Centrale del Latte d'Italia

HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2021

DIRECTORS' REPORT ON OPERATIONS
AT 30 JUNE 2021

Contents

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

Boards and officers

BOARD OF DIRECTORS

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

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A. - Turin

BOARD OF STATUTORY AUDITORS

Deborah Sassorossi Chairperson
Ester Sammartino Standing Auditor
Giovanni Rayneri Standing Auditor

FINANCIAL REPORTING OFFICER

Fabio Fazzari CFO and Investor Relator

General information

Centrale del Latte d'Italia S.p.A. (hereinafter also referred to as "CLI") is a company incorporated in Italy in the form of a public limited company operating under Italian law. The Company has its registered office at Via Filadelfia 220 in Turin.

The Company operates in the food sector with a large and structured product portfolio organised into the following business units: Milk Products, Dairy Products and Other Products.

67.74% of the Company's share capital is held directly by Newlat Food S.p.A. (hereinafter also referred to as "NLF"), while the remaining part (32.26%) is held by institutional investors.

This management report shows the financial information of the Company at 30 June 2021 compared to the financial statements at 30 June 2020 and the statement of financial position at 31 December 2020. In order to better compare the 2021 economic data, proforma economic data as at 30 June 2020 are also provided, including the balances relating to the milk & dairy division under the business unit lease agreement entered into on 21 December 2020 with Newlat Food S.p.A.

Alternative performance indicators

The following financial report presents and comments on some financial indicators and reclassified statements (relating to the statement of financial position and the statement of cash flows) not defined by IFRSs.

These amounts, defined below, are used to comment on the Company's business performance in compliance with the provisions of the Consob Communication of 28 July 2006 (DEM 6064293), as subsequently amended and supplemented (Consob Communication no. 0092543 of 3 December 2015 implementing the ESMA/2015/1415 guidelines).

The alternative performance indicators listed below should be used as an information supplement to IFRS requirements to help users of the financial report to better understand the Company's results, assets and liabilities and cash flows. This may differ from the methods used by other companies.

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

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

Net financial debt is given by the algebraic sum of:

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

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

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

Performance of H1 2021

Operations in the first half of 2021 show a positive pre-tax result of Euro 3,466 thousand and a total net result of Euro 6,841 thousand.
This result is clearly better than what was specified in the last approved Business Plan, and compared with the consolidated figure in the same period of the previous year.

Analysis of H1 performance cannot ignore how the post-pandemic period has impacted the lives of people around the world. Against this background, the Company has confirmed its ability to maintain its margins unchanged at the same scope of consolidation (EBITDA margin of 9.5% at 30 June 2021, 9.7% at 30 June 2020 considering the proforma balance sheet) despite a decrease in revenues of 8.3%.

The trend was clear from the first quarter given the synergies created by the entry of the Newlat Food Group, which had a significant impact in terms of economies of scale and supply chain while maintaining the levels of margins unchanged compared to the previous half year, thanks also to the lease agreement of the milk & dairy business unit between Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A.

With regard to corporate management, we saw a sharp decrease in some costs of supplying goods and services, first of all those relating to the cost of raw materials, after revision of the contracts. Personnel costs improved significantly as a result of some retirements, which were not followed by any new hires for the moment.

In short, the highlights of the half year can be summarised as follows:

1) "Milk & Dairy" business unit lease - On 21 December 2020 a lease agreement for the Milk & Dairy business unit was stipulated between CLI and the parent company Newlat Food SpA, the main characteristics of which are as follows:
   Start: 1 January 2021.
   Duration: two years with provision for automatic renewal for a further year in the absence of prior termination.
   Fee - fixed component: Euro 2.0 million (to be paid in quarterly instalments in advance).
   Fee - variable component: 1.5% of the quarterly turnover generated by the BU.
   Plants: The BU includes the production sites in Reggio Emilia, Salerno and Lodi and the related warehouses in Eboli, Pozzuoli, Rome and Lecce.
   Takeover: As a result of the contract, the Lessee takes over relations with customers and agents/brokers and ongoing contracts from the Lessor. Specifically, with regard to the lease agreements for the properties of Reggio Emilia and Eboli stipulated between the Lessor and the company New Property SpA, CLI takes over the lease agreements by charging NLF for the portions of the fees not pertaining to the BU. With regard to the takeover of credit and debit positions, all receivables and

payables accrued as at 31 December 2020 remain respectively in favour of and borne by NLF.

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

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

The main accounting effects deriving from the initial registration of the Milk & Dairy lease agreement were:

- Increase in the value of right-of-use assets and corresponding lease liabilities by approximately Euro 10.7 million.
- Purchase of inventories for a value of approximately Euro 6.5 million.
- Acquisition of net payables to employees for approximately Euro 4.6 million and related receivables due to NLF.
- Taking over relations with agents for approximately Euro 1.0 million and related receivables due to NLF.

2) The Business Plan aimed to overcome the difficulties of the previous years by improving profitability with the entry into force of the new price list for customers; rationalising many management costs. The current trend is quite positive compared to the plan, beating expectations thanks to the boost provided by the entry into the Newlat Food Group.

3) In a highly unstable context, and in general with a very weak internal market, we must note that the comparison with the same period of the previous half-year, maintaining the same scope, therefore considering the data of the Business Unit at 30 June 2020, shows a substantially linear trend in margins (EBITDA of Euro 13 million, or 9.5% compared with 14.4 at 30 June 2020, or 9.7%).
This result is more significant if one considers that it was achieved despite a decrease in turnover (-8.3% compared with 30 June 2020) caused by a decrease in demand connected with the reduction in the restriction measures (lockdown) following the first wave of the COVID-19 pandemic, due to a greater promotional boost, thanks above all to economies of scale in terms of supply of raw materials, services and personnel costs.

4) The shutdown of the Horeca sector became more evident with the passing of the tourism season, while the more traditional channel continues in a state of operational and economic weakness.

The first half of 2021 closed with a net profit after taxes equal to Euro 6.8 million, among other things positively influenced by the release of deferred taxes equal to Euro 5.1 million relating to the clearance of misalignments deriving from the merger operation, as envisaged by Italian Decree Law 104/2020 (so-called "August Decree").

Outlook

Considering the short period of time historically covered by the Company's order book and the difficulties and uncertainties of the current global economic situation, it is not easy to forecast trends for the second half of 2021, though they will likely be very positive. The company will continue to pay particular attention to cost controls and financial management in order to maximise the generation of free cash flow to be allocated both to organic growth externally and to the remuneration of Shareholders.

Going Concern

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

- The considerable level of cash reserves available at 30 June 2021.
- The Company's constant ability to generate cash from operations.
- The presence of authorised and unused credit lines.
- The presence of the Newlat Group as the majority shareholder and the continual support provided by major banks, partly because of its status as a market leader.

Given the global spread of COVID-19 in 2020 and 2021, the Company's economic and financial performance in the first half of 2021 was higher than the budget forecast and the business plan. It should also be noted that the cash and cash equivalents at 30 June 2021, amounting to Euro 71 million, the credit lines currently available and the cash flows that will be generated by operational management are considered more than sufficient to fulfil obligations and finance the Company's operations.

EVENTS AFTER THE END OF H1 2021

After 30 June 2021 there were no atypical or unusual transactions requiring changes to the interim separate financial statements at 30 June 2021.

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REPORT ON OPERATIONS

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

- Milk Products;
- Dairy Products;
- Other Products.

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

(In thousands of euros and as a percentage of revenue from contracts with customers)	Half-year ended 30 June				Proforma	
	2021	%	2020	%	2020	%
Revenue from contracts with customers	135,942	100.0%	93,037	100.0%	148,213	100.0%
Cost of sales	(105,119)	(77.3%)	(66,225)	(71.2%)	(108,930)	(73.5%)
Gross operating profit/(loss)	30,823	22.7%	26,812	28.8%	39,283	26.5%
Sales and distribution costs	(22,282)	(16.4%)	(16,016)	(17.2%)	(22,925)	(15.5%)
Administrative costs	(4,154)	(3.1%)	(6,467)	(7.0%)	(8,841)	(6.0%)
Net write-downs of financial assets	(676)	(0.5%)	(296)	(0.3%)	(296)	(0.2%)
Other revenues and income	2,409	1.8%	1,321	1.4%	1,321	0.9%
Other operating costs	(1,665)	(1.2%)	(1,111)	(1.2%)	(1,111)	(0.7%)
Operating profit/(loss) (EBIT)	4,455	3.3%	4,244	4.6%	7,432	5.0%
Financial income	92	0.1%	164	0.2%	164	0.1%
Financial expenses	(1,100)	(0.8%)	(897)	(1.0%)	(897)	(0.6%)
Result before tax	3,446	2.5%	3,511	3.8%	6,699	4.5%
Income taxes	3,394	2.5%	(1,128)	(1.2%)	(2,152)	(1.5%)
Net profit/(loss)	6,841	5.0%	2,383	2.6%	4,547	3.1%
EBITDA	12,969	9.5%	9,665	10.4%	14,444	9.7%

Operating income amounted to Euro 4.4 million, in line with the same period of 2020. Maintaining the same scope the gross operating result would have been EUR 3 million lower.

EBITDA, the details of which can be found in the following section of the sector report, is up (+34%). Considering the proforma data, EBITDA was slightly lower by about Euro 1.4 million (from Euro 14.4 million in H1 2020 to Euro 13.0 million in 2021), while the EBITDA margin was substantially in line with the same period of the previous year.

Revenue from contracts with customers

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

SEGMENT REPORTING

The following table provides a breakdown of revenue from contracts with customers by business unit as monitored by management. The comparison with the half-year as at 30 June 2020 is with the same scope.

(In thousands of euros)	Half-year ended 30 June	
	2021	2020 - Proforma
Milk Products	113,171	126,370
Dairy Products	15,669	14,127
Other products	7,102	7,716
Total revenue from contracts with customers	135,942	148,213

Revenues from the Milk Products segment were down because of lower sales volumes and lower average prices because of higher promotional pressure.
Revenues from the Dairy Products segment increased as a result of a rise in sales volumes.
Revenues from the Other products segment fell sharply during the periods under review as a result of lower sales volumes in the traditional food service sector, which was still heavily penalised by COVID-19.

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

(In thousands of euros)	Half-year ended 30 June	
	2021	2020 - Proforma
Mass Distribution	84,086	93,394
B2B partners	5,405	6,713
Normal trade	32,948	34,979
Private labels	7,328	6,277
Food services	6,175	6,849
Total revenue from contracts with customers	135,942	148,213

Revenues from the Mass Distribution channel decreased, mainly due to lower demand and lower average sales prices.
Revenues from the B2B partners channel decreased as a result of lower demand, also due to a management decision to withdraw from some low-margin contracts.
Revenues from the Normal trade channel were down as a result of lower demand due to COVID-19.
Revenues from the Private label channel were up because of higher sales volumes. in the Dairy sector.
Revenues from the Food services channel decreased because of lower "Other Products" sales volumes in the HoReCa sector, still heavily penalised by COVID-19.

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

(In thousands of euros)	Half-year ended 30 June	
	2021	2020 - Proforma
Italy	124,140	136,456
Germany	3,570	3,507
Other countries	8,232	8,250
Total revenue from contracts with customers	135,942	148,213

Revenues from *Italy* decreased as a result of the aforementioned promotional boost. Revenues from *Germany* were broadly in line with the same period of the previous year. Revenues from Other Countries were substantially in line with the same period of the previous year.

Operating costs

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

(In thousands of euros)	Half-year ended 30 June		Proforma
	2021	2020	2020
Cost of sales	105,119	66,225	108,930
Sales and distribution costs	22,282	16,016	22,925
Administrative costs	4,154	6,467	8,841
Total operating costs	131,555	88,707	140,696

Cost of sales represented 77% of turnover (73% at 30 June 2020 proforma). In absolute terms, the decrease in the cost of sales is directly linked to the lower sales volumes recorded in 2021. The increase in impact is mainly due to an increase in amortisation, depreciation and write-downs during the period.

Sales and distribution costs were in line both in absolute terms and as a share since they are closely tied to the food services market, which was more affected by the COVD-19 pandemic than any other channel. Administrative expenses were 3% lower than at 30 June 2020 in terms of impact due to the rationalisation of some functions and the exit due to retirement of some figures. EBITDA amounted to Euro 13 million (9.5% of sales) compared with Euro 14.4 million at 30 June 2020 (9.7% of sales), down by 10%.

The following table shows EBITDA by activity segment:

(In thousands of euros)	Half-year at 30 June 2021			
	Milk Products	Dairy Products	Other products	Interim Financial Statements
Revenue from contracts with customers (third parties)	113,172	15,669	7,101	135,942
EBITDA (*)	10,458	2,320	191	12,969
EBITDA margin	9.24%	14.81%	2.69%	9.5%
Amortisation, depreciation and write-downs	7,312	167	359	7,838
Net write-downs of financial assets			676	676
Operating profit/(loss)	3,146	2,153	(1,088)	4,455
Financial income	-	-	92	92
Financial expenses	-	-	(1,100)	(1,100)
Result before tax	3,146	2,153	(4,424)	3,447
Income taxes	-	-	3,394	3,394
Net profit/(loss)	3,146	2,153	(2,113)	6,841

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

(In thousands of euros)	Half-year at 30 June 2020			
	Milk Products	Dairy Products	Other products	Proforma Financial Statements
Revenue from contracts with customers (third parties)	126,371	14,126	7,716	148,213
EBITDA (*)	12,165	2,074	205	14,444
EBITDA margin	9.63%	14.68%	2.69%	9.7%
Amortisation, depreciation and write-downs	6,193	167	356	6,716
Net write-downs of financial assets			296	296
Operating profit/(loss)	5,972	1,907	(59)	7,432
Financial income			164	164
Financial expenses			(897)	(897)
Result before tax	5,972	1,907	(792)	6,699
Income taxes			(2,151)	(2,152)
Net profit/(loss)	5,972	1,907	(2,943)	4,547

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

EBIT amounted to Euro 4.4 million (3.3% of sales) compared with Euro 7.4 million at 30 June 2020 for the same scope (5% of sales), down by 40%.
The tax rate net of the income from the release of deferred taxes following the clearance of civil values deriving from the merger is 33%.
Net profit at 30 June 2021 was Euro 6.8 million, a net increase compared to 30 June 2020 (proforma net profit of Euro 4.5 thousand) due to the aforementioned effect of the release of deferred tax liabilities.

EBITDA

The table below provides a reconciliation of EBITDA, the EBITDA margin and cash conversion at 30 June 2021 and 2020 (also in the proforma version).

(In thousands of euros and as a percentage)	Half-year at 30 June		
	2021	2020	2020 - Proforma
Operating profit/(loss) (EBIT)	4,455	4,244	7,432
Amortisation, depreciation and write-downs	7,838	5,114	6,716
Net write-downs of financial assets	676	296	296
EBITDA (*) (A)	12,969	9,654	14,444
Revenue from contracts with customers	135,942	93,037	148,213
EBITDA margin (*)	9.5%	10.4%	9.7%
investments (B)	3,133	2,283	2,418
Cash conversion [(A) - (B)]/(A)	75.8%	76.4%	83.3%

(*) EBIT, EBITDA, EBITDA margin and cash conversion are alternative performance indicators not identified as an accounting measure under IFRS.

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

(In thousands of euros and as a percentage of revenue from contracts with customers)	Half-year ended 30 June			
	2021	%	2020 Proforma	%
Milk Products	10,458	9.2%	12,165	9.6%
Dairy Products	2,320	14.8%	2,074	14.7%
Other products	191	2.7%	205	2.7%
EBITDA	12,969	9.5%	14,444	9.7%

EBITDA from the Milk Products segment decreased mainly due to the drop in sales volumes.

EBITDA from the Dairy Products segment increased mainly due to the increase in sales volumes with higher margins, particularly mascarpone.

EBITDA from the Other products segment was in line with the 2020 half-year, with the same scope.

Net financial debt

The following table shows the breakdown of the net financial debt of the Company as at 30 June 2021 and 31 December 2020, determined in accordance with the Guidelines on disclosure obligations pursuant to Regulation EU 2017/1129 and in accordance with Recommendations ESMA32-382-1138, as per CONSOB notice no. 5/21 of 29 April 2021:

(In thousands of euros) Net financial debt	At 30 June 2021	At 31 December 2020
A. Cash	305	296
B. Other cash and cash equivalents	70,778	46,526
C. Securities held for trading	1	-
D. Cash and cash equivalents (A)+(B)+(C)	71,084	46,822
E. Current financial receivables		
F. Current bank payables	(31,992)	(10,696)
G. Current portion of non-current debt	(17,337)	(18,803)
H. Other current financial debt	(6,549)	(8,110)
I. Current financial debt (F)+(G)+(H)	(55,878)	(36,609)
J. Net current financial debt (I)+ (E)+ (D)	15,206	9,213
K. Non-current bank payables	(66,601)	(69,150)
L. Bonds issued		-
M. Other non-current financial payables	(5,640)	(1,947)
N. Non-current financial debt (K)+(L)+(M)	(72,241)	(71,097)
O. O. Net financial debt (J)+ (N)	(57,035)	(61,884)

The positive change in net financial debt at 30 June compared with 31 December 2020, totalling Euro 4,849 thousand, is mainly due to the Company's ability to generate cash from operations.

At 30 June 2021, without considering lease liabilities, net financial debt was as follows:

(In thousands of euros)	At 30 June 2021	At 31 December 2020
Net financial debt	(57,035)	(61,884)
Current lease liabilities	5,640	1,947
Non-current lease liabilities	6,549	2,084
Net financial debt	(44,846)	(57,853)

Changes in net financial debt as of 30 June 2021 are shown below:

Net financial debt at 31 December 2020 (millions of euros)	(62)
EBITDA	13
Net working capital	3.8
Interest and taxes	(2.0)
Investments	(9.6)
Other minor operating costs	(0.2)
Net financial debt at 30 June 2021 (millions of euros)	**(57)**

Net financial debt improved considerably due to the excellent half-year performance and the Company's ability to generate cash from operations. This improvement was even more marked – amounting to Euro 13 million – without considering the effects of IFRS 16, which in the period in question was strongly influenced by the accounting effects of the aforementioned BU.

INVESTMENTS

The following table provides a breakdown of the Company's investments in property, plant and equipment and intangible assets at 30 June 2021:

(In thousands of euros and as a percentage)	Half year ended 30 June 2021	%
Land and buildings	108	3.4%
Plant and machinery	572	18.3%
Industrial and commercial equipment	158	5.0%
Assets under construction and payments on account	2,295	73.3%
Investments in property, plant and equipment	3,113	100.0%

During the reporting period, the Company made investments totalling Euro 3,133 thousand.

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

Investments in property, plant and equipment relate mainly to purchases of plant and machinery, mostly in connection with projects for updating and renovating production and packaging lines, as well as the automated warehouse at the Turin site.

Investments in the Milk Products business unit mainly relate to the efficiency of production facilities at the Turin and Reggio Emilia plants.

OTHER INFORMATION

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

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

On top of this come the activities of the Financial Reporting Officer and their staff (so-called "second-level control") and those of the Manager of the Internal Audit function (so called "third-level control") who continuously monitors the efficiency and effectiveness of the internal audit and risk management system through risk assessment activities, the performance of audit operations and the subsequent management of follow up.

The results of the risk identification procedures are reported and discussed to and discussed by the Company's senior management so that they can be covered and insured and the residual risk can be evaluated.

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

STRATEGIC RISKS

Risks relating to the macroeconomic and sector situation.

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

Risks connected with the external growth strategy

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

OPERATING RISKS

Risks related to the high level of competitiveness of the sector

The food & beverage market in which the Company operates is characterised by a particularly significant level of competition, competitiveness and dynamism. This market is characterised in particular by (i) increasing competitiveness of companies that produce so-called private label products with prices lower than those charged by the Company; (ii) increasing prevalence of online sales (where the Company is starting to have a presence) resulting in a decrease in product prices, especially in the mass distribution channel, through which the Company generates a significant percentage of its revenues, namely 62.1% at 30 June 2021; (iii) frequent promotional campaigns over time and with significant discounts; (iv) consolidation of existing operators (through M&As), especially in the mass distribution channel. The Company pursues its aim of increasing its industrial efficiency and improving its production capacity while reducing overheads and being competitive in its reference markets. Moreover, thanks to the presence of some "unique" products, the Company is able to face any level of competition.

FINANCIAL RISKS

Management of financial risks

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

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

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

The ability to generate liquidity from core operations, together with the ability to borrow, allows the Company to adequately meet its operational, working capital financing and investment needs, as well as to comply with its financial obligations. The

Company's financial policy and the management of the related financial risks are centrally guided and monitored. In particular, the central finance function is responsible for assessing and approving forecast financial requirements, monitoring performance and taking corrective action where necessary.

Exchange risk

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

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

The Company does not adopt specific policies to hedge exchange rate fluctuations because management does not believe that this risk can significantly harm the Company's results, since the amount of inflows and outflows of foreign currency is not only insignificant, but also fairly similar in terms of volumes and timing.
A hypothetical positive or negative change of 100 bps in the exchange rates relating to the currencies in which the Company operates would not have a significant impact on the net result and shareholders' equity of the periods under review, insofar as foreign-currency exposure is less than 1% of turnover.

Interest rate risk

The Company uses external financial resources in the form of debt and uses the liquidity available in market instruments. Changes in interest rate levels affect the cost and return of the various forms of funding and use, thus affecting net financial expense. Exposure to interest rate risk is constantly monitored according to the trend of the Euribor curve, in order to assess possible interventions to contain the risk of a potential rise in market interest rates. At the reference dates, there were no hedges carried out by trading in derivatives.
With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the income statement for the period and separate shareholders' equity that would result from a hypothetical positive and negative change of 50 bps in interest rates compared with those actually recorded in each period. The analysis was carried out mainly with regard to the following items: (i) cash and cash equivalents and (ii) short- and medium-/long-term financial liabilities. With regard to cash and cash equivalents, reference was made to the average inventory and the average rate of return for the period, while for short- and medium-/long-term financial liabilities, the precise impact was calculated.

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

(In thousands of euros)	Impact on profit net tax		Impact on shareholders' equity net of tax	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Year ended 30 June 2021	(117)	117	(117)	117
Year ended 31 December 2020	(258)	258	(258)	258

Credit risk

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

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

The following table provides a breakdown of trade receivables at 30 June 2021 and 31 December 2020 grouped by maturity, net of the provision for bad debts:

(In thousands of euros)	Not overdue	1-90 days overdue	91-180 days overdue	More than 181 days overdue	Total
Gross trade receivables at 30 June 2021	23,251	5,807	2,290	3,619	34,967
Provision for bad debts	-	-	(520)	(2,377)	(2,897)
Net trade receivables at 30 June 2021	23,251	5,807	1,770	1,242	32,070
Gross trade receivables at 31 December 2020	14,589	6,897	1,482	2,265	25,232
Provision for bad debts		-	(42)	(2,265)	(2,306)
Net trade receivables at 31 December 2020	14,589	6,897	1,441	-	22,926

Liquidity risk

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

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

related to sales, drafting the budget at the beginning of the year and carefully monitoring requirements throughout the year.
Since they are also subject to seasonal phenomena, liquidity requirements linked to inventory dynamics are subject to analysis as well: planning purchases of raw materials for the inventory is managed in accordance with established practices, with the Chairman involved in decisions that could have an impact on the Company's financial equilibrium.
Based on established practices inspired by prudence and stakeholder protection, the Company's financing activity involves negotiating credit lines with the banking system and continually monitoring the Company's cash flows.
The table below provides a breakdown of the Company's financial requirements by contractual maturity:

(In thousands of euros)	Carrying amount at 30 June 2021	Within one year	Expiry Beyond one year	Beyond 5 years
Total financial liabilities	115,930	49,328	53,174	13,427

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to CONSOB Communication no. 6064293 of 28 July 2006, note that during the first half of 2021 no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets and safeguarding the minority shareholders. The accounting and financial effects of transactions occurring in H1 2021 were illustrated above.

Treasury shares and shares of parent companies

In compliance with the provisions of article 2428 of the Italian Civil Code, it is confirmed that as at 30 June 2021 the Company did not trade in any treasury shares or shares of parent companies and does not, at 30 June 2021, hold any treasury shares or shares of parent companies.

Share performance

In H1 2021 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 €3.60 per share compared to a low of €2.36. On the last trading day of the half year the company's stock closed at €3.51 per share, which is equivalent to a market capitalisation of Euro 49 million.

Branch offices

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

Transactions with related parties

The Company's transactions with related parties (hereinafter, "Related Party Transactions"), identified based on criteria defined by IAS 24 – Related Party Disclosures, are mainly of a commercial or financial nature and are carried out under normal market conditions. The explanatory notes to the separate interim financial statements report on the income statement items at 30 June 2021 and 30 June 2020 and the statement of financial position items at 31 December 2020 pertaining to related party transactions. This information has been extracted from the Separate Interim Financial Statements at 30 June 2021 and from calculations carried out by the Company based on the outcome of general and operational accounting work.

The Company did not carry out Related Party Transactions that were unusual in terms of characteristics, or significant in terms of amount, other than those of an ongoing nature or which have already been illustrated.

The lease of the business unit was subject to verification and approval by the Related Parties Committee as it was considered significant. No issues of note were found.

For information on the remuneration of members of corporate bodies and senior managers, see the explanatory notes to the interim financial statements as at 30 June 2021.

The Company deals with the following related companies:

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

Turin, 10 September 2021

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

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

Turin, 10 September 2021

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

Financial statements and explanatory notes

Statement of financial position as at 30 June

(in euro units)	At 30 June 2021	At 31 December 2020
Non-current assets		
Property, plant and equipment	118,856,433	119,747,897
Right-of-use assets	11,003,880	4,077,642
of which from related parties	*6,338,519*	
Intangible assets	19,588,840	19,634,199
Equity investments in associates	1,400,878	1,396,719
Non-current financial assets measured at fair value through profit or loss	703,174	703,762
Prepaid tax assets	579,081	1,519,312
Total non-current assets	152,132,286	147,079,533
Current assets		
Inventories	18,056,875	10,336,765
Trade receivables	32,069,870	22,926,224
of which from related parties	*4,460,757*	*2,710,754*
Current tax assets	129,899	129,899
Other receivables and current assets	13,145,594	6,571,409
of which from related parties	*5,584,912*	-
Current financial assets measured at fair value through profit or loss	1,068	-
Cash and cash equivalents	71,083,496	46,821,800
of which from related parties	*21,327,808*	*13,031,281*
Total current assets	134,486,801	86,786,097
TOTAL ASSETS	286,619,087	233,865,631
Shareholders' equity		
Share capital	28,840,041	28,840,041
Reserves	31,982,478	28,113,442
Net profit/(loss)	6,840,509	4,132,036
Total net equity	67,663,028	61,085,519
Non-current liabilities		
Provisions for employee benefits	7,512,284	4,729,842
Allowances for risks and charges	1,120,799	126,172
Deferred tax liabilities	631,773	6,099,421
Non-current financial liabilities	66,601,409	69,150,140
Non-current lease liabilities	5,639,914	1,946,999
of which from related parties	*3,201,297*	-
Total non-current liabilities	81,506,179	82,052,574
Current liabilities		
Trade payables	70,134,646	45,578,043
of which from related parties	*12,455,502*	*124,838*
Current financial liabilities	49,328,846	35,521,272
of which from related parties	*31,992,426*	-
Current lease liabilities	6,549,180	2,084,298
of which from related parties	*4,069,799*	-
Current tax liabilities	785,259	271,960
Other current liabilities	10,651,947	7,271,965
Total current liabilities	137,449,878	90,727,538
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	286,619,087	233,865,631

Income statement of the first half

(in euro units)	Half-year ended 30 June	
	2021	2020
Revenue from contracts with customers	135,941,584	93,036,707
of which from related parties	*1,186,996*	*417,000*
Cost of sales	(105,118,573)	(66,224,525)
of which from related parties	*13,040,167*	*(177,000)*
Gross operating profit/(loss)	30,823,010	26,812,182
Sales and distribution costs	(22,282,207)	(16,015,655)
Administrative costs	(4,153,790)	(6,466,802)
of which from related parties	*(22,000)*	-
Net write-downs of financial assets	(676,168)	(296,147)
Other revenues and income	2,409,116	1,320,990
Other operating costs	(1,665,387)	(1,110,535)
Operating profit/(loss)	4,454,573	4,244,034
Financial income	91,905	164,151
Financial expenses	(1,100,387)	(897,119)
of which from related parties	*(43,682)*	-
Result before tax	3,446,091	3,511,066
Income taxes	3,394,418	(1,127,947)
Net profit/(loss)	6,840,509	2,383,119
Basic net profit/(loss) per share	0.24	0.08
Diluted net profit/(loss) per share	0.24	0.08

Statement of other comprehensive income for the first half

(In thousands of euros)	Half-year ended 30 June	
	2021	2020
Net profit/(loss) (A)	6,840,509	2,383,119
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:		
Actuarial gains/(losses)	-	(70,000)
Tax effect on actuarial gains/(losses)	-	21,000
Total other components of comprehensive income that will not be subsequently reclassified to the income statement	-	(49,000)
Total other components of comprehensive income, net of tax effect (B)	-	(49,000)
Total comprehensive net profit/(loss) (A)+(B)	6,840,509	2,334,119

Statement of changes in shareholders' equity

(In thousands of euros)	Share capital	Reserves	Net profit/(loss)	Total shareholders' equity attributable to the Company
At 31 December 2019	28,840	34,741	(6,511)	57,070
Allocation of net profit/(loss) for the previous year	-	(6,511)	6,511	-
Net profit/(loss)	-	-	2,383	2,383
Actuarial gains/(losses) net of the related tax effect	-	(48)	-	(48)
Total comprehensive net profit/(loss) for the year	-	(6,559)	8,894	2,335
At 30 June 2020	28,840	28,182	2,383	59,405
Net profit/(loss)	-	-	1,749	1,749
Actuarial gains/(losses) net of the related tax effect	-	(110)	-	(110)
Other changes	-	42	-	42
Total comprehensive net profit/(loss) for the year	-	(68)	1,749	1,681
At 31 December 2020	28,840	28,114	4,132	61,086
Allocation of net profit/(loss) for the previous year	-	4,132	(4,132)	-
Net profit/(loss)	-	-	6,841	6,841
Actuarial gains/(losses) net of the related tax effect	-	-	-	-
Other changes	-	(263)	-	(263)
Total comprehensive net profit/(loss) for the year	-	(263)	6,841	6,578
At 30 June 2021	28,840	27,851	10,973	67,664

Cash flow statement for the first half

(in euro units)	At 30 June 2021	At 30 June 2020
Result before tax	3,446,091	3,511,066
- *Adjustments for:*		
Amortisation, depreciation and write-downs	8,513,969	5,410,147
Financial expense/(income)	1,008,482	732,968
of which from related parties	*(43,801)*	-
Cash flow generated /(absorbed) by operating activities before changes in net working capital	12,968,542	9,654,181
Change in inventory	(7,720,110)	(522,000)
Change in trade receivables	(9,819,814)	342,000
Change in trade payables	24,556,603	973,000
Change in other assets and liabilities	(3,194,200)	3,800,000
Use of provisions for risks and charges and for employee benefits	3,777,070	(843,000)
Taxes paid	(983,701)	(97,000)
Net cash flow generated /(absorbed) by operating activities	19,584,392	13,307,181
Investments in property, plant and equipment	(3,113,092)	(1,200,000)
Investments in intangible assets	(0)	-
Divestment of financial assets	(4,639)	
Net cash flow generated /(absorbed) by investment activities	(3,117,732)	(1,200,000)
New long-term financial debt	11,258,843	
Change in financial payables		(1,645,000)
Repayments of lease liabilities	(2,455,324)	(1,753,212)
of which from related parties	*(1,762,162)*	
Net interest expense	(1,008,482)	(732,968)
Net cash flow generated/(absorbed) by financing activities	7,795,036	(4,131,180)
Total changes in cash and cash equivalents	24,261,696	7,976,001
Cash and cash equivalents at start of year	46,821,800	18,951,000
of which from related parties	*13,031,281*	
Total changes in cash and cash equivalents	24,261,696	7,976,001
Cash and cash equivalents at end of year	71,083,496	26,927,000
of which from related parties	*21,327,808*	

Notes to the report

Introductory notes

The comparative data in the separate income statement for the first half of the year differ from the proforma data in the Directors' report on operations shown above, insofar as the latter include the results for the first half of 2020 relating to the Business Unit in order to improve comparability, while the financial statements include them only from 1 January 2021, i.e. from the effective date of the lease agreement.

Basis of preparation

The condensed half-year financial statements at 30 June 2021 were prepared in accordance with the international accounting principles (IAS/IFRS) adopted by the European Union for interim financial statements (IAS 34). The financial statements were prepared in accordance with IAS 1, while the notes were prepared in condensed form applying the option provided for in IAS 34 and therefore do not include all the information required for an annual report prepared in accordance with IFRSs. The interim financial statements at 30 June should therefore be read in conjunction with the annual financial statements for the year ended 31 December 2020.

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

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

Measurement criteria

The measurement criteria used for the preparation of the financial statements for the six months ending 30 June 2021 are the same as those used for the annual financial statements at 31 December 2020, except for the new accounting standards, amendments and interpretations applicable from 1 January 2021, which are described below and which it is noted did not have a material impact on the Company's current results, assets and liabilities and cash flows.

Accounting standards, amendments and interpretations effective from 1 January 2021 and adopted by the Company:

Amendments to IFRS 16 "Leases: COVID-19-Related Rent Concessions beyond 30 June 2021". On 31 March 2021 the IASB published a modification to this principle that extends for one year the May 2020 amendment that clarified the circumstance according to which as a practical expedient the lessee may assess that specific reductions in rents (as a direct consequence of COVID-19) may not be considered as changes to the plan, and therefore account for them accordingly. The new amendment applies from 1 April 2021. The amendment has not yet been approved by the EU. However, its application would not entail changes to the Company's economic and capital balances for 2021.

New accounting standards and amendments not yet applicable and not adopted in advance by the Company:

Amendments to IAS 1 – "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. On 23 January 2020 the IASB published this amendment in order to clarify the presentation of liabilities in companies' financial statements. Specifically:

- It clarifies that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period, and in particular on the right to defer payment for at least 12 months.
- It clarifies that the classification is not affected by expectations about the entity's decision to exercise its right to defer payment of a liability.
- It clarifies that the payment refers to the transfer to the counterparty of money, instruments representing capital or other assets or services.

The new amendment applies as of 1 January 2023 or later, and must be applied retroactively. The Company is currently evaluating the impact that the changes will have on the current situation.

Amendments to IFRS 3 - "Business combinations", IAS 16 – "Property, Plant and Equipment", IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets", Annual Improvements 2018-2020. On 14 May 2020 the IASB published a package of amendments clarifying and making minor changes to the following IFRS standards, while the Annual Improvements 2018-2020 Cycle concern IFRS 1, IFRS 9, and illustrative examples attached to IFRS 16.

The first three amendments are listed below:
Amendments to IFRS 3 – "Business combinations": updating references to the IAS Conceptual Framework (no change in the accounting treatment of business combinations).

Amendments to IAS 16 – "Property, Plant and Equipment: Proceeds before Intended Use". In May 2020 the IASB published this amendment which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products sold during the period in which this activity is carried out at the place or the conditions necessary for it to be able to operate in the manner in which it was designed by management. Instead, an entity recognises the revenue from the sale of those products and the costs of producing them in the income statement. The amendment will be effective for years starting on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the commencement date of the period prior to the period in which the entity first applies such amendment. No material impacts are expected for the Company with regard to these changes.

Amendments to IAS 37 – "Onerous Contracts – Costs of Fulfilling a Contract". In May 2020 the IASB published amendments to IAS 37 to specify which costs should be considered by an entity when assessing whether a contract is onerous or loss-making. The amendment provides for the application of an approach called "directly related cost approach". Costs that relate directly to a contract for the supply of goods or services include both incremental costs and costs directly attributed to the contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they can be explicitly charged to the counterparty based on the contract. The amendments will be effective for the years starting on or after 1 January 2022. The Company will apply these changes to contracts for which it has not yet fulfilled all its obligations at the beginning of the year in which it applies these changes for the first time.

Underlying the IASB Annual Improvements 2018-2020 Cycle:
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter". As part of the 2018-2020 process of annually improving the IFRS standards, the IASB published an amendment that allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts accounted for by the parent, considering the date of the parent's transition to IFRS. This amendment also applies to associates or joint ventures that choose to apply paragraph D16(a) of IFRS 1. The amendment will be effective for years starting on or after 1 January 2022, and early application is permitted.

Amendment to IFRS 9 "Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities". As part of the 2018-2020 process of annually improving the IFRS standards, the IASB published an amendment to IFRS 9 that clarifies the fees that an entity includes in determining whether the conditions of a new or modified financial liability are substantially different from the conditions of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or the lender on behalf of others. An entity applies this amendment to financial liabilities that are amended or exchanged after the date of the first financial year in which the entity applies the amendment for the first time. The amendment will be effective for years starting on or after 1 January 2022, and early application is permitted. The Company will apply such amendment to financial liabilities that are subsequently amended or exchanged or on the date of the first period in which the entity first applies such amendment. No material impacts are expected for the Company with regard to this change.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Disclosure of Accounting policies". On 12 February 2021 the IASB published an amendment to this standard in order to support companies in choosing which accounting standards to disclose in their financial statements. The amendment will be effective for years starting on 1 January 2023, and early application is permitted.

Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". On 12 February 2021 the IASB published an amendment to this standard in order to introduce a new definition of accounting estimate and to clarify the distinction between changes in accounting estimates, changes in accounting standards and errors. The amendment will be effective for years starting on 1 January 2023, and early application is permitted.

Amendments to IAS 12 - Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". On 7 May 2021 the IASB published an amendment to this standard, which requires companies to recognise deferred tax assets and liabilities on particular transactions that at the time of initial registration give rise to equivalent temporary differences (taxable and deductible), such as transactions relating to lease contracts. The amendment will be effective for years starting on 1 January 2023, and early application is permitted.

Notes to the half-year report at 30 June 2021

Criteria and methods

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

Sectoral information

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

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

For the purposes of IFRS 8, the Company's activity is identifiable in the following business segments: Milk Products, Dairy Products and Other Products. Note that these last three sectors have been in place since 1 January 2021, the effective date of the lease agreement for the Milk & Dairy business unit signed in December 2020 with the parent company Newlat Food, as discussed previously. The table below shows the main statement of financial position and income statement items examined by the chief operating decision maker in order to assess the Company's performance at and for the interim period ended 30 June 2021, and the reconciliation of these items with respect to the corresponding amount included in the Interim Report:

(In thousands of euros)	Half-year at 30 June 2021			
	Milk Products	Dairy Products	Other products	Total Financial Statements
Revenue from contracts with customers (third parties)	113,172	15,669	7,101	135,942
EBITDA (*)	10,458	2,320	191	12,969
EBITDA margin	9.24%	14.81%	2.69%	9.5%
Amortisation, depreciation and write-downs	7,312	167	359	7,838
Net write-downs of financial assets			676	676
Operating profit/(loss)	3,146	2,153	(1,088)	4,455
Financial income	-	-	92	92
Financial expenses	-	-	(1,100)	(1,100)
Result before tax	3,146	2,153	(4,424)	3,447
Income taxes	-	-	3,394	3,394
Net profit/(loss)	3,146	2,153	(2,113)	6,841
Total assets	214,470	360	71,789	286,619
Total liabilities	101,913	375	116,668	218,956
Investments	3,133			3,133
Employees (number)	541	65	15	621

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

The table below shows the main income statement items at 30 June 2020 and the main statement of financial position items at 31 December 2020 examined by the chief operating decision maker in order to assess the Company's performance, and the reconciliation of these items with respect to the corresponding amount included in the half-year financial report:

(In thousands of euros)	Half-year at 30 June 2020	
	Milk Products	Consolidated Financial Statements total
Revenue from contracts with customers (third parties)	93,037	93,037
EBITDA (*)	9,654	9,654
EBITDA margin	10.4%	10.4%
Amortisation, depreciation and write-downs	5,114	5,114
Net write-downs of financial assets	296	296
Operating profit/(loss)	4,244	4,244
Financial income	164	164
Financial expenses	(897)	(897)
Result before tax	3,511	3,511
Income taxes	(1,128)	(1,128)
Net profit/(loss)	2,383	2,383
Total assets	233,866	233,866
Total liabilities	172,780	172,780
Investments	2,283	2,283
Employees (number)	392	392

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

Non-current assets

(in euro units)	At 30 June 2021	At 31 December 2020
Non-current assets		
Property, plant and equipment	118,856,433	119,747,897
Right-of-use assets	11,003,880	4,077,642
Intangible assets	19,588,840	19,634,199
Equity investments in associates	1,400,878	1,396,719
Non-current financial assets measured at fair value through profit or loss	703,174	703,762
Prepaid tax assets	579,081	1,519,312
Total non-current assets	152,132,286	147,079,533

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

Fixed assets, plant and equipment

(In thousands of euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Assets under construction and payments on account	Total
Historical cost at 31 December 2020	78,708	115,167	18,396	358	12,862	225,490
Investments	108	572	158	-	2,295	3,133
Disposals	-	(101)	(15)	-	-	(116)
Historical cost at 30 June	78,816	115,638	18,540	358	15,157	228,509
Accumulated amortisation at 31 December 2020	(23,845)	(65,527)	(16,058)	(312)	-	(105,742)
Amortisation	(642)	(2,836)	(514)	(2)		(3,994)
Disposals		101	(15)			86
Accumulated amortisation at 30 June	(24,486)	(68,263)	(16,588)	(314)	-	(109,651)
Net carrying amount at 31 December 2020	54,864	49,639	2,338	46	12,862	119,748
Net carrying amount at 30 June 2021	54,329	47,375	1,952	44	15,157	118,857

The category “Tangible assets under construction and payments on account” shows work in progress in the factories of Turin and Reggio Emilia, while the items “Plant and machinery”, “Leasehold improvements” and “Industrial and commercial equipment” show investments made primarily in the milk products sector.

Right-of-use assets

The changes highlighted in the item right-of-use assets refer almost exclusively to the effects deriving from the signing of the lease agreement of the Milk & Dairy business unit with Newlat Food, discussed above, and summarised under the item "BU lease effect".

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

(In thousands of euros)	
Historical cost at 31 December 2020	6,573
Investments	4,139
Disposals	(28)
BU lease effect	10,793
Historical cost at 30 June 2021	21,477
Accumulated amortisation at 31 December 2020	(2,496)
Amortisation	(2,227)
Disposals	28
BU lease effect	(5,778)
Accumulated amortisation at 30 June 2021	(10,473)
Net carrying amount at 31 December 2020	4,077
Net carrying amount at 30 June 2021	11,004

Intangible assets

(In thousands of euros)	Goodwill	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other assets	Assets under development	Total
Historical cost at 31 December 2020	350	-	40,739	1,134	3	42,226
Disposals	-	-	-	(2)	(3)	(4)
Historical cost at 30 June 2021	350	-	40,739	1,132	0	42,221
Accumulated amortisation at 31 December 2021	-	-	21,607	984	-	22,591
Amortisation	-	-	-	42	-	42
Accumulated amortisation at 30 June 2021	-	-	21,607	1,026	-	22,633
Net carrying amount at 31 December 2020	350	-	19,132	150	3	19,635
Net carrying amount at 30 June 2021	350	-	19,132	107	0	19,589

Goodwill

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

Concessions, licences, trademarks and similar rights

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 30 June 2021:

(In thousands of euros)	**At 30 June 2021**	**At 31 December 2020**
Trademarks with an indefinite useful life	19,132	19,132
Total net book value	19,132	19,132

Trademarks with an indefinite useful life
This item refers to the following trademarks:

- "Latte Rapallo", "Latte Tigullio", "Centrale del Latte di Vicenza" and "Mukki" for a total of Euro 19,132 thousand. At the reporting date they were not subjected to impairment tests because there were no indicators of impairment. In fact, as already described above, the margin is higher than what was forecast in the Business Plan that the Impairment Test of 31 December 2020 was based on.

In 2021 the values of the brands with an indefinite useful life were released. This transaction involved the accounting of a substitute tax of Euro 549 thousand and the release of deferred taxes recorded in previous years for an amount of Euro 5,104 thousand.

Equity investments in associates
Investments in associated companies amount to Euro 1,401 million and refer to the company Mercafir for a total amount of Euro 1,397 thousand and Filat for a total amount of Euro 4 thousand.

Non-current financial assets measured at fair value through profit or loss
The balance mainly includes the interest in Futura S.r.l. for a total of approximately Euro 689 thousand (less than 5% stake).

Prepaid tax assets
At 30 June 2021, this item totalled Euro 579 thousand (Euro 1,519 thousand in December 2020). Prepaid taxes refer mainly to the appropriation of taxed provisions. Based on the approved multi-year business plans, management believes that these receivables can be recovered with future taxable income.

Current assets

(in euro units)	At 30 June 2021	At 31 December 2020
Current assets		
Inventories	18,056,875	10,336,765
Trade receivables	32,069,870	22,926,224
Current tax assets	129,899	129,899
Other receivables and current assets	13,145,594	6,571,409
Current financial assets measured at fair value through profit or loss	1,068	-
Cash and cash equivalents	71,083,496	46,821,800
Total current assets	134,486,801	86,786,097

Inventories

Closing inventories, net of the acquisition of the warehouse of the milk & dairy division equal to Euro 6,872 thousand, were up by Euro 849 thousand on 31 December 2020 because of an increase in warehouse stock to cover the higher sales expected in July and August.

(In thousands of euros)	At 30 June 2021	At 31 December 2020
Raw materials, supplies, consumables and spare parts	11,186	6,498
Finished products and goods	6,892	3,908
Advance payments	27	-
Total gross inventories	18,105	10,406
Inventory write-down reserve	(48)	(68)
Total inventories	18,057	10,337

The change in the provision for inventory write-downs is shown below:

(In thousands of euros)	Inventory write-down reserve
Balance at 31 December 2019	(69)
Provisions	(68)
Uses/Releases	21
Balance at 31 December 2020	(68)
Provisions	(4)
Uses/Releases	24
Balance at 30 June 2021	(48)

Trade receivables

Trade receivables at 30 June 2021, net of the acquisition of new customers linked to the milk & dairy segment, were broadly in line with previous figures. There are no significant changes in the receipt conditions. Total Receivables are shown net of the provision for write-downs estimated prudentially on the basis of information held in order to adjust their value to the presumed realisable value.

(In thousands of euros)	At 30 June 2021	At 31 December 2020
Trade receivables from customers	30,506	23,032
Trade receivables from related parties	4,461	2,200
Trade receivables (gross)	34,967	25,232
Provision for doubtful trade receivables	(2,897)	(2,306)
Total trade receivables	32,070	22,926

At each reporting date, customer receivables are analysed to check for the existence of impairment indicators. To perform this analysis, the Company assesses whether there are expected losses on trade receivables over the entire duration of these receivables and takes into account the expertise it has accrued regarding losses on receivables, grouped into similar categories, based on specific factors pertaining to the Company's receivables as well as on the general economic environment. Customer receivables are written down when there is no reasonable expectation that they will be recovered and the write-down takes place in the income statement under "amortisation, depreciation and write-downs".
The provision for doubtful receivables changed as follows during 2021 and the for the period reflects the exposure of the receivables – net of the provision for doubtful receivables – at their presumed realisable value.

(In thousands of euros)	Provision for doubtful trade receivables
Balance at 31 December 2019	(2,188)
Provisions	(772)
Uses	654
Balance at 31 December 2020	(2,306)
Provisions	(676)
Uses	85
Balance at 30 June 2021	(2,897)

Current tax assets
Current tax assets totalled Euro 130 thousand, unchanged versus 31 December 2020.
Current tax liabilities totalled Euro 785 thousand (Euro 272 thousand at 31 December 2020). The change compared with 31 December 2020 is due to the recognition of the substitute tax on the release of intangible assets mentioned above, as well as to the calculation of the tax for the period.

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

(In thousands of euros)	At 30 June 2021	At 31 December 2020
Tax assets	4,398	4,211
Receivables from social security institutions	5	699
Accrued income and prepaid expenses	696	613
Advance payments	1,940	428
Other receivables	6,107	620
Total other receivables and current assets	13,146	6,571

The increase mainly refers to receivables deriving from the lease agreement for the milk & dairy business unit to the parent company Newlat Food S.p.A. as a result of the greater liabilities acquired (employees, severance indemnities and agents) acquired with the stipulation of the contract.

Cash and cash equivalents

“Cash and cash equivalents” consist of sight current accounts with banks. For details of the net financial debt, please see the report on operations in this document.
At 30 June 2021, cash and cash equivalents were not subject to restrictions or constraints. Part of the aforementioned cash and cash equivalents of Euro 21,318 thousand is attributable to cash pooled with the direct subsidiary Newlat Food.
Please see the statement of cash flows for changes in the "Cash and cash equivalents" item during the year under review.

Shareholders’ equity

Share capital

As at 30 June 2021 the Company's fully subscribed and paid-up share capital totalled Euro 28,840,041.20, divided into 14,000,020 ordinary shares with no nominal value.
As reported in the statement of changes in shareholders' equity, the changes as at 30 June 2021 related to:

- The recognition of the total net profit for the period, in the amount of Euro 6,841 thousand.
- Other minor changes in the amount of Euro (263) thousand.

Note that following the release of the higher book values of intangible assets previously commented on, in line with the requests of the August Decree, a portion of the shareholders' equity reserves equal to the value of the alignment was classified as non-distributable.

Non-current liabilities

(in euro units)	At 30 June 2021	At 31 December 2020
Non-current liabilities		
Provisions for employee benefits	7,512,284	4,729,842
Allowances for risks and charges	1,120,799	126,172
Deferred tax liabilities	631,773	6,099,421
Non-current financial liabilities	66,601,409	69,150,140
Non-current lease liabilities	5,639,914	1,946,999
Total non-current liabilities	81,506,179	82,052,574

Provisions for employee benefits

At 30 June 2021 this item totalled Euro 7,512 thousand, up from Euro 4,730 thousand at 31 December 2020 mainly because of the liability acquired under the lease agreement of the milk & dairy business unit.

(In thousands of euros)	Provisions for employee benefits
Balance at 31 December 2019	2,035
Financial expenses	19
Actuarial losses/(gains)	158
Benefits paid	(961)
Change to the consolidation scope	3,479
Balance at 31 December 2020	4,730
Benefits paid	(511)
Milk & Dairy Division	3,293
Balance at 30 June 2021	7,512

Allowances for risks and charges

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

(In thousands of euros)	Provision for agents' indemnities	Other provisions for risks and charges	Total provisions for risks and charges
Balance at 31 December 2019	57	-	57
Provisions	1	60	61
Uses	-	-	-
Releases	-	-	-
Change to the consolidation scope		8	8
Balance at 31 December 2020	58	68	126
Provisions	43	-	43
Uses	(28)	-	(28)
Releases	-	-	-
Milk & Dairy Division	971	9	980
Balance at 30 June 2021	1,044	77	1,121

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

Deferred tax liabilities

The decrease of Euro 5,467 thousand is mainly due to the release of deferred taxes following the clearance of values allocated to trademarks.

Non-current and current financial liabilities

The table shows a breakdown of "Current and non-current liabilities" as at 30 June 2021:

(In thousands of euros)	At 30 June		At 31 December	
	Current portion	Non-current portion	Current portion	Non-current portion
Payables to Newlat Food S.p.A. for cash pooling	2,168	-	-	-
Payables to Newlat Group SA for cash pooling	29,824			
Total financial debt to direct and indirect parent company	31,992	-	-	-
BANCA CARIGE	128	-	255	0
UNICREDIT FILIERA	1,966	2,314	2,772	2,891
ICREA BANCA D'ALBA	400	700	400	1,000
MEDIOCREDITO	441	918	436	1,140
CREDEM	126	-	378	0
UBI BANCA	-	-	191	0
INTESA SANPAOLO	-	-	481	0
BANCA POPOLARE DI SONDRIO (SWITZERLAND)	250	359	690	485
UNICREDIT CDP	380	3,699	378	3,886
UNICREDIT FILIERA	465	4,047	464	4,280
BANCO BPM	2,750	6,159	2,456	7,661
INVITALIA LOAN ACCOUNT	351	3,301	246	3,359
CARIPARMA	506	64	504	317
CREDITO COOP CENTROVENETO	507	-	1,139	42
BANCA CAMBIANO 1884	1,003	1,273	997	1,777
MPS CAPITAL SERVICES BANCA PER LE IMPRESE	1,457	13,052	1,429	13,787
CHIANTI BANCA	400	818	397	1,019
BPER BANCA		5,000	0	0
BANCA PASSADORE	667	677	662	1,011
BANCO DESIO	495	1,098	491	1,347
MONTE DEI PASCHI DI SIENA	4,044	23,121	4,040	25,145
Other lines of credit	1,000	-	10,690	-
payables to other lenders	-	-	6,029	3
Total financial debt to banks and other lenders	17,337	66,601	35,521	69,150
Total financial liabilities	49,329	66,601	35,521	69,150

The verification of compliance with covenants is performed on the annual data as at 31 December. The Company maintains that it is likely that these covenants will be complied with during the current year.

Current and non-current lease liabilities.

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

The change compared with 31 December 2020 was due mainly to the accounting effects of the lease agreement for the Milk & Dairy business unit, stipulated with the parent company Newlat Food in December 2020 and effective from 1 January 2021.

Liabilities were recognised in compliance with the new IFRS 16 that came into effect on 1 January 2019 and determined as the present value of future lease payments discounted at a marginal rate of interest which, based on the length of each individual agreement, was identified in a range between 1% and 3%.

There are no payables due beyond five years.

Current liabilities

(in euro units)	At 30 June 2021	At 31 December 2020
Current liabilities		
Trade payables	70,134,646	45,578,043
Current financial liabilities	49,328,846	35,521,272
Current lease liabilities	6,549,180	2,084,298
Current tax liabilities	785,259	271,960
Other current liabilities	10,651,947	7,271,965
Total current liabilities	137,449,878	90,727,538

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

(In thousands of euros)	At 30 June 2021	At 31 December 2020
Trade payables to suppliers	57,680	45,453
Trade payables to related parties	12,455	125
Total trade payables	70,135	45,578

There are no particular changes in payment times to suppliers.

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

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

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

(In thousands of euros)	At 30 June 2021	At 31 December 2020
Payables to employees	5,489	3,070
Payables to social security institutions	1,989	1,298
Tax liabilities	1,173	697
Accrued expenses and deferred income	1,882	2,019
Miscellaneous payables	119	188
Total other current liabilities	10,652	7,272

The change compared with 31 December 2020 was due mainly to the balances transferred from the milk & dairy business unit.

Income statement

In consideration of the lease of the Milk & Dairy business unit by the parent company Newlat Food S.p.A. on 1 January 2021, please see the report on operations for a more extensive analysis of the Company's economic situation.

Earnings per share

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

(in euro units)	Half-year ended 30 June	
	2021	2020
Profit for the year attributable to the Company in thousands of euros	6,840,509	2,383,119
Weighted average number of shares in circulation	28,840,041	28,840,041
Earnings per share (in Euro)	0.24	0.08

Related party transactions

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

The Company deals with the following related parties:
- Newlat Food S.p.A. and Newlat Group SA, respectively direct and indirect parent company.
- Companies controlled by the direct parent or indirect parent companies other than its own subsidiaries and associates ("Companies controlled by the parent companies").

The following table provides a detailed breakdown of the statement of financial position items relating to the Company's transactions with related parties at 30 June 2021 and 31 December 2020.

(In thousands of euros)	Direct parent company Newlat Food	Indirect parent company Newlat Group	Companies controlled by the parent companies New Property	Total	Total statement of financial position items	% of statement of financial position item
Right-of-use assets						
At 30 June 2021	5,007	-	1,332	6,339	11,004	57.6%
At 31 December 2020	-	-	-	-	4,078	0.0%
Trade receivables						
At 30 June 2021	4,461	-	-	4,461	32,070	13.9%
At 31 December 2020	2,711	-	-	2,711	22,926	11.8%
Other receivables and current assets						
At 30 June 2021	-	5,585	-	5,585	13,146	42.5%
Cash and cash equivalents						
At 30 June 2021	21,328	-	-	21,328	71,083	30.0%
At 31 December 2020	-	13,031	-	13,031	46,822	27.8%
Non-current lease liabilities						
At 30 June 2021	2,529	-	672	3,201	5,640	56.8%
At 31 December 2020	-	-	-	-	1,947	0.0%
Trade payables						
At 30 June 2021	12,445	11	-	12,456	70,135	17.8%
At 31 December 2020	-	-	-	-	45,578	0.0%
Current financial liabilities						
At 30 June 2021	2,168	29,824	-	31,992	49,329	64.9%
At 31 December 2020	-	-	-	-	35,521	0.0%
Current lease liabilities						
At 30 June 2021	3,353	-	717	4,070	6,549	62.1%
At 31 December 2020	-	-	-	-	2,084	0.0%

The table below provides a breakdown of the income statement items relating to the Company's transactions with related parties for the interim periods ended 30 June 2021 and 2020.

(In thousands of euros)	Direct parent company Newlat Food	Indirect parent company Newlat Group	Companies controlled by the parent companies New Property	Other companies controlled by the parent companies	Total	Total statement of financial position items	% of statement of financial position item
Revenue from contracts with customers							
At 30 June 2021	1,187	-	-	-	1,187	135,942	0.9%
At 30 June 2020	417	-	-	-	417	93,037	0.4%
Cost of sales							
At 30 June 2021	12,533	-	370	137	13,040	105,119	12.4%
At 30 June 2020	177	-	-	-	177	66,225	0.3%
Administrative costs							
At 30 June 2021	-	22	-	-	22	4,154	0.5%
At 30 June 2020	-	-	-	-	-	6,467	0.0%
Financial expenses							
At 30 June 2021	26	-	18	-	44	1,100	4.0%
At 30 June 2020	-	-	-	-	-	897	0.0%

Disputes, contingent liabilities and contingent assets

The Company is a party to some disputes concerning relatively small amounts. However, it is considered that the resolution of such disputes is unlikely to generate significant liabilities for the Company for which specific risk provisions are not already allocated. Furthermore, there are no substantial changes to the situations regarding disputes or contingent liabilities from 31 December 2020.

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

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

- The financial statements are adequate, in relation to the characteristics of the company, and
- The effective application of the administrative and accounting procedures for preparing the condensed half-year financial statements during the first half of 2021.

The assessment of the adequacy of the administrative and accounting procedures for drawing up the condensed half-year financial statements at 30 June 2021 is based on a process defined by Centrale del Latte d'Italia S.p.A. in compliance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a generally internationally accepted framework of reference.

We also certify that:

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

Turin, 10 September 2021

Angelo Mastrolia	Fabio Fazzari
Chairman of the BoD	Financial Reporting Officer

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REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Centrale del Latte d'Italia SpA

Foreword

We have reviewed the accompanying condensed interim financial statements of Centrale del Latte d'Italia SpA as of 30 June 2021, comprising the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity, the cashflow statement and related notes. The directors of Centrale del Latte d'Italia SpA are responsible for the preparation of the condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of the Centrale del Latte d'Italia SpA as of 30 June 2021 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other Matters

The financial statements as of and for the year ended 31 December 2020 and the consolidated condensed interim financial statements for the period ended 30 June 2020 were audited and reviewed, respectively, by other auditors, who on 18 March 2021 expressed an unqualified opinion on the financial statements, and on 7 September 2020 expressed an unmodified conclusion on the consolidated condensed interim financial statements.

Turin, 10 September 2021

PricewaterhouseCoopers SpA

Monica Maggio
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers