Centrale del Latte d'Italia

INTERIM REPORT

AT 30 SEPTEMBER 2021

DIRECTORS' REPORT ON OPERATING PERFORMANCE

AT 30 SEPTEMBER 2021

Contents

This report is available online at:
https://centralelatteitalia.com/

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 September 2021 compared to the financial statements at 30 September 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 September 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 as at 30 September 2021

Operations as at 30 September 2021 show a positive pre-tax result of Euro 6,523 thousand and a total net result of Euro 8,873 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.

The analysis of the 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 9.6% at 30 September 2021, 9.8% at 30 September 2020 considering the proforma balance sheet) despite a decrease in revenues of 3.4%.

This is an extraordinary result considering that as at 30 June 2021 the decrease in revenues amounted to 8.3%, mainly as a result of a third quarter performance higher than the same period of the previous year and compared with market performance.

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 same period of the previous 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 third quarter can be summarised as follows:

1) "Milk & Dairy" business unit lease - On 21 December 2021 a lease agreement for the Milk & Dairy business unit was stipulated between CLI and the parent company Newlat Food S.p.A., the main characteristics of which are as follows:
   Start: 1 January 2021.
   Duration: two years with provision for automatic renewal for a further year in the absence of prior termination.
   Fee - fixed component: Euro 2.0 million (to be paid in quarterly instalments in advance).
   Fee - variable component: 1.5% of the quarterly turnover generated by the BU.
   Plants: The BU includes the production sites in Reggio Emilia, Salerno and Lodi and the related warehouses in Eboli, Pozzuoli, Rome and Lecce.
   Takeover: As a result of the contract, the Lessee takes over relations with customers and agents/brokers and ongoing contracts from the Lessor. Specifically, with regard

to the lease agreements for the properties of Reggio Emilia and Eboli stipulated between the Lessor and the company New Property S.p.A., 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 9.4 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 performance of the third quarter (+4.9% compared to 30 September 2020 with the same scope of consolidation) is an exceptional result, and the continuous maintenance of high levels of EBITDA (equal to Euro 20 million or 9.6%, compared with Euro 21 million or 9.8% at 30 September 2020) demonstrates the ability of the company and the Group to generate economies of scale in terms of supply of raw materials, services and personnel costs and cash flows from operations.

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, even if, starting from the third quarter, there are signs of recovery that give good hope for the end of the year.

The interim report closed with a net profit after taxes equal to Euro 8.9 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 backlog and the difficulties and uncertainties of the current global economic situation, it is not easy to forecast the results for the end of the year, which however seems very positive considering above all the excellent performance of the third quarter and a recovery of the HoReCa sector linked to the normal trade and food services sector.
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 September 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 as at 30 September 2021 was higher than the budget forecast and the business plan. It should also be noted that the cash and cash equivalents at 30 September 2021, amounting to Euro 61 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 30 SEPTEMBER 2021

After 30 September 2021 there were no atypical or unusual transactions requiring changes to the interim report on operations.

MANAGEMENT REPORT

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

- Milk Products
- Dairy Products
- Other Products

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

(In thousands of euros and as a percentage of revenue from contracts with customers)	At 30 September				Proforma	
	2021	%	2020	%	2020	%
Revenue from contracts with customers	207,560	100.0%	135,334	100.0%	214,879	100.0%
Cost of sales	(160,199)	(77.2%)	(96,524)	(71.3%)	(157,118)	(73.1%)
Gross operating profit/(loss)	47,361	22.8%	38,810	28.7%	57,762	26.9%
Sales and distribution costs	(33,414)	(16.1%)	(24,364)	(18.0%)	(34,727)	(16.2%)
Administrative costs	(6,133)	(3.0%)	(8,401)	(6.2%)	(11,962)	(5.6%)
Net write-downs of financial assets	(742)	(0.4%)	(443)	(0.3%)	(443)	(0.2%)
Other revenues and income	3,212	1.5%	1,816	1.3%	1,816	0.8%
Other operating costs	(2,265)	(1.1%)	(1,483)	(1.1%)	(1,483)	(0.7%)
Operating profit/(loss) (EBIT)	8,019	3.9%	5,935	4.4%	10,962	5.1%
Financial income	103	-	244	0.2%	244	0.1%
Financial expenses	(1,599)	(0.8%)	(1,521)	(1.1%)	(1,521)	(0.7%)
Result before tax	6,523	3.1%	4,658	3.4%	9,685	4.5%
Income taxes	2,350	1.1%	(1,421)	(1.0%)	(3,196)	(1.5%)
Net profit/(loss)	8,873	4.3%	3,237	2.4%	6,489	3.0%
EBITDA	19,862	9.6%	13,599	10.0%	20,960	9.8%

Operating income amounted to Euro 8 million, an increase compared 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 (+46%). Considering the proforma data, EBITDA was slightly lower by about Euro 1 million (from Euro 21 million at 30 September 2020 to Euro 20.0 million in 2021 with the same scope of consolidation, with a recovery compared to the data in the half-yearly report at 30 June 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 table below provides a breakdown of revenue from contracts with customers by business unit as monitored by management. The comparison with 30 September 2020 is with the same scope.

(In thousands of euros)	At 30 September	
	2021	2020 - Proforma
Milk Products	172,285	183,863
Dairy Products	24,624	20,334
Other products	10,652	10,682
Total revenue from contracts with customers	207,560	214,879

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 decreased compared with the same period of the previous year, but generally resumed with the recovery of the HoReCa and food services sectors.

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

(In thousands of euros)	At 30 September	
	2021	2020 - Proforma
Mass Distribution	130,816	137,693
B2B partners	8,108	8,550
Normal trade	48,902	48,949
Private labels	10,473	9,416
Food services	9,261	10,274
Total revenue from contracts with customers	207,560	214,880

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 substantially in line with the same period of the previous year as a result of an increase in demand linked to the traditional channel, recovering compared to the first half of 2020.

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, but still showing signs of recovery compared to the figures recorded at 30 June 2021.

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

(In thousands of euros)	At 30 September 2021	At 30 September 2020 - Proforma
Italy	187,187	197,817
Germany	6,505	5,009
Other countries	13,868	12,054
Total revenue from contracts with customers	207,560	214,880

Revenues from *Italy* decreased as a result of the aforementioned promotional boost.
Revenues from *Germany* were up compared to the same period of the previous year.
Revenues from Other Countries grew compared 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)	At 30 September 2021	At 30 September 2020	At 30 September 2020 - Proforma
Cost of sales	(160,199)	(96,524)	157,118
Sales and distribution costs	(33,414)	(24,364)	34,727
Administrative costs	(6,133)	(8,401)	11,962
Total operating costs	(199,746)	(129,289)	203,807

Cost of sales represented 77% of turnover (73% at 30 September 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 and depreciation 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 4% lower than at 30 September 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 20 million (9.6% of sales) compared with Euro 21 million at 30 September 2020 (9.8% of sales), down by 10%.

The following table shows EBITDA by activity segment:

(In thousands of euros)	At 30 September 2021 Milk Products	Dairy Products	Other products	Interim report total
Revenue from contracts with customers (third parties)	172,285	24,624	10,652	207,560
EBITDA (*)	15,872	3,689	302	19,863
EBITDA margin	9.21%	14.98%	2.69%	9.57%
Amortisation, depreciation and write-downs	10,558	251	359	11,168
Net write-downs of financial assets			676	676
Operating profit/(loss)	5,314	3,439	(1,088)	8,019
Financial income	-	-	103	103
Financial expenses	-	-	(1,599)	(1,599)
Result before tax	5,314	3,439	(4,424)	6,523
Income taxes	-	-	2,350	2,350
Net profit/(loss)	5,314	3,439	(2,113)	8,873

(*) 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)	Proforma as at 30 September 2020 Milk Products	Dairy Products	Other products	Proforma interim report total
Revenue from contracts with customers (third parties)	183,863	20,334	10,682	214,879
EBITDA (*)	17,600	2,981	379	20,960
EBITDA margin	9.6%	14.7%	2.7%	9.8%
Amortisation, depreciation and write-downs	8,771	250	534	9,555
Net write-downs of financial assets			443	443
Operating profit/(loss)	8,829	2,731	(598)	10,962
Financial income			244	244
Financial expenses			(1,521)	(1,521)
Result before tax	8,829	2,731	(1,875)	9,685
Income taxes			(3,196)	(3,196)
Net profit/(loss)	8,829	2,731	(5,071)	6,489

(*) 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 8 million (3.9% of sales) compared with Euro 10.9 million at 30 September 2020 for the same scope (5% of sales), down by 27%.
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 September 2021 was Euro 8.9 million, a net increase compared to 30 September 2020 (proforma net profit of Euro 6.5 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 September 2021 and 2020 (also in the proforma version).

(In thousands of euros and as a percentage)	At 30 September		
	2021	2020	2020 - Proforma
Operating profit/(loss) (EBIT)	8,019	5,935	10,962
Amortisation, depreciation and write-downs	11,168	7,221	9,555
Net write-downs of financial assets	742	443	443
EBITDA (*) (A)	19,929	13,599	20,960
Revenue from contracts with customers	207,560	135,334	214,879
EBITDA Margin (*)	9.6%	10.0%	9.8%
investments (B)	3,970	2,671	2,856
Cash conversion [(A) - (B)]/(A)	80.1%	80.4%	86.4%

(*) 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)	At 30 September			
	2021	%	2020 Proforma	%
Milk Products	15,872	9.2%	17,600	9.6%
Dairy Products	3,689	15.0%	2,981	14.7%
Other products	302	2.7%	379	2.7%
EBITDA	19,863	9.6%	20,960	9.8%

EBITDA from the Milk Products segment decreased mainly due to the drop in sales volumes and an increased promotional boost.
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 same period of the previous 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 September 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 September 2021	At 31 December 2020
A. Cash	398	296
B. Other cash and cash equivalents	60,179	46,526
C. Securities held for trading	1	-
D. Cash and cash equivalents (A)+(B)+(C)	60,578	46,822
E. Current financial receivables		
F. Current bank payables	(24,223)	(10,696)
G. Current portion of non-current debt	(20,985)	(18,803)
H. Other current financial debt	(4,866)	(8,110)
I. Current financial debt (F)+(G)+(H)	(50,074)	(36,609)
J. Net current financial debt (I)+ (E)+ (D)	10,504	9,213
K. Non-current bank payables	(63,874)	(69,150)
L. Bonds issued	-	-
M. Other non-current financial payables	(5,677)	(1,947)
N. Non-current financial debt (K)+(L)+(M)	(69,550)	(71,097)
O. O. Net financial debt (J)+ (N)	(59,046)	(61,884)

The positive change in net financial debt at 30 September compared with 31 December 2020, totalling Euro 2,838 thousand, is mainly due to the Company's ability to generate cash from operations.

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

(In thousands of euros)	At 30 September 2021	At 31 December 2020
Net financial debt	(59,046)	(61,884)
Current lease liabilities	5,677	1,947
Non-current lease liabilities	4,866	2,084
Net financial debt	(48,503)	(57,850)

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

Net financial debt at 31 December 2020 (millions of euros)	(62)
EBITDA	20
Net working capital	1
Interest and taxes	(29)
Investments	(15)
Other minor operating costs	(0.1)
Net financial debt at 30 September 2021 (millions of euros)	**(59)**

Net financial debt improved considerably due to the excellent performance in the period and the Company's ability to generate cash from operations. This improvement was even more marked – amounting to Euro 20 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 September 2021:

(In thousands of euros and as a percentage)	At 30 September 2021	%
Land and buildings	108	2.7%
Plant and machinery	572	14.4%
Industrial and commercial equipment	158	4.0%
Assets under construction and payments on account	3,132	78.9%
Investments in property, plant and equipment	3,970	100.0%

During the reporting period, the Company made investments totalling Euro 3,970 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.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to CONSOB Communication no. 6064293 of 28 July 2006, it is hereby disclosed that, at 30 September 2021, no atypical and/or unusual transactions occurred outside the Company's normal business that could give rise to doubts regarding the accuracy and completeness of the information in the financial statements, conflicts of interest, protection of assets and the safeguarding of minority shareholders. The accounting and financial effects of transactions occurring as at 30 September 2021 have been illustrated above.

Treasury shares and shares of parent companies

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

Share performance

In 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 Euro 3.60 per share compared to a low of Euro 2.36. On the last trading day as at 30 September 2021 the company's stock closed at Euro 3.49 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 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 September 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, 12 November 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, 12 November 2021

Mr Fabio Fazzari
Financial Reporting Officer

Financial statements and explanatory notes

Balance Sheet as at 30 September

(In thousands of euros)	At 30 September 2021	At 31 December 2020
Non-current assets		
Property, plant and equipment	117,697	119,748
Right-of-use assets	10,308	4,078
of which from related parties	*6,339*	-
Intangible assets	19,611	19,634
Equity investments in associates	1,397	1,397
Non-current financial assets measured at fair value through profit or loss	703	704
Deferred tax assets	579	1,519
Total non-current assets	150,295	147,081
Current assets		
Inventories	18,115	10,337
Trade receivables	24,680	22,926
of which from related parties	*401*	*2,711*
Current tax assets	147	130
Other receivables and current assets	12,954	6,571
of which from related parties	*5,560*	-
Current financial assets measured at fair value through profit or loss	1	0
Cash and cash equivalents	60,577	46,822
of which from related parties	*21,281*	*13,031*
Total current assets	116,474	86,786
TOTAL ASSETS	266,769	233,867
Shareholders' equity		
Share capital	28,840	28,840
Reserves	31,982	28,113
Net profit/(loss)	8,873	4,132
Total shareholders' equity attributable to the Group	69,696	61,086
Non-current liabilities		
Provisions for employee benefits	7,214	4,730
Allowances for risks and charges	1,150	126
Deferred tax liabilities	468	6,099
Non-current financial liabilities	63,874	69,150
Non-current lease liabilities	5,677	1,947
of which from related parties	*2,760*	-
Total non-current liabilities	78,382	82,053
Current liabilities		
Trade payables	56,862	45,578
of which from related parties	*3,320*	*125*
Current financial liabilities	45,208	35,521
of which from related parties	*24,222*	-
Current lease liabilities	4,866	2,084
of which from related parties	*3,844*	-
Current tax liabilities	1,598	272
Other current liabilities	10,156	7,272
Total current liabilities	118,691	90,728
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	266,769	233,867

Income statement

(In thousands of euros)	At 30 September 2021	At 30 September 2020
Revenue from contracts with customers	207,560	135,334
of which from related parties	*1,695*	*1,286*
Cost of sales	(160,199)	(96,524)
of which from related parties	*(12,333)*	*(1,568)*
Gross operating profit/(loss)	47,361	38,810
Sales and distribution costs	(33,414)	(24,364)
Administrative costs	(6,133)	(8,401)
of which from related parties	*(55)*	*-*
Net write-downs of financial assets	(742)	(443)
Other revenues and income	3,212	1,816
Other operating costs	(2,265)	(1,483)
Operating profit/(loss)	8,019	5,935
Financial income	103	244
Financial expenses	(1,599)	(1,521)
of which from related parties	*(26)*	
Result before tax	6,523	4,658
Income taxes	2,350	(1,421)
Net profit/(loss)	8,873	3,237
Basic net profit/(loss) per share	0.31	0.11
Diluted net profit/(loss) per share	0.31	0.11

Statement of comprehensive income

(In thousands of euros)	At 30 September 2021	At 30 September 2020
Net profit/(loss) (A)	8,873	3,237
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:		
Actuarial gains/(losses)	-	(109)
Tax effect on actuarial gains/(losses)	-	36
Total other components of comprehensive income that will not be subsequently reclassified to the income statement	-	(73)
Total other components of comprehensive income, net of tax effect (B)	-	(73)
Total comprehensive net profit/(loss) (A)+(B)	8,873	3,164

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)			3,237	3,237
Actuarial gains/(losses) net of the related tax effect		(73)		(73)
Total comprehensive net profit/(loss) for the year	-	(6,584)	9,748	3,164
At 30 September 2020	28,840	28,157	3,237	60,234
Net profit/(loss)			895	895
Actuarial gains/(losses) net of the related tax effect		(85)		(85)
Other changes		42		42
Total comprehensive net profit/(loss) for the year	-	(43)	895	852
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)			8,873	8,873
Actuarial gains/(losses) net of the related tax effect		-		-
Other changes		(263)		(263)
Total comprehensive net profit/(loss) for the year	-	(263)	8,873	8,610
At 30 September 2021	28,840	27,851	13,006	69,697

Statement of cash flows

(in euro units)	At 30 September 2021	At 30 September 2020
Result before tax	6,523	4,658
- Adjustments for:		
Amortisation, depreciation and write-downs	11,343	7,664
Financial expense/(income)	1,496	1,277
of which from related parties	*(26)*	-
Cash flow generated /(absorbed) by operating activities before changes in net working capital	19,362	13,599
Change in inventory	(7,778)	(642)
Change in trade receivables	(2,495)	(854)
Change in trade payables	11,284	1,490
Change in other assets and liabilities	(3,495)	8,650
Use of provisions for risks and charges and for employee benefits	3,504	(1,043)
Taxes paid	(1,396)	(2,389)
Net cash flow generated /(absorbed) by operating activities	18,986	18,811
Investments in property, plant and equipment	(3,927)	(2,607)
Investments in intangible assets	(43)	(64)
Divestment of financial assets	(0)	(5)
Net cash flow generated /(absorbed) by investment activities	(3,971)	(2,676)
New long-term financial debt	-	
Change in financial payables	4,410	11,379
Repayments of lease liabilities	(4,174)	(1,660)
of which from related parties	*(2,643)*	
Net interest expense	(1,496)	(1,277)
Net cash flow generated/(absorbed) by financing activities	(1,260)	8,442
Total changes in cash and cash equivalents	13,756	24,577
Cash and cash equivalents at start of year	46,822	18,951
of which from related parties	*13,031*	
Total changes in cash and cash equivalents	13,756	24,577
Cash and cash equivalents at end of year	60,578	43,527
of which from related parties	*21,281*	

Explanatory notes

Introductory notes

The comparative data in the income statement for as at 30 September 2021 differ from the proforma data in the Directors' report on operations shown above, insofar as the latter include the results as at 30 September 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 interim report at 30 September 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 September 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 as at 30 September 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 report as at 30 September 2021

Criteria and methods

The interim report as at 30 September 2021 includes the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the changes in Shareholders' Equity and the Company's Cash Flow Statement and related Explanatory Notes, prepared on the basis of the relative accounting situation in accordance with IFRS accounting standards.

Sectoral information

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

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

For the purposes of IFRS 8, the Company's activity is identifiable in the following business segments: Milk Products, Dairy Products and Other Products. 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 September 2021, and the reconciliation of these items with respect to the corresponding amount included in the Interim Report:

(In thousands of euros)	At 30 September 2021			
	Milk Products	Dairy Products	Other products	Interim report total
Revenue from contracts with customers (third parties)	172,285	24,624	10,652	207,560
EBITDA (*)	15,872	3,689	302	19,863
EBITDA margin	9.21%	14.98%	2.69%	9.57%
Amortisation, depreciation and write-downs	10,558	251	359	11,168
Net write-downs of financial assets			676	676
Operating profit/(loss)	5,314	3,439	(1,088)	8,019
Financial income	-	-	103	103
Financial expenses	-	-	(1,599)	(1,599)
Result before tax	5,314	3,439	(4,424)	6,523
Income taxes	-	-	2,350	2,350
Net profit/(loss)	5,314	3,439	(2,113)	8,873
Total assets	206,192	360	60,217	266,769
Total liabilities	86,879	375	109,820	197,074
Investments	3,970			3,970
Employees (number)	534	65	15	614

The table below shows the main income statement items at 30 September 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 Interim Management Report:

(In thousands of euros)	At 30 September 2020	
	Milk Products	Interim report total
Revenue from contracts with customers (third parties)	135,334	135,334
EBITDA (*)	13,599	13,599
EBITDA margin	10.05%	10.05%
Amortisation, depreciation and write-downs	7,664	7,664
Net write-downs of financial assets		
Operating profit/(loss)	5,935	5,935
Financial income	244	244
Financial expenses	(1,521)	(1,521)
Result before tax	4,658	4,658
Income taxes	(1,421)	(1,421)
Net profit/(loss)	3,237	3,237
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 thousands of euros)	At 30 September 2021	At 31 December 2020
Non-current assets		
Property, plant and equipment	117,697	119,748
Right-of-use assets	10,308	4,078
Intangible assets	19,611	19,634
Equity investments in associates	1,397	1,397
Non-current financial assets measured at fair value through profit or loss	703	704
Deferred tax assets	579	1,519
Total non-current assets	**150,295**	**147,081**

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

Fixed assets, plant and equipment

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".

Intangible assets

Goodwill
Goodwill of Euro 350 thousand refers to the effect of the merger between Centrale del Latte d'Italia S.p.A. and Centro Latte Rapallo in 2013. 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 September 2021:

(In thousands of euros)	**At 30 September 2021**	**At 31 December 2020**
Trademarks with an indefinite useful life	19,132	19,132
Other intangible assets	479	502
Total net book value	19,611	19,634

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).

Deferred tax assets
At 30 September 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 September 2021	At 31 December 2020
Current assets		
Inventories	18,115	10,337
Trade receivables	24,680	22,926
Current tax assets	147	130
Other receivables and current assets	12,954	6,571
Current financial assets measured at fair value through profit or loss	1	0
Cash and cash equivalents	60,577	46,822
Total current assets	**116,474**	**86,786**

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 906 thousand on 31 December 2020 because of an increase in warehouse stock to cover the higher sales expected in the last quarter.

Trade receivables
Trade receivables at 30 September 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.

Current tax assets
Current tax assets totalled Euro 130 thousand, unchanged versus 31 December 2020.

Current tax liabilities totalled Euro 1,598 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.

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 September 2021, cash and cash equivalents were not subject to restrictions or constraints. Part of the aforementioned cash and cash equivalents of Euro 21,281 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 September 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 September 2021 related to:

- The recognition of the total net profit for the period, in the amount of Euro 8,873 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 September 2021	At 31 December 2020
Non-current liabilities		
Provisions for employee benefits	7,214	4,730
Allowances for risks and charges	1,150	126
Deferred tax liabilities	468	6,099
Non-current financial liabilities	63,874	69,150
Non-current lease liabilities	5,677	1,947
Total non-current liabilities	**78,382**	**82,053**

Provisions for employee benefits

At 30 September 2021 this item totalled Euro 7,214 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.

Allowances for risks and charges

As at 30 September 2021 these refer primarily to the provision for agents' indemnities, which represents a reasonable forecast of the charges that would be borne by the Company in the event of future interruption of agency relationships.

Deferred tax liabilities

The decrease of Euro 5,632 thousand is mainly due to the release of deferred taxes following the clearance of values allocated to trademarks.

Non-current and current financial liabilities

These refer to the non-current portion of the loans stipulated by the Company.
The verification of compliance with covenants is performed on the annual data at 31 December
The Company maintains that it is likely that these covenants will be complied with during the current year.
For an analysis of the net financial position, please see the report on operations.

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 September 2021	At 31 December 2020
Current liabilities		
Trade payables	56,862	45,578
Current financial liabilities	45,208	35,521
Current lease liabilities	4,866	2,084
Current tax liabilities	1,598	272
Other current liabilities	10,156	7,272
Total current liabilities	**118,691**	**90,728**

Trade payables

Trade payables refer mainly to balances deriving from transactions for the purchase of goods destined for sale.
There are no particular changes in payment times to suppliers.

Current financial liabilities

Current financial liabilities refer to maturities within 12 months relating to medium-to-long-term loans and the use of credit lines for down payments.
For an analysis of the net financial position, please see the report on operations.

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.
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)	At 30 September	
	2021	2020
Profit for the year attributable to the Company in thousands of euros	8,873	3,237
Weighted average number of shares in circulation	28,840	28,840
Earnings per share (in Euro)	0.31	0.11

Related party transactions

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

The Company deals with the following related parties:

- Newlat Food S.p.A. and Newlat Group SA, respectively direct and indirect parent company.
- Companies controlled by the direct parent or indirect parent companies other than its own subsidiaries and associates ("Companies controlled by the parent companies").

Disputes, contingent liabilities and contingent assets

The Company is a party to some disputes concerning relatively small amounts. However, it is considered that the resolution of such disputes is unlikely to generate significant liabilities for the Company for which specific risk provisions are not already allocated. Furthermore, there are no substantial changes to the situations regarding disputes or contingent liabilities from 30 September 2021.

Turin, 12 November 2021

Angelo Mastrolia
Chairman of the BoD

Fabio Fazzari
Financial Reporting Officer

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

Turin, 12 November 2021

Angelo Mastrolia	Fabio Fazzari
Chairman of the BoD	Financial Reporting Officer