 13 of the By-laws, who will remain in office until the next Shareholders' Meeting.

### **Role of the Board of Directors**

The Board of Directors exercises the powers, functions and duties relating to both the ordinary and extraordinary administration of the company, with the sole exception of those powers that by law or according to the by-laws are attributed to the shareholders' meeting.

The Board of Directors can also adopt resolutions concerning:

- Mergers in the cases envisaged in articles 2505 and 2505a of the Italian Civil Code.
- The transfer of the registered office within the national borders.
- The opening and closing of branches.
- An indication of which of the Directors – in addition to the Chairman, Deputy-Chairman and Managing Directors – and the executives represent the company pursuant to articles 17 and 18 of the By-laws.
- The reduction of the share capital in the event of withdrawal by the shareholder.
- The adjustment of the By-laws to comply with legal provisions.

The Board of Directors met 14 times during 2020, the average duration of the individual meetings was 1.5 hours to discuss and decide on the following topics:

- **10 February 2020**
  - Review of the 2020-2022 business plan.
- **5 March 2020**
  - Draft financial statements as at 31 December 2019.
  - Annual Report of the Supervisory Body.
  - Report on Directors' Remuneration.
  - Annual Report on Corporate Governance.
  - Proposals to shareholders to amend the by-laws to (i) eliminate the nominal value of the shares and (ii) grant powers to the board of directors to increase the capital, with or without the option right, up to a maximum of €30 million.
  - Convening of Ordinary and Extraordinary Shareholders' Meeting.
- **1 April 2020**
  - Resignation of a Director and co-option of a new Director pursuant to the law and art. 13 of the By-laws.
  - Proposal of the Remuneration Committee regarding the end-of-service indemnity of the Chairman and CEO and the remuneration of the General Manager.
- **9 April 2020**
  - Examination and possible approval of the proposed merger by incorporation of the subsidiaries Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into the Company.
- **24 April 2020**
  - Approval of the merger by incorporation of the subsidiaries Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into the Company.
- **4 May 2020**
  - Appointment of delegated bodies and conferral of powers.
  - Remuneration of directors.
  - Appointment of internal committees.
  - Appointment of the Supervisory Board.
  - Appointment of the Investor Relator.
  - Appointment of the Financial Reporting Officer.
- **14 May 2020**
  - Interim report on operations as at 31 March 2020.
- **19 June 2020**
  - Establishment of a branch office in Florence.
  - Centralisation of treasury management at a Group level.
  - Approval of the rules of the internal committees.
  - Determination of the remuneration of the Supervisory Board.
  - Appointment of the Internal Audit Manager.
- **30 June 2020**
  - Newlat Food S.p.A.'s mandatory public purchase and exchange offer on the Company's shares.
  - Updating of the financial calendar.
- **16 July 2020**
  - Ratification of the resignation of the independent director Antonella Mansi and appointment by co-option of a new member of the Board of Directors.
  - Establishment of a branch office in Florence and amendments to its by-laws.
- **29 July 2020**
  - Convocation of a bondholders' meeting and early repayment of the bond loan.
  - Appointment of internal committees.
- **07 September 2020**
  - Half-yearly financial report as at 30 June 2020;

- Appointment of the executive director responsible for Internal Audit.
- **10 November 2020**
  - Interim report on operations as at 30 September 2020;
  - Leasing of the Milk & Dairy business unit by Newlat Food S.p.A.
- **15 December 2020**
  - Leasing of the Milk & Dairy business unit by Newlat Food S.p.A.

The Financial Reporting Officer Giuseppe Bodrero also participated at the meetings of 10 February, 5 March, 1 April, 9 April, 24 April, 14 May, 19 June, 30 June, 7 September, 10 November and 15 December 2020.

The Internal Audit Manager Stefano Ferro also participated in the meetings of 19 June, 7 September and 10 November 2020.

The General Manager Marco Massaccesi also participated in the meetings of 19 June and 16 July 2020.

Finally, the Group Financial Director Fabio Fazzari also participated at the meetings of 10 November and 15 December 2020.

The documentation relating to the items and matters on the agenda of the Board of Directors was sent well in advance to the Directors and Statutory Auditors despite the fact that – to date – the Company has not yet decided to draw up a board rule specifying the timing for sending documents relating to each meeting.

Article 13 of the Company's Corporate Governance Code addresses the issue of related party economic transactions and relationships. The Code recommends that in transactions with related parties the Directors who have even a potential or indirect interest in the transaction must promptly and exhaustively inform the Board of such interest and the circumstances thereof, leaving the board meeting at the time of the resolution.

Where the nature, value or other aspects of the transaction so require, in order to avoid that conditions other than those that would have been likely to have been negotiated between unrelated parties are agreed to for the transaction, the Board of Directors ensures that the transaction is concluded with the assistance of independent experts for the purpose of assessing the assets and their financial, legal and technical characteristics.

In a specific communication, CONSOB detailed the parties that fall within the group of related parties as specified by IAS 24. These include those who control the issuer, those who are controlled by the issuer and who are connected to the issuer as defined by IAS 28. On 18 December 2020 an agreement was stipulated for the lease of the Milk & Dairy business unit with which the parent company Newlat Food S.p.A. leased such business unit to the Company. This operation was carried out at arm's length conditions. The consideration was verified and monitored by the Related Party Transactions Committee, which availed itself of the support of an independent expert. The Board of Directors received a comprehensive report on this action, which did not identify any improper conduct.

With effect from 1 January 2011, related party relationships are governed by the code of procedures for managing related party transactions pursuant to Consob Resolution 17221, as subsequently amended.

#### **Chairman of the Board of Directors and Chief Executive Officers**

The Chairman of the Board of Directors, the Deputy Chairman of the Board of Directors and the Chief Executive Officer are entrusted with the powers envisaged in the Italian Civil Code and the By-laws.

#### **Other executive directors**

The Executive Director is entrusted with the powers envisaged by the Italian Civil Code and the By-laws.

#### **Independent directors**

The Board of Directors assessed that the Directors appointed by the Shareholders' Meeting and specified in table 1) met the independence requirements, after verification by the Board of Statutory Auditors.

On 29 July 2020, the Company appointed Anna Claudia Pellicelli as independent non-executive director, replacing the independent non-executive director Antonella Mansi following her resignation on 29 June 2020 with immediate effect.

**Share-based incentive plan**

At the date of approval of this Report, there were no share-based incentive plans in place.

**Directors' indemnity in the event of resignation, dismissal or termination of employment**

There are no indemnities for members of the Board of Directors in the event of resignation, dismissal or termination of employment.

**Rules applicable to the appointment and replacement of Directors and Control and Supervisory Committees**

The rules for the appointment and replacement of Directors and Control and Supervisory Committees are governed by the By-laws, the Corporate Governance Code and the related annual reports.



## 5. PROCESSING OF COMPANY INFORMATION

All Directors and Statutory Auditors are required to keep the documents and information acquired in the performance of their duties confidential and to comply with the procedures for the external communication of such documents and any price sensitive information. On a proposal from the Managing Directors, at its meeting on 18 December 2000 the Board resolved to reserve the right to the Chairman and the Managing Directors to externally disclose documents and information concerning the company, especially with respect to price sensitive information. They may make use of the consulting firm which the financial information is entrusted to.

## 6. BOARD COMMITTEES

### Director Remuneration and Appointments Committee

The Board of Directors has set up an internal Remuneration and Appointments Committee composed of three non-executive Directors, of which two are independent.

The Remuneration and Appointments Committee submits to the Board:

- Proposals for the remuneration of the Chairman, Managing Directors and Directors holding particular positions, monitoring the application of the decisions adopted by the Board of Directors.
- Periodic assessments of the criteria adopted for the remuneration of executives with strategic responsibilities, oversees their application based on the information provided by the Chief Executing Officers and makes general recommendations to the Board of Directors.

The Remuneration and Appointments Committee also plays an advisory and propositional role. It 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 and to the remuneration of directors and managers with strategic responsibilities.

In particular, the Remuneration and Appointments Committee is entrusted with the following tasks:

- formulating opinions to the Board of Directors on i) the size and composition of the Board and making recommendations on the professional profiles it believes should sit on the Board; ii) the maximum number of management and control positions in other listed companies, supervised companies or companies of significant size, that can be considered compatible with the position of director of the Company, taking into account participation in Committees and on the identification of general criteria differentiated by reason of the commitment related to each role, including pertaining to the nature and size of the companies (including those of the Group) in which the positions are held, within the scope of article 1.C.3 of the Corporate Governance Code; iii) the possible assessment of relevant positions pursuant to article 2390 of the Italian Civil Code within the scope of article 1.C.4 of the Corporate Governance Code;
- recommending candidates to the Board of Directors in cases of co-option, where it is necessary to replace independent directors;
- carrying out the groundwork on preparing the plan for the succession of executive directors, where the Board of Directors has considered adopting such a plan.

No Director shall take part in the meetings of the Remuneration and Appointments Committee at which proposals are made to the Board of Directors concerning his/her remuneration.

The Remuneration and Appointments Committee is currently composed of:

Anna Claudia Pellicelli	Committee Chairperson
Valeria Bruni Giordani	Committee Member
Benedetta Mastrolia	Committee Member

The current Remuneration and Appointments Committee was appointed by the Board of Directors on 4 May 2020.

Until that date, the composition was as follows:

Alberto Tazzetti	Committee Chairman
Piera Braja	Committee Member
Luciano Roasio	Committee Member

The Committee met twice in 2020 to discuss and decide on the following topics:

- **1 April 2020**
  - End-of-service indemnity for the Chairman of the Board of Directors and the Chief Executive Officer Riccardo Pozzoli.
  - Remuneration of the General Manager Edoardo Pozzoli.
- **19 June 2020**
  - Establishment of the Remuneration and Appointments Committee;
  - Approval of the Rules of the Remuneration and Appointments Committee.

The Financial Reporting Officer Giuseppe Bodrero also participated at the meeting on 1 April 2020.

The meetings lasted an average of 1 hour, and minutes were taken at all of them.

### **Remuneration of executive directors, non-executive directors also in charge of committees and executives with strategic responsibilities**

See the Report on the Remuneration of Directors and Supervisory Bodies published in accordance with article 123-ter of the TUF for information on Directors' remuneration.

### **Control and Risks Committee**

The Board of Directors established the Control and Risks Committee, with advisory and proposal functions, currently consisting of two independent non-executive Directors.

The members of the Control and Risks Committee are:

Anna Claudia Pellicelli	Committee Chairperson
Valeria Bruni Giordani	Committee Member

The current Control and Risk Committee was appointed by the Board of Directors on 4 May 2020.

Until that date, the composition was as follows:

- Luciano Roasio                      Chairman
- Antonella Forchino              Committee Member
- Laura Materassi                  Committee Member

The Internal Control and Risks Committee:

- a) together with the Financial Reporting Officer and the auditors, assesses the proper use of the accounting standards and their consistency with those adopted by the subsidiaries for the purposes of preparing the consolidated financial statements;
- b) assesses and expresses opinions on the aspects related to the identification of the main company risks;
- c) assesses the proposals made by auditing firms to be appointed as independent auditor, as well as the work plan prepared for the audit and the results presented in the report and in the letter of suggestions, if any;
- d) oversees the effectiveness of the audit process;
- e) performs additional tasks assigned to it by the Board of Directors;
- f) reports at least every six months to the Board on the activities carried out and on the adequacy of the internal control system.

The Control and Risks Committee carried out its functions through direct analysis and the gathering of documents and information from the managers of the company functions.

In doing its work, the Control and Risk Committee monitored the activities performed to cover the main risks in terms of safety at work and the environment, with particular attention to the safety protocols to deal with the spread of the Covid-19 infection, as well as the activities to cover risks in terms of quality and food safety.

Based on the above, the Committee concludes that with regard to the 2020 financial year there are no structural problems or critical issues worthy of note.

The Control and Risks Committee met three times in 2020 to discuss and decide on the following topics:

- **20 April 2020**
  - Covid-19 emergency. Information and update on the impact on business risks and the related safeguards to be implemented.
- **19 June 2020**
  - Establishment of the Control and Risks Committee;
  - Approval of the Rules of the Control and Risks Committee.
- **13 November 2020**
  - Verification of internal controls.
  - Monitoring of the litigation situation.
  - Overview of risks and food controls with Simona Berardo.
  - Leasing of the Milk & Dairy business unit by Newlat Food S.p.A.

The meeting on 20 April 2020 was also attended by the Board of Statutory Auditors in the person of the Chairperson Deborah Sassorossi and the Statutory Auditor Giovanni Rayneri, as well as the Financial Reporting Officer Giuseppe Bodrero, and the then General Manager Edoardo Pozzoli.

The entire Board of Statutory Auditors, the Internal Audit Manager Stefano Ferro, the Quality Manager Simona Berardo, the Financial Reporting Officer Giuseppe Bodrero, the Prevention and Protection Service Manager Paolo Tarlini and the members of the Supervisory Body participated in the meeting of 13 November 2020.

The meetings lasted an average of 1 hour, and minutes were taken at all of them.

#### **Committee for transactions with related parties**

Article 11 of the Company's Corporate Governance Code addresses the issue of related party economic transactions and relationships. The Code recommends that in transactions with related parties the Directors who have even a potential or indirect interest in the transaction must promptly and exhaustively inform the Board of such interest and the circumstances thereof, leaving the board meeting at the time of the resolution.

With effect from 1 January 2011, the Company adopted the code of procedures for managing related party transactions pursuant to Consob Resolution no. 17221, as subsequently amended.

The procedure provides for the establishment of a Related Party Transactions Committee and is composed of three members, of which two are independent.

The transactions with related parties comply with criteria of material and procedural propriety.

For transactions with related parties the Directors who have even a potential or indirect interest in the transaction:

- a) Must promptly and fully inform the Council of the existence of the interest and the circumstances thereof.
- b) Must leave the board meeting at the time of the resolution.

Where the nature, value or other aspects of the transaction so require, in order to avoid that conditions other than those that would have been likely to have been negotiated between unrelated parties are agreed to for the transaction, the Board of Directors ensures that the transaction is concluded with the assistance of independent experts for the purpose of assessing the assets and their financial, legal and technical characteristics.

The Committee for Related Party Transactions consists of:

Valeria Bruni Giordani	Committee Chairperson
Anna Claudia Pellicelli	Committee Member
Stefano Cometto	Committee Member

The current Committee for Related Party Transactions was appointed by the Board of Directors on 4 May 2020.

Until that date, the composition was as follows:

Alberto Tazzetti	Committee Chairman
Lorenzo Marchionni	Committee Member
Piera Braja	Committee Member

The Committee met five times in 2020 to discuss and decide on the following topics:

- **31 March 2020**
  - End-of-service indemnity for the Chairman of the Board of Directors and the Chief Executive Officer Riccardo Pozzoli.
  - Remuneration of the general manager Edoardo Pozzoli.
- **05 June 2020**
  - Establishment of the Related Party Transactions Committee;
  - Approval of the Rules of the Related Party Transactions Committee.
- **25 November 2020**
  - Leasing of the Milk & Dairy business unit by the company Newlat Food S.p.A.
- **03 December 2020**
  - Assessment of the assignment to the independent expert regarding the lease of the Milk & Dairy business unit by Newlat Food S.p.A.
- **15 December 2020**
  - RPT Committee opinion on the Leasing of the Milk & Dairy business unit by Newlat Food S.p.A.

At the meetings of 5 June, 25 November, 3 December and 15 December 2020, the Chairperson of the Board of Statutory Auditors Deborah Sassorossi participated, as well as the Group Financial Director Fabio Fazzari.

The meeting of 15 December 2020 was also attended by the independent expert Ferdinando Fraschini and his colleague Giorgio Sbreviglieri, as well as the Statutory Auditor Giovanni Rayneri, replacing Stefano Cometto who was a related party in the transaction.

The meetings lasted an average of 1.5 hours, and minutes were taken at all of them.

The latest version of the procedure approved on 19 June 2020 is available on the company's website at:

<https://centralelatteitalia.com/wp-content/uploads/2021/01/Procedura-OPC-CLI.pdf>

## 7. ORGANISATIONAL MODEL AS PER ITALIAN LEGISLATIVE DECREE 231/2001

### Risk management and internal control systems

CLI believes that the adoption of an Organisation, Management and Control Model constitutes a further valid tool to raise awareness among Directors, employees and all other third parties who have relations with the company to maintain proper, transparent conduct that reflects the ethical and social values that inspire CLI in the pursuit of its corporate purpose, and in any case such as to prevent the risk of committing the crimes set forth in Italian Legislative Decree 231/2001 and subsequent amendments and additions

The adoption and dissemination of the model aims to create a full awareness in potential offenders that they are committing an offence, and constant observation and control of activities to allow CLI to prevent or react promptly in order to prevent the commission of offences.

The scope includes all the activities carried out by the Company, specialised in the production and sale of dairy products such as fresh milk, shelf-stable milk, yoghurt and probiotics, as well as fresh products such as eggs, fourth range salads, cheeses, fresh pasta, sauces, cereals, ready-to-cook vegetables and desserts.

The company constantly pursues the goal of expanding its sales network, increasing the range of products and improving plant technology.

On 2 April 2001, Centrale del Latte di Torino & C. Spa, now Centrale del Latte d'Italia S.p.A., was admitted to trading on the STAR segment of Borsa Italiana S.p.A. On 13 November 2003 Centrale del Latte di Torino & C. adopted a Code of Ethics, which was transposed by CLI, which expresses the commitments and ethical responsibilities that CLI intends to observe in the conduct of its business. The code is a charter of moral rights and duties that defines the ethical and social responsibility of each participant in the business organisation and that aims to prevent irresponsible or unlawful conduct by those who work in the name and on behalf of the company, because it introduces a clear and explicit definition of the ethical and social responsibilities of executives, managers, employees and also suppliers with respect to the various stakeholder groups.

Furthermore, the CLI Board of Directors adopted an Internal Dealing Code of Conduct aimed at regulating disclosure obligations in compliance with the provisions of articles 2.6.3, 2.6.4 and 2.6.4 bis of the "*Regulation of markets organised and managed by Borsa Italiana S.p.A.*" as approved by Consob Resolution no. 13655 of 9 July 2002, and established by articles 152 bis-octies of the Consob Issuers' Regulation concerning the transactions specified in article 2.6.4 of the Stock Exchange Regulation carried out on by Directors, statutory auditors, general managers of the Company, as well as by any other person who by virtue of their office has access to information on facts such as to determine significant changes in economic, financial and equity prospects, or if made public to significantly influence the price of listed financial instruments.

The CLI Board of Directors has approved the adoption of the Code of Ethics and the Organisation, Management and Control Model for the prevention of offences.

The Model was prepared based on the concrete reality of the Company, and may deviate from the guidelines issued by Confindustria and approved by the Ministry of Justice without affecting its validity.

By drawing up the model, the Company intends to:

- Specify the predicate offences of administrative liability.
- Identify areas at risk of committing the offences enumerated by Italian Legislative Decree 231/2001 and subsequent amendments and additions.
- Detail the procedures.
- Establish reporting obligations with respect to the Supervisory Body.
- Illustrate the disciplinary system to punish non-compliance with company procedures and regulations.

The Model consists of a set of documents that determine the responsibilities, activities and procedures related to the activities of the company that have been assessed as being at risk of crime under Italian Legislative Decree 231/2001 and subsequent amendments and additions

### Correlation between the Model and company documents

The Model is a structured and organic system of procedures and control activities that are able to prevent risks, detailed in manuals and codes of conduct adopted by the company. These documents are regularly supplemented and updated to keep them current with changing laws, provisions and conditions, and are an integral part of the Model, specifying the protocols that all parties who carry out their business in and/or for the company are required to respect and enforce in their various areas.

The manuals and codes of conduct include:

- The manual of accounting and administrative procedures (available from the Administrative Department).
- The manuals of the management systems of the different organisations and the procedures referred to therein, drawn up in accordance with voluntary technical standards for which the CLI's businesses can be certified (available from the respective Quality Assurance Offices).
- The internal dealing code of conduct (available on the Company's website at: [http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016\\_CLI.pdf](http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016_CLI.pdf)).
- the Corporate Governance Code (available on the Company's website at: <http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-Autodisciplina-2016.pdf>).
- The code of ethics (available on the website at: <http://centralelatteitalia.com/wp-content/uploads/2016/06/CLI-DI-01-Codice-etico-rev00-del-2016-12-13.pdf>).

The versions of the updated manuals and codes of conduct are promptly made available to all interested parties by saving them on the company's computer network.

The Model is based on a structured and organic control system that does its best to prevent serious offences under current law through:

- The identification of activities exposed to the risk of crime.
- The adoption of procedures aimed at creating a full awareness among all those who work in the name of and on behalf of CLI that they could commit a punishable offence. In any case, illegal activities are strongly condemned and contrary to the interests of the Company even when it might apparently directly or indirectly benefit from them.
- Constant monitoring of activities, to allow CLI to prevent or impede the commission of offences.

In addition to these principles, the Model is also based on:

- The identification of the company's sensitive activities, i.e. those where serious offences may be committed pursuant to Italian Legislative Decree 231/2001 and subsequent amendments and additions.
- The identification of procedures for managing financial resources able to prevent the commission of offences.
- The assignment of supervisory tasks regarding the effective and correct operation of the Model to the Company's Supervisory Board.
- The preparation, verification and archiving of the documentation of each operation that is relevant to the laws in question, as well as its traceability at all times.
- The obligation to inform the Supervisory Body about the commission of crimes, violations of the Model and other information relevant to the company organisation.
- Respect for the principle of separation of functions in areas considered to be most at risk.
- The definition of authorising powers consistent with the responsibilities assigned.
- The monitoring of company conduct as well as the Model with consequent periodic updating (controls after the fact, even on a sample basis).
- Awareness-raising and dissemination initiatives at all levels of the company (proportional to the level of responsibility) regarding the rules of conduct and of the procedures established.

Activities in which it can be abstractly assumed that serious offences may be committed in the interest or for the benefit of CLI, pursuant to Italian Legislative Decree 231/2001 include:

- Relations with the Public Administration (hereinafter PA), with other Public Institutions (hereinafter PI) and with private individuals.
- Relations with the Privacy Authority and corresponding communications.
- Accounting, economic and financial transactions and communications.
- Offences against industry and commerce.
- Computer crimes and unlawful data processing (including digital identity theft, improper use, falsification etc. of credit or payment cards).
- The selection of personnel and the establishment of the employment relationship.
- The identification and management of suppliers.

- Cash transactions
- Activities governed by current laws on the prevention of accidents at work and on the protection of hygiene and health at work.
- Offences concerning copyright infringement.
- Activities governed by current environmental protection laws.

The actions and transactions at risk related to these activities are referred to as "sensitive activities". The Company has appointed managers for the areas where sensitive activities are carried out. The activities, duties and hierarchical relationships of managers are detailed in the procedures and forms of the management systems that comply with the voluntary standards of reference, according to which the CLI businesses are certified or otherwise by Third Parties. Tasks and responsibilities are summarised in the respective job descriptions and organisational charts.

Activities carried out by the Supervisory Body in 2020 include monitoring:

- The status and updating of the SSL business plan.
- The status and updating of Covid anti-contagion measures.
- The status and updating of initiatives related to food safety and quality.
- Meeting with members of the Board of Statutory Auditors to exchange information.
- Compliance with the Model by those at risk of committing violations.
- Analysis of audit results and of information received from company managers in order to assess:
  - a) The proper implementation of the Model's provisions.
  - b) The need to update it due to changes in the company or the legislation.
  - c) The effectiveness of the crime prevention model.
- Preparation of reports on the activities carried out.

The Supervisory Board met with the Board of Statutory Auditors and members of the Board of Directors to discuss their respective activities and to exchange information.

2020 saw the modification of the entity with the powers and responsibilities of Employer as resolved by the Board of Directors.

The outcomes of the audits did not lead to any findings worthy of note, and therefore based on the checks performed during the period in the various companies, both by third parties and by the person in charge of audits, the SB has concluded that the organisational model of crime prevention integrated into the company management system is adequate to the current regulations and to the company's needs.

The Supervisory Body met five times in 2020.

The Supervisory Board pursuant to Italian Legislative Decree 231/2001 is currently composed of:

Massimo Carlomagno	SB Chairman
Ester Sammartino	SB Member

The current SB was appointed by the Board of Directors on 4 May 2020.

Until that date, the composition was as follows:

Luciano Roasio	SB Chairman
Antonella Forchino	SB Member
Laura Materassi	SB Member

The model was updated in 2018 and is available on the Company's website at:

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

## 8. HEAD OF INTERNAL AUDIT

To support the internal control and risk management system, on 19 June 2020 the Company appointed Stefano Ferro as Head of Internal Audit, to whom, among other things, the tasks referred to in art. 7, application criterion 7.C.5. of the Corporate Governance Code have been assigned.

Stefano Ferro is not responsible for any operational activities. He carries out support activities in the context of M&A operations and reports to the Board of Directors.

In 2020 the Internal Audit function carried out the following activities:

- Meeting with the heads of the main control functions (Supervisory Body and Board of Statutory Auditors) and management functions (Chief Executive Officer, Financial Reporting Officer, Prevention and Protection and Environmental Safety System Manager, Food Safety and Quality Manager, Plant Managers) to share the main risk management activities.
- Verification of the internal control system related to:
  - o Production process efficiency detection procedures.
  - o Existing procedures regarding occupational health and safety risks.
  - o Monitoring of protocols for the management of the spread of Covid-19 infections.
  - o Existing quality controls.
  - o Analysis of internal controls of financial data.

Furthermore, the Audit Plan for the year 2021 was prepared with regard to Compliance audits (with a focus on Italian Legislative Decree 231/2001), Financial audits and Operational audits on the business areas of greatest interest.

At the meeting of 2 March 2021, the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Body were informed of the outcome of the Internal Audit function's activities for H2 2020.

## 9. INDEPENDENT AUDITORS

At the date of this report, the independent auditing firm is DELOITTE & TOUCHE S.p.A., appointed by the Ordinary Shareholders' Meeting on 28 April 2015 for the years 2015-2023 based on a reasoned proposal of the Board of Statutory Auditors.

## 10. FINANCIAL REPORTING OFFICER

After consulting the Board of Statutory Auditors, the Board of Directors appointed the Financial Reporting Officer (Giuseppe Bodrero since 15 March 2019) having adequate knowledge of administrative, accounting and financial matters as a professional requirement.

The Financial Reporting Officer drafts administrative and accounting procedures for preparing the financial statements and any other financial communications. He/she is given adequate powers and means to carry out the tasks assigned to him/her.

In a special report attached to the financial statements, the Financial Reporting Officer certifies that the procedures are adequate and effectively applied and that the financial statements correspond to the results of the books and accounting records.

## 11. MAIN CHARACTERISTICS OF THE EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM CRITERIA WITH RESPECT TO THE FINANCIAL REPORTING PROCESS, INCLUDING CONSOLIDATED REPORTS

CLI's internal control system consists of a set of company rules and procedures that enable the company to achieve its objectives of reliability, accuracy, integrity and timeliness through a process designed to identify the main risks related to the preparation and dissemination of financial information.

The accounting information, including consolidated information, must provide users with a true and correct view of the company's operations, allow the issuance of the statements and declarations required by law on the correspondence with the accounting results, books and accounting records of the company's documents and communications disseminated to the market and relating to accounting information, including interim accounting information, as well as on the adequacy and effective application of the administrative and



accounting procedures during the period that the accounting documents refer to (financial statements, half-yearly report and quarterly reports) and on the preparation thereof in accordance with the applicable international accounting standards.

CLI has implemented and maintains a system of administrative and accounting procedures to ensure a reliable financial reporting process. This system includes both the procedures and guidelines with which the Company ensures an efficient system of data exchange with the parent company and coordinates them as needed, as well as the operational provisions put in place by the consolidated companies themselves.

The evaluation, monitoring and updating of the internal financial reporting control system consists of identifying and assessing the risk of significant errors – including due to fraud – in the elements of financial reporting, assessing whether existing controls are able to detect such errors and verifying the operation of the controls.

The controls in place to prevent significant errors in the preparation and publication of financial information can be summarised as follows:

- Controls on the assignment of responsibilities, powers and delegations, the separation of tasks and the assignment of privileges and rights of access to computer applications.
- Controls at the process level such as issuing authorisations, performing reconciliations and carrying out consistency checks.

The implementation of these controls is periodically checked by a representative of the Control and Risks Committee and by the Financial Reporting Officer.

## 12. APPOINTMENT OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three standing auditors and three alternate auditors who hold office for three years and are eligible for re-election. The minority selects a Standing Auditor and an Alternate. The Board of Statutory Auditors is appointed on the basis of slates submitted by shareholders in which the candidates are listed in sequential order, in accordance with the procedure set out in the following provisions, unless otherwise required by mandatory laws or regulations. The slates of auditors to be elected for both Statutory Auditors and Alternate Auditors where there are no fewer than three candidates must be drawn up taking into account the criterion that ensures gender balance, guaranteeing the least-represented gender a number of candidates at least equal to the percentage required by applicable laws and regulations on gender balance, which must be calculated on the basis of the criteria envisaged thereby. The slate consists of two sections: one for candidates for the office of standing auditor, the other for candidates for the office of alternate auditor. Slates can only be submitted by shareholders who, alone or together with others, hold a total of shares with voting rights representing at least 2.5% (two point five per cent) of the capital with voting rights at the ordinary meeting. This percentage was confirmed by Consob, which, with management decision no. 44 of 29 January 2021, specified the minimum percentage required to submit a slate of candidates to be 2.5% of the share capital.

A shareholder may not submit – even through an intermediary or trust company – more than one slate or vote for different slates. Each candidate may appear on only one slate under penalty of ineligibility. Candidates who already hold positions of Statutory Auditor in five other companies or entities whose securities are admitted to trading on a regulated market included in the list in articles 63 and 67 of Italian Legislative Decree 58/1998, or who do not meet the requirements of integrity, professionalism and independence established in the applicable legislation, may not be included on the slates. The slates submitted must be filed at the company's registered office by the twenty-fifth day preceding the date of the Shareholders' Meeting called to deliberate on the appointment of members of the Board of Statutory Auditors. The timing and manner of submission of slates shall be specified in the notice of convocation.

Together with each slate, the declarations with which the individual candidates accept the candidacy and declare under their own responsibility that there are no grounds for ineligibility and incompatibility and that they fulfil the legal and statutory requirements for their posts shall be filed by the deadline specified above. Any slate that fails to comply with the above provisions shall be deemed not to have been submitted. Statutory Auditors are appointed as follows:

1. From the slate that received the highest number of votes at the shareholders' meeting, two standing auditors and two alternates are taken in the order in which they are listed in the sections of the slate.
2. The remaining standing member and the other alternate are drawn from the second slate that received the highest number of votes in the meeting in the progressive order in which they are listed in the sections of the slate.

If the composition of the section with Standing Auditors or that of the Alternate Auditors does not allow for the gender balance to be respected, taking into account the order they are listed in the respective sections, the last elected candidates from the majority slate of

the most-represented gender shall be removed in the number necessary to ensure compliance with the requirement, and shall be replaced by the first unelected candidates of the least-represented gender from the same slate and section.

The Board of Statutory Auditors is chaired by the first candidate on the minority slate that earned the highest number of votes. If the requirements of regulations and the by-laws are not met, the Statutory Auditor must cease to hold office. If a Statutory Auditor must be replaced, the alternate member belonging to the same slate as the one who has ceased to hold office shall take over, ensuring compliance with the requirements of the law and the by-laws, taking specific account of the gender balance obligation.

The decisions of the Board of Statutory Auditors are taken by an absolute majority of those present at the meeting.

The previous resolutions on the election of Statutory Auditors do not apply in the meetings that must provide for the appointment of Statutory Auditors and/or alternates and of the Chairman pursuant to the law, necessary for the reconstitution of the Board of Statutory Auditors following replacement or revocation. In such cases, the Shareholders' Meeting decides by relative majority, subject to the reservation referred to in the second paragraph of this article. If a single slate is submitted, the entire Board of Statutory Auditors is appointed from that slate. If no slate is submitted, the Shareholders' Meeting decides by majority of voters, excluding from the calculation those who abstain.

The slates presented shall be made available to the public on the Company's website and in the other ways envisaged by law at least twenty-one days before the date of the Meeting called to deliberate on the appointment of the members of the board of statutory auditors.

Remuneration for Standing Auditors is established by the shareholders' meeting.

Meetings of the Board of Statutory Auditors may also be held by teleconference in compliance with the following conditions:

- a) Participants are allowed to view, receive or transmit all the necessary documentation.
- b) Participation in the discussion in real time is possible.

The meetings shall be held at the place where the Chairman or, in his/her absence, the oldest Statutory Auditor is present.

### **13. STATUTORY AUDITORS**

The composition of the Board of Statutory Auditors, the date of appointment and the expiry of the appointment are detailed in table 3). The board of statutory auditors expires with the approval of the 2020 financial statements. The board was appointed during the Shareholders' Meeting on 26 April 2018.

During the 2020 financial year, the Board of Statutory Auditors met 7 times. The Independent Auditor and the Financial Reporting Officer Giuseppe Bodrero also participated in the meetings of the Board of Statutory Auditors.

### **14. SHAREHOLDER RELATIONS**

The Company created an Investor Relations section on its website, which is easily identifiable and accessible under the heading Investor Relations and which contains information about the Company for shareholders.

The Company's Investor Relator is Mr. Giuseppe Bodrero.

### **15. SHAREHOLDERS' MEETINGS**

#### **Organisation of Shareholders' Meetings**

A shareholders' meeting is ordinary or extraordinary. The ordinary shareholders' meeting is convened by the Chairman, one of the Deputy Chairmen or one of the Managing Directors at least once a year, within 120 days of the end of the financial year to discuss the topics required by law.

If the legal conditions are met, the ordinary shareholders' meeting may be convened after more than 120 days but within 180 days of the end of the financial year. The extraordinary shareholders' meeting is convened to deal with matters envisaged by law or these by-laws.

The shareholders' meeting may be convened at the request of shareholders representing at least one-twentieth of the Company's capital, specifying the topics to be covered. Requests to convene and add items to the agenda are not permitted for items that, in accordance with the law, the shareholders' meeting resolves on based on a proposal from the Directors or on the basis of a project or report prepared thereby.

The meeting is convened at the registered office or elsewhere in Italy by means of a notice to be published under the terms and conditions established in current law regarding the matters to be discussed on the Company's website, in the Official Gazette of the Republic or in the newspaper *La Stampa* containing an indication of the day, time and place of the meeting and a list of matters to be discussed.

The notice of convocation may also indicate the dates of any further convocations.

The holders of voting rights who have obtained certification of their legitimacy from the authorised intermediary, communicated to the Company in accordance with applicable laws, may participate in the Shareholders' Meeting or be represented in the manner prescribed by law.

The right to participate in the Shareholders' Meeting and to delegate a proxy is governed by applicable law.

The proxy may be notified to the Company by certified email before the start of the shareholders' meeting at the address specified in the notice of convocation.

The constitution of the meeting and the validity of the resolutions are governed by law, except for the appointment of Directors, which falls under the provisions of article 11 of the By-laws, and for the appointment of the Board of Statutory Auditors, which falls under the provisions of article 20 of the By-laws.

For each shareholders' meeting the Company designates a party to which the shareholders may delegate a proxy with instructions on how to vote for all or some of the items on the agenda.

The shareholders' meeting may be held in several different places, contiguous or distant, connected both by audio and video, under the following conditions, which must be acknowledged in the minutes:

- The Chairman and the Secretary of the meeting, who draw up the minutes, are present in the same place.
- The chairman is able to ascertain the identity and standing of the persons attending, to direct the progress of the meeting and to establish and announce the results of the voting.
- The Secretary can correctly record the events of the shareholders' meeting.
- Those present may take part in the discussion and vote simultaneously on the items on the agenda and may view, receive or transmit documents.
- The notice of the meeting must indicate the places connected by audio/video link by the company where the participants can gather, the meeting being deemed to be held in the place where the chairman and secretary are located.
- An attendance sheet is completed in every place.

The shareholders' meeting is chaired by the Chairman of the Board of Directors, or in his/her absence or impediment by the oldest Deputy Chairman, or in the event of his/her absence or impediment by another person designated by the shareholders' meeting. The Chairman is assisted by a Secretary or a Notary.

The Chairman of the meeting, even with the aid of other designated persons:

- Ascertains the identity and standing of those present.
- Ascertains whether the shareholders' meeting is duly constituted and has a quorum to deliberate.
- Directs the conduct of the meeting.
- Establishes the procedures (however obvious) for voting and announces the results thereof.

Turin, 5 March 2021

Chairman of the Board of Directors  
Angelo Mastrolia

**TABLE 1**

**STRUCTURE OF THE BOARD OF DIRECTORS AND THE CONTROL COMMITTEE, WITH INDICATION OF THE HEAD OF THE INVESTOR RELATOR FUNCTION**

Position	Members	First year of office (1)	In office until	Slate (2)	Exec.	Non Executive	Indep. as per code	Indep. as per TUF	Presence (14)	Control and risks committee	Remuneration committee	Supervisory Board	Related party transactions committee	No. of other posts
Chairman	Angelo Mastrolia	2020	Approval of the 2022 financial statements	M	YES				9					11
Deputy Chairman	Giuseppe Mastrolia	2020	Approval of the 2022 financial statements	M	YES				9					3
Chief Executive Officer	Edoardo Pozzoli	2019	Approval of the 2022 financial statements	M	YES				9					-
Managing Director	Stefano Cometto	2020	Approval of the 2022 financial statements	M	YES				9				YES	4
Director	Benedetta Mastrolia	2020	Approval of the 2022 financial statements	M		YES			9		YES			2
Director	Valeria Bruni Giordani	2020	Approval of the 2022 financial statements	M		YES	YES	YES	9	YES	YES		YES	6
Director	Anna Claudia Pellicelli	2020	Approval of the 2022 financial statements	M		YES	YES	YES	4	YES	YES		YES	-

(1) Quotation year

(2) **M** Majority list **m** Minority list

(3) Participation in board meetings

Position	Component
Investor Relator	Giuseppe Bodrero

**DIRECTORS REMOVED DURING THE YEAR IN QUESTION**

Position	Members	First year of office (1)	In office until	Slate (2)	Exec.	Non Exec.	Indep. as per code	Indep. as per TUF	Presence (14)	Control and risks committee	Remuneration Committee	Supervisory Board	Related party transactions committee	No. of other posts
Chairman and Chief Executive Officer	Pozzoli Riccardo	2000	Approval of the 2019 financial statements	M	YES				5					
Deputy Chairman	Marchionni Lorenzo	2016	Approval of the 2019 financial statements	M	YES				5				YES	4
Director	Artom Adele	2000	Approval of the 2019 financial statements	M		YES			5					
Director	Braja Piera	2017	Approval of the 2019 financial statements	M		YES	YES	YES	4		YES		YES	9
Director	Forchino Antonella	2006	Approval of the 2019 financial statements	M					5	YES		YES		2
Director	Fornero Elsa	2014	Approval of the 2019 financial statements	M		YES	YES	YES	4					2
Director	Giallombardo Renato	2016	Approval of the 2019 financial statements	M		YES			2					
Chief Executive Officer of the Rapallo operations unit	Macchiavello Maurizio	2012	Approval of the 2019 financial statements	M	YES				5					
Director	Materassi Laura	2016	Approval of the 2019 financial statements	M		YES	YES	YES	5	YES		YES		
Director	Petretto Lorenzo	2016	Approval of the 2019 financial statements	M		YES			4					4
Director	Pozzoli Edoardo	2019	Approval of the 2019 financial statements	M	YES				5					1
Director	Roasio Luciano	2009	Approval of the 2019 financial statements	M		YES	YES	YES	5	YES	YES	YES		
Director	Tazzetti Alberto	2002	Approval of the 2019 financial statements	M		YES	YES	YES	5		YES		YES	
Director	Mansi Antonella	2020	Approval of the 2022 financial statements	M			YES	YES	3	YES	YES		YES	11

**Quorum required to present slates for the last appointment:**

shareholders who, alone or together with others, hold a total of shares with voting rights representing at least 2.5% (two point five per cent) of the capital with voting rights at the ordinary meeting.

**TABLE 2: OTHER OFFICES OF DIRECTORS**

Information as at 31 December 2020

No.	Position	Members	Other office held	In listed companies (including foreign)	In banks or insurance	In large companies
1	Chairman	Angelo Mastrolia	Chairman of the Board of Directors	Newlat Food S.p.A.	-	-
2	Deputy Chairman	Giuseppe Mastrolia	Director Executive Officer	Newlat Food S.p.A.	-	-
3	Executive director	Stefano Cometto	Director Executive Officer	Newlat Food S.p.A.	-	-
4	Non-Executive Director	Benedetta Mastrolia	Non-Executive Director	Newlat Food S.p.A.	-	-

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Position	Members	In office from	In office until	Slate (*)	Indep. as per code	Participation (14) (**)	No. of other posts
Chairman	Sassorossi Deborah	26.04.2018	Approval of the 2020 financial statements	M	YES	13	27
Standing Auditor	Fino Francesco	26.04.2018	Approval of the 2020 financial statements	M	YES	9	0
Standing Auditor	Rayneri Giovanni	26.04.2018	Approval of the 2020 financial statements	M	YES	14	31
Alternate Auditor	Rosotto Vittoria	26.04.2018	Approval of the 2020 financial statements	M	YES		
Alternate Auditor	Rayneri Michela	26.04.2018	Approval of the 2020 financial statements	M	YES		
Alternate Auditor	Richetti Franco	26.04.2018	Approval of the 2020 financial statements	M	YES		

(\*) **M** Majority slate **m** Minority slate

(\*\*) Participation in board meetings

**Quorum required to present slates for the last appointment:**

shareholders who, alone or together with others, hold a total of shares with voting rights representing at least 2.5% (two point five per cent) of the capital with voting rights at the ordinary meeting.

# **CENTRALE DEL LATTE D'ITALIA S.p.A.**

**Registered office in Turin, Via Filadelfia 220**

**Share capital €28,840,041.20 fully paid-in**

**Turin Company Register**

**Tax code and VAT no. 01934250018**

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Report of the Board of Statutory Auditors pursuant to art. 153 of  
Italian Legislative Decree 58/98 and art. 2429, paragraph 2 of the  
Italian Civil Code  
on the financial statements for the year ended 31/12/2020

Shareholders,

This report was prepared by the Board of Statutory Auditors appointed for the three-year period 2018-2020 by the Shareholders' Meeting held on 26 April 2018, composed of Deborah Sassorossi (Chairperson), Francesco Fino and Giovanni Rayneri (Standing Statutory Auditors), which will end its term of office with the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2020.

During the year ended 31 December 2020, the Board of Statutory Auditors carried out the supervisory activities required by law, referred to in this Report prepared pursuant to art. 153 of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law

on Finance or "TUF"), following the Principles of Conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts, as well as the guidance contained in the Corporate Governance Code of the Committee for the Corporate Governance of listed companies of Borsa Italiana S.p.a., also taking into account the instructions and recommendations provided by Consob on the subject of corporate controls and activities of the Board of Statutory Auditors (specifically, Communication no. DAC7RM 97001574 of 20 February 1997 and Communication no. DEM 1025564 of 6 April 2001, subsequently supplemented by Communication no. DEM/3021582 of 4 April 2003 and Communication no. DEM/6031329 of 7 April 2006) relating to corporate controls and the duties of the Board of Statutory Auditors, and Italian Legislative Decree no. 39 of 27 January 2010.

During the year, the Board of Statutory Auditors acquired information for the performance of its functions both through meetings with corporate departments and by virtue of what was reported during the meetings of the Board of Directors and the various board committees. During the Covid pandemic video conferences with the sending of documentation replaced meetings with physical presence.

During the year this Report refers to, the Board of Statutory Auditors met seven times physically and remotely to carry out its work.

In carrying out its institutional activities, the Board of Statutory Auditors states that it:

- Supervised compliance with the law and the By-laws and the Rules in force, as well as with the principles of proper administration.
- Participated in the Shareholders' Meeting and the meetings of the Board of Directors, acquiring knowledge of the activities carried out and the most



significant transactions executed by the company or by its subsidiaries in accordance with the provisions of the law and the By-laws. The Board of Statutory Auditors also notes that when invited and whenever possible one or more of its members participated in the meetings of the board committees established and operating under the direction of the Board of Directors.

- Acquired the information necessary to carry out its activities on compliance with the law and the By-laws, compliance with the principles of proper administration, as well as on the adequacy of the Company's organisational structure and of the internal and administrative-accounting control systems by collecting data, analysing and acquiring information from the managers of the main functions concerned, as well as from the independent auditors Deloitte & Touche S.p.A.
- Made use of all the internal and external information flows implemented by the Company, which are considered suitable to guarantee that the Board can verify the compliance of the organisational structure, internal procedures, corporate acts and resolutions of the corporate bodies with the law, the by-laws and the applicable rules.
- Verified that all resolutions were in accordance with the Company's interest and supported by appropriate documentation.
- Ascertained the operations of the control system and the adequacy of instructions given to subsidiaries (when they existed, before the merger), also pursuant to art. 114, paragraph 2 of Italian Legislative Decree no. 58/98.

- In its capacity as "Internal Control and Audit Committee" pursuant to art. 19 of Italian Legislative Decree no. 39/2010, supervised a) the financial reporting process, b) the effectiveness of internal control, internal audit and risk management systems, c) the statutory audit of annual and consolidated accounts and d) the independence of the entity in charge of the statutory audit, specifically with regard to the provision of services other than the audit.
- At its meetings received the results of the quarterly audits done by the company responsible for performing the statutory audit and received the information on the audit plan.
- Pursuant to art. 19, paragraph 3 of Italian Legislative Decree no. 39/2010, received the Report of the Independent Auditors on the financial statements, illustrating what emerged during the statutory audit and any "significant shortcomings" found in the internal control system with respect to the financial reporting process. The report of the Independent Auditors on the financial statements, issued pursuant to art. 14 of Italian Legislative Decree no. 39/2010 and 10 of EU Regulation no. 537/2014, does not contain any findings or information worthy of note, and certifies that the financial statements were prepared clearly and in compliance with the rules governing their preparation and provide a true and correct picture of the financial situation, economic result and cash flows of the Company Centrale del Latte d'Italia S.p.A. for the year ended 31 December 2020.
- The aforementioned report includes a new "KAM" (a key aspect, of particular significance addressed in the audit of the financial statements) additional to those already highlighted in the previous financial statements (i.e. the recoverability of

the intangible asset represented by the "Centro Latte Rapallo – Latte Tigullio" brand), such new "KAM" being an impairment test concerning the recoverability of the value of the CGU considered as such at a company level. This recoverable value is based on the value in use determined by discounting expected cash flows (DCF). The aforementioned report also certifies that the report on operations and the information presented in the corporate governance and ownership report are consistent with the financial statements and that there were no significant shortcomings in the internal control system with respect to the financial reporting process that need to be brought to the attention of the Internal Control and Audit Committee.

- Pursuant to art. 17, paragraph 9, letter a) of Italian Legislative Decree no. 39/2010, received from the Independent Auditors confirmation of its independence and the absence of any reasons for incompatibility pursuant to art. 10 and 17 of Italian Legislative Decree no. 39/2010, as well as the communication of non-statutory audit services provided to the Company by the statutory auditors or entities belonging to the network thereof.
- Pursuant to art. 17, paragraph 9, letter b) of Italian Legislative Decree 39/2010, discussed with the auditing firm the risks related to the independence thereof, as well as the measures adopted by such auditing firm to limit these risks.
- Received regular reports from the Supervisory Body required by the Management and Control Organisation Model ("MCOM") adopted by the Company pursuant to Italian Legislative Decree 231/2001.

- Monitored the concrete implementation of the corporate governance rules envisaged by the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., as adopted by the Company.
- Pursuant to art. 4, paragraph 6 of the Rules approved by Consob in its decision no. 17221 of 12 March 2010 and subsequent amendments, supervised compliance with the Related Parties Procedure, which the Company adopted with effect from 1 January 2011, as last amended by the resolution of the Board of Directors of 19 June 2020.
- Based on the statements made by the Directors and the assessments made by the Board of Directors, noted that the criteria and procedures used by the Board of Directors to assess the independence of its members were correctly applied.

During the supervisory activities of the Board of Statutory Auditors, carried out in the manner described above, no significant events emerged such as to require a report to the Supervisory Authority. Based on the information acquired, the Board considers that the principles of sound administration have been respected and that managerial choices are made according to the principle of correct information and reasoning, and that the Directors are aware of the riskiness and effects of the operations assumed and executed.

Based on the information acquired, the Board found compliance with the obligations regarding regulated information, inside information, or information requested by the Supervisory Authority, in this regard specifying that the Company's certifications and communications comply with the schemes and contents envisaged by Consob.

Taking into account the document "Annual transparency report" prepared by Deloitte & Touche S.p.A., published on its website in September 2020, as well as the formal

confirmation of its independence issued by the aforementioned company and the communication of the assignments conferred, having verified that no assignments have been made for services that may compromise the independence of the Auditor pursuant to art. 17 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors does not consider that there are critical aspects regarding the independence of the auditor Deloitte & Touche S.p.A.

\* \* \*

The Board of Statutory Auditors wishes to highlight some events relating to the year ended 31 December 2020 that were of particular relevance to the Company:

- As adequately reported in the report on operations, the main event of 2020 was the entry into the Newlat Food S.p.A. Group on 1 April, now the main shareholder of Centrale del Latte d'Italia S.p.A. Newlat Food made available its organisational experience and industrial know-how for the benefit of the company, accelerating the implementation of the activities defined in the business plan and multiplying opportunities at commercial, operational and management levels.
- The structure of the financial debt, restructured and made less burdensome than in the past, included the taking out of a medium-long term loan in July amounting to €31.5 million with MPS Capital Services and Deutsche Bank, used among other things to repay the bond loan in September 2020 ("2017-2024 minibond" originally worth €15 million).
- On 9 April 2020, the Board of Directors of Centrale del Latte d'Italia S.p.A. approved the proposed merger by incorporation, within the meaning of article

2501-ter of the Italian Civil Code, of the wholly-owned subsidiaries Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into Centrale del Latte d'Italia S.p.A. The Merger Project, prepared in accordance with art. 2501-quater of the Italian Civil Code, was filed by the merging companies and the Merger was approved by resolution of the BoDs of the merging companies in April 2020 (on 24 April 2020 for Centrale del Latte d'Italia), and on 20 July 2020 the deed of merger was signed, the last entries in the Company Register therefore showing the legal effectiveness thereof, but providing for tax and accounting effectiveness of the retroactive merger as at 1 January 2020. Note that the comments included in the report on operations were made in order to compare them with the consolidated data for 2019.

- In 2020 the Company received the second tranche of the subsidised loan amounting to €2,642,373.75 and recorded it in the Financial Statements.
- The Company stipulated centralised liquidity management contracts with the direct and indirect parent companies (Newlat Food SpA and Newlat Group SA) in order to optimise liquidity management available throughout the Group.
- Among the events after the reporting date, it was correctly noted that from 1 January 2021 a lease agreement was stipulated for the lease of a business unit between Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A. for all the dairy companies of the Newlat Food S.p.A. group involved in the processing of raw materials and the production of milk & dairy products (i.e. milk and milk-based products, as well as dairy products) for a total expected 2020 turnover and EBITDA that should exceed €100 million and €10million, respectively (thus bringing the total turnover of Centrale del Latte d'Italia close to €300

million). This operation will make possible further synergies that will generate profitability already in 2021, allowing the integration of the respective industrial plants and the generation of cost and supply synergies as well as the exchange of industrial know-how. The contract has a duration of two years, renewable for another year unless terminated at least six months before the end of the second year. The activities of the Business Unit under the Contract are carried out through the plants in Reggio Emilia, Salerno and Lodi, as well as with the warehouses in Reggio Emilia, Lodi, Rome Eboli, Pozzuoli and Lecce. The fee has a fixed component of €2 million per year and a variable of 1.5% based on the branch's quarterly turnover.

The operation constituted a "significant" transaction between related parties and followed a specific "procedure". Specifically, the operation was followed and examined in depth by the Related Party Transactions Committee which issued its positive opinion thereof following the opinion issued by an independent third party regarding the goodness of the methodology followed and the counts made to determine the rent.

- With regard to accounting standards that had a significant impact on the financial statements, we note the "impairment test" based on the "C.G.U." identifiable in the Company and refer to the explanation in the Financial Report.

\* \* \*

The Board also verified compliance with the rules of law and regulations relating to the preparation, layout and formats of the draft financial statements and related documents.

The Board of Statutory Auditors also more generally verified the compliance of the Report on Operations for the financial year 2020 relating to the financial statements of the Company with the laws and regulations in force and its consistency with the resolutions adopted by the Board of Directors. The financial statements are prepared in accordance with International Financial Reporting Standards and the relevant provisions of the Supervisory Authority.

Both the Notes to the Financial Statements and the Report on Operations accurately describe the main risks and uncertainties that the Company is exposed to, the information related to the environment and personnel and include the contents required by international accounting standards and national legislation necessary to understand the Company's situation and operating results, as well as the execution of any transactions with related parties.

The measurement criteria followed are set out in the Notes to the Financial Statements and comply with the international accounting standards adopted. Indeed, the Financial Reporting Officer and the Board of Directors took due account of the joint Bank of Italy/Consob/ ISVAP document no. 4 of 3 March 2010 with regard to "*the information provided in the financial reports (Annual and semi-annual financial statements) on impairment tests, on the contractual clauses of payables and on the 'Hierarchy of fair value'*".

The Financial Statements reflect the facts and information that came to the attention of the Board of Statutory Auditors in the exercise of its supervisory duties and its powers of control and inspection.



Based on the checks performed, first it is noted that the financial statements submitted for your attention correspond to the results of the company accounts, and with respect to form and content they have been drawn up clearly, in compliance with current laws.

The financial statements provide a truthful and correct representation of the Company's equity and financial situation and of the profit or loss for the year 2020, as they are the result of the application of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as from the provisions issued in implementation of art. 9 of Italian Legislative Decree no. 38/2005. The term "IFRS" also covers International Accounting Standards (IAS) that are in force today.

In the Explanatory Notes, the Board of Directors provided all the information required by law and deemed appropriate to allow for a fair and correct view of the Company's financial position. The Board of Directors has adequately represented the events that led to the financial changes during the year and how these have affected company's liquidity and solvency.

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 bulletin no. 1/21 issued by Consob dated 16 February 2021 regarding the information to be provided on the subject of Covid-19.

The structure and content of the Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes are adequate and therefore the Board of Statutory Auditors considers it unnecessary to group

items or add new ones or adapt to those envisaged in the "IFRS" and "IAS" with respect to the business carried out.

The Board of Statutory Auditors confirms that in preparing the financial statements, the Directors did not make any exceptions to provisions of law in accordance with art. 2423 of the Italian Civil Code, nor to the provisions of "IAS" no. 8 - "Changes in estimates and accounting errors".

\* \* \*

The Board of Statutory Auditors verified the effective and correct application of the corporate governance rules in implementation of the Corporate Governance Code. The revised version has been in force since 1 October 2016.

With regard to the supervision of how the rules of corporate governance were actually implemented, the Board of Statutory Auditors verified that the criteria and procedures used by the Board of Directors to positively assess the independence of the Directors were correctly applied, both with regard to the provisions of art. 148, third paragraph, of the "TUF" and with regard to what is contained in the Corporate Governance Code, emphasising the substance (guarantee of autonomy of judgement) rather than the form.

The Board of Statutory Auditors found that its members complied with the independence criteria established by the Corporate Governance Code. The members of the Board of Statutory Auditors also complied with the limit on the number of positions set by the Consob Issuers' Regulation. Pursuant to Italian Legislative Decree 39/2010, it has also been verified that the members of the Board of Statutory Auditors possess overall expertise in the sector that the Company operates in.

\* \* \*

The specific indications to be provided in this Report are listed below in the order set out in the aforementioned Consob Communication of 6 April 2001, as amended.

1) **Considerations on the most significant economic, financial and equity transactions carried out by the company and on their compliance with the law and with the by-laws**

Adequate information was acquired on the most significant economic, financial and equity transactions carried out by the Company Centrale del Latte d'Italia S.p.A. The main initiatives undertaken during the year are fully covered in the Report on Operations and in the Notes to the financial statements. We also refer to the section of this document that discusses the most important extraordinary management events. In general, the Board of Statutory Auditors certifies that based on the information acquired the operations carried out by the Company comply with the law and the By-laws, are not manifestly imprudent or risky, in conflict of interest, in contrast with the decisions taken by the Shareholders' Meeting, or in any case such as to compromise the integrity of the company's assets.

2) **Indication of the possible existence of atypical and/or unusual transactions, including those within the group or with related parties**

Based on the information available to the Board of Statutory Auditors, there have been no atypical or unusual transactions. It was found that there is adequate information on ordinary or extraordinary transactions carried out within the group or with related parties, as well as their main equity and economic effects,

made available by the Directors in the Report on Operations and in the Notes to the financial statements.

3) **Assessment of the adequacy of the information provided in the Directors' report on operations regarding atypical and/or unusual transactions, including those within the group and with related parties**

In the Report on Operations and in the specific Notes accompanying both the separate financial statements and the consolidated financial statements, the Directors have adequately reported and illustrated the main transactions within the group or with related parties, describing their characteristics.

4) **Comments on the findings and disclosures contained in the Independent Auditors' Report**

The Independent Auditor Deloitte & Touche S.p.A., which on 28 April 2015 was named independent auditor until the approval of the financial statements for 31/12/2023, expressed its willingness to reach a consensual termination of the mandate with effect from the meeting that will be called to approve the financial statements for the year ended 31/12/2020, as illustrated and justified by the Board in its Opinion delivered pursuant to art. 13 of Italian Legislative Decree 39/2010. The Independent Auditor issued its report on the financial statements pursuant to art. 14 and 16 of Italian Legislative Decree 39/2010 (as updated by Italian Legislative Decree 135/2016) containing no findings or disclosures worthy of note and certifies that the financial statements comply with the International Accounting Standards – IFRS – adopted by the European Union, as well as with the provisions issued in implementation of art. 9 of Italian

Legislative Decree no. 38/2005, that they were prepared with clarity and provide a true and correct picture of the financial situation, economic result and cash flows of Centrale del Latte d'Italia S.p.A. for the year ended 31 December 2020. The Audit Report expresses the opinion on the consistency of the Report on Operations with the Financial Statements and the information in the Report on Corporate Governance pursuant to art. 123-bis of Italian Legislative Decree 58/98. We acknowledge that the Independent Auditor also provided us with its "Additional Report" in our capacity as "Internal Control and Audit Committee".

Please refer to the first part of this document on the reports of the Independent Auditor.

5) **Indication of the possible submission of criminal complaints pursuant to art. 2408 of the Italian Civil Code, of any initiatives undertaken and their results; indication of any submission of petitions, of any initiatives undertaken and their results**

The Board of Statutory Auditors did not receive any criminal complaints pursuant to art. 2408 of the Italian Civil Code or complaints from third parties during the year.

In the course of its activities, the Board of Statutory Auditors, did not identify any transactions with third parties, intra-group and/or related parties that were atypical or unusual by content, nature, size or timing, nor did it identify any omissions, irregularities or objectionable or in any case significant facts such as to be reported to the supervisory authorities or mentioned in this Report.

6) **Indication of any additional assignments to the Independent Auditor and related costs**

In 2020 the Company Centrale del Latte d'Italia S.p.A. did not assign Deloitte & Touche S.p.A. any additional tasks for services other than the statutory audit.

7) **Indication of any assignments to parties related to the Independent Auditor and related costs**

In 2020 the Company Centrale del Latte d'Italia S.p.A. did not assign tasks to parties linked by ongoing relationships to the auditing firm Deloitte & Touche S.p.A.

No critical issues regarding the independence of the auditing firm emerged during the year, also taking into account the provisions of Italian Legislative Decree no. 39/2010.

8) **Indication of the existence of opinions issued pursuant to the law during the year**

During the year, the Board of Statutory Auditors issued the opinion required by art. 2389, paragraph 3 of the Italian Civil Code with respect to the remuneration of Directors with special responsibilities.

9) **Indication of the frequency and number of meetings of the Board of Directors, Board Committees and Board of Statutory Auditors**

The following meetings were held during the year: 14 meetings of the Board of Directors, 1 shareholders' meeting, 3 meetings of the Internal Control and Risk Management Committee, 2 meetings of the Directors' Remuneration Committee,

5 meetings of the Related Party Transactions Committee, 5 meetings of the Supervisory Body (one of which with the Board of Statutory Auditors). During the year the Board of Statutory Auditors met 7 times.

**10) Comments on compliance with the principles of good administration**

The Board of Statutory Auditors has no observations worthy of note to make on compliance with the principles of good administration, as they appear to have been constantly observed.

**11) Comments on the adequacy of the organisational structure**

With regard to the organisational and procedural activities carried out pursuant to and for the purposes of Italian Legislative Decree 231/2001 regarding the administrative liability of Entities for the offences enumerated in the law, both in the meetings with the Supervisory Body and in the periodic reports prepared by the aforementioned Body on its activities the Board of Statutory Auditors noted that no significant critical issues emerged. Its scope of application includes all the activities carried out by Centrale del Latte d'Italia S.p.A. as an interregional business.

The Board of Statutory Auditors was periodically informed about the Company's activities pertaining to the areas of health, safety, environment and quality, as well as training and updating with respect to pertinent laws issued from time to time and found that the Corporate Bodies and Management paid constant attention to these issues.

**12) Comments on the adequacy of the internal control system, especially on the activities carried out by those responsible for internal controls, highlighting any corrective actions taken and/or those still to be taken**

The internal control system appeared to be generally well suited to the Company's size and management characteristics.

The Board noted that with regard to the adequacy of internal controls several implementations have been made and others will have to be adopted, and that the activity aimed at improving the flow of information from the various production sites according to the procedures and directives given is still ongoing.

With regard to risk management, the Board of Statutory Auditors found that, in compliance with the guidelines, transactions are executed in order to minimise price risks and financial risks (exchange rate and interest rate) and for the sole purpose of hedging against such risks, without ever assuming speculative positions.

In light of the supervisory activity performed and taking into account the assessments of adequacy, effectiveness and effective operation of the internal control system formulated by the Internal Control and Risk Management Committee and the Board of Directors, to the extent of its responsibility the Board deems that overall this system is adequate.

**13) Comments on the adequacy of the administrative-accounting system and on its reliability in correctly representing operating events**



The Board of Statutory Auditors has no particular comments to make on the adequacy of the administrative-accounting system and its reliability in correctly representing operating events. With regard to the accounting information contained in the financial statements as at 31 December 2020, the CEO and the Financial Reporting Officer have certified such information pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999 as amended and supplemented.

More specifically, the Board was able to ascertain that, for the Company, the Financial Reporting Officer has carried out and completed the assessment of the adequacy and effective application of the administrative and accounting procedures referred to in art. 154-bis of the "TUF". This activity has allowed the issuance of certificates by the Financial Reporting Officer stating that the documents constituting the financial statements are able to provide a truthful and correct representation of the Company's balance sheet, income statement and financial position.

Based on the information acquired, the declarations, procedures and certifications issued by the Financial Reporting Officer are complete.

In light of the supervisory activity performed and taking into account the assessments of adequacy of the organisational, administrative and accounting structure of the Company, to the extent of its responsibility the Board deems that this system is basically adequate and reliable for the purpose of correctly representing the operational events.

The adequacy of the administrative-accounting system was also assessed by acquiring information from the managers of the respective functions and analysing the results of the work done by the Independent Auditor.

Moreover, the plan of actions aimed at improving the adequacy of the administrative-accounting system and in particular the flow of information from the various production sites to the head office is constantly evolving, streamlining procedures and information systems following the two mergers by incorporation that occurred during 2020 and the lease of the milk & dairy business unit from Newlat Food at the beginning of this year.

The Board of Statutory Auditors monitored compliance with the regulations relating to the preparation and publication of the Half-Yearly Financial Report and Interim Reports on Operations, as well as their layouts and the correct application of accounting standards, also using the information obtained from the Independent Auditor.

**14) Comments on the adequacy of instructions given by the Company to subsidiaries pursuant to art. 114, paragraph 2 of Italian Legislative Decree no. 58/1998**

Note that on this point there is nothing to report following the merger by incorporation of the two wholly owned subsidiaries, "Centrale del Latte di Vicenza S.p.A." and "Centrale del Latte della Toscana S.p.A.", with accounting and tax effects retroactive to 1 January 2020.

**15) Comments on any relevant aspects that emerged during the meetings held with the Auditors pursuant to art. 150, paragraph 2 of Legislative Decree no. 58/1998**

In the course of supervisory activities, as well as in the course of periodic exchanges of data and information with the Independent Auditor Deloitte & Touche S.p.A., the company appointed to perform statutory audits, pursuant also to art. 150, paragraph 3 of Italian Legislative Decree no. 58/1998, no objectionable omissions and/or facts and/or irregularities were identified, nor were there any material facts such as to require a report to the Supervisory Bodies or mention in this Report.

Please refer to the first part of this document on the reports of the independent auditor.

**16) Indication of the compliance of the Company with the Corporate Governance Code of the Corporate Governance Committee for listed companies**

The Board of Directors and, as far as directly applicable to it, the Board of Statutory Auditors of Centrale del Latte d'Italia S.p.A. have adopted corporate governance rules in compliance with the recommendations contained in the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. The Report on Corporate Governance and Ownership, also prepared pursuant to art. 123-bis of Italian Legislative Decree no. 58/1998, details the principles and application criteria adopted by the Company in order to explain which recommendations of the aforementioned Corporate Governance Code

have been adopted and in force for the year 2020, and how they have actually been applied, also recalling the information provided on remuneration in the Remuneration Report approved by the Board of Directors, in particular pursuant to art. 123-ter of Italian Legislative Decree no. 58/1998. For the areas within its purview, the Board of Statutory Auditors monitored the methods of actual implementation of corporate governance rules.

**17) Concluding assessments regarding the supervisory activities carried out as well as any omissions, objectionable facts or irregularities identified during such supervision**

During the 2020 financial year the Board of Statutory Auditors did not identify any omissions, objectionable facts or irregularities, also with respect to the provisions of the Consob Markets Regulations.

The Board also notes that there are no findings of note related to the analysis of the information flows regarding the activities carried out by the control bodies of the subsidiaries up to the merger.

**18) Indication of any proposals to be presented at the Shareholders' Meeting pursuant to art. 153, paragraph 2 of Italian Legislative Decree 58/1998**

Based on all the supervisory activities carried out during the year, the Board of Statutory Auditors has no proposals to make pursuant to art. 153, paragraph 2 of Italian Legislative Decree no. 58/1998 regarding Centrale del Latte d'Italia S.p.A.'s Financial Statements for the year ended 31 December 2020 and expresses its opinion in favour of their approval and has no objections to raise

regarding the proposal for a resolution presented by the Board of Directors on the allocation of the profit earned for the year.

\* \* \*

Finally, we remind you that our mandate expires with the approval of the Financial Statements for the year ended 31 December 2020. Therefore, in renewing our thanks for the trust you have placed in us, we invite you to appoint the Board of Statutory Auditors for the next three years.

Turin, 18 March 2021

**The Statutory Auditors**

**Ms. Deborah Sassorossi, Chairperson**

**Mr. Francesco Fino, Standing Auditor**

**Mr. Giovanni Rayneri, Standing Auditor**