



Centrale del Latte d'Italia

Interim Report on Operations as at 31 March 2021

Centrale del Latte d'Italia S.p.A. – Registered Office: Via Filadelfia 220 – 10137 Turin
Branch office: Via dell'Olmatello 20 – 50127 Florence
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Index

Page 2		Corporate offices and supervisory bodies
Page 3	1.	Introduction and significant events
Page 4	2.1	Accounting standards adopted
Page 5	2.2	Reclassified balance sheet
Page 6	2.3	Reclassified income statement and comprehensive income statement
Page 7	2.4	Consolidated statement of changes in shareholders' equity
Page 7	2.4	Consolidated statement of changes in shareholders' equity
Page 8	2.5	Cash flow statement of the first quarter
Page 9	2.6	Remarks on the results
Page 11	2.7	Financial position
Page 12	3.	Events after the reporting date
Page 12	4.	Business outlook

E. D.	N. E. D.	I. D.
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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. R. C.	R. C.	R. P. C.	I. D.
●		●	
	●		
●	●	●	●
●	●	●	●

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

BOARD OF DIRECTORS

INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS S.p.A. - Turin

BOARD OF STATUTORY AUDITORS

Deborah Sassorossi Chairperson
 Giovanni Rayneri Standing Auditor
 Ester Sammartino Standing Auditor

FINANCIAL REPORTING OFFICER

Fabio Fazzari CFO and *INVESTOR RELATOR*

1. INTRODUCTION AND SIGNIFICANT EVENTS

The interim management report as at 31 March 2021 was prepared in continuity with the past in light of Borsa Italiana's notice no. 7587 of 21 April 2016, which establishes, among the requirements for maintaining STAR status, the publication of interim management reports for the first and third quarters of each year.

In general terms, during the first quarter the emergency linked to the spread of the SARS-CoV-2 virus and the corresponding respiratory disease called COVID-19 (commonly known as the "Coronavirus") continued to have significant impacts both in Italy and in other countries of the world, with strong limitations for the population and direct impacts on the entire Ho.Re.Ca. segment due to the closures imposed by the government and the absence of tourist traffic.

During the quarter a massive vaccination campaign began both in Italy and in other countries which should allow better management of the epidemic, especially in the second half of the year.

Carefully monitoring the events, the Company's management has continued to implement the strategic actions necessary to best address the impacts of the pandemic spread of the virus and to ensure:

- **Full production capacity:** all the establishments of the Group Companies continue their activities, in full compliance with the health standards prescribed by the authorities.
- **Efficient management of sourcing and logistics:** in view of the primarily local (linked to geographical sales areas) structure for sourcing raw materials, and also considering current availability, we do not believe that the current COVID-19 emergency can have material impacts on the supply chain. Similarly, there are no problems in the logistics services used.
- **Efficient management of the different trends for distribution channels:** Revenues from sales related to the Ho.Re.Ca. segment, which were particularly impacted by the significant decrease in traffic of tourists and locals alike, were partially offset by the increase in turnover in the other channels, although Q1 2021 showed signs of normalisation with respect to mass distribution volumes and is difficult to compare with the exceptional demand of Q1 2020.

Overall, all the strategic actions allowed maintaining a **good level of turnover despite the particularly challenging comparative basis** of Q1 2020 (organic growth of +8.3%), which benefited from exceptional growth in the modern trade sector as a result of the unexpected closures of offices and foodservice businesses and a growing level of panic among the population.

The business unit lease contract became operational from 1 January 2021, an arrangement that leases the milk & dairy factories and brands of the parent company Newlat Food SpA in order to lay the foundation for a virtuous medium-long term integration process aimed at developing important industrial and commercial synergies.

Consequently, the data referring to Q1 2021 reflect this operation. No proforma comparative data were prepared.

2. PERIODIC SITUATION

2.1 Accounting standards adopted

Due to the mergers it is not possible to prepare consolidated financial statements. The financial situation as at 31 March 2021 referring to the company Centrale del Latte d'Italia, which incorporated the companies Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A., is compared to ensure greater comparability with economic data and with the consolidated cash flows as at 31 March 2020.

International Accounting Standards (IAS/IFRS) are applied in the periodic financial statements prepared as at 31 March 2021.

PricewaterhouseCoopers S.p.A. were retained as independent auditors for the period 2021-2029.

2.2 Reclassified balance sheet

(Euro)	31/03/2021	31/12/2020
Non-current assets		
Property, plant and equipment	118,965,079	119,747,897
Right-of-use assets	12,801,910	4,077,642
<i>of which from related parties</i>	<i>7,992,557</i>	
Intangible assets	19,609,858	19,634,199
Equity investments in associates	1,396,719	1,396,719
Non-current financial assets measured at fair value through profit or loss	703,262	703,762
Prepaid tax assets	1,519,312	1,519,312
Total non-current assets	154,996,140	147,079,533
Current assets		
Inventories	17,418,680	10,336,765
Trade receivables	37,990,519	22,926,224
<i>of which from related parties</i>	<i>3,552,301</i>	<i>2,710,754</i>
Current tax assets	1,172,502	1,160,350
Other receivables and current assets	11,875,559	5,540,958
<i>of which from related parties</i>	<i>5,700,208</i>	-
Cash and cash equivalents	45,305,763	46,821,800
<i>of which from related parties</i>	<i>14,198,839</i>	<i>13,031,281</i>
Total current assets	113,763,024	86,786,098
TOTAL ASSETS	268,759,164	233,865,631
Shareholders' equity		
Share capital	28,840,041	28,840,041
Reserves	31,816,373	28,113,442
Net profit/(loss)	1,758,115	4,132,036
Total net equity	62,414,529	61,085,519
Non-current liabilities		
Provisions for employee benefits	8,011,292	4,729,842
Provisions for risks and charges	1,111,551	126,172
Deferred tax liabilities	6,018,915	6,099,421
Non-current financial liabilities	71,209,411	69,150,140
Non-current lease liabilities	7,200,034	1,946,999
<i>of which from related parties</i>	<i>3,894,512</i>	
Total non-current liabilities	93,551,203	82,052,574
Current liabilities		
Trade payables	66,007,507	45,578,043
<i>of which from related parties</i>	<i>8,873,703</i>	<i>124,838</i>
Current financial liabilities	29,796,048	35,521,272
Current lease liabilities	6,770,735	2,084,298
<i>of which from related parties</i>	<i>4,098,397</i>	
Current tax liabilities	1,396,244	968,201
Other current liabilities	8,822,899	6,575,724
Total current liabilities	112,793,432	90,727,538
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	268,759,164	233,865,631

2.3 Reclassified income statement

INCOME STATEMENT OF THE FIRST QUARTER

<i>(Euro)</i>	31/03/2021	31/03/2020 consolidated
Revenue from contracts with customers	67,465,015	46,978,515
Cost of sales	(51,469,411)	(34,440,523)
<i>of which from related parties</i>	<i>8,751,033</i>	-
Gross operating profit/(loss)	15,995,604	12,537,992
Sales and distribution costs	(10,352,173)	(7,695,159)
Administrative costs	(2,979,241)	(3,307,330)
Net write-downs of financial assets	(129,328)	(167,923)
Other revenues and income	850,778	913,343
Other operating costs	(468,363)	(607,984)
Operating profit/(loss)	2,917,276	1,672,939
Financial income	1,497	49,541
Financial expenses	(443,511)	(582,400)
Profit/(loss) before taxes	2,475,263	1,140,080
Income taxes	(717,148)	(366,000)
Net Profit/(Loss)	1,758,115	774,080
Number of shares with rights	14,000,020	14,000,020
Basic and diluted net earnings/(losses) per share	0.126	0.055

COMPREHENSIVE INCOME STATEMENT OF THE FIRST QUARTER

<i>(Euro)</i>		
Net profit/(loss) (A)	1,758,115	774,080
Actuarial gains/(losses)	(197,893)	251,000
Total other components of comprehensive income that will not be subsequently reclassified to the income statement (B)	(197,893)	251,000
Total comprehensive net profit/(loss) (A)+(B)	1,560,223	1,025,080
Number of shares with rights	14,000,020	14,000,020
Basic and diluted net earnings/(losses) per share	0.111	0.073

2.4 Consolidated statement of changes in equity

<i>(In thousands of euros)</i>	Share capital	Reserves	Net profit/(loss)	Total net equity
As at 1 January 2020	28,840	34,741	(6,511)	57,070
Allocation of net profit/(loss) for the previous year	-	(6,511)	6,511	-
Net profit/(loss)	-		774	774
Actuarial gains/(losses) net of the related tax effect	-	251	-	251
Total comprehensive net profit/(loss) for the period	-	251	774	1,025
At 31 March 2020	28,840	28,481	774	58,095
Other changes	-	41	-	41
Total other changes	-	41	-	41
Net profit/(loss)	-		3,358	3,358
Actuarial gains/(losses) net of the related tax effect	-	(409)	-	(409)
Total comprehensive net profit/(loss) for the period	-	(409)	3,358	2,949
At 31 December 2020	28,840	28,113	4,132	61,085
Allocation of net profit/(loss) for the previous year	-	4,132	(4,132)	-
Net profit/(loss)	-		1,758	1,758
Other changes	-	(231)		(231)
Actuarial gains/(losses) net of the related tax effect	-	(198)	-	(198)
Total comprehensive net profit/(loss) for the period	-	(429)	1,758	1,329
At 31 March 2021	28,840	31,816	1,758	62,414

2.5 Cash flow statement of the first quarter

<i>(Euro)</i>		
Cash flow statement of the first quarter	2021	2020
CASH FLOWS GENERATED BY OPERATIONS		
Profit (loss) for the year before minority interest losses (A)	1,758,115	774,089
Amortisation of intangible assets	21,342	21,051
Depreciation of tangible assets	3,807,823	2,448,399
Severance indemnities accrued during the year net of amounts paid and the OCI effect		(332,739)
Provision for director end-of-service indemnities		199,414
Deferred tax liabilities	(80,506)	0
Allocation (use) of the provision for risks and charges		216
Total adjustments relating to items having no effect on liquidity (B)	3,748,659	2,336,342
Net trade receivables	(14,156,563)	(5,139,869)
Inventories	(7,081,915)	8,846
Other receivables	(3,165,542)	4,071
Suppliers	20,429,464	461,709
Miscellaneous payables	2,247,174	1,775,796
Tax liabilities	428,083	70,609
Total changes in current assets and liabilities (C)	(1,299,299)	(2,818,838)
Total cash flows generated by operations (A+B+C)	4,207,475	291,593
CASH FLOWS USED BY INVESTING ACTIVITIES		
Net acquisition of technical fixed assets	(1,211,000)	(718,832)
Financial (investments) disinvestments/write-downs		(500)
(Increases) decreases in intangible assets	(157,000)	3,751
Total flows used by investing activities	(1,368,000)	(715,581)
Total flows used by investing activities	(1,368,000)	(715,581)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Change in medium/long-term payables	5,876,248	4,045,805
Total flows generated by financing activities	5,876,248	4,045,805
Increase (decrease) in cash and bank accounts	8,715,723	3,621,816
CASH AND BANK ACCOUNTS AT THE BEGINNING OF THE PERIOD	36,125,432	10,858,343
CASH AND BANK ACCOUNTS AT THE END OF THE PERIOD	44,841,155	14,480,159

2.6 Remarks on the results

<i>(thousands of euros)</i>	31/03/2021		31/03/2020 consolidated		change	
Revenue from contracts with customers	67,465	100.0%	46,979	100.0%	20,487	43.6%
Cost of sales	51,469	76.3%	34,441	73.3%	17,029	49.4%
EBITDA	6,876	10.2%	4,400	9.4%	2,452	55.7%
EBIT	2,917	4.3%	1,673	3.6%	1,220	72.9%
Profit/(loss) before taxes	2,475	3.7%	1,140	2.4%	1,298	113.8%
Net profit/(loss)	1,758	2.6%	774	1.6%	984	127.1%

The turnover of Q1 2021 amounted to €67.5 million with a growth of +43.6% year on year, thanks in particular to the contribution of the Milk & Dairy business unit of Newlat Food. **In organic terms**, sales recorded a good result, with a **small reduction of -5.7% despite the difficult comparative basis (Q1 2020 +8.3% organic)**.

Organic performance was affected by a **normalisation of sales to mass distribution** in a context in which the **Ho.Re.Ca.** segment is **still heavily and negatively impacted by the pandemic (-28% in Q1 2021)**.

In this regard, note that an analysis of sales revenues by product found a decrease in bulk products (milk and cream), mainly related to the foodservice segment, which also explains a slight drop in turnover of non-dairy products.

<i>(thousands of euros)</i>	31/03/2021		31/03/2020 consolidated		change	
Fresh milk + ESL	23,463	34.8%	18,251	38.8%	5,212	28.6%
UHT milk	17,549	26.0%	13,028	27.7%	4,521	34.7%
Yoghurt	2,021	3.0%	2,073	4.4%	(52)	-2.5%
Dairy Products	7,130	10.6%	0	0.0%	7,130	100.0%
Fourth range products	1,577	2.3%	869	1.8%	708	81.5%
Bulk milk and cream	478	0.7%	1,152	2.5%	(674)	-58.5%
Other packaged products	9,834	14.6%	9,263	19.7%	571	6.2%
Non-dairy products	1,067	1.6%	1,166	2.5%	(99)	-8.5%
Export	4,347	6.4%	1,178	2.5%	3,169	269.0%
Total	67,465	100.0%	46,979	100.0%	20,487	43.6%

In Q1 2021 **the trend in raw materials remained generally favourable**. Therefore, thanks to a prudent procurement policy the Group managed to maintain excellent margins. Further synergies and economies of scale expected from the integration of Milk & Dairy businesses will lead to even greater improvements in terms of margins and organic growth.

Driven mainly by an **improvement in the primary gross margin**, which benefits from: (i) **The synergies developed by the integration into the Newlat Group** starting in Q2 2020; (ii) a favourable **product mix**; (iii) a **better procurement policy** compared to Q1 2020; **EBITDA stood at €6.88 million**, with a **margin of 10.2%**, up **80 bps** compared to the EBITDA margin reported in Q1 2020.

<i>(thousands of euros and as a percentage)</i>	First quarter as at 31 March	
	2021	2020
Operating profit/(loss) (EBIT)	2,917	1,673
Amortisation, depreciation and write-downs	3,829	2,559
Write-downs	129	168
EBITDA	6,876	4,400
Revenue from contracts with customers	67,465	46,979
EBITDA margin	10.2%	9.4%
Investments (B)	1,211	718
Cash conversion	82%	84%

EBIT amounted to **€2.92 million** with a **margin of 4.3%** compared to the EBIT margin of 3.6% reported in Q1 2020.

Net profit amounted to €1.76 million with a margin of 2.6% compared to 1.6% reported in the first quarter of 2020.

Geographical breakdown

The geographical breakdown of turnover as at 31 March 2021 is divided into 96% in Italy and 4% abroad.

2.7 Financial position

Thanks to the Group's ability to generate cash from operations, the **net financial position improved significantly by €2.1 million (without considering the effects of applying IFRS 16) from €57.85 million at the end of 2020 to €55.70 million at 31 March 2021.**

Following the application of IFRS16, and in particular considering the accounting effects related to the lease of the business unit stipulated with Newlat Food, the net financial position is equal to €69.67 million compared to €61.88 million as at 31 December 2020.

<i>(thousands of euros)</i>	31/03/2021	31/12/2020	Change
Cash and cash equivalents	31,127	33,791	(2,664)
Deposits with centralised cash systems	14,179	13,031	1,148
Total current financial assets	45,306	46,822	(1,516)
Payables to banks	(465)	(10,696)	10,232
Current portion of long-term loans	(22,700)	(18,803)	(3,897)
Current portion of Bond Loan	0	0	0
Current portion of payables to other lenders	(6,632)	(6,022)	(610)
Total current financial liabilities	(29,796)	(35,521)	5,725
Payables for long-term loans	(71,209)	(69,147)	(2,062)
M/L-term payables to other lenders	(0)	(3)	3
Payables for bond loan 2017-2024	0	0	0
Total non-current financial liabilities	(71,209)	(69,150)	(2,059)
Total financial liabilities	(101,005)	(104,671)	3,666
Net financial position before IFRS	(55,700)	(57,849)	2,150
Current portion of payables for leases and rights of use	(6,771)	(2,084)	(4,686)
Payables for leases and rights of use	(7,200)	(1,947)	(5,253)
Net financial position after IFRS	(69,670)	(61,881)	(7,790)

3. EVENTS AFTER THE REPORTING DATE

- On 29 April the shareholders' meeting of Centrale del Latte d'Italia appointed **Professor Anna Claudia Pellicelli as independent director** pursuant to article 2386 of the Italian Civil Code.
- On 29 April the shareholders' meeting of Centrale del Latte d'Italia enacted the early consensual termination of the contract with the auditing firm Deloitte & Touche S.p.A. and **appointed PWC Italia S.p.A. as new independent auditor of the company for the period 2021-2029.**
- On 4 May 2021 the Board of Directors of Centrale del Latte d'Italia took note of the resignation of the Financial Reporting Officer and Investor Relator Mr. Giuseppe Bodrero and appointed, subject to the favourable opinion of the Board of Statutory Auditors, Mr. **Fabio Fazzari** as the new **Financial Reporting Officer and Investor Relator.**

4. BUSINESS OUTLOOK

The Coronavirus continues to be a source of great uncertainty, although at the date of approval of this interim report the vaccination campaign is proceeding well and restrictive measures on commercial and hotel activities are being relaxed just as summer arrives, thus suggesting a potential resumption of tourism with a consequent positive reverberation on the hotel and foodservice sector.

In this context, the management of Centrale Latte d'Italia S.p.A. remains confident in the continuation of the growth plan thanks also to the future commercial synergies deriving from the aggregation of the milk & dairy businesses. Indeed, management is focused on two fundamental aspects: i) maintaining the good margins of 2020 that have so far continued in Q1 2021; ii) the ability to convert more than 80% of the EBITDA generated into cash, resulting in further progress in the process of reducing the company's financial debt.

These two objectives are crucial to allow Centrale del Latte d'Italia to take an active leading role in the consolidation of the Italian and European dairy sectors.

Turin, 14 May 2021

Chairman of the Board of Directors
Angelo MASTROLIA

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

Turin, 14 May 2021

Financial Reporting Officer
Fabio FAZZARI