Centrale del Latte d'Italia

ANNUAL FINANCIAL REPORT

AT 31 December 2022

This document constitutes a copy, in Pdf format, of the Annual Financial Report of Centrale del Ltte d'Italia S.p.A. as at 31 December 2022 and does not constitute the document in ESEF format required by the ESEF Technical Standards referred to in the Delegated Regulation (EU) 2019/815 (socalled 'ESEF Regulation').

The Annual Financial Report of Centrale del Latte d'Italia S.p.A. as at 31 December 2022 in ESEF format required by the ESEF Regulation is available in the Company's website https://centralelatteitalia.com/financial/investor-relations/report/ and in the eMarket Storage's website www.emarketstorage.com.

CONTENTS

Directors' report on operations

INTRODUCTION TO THE REPORT ON OPERATIONS

As of 1 January 2021 a business unit lease agreement was stipulated between Newlat Food SpA and Centrale del Latte SpA whereby the former leased to the latter the production and sale of products related to the milk and dairy sector. In 2022 the option to renew the lease of the Milk & Dairy business unit was exercised, the main characteristics of which are described below:

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, Salerno 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 2022 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.

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

COMPANY BODIES

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				
•			**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. = Remuneration and appointments 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

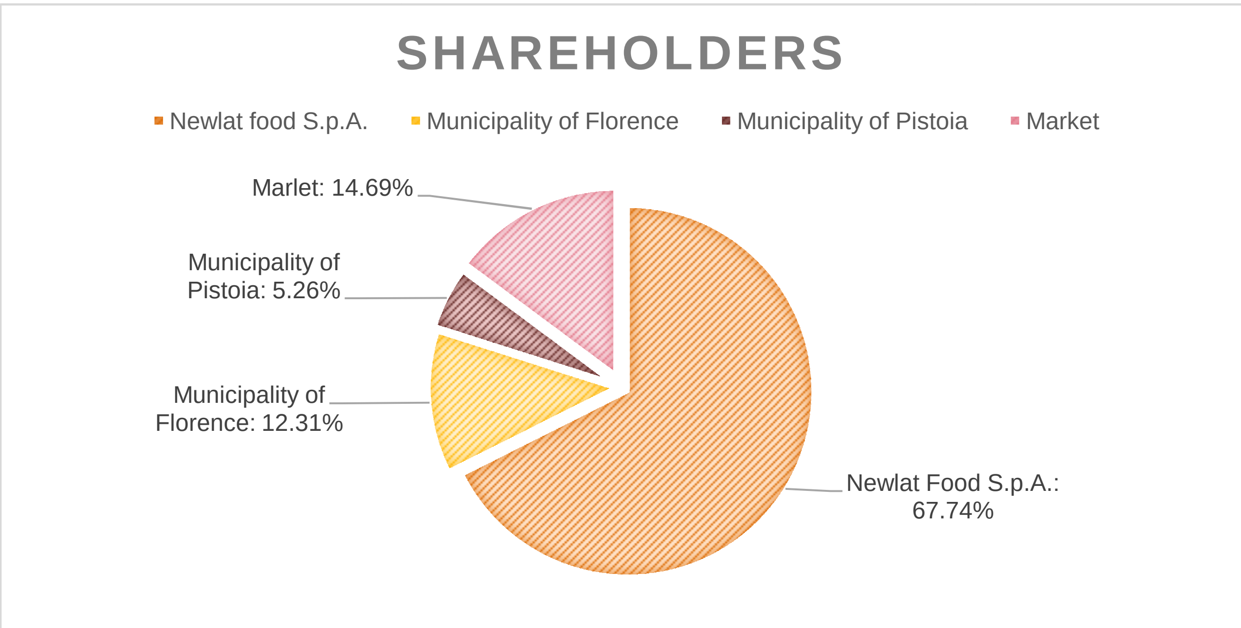
Fabio Fazzari   CFO and Investor Relator

As at 31 December 2022, Centrale del Latte d'Italia S.p.A. held an equity investment in a related party:

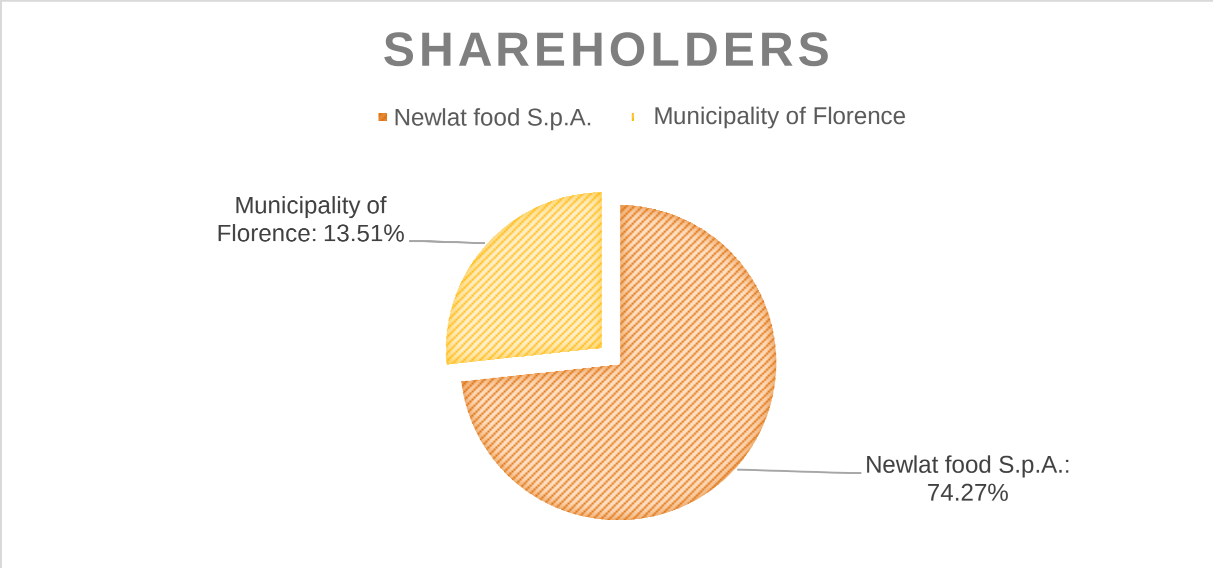
The shareholders

The Company's share capital amounted to Euro 28,840,041.20 fully paid-in, divided into 14,000,020 ordinary shares with no nominal value.

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



Holders of ordinary shares in excess of 5% hold the following percentages in terms of voting rights:



CORPORATE GOVERNANCE

Corporate governance is the set of rules, systems and mechanisms designed to effectively implement the organisation's decision-making processes in the interest of all Company stakeholders. The company Centrale del Latte d'Italia S.p.A. complies with the Corporate Governance Code for Listed Companies, which was approved in January 2020, replacing the previous version. A traditional governance system is in place which includes three structures: the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

Board of Directors

The Board of Directors is the body charged with administering the company using the powers allocated to it by law and by the by-laws. It is structured and operates to ensure that its functions are performed efficiently and effectively. Directors act and make decisions to create value for shareholders, and they report on operations during the Shareholders' Meeting. With regard to appointing and replacing the entire Board of Directors and/or some of its members, the Company's by-laws require board members to be elected on the basis of candidate slates in accordance with the methods outlined in more detail in the Report on Corporate Governance and Ownership Structure (attached to this document) and in compliance with existing legislation on gender representation.

Board Committees

The Board of Directors has no internal committees other than those required by the Corporate Governance Code, with the exception of the Related Party Transactions Committee, in order to comply with the provisions of the Related Parties Regulation.

The Company has assigned to a single committee, namely the Remuneration and Appointments Committee, the functions envisaged in Articles 4 and 5 of the Corporate Governance Code.

The Board of Directors' internal committees are as follows:

• The Control and Risks Committee helps the Board of Directors to assess and make decisions regarding the Internal Control and Risk Management System, the approval of annual and half-year financial statements and relations between the Company and the independent auditor, where support is provided in the form of an adequate investigative phase. For this purpose, the Committee has three members with sufficient financial and accounting experience: Anna Claudia Pellicelli, as Chair, and Valeria Bruni Giordani, both of whom are non-executive and independent directors.

• The Remuneration and Appointments Committee plays an advisory and recommendatory role, with investigative functions, in the assessments and decisions relating to the composition of the Board of Directors and to the remuneration of directors and managers with strategic responsibilities, overseeing their application and making general recommendations on the matter. The Committee has two members with sufficient financial and accounting experience: Anna Claudia Pellicelli, as Chair, and Valeria Bruni Giordani, both of whom are non-executive and independent directors, and Benedetta Mastrolia, who is a non-executive director. With regard to determining remuneration for board members, the Shareholders' Meeting allots a salary for the duration of the mandate which may consist of a fixed portion and a variable portion commensurate with the achievement of certain targets and/or with the Company's financial results. To be able to list on the STAR segment, exchange regulations require the Remuneration Committee to ensure that a significant share of the pay for executive directors and senior managers be incentive-linked.

Please see the report on remuneration published in accordance with article 123-*ter* of the Consolidated Law on Finance (TUF) for information on the general remuneration policy and the remuneration of executive directors, managers with strategic responsibilities and non-executive directors.

- The Related Party Transactions Committee (hereinafter also the "RPT Committee") is responsible for ensuring the integrity of transactions with related parties by giving an opinion on the Company's interest in completing a specific transaction, as well as on the suitability and fairness of the corresponding conditions. This committee comprises two non-executive and independent directors: Valeria Bruni Giordani as Chair and Anna Claudia Pellicelli.

Board of Statutory Auditors

Members of the Board of Auditors are selected on the basis of their ability to meet requirements of professionalism, independence and integrity in accordance with legislation and regulations. The Company's Board of Statutory Auditors was appointed during the Shareholders' Meeting on 29 April 2021 and will remain in office until the approval of the financial statements as at 31 December 2023.

Internal Control and Risk Management System

The Internal Control and Risk Management System (ICRMS) is the set of rules, procedures and organisational structures designed to enable the Company to conduct its business correctly and in line with set objectives, using a suitable process for identifying, measuring, managing and monitoring the main risks. In defining the strategic, business and financial plans, the Board of Directors has identified the nature and level of risk compatible with the Company's strategic objectives, including in its evaluations all risks that may be relevant to the medium- and long-term sustainability of the Company's business. With the help of the Control and Risks Committee, the Board of Directors has also drawn up guidelines for the ICRMS, identifying the system itself as a cross-sectional process integral to all business activities and based on the international principles of Enterprise Risk Management (ERM).
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 and classifying 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 compliance with existing legislation and regulations to avoid damage to the company's reputation and/or financial losses). In view of this, the Internal Audit Department verifies the suitability of the ICRMS through an audit schedule that is approved by the Board of Directors and makes provision for regular reports containing sufficient information on the performance of its activities, as well as timely reports on events of particular importance.

The Board of Directors annually assesses the effectiveness of the ICRMS and its suitability in view of the characteristics of the business based on information and evidence received with the support of the investigative activities performed by the Control and Risks Committee, the Head of Internal Audit and the Supervisory Board pursuant to Italian Legislative Decree 231/2001.

Organisational Model pursuant to Italian Leg. Decree 231/2001, Code of Ethics and fight against corruption

The Board of Directors of Centrale del Latte S.p.A. approved the latest version of the "Organisation, Management and Control Model" pursuant to Italian Legislative Decree no. 231/2001 of 13/05/2022. The Model was drawn up on the basis of guidelines issued by Confindustria (the Italian industry confederation) in accordance with the relevant legislation, and sets out standards for behaviour, procedures and control activities, in addition to powers and mandates designed to prevent the offences outlined in Italian Legislative Decree 231/2001.

The Model 231 was published and communicated to all personnel, third-party contractors, customers, suppliers and partners.

No reports of non-compliant behaviour or violations of the Code of Ethics were received during the year.

In order to ensure that the Model is correctly implemented, a Supervisory Board (SB) has been established, currently comprising Massimo Carlomagno, as Chairman, and Ester Sammartino.

The SB sends the Board of Directors a written report every six months on how the Model 231 is being implemented and disseminated within each Company department.

The implementation of adequate regular and/or sporadic information flows to the SB is another important tool helping it to fulfil its legal monitoring responsibilities and ensuring that the Model serves its purpose of preventing liability.

No breaches of the Model or irregularities have emerged after examining the information received from managers of the various areas of the Company, and no acts or conduct have come to light that constitute an infringement of the provisions of Italian Legislative Decree 231/2001.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year under review are illustrated below:

- Exercise of the option to renew the lease of the Milk & Dairy business unit, already mentioned above.
- 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 was completed during the year and resulted in the write-down of the higher values provisionally allocated to goodwill in the amount of Euro 220 thousand.
- On 13 May 2022, the Board of Directors examined and approved the Interim Management Report at 31 March 2022.
- In June the branch in Paradiso (CH) was established.
- On 9 September 2022, the Board of Directors examined and approved the Half-Year Management Report at 30 June 2022.
- On 11 November 2022, the Board of Directors examined and approved the Interim Management Report at 30 November 2022.

SHAREHOLDERS AND FINANCIAL MARKETS

Centrale del Latte d'Italia SpA maintains a constant dialogue with its shareholders through responsible and transparent communication carried out by the Investor Relations department, with the aim of facilitating an understanding of the Company's situation, outlook, strategies and the prospects for the reference market. This department is also tasked with organising presentations, events and roadshows that enable a direct relationship to be established between the financial community and the Company's senior management. For further information, and to consult the economic-financial data, corporate presentations, periodic publications, official communications and updates on the share price, visit the Investor Relations section of *https://centralelatteitalia.com-*.

In the period in question from 3 January 2022 to 31 December 2022, the official stock price decreased by 14.8% from Euro 3.45 to Euro 2.94.

The market capitalisation at 31 December 2022 was Euro 41,160,059.

All shares issued were fully paid up.

MANAGEMENT REPORT

The company is an important player in the Italian and European agri-food industry, active in the dairy products sector. The product range is divided into the following business units:

- Milk Products
- Dairy Products
- Other Assets

The Milk Products and Dairy Products market

Global and European landscape.

A decline in global milk production characterised the whole of 2022, affecting all major exporting countries, due to soaring input prices and adverse weather conditions in some production areas. Faced with the reduced availability of milk, there was a significant increase in the farmgate price (EU average estimate in September: Euro 53/100 kg), also driven by rising prices for butter and low-fat powder.

Situation in Italy.

Rising costs and feed supply difficulties have led farmers to curb production. After two years of strong increases (+4.5% in 2020 and +3.3% in 2021), milk deliveries came to a standstill in 2022 (+0.1% compared to the same fraction last year).

Price trends.

Inflation also impacted the national market throughout 2022 (Ismea index +25% in the first nine months of 2022). The upward pressure was generalised with double-digit price changes of the main products in the domestic market. The reduced availability of milk and the significant increase in costs at both the national and EU levels caused farmgate prices to rise to a level never seen before.

Foreign trade.

The trade balance in 2022 remained positive, though to a lesser extent than usual, as a result of an increase in imports (+35% in value) greater than exports (+22%). Specifically, exports of Italian cheese and dairy products continued to grow in quantity during 2022 (+13% in volume and +22% in value), involving all major destinations. Cheese imports also increased (+13% in volume and +36% in value).

Household purchases.

In 2022 the consumption trend observed last year was completely reversed, with expenditures on dairy products increasing compared to 2021 due to a sustained increase in average retail prices. Inflationary pressure characterised all major products to the extent of 6-10%, mainly affecting certain commodities such as milk and mozzarella.

Going into detail, the upward pressure was generalised with double-digit price changes of the main products in the domestic market. In particular, for Grana Padano the increase in wholesale prices in the first nine months was 16% notwithstanding a contraction in production (-2.3%). Less intense, on the other hand, was the change recorded by Parmigiano Reggiano, which on average stabilised at €10.73/kg in the first nine months of 2022 (+2.5% compared to the same period in 2021). Prices also rose for other PDO cheeses, such as Gorgonzola, Provolone Valpadana and especially Asiago (+25%). Prices of products such as mozzarella also rose sharply (+18%). Lastly, the increase in butter prices, which in the last month reached the level of Euro 4.80/kg for churned butter, marking triple-digit changes compared to 2021.

Outlook.

Inflation, monetary tightening, the war in Ukraine, and Covid will continue to keep tensions in the world market high in the coming months. For the dairy sector, there are still difficult months ahead in terms of production costs and final demand.

Analysis of the Company's economic performance

The following table contains the Company's income statement:

(In thousands of euros and as a percentage of revenue from contracts with customers)	At 31 December					
	2022	**%**	**2021**	**%**	**2022 v 2021**	**%**
Revenue from contracts with customers	308,967	100.0%	283,396	100.0%	25,571	9.0%
Cost of sales	(251,038)	(81.3%)	(227,097)	(80.1%)	(23,940)	10.5%
Gross operating profit/(loss)	**57,929**	**18.7%**	**56,298**	**19.9%**	**1,631**	**2.9%**
Sales and distribution costs	(49,003)	(15.9%)	(45,351)	(16.0%)	(3,652)	8.1%
Administrative costs	(7,964)	(2.6%)	(8,292)	(2.9%)	327	(3.9%)
Net write-downs of financial assets	(631)	(0.2%)	(754)	(0.3%)	123	(16.4%)
Other revenues and income	4,079	1.3%	4,740	1.7%	(661)	(14.0%)
Other operating costs	(1,718)	(0.6%)	(1,511)	(0.5%)	(207)	13.7%
Operating profit/(loss) (EBIT)	**2,692**	**0.9%**	**5,131**	**1.8%**	**(2,439)**	**(47.5%)**
Financial income	240	0.1%	133	-	107	80.4%
Financial expenses	(2,311)	(0.7%)	(2,066)	(0.7%)	(244)	11.8%
Profit/(loss) before taxes	**621**	**0.2%**	**3,197**	**1.1%**	**(2,576)**	**(80.6%)**
Income taxes	(467)	(0.2%)	(904)	(0.3%)	437	(48.4%)
Net profit/(loss)	**154**	**0.1%**	**2,294**	**0.8%**	**(2,139)**	**(93.3%)**

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 year shows a slight decrease in margins (EBITDA of Euro 19.8 million, or 6.4% of revenues compared with Euro 22.1 million at 31 December 2021, or 7.8%). 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. Revenues as at 31 December 2022 sharply increased (+9%) compared with the same period of the previous year.

The evidence of the trend had been clear since the first quarter, especially the sharp increase in some costs of supplying goods and services, first of all those relating to the cost of raw materials and utilities, which led to a review of contracts with customers starting in 2022.

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.

The year ended 31 December 2022 closed with a profit of Euro 154,000, down from the profit for the year of Euro 2.3 million recorded as at 31 December 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 mass distribution operators, Centrale del Latte 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 displays a breakdown of revenues from contracts with customers by business unit:

(In thousands of euros and as a percentage)	At 31 December				Changes	
	2022	**%**	**2021**	**%**	**2022 v 2021**	**%**
Milk Products	245,253	79.4%	229,957	81.1%	15,296	6.7%
Dairy Products	50,033	16.2%	40,026	14.1%	10,007	25.0%
Other assets	13,681	4.4%	13,413	4.8%	268	2.0%
Revenue from contracts with customers	**308,967**	**100.0%**	**283,396**	**100.0%**	**25,570**	**9.0%**

Note that the Dairy and Other activities sectors refer to operating and financial data that were transferred to Centrale del Latte d'Italia S.p.A. as a result of the lease of business operations from the controlling company Newlat Food S.p.A., effective from 1 January 2021.

Revenues in the Milk Products segment increased both due to higher sales volumes and an increase in the average price as a result of inflationary pressure throughout 2022.

Revenues from the **Dairy Products** segment increased as a result of a rise in sales volumes, especially in Germany and Other Countries.

Revenues from the other activities segment were in line with the previous year.

The following table displays a breakdown of revenues from contracts with customers by channel:

(In thousands of euros and as a percentage)	At 31 December				Changes	
	2022	**%**	**2021**	**%**	**2022 v 2021**	**%**
Mass Distribution	194,676	63.0%	181,070	63.9%	13,604	7.5%
B2B partners	11,459	3.7%	10,811	3.8%	649	6.0%
Normal trade	73,723	23.9%	65,203	23.0%	8,520	13.1%
Private labels	14,662	4.7%	13,964	4.9%	698	5.0%
Food services	14,447	4.7%	12,348	4.4%	2,099	17.0%
Total revenue from contracts with customers	**308,967**	**100.0%**	**283,396**	**100.0%**	**25,570**	**9.0%**

Revenues in the supermarket channel increased due to higher sales volumes in the milk and dairy segment and generally higher average sales prices compared to 31 December 2021.

Revenues from the B2B partners channel were substantially in line with 31 December 2021.

Revenues from the Normal trade and Food Services channels increased sharply as a result of a recovery in business after COVID-19.

The following table displays a breakdown of revenues from contracts with customers by area:

(In thousands of euros and as a percentage)	At 31 December				Changes	
	2022	**%**	**2021**	**%**	**2022 v 2021**	**%**
Italy	273,677	88.6%	262,610	92.7%	11,066	4.2%
Germany	11,742	3.8%	8,290	2.9%	3,452	41.6%
Other countries	23,548	7.7%	12,496	4.5%	11,052	88.4%
Total revenue from contracts with customers	**308,967**	**100.0%**	**283,396**	**100.0%**	**25,570**	**9.0%**

Revenues in Italy increased due to the combined effect of higher sales volumes and an increase in the average sales price.

Revenues from Germany increased sharply due to a combined effect of higher sales volumes in the Dairy channel and higher average sales prices.

Revenues from Other Countries were up sharply because of higher sales volumes in the Dairy channel.

Gross operating result and operating result

ROS (return on sales) decreased compared to the financial statements for the year ended 31 December 2021 due to a slight contraction in margins as a result of the inflationary pressure during 2022 and the company's policy of building customer loyalty by only partially reversing the increase in costs recorded during the year. The following table provides a reconciliation of the ROS for the periods under review:

(In thousands of euros and as a percentage)	At and for the year ended 31 December	
	2022	**2021**
Operating profit/(loss) (EBIT)	2,692	5,131
Revenue from contracts with customers	308,967	283,396
ROS (*)	**0.9%**	**1.8%**

(*) ROS (return on sales) is an alternative performance indicator not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure to those provided by the Company's financial statements when assessing the Company's results.

ROI (return on investment) decreased mainly due to the effect of what was already discussed in the previous section of this annual report, and in particular due to a decrease in the operating result (EBIT).

The following table provides a reconciliation of the ROI for the periods under review.

(In thousands of euros and as a percentage)	At and for the year ended 31 December	
	2022	**2021**
Operating profit/(loss) (EBIT)	2,692	5,131
Net invested capital (*)	122,361	115,829
ROI (*)	**2.2%**	**4.4%**

(*) Net invested capital and ROI (return on investment) 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 Company's financial statements when assessing the Company's results.

EBITDA

The following table provides a reconciliation of EBITDA, the EBITDA margin and cash conversion at 31 December 2022 and 2021:

(In thousands of euros and as a percentage)	**At and for the year ended 31 December**	
	2022	**2021**
Operating profit/(loss) (EBIT)	2,692	5,131
Amortisation, depreciation and write-downs	16,459	16,239
Net write-downs of financial assets	631	754
EBITDA (*) (A)	**19,782**	**22,124**
Revenue from contracts with customers	308,967	283,396
EBITDA margin (*)	**6.4%**	**7.8%**
investments (B)	2,705	7,271
Cash conversion [(A) - (B)]/(A)	**86.3%**	**67.1%**

(*) 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 Company'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)	**At 31 December**			
	2022	**%**	**2021**	**%**
Milk Products	15,714	6.4%	16,824	7.3%
Dairy Products	3,628	7.3%	4,720	11.8%
Other assets	440	3.2%	580	2.7%
EBITDA	**19,782**	**6.4%**	**22,124**	**7.8%**

EBITDA in the Milk Products segment decreased, mainly as a result of a deterioration in the supply chain and in particular in the costs of purchasing raw materials, packaging and utilities.

EBITDA in the Dairy Products segment decreased, mainly as a result of a deterioration in the supply chain and in particular in the costs of purchasing raw materials and packaging.

EBITDA from the Other Products segment was broadly in line with the previous year.

Net profit/(loss)

The table below provides a reconciliation of the ROE at 31 December 2022 and 2021.

(In thousands of euros and as a percentage)	**At and for the year ended 31 December**	
	2022	**2021**
Net profit/(loss)	154	2,294
Shareholders' equity	63,678	63,137
ROE (*)	**0.2%**	**3.6%**

(*) ROE (return on equity) is an alternative performance indicator not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure to those provided by the Company's financial statements when assessing the Company's results.

Net financial debt

The following table provides details of the composition of the Company's net financial debt as at 31 December 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)	**At 31 December**	
Net financial debt	**2022**	**2021**
A. Cash and cash equivalents	9,296	38,973
B. Cash equivalents	17,327	18,399
C. Other current financial assets	3,026	1
D Cash and cash equivalents (A)+(B)+(C)	**29,648**	**57,373**
E. Current financial payables	(17,540)	(31,874)
F. Current portion of non-current financial debt	(16,267)	(14,726)
G. Current financial indebtedness (E)+(F)	**(33,807)**	**(46,600)**
H. Net current financial indebtedness (G)+(D)	**(4,158)**	**10,773**
I. Non-current financial payables	(54,526)	(63,462)
J. Debt instruments	-	-
K. Trade and other non-current payables	-	-
L. Non-current financial indebtedness (I)+(J)+(K)	**(54,526)**	**(63,462)**
M. Net financial indebtedness (H)+(L)	**(58,684)**	**(52,689)**

The change in net financial indebtedness as of 31 December 2022 compared to 31 December 2021, amounting to a total of Euro 5,995 thousand, is mainly due to the renewal of certain milk & dairy leases transferred with the aforementioned business unit. Excluding the IFRS 16 effect, the net financial position of the Company is in line with the previous year.

The following table shows some of the Company's solvency indicators at 31 December 2022 and 2021:

(In thousands of euros)	**At 31 December**	
	2022	**2021**
Net financial debt	**(58,684)**	**(52,689)**
Non-current lease liabilities	6,185	4,058
Current lease liabilities	8,516	6,418
Net Financial Position	**(43,983)**	**(42,213)**

INVESTMENTS

The following table provides a breakdown of the Company's investments in property, plant and equipment and intangible assets in the years ending 31 December 2022 and 2021:

(In thousands of euros and as a percentage)	Year ended 31 December			
	2022	%	**2021**	%
Land and buildings	88	3.3%	-	0.0%
Plant and machinery	2,434	90.0%	5,867	80.7%
Industrial and commercial equipment	179	6.6%	390	5.4%
Assets under construction and payments on account	-	0.0%	1,014	13.9%
Investments in property, plant and equipment	**2,701**	**99.9%**	**7,271**	**100.0%**
Patents and intellectual property rights	4	0.1%	-	0.0%
Investments in intangible assets	**4**	**0.1%**	**-**	**0.0%**
Total investments	**2,705**	**100.0%**	**7,271**	**100.0%**

During the reporting period, the Company made investments totalling Euro 2,705 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 lines in Vicenza and Lodi.

Investments in intangible assets relate mainly to the purchase and updating of software.

The following table provides a breakdown by business unit of the Company's investments in property, plant and equipment and intangible assets at 31 December 2022 and 2021:

(In thousands of euros and as a percentage)	Year ended 31 December			
	2022	%	**2021**	%
Milk Products	1,395	51.6%	6,639	91.3%
Dairy Products	1,306	48.3%	586	8.1%
Others	4	0.1%	46	0.6%
Total investments	**2,705**	**100.0%**	**7,271**	**100.0%**

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

Investments in the Dairy business unit relate mainly to the new mascarpone production line at the Lodi plant.

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. The main risk related to the Company's business is represented by the fluctuation in the price of the raw material milk. During normal periods, the Company controls such risk by entering into annual contracts with milk producers, fixing the purchase price at the beginning of the dairy year and normally maintaining it for the entire period from 1 April to 31 March of the following year, except in special situations where negotiations take place on different bases. Currently the company has entered into three-year agreements with suppliers in Mugello to allow for better financial and operational planning. For purchases outside the main supply channel, every effort is made to negotiate prices at the best market conditions available at the time of need.

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 organic external growth strategy, aiming to create the milk & dairy hub with a purely international posture. 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%; (iii) frequent promotional campaigns over time and with significant discounts; (iv) consolidation of existing operators, especially in the mass distribution channel. The Company pursues its aim of increasing its industrial efficiency and improving its production capacity while reducing overheads and being competitive in its reference markets. Moreover, thanks to the presence of some "unique" products, the Company is able to face any level of competition.

FINANCIAL RISKS

Management of financial risks

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

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

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

The ability to generate liquidity from core operations, together with the ability to borrow, allows the Company to adequately meet its operational, working capital financing and investment needs, as well as to comply with its financial obligations. The Company's financial policy and the management of the related financial risks are centrally guided and monitored. In particular, the central finance function is responsible for assessing and approving forecast financial requirements, monitoring performance and taking corrective action where necessary.

Exchange risk

Exposure to the risk of exchange rate fluctuations derives from the Company's commercial activities conducted in currencies other than the euro. Revenues and costs denominated in foreign currency can be influenced by fluctuations in the exchange rate, bringing about an impact on trade margins (economic risk), and trade and financial payables and receivables denominated in foreign currency can be impacted by the conversion rates used, with a knock-on effect on the profit or loss (transaction risk). Finally, fluctuations in exchange rates are also reflected in economic 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.
- Euro/CHF, in relation to transactions carried out in Swiss francs.

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 years under review.

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 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
Year ended 31 December 2022	(208)	208	(208)	208
Year ended 31 December 2021	(215)	215	(215)	215

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 31 December 2022 and 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 31 December 2022	10,119	19,742	1,159	5,191	**36,211**
Provision for bad debts	-	-	-	(3,034)	**(3,034)**
Net trade receivables at 31 December 2022	**10,119**	**19,742**	**1,159**	**2,157**	**33,177**
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**

Moreover, since 1 January 2021 the Company has credit insurance policies with leading companies in the sector in order to mitigate the risk associated with the solvency of customers.

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 following table shows, by contractual maturity bands, the Company's financial requirements at 31 December 2022 and 2021, expressed according to the following assumptions:

(i) cash flows are not discounted;

(ii) cash flows are allocated to time bands on the basis of the first due date provided for in the contractual terms;

(iii) all instruments held on the reporting date for which payments have already been contractually designated are included. Future commitments planned but not yet recognised are not included;

(iv) when the amount payable is not fixed (e.g. future interest repayments), the financial liability is measured at market conditions at the reporting date; and

(v) cash flows also include the interest that the company will pay until the maturity of the debt at the reporting date.

	At 31 December 2022					
(In thousands of euros)	**less than 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Financial liabilities	25,291	27,456	21,206	1,810	**75,763**	**73,631**
Lease liabilities	8,516	2,257	3,302	1,143	**15,218**	**14,701**
Trade payables	74,111	-	-	-	**74,111**	**74,111**
Other current liabilities	10,708	-	-	-	**10,708**	**10,708**

	At 31 December 2021					
(In thousands of euros)	**less than 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Financial liabilities	40,181	26,039	14,640	21,197	**102,057**	**99,585**
Lease liabilities	6,419	3,747	1,154	-	**11,319**	**10,478**
Trade payables	69,881	-	-	-	**69,881**	**69,881**
Other current liabilities	9,001	-	-	-	**9,001**	**9,001**

At 31 December 2022, the amount of operating lease commitments is reflected in lease liabilities following the application of IFRS 16 as of 1 January 2018.

The financial requirements are adequately covered by the existing cash and credit lines as well as the financial resources that will be generated in the future by operations.

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, during 2022, 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 extraordinary transactions occurring in the year have been illustrated above.

Treasury shares and shares of parent companies

In compliance with the provisions of article 2428 of the Italian Civil Code, we inform you that the Company does not hold treasury shares and did not sell any during the year.

Branch offices

At its meeting on 16 July 2020, the Board of Directors of Centrale del Latte d'Italia S.p.A. resolved to set up a secondary office in Florence.

Corporate governance

Information on corporate governance is provided in a separate report that is an integral part of the financial statements, annexed to this Report.

Public Grants

Following the signing on 22 December 2017 with Agenzia Nazionale per l'attrazione degli investimenti e lo sviluppo di impresa S.p.A. – INVITALIA – of the subsidised loan Contract pursuant to the Decree of 9 December 2014 of the Ministry of Economic Development and subsequent amendments and additions, Centrale del Latte d'Italia S.p.A. was granted a total loan of Euro 8,197,945, of which Euro 745,267 as a non-repayable contribution and Euro 7,452,678 as a subsidised loan.

In 2022 the Company received and recognised in the financial statements the third tranche of the subsidised loan in the amount of Euro 3,262,862.63 and a non-repayable portion in the amount of Euro 294,000.

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

In 2018 the Company received and recorded in the Financial Statements the first tranche of the subsidised loan amounting to Euro 1,547,441.62.

In 2018 the company received a contribution for the year amounting to Euro 200.00 following the acceptance of application no. 3509007 of 22.12.2016 submitted to AVEPA - Venetian Agency for Payments in Agriculture referring to the investment measure for the processing and sale of livestock and agricultural products referred to in the RDP - Rural Development Programme of the Veneto Region, Reg. EU no. 1305/2013 DGR Notice no. 1937 of 23 December 2015.

Exemption from the preparation of the non-financial statement

The Company has taken advantage of the exemption from the preparation of the non-financial statement pursuant to article 6, paragraph 1, of Italian Legislative Decree no. 254 of 30 December 2016, as it is included in the consolidated non-financial statement as at 31 December 2022 published by the Parent Company Newlat Food SpA.

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 has adopted its own Procedure for Transactions with Related Parties, the latest version of which was approved on 25 June 2021 with effect from 1 July 2021, following the favourable opinion of the RPT Committee expressed at its meeting on 17 June 2021. This procedure was drawn up taking into account the guidelines provided by the Consob Related Parties Regulation, as last amended by Resolution no. 22144 of 22 December 2021.

The notes to the financial statements report on the income statement and statement of financial position items pertaining to related party transactions at 31 December 2022 and 2021. This information has been extracted from the financial statements 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, with particular reference to the business unit lease transaction described in the section "Significant events of the year".

The Company deals with the following related parties:

- 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**").

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

The holders of ordinary shares that represent more than 5% at 31 December 2022 were the following:

IMPORTANT STAKES			
Declarant	**Direct shareholder**	**% share of Ordinary capital**	**% share of Voting capital**
Angelo Mastrolia	Newlat Food S.p.A.	67.74%	74.27%
Municipality of Florence	Municipality of Florence	12.31%	13.51%
Municipality of Pistoia	Municipality of Pistoia	5.62%	2.89%

Events after the reporting date

There are no further significant events subsequent to the closing date of this annual report.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

(ART. 123-BIS TUF)

Approved by the Board of Directors on 17 March 2023

GLOSSARY

Shareholders' Meeting: the Shareholders' Meeting of the Issuer.

CLI: Centrale del Latte d'Italia S.p.A.

Corporate Governance Code: The Corporate Governance Code for listed companies approved by the Corporate Governance Committee and published on 31 January 2020.

Civil Code: the Italian Civil Code.

Corporate Governance Committee: the Italian Committee for the Corporate Governance of listed companies, constituted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Board of Directors: the Issuer's Board of Directors.

Issuer/CLI/Company: the issuer of transferable securities to which the Report refers.

Financial Year: the 2022 financial year which the Report refers to.

Newlat Group or **Group**: corporate group that CLI belongs to.

Consob Issuers' Regulation: the Regulation issued by Consob with Resolution no. 11971 of 1999 (as subsequently amended) on issuers.

Consolidated Law on Finance/TUF: Italian Legislative Decree no. 58 of 24 February 1998.

Consob Markets Regulation: the Regulation issued by Consob with Resolution no. 20249 of 2017 on markets.

Consob Related Parties Regulation: the Regulation issued by Consob with Resolution no.17221 of 12 March 2010 (as subsequently amended) on related party transactions.

Report: the report on corporate governance and ownership structure that companies are required to draw up pursuant to article 123-*bis* of the Consolidated Law on Finance.

Remuneration Report: the report on remuneration policy and compensation paid that companies are required to prepare and publish pursuant to article 123-ter of the Consolidated Law on Finance and 84-quater Consob Issuers' Regulation.

Unless otherwise specified, the definitions of the Corporate Governance Code relating to **Directors**, **Executive Directors**, **Independent Directors**, **Chief Executive Officer (CEO)**, **Board of Statutory Auditors**, **Business Plan** and **Sustainable Success** are also to be understood by reference.

1. ISSUER PROFILE

Issuer's corporate mission

Centrale del Latte d'Italia S.p.A., Italy's third-largest operator in the fresh and shelf-stable milk market, is engaged in the production, treatment, processing, and sale of milk, however treated, and of dairy and food products in general, with – at present – seven production plants and about 700 employees.

The Company may also execute all commercial, financial, industrial, securities and real estate transactions necessary or useful for the achievement of the corporate purpose, including the assumption of equity investments in companies with a corporate purpose similar to its own or instrumental to its own business (including the issue of personal or collateral guarantees also in the interest of third parties and the assumption of loans and financing including mortgages) with the strict exclusion of fiduciary and professional activities reserved by law, the collection of savings from the public, the exercise with respect to the public of any activity qualified by the law as "financial activity".

CLI's product portfolio boasts about 120 items ranging from milk and its derivatives to yogurt and vegetable drinks, which are distributed under different brands owned by the company including TappoRosso, Polenghi, Mukki, Tigullio, Vicenza, Giglio, Matese, Centrale del Latte Salerno, Optimus, Torre in Pietra, Ala, Fior di Salento in the territories it competes in through large-scale distribution and traditional channels.

In addition to products marketed under its own brands, CLI produces for third parties and for the private label market.

Adopted corporate governance system

The corporate governance system is consistent with the principles contained in the Corporate Governance Code, which the Company adopted in 2021.

CLI is organised according to a traditional model with a Shareholders' Meeting, Board of Directors and Board of Statutory Auditors, the characteristics of which are described in detail in the following sections of this Report.

On 29 April 2021, the Ordinary Shareholders' Meeting awarded the audit firm PricewaterhouseCoopers S.p.A. ("PwC") with the assignment as statutory auditor of the Issuer's annual financial statements, as well as limited auditor of the half-yearly condensed financial statements for the financial years 2021-2029.

Sustainable success

The Issuer shows particular attention to sustainable development issues in environmental, social and governance terms. Indeed, over the years the Company has implemented initiatives that enable the concrete achievement of sustainable success.

Specifically, in order to pursue its objective CLI has set itself the following goals:

i) Obtaining the certification of the occupational health and safety management system pursuant to Italian Legislative Decree no. 81/2008 in order to ensure a safe environment for employees and reduce the possibility of injuries at work.

ii) Monitoring the environmental impact of the Company's operations, paying attention to the way waste and scrap are managed: in the former case reuse is favoured, according to the principles of the circular economy, while in the latter case the aim is to maintain a high level of recycling rather than disposal.

iii) Reducing CO2 emissions, constantly measuring its emissions with the aim of reducing them as much as possible, in line with EU policies.

iv) Checking the practices adopted in the management of the supply chain, aiming to respect and protect human rights.

As for the preparation of the Non-Financial Statement pursuant to Italian Legislative Decree no. 254/16, the Company is not required to do so since the aforementioned document is published – at a consolidated level – by the parent company Newlat Food S.p.A., which is also a company listed on the Euronext Star Milan segment of Borsa Italiana S.p.A.

Nature of SMEs

Centrale del Latte S.p.A. falls within the definition of SMEs within the meaning of art. 1, paragraph 1, letter w-quater.1) of the TUF and art. 2-ter of the Consob Issuers' Regulation in consideration of the average capitalisation value of the last three financial years.

As the annual average for 2022 was also less than Euro 500 million (Euro 41,160,059), the Company maintains the status of an SME.

2. INFORMATION ON PROPRIETARY ASSETS (pursuant to article 123-bis, paragraph 1 of the TUF) as at 17 March 2023

Share capital structure (pursuant to article 123-bis, paragraph 1, letter a) of the TUF)

The Company's share capital totalled Euro 28,840,041.20, fully subscribed and paid-in, divided into 14,000,020 ordinary shares with no nominal value corresponding to a total of 25,500,171 voting rights due to the vesting of the increased voting right as per letter d) below. All the shares of the Company are listed on the Euronext Star Milan market organised and managed by Borsa Italiana S.p.A.

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

Each Ordinary Share entitles the holder to one vote at all Ordinary and Extraordinary General Meetings, with the exception of ordinary shares with an increased vote which entitle the holder to two votes, pursuant to article 5 of the By-laws, as well as to other property and administrative rights in accordance with the applicable provisions of the law and the By-laws.

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

Other financial instruments

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

Share-based incentive plan

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

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

There are no restrictions on the transfer of Company securities.

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

On the basis of the information available at the date of this Report, Shareholders that hold stakes equal to or greater than 5% of the voting capital, directly and/or indirectly, including through intermediaries, trustees and subsidiaries, are shown in the following table:

IMPORTANT STAKES			
Declarant	**Direct shareholder**	**% share of Ordinary capital**	**% share of Voting capital**
Angelo Mastrolia	Newlat Food S.p.A.	67.74%	74.27%
Municipality of Florence	Municipality of Florence	12.31%	13.51%

As of 4 January 2023, Newlat Food S.p.A. has accrued the increased vote, and therefore the structure of the share capital and the number of voting rights are as follows:

	Share Capital as at 4 January 2023	
	no. of shares	Number of voting rights
Total shares of which:	14,000,020	25,500,171
Ordinary shares	2,499,869	2,499,869
Ordinary shares with an increased vote	11,500,151	23,000,302

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

No shares with special controlling rights have been issued.

Pursuant to article 5 of the By-laws, as an exception to the rule whereby each share gives the right to one vote, two votes are attributed for each share held by the same shareholder for a continuous period of not less than 24 months from the date of registration in the list set up for this purpose, kept and updated by the Company.

CLI adds any holder of ordinary shares to the list who so requests. The request may relate to all or even only some of the shares belonging to the holder of ordinary shares. The request submitted to the Company must be accompanied by an appropriate communication issued by the intermediary the shares are deposited with in accordance with applicable law.

The Company shall register and update the list on a quarterly basis or whenever dictated by sector regulations and, in any case, by the record date for the Shareholders' Meeting.

Employee ownership: mechanism for exercising voting rights (pursuant to article 123-bis, paragraph 1, letter e) of the TUF)

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

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

There are no restrictions on voting rights.

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

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

Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h) of the TUF) and provisions of the by-laws on takeover bids (pursuant to articles 104, paragraph 1-ter and 104-bis, paragraph 1) of the TUF)

On 7 July 2020, CLI entered into a loan agreement with MPS Capital Services Banca per le Imprese S.p.A. and Deutsche Bank S.p.A. (the "Loan Agreement") for a maximum amount of Euro 31,500,000.00 at the Euribor rate increased by a margin of 175 basis points, to be repaid within 72 months from the date of signing the agreement. The parent company Newlat FOOD S.p.A. granted the aforementioned lending banks a first-demand personal guarantee for the maximum total amount equal to the principal amount of the loan, as well as the related interest, charges and other accessories. Under the Loan Agreement, in the event of a change of control,[1] the Company shall repay the loan in full, pay interest, as well as any other amount due to the banks no later than 15 working days from such event.

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

Powers for increases in the share capital

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

[1] There is a "change of control" under the Loan Agreement if (i) Newlat FOOD S.p.A. ceases at any time to hold control of CLI or in any case a shareholding of at least 50% + 1 of CLI's voting share capital, or (ii) Angelo Mastrolia ceases at any time to hold the position of Chairman of CLI's Board of Directors.

including convertible bonds, with or without warrants, also excluding the option right pursuant to article 2441 of the Italian Civil Code.

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

Authorisations to purchase treasury shares

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

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

The Company is not subject to management and coordination.

Other information (reference)

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

- the information required in letter i) concerning any agreements between the Company and the directors that provide for indemnity in the event of resignation or dismissal without cause or termination of employment following a takeover is contained in the Remuneration Report published in accordance with art. 123-ter of the TUF;
- The information required by letter l), first part relating to the appointment and replacement of directors, if different from and additional to the applicable laws and regulations, is illustrated in section 4.2 of this Report on the Board of Directors.
- The information required by letter l), second part relating to the amendment of the by-laws, if different from and additional to the applicable legislative and regulatory provisions, are illustrated in section 13 of this Report on the Shareholders' Meeting.

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

CLI has acceded to the Corporate Governance Code, applying it from 2021, which is available to the public on Borsa Italiana's website (https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf).

In accordance with the "comply or explain" principle underlying the Corporate Governance Code and in line with EU Recommendation no. 208/2014, this Report gives an account of the recommendations which the Company has not presently decided to comply with in part or in full.

Neither the Issuer nor its subsidiaries are subject to non-Italian legal provisions that influence the Issuer's corporate governance structure.

4. BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The Board of Directors:

i. Guide the Company towards sustainable success (i) by implementing a strategy incorporating environmental, social and governance elements, (ii) including qualitative ESG KPIs in the remuneration policies; (iii) strengthening the internal control and risk management system by assessing, monitoring and managing ESG risks.

ii. Defines its own strategies aimed at the pursuit of sustainable success by conducting a Group materiality analysis for ESG issues to identify the main risks and opportunities based on the impacts on stakeholders and identifying ways to manage these, constantly monitoring their proper implementation.

iii. Defines the system of corporate governance that is most suitable for carrying out the company's operations and pursuing its strategies.

iv. At the Group level, promotes dialogue with shareholders and stakeholders relevant to the Company through the organisation of and/or participation in specially organised conference calls with investors and analysts, aimed at understanding market demands and their suggestions in order to create value in the long term.

Pursuant to article 12 of the By-laws, the Board of Directors is vested with all powers for the ordinary and extraordinary management of the Company.

Without prejudice to the limits of the law and without the right to delegate, the Board of Directors is responsible for resolutions relating to: a) mergers and demergers in the cases referred to in articles 2505 and 2505 bis of the Italian Civil Code; b) the transfer of the registered office within Italy; c) the establishment and closure of secondary offices; d) the indication of which of the directors – in addition to the Chair, Deputy Chair and Managing Directors – and executives represent the company pursuant to articles 17 and 18 of the By-laws; e) reduction of the share capital in the event of withdrawal of a shareholder and f) updates to the By-laws to comply with regulatory provisions.

The Board of Directors also:

- Reviews and approves the strategic, industrial and financial plans of the Company, regularly monitoring their implementation;
- defines the Issuer's corporate governance system and its structure;
- defines the nature and level of risk compatible with the Company's strategic objectives, including in its assessments all risks that may become significant in terms of sustainability in the medium to long term;
- assesses the overall operational performance, taking into account, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with targets;
- assesses the adequacy of the organisational, administrative and accounting structure of the Issuer as well as that of strategically important subsidiaries, with particular reference to the Internal Control and Risk Management System (ICRMS);
- establishes the frequency with which the delegated bodies must report to the Board on the activity carried out when exercising the powers conferred on them;

- assesses the overall operational performance, taking into account, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with targets;
- decides on the operations of the Issuer and its subsidiaries, where such operations are strategic or of significant importance to the Issuer's results, assets and liabilities and cash flows;
- performs an evaluation of the functioning of the Board and its committees and of their size and composition, taking into account, inter alia, elements such as the professional characteristics and experience (managerial or otherwise) of the members, as well as their gender and seniority with an eye on diversity criteria;
- adopts, in order to ensure proper management of corporate information and as recommended by the Chief Executive Officer or the Chairman of the Board of Directors, a procedure for the internal management and external disclosure of documents and information concerning the Issuer, with particular reference to inside information.

In 2022 the Board of Directors did not deem it necessary or appropriate to develop justified proposals to be submitted to the Shareholders' Meeting for the definition of a corporate governance system that is more functional to the company's needs, as better described in Section 13.

The Board of Directors adopted a policy for the management of dialogue with the general public, which is described in Section 12.

4.2 APPOINTMENT AND REPLACEMENT OF DIRECTORS (pursuant to article 123-bis, paragraph 1, letter l) of the TUF)

The Company is administered by a Board of Directors with three to fourteen members as decided by the Shareholders' Meeting at the time of appointment. Directors are elected on the basis of slates of candidates. The slates of Directors to be elected – except those with fewer than three candidates – must be drawn up taking into account the criterion that ensures gender balance, guaranteeing the least-represented gender a number of candidates at least equal to the percentage required by applicable laws and regulations on gender balance, which must be calculated on the basis of criteria envisaged thereby. Slates can only be submitted by shareholders who, alone or together with others, hold a total of shares with voting rights representing at least 2.5% (two point five per cent) of the capital with voting rights at the ordinary meeting. This percentage was confirmed by Consob, which, with management decision no. 76 of 30 January 2023, specified the minimum percentage required to submit a slate of candidates to be 2.5% of the share capital.

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

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

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

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

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

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

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

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

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

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

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

With regard to information on the role of the Board of Directors and the Board Committees in the processes of self-assessment, appointment and succession of directors, please refer to Section 7

4.3 COMPOSITION (pursuant to article 123-bis, paragraph 2, letters d) and d-bis) of the TUF)

The Board of Directors is composed of 4 (four) executive directors and 3 (three) non-executive directors, all of whom have the expertise and skills appropriate to the tasks entrusted to them.

The number and skills of non-executive directors are such as to ensure that they have a significant say in the passing of board resolutions and to guarantee effective monitoring of management. The Board of Directors consists of 2 (two) independent non-executive directors.

The Board of Directors currently in office was appointed by the Shareholders' Meeting of 29 April 2020 and its mandate will end with the approval of the financial statements as at 31 December 2022.

On 3 April 2020, a single slate was submitted by the majority shareholder Newlat Food S.p.A., which held 6,473,122 ordinary CLI shares representing 46.24% of the Company's ordinary share capital.

As only one slate was submitted, the proposed candidates were all elected with 9,661,789 votes in favour, i.e. 69.01% of the voting capital, and 2,431 votes against, i.e. 0.02% of the voting capital.

The Board of Directors at the date of this Report is composed as follows:

- Angelo Mastrolia – Chairman of the Board of Directors
- Giuseppe Mastrolia – Deputy Chairman of the Board of Directors
- Stefano Cometto – Managing Director
- Edoardo Pozzoli – Non-executive director
- Benedetta Mastrolia – Non-executive director
- Valeria Bruni Giordani – Independent non-executive director
- Anna Claudia Pellicelli – Non-executive and independent director (appointed pursuant to article 2386 of the Italian Civil Code by the Shareholders' Meeting of 29 April 2021).

Angelo Mastrolia - born in Campagna (SA) on 5 December 1964, he obtained his diploma in surveying in 1982 and attended the Faculty of Law at the University of Salerno. His entrepreneurial activity began in the 1980s in the milk and milk-based products sector, taking on the role of manager in the family company Piana del Sele Latteria S.p.A. After a stint in the leasing and real estate and industrial investments sectors, and in the supply of furnishings for luxury boats, in 2004, through the company TMT Finance SA (now Newlat Group), he began a series of acquisitions in the food & beverage sector, including the acquisition of Industrie Alimentari Molisane S.r.l., a producer of Pezzullo, Corticella and Guacci pasta, and in 2008 the acquisition of Newlat S.p.A. by Parmalat S.p.A., following approval from the antitrust authority. Following the acquisition of Newlat, in his role as controlling shareholder and Executive Chairman Angelo Mastrolia continued to ensure that the Newlat Group consolidated and grew in the domestic and international food & beverage sector, including through the acquisitions of the Birkel and Drei Glocken brands, the production plant at Ozzano Taro, the Delverde company in 2019, Centrale del Latte d'Italia S.p.A. in 2020, the English company Symington's Ltd in 2021 and finally the French company EM Foods S.A.S. in 2022.

Giuseppe Mastrolia – born in Battipaglia (SA) on 11 February 1989, he obtained his diploma in accounting in 2007 from the Kennedy Institute of Battipaglia (SA), and since 2008 he has been a member of the Board of Directors of the parent Newlat Food S.p.A. and held the positions of Chief Commercial Officer and Chief Executive Officer (with responsibility for Sales & Marketing), since April 2020 he has held the positions of Deputy Chairman of the Issuer's Board of Directors, as of August 2021 he holds the position of CEO in the English company Symington's Ltd, and as of 2022 he holds the position of Managing Director of the French company EM Foods S.A.S. (both belonging to the Newlat Group).

Stefano Cometto – born in Monza on 25 September 1972, he received his Law degree from the University of Bologna in 1998 and obtained his Doctorate in Law from Nebrija University in Madrid in 2013. From 1998 to 1999 he was Lieutenant in the Finance Police. From 1999 to 2000 he was an internal lawyer in the credit department of San Paolo IMI S.p.A., and from 2000 to 2001 he was an employment lawyer for Unicredit S.p.A. (at the time, Rolo Banca 1473). From 2001 to 2007 he worked at Confindustria as an official in charge of industrial and trade union relations, as well as a legal adviser for trade unions. In 2008 he joined the Newlat Group, where he is the Chief Executive Officer and Chief Operating Officer. As of April 2020 he held the position of director within the Issuer's Board of Directors, where he was vested with delegated powers as of January 2021, becoming an executive director, and finally becoming Chief Executive Officer in July 2022 following the resignation of Edoardo Pozzoli.

Edoardo Pozzoli – born in Turin on 13 July 1982, he graduated with a Bachelor's Degree in Business Administration from the University of Turin in 2005. He joined the Centrale del Latte Group in 2009 and, after resigning as CEO in June 2022, currently holds the position of non-executive Director of the Company. Moreover, in July 2022 the following were added:

Benedetta Mastrolia – born in Rome on 18 October 1995, she earned a BA in Economics and Business from the University of London in 2017 and an MA in Corporate Finance from City, University of London's Cass Business School in 2018. In 2014 she joined the Board of Directors of the parent company Newlat Food S.p.A., and since 2020 she has been a member of the Board of Directors of the Issuer.

Valeria Bruni Giordani – born in Florence on 11 July 1974, she graduated in Political Science from the Cesare Alfieri Faculty in Florence. As of April 2020 she joined the Issuer's Board of Directors as an independent non-executive director.

Anna Claudia Pellicelli – born in Modena on 3 June 1965, she obtained her degree in Economics and Business from the University of Turin. As of April 2020 she joined the Issuer's Board of Directors as an independent non-executive director.

Diversity criteria and policies in Board composition and corporate organisation

The Board of Directors adopted a diversity policy with respect to the composition of the management and administrative bodies with regard to aspects such as age, gender and educational and professional background, available at https://centralelatteitalia.com/investor-relations/.

The objective of this policy is to identify the optimal qualitative and quantitative composition of the Board of Directors in terms of the number of members, which must be adequate to the size and complexity of the Company's organisational structure, as well as in terms of diversified skills and profiles with expertise appropriate to the role to be filled.

Maximum number of positions held in other companies

In the Policy on the Composition of the Board of Directors referred to in the previous point, in order to ensure the effective performance of the office of director the Company also established that the number of directorships and auditing appointments in other companies may not exceed 5 (five) in companies listed on regulated markets (in Italy or abroad) or in financial, banking, insurance or large companies.

For the purposes of the calculation of such positions, no account shall be taken of any positions held by CLI directors in Newlat Group companies. Positions held in more than one company belonging to the same group are considered as a single office, with the executive office taking precedence over the non-executive position.

4.4 OPERATION OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

On 10 September 2021 the Company approved the rules of the Board of Directors, which include the rules for the operation of the Board itself and its committees, including how to record minutes of meetings and procedures for submitting information to directors.

Specifically, minutes are to be taken by the Secretary, who is entitled to make audio recordings of the meetings to facilitate the taking of minutes, or by the Notary in the cases envisaged by current law.

Following the meeting, a draft of the minutes is sent to all directors and auditors for comments and observations, which are then collected by the Corporate & Legal Affairs function.

The final text of the minutes is transcribed in the register of meetings and resolutions of the Board of Directors by the competent company structures and is signed by the Chair and the Secretary.

With regard to the effective management of pre-meeting information, the Board of Directors has established that the documentation supporting the items on the agenda of each meeting must be sent to the directors and statutory auditors sufficiently in advance, as a rule no later than the second day prior to the date set for the meeting, except in cases of urgency in which the documentation is made available as soon as possible. The Company points out that the aforementioned deadline for the submission of pre-meeting documents has always been met.

In 2022, the Board of Directors held 4 meetings lasting an average of 1 hour. The meetings were regularly attended by the directors.

Four meetings of the Board of Directors have been scheduled for the current year, of which one was already held at the date of this Report, namely on 17 March 2023, the latter being called to approve this Report.

Information on the composition of the Board of Directors and the participation of directors in board meetings is given in Table 2 annexed to the Report.

4.5 ROLE OF THE CHAIR OF THE BOARD OF DIRECTORS

The Chair of the Board of Directors acts as a liaison between the executive and non-executive directors, ensuring the effective operation of the Board.

Specifically, with the help of the Board's Secretary, the Chair of the Board of Directors:

- Monitors and ensures that pre-meeting disclosures and supplementary information are provided in a complete, comprehensive manner that enables directors to act in an informed manner in the performance of their role.
- Ensures that the activities of Board committees with investigative, propositional and advisory functions are coordinated with the activities of the Board of Directors, through participation in the meetings of those committees.
- In agreement with the CEO, ensures that the executives of the Company who are responsible for the corporate functions competent according to the subject matter attend Board meetings, including at the request of individual directors, in order to provide the appropriate details on the items on the agenda, ensuring their presence and verifying that such executives provide complete and accurate information. On this subject, note that executives are always present when their presence is required because of the topics on the agenda.
- Monitors and ensures that after their appointment and during their terms of office all members of the administration and control bodies can participate in initiatives aimed at providing them with an adequate knowledge of the business sectors the Company operates in, of corporate dynamics and their evolution, also with a view to the sustainable success of the Issuer, as well as of the principles of correct risk management and of the relevant regulatory and self-regulatory framework. On this point, note the initiatives aimed at providing the members of the Board of Directors and the Board of Statutory Auditors with a complete knowledge of the Company.
- Ensures the adequacy and transparency of the Board of Directors' self-assessment process, with the support of the appointments committee.

The Secretary of the Board

The Company has not appointed a Secretary of the Board of Directors, who is appointed from time to time at each meeting, even from outside the Company.

4.6 EXECUTIVE DIRECTORS

Pursuant to article 13 of the By-laws, the Board of Directors may delegate part of its powers to the Chair, the Deputy Chair, to one or more Managing Directors and to one or more members, establishing their powers and remuneration.

The Board may also appoint an Executive Committee and determine its powers, the number of its members and how it operates.

Chief Executive Officers

Without prejudice to the attributions, powers and faculties reserved to the Board of Directors, the Chair and other corporate functions by law and by the By-laws, with a resolution dated 4 May 2020 the Board of Directors granted powers to Giuseppe Mastrolia and Edoardo Pozzoli, which were then revoked in June 2022 following his resignation from the office of Chief Executive Officer and simultaneously granted to Stefano Cometto.

At the date of this Report, the powers assigned to the Deputy Chair and the Chief Executive Officer are as follows:

<u>Giuseppe Mastrolia (Deputy Chairman of the Board of Directors):</u>

All powers of ordinary and extraordinary administration:

- with no amount limit in all intra-group transactions,
- up to Euro 300,000.00 (three hundred thousand euros) in relation to third parties independently and with sole signing authority,
- without any amount limit with the joint signature with another member of the Board of Directors, except for matters and activities relating to the environment, occupational safety and product health, which are the exclusive competence of the CEO(s) or managers who have assumed the specific managerial responsibilities and powers, or for those matters that the law or the by-laws dictate are the exclusive competence of the Board of Directors and the Shareholders' Meeting.

<u>Stefano Cometto (Chief Executive Officer):</u>

All powers relating to the function of employer, for all divisions, business units, plants and local units/warehouses belonging to the Company, including activities aimed at implementing and complying with the rules on workplace safety and hygiene, protection of workers' health and protection of the environment, with the power of delegation, as well as all tasks resulting from and/or related to the powers specified herein.

In particular, in his capacity as an employer and in addition to the Company's signature and power of representation, Stefano Cometto is awarded powers in the following areas, among others:

1) <u>employment contracts</u>
2) <u>production organisation</u>
3) <u>food hygiene, safety and safety</u>
4) <u>environmental protection</u>
5) <u>management and control powers</u>

6) leases, real rights
7) purchase and sale of goods and services; with the following amount limits:

- Movable property up to Euro 100,000.00 for each transaction when signed individually and up to Euro 300,000.00 when signed jointly with any other member of the Board of Directors.
- Motor vehicles of all kinds, aircraft and boats up to Euro 100,000.00 for each transaction when signed individually and up to Euro 300,000.00 when signed jointly with any other member of the Board of Directors.
- supplies and provisions for any type of use that must have an initial maximum duration of one year, subject to renewal, and up to an annual amount of Euro 100,000.00;
- Works contracts, tenders, consultancies and freelance arrangements, including on an ongoing basis, drawing up the related contracts up to an annual amount of Euro 100,000.00.

8) collections, disposals and receipts
9) banking and financial transactions, with the following amount limits:

- Euro 100,000.00 for: withdrawals from the Company's bank accounts and payments to its creditors; drawing or accepting bills of exchange; requesting cashier's checks; collecting cheque books to be issued on the Company's current accounts and signing the related request; issuing statements of indemnity.
- Euro 80,000.00 for: opening, modifying or closing post office current accounts; carrying out any operation permitted on such accounts including withdrawals and the issuance of postal orders; collecting; issuing receipt and discharge in due form for sums or anything else due to the Company from private individuals, firms, entities, institutions, companies of any kind, insurers, banks and pension funds.

10) Insurance
11) contracts, tenders and licences
12) judicial proceedings
13) transactions and arbitration
14) tax compliance and obligations

Chairman of the Board of Directors

By resolution of 4 May 2020, the Board of Directors appointed Angelo Mastrolia as Chair of the body, assigning him all the powers of ordinary and extraordinary administration, except for matters and activities relating to occupational safety, the environment and product health, which are the exclusive competence of the CEO(s) or managers who have assumed the specific managerial powers and responsibilities, as well as for all matters that by law or by-laws are the exclusive competence of the Board of Directors or the Shareholders' Meeting.

The Chair, Angelo Mastrolia, is also the sole shareholder of Newlat Group S.A., which in turn indirectly controls the Company with a 67.74% stake in the share capital.

Disclosure to the Board by directors/delegated bodies

The Managing Directors report to the Board of Directors on the most important activities performed in the exercise of the powers delegated to them.

Other executive directors

There are no other executive directors on the Company's Board of Directors, other than those mentioned in the paragraphs above.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

Independent directors

At the end of 2022, the Issuer's Board of Directors included 2 (two) directors who met the independence requirements set out in article 147-*ter* of the TUF and the Corporate Governance Code.

The independent directors of the Issuer are indicated below:

a) Valeria Bruni Giordani

b) Anna Claudia Pellicelli

The number and skills of the Independent Directors are considered adequate for the needs of the Company and the operation of the Board of Directors, as well as the constitution of the relevant committees.

Note that the Chair of the Board of Directors does not qualify as independent.

In view of its imminent renewal, the current Board of Directors, whose term of office expires with the approval of the financial statements as at 31 December 2022, worked with the Appointments and Remuneration Committee to draw up a Policy on the Composition of the Board of Directors, approved by said body on 17 March 2023, which also identifies the quantitative and qualitative criteria for assessing the significance of the relevant circumstances under the Corporate Governance Code for assessing the independence of directors.

As a rule, for the purpose of this assessment a director is deemed not to be independent in the following representative cases:

a) They are significant shareholders of the Company.

b) In the previous three financial years they have been an executive director or an employee of the Company, of one of its strategically important subsidiaries or of a company under common control with the Company, or of a significant shareholder of the Company.

c) In the previous three financial years the director directly or indirectly (e.g. through subsidiaries or companies they are a significant representative of, or as a partner of a professional firm or consulting company) has or has had a significant commercial, financial or professional relationship:

   i. With the Company or its subsidiaries, or its executive directors or top management.

   ii. With a party that, even jointly with others through a shareholders' agreement, controls the Company; or, if the controlling party is a company or entity, with its executive directors or top management.

d) In the previous three financial years they have received from the Company, one of its subsidiaries or the parent company significant additional remuneration with respect to the "fixed" remuneration for the office of non-executive director of the Company and to the remuneration envisaged for participation in committees recommended by the Code or envisaged by current regulations, even in the form of participation in incentive plans linked to company performance, including share-based plans.

e) They have been a director of the Company for more than nine years, even non-consecutive, in the last 12 years.

f) They hold the office of executive director in another company in which an executive director of the

Company has an office of director.

g) They are shareholders or directors of a company or an entity belonging to the network of the company appointed to audit the Company.

h) They are a close member of the family (meaning the spouse not legally separated, dependent children, including those of the spouse, and, if cohabiting for at least one year, parents, relatives up to the 4th degree) of a person who is in one of the situations referred to in the preceding points.

As a threshold for the assessment of the cases set out in c) and d) above, the Board of Directors has established that the total value of the dealings and additional remuneration must not exceed 5% of the turnover of the director in question.

In any case, immediately after appointment, during the course of the term of office on an annual basis, as well as upon the occurrence of relevant circumstances, the Board of Directors must make sure that each of the non-executive directors meets the independence requirements.

The verification was carried out by adopting the above criteria in accordance with the Corporate Governance Code, and in particular Recommendation 7, based on which the Board of Directors was able to confirm the independence of Valeria Bruni Giordani and Anna Claudia Pellicelli.

In making the above assessment, the Board of Directors took into consideration all the information available, in particular the information provided by the directors being assessed, which was deemed sufficient and complete for a timely examination of those circumstances that could compromise independence, as stressed by Recommendation 6.

The Board of Statutory Auditors noted that the verification criteria and procedures used by the Board of Directors to assess the independence of its members were correctly applied, was the Policy on the Composition of the Board of Directors.

The Independent Directors in office at the date of this Report did not meet in the absence of the other directors, considering the opportunities to meet within the meetings of the board committees in which all the independent directors participate to be sufficient.

Lead Independent Director

With a resolution of the Board of Directors on 29 July 2020, the Company appointed the independent non-executive director Anna Claudia Pellicelli as lead independent director, replacing the independent non-executive director Antonella Mansi following her resignation on 29 June 2020 with immediate effect.

The Lead Independent Director is assigned the task of coordinating the requests and contributions of the non-executive directors, and in particular of the independent directors.

Specifically, the Lead Independent Director:

- Cooperates with the Chair of the Board of Directors in order to ensure that directors are provided with complete, timely information flows and to define the initiatives aimed at enabling directors and statutory auditors to have a better knowledge of the Company and the Group and of corporate dynamics.
- Contributes to the evaluation process of the Board of Directors.
- Informs the Chair of the Board of Directors of any matters to be submitted for the examination and assessment of the governing body.
- Coordinates the meetings attended only by Independent Directors.

5. MANAGEMENT OF COMPANY INFORMATION

All Directors and Statutory Auditors are required to keep the documents and information acquired in the performance of their duties confidential and to comply with the procedures for the external communication of such documents and any price sensitive information.

On a proposal from the Managing Directors, at its meeting on 18 December 2000 the Board resolved to reserve the right to the Chairman and the Managing Directors to externally disclose documents and information concerning the company, especially with respect to price sensitive information. They may make use of the consulting firm which the financial information is entrusted to.

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

These Rules are published on the Issuer's website at https://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016_CLI.pdf.

6. INTERNAL BOARD COMMITTEES (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

The Board of Directors has set up internal committees with investigative, propositional and advisory functions, namely:

- An appointments and remuneration committee, which is described in greater detail in Sections 7.2 and 8.2 (the "Appointments and Remuneration Committee").

- A Control and Risk Committee, which is described in more detail in Section 9.2 (the "Control and Risks Committee").

- A committee for transactions with related parties, which is described in greater detail in Section 10 (the "RPT Committee").

The Board of Directors has determined the composition of the individual committees by giving priority to the expertise and experience of their members.

At the date of the Report, the Committees were composed as follows:

Position	Control and Risks Committee	Remuneration and Appointments Committee	RPT Committee
Chairman	Anna Claudia Pellicelli	Anna Claudia Pellicelli	Valeria Bruni Giordani
Component	Valeria Bruni Giordani	Valeria Bruni Giordani	Anna Claudia Pellicelli
Component	-	Benedetta Mastrolia	-

When setting up the aforementioned board committees, the Board of Directors also adopted the relevant rules defining the operation of the committees, including the procedures for recording minutes of meetings and the procedures for managing the information to be provided to the directors who are members of the committees.

Specifically, each set of rules specifies the composition of the relevant committee, the expertise required of each member, as well as the way in which the chair is to be appointed and the procedure for the replacement of members.

The rules also establishes the manner in which the Committee's meetings are convened, the related timing, specifying the places where the meetings may be held and the persons to whom the notice must be sent, as well as determining the validity of the constitution of each meeting and of the deliberations on the items.

Furthermore, in order to ensure the completeness of information flows, while protecting the confidentiality of the data and information provided, the rules provide that any documentation relating to items on the agenda shall normally be made available within the second day prior to the day set for the meeting, except in cases of urgency where the documentation is made available as soon as possible.

Finally, they specify the tasks attributed to each committee, indicating the means that its members may use to carry out their activities. All this in compliance with the duty of confidentiality regarding news and information acquired in the exercise of their functions, even after the expiry of the mandate of the individual members.

Additional committees (other than those envisaged by the law or recommended by the Code)

The Board of Directors has not established any additional committees - other than those required by law or recommended by the Corporate Governance Code.

7. SELF-ASSESSMENT AND DIRECTOR SUCCESSION - APPOINTMENTS COMMITTEE

7.1 SELF-ASSESSMENT AND DIRECTOR SUCCESSION

The Board of Directors assesses the effectiveness of its activities and the contribution made by its individual members through questionnaires specifically prepared by external consultants of the Company.

The Issuer conducts the self-assessment every year and focuses on its size, composition and actual operation, also considering the role played by the Board of Directors in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system.

Specifically, the Board of Directors currently in office – which will expire with the Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2022 – in view of its imminent renewal has performed its own self-assessment and expressed its opinion on its optimal quantitative and qualitative composition, the results of which have been published on the Company's website https://centralelatteitalia.com/investor-relations/, from which the following emerged:

- The appropriateness of the number between 6 (six) and 9 (nine) Directors to ensure an adequate balance of expertise and experience required by the Company's business, suggesting an increase in the presence of members with digital and IT expertise, as well as ESG and, in particular, with skills in sustainability.
- Adequacy of the current ratio of Executive (3), Non-Executive (between 3 and 4) and Independent Directors pursuant to the Corporate Governance Code (2), as it is suitable to ensure an effective operation of the Board of Directors.

In general, the Board of Directors considers its composition to be adequate in terms of both skills and diversity given the presence of international managers with strong skills in accounting, finance and risk management capable of providing concrete support to the pursuit of the Company's strategic objectives and the tasks of the Board itself.

As far as the operation of the Board of Directors is concerned, the Directors believe that the organisation of the meetings is appropriate to the Company's structure, both in terms of the number of meetings and their duration, at which there is constant participation by all members, as well as external parties involved from time to time due to the topics on the agenda of the various meetings.

The conditions under which the meetings are held were also considered suitable and satisfactory, in terms of participation, in-depth examination of individual issues, and informed and independent deliberation.

With regard to the composition and operation of the internal committees (Control and Risk Committee, Appointments and Remuneration Committee and Related Party Transaction Committee), they were deemed adequate and suitable for the corporate structure. These board committees are all made up of highly experienced professionals who are able to carry out their tasks effectively. The activities entrusted to each of them of an investigative, advisory and propositional nature vis-à-vis the Board of Directors were deemed compliant and in line with the principles and recommendations provided by the Corporate Governance Code.

In conclusion, the Board of Directors considers its composition to be adequate both in qualitative and quantitative terms due to (i) the presence of a high degree of diversification of professional experience; (ii) the adequate operation of the body itself, whose activities are carried out in a climate of trust, cooperation and interaction between the members of the Board.

Succession plans

As of the date of this Report, due to the fact that CLI qualifies as a non-large company with concentrated ownership, as defined in the Corporate Governance Code, no succession plan for executive directors has been adopted.
The Board of Directors reserves the right to perform an analysis in the future to assess the appropriateness of defining measures to ensure the continuity of management, including through the adoption of a succession plan, without prejudice to the provisions of the Corporate Governance Code.

7.2 APPOINTMENTS COMMITTEE

Composition and operation of the appointments committee (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

The Company set up a single Appointments and Remuneration Committee composed exclusively of non-executive Directors, appointing Benedetta Mastrolia and Valeria Bruni Giordani as members, and Anna Claudia Pellicelli as its chair.

Minutes are duly taken at meetings of the Committee, and the Chair of the Committee reports these to the next meeting of the Board of Directors.

The members of the Board of Statutory Auditors may also attend the meetings as permanent guests.

In 2022 the Appointments and Remuneration Committee held 1 meeting lasting 1 hour, which was attended by all members.

As of the date of this Report, 1 meeting of the Appointments and Remuneration Committee has already been held.

Functions of the appointments committee

The Appointments Committee:

- Assisted the Board of Directors in the self-assessment of the Board itself and its committees, supporting the Chair of the Board of Directors in ensuring the adequacy and transparency of the self-assessment process carried out in February 2023.
- Assists the Board of Directors in defining the optimal composition of the Board and its committees.
- Assists the Board of Directors in identifying candidates for the office of director in the event of co-option.

Should the Company adopt a succession plan for executive directors, the Appointments Committee will be asked to support the preparation, updating and implementation of such plan.

The Appointments Committee plays an advisory and recommendatory role and has the task of assisting the Board of Directors at a preliminary stage with the assessments and decisions relating to the composition of the Board of Directors.

During the financial year, the Appointments Committee carried out the following main activities:

- Discussion of the findings of the self-assessment questionnaire
- Analysis of the Policy on the Composition of the Board of Directors

The Appointments Committee has the right to access the information and the corporate functions and structures necessary to perform its tasks, having at its disposal financial resources and making use of external consultants within the terms set by the Board of Directors.

8. REMUNERATION OF DIRECTORS – REMUNERATION COMMITTEE

8.1 REMUNERATION OF DIRECTORS

For the information in this Section, please refer to the Remuneration Report, prepared by the Company and available at https://centralelatteitalia.com/investor-relations/bilanci-e-relazioni/.

8.2 REMUNERATION COMMITTEE

Composition and operation of the remuneration committee (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

As stated in Section 7.2, the Company set up a single Appointments and Remuneration Committee, composed exclusively of non-executive Directors, currently consisting of the directors Benedetta Mastrolia and Valeria Bruni Giordani as members, and Anna Claudia Pellicelli as its chair.

All the members of the Remuneration Committee have knowledge and experience in financial matters or remuneration policies that was deemed adequate by the Board of Directors at the time of their appointment.

In accordance with the provisions of the Corporate Governance Code, no director takes part in the meetings of the Remuneration Committee at which proposals relating to their remuneration are formulated.

Minutes are duly taken at meetings of the Committee, and the Chair of the Committee reports these to the next meeting of the Board of Directors.

The members of the Board of Statutory Auditors may also attend the meetings as permanent guests.

As already indicated in Section 7.2 above, in 2022 the Appointments and Remuneration Committee held 1 meeting lasting 1 hour, which was attended by all members.

As of the date of this Report, 1 meeting of the Appointments and Remuneration Committee has already been held.

Functions of the remuneration committee

The Remuneration Committee:

Assisted the Board of Directors in drawing up the remuneration policy.

Submits proposals and expresses opinions on the remuneration of executive directors and other directors holding particular positions, and on the setting of performance targets related to the variable component of such remuneration.

Monitors the concrete application of the remuneration policy, and verifies the actual achievement of performance targets.

Periodically assesses the adequacy and overall consistency of the policy for the remuneration of directors and top management.

During the financial year, the Remuneration Committee carried out the following main activities:

Discussion of remuneration policy and analysis of performance targets, both qualitative and quantitative.

Discussion of the 2022 Remuneration Report.

The Remuneration Committee has the right to access the information and the corporate functions and structures necessary to perform its tasks, having at its disposal financial resources and making use of external consultants within the terms set by the Board of Directors.

The Remuneration Committee did not use the services of a consultant in order to obtain information on market practices regarding remuneration policies.

9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – CONTROL AND RISK COMMITTEE

In accordance with Principle XVIII of the Corporate Governance Code, the Issuer has defined the guidelines of the internal control and risk management system (hereinafter also referred to as "SCIGR") consisting of the set of rules, procedures and organisational structures aimed at an effective and efficient identification, measurement, management and monitoring of the main risks, in order to contribute to the sustainable success of the Company, in accordance with its strategies.

Assessment of the adequacy of the Internal Control and Risk Management System

For the 2022 financial year, the assessment of the overall adequacy of the Internal Control and Risk Management System was expressed on the basis of the analysis of the following aspects:

Significant events with an impact on the corporate governance and control model:

- Group ERM risk Assessment
- Group Audit Plan
- Changes in the composition of the management and control bodies and in the organisational structure
- Changes in delegated and proxy powers
- Compliance with Law no. 262/05 on accounting and corporate documentation
- Group sustainability
- Information systems
- *Export compliance*
- Related-party transactions
- Intragroup transactions and transactions with a potential conflict
- Transactions involving internal dealing
- Main pending litigation
- Situation of non-performing loans

Results of audits performed by internal and external audit bodies:

- Results of monitoring carried out by Internal Audit
- Meetings between the Control Bodies
- Information from the financial reporting officer
- Results of monitoring by the Supervisory Body
- Results of third-party audits of quality, occupational health and safety, and environmental management systems

- Information from the Prevention and Protection Service and the Environmental Protection Service

Based on the information and evidence gathered and having consulted with the Control and Risk Committee, the Board of Directors considers that the Internal Control and Risk Management System in place in 2022 is adequate and effective with respect to the size and characteristics of the Group the Company belongs to, and overall capable of achieving the corporate objectives.

Internal Control and Risk Management System on financial reporting (ICRMS)

The Company considers the Internal Control and Risk Management System on financial reporting to be an integral part of its risk management system.

With specific regard to the Internal Control and Risk Management System on financial reporting, the Company has defined its own system of accounting control rules to be followed.

In addition to this system, there are internal instructions and rules (including, by way of example, the system of powers and proxies, reporting instructions, supporting information systems, visits to the Company's plants) through which the Company ensures an efficient system of data exchange between all facilities.

The 2022 assessment highlighted the relevant processes that were subjected to timely review during the year with respect to specific control objectives (existence, completeness and accuracy, valuation, rights and obligations, presentation and disclosure).

Any deficiencies/improvement actions identified during the audits and reporting as described above require immediate identification of actions to be taken, as well as regular monitoring of their resolution.

The main characteristics of the SCIGR and the methods of coordination between the actors involved therein, inspired by national and international best practice models, are described below.

The corporate and supervisory bodies within the ICRMS are:

- The Board of Directors

- The Internal Control and Risks Committee

- The executive director responsible for internal audit

- The Head of Internal Audit

- The Supervisory Board (Italian Legislative Decree 231/01)

- The Financial Reporting Officer

- The Board of Statutory Auditors

- The Independent Auditor

The Company's ICRMS is based on three levels of control:

Level I Control – the operating teams are primarily responsible for the ICRMS process. These teams – as part of their daily activities – are called upon to identify, measure, evaluate, monitor, mitigate and report the risks deriving from ordinary business activities in accordance with the ICRMS and the applicable internal procedures.

Level II Control – corporate risks are monitored, guidelines on the related control systems are proposed and their adequacy is verified to ensure the efficiency and effectiveness of operations, as well as adequate risk control, prudent conduct of business, reliability of information, and compliance with laws, regulations and internal procedures.

Level III Control – the Head of Internal Audit verifies and ensures the adequacy and effective operation of the Level I and II Controls and – in general – of the ICRMS, evaluating its completeness, functionality and reliability in terms of efficiency and effectiveness, as well as identifying any violations of applicable procedures and standards.

The central role in the Internal Control and Risk Management System is played by the Board of Directors, which defines the nature and level of risk compatible with the Company's objectives.

When working effectively, the Company's ICRMS guarantees, with reasonable certainty, the achievement of operational, disclosure and compliance objectives. Specifically:

- The operational objective of the internal control system concerns the effectiveness and efficiency of the Company in using resources, protecting itself from losses, and safeguarding the Company's assets. This system is also aimed at ensuring that staff work towards the pursuit of company objectives, without putting other interests before those of Centrale del Latte d'Italia S.p.A.
- the objective of disclosure translates into the preparation of timely and reliable reports for the decision-making process within and outside the company organisation;
- the compliance objective ensures, on the other hand, that all operations and actions are conducted in compliance with laws and regulations, prudential requirements and internal company procedures.

The ICRMS involves every sector of the activity carried out by the Company, distinguishing between operational and control tasks and reasonably reducing any possible conflict of interest.

In particular, the internal control system is based on the following elements:

- Formalised and clear organisational system in the allocation of responsibilities.
- Authorisation and signature powers assigned consistent with the responsibilities.
- IT systems geared towards segregation of duties;
- management control and reporting system;
- functions responsible in a structured manner for external communication;
- periodic audits of the main company processes.

The Company's ICRMS is based on the following principles:

➢ Every operation, transaction and action must be true, verifiable, coherent and documented.

➢ No one can manage an entire process independently (so-called segregation of duties).

➢ The internal control system documents the performance of controls, including supervision.

Responsibility for the proper functioning of the internal control system is vested in each business function for all processes for which it is responsible.

The type of corporate control structure existing in the Company includes:

- Line controls, carried out by individual operating units on the processes for which they have operational responsibility, aimed at ensuring the correct conduct of operations.

- Monitoring activities, carried out by the managers of each process and aimed at verifying the correct performance of the underlying activities, on the basis of hierarchical controls.

- Activities for the detection, evaluation and monitoring of the internal control system over the administrative and accounting systems and processes that are relevant to the financial statements.

Lastly, with regard to the ICRMS, it should be noted that in the exercise of its functions, during the Board meeting of 17 March 2023, the Board of Directors:

- Approved the internal audit plan after consulting the Board of Statutory Auditors and the executive director responsible for internal audit, after consulting the Committee for Internal Control and Risks.

- After obtaining the opinion of the Internal Control and Risk Committee, assessed the adequacy of the system in relation to the characteristics of the company and its risk profile, as well as its effectiveness.

9.1 CHIEF EXECUTIVE OFFICER

The Board of Directors has identified the Executive Chair of the Board of Directors, Angelo Mastrolia, as the director responsible for establishing, maintaining and supervising the operation of the Internal Control and Risk Management System.

Within the scope of the responsibilities entrusted to him by the Board of Directors, the Chair has implemented the guidelines and directives of the Internal Control and Risk Management System, defined by the Board of Directors. Below are the actions taken.

- Identify the main corporate risks, to be periodically submitted to the Board of Directors, taking into account the characteristics of the activities carried out.
- Implement the guidelines defined by the Board, taking care of the design, creation and management of the internal control and risk management system, continually verifying its adequacy and effectiveness.
- Update the internal control and risk management system with respect to the dynamics of operating conditions and the legislative and regulatory landscape.
- Entrust the internal audit function with performing audits on specific operational areas and on compliance with internal rules and procedures in the execution of company operations, simultaneously notifying the Chair of the Board of Directors, the Chair of the Control and Risks Committee and the Chair of the Board of Statutory Auditors.
- Promptly report to the Control and Risks Committee on problems and issues emerging in the course of its activities or of which it has been informed, so that the Committee can take appropriate action.

9.2 CONTROL AND RISKS COMMITTEE

Composition and operation of the Control and Risk Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)

The Company set up a Control and Risk Committee composed solely of independent directors, namely director Valeria Bruni Giordani as a member and Anna Claudia Pellicelli as its chair.

All the members of the Control and Risk Committee have adequate expertise in the Company’s business, functional to assess the relevant risks, and an adequate knowledge and experience in accounting and finance or risk management.

Minutes are duly taken at meetings of the Committee, and the Chair of the Committee reports these to the next meeting of the Board of Directors.

Meetings of the Control and Risk Committee have always been attended by CLI's financial reporting officer, as well as – at the invitation of the committee chair – the head of the internal audit department and representatives of the independent auditor, depending on the items on the agenda.

The members of the Board of Statutory Auditors may also attend the meetings as permanent guests.

In 2022, the Control and Risks Committee held 2 meetings lasting an average of 1 hour. These meetings were regularly attended.

As of the date of this Report, 1 meeting of the Control and Risks Committee has already been held.

Functions assigned to the Control and Risks Committee

The Control and Risks Committee:

- Supports the Board of Directors in carrying out its tasks in the field of internal control and risk management.
- After consulting the Financial Reporting Officer, the independent auditors and the Board of Statutory Auditors, assesses the correct use of the accounting standards, as well as their consistency for the purposes of preparing the consolidated financial statements.
- Assesses the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its operations and the performance achieved.
- Examines the content of periodic non-financial information relevant to the internal control and risk management system.
- Expresses opinions on specific aspects relating to the identification of the main corporate risks, and supports the assessments and decisions of the Board of Directors relating to the management of risks arising from prejudicial events the latter has become aware of.
- Examines periodic and particularly significant reports prepared by the internal audit function.
- Where deemed necessary, entrusts the internal audit function to carry out audits on specific operational areas, giving simultaneous notice to the Chair of the Board of Statutory Auditors.

- When it is time to approve the annual and semi-annual financial reports, it reports to the Board of Directors on the activities carried out, as well as on the adequacy of the internal control and risk management system.

In 2022, the Control and Risks Committee carried out the following main activities:

- Analysis of the 2022 internal audit.
- Analysis of the risks and 2023 Group audit plan.
- Preparatory activities for drafting the 2022 financial statements.
- Discussions with the Control and Risks Committee of the parent Newlat Food S.p.A.
- Impacts of COVID on the business and financial statement valuations.
- Impacts of macroeconomic scenarios: war and inflation.
- Update with the independent auditors on the activities related to the financial statements.
- 262 testing progress and results.
- Meeting with the Supervisory Body.
- Group sustainability.
- Analysis of the draft Corporate Governance Report.

The Control and Risk Committee has the right to access the information and the corporate functions and structures necessary to perform its tasks, having at its disposal financial resources and making use of external consultants within the terms set by the Board of Directors. Note also that the latter holds regular meetings with the Auditing Firm during the year.

9.3 HEAD OF INTERNAL AUDIT

On 10 September 2021 the Board of Directors appointed Mr Fabrizio Carrara as head of the Internal Audit function, the person responsible for verifying that the internal control and risk management system is functional, adequate and consistent with the guidelines defined by the Board of Directors.

The Board of Directors assigned Fabrizio Carrara a remuneration consistent with company policies, ensuring that he is provided with adequate resources to perform his duties.

The head of the Internal Audit department is not responsible for any operational area, reports hierarchically to the Board of Directors and has direct access to all information useful for carrying out the task.

On 17 March 2023 the Board of Directors approved the work plan prepared by the Head of Internal Audit, having consulted the Board of Statutory Auditors and the CEO.

During the year, the head of the Internal Audit function:

- Verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risk management system through an audit plan approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks.
- Prepares periodic reports containing adequate information on their activities, on the way in which risk management is conducted and on compliance with the plans defined for their containment, as well as an assessment of the suitability of the internal control and risk management system, transmitting such information to the chairs of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the CEO, except in cases where the subject of these reports specifically concerns the activities of such parties.
- Prepares timely reports on events of particular importance, also at the request of the Board of Statutory Auditors, submitting them to the chairs of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the CEO, except in cases where the subject of such reports specifically concerns the activities of such parties.
- As part of the audit plan, checks the reliability of information systems, including accounting systems.

The main activities carried out by the Head of Internal Audit during 2022 were as follows:

- Drafting of the Audit Plan proposal based on the identification and prioritisation of the main business risks present in the ERM.
- Carrying out of the independent monitoring programme defined with the Financial Reporting Officer as part of the Corporate Reporting Control System.
- Activities relating to relations with the Independent Auditor.
- Verification of the design of the internal control system to support non-financial reporting (NFS).

9.4 ORGANISATIONAL MODEL AS PER ITALIAN LEGISLATIVE DECREE 231/2001

The Company adopted an organisation, management and control model pursuant to and for the purposes of Italian Legislative Decree 231/2001 (the "231 Model"), as updated during the 2022 financial year.

The Model 231 consists of: (a) a general part, relating to issues concerning, among other things, the validity and application of Italian Legislative Decree no. 231/2001, the composition and functioning of the supervisory body, and the penalty code to be applied in case of violations of the rules of conduct of Model 231; and (b) the special parts, containing the general principles of conduct and control protocols for each of the offences deemed to be a risk to the Company.

Specifically, note that the 231 Model aims to prevent the following types of offences: https://centralelatteitalia.com/investor-relations/modello-d-leg-231-2001-e-codice-etico/.

The functions of the Supervisory Board are assigned to Mr Massimo Carlomagno as Chair, and to Ms Ester Sammartino as a member, in exercise of the power provided by the applicable law. In this way, the Supervisory Body meets the applicable requirements of autonomy, independence, professionalism and continuity of action.

9.5 INDEPENDENT AUDITORS

At the date of the Report, the company responsible for independently auditing the Issuer's accounts was PricewaterhouseCoopers S.p.A., with its registered office at Piazza Tre Torri 2, Milan, no. 119644 in the Register of Independent Auditors held by the Ministry of Economy and Finance.

On 29 April 2021 the Issuer's Ordinary Shareholders' Meeting resolved to proceed with the early consensual termination of the mandate of the independent auditor pursuant to art. 13 of Italian Legislative Decree no. 39/2010 and art. 7 of Italian Ministerial Decree 261/2012, conferred on the auditing firm Deloitte & Touche S.p.A. by the Shareholders' Meeting on 18 April 2015; and at the same time resolved, pursuant to art. 13, paragraph 1 of Italian Legislative Decree no. 39/2010, to grant PricewaterhouseCoopers S.p.A. the statutory audit assignment for nine years, with reference to the financial years 2021-2029, under the terms and conditions set forth in the offer submitted by PricewaterhouseCoopers S.p.A. and attached to the reasoned proposal of the Board of Statutory Auditors.

9.6 FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS

On 4 May 2021, in compliance with the provisions of article 154-bis of the Consolidated Law on Finance and with the relevant appointment procedures, the Issuer's Board of Directors decided to appoint Mr Fabio Fazzari as the Financial Reporting Officer.

As regards the provisions of the By-laws, article 22 of the Issuer's By-laws provides that after consulting the Board of Statutory Auditors the Company's Board of Directors shall appoint or dismiss the financial reporting officer, whose professional qualifications include an adequate knowledge of administrative, accounting and financial matters.

The Financial Reporting Officer drafts administrative and accounting procedures for preparing the financial statements, the consolidated financial statements and any other financial communications. He/she is given adequate powers and means to carry out the tasks assigned to him/her. In a special report attached to the financial statements, and to the consolidated financial statements where applicable, the Financial Reporting Officer certifies that the procedures are adequate and effectively applied and that the financial statements correspond to the results of the books and accounting records.

Pursuant to article 154-bis of the Consolidated Law on Finance, the FRO shall among other things:

- Draw up written statements accompanying the Company's documents and communications disseminated to the market and relating to accounting information, including interim accounting information.
- Prepare appropriate administrative and accounting procedures for preparing the separate financial statements and any other financial communications.
- Certify with a special report on the separate financial statements, the condensed half-year financial statements (i) the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements; (ii) that the documents are prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002; (iii) that the documents correspond to the ledgers and accounting records; (iv) the suitability of the documents to provide a true and fair picture of the results, assets and liabilities and cash flows of the Issuer; (v) for the separate financial statements, that the report on operations includes a reliable analysis of the operating performance and result, as well as the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed; (vi) for the condensed half-year financial statements, that the interim report on operations contains a reliable analysis of the information referred to in article 154-ter, paragraph 4 of the TUF.

9.7 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company promotes meetings and exchanges of information between the various bodies responsible for the verification and monitoring of organisational, administrative, accounting, internal control and risk management systems.

Specifically, without prejudice to the provisions of the law with regard to auditors and statutory auditors,[2] prior to the approval by the Board of Directors of the Company's draft financial statements and half-yearly report a collective meeting is held involving the following bodies:

- Control and Risks Committee:
- Board of Statutory Auditors
- Supervisory Board (pursuant to Italian Legislative Decree 231/2001)
- Head of the Internal Audit Function
- Financial Reporting Officer
- Director responsible for the Internal Control and Risk Management System
- Statutory auditors

during which information will be exchanged on the main findings and/or critical issues identified during the audits performed, with regard to organisational, administrative, accounting, internal control and risk management structures. The meetings are recorded in minutes.

In addition to the periodic meetings mentioned above, the continuity and timeliness of information exchanges between the aforementioned control bodies is ensured by:

- The participation of the Board of Statutory Auditors in the meetings of the Control and Risk Committee.
- Periodic reporting by the Supervisory Board to the Control and Risk Committee and the Board of Statutory Auditors.
- Periodic reporting by the Head of Internal Audit to the Control and Risk Committee and the Board of Statutory Auditors.
- The exchange of information between the Control and Risk Committee, the statutory auditor and the Financial Reporting Officer on the accounting standards applied and the adequacy of the administrative and accounting procedures applied in preparing the financial reports of the Company.

[2] The reference is to the following articles of the Consolidated Law on Finance: art. 150, paragraph 3 (The Board of Statutory Auditors and the statutory auditor or auditing firm shall promptly exchange data and information relevant to the performance of their respective duties) and paragraph 4 (Those in charge of internal control shall also report to the Board of Statutory Auditors on their own initiative or at the request of even one of the Statutory Auditors); art. 151, paragraph 1 (The Statutory Auditors may, even individually, at any time perform inspections and controls, as well as ask the directors for information, also with regard to subsidiary companies, on the performance of company operations or on specific business, or address such requests for information directly to the management and control bodies of the subsidiary companies) and paragraph 2 (The Board of Statutory Auditors may exchange information with the corresponding bodies of the subsidiary companies on the management and control systems and on the general performance of the company's business. [omitted]).

10. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 26 June 2021 the Issuer's Board of Directors resolved on the amendments made to the procedure for regulating related-party transactions (hereinafter the **"Related Party Procedure"**) adopted by the Company by board resolution on 6 September 2019, available at https://centralelatteitalia.com/governance/corporate-governance/

The Related Parties Procedure governs the procedures for the instruction and approval of transactions with related parties defined as of greater importance on the basis of the criteria set out in the regulation adopted by Consob with resolution no. 17221 on 12 March 2010 and subsequent amendments and additions (the **"Related Parties Regulation"**) and transactions with related parties defined as of lesser importance, meaning transactions other than transactions of greater importance and transactions of a small amount (the latter are those transactions with related parties whose value does not exceed Euro 500,000.00 in the event that the Related Party is a legal person, and not exceeding Euro 200,000.00 if the Related Party is a natural person).

The Related Parties Procedure defines transactions of greater importance as those in which at least one of the significance indicators mentioned in Annex 3 of the Related Parties Regulations exceeds the 5% threshold and entrusts a specific corporate structure, consisting of the FRO supported by the competent functions, with the task of ascertaining how the procedure should be applied to a given transaction, including whether a transaction is classified as being of greater or lesser importance.

In accordance with the Related Parties Regulation, the procedure for transactions of lesser importance requires that, before approving a transaction with related parties, the Related Parties Committee, composed exclusively of independent (pursuant to the TUF and the Corporate Governance Code) and unrelated directors, expresses a non-binding reasoned opinion on the Company's interest in completing it, as well as on the suitability and substantial fairness of the conditions envisaged. In this regard, it is noted that the Issuer has identified the RPT Committee as the competent body in relation to transactions with related parties.

With regard to transactions of greater importance, the Related Parties Procedure provides that the RPT Committee be involved in the negotiation and investigation phases, and at the end of the latter express its reasoned opinion on the Company's interest in completing the transaction and on the suitability and substantial fairness of the relevant conditions. The RPT Committee shall make its own assessments and, in the event of a negative opinion or one subject to the acceptance of certain findings:

(a) In the case of a transaction of greater importance that is not the responsibility of the Shareholders' Meeting or does not have to be authorised by it, the Board of Directors may: (i) approve the transaction, provided that the approval resolution fully incorporates the findings made by the RPT Committee; or (ii) approve the transaction despite the contrary opinion or in any case without taking into account the findings of the Committee, provided that the completion of the transaction is authorised by the Shareholders' Meeting, pursuant to article 2364, paragraph 1, no. 5) of the Italian Civil Code and in accordance with the provisions of paragraph (b) below; or (iii) decide not to proceed with the transaction.

(b) In the case of a transaction of greater importance falling within the competence of the Shareholders' Meeting or which must be authorised by it, without prejudice to the provisions of articles 2368, 2369 and 2373 of the Italian Civil Code, the transaction may not be carried out if the majority of unrelated shareholders (meaning persons entitled to vote other than the counterparty to a given transaction and related parties both to the counterparty to a given transaction and to the Company) who vote do so against the transaction, provided that the unrelated shareholders present at the Shareholders' Meeting represent at least 10% of the share capital.

The provisions of the Related Parties Procedure do not apply to transactions approved by the Company and addressed to all shareholders on equal terms, including:

a) Rights issues, including those servicing convertible bonds, and free capital increases pursuant to article 2442 of the Italian Civil Code.

b) Demergers in the strict sense, whether total or partial, with proportional share allocation.

c) Reductions in share capital by means of reimbursement to shareholders pursuant to article 2445 of the Italian Civil Code and purchases of treasury shares pursuant to article 132 of the Consolidated Law on Finance.

The rules laid down in the Related Parties Procedure also do not apply in the following cases:

(a) Shareholders' resolutions on the remuneration payable to members of the Board of Directors pursuant to article 2389, paragraph 1 of the Italian Civil Code, as well as resolutions on the remuneration of directors with special responsibilities included in the total amount for the remuneration of all directors previously determined by the Shareholders' Meeting pursuant to article 2389, paragraph 3 of the Italian Civil Code.

(b) Resolutions, other than those indicated under (a), on the remuneration of directors with special responsibilities and other managers with strategic responsibilities, provided that:

   i) The Company has adopted a remuneration policy approved by the Shareholders' Meeting that the Remuneration and Appointments Committee was involved in drafting.

   ii) A report explaining the remuneration policy has been submitted for the approval or advisory vote of the Shareholders' Meeting.

   iii) The remuneration awarded is identified in accordance with that policy and quantified on the basis of criteria that do not involve discretionary assessments.

(c) Transactions of a small amount.

(d) Compensation plans based on financial instruments approved by the Shareholders' Meeting pursuant to article 114-bis of the Consolidated Law on Finance and related executive operations.

(e) Transactions that are part of ordinary business and the related financial activity of the Company or of the subsidiary that performs the transaction, carried out at conditions similar to those usually practised with unrelated parties for transactions of a corresponding nature, scale and risk, or based on regulated rates or prices imposed on or practised with subjects with whom the Company is legally obliged to enter into a contract at a certain amount.

(f) Transactions carried out by the Company with its subsidiaries or transactions carried out between such subsidiaries, as well as those with associates, if there are no significant interests of other related parties of the Company in the subsidiaries or associates.

(g) Shareholders' resolutions on the fees payable to members of the Board of Statutory Auditors pursuant to article 2402 of the Italian Civil Code.

(h) Transactions to be carried out on the basis of instructions for stability purposes given by Supervisory Authorities, or on the basis of provisions issued by the parent company for the execution of instructions given by Supervisory Authorities in the interest of the stability of the Group.

The procedure allows the adoption of framework resolutions relating to series of homogeneous operations to be carried out by the Company, directly or through subsidiaries, with certain categories of related parties.

Please note that any decisions regarding the renewal – even if tacit or automatic - of contracts and relationships that the Issuer enters into with related parties in the period prior to the formal adoption of the Related Parties Procedure described above will be taken in accordance with this procedure.

Committee for transactions with related parties

The Company set up the Related Parties Committee, composed exclusively of independent directors, appointing the director Anna Claudia Pellicelli as member and Valeria Bruni Giordani as its chair.

Minutes are duly taken at meetings of the Committee, and the Chair of the Committee reports these to the next meeting of the Board of Directors. Specifically, the Related Parties Committee:

- formulates prior opinions on the procedures governing the identification and management of related party transactions carried out by the Issuer and/or Group companies, as well as on the related amendments;
- formulates prior and reasoned opinions, in the cases expressly provided for, on the Issuer's interest in completing the transaction with related parties, as well as on the suitability and substantial fairness of the related conditions; and
- in the case of related party transactions of greater importance, the RPT Committee is involved in the negotiation phase and the investigation phase through the receipt of a complete and timely information flow, with the right to request information and to make comments to the parties responsible for conducting the negotiations or the investigation.

In 2022 the Related Parties Committee did not see the need to meet.

11. BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT AND REPLACEMENT

The Board of Statutory Auditors consists of three standing auditors and three alternate auditors who hold office for three years and are eligible for re-election. The minority selects a Standing Auditor and an Alternate. The Board of Statutory Auditors is appointed on the basis of slates submitted by shareholders in which the candidates are listed in sequential order, in accordance with the procedure set out in the following provisions, unless otherwise required by mandatory laws or regulations. The slates of auditors to be elected for both Statutory Auditors and Alternate Auditors where there are no fewer than three candidates must be drawn up taking into account the criterion that ensures gender balance, guaranteeing the least-represented gender a number of candidates at least equal to the percentage required by applicable laws and regulations on gender balance, which must be calculated on the basis of the criteria envisaged thereby. The slate consists of two sections: one for candidates for the office of standing auditor, the other for candidates for the office of alternate auditor. Slates can only be submitted by shareholders who, alone or together with others, hold a total of shares with voting rights representing at least 2.5% (two point five per cent) of the capital with voting rights at the ordinary meeting. This percentage was confirmed by Consob, which, with management decision no. 76 of 30 January 2023, specified the minimum percentage required to submit a slate of candidates to be 2.5% of the share capital.

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

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

1. From the slate that received the highest number of votes at the shareholders' meeting, two standing auditors and two alternates are taken in the order in which they are listed in the sections of the slate.

2. The remaining standing member and the other alternate are drawn from the second slate that received the highest number of votes in the meeting in the progressive order in which they are listed in the sections of the slate.

If the composition of the section with Standing Auditors or that of the Alternate Auditors does not allow for the gender balance to be respected, taking into account the order they are listed in the respective sections, the last elected candidates from the majority slate of the most-represented gender shall be removed in the number necessary to ensure compliance with the requirement, and shall be replaced by the first unelected candidates of the least-represented gender from the same slate and section.

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

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

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

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

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

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

a) Participants are allowed to view, receive or transmit all the necessary documentation.

b) Participation in the discussion in real time is possible.

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

11.2 COMPOSITION AND OPERATION (pursuant to article 123-bis, paragraph 2, letters d) and d-bis) of the TUF)

Pursuant to article 20 of the By-laws, the Board of Statutory Auditors shall consist of 3 standing auditors and 3 alternate auditors who shall hold office for three financial years, expiring on the date of approval of the financial statements for the third financial year of their office, and shall be eligible for re-election.

This Board of Statutory Auditors was appointed by the Issuer's Ordinary Shareholders' Meeting on 19 April 2021, until approval of the financial statements for the year ending 31 December 2023.

Two slates were submitted:

- A first slate submitted by the majority shareholder Newlat Food S.p.A., owner at the date of this report of 6,463,702 CLI shares, corresponding to 46.17% of the share capital, which proposed the following candidates:

Section 1. Standing Auditors

1. Ester Sammartino, born in Agnone (IS) on 23.05.1966, tax code SMMSTR66E63A080O, female.
2. Giovanni Rayneri, born in Turin (TO) on 20.07.1963, tax code RYNGNN63L20L219Y, male.
3. Francesco Fino, born in Turin (TO) on 10.02.1942, tax code FNIFNC42B10L219T, male.

Section 2. Alternate Auditors

1. Massimo Carlomagno, born in Agnone (IS) on 22.09.1965, tax code CRLMSM65P22A080Y, male.
2. Michela Rayneri, born in Turin (TO) on 30.01.1969, tax code RYNMHL69A70L219H, female.
3. Antonio Mucci, born in Montelongo (CB) on 24.03.1946, tax code MCCNTN46C24F548H, male.

- A second slate submitted by the minority shareholder Municipality of Florence, owner at the date of this report of 1,723,106 CLI shares, corresponding to 12.308% of the share capital, which proposed the following candidates:

Section 1. Standing Auditors

1. Deborah Sassorossi, born in Pisa on 22/04/1967, tax code SSSDRH67D62G702Y, female.
2. Gabriella Armano, born in Florence on 08/06/1980, tax code RMNGRL80H48D612S, female.
3. Sandro Santi, born in Florence on 07/02/1961, tax code SNTSDR61B07D612I, male.

Section 2. Alternate Auditors

1. Chiara Gonnelli, born in Florence on 21/11/1980, tax code GNNCHR80S61D612P, female.
2. Ivana Baronti, born in Empoli (FI) on 21/04/1960, tax code BRNVNI60D61D403D, female.
3. Silvia Casati, born in Florence on 07/08/1966, tax code CSTSLV66M47D612I, female.

With regard to the slate submitted by the shareholder Newlat Food S.p.A., there were shares with 9,463,702 votes for, representing 69.81% of the votes cast, and shares with 4,092,987 votes against, representing 30.19% of the votes cast.

With regard to the slate presented by the shareholder Municipality of Florence, there were shares with 4,092,987 votes for, representing 30.19% of the votes cast, and shares for 9,463,702 votes against, representing 69.81% of the votes cast.

Therefore, the Issuer's Board of Statutory Auditors in office consists of:

Name and surname	Position
Deborah Sassorossi	Chairman
Ester Sammartino	Standing Auditor
Giovanni Rayneri	Standing Auditor
Massimo Carlomagno	Alternate Auditor
Michela Rayneri	Alternate Auditor
Antonio Mucci	Alternate Auditor

Deborah Sassorossi – born in Pisa on 22 April 1967, she graduated in Economics and Business at the University of Florence and is a registered Chartered Accountant. He is the chair or a member of the board of statutory auditors in numerous medium-sized and large companies and groups, including international enterprises.

Ester Sammartino - born in Agnone (IS) on 23 May 1966, she obtained a degree in Economics and Business from the University of Chieti in 1992 and has been enrolled in the Register of Chartered Accountants since 2002. From 1990 to 2005 she served as a director at Lamel Legno S.r.l. Since 2005 she has been a standing member of the Newlat Food S.p.A.'s Board of Statutory Auditors, and since 2021 she has been a Statutory Auditor of Centrale del Latte d'Italia S.p.A.

Giovanni Rayneri – born in Turin, Italy, on 20 July 1963, he graduated in Economics and Business at the University of Turin in 1988 and is a registered Chartered Accountant and Auditor. He is also registered in the Register of Technical Consultants at the Court of Turin. He is the chair or a member of the board of statutory auditors in numerous medium-sized and large companies and groups, including international enterprises.

Massimo Carlomagno - born in Agnone (IS) on 22 September 1965, he obtained a degree in Economics and Business from the University of Salerno in 1990 and has been enrolled in the Register of Chartered Accountants since 1996. From 1999 to 2005 he held the position of Chairman of the Board of Directors of Finanziaria Regionale del Molise S.p.A. Since 2005 he has held the position of Chairman of the Board of Statutory Auditors of Newlat Food S.p.A.

Michela Rayneri – born in Turin, Italy, on 30 January 1969, she obtained a degree in Economics and Business from the University of Turin and is a registered Chartered Accountant and Auditor. She is also registered in the Register of Technical Consultants and in the Register of Experts at the Court of Turin.

Antonio Mucci – born in Montelongo (CB) on 24 March 1946, he obtained a degree in Economics and Business from the University of Bari in 1972 and has been enrolled in the Register of Chartered Accountants since 1990 and is also enrolled in the Register of Auditors. From 1991 to 2018 he held the position of auditor in various public bodies, such as the province of Campobasso and the municipalities of Termoli, Larino, Trivento, Riccia, Santa Croce di Magliano, Rotello, Bonefro, Matrice, Montagano, Macchia Valfortore, Morrone del Sannio and Ururi. From 1996 to 2005 he served as Chairman of the Board of Auditors of the Consorzio di Bonifica di Larino. From 1996 to 1999 he served as Chairman of the Board of Statutory Auditors of the cooperative B&G. He was a member of the Board of Statutory Auditors of Piana del Sele S.r.l. from 2007 to 2013. He served first as a member of the board of statutory auditors (from 2011 to 2013) and then as Chairman (from 2014 to 2016) of Finmolise S.p.A. Since 2014 he has been a standing auditor of the Board of Statutory Auditors of Newlat Food S.p.A.

The Board of Statutory Auditors in office at the date of this Report has an adequate composition to ensure the independence and professionalism of its function.

Specifically, no situations referred to in Recommendation 7 of the aforesaid Corporate Governance Code were found.

Diversity criteria and policies

Note that the Issuer has adopted a diversity policy with respect to the composition of the control body that ensures a balance between genders, pursuant to the provisions of article 148, paragraph 1-bis of the Consolidated Law on Finance., available at https://centralelatteitalia.com/investor-relations/.

The composition of the Board of Statutory Auditors at the date of the Report complies with these provisions on gender balance.

Independence

The aforementioned Policy on the Composition of the Board of Statutory Auditors also provides that all members of the Board of Statutory Auditors must meet the independence requirements set forth in Article 148, paragraph 3 of the TUF, as well as the independence requirements established for Directors in Recommendation 7 of the Corporate Governance Code.

Verification of these requirements is performed immediately after their appointment and annually thereafter. Since the last assessment performed on 17 March 2023, it was possible to confirm the independence of all members of the Board of Statutory Auditors.

In making the above assessment, all the information available to each member of the Board of Statutory Auditors was taken into account, applying all the criteria set out in the Corporate Governance Code with respect to the independence of Directors, as set out in Recommendation 6.

Remuneration

As resolved by the Shareholders' Meeting of 29 April 2021, the remuneration of the Statutory Auditors is appropriate to the competence, professionalism and commitment required by the importance of the role held, the size and sector of the Company, as well as its situation.

Management of interests

Any statutory auditor who, on their own behalf or on behalf of third parties, has an interest in a particular transaction of the Company is required to promptly and exhaustively inform the other members of the Board of Statutory Auditors, as well as the Chairman of the Board of Directors, about the nature, terms, origin and scope of the interest.

12. SHAREHOLDER RELATIONS

Access to information

The Issuer has created an online section on its website that is easily identifiable and accessible and which contains information about the Company that is relevant to its shareholders, in order to allow them to exercise their rights in an informed manner.

This section is available at https://centralelatteitalia.com/investor-relations/.

The Issuer has appointed a person responsible for managing relations with shareholders as Investor Relator, in the person of Mr Fabio Fazzari.

The Issuer has also entered into a contract with Barabino & Partners, a leading consulting firm in the field of communications, to best convey relevant information and news, both in terms of form and dissemination through the main press organs.

Dialogue with shareholders

Pursuant to Recommendation 3 of the Corporate Governance Code, the Company adopted a Shareholder Dialogue Policy aimed at governing CLI's current and potential means of dialogue, in order to boost, ensure and promote the exchange of information in the most appropriate forms and improve the level of mutual understanding between investors and the Company in compliance with applicable regulations, including those on market abuse, all to achieve and encourage the exchange of ideas and foster the generation of value in the medium to long term.

Specifically, in addition to indicating the communication channels through which the Company engages in dialogue with the market, as well as the issues that may be the subject of such exchanges, the aforesaid Policy provides for the possibility that the dialogue may even be initiated at the request of the market, governing the related request procedures.

This policy is available at https://centralelatteitalia.com/investor-relations/.

13. SHAREHOLDERS' MEETINGS

Pursuant to the provisions of applicable laws, an ordinary session of the Shareholders' Meeting is able to approve the financial statements, to appoint and dismiss the directors, statutory auditors and the Chairman of the Board of Statutory Auditors and to determine the remuneration of the directors and statutory auditors, and decides on anything else within its competence under the law. An extraordinary session of the Shareholders' Meeting will deliberate on amendments to the Bylaws, as well as on everything reserved to its competence by law.

The Shareholders' Meeting deliberates on all matters ascribed to its competence by law and by the By-laws.

Each share gives the right to one vote, except for the shares with increased voting rights, as detailed in Section 2, letter (d) above.

In order to reduce the constraints and formalities that make it difficult and/or burdensome for shareholders to attend shareholders' meetings and exercise their voting rights, the Issuer has promoted initiatives aimed at encouraging the widest possible participation of shareholders in shareholders' meetings and facilitating the exercise of shareholders' rights.

As of the date of this Report, there have been no cases in which shareholders controlling the Issuer have submitted proposals to the Shareholders' Meeting on matters for which the Directors had not made a specific proposal.

As of the date of the Report, the Issuer has not proposed – for the approval of the Shareholders' Meeting – rules governing the conduct of Shareholders' Meetings.

The Shareholders' Meeting of 28 April 2022 was attended by all members of the Board of Directors.

Given that the corporate governance system adopted by the Issuer is considered suitable and functional to the Company's needs, the Board of Directors did not deem it necessary to submit further proposals to the Shareholders' Meeting regarding the identification of a new administration and control model.

14. FURTHER CORPORATE GOVERNANCE PRACTICES (pursuant to art. 123-bis, paragraph 2, letter a), second part of the TUF)

The Issuer has not applied any other corporate governance practices than those indicated in the previous sections of this Report.

15. CHANGES SINCE THE REPORTING DATE

There have been no other changes to the corporate governance structure since the end of the period aside from those reported in the specific sections.

16. COMMENTS ON THE LETTER OF 25 January 2023 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

At the meeting of 17 March 2023, the Chair brought the Chair of the Corporate Governance Committee's letter of 25 January 2023 to the attention of the Board of Directors and the Board of Statutory Auditors.

Below are the Company's considerations and the initiatives taken regarding the recommendations of the Committee.

On the issue of dialogue with shareholders the Committee *"invites companies to adopt a policy of dialogue with shareholders that also envisages the possibility of such exchanges being initiated by investors, defining progressive methods and procedures based on the principle of proportionality according to the company's characteristics in terms of size and ownership structure"*, as well as to *"assess the appropriateness of providing information in its report on corporate governance on the most relevant issues that have been the subject of dialogue with shareholders, and on any initiatives taken to take account of the information that has emerged"*.

In accordance with Recommendation 3 of the Corporate Governance Code, and as described in detail in paragraph 12 above, the Company has adopted a Shareholder Dialogue Policy that – in addition to boosting, ensuring and promoting the exchange of information in the most appropriate forms and improving the level of mutual understanding between investors and the Company in compliance with the regulations in force, so that there may be a profitable exchange of ideas that allows for the generation of value in the medium-long term – provides for the possibility for investors themselves to request the initiation of a dialogue with the Issuer on various predetermined topics in the manner described in said Policy.

Considering that this Policy was approved during the Board meeting of 17 March 2023, the Company constantly monitors its actual concrete implementation, which will be reflected in the next Corporate Governance Report.

On the topic of dialogue with other relevant stakeholders, the Committee *"invites companies to provide adequate information in their Corporate Governance Report on the criteria and ways in which the board of directors has promoted dialogue with other relevant stakeholders"*.

The Company has identified the relevant stakeholders at the Group level and has initiated a dialogue with them aimed at gathering opinions on financial and non-financial issues in order to direct its strategic business choices, considering the risks generated and incurred and the subsequent opportunities.

Dialogue takes place through workshops, one-on-one meetings and the completion of specially prepared questionnaires to gather input from stakeholders. These elements contribute to the identification of so-called material topics in the preparation of the Company's operational plans, which are periodically reported in the Management Report of the parent company Newlat Food S.p.A.

On the issue of attribution of management powers to the chairman the Committee *"invites companies where the chair is assigned significant management powers to provide adequate reasons for this choice in the Corporate Governance Report, even if the chair is not qualified as CEO"*.

The Company has delegated management powers to the Chair of the Board of Directors despite the fact that he is not qualified as CEO.

This choice is dictated by the experience and sensitivity developed over time by this person, who is operationally involved in the main corporate processes to oversee and guarantee strategic choices.

<u>On the issue of pre-meeting documentation</u>, the Committee *"invites boards of directors to establish procedures for the management of pre-meeting documentation that do not include generic exemptions to the timeliness of such documentation for reasons of confidentiality of data and information, and to provide detailed information in the corporate governance report on any failure to comply with the notice period indicated in the procedures for sending board meeting documentation, explaining the reasons and illustrating how adequate discussion was ensured during the board meeting"*.

On 10 September 2021, the Board of Directors adopted its own rules governing among other things the timing of the distribution of supporting documentation for Board meetings to the members of the Board and the Board of Statutory Auditors.

<u>On the subject of managers' participation in board meetings</u> the Committee *"invites companies, in the rules adopted for the operation of the board of directors and its committees, to define the methods by which such bodies may access the competent corporate functions based on the subject matter, under the coordination of the chair of the board of directors or the committee, respectively in agreement with or informing the CEO. The Committee also invites companies to provide information in the corporate governance report on the actual participation of managers in board and committee meetings, indicating the functions involved and the frequency of their involvement"*.

The Rules of the Company's Board of Directors provide that the Chair, including upon the request of one or more directors, may invite executives of the Company or of Group companies, as well as other persons or external consultants to attend the individual board meeting when their presence is deemed useful with respect to the topics on the agenda. However, these persons will be bound to observe the same confidentiality obligations as those imposed on directors and statutory auditors.

Similarly, the rules of the board committees provide that the individual committee may invite any person to attend meetings whose presence is deemed helpful to the best performance of the committee's functions with respect to all or some of the items on the agenda.

<u>On the subject of optimal composition</u> the Committee *"reiterates the importance of the board of directors, at least in companies other than those with concentrated ownership, expressing an orientation on the optimal composition of the board in view of its renewal, and invites companies to publish this guidance sufficiently in advance to allow those presenting slates of candidates to take it into account when composing such slate"*.

Despite belonging to the category of companies with concentrated ownership, in view of its upcoming renewal the Issuer has drawn up guidelines on the optimal composition of the Board of Directors, making it available to the market by publishing the document on its website at https://corporate.newlat.it/corporate-governance/assemblea-azionisti/.

The guidelines were made public in good time, and in any case in such a way that those submitting slates of candidates can take it into account when composing their slates.

<u>On the topic of criteria for assessing the significance of relationships that may influence a director's independence</u>, the Committee *"reiterates the importance of defining ahead of time and disclosing in the Corporate Governance Report the quantitative parameters and qualitative criteria for assessing the significance of any commercial, financial or professional relationships and any additional remuneration for a director's independence. The Committee invites companies to assess the appropriateness of providing quantitative parameters, also defined in monetary terms or as a percentage of the remuneration paid for the position and for participation in committees recommended by the Code"*.

At the Board meeting of 17 March 2023, the Company approved the Policy on the Composition of the Board of Directors, which among other things sets forth the quantitative parameters and criteria used to assess the significance of certain business, financial or professional relationships, as well as the impact that these relationships could have on the independence of the individual director.

The quantitative parameters have been identified in terms of the percentage of the remuneration received by the director, all as detailed in the Policy published at https://corporate.newlat.it/corporate-governance/corporate-governance/procedure-e-documenti/.

On the issue of transparency of remuneration policies on the weight of variable components the Committee *"invites companies to include in the remuneration policy of the CEO and of the other executive directors an executive summary in table form showing the composition of the remuneration package, with an indication of the characteristics and weighting of the fixed, short-term variable and long-term variable components with respect to the overall remuneration, at least with respect to the achievement of the target objective of the variable components"*.

Each year, in its remuneration policy and remuneration report, the Company discloses the composition of the remuneration package, indicating the fixed component and the characteristics and weight of the long-term variable component, which is dependent on the achievement of both quantitative and qualitative targets, approved by the Board of Directors.

On the subject of long-term horizons in remuneration policies the Committee *"invites companies to provide for a variable component with a multi-year horizon in their remuneration policies, consistent with the company's strategic objectives and the pursuit of sustainable success"*.

The Company confirms that it has provided for a variable component with a multi-year horizon, specifically three years, payable upon the achievement of both quantitative and qualitative parameters consistent with the strategic objectives and the pursuit of sustainable success.

In fact, the quantitative targets are linked to the achievement of certain objectives set out in the 2023-2025 business plan, while the qualitative targets are linked to the achievement of objectives concerning the maintenance of ISO 14001 certification, the reduction of the ratio of $CO2$ emissions to turnover, and the maintenance of the female-to-male gender ratio.

On the subject of ESG parameters for directors' remuneration, the Committee *"invites companies that provide incentive mechanisms for the CEO and other executive directors linked to sustainability targets to provide a clear indication of the specific performance objectives to be achieved"*. As specified in the previous point, the Company provides a clear indication of the specific performance objectives linked to sustainability targets in its report on remuneration policy and compensation paid, which is made available to the public each year in accordance with current regulations.

TABLE 1: OWNERSHIP STRUCTURE INFORMATION ON 17 March 2023

STRUCTURE OF THE SHARE CAPITAL				
	No. of shares	No. of voting rights	Listed (show market) /unlisted	Rights and obligations
Ordinary shares (specifying whether voting rights may be increased)	14,000,020	25,500,171	Listed on Euronext Star Milan	Increased vote pursuant to art. 5 of the By-laws[2]
Preferred shares	0	0	-	-
Multiple-vote shares	0	0	-	-
Other categories of shares with voting rights	0	0	-	-
Savings shares	0	0	-	-
Convertible savings shares	0	0	-	-
Other categories of non-voting shares	0	0	-	-
Other	0	0	-	-

[2] See para. 2 (d) of this Report.

OTHER FINANCIAL INSTRUMENTS (granting the right to subscribe newly issued shares)				
	Listed (show market) /unlisted	No. of instruments issued	Category of shares in service of the conversion/exercise	No. of shares in service of the conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

SIGNIFICANT EQUITY INVESTMENTS			
Declarant	Direct shareholder	Holding % of the ordinary capital	Holding % of the voting capital
Angelo Mastrolia	Newlat Food S.p.A.	67.74%	74.27%
Municipality of Florence	Municipality of Florence	12.30%	13.51%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT THE END OF THE FINANCIAL YEAR

Board of Directors													
Position	**Members**	**Year of birth**	**Date first appointed (*)**	**Start of term**	**End of term**	**Slate (presenters) (**)**	**Slate (M/m) (***)**	**Exec.**	**Non exec.**	**Indep. Code**	**Indep. TUF**	**No. of other posts (****)**	**Participation (*****)**
Chairman •	Angelo Mastrolia	1964	29.04.20	29.04.20	Shareholders' Meeting to approve the 2022 financial statements	Direct	M	x				13	5/5
Deputy Chairman	Giuseppe Mastrolia	1989	29.04.20	29.04. 20	Shareholders' Meeting to approve the 2022 financial statements	Direct	M	x				6	5/5
Chief Executive Officer	Stefano Cometto	1972	29.04. 20	29.04. 20	Shareholders' Meeting to approve the 2022 financial statements	Direct	M	x				5	5/5
Director	Benedetta Mastrolia	1995	29.04. 20	29.04. 20	Shareholders' Meeting to approve the 2022 financial statements	Direct	M		x			3	5/5
Director	Edoardo Pozzoli	1982	2019	29.04. 20	Shareholders' Meeting to approve the 2022 financial statements	Direct	M		x			1	5/5
Director	Valeria Bruni Giordani	1974	29.04. 20	29.04. 20	Shareholders' Meeting to approve the 2022 financial statements	Direct	M		x	x	x	6	5/5
Director ○	Anna Claudia Pellicelli	1965	29.04. 21	29.04. 21	Shareholders' Meeting to approve the 2022 financial statements	Direct	M		x	x	x	-	5/5
------------------- DIRECTORS WHO LEFT OFFICE DURING THE YEAR -------------------													
Director	-	-	-	-	-	-	-	-	-	-	-	-	-

Indicate the number of meetings held during the year: 5
Indicate the quorum required for the submission of slates by minorities for the election of one or more members (pursuant to Article 147-ter of the TUF): shareholders that alone or together with others hold a total of shares with voting rights representing at least 2.5% (two point five per cent) of the capital with voting rights in the ordinary shareholders' meeting.

NOTES

The following symbols must be inserted in the "Position" column:
• This symbol indicates the director responsible for the internal control and risk management system.
○ This symbol indicates the Lead Independent Director (LID)
(*) The date of first appointment of each director is the date on which the director was appointed for the very first time to the Issuer's Board of Directors.
(**) This column indicates whether the slate from which each director was drawn was submitted by shareholders (specifying "Shareholders") or by the Board of Directors (specifying "BoD").
(***) This column indicates whether the slate from which each director was drawn is "majority" (specifying "M") or "minority" (specifying "m").
(****) This column shows the number of directorial or statutory auditor positions held by the person concerned in other listed companies or of significant size. The Corporate Governance Report provides more details on these positions.
(*****) This column indicates the attendance of directors at board meetings (indicate the number of meetings attended out of the total number of meetings attended; e.g. 6/8, 8/8 etc.).

TABLE 3: STRUCTURE OF THE BOARD COMMITTEES AT THE END OF THE YEAR

BoD		**Executive Committee**		**RPT Committee**		**Control and Risks Committee**		**Remuneration Committee**		**Remuneration and**		***Other committee***		***Other committee***	
Position/Qualification	**Members**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**
Independent as per TUF and Code	Anna Claudia Pellicelli	N/A	N/A	1/1	M	2/2	C	1/1	C	1/1	C	-	-	-	-
Independent as per TUF and Code	Valeria Bruni Giordani	N/A	N/A	1/1	C	2/2	M	1/1	M	1/1	M	-	-	-	-
	Benedetta Mastrolia	N/A	N/A	-	-	-	-	1/1	M	1/1	M	-	-	-	-
------------------- DIRECTORS WHO LEFT OFFICE DURING THE YEAR -------------------															
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
--------------ANY MEMBERS WHO ARE NOT DIRECTORS--------------															
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTES
(*) This column indicates the attendance of directors at committee meetings (indicate the number of meetings attended out of the total number of meetings attended; e.g. 6/8, 8/8 etc.).
(**) This column shows the status of the director within the committee: "P": chairman; "M": member.

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT THE END OF THE YEAR

Board of Statutory Auditors									
Position	**Members**	**Year of birth**	**Date first appointed (*)**	**Start of term**	**End of term**	**Slate (M/m) (**)**	**Indep. Code**	**Attendance at Board of Statutory Auditors meetings (***)**	**No. of other posts (****)**
Chairman	Deborah Sassorossi	1967	26.04.18	29.04.21	Shareholders' Meeting to approve the 2023 financial statements	m	x	7/7	9
Standing Auditor	Ester Sammartino	1966	29.04. 21	29.04.21	Shareholders' Meeting to approve the 2023 financial statements	M	x	7/7	6
Standing Auditor	Giovanni Rayneri	1963	26.04. 18	29.04.21	Shareholders' Meeting to approve the 2023 financial statements	M	x	7/7	3
Alternate Auditor	Massimo Carlomagno	1965	29.04. 21	N/A	Shareholders' Meeting to approve the 2023 financial statements	M	X	N/A	N/A
Alternate Auditor	Michela Rayneri	1969	26.04.2018	N/A	Shareholders' Meeting to approve the 2023 financial statements	M	X	N/A	N/A
Alternate Auditor	Antonio Mucci	1946	29.04.2021	N/A	Shareholders' Meeting to approve the 2023 financial statements	M	x	N/A	N/A
-------------------STATUTORY AUDITORS WHO LEFT OFFICE DURING THE YEAR-------------------									
Standing Auditor	-	-	-	-	-	-	-	-	-

Indicate the number of meetings held during the year: 7

Indicate the quorum required for the submission of slates by minorities for the election of one or more members (pursuant to Article 148 of the TUF): shareholders that alone or together with others hold a total of shares with voting rights representing at least 2.5% (two point five per cent) of the capital with voting rights in the ordinary shareholders' meeting.

NOTES

(*) The date of first appointment of each statutory auditor is the date on which they were appointed for the very first time to the Issuer's Board of Statutory Auditors.

(**) This column indicates whether the slate from which each statutory auditor was drawn is "majority" (specifying "M") or "minority" (specifying "m").

(***) This column indicates the attendance of statutory auditors at meetings of the board of statutory auditors (indicate the number of meetings attended out of the total number of meetings that should have been attended; e.g. 6/8, 8/8 etc.).

(****) This column shows the number of director or statutory auditor positions held by the person in question pursuant to article 148-bis of the Consolidated Law on Finance and the related implementing provisions contained in the Consob Issuers' Regulation. The full list of positions is published by Consob on its website in accordance with article 144-quinquiedecies of the Consob Issuers' Regulation.

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

STATEMENT OF FINANCIAL POSITION

(In euros)	Notes	At 31 December 2022	2021
Non-current assets			
Property, plant and equipment	8.1	112,226,207	118,283,183
Right-of-use assets	8.2	11,918,240	8,851,746
of which from related parties		*7,073,877*	*4,357,000*
Intangible assets	8.3	19,546,574	19,548,027
Equity investments in associates	8.4	1,396,719	1,396,719
Non-current financial assets measured at fair value through profit or loss	8.5	703,424	703,424
Deferred tax assets	8.6	1,956,618	1,097,983
Total non-current assets		**147,747,782**	**149,881,083**
Current assets			
Inventories	8.7	25,289,328	19,428,341
Trade receivables	8.8	33,176,442	28,438,046
of which from related parties		*2,525,912*	*734,658*
Current tax assets	8.9	251,150	262,823
Other receivables and current assets	8.10	14,452,426	10,933,251
of which from related parties		*5,823,947*	*5,814,352*
Current financial assets measured at fair value through profit or loss	8.11	1,068	1,068
Financial receivables measured at amortised cost	8.12	3,024,652	-
of which from related parties		*3,024,652*	-
Cash and cash equivalents	8.13	26,622,652	57,371,558
of which from related parties		*17,326,604*	*18,398,792*
Total current assets		**102,817,718**	**116,435,087**
TOTAL ASSETS		**250,565,500**	**266,316,170**
Shareholders' equity			
Share capital		28,840,041	28,840,041
Reserves		34,683,215	32,003,349
Net profit/(loss)		154,306	2,293,598
Total net equity	8.14	**63,677,562**	**63,136,988**
Non-current liabilities			
Provisions for employee benefits	8.15	6,279,039	7,485,702
Provisions for risks and charges	8.16	1,236,423	1,183,279
Deferred tax liabilities	8.17	6,220,506	5,565,579
Non-current financial liabilities	8.18	48,340,489	59,403,988
Non-current lease liabilities	8.2	6,185,211	4,058,344
of which from related parties		*3,678,913*	*307,000*
Total non-current liabilities		**68,261,669**	**77,696,892**
Current liabilities			
Trade payables	8.19	74,111,274	69,881,105
of which from related parties		*14,845,521*	*5,704,442*
Current financial liabilities	8.18	25,290,729	40,180,751
of which from related parties		*7,996,518*	*24,454,000*
Current lease liabilities	8.2	8,515,822	6,419,177
of which from related parties		*6,410,766*	*5,637,000*
Other current liabilities	8.20	10,708,445	9,001,257
of which from related parties		*665,467*	-
Total current liabilities		**118,626,269**	**125,482,290**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**250,565,500**	**266,316,170**

INCOME STATEMENT

(In euros)	Notes	At 31 December	
		2022	2021
Revenue from contracts with customers	9.1	308,966,601	283,395,722
of which from related parties		*1,510,455*	*2,038,068*
Cost of sales	9.2	(251,037,526)	(227,097,408)
of which from related parties		*(10,117,807)*	*(15,235,576)*
Gross operating profit/(loss)		**57,929,074**	**56,298,314**
Sales and distribution costs	9.2	(49,003,434)	(45,350,944)
Administrative costs	9.2	(7,964,164)	(8,291,623)
of which from related parties		*(83,000)*	*(88,000)*
Net write-downs of financial assets	9.3	(630,698)	(754,139)
Other revenues and income	9.4	4,078,824	4,740,190
Other operating costs	9.5	(1,717,787)	(1,511,092)
Operating profit/(loss)		**2,691,815**	**5,130,707**
Financial income	9.6	239,975	133,055
of which from related parties		*111,322*	
Financial expenses	9.6	(2,310,723)	(2,066,325)
of which from related parties		*(317,195)*	*(84,000)*
Profit/(loss) before taxes		**621,068**	**3,197,437**
Income taxes	9.7	(466,761)	(903,839)
Net profit/(loss)		**154,306**	**2,293,598**
Basic net profit/(loss) per share	9.8	0.01	0.16
Diluted net profit/(loss) per share	9.8	0.01	0.16

STATEMENT OF COMPREHENSIVE INCOME

Net profit/(loss) (A)		**154,306**	**2,293,598**
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:			
Actuarial gains/(losses)	8.14	535,739	28,947
Tax effect on actuarial gains/(losses)	8.14	(149,471)	(8,076)
Total other components of comprehensive income that will not be subsequently reclassified to the income statement		**386,268**	**20,871**
Total other components of comprehensive income, net of tax effect (B)		**386,268**	**20,871**
Total comprehensive net profit/(loss) (A)+(B)		**540,574**	**2,314,469**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In euros)	Notes	Share capital	Reserves	Net profit/(loss)	Total shareholders' equity of the Company
At 31 December 2020	**8.14**	**28,840,041**	**28,113,442**	**4,132,036**	**61,085,519**
Allocation of net profit/(loss) for the previous year		-	4,132,036	(4,132,036)	**-**
Net profit/(loss)		-	-	2,293,598	**2,293,598**
Actuarial gains/(losses) net of the related tax effect		-	20,871	-	**20,871**
Merger deficit		-	(263,000)	-	**(263,000)**
Total comprehensive net profit/(loss) for the year		**-**	**3,889,907**	**(1,838,438)**	**2,051,469**
At 31 December 2021	**8.14**	**28,840,041**	**32,003,349**	**2,293,598**	**63,136,988**
Allocation of net profit/(loss) for the previous year		-	2,293,598	(2,293,598)	**-**
Net profit/(loss)		-	-	154,306	**154,306**
Actuarial gains/(losses) net of the related tax effect		-	386,268	-	**386,268**
Total comprehensive net profit/(loss) for the year		**-**	**2,679,866**	**(2,139,292)**	**540,574**
At 31 December 2022	**8.14**	**28,840,041**	**34,683,215**	**154,306**	**63,677,562**

STATEMENT OF CASH FLOWS

(In euros)	Notes	At 31 December 2022	2021
Profit/(loss) before taxes		621,068	3,197,437
- *Adjustments for:*			
Amortisation, depreciation and write-downs	8.1-8.2-8.3	17,090,018	16,993,229
Financial expense/(income)	9.6	2,070,748	1,933,270
of which from related parties		*(317,195)*	*84,000*
Cash flow generated /(absorbed) by operating activities before changes in net working capital		**19,781,834**	**22,123,936**
Change in inventory	8.7	(5,860,987)	(9,091,576)
Change in trade receivables	8.8	(5,149,094)	(6,265,961)
Change in trade payables	8.19	4,230,169	24,303,062
Change in other assets and liabilities	8.10-8..20	(1,811,988)	1,248,930
Use of provisions for risks and charges and for employee benefits	8.15-8.16	(755,855)	(1,126,704)
Taxes paid	8.9-9.7	(362,836)	(867,884)
Net cash flow generated /(absorbed) by operating activities		**10,071,242**	**30,323,803**
Investments in property, plant and equipment	8.1-8.2	(2,700,932)	(7,132,743)
Investments in intangible assets	8.3	(3,851)	-
Investments of financial assets	8.5-8.11-8.12	-	-
Lyliag acquisition		(300,000)	
Net cash flow generated /(absorbed) by investment activities		**(3,004,783)**	**(7,132,743)**
New long-term financial debt	8.18	6,287,862	5,000,000
Repayments of long-term financial debt	8.18	(32,380,406)	(19,023,673)
Change in current financial debt	8.18		8,735,000
Repayments of lease liabilities	8.2	(6,627,422)	(5,621,359)
of which from related parties		*(2,740,000)*	*(2,643,000)*
Net interest expense	8.30	(2,070,748)	(1,731,270)
Net cash flow generated/(absorbed) by financing activities		**(34,790,714)**	**(12,641,302)**
Total changes in cash and cash equivalents		**(27,724,254)**	**10,549,758**
Cash and cash equivalents at start of year		**57,371,558**	**46,821,800**
of which from related parties		*18,398,792*	*13,031,281*
Offsetting cash and cash equivalents		(3,024,652)	
Total changes in cash and cash equivalents		(27,724,254)	10,549,758
Cash and cash equivalents at end of year		**26,622,652**	**57,371,558**
of which from related parties		*17,326,604*	*18,398,792*

1. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1.1 General information and significant transactions carried out in 2022

Centrale del Latte d'Italia S.p.A. is incorporated in Italy in the form of a public limited company operating under Italian law. The Company has its registered office in Turin, Via Filadelfia 220.

Effective 1 April 2020, the Company became part of the Newlat Food Group, whose Parent Company is now the main shareholder of Centrale del Latte d'Italia S.p.A.

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

2. ADOPTED ACCOUNTING STANDARDS

The accounting standards and measurement criteria adopted in the preparation and drafting of the annual report at 31 December 2022 are set out below.

The annual financial report at 31 December 2022 was prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The term "IFRS" also encompasses International Accounting Standards (IAS) that are still in force, as well as all interpretations of the International Financial Interpretations Committee, which was formerly named the International Financial Interpretations Committee ("IFRIC"), and of the Standing Interpretations Committee ("SIC").

The preparation of financial statements in accordance with IFRS requires judgements, estimates and assumptions that have an effect on the assets, liabilities, costs and revenues. The final results may be different to those obtained through these estimates. 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 and the provision for inventory write-downs, the provisions for risks, the defined benefit plans for employees and the payables for the purchase of equity investments contained in the other liabilities.

In particular, discretionary measurements and significant accounting estimates relate to the determination of the recoverable amount of non-financial assets calculated as the greater of fair value less costs to sell and value in use. Value in use is calculated based on a discounted cash flow model. The recoverable value depends significantly on the discount rate used in the discounted cash flow model, as well as on expected future cash flows and the growth rate used. The key assumptions used to determine the recoverable value of the cash-generating unit, including a sensitivity analysis, are described in Note 8.3.

The use of significant accounting estimates and assumptions also relates to the determination of the fair value of assets and liabilities acquired as part of business combinations. In fact, at the date of acquisition, the Company must separately recognise, at their fair value, assets, liabilities and contingent liabilities identifiable and acquired or assumed as part of the business combination, and determine the present value of the strike price of any call options on minority shares. This process requires the preparation of estimates, based on valuation techniques, which require judgement in the forecasting of future cash flows as well as the development of other assumptions such as long-term growth rates and discount rates for valuation models developed also with the use of experts outside the management team.

2.1 Basis of preparation

The Financial Statements consist of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and the notes.

The layout adopted for the statement of financial position provides for the separation of assets and liabilities between current and non-current.

An asset is classified as current when:

- it is assumed that this activity is carried out, or is owned for sale or consumption, in the normal course of the operating cycle;

- it is held primarily for the purpose of trading;
- it is assumed that it will be realised within twelve months of the reporting date;
- it consists of cash and cash equivalents (unless it is prohibited to exchange it or use it to settle a liability for at least twelve months from the reporting date).

All other assets are classified as non-current. In particular, IAS 1 includes property, plant and equipment, intangible assets and long-term financial assets as non-current assets.

A liability is classified as current when:

- it is expected to be extinguished in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it will be extinguished within twelve months of the reporting date;
- there is no unconditional right to defer its settlement for at least twelve months from the reporting date. Clauses of a liability that could, at the discretion of the counterparty, result in its extinction through the issue of equity instruments do not affect its classification.

The chosen income statement layout provides for the classification of costs by destination.

The statement of other comprehensive income includes the result for the year and, with the same categories, income and expenses that, according to IFRSs, are directly recognised under equity.

The statement of changes in equity includes, in addition to the total gains / losses for the period, the amounts of transactions with shareholders and movements in reserves during the year.

In the statement of cash flows, the financial flows from operating activities are presented using the indirect method, under which the profit or loss for the year is adjusted by the effects of non-monetary operations, by any deferral or provision of previous or future operating inflows or outflows, and by elements of revenue or costs related to financial flows deriving from investment activities or financing activities.

The Financial Statements were drafted in euros, the functional currency of the Company. The statement of financial position, income statement, statement of cash flows, explanatory notes and tables are in thousands of euro, unless otherwise indicated.

The Financial Statements were prepared:

- on the basis of the best knowledge of IFRSs and taking into account the best doctrine on the subject;
- under the going-concern principle, in accordance with the principle of accrual accounting, in compliance with the principle of materiality of information and substance over form, and with a view to encouraging consistency with future presentations. The assets and liabilities and costs and revenues are not offset against each other, unless this is permitted or required by international accounting standards;
- on the basis of the conventional historical cost criterion, except for the measurement of financial assets and liabilities in cases where application of the fair value criterion is mandatory.

Conversion of items in foreign currency

Transactions in currencies other than the functional currency are recognised at the exchange rate on the date of the transaction. Monetary assets and liabilities in currencies other than the euro are then adjusted at the exchange rate in place on the reporting date. Any forex differences are reflected in the income statement under "Foreign exchange gains and losses".

2.2 Accounting standards and measurement criteria

Adopted accounting standards

The Financial Statements were prepared based on the IFRSs in force issued by the International Accounting Standards Board ("**IASB**") and endorsed by the European Union at the closing date of each year in question.

Below are the criteria used with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the criteria used to recognise the income components.

Property, plant and equipment

Property, plant and equipment is recognised as such only if the following conditions are met simultaneously:

- it is probable that the future economic benefits related to the asset will be enjoyed by the company;
- the cost can be reliably determined.

Property, plant and equipment are initially measured at cost, defined as the monetary or equivalent amount paid or the fair value of other considerations made to acquire an asset, at the time of purchase or replacement. Subsequent to initial recognition, property, plant and equipment are valued using the cost method, net of recorded depreciation and any accumulated impairment losses.

The cost includes the costs directly incurred to make their use possible, as well as any dismantling and removal costs that will be incurred as a result of contractual obligations that require the return of the asset to its original condition.

Costs incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement when incurred. The capitalisation of the costs inherent in the extension, modernisation or improvement of structural elements owned or used by third parties shall be carried out to the extent that they meet the requirements to be classified separately as an asset or part of an asset.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. The useful life estimated by the Company for the various categories of property, plant and equipment is shown below:

Category of assets	Useful Life
Land and buildings	10-33 years
Plant and machinery	4-25 years
Industrial and commercial equipment	2-9 years
Other assets	5-20 years

At the end of each financial year, the company checks whether significant changes have occurred in the expected characteristics of the economic benefits deriving from the capitalised assets and, if so, modifies the depreciation criterion, which is considered a change in accounting estimate in accordance with IAS 8.

The value of the asset is completely reversed at the time of its disposal or when the company expects that it will not be able to derive any economic benefit from its disposal.

Capital grants shall be accounted for when it is reasonably certain that they will be received and all conditions relating to them are met. Contributions are then deducted from the value of assets or suspended among liabilities and credited pro rata to the income statement in relation to the useful life of the related assets.

Intangible assets

An intangible asset is an asset that simultaneously fulfils the following conditions:

- it is identifiable;
- it is non-monetary;
- it has no physical consistency;
- it is under the control of the company preparing the accounts;
- it is expected to produce future economic benefits for the company.

If an asset does not meet the above requirements to be defined as an intangible asset, the expense incurred to acquire it or generate it internally is recognised as a cost when incurred.

Intangible assets are initially stated at cost. The cost of intangible assets acquired from outside includes the purchase price and any directly attributable costs.

Internally generated goodwill is not recognised as an asset, neither are intangible assets arising from research (or the research phase of an internal project).

An intangible asset arising from development or the development phase of an internal project is recognised if compliance with the following conditions can be demonstrated:

- the technical feasibility of completing the intangible asset so as to be available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- the manner in which the intangible asset is capable of generating future economic benefits and in particular the existence of a market for the product of the intangible asset or for the intangible asset itself or, if it is to be used for internal purposes, its usefulness;
- the availability of adequate technical, financial and other resources to complete the development and the use or sale of the asset;
- the ability to reliably measure the cost attributable to the intangible asset during its development.

Intangible assets are measured using the cost method, which requires that after initial recognition an intangible asset be carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful life estimated by the Company for the various categories of intangible assets is shown below:

Category of assets	Useful Life
Goodwill	unlimited
Trademarks	unlimited
Software licences	5 years
Other assets	5 years

The following main intangible assets can be identified within the Company:

Goodwill

Goodwill is classified as an intangible asset with an indefinite useful life and is initially recognised at cost, as described earlier, and then subjected to (at least) annual testing to determine whether it has impaired (for more details, see the below paragraph "Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets"). Reversals are not permitted in the case of a previous write-down due to impairment.

Assets with an indefinite useful life

Trademarks, for which the conditions for classification as intangible assets with an indefinite useful life are met, are not amortised systematically and are subject to impairment testing at least once a year and whenever there are indicators of impairment.

Intangible assets with a finite useful life

Intangible assets with a finite useful life are recognised at cost, as previously described, net of accumulated amortisation and any impairment losses.

Amortisation begins when the asset becomes available for use and is apportioned systematically based on the asset's estimated useful life; the criteria mentioned in the paragraphs "Property, plant and equipment" and "Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets", respectively, contain the criteria for the value to be amortised and the recoverability of the book value.

Right-of-use assets and lease liabilities

The Company chose early adoption, from 1 January 2018, of the new accounting standard IFRS 16 - "Leases", which replaces IAS 17 - "Leases" and its related interpretations.

In accordance with IFRS 16, a contract is, or contains, a lease if, in exchange for consideration, it conveys the right to control the use of a specified asset for a period of time. The contract is re-evaluated to verify whether it is, or contains, a lease only if the terms and conditions of the contract are changed.

For a contract that is, or contains, a lease, each lease component is separated from the non-lease components, unless the Company applies the practical expedient referred to in paragraph 15 of IFRS 16. This practical expedient allows the lessee to choose, for each class of underlying asset, not to separate the non-lease components from the lease components and to recognise each lease component and the associated non-lease components as a single lease component.

The duration of the lease is determined as the non-cancellable period of the lease, to which must be added both the following periods:

- periods covered by a lease extension option, if the lessee is reasonably certain to exercise the option; and
- periods covered by the lease termination option, if the lessee is reasonably certain not to exercise the option.

In assessing whether the lessee is reasonably certain to exercise the option to extend the lease or not to exercise the option to terminate the lease, all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option shall be considered. The lessee must redefine the lease term in the event of a change in the non-cancellable lease period.

At the effective date of the contract, the Company recognises the right-of-use asset and the related *lease* liability.

At the effective date of the contract, the right-of-use asset is valued at cost. The cost of the right-of-use asset includes:

- the initial value of the lease liability;
- payments due for the lease made on or before the effective date, net of the lease incentives received;
- the initial direct costs incurred by the lessee; and
- the estimate of the costs to be incurred by the lessee for the dismantling and removal of the underlying asset and for the restoration of the site where it is located or for the restoration of the underlying asset under the terms and conditions of the lease, unless such costs are incurred for the production of inventories.

On the lease start date, the lessee shall measure the lease liability at the current value of the payments due for the lease but not yet paid. Payments due for the lease include the following amounts:

- fixed payments, net of any outstanding lease incentives;
- variable payments due for the lease that depend on an index or rate, initially measured using an index or rate on the effective date;
- the amounts expected to be paid by the lessee as guarantees of the residual value;
- the exercise price of the purchase option, if the lessee is reasonably certain to exercise the option; and
- lease termination penalty payments, if the lease term takes into account the lessee's exercise of the lease termination option.

Payments due for the lease must be discounted using the implicit interest rate of the lease, if it can be easily determined. If this is not possible, the lessee must use its marginal lending rate, i.e. the incremental interest rate that the company would have to pay to obtain a loan of the same duration and amount as the lease agreement.

Subsequent to initial recognition, right-of-use assets are measured at cost:

- net of accumulated depreciation/amortisation and impairment; and
- adjusted to take into account any restatement of the lease liability.

Subsequent to initial recognition, the lease liability is measured:

- by increasing the book value to take account of interest;
- by decreasing the book value to take account of lease payments that have been made; and
- by restating the book value to take account of any new valuations or changes in the lease or revision of payments due for fixed leases.

In the case of lease changes that do not constitute a separate lease, the right-of-use asset is restated (up or down), in line with the change in the lease liability at the date of the change. The lease liability is restated according to the new terms of the lease agreement, using the discount rate at the date of the change.

It should be noted that the Company makes use of two exemptions under IFRS 16, with reference to: (i) short-term leases (i.e. leases with a duration of 12 months or less from the effective date), in relation to certain categories of fixed assets, and (ii) leases of low-value assets. In such cases, the right-of-use asset and the related lease liability are not recognised, and the payments due for the lease are recognised in the income statement.

Impairment of goodwill, property, plant and equipment, intangible assets and right-of-use assets

On each reporting date, a test is carried out to ascertain whether there are any indicators of impairment of property, plant and equipment and intangible assets that are not fully depreciated/amortised or of indefinite useful life and any assets under development.

Where these indicators are present, the recoverable value of the above-mentioned assets is estimated, and any write-down is recognised in the Income Statement.

In the presence of intangible assets with an indefinite useful life, the recoverable portion of the related amounts must be estimated at least annually, regardless of the presence of impairment indicators.

The recoverable value of an asset is the higher of the fair value, less costs to sell, and the related value in use, determined by discounting the estimated future cash flows for that asset, including, if they are significant and can be reasonably determined, those arising from the sale at the end of its useful life, net of any costs of disposal. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuations of the cost of the money, in proportion to the period of the investment and the specific risks of the asset.

For an asset that does not generate sufficiently independent cash flows, the recoverable value is determined in relation to the cash generating unit (CGU) to which said asset belongs.

Impairment is recognised in the income statement if the book value of the asset, or of the CGU to which it is allocated, is higher than its recoverable value. The impairment of a CGU is initially recognised as a reduction in the book value of any goodwill attributed to it and, therefore, as a reduction in other assets, in proportion to their book value and within the limits of their recoverable value. If the conditions for a previous write-down no longer exist, the book value of the asset is restored via the income statement, up to the limit of the net book value that the asset in question would have had without write-down and amortisation/depreciation. Reversals of goodwill impairment are not permitted in the case of a previous write-down due to impairment.

Financial assets

At the time of initial recognition, financial assets must be classified as "Financial assets at amortised cost", "Financial assets at fair value through other comprehensive income" or "Financial assets at fair value through profit or loss" on the basis of the following elements:

- the entity's business model for the management of the financial assets; and
- the characteristics of the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if the disposal entails the substantial transfer of all risks and rewards connected to the assets. On the other hand, if a significant portion of the risks and rewards relating to the disposed financial assets has been retained, they continue to be recognised in the financial statements, even if legally their ownership has been effectively transferred.

Financial assets measured at amortised cost

a) Financial assets measured at amortised cost

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect" business model; and
- the contractual conditions of the financial asset provide for cash flows on certain dates which consist only of payments of capital and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, the financial assets in question are measured at amortised cost using the effective interest method. The amortised cost method is not used for assets valued at historical cost whose short duration makes the effect of discounting negligible, those without a defined maturity or for revocable credit lines.

This category mainly includes trade receivables arising from the transfer of goods and the provision of services, recognised in accordance with the terms of the contract with the customer in accordance with IFRS 15 and classified according to the nature of the debtor and/or the expiry date of the receivable (this definition includes invoices to be issued for services already rendered).

In addition, since trade receivables are generally short-term and do not bear interest, they are not amortised and are recorded at their nominal value as stated in the invoices issued or contracts entered into with customers: this provision is also adopted for trade receivables with a contractual maturity of more than 12 months, unless the effect is particularly significant. The choice stems from the fact that the amount of short-term receivables is very similar whether you apply the historical cost method or the amortised cost method, and the impact of discounting would therefore be wholly negligible.

Trade receivables are subject to impairment testing in accordance with IFRS 9. For the purposes of the measurement process, trade receivables are divided into maturity time bands. For performing loans, a collective assessment is made by grouping the individual exposures on the basis of similar credit risk. The valuation is based on losses recorded for assets with similar credit risk characteristics based on historical experience and takes into account expected losses.

a) *Financial assets at fair value through other comprehensive income*

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect and sell" business model; and
- the contractual conditions of the financial asset provide for cash flows on certain dates which consist only of payments of capital and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Following initial recognition, equity investments that do not qualify as subsidiaries, associates or joint control investees are measured at fair value, and amounts recognised as a counter-entry in equity should not be subsequently transferred to the income statement, even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is the relative dividends.

For the equity instruments included in this category and not listed in an active market, the cost criterion is used to estimate fair value only on a residual basis and in limited circumstances, or when the most recent information to measure fair value is insufficient, or if there is a broad range of possible fair value measurements and cost represents the best estimate of fair value within that range of values.

Financial assets at fair value through profit or loss

a) *Financial assets at fair value through profit or loss*

This category contains financial assets other than those classed as "Financial assets at fair value through other comprehensive income" or as "Financial assets at amortised cost". This item, in particular, includes only equity instruments held for purposes other than trading for which the Company has not opted for measurement at fair value through other comprehensive income, and bonds.

Financial assets at fair value through profit or loss are initially recognised at fair value, usually represented by the transaction price.

After initial recognition, these financial assets are measured at fair value. Any gains or losses resulting from the change in fair value are attributed to the income statement.

Inventories

Inventories are assets:

- held for sale in the normal course of business;
- used in production processes for sale;
- in the form of materials or supplies of goods to be used in the production process or in the provision of services.

Inventories are recognised and measured at the lesser of cost and the net realisable value.

The cost of inventories includes all purchase costs, transformation costs and other costs incurred to bring inventories to their current location and condition, while it does not include exchange differences in the case of inventories invoiced in foreign currency. In accordance with the provisions of IAS 2, the weighted average cost method is used to determine the cost of inventories.

When the net realisable value is less than cost, the surplus is immediately written down in the income statement.

Cash and cash equivalents

Cash and cash equivalents are recorded, depending on their nature, at nominal value or amortised cost. Other cash equivalents represent short-term and highly liquid financial commitments that are readily convertible into known cash values and subject to a negligible risk of change in value, with an original maturity or a maturity at the time of purchase of not more than 3 months.

Payables

Trade and other payables are recognised initially at fair value and are subsequently measured using the amortised cost method.

Payables to banks and other lenders are initially stated at their fair value, net of directly attributable ancillary costs, and subsequently measured at amortised cost, applying the effective interest rate criterion. When there is a change in the estimate of expected cash flows, the value of liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal effective rate initially determined. Payables to banks and other lenders are classified as current liabilities, unless the Company has an unconditional right to defer payment for at least twelve months after the reference date.

Payables are derecognised when they are settled and when the Company has transferred all risks and charges relating to the instrument.

Employee benefits

Employee benefits include short-term benefits, termination benefits and post-employment benefits.

Short-term benefits, which also include incentive programmes in the form of annual bonuses, MBOs and one-off renewals of national collective agreements, are accounted for as a liability (cost provision) after deducting any amount already paid, and as a cost, unless some other IFRS requires or permits the inclusion of benefits in the cost of an asset (for example, the cost of personnel employed in the development of internally generated intangible assets).

The category of benefits for termination of employment includes departure incentive plans arising in the event of voluntary resignation involving the participation of the employee or a group of employees in trade union agreements for the activation of so-called solidarity funds, and redundancy plans, which take place when the company unilaterally terminates the contract. The company recognises the cost of these benefits as a financial liability at the earliest of the time when the company is unable to withdraw the offer of these benefits and the time when the company recognises the costs of a restructuring that falls within the scope of IAS 37. Provisions for departures shall be reviewed at least every six months.

Post-employment benefit plans are broken down into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans mainly include:

- supplementary pension funds involving a defined contribution by the company;
- the severance indemnity fund, limited to the shares accruing from 1 January 2007 for undertakings with more than 50 employees, irrespective of the destination chosen by the employee;
- employee severance indemnities accruing from 1 January 2007 and earmarked for supplementary pensions, in the case of undertakings with fewer than 50 employees;
- supplementary healthcare funds.

Defined benefit plans, on the other hand, include:

- the severance indemnity, limited to the amount accrued up to 31 December 2006 for all undertakings, as well as the amounts accrued since 1 January 2007 and not intended for supplementary pensions for undertakings with fewer than 50 employees;
- supplementary pension funds that provide for the payment of a defined benefit to members;
- long-service bonuses, which provide for an extraordinary payment to the employee upon reaching a certain level of working seniority.

In defined contribution plans, the obligation of the reporting company is determined on the basis of the contributions due for that year and therefore the measurement of the obligation does not require actuarial assumptions and there is no possibility of actuarial gains or losses.

The accounting for defined benefit plans is characterised by the use of actuarial assumptions to determine the value of the obligation. This valuation is entrusted to an external actuary and is carried out annually. For discounting purposes, the company uses the projected unit credit method, which projects future expenditure based on historical statistical analysis, the demographic curve, and the financial discounting of these cash flows based on the market interest rate. Actuarial gains and losses are recognised as a counter-entry in equity as required by IAS 19.

Provisions for risks and charges, and contingent assets and liabilities

Contingent assets and liabilities can be divided into several categories depending on their nature and their accounting impact. Specifically:

- the provisions are actual obligations of an uncertain amount and occurrence/maturity which arise from past events and for which it is probable that there will be a financial outlay that can be reliably estimated in terms of amount;
- contingent liabilities are possible obligations with a distinct probability of having to make a financial outlay;
- remote liabilities are those for which a financial outlay is unlikely;
- potential assets are assets which are uncertain and cannot therefore be recognised in the financial statements;
- the onerous contract is a contract in which the non-discretionary costs necessary to fulfil the obligations assumed are greater than the economic benefits that are supposed to be obtainable from the contract;
- restructuring is a programme planned and controlled by the company's management that significantly changes the scope of an activity undertaken by the company or the way in which the activity is managed.

For the purpose of recognising the charge, provisions are recorded in cases where there is uncertainty about the maturity or the amount of the flow of resources necessary to fulfil the obligation or other liabilities and in particular trade payables or provisions for presumed payables.

Provisions differ from other liabilities in that there is no certainty as to their maturity or the amount of future expenditure required. Due to their different nature, provisions are shown separately from trade payables and provisions for presumed payables.

Liabilities or allocations to a provision are recognised when:

- there is a current legal or implied obligation resulting from past events;
- it is probable that resources designed to produce economic benefits will have to be used to settle the obligation;
- the obligation can be reliably estimated.

Provisions require the use of estimates. In extremely rare circumstances where a reliable estimate cannot be made, the liability is classed as a contingent liability.

The allocation to the provision for risks and charges is an amount that represents the best possible estimate of the expenditure needed to liquidate the relevant obligation outstanding on the reporting date and takes into account the risks and uncertainties that inevitably surround many events and circumstances. The amount of the allocation reflects any future events that may affect the amount required to settle an obligation if there is sufficient objective evidence that they will occur.

Once the best possible estimate of the expense necessary to settle the related obligation outstanding on the reporting date has been determined, the current value of the provision is determined, in the event that the effect of the present value of money is a relevant aspect.

Revenue from contracts with customers

In accordance with IFRS 15, revenue from contracts with customers is recognised when the following conditions are met:

- the contract with the customer has been identified;
- performance obligations set forth in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations set forth in the contract;
- the performance obligation set forth in the contract has been met.

The Company recognises revenue from contracts with customers when (or as) it fulfils the performance obligation, transferring the promised good or service (or asset) to the customer. The asset is transferred when (or as) the customer acquires control over it.

The Company transfers control over the good or service over time, and therefore fulfils the performance obligation and recognises revenue over time, when one of the following criteria is met:

- the customer simultaneously receives and uses the benefits arising from the entity's service as it is provided;
- the service of the Company creates or improves the asset (e.g. work in progress) that the customer controls as the asset is created or improved;
- the service of the Company does not create an asset which has an alternative use and the Company has the enforceable right to payment for the service completed until the date considered.

If the performance obligation is not met over time, it is met at a specific moment. In that case, the Company recognises revenue when the customer acquires control over the promised asset.

The contractual consideration included in the contract with the customer may include fixed or variable amounts or both. If the contractual consideration includes a variable amount (e.g. discounts, concessions, incentives, penalties or other similar elements), the Company estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Group Company the amount of the estimated variable consideration in the transaction price only to the extent to which it is highly likely that when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenue recognised.

Incremental costs for obtaining customer contracts are accounted for as assets and amortised throughout the term of the underlying contract, if the Company expects them to be recovered. Incremental costs for obtaining the contract are costs that the Company incurs to obtain the contract with the customer and which it would not have incurred if it had not obtained the contract. The costs for obtaining the contract which would have been incurred even if the contract had not been obtained should be recognised as a cost at the moment they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

Recognition of costs

Costs are recognised in the income statement according to the accruals principle.

Dividends

Dividends received are recognised in the income statement according to the accruals principle, i.e. in the year in which the related right to receive them emerges, following the shareholders' resolution to distribute dividends from the investee company.

Distributed dividends are shown as changes in equity in the year in which they are approved by the Shareholders' Meeting.

Income taxes

Current taxes are calculated based on the taxable income for the year, applying the tax rates in force at the date of the financial statements. Current taxes for the year and for prior years, where unpaid, are recognised as liabilities. Current tax assets and liabilities, for the current year and for prior years, must be determined at the value expected to be recovered from or paid to, respectively, the tax authorities, applying the tax rates and legislation that is in force or imminent at the reporting date.

Deferred taxes can be divided into:

- deferred tax liabilities, which are the amounts of income taxes payable in future years relating to taxable temporary differences;
- deferred tax assets, which are the amounts of income taxes recoverable in future years relating to deductible temporary differences, carry-over of unused tax losses, carry-over of unused tax credits.

To calculate the amount of deferred tax assets and liabilities, the tax rate is applied to the temporary taxable or deductible differences identified, or to unused tax losses and unused tax credits.

At each reporting date, recognised and unrecognised deferred tax assets are revalued to check whether they are likely to be recovered.

Net profit/(loss) per share

Basic earnings per share are calculated by dividing the net profit (loss) pertaining to the Company by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares.

Diluted earnings per share are calculated by dividing the profit (loss) pertaining to the Company by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares. To calculate the diluted earnings per share, the weighted average number of shares in circulation is modified assuming that all assignees exercise rights with a potentially dilutive effect, while the profit (loss) pertaining to the Company is adjusted to take into account any effects, net of taxes, of the exercise of such rights.

2.3 Recently issued accounting standards

The following new standards, amendments and interpretations were issued by the International Accounting Standards Board ('IASB') and were not adopted by the European Union. The following new standards, amendments and interpretations were not applied in the preparation of the financial statements.

At the reporting date, the competent bodies of the European Union have not yet concluded the endorsement process required for the adoption of the following accounting standards and amendments:

Amendments to IAS 1 — Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	In January 2020, the IASB issued amendments to IAS 1 - Presentation of Financial Statements: Classification of liabilities as current or non-current to clarify how to classify payables and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement date and liabilities that can be settled by conversion to equity. These amendments will go into effect on 1 January 2024.
IFRS 16 – Leases: Liability in a Sale and Leaseback	In September 2022 the IASB made changes to IFRS 16 - Leases: Liability in a Sale and Leaseback to provide guidelines for the valuation of the liability arising from a sale and leaseback transaction designed to ensure that the seller-lessee does not recognise any amount of gain or loss in respect of the retained right of use. These amendments will go into effect on 1 January 2024. The Company does not expect any significant impact from the adoption of these amendments.
IAS 1 – Presentation of Financial Statements: Non-current Liabilities with Covenants	In October 2022, the IASB made changes to IAS 1 - Presentation of Financial Statements: Non-current Liabilities with Covenants to clarify how conditions that an entity must meet within twelve months after the reporting period affect the classification of a liability. These amendments will come into force on 1 January 2024. The Company does not expect any significant impact from the adoption of these amendments.

The Company will assess any potential impact on the financial statements when these new standards are endorsed by the European Union.

Accounting standards, amendments and interpretations not yet adopted but applicable in advance

At the date of the financial statements, the competent bodies of the European Union have endorsed the adoption of the following accounting standards and amendments, but they are yet to be adopted by the company:

Amendments to IFRS 17 — Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	In December 2021, the IASB issued amendments to IFRS 17 - Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information, which provides a transitional option relating to comparative information on financial assets presented upon initial adoption of IFRS 17. The amendments are intended to help companies avoid temporary accounting mismatches between financial assets and liabilities from insurance contracts, thus improving the usefulness of disclosures for financial statement users. These amendments will go into effect on 1 January 2023.
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	In May 2021 the IASB issued amendments to IAS 12 - Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, to specify how companies should account for deferred taxation on transactions such as leases and decommissioning obligations, transactions for which companies recognise both an asset and a liability. Specifically, it was clarified that the exemption does not apply and that companies are required to recognise deferred taxation on such transactions. These amendments will go into effect on 1 January 2023, with advance application allowed.
IFRS 17 — Insurance Contracts	In May 2017 the IASB issued IFRS 17 - Insurance Contracts, which establishes standards for the recognition, measurement, presentation and disclosure of insurance contracts issued, as well as guidance on reinsurance contracts held and investment contracts with discretionary participation issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and making it easier for companies to explain their financial performance. The new standard and amendments are effective from 1 January 2023.
Amendments to IAS 1 — Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	In February 2021 the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies that require companies to disclose information about their material accounting policies rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments will go into effect on 1 January 2023.
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	In February 2021 the IASB issued amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates that clarifies how companies should distinguish changes in accounting principles from changes in accounting estimates. These amendments will go into effect on 1 January 2023.

The Company does not expect any significant economic and financial impacts with respect to the provisions resulting from the entry into force of the aforementioned standards.

In any case, the Company has not opted for the early adoption of any accounting standards or amendments with an effective date in subsequent financial years.

New accounting standards, amendments and interpretations adopted by the Company

The following standards and amendments in force on 1 January 2022 were adopted by the Company.

The Company adopted the amendments to IFRS 3 - Business Combinations, containing an update to a reference in IFRS 3 to the Conceptual Framework for Financial Reporting that did not result in changes to the accounting requirements for business combinations. The adoption of these amendments had no significant effect.

The Company adopted the amendments to IAS 37, which clarify the nature of costs directly related to the contract, consisting of both incremental costs of contract performance and other costs directly related to contract performance. The adoption of these amendments had no significant effect.

The Company adopted the amendments to IAS 16 that prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from the sale of items produced while the entity is preparing the asset for its intended use. These changes had no impact on the Company's year-end financial statements as there were no sales of such assets from property, plant and equipment made available for use at the beginning or after the beginning of the first period presented.

In May 2020 the IASB published Annual Improvements to IFRSs for the 2018-2020 cycle. The improvements amended four standards: (i) IFRS 1 - First-time Adoption of International Financial Reporting Standards, relating to the ability of a subsidiary to measure cumulative translation differences using amounts reported by its parent; (ii) IFRS 9 - Financial Instruments, relating to what fees an entity includes when applying the "10%" test for the derecognition of financial liabilities; (iii) IAS 41 - Agriculture, relating to the exclusion of tax cash flows in measuring the fair value of a biological asset; and (iv) IFRS 16 - Leases, relating to an illustrative example of repayment for leasehold improvements. The adoption of these amendments had no significant effect.

3. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates derived from past experience and based on assumptions that are considered reasonable and realistic given the circumstances.

Applying these estimates and assumptions affects the amounts presented in the Statement of Financial Position, the Income Statement, the Statement of Other Comprehensive Income and the Statement of Cash Flows, and in other information provided. The amounts of the financial statement items for which the aforementioned estimates and assumptions have been used may differ, even significantly, from those reported in the financial statements that highlight the effects of the occurrence of the event being estimated, due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

The following areas require the directors to be most subjective when producing the estimates and would significantly affect the Company's results if there were a change in the conditions underlying the assumptions used:

a) Impairment of property, plant and equipment and intangible assets with a finite useful life: property, plant and equipment and intangible assets with a finite useful life are subject to testing in order to ascertain whether impairment has occurred when indicators exist that predict difficulties in recovering the corresponding net book value through use. Checking for the existence of the aforementioned indicators requires directors to make subjective valuations based on the information available from both internal and external sources, as well as on historical experience. In addition, if it is determined that impairment may have occurred, the Group calculates said impairment using what are deemed to be suitable valuation techniques. Correctly identifying impairment indicators, as well as the estimates for their calculation, depends on subjective valuations and factors that can vary over time, influencing the valuations and estimates made by management.

b) Impairment of intangible assets with an indefinite useful life (goodwill): the value of goodwill is verified annually in order to check for any impairment that should be recognised in the income statement. In particular, the test in question involves allocating goodwill to cash generating units and then calculating the relative recoverable value, understood as the greater of fair value and value in use. If the recoverable value is less than the book value of the cash generating units, the goodwill allocated to them is written down.

c) Impairment of intangible assets with an indefinite useful life (trademarks): the value of trademarks with an indefinite useful life is subject to an annual impairment test. The value in use is determined using the discounted cash flow (DCF) method, based on a discount rate and an explicit forecast period of 4 years in accordance with the budgets approved by the Company. After the explicit forecast period, the specific growth rate used is equal to the expected long-term inflation rate. The forecast values for future years and the parameters determined with reference to current market information are subject to uncertainties due to unpredictable future developments and possible developments in the market the Company competes in. Therefore, write-downs may be necessary in subsequent years.

d) Provision for bad debts: the determination of this provision reflects management estimates related to the historical and expected solvency of the bad debts in question.

e) Provisions for risks and charges: it is sometimes hard to determine whether or not a current obligation (legal or implied) exists. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors believe it to be merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting any allocation being made.

f) Useful life of property, plant and equipment and intangible assets: useful life is determined when the asset is recorded in the financial statements. Useful life is measured based on historical experience, market conditions and expectations of future events that could affect useful life, including technological changes. As a result, the effective useful life may differ from the estimated useful life.

g) Prepaid tax assets: prepaid tax assets are recognised to the extent that it is probable that there will be sufficient future tax gains against which temporary differences or any tax losses may be used.

h) Inventories: Closing inventories of obsolete or slow-to-move products are periodically subjected to valuation tests and are written down where their recoverable value is less than their book value. The write-downs carried out are based on assumptions and estimates of the directors based on their experience and the historical results achieved.

i) *Lease* liabilities: the amount of *the lease* liability and consequently of the related right-of-use assets depends on the determination of *the lease term*. This determination is subject to management assessments, with particular reference to the inclusion or otherwise of the periods covered by the lease renewal and termination options provided for in the lease agreements. These assessments will be reviewed upon the occurrence of a significant event or significant change in circumstances that has an impact on management's reasonable certainty of exercising an option not previously considered in determining the lease term or not exercising an option previously considered in determining the lease term.

4. 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.

4.1 Market risk

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 economic 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.
- Euro/CHF, in relation to transactions carried out in Swiss francs.

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 years under review.

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 Separate income statement and Separate shareholders' equity that would result from a hypothetical positive and negative change of 50 bps in interest rates compared with those actually recorded in each period. The analysis was carried out mainly with regard to the following items: (i) cash and cash equivalents and (ii) short- and medium-/long-term financial liabilities. With regard to cash and cash equivalents, reference was made to the average inventory and the average rate of return for the period, while for short- and medium-/long-term financial liabilities, the precise impact was calculated.

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

(In thousands of euros)	**Impact on profit net tax**		**Impact on shareholders' equity net of tax**	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Year ended 31 December 2022	(208)	208	(208)	208
Year ended 31 December 2021	(215)	215	(215)	215

4.2 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 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 Company manages the credit risk of both types of customers through a consolidated practice, which provides for targeted and prudent management with a credit limit granted on the basis of commercial, financial and perceived market risk information.

The Company operates in business areas with low levels of credit risk, given the nature of its activities and the fact that its credit exposure is spread over a large number of customers. Assets are recognised net of any write-downs determined on the basis of counterparties' default risk, taking into account available solvency information and historical and prospective data.

Positions are regularly monitored for compliance with payment terms and overdue reminder actions are conducted in coordination with the sales force. If, on the other hand, a spot analysis of the individual case reveals an objective condition of partial or total bad debt, the amount of the write-down takes into account an estimate of recoverable flows. The credit management methodology means it is not deemed important to divide customer exposure into different risk classes.

Moreover, the Company has credit insurance policies with leading companies in the sector in order to mitigate the risk associated with the solvency of customers.

The credit risk deriving from receivables that the Company has with banks is, on the other hand, moderate and derives substantially from temporary surplus liquidity stocks usually invested in bank deposits and current accounts.

The following table provides a breakdown of trade receivables at 31 December 2022 and 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 31 December 2022	10,119	19,742	1,159	5,191	**36,211**
Provision for bad debts	-	-	-	(3,034)	**(3,034)**
Net trade receivables at 31 December 2022	**10,119**	**19,742**	**1,159**	**2,157**	**33,177**
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**

4.3 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 following table shows, by contractual maturity bands, the Company's financial requirements at 31 December 2022 and 2021, expressed according to the following assumptions:

(i) cash flows are not discounted;

(ii) cash flows are allocated to time bands on the basis of the first due date provided for in the contractual terms;

(iii) all instruments held on the reporting date for which payments have already been contractually designated are included. Future commitments planned but not yet recognised are not included;

(iv) when the amount payable is not fixed (e.g. future interest repayments), the financial liability is measured at market conditions at the reporting date; and

(v) cash flows also include the interest that the company will pay until the maturity of the debt at the reporting date.

	At 31 December 2022					
(In thousands of euros)	**less than 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Financial liabilities	25,291	27,163	13,707	9,649	**75,810**	**73,631**
Lease liabilities	8,516	2,257	3,302	1,143	**15,218**	**14,701**
Trade payables	74,111	-	-	-	**74,111**	**74,111**
Other current liabilities	10,708	-	-	-	**10,708**	**10,708**

	At 31 December 2021					
(In thousands of euros)	**less than 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Contract value**	**Book value**
Financial liabilities	40,181	26,039	14,640	21,197	**102,057**	**99,585**
Lease liabilities	6,419	3,747	1,154		**11,319**	**10,478**
Trade payables	69,881	-	-	-	**69,881**	**69,881**
Other current liabilities	9,001	-	-	-	**9,001**	**9,001**

5. CAPITAL MANAGEMENT POLICY

The Company's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in compliance with contractual commitments made with lenders.

The Company provides itself with the capital necessary to finance the needs of business development and operations; the sources of financing are divided into a mix of risk capital and debt capital, to ensure a balanced financial structure and the minimisation of the total cost of capital, thereby benefiting all stakeholders.

The remuneration of risk capital is monitored on the basis of market trends and business performance, once all other obligations have been fulfilled, including debt servicing; therefore, in order to ensure an adequate return on capital, the safeguarding of business continuity and business development, the Company continually monitors the level of debt in relation to equity, business performance and expected cash flow forecasts, in the short and medium/long term.

6. FINANCIAL ASSET AND LIABILITY CATEGORIES AND INFORMATION ON FAIR VALUE

Categories of financial assets and liabilities

The following tables provide a breakdown of financial assets and liabilities by category at 31 December 2022 and 2021:

(In thousands of euros)	Book value at 31 December	
	2022	**2021**
FINANCIAL ASSETS:		
Financial assets at amortised cost:		
Trade receivables	33,176	28,438
Other receivables and current assets	14,452	10,933
Cash and cash equivalents	26,623	57,372
Financial assets measured at amortised cost	3,025	-
	77,276	**96,743**
Financial assets valued at fair value through profit or loss:		
Non-current financial assets measured at fair value through profit or loss	703	703
Current financial assets measured at fair value through profit or loss	1	1
	704	**704**
TOTAL FINANCIAL ASSETS	**77,980**	**97,447**

(In thousands of euros)	Book value at 31 December	
	2022	**2021**
FINANCIAL LIABILITIES:		
Financial liabilities at amortised cost:		
Non-current financial liabilities	48,340	59,404
Non-current lease liabilities	6,185	4,058
Trade payables	74,111	69,881
Current financial liabilities	25,291	40,181
Current lease liabilities	8,516	6,418
Other current liabilities	10,708	9,002
TOTAL FINANCIAL LIABILITIES	**173,151**	**188,945**

The tables above show that most of the outstanding financial assets and liabilities are short-term items. In view of their nature, for most items, the book value is considered a reasonable approximation of the fair value.

Non-current financial assets and liabilities are settled or valued at market rates and it is therefore considered that their fair value is substantially in line with current book values.

Information on fair value

In relation to assets and liabilities recognised in the statement of financial position and measured at fair value, IFRS 13 requires that these values be classified on the basis of a hierarchy of levels, reflecting the significance of the inputs used in determining fair value. The following table shows the fair value classification of financial instruments based on the following hierarchical levels:

- **Level 1**: fair value determined using unadjusted prices listed on active markets for identical financial instruments. Therefore, in Level 1 the emphasis is on determining the following elements: (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; (b) the entity's ability to transact the asset or liability at the price of that market on the valuation date.
- **Level 2**: fair value determined with valuation techniques using variables observable on active markets. The inputs for this level include: (a) prices listed for similar assets or liabilities in active markets; (b) prices listed for identical or similar assets or liabilities in non-active markets; (c) data other than observable listed prices for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implicit volatility, credit spreads, input corroborated by the market.
- **Level 3**: fair value determined with valuation techniques using non-observable market variables.

The following tables summarise the financial assets and liabilities measured at fair value, broken down by hierarchy, at 31 December 2022 and 2021:

(In euros)	At 31 December 2021		
	Level 1	**Level 2**	**Level 3**
Non-current financial assets measured at fair value through profit or loss	-	-	703
Current financial assets measured at fair value through profit or loss	-	-	1
Total financial assets measured at fair value	**-**	**-**	**704**

(In euros)	At 31 December 2022		
	Level 1	**Level 2**	**Level 3**
Non-current financial assets measured at fair value through profit or loss	-	-	703
Current financial assets measured at fair value through profit or loss	-	-	1
Total financial assets measured at fair value	**-**	**-**	**704**

There were no transfers between the different levels of the fair value hierarchy in the periods considered.

7. OPERATING SEGMENTS

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 Activities.

Note that the Dairy and Other activities sectors refer to operating and financial data that were transferred to Centrale del Latte d'Italia S.p.A. as a result of the lease of business operations from the controlling company Newlat Food S.p.A., effective from 1 January 2021. On the other hand, with regard to the scope of the Company's activities not pertaining to the mentioned branch, consistent with the previous years the economic and financial components of the financial statements are totally ascribable to the "Milk products" sector, in consideration of the organisation of the existing production and product marketing.

The tables below show 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 year ended 31 December 2022 and 2021, and the reconciliation of these items with respect to the corresponding amount included in the annual Financial Statements:

(In thousands of Euro)	**At 31 December 2022**			
	Milk products	*Dairy products*	Other Products	**Interim report total**
Revenue from contracts with customers (third parties)	245,253	50,033	13,681	308,966
EBITDA (*)	15,714	3,628	440	19,782
EBITDA margin	6.41%	7.25%	3.22%	6.40%
Amortisation, depreciation and write-downs	15,898	366	195	16,459
Net write-downs of financial assets			631	631
Operating profit/(loss)	**(184)**	**3,262**	**(386)**	**2,692**
Financial income	-	-	240	240
Financial expenses	-	-	(2,311)	(2,311)
Profit/(loss) before taxes	**(184)**	**3,262**	**(2,456)**	**622**
Income taxes	-	-	(467)	(467)
Net profit/(loss)	**(184)**	**3,262**	**(2,923)**	**155**
Total assets	215,032	8,911	26,623	250,566
Total liabilities	104,799	8,458	73,631	186,888
Investments	1,395	1,306	4	2,705
Employees (number)	530	63	12	605

(*) 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 Euro)	At 31 December 2021 Milk products	Dairy products	Other assets	**Total financial statements**
Revenue from contracts with customers (third parties)	229,957	40,026	13,413	**283,396**
EBITDA (*)	16,824	4,720	580	**22,124**
EBITDA margin	7.32%	11.79%	2.69%	7.81%
Amortisation, depreciation and write-downs	15,624	334	281	**16,239**
Net write-downs of financial assets			754	754
Operating profit/(loss)	**1,200**	**4,386**	**(455)**	**5,131**
Financial income	-	-	133	133
Financial expenses	-	-	(2,066)	(2,066)
Profit/(loss) before taxes	**1,200**	**4,386**	**(2,398)**	**3,198**
Income taxes	-	-	(903)	(904)
Net profit/(loss)	**1,200**	**4,386**	**(3,292)**	**2,294**
Total assets	**208,363**	**582**	**57,372**	**266,316**
Total liabilities	**103,381**	**213**	**99,585**	**203,179**
Investments	6,638	586	446	7,271
Employees (number)	589	72	16	677

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

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 Property, plant and equipment

The table below shows a breakdown of and changes in the item "Property, plant and equipment" for the years 31 December 2022 and 2021:

(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	88	2,434	179	-	-	**2,701**
Disposals	-	(56)	(80)	-	-	**(136)**
Reclassifications	-	830	-	-	(830)	**-**
Change in acquisition of Lylag assets	-	212	27	-	-	**239**
Historical cost at 31 December 2022	**85,255**	**130,461**	**18,834**	**358**	**184**	**235,092**
Accumulated depreciation as at 31 December 2021	**25,275**	**71,414**	**16,997**	**319**	**-**	**114,004**
Depreciation	1,564	6,507	726	3	-	**8,800**
Disposals	-	(38)	(80)	-	-	**(118)**
Change in acquisition of Lylag assets	-	158	21	-	-	**179**
Accumulated depreciation as at 31 December 2022	**26,839**	**78,041**	**17,664**	**322**	**-**	**122,865**
Net carrying amount at 31 December 2021	**59,892**	**55,627**	**1,711**	**39**	**1,014**	**118,283**
Net carrying amount at 31 December 2022	**58,416**	**52,420**	**1,170**	**36**	**184**	**112,226**

Investments in property, plant and equipment for the year ended 31 December 2022 totalled Euro 2,701 thousand and were attributable mainly to the renovation of production lines in the Vicenza and Lodi sites (new mascarpone line). For more information on investments, please refer to the specific chapter "Investments".

The net value of tangible assets disposed of during 2022 is Euro 136 thousand.

At 31 December 2022 there were no capital contributions classified as a reduction in core plant and equipment.

Some properties are mortgaged. For more information see the section on financial liabilities.

During the year, the Company did not record write-downs of property, plant and equipment.

8.2 Right-of-use assets and lease liabilities

The table below shows a breakdown of the item "Right-of-use assets" for the year ended 31 December 2022:

(In thousands of euros)	Right-of-use assets
Historical cost at 31 December 2021	**20,950**
Investments	10,804
Disposals	(2,420)
Historical cost at 31 December 2022	**29,334**
Accumulated depreciation as at 31 December 2021	**12,097**
Depreciation	7,634
Disposals	(2,317)
Accumulated depreciation as at 31 December 2022	**17,414**
Net carrying amount at 31 December 2021	**8,852**
Net carrying amount at 31 December 2022	**11,918**

At 31 December 2022, the Company found no indicators of long-term impairment for right-of-use assets.

The increases for the year mainly refer to the renewal of the lease contract for the "M&D" business unit for a further year, entered into with the parent company Newlat Food S.p.A. and referred to above, and to the renewal for six years of the lease contracts for the production plants the Company took over as a result of said transaction.

The following table displays the non-discounted contractual values of the Company's lease liabilities at 31 December 2022, following the application of IFRS 16 as of 1 January 2018:

(In thousands of euros)	At 31 December 2022					
	less than 1 year	between 1 and 2 years	between 3 and 5 years	Over 5 years	Contract value	Book value
Lease liabilities	8,516	2,257	3,302	1,143	15,218	14,701

(In thousands of euros)	At 31 December 2021				
	less than 1 year	between 1 and 2 years	between 3 and 5 years	Contract value	Book value
Lease liabilities	6,419	3,747	1,154	**11,319**	**10,478**

The discount rate was determined on the basis of the marginal borrowing rate of the Company, with a similar maturity and collateral, needed to obtain an asset of similar value to the right-of-use asset in a similar economic climate. The Company has decided to apply a single discount rate to a lease portfolio with reasonably similar characteristics, such as leases with a similar residual maturity for a similar underlying asset class, in a similar economic climate.

Real estate right-of-use assets relate mainly to the production plants in Reggio Emilia, Lodi and Lecce leased to Newlat under the agreements entered into with the related party New Property. These leases fall within the scope of related party transactions; please see the section of the annual Financial Statements below.

Machinery right-of-use assets refer mainly to the lease of capital goods used in the production process.

8.3 Intangible assets

The table below shows a breakdown of and changes in the item "Intangible assets" for the year ended 31 December 2022:

(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**	**1,632**	**2**	**42,723**
Investments	-	4	-	-	4
Acquisition of Lylag assets	220	10	10	-	240
Historical cost at 31 December 2022	**570**	**40,753**	**1,642**	**2**	**42,967**
Accumulated amortisation as at 31 December 2021	**-**	**21,607**	**1,570**	**-**	**23,177**
Amortisation	-	20	5	-	25
Acquisition of Lylag assets	220	-	-	-	220
Accumulated amortisation as at 30 December 2022	**220**	**21,627**	**1,575**	**-**	**23,422**
Net carrying amount at 30 December 2021	**350**	**19,132**	**63**	**2**	**19,548**
Net carrying amount at 30 December 2022	**350**	**19,126**	**68**	**2**	**19,547**

Investments in intangible assets for the year ended 31 December 2022 amounted to Euro 4 thousand.

There were no indicators of long-term impairment for intangible assets for the year ended 31 December 2022.

As mentioned in the management report, the purchase price allocation process for the acquisition of the assets related to the Lyliag brand was concluded. Following internal evaluations, management deemed it appropriate to write down the goodwill arising from the acquisition by a total amount of Euro 220 thousand.

The following is a description of the main items that make up intangible assets:

Concessions, licences, trademarks and similar rights

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 31 December 2022 and 2021:

(In thousands of euros)	At 31 December	
	2022	**2021**
Trademarks with an indefinite useful life	19,132	19,132
Total net book value	**19,132**	**19,132**

With the merger by incorporation of Centrale del Latte di Vicenza and Centrale del Latte della Toscana, they are included as intangible assets with an indefinite useful life, in addition to the "Centro Latte Rapallo – Latte Tigullio" brand already owned by Centrale del Latte d'Italia S.p.A. (Euro 5,891 thousand), the trademarks "Mukki" (Euro 7,955 thousand) and "Centrale del Latte di Vicenza" (Euro 5,286 thousand) for a total of Euro 19,132 thousand.

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

The value in use is determined using the discounted cash flow (DCF) method, using a discount rate and an explicit forecast period of four years in accordance with the updated Business Plan approved by the Board of Directors on 17 March 2023.

The cash flows used by the Directors for impairment testing purposes do not include the economic and financial components arising from the lease of the "Milk & Diary" business operations stipulated with the controlling company Newlat Food S.p.A. on 21 December 2020, expiring on 31 December 2023.

After the explicit forecast period, the specific growth rate used is equal to the expected long-term inflation rate. The forecast values for future years and the parameters determined with reference to current market information are subject to uncertainties due to unpredictable future developments and possible developments in the market the Company competes in. Therefore, write-downs may be necessary in subsequent years.

The analysis required by IAS 36 concerning the determination of cash-generating units led the directors to identify a single CGU coinciding with the company's scope in accordance with, among other things, the management structure and the decision-making and strategic planning process, as well as the company's performance review model.

The impairment test, approved by the Board of Directors on 17 March 2023, was prepared with the support of an independent professional, comparing the book value with the recoverable value of the related cash generating unit (CGU).

The recoverable amount is the value in use, determined by discounting the CGU's forecast data ("DCF Method") for the four years after the reporting date.

The key assumptions used by management to determine the forecast data of the CGU are estimates of growth of revenues, EBITDA, operating cash flows, the growth rate of the terminal value and the weighted average cost of capital (discount rate), taking into account past profits/losses and future expectations.

The reasonableness of the margins in the explicit forecast period was also verified and in fact aligned with the margin achieved in 2022.

The terminal value of the CGU was determined using the perpetual yield criterion of the CGU's normalised cash flow, with reference to the latest forecast period considered, assuming a 0.5% growth rate and a discount rate ("WACC", which represents the weighted average between the cost of equity and the cost of debt, after tax), as represented below:

Growth rate: 0.5%

WACC: 8.8%

For the purposes of estimating the value in use of the CGU:

(i) the following sources of information have been used:

a) internal sources: IAS 36 requires that the estimate of value in use be based on senior management's most up-to-date results flows forecasts. For the indefinite useful life impairment test as at 31 December 2022 the updated 2023-2026 Business Plan was used, estimating the result flows in a uniform manner for subsequent years. The Company's Board of Directors approved this test, as well as the flows represented therein, on 17 March 2023. For the purpose of estimating the value in use, "maintenance" investments of approximately Euro 4.5 were envisaged. For the impairment test as at 31 December 2022, in the interests of prudence, no improvements in operating costs are predicted aside from those already achieved in the current year, and therefore a constant margin was considered over the period.

b) External sources: for the purpose of the impairment test, external sources of information were used to calculate the cost of capital, the estimate of which was based on:

- the CAPM to estimate the cost of equity;

- the WACC formula for estimating the weighted average cost of capital (after tax).

The cost of capital was calculated using the financial structure of the panel of comparables considered in the analysis.

(ii) the following main basic assumptions were also used:

a) average revenue increase of 1.96% per annum from 2023 to 2026, and

b) EBITDA margin in the forecast years of 8.8%.

The revenue growth assumed for the years of the period is substantially in line with the growth expectations of the Italian market, in view of the good competitive position of the company, but above all in view of (i) the company's planned growth strategies; (ii) a guaranteed supply chain with strong local roots.

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its net invested capital by more than Euro 13.5 million.

The value in use was calculated on the basis of a weighted average cost of capital (WACC) equal to 8.8% and a terminal cash flow growth rate (g) of 0.5%. Sensitivity analyses were also carried out to verify the effects on the impairment test results of a ±0.5% and ±0.25% change respectively in the WACC and growth rate, both parameters deemed to be significant. In particular, assuming no other changes, individual changes in the main parameters used for the test in question do not result in the recoverable value of the CGU being less than the relative book value.

8.4 Equity investments in associates

At 31 December 2022 the investments in associate companies amounting to Euro 1,397 thousand refer mainly to the investment held by Centrale del Latte d'Italia SpA in Mercafir Scpa. The value of shareholders' equity is consistent with the value recorded at 31 December 2022.

8.5 Non-current financial assets measured at fair value through profit or loss

At 31 December 2022 and 2021, non-current financial assets measured at fair value through profit or loss amounted to Euro 703 thousand mainly related to the investment in Futura S.r.l., which was measured at fair value identified with the support of independent experts. This fair value is classifiable as level 3 on the basis of the parameters used in the valuation techniques applied.

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

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

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

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

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

8.6 Deferred tax assets

The following table shows a breakdown of "Prepaid tax assets" as at 31 December 2022 and 2021:

(In thousands of euros)	At 31 December	
	2022	**2021**
Provisions	1,003	927
Tax losses carried forward	-	107
Amortisation	61	62
Other	2	2
Gross prepaid tax assets	**1,066**	**1,098**
Reclassification of deferred tax liabilities	891	
Total prepaid tax assets	**1,957**	**1,098**

Prepaid tax assets are recognised where it is probable that future taxable income will be realised against which they can be used.

The following table displays a breakdown of and changes in the gross value of prepaid tax assets for the years ending 31 December 2022 and 2021:

(In thousands of euros)	**Provisions**	**Tax losses**	**Reclassifications**	**Leases**	**Other**	**Total**
Balance at 31 December 2021	**927**	**107**	**-**	**62**	**2**	**1,098**
Provisions (releases) to income statement	76	(107)	-	(1)	-	(32)
Reclassifications	-	-	891	-	-	891
Balance at 31 December 2022	**1,003**	**-**	**891**	**61**	**2**	**1,957**

Prepaid tax assets and deferred tax liabilities arise from the temporary differences between the value attributed to an asset or liability in the financial statements and the value attributed to that asset or liability for tax purposes.

8.7 Inventories

The following table shows a breakdown of "Inventories" as at 31 December 2022 and 2021:

(In thousands of euros)	At 31 December	
	2022	**2021**
Raw materials, supplies, consumables and spare parts	16,557	11,931
Finished products and goods	8,826	7,495
Advance payments	26	26
Total gross inventories	**25,409**	**19,453**
Inventory write-down reserve	(120)	(24)
Total inventories	**25,289**	**19,428**

Inventories are recorded net of the obsolescence reserve, which amounted to Euro 120 thousand at 31 December 2022 and related mainly to spare parts for slow-moving machinery. The table shows the changes in the write-down reserve:

(In thousands of euros)	**Inventory write-down reserve**
Balance at 31 December 2021	**(24)**
Provisions	(96)
Uses/Releases	-
Balance at 31 December 2022	**(120)**

8.8 Trade receivables

The following table shows a breakdown of "Trade receivables" as at 31 December 2022 and 2021:

(In thousands of euros)	At 31 December	
	2022	**2021**
Trade receivables from customers	33,685	30,534
Trade receivables from related parties	2,526	692
Trade receivables (gross)	36,210	31,226
Provision for doubtful trade receivables	**(3,034)**	**(2,788)**
Total trade receivables	**33,176**	**28,438**

The following table displays the changes in the provision for doubtful trade receivable for the year ended 31 December 2022:

(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	(411)
Uses	165
Balance at 31 December 2022	**(3,034)**

The net value of overdue trade receivables at 31 December 2022 amounted to Euro 26,092 thousand.

Analysis of the credit risk, including details of the provisioning for doubtful receivables for the individual bands of overdueness, can be found in the Report on Operations in the section "Management of Financial Risks" above.

Analysis of trade receivables from related parties can be found in the section "Transactions with Related Parties" below.

The book value of trade receivables is deemed to approximate their fair value.

8.9 Current tax assets

Current tax assets totalled Euro 251 thousand at 31 December 2022 and Euro 263 thousand at 31 December 2021.

The changes in the net balances of the assets and liabilities under review for the year ended 31 December 2022 mainly concern the setting aside of current income taxes amounting to Euro 329 thousand and payments and offsets amounting to Euro 317 thousand.

8.10 Other receivables and current assets

The following table shows a breakdown of "Other receivables and current assets" as at 31 December 2022 and 2021:

(In thousands of euros)	**At 31 December**	
	2022	**2021**
Tax assets	6,783	2,440
Receivables from social security institutions	5	3
Accrued income and prepaid expenses	479	422
Advance payments	864	1,936
Other receivables	6,321	6,132
Total other receivables and current assets	**14,452**	**10,933**

Other receivables refer mainly to a receivable owed by the parent company Newlat Food SpA that arose from the lease of the Milk & Dairy operations described above (Euro 5.3 million).

Payments on account at 31 December 2022 and 2021 mainly refer to down payments for supplies.

Tax receivables at 31 December 2022 include VAT receivables from the tax authority for Euro 5,918 thousand, tax credits for Euro 360 thousand and receivables from tax consolidation for Euro 505 thousand.

8.11 Current financial assets measured at fair value through profit or loss

The following table provides a breakdown of "Current financial assets measured at fair value through profit or loss" at 31 December 2022 and 2021:

(In euros)	At 31 December	
	2022	**2021**
Current financial assets measured at fair value through profit or loss	1	1

8.12 Current financial receivables

Financial receivables measured at amortised cost amounting to Euro 3,025 thousand include financial receivables from the related party New Property SpA.

8.13 Cash and cash equivalents

The following table shows a breakdown of "Cash and cash equivalents" at 31 December 2022 and 2021:

(In thousands of euros)	At 31 December	
	2022	**2021**
Bank and postal deposits	26,194	57,023
Cash in hand	429	349
Total cash and cash equivalents	**26,623**	**57,372**

Bank and postal deposits refer mainly to cash and cash equivalents deposited in current accounts held with leading banking and financial institutions.

At 31 December 2022, cash and cash equivalents were not subject to restrictions or constraints.

Part of the aforementioned cash and cash equivalents, amounting to Euro 17,327 thousand and Euro 18,399 thousand respectively at 31 December 2022 and 2021, is attributable to the cash pooling with the parent company Newlat Food SpA.

Please see the statement of cash flows for changes in the "Cash and cash equivalents" item during the periods under review.

8.14 Shareholders' equity

At 31 December 2022 the item Shareholders' Equity totalled Euro 63,677 thousand. The statement of changes in equity is shown in the relevant section.

The changes that affected shareholders' equity for the year ended 31 December 2022 related to the following:

- The recognition of profit for the year in the amount of Euro 154 thousand.
- Actuarial gains of Euro 386 thousand relating to the discounting of the employee severance indemnity provision.

Share capital

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

Legal reserve

At 31 December 2022, the legal reserve totalled Euro 2,202 thousand.

Reserves

See the statement of changes in shareholders' equity in the financial statements for details and changes in reserves in 2022. The table below shows the possibility of use with respect to 31 December 2022

Nature/ description	Amount	Possible use	Quota available
Share capital	28,840,041	B	28,840,041
Capital reserves:			
Provision mandatory. reval. Italian Law 413/91	196,523	A, B	196,523
FTA reserve	1,265,968	B	1,265,968
Share premium reserve	17,420,592	A, B, C	17,420,592
Other non-distributable reserves	(161,064)	A, B	(161,064)
Profit reserves:			
Legal reserve	2,202,330	B	2,202,330
Extraordinary reserve	17,070,108	A, B, C	17,070,108
Other reserves	(3,311,242)	A, B, C	(3,311,242)
Total			**63,523,256**
Non-distributable portion			**32,343,798**
Residual distributable portion			**31,179,458**

Notes:
A - Available for capital increases
B - Available to cover any losses
C - Distributable to shareholders

8.15 Provisions for employee benefits

The table below shows a breakdown of and changes in the item "Provisions for employee benefits" for the years 31 December 2022 2021:

(In thousands of euros)	**Employee severance indemnity**
Balance at 31 December 2020	**4,730**
Service Cost	-
Financial expenses	12
Actuarial losses/(gains)	(29)
Benefits paid	(1,098)
Milk&dairy transaction	3,871
Balance at 31 December 2021	**7,486**
Service Cost	-
Financial expenses	40
Actuarial losses/(gains)	(536)
Benefits paid	(711)
Balance at 31 December 2022	**6,279**

Provisions for employee benefits represent the estimated obligation, determined on the basis of actuarial techniques, relating to the amount to be paid to employees when their employment with the company ends.

Employee severance indemnity (TFR)

The debt for Centrale del Latte's employee severance indemnity, which falls within the IAS 19 definition of defined benefit plans, was determined according to actuarial logic. The following are the main actuarial, financial and demographic assumptions used to determine the value of the liability at 31 December 2022 and 2021, in accordance with the provisions of IAS 19.

	At 31 December	
	2022	**2021**
Financial assumptions		
Discount rate	3.70%	0.56%
Inflation rate	2.70%	1.75%
Annual rate of salary increase	2.70%	2.81%
Demographic assumptions		
Death	SIM/SIF2002 ISTAT table	SIM/SIF2002 ISTAT table
Retirement	Achievement of the first pensionable requirement according to current legislation	Achievement of the first pensionable requirement according to current legislation

The following table summarises the sensitivity analysis for each actuarial, financial and demographic assumption, showing the effects (in absolute terms) that would have occurred as a result of changes to the reasonably possible actuarial assumptions on 31 December 2022 and 2021:

(In thousands of euros)	**Discount rate**		**Inflation rate**		**Rate of turnover**	
	+0.50%	**-0.50%**	**+0.50 %**	**0.50%**	**+1%**	**- 1%**
Employee benefits (severance indemnities) at 31 December 2022	(238)	253	163	(163)	20	(20)
Employee benefits (severance indemnities) at 31 December 2021	(231)	243	67	(67)	69	(85)

8.16 Provisions for risks and charges

The table below shows a breakdown of and changes in the item "Provisions for risks and charges" for the year ended 31 December 2022:

(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)
Releases	-	-	-
Milk&dairy transaction	971	-	971
Balance at 31 December 2021	**1,115**	**68**	**1,183**
Provisions	98	-	98
Uses	(45)	-	(45)
Balance at 31 December 2022	**1,168**	**68**	**1,236**

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.

8.17 Deferred tax liabilities

The following table shows a breakdown of "Deferred tax liabilities" as at 31 December 2022 and 2021:

(In thousands of euros)	At 31 December	
	2022	**2021**
Intangible assets	5,104	5,104
Property, plant and equipment	434	434
Other	683	29
Deferred tax liabilities	**6,221**	**5,567**

The table below shows the changes in deferred tax liabilities for the year ended 31 December 2022:

(In thousands of euros)	Trademarks	Land	Others	Total deferred tax liabilities
Balance at 31 December 2021	**5,104**	**434**	**29**	**5,567**
Provisions (releases) to income statement			(480)	(480)
Changes in the statement of comprehensive income			149	149
Other changes			94	94
Reclassifications			891	891
Balance at 31 December 2022	**5,104**	**434**	**683**	**6,221**

8.18 Current and non-current financial liabilities

The following table shows a breakdown of "Current and non-current financial liabilities" as at 31 December 2022 and 2021:

(In thousands of euros)	At 31 December 2022		At 31 December 2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Total financial liabilities	**25,291**	**48,340**	**40,181**	**59,404**

Some loan agreements require compliance with financial parameters.

As at 31 December 2022 these were complied with.

The following table provides detailed information on the financial liabilities outstanding as at 31 December. With regard to the loan disbursed by Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti and Invitalia S.p.A., in application of the provisions of IFRS 9, the present value of the loan was determined at market rates. The difference with respect to the nominal value of the loan is considered comparable to a contribution on the investments made by the Company, with consequent return of the benefit in a manner related to the amortisation plan of the assets themselves.

The following table shows the Net Financial Position, according to the classification scheme indicated in the Consob Communication:

(In thousands of euros)	At 31 December	
Net financial debt	**2022**	**2021**
A. Cash and cash equivalents	9,296	38,973
B. Cash equivalents	17,327	18,399
C. Other current financial assets	3,026	1
D Cash and cash equivalents (A)+(B)+(C)	**29,648**	**57,373**
E. Current financial payables	(17,540)	(31,874)
F. Current portion of non-current financial debt	(16,267)	(14,726)
G. Current financial indebtedness (E)+(F)	**(33,807)**	**(46,600)**
H. Net current financial indebtedness (G)+(D)	**(4,158)**	**10,773**
I. Non-current financial debt	(54,526)	(63,462)
J. Debt instruments	-	-
K. Trade and other non-current payables	-	-
L. Non-current financial indebtedness (I)+(J)+(K)	**(54,526)**	**(63,462)**
M. Net financial indebtedness (H)+(L)	**(58,684)**	**(52,689)**

Without considering the effects of IFRS 16, the net financial position would be determined as follows:

(In thousands of euros)	At 31 December	
	2022	2021
Net financial debt	**(58,684)**	**(52,689)**
Non-current lease liabilities	6,185	4,058
Current lease liabilities	8,516	6,418
Net Financial Position	**(43,983)**	**(42,213)**

The following table shows, in accordance with IAS 7, changes in financial liabilities arising from cash flows generated and/or absorbed by financing activities, as well as from non-monetary items.

(In thousands of euros)	At 31 December 2021	New loans	Repayments	At 31 December 2022
Non-current financial liabilities	59,404	3,262	(14,326)	48,340
Current financial liabilities	40,181	3,025	(17,915)	25,291
Total financial liabilities	**99,585**	**6,287**	**(32,241)**	**73,631**

8.19 Trade payables

The following table shows a breakdown of "Trade payables" as at 31 December 2022 and 2021:

(In thousands of euros)	**At 31 December**	
	2022	**2021**
Trade payables to suppliers	59,265	64,177
Trade payables to related parties	14,846	5,704
Total trade payables	**74,111**	**69,881**

This item mainly includes payables relating to the Company's normal production activities.

Analysis of trade payables to related parties can be found in the section "Transactions with Related Parties" below of the Annual Financial Statements.

The book value of trade payables is deemed to approximate their fair value.

8.20 Other current liabilities

The following table shows a breakdown of "Other current liabilities" as at 31 December 2022 and 2021:

(In thousands of euros)	**At 31 December**	
	2022	**2021**
Payables to employees	4,708	4,161
Payables to social security institutions	1,526	1,826
Tax liabilities	1,902	1,089
Accrued expenses and deferred income	2,349	1,734
Miscellaneous payables	223	191
Total other current liabilities	**10,708**	**9,001**

Payables to employees relate to salaries to be settled and deferred charges such as holidays, leave and additional monthly payments.

Payables to social security institutions mainly refer to liabilities with the INPS and other social security institutions for the payment of contributions.

Tax payables at 31 December 2022 mainly include payables to the Treasury for withholding taxes, amounting to Euro 1,245 thousand.

9. NOTES TO THE INCOME STATEMENT

9.1 Revenue from contracts with customers

The following table displays a breakdown of "Revenue from Contracts with Customers" by operating segment:

(In thousands of euros)	Year ended 31 December	
	2022	2021
Milk products	245,253	229,957
Dairy products	50,033	40,026
Other assets	13,681	13,413
Total revenue from contracts with customers	**308,967**	**283,396**

The following table displays a breakdown of "Revenue from Contracts with Customers" by distribution channel:

(In thousands of euros)	Year ended 31 December	
	2022	2021
Mass Distribution	194,675	181,070
B2B partners	11,459	10,811
Normal trade	73,723	65,203
Private labels	14,662	13,964
Food services	14,447	12,348
Total revenue from contracts with customers	**308,967**	**283,396**

The following table displays "Revenue from Contracts with Customers" by geographical area:

(In thousands of euros)	Year ended 31 December	
	2021	2021
Italy	273,677	262,610
Germany	11,742	8,290
Other countries	23,548	12,496
Total revenue from contracts with customers	**308,967**	**283,396**

Sectoral information is given in Section 7 of the Annual Financial Statements above.

Revenue from contracts with customers for the year ended 31 December 2022 is almost exclusively related to the sale of goods. Revenues associated with such sales of goods are recognised when control of the asset is transferred to the customer.

9.2 Operating costs

The table below shows details of the operating costs broken down according to their use:

(In thousands of euros)	**Year ended 31 December**	
	2022	**2021**
Cost of sales	(251,038)	(227,097)
Sales and distribution costs	(49,003)	(45,351)
Administrative costs	(7,964)	(8,292)
Total operating costs	**(308,005)**	**(280,740)**

The table below shows details of the same operating costs broken down according to their nature:

(In thousands of euros)	**Year ended 31 December**	
	2022	**2021**
Raw materials and finished products	165,202	142,590
Personnel costs	33,663	34,845
Packaging	25,693	24,916
Transport	25,360	23,029
Depreciation/Amortisation	16,459	16,239
Utilities	13,562	13,824
Sales commissions	8,260	6,915
Maintenance and repair	7,237	5,974
Porterage and logistics	3,733	3,351
Cost for use of third-party assets	671	665
Commercial expenses	2,237	2,149
Other minor costs	1,495	1,454
Surveillance and cleaning	1,048	1,049
Advertising and promotions	552	766
Administrative costs	639	700
Consultancy and professional services	776	824
Insurance	595	418
Laboratory analysis and testing	242	395
Remuneration of the chairman and directors	292	328
External auditor's fees	90	96
Royalties payable	70	60
Rental	54	60
Other costs	29	53
Board of Statutory Auditors	43	40
Total costs	**308,005**	**280,740**

Operating expenses for the year ending 31 December 2022 increased due to inflationary pressures throughout 2022, especially for the purchase of raw materials and packaging and transport-related expenses.

9.3 Net write-downs of financial assets

The item "Net write-downs of financial assets", amounting to Euro 631 thousand for the year ended 31 December 2022, refers mainly to the write-down of trade receivables. A breakdown of changes to the provision for bad debts for the year ended 31 December 2022 can be found in Note 8.8 "Trade receivables" above of the Annual Financial Statements.

9.4 Other revenues and income

The following table provides a breakdown of "Other revenues and income":

(In thousands of euros)	Year ended 31 December	
	2022	**2021**
Leases receivable	30	60
Repayments and compensation	60	92
Operating grants	347	362
Other minor revenues	3,642	4,226
Total other revenue and income	**4,079**	**4,740**

9.5 Other operating costs

The following table shows a breakdown of "Other operating costs":

(In thousands of euros)	Year ended 31 December	
	2022	**2021**
Stamps, duties and local taxes	914	641
Other operating costs	804	870
Total other operating costs	**1,718**	**1,511**

9.6 Financial income and expenses

The following table provides a breakdown of "Financial income":

(In thousands of euros)	Year ended 31 December	
	2022	**2021**
Other financial income	240	133
Total financial income	**240**	**133**

The following table provides a breakdown of "Financial expenses":

(In thousands of euros)	Year ended 31 December	
	2022	**2021**
Interest on loans	1,307	1,553
Other financial expenses	696	275
Fees and commissions	295	227
Exchange rate differences	13	12
Total financial expenses	**2,310**	**2,066**

9.7 Income taxes

The following table provides a breakdown of "Income taxes":

(In thousands of euros)	**Year ended 31 December**	
	2022	**2021**
Current taxes	781	528
Prior-year taxes	134	56
Total current taxes	**915**	**584**
Decrease (increase) in prepaid taxes	32	312
Increase (decrease) in deferred taxes	(480)	7
Total deferred taxes	**(448)**	**319**
Total income taxes	**467**	**904**

The following table displays a reconciliation of the theoretical tax rate with the effective impact on the pre-tax result:

(In thousands of euros)	**Year ended 31 December**	
	2022	**2021**
Profit/(loss) before taxes	**621**	**3,197**
Theoretical rate	27.9%	27.9%
Theoretical tax charge	**173**	**892**
Adjustments		
Difference between theoretical and local rates	159	(45)
Prior-year taxes	134	56
Income taxes	**467**	**904**

9.8 Net profit/(loss) per share

The table below shows the net profit/loss per share, calculated as the ratio of net income to the weighted average number of ordinary shares in circulation during the period:

	Year ended 31 December	
	2022	**2021**
Profit for the year attributable to the Company in thousands of euros	154	2,294
Weighted average number of shares in circulation	14,000	14,000
Earnings per share (in Euro)	**0.01**	**0.164**

The diluted earnings per share is the same as the basic earnings per share because there are no financial instruments with potential dilutive effects.

TRANSACTIONS WITH RELATED PARTIES

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 were 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 Group, indirect parent company
- Newlat Food SpA, direct 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 31 December 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**			
Right-of-use assets						
At 31 December 2022	2,894	-	4,180	7,074	11,918	59.4%
At 31 December 2021	3,373	-	984	4,357	8,852	49.2%
Trade receivables						
At 31 December 2022	2,526	-	-	2,526	33,176	7.6%
At 31 December 2021	735	-	-	735	28,438	2.6%
Other receivables and current assets						
At 31 December 2022	5,824	-	-	5,824	14,452	40.3%
At 31 December 2021	5,814	-		5,814	10,933	53.2%
Current financial assets measured at fair value through profit or loss						
At 31 December 2022	-	-	3,025	3,025	3,025	100.0%
Cash and cash equivalents						
At 31 December 2022	17,327	-	-	17,327	26,623	65.1%
At 31 December 2021	18,399	-	-	18,399	57,372	32.1%
Non-current lease liabilities						
At 31 December 2022	-	-	3,679	3,679	6,185	59.5%
At 31 December 2021	-	-	307	307	4,058	7.6%
Trade payables						
At 31 December 2022	14,834	12	-	14,846	74,111	19.5%
At 31 December 2021	5,693	11	-	5,704	69,881	8.2%
Current financial liabilities						
At 31 December 2022	49	7,948	-	7,997	25,291	31.6%
At 31 December 2021	-	24,454	-	24,454	40,181	60.9%
Current lease liabilities						
At 31 December 2022	5,830	-	581	6,411	8,516	75.3%
At 31 December 2021	4,912		725	5,637	6,419	87.8%
Other current liabilities						
At 31 December 2022	665	-	-	665	10,708	6.2%
At 31 December 2021	124	-	-	124	9,001	1.4%

The following table provides a breakdown of the income statement items relating to the Company's transactions with related parties for the years ended 31 December 2022 and 2021:

(In thousands of euros)	Direct parent company	Indirect parent company	Companies controlled by the parent companies	Other companies controlled by the parent companies	Total	Total statements of financial position items	% of statement of financial position item
	Newlat Food	Newlat Group	New Property				
Revenue from contracts with customers							
At 31 December 2022	1,510				1,510	308,967	0.5%
At 31 December 2021	2,039				2,039	283,396	0.7%
Cost of sales							
At 31 December 2022	9,338		780		10,118	251,038	4.0%
At 31 December 2021	15,397		955	257	16,609	227,097	7.3%
Administrative costs							
At 31 December 2022		83			83	7,964	1.0%
At 30 December 2021		88			88	8,292	1.1%
Financial income							
At 31 December 2022	111				111	240	46.3%
Financial expenses							
At 31 December 2022	90	52	175		317	2,311	13.7%
At 30 December 2021	52	-	32		84	2,066	4.1%

Transactions with parent company Newlat Food SpA

Cash and cash equivalents, amounting to Euro 17,326 thousand at 31 December 2022, are attributable to the cash pooling of the direct parent Newlat Food S.p.A.

Right-of-use assets relate to the fee for the lease of the milk & dairy business unit granted with effect from 1 January 2021.

Transactions with the indirect parent company Newlat Group SA

Financial liabilities amounting to Euro 7,948 thousand at 31 December 2022, are attributable to the cash pooling of the Newlat Group SA.

Administrative expenses of Euro 83 thousand at 31 December 2022 are attributable to operating expenses incurred in connection with service contracts with the parent company Newlat Group SA.

Transactions with companies controlled by the parent companies

The following are the companies controlled by the parent companies with which the Company has conducted transactions during the periods under review:

- New Property S.p.A., a real estate company to which lease royalties are paid;
- other companies controlled by the parent companies, such as Newservice S.r.l., Latterie Riunite Piana del Sele S.r.l. and Piana del Sele Latteria Sociale S.p.A.

Transactions with New Property S.p.A.

At 31 December 2022, right-of-use assets amounting to Euro 4,180 thousand and current and non-current lease liabilities amounting respectively to Euro 581 thousand and Euro 3,679 thousand refer to real estate assets that were leased to Newlat and subsequently transferred as part of the lease of the milk&dairy business unit. The recognition of these contracts according to IFRS 16 led to the recognition of depreciation, recorded in the cost of sales, of Euro 651 thousand, and financial charges of Euro 176 thousand for the year ended 31 December 2022.

As at 31 December 2022, financial receivables from New Property SpA totalling Euro 3,205 thousand were recorded.

With the exception of the related parties identified above, there were no transactions with companies related to executives with strategic responsibilities.

10. COMMITMENTS AND GUARANTEES

Please refer to the section on financial liabilities with regard to guarantees given by the Company.

11. OTHER INFORMATION

11.1 Government contributions

Following the signing on 22 December 2017 with Agenzia Nazionale per l'attrazione degli investimenti e lo sviluppo di impresa S.p.A. – INVITALIA – of the subsidised loan Contract pursuant to the Decree of 9 December 2014 of the Ministry of Economic Development and subsequent amendments and additions, Centrale del Latte d'Italia S.p.A. was granted a total loan of Euro 8,197,945, of which Euro 745,267 as a non-repayable contribution and Euro 7,452,678 as a subsidised loan.

In 2018 the Company received and recorded in the Financial Statements the first tranche of the subsidised loan amounting to Euro 1,547,441.62.

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

In 2022 the Company received and recognised in the financial statements the third tranche of the subsidised loan in the amount of Euro 3,262,862.63 and a non-repayable portion in the amount of Euro 294,000.

In 2018 the company received a contribution for the year amounting to Euro 200.00 following the acceptance of application no. 3509007 of 22.12.2016 submitted to AVEPA - Venetian Agency for Payments in Agriculture referring to the investment measure for the processing and sale of livestock and agricultural products referred to in the RDP - Rural Development Programme of the Veneto Region, Reg. EU no. 1305/2013 DGR Notice no. 1937 of 23 December 2015.

11.2 Remuneration of Directors and Statutory Auditors

The fees payable to Directors and Statutory Auditors amounted to Euro 292 thousand and Euro 43 thousand respectively in the year ended 31 December 2022.

11.3 External Auditor’s fees

The independent auditors' fees refer exclusively to activities carried out in 2022 totalling Euro 90 thousand.

11.4 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.

11.5 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 economic/financial forecasts. 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 this annual report inflation remains high, affecting all cost components of the finished product, especially raw materials and utilities. Speculation in the Oil & Gas sector and in the procurement of raw materials 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 in the coming years, 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.

11.6 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 31 December 2022.
- The presence of authorised and unused lines of credit at 31 December 2022 from the Company to the majority shareholder Newlat Food SpA.
- The continual support given by the leading banks to the company and the Newlat Group it belongs to, partly because of its market-leading status.

It should also be noted that the cash and cash equivalents at 31 December 2022, amounting to Euro 26.6 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.

11.7 Events after the reporting date

There are no further significant events subsequent to the closing date of this annual report.

11.8 Proposal for allocation of the net result

Dear Shareholders, the annual financial statements that we submit for your approval show a profit of Euro 154,306, of which we propose to allocate 5% to the legal reserve and the remaining 95% to the extraordinary reserve.

CERTIFICATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58/98 AND SUBSEQUENT AMENDMENTS

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

- The financial statements are adequate, in relation to the characteristics of the company, and
- The effective application of the administrative and accounting procedures for preparing the financial statements during the 2022 financial year.

It is furthermore declared that the financial statements at 31 December 2022:

a) were prepared in compliance with the applicable international accounting standards adopted by the European Community, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2020;

b) correspond with the accounting books and records;

c) are capable of providing a true and correct representation of the issuer's balance sheet, economic and financial situation.

The management report includes a reliable analysis of the performance and results of operations as well as the issuer's situation, together with a description of the key risks and uncertainties the issuer is exposed to.

Turin, 17 March 2023

Chair of the Board of Directors	Financial Reporting Officer
Angelo Mastrolia	Fabio Fazzari

AUDITOR'S REPORT

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Centrale del Latte d'Italia SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Centrale del Latte d'Italia SpA (the Company), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

www.pwc.com/it

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*

Assessment of recoverability of Intangible Assets with an indefinite useful life

Notes to the annual financial report at 31 December 2022: Note 8.3 "Intangible Assets"

The intangible assets reported in the Company's annual financial report at 31 December 2022 amount to Euro 19.547 thousands, of which Euro 19.482 thousands relating to assets with an indefinite useful life, breakdown as follow:

- Trademark Mukki: Euro 7.955 thousands;
- Trademark Centrale Latte Rapallo – Latte Tigullio: Euro 5.891 thousands;
- Trademark Centrale del Latte di Vicenza: Euro 5.286 thousands;
- Goodwill: Euro 350 thousands.

At least once a year the management of the Company carries out, as required by the IAS 36 "Impairment of Assets", the assessment of the recoverability of intangible assets with an indefinite useful life accounted for in the financial report through specific analysis (*impairment test*).
The recoverable amount used for this analysis is the higher between *fair value* less cost to sell and value in use of each *Cash Generating Unit* (CGU) to which these assets refer.

The *impairment test*, prepared with the support of an independent professional, is carried out verifying the recoverability of the net invested capital of which intangible assets with an indefinite useful life are components.

The value in use is determined by discounting expected future cash flows for the 2023-2026 period for the identified CGU, as well as their respective terminal value.

We carried out an understanding and evaluating of the impairment test procedures prepared by the management and approved by the Audit and Risks Committee and by the Company' Board of Directors, in order to assess compliance with the requirements of the international accounting standards IAS 36.

We analyzed the reasonableness of the considerations made by the management with the support of an independent professional for the identification of the CGU, verifying its consistency with the structure of the Company, and determination of its value in use.

Our procedures focused on a critical examination of the main assumptions behind the drawing up of the 2023-2026 Business Plan and of the discounting rate used; furthermore, specific sensitivity analyses were performed, aimed at evaluating the impact on the results of the tests of changes in the main parameters adopted.

Moreover, we also verified the overall mathematical correctness of the plan and of the impairment test model prepared by the management, reviewing the method followed to obtain the discounting rate and the constant growth rate of cash flows beyond the plan's time frame.

We also compared the book values of the assets and liabilities subject to impairment

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
The cash flows used by the Directors for impairment testing purposes do not include the economic and financial components arising from the lease of the "Milk & Diary" business unit signed with the parent company Newlat Food SpA on 21 December 2020, with an original length of two years, and renewed, in line with the contractual option, until 31 December 2023. The Company's Board of Directors approved the impairment test, as well its cash flows represented therein, in a specific meeting. The intangible assets with an indefinite useful life are considered as a key audit matter due to their size and to the inherent estimates elements influencing the valuations made by the Directors on their recoverability. The main elements of estimation are the forecast of the growth levels in turnover, EBITDA, operating cash flows, the growth rate of the terminal value and the discount rate of the same.	used for comparison with the respective value in use. These activities were performed also involving experts belonging to the PwC Network. Finally, we verified the completeness and accuracy of the information provided in the notes.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 29 April 2021, the shareholders of Centrale del Latte d'Italia SpA in general meeting engaged us to perform the statutory audit of the Company's financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Centrale del Latte d'Italia SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2022 have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

pwc

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Centrale del Latte d'Italia SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Centrale del Latte d'Italia SpA as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Centrale del Latte d'Italia SpA as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Centrale del Latte d'Italia SpA as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As illustrated in the report on operations, the directors of Centrale del Latte d'Italia SpA have opted to use the exemption from the preparation of the non-financial statement allowed by article 6, paragraph 1, of Legislative Decree No. 254 of 30 December 2016.

Turin, 31 March 2023

PricewaterhouseCoopers SpA

Signed by

Monica Maggio
(Partner)

As disclosed by the Directors on the cover page, the accompanying financial statements of Centrale del Latte d'Italia SpA constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

REPORT OF THE BOARD OF STATUTORY AUDITORS AND OF THE SHAREHOLDERS' MEETING

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

Registered office in Turin, Via Filadelfia 220

Share capital Euro 28,840,041.20 fully paid-in

Turin Company Register

Tax code and VAT no. 01934250018

****

Report of the Board of Statutory Auditors pursuant to art. 153 of Italian Legislative Decree 58/98 and article 2429, paragraph 2 of the Italian Civil Code on the Financial Statements for the year ended 31/12/2022

Shareholders,

This report was prepared by the Board of Statutory Auditors appointed for the three-year period 2021-2023 by the Shareholders' Meeting held on 29 April 2021, composed of Deborah Sassorossi (Chairperson), Ester Sammartino and Giovanni Rayneri (Standing Statutory Auditors), which will end its term of office with the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2023.

During the year ended 31 December 2022, the Board of Statutory Auditors carried out the supervisory activities required by law, referred to in this Report prepared pursuant to art. 153 of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance or "TUF"), following the Principles of Conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts, as well as the guidance contained in the Corporate Governance Code of the Committee for the Corporate Governance of listed companies of Borsa Italiana S.p.A., also taking into account the instructions and recommendations provided by Consob on the subject of corporate controls and activities of the Board of Statutory Auditors (specifically, Communication no. DAC7RM 97001574 of 20 February 1997 and Communication no. DEM 1025564 of 6 April 2001, subsequently supplemented by Communication no. DEM/3021582 of 4 April 2003 and Communication no. DEM/6031329 of 7 April 2006) relating to corporate controls and the duties of the Board of Statutory Auditors, and Italian Legislative Decree no. 39 of 27 January 2010.

During the year, the Board of Statutory Auditors acquired information for the performance of its functions both through meetings with corporate departments and by virtue of what was reported during the meetings of the Board of Directors and the various board committees. These meetings took place both in person and remotely via video conferencing, with documentation being sent beforehand.

During the year this Report refers to, the Board of Statutory Auditors met seven times to carry out its work, and participated in two CCRI meetings.

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

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

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

- Acquired the information necessary to carry out its activities on compliance with the law and the By-laws, compliance with the principles of proper administration, as well as on the adequacy of the Company’s organisational structure and of the internal and administrative-accounting control systems by collecting data, analysing and acquiring information from the managers of the main functions concerned, as well as from the independent auditors PricewaterhouseCoopers S.p.A.

- Made use of all the internal and external information flows implemented by the Company, which are considered suitable to guarantee that the Board can verify the compliance of the organisational structure, internal procedures, corporate acts and resolutions of the corporate bodies with the law, the by-laws and the applicable rules.

- Verified that all resolutions were in accordance with the Company's interest and supported by appropriate documentation.

- In its capacity as "Internal Control and Audit Committee" pursuant to art. 19 of Italian Legislative Decree no. 39/2010, supervised a) the financial reporting process, b) the effectiveness of internal control, internal audit and risk management systems, c) the statutory audit of annual and consolidated accounts and d) the independence of the entity in charge of the statutory audit, specifically with regard to the possible provision of services other than the audit.

- At its meetings received the results of the quarterly audits done by the company responsible for performing the statutory audit and received the information on the audit plan.
- Pursuant to art. 19, paragraph 3 of Italian Legislative Decree no. 39/2010, received the Report of the independent auditors on the financial statements, illustrating what emerged during the statutory audit and any "significant shortcomings" found in the internal control system with respect to the financial reporting process. The Report of the independent auditors on the financial statements, issued pursuant to art. 14 of Italian Legislative Decree no. 39/2010 and 10 of EU Regulation no. 537/2014, does not contain any findings or information worthy of note, and certifies that the financial statements were prepared clearly and in compliance with the rules governing their preparation and provide a true and correct picture of the financial situation, economic result and cash flows of the Company Centrale del Latte d'Italia S.p.A. for the year ended 31 December 2022.
- In the aforementioned Report, the assessment of the recoverability of the value of intangible assets with an indefinite useful life, and in particular of the trademarks (Mukki, Centrale del Latte di Rapallo - Latte Tigullio, Marchio Centrale del Latte di Vicenza) and goodwill, which is supported by the audit procedures in response, is designated as a key audit matter (KAM). The aforementioned Report also certifies that the Report on Operations and the information presented in the corporate governance and ownership report are consistent with the financial statements and that there were no significant shortcomings in the internal control system with respect to the financial reporting process that need to be brought to the attention of the Internal Control and Audit Committee.

- Pursuant to art. 17, paragraph 9, letter a) of Italian Legislative Decree no. 39/2010, received from the independent auditors confirmation of its independence and the absence of any reasons for incompatibility pursuant to art. 10 and 17 of Italian Legislative Decree no. 39/2010, as well as the communication of non-statutory audit services provided to the Company by the statutory auditors or entities belonging to the network thereof.

- Pursuant to art. 17, paragraph 9, letter b) of Italian Legislative Decree 39/2010, discussed with the auditing firm the risks related to the independence thereof, as well as the measures adopted by such auditing firm to limit these risks.

- Received regular reports from the Supervisory Body required by the Management and Control Organisation Model ("MCOM") adopted by the Company pursuant to Italian Legislative Decree 231/2001 and examined the Annual Report.

- Monitored the concrete implementation of the corporate governance rules envisaged by the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., as adopted by the Company.

- Pursuant to art. 4, paragraph 6 of the Regulation approved by Consob with resolution no. 17221 of 12 March 2010 and subsequent amendments, monitored compliance with the Procedure on Transactions with Related Parties, which the Company adopted on 1 January 2011 and subsequently amended and, most recently, by resolution of the Board of Directors of 25/06/2021, with effect from 1 July 2021, in order to comply with Consob resolution no. 21624 of 10/12/2020 in implementation of the delegated power contained in Italian Legislative Decree no. 49 of 10/6/2019 which transposed Directive EU 828/201/EU ("SHRD II").

- Based on the statements made by the Directors and the assessments made by the Board of Directors, noted that the criteria and procedures used by the Board of Directors to assess the independence of its members were correctly applied.

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

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

Taking into account the document "Annual transparency report" prepared by the auditing firm PricewaterhouseCoopers S.p.A., published on its website on 24 October 2022, as well as the formal confirmation of its independence issued by the aforementioned company and the communication of the assignments conferred, having verified that no assignments have been made for services that may compromise the independence of the auditor pursuant to art. 17 of Italian Legislative Decree 39/2010, the Board of Statutory Auditors does not consider that there are critical aspects regarding the independence of the auditor PricewaterhouseCoopers S.p.A.

* * *

The Board of Statutory Auditors would like to note some significant events that occurred during the financial year ending 31 December 2022:

- The merger of the Company into the Newlat Food S.p.A. Group continued, the Group being the main shareholder of Centrale del Latte d'Italia S.p.A. after its acquisition on 1 April 2020, with the parent company providing its organisational experience and industrial know-how to the benefit of the Company, thereby accelerating the implementation of the activities defined in the industrial plan and increasing opportunities at the commercial, operational and management levels.

- The lease of the business operations between Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A., which covers all of the dairy operations of the Newlat Food Group, i.e. the processing of raw materials and the production of so-called Milk & Diary products (milk and milk-based products), was automatically renewed for the current year, which is the third year since it was stipulated. Note that the activities of the Business Unit covered by the Contract are carried out through the plants in Reggio Emilia, Salerno and Lodi, as well as through the warehouses in Reggio Emilia, Lodi, Rome, Eboli, Pozzuoli and Lecce, and that the lease fee has a fixed component of €2 million per annum and a variable component of 1.5% based on the quarterly turnover of the business unit.

- On 1 April 2022 the assets related to the "Lylag" brand were acquired for the price of €300 thousand.

- A branch of the company was established in Switzerland, in "Paradiso" (Canton Ticino).

* * *

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

The Board of Statutory Auditors also more generally verified the compliance of the Report on Operations for the financial year 2022 relating to the financial statements of the Company with the laws and regulations in force and its consistency with the resolutions adopted by the Board of Directors. The financial statements are prepared in accordance with International Financial Reporting Standards and the relevant provisions of the Supervisory Authority.

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

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

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

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

The Financial Statements provide a truthful and correct representation of the Company's equity and financial situation and of the profit or loss for the year 2022, as they are the result of the application of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as from the provisions issued in implementation of art. 9 of Italian Legislative Decree no. 38/2005 (the term "IFRS" also includes International Accounting Standards (IAS) that are in force today).

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

Ample space was given to disclosing the financial and operational risks the Company is exposed to, as well as the measurement criteria used for the items of the financial statements.

The structure and content of the Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes are adequate and therefore the Board of Statutory Auditors considers it unnecessary to group items or add new ones or adapt to those envisaged in the "IFRS" and "IAS" with respect to the business carried out.

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

* * *

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

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

The Board of Statutory Auditors found that its members complied with the requirements of integrity and professionalism, as well as the independence criteria established by the Corporate Governance Code. The members of the Board of Statutory Auditors also complied with the limit on the number of positions set by the Consob Issuers' Regulation. Pursuant to Italian Legislative Decree 39/2010, it has also been verified that on the whole the members of the Board of Statutory Auditors have the skills required of them to perform their duties in the sector that the Company operates in.

* * *

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

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

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

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

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

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

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

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

PricewaterhouseCoopers S.p.A., the independent auditors appointed on 29 April 2021 to audit the financial statements up to the approval of the financial statements for the year ended 31 December 2029, today issued its report on the financial statements pursuant to articles 14 and 16 of Italian Legislative Decree no. 39/2010 (as updated by Italian Legislative Decree 135/2016) containing no findings worthy of note and certifies that the financial statements comply with the International Accounting Standards – IFRS – adopted by the European Union, as well as with the provisions issued in implementation of art. 9 of Italian Legislative Decree no. 38/2005, that they were prepared with clarity and provide a true and correct picture of the financial situation, economic result and cash flows of Centrale del Latte d'Italia S.p.A. for the year ended 31 December 2022.

The Report of the auditing firm expresses the opinion on the consistency of the Report on Operations with the Financial Statements and the information in the Report on Corporate Governance pursuant to art. 123-bis of Italian Legislative Decree 58/98.

We acknowledge that the independent auditor also provided us with its "Additional Report" in our capacity as "Internal Control and Audit Committee".

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

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

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

6) Reports to the Governing Body pursuant to Art. 15 of Italian Decree-Law 118/2021

We note that we have not made any report to the Governing Body pursuant to and for the purposes of Art. 15 of Italian Decree-Law 118/2021.

7) Indication of any additional assignments to the independent auditor and related costs

The Company Centrale del Latte d'Italia S.p.A. did not assign the auditing companies that succeeded each other during the year any additional tasks for services other than the statutory audit.

8) Indication of any assignments to parties related to the independent auditor and related costs

In 2022 the Company Centrale del Latte d'Italia S.p.A. did not assign tasks to parties linked by ongoing relationships to the auditing firm.

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

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

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

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

The following meetings were held during the year: 5 meetings of the Board of Directors, 1 Shareholders' Meeting, 2 meetings of the Internal Control and Risk Management Committee (with the participation of the Board of Statutory Auditors), 1 meeting of the Directors' Appointment and Remuneration Committee, no meetings of the Related Party Transactions Committee, 2 meetings of the Supervisory Body. During the year the Board of Statutory Auditors met 7 times.

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

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

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

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

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

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

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

On 10/09/2021, a new Internal Auditor was appointed in the person of Fabrizio Carrara, whose work plan for 2022 was approved by the Board of Directors on 18 March 2022 after having consulted the Board of Statutory Auditors and the Chief Executive Officer. The work plan for the current financial year was approved by the Board of Directors on 17 March 2023, again after consultation with the Board of Statutory Auditors and the Chief Executive Officer.

The Board noted that with regard to the adequacy of internal controls many implementations have been made, and that the activity aimed at improving the flow of information from the various production sites according to the procedures and directives given is continuous. Indeed, in 2022 the Internal Auditor drew up an audit plan proposal based on the identification and prioritisation of business risks in the ERM, carried out independent monitoring within the framework of the control system on corporate reporting, and exchanged information with the auditing firm.

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

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

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

The Board of Statutory Auditors has no particular comments to make on the adequacy of the administrative-accounting system and its reliability in correctly representing operating events. With regard to the accounting information contained in the financial statements as at 31 December 2022, the CEO and the Financial Reporting Officer have certified such information pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999 as amended and supplemented.

More specifically, the Board was able to ascertain that, for the Company, the Financial Reporting Officer has carried out and completed the assessment of the adequacy and effective application of the administrative and accounting procedures referred to in art. 154-bis of the "TUF". This activity has allowed the issuance of certificates by the Financial

Reporting Officer stating that the documents constituting the financial statements are able to provide a truthful and correct representation of the Company's balance sheet, income statement and financial position.

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

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

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

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

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

The Company has no shareholdings in subsidiaries.

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

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

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

The Board of Directors and, as far as directly applicable to it, the Board of Statutory Auditors of Centrale del Latte d'Italia S.p.A. have adopted corporate governance rules in compliance with the recommendations contained in the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. The Report on Corporate Governance and Ownership, also prepared pursuant to art. 123-bis of Italian Legislative Decree no. 58/1998, details the principles and application criteria adopted by the Company in order to explain which recommendations of the aforementioned Corporate Governance Code have been adopted and in force for the year 2021, and how they have actually been applied, also recalling the information provided on remuneration in the Remuneration Report approved by the Board of Directors, in particular pursuant to art. 123-ter of Italian Legislative Decree no. 58/1998. For the areas within its purview, the Board of Statutory Auditors monitored the methods of actual implementation of corporate governance rules.

18) Sustainable development ("ESG")

The Board acknowledges that the Company pays special attention to sustainable development vis-à-vis the environment, safety in the workplace, social respect and governance, each year implementing more and more activities that allow for increasingly successful results.

It does so by obtaining third-party certification of the system adopted for the management of health and safety at work, and by monitoring the environmental impact of its production operations, specifically by progressively reducing its CO_2 emissions, which are constantly measured.

With regard to the drafting of the Non-Financial Statement (NFS), pursuant to Italian Legislative Decree 254/16 it is acknowledged that the Company is not required to do so, as this is drawn up at a consolidated level for the Group the Company belongs to by the parent company Newlat Food S.p.A.

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

During the 2022 financial year the Board of Statutory Auditors did not identify any omissions, objectionable facts or irregularities, also with respect to the provisions of the Consob Markets Regulations.

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

Based on all the supervisory activities carried out during the year, the Board of Statutory Auditors has no proposals to make pursuant to art. 153, paragraph 2 of Italian Legislative Decree no. 58/1998 regarding Centrale del Latte d'Italia S.p.A.'s Financial Statements for the year ended 31 December 2022 and expresses its opinion in favour of their approval and has no objections to raise regarding the proposal for a resolution presented by the Board of Directors on the allocation of the net profit earned for the year.

Turin, 31 March 2023

On behalf of the Board of Statutory Auditors

Ms. Deborah Sassorossi, Chairperson

Ms. Ester Sammartino, Standing Auditor

Mr. Giovanni Rayneri, Standing Auditor