Centrale del Latte d'Italia

HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2022

DIRECTORS' REPORT ON OPERATIONS AT 30 JUNE 2022

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 ID: 01934250018 | Registration in the Company Register – Official Archives of the Chamber of Commerce of Turin | REA 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 Vice Chairman				
•			Stefano Cometto Chief Executive Officer	•		•	
	•		Edoardo Pozzoli 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"), 12.31% by the Municipality of Florence, 5.62% by the Municipality of Pistoia and the remainder (14.33%) by other minor shareholders.

This management report shows the financial information of the Company at 30 June 2022 compared to the financial statements at 30 June 2021 and the statement of financial position at 31 December 2021.

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.

The alternative performance indicators listed below constitute additional information beyond IFRS requirements to help users of the financial report to better understand the Company's results, assets and liabilities and cash flows. Note that the method used by the Company to calculate these indicators, which is consistent from one year to the next, may differ from the methods used by other companies.

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

- EBITDA: the operating result (EBIT) 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
- Current financial assets
- Current and non-current payables to banks.
- Current and non-current financial lease 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. The form chosen is, in fact, compliant with the internal reporting and business management methods.

Performance of H1 2022

Operations in the first half of 2022 show a positive pre-tax result of Euro 3,203 thousand and a total net result of Euro 2,273 thousand.

During the first half of the year, the Company recorded an increase in turnover (+6.6% compared to the same period of the previous year) due to its ability to acquire new customers in the Dairy segment and an increase in the average sales price as a result of the strong inflation that characterised the first six months of 2022.
This also confirmed the Company's great ability to cope with the significant increases in the cost structure that characterised the market dynamics, and consequently succeeded in sustaining its margins even though they were slightly lower than in the previous period (EBITDA margin of 8.2% at 30 June 2022, 9.5% at 30 June 2021).

Indeed, there was a sharp increase in some costs of supplying goods and services, first of all those relating to the cost of raw materials, packaging and transport. Personnel costs improved significantly as a result of some retirements and resignations, which were not followed by any new hires for the moment.

It is believed that the strategy of safeguarding the existing customer base coupled with an appropriate selection of new customers implemented during the first half of the year will allow the Company to create value in the medium to long term, albeit at the expense of short-term margins.

The company's results once again show how the difficulties experienced in previous years have been overcome thanks to the synergies created by joining the Newlat Group, improving profitability and rationalising many management costs.

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

1) Exercise of the option to renew the "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 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 refers in particular to the production sites in Reggio Emilia, Salerno and Lodi as well as to the warehouses in Reggio Emilia, Lodi, 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 leases of the buildings in Reggio Emilia and Eboli entered into between the Grantor and the company New Property S.p.A.
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.

During H1 the contract, which expired on 31 December 2022, was automatically renewed in the absence of termination for the entire calendar year 2023. This led to an increase in the value of right-of-use assets and corresponding lease liabilities by approximately Euro 3 million.

2) On 1 April the purchase of the assets connected with the Lylag brand was finalised for a total value of Euro 300 thousand. An initial valuation revealed capital gains in the acquired assets of about Euro 60 thousand allocated to plant and equipment, about Euro 20 thousand to intangible assets, and the remainder of Euro 220 thousand to goodwill. The purchase price allocation process is still being defined and may change over the coming months. Management expects to conclude the final valuation of the assets and liabilities at fair value by the end of the year as at 31 December 2022.

3) The Company's results once again show how the difficulties experienced in previous years have been overcome, also thanks to the synergies created by joining the Newlat Group, improving profitability and rationalising many management costs. The comparison with the plan shows a very positive trend, beyond expectations.

4) In a highly unstable context, and with a market generally characterized by strong inflation, we must note that the comparison with the same period of the previous half-year shows a slight decrease in margins (EBITDA of Euro 11.9 million, or 8.2% of revenues compared with Euro 13 million at 30 June 2021, or 9.5%). This result appears more significant if one considers inflationary effects in Italy, with continuous increases in the main cost components of the finished product.
With this in mind, the company tried to keep its customer base intact by acquiring new customers with the aim of creating value in the medium to long term at the expense of its margins in the short term.

5) The recovery of tourism and the reopening of Horeca-related businesses bode well for a recovery of the sector, with a consequent improvement in business performance, especially in Q3 2022.

6) The first half of 2022 closed with a net profit after tax of Euro 2.3 million, down from Euro 6.8 million in the first half of 2021.
This latter figure was 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 "Decreto Agosto" - August Decree). These values were subsequently reinstated in the second half of 2021 following further clarifications by the Inland Revenue on the timing and method of deductibility of existing values.

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 develop detailed forecasts for H2 2022. 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.

At the date of approval of the half-year report, the conflict between Russia and Ukraine that had broken out in February 2022 was still ongoing. Since the beginning of the conflict there has been a crisis in the Oil & Gas sector and in the procurement of raw materials that has injected a great deal of uncertainty into the world economy, not to mention a progressive increase in the prices of raw materials, packaging (both primary and secondary), transport and electricity, which is influencing the Company's commercial policies, leading to a redefinition of sales conditions with the main customers. In view of the above, the Company is unable to predict the extent to which these events might affect the outlook for the Company for 2022, but, based on the data available when this report was being prepared, the Directors believe they can reasonably exclude the possibility of significant negative impacts.

Going concern

With reference to the content of the previous paragraph, even taking into account the complexity of a rapidly evolving market, the 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 solid financial structure as described below:

- The considerable level of cash reserves available at 30 June 2022.
- The presence of authorised and unused lines of credit from the Company to the majority shareholder Newlat Food SpA.
- The continual support given by the banks to the Newlat Group, partly because of

its market-leading status.

Note that the Company's economic and financial performance in H1 2022 was higher than budgeted. It should also be noted that the cash and cash equivalents, amounting to Euro 43.9 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 2022

After 30 June 2022 there were no atypical or unusual transactions requiring changes to these interim financial statements.

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)	Half-year ended 30 June					
	2022	%	2021	%	2022 v 2021	%
Revenue from contracts with customers	144,978	100.0%	135,942	100.0%	9,037	6.6%
Cost of sales	(114,196)	(78.8%)	(105,119)	(77.3%)	(9,077)	8.7%
Gross operating profit/(loss)	30,782	21.2%	30,823	22.7%	(41)	(0.1%)
Sales and distribution costs	(24,199)	(16.7%)	(22,282)	(16.4%)	(1,917)	8.6%
Administrative costs	(3,882)	(2.7%)	(4,154)	(3.1%)	272	(6.5%)
Net write-downs of financial assets	(77)	(0.1%)	(676)	(0.5%)	599	(88.6%)
Other revenues and income	2,298	1.6%	2,409	1.8%	(111)	(4.6%)
Other operating costs	(1,077)	(0.7%)	(1,665)	(1.2%)	589	(35.4%)
Operating profit/(loss) (EBIT)	3,845	2.7%	4,455	3.3%	(609)	(13.7%)
Financial income	83	0.1%	92	0.1%	(9)	(9.9%)
Financial expenses	(725)	(0.5%)	(1,100)	(0.8%)	375	(34.1%)
Profit/(loss) before taxes	3,203	2.2%	3,446	2.5%	(243)	(7.1%)
Income taxes	(931)	(0.6%)	3,394	2.5%	(4,325)	(127.4%)
Net profit/(loss)	2,273	1.6%	6,841	5.0%	(4,568)	(66.8%)

Operating profit of Euro 3.8 million and EBITDA of Euro 11.9 million, details of which can be found in the segment reporting section below, decreased slightly compared to the same period in 2021.

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

Revenue from contracts with customers

Revenue from contracts with customers contains the contractual fees to which the 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 these operators, the Company is expected to recognise contributions as year-end bonuses linked to the achievement of certain turnover volumes or amounts related to the positioning of products.

SEGMENT REPORTING

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

(In thousands of euros)	Half-year ended 30 June	
	2022	2021
Milk products	116,907	113,171
Dairy products	21,009	15,669
Other Products	7,062	7,102
Total revenue from contracts with customers	144,978	135,942

Revenues from the Milk Products segment were up because of higher average sales prices due to inflationary effects on the main components of the finished product.
Revenues from the Dairy Products segment increased due to a rise in volumes both as a result of the acquisition of new customers and a rise in the average sales price.
Revenues in the Other Products segment were in line with the previous period due to the combined effect of a decrease in sales volumes and an increase in the average sales price.

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	
	2022	2021
Mass Distribution	91,822	84,086
B2B partners	6,039	5,405
Normal trade	32,765	32,948
Private labels	8,119	7,328
Food services	6,234	6,175
Total revenue from contracts with customers	144,978	135,942

Revenues in the Mass Distribution channel were up mainly due to an increase in demand, particularly in the Dairy business unit, and an increase in the average sales price.
Revenues from the B2B Partners channel increased because of higher average sales prices.
Revenues from the Normal Trade channel were essentially in line with the same period of the previous year.
Revenues from the Private label channel were up because of higher average prices in the Dairy business unit.
Revenues from the Food Services channel were broadly in line with the previous period.

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	
	2022	2021
Italy	132,174	124,140
Germany	4,378	3,570
Other countries	8,426	8,232
Total revenue from contracts with customers	144,978	135,942

Revenues from *Italy* increased because of higher sales volumes due to the acquisition of new customers and higher average sales prices.
Revenues from *Germany* were up due to an increase in the average sales price.
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			
	2022	Inc.	2021	Inc.
Cost of sales	(114,196)	(79%)	(105,119)	(77%)
Sales and distribution costs	(24,199)	(17%)	(22,282)	(16%)
Administrative costs	(3,882)	(3%)	(4,154)	(3%)
Total operating costs	(142,278)	(98%)	(131,555)	(97%)

Cost of sales represented 79% of turnover (77% at 30 June 2021). In absolute terms, the increase in the cost of sales is directly linked to the higher sales volumes recorded in 2022. The increased impact is mainly due to an increase in the main cost components of the finished product. Sales and distribution expenses increased both in absolute terms and in terms of proportion due to an increase in logistics-related costs. Administrative expenses were lower compared to 30 June 2021 due to the rationalisation of some functions and the exit due to retirement of some figures. EBITDA amounted to Euro 12 million (8.2% of sales) compared with Euro 13 million at 30 June 2021 (9.5% of sales), down by 8.2%.

The following table shows EBITDA by activity segment:

	Half-year as at 30 June 2022			
(In thousands of euros)	Milk products	Dairy products	Other products	Total financial statements
Revenue from contracts with customers (third parties)	116,907	21,009	7,062	144,978
EBITDA (*)	9,531	2,143	226	11,900
EBITDA margin	8.15%	10.20%	3.20%	8.21%
Amortisation, depreciation and write-downs	7,540	167	271	7,978
Net write-downs of financial assets	-	-	77	77
Operating profit/(loss)	1,991	1,976	(121)	3,846
Financial income	-	-	83	83
Financial expenses	-	-	(725)	(725)
Profit/(loss) before taxes	1,991	1,976	(764)	3,203
Income taxes	-	-	(931)	(931)
Net profit/(loss)	1,991	1,976	(1,695)	2,273

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

	Half-year as at 30 June 2021			
(In thousands of euros)	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	9.2%	14.8%	2.7%	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	(844)	4,455
Financial income	-	-	92	92
Financial expenses	-	-	(1,100)	(1,100)
Profit/(loss) before taxes	3,146	2,153	(1,852)	3,447
Income taxes	-	-	3,394	3,394
Net profit/(loss)	3,146	2,153	1,542	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.

EBIT amounted to Euro 3.8 million (2.7% of sales) compared with Euro 4.4 million at 30 June 2021 (3.3% of sales), down by 13.7%.

The tax rate used by the Company in the six-month period in question was 29%, benefiting from a positive effect from previous years' taxes of about Euro 65 thousand.
The net profit for the six months ended 30 June 2022 amounted to Euro 2.3 million, a decrease compared to 30 June 2021 (net profit of Euro 6.8 million), which benefited from the provisional tax effect for the release of deferred tax liabilities related to the clearance of misalignments arising from the merger transaction, as envisaged by Italian Decree-Law 104/2020 (the so-called "Decreto Agosto" - August Decree), as previously reported.

EBITDA

The table below provides a reconciliation of EBITDA, the EBITDA margin and cash conversion at 30 June 2022 and 2021.

(In thousands of euros and as a percentage)	Half-year ended 30 June	
	2022	2021
Operating profit/(loss) (EBIT)	3,845	4,455
Amortisation, depreciation and write-downs	7,978	7,838
Net write-downs of financial assets	77	676
EBITDA (*) (A)	11,900	12,969
Revenue from contracts with customers	144,978	135,942
EBITDA margin (*)	8.2%	9.5%
Investments (B)	1,895	3,113
Cash conversion [(A)-(B)]/(A)(*)	84.1%	76.0%

(*) Operating profit/(loss) (EBIT), EBITDA, the EBITDA margin and the cash conversion are alternative performance indicators not identified as an accounting measure under IFRS and, therefore, should not be considered alternative measures to those provided by the Group's financial statements when assessing the Company's results.

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				Changes	
	2022	%	2021	%	2022 v 2021	%
Milk Products	9,531	8.2%	10,458	9.2%	(927)	(8.9%)
Dairy Products	2,143	10.2%	2,320	14.8%	(177)	(7.6%)
Other Products	226	3.2%	191	2.7%	35	18.3%
EBITDA	11,900	8.2%	12,969	9.5%	(1,069)	(8.2%)

EBITDA related to the Milk Products segment decreased, mainly due to a worsening of the economic conditions of the main product cost components and in particular related to raw materials.
EBITDA related to the Dairy Products segment decreased, mainly due to a worsening of the economic conditions of the main product cost components as well as a business decision to increase the loyalty of newly acquired customers.
EBITDA for the Other Products segment was in line with the first half of 2021.

Net financial debt

The following table provides details of the composition of the Company's net financial debt as at 30 June 2022 and 31 December 2021, determined in accordance with the provisions of Consob Communication DEM/6064293 of 28 July 2006 and in accordance with paragraph 175 et seq. of the recommendations contained in the document prepared by ESMA, no. 32-382-1138 of 4 March 2021 (guidelines on disclosure requirements under Regulation EU 2017/1129, so-called "Prospectus Regulation"):

(In thousands of euros) Net financial debt	At 30 June 2022	At 31 December 2021
A. Cash and cash equivalents	43,884	57,372
B. Other current financial assets	1	1
C. Cash and cash equivalents (A)+(B)	43,885	57,373
D. Current financial debt	(21,216)	(31,874)
E. Current portion of non-current financial debt	(14,517)	(14,726)
F. Current financial indebtedness (D)+(E)	(35,733)	(46,600)
G. Net current financial indebtedness (C)+(F)	8,152	10,772
H. Non-current financial debt	(58,570)	(63,462)
I. Debt instruments	-	-
J. Trade and other non-current liabilities	-	-
K. Non-current financial indebtedness (H)+(I)+(J)	(58,570)	(63,462)
L. Net financial indebtedness (G)+(K)	(50,418)	(52,690)

The positive change in net financial debt at 30 June 2022 compared with 31 December 2021, totalling Euro 2.2 million, is mainly due to the Company's ability to generate cash from operations.

At 30 June 2022, without considering lease liabilities, net financial debt was as follows:

(In thousands of euros)	At 30 June 2022	At 31 December 2021
Net financial debt	(50,418)	(52,690)
Current lease liabilities	4,773	6,419
Non-current lease liabilities	6,510	4,058
Net Financial Position	(39,135)	(42,213)

Covenants on debt positions

- Unicredit S.p.A. loan on behalf of Cassa Depositi e Prestiti and Unicredit S.p.A. loan pertaining to the supply chain agreement granted to the Company, both expiring on 31 December 2030: net financial debt to net equity ratio of 1.5 or less on 31 December of each year.
- Loan granted by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte d'Italia S.p.A., expiring on 30 June 2025: net financial debt to net equity ratio of 1.5 or less on 31 December of each year.

- Loan granted by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte d'Italia S.p.A., expiring on 30 June 2025: net financial debt to net equity ratio of 1.25 or less on 31 December of each year.
- Contract granted by Mediocredito to Centrale del Latte d'Italia S.p.A., expiring on 28 June 2024: net financial debt to net equity ratio of 1.5 or less on 31 December of every year.
- Loan granted by MPS Capital Services S.p.A.: on 31 December and 30 June of each year the ratio of financial debt to EBITDA of less than 4 (from Newlat Food S.p.A. consolidated financial statement) and the ratio of Free Cash Flow to Debt Service greater than 1 (from Centrale del latte d'Italia S.p.A. financial statements).

INVESTMENTS

The following table provides a breakdown of the Company's investments in property, plant and equipment and intangible assets at 30 June 2022:

(In thousands of euros and as a percentage)	Half-year ended 30 June			
	2022	%	2021	%
Land and buildings	74	3.9%	108	3.4%
Plant and machinery	1,668	78.8%	572	18.3%
Industrial and commercial equipment	81	5.7%	158	5.0%
Assets under construction and payments on account	72	11.6%	2,295	73.3%
Investments in property, plant and equipment	1,895	100.0%	3,133	100.0%

During the reporting period, the Company made investments totalling Euro 1,895 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 and Vicenza site.

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 63.34% at 30 June 2022; (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.

ENVIRONMENTAL AND CLIMATE RISKS

With regard to climate change impacts, the Company has one plant close to a water course and one plant located not far from a reservoir, which have not caused significant problems in recent years. More potential impacts related to climate change can be found at the level of the supply chain, since agriculture and livestock breeding are closely linked to the climatic conditions of the areas the raw materials come from.

Other potential risks that are not considered critical may relate to the transition of business to a green economy.

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 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
Half-year as at 30 June 2022	(196)	196	(196)	196

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 2022 and 31 December 2021 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 2022	21,379	6,080	2,690	2,020	32,169
Provision for bad debts	-	-	(774)	(2,020)	(2,795)
Net trade receivables at 30 June 2022	21,379	6,080	1,916	(0)	29,374
Gross trade receivables at 31 December 2021	17,356	9,506	1,038	3,326	31,226
Provision for bad debts	-	-	-	(2,788)	(2,788)
Net trade receivables at 31 December 2021	17,356	9,506	1,038	538	28,438

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 2022	Expiry		
		Within one year	Between 1 and 5 years	Beyond 5 years
Total financial liabilities	83,020	30,960	42,321	9,739

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 2022 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 2022 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 2022 the Company did not trade in any treasury shares or shares of parent companies and does not, at 30 June 2022, hold any treasury shares or shares of parent companies.

Share performance

In H1 2022 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 3.50 per share compared to a low of Euro 2.62. On the last trading day of the half year the company's stock closed at Euro 2.79 per share, which is equivalent to a market capitalisation of Euro 39.1 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 half-yearly financial statements report on the income statement items at 30 June 2022 and 30 June 2021 and the statement of financial position items at 31 December 2021 pertaining to related party transactions. This information has been extracted from the Interim Financial Statements at 30 June 2022 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.

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, 09 September 2022

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, 09 September 2022

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

Financial statements and explanatory notes

Balance Sheet as at 30 June

(In thousands of euros)	At 30 June 2022	At 31 December 2021
Non-current assets		
Property, plant and equipment	115,798	118,283
Right-of-use assets	9,134	8,852
of which from related parties	*5,253*	*4,357*
Intangible assets	19,776	19,548
Equity investments in associates	1,397	1,397
Non-current financial assets measured at fair value through profit or loss	703	703
Deferred tax assets	1,672	1,098
Total non-current assets	148,480	149,881
Current assets		
Inventories	22,338	19,428
Trade receivables	29,375	28,438
of which from related parties	*1,442*	*735*
Current tax assets	793	263
Other receivables and current assets	9,944	10,933
of which from related parties	5,319	5,814
Current financial assets measured at fair value through profit or loss	1	1
Cash and cash equivalents	43,884	57,372
of which from related parties	*31,217*	*18,399*
Total current assets	106,335	116,435
TOTAL ASSETS	254,815	266,316
Shareholders' equity		
Share capital	28,840	28,840
Reserves	34,297	32,003
Net profit/(loss)	2,273	2,294
Total net equity	65,410	63,137
Non-current liabilities		
Provisions for employee benefits	7,091	7,486
Provisions for risks and charges	1,205	1,183
Deferred tax liabilities	5,965	5,566
Non-current financial liabilities	52,060	59,404
Non-current lease liabilities	6,510	4,058
of which from related parties	*3,853*	*307*
Total non-current liabilities	72,831	77,697
Current liabilities		
Trade payables	68,943	69,881
of which from related parties	*10,236*	*5,704*
Current financial liabilities	30,960	40,181
of which from related parties	*15,444*	*24,454*
Current lease liabilities	4,773	6,419
of which from related parties	*2,151*	*5,637*
Current tax liabilities	1,056	-
Other current liabilities	10,842	9,001
of which from related parties	153	124
Total current liabilities	116,574	125,482
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	254,815	266,316

Income statement

(In thousands of euros)	Income statement of the first half 2022	2021
Revenue from contracts with customers	144,978	135,942
of which from related parties	*678*	*1,187*
Cost of sales	(114,196)	(105,119)
of which from related parties	*(3,762)*	*(13,040)*
Gross operating profit/(loss)	30,782	30,823
Sales and distribution costs	(24,199)	(22,282)
Administrative costs	(3,882)	(4,154)
of which from related parties	*(65)*	*(22)*
Net write-downs of financial assets	(77)	(676)
Other revenues and income	2,298	2,409
Other operating costs	(1,077)	(1,665)
Operating profit/(loss)	3,845	4,455
Financial income	83	92
Financial expenses	(725)	(1,100)
of which from related parties	*(9)*	*(44)*
Profit/(loss) before taxes	3,203	3,446
Income taxes	(931)	3,394
Net profit/(loss)	2,273	6,841
Basic net profit/(loss) per share	0.16	0.49
Diluted net profit/(loss) per share	0.16	0.49

Statement of comprehensive income

Net profit/(loss) (A)	2,273	6,841
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:		
Actuarial gains/(losses)	-	-
Tax effect on actuarial gains/(losses)	-	-
Total other components of comprehensive income that will not be subsequently reclassified to the income statement	-	-
Total other components of comprehensive income, net of tax effect (B)	-	-
Total comprehensive net profit/(loss) (A)+(B)	2,273	6,841

Statement of changes in shareholders' equity

(In thousands of euros)	Share capital	Reserves	Net profit/(loss)	Total net equity
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	31,983	6,841	67,664
Net profit/(loss)	-	-	(4,547)	(4,547)
Actuarial gains/(losses) net of the related tax effect	-	21	-	21
Other changes	-	-	-	-
Total comprehensive net profit/(loss) for the year	-	21	(4,547)	(4,526)
At 31 December 2021	28,840	32,004	2,294	63,137
Allocation of net profit/(loss) for the previous year	-	2,294	(2,294)	-
Net profit/(loss)	-	-	2,273	2,273
At 30 June 2022	28,840	34,297	2,273	65,410

Statement of cash flows

(In thousands of euros)	Cash flow statement for the first half 2022	2021
Profit/(loss) before taxes	3,203	3,446
- Adjustments for:		-
Amortisation, depreciation and write-downs	8,055	8,514
Financial expense/(income)	642	1,008
of which from related parties	*(9)*	*(44)*
Cash flow generated /(absorbed) by operating activities before changes in net working capital	11,900	12,969
Change in inventory	(2,910)	(7,720)
Change in trade receivables	(1,014)	(9,820)
Change in trade payables	(938)	24,557
Change in other assets and liabilities	2,833	(3,194)
Use of provisions for risks and charges and for employee benefits	(376)	3,777
Taxes paid	(557)	(984)
Net cash flow generated /(absorbed) by operating activities	8,939	19,584
Investments in property, plant and equipment	(1,890)	(3,113)
Divestment of financial assets	-	(5)
Acquisition	(300)	
Net cash flow generated /(absorbed) by investment activities	(2,190)	(3,118)
New long-term financial debt	-	11,259
Repayments of long-term financial debt	(16,565)	-
Repayments of lease liabilities	(3,030)	(2,455)
of which from related parties	*(1,860)*	*(1,762)*
Net interest expense	(642)	(1,008)
Net cash flow generated/(absorbed) by financing activities	(20,236)	7,795
Total changes in cash and cash equivalents	(13,488)	24,262
Cash and cash equivalents at start of year	57,372	46,822
of which from related parties	*18,399*	*13,031*
Total changes in cash and cash equivalents	(13,488)	24,262
Cash and cash equivalents at end of year	43,884	71,083
of which from related parties	*31,217*	*21,328*

Explanatory notes

Basis of preparation

The condensed half-year financial statements at 30 June 2022 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 2021.

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 2022 are the same as those used for the annual financial statements at 31 December 2021, except for the new accounting standards, amendments and interpretations applicable from 1 January 2022, 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 2022 and adopted by the Company:

- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract", aimed at providing clarification on how to determine the onerousness of a contract. The amendment clarifies that when estimating whether a contract is onerous, it is necessary to take into account all costs directly attributable to the contract, including incremental costs and all other costs that the company cannot avoid as a result of entering into such contract.
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", intended to define that revenues from the sale of goods produced by an asset before it is ready for its intended use are recognised in profit or loss together with the related production costs.
- Amendments to IFRS 3 "Reference to the Conceptual Framework". The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.
- Issuance of the document "Annual Improvements to IFRS Standards 2018-2020 Cycle", containing amendments essentially of a technical and editorial nature to the following international accounting standards: "IFRS 1 – First-time Adoption of International Financial Reporting Standards", "IFRS 9 – Financial Instruments, "IAS 41 – Agriculture" and examples of '"IFRS 16 – Leases".

These amendments have now been approved following their publication in the Official Journal of the European Union on 02/07/2021.

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

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

- On 23/01/2020, the IASB issued "Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current" to clarify the requirements for classifying liabilities as "current" or "non-current". More specifically, the amendments (i) specify that conditions existing at the end of the reporting period are those that should be used to determine whether a right to defer settlement of a liability exists; (ii) specify that management's expectations about events after the balance sheet date are not relevant; and (iii) clarify the situations that should be considered as settling a liability. The amendments enter into force on 01/01/2023.
- On 18/05/2017, the IASB issued the standard "IFRS 17 – Insurance Contracts", which is intended to replace the current "IFRS 4 – Insurance Contracts". Applicable for financial years beginning on or after 01/01/2023, the new standard governs the accounting treatment of insurance contracts issued and reinsurance contracts held.
- On 12/02/2021, the IASB issued the document "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies".

The objective of the amendments is to develop guidance and examples to assist companies in applying a judgement of materiality in disclosing accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to disclosures about accounting policies. The amendments are effective for financial years beginning on or after 01/01/2023.

- On 12/02/2021 the IASB issued the document "Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". The amendments provide some clarification regarding the distinction between changes in accounting estimates and changes in accounting policies: the former are applied prospectively to future transactions and other future events, the latter are generally also applied retrospectively to past transactions and other past events. The amendments are effective from financial years beginning on or after 01/01/2023.
- On 07/05/2021, the IASB issued the document "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document addresses from a practical point of view the application of the exemption envisaged by paragraphs 15 and 24 of IAS 12 to transactions that give rise to both an asset and a liability upon initial recognition, and may result in temporary tax differences of the same amount. Under the proposed amendments, the exemption from initial recognition in IAS 12 would not apply to transactions that give rise to equal and offsetting amounts of taxable and deductible temporary differences when executed. The amendments are effective from financial years beginning on or after 01/01/2023.

The company will adopt these new standards, amendments and interpretations as per their expected date of application. Any impact on the annual financial statements resulting from the new standards/interpretations is still being assessed.

Notes to the half-year report as at 30 June 2022

Criteria and methods

The half-year financial report 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.

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 2022, and the reconciliation of these items with respect to the corresponding amount included in the Interim Report:

(In thousands of euros)	Half-year as at 30 June 2022			
	Milk products	Dairy products	Other Products	Total financial statements
Revenue from contracts with customers (third parties)	116,907	21,009	7,062	144,978
EBITDA (*)	9,531	2,143	226	11,900
EBITDA margin	8.15%	10.20%	3.20%	8.21%
Amortisation, depreciation and write-downs	7,540	167	271	7,978
Net write-downs of financial assets	-	-	77	77
Operating profit/(loss)	1,991	1,976	(122)	3,845
Financial income	-	-	83	83
Financial expenses	-	-	(725)	(725)
Profit/(loss) before taxes	1,991	1,976	(764)	3,203
Income taxes	-	-	(931)	(931)
Net profit/(loss)	1,991	1,976	(1,694)	2,273
Total assets	210,368	563	43,884	254,815
Total liabilities	106,172	213	83,020	189,405
Investments	1,895	-	-	1,895
Employees (number)	531	67	16	614

(*) 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 as 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	9.2%	14.8%	2.7%	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	(844)	4,455
Financial income	-	-	92	92
Financial expenses	-	-	(1,100)	(1,100)
Profit/(loss) before taxes	3,146	2,153	(1,852)	3,447
Income taxes	-	-	3,394	3,394
Net profit/(loss)	3,146	2,153	1,542	6,841
Total assets	208,363	582	57,372	266,316
Total liabilities	103,381	213	99,585	203,179
Investments	3,113	-	-	3,113
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 above shows the main income statement items at 30 June 2021 and the main statement of financial position items at 31 December 2021 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.

Non-current assets

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

(In thousands of euros)	At 30 June 2022	At 31 December 2021
Non-current assets		
Property, plant and equipment	115,798	118,283
Right-of-use assets	9,134	8,852
Intangible assets	19,776	19,548
Equity investments in associates	1,397	1,397
Non-current financial assets measured at fair value through profit or loss	703	703
Deferred tax assets	1,672	1,098
Total non-current assets	148,480	149,881

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 2021	85,167	127,041	18,708	358	1,014	232,288
Investments	74	1,668	81	-	72	1,895
Disposals	-	(56)	(54)	-	-	(110)
Change in acquisition of Lylag assets	-	212	27	-	-	239
Historical cost at 30 June 2022	85,240	128,865	18,762	358	1,086	234,312
Accumulated depreciation as at 31 December 2021	25,275	71,414	16,997	319	-	114,004
Depreciation	785	3,214	421	2	-	4,422
Disposals	-	(38)	(54)	-	-	(92)
Change in acquisition of Lylag assets	-	158	21	-	-	179
Accumulated depreciation as at 30 June 2022	26,059	74,748	17,385	321	-	118,513
Net carrying amount at 31 December 2021	59,892	55,627	1,711	39	1,014	118,283
Net carrying amount at 30 June 2022	59,181	54,117	1,377	37	1,086	115,798

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 shown under right-of-use assets refer almost exclusively to the effects arising from the lease agreement for the Milk & Dairy business unit signed with Newlat Food S.p.A., and in particular those related to the Directors' decision to exercise the option to renew the lease agreement originally due to expire on 31 December 2022 for the entire calendar year 2023.

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

(In thousands of euros)	Right-of-use assets
Historical cost at 31 December 2021	20,950
Investments	3,826
Disposals	(682)
Historical cost at 30 June 2022	24,093
Accumulated depreciation as at 31 December 2021	12,097
Depreciation	3,544
Disposals	(682)
Accumulated depreciation as at 30 June 2022	14,959
Net carrying amount at 31 December 2021	8,852
Net carrying amount at 30 June 2022	9,134

Intangible assets

(In thousands of euros)	Goodwill	Concessions, licences, trademarks and similar rights	Other assets	Assets under development	Total
Historical cost at 31 December 2021	350	40,739	1,176	2	42,267
Change in acquisition of Lylag assets	220	10	10		240
Historical cost at 30 June 2022	570	40,749	1,186	2	42,507
Accumulated amortisation as at 30 December 2021	-	21,607	1,113	-	22,720
Amortisation	-	1	11	-	12
Change in acquisition of Lylag assets	-	-	-	-	-
Accumulated amortisation as at 30 June 2022	-	21,608	1,124	-	22,731
Net carrying amount at 31 December 2021	350	19,132	63	2	19,548
Net carrying amount at 30 June 2022	570	19,141	62	2	19,776

Goodwill

Goodwill of Euro 570 thousand, of which 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, and Euro 220 thousand to the purchase of assets linked to the Lylag brand.

Concessions, licences, trademarks and similar rights

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 30 June 2022:

(In thousands of euros)	**At 30 June 2022**	**At 31 December 2021**
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 mainly refers to the following trademarks:

- “Latte Rapallo”, “Latte Tigullio”, “Centrale del Latte di Vicenza” and “Mukki” for a total of Euro 19,132 thousand.

During the first half of 2022, in accordance with IAS 36, the Company verified the non-existence of specific impairment triggers with particular respect to trademarks with an indefinite useful life. Despite the absence of specific impairment indicators, a sensitivity of the impairment test carried out as part of the year-end closing process at 31 December 2021 was prepared to assess the recoverability of values in the event of changes in macroeconomic and market scenarios compared to those that were expected.

This sensitivity was carried out on:

- Discounted cash flow rates (WACC) and the related risk-free rate and interest rate components that led to an increase in the WACC.
- By varying certain parameters of the prospective cash flows to perform a stress test.

The results of the above-mentioned sensitivity analyses confirmed the excess of the value in use of the identified cash-generating unit over its book value.

These considerations, together with the absence of other indicators of an external nature such as substantial changes in demand or negative impacts on the supply chain, led to the conclusion that there is no impairment as at 30 June 2022.

Equity investments in associates
Equity investments in affiliated companies amounted to Euro 1,397 thousand and refer exclusively to the 24.9% share held in the company Mercafir.

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 Euro 689 thousand (less than 5% stake).

Deferred tax assets
At 30 June 2022, this item totalled Euro 1,672 thousand (Euro 1,098 thousand in December 2021). 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 thousands of euros)	At 30 June 2022	At 31 December 2021
Current assets		
Inventories	22,338	19,428
Trade receivables	29,375	28,438
Current tax assets	793	263
Other receivables and current assets	9,944	10,933
Current financial assets measured at fair value through profit or loss	1	1
Cash and cash equivalents	43,844	57,372
Total current assets	106,335	116,435

Inventories

Closing inventories were up by Euro 2.9 million on 31 December 2021 because of an increase in warehouse stock and the average purchase cost.

(In thousands of euros)	At 30 June 2022	At 31 December 2021
Raw materials, supplies, consumables and spare parts	15,872	11,931
Finished products and goods	6,462	7,495
Advance payments	28	26
Total gross inventories	22,362	19,453
Inventory write-down reserve	(24)	(24)
Total inventories	22,338	19,428

The provision for inventory write-downs has not changed since 31 December 2021.

Trade receivables

Trade receivables as at 30 June 2022 were substantially in line with 31 December 2021. There are no significant changes in the receipt conditions. Total receivables are shown net of the provision for write-downs estimated on the basis of information held in order to adjust their value to the presumed realisable value.

(In thousands of euros)	At 30 June 2022	At 31 December 2021
Trade receivables from customers	30,728	30,491
Trade receivables from related parties	1,442	735
Trade receivables (gross)	32,170	31,226
Provision for doubtful trade receivables	(2,794)	(2,788)
Total trade receivables	29,375	28,438

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 "net write-downs of financial assets".
The provision for doubtful receivables changed as follows during 2022 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 2020	(2,306)
Provisions	(754)
Uses	272
Balance at 31 December 2021	(2,788)
Provisions	(77)
Uses	71
Balance at 30 June 2022	(2,794)

Current tax assets
Current tax assets totalled Euro 793 thousand, up versus 31 December 2021.

Current tax liabilities amounted to Euro 1,056 thousand, up from 31 December 2021 due to the recognition of taxes 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 2022	At 31 December 2021
Tax assets	2,128	2,440
Receivables from social security institutions	4	3
Accrued income and prepaid expenses	494	422
Advance payments	1,275	1,936
Other receivables	6,044	6,132
Total other receivables and current assets	9,944	10,933

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 2022, cash and cash equivalents were not subject to restrictions or constraints. Part of the aforementioned cash and cash equivalents of Euro 31,217 thousand is attributable to cash pooled with the direct subsidiary Newlat Food S.p.A.
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 2022 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 2022 relate solely to the recognition of the net comprehensive income for the period in the amount of Euro 2,273 thousand and the allocation to reserves of the Profit realised in the year ended 31 December 2021.

Non-current liabilities

(In thousands of euros)	At 30 June 2022	At 31 December 2021
Non-current liabilities		
Provisions for employee benefits	7,091	7,486
Provisions for risks and charges	1,205	1,183
Deferred tax liabilities	5,965	5,566
Non-current financial liabilities	52,060	59,404
Non-current lease liabilities	6,510	4,058
Total non-current liabilities	72,831	77,697

Provisions for employee benefits
At 30 June 2022, this item totalled Euro 7,091 thousand, down from Euro 7,486 thousand at 31 December 2021, mainly because of the decrease in employees due to resignations and retirements.

(In thousands of euros)	Provisions for employee benefits
Balance at 31 December 2021	7,486
Benefits paid	(395)
Balance at 30 June 2022	7,091

Provisions 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 2020	58	68	126
Provisions	114	-	114
Uses	(28)	-	(28)
Change due to the lease of business unit	971		971
Balance at 31 December 2021	1,115	68	1,183
Provisions	53	-	53
Uses	(31)	-	(31)
Balance at 30 June 2022	1,137	68	1,205

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

Deferred tax liabilities mainly refer to the allocation of capital gains from the acquisition of Centrale del Latte Toscana, the fair value valuation of the Mukki, Rapallo-Tigullio and Vicenza trademarks, and the fair value valuation of the Centrale del Latte land.

Non-current and current financial liabilities

The table shows a breakdown of "Current and non-current financial liabilities" as at 30 June 2022:

(In thousands of euros)	At 30 June 2022		At 31 December 2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Debt to Newlat Group SA for cash pooling	15,444	-	24,454	-
Total financial debt to Newlat Group	15,444	-	24,454	-
UNICREDIT	771	1,543	-	
UNICREDIT FILIERA	467	3,580	465	3,813
ICCREA BANCA D'ALBA	400	300	400	500
MEDIOCREDITO	453	465	447	693
BANCA POPOLARE DI SONDRIO (SWITZERLAND)	253	106	251	233
UNICREDIT CDP	391	3,285	386	3,483
UNICREDIT FILIERA	-	-	964	1,931
BANCO BPM	2,595	3,568	3,013	4,648
INVITALIA LOAN ACCOUNT	329	2,969	325	3,135
CARIPARMA	-	-	317	-
CREDITO COOP CENTROVENETO	-	-	42	-
BANCA CAMBIANO 1884	1,017	256	1,010	766
MPS CAPITAL SERVICES BANCA PER LE IMPRESE	1,577	11,538	1,485	12,302
CHIANTI BANCA	406	412	403	616
BPER BANCA	625	4,375	-	5,000
BANCA PASSADORE	677	-	671	340
BANCO DESIO	502	596	499	848
MONTE DEI PASCHI DI SIENA	4,054	19,067	4,049	21,096
Other lines of credit	1,000	-	1,000	-
Total financial debt to banks and other lenders	15,517	52,060	15,727	59,404
Total financial liabilities	30,960	52,060	40,181	59,404

As of 30 June 2022, the covenants related to the loan granted by MPS Capital Services SpA were respected.
With regard to the covenants for the other financing lines, the verification is performed on the annual data as at 31 December as contractually required. 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 2021 was due mainly to the effects of the exercise of the option to renew the lease agreement for the Milk & Dairy business unit, stipulated with the parent company Newlat Food for a further year (expiry 31 December 2023).

<u>*Current and non-current lease liabilities*</u>

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

The change compared with 31 December 2021 was due mainly to the effects of the renewal of the lease agreement for the Milk & Dairy business unit, stipulated with the parent company Newlat Food for a further year (expiry 31 December 2023).

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 thousands of euros)	At 30 June 2022	At 31 December 2021
Current liabilities		
Trade payables	68,943	69,881
Current financial liabilities	30,960	40,181
Current lease liabilities	4,773	6,419
Current tax liabilities	1,056	-
Other current liabilities	10,842	9,001
Total current liabilities	116,574	125,482

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 2022	At 31 December 2021
Trade payables to suppliers	58,707	64,177
Trade payables to related parties	10,236	5,704
Total trade payables	68,943	69,881

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 advance payments. For more information, see the commentary in the section "Non-current financial liabilities".

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 2022	At 31 December 2021
Employees liabilities	5,890	4,161
Social security institutions liabilities	1,863	1,826
Tax liabilities	1,343	1,089
Accrued expenses and deferred income	1,596	1,734
Miscellaneous liabilities	151	191
Total other current liabilities	10,842	9,001

Income statement

Please refer to the management report for a more uniform 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 thousands of euros)	Half-year ended 30 June	
	2022	2021
Profit for the year	2,273	6,841
Weighted average number of shares in circulation	14,000	14,000
Earnings per share (in Euro)	0.16	0.49

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 2022 and 31 December 2021.

(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 2022	4,617	-	636	5,253	9,134	57.5%
At 31 December 2021	3,373	-	984	4,357	8,852	49.2%
Trade receivables						
At 30 June 2022	1,442	-	-	1,442	29,375	4.9%
At 31 December 2021	735	-	-	735	28,438	2.6%
Other receivables and current assets						
At 30 June 2022	5,319	-	-	5,319	9,944	53.5%
At 31 December 2021	5,814	-	-	5,814	10,933	53.2%
Cash and cash equivalents						
At 30 June 2022	31,217	-	-	31,217	43,884	71.1%
At 31 December 2021	18,399	-	-	18,399	57,372	32.1%
Non-current lease liabilities						
At 30 June 2022	3,853	-	-	3,853	6,510	59.2%
At 31 December 2021	-	-	307	307	4,058	7.6%
Trade payables						
At 30 June 2022	10,215	21	-	10,236	68,943	14.8%
At 31 December 2021	5,693	11	-	5,704	69,881	8.2%
Current financial liabilities						
At 30 June 2022	-	15,444	-	15,444	30,960	49.9%
At 31 December 2021	-	24,454	-	24,454	40,181	60.9%
Current lease liabilities						
At 30 June 2022	1,479	-	672	2,151	4,773	45.1%
At 31 December 2021	4,912	-	725	5,637	6,419	87.8%
Other current liabilities						
At 30 June 2022	153	-	-	153	10,842	1.4%
At 31 December 2021	124	-	-	124	9,001	1.4%

The table below provides a breakdown of the income statement items relating to the Company's transactions with related parties for the interim financial statements as at 30 June 2022 and 2021.

(In thousands of euros)	Direct parent company	Indirect parent company	Companies controlled by the parent companies		Total	Total statement of financial position items	% of statement of financial position item
	Newlat Food	Newlat Group	New Property	Other companies controlled by the parent companies			
Revenue from contracts with customers							
At 30 June 2022	678	-	-	-	678	144,978	0.5%
At 30 June 2021	1,187	-	-	-	1,187	135,942	0.9%
Cost of sales							
At 30 June 2022	3,294	-	347	121	3,762	114,196	3.3%
At 30 June 2021	12,533	-	370	137	13,040	105,119	12.4%
Administrative costs							
At 30 June 2022	-	65	-	-	65	3,882	1.7%
At 30 June 2021	-	22	-	-	22	4,154	0.5%
Financial expenses							
At 30 June 2022	-	-	9	-	9	725	1.2%
At 30 June 2021	26	-	18	-	44	1,100	4.0%

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 2021.

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 2022.

The assessment of the adequacy of the administrative and accounting procedures for drawing up the condensed half-year financial statements at 30 June 2022 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 can 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, 09 September 2022

Angelo Mastrolia Chairman of the BoD	Fabio Fazzari Financial Reporting Officer

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CENTRALE DEL LATTE D'ITALIA SPA

REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

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 2022, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and related explanatory notes. The directors of Centrale del Latte d'Italia SpA are responsible for the preparation of the condensed interim financial statements in accordance with the International Accounting Standard 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 Centrale del Latte d'Italia SpA as of 30 June 2022 are not prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, 9 September 2022

PricewaterhouseCoopers SpA

Monica Maggio
(Partner)

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