Together for a brighter future.

ANNUAL FINANCIAL REPORT 2020

A multibrand company

Newlat Food S.p.A
CF e P. Iva 00183410653
REA di RE n°277595

Ufficio del registro Camera di Commercio Industria Artigianato e Agricoltura Cap. Soc.
€ 43.935.050,00 i.v.

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Reggio Emilia, 29 April 2021

Letter to the shareholders

< **Angelo Mastrolia**, *executive chairman*

Dear stakeholders,

2020 was a particularly challenging year due to the COVID-19 pandemic. Over the past year it has been essential to balance protecting the health of our employees with an increasing demand for food both nationally and internationally.

Throughout the year we had to adapt to new trends that were completely opposite to those of previous years, "out-of-home" constantly expanding and making room for growth in the retail channel while the Ho.Re. Ca channel practically collapsed. In this new and complex context, our employees and contractors have demonstrated a strong sense of social responsibility and have been able to guarantee the constant presence of our products to the national and international community.

And that is why they deserve our most heartfelt thanks. Despite the extreme difficulty of recent months, the Group managed to achieve very satisfactory results, registering a growth of 3.2% compared to 2019.

2020 was also our first full year as a company listed on the STAR segment of the Italian stock exchange, and despite the difficulties due to the pandemic also in terms of relations with investors and stock performance, we are satisfied as the company has shown great competence in dealing with the market and in maintaining the commitments made during the listing phase.

2020 was also the year of an important acquisition that allowed us to achieve our first half billion euros of turnover, a goal that could not be taken for granted in view of the difficulties encountered during the pandemic. The result of the acquisition is even more significant if one considers that in just a few months we managed to turn around and make profitable a company – Centrale del Latte d'Italia – that closed 2019 with a heavy loss.

The overall group result of 2020 allows us to look optimistically to the future, having achieved an EBITDA of €51.4 million and a net profit of €38.4 million. These results have allowed us to generate an excellent free cash flow that, together with the resources collected with the placement of the bond issued in February 2021, have made important resources available to us to continue with the growth plan for external lines and to reach one billion euros of turnover in the next 12-24 months.

All of management is committed to achieving the objectives of further growth through acquisitions, and considering the different dossiers we are examining we are confident that by 2021 an important acquisition can be announced.

Turnover growth value

+3.2%

For the first time achievement of a turnover of

€ 516.9 mln

EBITDA

€ 51.4 mln

Net profit

€ 38.4 mln

Main group highlights in 2020

Turnover
€ 516.9
million

Standardised EBITDA
€ 51.4
million

Net Profit
€ 38.6
million

FCF
€ 44.1
million

>1500
Employees

-504
tonnes of CO_2
thanks to rail transport
(DB Cargo)

Turnover growth by major geographical area

Group history

2004

Acquisition of the **Guacci pasta factory** by the Mastrolia family.

2005

Acquisition of the Eboli plant for the production of pasta and the **Pezzullo** brand.

2006

Acquisition of the factories and the brand for the production of **Corticella** branded pasta from Euricom Group.

2008

Acquisition of the **Sansepolcro factory** for the production and licensed sale of **Buitoni** pasta and bakery products;

Acquisition of **Newlat SpA** operating in the dairy division through the **Giglio, Polenghi, Torre in Pietra and Fior di Salento brands.**

2009

Expansion of the brands in the dairy division through the acquisition of the **Ala** and **Optimus brands.**

2013

Acquisition of the German company for the production and sale of **Birkel** and **3Glocken** branded pasta.

2014

Purchase of **Centrale del Latte di Salerno S.p.A.** and its brand, engaged in the production and sale of dairy products.

2015

Acquisition of the **plant in Parma** for the production and sale of products belonging to the baby food and protein- and gluten-free food sectors through a co-packaging contract with **Kraft-Heinz.**

2019

Acquisition of **Industrie Alimentari Delverde S.p.A.,** owner of the **Delverde** brand in the pasta market.

Access to the capital market through the placement of equity instruments for trading on the **STAR segment of the Mercato Telematico Azionario** stock market organised and managed by Borsa Italiana.

2020

Acquisition of the **company Centrale del Latte d'Italia S.p.A.** listed in the STAR segment of the **Mercato Telematico Azionario** stock market organised and managed by Borsa Italiana.

Covid-19 and the market

Covid 19 – The world economy was strongly impacted by the pandemic spread of Covid-19 infections.

Demand for food increased in mass distribution channels and was characterised by increased volatility in other channels.

The Newlat Food Group worked successfully so that the growing demand for food could be met seamlessly despite the inevitable difficulties deriving from the spread of the contagion and related containment measures.

Strategic activities and commercial initiatives for 2020-2021

Strategic activities during the year were aimed at:

67%

of Centrale del Latte d'Italia S.p.A.

Acquisition – including through an offer of public purchase and exchange – of 67% of the shares of the Centrale del Latte d'Italia S.p.A. group with shares listed on the STAR segment of the Mercato Telematico Azionario stock market organised and managed by Borsa Italiana.

III

hub in the Italian milk market

Creation of the third hub of the Italian milk market with operations integrating Centrale del Latte d'Italia S.p.A.'s activities with those of Newlat Food S.p.A. Centrale del Latte d'Italia SpA remains a listed and independent company for the development of new investments in this sector.

€ 516.9 mln

turnover

The turnover of the group, in continuity of scope, amounted to €516.9 million.

€ 200 mln

to support investments

Preliminary investigation for the placement of a bond, completed in the first months of 2021, for an amount of €200 million to support investments.

Main commercial initiatives for 2020-2021

Bifetta

The new single-portion Granfetta®.

Polenghi Restyling

150 years of history of the first milk brand in Italy.

Polenghi milk 100% from Lombardy

Lactose-free Optimus mascarpone

Mukki Training

High-protein milk for athletes.

Latte del Parco

Mukki selection Mugello

Mukki special for women

Cuore Veg

Line of vegetable drinks.

Mukki Yogurt

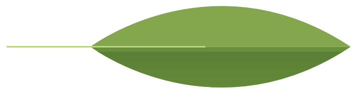
100% natural in 100% recyclable paper cup.

Linea Mukki Bimbo

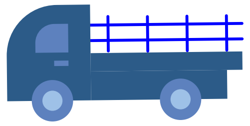
Organic infant milk.

Environment, social and governance

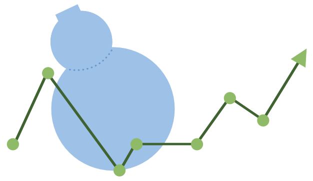
All the Group's efforts are always aimed at respecting the environment and creating value for local communities. Specifically:



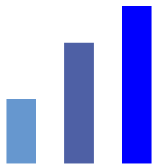
Processes to **improve energy efficiency** have been initiated, including through the installation of alternative sources and the support of projects for the planting of green areas;



The ongoing activities of **Life Cycle Assessment** and Environmental Product Declarations continued;



Activities related to the awareness of dairy products and the dairy supply chain continued with schools, as well as partnerships with universities on research projects regarding the evolution of products and production processes;



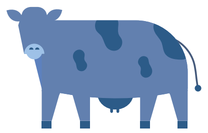
A process was initiated to analyse the **Carbon Footprint Organisation**, which in 2020 saw the completion on some plants.;

Progressive elimination of plastic from the packaging processes of Milk & Dairy and in the Pasta and Bakery segments;

Increasing use of recycled materials;

-CO2

Reduction in CO2 emissions;



Re-use of production waste in the livestock sector.

The group's value chain

The Group shares the results generated by the value generation process with stakeholders based on the analysis and management of critical success factors:

- Satisfaction of new consumer demands and recent market trends;
- Achievement of international quality standards;
- Continuous investments in research and development;
- Continuous search and maintenance of the best suppliers;
- Production planning based on the principles of timeliness, efficiency and high quality;
- Integrated, efficient logistics;
- Dialogue with customers;
- Strong communications strategy to support our brands;
- In-depth knowledge and continuous market analysis;
- Comprehensive and proven organisation of the sales network.

Business Strategy Guidelines:

M&A: M&A: Growth of external lines through acquisitions of companies operating in sectors complementary to those currently served.

Focus on special products: Increase in market share for special products (health and wellness) and products for babies.

Development of brands: Increase in the communication capacity of trademarks.

International growth: Consolidation of presence on foreign markets and development of a competitive position in the German market.

Research and development: Investments in new technologies and new products.

Improvement in production efficiency: Continuous pursuit of efficiencies in all production sectors.

Introduction to the report on operations

On 30 March 2020, Newlat Group S.A., the parent company of the company Newlat Food S.p.A. entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as the sellers, under which Newlat Group purchased 6,473,122 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 46.24% of the share capital and voting rights, against the payment, for every three CLI shares subject to purchase and sale, of a total consideration of Euro 3.00 and 1 ordinary share of Newlat Food held by Newlat Group S.A., corresponding to a unit price for each share subject to purchase and sale of Euro 1.00 and 0.33 Newlat Food ordinary shares. The transaction allowed the sellers to become shareholders of Newlat Food S.p.A. with a total shareholding of 5.30% before the future share capital increase.

The operation was not subject to any conditions precedent. Newlat Group and the sellers executed the purchase and sale agreement on 1 April 2020.

Newlat Group S.A. assigned to Newlat Food S.p.A. the shares subject to purchase and sale that were purchased by Newlat Group S.A. within the meaning of the aforementioned agreement, as well as an additional 187,120 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 1.34% of share capital already held by Newlat Group, for a total of 6,660,242 ordinary shares, representing 47.57% of the share capital under the same financial terms as the agreement entered into with the previous sellers and, therefore, against payment of a cash consideration by Newlat Food.

As a result of the acquisition of the Major Interest in Centrale del Latte d'Italia S.p.A., Newlat Food launched a mandatory public purchase and exchange offer (the "PPEO") on the remaining ordinary shares, pursuant to and in accordance with applicable law, at the same consideration paid to Newlat Group (as well as the same Consideration paid by Newlat Group to the sellers) and, therefore, equal to 0.33 newly issued Newlat Food ordinary shares and Euro 1 for each Centrale del Latte d'Italia S.p.A. ordinary share that will be attached to the PPEO.

Newlat Food S.p.A.'s subscription offer to the shareholders of Centrale del Latte d'Italia S.p.A. finished at the end of July. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offerer's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020. With a view to continually improving Group performance, the mergers of Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. into Centrale del Latte d'Italia S.p.A were completed, enabling more effective management and streamlining of overheads and structural costs.

In light of the above and in order to represent the assets and liabilities, results and cash flows for the periods under review in this Report on Operations, it was necessary to include pro forma financial information as at 31 December 2020 and 31 December 2019.

The primary indicators at 31 December 2020 were obtained by excluding from the income statement the extraordinary income from the business combinations.

The Proforma Consolidated Financial Statements therefore derive from:

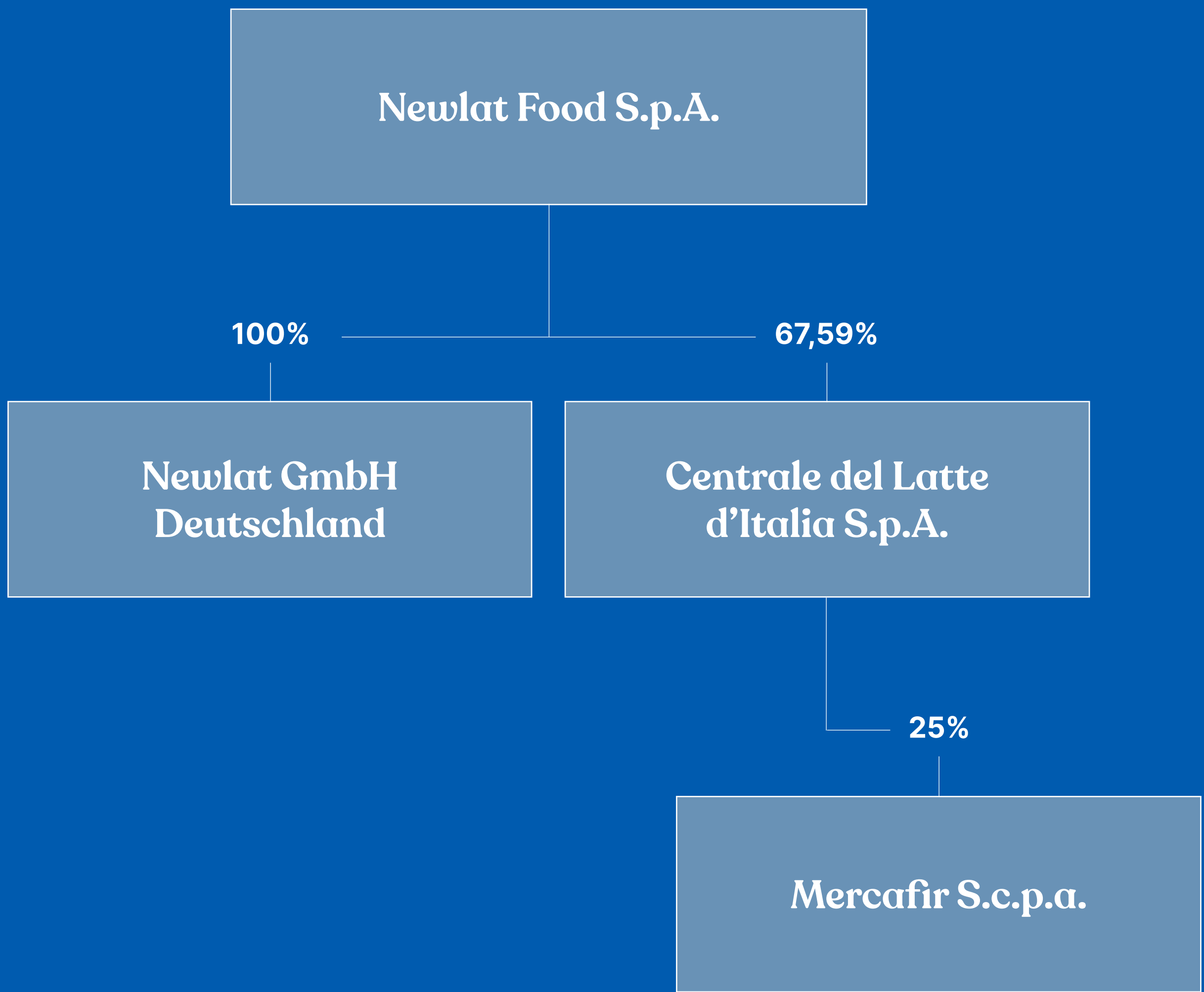
- the consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, of Newlat Food S.p.A. for the years ended 31 December 2020 and 2019, audited by PricewaterhouseCoopers S.p.A.;
- the IFRS-compliant financial data of Newlat GmbH (hereinafter also "Newlat GmbH Deutschland") for the years ended 31 December 2019 and 2018 audited by PKF GmbH for the year ended 31 December 2020 and PricewaterhouseCoopers GmbH for the year ended 31 December 2019;
- the consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, Latte d'Italia S.p.A. for the years ended 31 December 2020 and 2019, audited by Deloitte S.p.A.

The aggregated and proforma data contained in this Report on Operations has not been audited by PricewaterhouseCoopers S.p.A.

In relation to the criteria for aggregating financial information, it should be noted that the acquisition of Newlat Deutschland is an 'under common control' transaction and, as such, is recognised in accordance with document OPI No. 1 R (preliminary guidance on IFRS from ASSIREVI, the Italian association of auditors). In particular, this transaction was carried out for purposes other than the transfer of control, and essentially represents a simple corporate reorganisation. With this in mind, since the aforementioned transaction does not have a significant influence on the cash flows of the net assets transferred before and after acquisition, it was recognised on the basis of continuity of values. In addition, it should be noted that, since this transaction is settled by payment of a consideration in cash, the difference between the transfer value (amount of the consideration in cash) and the historical book values transferred represents a transaction with shareholders recognised as a distribution of the purchasing entity Newlat Food S.p.A.'s shareholders' equity.

Corporate structure at 31 december 2020

Below is a graphical representation of the companies belonging to the Newlat Group at 31 December 2020:



The structure of the Group at 31 December 2020 differs from that at 31 December 2019 due to the purchase of 67,59% of the stake in Centrale del Latte d'Italia S.p.A.

The table below shows the main information regarding the Subsidiaries of Newlat:

Name	Registered Office	Currency	Share capital at 31 December 2020	Control percentage at 31 dicembre 2020	2019
Newlat Food S.p.A.	Italy - Via J.F. Kennedy 16, Reggio Emilia	EUR	43,935,050	Parent company	Parent company
Newlat Deutschland Gmbh	Germany - Franzosenstrasse 9, Mannheim	EUR	1,025,000	100%	100%
Centrale del Latte d'Italia S.p.A.	Italiy - Via Filadelfia 220, 10137 Turin	EUR	28,840,041	67.59%	0%

A table summarising the carrying amount of each subsidiary recorded in the Company's separate financial statements at 31 December 2020 and the equity and profit/loss data for each subsidiary is also provided below:

Name	**Carrying amount of equity investment** (in thousands of euros) 31/12/2020	**Equity** (in thousands of euros) 31/12/2020	**Profit (loss) for the year** (in thousands of euros) 31/12/2020
Newlat Deutschland Gmbh	68,324	28,600	3,168
Centrale del Latte d'Italia S.p.A.	25,342	61,086	4,132

The financial statements of subsidiaries have been audited.

Below is a brief description of the activity carried out by the Parent Company's subsidiary and by the merged companies:

- **Newlat Food S.p.A.**: a company specialising in the production and sale of fresh and UHT milk, fresh and UHT cream, yoghurt and different types of butter and cheese, mascarpone and dairy products, in the production and sale of pasta, including organic pasta, wholemeal pasta, long and short pasta, pasta nests and premium lasagne, in the production of bakery products such as croutons and rusks, in the production of speciality and baby products;
- **Newlat GmbH Deutschland**: a company active in the production and sale in Germany of traditional forms of German pasta such as spätzle and flavoured pasta, instant cups and sauces;
- **Centrale del Latte d'Italia S.p.A.**: a company specialising in the production and sale of fresh and UHT milk, fresh and UHT cream, yoghurt and different types of butter and cheese.

Company bodies

Pursuant to article 12 of the new by-laws, Newlat Food S.p.A. is managed by a Board of Directors with no fewer than 3 members and no more than 15. The Shareholders' Meeting shall determine the number of Board members from time to time, before their appointment. The directors remain in office for the period set by the shareholders' appointment resolution, up to a maximum of three financial years, and are eligible for re-election. Their term shall expire on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term, unless there are grounds for termination and forfeiture as provided for by law and by the new by-laws.

The Board of Directors consisting of:

a. four members in office with immediate effect; and
b. three members, who fulfil the independence requirements, in office from the trading start date (29 October 2019).

The following table displays the composition of the Board of Directors:

Name and surname	Position	Place and date of birth
Angelo Mastrolia	Executive Chairman of the Board of Directors and Director (**)	Campagna (SA), 5 December 1964
Giuseppe Mastrolia	Chief Executive Officer and Director (**)	Battipaglia (SA), 11 February 1989
Stefano Cometto	Chief Executive Officer and Director (**)	Monza, 25 September 1972
Benedetta Mastrolia	Director (***)	Rome, 18 October 1995
Maria Cristina Zoppo	Director (*) (***)	Turin, 14 November 1971
Valentina Montanari	Director (*) (***)	Milan, 20 March 1967
Eric Sandrin	Director (*) (***)	Saint-Amand-Montrond, 13 August 1964

(*) Independent director pursuant to article 148 of the Consolidated Law on Finance (TUF) and article 3 of the Corporate Governance Code, who took office when the Company's shares began to trade on the STAR segment of the MTA, i.e. 29 October 2019.
(**) Executive Director.
(***) Non-executive director.

The members of the Board of Statutory Auditors are as follows:

Name and surname	Position	Place and date of birth	Date first appointed
Massimo Carlomagno	Chairman	Agnone (IS), 22 September 1965	28.02.2005
Ester Sammartino	Standing Auditor	Agnone (IS), 23 May 1966	28.02.2005
Antonio Mucci	Standing Auditor	Montelongo (CB), 24 March 1946	30.07.2009
Giovanni Carlozzi	Alternate Auditor	Matrice (CB), 23 May 1942	28.06.2011
Giorgio de Franciscis	Alternate Auditor	Pesaro, 24 July 1941	28.06.2011

Control and Risks Committee

Name and surname	Position	Place and date of birth	Date first appointed
Valentina Montanari	Chairman	Milan, 20 March 1967	29.10.2019
Maria Cristina Zoppo	Member	Turin, 14 November 1971	25.09.2020
Eric Sandrin	Member	Saint-Amand-Montrond, 13 August 1964	29.10.2019

Remuneration and Appointments Committee

Name and surname	Position	Place and date of birth	Date first appointed
Eric Sandrin	Chairman	Saint-Amand-Montrond, 13 August 1964	29.10.2019
Maria Cristina Zoppo	Member	Turin, 14 November 1971	25.09.2020
Valentina Montanari	Member	Milan, 20 March 1967	29.10.2019

Committee for transactions with related parties

Name and surname	Position	Place and date of birth	Date first appointed
Maria Cristina Zoppo	Chairman	Turin, 14 November 1971	25.09.2020
Valentina Montanari	Member	Milan, 20 March 1967	29.10.2019
Eric Sandrin	Member	Saint-Amand-Montrond, 13 August 1964	29.10.2019

Supervisory Board pursuant to Italian Legislative Decree 231/01)

Name and surname	Position	Place and date of birth	Date first appointed
Massimo Carlomagno	Chairman	Agnone (IS), 22 September 1965	27.12.2016
Ester Sammartino	Member	Agnone (IS), 23 May 1966	27.12.2016

Rocco Sergi is the Financial Reporting Officer.
PricewaterhouseCoopers S.p.A. is the independent auditor appointed for the years 2019-2027.

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 Group stakeholders. The parent company Newlat Food S.p.A. complies with the Corporate Governance Code for Listed Companies, which was last updated in July 2018. 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. On 8 July 2019, the Shareholders' Meeting appointed a four-person Board of Directors, increased to seven when the Company's shares began trading on the MTA, which will remain in office until the 2021 financial statements are approved.

Board of Directors 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 not set up any committees that carry out the functions of two or more of the committees set out in the Corporate Governance Code, nor has it reserved these functions for the entire Board of Directors, under the coordination of the Chairman, or divided them differently to the way set out in 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: Valentina Montanari, as Chairman, Maria Cristina Zoppo and Eric Sandrin, all 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 Remuneration Committee is composed of three members, all of whom are non-executive and independent directors. All members have suitable financial and accounting experience and knowledge. 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. For this purpose, the Committee has three members with sufficient financial and accounting experience: Eric Sandrin, as Chairman, Maria Cristina Zoppo and Valentina Montanari, all of whom are non-executive and independent 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 three non-executive and independent directors: Maria Cristina Zoppo as Chair, Valentina Montanari and Eric Sandrin.

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 8 July 2019 and will remain in office until the approval of the 2021 financial statements.

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. The Board of Directors identified the nature and level of risk compatible with the Company's strategic objectives when it drew up its strategic, industrial and financial plans. This assessment included all and any risks that may become significant in terms of sustaining the Company's activities in the medium to long term. In support of the ICRMS and the Control and Risks Committee, on 8 July 2019 the Board of Directors appointed Angelo Mastrolia as the director responsible for the ICRMS who will perform the functions listed in point 7.C.4. of the Corporate Governance Code. 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 Group 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 Newlat Food S.p.A. Board of Directors approved its Organisation, Management and Control Model in accordance with Italian Legislative Decree 231/2001 on 30.03.2016. 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:

→ On **30 March 2020**, Newlat Group S.A. entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as the sellers, under which Newlat Group S.A. would purchase 6,473,122 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 46.24% of the share capital and voting rights, against the payment, for every three CLI shares subject to purchase and sale, of a total consideration of Euro 3.00 and 1 ordinary share of Newlat Food held by Newlat Group, corresponding to a unit price for each share of Centrale del Latte d'Italia S.p.A. subject to purchase and sale of Euro 1.00 and 0.33 Newlat Food ordinary shares. The transaction allowed the sellers to become shareholders of Newlat Food S.p.A. with a total shareholding of 5.30% before the future share capital increase servicing the public purchase and exchange offer. As a result of the acquisition of the Major Interest in Centrale del Latte d'Italia S.p.A., Newlat Group also expressed its willingness to sell to Newlat Food on and with effect from the Execution Date the CLI Shares subject to Purchase and Sale that will be purchased by Newlat Group as per the Contract, as well as an additional 187,120 CLI ordinary shares representing 1.34% of CLI's share capital, currently held by Newlat Group, for a total of 6,660,242 CLI ordinary shares representing 47.58% of the share capital, under the same financial terms referred to in the Contract, and therefore against payment of the Consideration by Newlat Food. Newlat Food launched a mandatory public purchase and exchange offer (the"PPEO") on the remaining ordinary shares pursuant to and in accordance with applicable law, at the same Consideration paid to Newlat Group (as well as the same Consideration paid by Newlat Group to the Sellers) and therefore equal to 0.33 newly issued Newlat Food ordinary shares and Euro 1 for each Centrale del Latte d'Italia S.p.A. ordinary share subject to the PPEO;

→ on **9 April 2020**, the Board of Directors of Centrale del Latte d'Italia S.p.A. approved the proposed merger by incorporation, within the meaning of article 2501-ter of the Italian Civil Code, of Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. into Centrale del Latte d'Italia S.p.A.;

→ On **29 April 2020**, the Shareholders' Meeting of Newlat Food S.p.A. resolved to approve the separate financial statements, to examine the 2019 consolidated financial statements and to allocate the €7,474,719 profit for the year to the Statutory Reserve (5%) and to the Extraordinary Reserve (95%);

→ on **29 April 2**020, the Shareholders' Meeting of Centrale del Latte d'Italia S.p.A. resolved to approve the separate financial statements for the year and to examine the 2019 consolidated financial statements. The shareholders' meeting appointed the new Board of Directors;

→ on **29 April 2020**, the Extraordinary Shareholders' Meeting of Centrale del Latte d'Italia S.p.A. resolved a capital increase of up to €30 million;

→ on **14 May 2020**, the Board of Directors of Newlat Food S.p.A. examined and approved the Interim Management Report at 31 March 2020;

→ on **25 June 2020**, an extraordinary session of the Company's Shareholders' Meeting resolved to increase the paid share capital, on a divisible basis, in one or more rounds and also in several tranches, excluding the option right pursuant to art. 2441, paragraph 4, first sentence of the Italian Civil Code, for a maximum amount, including any premium, of €24,080,032, more specifically for a maximum nominal amount of €4,666,673, in addition to a maximum premium of €19,413,359; The capital increase will be achieved through the issue of a maximum of 4,666,673 Newlat Food S.p.A. ordinary shares without par value, with normal dividend rights and with the same characteristics as ordinary shares already in circulation, at an issue price per share of Euro 5.16 (Euro 1 capital and Euro 4.16 premium), to be paid by 31 December 2020, in one or more rounds and also in several tranches by way of the contribution in kind of (i) 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares by Newlat Group S.A. assigned by Newlat Group S.A. to Newlat Food S.p.A. under the purchase and sale agreement on 1 April 2020; and (ii) the Centrale del Latte d'Italia S.p.A. ordinary shares that would be attached to the full mandatory public purchase and exchange offer announced by Newlat Food S.p.A on 1 April 2020 and promoted on 3 June 2020, concerning all the shares of Centrale del Latte d'Italia S.p.A., less the shares already held by Newlat Food, under the terms and conditions set out in said offer;

→ On **30 July 2020**, the final results of the take-up of Newlat Food S.p.A.'s offer to the shareholders of Centrale del Latte d'Italia S.p.A. was announced. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offerer's existing majority stake, the final results show that at

30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020;

→ on **7 September 2020**, the Board of Directors of Newlat Food S.p.A. examined and approved the Half-Year Management Report at 30 June 2020;

→ on **14 September 2020**, Ms. Banfi resigned as an independent Director;

→ on **25 September 2020**, Ms. Zoppo was appointed Independent Director;

→ on 1**3 November 2020**, the Board of Directors of Newlat Food S.p.A. examined and approved the Interim Management Report at 30 November 2020;

→ on **21 December 2020**, a contract was signed for the rental of the milk & dairy business unit between Newlat Food SpA and Centrale Latte del d'Italia SpA, whose accounting effects start on 1 January 2021.

Shareholders and financial markets

The Newlat Group 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, Group 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 Group'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 www.newlat.com.

The following is a graphical representation of the performance of Newlat Food stock over the course of 2020.

Newlat Food S.p.A.

Opening: **6.02** | Maximum: **6.04** | Minimum: **3.99** | CLosing: **5.51**

During the period in question, the official Newlat Food share price decreased by 8.5% from €6.02 to €5.51.

The market capitalisation at 31 December 2020 was €242,082,125.

All shares issued were fully paid up.

Report on operations

The Newlat Group is an important player in the Italian and European agri-food sector. In particular, the Group has a strong position in its domestic market and a significant presence in the German market.

The Newlat Group is mainly active in the pasta, dairy and baked goods sectors, as well in special products such as health & wellness, gluten free and baby food. The Newlat Group's product range is divided into the following business units:

Pasta | **Milk Products** | **Dairy Products** | **Bakery Products** | **Special Products** | **Other Products**

The Milk Products and Dairy Products market

The decline in the consumption of fresh milk continued in 2020 due to the closure of many businesses in the Food Service and Ho.Re.Ca. channels and the shift in household preferences towards UHT milk.

Fresh derived products such as mozzarella, butter, yoghurt and cream have also decreased due to the lack of demand in the professional sector

The Pasta and Bakery Products market

During the lockdown the Italian market saw a surge in purchases of essential goods, including flour for home baking. Common wheat flour therefore increased sales volumes (+64%) and product value (+84%). Nevertheless, this exceptional boom had a marginal impact on the sector due to the low percentage (especially in value) on total sales of common wheat derivatives, and operators in the milling industry consider the possibility of recovering the losses suffered to be very unlikely. Bakery and Ho.Re.Ca accounted for most of the decline in sales of common wheat flour in 2020 (especially pizzerias and pastry shops). In fact, distribution by sales channels saw 30% go to Ho.Re.Ca customers and the remaining 70% to mass distribution along with traditional channels. Common wheat flour is mainly intended for the production of bread (55%), in addition to the industrial production of bread substitutes (5%), bakery products (18%), flour for pizzerias (10%), flour for domestic use (5%) and exports (5%) - (Italmopa data)

Looking instead at breakfast products (especially biscuits) and bread substitutes (crackers, breadsticks, granetti, sandwich bread and so on) the trend is positive both in value and purchase volumes. During the first part of 2020 sales trends saw +5.7% in volume and +6.9% in value for breakfast products, as well as +8.5% in volume and +7.1% in value for bread substitutes.

Market trend

Breakfast products

+5.7%
Volume

+6.9%
Value

Bread substitutes

+8.5%
Volume

+7.1%
Value

Commodity prices

Manufacturing the Group's products requires a large number and variety of raw and semi-finished materials including, but not limited to, milk, durum wheat semolina, common wheat flour, eggs and packaging materials.

In 2020 the raw materials costs for milk and cream varied over the course of the year, with an overall decrease compared with the previous year.

The price of common wheat and durum wheat was broadly stable, as in recent years, registering a negligible increase.

Costs for purchases of raw materials and finished products increased by €2,129 thousand from €245,446 thousand for the year ended 31 December 2019 to €247,645 thousand for the year ended 31 December 2020 as a result of an increase in revenues of 3.2%. Costs for purchases of raw materials and finished products amounted to 49% and 48% of revenues respectively for the years ended 31 December 2020 and 2019, contributing in part to the greater margin recorded in 2020 than in the previous year.

The following table contains the income statement of the Group's proforma consolidated financial statements:

2020 vs. 2019

-1.7%
COGS impact

EBIT

€ 49.4
millions

Net Profit

€ 38.4
millions

The following table contains the income statement of the Group's proforma consolidated financial statements:

(In thousands of Euro and as a percentage of revenue from contracts with customers)	2020	%	2019	%	2020 vs 2019	%
Revenue from contracts with customers	516,943	100.0%	500,953	100.0%	15,990	3.2%
Cost of sales	(404,767)	(78.3%)	(400,678)	(80.0%)	(4,088)	1.0%
Gross operating profit/(loss)	**112,176**	**21.7%**	**100,274**	**20.0%**	**11,902**	**11.9%**
Sales and distribution costs	(62,067)	(12.0%)	(67,203)	(13.4%)	5,136	(7.6%)
Administrative costs	(26,032)	(5.0%)	(25,704)	(5.1%)	(328)	1,.3%
Net write-downs of financial assets	(1,677)	(0.3%)	(1,865)	(0.4%)	188	(10.1%)
Other revenues and income	8,970	1.7%	8,713	1.7%	258	3.0%
Income from business combinations	23,839	4.6%	-		23,839	100.0%
Other operating costs	(5,844)	(1.1%)	(5,585)	(1.1%)	(259)	4.6%
Operating profit/(loss) (EBIT)	**49,365**	**9.5%**	**8,630**	**1.7%**	**40,735**	**472.0%**
Financial income	586	0.1%	974	0.2%	(388)	(39.8%)
Financial expenses	(4,433)	(0.9%)	(3,883)	(0.8%)	(550)	14.2%
Profit (loss) before taxes	**45,519**	**8.8%**	**5,722**	**1.1%**	**39,797**	**695.5%**
Income taxes	(7,127)	(1.4%)	(2,635)	(0.5%)	(4,492)	170.5%
Net profit/(loss)	**38,392**	**7.4%**	**3,087**	**0.6%**	**35,304**	**1,143.6%**

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

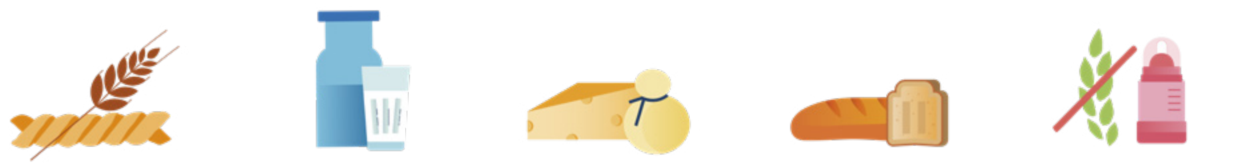
Revenue from contracts with customers contains the contractual fees to which the Group is entitled in exchange for the transfer of the promised goods or services to customers. The contractual fees may include fixed or variable amounts or both and are recognised net of rebates, discounts and promotions, such as contributions to the mass distribution channel. In particular, in the context of existing contractual relations with mass distribution operators, Newlat 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.

2020 vs. 2019

+3.2%

Revenue from contracts with customers

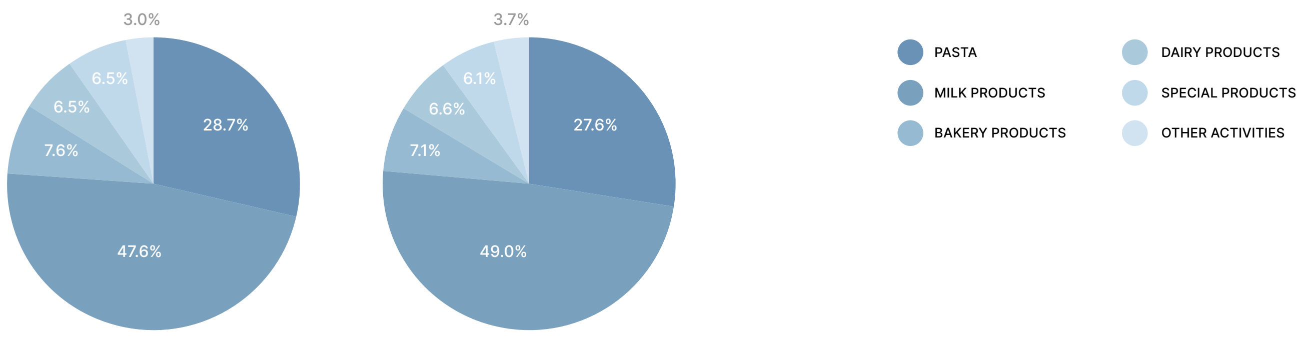
Segment reporting



+7.5%	+0.3%	+9.6%	+1.3%	+11.3%
Pasta	Milk Products	Dairy Products	Bakery Products	Special Products

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

	Year ended 31 December				Variations	
(In thousands of Euro and percentage)	2020	%	2019	%	2020 vs 2019	%
Pasta	148,587	28.7%	138,168	27.6%	10,419	7.5%
Milk Products	246,092	47.6%	245,367	49.0%	725	0.3%
Bakery Products	39,076	7.6%	35,670	7.1%	3,406	9.6%
Dairy Products	33,693	6.5%	33,271	6.6%	422	1.3%
Special Products	34,005	6.6%	30,547	6.1%	3,458	11.3%
Other activities	15,490	3.0%	17,931	3.7%	(2,441)	(13.6%)
Revenue from contracts with customers	**516,943**	**100.0%**	**500,953**	**100.0%**	**15,990**	**3.2%**



Revenues from the Pasta segment increased during the periods under review due to higher sales volumes, especially in Germany.

Revenues from the Milk Products segment were up slightly because of higher sales volumes.

Revenues from the Bakery Products segment increased by 9.6% compared to the previous year as a result of an increase in sales volumes.

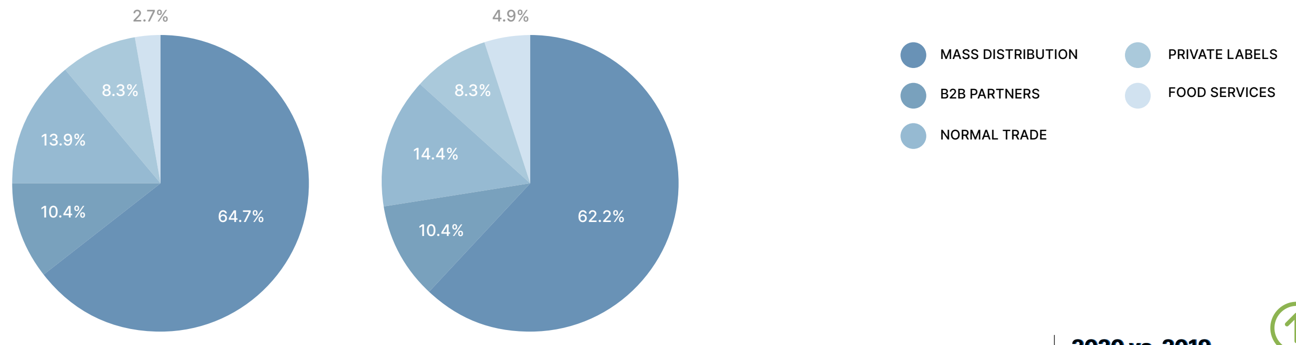
Revenues from the Dairy Products segment increased slightly as a result of a rise in sales volumes.

Revenues from the Special Products segment increased by 11.3% compared to the previous year due to higher sales volumes.

Revenues from the Other Products segment decreased as a result of lower sales volumes due to the effects of the COVID-19 pandemic in the Food Service and Ho.Re.CA sectors.

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

	Year ended 31 December				Variations	
(In thousands of Euro and percentage)	2020	%	2019	%	2020 vs 2019	%
Mass Distribution	334,324	64.7%	311,505	62.2%	22,819	7.3%
B2B partners	53,842	10.4%	52,062	10.4%	1,780	3.4%
Normal trade	72,063	13.9%	71,600	14.3%	463	0.6%
Private labels	42,932	8.3%	41,458	8.3%	1,474	3.6%
Food services	13,782	2.7%	24,328	4.9%	(10,546)	(43.3%)
Revenue from contracts with customers	**516,943**	**100.0%**	**500,953**	**100.0%**	**15,990**	**3.2%**



2020 vs. 2019

+7.3% Mass distribution

+3.4% B2B partners

+0.6% Normal trade

+3.6% Private labels

Revenues from the Mass Distribution channel were up because of higher sales volumes. The contribution of the Mass Distribution channel went from 62.2% to 64.7%

Revenues related to the B2B partners channel increased due to higher sales in the Special Products segment. The B2B partners channel's contribution to revenues remains substantially unchanged.

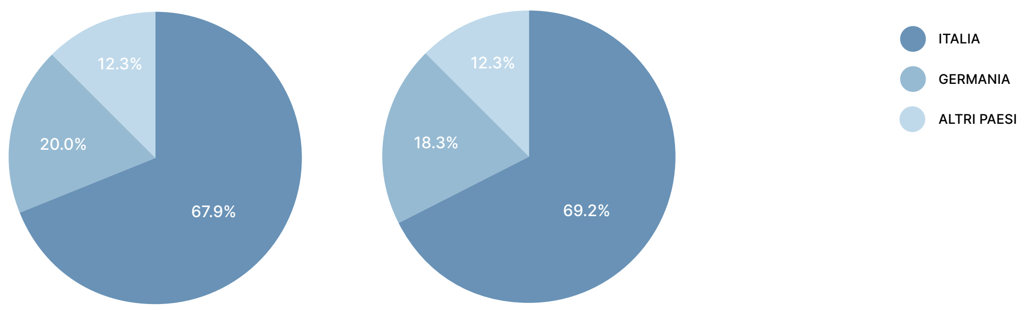
Revenues from the Normal Trade channel were broadly in line with the previous year.

Revenues relating to the Private Label channel increased as a result of higher sales volumes.

Revenues from the Foodservice channel decreased as a result of lower sales volumes due to COVID-19.

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

	Year ended 31 December				Variatios	
(In thousands of Euro and percentage)	2020	%	2019	%	2020 vs 2019	%
Italy	350,836	67.9%	346,430	69.2%	4,406	1.3%
Germany	103,188	20.0%	93,294	18.6%	9,894	10.6%
Other Countries	62,919	12.3%	61,229	12.3%	1,690	2.8%
Revenue from contracts with customers	**516,943**	**100.0%**	**500,953**	**100.0%**	**15,990**	**3.2%**



2020 2019

Revenues in Italy were up because of higher sales volumes.

Revenues from Germany increased because of higher sales volumes in the Pasta sector.

Revenues from Other Countries increased because of higher sales volumes.

2020 vs. 2019

+1.3%
Italy

+10.6%
Germany

+2.8%
Other Countries

Gross operating result and operating result

The increase in gross operating profit reflects higher margins due to higher sales volumes and a better procurement policy.

The increase in ROS (return on sales) was attributable to an increase in operating profit, due mainly to higher sales volumes and an improvement in the procurement process.

The following table provides a reconciliation of the ROS for the periods under review:

	Year ended 31 December	
(In thousands of Euro and percentage)	2020	2019
Operating profit/(loss) (EBIT)	25,526	8,630
Revenue from contracts with customers	516,943	500,952
ROS (*)	**4.9%**	**1.7%**

(*) 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 Group's financial statements when assessing the Group's results.

The ROI (return on investment) increased mainly because of a considerable rise in operating income (EBIT).

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

	Year ended 31 December	
(In thousands of Euro and percentage)	2020	2019
Operating profit/(loss) (EBIT)	25,526	8,630
Net invested capital (*)	150,863	134,368
ROI (*)	**16.9%**	**6.4%**

(*) 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 Group's financial statements when assessing the Group's results.
EBIT at 31 December 2020 was standardised as extraordinary income from business combinations was not taken into account.

ROS
4.9%

ROI
16.9%

ROE
11%

Cash conversion
72.5%

EBITDA margin
9.6%

Normalized EBITDA margin
10%

EBITDA

The following table provides a reconciliation of EBITDA, the EBITDA margin and cash conversion at 31 December 2020 and 2019:

(In thousands of Euro and percentage)	Year ended 31 December 2020	2019
Operating profit/(loss) (EBIT)	25,526	8,630
Amortisation, depreciation and write-downs	22,443	24,501
Net write-downs of financial assets	1,677	1,865
EBITDA (*) (A)	**49,647**	**34,996**
Revenue from contracts with customers	516,943	500,952
EBITDA margin (*)	**9.6%**	**7.0%**
investments (B)	13,666	20,659
Cash conversion [(A) - (B)]/(A)	**72.5%**	**41.0%**

(*) Operating profit/(loss) (EBIT), EBITDA, the EBITDA margin and the cash conversion are alternative performance indicators not identified as an accounting measure under IFRS and, therefore, should not be considered alternative measures to those provided by the Group's financial statements when assessing the Group's results. The 2019 data have been standardised by including the new acquisition in the scope of consolidation.

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

(In thousands of Euro and as a percentage of revenue from contracts with customers)	Year ended 31 December				Changes	
	2020	%	2019	%	2020 vs 2019	%
Pasta	12,123	8.2%	9,001	6.7%	3,122	34.7%
Milk Products	22,336	9.1%	12,123	4.9%	10,213	84.2%
Bakery Products	6,776	17.3%	5,815	16.3%	961	16.5%
Dairy Products	4,150	12.3%	4,030	12.1%	120	3.0%
Special Products	3,591	10.6%	3,408	11.2%	183	5.4%
Other assets	670	4.3%	619	3.5%	51	8.2%
EBITDA	**49,646**	**9.6%**	**34,996**	**7.0%**	**14,650**	**41.9%**

EBITDA from the Pasta segment increased due to higher sales volumes.

EBITDA from the Milk Products segment increased mainly as a result of a marked improvement in the supply chain.

EBITDA from the Bakery Products segment increased mainly due to the increase in sales volumes with higher margins.

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

EBITDA from the Special Products segment was broadly in line with the previous year due to a decrease in average sales prices.

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

Standardised EBITDA

The Group's management monitors performance through, among other things, the Standardised EBITDA, defined as the EBITDA of the period adjusted for income and expenses that, by their nature, are reasonably expected not to recur in future periods. In this regard, it should be noted that the Standardised EBITDA has not been adjusted for prior-year releases of a previous risk provision relating to the Ozzano Taro plant.

(In thousands of Euro and percentage)	Year ended 31 December 2020	2019
EBITDA (*)	**49,647**	**34,996**
Non-recurring expense (income)	1,796	698
Standardised EBITDA (*)	**51,443**	**35,694**
Revenue from contracts with customers	516,943	500,952
Standardised EBITDA Margin (*)	**10.0%**	**7.1%**

(*) EBITDA, Standardised EBITDA and the Standardised EBITDA margin are alternative performance indicators not identified as an accounting measure under IFRS and, therefore, should not be considered alternative measures to those provided by the Group's financial statements when assessing the Group's results. EBIT at 31 December 2020 was standardised as extraordinary income from business combinations was not taken into account.

The Group's Standardised EBITDA increased by Euro 15,749 thousand (+44.1%). This change is attributable, in addition to the EBITDA trend, to the €1,796 thousand decrease in non-recurring charges.

The following table provides standardised EBITDA by business unit at 31 December 2020 and 2019:

(In thousands of Euro and as a percentage of revenue from contracts with customers)	Year ended 31 December				Changes	
	2020	%	2019	%	2020 vs 2019	%
Pasta	12,231	8.2%	9,001	6.5%	3,230	35.9%
Milk Products	23,523	9.6%	12,533	5.1%	10,990	87.7%
Bakery Products	6,776	17.3%	5,815	16.3%	961	16.5%
Dairy Products	4,150	12.3%	4,030	12.1%	120	3.0%
Special Products	3,701	10.9%	3,408	11.2%	293	8.6%
Other assets	1,061	6.8%	907	5.1%	154	17,.0%
Standardised EBITDA	**51,443**	**10.0%**	**35,694**	**7.1%**	**15,748**	**44.1%**

Net profit/(loss)

The table below provides a reconciliation of the ROE at 31 December 2020 and 2019.

The significant increase in ROE related mainly to the increase in net profit (+371%).

	Year ended 31 December	
(In thousands of Euro and percentage)	2020	2019
Standardised proforma net profit/(loss)	14,553	3,087
Standardised shareholders' equity	132,216	139,152
ROE (*)	**11.0%**	**2.2%**

(*) ROE (return on equity) is an alternative performance indicator not identified as an accounting measure under IFRS and, therefore, s hould not be considered an alternative measure to those provided by the Group's financial statements when assessing the Group's results. Net income and shareholders' equity were standardised by excluding non-recurring income from business combinations.

Report on the performance and results of the Group's activities

To assess the Group's performance, management monitors, among other things, the alternative performance indicators pertaining to assets and liabilities, results and cash flows, which are summarised in the following tables and explained further in the paragraphs below.:

NFP
€ 5.3 mln
Improvement of € 43 millions

Net Working Capital
€ (49.5) mln
Down € 27 millions

D.I.O.	D.S.O.	D.P.O.
37	47	119

	Year ended 31 December	
(In thousands of Euro and percentage)	2020	2019
Net non-current assets	200,382	199,518
Net operating working capital	(38,772)	(17,378)
Net working capital	(49,520)	(22,229)
Net invested capital	150,863	177,289
Net financial debt	(5,194)	38,136
Borrowings	150,861	177.,289
Investments	13,666	20,659
Investments as a share of revenues	2.6%	4.1%
Average days in inventory	37	33
Turnover rate of inventories	9.8	10.9
Average days for collection of trade receivables	47	42
Trade receivables turnover rate	7.6	8.6
Average days for payment of trade payables	119	104
Turnover rate of trade payables	3,0	3.5
Revenue from contracts with customers	516,943	500,952
EBITDA	49,646	34,996
EBITDA margin	9.6%	7.0%
Cash conversion	72.5%	41.0%
Cash flow conversion ratio	81.1%	38.8%
Standardised EBITDA	51,442	35694
Standardised EBITDA margin	10.0%	7.1%
Operating profit/(loss) (EBIT)	25,526	8,630
Operating profit/(loss) (EBIT) margin	4.9%	1.7%
Adjusted EBIT	27,322	8,814
Adjusted EBIT Margin	5.3%	1.8%
ROS	4.9%	1,.7%
Proforma ROI	16.9%	4.9%
Standardised proforma net profit/(loss)	14,553	3,087
Standardised proforma adjusted net profit/(loss)	16,349	3,271
Proforma ROE	9.3%	3,.4%
Proforma adjusted ROE	12.4%	3.6%

(*) The alternative performance indicators set out in this table are not identified as accounting measures under IFRSs and should therefore not be considered as alternative measures to those provided by the Group's financial statements when assessing the Group's financial position and results.

The following table shows the reclassified statement for "Sources and uses" of the proforma consolidated statement of financial position and statement of cash flows at 31 December 2020 and 2019:

(In thousands of euros)	Year ended 31 December 2020	2019
Uses		
Net non-current assets (*)	200,382	199,518
Net working capital (*)	(49,520)	(22,229)
Net invested capital (*)	**150,862**	**177,289**
Sources		
Shareholders' equity	156,055	139,152
Net financial debt (*)	(5,193)	38,136
Total sources of financing	**150,862**	**177,289**

(*) Net non-current assets, net working capital, net invested capital and net financial debt are alternative performance indicators not identified as accounting measures under IFRSs and should therefore not be considered as alternative measures to those provided by the Group's financial statements when assessing the Group's financial position.

The decrease in the Group's net invested capital at 31 December 2020 compared with 31 December 2019, amounting to €26,426 thousand, is attributable to a combination of greater net non-current assets of €865 thousand and an increase in net working capital of €27,291 thousand, mainly due to a policy strongly focused on the reduction of average collection days and a renegotiation of the main supplier conditions with some significant counterparties within the Group.

The changes that affected shareholders' equity for the year ended 31 December 2020 related to the following effects:

- reversal of the badwill equal to €19,271 thousand recognised in the initial Shareholders' Equity;
- the recognition of the total net profit for the period, in the amount of €37,054 thousand;
- other minor increases in the amount of €607 thousand;
- purchase of treasury shares for a total amount of €922 thousand.

Net financial debt

The following is a detailed statement of the Group's net financial debt at 31 December 2020 and 31 December 2019 determined in accordance with CONSOB Communication DEM/6064293 of 28 July 2006 and in compliance with Recommendations ESMA/2013/319:

(In thousands of euros) Net financial debt	Year ended 31 December 2020	2019
A. Cash	323	270
B. Other cash equivalents	181,804	110,101
C. Securities held for trading	4	4
D. Cash and cash equivalents (A)+(B)+(C)	**182,131**	**110,375**
E. Current financial receivables		**-**
F. Current bank payables	(35,976)	(25,665)
G. Current portion of non-current debt	(27,145)	(29,114)
H. Other current financial debt	(6,570)	(10,138)
I. Current financial debt (F)+(G)+(H)	**(69,691)**	**(64,917)**
J. Net current financial debt (I)+ (E)+ (D)	**112,440**	**45,458**
K. Non-current bank loans	(94,811)	(56,358)
L. Bonds issued		(11,872)
M. Other non-current financial payables	(12,436)	(15,364)
N. Non-current financial debt (K)+(L)+(M)	**(107,247)**	**(83,594)**
O. Net financial debt (J)+ (N)	**5,193**	**(38,136)**

The change in net financial debt as at 31 December 2020 compared with 31 December 2019 totalling €43,325 thousand was mainly due to the generation of cash from operations and better management of net working capital.

At 31 December 2020, without considering lease liabilities, net financial debt was as follows:

(In thousands of euros)	Year ended 31 December 2020	2019
Net financial debt	**5,193**	**(38,136)**
Current lease liabilities	6,570	6,828
Non-current lease liabilities	12.,436	13,032
Net Financial Position	**24,199**	**(18,276)**

Financial position net of IFRS 16 lease liability

€ 24.2

Millions

The following table shows some of the Group's solvency indicators at 31 December 2020 and 2019:

(In thousands of euros)	Year ended 31 December 2020	2019
Net financial debt / Equity	0.03	(0.27)
Net financial debt / EBITDA	0.10	1.39
EBITDA / financial expenses	11.20	9.01

Investments

The following table provides a breakdown of the Group's investments in property, plant and equipment and intangible assets in the years ending 31 December 2020 and 2019:

(In thousands of Euro and percentage)	Year ended 31 December 2020	%	2019	%
Land and buildings	855	6.3%	2,734	13.2%
Plant and machinery	9,024	66.0%	11,334	54.9%
Industrial and commercial equipment	451	3.3%	2,293	11.1%
Other assets	157	1.1%	182	0.9%
Leasehold improvements	34	0.2%	139	0.7%
Assets under construction and payments on account	2,555	18.7%	3,700	17.9%
Investments in property, plant and equipment	**13,076**	**95.6%**	**20,382**	**98.7%**
Patents and intellectual property rights	487	3.6%	247	1.2%
Concessions, licences, trademarks and similar rights	52	0.4%	23	0.1%
Other assets	51	0.4%	7	0.0%
Assets under development	-	0.0%		
Investments in intangible assets	**590**	**4.4%**	**277**	**1.3%**
Total investments	**13,666**	**100.0%**	**20,659**	**99.9%**

During the reporting period, the Group made investments totalling €13,666 thousand.

Total investents 2020

€ 13.6 mln

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

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

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

The following table provides a breakdown by business unit of the Group's investments in property, plant and equipment and intangible assets at 31 December 2020 and 2019.:

(In thousands of Euro and percentage)	Year ended 31 December 2020	%	2019	%
Special Products	398	2.9%	229	1.1%
Pasta	1,584	11.6%	2,335	11.3%
Bakery Products	498	3.6%	1,042	5.0%
Milk Products	10,860	79.5%	16,644	80.6%
Dairy Products	48	0.4%	122	0.6%
Other assets	278	2.0%	287	1.4%
Total investments	**13,666**	**100.0%**	**20,659**	**100.0%**

Investments in the Milk Products business unit mainly relate to the efficiency of production facilities at the plant of Reggio Emilia and the Centrale del Latte d'Italia Group.

Investments in the Special Products business unit relate mainly to new software and packaging systems.

Investments in the Pasta business unit relate mainly to the new packaging facility for pasta products, located at the Sansepolcro (AR) plant.

Investments in the Bakery Products business unit mainly relate to the new packaging facility for baked products, located at the Sansepolcro (AR) plant.

Other information

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

This section provides information on exposure to risks connected with the activities of the Group as well as the objectives, policies and processes for managing such risks and the methods used to assess and to mitigate them. The guidelines for the Group'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 Group 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 Group, 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 Group'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 Group (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 Group 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 Group. The current macroeconomic context causes significant uncertainty regarding forecasts, with the resulting risk that reduced performance could impact margins in the short term. The Group pursues its aim of increasing its industrial efficiency and improving its production capacity while reducing overheads.

Risks connected with the external growth strategy

The Group has so far based its growth strategy on acquisitions of other companies, businesses or business units, and the plan is to continue this external growth strategy. The Group 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 Group 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 Group 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 Group; (II) increasing prevalence of online sales (where the Group is starting to have a presence) resulting in a decrease in product prices, especially in the mass distribution channel, through which the Group generates a significant percentage of its revenues, namely 64.7% on a proforma basis at 31 December 2019; (III) frequent promotional campaigns over time and with significant discounts; (IV) consolidation of existing operators (through M&As), especially in the mass distribution channel. The Group 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 Group 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 Group 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 Group operates;
- credit risk, arising from the possibility of counterparty default;
- liquidity risk, arising from a lack of financial resources to meet commitments.

The Group'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 Group to adequately meet its operational, working capital financing and investment needs, as well as to comply with its financial obligations. The Group'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 Group'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 consolidated results and equity.

The main exchange rates to which the Group is exposed are:

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

The Group does not adopt specific policies to hedge exchange rate fluctuations because management does not believe that this risk can significantly harm the Group'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 Group operates would not have a significant impact on the net result and shareholders' equity of the years under review.

Interest rate risk

The Group 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 consolidated 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 consolidated income statement and consolidated 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 2020	(531)	531	(531)	531
Year ended 31 December 2019	(323)	323	(323)	323

Credit risk

The Group 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 Group'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 (from consolidated financial statements) at 31 December 2020 and 2019 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 2020	51,716	17,692	3,375	16,937	89,720
Provision for bad debts	-	(819)	(921)	(16,937)	(18,677)
Net trade receivables at 31 December 2020	**51,716**	**17,098**	**2,454**	**(0)**	**71,268**
Gross trade receivables at 31 December 2019	56,505	10,175	4,059	17.609	88,348
Provision for bad debts	-	(434)	(855)	(16,320)	(17,609)
Net trade receivables at 31 December 2019	**56,505**	**9,741**	**3,204**	**1,289**	**70,739**

Liquidity risk

Liquidity risk is the risk that, due to the inability to find new funds or to liquidate assets on the market, the Group 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 Group 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 Group'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 Group's liquidity is the resources absorbed by operating activities: the sector in which the Group operates 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 Group's financial equilibrium.

Based on established practices inspired by prudence and stakeholder protection, the Group's financing activity involves negotiating credit lines with the banking system and continually monitoring the Group's cash flows.

The table below provides a breakdown of the Group's financial requirements by contractual maturity:

(In thousands of euros)	Carrying amount at 31 December 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total financial liabilities	**157,932**	**63,425**	**22,955**	**20,673**	**18,107**	**9,443**	**12,639**	**3,063**	**5,239**	**1.289**	**1.289**	**74**

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 2020, 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, it is confirmed that the Parent Company holds 181,700 treasury shares as at 31 December 2020. The subsidiaries do not hold any shares of the Parent Company.

Sub-offices

At its meeting on 16 July 2020, the Board of Directors of the subsidiary 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.

Transactions with related parties

The Group'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. On 6 September 2019, the Board of Directors approved the text of and resolved to adopt the Procedure for Transactions with Related Parties with effect from the trading start date and subject to the favourable opinion of the Related Party Transactions Committee, also taking into account the guidelines provided by the Related Party Regulations. The RPT Committee expressed this favourable opinion at its meeting of 13 November 2019.

The explanatory notes to the consolidated and separate financial statements report on the income statement and statement of financial position items pertaining to related party transactions at 31 December 2020 and 2019. This information has been extracted from the consolidated and separate financial statements and from calculations carried out by the Company based on the outcome of general and operational accounting work.

The Group 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.

For information on the remuneration of members of corporate bodies and senior managers, see the explanatory notes to the separate and consolidated financial statements.

The Group 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**").

Events after the reporting date

On 1 February 2021, the Board of Directors of Newlat S.p.A. approved the issue of an unrated, unsecured, non-convertible and non-subordinated senior bond for a minimum value of €150 million and a maximum of €200 million. The duration of the bond is set at six years from the date of issue.

On 19 February 2021, the bond was successfully issued at an interest rate of 2.625% for a total value of €200 million.

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

Annex A

Proforma consolidated financial statements

Proforma consolidated statement of financial position (In thousands of euros)	At 31 December 2020	At 31 December 2019
Non-current assets		
Property, plant and equipment	151,541	151,857
Right-of-use assets	18,452	21,630
of which from related parties	*6,708*	*9,467*
Intangible assets	51,058	44,872
Equity investments in associates	1,397	1,397
Non-current financial assets measured at fair value through profit or loss	746	698
Financial assets measured at amortised cost	801	867
of which from related parties	*735*	*735*
Deferred tax assets	5,466	6,698
Total non-current assets	**229,460**	**228,019**
Current assets		
Inventories	41,347	36,635
Trade receivables	71,268	70,739
of which from related parties	*606*	*19*
Current tax assets	1,888	3,946
Other receivables and current assets	11,003	13,316
Current financial assets measured at fair value through profit or loss	4	4
Cash and cash equivalents	182,127	110,371
of which from related parties	*69,351*	
Total current assets	**307,638**	**235,011**
TOTAL ASSETS	**537,098**	**463,030**
Shareholders' equity		
Share capital	43,935	43,935
Reserves	61,276	77,568
Net profit/(loss)	37,053	5,197
Total shareholders' equity attributable to the Group	142,265	126,701
Shareholders' equity net of minority interests/shareholders	13,790	12,451
Total consolidated equity	**156,055**	**139,152**
Non-current liabilities	15,411	16,502
Provisions for employee benefits	1,587	1,461
Provisions for risks and charges	12,080	9,939
Deferred tax liabilities	94,811	68,278
Non-current financial liabilities	12,436	15,316
Non-current lease liabilities	4,144	6,989
of which from related parties	*-*	*600*
Other non-current liabilities	**136,325**	**112,096**
Total non-current liabilities		
Current liabilities		
Trade payables	151,388	124,752
of which from related parties	*213*	*149*
Current financial liabilities	63,121	58,089
of which from related parties	*891*	
Current lease liabilities	6,570	6,828
of which from related parties	*2,812*	*2,341*
Current tax liabilities	3,438	483
Other current liabilities	20,201	21,630
Total current liabilities	**244,718**	**211,782**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**537,098**	**463,030**

Proforma consolidated financial statements

Proforma consolidated income statement

(In thousands of euros)	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from contracts with customers	516,943	500,952
Cost of sales	(404,767)	(400,678)
of which from related parties	(3,581)	(3,357)
Gross operating profit/(loss)	**112,176**	**100,274**
Sales and distribution costs	(62,067)	(67,203)
Administrative costs	(26,032)	(25,704)
of which from related parties	(180)	(417)
Net write-downs of financial assets	(1,677)	(1,865)
Other revenues and income	8,970	8,713
Income from business combinations	23,839	
Other operating costs	(5,844)	(5,585)
Operating profit/(loss)	**49,365**	**8,630**
Financial income	586	974
of which from related parties	*134*	*408*
Financial expenses	(4,433)	(3,883)
of which from related parties	(204)	(135)
Profit (loss) before taxes	**45,519**	**5,722**
Income taxes	(7,127)	(2,635)
Net profit/(loss)	**38,392**	**3,087**
Net profit/(loss) pertaining to minority interests/shareholders	**1,339**	**(2,110)**
Group net profit/(loss)	**37,053**	**5,197**
Basic net profit/(loss) per share	0.89	0.25
Diluted net profit/(loss) per share	0.89	0.25

Annex A

Proforma consolidated financial statements

Statement of Cash Flows

(In thousands of euros)	Year ended 31 December 2020	Year ended 31 December 2019
Profit (loss) before taxes	45,519	13,195
- Adjustments for:		
Amortisation, depreciation and write-downs	24,120	13,692
Capital losses/(gains) on disposal	(5)	84
Financial expense/(income)	3,847	1,368
of which from related parties	*(70)*	*273*
Other non-monetary changes from business combinations	(23,839)	
Other non-monetary changes	(15)	652
Cash flow generated /(absorbed) by operating activities before changes in net working capital	**49,626**	**28,991**
Change in inventory	(4,721)	1,184
Change in trade receivables	2,936	6,384
Change in trade payables	26,175	(10,821)
Change in other assets and liabilities	2,422	10,250
of which from related parties		*10,000*
Use of provisions for risks and charges and for employee benefits	(24)	(1,084)
Taxes paid	(4,095)	(1,171)
Net cash flow generated /(absorbed) by operating activities	**72,320**	**33,733**
Investments in property, plant and equipment	(16,665)	(4,460)
Investments in intangible assets	(870)	(499)
Deferred fee for acquisitions	(1,500)	(2,521)
Delverde combination		(2,795)
Newlat Deutschland combination		(58,324)
Aggregation of Centrale del Latte d'Italia	19,760	
Net cash flow generated /(absorbed) by investment activities	**725**	**(68,599)**
New long-term financial debt	65,000	15,000
Repayments of long-term financial debt	(41,921)	(9,866)
Repayments of lease liabilities	(7,309)	(6,345)
of which from related parties	*(2,940)*	*(2,940)*
Net interest expense	(3,847)	(1,368)
IPO fee		76,544
Purchase of minority interests/shareholders	(2,803)	
Treasury shares	(922)	
Net cash flow generated/(absorbed) by financing activities	**8,198**	**73,965**
Total changes in cash and cash equivalents	**81,243**	**39,099**
Cash and cash equivalents at start of year	**100,884**	**61,786**
of which from related parties	*45,338*	*61,429*
Total changes in cash and cash equivalents	81,243	39,099
Cash and cash equivalents at end of year	**182,128**	**100,884**
of which from related parties	*69,351*	*45,338*

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Consolidated non-financial statement

pp. 56-117

Consolidated Non-financial Statement

Drafted pursuant to Italian Legislative Decree 254 / 2016

1. Introduction

1.1 Methodological note

[GRI 102-50]; [GRI 102-52]; [GRI 102-53]; [GRI 102-56]

This document is intended as the second consolidated non-financial statement (hereinafter also "NFS" or "Statement") of Newlat Group (hereinafter also "Group") in compliance with the provisions of Italian Legislative Decree no. 254 of 30 December 2016, as amended.

The indicators reported refer to the reporting year that runs from 1 January to 31 December 2020. Where possible and for the best comparison, the data and information for the 2018 and 2019 financial years have also been reported.

With reference to the changes to the Group structure during this three-year period, it is noted that as of 31.12.2018 the company Newlat Food Spa uses the full consolidation method only for the company Centrale del Latte di Salerno S.p.A. In 2019, Newlat Food Spa then acquired Delverde Industrie Alimentari Spa, then merged by incorporation together with Centrale del Latte di Salerno Spa into the parent company Newlat Food Spa. Starting from 2019, the group also includes Newlat GmbH Deutschland. Finally, in April 2020 the Group acquired the company Centrale del Latte d'Italia S.p.A.

The scope of reporting of non-financial information at 31.12.2020 is therefore Newlat Food Spa (hereinafter also "Newlat") and the subsidiary Newlat GmbH Deutschland and Centrale del Latte d'Italia S.p.A. (hereinafter also "CLI"), consolidated using the line-by-line method in the Consolidated Financial Statements as at 31 December 2020.

The following table shows the plants that fall within the scope of reporting at 31.12.2020 and 31.12.2019.

Company (pre-merger)	Company (post-merger)	Plants/Warehouses (identified by geographical location)	31/12/2020	31/12/2019
Newlat Food S.p.A.	Newlat Food S.p.A.	Reggio Emilia	✓	✓
		Lodi	✓	✓
		Corte dei Frati (CR)	✓	✓
		Bologna	✓	✓
		Ozzano Taro (PR)	✓	✓
		San Sepolcro (AR)	✓	✓
		Eboli (SA)	✓	✓
		Rome	✓	✓
CLS		Salerno	✓	✓
		Pozzuoli (NA)	✓	✓
		Lecce	✓	✓
Delverde		Fara San Martino (CH)	✓	✓
Newlat GmbH	Newlat GmbH	Mannheim (Germany)	✓	✓
Centrale del latte d'Italia S.p.A.		Turin	✓	
		Vicenza	✓	
		Rapallo (GE)	✓	
		Florence	✓	

Table 1 - Scope of Consolidation

This consolidated non-financial statement takes as reference the "Sustainability Reporting Standards" published by the GRI (Global Reporting Initiative) and uses the "GRI-Referenced" approach. The following GRI reporting principles required for the definition of the content and quality of the document were taken into consideration for the preparation of the Statement: Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness, Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability, as reported in GRI Standard 101: Foundation.

For greater clarity, references to the GRI Standards are given within the text highlighted with the symbol [GRI No.].

This Statement reports the non-financial information related to the topics considered material for the Group, the stakeholder analysis and business model, which were defined and worked on by an internal Working Group coordinated by the Administration, Finance and Management Control Department and the key representatives of the various business functions involved who manage relations with the main stakeholders.

In order to provide an accurate representation of the sustainability performance achieved, the inclusion of dimensions that are directly measurable was prioritised, avoiding where possible reference to estimates, which, where required, are based on the best possible methods available or on sample surveys, and their use is indicated within the individual indicators.

During the 2020 reporting process, it was decided to update some data relating to 2018 and 2019 following refinements made to their calculations, as reported in the notes to the pertinent tables. Specifically, the updated data are included in section "5.1.2.1. Materials used by weight and volume" in section 5.1.2.3. Water resources management and section "5.3.2.4 Average hours of training per year per employee".

Please note that the data provided for the 2018 financial year have not been audited by an external firm.

In relation to the collection of data and information to be reported, the Group prepared data collection forms that were sent to the relevant contact persons involved in the various areas, both of the parent company (Newlat Food S.p.A.) and of the subsidiary companies.

The Statement was approved by the Newlat Food SpA Board of Directors on 19 March 2021.

The independent audit of the non-financial statement was entrusted to PricewaterhouseCoopers S.p.A. and was completed with the issue of the "Independent auditor's report on the consolidated non-financial statement pursuant to art. 3.C.10, Italian Legislative Decree no. 254/2016 and art. 5 of the CONSOB regulation adopted with resolution no. 20267 of January 2018". The Report is available on page 111 of this document.

1.2 Business Model

[GRI 102-2]; [GRI 102-50]; [GRI 102-6]

Newlat Group was founded in 2004 in Reggio Emilia, where its registered office is still located today. The sectors of the agri-food market in which the Group operates are mainly those related to food and beverages, where, in part due to growth based on targeted acquisitions of some historical brands, Newlat has become a major player.

Specifically, the Group is present on the Italian market, where it has a certain importance, and on the European market through its subsidiary located in Germany.

The Company, and indirectly the Group, has pursued and is pursuing continuous growth, thanks also to the implementation of a policy focused on the acquisition of both nationally and internationally recognised companies and brands.

The history of Newlat Group begins with the first acquisition of the Guacci brand in 2004, then continues the following year with the acquisition first of the Pezzullo brand and then of the entire plant located in Eboli (now owned by Nestlé).

In the following years (from 2008), the Group expanded its product portfolio by acquiring Giglio, again from Nestlé, a company specialising in the milk and dairy sector.

There were more acquisitions in 2008, first, with the purchase of one of the plants belonging to Buitoni and subsequently the obtaining of the license to use the related brand.

Furthermore, Newlat Food S.p.A. signed a binding agreement with some shareholders of Centrale del Latte d'Italia on 01.04.2020 to acquire a 46.24% stake in the company. The operation was successfully completed in April 2020. The data consolidation of Centrale del Latte d'Italia will therefore cover the period from April to December 2020.

Below is a list of the Trademarks and Companies involved in the acquisitions, reporting the year in which the transaction was concluded.

Year of Acquisition	Company/Trademark
2004	Guacci
2005	Pezzullo
2005	Corticella
2006	Matese
2008	Giglio
2008	Stabilimento San Sepolcro (Licenza Buitoni)
2009	Polenghi Lombardo
2009	Optimus
2013	3Glöcken
2013	Birkel
2014	Centrale del Latte di Salerno
2015	Stabilimento di Ozzano Taro (co packing Plasmon)
2019	Delverde
2020	Centrale del Latte D'Italia

Table 2 - Summary of Main Acquisitions

On 29.10.2019, the company reached its goal of listing on the Star segment of the Italian Stock Exchange (Borsa Italiana), and this has contributed to improving its reputation on the market.

As can be seen in the table above reporting the scope of the reporting, the Group operates through 17 production plants, 16 of which are in Italy and one in Germany, divided as follows, by business area (World):

- 4 pasta and bakery plants;
- 8 milk processing plants (of which 4 belong to Centrale del Latte d'Italia);
- 2 mills;
- 1 plant for gluten-free, protein-free and baby food products.

The Group employs more than 1,000 people, mainly employed at the production sites in Italy.

With regard to the reporting year in question, note that the Group's sales did not suffer as they are linked to essential goods, i.e. necessary for daily consumption. This aspect demonstrated the resilience of the Group's business model, even in a complex and difficult context such as the one resulting from the spread of the new virus.

Specifically, from the Group's economic and financial data it can be seen that as the restrictive measures were gradually lifted during the third quarter of 2020, the Group continued to display the growth levels already seen in the first half of the year, driven by the Pasta, Bakery and Special Products lines, which continued to grow sharply, particularly in the Mass Distribution segment, while Food Services, which saw a significant slowdown in the opening six months of the year, recovered slowly thanks to tourist destinations, with revenues up between July and September.

Towards the end of the quarter, a second wave of the pandemic began in Italy and in many other areas of the world. The various countries affected, which had lifted their lockdowns over the summer, reintroduced new restrictions to ensure that people continue to take every necessary precaution and adhere to the safety guidelines, including wearing face coverings and respecting social distancing rules.

However, notwithstanding this unstable situation the Group's production facilities continued to work at full capacity throughout the period. The Group has implemented rigorous measures to ensure safety in the workplace, confirming our strong commitment to respecting health protocols and regulations, and continuing to monitor and assess the evolution of the pandemic and its effects on the macroeconomic climate and on the markets where the Group operates.

The sector in which the Group operates is not affected by the restrictions and has been less affected by the pandemic overall, at the same time proving its robustness.

In addition to the factors mentioned above, the Group has recognised a commitment from government bodies to support the operators and entities that have been most affected by COVID-19 through protective measures that will be implemented in the coming months, of which the Group intends to avail itself where possible.

1.3 Tax management

[GRI 207-1]; [GRI 207-2]; [GRI 207-3]

Since the Group has not adopted a real tax strategy, it applies an approach mainly related to business needs in the various jurisdictions it operates in: Italy and Germany. The main objective is to respect the values that distinguish Newlat Food's business, such as transparency and legality.

More specifically, the Board of Directors defines the Group's approach, with the aim of ensuring uniform tax management for all interested entities. This approach is inspired by a logic that on the one hand guarantees the correct and timely calculation and payment of taxes due by law and the execution of the related obligations, and on the other the correct management of tax risk, understood as the risk of violating tax rules or abusing the principles and purposes of the tax system.

Newlat Food has adopted a set of rules, procedures and principles that are part of the broader system of organisation and control and that are to be considered fundamental points of reference that all parties are required to respect depending on the type of relationship they have with the Group.

Being aware that tax revenue is one of the main sources of contribution to the country's economic and social development, the Group acts based on values of honesty and integrity in the management of its taxes.

The Group's conduct is oriented towards compliance with the relevant tax rules. The Group seeks to interpret the tax rules and principles in order to respect their substance as well as their form.

The Board of Directors is responsible for guiding the spread of a corporate culture based on values of honesty and integrity and the principle of legality.

The Group maintains a collaborative and transparent relationship with tax authorities, institutions and trade associations. The objective is to manage the related compliance and reputational risks and safeguard corporate assets, as well as to pursue the primary interest of creating value for shareholders over the medium and long term.

Through its governing bodies, Newlat Food S.p.A. ensures the application and knowledge within the Group of the tax approach adopted by each Group Company. Newlat Food S.p.A. is also entrusted with its interpretation, including through the collaboration of different external tax consultants, which also take care of its periodic updating.

Furthermore, the Group does not seek to benefit from domestic or cross-border conduct and transactions that do not reflect its business and from which undue tax benefits can reasonably be expected. For example, it does not make investments in or through countries considered tax havens for the sole purpose of reducing the tax burden.

For tax purposes, intercompany relationships are conducted at arm's length, as defined by the OECD (Model Tax Convention and Transfer Pricing Guidelines), with the aim of aligning transfer conditions and prices as far as possible.

The Group uses tax incentives generally applicable to all operators, complying with all specific regulations only where they are aligned with its industrial and operational objectives and in line with the economic substance of its investments.

For the Group, tax compliance is considered to be one of the fundamental aspects of the Company's ethical and responsible management. Consequently, violations of tax laws are among those that can be reported through the Company's internal channels.

1.4 Corporate Governance Model and Sustainability Management

[GRI 102-18]

Newlat Food has structured a Corporate Governance Model based on the recommendations of the Borsa Italiana Corporate Governance Code, including those introduced in July 2018, which are being implemented by top management in the Newlat Food Code of Conduct, through which the interests of all its stakeholders can be met effectively.

The Group is focusing on the adaptation of its corporate structure to international best practices, on the updating of its relevant Codes, and on the implementation of both its operational and sustainability risk management processes.

Newlat Food S.p.A. has adopted a traditional form of administration and control. Therefore, corporate management is assigned to the Board of Directors, the supervisory functions to the Board of Statutory Auditors, and the statutory audit, as well as the financial audit, to the Independent Auditors appointed by the Shareholders' Meeting.

Boards and officers

Board of Directors

Angelo Mastrolia	Executive Chairman of the Board of Directors and Director (Executive Director)
Giuseppe Mastrolia	Co-Chief Executive Officer and Director (Executive Director)
Stefano Cometto	Co-Chief Executive Officer and Director (Executive Director)
Benedetta Mastrolia	Director (Non-Executive Director)
Maria Cristina Zoppo	Director (1)
Valentina Montanari	Director (1)
Eric Sandrin	Director (1) - Lead Independent Director

Board of Statutory Auditors

Massimo Carlomagno	Chairman
Ester Sammartino	Regular Auditor
Antonio Mucci	Regular Auditor
Giovanni Carlozzi	Alternate Auditor
Giorgio de Franciscis	Alternate Auditor

(1) Independent director pursuant to article 148 of the Finance Consolidation Act (TUF) and article 3 of the Corporate Governance Code, entered into office from the Trading Start Date. Member of the Control and Risks Committee, member of the Remuneration and Appointments Committee, member of the Related Party Transactions Committee.

Remuneration and Appointments Committee

Eric Sandrin	Chairman
Maria Cristina Zoppo	Member
Valentina Montanari	Member

Control and Risks Committee

Valentina Montanari	Chairperson
Maria Cristina Zoppo	Member
Eric Sandrin	Member

Related Party Transactions Committee

Maria Cristina Zoppo	Chairperson
Valentina Montanari	Member
Eric Sandrin	Member

Officer in charge

Rocco Sergi

Independent Auditing Firm

PricewaterhouseCoopers S.p.A.

Shareholders' Meeting

This is the Body in which the company interests are expressed which are then implemented by the Board of Directors. It comprises the Newlat shareholders, who meet periodically to discuss in the manner and on the matters defined by the provisions of the Law and the Company By-laws. Among the most important tasks of the Shareholders' Meeting are the selection of the members of the Board of Directors and the Board of Statutory Auditors, as well as the approval of the Financial Statements.

Board of Directors (BoD)

This is the Administrative Body that guides the Group and is responsible for the management of the Company, without prejudice to the functions performed by the Shareholders' Meeting. The BoD is responsible for the Company and Group strategic and organisational policies, verification of the adequacy of the organisational structure, as well as the adequacy of the controls required to monitor Company and Group performance.

The Board of Directors is required, among other activities in accordance with statutory laws and reference legislation, to ensure sustainable growth in the medium to long term through an adequate risk control and management system, including for those risks that have an impact on sustainability, and to ensure maximum transparency with regard to the market and investors, paying particular attention to significant changes in business prospects as well as the risk situations to which the Company is exposed.

The Remuneration Policy, in line with company values and consistent with the standards and expectations of stakeholders, is defined in such a way as to design a remuneration system that is based on the principles of ethics, quality, proactiveness, belonging and optimisation.

The current Board of Directors, appointed during the Shareholders' Meeting of 8 July 2019, consists of 7 members and will remain in office for the period 2019-2021.

On 14 September 2020, Emanuela Paola Banfi, a non-executive independent director, resigned; Newlat Food S.p.A.'s board of directors thus appointed Maria Cristina Zoppo, a non-executive independent director, pursuant to article 15 of its by-laws.

The Chairman, appointed by the Shareholders' Meeting, is vested with the powers conferred by the by-laws and the legal representation of the Company.

The Board has set up three committees with advisory and recommendation functions in relation to the Board itself: the Control and Risk Committee, the Related Party Transactions Committee and the Remuneration and Appointments Committee.

Note that with regard to sustainability issues, in 2020 there was no formal Sustainability Committee. The roles, powers and responsibilities related to this area are granted directly to the Board of Directors which, among other activities, identifies the risks and policies related to the areas indicated by the decree and in any case considered significant for the reference stakeholders.

Furthermore, at the moment, the Group has not drawn up a Sustainability Plan, which will be taken into consideration by the Company in the coming years.

Board of Statutory Auditors

This is the independent Body responsible for supervising compliance with the law and the By-laws, compliance with the principles of correct administration, and the adequacy of the organisational, administrative and accounting structure adopted by the Company.

2. Stakeholder Engagement

[GRI 102-13]; [GRI 102-40]; [GRI 102-42]; [GRI 102-43]

Newlat Group, actively operating in the reference context, constantly interacts with different types of subjects, which generate interests and expectations in relation to the Group. These subjects can therefore be defined as stakeholders and can refer to subjects either within the Group structure, such as Partners and Shareholders as well as employees, or outside the Group, as is the case with suppliers, customers, certification bodies or local communities.

Each type of stakeholder corresponds to a different and specific type of relationship. This diversity is a direct consequence of the substantial difference between their interests and expectations.

It follows that the Group, in its desire to pay increasing attention to the dialogue with these subjects, will have to address them differently, through a carefully and precisely targeted dialogue.

Indeed, the importance of this dialogue is mainly due to the fact that it allows the Group to achieve the objectives of improving and enhancing the knowledge of its network, enabling, on the one hand, an increase in the positive impacts generated and, on the other, to mitigate the negative impacts of business activities on the environment and society. The dialogue allows the Group to gather important information on the context in which it operates and thus to receive constant feedback on its work.

In order to achieve this objective, the Group is aware that, over the next three years, it will have to pay increasing attention to the needs expressed both directly and indirectly by the relevant stakeholders, so as to intercept all the necessary information in a timely manner for the sustainable development of its business and the reference context.

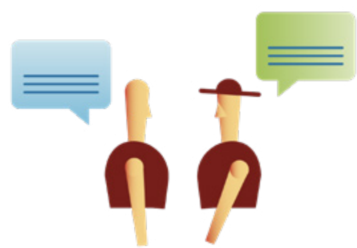
For these reasons, the identification of the main stakeholders and the subsequent definition of their expectations are aspects of crucial importance for the Group.

The Newlat Group stakeholders mentioned in the previous point are represented in schematic form in Figure 1, which shows, among other things, that the Group wants to give its stakeholders equal, albeit specific, importance.

In addition, a brief description of each stakeholder and the relevant aspects is given below:

Identification of stakeholders

Identification of specific interests for each stakeholder



Type of relationship and dialogue objectives

Importance and attention given by the Group, including with reference to the significant areas

Figure SEQ Figure*ARABIC 1 - Stakeholder Newlat

Partners and shareholders

It should be remembered that as of 29.10.2019, the Company that drafts the Newlat Group Consolidated Statements, Newlat Food S.p.A., had completed its listing process on the Star segment of the Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A.

The share capital subscribed and paid-up was €43,935,050.00 divided into 43,935,050.00 shares.

In light of the results of the "Shareholder Register", the share structure updated at 07 August 2020 is presented in Figure 2.

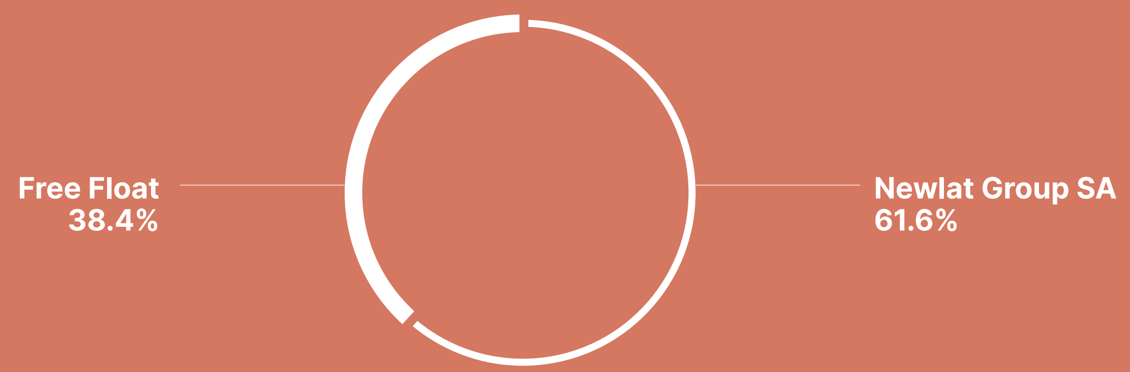


Figure 2 - Distribution of Newlat Food S.p.A. Shares

Shareholder Structure Updated as at 7 August 2020

In addition to the standard forms of communication of a binding nature, Newlat Food wants to focus on partners and shareholders, through this document and through an internal report that is truthful, usable and prompt.

In order to ensure commitment to this objective, the Group has established specific figures, such as Investor Relators (for communications to partners and shareholders) and the Reporting Officer, as well as the usual internal and external control bodies (to ensure that the data reported to management is true).

2.1 Employees

Newlat Food has always considered its staff as one of its most important assets and therefore one of the areas where the Group wants to invest in order to achieve some of the main goals it has set, including:

protection of the working environment and health & safety

professional growth

personnel engagement

Newlat Food "people" are valued and placed at the centre of the organisation to ensure the competitive advantage that has guaranteed the Group its current success and growth.

Newlat Food employees are guaranteed a safe and sustainable work environment, the provision of training courses, internal company communications, and the distribution of regulations, procedures and protocols, aimed at sharing the company's values and mission.

This attention was also demonstrated during 2020 with regard to the measures implemented to combat the spread of Coronavirus in the workplace during the health emergency and the protection of fragile persons in extraordinary working conditions. Moreover, with regard to the health emergency, the Newlat Group has appointed persons to analyse its evolution and to implement appropriate mitigation plans in order to minimise interruptions and the health problems of its employees and contractors.

2.2 Suppliers

In order to make its products, Newlat Food uses suppliers that guarantee the achievement of the business and sustainable development objectives outlined in this document.

In particular, more closely linked to the production chain, the Group wants high quality standards to be guaranteed for its products, minimising the cost of raw materials, in order to maintain a competitive advantage at the level of sales prices applied.

For this reason too, Newlat Food aims to develop long-term partnerships and collaborations. In this way, the Group wants to establish virtuous supply circles, oriented towards trust and future growth.

2.3 Customers

The Group's sales network consists mainly of agents with whom Newlat Food has established solid collaborative relationships over time, in order to efficiently and effectively reach its customers.

Although most Newlat Food customers belong to the large-scale retailing segment, the Group has always kept the smallest distribution channels open, trying to reach the end consumer more directly.

Another significant aspect for the Group is the diversification of the business lines in which it operates, also referred to as "Worlds". Indeed, thanks to the continuous expansion that has allowed it to obtain a significant brand portfolio, Newlat Group can subdivide its business into the following macro-areas:

Milk World **Pasta World**

Special Products World **Bakery Products World** **Dairy products World**

The Group believes that the key success factors can be summarised as follows:

Wide range of offers

Diversification of its reference markets

Development and creation of a platform to acquire important brands in the sector

Development of brand licensing and acquisition

Finally, the Group carries out promotional and marketing activities in order to establish a direct dialogue with its customers. However, there is an awareness that the strongest tool for dialogue is Newlat's focus on the level of quality and food safety of its products.

For this reason, the Group, wanted to implement a system of specific safeguards throughout all phases of the production cycle, including through obtaining various certifications.

2.4 Local community

The Group aims to establish a clear and well-defined presence within the context in which it operates.

In this regard, the context is understood as the geographical area in which the Group operates, but also as the set of elements that make up these areas. Among these elements, we would like to refer in particular to the local community and to the initiatives that Newlat Food plans and implements in terms of local community support, so far realised through several charitable initiatives and sponsorships.

For the next three years, the Group intends to study and promote new support projects to be provided mainly to local community institutions.

It is also worth mentioning the contribution to the local supply chain that Newlat Food, as a successfully operating business on the market, provides across a large part of the country. For this purpose, reference is made both to the employment that Newlat Food guarantees its workers and to the data relating to the supply chain, reported in subsequent sections.

2.5 Certifying bodies

As mentioned above, the Group wanted to implement a production management system over time that would enable full compliance with current regulations, as well as compliance with industry best practices.

In order to adapt sufficiently to these aspects, the Group has invested in some of the most important certifications related to the sector, focusing on en suring high quality in its products and standards applied to production processes.

It should be said that one of the causes of the fragmented acquisition of the various brands and plants by the Group, as mentioned above, is that it has not been able to guarantee, from the outset, the full applicability of the certifications obtained to all plants. However, this has not, in any case, stopped the same management model being respected in all plants, where this model has been suitably designed to comply with the reference certifications.

In addition, the Group is considering implementing a further adjustment plan in order to pursue an objective of integration and unification of the management methods applied. An objective that was declared through the recently concluded merger process.

The certifications obtained by the Group are shown below in Table 3 in order to clearly outline their application, as well as clearly showing the areas of interest of the Group itself.

Certification Name	Type	Body
UNI EN ISO 9001:2015	Quality Management System Certification	SGS CSQA
BRC	Food Safety Certification recognised by GFSI	SGS
IFS	Food Safety Certification recognised by GFSI	SGS
FSSC 22000	Food Safety Certification recognised by GFSI	SGS
UNI EN ISO 22000:2018	Certification of Food Safety Management Systems	SGS
ORGANIC	Organic Product Certification	CCPB IBD CERTIFICACOES (BRASILE)
SMETA	Certification of adherence to the SMETA Protocol (Labour, Health and Safety, Environment and Business Ethics)	SGS
Kosher	Product certification according to Kosher religious principles	Star – K 1K e SK Kosher -Rabbi Menahem Hadad - Kashrut Administrator Orthodox Union
Halal	Product certification according to Halal religious principles	Halal Italia HIA - Halal International Authority WHA - World Halal Authority
Plant export authorisation - China	Export authorisation	CNCA
Plant export authorisation - Custom Union	Export authorisation	Rosselkhoznadzor
Plant export authorisation - South Korea	Export authorisation	Ministry of Food and Drug Safety (MFDS)
Plant export authorisation - Panama	Export authorisation	AUPSA
Plant export authorisation - Brazil	Export authorisation	Ministério da Agricultura, Pecuária e Abastecimento – MAPA Secretaria de Defesa Agropecuária – SDA Departamento de Inspeção de Produtos de Origem Animal – DIPOA Serviço de Inspeção Federal - SIF
U.S. FDA Registration	US Export Authorisation	USA Food and Drug Administration
UNI EN ISO 22005:2008	Agri-food Traceability Certification	SGS Certiquality
Vegan	Product certification (compliance with Vegan requirements)	CSQA Vlabel Italia
NON-GMO (US products only)	Product certification (compliance with Non-GMO requirements)	SGS (in chiusura) NSF International (in sostituzione)
UNI CEI EN ISO / IEC 17025:2018	Group laboratory accreditation certification	ACCREDIA
UNI EN ISO 14001:2015	Certification of environmental management systems	SGS
UNI EN ISO 45001:2018	Occupational health and safety management systems certification	SGS
Management System Asseveration	In accordance with art. 30 of Italian Legislative Decree 81/2008 and subsequent amendments)	ENBIC

In order to obtain details on the applicability of the certifications by plant, please refer to Annex 1 at the end of this document.

Table 3 - Certifications Obtained

The following table shows the main tools through which Newlat Food Group involves its stakeholders as well as their expectations.

Stakeholders	Engagement tools	Expectations
Partners and shareholders	Meetings Periodic Reporting Website and social media Investor Meetings	Transparent and responsible management Consolidation and strengthening of the Group's knowledge and of its business model Value creation (return on investment, business sustainability) Timeliness and willingness to engage in dialogue Adequate risk management, including socio-environmental risks
Employees	Meetings and trade union meetings Daily reports Corporate Communications and Document Circulation	Sharing of the Group's results Responsible business management Training and professional development Information on strategies Stimulating and safe work environment Equal opportunities Involvement in business life Promotion of well-being, health and safety Sharing of Company Regulations, Organisational Models, Corporate Mission and Vision, and Code of Ethics.
Suppliers	Partnerships Daily reports Periodic Audits	Partnership continuity Compliance with contractual conditions Involvement in the definition of standards related to supply, including socio-environmental criteria, and timeliness in the communication of new quality requirements Collaboration and support in the management of any production issues Sharing of the results of audits carried out to verify compliance with the required quality requirements
Customers	Periodic customer satisfaction surveys Net Promoter Score Gifts, Promotions and Advertising	Product quality and safety Products made with respect for the environment, humans and animals Truthfulness and transparency about the quality of the product and the origin of the ingredients used
Local community	Partnerships with local communities Sponsorships Charitable donations to associations	Support or financing of initiatives Support for social development activities
Certifying bodies	Certification Process Regular audits Research and Development	Compliance with certification requirements Participation in the search for new elements to bring to the attention of the relevant bodies and communities

3. Material topics

[GRI 102-47]

The identification of material topics is the result of the process of identifying, evaluating and classifying, in order of priority, the sustainability aspects relevant to Newlat Group.

The concept of “significance” is also closely related, among other aspects, to the ability of these topics to affect the Group’s capacity to create value not just in the short term, but also in the medium and long term.

Newlat Group has therefore assessed the potential material topics with the aim of identifying those relevant to the organisation in the non-financial field, which could help stakeholders decide whether or not to invest in the company, thus creating value for the latter.

It should also be noted that the determination of material topics is the result of an assessment carried out internally without the involvement of external stakeholders.

The process has therefore required the involvement of internal figures considered key to the reporting of this NFS. Therefore, these subjects correspond to the figures identified as owners of the policies adopted by the Group.

Each owner has therefore carried out, for each area of Italian Legislative Decree 254/2016 within his or her area of responsibility, an analysis of the topics relevant to the Group and for each of them has expressed an evaluation, by assigning a score from 0 to 5.

In order to represent all the subjects involved, the score was assigned by the owners by adopting two different guidelines:

- **internal** Group guidance, which refers to the attention paid by Newlat to the material topics;
- **external** guidance, which evaluates, on the other hand, the attention paid by the stakeholders identified in the previous sections to the material topics.

The result of the materiality assessment process described above consists, therefore, of a list of topics considered material and approved by the Board of Directors.

The analysis conducted for 2019 was updated for the 2020 NFS, having also wanted to consider the impact generated by the Coronavirus pandemic. Specifically, an assessment was made of the pandemic’s effect on sustainability issues relevant to the company and its stakeholders, on which the contents of the Consolidated Non-Financial Disclosure are based.

The analysis showed an increase in sensitivity to the topics of Respect for Human Rights and Health and Safety of Workers.

Materiality Matrix

Figure 3 - Materiality Assessment Chart

The table below also shows the relationship between the topics enumerated in Italian Legislative Decree 254/16 and the material aspects identified by the Group, which will be detailed later.

Areas indicated by Legislative Decree 254/16	Material topic for Newlat	Description of the material topic
Environmental aspects	Energy Efficiency	Energy efficiency aims to reduce direct and indirect energy consumption, including through the implementation and management of specific energy policies. The Group invests in energy efficiency with a special focus on innovation and the adoption of best available technologies.
	Environmental impacts	The reduction of environmental impacts involves containing the negative effects caused by the industrial site, especially on the surrounding environment and on the local ecosystems in which the Group is located. One of the impacts to be considered is the use of teleworking by the administrative part of the workforce during the initial part of the lockdown, which led to a reduction in travel by employees.
Social aspects	Responsibilities in the supply chain	Newlat acts according to the principles of fairness and integrity in all phases of the business relationship with suppliers. Collaboration within the supply chain is aimed at generating stable and lasting partnerships.
	Product quality and consumer safety	The Group manufactures and markets products that meet the main industry standards to maximize their safety in all their ingredients, and the offer to customers of products with high quality standards ensures the best nutritional intake, in line with the market segment to which they are aimed.
	Social development	The Group is aware of the role it plays in the development of the local supply chain, in the business contexts in which it operates, through its contribution to the creation of infrastructure, employment, training and development of the business fabric.
Personnel aspects	Human Resources Development	Newlat's focus on personnel development is maximised through the implementation of skills management programmes aimed at continuous training.
	Occupational health and safety	Newlat promotes working conditions that ensure full respect for the health and safety and protection of the physical well-being of workers through management systems that help prevent accidents at work and occupational diseases. The Group promotes the health and ergonomics of working environments, also with regard to the measures implemented to combat the spread of Coronavirus in the workplace during the health emergency and the protection of fragile persons in extraordinary working conditions. Moreover, with regard to the health emergency, people were assigned to analyse its evolution and to implement appropriate mitigation plans in order to minimise interruptions and the health problems of its employees and contractors.
Respect for human rights	Respect for human rights	Equal opportunities are guaranteed without any discrimination on grounds of gender, ethnicity, nationality, religion, political opinions, sexual orientation, or personal and social conditions. One of the main objectives is also that of guaranteeing working conditions with health and safety standards appropriate to the health emergency, and consequently safeguarding business continuity.
Fighting active and passive corruption	Ethics and anti-corruption	The management of whistleblowing and the adoption of safeguards against retaliation takes place in an effective and timely manner. In fact, internal and external mechanisms are provided for the reporting of unethical behaviour through which it is possible to report illegal and dangerous conduct encountered at work.

Table 5 - Relationship between Significant Areas and Material Topics for Newlat

4. Policies and risks

Newlat Group has identified the risks to which it believes it is exposed in all its areas of activity and reclassified them in relation to the areas indicated by Italian Legislative Decree 254/2016. This is represented in the table below.

In particular, it should be noted that within the table, the management methods adopted by the Group have also been identified, as well as the policies implemented by the Group, in order to monitor and mitigate, albeit partially, the risks identified, and, therefore, in order to ensure business continuity on the one hand and the achievement of the company's objectives on the other.

Area indicated by Legislative Decree 254/16: Environmental aspects

Identified risks	Management procedures and policies
In its active role, the Group is exposed to specific environmental risks generated by and related to the following aspects: • Energy consumption; • Use of potentially hazardous substances (technical gases, oils, paints, fuels, solvents, etc.); • Waste production (particularly packaging); • Processing waste; • Fuel gas leakage due to plant breakdown; • Noise pollution from production processes; • Air pollution; • Spillage of liquids on the ground. The Group is also exposed to the risk related to the definition of an inadequate environmental risk response plan that does not ensure the correct assessment of the impacts generated and the consequent adoption of inadequate countermeasures. There is also the risk of not developing plans in a timely manner for the remediation and/or reclamation of industrial areas that have been abandoned or no longer used is also recognised. With regard to the risks incurred, the risks deriving from climate change on the group's business can be considered, both in terms of impact on assets and in terms of the business's transition towards a green economy. One of the plants in areas potentially at risk is that of Rapallo (hydrogeological risk).	With reference to environmental risks, Newlat operates in compliance with the regulations in force (including, with regard to Italy, the drafting, for example, of the Risk Assessment document (DVR) or obtaining the relevant environmental authorisations) and adopts certain control measures that are also defined within the Organisational Model pursuant to Legislative Decree 231/01, also aimed at achieving the following objectives: • Optimising the use of renewable energy sources; • Minimising negative environmental impacts and maximising positive ones; • Achieving the gradual improvement of environmental performance. The Group, and in particular the plant indicated in Table 3 and Annex 1, has adopted an ISO 14001 environmental management system and reference policies. The Group has defined procedures and practices in order to define an Environmental Management System. Staff is provided with a high level of continuous training. The SMETA Ethics certification also includes environmental issues that respond to the need to also adopt ethical behaviour with regard to limiting environmental impact and noise pollution). The Group has focused part of its R&D on the development of products and processes aimed at: • reducing environmental impact, searching for biomaterials that can be used in packaging (for example, Centrale del latte d'Italia has developed recycled PET preforms for fresh milk, paper cups for yoghurt or even milk packaging generated from renewable sources of plant origin and plastic caps from sugar cane); • improving the efficiency of production lines to reduce waste materials and developing recycling (with the implementation for Centrale del Latte d'Italia of new packaging lines for fresh milk in Turin, Vicenza and Florence, and for UHT milk, for which two new production lines that guarantee lower waste were put into operation). This aspect is covered by a procedure issued internally and called "Design and development". In line with the commitment to limiting the use of non-renewable resources, projects have been developed aimed at assessing the environmental impact of the activities carried out in the various production sites. Specifically, Centrale del Latte d'Italia conducted a product Life Cycle Assessment (LCA) according to ISO 14044 and 14044, an EPD (Environmental Product Declaration) according to ISO 14025 and an Organisational Carbon Footprint according to ISO 14064. Moreover, with regard to the raw material of milk, the group has developed supply chain policies in particular on the subsidiary Centrale del Latte d'Italia and specifically in Tuscany under the Mukki brand, which provide for respect for animal welfare and the use of organic production lines. Suppliers' compliance with environmental requirements must also be considered with assessing the supply chains. With regard to climate change, the risks deriving therefrom are not currently included in the Group's risk analysis model. However, more and more attention is being paid to this issue, assessing the potential countermeasures to be implemented, with the main objective of implementing an action plan in the coming years aimed at meeting the needs of stakeholders.

Area indicated by Legislative Decree 254/16: Social aspects

Identified risks

With regard to this area, the following risks have been defined:

- Risk of failing to respect the balance of the environmental and animal resources underlying the supply chain of all Group products;
- Risk of not defining an adequate supplier evaluation system that reflects the true quality of the suppliers with regard to the respect of social issues;
- Risk of the incorrect implementation of competition and the free market;
- Risk of failing to support the generation of socio-economic development of the local community and that related to the supply chain.
- Risk of supplying products that do not comply with the regulatory and legal requirements in force regarding Food Quality and Safety. These include:
    - legislation relating to milk and dairy products: Pasteurised fresh milk: Law 03/05/1989, no. 169, High Quality Pasteurised Fresh Milk: Italian Ministerial Decree 09/05/1991 no. 185; Reg. EU 609/2013 (definition of infant milk); Del. Reg. EU 127/2015 (specific requirements for infant formula); Ministerial Decree no. 82 of 09/04/2009 (various standards for infant milk).
    - Legislation relating to dried pasta and baked goods, Presidential Decree 187/2001, L 580/1967.

With regard to the risks incurred:

- Risk of incorrect implementation of competition and the free market by the supply chain which the Group relies on, with the resulting risk that they will apply monopolistic policies due to the limited availability of raw materials;
- Risk of suppliers not complying with sustainability issues considered relevant by Newlat, including respect for human rights, environmental protection, safeguarding health and safety in the workplace and combating corruption, the quality of raw materials and products supplied and respect for their healthiness;
- Risk of stagnation of the socio-economic development of the local community and that related to the supply chain.

Management procedures and policies

With regard to the raw material of milk, the group has developed supply chain policies for some production sites that entail compliance with precise regulations.

The group has not formalised a policy on this issue.

The practices adopted by Newlat with reference to social aspects mainly concern compliance with the reference regulations, the dissemination of the Organisational Model 231/01, the Code of Ethics and the Code of Conduct, also applied to relationships with all suppliers.

With reference to the risks related to product quality, it should be noted that the Group has set up a quality management system in accordance with UNI EN ISO 9001, through which it is possible to meet customer expectations as well as the safety and performance standards of the products marketed by the Group.

Both the Italian and German production sites have also been subject to the certifications set out in Table 3 and Annex 1.

As mentioned in the next point relating to the Protection of Human Rights, the company also guarantees periodic audits in order to verify compliance with the requirements of the SMETA certification throughout the supply chain.

Finally, the Group is committed to the implementation of programmes that can contribute to supporting the development of the local supply chain through the recruitment and training of personnel in all the contexts in which it operates.

The Group has specific supply specifications that facilitate compliance with agreed contractual conditions.

In order to guarantee product safety, the following are carried out: statistical data analysis (analytical results, controls, etc.), review according to the HACCP protocol, periodic reviews relating to the monthly Quality Management Review, implementation of corrective/preventive actions, investigation of the cause of each complaint through sample analysis where possible, plant modifications, maintenance, cleaning and training of personnel.

The following are carried out: internal audits and external audits carried out by customers, certification bodies, control bodies, and internal and external laboratories, control plans, monitoring plans, QMS, staff training, and complaints management.

The monitoring of consumer reactions also takes place with reference to the internal procedure "Management of complaints and customer satisfaction".

Area indicated by Legislative Decree 254/16: Personnel Aspects

Identified risks

With regard to personnel management, the following risks have been defined for the Group:

- risk of unattractiveness of the company and/or the risk related to the inability of the Group to retain staff;
- risk of not finding valuable personnel or who best meet the needs of the specific reference business;
- risk of lack of training and refresher training for personnel;
- risk of failing to identify issues related to the status of human resources, resulting in the Group's inability to establish an adequate social dialogue.

Added to these are the typical risks with an impact on the Health and Safety of workers, including the risk of accidents and/or permanent disability following accidents at the workplace and the risk of occupational diseases, including due to exposure to materials at high temperatures and the use of forklifts.

The health and safety of workers should be considered not only on a physical level, but also on a psychological level, drawing attention to the risk of implementing certain practices that undermine the psychological health of workers (e.g. mobbing, harassment, threats, etc.).

With regard to the risks incurred, there is the risk associated with the limited availability and quality of direct and indirect labour.

In addition, it should be specified that the aforementioned risk related to the Health and Safety of workers should be understood as a risk suffered if the cause of the accident derives from the worker's default or neglect.

Another risk suffered is the potential disinterest of personnel in being willing to interact with the Group. In particular, there is a risk of loss of interest in company life resulting in production discontinuity due to conflict and reduction in the efficiency and effectiveness of the services rendered.

Management procedures and policies

The group has not formalised a policy on the subject, except for the policies included in the Occupational Health and Safety Management System.

The Group aims to comply with the reference legislation for adequate financial compensation, which occurs through the rigorous application of the provisions of Collective Bargaining Agreements.

Attention is also paid to mandatory and non-mandatory training, thanks to which the Group would like to increase and strengthen the knowledge assets and skills held by each employee.

In addition, the Group employs companies specialised in recruitment in order to mitigate the risk of not finding valuable personnel or who best meet the needs of the specific reference business.
Through the development of the local supply chain mentioned above, the Group wants to generate a virtuous circle of knowledge creation and technical skills.

For the management of Occupational Health and Safety, the Group undertakes to strictly comply with the relevant regulations (i.e. drafting of the Risk Assessment document).

In addition, despite not having BS OHSAS 18001 certification, nor the most recent ISO 45001 certification, the Company has taken steps to obtain a risk identification and management system related to Occupational Health and Safety issues through the following channels:

- adoption by the Italian plants of Organisational Model 231/01, the Code of Conduct (also containing the principles and conduct to be adopted, including in relation to OHS issues) and the Code of Ethics;
- SMETA-certified Management System;
- IFS/BRC certifications;
- Adoption of an internal management system and reference policies aligned with the requirements of OHSAS 18001 certification, but not certified;
- Preventive approach to OHS risk assessment, including through training activities and promotion of a culture of health, safety and ergonomics in all workplaces.
- Research into new load handling systems characterised by greater efficiency, reliability and safety.

The group has also set itself the goal for 2021 of obtaining ISO 45001 certification at some CLI sites.

Area indicated by Legislative Decree 254/16: Respect for Human Rights

Identified risks	Management procedures and policies
With reference to respect for human rights, the Group is mainly exposed to the risks generated by: • exploitation of child labour; • use of forced labour (or off the books); • violation of the rights of workers and individuals in general (the main one being discrimination). This aspect also refers to the risk that the company directly or indirectly finances organisations operating in non-compliance with this aspect. The following risks have been identified: • risk of being financed directly or indirectly by organisations that do not operate in accordance with legal requirements; • risk of being subject to the management and control of persons/entities that are not concerned about the respect of human rights.	The group has not formalised a policy on this issue. Both the Italian and German plants of the Group operate in a context in which human rights are protected by current legislation. Furthermore, with regard to the Italian plants, as indicated in the previous points, an Organisational Model pursuant to Legislative Decree no. 231/01. In order to protect human rights and develop an activity focused on a respect for ethics and corporate values, the Company has obtained SMETA (Sedex Member Ethical Trade Audit) certification – which involves an auditing and reporting methodology created according to a best practice model in ethical business auditing techniques. The objective is to adhere to a central and common protocol for verification of the organisation in order to demonstrate commitment to social issues and ethical and environmental standards in its supply chain. Newlat therefore has a tool it can use to optimise the practices adopted in its ethical and responsible business activities. SMETA bases its assessment criteria on the ETI (Ethical Trade Initiative) code, supplementing them with applicable national and local laws. It includes four modules: • health and safety • labour standards • environment • corporate ethics • Audit process A SMETA audit involves the following: • the supplier completes the self-assessment questionnaire, identifying and correcting any anomalies in its process; • the customer reviews the supplier self-assessment questionnaire and verifies the priority areas to focus effort and prioritise the continuation of collaboration with the supplier • the auditor, i.e. the certification body, reviews the supplier's self-assessment questionnaire to define the offer, plan the audit and verify the areas of interest.

Area indicated by Legislative Decree 254/16: Fighting active and passive corruption

Identified risks	Management procedures and policies
Newlat operates in countries with medium/high risk of corruption, such as Italy, or medium risk, such as Germany. This risk mainly concerns corruption between private parties, although there is a potential risk of corruption arising from transactions with public companies. The main risks identified are: • Risk of corruption related to ordinary business activities in relationships with suppliers, customers and third parties of all kinds; • Risk of corruption related to transactions with PAs - Tax Returns, Social Security or other statements, Public Authority Inspections, Works on public land or permits for activities and changes, Authorisations, and Audits/Inspections due to market complaints. With reference to the risks suffered, the same applies as mentioned with reference to the risks generated, with the difference that Newlat, in this case would be a passive party.	The group has not formalised a policy on this issue. In order to mitigate this risk, Newlat has tools such as: • the Organisation, Management and Control Model (pursuant to Italian Legislative Decree 231/2001) for Italian companies, which guarantees transparent and ethical behaviour by employees and promotes a Group prevention policy; • the Code of Conduct that incorporates rules of behaviour to be adopted, including in reference to the promotion of anti-corruption issues, approved and issued to employees in conjunction with the aforementioned Model 231/01; The risk of corruption is also monitored thanks to specific audit activities to verify compliance with the safeguards defined within the Organisational Model pursuant to Legislative Decree 231/01 and those in compliance with Law 262/05. With a view to ensuring greater transparency, the Group also wanted to comply with the requirements relating to legality ratings.

Table 6 - Identified risks, management procedures and policies

5. Results obtained

The following is a breakdown of the results obtained by the Group during the 2020 financial year, following the implementation of the practices adopted in relation to the risks identified in the previous point.

5.1 Environmental Aspects

In relation to the risks identified in Table 6 above and specifically related to environmental aspects, the Group has made environmental protection one of its objectives.

Awareness that any production may have an impact on the local area makes it necessary to pursue strategies to protect and safeguard, or in some cases, to reduce environmental impacts. Production activities are, in fact, those that can have the highest environmental impact.

The Group seeks to minimise the use of water and energy and the production of waste with the goal of continually improving. It assesses any critical issues for sustainable use by trying to eliminate waste.

The environmental impact on the sites of Ozzano Taro, Turin, Florence, Rapallo and Vicenza is assessed and managed in accordance with the requirements of the ISO 14001:2015 certified Environmental Management System. Resources, emissions, discharges, goals and targets are recorded and assessed within the System itself.

In order to ensure a better representation of the Group's data, it is necessary to consolidate the information originating from the plants mentioned in Table 1 above, differentiating between the individual entities to which the different production plants and/or warehouses belong.

In order to achieve the objective of environmental protection, the main areas of analysis of the Group's environmental impact concern:

- Consumption of materials for production and packaging;
- Monitoring of energy consumption and emissions;
- Monitoring of water and waste consumption and discharges.

All consumption and emissions are systematically monitored, both to ensure a high level of effectiveness of the actions and to determine their status. In this way, the Group intends to verify the continuous compliance with the law in order to prevent potential environmental risks.

Although the Group has not yet explicitly considered the exogenous risk related to climate change, it is beginning to pay greater attention to this aspect, assessing the possible countermeasures to be implemented.

5.1.1 Energy Efficiency

5.1.1.1 Energy consumed within the organisation

[302-1]

The main energy sources used by the Group are both renewable and non-renewable. In particular, they consist of natural gas, diesel and electricity and, with reference to the reported sources, are mainly used for:

- feeding production plants,
- lighting and air-conditioning in workspaces (i.e. offices, warehouses, stores, plants, data centre, etc.).

The Group also uses diesel in the production plants to provide continuous power to the refrigeration cells in case of emergency, by means of generators.

For the purposes of reporting actual consumption, only properties owned by the Group or that are in any case under the direct control of the latter have been taken into account.

Energy consumption from renewable and non-renewable sources has also been reported separately. This makes it possible to assess the environmental impact in more detail.

Another aspect to consider is the system implemented by the Group designed to ensure the self-production of energy, intended in part for internal consumption and the remaining part for sale to authorised third parties.

In order to ensure comparability of the data and to use a uniform assessment measure, the value has been converted to Gigajoules.

It should be noted that part of the changes between 2018 and 2019 is attributable to the change to the scope of consolidation as explained earlier.

During 2020 there were significant changes in the data following the entry of Centrale del Latte d'Italia's into the scope of consolidation.

Note that the following consumption and emissions consider only the Newlat Food Group plants and no external warehouses, whose consumption and emissions only account for a residual share of the total.

Energy consumed within the organisation, divided into renewable and non-renewable sources

Sources	UoM	Newlat Group 2020	Newlat Group 2019	Newlat Group 2018
Natural gas	m3	25,499,402	19,148,692	17,900,851
Diesel for generators	l	30,308	23,975	16,575
Steam [2]	MWh	21,189	20,390	-
Electricity purchased	MWh	69,898	70,246	64,092
of which from non-renewable sources	MWh	46,029	42,055	37,923
of which from renewable sources	MWh	23,869	28,191	26,169
Self-produced electricity	MWh	26,234	17,525	14,336
Self-produced electricity sold	MWh	152	(231)	(5)

Sources [4]	UoM	Newlat Group 2020	Newlat Group 2019	Newlat Group 2018
Natural gas	GJ	913,022	675,049	631,059
Diesel for generator	GJ	1,320	858	593
Steam	GJ	76,280	73,404	-
Electricity purchased [3]	GJ	251,633	252,885	230,731
of which from non-renewable sources	*GJ*	*165,704*	*151,398*	*136,524*
of which from renewable sources	*GJ*	*85,929*	*101,486*	*94,208*
Self-produced electricity	GJ	94,443	63,089	51,609
Self-produced electricity sold	GJ	(548)	(832)	(18)
Total energy consumed	GJ	1,336,151	1,064,452	913,974

(2) Value relative to the steam generated at 16 bar and 200°C by the district heating system.

(3) The data relating to energy acquired from renewable sources are calculated using the Italian (source: GSE) and German (AG Energiebilanzen) national energy mix as reference for the relevant years.

(4) The conversion factors used to calculate the GJ of energy consumed by plants come from DEFRA's "GHG Conversion Factors for Company Reporting" updated for 2020.

The monitoring of consumption, which the Group has always paid particular attention to, is conducted through continuous meter reading.

The increase in volumes of natural gas and energy consumed can be directly linked to the change in the scope of consolidation and an increase in production activity at some of the Group's production sites and in particular the Lodi and Sansepolcro sites for the part dedicated to bakery products.

5.1.1.2 Energy intensity

[GRI 302-3]

Newlat Group considered the number of workers as a representative unit of the energy intensity consumed, resulting in an average energy consumption ratio per employee. The figure is expressed in GJ per person.

This indicator has long been used by the Group to monitor the energy consumption at each plant.

For reporting purposes, only the energy consumption reported above has been considered, and therefore only the consumption generated within the organisation is considered, i.e. the Group.

Formula	Absolute values		Energy Intensity index
FY 2020			
Total energy consumed (GJ)	1,336,151		888
No. Employees	1,505	=	
FY 2019			
Total energy consumed (GJ)	1,064,452		971
No. Employees	1,096	=	
FY 2018			
Total energy consumed (GJ)	913,974		1.027
No. Employees	890	=	

Again, it should be noted that part of the changes between 2018, 2019 and 2020 is attributable to the change to the scope of consolidation as explained earlier.

Net of the aforementioned change in scope of consolidation, there were no significant changes.

5.1.2 Environmental impacts

5.1.2.1 Materials used by weight and volume

[GRI 301-1]

Following the various acquisitions made at a Group level, Newlat has been able to expand the portfolio of finished products offered on the market. The indirect consequence relates to the diversification and expansion of the raw materials and materials used by the Group in the production process.

In relation to what is required by the reference GRI, the data considered relevant for the company and having a significant impact are those relating to raw materials and packaging materials. However, it should be noted that the data reported for this indicator relate only to materials used for the packaging of finished products and therefore raw material data are not represented. The decision for this exclusion is mainly that the raw materials used refer mostly to the agri-food area (i.e. semolina, milk and derivatives, and flour), which therefore have the characteristic of being renewable.

The materials reported have been classified as renewable and non-renewable.

The data reported are those extracted from the information systems used by the company to indicate the purchase of materials. In the next three years, however, it is intended to launch a process to ensure the highest level of control and transparency over the consumption of materials used for production.

Consumption of materials divided by renewable and non-renewable sources

	2020		2019	
Material – Tonnes [4]	Total Non-Renewable	Total Renewable	Total Non-Renewable	Total Renewable
Aluminium	39	15	13	9
CKB cardboard	0	401	-	708
Cartons	2,165	11,204	1,400	7,286
Packaging containers	325,776	2,214	287,056	1,094
Miscellaneous materials and other packaging	42	107	-	32
Pallets[5]	0	1,173	-	-
Plastic	3,313	817	1,670	1,617
Glass	0	510	-	188
Total Materials	**331,335**	**16,441**	**290,139**	**10,934**

Net of the aforementioned change to the scope of consolidation, there were no significant changes in production waste.

[4] Data were only reported by Centrale del Latte d'Italia plants..

[5] The classification of materials was reorganised with respect to what is represented in the 2019 NFS. Specifically, the main differences are as follows: Laminated Paper and Aluminium and Laminated Paper and Polythene are included in *Packaging containers; the Miscellaneous materials and other packaging* category includes consumables like glues, labels and adhesives, as well as toners for industrial printers and other types of packaging not attributable to the categories already specified.

5.1.2.2 Direct and indirect GHG emissions

[GRI 305-1; GRI 305-2]

With this indicator, the Group intends to report the performance achieved so far in terms of emissions of highly harmful agents into the atmosphere which have a high negative environmental impact.

The data below illustrate the amount of ozone-depleting emissions produced by the Group, both directly and indirectly, in the course of carrying out its production activities, but considering them net of any emissions trading with third parties or purchases of certificates.

Emissions into the atmosphere produced by the Group are closely linked to electricity consumption, the consumption of natural gas and the use of fossil fuels.

Emissions - tCO2e [6]	2020	2019	2018
Direct emissions - Scope 1	51,676	37,821	35,341
Indirect emissions - Scope 2	28,143	30,092	23,009
Total Emissions	**79,819**	**67,925**	**58,359**

Total emissions for the same scope of consolidation decreased in 2020 as a result of the Group's greater attention to sustainability policies and environmental impacts.

5.1.2.3 Water management

[GRI 303-1]; [GRI 303-2]; [GRI 303-3]

Given the nature of its products (i.e. dairy products, dried pasta and derivatives), the production process requires the use of large amounts of water.

Aware of this and with the intention of limiting waste as much as possible and managing its production system to optimise water usage, Newlat Group has put in place a monitoring system for the responsible management of this resource.

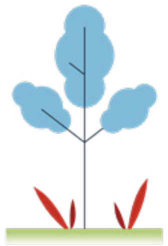
The Group pays careful attention to the disposal of wastewater to avoid, in particular, the occurrence of runoff and damage to the environment caused by an incorrect performance of this activity.The main sources used by Newlat Group are listed in the following table, with an indication of annual consumption in m^3.

The table shows that, although water withdrawal is mainly from groundwater, the Group also uses resources from public waterworks or water supplied by water companies.

[6] The conversion factors used to calculate the CO2e emitted are taken from DEFRA's "GHG Conversion Factors for Company Reporting" updated for 2020 for all emission sources, with the exception of electricity. However, the estimate of CO2e emissions released into the atmosphere by the electricity suppliers for the Group was based on Terna Group's international comparison table updated for 2018.

With reference to water supplied by public waterworks, this is used to ensure the proper functioning of toilets and for cleaning, as well as for some of the more delicate production processes, such as the washing of certain dairy products to ensure maximum safety for the consumer.

Centrale del Latte d'Italia defines the criteria, taking into account the frequency of appearance (direct or indirect activity) and the impact (defined from a Life Cycle Thinking perspective), to:



identify and evaluate the activities, processes and factors that may give rise to aspects and impacts on the environment caused directly by the company in addition to those determined by third parties over which it can exert influence and control;

document environmental aspects arising from past activities and evaluations related to future activities, considering a life cycle perspective and identifying any risks and opportunities.

The identification of the environmental aspects that have or can have significant impacts on the environment is carried out by the Environmental Managers of each CLI site, assisted by other pertinent personnel.

Operational controls and surveillance are defined for significant aspects and impacts.

Water is a precious asset. In addition to environmental liability, we consider that we must use drinking water in a manner that avoids any type of waste, also due to the high cost. For the use of drinking water in washing processes we have included phases for the recovery and reuse of the same water. At the Vicenza plant, for example, two tanks were installed in order to optimise the reuse of the water for multiple washes.

Water sources - m³	2020		2019	
	< 1000 mg/L	> 1000 mg/L	< 1000 mg/L	> 1000 mg/L
Surface water	34,647	0	41,265	0
Groundwater	2,779,903	0	3,231,120	0
Public waterworks or water supplied by water companies	367,771	96,535	36,361	2,185
Total water consumed	3,182,321	96,535	3,308,746	2,185

The data in the table above have been reclassified with respect to the 2019 NFS in order to meet the requirements of the new indicator 303-3.

In 2020, thanks to the Group's careful management of water resources and wells used in its production processes, no sanctions were received as a result of environmental damage in areas adjacent to the production plants, such as due to runoff or pollution of aquifers.

Net of the change to the scope of consolidation, it should be noted that 2020 marked a production growth for the Group, with the consequent need to use more water.

Although Newlat Group plants are connected to the public sewerage system, most of the wastewater resulting from the production process is discharged in ways other than discharge into the sewerage system.

The difference in treatment is due in particular to the different management of the various plants and to the difference in the processing activities performed at each of them.

The plants make use of the integrated water service provided in the area they operate in. In addition, some plants have access to special treatment systems, which perform initial water treatment prior to discharge into the public sewer.

At the Florence branch of Centrale del Latte d'Italia waste water is sent to a chemical-physical purification plant before being released into the public sewerage system. Its main task is to improve the quality of the discharge with a significant reduction in the concentrations of the pollution parameters. At the Rapallo plant, on the other hand, periodic self-checks are performed on wastewater discharged into the public sewerage to verify compliance with the authorisation parameters in addition to those envisaged by the body (minimum 3 per year).

In Vicenza, on the other hand, in the Centrale del Latte d'Italia plant, industrial water (process water and washing water) is treated in a biological purification plant with activated sludge, which is eventually disposed of as hazardous waste with the corresponding CER code. Rainwater is discharged into the Roggia Caveggiara river, which passes along the plant's southern perimeter. To demonstrate that the sewerage treatment plant is properly controlled and operated, wastewater is tested on a quarterly basis.

With reference to the division of water withdrawal between fresh water (≤1,000 mg/l of total dissolved solids) and other types of water (>1,000 mg/l of total dissolved solids), the Group monitors and analyses water from both surface water and groundwater sources, carried out by third party analytical laboratories.

The Group, in compliance with national regulatory standards for the food industry, uses fresh potable water. Therefore, the withdrawals shown in the table refer only to water with ≤1,000 mg/l of total dissolved solids.

Withdrawals from areas with water stress are not available. The Group will endeavour to report these data in the coming years.

5.1.2.4 Waste by type and disposal method

[GRI 306-2]

Newlat Group's commitment is aimed in two directions: on the one hand, to reduce the amount of waste produced and, on the other hand, to increase waste recycling. The aim is to optimise the recovery of waste produced.

Specifically, waste derives mainly from production activities or from those relating to administrative or office areas. Waste management is based on specific procedures, developed through experience, in accordance with legal provisions.

In addition, transport and end disposal are strictly controlled and monitored by specialist companies with the necessary authorisations. In fact, the waste produced by the Group is handled by companies who, according to current regulations, are authorised to carry out collection and disposal activities.

Over time, the Group has implemented a system of continuous and timely monitoring through the use of internal reports.

Waste - Tonnes	Hazardous	Non-Hazardous	2020 Total
Incinerator	1	13	14
Landfill	13	180	193
Recycling	21	6,088	6,110
Treatment plant	19	1122	1141
Total	**54**	**7,403**	**7,458**

5.2 Social aspects

Newlat Group aims to ensure both a high quality level of its products and the containment of related costs within certain levels of competitiveness.

For this reason, the Group itself has defined specific procedures and controls that involve the entire supply chain: from the supply of raw materials to the distribution of finished products.

To this end, the Group undertakes to require its suppliers and external contractors to comply with the principles of conduct adopted by the Group itself. For this reason, each supplier, business partner or external contractor is notified of the existence of the Code of Ethics, the Organisational Model pursuant to Italian Legislative Decree 231/01, the Code of Conduct and the regulatory principles adopted by Newlat Group.

In selecting its suppliers, the Group takes into account certain elements, including:

- professionalism and experience;
- value for money that can meet the high standards that the Group undertakes to maintain;
- project capabilities and resources.

The Group has achieved an adequate awareness of both direct and indirect risks related to serious damage which its activities (together with that of the various players involved) may entail.

The Group, aware of these risks, which are reported in the "Policies and Risks" section, strives to mitigate them through monitoring procedures, some mandatory according to the reference standards, others implemented by the management systems as a result of the certifications that the Group has obtained over time.

5.2.1 Responsibilities in the supply chain

5.2.1.1 Supply chain

[GRI 102-9]

The Group has always wanted to be synonymous with quality and food safety, characteristics guaranteed by the selection of the most appropriate raw materials and by the checks carried out on the product during all phases of the production cycle.

To maintain this line of action, the Group is committed to certifying the quality and provenance of its products. For this reason, together with the reasons required by the specific nature of the business, it is established practice to use suppliers operating in Italy or in any case in the European context.

Centrale del Latte d'Italia, recently acquired by Newlat Food, has the quality and respect of food safety as its main objective when selecting suppliers. For this reason, each plant has implemented dairy raw material supply chain projects that guarantee traceability and a high product quality. With regard to the supply of commercialised products or packaging, only suppliers that have current certifications able to guarantee the appropriate quality level are chosen. For each new supplier of raw materials, packaging or commercialised products, an internal audit is performed by the Quality Assurance office to verify compliance with procedures that guarantee compliance with the required quality and safety standards. Audits are performed cyclically based on the importance or strategic nature of the supplier in order to ensure that quality is maintained over time. Where possible, local suppliers offering similar quality are given priority. In the case of the raw material milk, this aspect, together with the creation of a supply chain, represents a competitive advantage for CLI compared to its main competitors.

In order to make its products, CLI uses suppliers that guarantee the achievement of the business and sustainable development objectives outlined in this document. In particular, more closely linked to the production chain, the Group wants high quality standards to be guaranteed for its products, optimising the cost of raw materials, in order to maintain a competitive advantage at the level of quality and overall service offered to the customer.

For this reason, CLI aims to develop long-term partnerships and collaborations. In this way, the Group wants to establish virtuous supply circles, oriented towards trust and future growth, favouring a short supply chain.

Suppliers Geographical Area	2020		2019		2018	
	Number	%	Number	%	Number	%
Italy	4,379	94%	1,240	81%	1,186	90%
Rest of Europe	271	6%	283	19%	128	10%
Total	**4,650**	**100%**	**1,523**	**100%**	**1,313**	**100%**

The following table shows the nature of the Group's production. In fact, most of the purchases are linked to the supply of goods rather than services.

Suppliers - expenditure (million) Type of Supply	2020		2019		2018	
	€	%	€	%	€	%
Goods	274	74%	74%	79%	132	132
Services	98	26%	26%	21%	30	30
Total	**372**	**100%**	**100%**	**100%**	**162**	**162**

The increase in the number of suppliers is directly linked to the change in the scope of consolidation. Net of this change, there are no significant changes in the supply chain of goods and services in the periods under analysis.

5.2.1.2 Proportion of spending on local suppliers
[GRI 204-1]

As mentioned, due to the nature of the business and practices, the Group prefers purchasing from suppliers operating in Italy or in any case in the European context. The high quality standards that the Group wants to guarantee to its customers are achieved by sourcing more than 80% from Italian suppliers. In addition, considering the high rate of deterioration of some raw materials, the Group needs to implement its production processes close to suppliers. For this reason, most suppliers of raw materials operate in Italy.

The table shows the share of the total Group purchases made in Italy by Newlat Food S.p.A. and Centrale del latte d'Italia S.p.A. and in Germany by Newlat GmbH, respectively. The subsequent tables represent the share of purchases made by the three group companies in their respective countries of operation.

	2020		2019		2018	
Suppliers - expenditure (million)	mln €	%	mln €	%	mln €	%
Purchase of Group goods and services [7]	372	100%	204	100%	162	100%
*of which purchase of goods/services from **Italy***	299	80%	135	66%	136	84%
*of which purchase of goods/services from **Germany***	32	9%	37	18%	-	-
*of which purchase of goods/services from **other Countries***	41	11%	32	16%	26	16%

	2020		2019		2018	
Suppliers - expenditure (million)	mln €	%	mln €	%	mln €	%
Purchase of goods and services [8] by Newlat Food S.p.A. and Centrale del Latte d'Italia	323	100%	161	100%	162	100%
of which purchase of goods and services from ***Italy***	299	92%	135	84%	136	84%

	2020		2019	
Suppliers - expenditure (million)	mln €	%	mln €	%
Purchase of goods and services by Newlat GmbH	49	100%	43	100%
*of which purchase of goods/services from **Germany***	32	66%	37	86%

Local suppliers for Germany were assessed on the basis of origin, and therefore all suppliers with their headquarters in Germany were considered to be local suppliers.

Likewise, all those based in Italy are considered local suppliers for Italy.

[7] The data refer only to the categories of suppliers indicated in the previous paragraph (5.2.1 – Responsibilities in the Supply Chain).
[8] *Ibid*

5.2.2 Product quality and consumer safety

5.2.2.1 Incidents of non-compliance concerning the health and safety impacts of products and services
[GRI 416-2]

The Group has always been very vigilant regarding incidents involving the non-compliance with regulations and self-regulation codes concerning the health and safety impacts of products and services.

In 2020 the number of accidents occurred was also limited, since for the entire group there were only two accidents, one in the Florence plant and one in Vicenza. In 2019, on the other hand, there were five incidents of non-compliance concerning the health and safety impacts on the product categories offered: two at the Salerno plant and three at the German plant. Specifically, these refer to incidents of non-compliance with regulations involving a recall.

In the last three years no sanctions have been imposed on the Group in this regard.

The Group is constantly committed to the adaptation and improvement of all tools and protocols to always ensure high standards and compliance with current regulations. Appropriate measures have been taken as a result of the incidents to prevent similar situations from occurring in the future.

The data were reported on the basis of the findings indicated in the Register of Non-Conformities, kept at the plants, as recommended by the ISO 9001:2015 standard.

5.2.3 Social development

5.2.3.1 Operations with local community engagement, impact assessments, and development programmes
[GRI 413-1]

The Group is committed to the development of the areas it operates in and all the areas surrounding its plants, especially with regard to Italy. The commitment to social development has been divided into numerous activities in different areas of action. In particular, charitable activities have been carried out at charity and sporting events, and other activities have been carried out with a view to safeguarding the areas in which the Group carries out its production activities.

A number of initiatives have been promoted to stimulate the growth of the local area and economic development, both directly and indirectly, and plants try to recruit new staff from local communities.

Since February 2020, Newlat Food SpA has applied all the measures envisaged for combating and limiting the spread of the pandemic, in particular the "Shared protocol for regulating measures for combating and limiting the spread of the Covid-19 virus in the workplace" signed on 14 March 2020 and supplemented on 24 April 2020. More specifically, Committees for the application and verification of the rules of the protocol were established with the participation of the company's union representatives and the RLS, and the Company cooperated with local health authorities in order to adopt shared measures to combat the pandemic.

Partnerships with schools, higher education institutions and universities have been set up in some locations.

In compliance with the aforementioned rules, the Company has also organised visits and meetings with students, internships and scientific research partnerships.

5.2.3.2 New suppliers that were screened using environmental and social criteria
[GRI 308-1] [GRI 414-1]

Newlat Food S.p.A. has not yet implemented a structured supplier selection process and, for now, the choice is mainly based on:

- possession of certain technical criteria,
- compliance with food requirements,
- financial-logistical reasons.

During 2020 some suppliers were selected according to environmental criteria for Centrale del Latte d'Italia S.p.A. and Newlat GmbH, and some suppliers were selected according to social criteria for Centrale del Latte d'Italia S.p.A., at the moment still in a small number compared to the entire Group's supply chain.

Over the next three years, the Group will consider investing time in structuring and standardising a formalised process for the selection of suppliers that, in addition to the above parameters, also takes into account social and environmental criteria.

5.3 Personnel aspects

Newlat Group is aware that its strengths include Human Capital, made up of all Group employees and collaborators. Aware of the strategic importance of people, the Group is therefore committed to stimulating the development of its employees, including engaging them in the "corporate spirit".

Care, protection and development are parameters underlying the growth of Newlat Group. In the Code of Ethics, the Group recognises the central role of human resources, considering the professional contribution of people, offered within a framework of loyalty and mutual trust, an important success factor.

For these reasons, the Group pays particular attention from the initial stages of recruitment and, subsequently, in the career development phases of its staff. In particular, the Group focuses on finding the best match between the profiles required by the position and the candidates proposed during recruitment.

Furthermore, in the course of career development, especially for managers, considerations are made on the basis of the work carried out by existing personnel, although communication of these assessments does not always take place in a direct and formalised way, there not being a structured process in this area.

As a further aspect, the Group is committed to ensuring the growth of its staff, organising the training courses considered necessary for this purpose and encouraging staff at all levels to participate.

Attention is also paid to safeguarding and protecting the health and safety of its staff in the workplace. For this reason, the continuous monitoring and updating of the controls for these issues is carried out for each plant. The purpose is to ensure, among other aspects, full compliance with the law, the certifications obtained by the Group and the regulatory principles adopted by the latter.

Based on the data below, it can be seen that the Group seeks to provide fair treatment to workers, without gender discrimination, aimed at promoting the professional growth of employees, based on the specific skills of the individual, professional profile, technical skills and aptitudes.

The Group aims to comply with legal standards and provisions on rights and the protection of diversity, and industrial relations and trade union relations are based on compliance with the provisions of laws and contracts.

5.3.1 Protecting human resources against COVID-19

Following the situation that emerged at the start of 2020 and the impact that the spread of SARS-CoV-2 has had and is still having on a global scale, the Group implemented certain measures to protect its resources.

In particular, the measures implemented by the parties responsible for ensuring the health and safety of workers include the following aspects:

- Timely updating of the Risk Assessment document in order to add the assessment of the risks associated with the evolution of the Covid-19 pandemic;
- Initial limitation of travel to the "Red" zones (Lodi and Corte dei Frati) and subsequent prohibition following the issue of subsequent decrees.
- Communication to all personnel of good hygiene practices and the guidelines to be followed in the case of contact with people infected by SARS-CoV-2;
- Implementation of protocols for interaction with external parties (e.g. carriers, couriers, etc.) authorised to access the Group's facilities, to ensure business continuity;
- Restriction of access in order to maintain safety distances in enclosed spaces and shared areas such as toilets and canteens;
- Activation of organisational protocols such as access to smart working, where possible, and alternating holidays.

It should be noted, however, that the abovementioned measures are currently those considered to be the minimum and principal measures. They are, however, constantly being updated. The executive bodies responsible for employee health and safety are aimed at the continuous monitoring of the evolution of events, in order to implement the responses considered most appropriate to the management of the crisis situation.

Furthermore, in an attempt to mitigate any problems created by COVID-19, Centrale del Latte d'Italia has taken out an insurance policy benefiting any employees who may be infected by the virus and for whom hospital admission was necessary.

Moreover, applying the National Collective Bargaining Agreement, the Group makes available to staff enrolment in the FASA fund, which, in partnership with Unisalute, provides various health services free of charge and/or at low prices for the worker, including annual or bi-annual check-ups depending on the worker's age.

5.3.2 Human Resources Development

5.3.2.1 Information on employees and other workers
[GRI 102-8]

The Group's workforce varied significantly in the three-year period 2018-2020 due to the acquisitions made during the years covered by the report. Specifically, there is an increase in both permanent and fixed-term contracts.

Employees Contract type	2020 Men	2020 Women	2020 Total	2019 Men	2019 Women	2019 Total	2018 Men	2018 Women	2018 Total
Permanent	1,040	342	1,382	767	254	1,021	628	224	852
Fixed-term	106	17	123	66	9	75	37	1	38
Total	1,146	359	1,505	833	263	1,096	665	225	890

Employees Type of Contract FT/PT	2020 Men	2020 Women	2020 Total	2019 Men	2019 Women	2019 Total	2018 Men	2018 Women	2018 Total
Full - Time	1,122	300	1,422	812	226	1,038	642	196	838
Part-time	24	59	83	21	37	58	23	29	52
Total	1,146	359	1,505	833	263	1,096	665	225	890

Employees Geographical Area	2020 Men	2020 Women	2020 Total	2019 Men	2019 Women	2019 Total	2018 Men	2018 Women	2018 Total
Italy	1,037	329	1,366	729	233	962	665	225	890
Germany	109	30	139	104	30	134	_	_	_
Total	1,146	359	1,505	833	263	1.096	665	225	890

The Group's activities are growing year on year, and likewise, full-time contracts have also increased from 1038 units to 1422, while part-time contracts remain more or less stable.

Some of the variations between the figures for personnel between 2019 and 2020 can also be explained by the change to the scope of consolidation. Indeed, the scope of consolidation of the Italian company changed in 2020 following the acquisition of Centrale del Latte d'Italia S.p.A.

5.3.2.2 Collective Bargaining Agreements

[GRI 102-41]

The Group pays attention to the protection of its employees and is committed to strictly complying with the regulations in force.

As can be seen from the data contained in the table below and referring to Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A., 100% of employees in the three-year period 2018-2020 are covered by contracts regulated by collective agreements (hereinafter also referred to as "CBA").

As regards Newlat GmbH Deutschland, however, it is clear that not all employees are covered by such agreements.

Furthermore, the distinction indicated in the table between "Food Industry" CBA and "Industry Executives" CBA applies only to Italy.

Staff are contractually divided between those covered by contracts referring to national collective bargaining agreements for the food industry and those covered by the contract for industry executives.

Employees - Newlat Food and CLI % ACC	2020 Food Industry CBA	2020 Industry Executives CBA	2020 Total	2019 Food Industry CBA	2019 Industry Executives CBA	2019 Total	2018 Food Industry CBA	2018 Industry Executives CBA	2018 Total
Number of employees	1,342	24	1,366	954	8	962	882	8	890
No. of Emp. covered by CBA	1,342	24	1,366	954	8	962	882	8	890
% Emp. covered by CBA	100%	100 %	100%	100%	100%	100%	100%	100%	100%

Employees – Newlat GmbH	2020	2019
Number of employees	139	134
No. of Emp. covered by CBA	125	119
% Emp. covered by CBA	**90%**	**89%**

5.3.2.3 New employee hires and employee turnover

[GRI 401-1]

The tables below show the data regarding resignations and recruitment during the three-year period 2018-2020.

The relationship between new hires and turnover is stable, demonstrating that there have been no major changes to the workforce, above all net of the considerations to be made with specific reference to the change to the scope of consolidation.

In particular, it can be seen that the turnover and recruitment process is decreasing the average age of the workforce. In fact, for almost every employee over 50 who resigned, a young person under 30 was hired. The staff renewal process is one of the pillars for growth and the maintenance of competitive advantage. This process is ongoing and an attempt is being made to maintain the right balance between experience and innovation, thus ensuring that new resources can join the workforce.

Employees - Group New hires	2020 Men	2020 Women	2020 Total	2019 Men	2019 Women	2019 Total	2018 Men	2018 Women	2018 Total
<30	53	7	60	40	11	51	21	4	25
30-50	31	9	40	22	7	29	6	1	7
>50	6	0	6	5	-	5	1	-	1
Total	**90**	**16**	**106**	**67**	**18**	**85**	**28**	**5**	**33**

Employees - Group Employee turnover	2020 Men	2020 Women	2020 Total	2019 Men	2019 Women	2019 Total	2018 Men	2018 Women	2018 Total
<30	15	6	21	12	3	15	5	4	9
30-50	16	8	24	9	6	15	8	5	13
>50	52	12	64	47	7	54	13	2	15
Total	**83**	**26**	**109**	**68**	**16**	**84**	**26**	**11**	**37**

5.3.2.4 Average hours of training per year per employee

[GRI 404-1]

The Group also places importance on the training of its employees, guaranteeing a continuous training process starting from recruitment.

The hours of training provided relate to both occupational health and safety courses and technical training, aimed at maintaining as well as expanding the know-how gained over time by the Group, thus guaranteeing the desired professional growth standards.

Employees - Group	2020			2019			2018		
Average hours of training	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	4	3	3	3	8	4	4	6	5
Managers+Office personnel	2	3	3	6	5	6	12	11	10
Manual workers+Technical managers	13	5	12	23	8	20	21	9	18
Total	**11**	**4**	**9**	**19**	**7**	**17**	**19**	**8**	**16**

The training hours of the years 2018 and 2019 were recalculated as an average per capita compared to the document published for the year 2019, in which they were presented as an overall figure.

During the three-year period there was a reduction in the hours spent on staff training.

The effect is always to be considered net of changes to the scope of consolidation.

5.3.2.5 Percentage of employees receiving regular performance and career development reviews

[GRI 404-3]

To date, the Group has not adopted a structured staff appraisal process for the Italian business. However, appropriate career development and professional growth programmes are guaranteed to staff. These aspects are achieved through the recognition of the skills and abilities of staff.

The data relating to Newlat GmbH Deutschland only are reported below.

Employees - Group % of employees who were included in the performance appraisal programme	2020		2019	
	Men	Women	Men	Women
Executives	100%	100%	100%	100%
Managers+Office personnel	25%	24%	42%	-
Manual workers+Technical managers	0%	0%	1%	-

5.3.2.6 Diversity of governance bodies and employees

[GRI 405-1]

The Group considers the Board of Directors as its governance body, the composition of which is shown in the table below.

Group 2020	< 30		30 - 50		> 50		
Diversity of Governance Bodies - BoD	Men	Women	Men	Women	Men	Women	Total
Members of Governance Bodies	-	1	2	1	2	1	7
% Members of Governance Bodies by age group	-	100%	66%	33%	66%	33%	-
% Members of Governance Bodies of the Total	-	14%	29%	14%	29%	14%	-

Group 2019	< 30		30 - 50		> 50		
Diversity of Governance Bodies - BoD	Men	Women	Men	Women	Men	Women	Total
Members of Governance Bodies	-	1	2	1	2	1	7
% Members of Governance Bodies by age group	-	100%	67%	33%	67%	33%	100%
% Members of Governance Bodies of the Total	-	13%	25%	13%	25%	13%	100%

Group 2019	< 30		30 - 50		> 50		
Diversity of Governance Bodies - BoD	Men	Women	Men	Women	Men	Women	Total
Members of Governance Bodies	1	1	1	-	2	-	5
% Members of Governance Bodies by age group	50%	50%	100%	-	100%	-	100%
% Members of Governance Bodies of the Total	20%	20%	20%	-	40%	-	100%

The composition of employees shows that there is a process of generational turnaround between workers who are now close to retirement and younger workers. As previously indicated, this process is of particular interest for the future growth of the Group.

Group Employees 2020	< 30		30 - 50		> 50		Total	Total
Employee diversity	Men	Women	Men	Women	Men	Women	n.	%
Executives	-	-	9	1	18	2	30	2%
Managers+Office personnel	6	22	74	89	166	74	431	28%
Manual workers+Technical managers	112	2	404	103	356	67	1044	70%
Total	**118**	**24**	**487**	**193**	**540**	**143**	**1505**	**100%**
% by age group	**83%**	**17%**	**72%**	**28%**	**79%**	**21%**		
% of Total	**8%**	**2%**	**32%**	**13%**	**36%**	**9%**		

Group Employees 2019	< 30		30 - 50		> 50		Total	Total
Employee diversity	Men	Women	Men	Women	Men	Women	n.	%
Executives	-	-	5	1	7	2	15	1%
Managers+Office personnel	2	10	54	45	93	40	244	22%
Manual workers+Technical managers	56	9	363	113	253	43	837	77%
Total	**58**	**19**	**422**	**159**	**353**	**85**	**1096**	**100%**
% by age group	**75%**	**25%**	**73%**	**27%**	**81%**	**19%**		
% of Total	**5%**	**2%**	**39%**	**15%**	**32%**	**8%**		

Group Employees 2018	< 30		30 - 50		> 50		Total	Total
Employee diversity	Men	Women	Men	Women	Men	Women	n.	%
Executives	1	-	2	-	4	1	8	1%
Managers+Office personnel	-	-	45	34	66	-	173	19%
Manual workers+Technical managers	40	-	335	117	171	46	709	80%
Total	**41**	**3**	**382**	**151**	**241**	**72**	**890**	**100%**
% by age group	**93%**	**7%**	**72%**	**28%**	**77%**	**23%**		
% of Total	**4%**	**0%**	**37%**	**15%**	**23%**	**7%**		

CLI S.p.A. employees 2020	< 30		30 - 50		> 50		Total	Total
Employee diversity	Men	Women	Men	Women	Men	Women	n.	%
Executives	0	-	2	0	13	1	16	4%
Managers+Office personnel	3	10	31	50	69	32	195	50%
Manual workers+Technical managers	17	0	76	3	80	3	179	46%
Total	**20**	**10**	**109**	**53**	**162**	**36**	**390**	**100%**
% by age group	**67%**	**33%**	**67%**	**33%**	**81%**	**19%**		
% of Total	**5%**	**3%**	**28%**	**13%**	**42%**	**9%**		

Newlat Food S.p.A. Employees 2020	< 30		30 - 50		> 50		Total	Total
Employee diversity	Men	Women	Men	Women	Men	Women	n.	%
Executives	0	0	5	0	3	0	8	1%
Managers+Office personnel	2	8	37	29	80	39	195	19%
Manual workers+Technical managers	89	2	303	96	226	57	773	80%
Total	**91**	**10**	**345**	**125**	**309**	**96**	**976**	**100%**
% by age group	**90%**	**19%**	**73%**	**27%**	**76%**	**24%**		
% of Total	**10%**	**1%**	**35%**	**12%**	**32%**	**10%**		

Newlat Food S.p.A. Employees 2019	< 30		30 - 50		> 50		Total	Total
Employee diversity	Men	Women	Men	Women	Men	Women	n.	%
Executives	0	0	3	0	4	1	8	1%
Managers+Office personnel	0	7	48	34	79	33	201	21%
Manual workers+Technical managers	56	9	337	109	202	40	753	78%
Total	**56**	**16**	**388**	**143**	**285**	**74**	**962**	**100%**
% by age group	**78%**	**22%**	**73%**	**27%**	**79%**	**21%**		
% of Total	**6%**	**2%**	**40%**	**15%**	**30%**	**8%**		

Newlat Food S.p.A. Employees 2018	< 30		30 - 50		> 50		Total	Total
Employee diversity	Men	Women	Men	Women	Men	Women	n.	%
Executives	1	-	2	-	4	1	8	1%
Managers+Office personnel	0	3	45	34	66	25	173	19%
Manual workers+Technical managers	40	-	335	117	171	46	709	80%
Total	**41**	**3**	**382**	**151**	**241**	**72**	**890**	**100%**
% by age group	**93%**	**7%**	**72%**	**28%**	**77%**	**23%**		
% of Total	**4%**	**0%**	**37%**	**15%**	**23%**	**7%**		

5.3.2.7 Women to men ratio of basic salary and remuneration[9]

[GRI 405-2]

For comparison purposes, the figure was considered in percentage terms and not in absolute terms.

As can be seen from the trend, there has been a gradual adjustment between the remuneration paid to both genders, especially with regard to manual workers who in 2019 reached a ratio of 1 to 1, and in 2020 exceeded it.

In any case, the pay gap is narrowing, including with reference to managers and office personnel in 2020.

Women's Basic Salary/Men's Basic Salary – Newlat Food S.p.A.	2020	2019	2018
Executives	-	84%	88%
Managers+Office personnel	91%	85%	94%
Manual workers+Technical managers	101%	100%	98%

Women's Basic Salary/Men's Basic Salary – CLI S.p.A.	2020
Executives	87%
Managers+Office personnel	85%
Manual workers+Technical managers	94%

Women's Remuneration/Men's Remuneration – Newlat GmbH DE	2020	2019
Executives	91%	77%
Managers+Office personnel	113%	80%
Manual workers+Technical managers	93%	72%

[9] The Salary percentage was obtained based on December's compensation, neutralising the part-time effect. To this end, the salary of part-time workers was treated in the same way as the salary of full-time workers.

5.3.3 Occupational health and safety

5.3.3.1 Work-related injuries

[GRI 403-1]; [GRI 403-2]; [GRI 403-3]; [GRI 403-4]; [GRI 403-5]; [GRI 403-6]; [GRI 403-7]; [GRI 403-8]; [GRI 403-9]; [GRI 403-10]

Health and safety in the workplace is a subject treated with particular care, sensitivity and attention by the Group, which aims to ensure a safe workplace for all employees or third parties who have to operate within the Group's premises.

The assessment of risks to the health and safety of workers is the first and most important obligation to be fulfilled by the employer to arrive at an in-depth knowledge of any type of risk present in their company. This step is preliminary to the phase of identifying the prevention and protection measures and planning them.

The main purpose of this assessment is not to verify the application of the law, but rather to search for all those residual risks that remain in place despite the application of the specific regulations. These are so-called "residual" risks related, for example, to people's behaviour or unpredictability, and therefore to the unpredictability of injurious events. Each risk has been assessed taking into account the extent of the potential damage. We opted to perform a mixed assessment, where the use of checklists was accompanied by the experience, technical maturity and specialisation of the technicians of the Prevention and Protection Service or any external organisations appointed to draft the Risk Assessment Documents (RAD).

The Group regularly monitors all accidents occurring in the workplace or while commuting. The personnel office, together with the HSO and the persons specifically delegated to deal with health and safety issues, continuously work to ensure the compliance of the plants with current regulations and the standards required by the certifications obtained.

All Newlat Food Group plants have operating instructions that are implemented on the basis of the risks present. There is a company Prevention and Protection Service that deals with risk assessment, implementation of procedures, operating instructions, corrective actions and anything else necessary for risk reduction.

The plants have implemented a system for reporting all situations at risk, near misses, first aid or accidents. Situations at risk are reported and managed in cooperation with the Prevention and Protection Service, which is responsible for reporting anomalous situations to the Employer. They are then analysed and managed to avoid risks to the worker.

In response to accident or incident reports, the Prevention Service carries out an investigation to identify any risk factors that may arise from these reports, and also determines whether or not it is necessary to update the RAD.

There is also a system for reporting risks with the opening of any corrective actions. If necessary, a specific investigation is carried out to identify the issues and find the best solution to solve the problem.

The participation and consultation of workers is carried out in accordance with current legislation. Regular meetings are held with Workers' Safety Representatives and often directly with department managers or the workers themselves. Workers are requested to report any risky situations for proactive cooperation between different business sectors.

Safety training is held as defined by current regulations, and both generic and specific training sessions are held. Internal courses held by the Prevention and Protection Service are also organised, if necessary.

During the last half of 2020, the plants in Florence and Vicenza made the transition from the management system certified according to the OHSAS 18001 standard to the ISO 45001:2018 standard. The Turin and Rapallo plants, while not yet certified, are implementing the organisational model on safety management suitable for adaptation through certification to the ISO 45001:2018 standard. All Centrale del Latte d'Italia sites comply with Italian Legislative Decree 81/08.

In 2020, Management further strengthened this concept by targeting CLI's plants with a complete integration of the safety system with the production system and with the full coverage of all employees and staff of external companies operating within the company areas.

Also for CLI plants there is a Safety Committee composed of the legally required figures (Employer, Company Physician, RSPP and RLS) together with managers and the head of the quality system. This Committee meets quarterly and assesses all safety issues that arose during the previous quarter. The presence and point of view of the RLS is a fundamental element for the proper operation of the Committee.

For the Group, the provision of training during 2020 suffered significantly due to the presence of COVID-19, which has effectively prevented the organisation of training courses throughout the first part of the year.

For CLI, one aspect to consider is the corporate situation of the companies that have merged into Centrale del Latte d'Italia. In fact, until that date Turin, Rapallo, Florence and Vicenza were autonomous units that managed their training independently, while obviously referring in any case to the legal regulations pertaining to staff training. From the moment of the merger and therefore of the creation of a single corporate entity, even if structured across several operational sites, Management gave instructions to start a process of standardising occupational safety management processes for the entire company, and therefore the development of a single training plan for all personnel of all company sites.
It is plausible that this process will require two years to be fully implemented.

Training has always been provided during paid working hours, with the obligation of participation by the personnel concerned.

Newlat Food S.p.A. plants adopt the requirements of the SMETA certification.

Employees	2020	2019	2018
Number of deaths as a result of work-related injuries	-	-	-
Number of serious work-related injuries	-	-	-
Number of recordable work-related injuries	26	37	17
while commuting	*0*		
in the workplace	*26*		
Number of hours worked	2,202,515.60	1,404,134.50	890,871.50
Death rate as a result of work-related injuries	-	-	-
Rate of high-consequence work-related injuries	-	-	-
Rate of recordable work-related injuries	2.36%	7.49%	3.82%

With reference to non-employees of the Group but still under the control of the organisation, a system for monitoring hours has not yet been established. Such workers mainly correspond to: cleaning, porterage and concierge staff or any workers belonging to external companies. There are also some agency workers in some of the plants.

The data derive from the extraction of the final data from the information system used for payroll processing.

The calculation of the rates took place considering a base of 200,000 hours worked.

At the moment, there are no data available regarding any accidents related to persons under the control of the organisation, but who are not directly employed. The Group will endeavour to report this information.

5.4 Respect for human rights

5.4.1 Respect for human rights

5.4.1.1 Incidents of discrimination and corrective actions taken

[GRI 406-1]

In order to identify any cases of discrimination, the Group has appointed the task of carrying out specific audits to the control bodies involved in ensuring compliance with the adaptation of its model to specific reference regulations for these areas (i.e. Organisational Model as per Italian Legislative Decree 231/01, Law 262/05) the task of performing specific audits.

In relation to the Organisational Model pursuant to Italian Legislative Decree 231/01, mechanisms have been adopted for reporting to the control bodies (Supervisory Board), which then takes charge of any complaints.

Following the activities carried out by the Supervisory Board for 2020 and following the investigations carried out by the company departments involved, it was found that there were no incidents.

Since there were no incidents of discrimination during the reference period, no corrective actions were necessary.

5.4.1.2 Operations that have been subject to human rights reviews or impact assessments

[GRI 412-1]

The Group does not carry out operations that have been subject to human rights reviews or impact assessments that its activities generate in respect for and protection of human rights.

However, the commitment to observe the principles contained in the following documents remains:

- Universal Declaration of Human Rights;
- National and International Reference Laws;
- Group Code of Ethics.

With regard to the activities and operations carried out by its suppliers, at the time of signing any agreements or contracts, the Group communicates and circulates its Organisational Model pursuant to Legislative Decree no. 231/01 and its Code of Ethics to them.

As mentioned in these documents, they contain the principles and regulations that the Group intends to apply to the protection of human rights. The contracts that the Group enters into with its suppliers also require compliance with the principle of fairness and good faith imposed by law.

5.5 Fighting active and passive corruption

5.5.1 Ethics and Anti-Corruption

The Group agrees to maintain ethical behaviour towards its stakeholders through the dissemination of its Code of Ethics.

The Code of Ethics includes, among other things, the Mission, ethical principles and rules of conduct, which, with specific reference to the fight against corruption, call for correct and transparent conduct, which includes aspects such as acting in the interest of the Group, always bringing the existence of potential conflicts of interest to the attention of management figures, and avoiding potential corruption. For this purpose, it is specified that corruption means, for example, promising, receiving or accepting money, gifts or other kinds of compensation in a personal capacity from third parties.

The Group is also committed to ensuring maximum transparency and traceability of all transactions and activities.

Each employee must act with the aim of protecting the Group's value (meaning the set of reference stakeholders) and contribute to the performance of the internal control system, in compliance with the law and company regulations.

Each employee of the Group must ensure that decisions taken during the course of their activities are taken in the interests of the Group, in order to avoid potentially dangerous situations concerning anti-corruption issues, such as acts of business courtesy – gifts – or unjustified forms of hospitality, and that occur in breach of internal company regulations and procedures.

All these measures are contained in the Code of Ethics and the Organisational Model pursuant to Legislative Decree 231/01, which was updated during the 2019 reporting year.

The Group constantly seeks to improve its transparency in order to improve the effectiveness of the fight against corruption, including through compliance with the regulations and procedures required for issuers listed on the STAR segment of the Italian Stock Exchange. By adopting this Code on a voluntary basis, the Group is working towards improving its Corporate Governance mechanisms for greater transparency. Likewise, in 2019 the Group appointed an Officer in Charge as required by Law 262/2005 to further strengthen its systems to protect the interests of the Group and all its Stakeholders.

Following the merger of Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A., each with its own code of ethics, in 2021 it will be necessary to harmonise the documents in order to have a single group policy.

5.5.5.1 Communication and training about anti-corruption policies and procedures

[GRI 205-2]

The Code of Ethics and governance models are currently being updated, mainly due to the succession of acquisitions and extraordinary transactions that occurred in 2020. These changes have meant that members of the governance bodies have been provided with a communication of the anti-corruption procedures and policies adopted, but that no real training has yet been provided in this area. Following its listing on the STAR segment of the Italian Stock Exchange, the Group has established adequate control bodies and verification mechanisms for anti-corruption issues.

Employees have been informed of the anti-corruption procedures and policies implemented by the Group, however specific training designed to disseminate knowledge of this aspect has not yet been provided.

5.5.1.2 Confirmed incidents of corruption and actions taken

[GRI 205-3]

Note that, following the verifications and investigations carried out by the bodies designated to monitor compliance with the law as well as internal company procedures, it is concluded that there were no confirmed corruption incidents during the reference period. Again, therefore, no corrective actions were taken.

6. Table of Correlation with Legislative Decree 254/16

Legislative Decree 254/2016 topic	Material topic	Reference Chapter	Standard-Specific Topic GRI STANDARD 2016		Reporting Scope 2019	Notes
Environmental	**Energy Efficiency**	*Chapter 4 – Implemented Policies, Risks and Management Methods*	302-1	Energy consumption within the organisation	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
		Section 5.1.1 Energy efficiency	302-3	Energy intensity	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
	Reduction of environmental impacts	*Chapter 4 – Implemented Policies, Risks and Management Methods*	301-1	Materials used by weight or volume	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	The data relating to the materials considered refer only to consumables and packaging
		Section 5.1.2 Environmental impacts	303-1 (2018)	Interaction with water as a shared resource	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			303-2 (2018)	Management of water discharge-related impacts	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	The report does not report water withdrawals divided by areas with water stress as the Group does not report this information.
			303-3 (2018)	Water withdrawal by source	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			305-1	Direct GHG emissions (Scope 1)	The scope identified in section 1.1 "Methodological Note" was used.	
			305-2	Indirect GHG emissions from energy consumption (Scope 2))	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			306-2	Waste by type and disposal method	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	

Legislative Decree 254/2016 topic	Material topic	Reference Chapter	Standard-Specific Topic GRI STANDARD 2016		Reporting Scope 2019	Notes
Social	**Responsibilities in the supply chain**	*Chapter 4 – Implemented Policies, Risks and Management Methods* *Section 5.2.1 Responsibilities in the supply chain*	102-9	Supply chain	All Newlat Group companies consolidated in full, as indicated in the Methodological Note. For the plants/ warehouses in Salerno, Lecce and Pozzuoli, data relating to Transport and Finished Products are excluded.	
			204-1	Proportion of spending on local suppliers	All Newlat Group companies consolidated in full, as indicated in the Methodological Note. For the plants/ warehouses in Salerno, Lecce and Pozzuoli, data relating to Transport and finished products are excluded as they are considered not significant.	
			308-1	New suppliers that were screened using environmental criteria	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			414-1	New suppliers that were screened using social criteria	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
	Product quality and consumer safety	*Chapter 4 – Implemented Policies, Risks and Management Methods* *Section 5.2.2 Product quality and consumer safety*	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
	Social development	*Chapter 4 – Implemented Policies, Risks and Management Methods* *Section 5.2.3 Social development*	413-1	Operations with local community engagement, impact assessments, and development programmes	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	

Legislative Decree 254/2016 topic	Material topic	Reference Chapter	Standard-Specific Topic GRI STANDARD 2016		Reporting Scope 2019	Notes
Personnel	**Human Resources Development**	*Chapter 4 – Implemented Policies, Risks and Management Methods* *Section 5.3.2 Human Resources Development*	102-8	Information on employees and other workers	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			102-41	Collective bargaining agreements	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			401-1	New employee hires and employee turnover	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	Turnover data is reported merely as an absolute value.
			404-1	Average hours of training per year per employee	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			404-3	Percentage of employees receiving regular performance and career development reviews	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			405-1	Diversity of governance bodies and employees	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			405-2	Women to men ratio of basic salary and remuneration	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	Since the Group does not have the tools to calculate remuneration and basic salary separately, the report was calculated using: - for the Italian companies: the basic wage; - for the German company: the remuneration.
	Occupational health and safety	*Chapter 4 – Implemented Policies, Risks and Management Methods* *Section 5.3.3 Occupational health and safety*	403-9 (2018)	Type and rates of accidents, occupational diseases, days lost, absentee rate and number of fatal accidents at work	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			403-10 (2018)	Work-related ill health	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	

Legislative Decree 254/2016 topic	Material topic	Reference Chapter	Standard-Specific Topic GRI STANDARD 2016		Reporting Scope 2019	Notes
Respect for Human Rights	**Respect for human rights**	*Chapter 4 – Implemented Policies, Risks and Management Methods* *Section 5.4.1 Respect for human rights*	406-1	Incidents of discrimination and corrective actions taken	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			412-1	Operations that have been subject to human rights reviews or impact assessments	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
Fighting active and passive corruption	**Ethics and anti-corruption**	*Chapter 4 – Implemented Policies, Risks and Management Methods* *Section 5.5.1 Ethics and Anti-Corruption*	205-2	Communication and training about anti-corruption policies and procedures	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			205-3	Confirmed incidents of corruption and actions taken	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
Cross-cutting	**Cross-cutting**	*Chapter 1 - Introduction* *Section 1.3 Tax Management*	207-1	Approach to taxation	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			207-2	Governance, control and risk management	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	
			207-3	Stakeholder engagement and management of tax concerns	All Newlat Group companies consolidated in full, as indicated in the Methodological Note.	

7. Annexes

Annex 1/a: Certifications held by the company Centrale del Latte d'Italia S.p.A. - Plants

Certification	Turin	Rapallo	Florence	Vicenza
Plant export authorisation - South Korea	×		×	
Plant export authorisation - China	×		×	
ORGANIC (EU Reg. 834/2007)	×	×	×	×
BRC			×	×
US FDA Registration				×
FSSC 22000	×	×	×	
Halal	×		×	×
IFS			×	×
UNI EN ISO 14001:2015	×	×	×	×
UNI EN ISO 45001:2018			×	×
Management System Asseveration pursuant to art. 30 of Legislative Decree 81/2008 and subsequent amendments)			×	
UNI EN ISO 22000:2018			×	×
UNI EN ISO 22005:2008	×	×		×
UNI EN ISO 9001:2015 (multisite)	×	×	×	×
NON-GMO (US products only)				In progress for Private Labels
UNI CEI EN ISO/IEC 17025:2018			×	
Registration regional HACCP laboratories list Tuscany region			×	
Vegan				In progress for Private Labels

Annex 1/b: Certifications held by the company Newlat Food S.p.A.

Certificazione	Reggio Emilia	Lodi	Salerno	Ozzano Taro	San Sepolcro	Eboli	Bologna	Cremona	Fara San Martino
Plant export authorisation - South Korea	×	×							
Plant export authorisation - Custom Union		×							
Plant export authorisation - Panama		×							
Plant export authorisation - Brazil	×	×							
Plant export authorisation - China		×							
ORGANIC (EU Reg. 834/2007)	×	×	×	×	×	×		×	×
ORGANIC (JAS – Japanese Agriculture Standard)									×
ORGANIC (IBD - Brazil Standard)									×
BRC		×		×		×			×
BRC (not published)					×			×	
US FDA Registration		×		×	×	×			×
FSSC 22000	×				*				×
IFS	In Progress	×		×		×			×
IFS (not published)					×			×	
UNI EN ISO 14001:2015				×					
UNI EN ISO 22000					**				
UNI EN ISO 22005:2008			×						×
UNI EN ISO 9001:2015 (multisite)	×	×		×	×	×	×	×	×
Kosher		×							×
KOSHER (Pasta factory)					×				
Halal	×	×		×					
NON-GMO (US products only)									×
SMETA			×	×	×	×		×	
UNI CEI EN ISO/IEC 17025:2018				×					
Vegan									×
WOOLWORTHS (Certificate held by "La Molisana")			×		×				
SMETA	×	×							

* In 2021 replacing ISO 22000:2018

** Expiring

Annex 1/c: Certifications held by the company Centrale del Latte d'Italia SpA and Newlat Food SpA - Warehouses

Certification	San Vincenzo	Livorno	Grosseto	Massa	Siena	Elba	Arezzo	San Pietro (Rapallo)	Pozzuoli	Roma	Lecce
BIOLOGICO (reg UE. 834/2007)								×	×	×	×
UNI EN ISO 9001:2015 (multisite)	Est. 2021	Est. 2021	Est. 2021	Est. 2021	Est. 2021	Est. 2021	Est. 2021	×	Est. 2021	Est. 2021	Est. 2021
UNI EN ISO 14001:2015								×			
UNI EN ISO 45001:2018	×	×	×	×	×	×	×				
UNI EN ISO 22000:2018	×	×	×	×	×	×	×				

Independent Auditor's Report

[GRI 102-56: External Assurance]

pwc

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10 of Legislative Decree no. 254/2016 and article 5 of CONSOB Regulation no. 20267 of January 2018

To the Board of Directors of Newlat Food SpA

Pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation no. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Newlat Food SpA (hereinafter also the "Company") and its subsidiaries (the "Newlat Group" or the "Group") for the year ended 31 December 2020, prepared in accordance with article 4 of the Decree and approved by the Board of Directors of the Company on 19 March 2021 (hereinafter, the "NFS").

Responsibilities of the Directors and those charged with governance ("Collegio Sindacale") for the NFS

The Directors of Newlat Food SpA are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "GRI - Global Reporting Initiative Sustainability Reporting Standards", defined in 2016 and subsequent versions (hereinafter, the "GRI Standards"), as indicated at paragraph "Methodological note" of the NFS, identified by them as the reporting standards with reference to the selection of GRI Standards included.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1 of the Decree, considering the activities and characteristics of the Newlat Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated or faced by the Group.

Those charged with governance *("Collegio Sindacale")* of Newlat Food SpA are responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's independence and quality control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – "Assurance engagements other than audits or reviews of historical financial information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board ("IAASB") for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of Company's personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. understanding of the following matters:
   - business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;

4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

   In detail, we held meetings and interviews with the management of Newlat Food SpA and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

   Moreover, for material information, considering the activities and characteristics of the Group:

   - at a group level,
     - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
     - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
   - for the plants located in Firenze and Sansepolcro (AR), which were selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we carried out meetings and interviews, during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Newlat Group for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to a selection of GRI Standards, as described in the paragraph "Methodological note" of the NFS.

Bologna, 26 March 2021

PricewaterhouseCoopers SpA

signed by	*signed by*
Gianni Bendandi (Partner)	Paolo Bersani (Authorised signatory)

"This report has been translated into the English language from the original, which was issued in Italian language, solely for the convenience of international readers. Reference in this report to the non-financial statement refer to the non-financial statement in original Italian and not to any their translation. We have not performed any controls on the non-financial statement translation."

3

Report on corporate governance and ownership structure

pp. 118-173

Report on corporate governance and ownership structure

in accordance with article 123-bis of the TUF (traditional administration and control model)

Issuer: Newlat Food S.p.A.
Website: www.newlat.it
Year to which the Report refers: 2020
Date of approval of the report: 19 March 2021

Glossary

CLI	Centrale del Latte d'Italia S.p.A.
Code/Corporate Governance Code	The Code of Corporate Governance for Listed Companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
Corporate Governance code	The Corporate Governance Code approved by the Corporate Governance Committee (promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria) and published on 31 January 2020.
Civil Code	Italian Civil Code.
Board	The Issuer's Board of Directors.
Issuer/Newlat/ Company	The issuer of transferable securities to which the Report refers.
Financial Year	The 2020 financial year which the Report refers to.
Newlat Group or Group	Jointly the Issuer and the companies directly and/or indirectly controlled by it pursuant to article 2359 of the Italian Civil Code and article 93 of the TUF.
Consob Issuers Regulation	The Regulation issued by Consob with Resolution no. 11971 of 1999 (as subsequently amended) on issuers.
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.
Consolidated Law on Finance/TUF	Legislative Decree no. 58 of 24 February 1998.

1. Issuer profile

Issuer's corporate mission

The Issuer is at the head of the Newlat Group, an important player in the Italian and European agri-food sector, with a strong position in its domestic market and a significant presence in the German market. The Newlat Group is mainly active in the pasta, dairy and baked goods sectors, as well in special products such as health & wellness, gluten free and baby food. The Group's products are marketed through numerous trademarks, many of which are known nationally and internationally.

The Newlat Group has grown over the years thanks to the implementation of organic growth policies, but, above all, thanks to external growth, having perfected over the last 10 years multiple acquisitions from leading national and international counterparties in the agri-food sector.

The Newlat Group currently uses 15 production plants, of which 14 are located in Italy and one in Germany, four more than last year following the acquisition of Centrale del Latte d'Italia S.p.A. and its subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. in April 2020.

The Newlat Group's product range is divided into the following business units: (I) Pasta; (II) Milk Products; (III) Dairy Products; (IV) Bakery Products; (V) Special Products (gluten-free products; low-protein products; and products for infants and children up to 3 years of age); and (VI) Other Products (such as sauces, as well as instant cups, salads and sausages). In addition to products marketed under its own brands, Newlat produces for third parties and for the private label market.

The Newlat Group's mission is to pursue the well-being of the consumer by producing healthy, high-quality products at affordable prices, promoting the best of Italian tradition and leveraging an international production and trade platform.

The Newlat Group's vision is to purvey "Made in Italy" brands that are representative of healthy food and that we have worldwide distribution, and to act as a consolidating player in the agri-food sector. The activity of the Newlat Group also relies on the following reference values: healthy foods and solid business.

On 29 October 2019 (the **"Trading Start Date"**), the Issuer was admitted to trading on the STAR segment of the MTA with the ticker symbol NWL.

On 30 March 2020, Newlat Group S.A., the parent company of Newlat Food S.p.A., entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as the sellers, under which Newlat Group purchased 6,473,122 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 46.24% of the share capital and voting rights, against the payment, for every three CLI shares subject to purchase and sale, of a total consideration of Euro 3.00 and 1 ordinary share of Newlat Food held by Newlat Group S.A., corresponding to a unit price for each share subject to purchase and sale of Euro 1.00 and 0.33 Newlat Food ordinary shares. The transaction allowed the sellers to become shareholders of Newlat Food S.p.A. with a total shareholding of 5.30% before the future share capital increase the public purchase and exchange offer.

The operation was not subject to any conditions precedent. Newlat Group and the sellers executed the purchase and sale agreement on 1 April 2020.

Newlat Group S.A. assigned to Newlat Food S.p.A. the shares subject to purchase and sale that were purchased by Newlat Group S.A. within the meaning of the aforementioned agreement, as well as an additional 187,120 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 1.34% of share capital already held by Newlat Group, for a total of 6,660,242 ordinary shares, representing 47.57% of the share capital under the same financial terms as the agreement entered into with the previous sellers and, therefore, against payment of a cash consideration by Newlat Food.

As a result of the acquisition of the interest in Centrale del Latte d'Italia S.p.A., Newlat Food launched a mandatory public purchase and exchange offer (the "PPEO") on the remaining ordinary shares, pursuant to and in accordance with applicable law, at the same consideration paid to Newlat Group (as well as the same consideration paid by Newlat Group to the sellers) and, therefore, equal to 0.33 newly issued Newlat Food ordinary shares and Euro 1 for each Centrale del Latte d'Italia S.p.A. ordinary share attached to the PPEO.

Newlat Food S.p.A.'s subscription offer to the shareholders of Centrale del Latte d'Italia S.p.A. finished at the end of July. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offerer's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020.

On 1 February 2021, the Board of Directors of Newlat S.p.A. approved the issue of an unrated, unsecured, non-convertible and non-subordinated senior bond for a minimum value of €150 million and a maximum of €200 million. The duration of the bond is set at six years from the date of issue.

On 19 February 2021 a bond was successfully issued, called "Up to €200,000,000 Senior Unsecured Fixed Rate Notes due February 2027" at an interest rate of 2.625%.

Adopted corporate governance system

The Issuer's corporate governance system reflects the by-laws approved on 8 July 2019 by the Extraordinary Shareholders' Meeting of the Company in order to adjust the Issuer's corporate governance system following the start of trading of shares on the MTA, STAR segment, as last amended on 25 June 2020 by the Extraordinary Shareholders' Meeting of the Company due to the share capital increase, approved at the same meeting (the **"By-laws"**).

The Company's corporate governance system is in line with the principles contained in the Corporate Governance Code, in force until 31 December 2020, and with applicable legal and regulatory provisions.

The Company has been applying the Corporate Governance Code – adjusting its corporate governance system as necessary – since 2021 and will inform the market in its corporate governance report to be published in 2022.

The Company is organised according to the traditional model featuring the Shareholders' Meeting, Board of Directors and Board of Statutory Auditors. The characteristics of these bodies are provided below in the dedicated parts of the Report.

On 8 July 2019, the Issuer's Ordinary Shareholders' Meeting awarded the audit firm PricewaterhouseCoopers S.p.A. (**"PwC"**) the assignment to audit the accounts (including the audit of the regular keeping of the accounts, as well as the proper recording of operations in the accounting records) for the 2019-2027 financial years, for the Issuer's financial statements and the Newlat Group's consolidated financial statements. Also by resolution of 8 July 2019, the Issuer's Ordinary Shareholders' Meeting appointed PwC to carry out a limited audit of the Newlat Group's condensed consolidated half-year financial statements for the six-month periods ending on 30 June 2020 - 2027.

As defined in article 2497 et seq. of the Italian Civil Code, the Issuer is subject to the management and control of Newlat Group S.A. For more information on this management and control, please refer to paragraph 2 (l) of the Report.

Nature of SMEs

For the purposes of Article 1, paragraph 1, letter w- quater 1) of the TUF[10], **"SME"** refers to:

"... the small and medium enterprises that are issuers of listed shares and that have a market capitalisation of less than €500 million. The issuers of listed shares that have exceeded that limit for three consecutive years are not considered SMEs...".

The market capitalisation of the Issuer as at 31 December 2020 was €242,082,125. In consideration of the above, the Issuer falls within the aforementioned definition of "SMEs" for all purposes envisaged by current legislation.

[10] Text currently in force (see art. 44-bis of Legislative Decree no. 76 of 16.7.2020, converted by Law no. 120 of 11.9.2020 which abolished the turnover parameter).

2. Information on Proprietary Assets

(pursuant to article 123-bis, paragraph 1 of the TUF) as at 19 March 2021

(a) Structure of share capital

At the date of the Report, the share capital was subscribed and paid in for €43,935,050.00 (forty-three million nine hundred thirty-five thousand fifty/00), divided into 43,935,050 ordinary shares, without par value.

On 8 July 2019, the Issuer's Extraordinary Shareholders' Meeting approved a paid capital increase entailing a share split, excluding the option rights, pursuant to and for the purposes of article 2441, paragraph five, of the Italian Civil Code, to be executed in one or more tranches, before 31 December 2020, for a maximum amount of €200,000,000, including any premium, by issuing a maximum number of 23,000,000 ordinary shares without an indication of par value, a maximum number set by the Board of Directors according to their issue price, to be offered as part of the private placement of the shares deriving from this capital increase, reserved for institutional investors[11], essential to the Listing.

The capital increase described above was carried out in the amount of €13,780,482 by issuance of 13,780,482 shares, as per the declarations pursuant to article 2444 of the Italian Civil Code, filed with the Reggio Emilia Register of Companies on 29 October 2019 and 29 November 2019 respectively.

Subsequently, on 25 June 2020 the Extraordinary Shareholders' Meeting of the Company resolved on a new capital increase to serve the full mandatory public purchase and exchange offer announced by the Company on 1 April 2020 and concerning all CLI shares, less those already held by the Issuer.

Specifically, the Company approved an indissoluble paid-in capital increase excluding the option right pursuant to art. 2441, fourth paragraph, first sentence of the Italian Civil Code, to be executed on one or more occasions and also in several tranches, for a maximum amount, including a premium, of €24,080,032, and more precisely for a maximum amount of €4,666,673 in addition to a maximum premium of €19,413,359, through the issue of a maximum number of 4,666,673 ordinary shares without the indication of par value, having regular dividend rights and the same characteristics as ordinary shares already in circulation, at an issue price per share of €5.16 (charged for €1 in capital and €4.16 in premium), by 31 December 2020 by means of a contribution in kind (I) of 6,660,242 ordinary shares of CLI by Newlat Group S.A.; and (II) of CLI ordinary shares subject to the PPEO.

The capital increase was carried out in two tranches in the amount of €13,780,482 by issuance of 3,154,568 shares, as per the declarations pursuant to article 2444 of the Italian Civil Code, filed with the Reggio Emilia Register of Companies on 31 July 2020 and 6 August 2020 respectively.

[11] Qualified investors as defined in article 34-ter, paragraph 1, letter b) of the Issuers Regulation and foreign institutional investors within the meaning of Regulation S of the United States Securities Act of 1933, as subsequently amended, with the exception of investors in the United States of America, Australia, Canada, Japan and any other country in which the offer of financial instruments is not permitted without authorisation by the competent authorities.

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

There is no restriction on the free transfer of the Issuer's shares nor any limitation on their possession, nor are there any approval clauses for access to Newlat's ownership structure, pursuant to the law or the By-laws.

(c) 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:

Declarant	Direct shareholder	% share of ordinary capital	% share of voting capital
Angelo Mastrolia	Newlat Group	61.658%	75.455%

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

At the date of the Report there are no securities conferring special rights of control.

Under article 6 of the By-laws, by way of derogation from the rule that each share entitles its holder to one vote, a shareholder is entitled to a double vote per share (and therefore to two votes per share) if both the following conditions are met: (a) the right to vote is vested in the same person by virtue of a legitimate right in rem (full ownership with voting rights, bare ownership with voting rights or usufruct with voting rights) (the **"Legitimate Right in Rem"**) for a continuous period of at least 36 months starting from a date coinciding with or following the Trading Start Date and also taking into account, if applicable, the period prior to the Trading Start Date; (b) the occurrence of the assumption under (a) is attested: (I) the continuous registration – for a period of at least 36 months – in the special list specifically established and governed by article 6 of the By-laws (the "**Special List**"), as well as by a special communication certifying the ownership of the shares referring to the effective date of the continuous period issued by the intermediary with whom the shares are deposited in accordance with current legislation. The conditions for the allocation of the increased vote are assessed by the Board of Directors in the person of the Chairman or of directors delegated for this purpose, assisted where necessary by specially appointed colleagues.

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, provided that the allotment conditions of the previous paragraph have occurred before said record date.

The increase of voting rights is also calculated for the purposes of determining constituent and deliberative quorums that refer to portions of share capital, but it does not affect the non-voting rights due by virtue of the possession of certain portions of share capital.

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

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

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

There are no special provisions in the By-laws that restrict or limit voting rights or separate the financial rights attached to securities from their ownership.

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

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

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

Change of control clauses

Below are the change of control clauses of the most important contracts:

(I) On 5 October 2015, Heinz Italia S.p.A., as customer, and the Issuer, as supplier, and Newlat Group S.A., as guarantor, entered into a production and supply contract, subsequently amended on 4 November 2015, 27 January 2016, 28 April 2016, 24 October 2016, 4 April 2017 and 27 November 2017 (the "**Co-Packing Contract**"), governing the terms and conditions of production, packaging and supply by the Company of certain products (including but not limited to biscuits, pasta, milk powder, liquid milk, freeze-dried products, cereals, flours, etc.) to Heinz Italia S.p.A. Under the Co-Packing Agreement, Heinz Italia S.p.A. has the right to terminate the contract, subject to prior written notice of between 60 and 90 days, in certain cases, including a change of control of the Company[12].

(II) 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 €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 Company 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[13], CLI 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.

Provisions on takeover bids in the by-laws

The By-laws do not derogate from the passivity rule provisions referred to in article 104, paragraph 1 and 1-bis of the TUF, nor do they make provision for application of the neutralisation rules referred to in article 104-bis, paragraphs 2 and 3, of the TUF.

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

[12] "Change of control" under the Co-Packing Agreement means the case where control of the Company, defined as the power to direct the management and policies of an entity, whether through voting rights, on a contractual or other basis, is obtained, directly or indirectly, by a person other than the one who, at the date of the Co-Packing Agreement, controls the Company.

[13] There is a "change of control" under the Loan Agreement if (I) the Company 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.

Increase the share capital

Pursuant to the By-laws, the Shareholders' Meeting, by means of a special resolution adopted in an extraordinary session, may grant the Board of Directors the power, pursuant to article 2443 of the Italian Civil Code, to increase the capital on one or more occasions up to a specified amount and for a maximum period of five years from the date of the resolution, also excluding the option right. The capital increase resolution adopted by the Board of Directors in execution of this delegation of power must be recorded in the minutes drawn up by the Notary.

Without prejudice to the other cases of exclusion or limitation of the option right provided for by applicable laws and regulations, in paid capital increase resolutions, the option right may be excluded up to a maximum of 10% (ten per cent) of the existing share capital, provided that the issue price corresponds to the market value of the shares and this is confirmed in a special report by an independent auditor or an external audit firm pursuant to article 2441, paragraph 4 of the Italian Civil Code.

The By-laws provide that the Company may issue equity instruments, in compliance with the provisions of law.

At the date of the Report, the Board of Directors was delegated neither to increase the share capital pursuant to article 2443 of the Italian Civil Code nor to issue equity instruments without prejudice to paragraph (a) above.

Authorisations to purchase treasury shares

Pursuant to articles 2357 et seq. of the Italian Civil Code as well as the combined provisions of article 132 of the Consolidated Law on Finance and article 144-bis of the Consob Issuers' Regulation no. 11971/99, the Ordinary Shareholders' Meeting held on 29 April 2020 authorised the purchase and disposal of treasury shares within the limits of the law and with a maximum investment of €6 million to be used for future acquisitions. The authorisation to purchase treasury shares is aimed at providing the Company with a stock of treasury shares at its disposal, using, selling them at any time, in full or in part, on one or more occasions and with no time limits, as part of extraordinary transactions such as, among others, swaps, contributions, exchanges, corporate and/or financial transactions of an extraordinary nature on the capital or even financing transactions and operations of an extraordinary nature such as, among others, mergers or similar, sales and acquisition projects and/or future industrial projects in line with the Company's corporate development strategy, as well as in the context of exchange and/or sale of share packages and/or for the conclusion of commercial and/or strategic alliances or for other uses deemed of financial and/or management interest to the Company as well as to proceed with any acts of disposal of treasury shares acquired also to allow to seize the opportunities for maximising the value that may derive from operations, and therefore also for trading.

The authorisation has a duration of 18 months from the date of the resolution of the Ordinary Shareholders' Meeting.

As at 31 December 2020, the Company has 181,700 shares.

The subsidiaries do not hold any shares of the Company.

At the date of the Report, the Company owned 420,700 treasury shares, accounting for 0.96% of share capital.

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

The Issuer is subject to management and control activities by Newlat Group S.A. pursuant to article 2497 et seq. of the Italian Civil Code.

Note that the information required by article 123-bis, paragraph 1, letter l) ("rules applicable to the replacement of directors, and to amendments to the by-laws, if different from and additional to the applicable legislative and regulatory provisions") are illustrated in the section of this Report on the Board of Directors (Sec. 4.1).

3. Compliance

The Issuer complied with the main recommendations of the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., as last amended in July 2018 (hereinafter the "Corporate Governance Code"), in force until 31 December 2020, accessible to the public on Borsa Italiana's website (https://www.borsaitaliana.it/comitato-corporate-governance/codice.htm).

The Corporate Governance Committee (promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria) approved and published the new Corporate Governance Code on 31 January 2020. Companies that adopt the Corporate Governance Code, including Newlat, apply it from the first financial year starting after 31 December 2020, informing the market in the corporate governance report to be published in 2022.

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 appointments and replacements (pursuant to article 123-bis, paragraph 1, letter l) of the tuf)

Appointments

The By-laws, in compliance with the provisions of article 147-ter of the TUF, provide for the slate voting mechanism to be used for appointing directors.

The Company is administered by a Board of Directors with no fewer than 3 (three) members and no more than 15 (fifteen).

The appointment of the Board of Directors is resolved by the Ordinary Shareholders' Meeting on the basis of slates submitted by shareholders, in accordance with the procedure described below, without prejudice to other mandatory laws and regulations.

Shareholders who, at the time, hold – either individually or together with other submitting shareholders – a stake at least equal to the share determined by Consob pursuant to the applicable laws and regulations, are entitled to submit the slates. Ownership of the minimum stake is determined in relation to shares that are registered to the shareholder on the day when the slate is submitted to the Company, it being understood that the relevant certification may be produced between submission and the deadline for publication of the slate.

Each shareholder, the shareholders adhering to a shareholders' agreement pursuant to article 122 of the TUF, the parent company, subsidiaries, joint ventures and the other entities between which there is a direct or indirect link, pursuant to applicable laws and regulations, may submit - or contribute to the submission, even through an intermediary or trust company - and vote for only one slate.

Each candidate may appear on only one slate under penalty of ineligibility.

Each slate shall bear the names, marked with a sequential number, of no more than 15 (fifteen) candidates.

Each slate must include at least some candidates - in accordance with the provisions of applicable legislation - who meet the independence requirements prescribed by applicable laws or regulations (including the market regulations of Borsa Italiana S.p.A.), indicating them separately and placing one of them at the top of the list.

For the period of application of applicable laws and regulations on gender balance, each slate that presents a number of candidates equal to or greater than 3 (three) must include candidates of both genders, at least in the minimum proportion required by applicable laws and regulations, as specified in the notice of convocation of the Shareholders' Meeting.

The following must be filed when the slates are submitted:

(a) information on the shareholders who have submitted the slate, including their stake;

(b) a declaration by shareholders other than those who hold, even jointly, a controlling interest or a relative majority, certifying the absence of any direct or indirect link, within the meaning of applicable laws and regulations, with the latter;

(c) the *curriculum vitae* of the candidates and a statement in which each candidate declares, under his or her own responsibility, that there are no grounds for ineligibility and incompatibility and that he or she fulfils the conditions for appointment;

(d) information on candidates and indication of any eligibility to qualify as an independent director in accordance with applicable legislation and with the codes of conduct on corporate governance adopted by the Company;

(e) a declaration from each candidate accepting their candidacy;

(f) any other additional or different declaration, information and/or document required by applicable laws and regulations.

The slates are filed with the Company within the deadlines set out in applicable laws and regulations, as indicated in the notice of convocation at the Company's registered office or also communicated remotely, and made available to the public under the terms and conditions set out in applicable laws and regulations.

Any slate that fails to comply with the above provisions shall be deemed not to have been submitted.

Each person entitled to vote may vote for only one slate. Each shareholder votes for a particular slate and therefore all the candidates indicated therein, without the possibility of variations or exclusions.

Candidates will be appointed from the slates that have obtained the highest number of votes according to the following criteria:

(a) from the slate that has obtained the highest number of votes ("**Majority Slate**"), all directors to be elected minus one shall be drawn in the progressive order in which they were listed;

(b) from the second slate that has obtained the highest number of votes and that is not even indirectly connected with the shareholders who have submitted, or with those who have voted, the Minority Slate ("**Minority Slate**"), a director is drawn, in the person of the candidate indicated with the first number on said slate.

If votes are tied between lists, the Shareholders' Meeting, using the majorities specified in law, will vote again solely on the tied slates, with the list obtaining the highest number of votes during this second vote prevailing.

If the above methods fail to produce a Board of Directors that complies with provisions on independence requirements, the following procedure is followed: the candidate who does not meet the independent director requirements established by applicable laws and regulations and was elected last sequentially from the Majority Slate will be replaced by the first candidate sequentially from the same slate who does meet said requirements. If this procedure should also fail to ensure the necessary number of directors who meet the independence requirements established by applicable laws and regulations, candidates who do meet said requirements will be presented and the Shareholders' Meeting shall choose replacements using the majorities specified in law.

If the above methods fail to produce a Board of Directors that complies with provisions on gender balance, the candidates of the most represented gender elected last sequentially from the Majority Slate are replaced with the first unelected candidates of the other gender who appear on the same slate; where this is not possible, in order to ensure compliance with the aforementioned provisions on gender balance, the Shareholders' Meeting shall appoint the missing directors using the methods and majorities specified by law, without application of the slate vote.

In any case, slates that have not obtained a percentage of votes equal to at least half of that required for their submission will not be taken into account.

If only one slate has been submitted, the Shareholders' Meeting will vote on it and if it obtains a relative majority, the candidates listed will be elected as directors in sequential order, up to the number set by the Shareholders' Meeting, without prejudice to the obligation to appoint a number of directors who are independent pursuant to article 147-ter of the TUF equal to the minimum number established by the By-laws and by applicable laws and regulations, and to comply with the rules on gender balance, where applicable. If the minimum number of independent and least-represented-gender directors established by the By-laws and by current laws and regulations is not elected, the Shareholders' Meeting will replace the directors with the lowest sequential number who do not fulfil the relevant requirements with the subsequent candidates from the same slate who do. If applying this process fails to identify suitable replacements, the Shareholders' Meeting will hold another vote using the majorities specified by law. In this case, replacements will be made starting with the candidates with the lowest sequential number.

If the number of candidates in the Majority Slate and the Minority Slate is lower than the number of directors to be elected, the remaining directors shall be elected by the Shareholders' Meeting with the majorities provided for by law, without prejudice to the obligation of the Shareholders' Meeting to appoint a number of independent and least-represented gender directors that is not less than the minimum established by the By-laws and by applicable laws and regulations. All directors will be appointed using the same methods and majorities even if no slate is submitted.

Replacement

Pursuant to article 15 of the By-laws, should the legal or regulatory requirements for the office of a director, including the requirement for independence, no longer be met, this shall entail the forfeiture of the office.

In addition, should the office of one more directors be terminated for any reason, they are replaced freely in accordance with the provisions of article 2386 of the Italian Civil Code, choosing where possible from the candidates originally presented on the same slate as the outgoing director who have re-affirmed their candidacy, without prejudice to the obligation to maintain the minimum number of independent directors pursuant to article 147-ter of the TUF established by the By-laws and by law, and to the obligation to maintain gender balance according to applicable laws and regulations.

It should be noted that the provisions of law, the TUF, the By-laws and the Code are the only rules on the composition of the Board of Directors with which the Issuer need comply.

Successions Plans

At the date of this Report, partly due to the recent listing, no plan for the succession of executive directors was 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.

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

Pursuant to article 12 of the By-laws, the Company is administered by a Board of Directors with no fewer than 3 (three) members, and no more than 15 (fifteen), with adequate competence and professionalism. The directors remain in office for the period set by the shareholders' appointment resolution, up to a maximum of 3 (three) financial years, and are eligible for re-election. Their term shall expire on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term, unless there are grounds for termination and forfeiture as provided for by law and by the By-laws.

The Issuer's Board of Directors in office on the date of this Report comprises seven members, as resolved by the Issuer's Ordinary Shareholders' Meeting on 8 July 2019.

The Board of Directors will remain in office for a period of three years, until approval of the financial statements for the year ending 31 December 2021.

On 14 September 2020, the non-executive, independent director Emanuela Paola Banfi resigned on the grounds that, for personal and professional reasons, she could no longer perform her role with the necessary commitment and independence. Ms. Banfi therefore remained in office until 25 September 2020, the date on which the Board of Directors resolved to coopt Ms. Maria Cristina Zoppo pursuant to article 15 of the By-laws, who will remain in office until the next Shareholders' Meeting.

The table below displays the composition of the Issuer's Board of Directors as of the date of this Report.

Name and surname	Position	Place and date of birth
Angelo Mastrolia	Chairman of the Board of Directors and Director (**)	Campagna (SA), 5 December 1964
Giuseppe Mastrolia	Chief Executive Officer and Director (**)	Battipaglia (SA), 11 February 1989
Stefano Cometto	Chief Executive Officer and Director (**)	Monza, 25 September 1972
Benedetta Mastrolia	Director (***)	Rome, 18 October 1995
Maria Cristina Zoppo	Director (*)	Turin, 14 November 1971
Valentina Montanari	Director (*)	Milan, 20 March 1967
Eric Sandrin	Director (*)	Saint-Amand-Montrond, 13 August 1964

(*) Independent director pursuant to article 148 of the Consolidated Law on Finance (TUF) and article 3 of the Corporate Governance Code, who will take office from the Trading Start Date.

(**) Executive director.

(***) Non-executive director.

Below is a summary of the personal and professional characteristics of the members of the Board of Directors.

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, Angelo Mastrolia continued, in his role as controlling shareholder and Executive Chairman, 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 and, finally, Delverde in 2019.

Giuseppe Mastrolia

Born in Battipaglia (SA) on 11 February 1989, he studied Law at the University of Bologna and since 2008 he has been a member of the Issuer's Board of Directors and held the positions of Chief Commercial Officer and Chief Executive Officer (with responsibility for Sales & Marketing).

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 Issuer's Chief Executive Officer and Chief Operating Officer.

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 Issuer's Board of Directors.

Maria Cristina Zoppo

Born in Turin on 14 November 1971, she obtained her degree in Economics and Business from the University of Turin in 1995. Since 1999 she has been enrolled in the Register of Accounting Professionals of Ivrea, Pinerolo and Turin, as well as in the Register of Statutory Auditors. From 1996 to 2015 she served as a consultant and executive manager at the Turin office of Studio Pirola, Pennuto, Zei & Associati. She is currently a Partner at BDO Tax & Legal S.r.l. professional studio, a member of the BDO international network of auditing and consulting firms and Partner of BDO Italia S.p.A. Since 2016, she has held the position of Director and member of the Management Control Committee of Banca Intesa Sanpaolo S.p.A.

Valentina Montanari

born in Milan on 20 March 1967, she obtained her degree in Economics and Business from the State University of Pavia in 1999. Since 1995 she has been enrolled in the Register of the Order of Chartered Accountants of Milan and worked as an auditor at the Register of the Ministry of Justice. In 1996 she obtained a Master's Degree in Management and Financial Policy and in 1997 she obtained a Master's Degree in Corporate Finance, both from SDA Bocconi. She has built up significant experience as chief financial officer of listed Italian groups and as an independent director. From 2003 to 2013 she worked at RCS MediaGroup S.p.A., working as, among other things, director of several companies belonging to the group, group director of administration and taxation and group CFO. From 2012 to 2013 she was group CFO at Gefran S.p.A. and from 2013 to 2016 she held the same position at Il Sole 24 Ore S.p.A. From 2017 to 2018 she served as Group CFO of AC Milan and since April 2019 she has held the same position, along with that of financial reporting officer, at FNM Group S.p.A.

Eric Sandrin

born in Saint-Amand-Montrond on 13 August 1964, he obtained a degree in Political Science from the *Institut d'études politiques* in Paris in 1985, a Master's degree (DEA) in private law from Paris XII University (*Paris-Est Créteil*) in 1990 and a Master's degree from Cornell Law School in 1994. In 1990 he began his career as a lawyer at the Cleary Gottlieb law firm in New York. From 2000 to 2008 he was general counsel art General Electric, before performing the same role at Atos Origin from 2008 to 2011. In 2011 he joined the SCOR Group, holding the position of general counsel until 2014. Since 2014 he has been general counsel at the Kering Group.

Please refer to Table 2 in the appendix for more details on the composition of the Board of Directors.

Diversity policies

The Company applies diversity criteria – including gender – in the composition of the Board of Directors as envisaged by current legislation and in compliance with the priority objective of ensuring that Board members are suitably competent and professional.

The current composition of the Board of Directors continues to comply with the regulations, also in light of the new paragraph 1-ter of article 147-ter of the TUF, according to which at least two-fifths of the directors elected to the Board of Directors must belong to the less-represented gender.

The directors in office at the closing date of this Report have adequate skills and professionalism, and the composition of the internal Committees of the Board has ensured the presence of directors having the specific skills specified by law and the Code.

Although the Board of Directors has not adopted a specific policy, it considers that the business can in any case be managed effectively only if the Board comprises members with different managerial and professional skills, as well as a balance of gender, age and seniority.

Maximum number of positions held in other companies

The Board of Directors has not defined general criteria regarding the maximum number of management and control positions in other companies that can be considered compatible with effectively performing the role of director at the Issuer.

However, it is the Board's intention to carry out such an assessment from time to time, taking into account the opinion of the Remuneration and Appointments Committee and mainly using as evaluation criteria: (I) the role of the director within the Company (executive, non-executive, independent); (II) the nature and size of the entity in which the positions are held and the role of the director with respect to such entities (including, among other things, the corporate purpose of the entity, the governance structure, the tasks assigned and the powers awarded); and (III) whether these entities belong to the same group as the Issuer. Each director also has a duty to assess the compatibility of the director and statutory auditor posts they hold in other companies listed on regulated markets, in financial, banking and insurance firms or in other companies of significant size, with being able to properly fulfil their tasks as director of the Issuer.

The table in Annex A shows the main positions held by members of the Board of Directors.

Induction Programme

In view of the company's recent listing, there is currently no provision for a specific induction programme. However, during the meetings of the Board of Directors, the Chairman ensured that the directors were provided with adequate knowledge of the business sector in which the Company operates, the company dynamics and their evolution, the principles of proper risk management and the applicable regulatory and self-regulatory framework.

4.3 Role of the board of directors (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

The Board of Directors pursues the priority objective of creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the Company.

The Board of Directors plays a central role in the company organisation and is responsible for determining and pursuing the Company's strategic, industrial and financial objectives, as well as checking that the necessary controls are in place to monitor the Company's performance.

Pursuant to article 16 of the By-laws, the Board of Directors is vested with all powers for the ordinary and extraordinary management of the Company.

The Board of Directors is responsible, without prejudice to the limits of the law and without the power of delegation, for decisions relating to: a) mergers and demergers, in the cases referred to in articles 2505 and 2505-bis of the Italian Civil Code, also as referred to in article 2506-ter of the Italian Civil Code; b) the establishment and closure of branches; c) which directors can formally represent the company; d) possible capital reductions should one or more shareholders withdraw; e) bringing the Bylaws into line with legal and regulatory provisions; f) the transfer of the registered office within Italy; g) the issuance of bonds within the limits provided for by applicable laws and regulations.

The Board of Directors:

- reviews and approves the strategic, industrial and financial plans of the Company and the Group, regularly monitoring their implementation;
- defines the Issuer's corporate governance system and the Group's 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, in any case not exceeding every quarter, 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;
- carries out, at least once a year, 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 compliance with the provisions of article 2381 of the Italian Civil Code and with implementation criterion 1.C.1., letter c) of the Corporate Governance Code, during the current year, the Board assessed, on 19 March 2021, the adequacy of the Issuer's organisational, administrative and general accounting structure, with particular reference to the ICRMS.

At the same time, the Board evaluated the general operating performance, taking into account the information received from the CEO, and periodically comparing the results achieved with targets.

Finally, at its meetings on 19 March 2020 and 19 March 2021, the Board of Directors carried out the periodic verification of the members' requirements, confirming that they still met such requirements.

Even in the absence of a policy relating to provide information before board meetings, the Board of Directors has always sent such documentation well in advance, and in any case in time for the discussion of the items on the agenda of individual meetings. Also in order to ensure proper and in-depth knowledge of the individual items on the agenda, from time to time, depending on the topics discussed, the Company's senior managers are invited to attend the meetings of the Board of Directors.

Pursuant to article 17 of the By-laws, the Board of Directors is validly constituted with the presence of a majority of its serving members and validly resolves by absolute majority of the directors present. In the event of a tie, the vote of whoever is chairing the meeting shall prevail.

Pursuant to article 19 of the By-laws, the Board of Directors may delegate, within the limits provided for by current laws and regulations, some of its responsibilities to an executive committee composed of some of its members or to one or more of its members, and determine their powers and, after consulting the Board of Statutory Auditors, their remuneration. The Board of Directors may also set up internal committees with advisory and recommendatory functions, and determine their powers partly in order to ensure that the corporate governance system conforms to codes of conduct adopted by the Company.

The Board of Directors may also appoint General Managers and special attorneys for certain acts or categories of acts, and assign their respective powers.

The Board of Directors appoints a Financial Reporting Officer, subject to the mandatory but non-binding opinion of the Board of Statutory Auditors, and can remove said officer if necessary. The Board of Directors, pursuant to article 154-bis, paragraph 4 of the TUF, ensures that the Financial Reporting Officer has adequate means and powers to carry out the tasks assigned to them by law, and that there is compliance with administrative and accounting procedures.

Pursuant to article 17 of the By-laws, the Chairman of the Board of Directors convenes and chairs the Board of Directors, sets the agenda and coordinates its work.

Convocation takes place using any and all suitable means in consideration of notice times, sent as a rule at least 5 (five) calendar days before the meeting to each member of the Board and the Board of Statutory Auditors; in case of urgency, this time frame may be reduced to 24 (twenty-four) hours before the meeting. In any case, meetings of the Board of Directors will be deemed validly constituted, even in the absence of a formal convocation, if all the serving directors and the majority of the serving statutory auditors are present, and all eligible parties have been previously informed of the meeting and have not opposed the discussion of what is on the agenda. The Board of Directors may also be convened by the Board of Statutory Auditors or even by each individual statutory auditor, pursuant to article 151 of the TUF.

Meetings of the Board of Directors are also held by video or teleconference provided that each of the participants can be identified by all the others and that each is able to intervene in real time during the discussion of the agenda items, as well as to receive, transmit and view documents. Provided these circumstances are in place, the meeting shall be deemed to have been held at the place where the Chairman is present.

The Board – also from time to time – appoints the Secretary of the Board, either from within or outside its own members.

The deliberations of the Board shall be recorded in minutes that are signed by the Chairman and the Secretary.

In accordance with article 18 of the By-laws, the remuneration payable to directors is determined by the Shareholders' Meeting. Directors are entitled to be reimbursed for expenses incurred in the performance of their duties. The remuneration of directors with special responsibilities, as defined in the By-laws, shall be determined by the Board of Directors after consulting the Board of Statutory Auditors.

Pursuant to article 27 of the By-laws, the Board of Directors may, during the year and when it deems it appropriate, distribute interim dividends for the same year, in compliance with applicable laws and regulations.

Dividends not collected within five years from the date on which they become due are retained by the Company.

In accordance with the provisions of implementation criterion 6.C.4 of the Corporate Governance Code, only a non-significant portion of the remuneration of non-executive directors is linked to the Issuer’s results. Non-executive directors shall not receive share-based remuneration plans unless determined in a reasoned decision by the Shareholders' Meeting.

In 2020, the Board of Directors held 10 meetings lasting an average of 1 hour. The meetings were regularly attended by the directors.

Seven 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 19 March 2021, 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.

In addition to the aforementioned seven meetings scheduled for the approval of financial data, on 1 February 2021 a meeting was held where the Board of Directors approved the issue of an unrated, unsecured, non-convertible and non-subordinated senior bond for a minimum value of €150 million and a maximum value of €200 million, intended both for the public in Italy and for qualified investors in Italy and abroad.

At the invitation of the Chairman and depending on the items on the agenda, board meetings are also attended by the Company's managers in order to provide more extensive information to board meetings, as when non-executive directors acquire detailed information on specific issues that affect the Company's activities. Indeed, people who were invited to participate in the meetings with respect to specific items on the agenda include: the Group Financial Director, Fabio Fazzari, the Financial Reporting Officer, Rocco Sergi, as well as the Head of Internal Audit, Stefano Ferro.

Self-assessment of the Board of Directors

Due to Recommendation 22 of art. 4 of the Corporate Governance Code, the Board of Directors did not conduct the annual self-assessment considering it appropriate to carry it out at the end of the third year of the mandate in view of the board's renewal.

4.4 Delegated bodies

Chief Executive Officers

Pursuant to article 19 of the By-laws, the Board of Directors may delegate, within the limits provided for by current laws and regulations, some of its responsibilities to one or more of its members, and determine their powers and, after consulting the Board of Statutory Auditors, their remuneration.

By resolution of 8 July 2019, the Board of Directors, without prejudice to the responsibilities, powers and entitlements reserved by law and by the Bylaws for the Board of Directors, the Chairman and other corporate functions, delegated the following powers to the CEOs Giuseppe Mastrolia and Stefano Cometto:

Giuseppe Mastrolia:

All powers of ordinary and extraordinary administration:

- with no amount limit in all intra-group transactions;
- up to €300,000 (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 bylaws dictate are the exclusive competence of the Board of Directors and the Shareholders' Meeting.

Stefano Cometto:

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:

- employment contracts
- production organisation
- food hygiene, safety and safety
- environmental protection
- management and control powers
- leases, real rights
- purchase and sale of goods and services; with the following amount limits:
  - movable property up to €100,000 for each transaction when signed individually and up to €300,000 when signed jointly with any other member of the Board of Directors;
  - motor vehicles of all kinds, aircraft and boats up to €100,000 for each transaction when signed individually and up to €300,000 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 €100,000;
  - works contracts, tenders, consultancies and freelance arrangements, including on an ongoing basis, drawing up the related contracts up to an annual amount of €100,000.
- collections, disposals and receipts
- banking and financial transactions, with the following amount limits:
  - €100,000 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;
  - €80,000 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.
- insurance
- contracts, tenders and licences
- judicial proceedings
- transactions and arbitration
- tax compliance and obligations

Chairman of the Board of Directors

The Chairman of the Board of Directors exercises the functions provided for by applicable laws and regulations. Specifically: (I) he/she has powers of representation; (II) chairs the Shareholders' Meeting; (III) convenes and chairs the Board of Directors, sets its meeting agendas, coordinates its work and ensures that adequate information on the agenda items is provided to all directors.

By resolution of 8 July 2019, the Board of Directors delegated to its Chairman all the powers of ordinary and extraordinary administration, 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.

The Chairman is not granted powers in relation to any matters that, under the law or the Bylaws, are the exclusive competence of the Board or the Shareholders' Meeting.

4.5 Independent directors

At year-end, the Issuer's Board of Directors included 3 (three) directors who met the independence requirements set out in article 147-ter of the TUF and the recommendations of the Corporate Governance Code. The independent directors of the Issuer are indicated below:

(a) Maria Cristina Zoppo
(b) Valentina Montanari
(c) Eric Sandrin

These directors meet the requirements to be qualified as independent according to article 3, implementation criteria 3.C.1. and 3.C.2., of the Corporate Governance Code and to the criteria set out in article 147-ter, paragraph 4 of the TUF, which recalls the criteria referred to in article 148 of the TUF.

On 8 July 2019, 19 March 2020 and 19 March 2021 the Board of Directors verified that its members met the independence requirements.

More specifically, the independent directors in office at the end of the financial year and at the date of the Report meet the independence requirements of article 148, paragraph 3 of the TUF and article 3 of the Code, since each of them:

(I) does not directly or indirectly control the Issuer, including through subsidiaries, fiduciaries or third parties, nor is he/she able to exert a significant influence on it;

(II) does not directly or indirectly participate in any shareholders' agreement through which one or more parties may exercise control or a significant influence on the Issuer;

(III) is not and has not been in the previous three financial years a significant representative (meaning the president, legal representative, chairperson of the board of directors, executive director or manager with strategic responsibilities) of the Issuer, of one of its subsidiaries having strategic importance, of a company subject to common control with the Issuer, of a company or entity which, even jointly with others through a shareholders' agreement, controls the Issuer or is able to exercise significant influence over it;

(IV) does not directly or indirectly maintain, or has not directly or indirectly maintained in the previous financial year (e.g. through subsidiaries or companies of which he/she is a significant representative within the meaning of point (III) above, or as a partner of a professional firm or consultancy firm) a significant commercial, financial or professional relationship or employment relationships: (a) with the Issuer, with one of its subsidiaries, or with any of the significant representatives thereof in the sense indicated in point (III) above; (b) with a person who, also jointly with others through a shareholders' agreement, controls the Issuer, or – in the case of a company or entity – with the significant representatives thereof in the sense indicated in point (III) above;

(V) without prejudice to the provisions of point (iv) above, does not have any self-employed or employed relationships, or other financial or professional relationships such as to compromise his/her independence: (a) with the Issuer, with its subsidiaries or parent companies or with companies subject to joint control; (b) with the directors of the Issuer; (c) with persons who are in a relationship of spouse, relative or similar within the fourth degree of the Directors of the companies referred to in point (a) above;

(VI) does not receive, and in the previous three financial years has not received from the Issuer or from a subsidiary or parent company a significant additional remuneration with respect to the "fixed" remuneration as a non-executive director of the Company, including participation in incentive plans linked to company performance, even share-based incentive plans;

(VII) has not been a director of the Issuer for more than nine of the last twelve years;

(VIII) does not hold the office of executive director in another company in which an executive director of the Issuer has an office of director;

(IX) is not a shareholder or director of a company or an entity belonging to the network of the company appointed to audit the Issuer;

(X) is not a close family member of a person who is in one of the situations referred to in the previous points and in any case is not a spouse, relative or similar within the fourth degree of the Directors of the Issuer, of the companies controlled by it, of the companies that control it and of those subject to joint control.

The Directors are also independent pursuant to the Corporate Governance Code with regard to the 2021 financial year. In fact, there were no situations as referred to in recommendation 7 of the aforementioned Code.

In compliance with article 3, implementation criterion 3.C.3. of the Corporate Governance Code, the Issuer believes the number of independent directors appointed to be appropriate for the size of the Board of Directors and the activity carried out by the Issuer, as well as suitable to allow internal governance committees to be set up within the Board in accordance with the recommendations of the Corporate Governance Code.

The Board of Statutory Auditors noted that the verification criteria and procedures used by the Board to assess the independence of its members on 19 March 2021 were correctly applied.

The independent directors in office at 31 December 2020 and 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.

4.6 Lead Independent Director

By resolution of the Board of Directors on 9 August 2019, the Company appointed independent director Eric Sandrin as lead independent director pursuant to article 2.C.4 of the Corporate Governance Code, with effect from the Trading Start Date.

5. Processing of Company Information

At its meeting on 6 September 2019, the Company's Board of Directors resolved to approve the *Rules for the handling of inside information, the establishment and maintenance of the RIL and Insider List and Internal Dealing* ("**Rules**") aimed at regulating, in addition to confidentiality and reporting obligations, the process of managing documents and information concerning Newlat and the companies belonging to its group, with particular regard to Confidential Information and Insider Information, as well as the establishment, maintenance and updating of the records of the parties who have access to the aforementioned information and the Internal Dealing obligations.

These Rules, which entered into force on the date when the application for the Issuer's shares to be admitted for trading was deposited with the Italian Stock Exchange, are published on the Issuer's website at www.newlat.it.

The purpose of the Rules is to ensure compliance with the applicable laws and regulations and to ensure that the Company timely, completely and adequately discloses the Group's inside information to the market, while guaranteeing maximum privacy and confidentiality until it is disclosed to the public.

Relevant and Inside Information is managed according to a process that breaks down into the following stages:

(a) the Relevant or Inside Information is identified and reported by the competent IICOF (i.e. each "Inside Information Competent Organisational Function", identified within the Group, that becomes aware of Relevant or Inside Information due to its own activities) to the IIMF (i.e. the "Inside Information Management Function", in this case, the Chairman of the Board of Directors);
(b) the IIMF identifies and records the Relevant or Inside Information;
(c) Relevant Information is monitored based on the different stages of its evolution towards Inside Information, and the additional IICOFs involved in the process are recorded;
(d) where applicable, the Relevant Information becomes Inside Information.

The IIMF is the corporate figure responsible for deciding whether the information qualifies as inside information. If it does, the IIMF acts to ensure that the Inside Information directly pertaining to the Issuer is communicated to the public as soon as possible, in accordance with the Rules and with applicable laws and regulations, unless there are grounds to activate the delay procedure referred to in article 3.4 of the Rules.

Pursuant to the laws and regulations in force, the Issuer has established an electronic register of persons who have access to Insider Information ("Insider List") and a register of persons who have access to Relevant Information ("RIL"), the keeping of which is the responsibility of the FGIP with the support of the Legal and Corporate Affairs Function for the updating and maintenance thereof.

In order to update the Insider List promptly, the IIMF mainly relies on the information contained in the RIL. When a piece of information becomes Inside Information, people are deleted from the RIL and added to the Insider List.

Section II of the Rules on internal dealing governs the reporting obligations, restrictions and control measures in relation to transactions carried out by relevant persons and persons closely associated with them of the Issuer and the Subsidiaries (as defined in the Rules).

In particular, the Relevant Managers are absolutely prohibited from directly or indirectly carrying out Transactions on their own behalf or on behalf of third parties in the 30 days preceding the publication of the annual or semi-annual or infra-monthly results that the Issuer is required to, or has decided to, make public ("Black-Out Period"), without prejudice to the provisions of art. 8 of the Rules.

The Issuer's Board of Directors, by means of a special resolution, may establish additional periods during which there is a ban/limitation on the completion of Newlat securities transactions in conjunction with particular events. It is understood that both Relevant Managers and all Recipients in possession of Inside Information must refrain from carrying out or recommending to third parties any operation on the securities, from inducing third parties to carry out operations on the securities or from communicating the Inside Information to third parties, unless such communication takes place in the normal performance of their role.

6. Internal board committees

(pursuant to article 123-bis, paragraph 2, letter d) of the TUF)

On 9 August 2019, the Company's Board of Directors, in accordance with the recommendations contained in the Corporate Governance Code, resolved to establish the following Committees, effective from the Trading Start Date, and approved their relevant regulations:

- a control and risks and sustainability committee pursuant to art. 7 of the Corporate Governance Code (the "**Internal Control and Risks Committee**");
- a committee for appointments and remuneration pursuant to art. 5 and 6 of the Corporate Governance Code (the "**Remuneration and Appointments Committee**"); and
- a Related Party Transactions Committee pursuant to article 4 of the Corporate Governance Code and following the provisions of the Related Party Regulations (the "**RPT Committee**").

A brief description of the tasks and internal functioning of the newly established committees is given below.

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

Position	Internal Control and Risks Committee	Remuneration and Appointments Committee	RPT Committee
Chairman	Valentina Montanari	Eric Sandrin	Maria Cristina Zoppo
Component	Eric Sandrin	Valentina Montanari	Valentina Montanari
Component	Maria Cristina Zoppo	Maria Cristina Zoppo	Eric Sandrin

7. Remuneration and Appointments Committee

On 9 August 2019, the Company's Board of Directors appointed the directors Emanuela Paola Banfi, Valentina Montanari and Eric Sandrin, all of whom meet the independence requirements set out in the TUF and the Corporate Governance Code, as members of the Remuneration and Appointments Committee, with Mr Sandrin appointed Chairman. On 25 September 2020, following the resignation of director Emanuela Paola Banfi and the cooptation of director Maria Cristina Zoppo, the Newlat Board of Directors appointed the latter as a member of the Remuneration and Appointments Committee.

In line with the provisions of the Corporate Governance Code, all the members of the Remuneration and Appointments Committee have adequate knowledge and experience of financial matters and/or remuneration policies.

In view of the organisational needs of the Company, the way it operates and the size of its Board of Directors, the Company has set up a single committee for appointments and remuneration, in accordance with the recommendations of articles 4, 5 and 6 of the Corporate Governance Code.

The Remuneration and 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 and to the remuneration of directors and managers with strategic responsibilities.

In particular, the Remuneration and Appointments Committee is entrusted with the following tasks:

- formulating opinions to the Board of Directors on i) the size and composition of the Board and making recommendations on the professional profiles it believes should sit on the Board; ii) the maximum number of management and control positions in other listed companies, supervised companies or companies of significant size, that can be considered compatible with the position of director of the Company, taking into account participation in Committees and on the identification of general criteria differentiated by reason of the commitment related to each role, including pertaining to the nature and size of the companies (including those of the Group) in which the positions are held, within the scope of article 1.C.3 of the Corporate Governance Code; iii) the possible assessment of relevant positions pursuant to article 2390 of the Italian Civil Code within the scope of article 1.C.4 of the Corporate Governance Code; and

- recommending candidates to the Board of Directors in cases of co-option, where it is necessary to replace independent directors;
- carrying out the groundwork on preparing the plan for the succession of executive directors, where the Board of Directors has considered adopting such a plan.

In addition, the Committee makes proposals and recommendations to the Board of Directors on the remuneration of directors and managers with strategic responsibilities. In particular, the Committee is entrusted with the following recommendatory and advisory tasks:

- making proposals to the Board of Directors regarding the adoption of a policy for the remuneration of directors and managers with strategic responsibilities;
- periodically assessing the adequacy, overall consistency and practical application of the policy for the remuneration of directors and managers with strategic responsibilities adopted by the Company, if necessary making proposals to the Board of Directors;
- examining Annual Report on Remuneration prior to it being made publicly available for the annual shareholders' meeting to approve the financial statements;
- submitting proposals or expressing opinions to the Board of Directors 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;
- monitoring the implementation of the decisions taken by the Board by verifying, in particular, that the performance targets referred to in point c) above have been met; and
- making proposals to the Board of Directors regarding the adoption of remuneration policies and/or incentive systems also applicable to directors, managers and employees within the Group.

The Committee also has the task of formulating non-binding opinions and proposals regarding any stock option and share allocation plans or other incentive systems based on shares, and suggesting the objectives related to the granting of these benefits and the criteria for assessing the achievement of these objectives, as well as monitoring the evolution and implementation over time of any plans approved by the Shareholders' Meeting based on a proposal from the Board of Directors.

The Remuneration and Appointments Committee has the right to access information and corporate functions and structures, ensuring that it has the appropriate functional and operational links with them for the performance of its tasks. It may use external consultants, at the expense of the Company, and in any case within the limits established by the Board of Directors.

In line with the recommendations of article 6.C.6 of the Corporate Governance Code, no director takes part in the meetings of the Remuneration and Appointments Committee at which proposals are made to the Board of Directors regarding their remuneration.

The meetings of the Remuneration and Appointments Committee shall be chaired by the Chairman or, in the event of his/her absence or impediment, by the oldest member. A majority of serving members are required to be present for the Remuneration and Appointments Committee meetings to be valid. The decisions of the Committee shall be taken by an absolute majority of those present.

In 2020, the Remuneration and Appointments Committee met once and all members participated. The meeting lasted 1 hour.

In 2021, at the date of writing of this Report, there has been 1 meeting of the Remuneration and Appointments Committee, in which all the members participated and which lasted for half an hour.

Further information on the participation of members of the Remuneration and Appointments Committee in meetings is given in Table 2 annexed to the Report.

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

The Committee has regularly carried out the functions assigned to it by the Regulations, giving prior opinions on all areas of competence, in particular on the remuneration policy and the Report on remuneration policy and fees, referred to in article 123-ter of the TUF.

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

- identification of 2021 performance targets linked to corporate sustainability;
- discussion of the Remuneration Report.

8. Remuneration of directors

For information on this section, please refer to the "Remuneration Report" available at www.newlat.it – Corporate Governance Section - Governance Documents.

9. Internal control and risks committee

On 9 August 2019, the Company's Board of Directors appointed the directors Emanuela Paola Banfi, Valentina Montanari and Eric Sandrin, all of whom meet the independence requirements set out in the TUF and the Corporate Governance Code, as members of the Internal Control and Risks Committee, with Ms Montanari appointed Chairman. The Issuer believes that this appointment is in line with the provisions of the Corporate Governance Code due to the specific knowledge possessed by the appointed parties; in particular, they all have sufficient knowledge and experience of financial matters or risk management. On 25 September 2020, following the resignation of director Emanuela Paola Banfi and the cooptation of director Maria Cristina Zoppo, the Newlat Board of Directors appointed the latter as a member of the Internal Control and Risk Committee.

The Internal Control and Risks Committee, in assisting the Board of Directors, in accordance with the provisions of implementation criterion 7.C.2 of the Corporate Governance Code, has the function of:

- assessing, together with the Financial Reporting Officer and after consulting the independent auditor and the Board of Statutory Auditors, the correct use of the accounting standards and, in the case of groups, their consistency for the purposes of preparing the consolidated financial statements;
- expressing opinions on specific aspects related to the identification of the main company risks;
- examining the periodic reports assessing the ICRMS, and those of particular relevance prepared by the internal audit function;
- monitoring the autonomy, adequacy, effectiveness and efficiency of the internal audit function;

- asking the internal audit function to carry out audits on specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors;
- reporting to the Board, at least every six months, on the occasions of the approval of the annual and half-year financial report, on the activities carried out and on the adequacy of the internal control and risk management system; and
- providing adequate preliminary support for the Board of Directors' assessments and decisions on the management of risks arising from harmful events of which the Board has become aware.

The Internal Control and Risks Committee, in accordance with implementation criterion 7.C.1 of the Corporate Governance Code, also issues its prior opinion to the Board of Directors:

- on the guidelines for the internal audit and risk management system, so that the main risks relating to the Issuer and its subsidiaries are correctly identified, adequately measured, managed and monitored, determining how compatible the risks are with Company's management in line with the strategic objectives identified;
- on the adequacy of the internal control and risk management system with respect to the characteristics of the Issuer and the risk profile assumed, as well as its effectiveness;
- on the work plan prepared by the head of the internal audit department;
- on the description, in the corporate governance report, of the main features of the internal control and risk management system and of the methods of coordination between the parties involved, including the assessment of the adequacy of the system;
- on the results set out by the independent auditor in the letter of suggestions, if any, and in the report on key issues arising from the external audit; and
- on the proposal relating to the appointment, revocation and remuneration of the Head of Internal Audit, as well as on the adequacy of the resources allocated to said person for the performance of their functions.

The Internal Control and Risks Committee has the right to access the information and corporate functions necessary for the performance of its tasks and may avail itself, within the limits established by the Board of Directors, of external consultants.

The Chairman of the Board of Directors and the Head of Internal Audit are permanently invited to the meetings of the Internal Control and Risks Committee.

The Internal Control and Risks Committee also has the right to invite to its meetings the executive director responsible for internal audit and the other members of the Board of Directors, the independent auditor or the representatives of the auditing firm and the members of the Board of Statutory Auditors with reference to all or some of the items on the agenda, except when issues that concern them are being discussed.

The Financial Reporting Officer referred to in article 154-bis of Legislative Decree no. 58 of 24 February 1998, as amended (the "Financial Reporting Officer") and any other person whose presence is considered to assist in the best performance of the Committee's functions with respect to all or some of the items on the agenda.

The Internal Control and Risks Committee met three times in 2020. On average the meetings lasted one hour.

In 2021, at the date of writing of this Report, three meetings of the Control Committee had been held and the meetings lasted on average one hour.

Further information on the participation of members of the Internal Control and Risks Committee in meetings is given in Table 2 annexed to the Report.

Minutes are duly taken at meetings of the Internal Control and Risks Committee, and the Chairman of the Committee reports these to the next meeting of the Board of Directors.

The Committee has duly carried out the functions assigned to it by the Regulations, giving prior opinions on all areas of competence concerning the management of business risks and the system of controls, as well as on the work plan drawn up by the Head of Internal Audit.

During the financial year, the Internal Control and Risks Committee carried out the following main activities:

- analysis of the 2020 internal audit;
- analysis of the risks and 2021 audit plan;
- preparatory activities for drafting the 2020 financial statements;
- NFS and analysis of the materiality matrix;
- discussions with the Internal Control and Risks Committee of the subsidiary Centrale del Latte d'Italia S.p.A.;
- approval of the materiality matrix for the NFS;
- illustration of the impairment test procedure and its results;
- impacts of COVID on the business and financial statement valuations;
- update with the independent auditors on the activities of the financial statements and NFS;
- 262 testing progress and results;
- meeting with the Supervisory Body;
- analysis of the draft Corporate Governance Report.

10. Internal Control and Risk Management System

In compliance with Principle 7 of the Corporate Governance Code, the Issuer adopted an internal control and risk management system (hereinafter also "**ICRMS**") capable of identifying, measuring, managing and monitoring major risks and in line with national and international best practices.

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 Newlat's;
- 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:

- sformalised and clear organisational system in the allocation of responsibilities;
- authorisation and signature powers assigned consistent with the responsibilities;
- system of procedures to govern all business processes;
- 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 19 March 2021, 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.

10.1 Director Responsible for the Internal Control and Risk Management System

In support of the Issuer's internal control and risk management system, in addition to the Control and Risks Committee, on 9 August 2019 the Company's Board of Directors appointed Angelo Mastrolia, with immediate effect, to the position of executive director responsible for the internal control and risk management system, performing the functions listed in implementation criterion 7.C.4 of the Corporate Governance Code. The Issuer believes that the appointment of the Chairman of the Board of Directors as the person responsible for the internal control and risk management system is in line with the provisions of the Corporate Governance Code, which highlights the positive aspects related to a choice of this type, including the specific knowledge possessed by the appointed party.

In accordance with article 7 of implementation criterion 7.C.4 of the Corporate Governance Code, the executive director responsible for overseeing the functionality of the internal control system:

- ensures the identification of the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and will periodically submit them to the Board of Directors for examination;
- implements the guidelines defined by the Board of Directors, taking care of the design, creation and management of the internal control and risk management system and continually verifying its adequacy and effectiveness;
- deals with the adaptation of this system to the dynamics of operating conditions and the legislative and regulatory landscape;
- may ask the Head of Internal Audit to carry out audits on specific operational areas and on compliance with internal rules and procedures in execution of company operations, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors;
- promptly reports to the Control and Risks Committee (or to the Board of Directors) on problems and critical issues that may arise in the course of its activities or of which it has been informed, so that the Committee (or the Board) can take the appropriate initiatives.

10.2 Head of Internal Audit

On 19 March 2020, the Board of Directors appointed Stefano Ferro as Head of Internal Audit, to whom, among other things, the tasks referred to in art. 7, application criterion 7.C.5. of the Corporate Governance Code have been assigned, as a person with adequate professional, independent and organisational requirements.

Stefano Ferro is not responsible for any operational activities. He carries out support activities in the context of M&A operations and reports to the Board of Directors.

During the year 2020, the activity of the Internal Audit function was carried out in line with the provisions of the Audit Plan approved on 19 March 2020, which provides for: Compliance audits (with a focus on Italian Legislative Decree 231/2001), Financial audits (aimed at providing assurance on the reliability of financial data) and Operational audits on the areas of business processes of greatest interest. As part of the Audit Plan, the Internal Audit Manager verified the accounting systems with a view to improving the reliability of the information systems.

At the meeting of 19 February 2021, the Control and Risks Committee was informed of the outcome of the Internal Audit function's activities for the second half of 2020.

The Financial Reporting Officer was provided with information on the activities of the Internal Audit Manager under Law 262/05 for the year 2020, through the half-yearly reports on the adequacy of the control model implemented for the purposes of 262 and the results of the tests performed by the Internal Audit function in this area.

10.3 Organisational Model pursuant to Italian Legislative Decree 231/2001

The Company adopted an organisation, management and control model pursuant to and for the purposes of Legislative Decree 231/2001 (the "Model 231").

The Model 231 consists of:

(a) a general part, relating to issues concerning, among other things, the validity and application of 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.

The functions of the Supervisory Body are assigned to the Board of Statutory Auditors, exercising the option provided for by applicable legislation. In this way, the Supervisory Body meets the applicable requirements of autonomy, independence, professionalism and continuity of action.

The organisational model pursuant to Italian Legislative Decree 231 is published on the website www.newlat.it - Corporate Governance section, where the updated composition of the Supervisory Body and the Code of Ethics are also available.

10.4 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.

Specifically, on 28 June 2017 the Issuer's Ordinary Shareholders' Meeting entrusted the Independent Auditors with the external audit assignment pursuant to article 14 of Italian Legislative Decree no. 39 of 2010, as amended by Italian Legislative Decree no. 135 of 2016, and articles 2409-bis et seq. of the Italian Civil Code, with reference to the Issuer's financial statements and consolidated financial statements for the three-year period 2017-2019.

In view of the interpretative orientation last taken by Consob in its Communication no. 0098233 of 23 December 2014 regarding the awarding of the external audit assignment upon becoming a public interest entity pursuant to article 16 of Legislative Decree no. 39 of 2010, the Issuer's Ordinary Shareholders' Meeting of 8 July 2019 conferred on the Independent Auditors, effective from the Trading Start Date, a new external audit assignment (including checking that books are being properly kept and operating events are being properly entered into accounting ledgers) pursuant to articles 13 and 17 of Legislative Decree no. 39 of 2010 for the 2019-2027 financial years, in relation to the Issuer's separate financial statements and the consolidated financial statements of the Newlat Group, replacing PwC's existing assignment awarded on 28 June 2017. Also by resolution of 8 July 2019, and also effective as of the Trading Start Date, the Issuer's Ordinary Shareholders' Meeting awarded the independent auditors the assignment to carry out a limited audit of the Newlat Group's condensed consolidated half-year financial statements for the six-month periods ending on 30 June 2020 - 2027.

10.5 financial reporting officer and other corporate roles and functions

On 9 August 2019, the Issuer's Board of Directors, in compliance with the provisions of article 154-bis of the Consolidated Law on Finance and with the relevant appointment procedures laid down in article 19 of the By-laws, decided to appoint, with effect from the Company's shares starting to trade on the MTA, Rocco Sergi as the Financial Reporting Officer.

Article 19 of the Issuer's By-laws provides that the FRO shall be appointed by the Board of Directors, subject to the mandatory but non-binding opinion of the Board of Statutory Auditors, in accordance with the provisions of Article 154-bis of the Consolidated Law on Finance. The Bylaws also require the FRO to have at least three years' experience in administration, finance and control and to meet the integrity requirements for directors. If these requirements are no longer being met, the office shall be forfeited and this must be declared by the Board of Directors within 30 (thirty) days of becoming aware of the failing.

In this regard, it should be noted that the Board of Directors, after obtaining the opinion of the Board of Statutory Auditors, issued on 9 August 2019, recognised Rocco Sergi as a suitable person to perform this function, also in view of the above requirements.

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

- 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, where applicable, the consolidated financial statements and any other financial communications;
- certify with a special report on the separate financial statements, the condensed half-year financial statements and the consolidated 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 and of the companies included in the consolidation; (V) for the separate and consolidated 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 and of the companies included in the consolidation, 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.

11. Interests of Directors and Transactions with Related Parties

On 6 September 2019 the Issuer's Board of Directors resolved to adopt a procedure that among other things 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 (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 €200,000.00 whether it is a natural or a legal person) (hereinafter the "**Related Parties Procedure**").

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.

The procedure provides that, without prejudice to the disclosure requirements of article 5 of the Related Parties Regulation, the Issuer will avail itself of the derogation granted by article 10 of the Related Parties Regulation as a newly listed company and, therefore, the approval of the related party transactions of greater importance will take place according to the procedure provided for the approval of related party transactions of lesser importance. This simplified regime will therefore apply from the trading start date until the date of approval of the financial statements for the year ending on 31 December 2021.

After this transitional period, the procedure provides that - for transactions of greater importance – the RPT Committee, or one or more members delegated by it, be involved in the negotiation phase and the investigation phase 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 rules laid down in the procedure 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 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; and

(III) the remuneration awarded is consistent with this policy;

(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.

On 10 December 2020 Consob issued Resolution no. 21624 amending Regulation no. 17221/2010; therefore, an impact analysis is under way aimed at implementing the changes introduced, within the timeframe envisaged by said Resolution.

Committee for transactions with related parties

On 9 August 2019, the Company's Board of Directors appointed the directors Emanuela Paola Banfi, Valentina Montanari and Eric Sandrin, all of whom meet the independence requirements set out in the TUF and the Corporate Governance Code, as members of the RPT Committee, with Ms Banfi appointed as Chairperson.

On 25 September 2020, following the resignation of director Emanuela Paola Banfi and the cooptation of director Maria Cristina Zoppo, the Newlat Board of Directors appointed the latter as a member and Chairperson of the RPT Committee.
In particular, the RPT 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 2020, the Related Party Committee met four times and all members participated. Meetings had an average duration of about half an hour.

12. Appointment of Statutory Auditors

Pursuant to the provisions of articles 21, 22 and 23 of the By-laws, the Issuer has adopted a transparent procedure for the appointment of statutory auditors which guarantees, among other things, adequate and timely information on the personal and professional characteristics of candidates for the office.

The Board of Statutory Auditors is elected by the Ordinary Shareholders' Meeting on the basis of slates submitted by shareholders as per the provisions below, ensuring gender balance in accordance with the provisions of applicable laws and regulations.

The presentation of slates is governed by applicable laws and regulations and by the By-laws.

Slates can be submitted by shareholders who, alone or together with others, represent, at the time of submission, at least the stake required to submit lists of candidates for the office of director.

The slates are filed with the Company within the deadlines set out in applicable laws, as indicated in the notice of convocation at the Company's registered office or also communicated remotely, and made available to the public under the terms and conditions set out in applicable laws and regulations. Each shareholder, the shareholders adhering to a shareholders' agreement pursuant to article 122 of the TUF, the parent company, subsidiaries, joint ventures and the other entities between which there is a direct or indirect link, pursuant to applicable laws and regulations, may submit - or contribute to the submission, even through an intermediary or trust company - and vote for only one slate. Each candidate may appear on only one slate under penalty of ineligibility.

Each slate shall contain a sequential number of candidates not exceeding the number of members to be elected.

The slates are divided into two sections: one for candidates for the office of standing auditor, the other for candidates for the office of alternate auditor. The first of the candidates in each section must appear in the register of auditors and must have carried out auditing activities for a period of not less than 3 (three) years.

Each slate that – considering both sections – has a number of candidates equal to or greater than 3 (three) must also include candidates of both genders, so that at least one third (rounded up) of the candidates for the office of standing auditor and at least one candidate for the office of alternate auditor (where the list also includes candidates for the office of alternate auditor) belong to the least-represented gender.

The following must be filed when the slates are submitted: a) information on the shareholders who have submitted the slate, including their stake; b) a declaration by shareholders other than those who hold, even jointly, a controlling interest or a relative majority, certifying the absence of any direct or indirect link, within the meaning of applicable laws and regulations, with the latter; c) the curriculum vitae of the candidates and a statement in which each candidate declares, under his or her own responsibility, that there are no grounds for ineligibility and incompatibility and that he or she fulfils the conditions for appointment; d) information relating to the candidates with an indication of the administration and control positions held in other companies, as well as a statement by the same candidates attesting to the fulfilment of the requirements, including those of integrity, professionalism, independence and related to the accumulation of positions, provided for by current laws and regulations and by the By-laws and their acceptance of the candidacy and office, if elected; e) a declaration from each candidate accepting their candidacy; f) any other additional or different declaration, information and/or document required by applicable laws and regulations.

Any slate that fails to comply with the above provisions shall be deemed not to have been submitted.

Members of the Board of Auditors must meet the requirements of integrity, professionalism, independence and the limit of accumulation of positions provided for by applicable laws and regulations, as well as by the Corporate Governance Code. Matters relating to commercial law, company law, financial market law, tax law, business economics, corporate finance, disciplines having a similar or comparable object, and matters and sectors relating to the business sector of the Company are considered strictly relevant to the scope of the Company's activities.

The election of the Board of Statutory Auditors shall take place in accordance with the following provisions: a) from the slate that has obtained the highest number of votes ("majority slate"), two effective members and one alternate shall be drawn in the order in which they are listed; b) from the slate that has obtained the second-highest number of votes in the Shareholders' Meeting ("minority slate"), the remaining effective member, who shall also be appointed Chairman of the Board of Statutory Auditors, and the other alternate member shall be drawn in the order in which they are listed. If more than one slate has obtained the same number of votes, a new vote shall be taken on said slates by all those who can vote and are present at the Shareholders' Meeting, with the candidates from the slate that secures a relative majority being elected.

If gender balance is not ensured in accordance with the provisions of applicable laws and regulations, considering the statutory auditors and alternate auditors separately, the elected candidate belonging to the most represented gender who was last in the sequential order in each section of the majority slate, will be replaced by the unelected candidate from the least represented gender taken from the same section of the same slate in the sequential order of presentation. If the number of candidates elected on the basis of the slates submitted is lower than the number of statutory auditors to be elected, the remainder will be elected by the Shareholders' Meeting, which decides by relative majority and in such a way that the gender balance required by applicable laws and regulations is respected.

In the case of submission of a single slate, the Board of Statutory Auditors is drawn entirely from it in compliance with applicable laws and regulations. If, on the other hand, no slate is submitted, the Shareholders' Meeting decides by relative majority in accordance with the provisions of law. In such cases, the Chairman of the Board of Statutory Auditors shall be appointed by relative majority of the votes present at the Shareholders' Meeting.

The Chairman of the Board of Statutory Auditors shall be the statutory auditor elected from the minority slate unless only one slate is voted on or no slate is presented; in such cases, the Chairman of the Board of Statutory Auditors shall be appointed by the Shareholders' Meeting by relative majority of the votes present.

13. Composition and Operation of the Board of Statutory Auditors

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

Pursuant to article 21 of the By-laws, the Board of Statutory Auditors shall consist of three standing auditors and two 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.

The Issuer's Board of Statutory Auditors in office on the Report Date consists of 3 standing auditors and 2 alternate auditors. This Board of Statutory Auditors was appointed by the Issuer's Ordinary Shareholders' Meeting for a period of 3 years, until approval of the financial statements for the year ending 31 December 2021.

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

The members of the Board of Statutory Auditors are as follows:

Name and surname	Position	Place and date of birth
Massimo Carlomagno	Chairman	Agnone (IS), 22 September 1965
Ester Sammartino	Standing Auditor	Agnone (IS), 23 May 1964
Antonio Mucci	Standing Auditor	Montelongo (CB), 24 March 1946
Giovanni Carlozzi	Alternate Auditor	Matrice (CB), 23 May 1942
Giorgio de Franciscis	Alternate Auditor	Pesaro, 24 July 1941

The By-laws provide that the Board of Statutory Auditors is to be appointed on the basis of slates. In this regard, it should be noted that the Issuer's Board of Statutory Auditors was appointed before the entry into force of the current By-laws and that, therefore, the provisions on slate voting will apply from the next renewal, for the approval of the financial statements as at 31 December 2021.

Below is a summary of the personal and professional characteristics of the members of the Statutory Board of Auditors.

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 Issuer's Board of Statutory Auditors.

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 he has held the position of standing auditor on the Issuer's Board of Statutory Auditors.

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 held the position of standing auditor on the Issuer's Board of Statutory Auditors.

Giovanni Carlozzi

Born in Matrice (CB) on 23 May 1942, he obtained a degree in Economics and Business from the University of Naples in 1968 and has been enrolled in the Register of Auditors since 12 April 1995. Since 9 September 1994 he has held the office of statutory auditor and sole auditor of Molise verso il 2000 Società Cooperativa r.l. Since 2009 he has held the position of alternate auditor for the Issuer.

Giorgio de Franciscis

Born in Pesaro on 24 July 1941, he obtained a degree in Economic and Maritime Sciences from the Naples Naval Institute in 1969 and has been enrolled in the Register of Auditors since 1995. Since 1986 he has been a tax professional and auditor and from 1987 to 1993 he was Chairman of the Board of Auditors of the Istituto Autonomo Case Popolari di Campobasso, as well as a director and censor of the Bank of Italy (Campobasso branch) from 1990 to 2001. Since 2013 he has held the position of Chairman of the Board of Statutory Auditors at the Neuromed Foundation. He also holds certain positions in public bodies. Specifically, since 2014 he has been Chairman of the Board of Auditors of the Molise Region and since 2016 he has been Chairman of the Board of Auditors of the Municipality of Isernia. Since 2011 he has held the position of alternate auditor for the Issuer.

In 2020, the Board of Statutory Auditors met six times, with all members participating. Mr Roberto Bonacini participated five times, Mr Rocco Sergi participated four times and Mr Stefano Ferro participated once. The average duration was half an hour.

Four meetings are scheduled for the current year in addition to the one already held on 5 February 2021, which had a duration of about half an hour, and at which all the Statutory Auditors, plus Rocco Sergi and Roberto Bonacini, were present.

Further information on the composition of the Board of Statutory Auditors and the participation of statutory auditors in board meetings is given in Table 3 annexed to the Report.

On 5 February 2021, the Board of Statutory Auditors verified that all its members met the independence requirements of article 148, paragraph 3 of the Consolidated Law on Finance and the combined provisions of articles 3 and 8 of the Corporate Governance Code, and that none of them finds themselves in the situations provided for in article 148, paragraph 3 of the TUF and the combined provisions of articles 3 and 8 of the Corporate Governance Code, and informed the Board of Directors of this during its meeting of 19 March 2021.

The Statutory Auditors are also independent pursuant to the Corporate Governance Code with regard to the 2021 financial year. In fact, there were no situations as referred to in recommendation 7 of the aforementioned Code. On 5 February 2021, the Board of Statutory Auditors also verified that all its members met the requirements of integrity and professionalism required by article 148 of the Consolidated Law on Finance and the implementing regulations adopted by way of Ministry of Justice Decree no. 162/2000.

It should be noted that the rules dictating that there must be a gender balance among the members elect of the Board of Statutory Auditors, in accordance with the provisions of article 148, paragraph 1- bis of the Consolidated Law on Finance, have been transposed into the By-laws. The composition of the Board of Statutory Auditors at the date of the Report complies with these provisions on gender balance.

None of the members of the Board of Statutory Auditors has any of the family relations referred to in Book I, Title V of the Italian Civil Code with the other members of the Board of Statutory Auditors, members of the Board of Directors or senior management of the Company.

The remuneration of the statutory auditors, resolved by the Shareholders' Meeting on 8 July 2019, is commensurate with the commitment required and the importance of the role played by each member, as well as the size and sectoral characteristics of the Company.

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.

The Board of Statutory Auditors, in the performance of its activities, coordinated and exchanged information with: (i) the Internal Control and Risks Committee, at whose meetings the Board of Statutory Auditors also participates and (ii) the FRO, who took part in all the meetings of the Board of Statutory Auditors.

14. Shareholder Relations

In accordance with the provisions of article 9, principle 9.P.1. of the Corporate Governance Code, the Issuer's Board of Directors believes that it is in its own specific interest - as well as a duty towards the market – to establish an ongoing dialogue from the moment of the Listing, based on a mutual understanding of roles, with all shareholders as well as with institutional investors.

It has been decided that this dialogue can be facilitated by setting up dedicated teams within the Company.

In this regard, the Company - in compliance with article 9 of implementation criterion 9.C.1. of the Corporate Governance Code – has appointed Benedetta Mastrolia as Head of Relations with Institutional Investors and Other Shareholders (Head of Investor Relations) in order to ensure correct, continuous and complete communication, it being understood that, in the context of such relations, the communication of information documents concerning the Company must take place in compliance with the aforementioned internal procedure.

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

15. Shareholders' Meetings

(pursuant to article 123-bis, paragraph 2, letter c) of the TUF)

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 references contained in article 9, principles 9.P.1. and 9.P.2. of the Corporate Governance Code aimed at (I) promoting initiatives aimed at encouraging the widest possible participation of shareholders in meetings and facilitating the exercise of shareholders' rights and (II) establishing an ongoing dialogue with shareholders based on an understanding of each other's roles (Board of Directors and Shareholders' Meeting), are fully shared by the Company, which considers it appropriate – in addition to ensuring that its directors participate regularly in the shareholders' meetings - to adopt specific measures aimed at getting the most out of the Shareholders' Meeting.

The Shareholders' Meeting resolves on all matters for which it is competent under law and under the Bylaws; moreover, it is expressly invested with the power to dismiss the directors of the Company, even in the absence of just cause, if the relationship of trust between them and the Company has ceased to exist for any reason.

Convocations

Pursuant to article 9 of the By-laws, the Shareholders' Meeting is convened, in accordance with the law, at the registered office of the Company or at any place chosen by the Board of Directors, provided that it is in Italy, another EU country or Switzerland. The notice of convocation, containing the information required by applicable laws and regulations, is published on the Company's website and in the other ways provided for by applicable laws and regulations.

The Ordinary Shareholders' Meeting must be convened at least once a year to approve the separate financial statements within 120 (one hundred twenty) days from the end of the financial year or within 180 (one hundred eighty) days in the cases provided for by law.

Speaking and voting in the Shareholders' Meeting

Each share gives the right to one vote.

Those entitled to vote may speak at the Shareholders' Meeting.

Pursuant to article 83-sexies of the Consolidated Law on Finance, eligibility to speak at the Shareholders' Meeting and to exercise the right to vote is attested by a notice given to the Company by the intermediary in favour of the person entitled to vote, on the basis of the evidence relating to the end of the accounting day of the seventh open market day prior to the date set for the Shareholders' Meeting at first call. Such notice from the intermediary must reach the Company by the end of the third open market day prior to the date set for the Shareholders' Meeting at first call or within a different period provided for by applicable laws and regulations. Eligibility to speak and vote remains if the notice has been received by the Company after the deadlines indicated above but before the start of the single-call Shareholders' Meeting.

Those who have the right to speak at the Shareholders' Meeting may be represented by proxy by another person in the manner prescribed by law. Shareholders have the option to notify the Company of the proxy for participation in the Shareholders' Meeting by sending it to the certified email address or any other method indicated in the notice of convocation.

For each Shareholders' Meeting, the Company may designate one or more persons to whom the holders of voting rights in the Shareholders' Meeting may confer a proxy with instructions on how to vote on all or some of the items on the agenda.

Execution of the Shareholders' Meeting

The Shareholders' Meeting is duly constituted and deliberates with the majorities required by law.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors. Should the Chairman be absent or indisposed, the Meeting will be chaired by the person elected with the vote of a majority of those present.

The Shareholders' Meeting may be held with speakers located in several places using telecommunications technology in accordance with the procedures set out in the By-laws.

The Chairman of the Meeting, or those he/she has delegated, checks that the Meeting has been duly constituted, ascertains the identity and eligibility of the participants and governs the Meeting, establishing methods of discussion and voting (not in secret ballots) and then verifying the results of votes.

The Chairman shall be assisted by a secretary, who may or may not be a shareholder and is appointed by the Shareholders' Meeting, except as provided for in the second paragraph of article 2371 of the Italian Civil Code.

At the date of this report, no shareholders' regulation was adopted due to the recent listing.

During the financial year, the Shareholders' Meeting met:

- In an ordinary meeting on 29 April 2020 to decide on the following agenda: 1. Approval of the Financial Statements as at 31 December 2019, accompanied by the Directors' Report on Operations, the Report of the Board of Statutory Auditors and the Independent Auditors' Report. Related resolutions. Presentation of the consolidated financial statements as at 31 December 2019; 2. Allocation of the profit for the year. Related resolutions; 3. Report on the remuneration policy and on the remuneration paid pursuant to art. 123-ter, paragraphs 3- bis and 6 of Italian Legislative Decree no. 58 of 24 February 1998: 3.1 Binding resolution on the first section on remuneration policy prepared pursuant to Article 123-ter, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998; 3.2 Non-binding resolution on the second section on remuneration paid prepared pursuant to Article 123-ter, paragraph 4 of Italian Legislative Decree no. 58 of 24 February 1998: 4. Authorisation to purchase and dispose of treasury shares. Related and resulting resolutions;

- In an extraordinary meeting on 25 June 2020 to decide on the following agenda: Proposal for a paid share capital increase, to be executed in one or more rounds and also in several tranches, on a divisible basis, excluding the option right pursuant to art. 2441, paragraph four, first sentence of the Italian Civil Code, to be paid by contribution in kind of ordinary shares issued by Centrale del Latte d'Italia S.p.A. Amendment of article 6 of the By-laws. Related and resulting resolutions;

Both meetings were attended by all the directors and the majority of the standing statutory auditors.

16. 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.

17. Comments on the Letter of 22 December 2020 from the Chairman of the Corporate Governance Committee

At the meeting of 19 March 2021, the Chairman brought the letter of the Chairman of the Corporate Governance Committee of 22 December 2020 to the attention of the Board of Directors.

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

On the subject of sustainability

"the Committee has invited boards of directors to increase the integration of sustainability in the definition of strategies, the internal control and risk management system and the remuneration policy, also on the basis of a relevant analysis of the factors that may affect the generation of value in the long term".

The issue of sustainability plays an absolutely significant role for the Company, also in light of the growing importance attributed to these issues by national and international investors.

Therefore, in 2021 the Company started a process to analyse, identify and implement activities aimed at achieving performance targets linked to corporate sustainability in the medium to long term.

At its meeting of 19 March 2021, the Board of Directors approved the Non-Financial Statement for the year 2020, at the end of a process that had begun in 2019 and 2020, which saw the involvement of internal stakeholders, the definition of a materiality analysis and the approval of the commitments that the Company has assumed for 2021, as detailed in the Non-Financial Statement for the year 2020.

On the subject of providing information before board meetings

"the Committee has invited boards of directors to explicitly determine the terms deemed appropriate for distributing such documentation, providing in the report on corporate governance a clear indication of the terms identified and their effective compliance, and to exclude that these terms may be waived for mere confidentiality requirements".

With regard to the timing of the distribution of documentation before board meetings to the members of the Board of Directors and the Board of Statutory Auditors, at the Board meeting of 19 March 2021, despite the absence of rules for the Board of Directors, the directors and the statutory auditors agreed on the appropriateness of the timing relating to the sending of the documentation in question adopted to date.

In 2021 the Company intends to adopt rules for the Board of Directors in line with the recommendations of the Corporate Governance Code.

On the subject of the application of independence criteria

"the Committee has invited boards of directors to always justify on an individual basis the possible non-application of one or more independence criteria and to define beforehand the quantitative and/or qualitative criteria to be used for the assessment of the significance of the relationships under examination".

The assessment of the maintenance of independence requirements of the Company's independent directors was carried out at the time of their appointment, complying both with the independence requirements of article 148, paragraph 3 of the TUF, as referred to in article 147-ter, paragraph 4 of the TUF, and with the independence criteria detailed in article 3 of the Corporate Governance Code, without any exceptions. The maintenance of these requirements is then assessed annually (at the meeting of the Board of Directors that approves the draft financial statements and the consolidated financial statements), and the outcome of said assessment is communicated to the market by means of a press release. This assessment was last performed at the meeting of the Board of Directors on 19 March 2021, in the presence of the Board of Statutory Auditors.

In application of the Corporate Governance Code, the Board of Directors shall be called upon to define, at least at the beginning of its mandate, the quantitative and qualitative criteria for assessing the significance of certain relationships that compromise or appear to compromise the independence of a director.

On the subject of the self-assessment of the board of directors

"the Committee has invited boards of directors to include in the evaluation the board's effective contribution to the definition of strategic plans".

Due to Recommendation 22 of art. 4 of the Corporate Governance Code in force from 1 January 2021, the Board of Directors did not conduct the annual self-assessment considering it appropriate to carry it out at the end of the third year of the mandate in view of the board's renewal.

On the subject of the appointment and succession of directors

"the Committee invited boards of directors to ensure the completeness and timeliness of the proposals for resolutions functional to the process of the appointment of corporate bodies, to express – at least in companies without concentrated ownership – an orientation on its optimal composition and to provide – at least in large companies – a succession plan for executive directors that identifies at least the procedures to be followed in the event of early termination of office".

Given that based on the definitions of the Corporate Governance Code the Company qualifies as a company with concentrated ownership and does not fall within the category of "large" companies, at the date of this Report, partly due to the recent listing, the Board of Directors has not adopted a plan for the succession of executive directors.

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.

On the subject of remuneration policies

"the Committee has invited boards of directors to strengthen the link between variable remuneration and long-term performance objectives, including non-financial parameters where relevant. The Committee also invited boards to limit the possibility of disbursing sums not linked to predetermined parameters (i.e. ad hoc bonuses) to exceptional cases, to define clearer criteria and procedures for the allocation of severance pay and to ensure that the remuneration paid to non-executive directors and members of the control body is commensurate with the competence, professionalism and commitment required by their position".

As mentioned earlier, the Company has started a process aimed at identifying performance targets not only in financial terms, but also linked to corporate sustainability, especially in social and environmental terms.

Regarding the possibility of disbursing sums not linked to predetermined parameters, the Company confirms that at the date of this Report there were no such cases, as well as confirming that the remuneration paid to the corporate bodies is commensurate to the competence, professionalism and commitment required of them.

* * *

Compliance with the new edition of the Code

The Company took note of the approval of the new edition of the Code, which takes the name of "Corporate Governance Code", on 31 January 2020.

In 2021 the Company will adapt its corporate practices to the guiding principles of the new Corporate Governance Code, informing the market in the corporate governance report to be published in 2022.

Note that the Corporate Governance Code prescribes simplified procedures for the application of certain recommendations for companies like Newlat with concentrated ownership and companies other than "large" ones, as defined in the Code itself.

Table 1: Ownership Structure Information

Structure of Share Capital

	No. of shares	% of share capital	Listed (show market)/ unlisted	Rights and obligations
Ordinary shares	43,935,050	100%	Listed on the MTA - STAR segment -	Increased vote pursuant to art. 6, paragraph 9 of the Bylaws[14]
Multiple-vote shares	0	0	-	-
Shares with limited right to vote	0	0	-	-
Shares without voting rights	0	0	-	-
Other	-	-		-

Other Financial Instruments
(conferring 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	-	-	-	-
Warrant	-	-	-	-

Significant Equity Investments

Declarant	Direct Shareholders	Holding % of the ordinary capital	Holding % of the voting capital
-	-	-	-
-	-	-	-

[14] See par. 2 (d) of this Report.

Table 2: Structure of the Board of Directors and Committees

	Board of Directors												Control and Risks Committee		Remuneration and Appointments Committe	
Position	Members	Year of birth	* Date of first appoint.	Start of term	End of term	** Slate	Exec.	Non Exec.	Indep. Cod	Indep. TUF	*** No. of other posts	(*)	(*)	(**)	(*)	(**)
• Chairman	Angelo Mastrolia	1964	30.11.06	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	X	-	-	-	11	10/10	-	-	-	-
Chief Executive Officer	Stefano Cometto	1972	30.01.13	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	X	-	-	-	4	10/10	-	-	-	-
Director Executive Officer	Giuseppe Mastrolia	1989	29.06.11	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	X	-	-	-	3	10/10	-	-	-	-
Director	Benedetta Mastrolia	1995	05.06.14	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	-	X	-	-	2	10/10	-	-	-	-
Director	Maria Cristina Zoppo	1971	29.10.19	25.09.20	Shareholders' Meeting to approve the 2021 financial statements	N/A	-	X	X	X	7	2/10	3/3	M	1/1	M
Director	Valentina Montanari	1967	29.10.19	29.10.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	-	X	X	X	5	10/10	3/3	C	1/1	M
○ Director	Eric Sandrin	1964	29.10.19	29.10.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	-	X	X	X	19	10/10	3/3	M	1/1	C

Directors removed during the year in question

Director	Emanuela Paola Banfi	1969	29.10.19	29.10.19	25.09.20	N/A	-	-	-	-	-		-	-	-	-

No. of meetings held during the Reference Period	10	Control and Risks Committee	3	Remuneration and Appointments Committee	1	Executive Committee	N/A

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) 2.5%

• This symbol indicates the director responsible for the internal control and risk management system.

◊ This symbol indicates the Issuer's senior manager (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID), where applicable.

* 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 shows the slate from which each director was drawn ("M": majority slate; "m": minority slate; "BoD": slate submitted by the Board of Directors).

*** This column shows the number of directorial or statutory auditor positions held by the person concerned in other companies listed on regulated markets, including abroad, in financial, banking, insurance or other companies of significant size. The Corporate Governance Report provides more details on these positions.

(*). This column shows the participation of directors in the meetings of the Board of Directors and committees respectively.

(**). This column shows the status of the director within the Committee: "P": chairman; "M": member.

Table 3: Structure of the Board of Statutory Auditors

Position	Members.	* Year of birth	Date of first appointment	Start of term	End of term	** Slate	Indep. Cod	*** Attendance at Board of Statutory Auditors meetings	**** No. of other posts
Chairman	Massimo Carlomagno	1965	28.02.05	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	-	6/6	5
Statutory Auditor Auditor	Ester Sammartino	1966	28.02.05	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	-	6/6	2
Statutory Auditor Auditor	Antonio Mucci	1946	12.06.09	8.07.19	Shareholders' Meeting to approve the 2021 financial statements	N/A	-	6/6	2
Alternate Auditor	Giovanni Carlozzi	1942	29.06.11	N/A	Shareholders' Meeting to approve the 2021 financial statements	N/A	N/A	N/A	N/A

Number of meetings held during the Reference Period:	6	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):	2.5%

Annex A - List of the main positions held by the Directors

List of the main positions held, at the date of this Report, by each Director in other companies listed on regulated markets, including abroad, in financial, banking, insurance or other companies of significant size.

Name and surname	Company	Position	Status
Angelo Mastrolia	TMT Property S.r.l.	Chairman of the Board of Directors.	In office
	Centrale del Latte d'Italia S.p.A.	Chairman of the Board of Directors	In office
	Newservice S.r.l.	Chairman of the Board of Directors	In office
	New Property S.p.A.	Chairman of the Board of Directors	In office
	Newlat Group SA	Sole Director	In office
	Newlat GmbH	Director	In office
	Latterie Riunite Piana del Sele S.r.l. in liquidazione	Liquidator	In office
	Biochemia System S.r.l.	Sole Director	In office
	ABGM Group S.A.	Sole Director	In office
	CFR Hypermarché S.A.	Sole Director	In office
	TMT Group S.A.	Sole Director	In office
Giuseppe Mastrolia	New Property S.p.A.	Deputy Chairman of the Board of Directors	In office
	Centrale del Latte d'Italia S.p.A.	Deputy Chairman of the Board of Directors	In office
	Newlat GmbH	CEO	In office
	TMT Property S.r.l.	Director	In office
	Newlat Group S.A.	Director	In office
	AGBM Group S.A.	Director	In office
Stefano Cometto	Newservice S.r.l.	Vice-Chairman and Chief Executive Officer	In office
	Centrale del Latte d'Italia S.p.A.	Director	In office
	New Property S.p.A.	Chief Executive Officer	In office
	RA Creations S.r.l.s in liquidazione	Liquidator	In office
	Gopura Consulting S.r.l.s.	Sole Director	In office

Name and surname	Company	Position	Status
Benedetta Mastrolia	New Property S.p.A.	Director	In office
	Centrale del Latte d'Italia S.p.A.	Director	In office
Maria Cristina Zoppo	Banca Intesa Sanpaolo S.p.A.	Director	In office
		Management Control Committee Member	In office
	Schoeller Allibert S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Baomarc Automotive Solutions S.p.A.	Alternate Auditor	In office
	Imerys Talc Italy S.p.A.	Alternate Auditor	In office
	Houghton Italia S.p.A.	Chairman of the Board of Statutory Auditors	In office
	BDO Tax S.r.l. S.t.p.	Proxy	In office
Valentina Montanari	Cerved Group S.p.A.	Director	In office
		Member of Remuneration and Appointments Committee	In office
		Member of Control and Risks Committee	In office
	Mediolanum Gestione Fondi SGR p.A.	Director	In office
	DB Cargo Italia S.r.l.	Director	In office
Eric Sandrin	Kering Luxembourg SA	Director	In office
	Kering Studio	General Manager (Directeur Général)	In office
	Boucheron Uk Limited	Director	In office
	Bottega Veneta International Sarl	Director	In office
	Autumnpaper Limited	Director	In office
	Birdswan Solutions Limited	Director	In office
	Alexander Mcqueen Trading Limited	Director	In office
	Balenciaga Uk LTD	Director	In office
	Balenciaga Japan LTD	Director	In office
	Boucheron Holding SAS	Member of the Strategic Committee (comité stratégique)	In office
	Kering Eyewear Apac Limited	Director	In office
	Stella Mccartney Limited	Director	In office

Name and surname	Company	Position	Status
Eric Sandrin	Kering Holland NV	Director	In office
	Balenciaga SA	Director	In office
	GG France 14	Chairman	In office
	Boucheron Joaillerie (Usa), INC	Director	In office
	Kering (China) Enterprise Management Limited	Director	In office
	Lgi (Shanghai) Enterprise Management LTD	Supervisor	In office
	GG France 13	Chairman	In office

Annex B - List of the main positions held by the Statutory Auditors

List of the main positions held, at the date of this Report, by each Statutory Auditor in other companies listed on regulated markets, including abroad, in financial, banking, insurance or other companies of significant size.

Name and surname	Company	Position	Status
Massimo Carlomagno	New Property S.p.A	Chairman of the Board of Statutory Auditors	In office
	Korg Italy S.p.A.	Statutory Auditor	In office
	Bakoo S.p.A.	Statutory Auditor	In office
	Comune di Pescate	Sole Auditor	In office
	Comune di Torricella Verzate	Sole Auditor	In office
Ester Sammartino	New Property S.p.A.	Statutory Auditor	In office
	Comune di Pognana lario	Sole Auditor	In office
Antonio Mucci	New Property S.p.A.	Statutory Auditor	In office
	Nucleo di valutazione della Provincia di Campobasso	Chairman	In office

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Consolidated Financial Statements as at December 31, 2020

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Consolidated Financial Statements as at December 31, 2020

Consolidated Statement of Financial Position

(In thousands of euros)	Note	At 31 December 2020	At 31 December 2019
Non-current assets			
Property, plant and equipment	8.1	151,541	31,799
Right-of-use assets	8.2	18,452	17,326
of which from related parties		*6,708*	9,467
Intangible assets	8.3	51,058	25,217
Equity investments in associates	8.4	1,397	-
Non-current financial assets measured at fair value through profit or loss	8.5	746	42
Financial assets measured at amortised cost	8.6	801	866
of which from related parties		*735*	735
Deferred tax assets	8.7	5,466	5,034
Total non-current assets		**229,460**	**80,284**
Current assets			
Inventories	8.8	41,347	25,880
Trade receivables	8.9	71,268	49,274
of which from related parties		*606*	19
Current tax assets	8.10	1,888	716
Other receivables and current assets	8.11	11,003	4,701
Current financial assets measured at fair value through profit or loss	8.12	4	4
Cash and cash equivalents	8.13	182,127	100,884
of which from related parties		*69,351*	45,338
Total current assets		**307,638**	**181,459**
TOTAL ASSETS		**537,098**	**261,743**
Shareholders' equity			
Share capital		43,935	40,780
Reserves		61,276	43,591
Net profit/(loss)		37,053	7,174
Total shareholders' equity attributable to the Group	8.14	142,265	91,546
Shareholders' equity net of minority interests/shareholders	8.14	13,790	-
Total consolidated equity	8.14	**156,055**	**91,546**
Non-current liabilities			
Provisions for employee benefits	8.15	15,411	10,646
Provisions for risks and charges	8.16	1,587	1,396
Deferred tax liabilities	8.7	12,080	3,850
Non-current financial liabilities	8.17	94,811	12,000
Non-current lease liabilities	8.2	12,436	13,032
of which from related parties		4,144	6,989
Other non-current liabilities	8.18	-	600
Total non-current liabilities		**136,325**	**41,524**
Current liabilities			
Trade payables	8.19	151,388	85,592
of which from related parties		*213*	149
Current financial liabilities	8.17	63,121	22,456
of which from related parties		891	
Current lease liabilities	8.2	6,570	4,776
of which from related parties		*2,812*	2,341
Current tax liabilities	8.10	3,438	471
Other current liabilities	8.20	20,201	15,379
Total current liabilities		**244,718**	**128,674**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**537,098**	**261,743**

Consolidated income statement

(In thousands of euros)	Notes	year ended 31 dicembre 2020	year ended 31 dicembre 2019
Revenue from contracts with customers	9.1	469,826	270,752
Cost of sales	9.2	(370,188)	(224,355)
of which from related parties		*(3,581)*	*(3,572)*
Gross operating profit/(loss)		**99,638**	**46,398**
Sales and distribution costs	9.2	(54,372)	(25,108)
Administrative costs	9.2	(22,725)	(11,511)
of which from related parties		*(180)*	*(417)*
Net write-downs of financial assets	9.3	(1,509)	(674)
Other revenues and income	9.4	8,057	4,642
Income from business combinations	9.5	24,865	-
Other operating costs	9.6	(5,236)	(2,954)
Operating profit/(loss)		**48,718**	**10,792**
Financial income	9.7	536	438
of which from related parties		*134*	*408*
Financial expenses	9.7	(3,851)	(1,852)
of which from related parties		*(204)*	*(459)*
Profit (loss) before taxes		**45,404**	**9,378**
Income taxes	9.8	(6,761)	(2,204)
Net profit/(loss)		**38,643**	**7,174**
Net profit/(loss) pertaining to minority interests/shareholders		**1,088**	**0**
Group net profit/(loss)		**37,554**	**7,174**
Basic net profit/(loss) per share	9.9	0.91	0.25
Diluted net profit/(loss) per share	9.9	0.91	0.25

Consolidated statement of comprehensive income

(In thousands of euros)	Notes	year ended 31 dicembre 2020	year ended 31 dicembre 2019
Net profit/(loss) (A)		**38,643**	**7,174**
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:			
Actuarial gains/(losses)	8.15	(1,317)	(343)
Tax effect on actuarial gains/(losses)	8.15	336	94
Total other components of comprehensive income that will not be subsequently reclassified to the income statement		**(981)**	**(249)**
Total other components of comprehensive income, net of tax effect (B)		**(981)**	**(249)**
Total comprehensive net profit/(loss) (A)+(B)		**37,662**	**6,925**
Profit/loss net of minority interests/shareholders		**969**	**-**
Group net profit/(loss)		**36,692**	**6,925**

Consolidated statement of changes in equity

(In thousands of euros)	Notes	Share capital	Reserves	Net profit/ (loss)	Total shareholders' equity attributable to the Group	Net shareholders' equity pertaining to minority intere-sts/shareholders	Total
At 31 December 2018		**27,000**	**20,359**	**3,361**	**50,720**	-	**50,720**
Allocation of net profit/(loss) for the previous year			3,361	(3,361)	-		-
Newlat Deutschland combination		-	(42,367)	-	(42,367)		**(42,367)**
Total transactions with shareholders	8.14	-	**(42,367)**	-	**(42,367)**		**(42,367)**
Share capital increase via IPO		13,780			13,780		**13,780**
Increase in the share premium reserve			66,147		66,147		**66,147**
IPO costs							
Tax benefit - IPO costs			(5,075)		(5,075)		**(5,075)**
IPO total			1,415		1,415		**1,415**
	8.14	**13,780**	**62,487**	-	**76,267**		**76,267**
Net profit/(loss)				7,174	7,173		**7,173**
Actuarial gains/(losses) net of the related tax effect			(249)		(249)		**(249)**
Total comprehensive net profit/(loss) for the year	8.14	-	**(249)**	**7,174**	6,924		**6,924**
At 31 December 2019		**40,780**	**43,591**	**7,174**	**91,544**	-	**91,546**
Allocation of net profit/(loss) for the previous year			**7,174**	**(7,174)**	-		
Acquisition of Centrale del Latte d'Italia SpA		**2,221**	**9,101**		11,322	**19,817**	**31,139**
Acquisition of minority stakes in Centrale del Latte d'Italia S.p.A.		**934**	**3,617**		4,551	**(7,354)**	**(2,803)**
Capital increase costs net of tax			(564)		(564)		**(564)**
Total capital increase	8.14	**3,155**	**12,154**	-	**15,309**	**12,463**	**27,772**
Treasury shares			(922)		(922)		(922)
Total treasury shares	8.14		**(922)**		**(922)**		**(922)**
Net profit/(loss)				37,554	37,554	1,088	38,643
Actuarial gains/(losses) net of the related tax effect			(862)		(862)	(119)	(981)
Total comprehensive net profit/(loss) for the year	8.14		**(862)**	**37,554**	**36,692**	**969**	**37,662**
							-
At 31 December 2020		**43,935**	**61,134**	**37,554**	**142,625**	**13,432**	**156,057**

Consolidated cash flow statement

(In thousands of euros)	Notes	year ended 31 dicembre 2020	year ended 31 dicembre 2019
Profit (loss) before taxes		45,404	9,377
- Adjustments for:			
Amortisation, depreciation and write-downs	8.1-8.2-8.3	21,392	9,989
Capital losses/(gains) on disposal	9.2-9.3-9,4	(5)	84
Financial expense/(income)	9.7	3,315	1,367
of which from related parties		*(51)*	*273*
Other non-monetary changes from business combinations	9.5	(24,865)	
Other non-monetary changes	8.8-8.9-8.15-8.16	(15)	2,025
Cash flow generated /(absorbed) by operating activities before changes in net working capital		**45,225**	**22,842**
Change in inventory	8.8	(4,721)	982
Change in trade receivables	8.9	3,104	409
Change in trade payables	8.19	26,175	(4,981)
Change in other assets and liabilities	8.6-8.11-8.18-8.20	3,019	12,733
of which from related parties		-	*10,000*
Use of provisions for risks and charges and for employee benefits	8.15-8.16	(624)	(1,421)
Taxes paid	8.10	(3,562)	(399)
Net cash flow generated /(absorbed) by operating activities		**68,616**	**30,165**
Investments in property, plant and equipment	8.1-8.2	(13,776)	(3,462)
Investments in intangible assets	8.3	(588)	(760)
Deferred fee for acquisitions	8.18-8.20	(1,500)	(2,512)
Delverde combination	8.14		(2,795)
Newlat Deutschland combination	8.14		(27,625)
Aggregation of Centrale del Latte d'Italia	8.14	19,760	
Net cash flow generated /(absorbed) by investment activities		**3,896**	**(37,154)**
New long-term financial debt	8.17	65,079	15,000
Repayments of long-term financial debt	8.17	(42,000)	(15,811)
Repayments of lease liabilities	8.2	(7,309)	(4,176)
of which from related parties		*(3,046)*	*(3,046)*
Net interest expense	9.7	(3,315)	(1,368)
IPO fee	8.14	-	76,545
Acquisition of minority interests	8.14	(2,803)	
Treasury shares	8.14	(922)	
Net cash flow generated/(absorbed) by financing activities		**8,730**	**70,190**
Total changes in cash and cash equivalents		**81,242**	**63,201**
Cash and cash equivalents at start of year		**100,884**	**37,683**
of which from related parties		*45,338*	*37,345*
Total changes in cash and cash equivalents		81,242	63,201
Cash and cash equivalents at end of year		**182,127**	**100,884**
of which from related parties		*69,351*	*45,338*

Reconciliation statement as at 31 december 2020 with the values of the parent company's separate financial statements

(In thousands of euros)	Shareholders' Equity	of which Net profit for the period
Balances resulting from the Parent Company's separate financial statements	148,214	7,254
Effect of full consolidation:		
Difference between the book value of the consolidated subsidiary Newlat GmbH and the relative share of equity	(42,748)	
Difference between the book value of the consolidated subsidiary Centrale del Latte d'Italia SpA and the relative share of equity		20,296
Purchase price allocation effects		4,569
Other changes in shareholders' equity	(396)	
Pro-rata results achieved by investees		5,437
Recognition of minority interests/shareholders	12,343	1,008
Shareholders' equity and profit/loss for the period from the Group's consolidated financial statements	117,412	38,645

1. Explanatory notes to the consolidated financial statements at 31 december 2020

1.1 General information and significant transactions carried out in 2020

Newlat Food 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 at Via J. F. Kennedy 16, Reggio Emilia.

The Newlat Group is a group operating in the food sector with a large and structured product portfolio organised into the following business units: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products and Other Activities.

The Company is subject to management and coordination by the parent Newlat Group S.A. (hereinafter "**Newlat Group**"), a company that directly owns 61.66% of the share capital, while the remaining part (38.34%) is held by institutional investors and traded on the STAR segment of the MTA market managed by Borsa Italiana.

Acquisition of Centrale del Latte d'Italia SpA

On 30 March 2020, Newlat Group S.A., the parent company of Newlat Food S.p.A., entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as the sellers, under which Newlat Group SA purchased 6,473,122 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 46.24% of the share capital and voting rights, against the payment, for every three CLI shares subject to purchase and sale, of a total consideration of Euro 3.00 and 1 ordinary share of Newlat Food held by Newlat Group S.A., corresponding to a unit price for each share subject to purchase and sale of Euro 1.00 and 0.33 Newlat Food ordinary shares. The transaction allowed the sellers to become shareholders of Newlat Food S.p.A. with a total shareholding of 5.30% before the future share capital increase the public purchase and exchange offer.

The operation was not subject to any conditions precedent. Newlat Group SA and the sellers executed the purchase and sale agreement on 1 April 2020.

Newlat Group S.A. assigned to Newlat Food S.p.A. the shares subject to purchase and sale that were purchased by Newlat Group S.A. within the meaning of the aforementioned agreement, as well as an additional 187,120 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 1.34% of share capital already held by Newlat Group SA, for a total of 6,660,242 ordinary shares, representing 47.57% of the share capital under the same financial terms as the agreement entered into with the previous sellers and, therefore, against payment of a cash consideration by Newlat Food.

As a result of the acquisition of the major interest in Centrale del Latte d'Italia S.p.A., Newlat Food launched a mandatory public purchase and exchange offer (the "PPEO") on the remaining ordinary shares, pursuant to and in accordance with applicable law, at the same Consideration paid to Newlat Group SA (as well as the same consideration paid by Newlat Group AS to the sellers) and, therefore, equal to 0.33 newly issued Newlat Food ordinary shares and Euro 1 for each Centrale del Latte d'Italia S.p.A. ordinary share attached to the PPEO.

Newlat Food S.p.A.'s subscription offer to the shareholders of Centrale del Latte d'Italia S.p.A. finished at the end of July. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offerer's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020.

Business combinations

Business combinations, in which the control of a business is acquired, are recognised in accordance with IFRS 3 "Business combination", applying the acquisition method. In particular, identifiable assets, liabilities and potential liabilities are recognised at fair value at the date of acquisition, i.e. the date when control is acquired (the acquisition date), except for deferred tax assets and liabilities, assets and liabilities relative to employee benefits and assets held for sale, which are recognised based on the relative accounting standards. If positive, the difference between the cost of acquisition and the current value of the assets and liabilities is recorded in intangible assets as goodwill; if negative, after having checked that the current values of the assets and liabilities acquired and the cost of acquisition have been properly measured, it is recorded directly in the statement of other comprehensive income, as revenue. Minority interests on the date of acquisition can be measured at fair value or at the pro-rata of the value of the net assets recognised for the acquired company. The valuation method is chosen on a transaction-by-transaction basis. When the assets and liabilities of the acquired business are calculated on a provisional basis, this must be completed within twelve months of the date of acquisition, taking into account only information relating to facts and circumstances existing at the Acquisition Date. In the year in which the aforementioned calculation is concluded, the provisionally recognised values are adjusted with retrospective effect. The ancillary expenses of the transaction are recognised in the income statement at the moment at which they are incurred. The cost of acquisition is represented by the fair value on the Acquisition Date of the assets transferred, the liabilities assumed and the equity instruments issued for the purpose of the acquisition, and also includes the contingent consideration, i.e. the part of the fee whose amount and disbursement are dependent on future events.

The contingent consideration is recognised on the basis of its fair value at the Acquisition Date, and subsequent changes in fair value are recognised in the income statement if the contingent consideration is a financial asset or liability, while contingent considerations classified as equity are not restated and the subsequent elimination occurs directly in equity. Where control is acquired in subsequent phases, the acquisition cost is determined by adding the fair value of the investment previously held in the acquiree and the amount paid for the additional portion. Any difference between the fair value of the investment previously held and its carrying value is charged to the income statement. When control is acquired, any amounts previously recognised as other components of comprehensive income are recognised in the statement of other comprehensive income or, if such reclassification is not envisaged, in another shareholders' equity item. The following table provides the book values of the net assets acquired as part of the Acquisition of Centrale del Latte d'Italia S.p.A.

(In thousands of euros)	At 1 April 2020
Non-current assets	
Property, plant and equipment	118,939
Right-of-use assets	2,747
Intangible assets	19,631
Non-current financial assets measured at fair value through profit or loss	2,053
Inventories	10,746
Trade receivables	26,607
Current tax assets	2,357
Other receivables and current assets	10,781
Cash and cash equivalents	26,420
Provisions for employee benefits	(4,930)
Provisions for risks and charges	(66)
Deferred tax liabilities	(6,089)
Non-current financial liabilities	(61,049)
Non-current lease liabilities	(1,909)
Other non-current liabilities	(541)
Trade payables	(39,621)
Current financial liabilities	(39,348)
Current lease liabilities	(890)
Current tax liabilities	(504)
Other current liabilities	(7,240)
Total net assets acquired	**58,095**
Fair value at the consideration acquisition date	(6,660)
Payment by share capital increase	(11,322)
Fair value of interests/minority interests as at the Execution Date	(19,817)
Income from business combinations	**20,296**

The transaction was booked in accordance with the guidance contained in IFRS 3 – "Business Combinations" since it can be categorised as an acquisition.

Management carried out a valuation of assets and liabilities at fair value with the aid of independent third-party consultants, thus closing the business combination as at 31 December 2020. The analysis did not identify contingent considerations and the following adjustments were found:

(In thousands of euros)	At 1 April 2020	Adjustments Fair value	At 1 April 2020
Non-current assets			
Property, plant and equipment	118,939		118,939
Right-of-use assets	2,747		2,747
Intangible assets	19,631	6,473	26,104
Non-current financial assets measured at fair value through profit or loss	2,053		2,053
Inventories	10,746		10,746
Trade receivables	26,607		26,607
Current tax assets	2,357		2,357
Other receivables and current assets	10,781		10,781
Cash and cash equivalents	26,420		26,420
Provisions for employee benefits	(4,930)		(4,930)
Provisions for risks and charges	(66)		(66)
Deferred tax liabilities	(6,089)	(1,904)	(7,993)
Non-current financial liabilities	(61,049)		(61,049)
Non-current lease liabilities	(1,909)		(1,909)
Other non-current liabilities	(541)		(541)
Trade payables	(39,621)		(39,621)
Current financial liabilities	(39,348)		(39,348)
Current lease liabilities	(890)		(890)
Current tax liabilities	(504)		(504)
Other current liabilities	(7,240)		(7,240)
Total net assets acquired	**58,095**	**4,569**	**62,664**
Fair value at the consideration acquisition date	(6,660)		(6,660)
Payment by share capital increase	(11,322)		(11,322)
Fair value of interests/minority interests as at the Execution Date	(19,817)		(19,817)
Income from business combinations	**20,296**	**4,569**	**24,865**

Income from business combinations has been classified in an income statement item called "non-recurring income from business combinations" in order to identify the non-recurring nature of the acquisition of the CLI Group as this is a transaction that does not occur every year.

Accounting of the PPEO transaction

Newlat Food S.p.A.'s subscription offer to the shareholders of Centrale del Latte d'Italia S.p.A. finished at the end of July. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offerer's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020.

In accordance with the provisions of IAS 32, the transaction costs of €1,400 thousand were recorded as a direct reduction in shareholders' equity in a directly proportional share, or 63%, representing the share of the increase through the issuance of new shares, net of the related tax benefit of €295 thousand. As a result, the overall impact on the Group's shareholders' equity was €564 thousand.

The aforementioned extraordinary transactions carried out by the Newlat Group in the year ended 31 December 2020 affect the comparability of the consolidated financial statements at 31 December 2020 with the consolidated accounting data for the previous year ended 31 December 2019.

2. Adopted accounting standards

The accounting standards and measurement criteria adopted in the preparation and drafting of the annual report at 31 December 2020 are set out below.

The annual financial report at 31 December 2020 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, trademarks with an indefinite useful life, 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 for the two cash-generating units, including a sensitivity analysis, are described in note 8.3 of the Consolidated Financial Statements at 31 December 2020.

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 Group 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. The accounting impacts of the determination of the fair value of the assets acquired and liabilities assumed, as well as of the call options of minority interests for the business combinations that occurred during the year, are provided in the previous paragraph of this Note.

2.1 Basis of preparation

The Consolidated Financial Statements consists 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 Consolidated Financial Statements have been prepared in thousands of euro, the functional currency of the Group. The statement of financial position, income statement, statement of cash flows, explanatory notes and tables are in thousands of euro, unless otherwise indicated.

The consolidated financial statements were prepared:

- sulla base delle migliori conoscenze degli IFRS e tenuto conto della migliore 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.

Criteria for preparation of the consolidated financial statements

The consolidated financial statements were prepared in order to represent the assets, liabilities, revenues and costs directly and indirectly attributable to the Newlat Group.

In relation to the criteria for aggregating financial information, it should be noted that the acquisition of Newlat Deutschland in 2019 is a business combination under common control and, as such, is recognised in accordance with document OPI No. 1 R (ASSIREVI preliminary guidance on IFRS). In particular, these business combinations were implemented for purposes other than the transfer of control, and essentially represent a simple corporate reorganisation. With this in mind, since the aforementioned transactions do not have a significant influence on the cash flows of the net assets transferred before and after acquisition, they were recognised on the basis of continuity of values. In addition, it should be noted that, since these transactions are settled by payment of a consideration in cash, the difference between the transfer value (amount of the consideration in cash) and the historical book values transferred represents a transaction with shareholders to be recognised as a distribution of the purchasing entity's shareholders' equity.

2.2 Consolidation criteria and methodology

The Consolidated Financial Statements include the results, assets and liabilities and cash flows of Newlat Food and the subsidiaries approved by the respective administrative bodies, prepared on the basis of their relative accounting situations and, where applicable, adjusted accordingly to bring them into compliance with IFRS.

The reporting date of the consolidated entities is aligned with that of the Parent Company.

The following table summarises, with reference to the companies included in the scope of the Consolidated Financial Statements, the information relating to the company name, registered office, functional currency and share capital at 31 December 2020:

Name	Registered Office	Currency	Share capital at 31 December 2020
Newlat Food S.p.A.	Italia - Via J.F. Kennedy 16, Reggio Emilia	EUR	43,935,050
Newlat Deutschland Gmbh	Germania - Franzosenstrabe 9, Mannheim	EUR	1,025,000
Centrale del Latte d'Italia SpA	Italia - Via Filadelfia 220, 10137 Torino	EUR	28,840,041

It should be noted that at the reference dates of the Consolidated Financial Statements, all the companies included within the scope were consolidated using the line-by-line method.

In preparing the Consolidated Financial Statements, all balances and transactions carried out between the companies included in the scope have been eliminated and therefore the Consolidated Financial Statements do not include any of the transactions in question.

During the year under review, the changes to the scope of consolidation concern the acquisition of Centrale del Latte d'Italia S.p.A., for which control was obtained on 1 April 2020.

Subsidiaries

An investor controls an entity when: (i) it is exposed, or has rights, to variable returns from its involvement with the entity and (ii) it has the ability to affect those returns through its power over said entity. The existence of control is checked every time facts and/or circumstances point to a change in one of the aforementioned elements constituting control. Subsidiaries are consolidated using the line-by-line method from the date on which control was acquired. They cease to be consolidated from the date on which control is transferred to third parties. The following criteria were adopted for line-by-line consolidation:

- assets and liabilities and income and expenses of the subsidiaries are consolidated line-by-line, attributing to the minority shareholders, where applicable, their portion of equity and net profit/loss for the period; these portions are shown separately in equity and the statement of other comprehensive income;

- gains and losses, including related tax effects, on transactions between companies consolidated on a line-by-line basis and unrealised gains and losses on transactions with third parties are derecognised, except for losses that are not derecognised if the transaction provides evidence of impairment of the transferred asset. The mutual debit and credit positions, costs and revenues and financial expenses and income are also eliminated.

Equity investments in associates

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in determining the financial and operating policies of the investee company without having control or joint control over it. Investments in associates are measured using the shareholders' equity method. Under the equity method, the equity investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise the equity interest of the participant in the gains and losses of the investee realised after the acquisition date.

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".

Intra-group transactions

Profits arising from transactions between consolidated companies and not yet realised with respect to third parties are eliminated, as are the receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies. Intra-group losses are not eliminated because they are considered representative of impairment of the transferred asset.

2.3 Accounting standards and measurement criteria

Adopted accounting standards

The Consolidated 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 Group 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	4-20 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 in accordance with one of the two different criteria set out in IAS 38 (cost model and revaluation model).

The cost model requires an intangible asset to be recognised at cost after initial recognition, net of accumulated amortisation and any accumulated impairment losses.

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

Category of assets	Useful Life
Goodwill	unlimited
Drei Glocken and Birkel brands	unlimited
Other brands	18 years
Software licences	5 years
Other assets	5 years

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

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.

Trademarks 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.

Lease contracts

a) *Right-of-use assets and lease liabilities – 31 December 2020 (IFRS 16)*

The Group chose early adoption, from 1 January 2018, of the new accounting standard IFRS 16 - "Leases", which replaces IAS 17 - "Leasing" 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 Group 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 Group 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 Group 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 (i.e. when the value of the underlying asset, if new, is less than $5,000, for example). 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.

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. 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 net of the related amortisation provision

a) Financial assets at amortised cost – 31 December 2020 (IFRS 9)

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).

Moreover, since trade receivables are generally short-term and do not provide for the payment of interest, the amortised cost is not calculated, and they are recognised on the basis of the nominal value reported in invoices issued or contracts concluded 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 – 31 December 2020 (IFRS 9)

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 – 31 December 2020 (IFRS 9)

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 Group 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 Consolidated 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

Payables relating to the year ended 31 December 2020.

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 Group 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 Group has transferred all risks and charges relating to the instrument.

Employee benefits

These include benefits granted to employees or their dependants and can be liquidated by means of payments (or with the supply of goods and services) made directly to employees, spouses, children or other dependants or to third parties such as insurance companies, and are divided into short-term benefits, benefits due to employees for termination of employment 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

a) Revenue from contracts with related customers - year ended 31 December 2020 (IFRS 15)

The Group applies IFRS 15 as of 1 January 2018. In accordance with this standard, 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 Group 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 Group 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 Group 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 Group does not create an asset which has an alternative use for the Group and the Group has the enforceable right to payment for the service completed up to the date in question.

If the performance obligation is not met over time, it is met at a specific moment. In that case, the Group 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 Group 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 includes 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 Group expects them to be recovered. Incremental costs for obtaining the contract are costs that the Group 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.

The dictates of IFRIC 12 have been considered without detecting any significant impacts.

Net profit/(loss) per share

Basic earnings per share are calculated by dividing the net profit (loss) pertaining to the Group 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 Group 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 Group is adjusted to take into account any effects, net of taxes, of the exercise of such rights.

Operating segments

The operating segment is a part of the group that undertakes business activities that generate revenue and costs, whose operating results are periodically reviewed by the Chairman of the Board of Directors, in his role as Chief Operating Decision Maker (CODM), for the purpose of taking decisions on the resources to be allocated to the sector and evaluating results, and for which financial information is available.

2.4 Recently issued accounting standards

The following accounting standards, amendments and interpretations were applied for the first time by the Group as at 1 January 2020:

- On 31 October 2018 the IASB published the document "Definition of Material" (amendments to IAS 1 and IAS 8). That document introduced changes to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Its aim was to make the definition of "material" more specific, and to introduce the concept of "obscured information" alongside the concept of omissions or misstatements, which were already present in the two amended standards. The amendment clarifies that information is "obscured" if it has been described in such a way that produces, for the primary readers of financial statements, an effect similar to that which would have occurred if that information had been omitted or misstated.

The adoption of this amendment had no effect on the Company's financial statements.

- On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for years starting on or after 1 January 2020, but early adoption is permitted. The Conceptual Framework defines the basic concepts of financial reporting and guides the Board in elaborating the IFRS standards. The document helps to ensure that the standards are conceptually coherent and that similar transactions are dealt with in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in elaborating accounting standards when no IFRS applies to a specific transaction. In general it also helps the parties to understand and interpret the standards.

The adoption of this amendment had no effect on the Company's financial statements.

- On 26 September 2019, the IASB published the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amended IFRS 9 Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. The amendment changed some of the requirements for the application of hedge accounting, by introducing temporary derogations to mitigate the impact of the uncertainty of the IBOR reform on future cash flows in the period preceding its completion. The amendment also requires companies to report additional information about their hedging relations that are directly affected by the uncertainties of the reform, to which these derogations apply.

The adoption of this amendment had no effect on the Company's financial statements.

- On 22 October 2018 the IASB published "Definition of a Business (amendments to IFRS 3)". The document provides clarification regarding the definition of business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to satisfy the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced an optional concentration test that rules out the presence of a business if the price paid refers substantially to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed.

The adoption of this amendment had no effect on the Company's financial statements.

- On 28 May 2020 the IASB published an amendment entitled "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document allows lessees to account for the reductions in rents related to Covid-19 without having to assess whether the definition of lease modification in IFRS 16 is respected through an analysis of the contracts. Therefore, lessees who apply this option will be able to account for the effects of the rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to financial statements starting on 1 June 2020, but the Company has availed itself of the possibility of applying this amendment early on 1 January 2020.

The adoption of this amendment had no effect on the Company's financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applicable and not adopted in advance by the Group as at 31 December 2020

The following accounting standards, amendments and interpretations were applied for the first time by the Group as at 1 January 2020:

- On 31 October 2018 the IASB published the document "Definition of Material" (amendments to IAS 1 and IAS 8). That document introduced changes to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Its aim was to make the definition of "material" more specific, and to introduce the concept of "obscured information" alongside the concept of omissions or misstatements, which were already present in the two amended standards. The amendment clarifies that information is "obscured" if it has been described in such a way that produces, for the primary readers of financial statements, an effect similar to that which would have occurred if that information had been omitted or misstated.

The adoption of this amendment had no effect on the Company's financial statements.

- On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for years starting on or after 1 January 2020, but early adoption is permitted. The Conceptual Framework defines the basic concepts of financial reporting and guides the Board in elaborating the IFRS standards. The document helps to ensure that the standards are conceptually coherent and that similar transactions are dealt with in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in elaborating accounting standards when no IFRS applies to a specific transaction. In general it also helps the parties to understand and interpret the standards.

The adoption of this amendment had no effect on the Company's financial statements.

- On 26 September 2019, the IASB published the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amended IFRS 9 Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. The amendment changed some of the requirements for the application of hedge accounting, by introducing temporary derogations to mitigate the impact of the uncertainty of the IBOR reform on future cash flows in the period preceding its completion. The amendment also requires companies to report additional information about their hedging relations that are directly affected by the uncertainties of the reform, to which these derogations apply.

The adoption of this amendment had no effect on the Company's financial statements.

- On 28 May 2020 the IASB published an amendment entitled "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document allows lessees to account for the reductions in rents related to Covid-19 without having to assess whether the definition of lease modification in IFRS 16 is respected through an analysis of the contracts. Therefore, lessees who apply this option will be able to account for the effects of the rent reductions directly to the income statement on the effective date of the reduction. This amendment applies to financial statements starting on 1 June 2020, but the Company has availed itself of the possibility of applying this amendment early on 1 January 2020.

The adoption of this amendment had no effect on the Company's financial statements.

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

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

- On 18 May 2017 the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts held by an insurer.

  The new standard also provides for presentation and disclosure requirements to improve comparability between entities in this sector.

  The new principle measures an insurance contract based on a General Model or a simplified version thereof, called a Premium Allocation Approach ("PAA").

  The main characteristics of the General Model are:

  - the estimates and assumptions of future cash flows are always the current ones;
  - measurement reflects the time value of money;
  - the estimates provide for extensive use of observable market information;
  - there is a current and explicit measurement of the risk;
  - the expected profit is deferred and pro forma in groups of insurance contracts at the time of initial recognition; and
  - the expected profit is recognised in the contractual period of coverage, taking into account the adjustments deriving from changes in the assumptions relating to the cash flows of each group of contracts.

The PAA approach measures the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, an entity expects that liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the valuation of liabilities for existing claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will take place within one year from the date on which the claim occurred.

An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

The standard applies from 1 January 2023 but early application is permitted only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from contracts with customers.

The directors do not expect significant effects in the Company's financial statements.

- On 23 January 2020 the IASB published "Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other liabilities as short or long term. The amendments will come into force on 1 January 2023, but early adoption is permitted. The directors are currently assessing the possible effects of the introduction of this amendment on the Company's financial statements.

On 14 May 2020 the IASB published the following amendments:

- Amendments to IFRS 3 - Business Combinations: the amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of IFRS 3.

- Amendments to IAS 16 - Property, Plant and Equipment: the amendments are intended to prevent the deduction from the cost of tangible assets of the amount received from the sale of goods produced during the testing phase of the activity. These sales revenues and related costs will therefore be recognised in the income statement

- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets: this amendment clarifies that all costs directly attributable to the contract must be taken into account in the estimate of the possible cost of a contract. Consequently, the assessment of the possible cost of a contract includes not only the incremental costs (e.g., the cost of the direct material used in the process), but also all the costs that the company cannot avoid since it has entered into a contract (e.g. the share of the personnel cost and depreciation of the machinery used for the fulfilment of the contract).

- Annual Improvements 2018-2020: amendments were made to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and the Illustrative Examples of IFRS 16 - Leases.

The directors are currently assessing the possible effects of the introduction of these amendments on the Company's financial statements.

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 Group'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. Goodwill is verified at least once a year, and in the event of trigger events verification is repeated during the year.

(c) **Impairment of intangible assets with an indefinite useful life (trademarks):** the value of trademarks with an indefinite useful life is subject to an impairment test each year and whenever there are indicators of impairment. The value in use is determined using the discounted cash flow (DCF) method, based on a discount rate and an explicit forecast period of 3 years in accordance with the plans approved by the Group. 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 legal developments and possible developments in the pasta market; 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 Group 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 Group operates;
- credit risk, arising from the possibility of counterparty default;
- liquidity risk, arising from a lack of financial resources to meet commitments.

The Group'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 Group to adequately meet its operational, working capital financing and investment needs, as well as to comply with its financial obligations. The Group'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 Group'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 consolidated results and equity.

The main exchange rates to which the Group is exposed are:

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

The Group does not adopt specific policies to hedge exchange rate fluctuations because management does not believe that this risk can significantly harm the Group'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 Group operates would not have a significant impact on the net result and shareholders' equity of the years under review.

Interest rate risk

The Group 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 consolidated 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 consolidated income statement and consolidated 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:

	Impact on profit net tax		Impact on shareholders' equity net of tax	
(In thousands of euros)	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Year ended 31 December 2020	(169)	169	(169)	169
Year ended 31 December 2019	(62)	62	(62)	62

4.2 Credit risk

The Group 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 Group'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 Group 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 Group 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 Group 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 Group 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 2020 and 2019 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 2020	51,716	17,917	3,375	16,937	**89,945**
Provision for bad debts	-	(819)	(921)	(16,937)	**(18,677)**
Net trade receivables at 31 December 2020	**52,022**	**17,098**	**2,454**	**(0)**	**71,268**
Gross trade receivables at 31 December 2019	36,662	8,839	2,943	16,250	**64,694**
Provision for bad debts	-	(238)	(222)	(14,960)	**(15,420)**
Net trade receivables at 31 December 2019	36,662	8,601	2,721	1,290	**49,274**

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 Group 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 Group 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 Group'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 Group's liquidity is the resources absorbed by operating activities: the sector in which the Group operates 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 Group's financial equilibrium.

Based on established practices inspired by prudence and stakeholder protection, the Group's financing activity involves negotiating credit lines with the banking system and continually monitoring the Group's cash flows.

The following table shows, by contractual maturity bands, the Group's financial requirements at 31 December 2020 and 2019, 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 2020	
(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	63,121	43,816	37,950	13,322	**158,209**	**157,932**
Lease liabilities	6,973	6,289	4,609	1,360	**19,230**	**19,006**
Trade payables	151,388	-	-	-	**151,388**	**151,388**
Other current liabilities	20,200	-	-	-	**20,200**	**20,200**

					At 31 December 2019	
(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	22,553	3,077	9,103		**34,733**	**34,456**
Other non-current liabilities	-	600	-		**600**	**600**
Lease liabilities	5,212	5,055	6,762	1,976	**19,005**	**17,809**
Trade payables	85,592	-	-	-	**85,592**	**85,592**
Other current liabilities	15,379	-	-	-	**15,379**	**15,379**

At 31 December 2020 and 2019, the amount of operating lease commitments is reflected in lease liabilities following the application of IFRS 16 as of 1 January 2018.

5. Capital management policy

The Group'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 Group 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 Group 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 2020 and 2019:

(In thousands of euros)	Book value at 31 December 2020	2019
FINANCIAL ASSETS:		
Financial assets at amortised cost:		
Financial assets measured at amortised cost	801	866
Trade receivables	71,268	49,274
Other receivables and current assets	11,003	4,701
Cash and cash equivalents	182,127	100,884
	265,199	**155,725**
Financial assets valued at fair value through profit or loss:		
Non-current financial assets measured at fair value through profit or loss	746	42
Current financial assets measured at fair value through profit or loss	4	4
	750	**46**
TOTAL FINANCIAL ASSETS	**265,949**	**155,771**

(In thousands of euros)	Book value at 31 December 2020	2019
FINANCIAL LIABILITIES:		
Financial liabilities at amortised cost:		
Non-current financial liabilities	94,811	12,000
Non-current lease liabilities	12,436	13,032
Other non-current liabilities	-	600
Trade payables	151,388	85,592
Current financial liabilities	63,121	22,456
Current lease liabilities	6,570	4,776
Other current liabilities	20,200	15,379
TOTAL FINANCIAL LIABILITIES	**348,526**	**153,835**

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 2020 and 2019:

(In thousands of euros)	Level 1	Level 2	Level 3
			At 31 December 2020
Non-current financial assets measured at fair value through profit or loss	-	-	746
Current financial assets measured at fair value through profit or loss	-	-	4
Total financial assets measured at fair value	**-**	**-**	**750**

(In thousands of euros)	Level 1	Level 2	Level 3
			At 31 December 2019
Non-current financial assets measured at fair value through profit or loss	-	-	42
Current financial assets measured at fair value through profit or loss	-	-	4
Total financial assets measured at fair value	**-**	**-**	**46**

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 Group's activity is identifiable in the following business segments: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products and Other activities.
The table below shows the main statement of financial position and income statement items examined by the chief operating decision maker in order to assess the Group's performance at and for the year ended 31 December 2020, and the reconciliation of these items with respect to the corresponding amount included in the Consolidated Financial Statements:

	At and for the year ended 31 December 2020						
(In thousands of euros)	Pasta	Milk products	Bakery products	Dairy products	Special products	Other assets	Con. Financial Stat. total
Revenue from contracts with customers (third parties)	148,587	198,975	39,076	33,693	34,005	15,490	**469,826**
EBITDA (*)	**12,123**	**17,936**	**6,776**	**4,150**	**3,591**	**670**	**45,246**
EBITDA margin	**8.2%**	**9.0%**	**17.3%**	**12.3%**	**10.6%**	**4.3%**	**9.6%**
Amortisation, depreciation and write-downs	5,099	10,964	1,164	118	2,180	359	**19,884**
Net write-downs of financial assets						1,509	**1,509**
Income from business combinations						24,865	**24,865**
Operating profit/(loss)	**7,024**	**6,972**	**5,612**	**4,032**	**1,411**	23,667	**48,718**
Financial income	-	-	-	-	-	536	**536**
Financial expenses	-	-	-	-	-	(3,851)	**(3,851)**
Profit (loss) before taxes	**7,024**	**6,972**	**5,612**	**4,032**	**1,411**	**20,352**	**45,404**
Income taxes	-	-	-	-	-	(6,761)	**(6,761)**
Net profit/(loss)	**7,024**	**6,972**	**5,612**	**4,032**	**1,411**	**13,591**	**38,643**
Total assets	**113,738**	**268,468**	**16,156**	**8,602**	**17,962**	**112,173**	**537,099**
Total liabilities	**40,827**	**249,723**	**16,933**	**13,205**	**15,932**	**44,4239**	**381,043**
Investments	1,584	10,860	498	48	398	278	**13,666**
Employees (number)	490	544	192	60	155	58	**1,499**

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

The table below shows the main statement of financial position and income statement items examined by the chief operating decision maker in order to assess the Group's performance at and for the year ended 31 December 2019, and the reconciliation of these items with respect to the corresponding amount included in the Consolidated Financial Statements:

	At and for the year ended 31 December 2019						
(In thousands of euros)	Pasta	Milk products	Bakery products	Dairy products	Special products	Other assets	Con. Financial Stat. total
Revenue from contracts with customers (third parties)	83,118	70,216	35,670	33,271	30,547	17,931	270,752
EBITDA (*)	**3,314**	**5,453**	**5,815**	**4,030**	**3,408**	**619**	**22,638**
EBITDA margin	**4%**	**8%**	**16%**	**12%**	**11%**	**3%**	**8%**
Amortisation, depreciation and write-downs	3,733	3,381	1,011	466	2,110	472	11,172
Net write-downs of financial assets	-	-	-	-	-	674	674
Operating profit/(loss)	**(419)**	**2,073**	**4,804**	**3,564**	**1,298**	**(527)**	**10,792**
Financial income	-	-	-	-	-	438	438
Financial expenses	-	-	-	-	-	(1,852)	(1,852)
Profit (loss) before taxes	**(419)**	**2,073**	4,804	**3,564**	**1,298**	**(1,941)**	**9,378**
Income taxes	-	-	-	-	-	(2,204)	(2,204)
Net profit/(loss)	**(419)**	**2,073**	**4,804**	**3,564**	**1,298**	**(4,145)**	**7,173**
Total assets	**117,567**	**39,374**	**12,753**	**9,373**	**18,896**	**63,781**	**261,743**
Total liabilities	**77,657**	**28,149**	**14,266**	**16,477**	**10,518**	**23,129**	**170,197**
Investments	2,335	644	1,042	122	229	287	4,659
Employees (number)	538	166	132	62	148	52	1,098

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

Revenue from contracts with customers in the "Pasta" and "Milk Products" segments totalled €347,562 thousand and €153,333 thousand for the years ended 31 December 2020 and 2019, equal to 74% and 56.6% respectively of all revenue from contracts with customers. EBITDA in the "Pasta" and "Milk Products" segments totalled €30,059 thousand and €8,767 thousand respectively for the years ended 31 December 2020 and 2019, equal to 66.4% and 38.7% respectively.

The biggest EBITDA margins over the two years under review were delivered by the "Bakery Products" and "Dairy Products" segments.

In particular, revenues from the "Pasta" sector increased by €65,469 thousand from €83,118 thousand to €148,587 thousand in the year ended 31 December 2020. The increase was mainly due to the acquisition of Newlat Gmbh at the end of 2019. The EBITDA of the "Pasta" sector increased from €3,314 to €12,123. The related EBITDA margin recorded a significant increase, from 4.0% at 31 December 2019 to 8.2% at 31 December 2020.

Revenues from the "Milk Products" sector increased by €128,759 thousand from €70,216 thousand in the year ended 31 December 2019 to €198,975 thousand in the year ended 31 December 2020. This increase was mainly due to the acquisition of Centrale del Latte d'Italia SpA. Consequently, EBITDA from the "Milk Products" sector increased by €12,483 thousand, from €5,453 thousand in the year ended 31 December 2019 to €17,936 thousand in the year ended 31 December 2020. The related EBITDA margin increased by 1.25%, from 7.77% in the year ended 31 December 2019 to 9.01% in the year ended 31 December 2020.

In addition to the sectoral information, the statement of financial position and income statement data by geographical area, as required by IFRS 8, is provided below.

The following table displays revenue from contracts with customers by geographical area for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
(In thousands of euros)	2020	2019
Italy	303,719	171,684
Germany	103,188	46,359
Other countries	62,919	52,709
Total revenue from contracts with customers	**469,826**	**270,752**

The following table provides a breakdown of non-current assets, excluding financial assets and prepaid tax assets, by geographical area at 31 December 2020 and 2019, allocated on the basis of the country in which the assets are located.

	Year ended 31 December	
(In thousands of euros)	2020	2019
Italy	223,995	50,545
Germany	24,019	23,797
Total non-current assets	**248,014**	**74,342**

Finally, in accordance with IFRS 8, paragraph 34, for the years ended 31 December 2010 and 2019, the Group did not have any customers generating more than 10% of its revenues.

8. Notes to the consolidated 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 2020 and 2019:

(In thousands of euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Assets under construction and payments on account	Total
Historical cost at 31 December 2019	**14,817**	**125,032**	**5,152**	**4,852**	**1,521**	1,639	**153,013**
Investments	855	9,024	485	157		2,555	13,076
Disposals	-	(109)	(123)	(37)	-	(158)	(427)
Reclassifications		838	112		22	(972)	-
Change to the consolidation scope	77,784	110,938	18,441	-	358	11,318	218,839
Historical cost at 31 December 2020	**93,456**	**245,723**	**24,067**	**4,972**	**1,901**	**14,382**	**384,501**
Provision for depreciation at 31 Dec. 2019	**(6,834)**	**(104,762)**	**(4,882)**	**(4,587)**	**(149)**	-	**(121,214)**
Amortisation	(1,783)	(8,500)	(1,592)	(106)	(15)	-	(11,996)
Disposals	-	37	84	28	-	-	149
Write-downs							-
Change to the consolidation scope	(22,880)	(61,300)	(15,411)	-	(309)	-	(99,900)
Provision for depreciation at 31 Dec. 2020	**(31,497)**	**(174,525)**	**(21,801)**	**(4,665)**	**(473)**	-	**(232,961)**
Net carrying amount at 31 December 2019	**7,983**	**20,270**	**270**	**265**	**1,372**	**1,639**	**31,799**
Net carrying amount at 31 December 2020	**61,959**	**71,198**	**2,266**	**307**	**1,428**	**14,382**	**151,541**

Investments in property, plant and equipment for the year ended 31 December 2020 totalled €13,076 thousand and were attributable mainly to the renovation of production lines and the new automated warehouse of the production site of Centrale del Latte d'Italia in Turin. For more information on investments, please refer to the specific chapter "Investments".

The net value of property, plant and equipment disposed of in the years ending 31 December 2020 and 2019 is not significant.

At 31 December 2020 there were no capital contributions to the reduction of the plant and equipment in question as the remaining portion was released, classified as a reduction in depreciation for the year ended 31 December 2020 for a total of €560 thousand.

At 31 December 2020 the Group did not record any write-downs of tangible assets: At 31 December 2019 this total was €93 thousand.

As at 31 December 2020, there are no real estate assets or proprietary capital goods subject to any kind of guarantee given to third parties.

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 2020:

(In thousands of euros)	2019
Historical cost at 31 December 2019	**29,388**
Increases	5,504
Decreases	(469)
Change to the consolidation scope	4,064
Historical cost at 31 December 2020	**38,487**
Provision for depreciation at 31 December 2019	**(12,062)**
Amortisation	(7,036)
Disposals	382
Change in consolidation scope	(1,317)
Provision for depreciation at 31 December 2020	**(20,033)**
Net carrying amount at 31 December 2019	**17,326**
Net carrying amount at 31 December 2020	**18,452**

At 31 December 2020, the Group found no indicators of long-term impairment for right-of-use assets.

The following table displays the non-discounted contractual values of the Group's lease liabilities at 31 December 2020, following the application of IFRS 16 as of 1 January 2018:

					At 31 December 2020	
(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
Lease liabilities	6,973	6,289	4,609	1,360	**19,230**	**19,006**

The discount rate was determined on the basis of the marginal borrowing rate of the Group, i.e. the rate that the Group would have to pay for a loan, 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 Group 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.

The main information relating to the lease agreements held by the Group, which acts mainly as a lessee, is shown in the following table:

(In thousands of euros)	At 31 December 2020
Net book value of right-of-use assets (real estate)	10,848
Net book value of right-of-use assets (machinery)	6,503
Net book value of right-of-use assets (motor vehicles)	1,101
Total net book value of right-of-use assets	**18,452**
Current lease liabilities	6,570
Non-current lease liabilities	12,436
Total lease liabilities	**19,006**
Depreciation of right-of-use assets (real estate)	- 3,090
Depreciation of right-of-use assets (machinery)	- 3,714
Depreciation of right-of-use assets (motor vehicles)	- 233
Total depreciation of right-of-use assets	**- 7,036**
Interest expense on leases	**366**
Short-term lease costs	106
Costs to lease low-value assets	603
Total other costs	**709**
Total lease outflows	**7,309**

Real estate right-of-use assets relate mainly to the production plants in Sansepolcro (AR), Ozzano Taro (PR), Reggio Emilia, Lodi, Lecce and Eboli (SA), Bologna and Corte de' Frati (CR), leased to Newlat under the agreements entered into with the related party New Property S.p.A. The term of the lease of the aforementioned properties has been set at six years, based on the withdrawal options provided for in the contracts themselves and on managerial assessments. The rental contracts stipulated between the parties have the same structure, namely: (I) a term of six years automatically extendable for a further six years, with any subsequent tacit renewals every six years, and (II) the early termination options exercisable by the lessor upon renewal and by the lessee, which may withdraw at any time and without cause, with six months' notice. On the basis of the assessments carried out and in accordance with IFRS 16, management is reasonably certain of holding the leases for a period of six years from the date of signing of the contracts.

These leases fall within the scope of related party transactions; please see the specific section of these consolidated financial statements.

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 years 31 December 2020 and 2019.

(In thousands of euros)	Goodwill	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other assets	Assets under development	Total
Historical cost at 31 December 2019	**3,863**	**4,211**	**70,901**	**3,070**	**108**	**82,153**
Investments	-	508	51	30	2	**591**
Disposals	-	-	(2)	-		**(2)**
Reclassifications		108			(108)	**-**
Purchase Price Allocation	(350)		6,823			**6,473**
Change to the consolidation scope	350	-	**40,942**	**927**	-	**42,219**
Historical cost at 31 December 2020	**3,863**	**4,827**	**118,715**	**4,026**	**2**	**131,433**
Provision for depreciation at 31 December 2019	-	**(3,712)**	**(50,177)**	**(3,047)**	-	**(56,936)**
Amortisation		(194)	(545)	(111)		**(851)**
Disposals						**-**
Change to the consolidation scope	-	-	**(21,698)**	**(890)**	-	**(22,588)**
Provision for depreciation at 31 December 2020	-	**(3,906)**	**(72,420)**	**(4,048)**	-	**(80,374)**
Net carrying amount at 31 December 2019	**3,863**	**499**	**20,724**	**23**	**108**	**25,217**
Net carrying amount at 31 December 2020	**3,863**	**921**	**46,295**	**(22)**	**2**	**51,059**

Investments in intangible assets for the year ended 31 December 2020 amounted to €591 thousand and were mainly attributable to the purchase of software. For more information on investments, please refer to the specific chapter "Investments".

There were no indicators of long-term impairment for intangible assets for the year ended 31 December 2020.

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

Goodwill

The goodwill refers to the acquisition of Centrale del Latte di Salerno S.p.A. merged by incorporation into Newlat Food S.p.A. from 2019, which represents the cash generating unit (CGU). This amount reflects the difference between the purchase price and the equity of Centrale del Latte di Salerno on the acquisition date in December 2014.

The impairment test, approved by the Board of Directors on 19 March 2021, was prepared with the support of an independent professional, comparing the book value of goodwill with the recoverable value of the related cash generating unit (CGU).

The impairment test is carried out at least annually and whenever there are indicators of impairment.

The 2019-2022 business plan has not been revised, but for impairment testing purposes the individual plans have been revised to better reflect the current data and the impacts of COVID-19 on the CGU.

The recoverable amount is the value in use, determined by discounting the CGU's forecast data represented by the Centrale del Latte di Salerno division ("DCF Method") for the three 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 deemed to be equal to that recorded in 2020.

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 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:

(Percentage)	At 31 December 2020
Growth rate	0.5%
WACC	8.1%

For the purposes of estimating the value in use of the CGU to which goodwill is allocated:

(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 goodwill impairment test a three-year 2021-2023 plan was used. The Company's Board of Directors approved this test, as well as the flows represented therein, on 19 March 2021. For the goodwill impairment test as at 31 December 2020, improvements in operating costs are prudently expected and therefore an increase of 1% was considered in subsequent years.

(b) external sources: for the goodwill impairment test, external sources of information were used for the purposes of calculating the cost of capital set out below. All information for calculating the cost of capital is from an external source. The estimated calculation of the weighted average cost of capital was based on:

- the CAPM to estimate the cost of equity;
- the WACC (Modigliani-Miller) formula for estimating the weighted average cost of capital (after tax).

The cost of capital was calculated considering the financial structure of Centrale del Latte di Salerno corresponding to 100% equity and having liquidity available rather than financial debts as at 31 December 2020.

(II) the following main basic assumptions were also used:

(a) average revenue increase of 1.33% per annum from 2021 to 2023; and

(b) EBITDA margin in the forecast years of 20%.

The revenue growth assumed for the years of the explicit period is marginally higher than the expected growth of the Italian market, in view of the good competitive position of the subsidiary, but above all in view of (I) the company's planned growth strategies, focused on R&D activities (including high protein milk); (II) a guaranteed supply chain with strong local roots; (III) and the development of new Group products.

After a positive 2020, in a context of global spread of COVID-19, the Group estimated the plan flows used for the impairment test, forecasting a consolidation of the results achieved for 2021 and subsequent years and a transition to new normality, with a progressive replacement of the volumes generated by the pandemic with structural volumes.

The following table displays the assumptions underlying the calculation of the discount rate for the year ending 31 December 2020:

Component	Parameter
Risk-free rate	1.15%
Market risk premium	6.20%
Levered beta	0.58
Cost of equity	2.50%
Cost of net debt	3.00%
Discount rate	**5.88%**

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its book value by more than €13.2 million. The value in use was calculated on the basis of a weighted average cost of capital (WACC) equal to 8.11%, 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. To negate the difference between value in use and book value, the cost of capital (WACC) would have to increase by more than 20% and the terminal growth rate would have to be equal to zero.

Industrial patents and rights to use intellectual property

This item consists almost exclusively of software costs.

Concessions, licences, trademarks and similar rights

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 31 December 2020 and 2019:

	At 31 December	
(In thousands of euros)	2020	2019
Trademarks with an indefinite useful life	44,799	18,844
Trademarks with a finite useful life	1,026	1,880
Total net book value	**45,825**	**20,724**

The impairment test on brands with an indefinite useful life is carried out at least annually and whenever there are indicators of impairment.

a) Trademarks with an indefinite useful life

This item refers to:

- the Drei Glocken and Birkel brands registered by Newlat Deutschland for a total of €18.8 million. The value of these brands has been subjected to impairment testing, with the help of an independent third-party professional. The impairment test as at 31 December 2020 used the 2019-2022 Economic and Financial Plan approved by the Board of Directors on 22 July 2019, updated with the current data as at 31 December 2020. The flows used for the purpose of preparing the impairment test differ from the flows present in the above-mentioned Economic and Financial Plan in that the Company has, prudentially, considered a growth in turnover of 1% for the next 3 years, contrary to Plan forecasts. The Board of Directors approved this impairment test, as well as the flows represented therein, on 19 March 2021.

The impairment test was carried out using the Relief From Royalty method. In line with valuation doctrine and standard practice, this technique involves estimating the additional costs that would arise if the company was without a particular asset and had to obtain it under license from third parties. First, royalty rates in line with the relevant sector were used. These rates were then applied not only to the expected revenues generated by the brands over the period covered by the Plan, but also to a normalised flow, considering a perpetual return as a terminal value, consistent with the indefinite useful life of the trademarks. Consistent with standard valuation practice, there was also a tax amortisation benefit (TAB) amount, representing the tax benefit related to the deductibility of amortisation of the asset under analysis, which constitutes an additional element for determining the value attributable to the brands.

Under the relief from royalty method, the brands were measured using an explicit forecast period of 3 years, which reflects the assumptions regarding the short- and medium-term developments of the reference market. After the explicit forecast period, the terminal value of the assets was determined using the perpetuity method, assuming a specific long-term growth rate defined according to the expected long-term inflation rate and the characteristics of the sector. The information relating to the explicit forecast period used to determine the value in use is based on assumptions founded on past experience, supplemented by current internal developments and verified through market data and external analyses. In this regard, the most important assumptions include: (i) the development of future sales prices, revenues and costs; (ii) the influence of the market regulatory environment; (iii) expected investments and expected market shares; and (iv) exchange rates and growth rates. For the 2021 and 2022 revenues, however, the compound annual growth rate (CAGR) was estimated at 1%, which is conservative given both the outlook for the German pasta market, the Company's historical data and the market-leading positions of the "Birkel" and "Drei Glocken" brands. Any significant changes to the assumptions described above would affect the determination of the value in use.

After a positive 2020, in a context of global spread of COVID-19, the Group estimated the plan flows used for the impairment test, forecasting a consolidation of the results achieved for 2021 and subsequent years and a transition to new normality, with a progressive replacement of the volumes generated by the pandemic with structural volumes.

The discount rates applied are determined on the basis of external factors deriving from the market and adjusted on the basis of the prevailing risks of the cash generating units.

The main assumptions used for the purposes of the impairment test are summarised below:

(Percentage)	At 31 December 2020	At 31 December 2019
WACC	6.4%	5.4%
Long-term growth rate (inflation rate expected in the long term)	0.5%	0.5%

The following table displays the assumptions underlying the calculation of the discount rate for the year ending 31 December 2020:

Component	Parametro
Risk-free rate	1.15%
Market risk premium	6.20%
Beta *(levered)*	0.58
Cost of equity	2.50%
Cost of net debt	3.00%
Discount rate	**5.88%**

The following were also assumed when determining the value of the trademarks:

- a growth rate (g) of 0.5%, which is prudent compared with medium-to-long-term inflation estimates for the reference market, Germany, of around 2.2%.
- a TAB of €4.1 million, determined on the basis of the original value of the asset, assuming a reference period of 15 years from the date of reference of the impairment and using a tax rate of 31%.
- It should be noted that the value attributed to the terminal value is 88% of the recoverable value of the assets.
- The results of the impairment tests carried out at 31 December 2020 showed that the recoverable value of each asset exceeds the relative book value at each reference date. In particular, for the impairment test conducted on the year ending 31 December 2020, the recoverable value was estimated at €21 million, compared with a book value of approximately €18.9 million, i.e. a surplus of €2.5 million. Sensitivity analyses were also carried out to verify the effects on the results of the impairment test of changes to certain significant parameters. At 31 December 2020, the recoverable amount would have been equal to the carrying amount if the discount rate used had been greater than 1% or the growth rate reduced by 2%
- the Centrale Latte Rapallo-Latte Tigullio, Mukki and Centrale del Latte di Vicenza brands recorded in the separate financial statements of the parent company for a total of €19,132 thousand and revalued during purchase price allocation for a total of €6,823 thousand.

Below are the fair values of Centrale del Latte d'Italia SpA brands following the purchase price allocation.

(In thousands of euros)	At 1 April 2020
MUKKI	9,206
CENTRALE LATTE DI VICENZA	5,395
RAPALLO – LATTE TIGULLIO	5,897
TAPPO ROSSO	5,372
Total intangible assets with an acquired indefinite net useful life	**25,870**

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

The impairment test prepared for this purpose is based on the calculation of the value in use of the CGU of Centrale del Latte d'Italia and compared with the relative CIN of the CGU subject to verification.

The value in use, starting from the current year and as detailed in the section on °Accounting Estimates", is determined using the discounted cash flow (DCF) method, based on a discount rate and an explicit forecast period of five years based on the Plan approved by the Board of Directors of Centrale del Latte d'Italia SpA on 10 February 2020 (forecasts in line with the approved plan for the forecasts for 2021 and 2022, and estimates for subsequent periods based on a reasonable growth trend).

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 legal developments and possible developments in the market the Company competes in. Therefore, write-downs may be necessary in subsequent years.

The impairment test, approved by the Board of Directors on 19 March 2021, 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 five 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 2020.

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 zero-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%
- WACC: 6,2%

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 goodwill impairment test as at 31 December 2020 the 2021-2025 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 19 March 2021. For the purposes of estimating the value in use, investments of approximately €4.7 million were envisaged in the first two years of the plan and then a stabilisation of approximately €2 million in subsequent years. For the impairment test as at 31 December 2020, 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 (EBITDA margin of 8.9%).

b) external sources: for the goodwill impairment test, external sources of information were used for the purposes of calculating the cost of capital set out below. All information for calculating the cost of capital is from an external source. The estimated calculation of the weighted average cost of capital 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 considering 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 1.7% per annum from 2021 to 2025; and

b) EBITDA margin in the forecast years of 8.9%..

The revenue growth assumed for the years of the explicit period is marginally higher than the expected growth 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; (III) and the development of new products.

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its book value by more than €35 million. Sensitivity analyses were also carried out to verify the effects on the impairment test results of a ±2% and ±1% 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.

b) Trademarks with a finite useful life

This item includes brands owned by Newlat Food S.p.A., amortised according to the residual useful life, estimated on the basis of the period of time over which it is considered that they are guaranteed to generate cash flows.

8.4 Equity investments in associates

Al 31 dicembre 2020 le partecipazioni imprese collegate pari ad Euro 1.397 migliaia si riferiscono principalmente alla partecipazione detenuta dalla Centrale del Latte d'Italia SpA in Mercafir Scpa.

8.5 Non-current financial assets measured at fair value through profit or loss

At 31 December 2020 and 2019, non-current financial assets valued at fair value through profit or loss amounted to €746 thousand and €42 thousand respectively. These balances, which are not material, relate to smaller corporate capital instruments.

8.6 Financial assets measured at amortised cost

At 31 December 2020 and 2019, financial assets at amortised cost amounted to €801 thousand and €866 thousand respectively. These balances refer to security deposits paid against existing lease agreements.

8.7 Prepaid tax assets and deferred tax liabilities

The following table shows a breakdown of "Prepaid tax assets" as at 31 December 2020 and 2019:

	At 31 December	
(In thousands of euros)	2020	2019
Provisions	2,994	2,420
Tax losses carried forward	940	394
Leases	165	-
Amortisation	825	930
Other	542	1,290
Gross prepaid tax assets	**5,466**	**5,034**
Offsetting with deferred-tax liabilities	-	-
Total prepaid tax assets	**5,466**	**5,034**

Prepaid tax assets are recognised on the financial statements where it is probable that future taxable income will be realised against which they can be used.

At 31 December 2020, no prepaid tax assets relating to tax losses of the incorporated Delverde Industrie Alimentari S.p.A. were recognised in 2019, as they were the subject of an appeal to the Revenue Agency to have them recognised and to be exempt from the carry-over restriction up to the limit of the equity of the incorporated company. The amount of these tax losses, not recognised in the financial statements, is approximately €30.6 million.

The following table shows a breakdown of "Deferred tax liabilities" as at 31 December 2020 and 2019:

	Al 31 dicembre	
(In thousands of euros)	2020	2019
Intangible assets	11,086	3,850
Property, plant and equipment	464	-
Other	531	
Gross deferred tax liabilities	**12,081**	**3,850**
Offsetting with prepaid tax assets	-	-
Total deferred tax liabilities	**12,081**	**3,850**

Deferred tax liabilities arising from intangible assets at 31 December 2020 are attributable to the Drei Glocken and Birkel brands belonging to Newlat Deutschland.

The following table displays a breakdown of and changes in the gross value of prepaid tax assets and deferred tax liabilities for the years ending 31 December 2020 and 2019:

(In thousands of euros)	Provisions	Tax losses carried forward	Leases	Amortisation	Other	Total prepaid tax assets
Balance at 31 December 2019	**3,025**	**394**	**173**	**930**	**512**	**5,034**
Provisions (releases) to income statement	(674)	(394)		(155)	(162)	(1,385)
Change in consolidation scope	644	940		50	7	1,641
Provisions (releases) to statement of other comprehensive income	-	-	-	-	176	176
Balance at 31 December 2020	**2,995**	**940**	**173**	**825**	**533**	**5,466**

(In thousands of euros)	Trademarks	Land	Others	Total deferred tax liabilities
Balance at 31 December 2019	**3,850**	-	-	**3,850**
Provisions (releases) to income statement	**228**	-	-	228
Provisions (releases) to statement of other comprehensive income	**-**	-	-	-
Change to the consolidation scope	**7,008**	464	531	8,003
Balance at 31 December 2020	**11,086**	**464**	**531**	**12,081**

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.

8.8 Inventories

The following table shows a breakdown of "Inventories" as at 31 December 2020 and 2019:

(In thousands of euros)	At 31 December 2020	2019
Raw materials, supplies, consumables and spare parts	22,135	14,735
Finished products and goods	20,120	12,048
Semi-finished products	8	-
Advance payments	97	41
Total gross inventories	**42,360**	**26,824**
Inventory write-down reserve	(1,013)	(944)
Total inventories	**41,347**	**25,880**

Inventories are recorded net of the obsolescence reserve, which amounted to €1,013 thousand at 31 December 2020 and related mainly to spare parts for slow-moving equipment.

Changes in the inventories write-down reserve during 2020 are shown below:

(In thousands of euros)	Inventory write-down reserve
Balance at 31 December 2019	**944**
Provisions	-
Uses/Releases	-
Change to the consolidation scope	69
Balance at 31 December 2020	**1,013**

8.9 Trade receivables

The following table shows a breakdown of "Trade receivables" as at 31 December 2020 and 2019:

(In thousands of euros)	At 31 December 2020	2019
Trade receivables from customers	89,339	64,675
Trade receivables from related parties	606	19
Trade receivables (gross)	89,945	64,694
Provision for doubtful trade receivables	**(18,677)**	**(15,420)**
Total trade receivables	**71,268**	**49,274**

The following table displays the changes in the provision for doubtful trade receivable for the year ended 31 December 2020:

(In thousands of euros)	Fondo svalutazione crediti commerciali
Balance at 31 December 2019	**15,420**
Provisions	931
Uses	(28)
Releases	-
Change to the consolidation scope	2,354
Balance at 31 December 2020	**18,677**

The net value of overdue trade receivables at 31 December 2020 amounted to €19,552 thousand, an increase compared with the previous year due to the acquisition of Centrale del Latte d'Italia S.p.A.

Analysis of the credit risk, including details of the provisioning for doubtful receivables for the individual bands of overdueness, can be found 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.

8.10 Current tax assets and liabilities

Current tax assets totalled €1,888 thousand at 31 December 2020 and €716 thousand at 31 December 2019.

Current tax liabilities totalled €3,438 thousand at 31 December 2020 and €471 thousand at 31 December 2019.

The changes in the net balances of the assets and liabilities under review for the year ended 31 December 2020 mainly concern the setting aside of current income taxes, amounting to €3,438 thousand, and payments amounting to €471 thousand.

8.11 Other receivables and current assets

The following table shows a breakdown of "Other receivables and current assets" as at 31 December 2020 and 2019:

(In thousands of euros)	At 31 December 2020	2019
Tax assets	6,103	2,144
Receivables from social security institutions	805	699
Accrued income and prepaid expenses	945	530
Advance payments	825	401
Other receivables	2,324	927
Total other receivables and current assets	**11,003**	**4,701**

Receivables from social security institutions at 31 December 2020 and 2019 mainly refer to receivables from INAIL, amounting to €805 thousand and €699 thousand respectively.

Advance payments at 31 December 2020 and 2019 refer mainly to sums paid for future supplies in the respective amounts of €825 thousand and €401 thousand.

Tax receivables at 31 December 2020 mainly include VAT receivables of €4,564 thousand, research and development receivables of €200 thousand.

8.12 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 2020 and 2019:

	At 31 December	
(In thousands of euros)	2020	2019
Unlisted shares	4	4
Total current financial assets measured at fair value through profit or loss	**4**	**4**

This item includes bonds held for sale.

8.13 Cash and cash equivalents

The following table shows a breakdown of "Cash and cash equivalents" at 31 December 2020 and 2019:

	At 31 December	
(In thousands of euros)	2020	2019
Bank and postal deposits	181,804	100,846
Cash in hand	323	38
Total cash and cash equivalents	**182,127**	**100,884**

Bank and postal deposits refer to cash and cash equivalents deposited mainly in current accounts held with leading banking and financial institutions.

At 31 December 2020, cash and cash equivalents were not subject to restrictions or constraints.

Part of the aforementioned cash and cash equivalents, amounting to €45,338 thousand and €69,351 thousand respectively at 31 December 2019 and 2020, is attributable to the centralised treasury relationships of Newlat Food and Centrale del Latte d'Italia SpA with the parent company Newlat Group S.A.

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 2020 the item Shareholders' Equity totalled €156,057 thousand.

As reported in the statement of changes in consolidated equity, such changes in the year ended 31 December 2020 related to:

- a capital increase following the launch of the PPEO for the purchase of Centrale del Latte d'Italia S.p.A. for a total amount of €15,873 thousand;
- the costs related to the direct reduction of shareholders' equity for a total amount of €564 thousand net of the tax benefit;
- the recognition of the net profit for the year, in the amount of €37,556 thousand;
- purchase of treasury shares for €922 thousand;
- actuarial losses of €862 thousand, relating to the discounting of the employee severance indemnity provision;
- recognition of third-party interests for a total amount of €13,432 thousand.

Share capital

As at 31 December 2020, the Company's fully subscribed and paid-up share capital totalled Euro 43,935,050, divided into 43,935,050 ordinary shares that were dematerialised as a result of the IPO operation.

8.15 Provisions for employee benefits

The table below shows a breakdown of and changes in the item "Provisions for employee benefits" at 31 December 2020 and 2019:

(In thousands of euros)	Employee severance indemnity (Italian companies)	Newlat Deutschland Pension Plan	Employee benefits
Balance at 31 December 2019	**10,082**	**563**	**10,646**
Service Cost		59	59
Financial expenses	98		98
Actuarial losses/(gains)	792	-	792
Benefits paid	(1,698)	-	(1,698)
Change to the consolidation scope	5,515		5,515
Balance at 31 December 2020	**14,789**	**622**	**15,411**

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 liability for Newlat'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 2020 and 2019, in accordance with the provisions of IAS 19:

(In thousands of euros)	At 31 December 2020	2019
Financial assumptions		
Discount rate	0.34%	0.77%
Inflation rate	1.00%	1.00%
Annual rate of salary increase	1.00%	1.00%
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 main assumptions relating to the annual turnover rate and requests for specific severance pay advances adopted for the calculation of Newlat's provisions for employee benefits in accordance with the provisions of IAS 19:

(In thousands of euros)	At 31 December 2020	2019
	Newlat Food	**Newlat Food**
Annual turnover rate and TFR Advances	2.00%	3.50%
Frequency of advances	2.00%	0.40%
Frequency of turnover		

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 2020 and 2019:

	Discount rate		Inflation rate		Rate of salary increase		Change in retirement age	
(In thousands of euros)	+0.50%	-0.50%	+0.50%	-0.50%	+0.50%	-0.50%	+ 1 year	- 1 year
Employee benefits (severance indemnities) at 31 December 2020	(598)	653	398	(368)	-	-	83	(87)
Employee benefits (severance indemnities) at 31 December 2019	(526)	569	349	(326)	3	(3)	7	(7)

Newlat Deutschland Pension Plan

The following table summarises the main actuarial and financial assumptions made, in accordance with IAS 19, to determine the value of the liability relating to the Newlat Deutschland staff pension plan at 31 December 2020 and 2019:

(In thousands of euros)	At 31 December 2020	2019
Discount rate	2.02%	2.02%
Rate of pension increase	1.70%	1.70%

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 years 31 December 2020 and 2019:

(In thousands of euros)	Provision for agents' indemnities	Provision for legal risks	Other provisions for risks and charges	Total provisions for risks and charges
Balance at 31 December 2019	**1,171**	**224**	**-**	**1,396**
Provisions	115	-	118	233
Uses	-	-	-	-
Releases	(50)	-	-	(50)
Change to the consolidation scope			8	8
Balance at 31 December 2020	**1,236**	**224**	**126**	**1,587**

The provision for agents' indemnities, amounting to €1,236 thousand at 31 December 2020, represents a reasonable forecast of the charges that would be borne by the Group in the event of future interruption of agency relationships.

8.17 Current and non-current financial liabilities

The following table shows a breakdown of "Current and non-current financial liabilities" as at 31 December 2020 and 2019:

	At 31 December 2020		At 31 December 2019	
(In thousands of euros)	Current portion	Non-current portion	Current portion	Non-current portion
Payables to Newlat Group SA for cash pooling	981		-	-
Total financial debt to Newlat Group	981	-	-	-
Unicredit loan agreement (Newlat Food SpA)	-		1,690	
Unicredit loan agreement (Newlat Deutschland)	-		89	-
Deutsche Bank loan agreement	3,000	9,000	3,000	12,000
BPM loan agreement	3,115	9,573		
BPER loan agreement	1,970	7,052		
Trade credit facilities	7,638		10,575	-
Other lines of credit	12,000		7,000	-
Current account overdrafts	3		102	-
BANCA CARIGE	255	-		
UNICREDIT FILIERA	2,772	2,891		
ICREA BANCA D'ALBA	400	1,000		
MEDIOCREDITO	436	1,140		
CREDEM	378	-		
UBI BANCA	191	-		
INTESA SANPAOLO	481	-		
BANCA POPOLARE DI SONDRIO (SWITZERLAND)	690	485		
UNICREDIT CDP	378	3,886		
UNICREDIT FILIERA	464	4,280		
BANCO BPM	2,456	7,661		
INVITALIA LOAN ACCOUNT	246	3,359		
CARIPARMA	504	317		
CREDITO COOP CENTROVENETO	1,139	42		
BANCA CAMBIANO 1884	997	1,777		
MPS CAPITAL SERVICES BANCA PER LE IMPRESE	1,429	13,787		
CHIANTI BANCA	397	1,019		
BANCA PASSADORE	662	1,011		
BANCO DESIO	491	1,347		
MONTE DEI PASCHI DI SIENA	4,040	25,145		
Other lines of credit	10,959			
payables to other lenders	4,652	39		
Total financial debt to banks and other lenders	**62,140**	**94,811**	**22,456**	**12,000**
Total financial liabilities	**63,121**	**94,811**	**22,456**	**12,000**

Covenant on debt positions

- Unicredit S.p.A. loan on behalf of Cassa Depositi e Prestiti and Unicredit S.p.A. loan pertaining to the supply chain agreement with Centrale del Latte d'Italia S.p.A. and Centrale del Latte di Vicenza S.p.A., both expiring on 31 December 2030 and with a total outstanding debt of Euro 9.8 million at 31 December 2020: net financial debt to net equity ratio of 1.5 or less on 31 December of every year;

- Loan awarded by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte d'Italia S.p.A., grace period expiring on 30 June 2025 and with outstanding debt of Euro 2.571 million at 31 December 2020: borrower's net financial debt to net equity ratio of 1.5 or less on 31 December of every year;

- Loan awarded by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte d'Italia S.p.A., expiring on 30 June 2025 and with outstanding debt of Euro 0.9 million at 31 December 2020: borrower's net financial debt to net equity ratio of 1.25 or less on 31 December of every year;

- Contract awarded by Mediocredito to Centrale del Latte d'Italia S.p.A., expiring on 28 June 2024 and with outstanding debt of Euro 1.576 million at 31 December 2020: net financial debt to net equity ratio of 1.5 or less on 31 December of every year;

- Loan agreement entered into by Centrale del Latte d'Italia S.p.A. (the "Company") with the financial institutions MPS Capital Services Banca per le Imprese S.p.A. and Deutsche Bank S.p.A. on 7 July 2020 for Euro 31,500 thousand. At 31 December of each year, the ratio of net financial position to EBITDA must be less than 4.

At 31 December 2020 the parameters indicated above were met.

Below is a breakdown of the medium-to-long-term bank loans:

The following table shows the net financial position, in the format as per the Consob Communication:

	At 31 December	
(In thousands of euros)	2020	2019
Net financial debt		
A. Cash	323	39
B. Other cash equivalents	181,804	100,845
C. Securities held for trading	4	4
D. Cash and cash equivalents (A)+(B)+(C)	**182,131**	**100,888**
E. Current financial receivables		
F. Current bank payables	(35,976)	(17,575)
G. Current portion of non-current debt	(27,145)	(4,779)
H. Other current financial debt	(6,570)	(4,878)
I. Current financial debt (F)+(G)+(H)	**(69,691)**	**(27,232)**
J. Net current financial debt (I)+ (E)+ (D)	**112,440**	**73,656**
K. Non-current bank loans	(94,811)	(12,000)
L. Bonds issued		-
M. Other non-current financial payables	(12,436)	(13,032)
N. Non-current financial debt (K)+(L)+(M)	**(107,247)**	**(25,032)**
O. O. Net financial debt (J)+ (N)	**5,194**	**48,623**

Without considering the effects of IFRS 16, the net financial position would be determined as follows:

	At 31 Decembere	
(In thousands of euros)	2020	2019
Net financial debt	**5,194**	**48,623**
Current lease liabilities	6,570	4,776
Non-current lease liabilities	12,436	13,032
Net Financial Position	**24,199**	**66,431**

Below is a description of the main items that make up the Group's financial liabilities at 31 December 2020:

Lender	Conditions	Amount loaned	Amount disbursed	Outstanding debt	Expiry	Guarantees given to subsidiaries
Deutsche Bank loan agreement	Rate: 3-month Euribor + 1.1% spread	15,000	15,000	12,000	28-nov-24	---
BPM loan agreement	Rate: 3-month Euribor + 1.5% spread	15,000	15,000	12,688	31-dic-24	---
BPER loan agreement	Rate: 3-month Euribor + 1.0% spread	10,000	10,000	9,022	18-lug-20	---
UBI Banca S.p.A.	Rate: 3-month Euribor + 2.50%	1,500	1,500	191	09-gen-21	---
Banca Popolare di Sondrio S.c.p.a.	Rate: 6-month Euribor + 0.60%	1,500	1,500	252	31-gen-21	---
Banca Popolare di Sondrio S.c.p.a.	Rate: 0.90%	1,500	1,500	189	01-feb-21	---
Intesa Sanpaolo S.p.A.	Rate: 3-month Euribor + 1.30%	2,000	2,000	128	31-mar-21	---
Intesa Sanpaolo S.p.A.	Rate: 3-month Euribor + 1%	3,000	3,000	353	30-giu-21	---
Banco BPM S.p.A.	Rate: 3-month Euribor + 1.2%	1,500	1,500	171	30-giu-21	---
Banca del Centroveneto Cred. Coop s.c.	Rate: 3-month Euribor + 1.7%	2,500	2,500	636	30-lug-21	---
Credito Emiliano S.p.A.	Rate: 6-month Euribor + 1.5% spread	1,000	1,000	378	06-set-21	---
Unicredit S.p.A.	Rate: 6-month Euribor + 1.5%	3,000	3,000	1,015	31-ott-21	---
Banca CARIGE S.p.A.	Rate: 6-month Euribor + 1.3%	1,000	1,000	255	31-dic-21	---
Banco BPM S.p.A.	Rate: 1-month Euribor + 0.7%	1,500	1,500	36	31-dic-21	---
Unicredit S.p.A.	Rate: 3-month Euribor + 2%	1,500	1,500	607	31-dic-21	---
Credit Agricole Cariparma	Rate: 3-month Euribor + 0.85	1,500	1,500	568	29-mag-22	---
Unicredit Banca d'Impresa S.p.A.	Rate: 1%	1,500	1,500	569	31-mag-22	---
Credit Agricole Cariparma	Rate: 3-month Euribor + 1%	500	500	252	12-ott-22	---
Banco BPM S.p.A.	Rate: 3-month Euribor + 1%	3,000	3,000	1,728	31-dic-22	---
Banca Passadore S.p.A.	Rate: 3-month Euribor + 1.5%	2,000	2,000	1,673	01-gen-23	---
Banco BPM S.p.A.	Rate: 3-month Euribor + 2.1%	3,500	3,500	2,215	30-giu-23	---
Banca di Credito Cooperativo di Cambiano S.c.p.a.	Rate: 3-month Euribor + 1.35%	4,000	4,000	2,773	01-lug-23	---
Banca Popolare di Sondrio S.c.p.a.	Rate: 1-month Euribor + 1.10%	1,000	1,000	733	10-nov-23	---
Chianti Banca Credito Cooperativo s.c.	Rate: 6-month Euribor + 1.50%	2,000	2,000	1,415	10-feb-24	---
ICREA Banca D'Alba	Rate: 3-month Euribor + 1.5%	2,000	2,000	1,400	31-mar-24	---
Banco Desio	Rate: 1.50%	2,000	2,000	1,838	18-ago-24	
Unicredit S.p.A.	Rate: 6-month Euribor + 1.80%	10,000	10,000	2,571	30-giu-25	Euro 20 million mortgage on owned property in Vicenza
Unicredit S.p.A.	Rate: 6-month Euribor + 2.75%	3,000	3,000	900	30-giu-25	Mortgage on owned property in Vicenza
MPS Capital Services Banca per le Imprese S.p.A.	Rate: 6-month Euribor + 1.75%	28,300	28,300	15,217	03-lug-28	Euro 60 million mortgage on owned property in Florence and Euro 28.3 million special lien on facilities
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti	Rate: 0.50% - discounted rate 2.95%	1,095	1,095	2,263	31-dic-30	Mortgage on owned property in Turin
Unicredit S.p.A.	Rate: 2.95%	1,095	1,095	2,471	31-dic-30	Mortgage on owned property in Turin
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti	Rate: 0.50% - discounted rate 2.95%	2,400	363	2,001	31-dic-30	Mortgage on owned property in Vicenza
Unicredit S.p.A.	Rate: 2.95%	2,400	363	2,273	31-dic-30	Mortgage on owned property in Vicenza
Invitalia S.p.A.	Rate: 0.124%	7,453	1,242	3,604	30-giu-31	Mortgage on owned properties in Turin, Casteggio and Rapallo
Mediocredito	Rate: 2.60%	2,000	2,000	1,576	28-giu-24	---
Banco BPM	Rate: 3-month Euribor + 1.2%	1,500	1,500	966	30-giu-24	---
Banca del Centroveneto Cred. Coop s.c.	Rate: 6-month Euribor + 1.40%	1,000	1,000	545	22-gen-22	CLI third-party general guarantee
Monte dei Paschi di Siena (POOL)	Rate: 6-month Euribor + 1.75%	31,500	31,500	29,185	30-giu-26	Current account pledge
Banco BPM S.p.A.	Rate: 1.20%	5,000	5,000	5,000	01-lug-26	Unsecured loan
Other lines of credit				30,597		
Payables to other financial backers				5,676		

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 2019	Change in consolidation scope	New loans	Repayment	Reclassifications	At 31 December 2020
Non-current financial liabilities	12,000	54,111	65,079	(35,378)	(1,001)	94,811
Current financial liabilities	22,456	46,286		(6,622)	1,001	63,121
Total financial liabilities	**34,456**	**100,397**	**65,079**	**(42,000)**	**-**	**157,932**

8.18 Other non-current liabilities

The following table shows a breakdown of "Other non-current liabilities" as at 31 December 2020 and 2019:

	At 31 December	
(In thousands of euros)	2020	2019
Payables for acquisition of business units	-	600
Total other non-current liabilities	**-**	**600**

Payables for acquisitions of business units during the periods under review refer to the non-current portion of Newlat Deutschland's debt for the acquisition from Ebro Foods SA in previous years of the business unit which includes the brands Drei Glocken and Birkel. At 31 December 2020 the payable was reclassified among short-term liabilities.

8.19 Trade payables

The following table shows a breakdown of "Trade payables" as at 31 December 2020 and 2019:

	At 31 December	
(In thousands of euros)	2020	2019
Trade payables to suppliers	151,175	85,443
Trade payables to related parties	213	149
Total trade payables	**151,388**	**85,592**

This item mainly includes payables relating to the Group's normal production activities.

Analysis of trade payables to related parties can be found in the section "Transactions with Related Parties" of the Consolidated 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 2020 and 2019:

(In thousands of euros)	At 31 December 2020	2019
Payables to employees	10,181	6,862
Payables to social security institutions	3,837	2,603
Payables for acquisitions of business units	600	1,973
Tax liabilities	1,575	1,935
Accrued expenses and deferred income	2,934	1,068
Miscellaneous payables	1,073	938
Total other current liabilities	**20,200**	**15,379**

Payables to employees relate mainly 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.

Payables for acquisitions of business units during the periods under review refer to the current portion of Newlat Deutschland's debt for the aforementioned acquisition from Ebro Foods SA of the business unit which includes the brands Drei Glocken and Birkel.

Tax payables at 31 December 2020 mainly include payables to the Treasury for withholding taxes, amounting to €1,575 thousand.

9. Notes to the consolidated 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 2020	2019
Pasta	148,587	83,118
Milk Products	198,975	70,216
Bakery Products	39,076	35,670
Dairy Products	33,693	33,271
Special Products	34,005	30,547
Other assets	15,490	17,931
Total revenue from contracts with customers	**469,826**	**270,752**

The following table displays a breakdown of "Revenue from Contracts with Customers" by distribution channel:

(In thousands of euros)	Year ended 31 December 2020	2019
Mass Distribution	305,066	150,805
B2B partners	50,619	40,081
Normal trade	61,035	37,443
Private labels	40,833	33,235
Food services	12,273	9,188
Total revenue from contracts with customers	**469,826**	**270,752**

The following table displays "Revenue from Contracts with Customers" by geographical area:

(In thousands of euros)	Year ended 31 December 2020	2019
Italy	303,719	171,684
Germany	103,188	46,358
Other countries	62,919	52,710
Total revenue from contracts with customers	**469,826**	**270,752**

Revenue from contracts with customers for the year ended 31 December 2020 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.

The increase in revenues was mainly due to the acquisition of Centrale del Latte d'Italia SpA and the inclusion of Newlat GmbH from 1 January compared to only two months in 2019. For more a more detailed analysis of the trend in revenues compared to 31 December 2019 see the report on operations.

In the year just ended, the Group had consolidated revenues of €469,826 thousand, up 73.5% compared with €270,752 thousand recorded in the same period of the previous year. This result was due mainly to the change in the scope of consolidation. Maintaining the same scope of consolidation, organic growth was 3.2% as shown in the report on operations. This growth, particularly in the pasta, bakery and special products sectors, was also driven by the new needs resulting from the spread of the Covid-19 pandemic. The decrease in revenues from contracts with customers compared to the previous year recorded by the Other products division (13.6%), again due to the exceptional nature of the period, was more than offset by the increase in sales related to other sectors in which the Group operates, mainly in view of the margins of the sector in question.

9.2 Operating costs

The following table provides details of operating costs broken down by purpose for the years ending 31 December 2020 and 2019:

	Year ended 31 December	
(In thousands of euros)	2020	2019
Cost of sales	370,188	224,355
Sales and distribution costs	54,372	25,108
Administrative costs	22,725	11,511
Total operating costs	**447,286**	**260,973**

The table below shows details of the same operating costs broken down according to their nature:

	Year ended 31 December	
(In thousands of euros)	2020	2019
Purchase and consumption of raw materials and finished goods	226,509	132,577
Personnel costs	70,664	46,296
Packaging	32,898	19,967
Transport	23,423	15,616
Utilities	19,292	12,308
Amortisation, depreciation and write-downs	19,883	11,172
Sales commissions	16,163	4,923
Porterage and logistics	6,792	3,120
Surveillance and cleaning	5,351	3,922
Maintenance and repair	6,335	2,434
Royalties payable	2,052	1,694
Cost for use of third-party assets	4,705	1,929
Advertising and promotions	2,547	593
Consultancy and professional services	2,885	698
Insurance	1,220	696
Laboratory analysis and testing	1,090	962
Production plant services	428	388
Remuneration of the chairman and directors	444	36
External auditor's fees	314	248
Statutory auditors' fees	19	90
Other minor operating costs	4,272	1,305
Total operating costs	**447,286**	**260,973**

Operating costs increased as a result of the acquisition of Centrale del Latte d'Italia SpA and the consolidation of Newlat GmbH as at 1 January 2020. For more a more detailed analysis see the report on operations.

9.3 Net write-downs of financial assets

The item "Net write-downs of financial assets", amounting to €1,509 thousand for the year ended 31 December 2020, refers to the write-down of overdue trade receivables. A breakdown of changes to the provision for bad debts for the years ended 31 December 2020 and 2019 can be found in Note 8.8 above, "Trade receivables" of the Consolidated Financial Statements.

9.4 Other revenues and income

The following table provides a breakdown of "Other revenues and income":

	Year ended 31 December	
(In thousands of euros)	2020	2019
Repayments and compensation	3,230	2,022
Advertising revenues and promotional contributions	88	68
Tax credit for research and development activities	200	200
Leases receivable	215	203
Other revenues from the Ozzano plant	961	282
Capital gains from disposals	2	84
Other	3,361	1,783
Total other revenue and income	**8,057**	**4,642**

9.5 Income from business combinations

This item equal to €24,865 thousand represents the fair value measurement of the assets and liabilities of Centrale del Latte d'Italia SpA, whose control was acquired on 1 April 2020. Refer to the "business combination" section.

9.6 Other operating costs

The following table shows a breakdown of "Other operating costs":

	Year ended 31 December	
(In thousands of euros)	2020	2019
Stamps, duties and local taxes	2,187	628
Corporate canteen	239	237
Repayments and compensation	1	367
Benefits and membership fees	43	48
Losses	1	-
Other	2,765	1,674
Total other operating costs	**5,236**	**2,954**

9.7 Financial income and expenses

The following table provides a breakdown of "Financial income":

	Year ended 31 December	
(In thousands of euros)	2020	2019
Interest income from cash pooling	156	408
Net foreign exchange gains	106	-
Other financial income	275	29
Total financial income	**536**	**438**

Interest income from cash pooling refers to bank deposits outstanding at 31 December 2020.

The following table provides a breakdown of "Financial expenses":

	Year ended 31 December	
(In thousands of euros)	2020	2019
Interest on loans	2,689	833
Interest expense on lease liabilities	354	422
Interest expense and charges to Newlat Group	3	135
Fees and commissions	306	261
Net foreign exchange losses	374	16
Net interest expense on provisions for employee benefits	79	168
Other financial expenses	46	17
Total financial expenses	**3,851**	**1,852**

9.8 Income taxes

The following table provides a breakdown of "Income taxes":

	Year ended 31 December	
(In thousands of euros)	2020	2019
Current taxes	4,669	592
Prior-year taxes	185	-
Tax benefit to Shareholders' Equity	295	1,415
Total current taxes	**5,149**	**2,007**
Decrease (increase) in prepaid taxes	1,385	197
Increase (decrease) in deferred taxes	228	-
Total deferred taxes	**1,613**	**197**
Total income taxes	**6,761**	**2,204**

The following table displays a reconciliation of the theoretical tax rate with the effective impact on the pre-tax result:

	Year ended 31 December	
(In thousands of euros)	2020	2019
Profit (loss) before taxes	**45,404**	**9,378**
Theoretical rate	27.9%	27.9%
Theoretical tax charge	**12,668**	**2,616**
Adjustments		
Non-recurring income from business combinations	(6,937)	
Prior-year taxes	185	-
Tax incentives	200	200
Other	**645**	(612)
Income taxes	**6,761**	**2,204**

At the tax rate calculated as above, the tax benefit recorded among the reserves of Shareholders' Equity relating to the costs of listing, totalling €295 thousand (fully deductible for tax purposes in 2020), must be considered.

The Company was audited by the Finance Police for the years 2016 and 2017. The audit did not reveal significant findings that should be reflected in the statement of financial position, income statement and statement of cash flows of the Company and the Group at 31 December 2020.

9.9 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	
(In thousands of euros)	2020	2019
Profit for the year attributable to the Group in Euro thousands	38,643	7,174
Weighted average number of shares in circulation	41,539,865	29,206,707
Earnings per share (in Euro)	**0.93**	**0.25**

The diluted earnings per share is the same as the basic earnings per share because there are no financial instruments with potential dilutive effects. The earnings per share for 2019 were made comparable with the 2020 data.

Transactions with related parties

The Group'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 Group deals with the following related parties:

- Newlat Group, a direct parent company; and
- 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 breakdown of the income statement items relating to the Group's transactions with related parties for the years ended 31 December 2020 and 2019:

	Parent company	Companies controlled by the parent companies							
(In thousands of euros)	Newlat Group	New Property	Other companies controlled by the parent companies	Newservice	Latterie riunite Piana del Sele	Piana del Sele	Total	Total statement of financial position items	% of statement of financial position item
Cost of sales									
Year ended 31 December 2020		3,303	278				3,581	370,188	1.0%
Year ended 31 December 2019	-	3,243	215	114			3,458	224,355	1.5%
Administrative costs									
Year ended 31 December 2020	180						180	22,725	0.8%
Year ended 31 December 2019	417	-	-				417	11,511	3.6%
Financial income									
Year ended 31 December 2020	134						134	536	25.0%
Year ended 31 December 2019	408	-	-				408	438	93.2%
Financial expenses									
Year ended 31 December 2020	3	201					204	3,851	5.3%
Year ended 31 December 2019	190	269	-				459	1,852	24.8%

The following table provides a detailed breakdown of the statement of financial position items relating to the Group's transactions with related parties at 31 December 2020 and 2019:

	Parent company	Companies controlled by the parent companies				
(In thousands of euros)	Newlat Group	New Property	Other companies controlled by the parent companies	Total	Total statement of financial position items	% of statement of financial position item
Right-of-use assets						
At 31 December 2020		6,708		6,708	18,452	36.4%
At 31 December 2019	-	9,467	-	9,467	17,326	54.6%
Non-current financial assets at amortised cost						
At 31 December 2020		735		735	801	91.7%
At 31 December 2019	-	735	-	735	866	84.9%
Trade receivables						
At 31 December 2020		587	**19**	606	71,268	0.8%
At 31 December 2019	-	-	**19**	19	49,274	0.0%
Cash and cash equivalents						
At 31 December 2020	69,351			69,351	182,127	38.1%
At 31 December 2019	45,338	-	-	45,338	100,884	44.9%
Non-current lease liabilities						
At 31 December 2020		4,144		4,144	12,436	33.3%
At 31 December 2019	-	6,989	-	6,989	13,032	53.6%
Trade payables						
At 31 December 2020	105		**108**	213	151,388	0.1%
At 31 December 2019	48	57	**44**	149	85,592	0.2%
Current financial liabilities						
At 31 December 2020	981			981	63,121	1.6%
At 31 December 2019	-	-	-	-	22,456	0.0%
Current lease liabilities						
At 31 December 2020		2,812		2,812	6,570	42.8%
At 31 December 2019	-	2,341	-	2,341	4,776	49.0%

Transactions with parent company Newlat Group

Cash and cash equivalents, amounting to €45,338 thousand and €69,351 thousand respectively at 31 December 2019 and 2020 as well as financial liabilities for €981 thousand are attributable to the cash pooling relationships of Newlat Food S.p.A. and Centrale del Latte d'Italia with the parent company. The administrative expenses as at 31 December 2020 are attributable to operating expenses incurred by Newlat Food SpA for €180 thousand for service contracts and fees for the cost sharing agreements.

Transactions with companies controlled by the parent companies

The following are the companies controlled by the parent companies with which the Group 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.

New Property S.p.A.

At 31 December 2020, €6,708 thousand of right-of-use assets and €2,812 thousand and €4,144 thousand respectively of current and non-current lease liabilities relate to the real estate spun off to New Property S.p.A. and subsequently leased to Newlat. The recognition of these contracts according to IFRS 16 led to the recognition of depreciation, recorded in the cost of sales, of €3,303 thousand, and financial charges of €201 thousand for the year ended 31 December 2020.

10. Commitments and guarantees

The guarantees given to the Group by Newlat Group S.A. amounted to €47,900 thousand at 31 December 2020 and refer, in the amount of €32,400 thousand, to a surety provided in relation to payables to banks for available lines of credit. The remaining amount, totalling €15,500 thousand at 31 December 2020, refers to letters of sponsorship in favour of Newlat Deutschland in relation to transactions with UniCredit.

11. Other information

11.1 Remuneration of Directors and Statutory Auditors

The fees payable to Directors and Statutory Auditors amounted to €440 thousand and €19 thousand respectively in the year ended 31 December 2020. Remuneration to directors with strategic responsibilities amounted to €180.

11.2 External Auditor's fees

The independent auditors' fees for activities carried out in 2020 totalled €314 thousand.

11.3 Attività di ricerca e sviluppo

R&D within the Group is focused on the ability to develop innovative products, occasionally evocative of local traditions in the relevant markets.

Research and development costs incurred during the three-year period under review have been instrumental in pursuing the Group's production and commercial strategies, aimed at making product ranges more innovative and strengthening its position in the market.

Research and development expenses totalled €6,323 thousand for the year ended 31 December 2020, corresponding to 1.35 % of revenues from contracts with Group customers, fully expensed in the income statement.

It should be noted that, for 2020, the Company intends to avail itself of the research and development tax credit provided for in article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in the manner specified in the said legislation.

Outlook

Right from the beginning of the pandemic, the Group has shown that it is ready to deal with this situation, offering suitable product and service responses to the various demands that have arisen, particularly after the various stages of this experience, from the lockdown in March and April 2020 to the subsequent gradual reopening of commercial activities by some of the Group's clients, and finally to a new closure during the Christmas holidays.

The same thing applies to activities performed in line with Group guidelines. These are less commercial and logistical and more operations-oriented, such as strengthening liquidity and carefully managing trade receivables and operating costs, making sure in all cases to prioritise customer and employee satisfaction.

All this has enabled the Group, as we can see by the results, to deliver better margins and create more value for its shareholders.

Against this background, it is useful to stress that the commercial organisation and the production setup have played a crucial role in customer relations. Such an approach puts the end consumer at the centre of Group policies and guidelines while reinforcing brand loyalty. The Mass Distribution channel enjoyed considerable growth of +7.3%, while the food services channels (restaurants, bars, hotels, etc.) saw sales drop by -43.3%. The reopening in the summer months had seen improvements in the food service channel in the third quarter, but the worsening of the COVID-19 pandemic brought about fresh restrictions on the movement of people and the partial closure of many businesses in the last quarter, resulting in a drastic reduction in volumes.

Fortunately, the sector in which the Group operates is not affected by the restrictions and has been less affected by the pandemic overall, at the same time proving its robustness. Although there remains considerable uncertainty about what path the Coronavirus will take, also considering the new, more aggressive variants, Newlat Food S.p.A.'s management remains fully confident in the continuation of its organic growth plans.

At the date of preparation of this report, it is not possible to predict when the epidemic will cease to spread and whether the national governments, in Italy and in the other countries where the Company and the Newlat Group operate, will adopt any further restrictive measures affecting production and commercial activities, as well as the movement of people, in such a way as to influence household consumption.

In view of the above, the Group is unable to predict the extent to which these events might affect the outlook for the Company and the Newlat Group for 2021, but, based on the data available when this report was being prepared, the Directors believe they can reasonably exclude the possibility of COVID-19 being significantly detrimental.

Business continuity

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

- the considerable level of cash reserves available at 31 December 2020;
- the presence of authorised and unused lines of credit at 31 December 2020 from the Newlat Group to the majority shareholder Newlat Group S.A.;
- the continual support given by the leading banks to the Newlat Group, partly because of its market-leading status.

In addition to the factors mentioned above, the Group has recognised a commitment from government bodies to support the operators and entities that have been most affected by COVID-19 through protective measures that will be implemented in the coming months and of which the Group intends to avail itself where possible.

Given the global spread of COVID-19 in 2020, the Group's economic and financial performance in 2020 was higher than the budget forecast. Specifically, the trends recorded in the year ended 31 December 2020 showed that the Group's performance improved, although with a different distribution of revenues and investments among the Group's divisions compared to the forecasts made in the previous budget. It should also be noted that the cash and cash equivalents at 31 December 2020, amounting to €183 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 Group's operations.

Events after the reporting date

On 1 February 2021, the Board of Directors of Newlat S.p.A. approved the issue of an unrated, unsecured, non-convertible and non-subordinated senior bond for a minimum value of €150 million and a maximum of €200 million. The duration of the bond is set at six years from the date of issue.

On 19 February 2021, the bond was successfully issued at an interest rate of 2.625% for a total value of €200 million.

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

Certification of the consolidated financial statements pursuant to article 154-bis of italian legislative decree 58/98

Taking into consideration article 154-bis (3) and (4) of Legislative Decree no. 58 of 24 February 1998, the undersigned, Angelo Mastrolia, as CEO, and Rocco Sergi, as Financial Reporting Officer, of Newlat Food Group, certify:

- the adequacy in relation to the company characteristics, and
- the effective application

of the administrative and accounting procedures for preparing the consolidated financial statements during the 2020 financial year.

It is furthermore declared that the consolidated financial statements at 31 December 2020:

(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 2002;

(b) correspond with the accounting books and records;

(c) provide a true and correct representation of the asset, economic and financial situation of the issuer and of the companies included in the consolidation.

The management report includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the key risks and uncertainties they are exposed to.

Reggio Emilia, 19 March 2021

Chief Executive Officer

Angelo Mastrolia

Financial Reporting Officer

Rocco Sergi

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 Newlat Food SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Newlat Food SpA (hereinafter also the "Company") and its subsidiaries (hereinafter, the "Newlat Group" or the "Group"), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of Newlat Food SpA give a true and fair view of the financial position of Newlat Group as of 31 December 2020 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. 38/2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the consolidated financial statements*" section of this report. We are independent of Newlat Food SpA 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Indefinite-lived intangible assets and impairment testing process	
*(See notes no. 2.3 – "*Accounting standards and measurement criteria*" and no. 8.3 - "Intangible assets – Trademarks with an indefinite useful life" to the consolidated financial statements as of 31 December 2020)*	
Indefinite-lived intangible assets relating to the "Drei Glocken" and "Birkel" brands of the German subsidiary Newlat GmbH and to the "Mukki", "Centrale del Latte di Vicenza", "Centrale del Latte di Rapallo - Latte Tigullio" and "Tappo Rosso" brands of the newly controlled subsidiary Centrale del Latte d'Italia SpA, recognised in the consolidated financial statements of Newlat Group as of 31 December 2020 for approximately Euro 18.9 million and approximately Euro 25.9 million, respectively, are tested annually for impairment, as required by IAS 36. Estimating the recoverable amounts of assets being tested for impairment, determined using the value in use method, requires the Directors of Newlat Group to develop estimates that by nature contain significant elements of judgement in relation to the following: - the identification of the cash generating units ("CGU") to which an asset and/or asset group is to be allocated; - the definition of the assumptions underlying the estimation of future cash flows from the CGUs identified, discounted to 31 December 2020, for the purpose of determining the recoverable amount of those assets. We considered this a key audit matter in consideration of the importance of those items and the materiality of the carrying amounts of indefinite-lived intangible assets in the consolidated financial statements as of 31 December 2020.	The process of identification and measurement of the recoverable amounts of indefinite-lived intangible assets, preliminary to the identification of possible impairment losses, requires in-depth knowledge of the relevant markets and specialist skills. In performing our audit procedures on this financial statements area, we also used the support of business valuation experts from the PwC network. We obtained an understanding of the evaluations and criteria used by the Directors to identify the CGUs to which the indefinite-lived intangible assets have been allocated. We verified, on a test basis, the accuracy and reasonableness of the projections used to determine the future cash flows of the CGUs identified. We assessed the reasonableness of the assumptions underlying the calculation of the recoverable amounts of indefinite-lived intangible assets recognised in the consolidated financial statements, also through specific sensitivity analyses performed independently on the key parameters used in the impairment test, namely the discounts rate applied to the estimated future cash flows and the perpetual growth rate "g". Finally, we verified the disclosures provided on those assets in the explanatory notes to the consolidated financial statements.

Key audit matters	*Auditing procedures performed in response to key audit matters*
Accounting treatment of the acquisition of control of Centrale del Latte d'Italia SpA	
(See note 1.1 – "General information and significant transactions carried out in 2020" to the consolidated financial statements as of 31 December 2020)	
On 1 April 2020, Newlat Food SpA acquired control of Centrale del Latte d'Italia SpA (an entity listed on the Italian stock exchange, hereafter also "CLI"), following the purchase of 47.57% of CLI's share capital from the parent company Newlat Group SA, which in turn had acquired the controlling equity interest from third parties. In July 2020, Newlat Food SpA launched a public tender and exchange offer on the remaining ordinary shares in CLI, which resulted in the acquisition of an additional equity interest in CLI, reaching 67.59%. As required by IFRS 3 (revised) – "Business combinations", in the consolidated financial statements of Newlat Food SpA the transaction was accounted for under the acquisition method. The Company determined, with reference to the acquisition date, the fair values of the purchase price paid, minority interests, identifiable assets acquired and liabilities and contingent liabilities assumed, and identified a positive difference of around Euro 24.9 million which, as required by the standard, was reported in the income statement on a separate line named "Proceeds from business combination". To determine the above-mentioned fair values, the Company, also with the support of an external advisor, used valuation processes and methods that are intrinsically characterised by a high degree of subjectivity. In consideration of the subjectivity that characterises the process of determining the fair values of the assets acquired and liabilities	Our audit approach to the recognition of such extraordinary transaction consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the Company to determine the fair values of the net assets acquired and to recognise the above-mentioned positive component in the consolidated income statement. The process of identifying the assets and measuring the fair value of the net assets of CLI acquired requires in-depth knowledge of the relevant markets and specialist skills. In performing our audit procedures on the recognition of the acquisition, we used the support of business valuation experts from the PwC network. We obtained an understanding of the evaluations and criteria used by the Directors to determine the fair value of the net assets of CLI. We verified, on a test basis, the accuracy and reasonableness of the projections used to determine the future cash flows. We assessed the reasonableness of the key assumptions underlying the calculation of the fair value of the net assets acquired, also through specific sensitivity analyses performed independently on the key parameters used in the measurement.

Key audit matters	*Auditing procedures performed in response to key audit matters*
assumed, and in consideration of the materiality of the effects recognised in the consolidated income statement for the year 2020, we considered the accounting treatment of the acquisition of control of Centrale del Latte d'Italia SpA a key audit matter.	Finally, we verified the disclosures provided on those assets in the explanatory notes to the consolidated financial statements.

Emphasis of matter

We draw your attention to the disclosures provided in the paragraph titled "Acquisition of Centrale del Latte d'Italia SpA" and in other paragraphs of the explanatory notes to the consolidated financial statements concerning the accounting and financial effects of the acquisition by Newlat Food SpA, on 1 April 2020, of control of the listed company Centrale del Latte d'Italia SpA ("CLI"), which affect the comparability of the consolidated financial statements with the accounting figures of the previous year, and the subsequent public tender and exchange offer, finalised on 31 July 2020, which entailed a slight decrease in consolidated equity in connection with the acquisition of an additional equity interest in CLI. Our opinion is not qualified for this matter.

Other matters

The Company, as required by law, has included in the explanatory notes to the consolidated financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the consolidated financial statements of Newlat Food SpA does not extend to those figures.

Responsibilities of the Directors and those charged with governance ("Collegio Sindacale") for the consolidated financial statements

The Directors of Newlat Food SpA are responsible for the preparation of consolidated 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. 38/2005 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 Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the parent company Newlat Food SpA or to cease operations, or have no realistic alternative but to do so.

Those charged with governance *("Collegio Sindacale")* of Newlat Food SpA are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Italy) 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 consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italy), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated 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 Group'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 Group'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 Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italy, 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, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated 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 8 July 2019, the shareholders of Newlat Food SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

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 consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance *("Collegio Sindacale")*, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e) of Legislative Decree no. 39/2010 and article 123-bis, paragraph 4, of Legislative Decree no. 58/1998

The Directors of Newlat Food SpA are responsible for preparing a report on operations (jointly prepared for both separate and consolidated financial statements) and a report on corporate governance and ownership structure as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italy) 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. 58/1998 with the consolidated financial statements of Newlat Food SpA as of 31 December 2020 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 consolidated financial statements of Newlat Group as of 31 December 2020 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. 39/2010, 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.

Statement in accordance with article 4 of CONSOB's Regulation implementing Legislative Decree no. 254 of 30 December 2016

The Directors of Newlat Food SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree no. 254 of 30 December 2016.

We have verified that the Directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree no. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Bologna, 26 March 2021

PricewaterhouseCoopers SpA

signed by

Gianni Bendandi
(Partner)

"This report has been translated into the English language from the original, which was issued in Italian language, solely for the convenience of international readers. Reference in this report to the consolidated financial statements refer to the consolidated financial statements in original Italian and not to any their translation."

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Financial Statements as at December 31, 2020

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Separate Financial Statements at 31 December 2020

Separate statement of financial position

(In euros)	Notes	at 31 December 2020	at 31 December 2019
Non-current assets			
Property, plant and equipment	8.1	27,233,984	26.949.300
Right-of-use assets	8.2	14,316,808	17.207.891
of which from related parties		*6,708,184*	*9.467.000*
Intangible assets	8.3	5,555,126	6.387.607
Equity investments in subsidiaries		93,665,498	68.323.752
Non-current financial assets measured at fair value through profit or loss	8.4	42,075	42.075
Financial assets measured at amortised cost	8.5	801,325	866.210
of which from related parties		*735,000*	*735.000*
Deferred tax assets	8.6	3,940,110	5.032.160
Total non-current assets		**145,554,927**	**124.808.995**
Current assets			
Inventories	8.7	27,126,027	22.628.658
Trade receivables	8.8	53,452,738	52.335.233
of which from related parties		*4,095,585*	*3.095.703*
Current tax assets	8.9	703,107	715.636
Other receivables and current assets	8.10	3,782,094	3.035.100
Current financial assets measured at fair value through profit or loss	8.11	4,240	4.240
Cash and cash equivalents	8.12	100,324,191	70.184.098
of which from related parties		*21,428,029*	*24.159.000*
Total current assets		**185,392,399**	**148.902.965**
TOTAL ASSETS		**330,947,325**	**273.711.961**
Shareholders' equit			
Share capital		43,935,050	40.780.482
Reserves		104,279,104	86.037.456
Net profit/(loss)		7,254,348	7.474.719
Total shareholders' equity attributable to the Group	8.13	**155,468,502**	**134.292.657**
Minority interests	8.13	-	
Total consolidated equity	8.13	**155,468,502**	**134.292.657**
Non-current liabilities			
Provisions for employee benefits	8.14	10,058,831	10.082.810
Provisions for risks and charges	8.15	1,460,882	1.395.683
Deferred tax liabilities	8.6	-	
Non-current financial liabilities	8.16	25,625,013	12.000.000
Non-current lease liabilities	8.3	10,479,739	12.969.293
of which from related parties		*4,144,343*	*6.989.000*
Other non-current liabilities	8.17	-	
Total non-current liabilities		**47,624,465**	**36.447.786**
Current liabilities			
Trade payables	8.18	86,109,629	69.576.718
of which from related parties		*2,923,916*	*149.000*
Current financial liabilities	8.16	22,021,041	15.366.853
of which from related parties		6,267,280	
Current lease liabilities	8.3	4,438,890	4.714.481
of which from related parties		*2,811,890*	*2.341.000*
Current tax liabilities	8.9	2,469,802	470.742
Other current liabilities	8.19	12,814,996	12.842.722
Total current liabilities		**127,854,359**	102.971.516
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**330,947,235**	**273.711.961**

Separate income statement

(In euros)	Notes	at 31 December 2020	at 31 December 2019
Revenue from contracts with customers	9.1	265,608,451	258,046,888
of which from related parties		*16,467,088*	*17,525,000*
Cost of sales	9.2	(218,355,795)	(213,652,693)
of which from related parties		*(6,665,557)*	*3,457,517*
Gross operating profit/(loss)		**47,252,656**	**44,394,195**
Sales and distribution costs	9.2	(24,039,900)	(24,527,600)
Administrative costs	9.2	(12,623,177)	(11,161,950)
of which from related parties		*(180,000)*	*(400,667)*
Net write-downs of financial assets	9.3	(976,965)	(673,873)
Other revenues and income	9.4	6,507,469	5,614,145
Other operating costs	9.5	(3,244,848)	(2,875,731)
Operating profit/(loss)		**12,875,235**	**10,769,186**
Financial income	9.6	192,349	399,855
of which from related parties		*192,349*	*370,762*
Financial expenses	9.6	(1,959,841)	(1,745,477)
of which from related parties		*(205,345)*	*(458,891)*
Profit (loss) before taxes		**11,107,743**	**9,423,564**
Income taxes	9.7	(3,853,396)	(1,948,845)
Net profit/(loss)		**7,254,348**	**7,474,719**
Basic net profit/(loss) per share	9.8	0.17	0.25
Diluted net profit/(loss) per share	9.8	0.17	0.25

Separate statement of other comprehensive income

(In euros)	Notes	at 31 December 2020	at 31 December 2019
Net profit/(loss) (A)		**7,254,348**	**7,474,719**
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:			
Actuarial gains/(losses)	8.14	(642,350)	(343,000)
Tax effect on actuarial gains/(losses)	8.14	176,885	94,000
Total other components of comprehensive income that will not be subsequently reclassified to the income statement		**(465,465)**	**(249,000)**
Total other components of comprehensive income, net of tax effect (B)		**(465,465)**	**(249,000)**
Total comprehensive net profit/(loss) (A)+(B)		**6,788,883**	**7,225,719**

Separate statement of changes in equity

(In euros)	Notes	Share capital	Reserves	Net profit / (loss)	Total net equity
At 31 December 2019		**40,780,482**	**86,037,456**	**7,474,719**	**134,292,657**
Allocation of net profit/(loss) for the previous year			7,474,719	(7,474,719)	-
Acquisition of Centrale del Latte d'Italia SpA		2,220,568	9,101,000		11,321,568
Acquisition of minority stakes in Centrale del Latte d'Italia S.p.A.		934,000	3,617,599		4,551,599
Capital increase costs net of tax			(564,286)		(564,286)
Total capital increase	8.14	**3,154,568**	**12,154,313**	-	**15,308,881**
Treasury shares			(921,920)		(921,920)
Total treasury shares	8.14		**(921,920)**		**(921,920)**
Net profit/(loss)				7,254,348	7,254,348
Actuarial gains/(losses) net of the related tax effect			(465,465)		(465,465)
Total comprehensive net profit/(loss) for the year	8.14		**(465,465)**	**7,254,348**	**6,788,883**
Al 31 dicembre 2020		**43,935,050**	**104,279,104**	**7,254,348**	**155,468,502**

Separate statement of cash flows

(In euros)	Notes	at 31 December 2020	at 31 December 2019
Profit (loss) before taxes		11,107,743	9,423,564
- Adjustments for:			
Amortisation, depreciation and write-downs	8.1-8.2-8.3	11,783,414	9,989,444
Capital losses/(gains) on disposal	8.1-8.2-8.3	(5,000)	84,000
Financial expense/(income)	9.6	1,767,492	1,367,999
of which from related parties		*(12,997)*	(88,129)
Other non-monetary changes from business combinations		-	
Other non-monetary changes	8.7-8.8-8.15-8.16	(15,000)	2,025,000
Cash flow generated /(absorbed) by operating activities before changes in net working capital		**24,638,650**	**22,890,007**
Change in inventory	8.7	(4,497,369)	981,630
Change in trade receivables	8.8	(2,094,470)	409,369
Change in trade payables	8.18	16,532,911	(4,980,955)
Change in other assets and liabilities	8.5-8.10-8.17-8.19	(774,720)	10,164,480
of which from related parties			*10,000,000*
Use of provisions for risks and charges and for employee benefits	8.14-8.15	698,570	(1,420,973)
Taxes paid	8.9	(2,426,705)	(398,820)
Net cash flow generated /(absorbed) by operating activities		**32,076,866**	**27,644,738**
Investments in property, plant and equipment	8.1-8.2	(5,353,507)	(3,461,609)
Investments in intangible assets	8.3	(295,045)	(752,054)
Divestment of financial assets	8.5-8.11	64,855	
Delverde combination	8.12		(2,795,000)
Newlat Deutschland combination	8.12		(58,323,752)
Acquisition of Centrale del Latte d'Italia	8.12	(9,463,702)	
Net cash flow generated /(absorbed) by investment activities		**(15,047,399)**	**(65,332,415)**
New long-term financial debt	8.16	25,000,000	15,000,000
Repayments of long-term financial debt	8.16	(4,720,799)	(15,811,017)
Change in current financial debt	8.16	-	
Repayments of lease liabilities	8.3	(4,479,162)	(4,176,317)
of which from related parties		*(3,504,308)*	(3,512,000)
Net interest expense	9.6	(1,767,492)	(1,367,999)
IPO fee	8.12		76,544,563
Treasury shares	8.12-8.13	(921,920)	
Net cash flow generated/(absorbed) by financing activities		**13,110,627**	**70,189,230**
Total changes in cash and cash equivalents		**30,140,094**	**32,501,553**
Cash and cash equivalents at start of year		**70,184,098**	**31,239,000**
of which from related parties		*24,159,000*	*30,940,000*
Cash and cash equivalents from the merger of Centrale del Latte di Salerno SpA			6,443,546
Total changes in cash and cash equivalents		30,140,094	32,501,553
Cash and cash equivalents at end of year		**100,324,191**	**70,184,098**
of which from related parties		*21,428,029*	*24,159,000*

1. Explanatory Notes to the Separate Financial Statements

1.1 General information and significant transactions carried out in 2020

Newlat Food 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 at Via J. F. Kennedy 16, Reggio Emilia.

The Newlat Group is a group operating in the food sector with a large and structured product portfolio organised into the following business units: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products and Other Activities.

The Company is subject to management and coordination by the parent Newlat Group S.A. (hereinafter "**Newlat Group**"), a company that directly owns 61.66% of the share capital, while the remaining part (38.34%) is held by institutional investors and traded on the STAR segment of the MTA market managed by Borsa Italiana.

Acquisition of Centrale del Latte d'Italia SpA

On 30 March 2020, Newlat Group S.A., the parent company of Newlat Food S.p.A., entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as the sellers, under which Newlat Group SA purchased 6,473,122 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 46.24% of the share capital and voting rights, against the payment, for every three CLI shares subject to purchase and sale, of a total consideration of Euro 3.00 and 1 ordinary share of Newlat Food held by Newlat Group S.A., corresponding to a unit price for each share subject to purchase and sale of Euro 1.00 and 0.33 Newlat Food ordinary shares. The transaction allowed the sellers to become shareholders of Newlat Food S.p.A. with a total shareholding of 5.30% before the future share capital increase the public purchase and exchange offer.

The operation was not subject to any conditions precedent. Newlat Group SA and the sellers executed the purchase and sale agreement on 1 April 2020.

Newlat Group S.A. assigned to Newlat Food S.p.A. the shares subject to purchase and sale that were purchased by Newlat Group S.A. within the meaning of the aforementioned agreement, as well as an additional 187,120 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 1.34% of share capital already held by Newlat Group, for a total of 6,660,242 ordinary shares, representing 47.57% of the share capital under the same financial terms as the agreement entered into with the previous sellers and, therefore, against payment of a cash consideration by Newlat Food.

As a result of the acquisition of the major interest in Centrale del Latte d'Italia S.p.A., Newlat Food launched a mandatory public purchase and exchange offer (the "PPEO") on the remaining ordinary shares, pursuant to and in accordance with applicable law, at the same consideration paid to Newlat Group SA (as well as the same consideration paid by Newlat Group to the sellers) and, therefore, equal to 0.33 newly issued Newlat Food ordinary shares and Euro 1 for each Centrale del Latte d'Italia S.p.A. ordinary share attached to the PPEO. Newlat Food S.p.A.'s subscription offer to the shareholders of Centrale del Latte d'Italia S.p.A. finished at the end of July. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offerer's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020.

Accounting of the PPEO transaction

Newlat Food S.p.A.'s subscription offer to the shareholders of Centrale del Latte d'Italia S.p.A. finished at the end of July. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offerer's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020.

In accordance with the provisions of IAS 32, the transaction costs of €1,400 thousand were recorded as a direct reduction in shareholders' equity in a directly proportional share, or 63%, representing the share of the increase through the issuance of new shares, net of the related tax benefit of €295 thousand. As a result, the overall impact on the Company's shareholders' equity was €564 thousand.

2. Adopted Accounting Standards

The accounting standards and measurement criteria adopted in the preparation and drafting of the annual report at 31 December 2020 are set out below.

The annual financial report at 31 December 2020 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 for the two cash-generating units, including a sensitivity analysis, are described in note 8.3 of the Consolidated Financial Statements at 31 December 2020.

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 Group 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. The accounting impacts of the determination of the fair value of the assets acquired and liabilities assumed, as well as of the call options of minority interests for the business combinations that occurred during the year, are provided in the previous paragraph of this Note.

2.1 Basis of preparation

The Separate 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 Separate 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 separate 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 Separate 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	4-20 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 in accordance with one of the two different criteria set out in IAS 38 (cost model and revaluation model). The cost model requires an intangible asset to be recognised at cost after initial recognition, net of accumulated amortisation and any accumulated impairment losses.

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

Category of assets	Useful Life
Goodwill	unlimited
Other brands	18 years
Software licences	5 years
Other assets	5 years

Nell'ambito della Società sono identificabili le seguenti principali attività immateriali:

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.

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.

Lease contracts

(a) Right-of-use assets and lease liabilities – 31 December 2020 (IFRS 16)

La Società si è avvalsa della facoltà di adottare anticipatamente, a partire dal 1° gennaio 2018, il nuovo principio contabile IFRS 16 "Leases", che sostituisce lo IAS 17 "Leasing" e le relative interpretazioni.

In accordo con l'IFRS 16, un contratto è, o contiene, un leasing se, in cambio di un corrispettivo, conferisce il diritto di controllare l'utilizzo di un'attività specificata per un periodo di tempo. Il contratto viene valutato nuovamente per verificare se è, o contiene, un leasing solo in caso di modifica dei termini e delle condizioni del contratto.

The Company chose early adoption, from 1 January 2018, of the new accounting standard IFRS 16 - "Leases", which replaces IAS 17 - "Leasing" 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 Group 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 (i.e. when the value of the underlying asset, if new, is less than $5,000, for example). 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.

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. 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 at amortised cost – 31 December 2020 (IFRS 9)

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).

Moreover, since trade receivables are generally short-term and do not provide for the payment of interest, the amortised cost is not calculated, and they are recognised on the basis of the nominal value reported in invoices issued or contracts concluded 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.

(b) Financial assets at fair value through other comprehensive income – 31 December 2020(IFRS 9)

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 – 31 December 2020(IFRS 9)

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 separate 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

Payables relating to the year ended 31 December 2020.

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 Group has transferred all risks and charges relating to the instrument.

Employee benefits

These include benefits granted to employees or their dependants and can be liquidated by means of payments (or with the supply of goods and services) made directly to employees, spouses, children or other dependants or to third parties such as insurance companies, and are divided into short-term benefits, benefits due to employees for termination of employment 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

(a) Revenue from contracts with related customers - year ended 31 December 2020 (IFRS 15)

The Company applies IFRS 15 as of 1 January 2018. In accordance with this standard, 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 a
re 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.

Operating segments

The operating segment is a part of the group that undertakes business activities that generate revenue and costs, whose operating results are periodically reviewed by the Chairman of the Board of Directors, in his role as Chief Operating Decision Maker (CODM), for the purpose of taking decisions on the resources to be allocated to the sector and evaluating results, and for which financial information is available.

2.3 Recently issued accounting standards

The following accounting standards, amendments and interpretations were applied for the first time by the Company as at 1 January 2020:

- On 31 October 2018 the IASB published the document "Definition of Material" (amendments to IAS 1 and IAS 8). That document introduced changes to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Its aim was to make the definition of "material" more specific, and to introduce the concept of "obscured information" alongside the concept of omissions or misstatements, which were already present in the two amended standards. The amendment clarifies that information is "obscured" if it has been described in such a way that produces, for the primary readers of financial statements, an effect similar to that which would have occurred if that information had been omitted or misstated.

The adoption of this amendment had no effect on the Company's separate financial statements.

- On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for years starting on or after 1 January 2020, but early adoption is permitted. The Conceptual Framework defines the basic concepts of financial reporting and guides the Board in elaborating the IFRS standards. The document helps to ensure that the standards are conceptually coherent and that similar transactions are dealt with in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in elaborating accounting standards when no IFRS applies to a specific transaction. In general it also helps the parties to understand and interpret the standards.

The adoption of this amendment had no effect on the Company's separate financial statements.

- On 26 September 2019, the IASB published the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amended IFRS 9 Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. The amendment changed some of the requirements for the application of hedge accounting, by introducing temporary derogations to mitigate the impact of the uncertainty of the IBOR reform on future cash flows in the period preceding its completion. The amendment also requires companies to report additional information about their hedging relations that are directly affected by the uncertainties of the reform, to which these derogations apply.

The adoption of this amendment had no effect on the Company's separate financial statements.

- On 22 October 2018 the IASB published "Definition of a Business (amendments to IFRS 3)". The document provides clarification regarding the definition of business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to satisfy the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced an optional concentration test that rules out the presence of a business if the price paid refers substantially to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed.

The adoption of this amendment had no effect on the Company's separate financial statements.

- On 28 May 2020 the IASB published an amendment entitled "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document allows lessees to account for the reductions in rents related to Covid-19 without having to assess whether the definition of lease modification in IFRS 16 is respected through an analysis of the contracts. Therefore, lessees who apply this option will be able to account for the effects of the rent reductions directly to the income statement on the effective date of the reduction. This amendment applies to financial statements starting on 1 June 2020, but the Company has availed itself of the possibility of applying this amendment early on 1 January 2020.

The adoption of this amendment had no effect on the Company's separate financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applicable and not adopted in advance by the Company as at 31 December 2020

The following accounting standards, amendments and interpretations were applied for the first time by the Company as at 1 January 2020:

- On 31 October 2018 the IASB published the document "Definition of Material" (amendments to IAS 1 and IAS 8). That document introduced changes to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Its aim was to make the definition of "material" more specific, and to introduce the concept of "obscured information" alongside the concept of omissions or misstatements, which were already present in the two amended standards. The amendment clarifies that information is "obscured" if it has been described in such a way that produces, for the primary readers of financial statements, an effect similar to that which would have occurred if that information had been omitted or misstated.

The adoption of this amendment had no effect on the Company's financial statements.

- On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for years starting on or after 1 January 2020, but early adoption is permitted. The Conceptual Framework defines the basic concepts of financial reporting and guides the Board in elaborating the IFRS standards. The document helps to ensure that the standards are conceptually coherent and that similar transactions are dealt with in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports businesses in elaborating accounting standards when no IFRS applies to a specific transaction. In general it also helps the parties to understand and interpret the standards.

The adoption of this amendment had no effect on the Company's financial statements.

- On 26 September 2019, the IASB published the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It amended IFRS 9 Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. The amendment changed some of the requirements for the application of hedge accounting, by introducing temporary derogations to mitigate the impact of the uncertainty of the IBOR reform on future cash flows in the period preceding its completion. The amendment also requires companies to report additional information about their hedging relations that are directly affected by the uncertainties of the reform, to which these derogations apply.

The adoption of this amendment had no effect on the Company's financial statements.

- On 22 October 2018 the IASB published "Definition of a Business (amendments to IFRS 3)". The document provides clarification regarding the definition of business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to satisfy the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced an optional concentration test that rules out the presence of a business if the price paid refers substantially to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed.

The adoption of this amendment had no effect on the Company's financial statements.

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

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

- On 18 May 2017 the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts held by an insurer.

The new standard also provides for presentation and disclosure requirements to improve comparability between entities in this sector.

The new principle measures an insurance contract based on a General Model or a simplified version thereof, called a Premium Allocation Approach ("PAA").

The main characteristics of the General Model are:

- the estimates and assumptions of future cash flows are always the current ones;
- measurement reflects the time value of money;
- the estimates provide for extensive use of observable market information;
- there is a current and explicit measurement of the risk;
- the expected profit is deferred and pro forma in groups of insurance contracts at the time of initial recognition; and
- the expected profit is recognised in the contractual period of coverage, taking into account the adjustments deriving from changes in the assumptions relating to the cash flows of each group of contracts.

The PAA approach measures the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, an entity expects that liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the valuation of liabilities for existing claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will take place within one year from the date on which the claim occurred.

An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).The standard applies from 1 January 2023 but early application is permitted only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from contracts with customers.

The directors do not expect significant effects in the Company's financial statements.

- On 23 January 2020 the IASB published "Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other liabilities as short or long term. The amendments will come into force on 1 January 2023, but early adoption is permitted. The directors are currently assessing the possible effects of the introduction of this amendment on the Company's financial statements.

On 14 May 2020 the IASB published the following amendments:

- Amendments to IFRS 3 - Business Combinations: the amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of IFRS 3.
- Amendments to IAS 16 - Property, Plant and Equipment: the amendments are intended to prevent the deduction from the cost of tangible assets of the amount received from the sale of goods produced during the testing phase of the activity. These sales revenues and related costs will therefore be recognised in the income statement.
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets: this amendment clarifies that all costs directly attributable to the contract must be taken into account in the estimate of the possible cost of a contract. Consequently, the assessment of the possible cost of a contract includes not only the incremental costs (e.g., the cost of the direct material used in the process), but also all the costs that the company cannot avoid since it has entered into a contract (e.g. the share of the personnel cost and depreciation of the machinery used for the fulfilment of the contract).
- Annual Improvements 2018-2020: amendments were made to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and the Illustrative Examples of IFRS 16 - Leases.

All amendments will come into force on 1 January 2022.

The directors are currently assessing the possible effects of the introduction of these amendments on the Company's financial statements.

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 Group’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 3 years in accordance with the budgets approved by the Group. 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 legal developments and possible developments in the pasta market; 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 Group'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 consolidated results and equity.

The main exchange rates to which the Company is exposed are:

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

The Company does not adopt specific policies to hedge exchange rate fluctuations because management does not believe that this risk can significantly harm the Company's results, since the amount of inflows and outflows of foreign currency is not only insignificant, but also fairly similar in terms of volumes and timing.

A hypothetical positive or negative change of 100 bps in the exchange rates relating to the currencies in which the Company operates would not have a significant impact on the net result and shareholders' equity of the 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 consolidated 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 - 50 bps	+ 50 bps	Impact on shareholders' equity net of tax - 50 bps	+ 50 bps
Year ended 31 December 2019	(169)	169	(169)	169
Year ended 31 December 2019	(62)	62	(62)	62

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 2020 and 2019 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 2020	42,710,363	9,773,259	1,570,101	15,769,145	69,822,868
Provision for bad debts		(211,164)	(389,820)	(15,769,145)	(16,370,129)
Net trade receivables at 31 December 2020	42,710,363	9,562,095	1,180,281	(0)	53,452,738
Gross trade receivables at 31 December 2019	39,723,193	8,839,000	2,943,000	16,250,000	67,755,193
Provision for bad debts	-	(237,960)	(222,000)	(14,960,000)	(15,419,960)
Net trade receivables at 31 December 2019	39,723,193	8,601,040	2,721,000	1,290,000	52,335,233

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 2020 and 2019, 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 2020

(In euros)	less than 1 year	between 1 and 2 years	between 3 and 5 years	over 5 years	Contract value	Book value
Financial liabilities	22,021,041	8,158,808	17,743,356		**47,923,205**	**47,646,054**
Lease liabilities	4,840,099	4,332,576	4,607,828	1,360,253	**15,140,756**	**14,918,629**
Trade payables	86,109,629	-	-	-	**86,109,629**	**86,109,629**
Other current liabilities	12,814,996	-	-	-	**12,814,996**	**12,814,996**

(In euros)	less than 1 year	between 1 and 2 years	between 3 and 5 years	over 5 years	Contract value	Book value
	At 31 December 2019					
Financial liabilities	15,464,099	3,076,484	9,103,421		**27,644,004**	**27,366,853**
Lease liabilities	5,385,242	4,376,793	7,273,520	2,092,698	**19,128,253**	**17,683,774**
Trade payables	69,576,718	-	-	-	**69,576,718**	**69,576,718**
Other current liabilities	12,842,722	-	-	-	**12,842,722**	**12,842,722**

At 31 December 2020, the amount of operating lease commitments is reflected in lease liabilities following the application of IFRS 16 as of 1 January 2018.

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 2020 and 2019:

(In thousands of euros)	Book value at 31 dicembre 2020	2019
FINANCIAL ASSETS:		
Financial assets at amortised cost:		
Financial assets measured at amortised cost	801,325	866,210
Trade receivables	53,452,738	52,335,233
Other receivables and current assets	3,782,094	3,035,100
Cash and cash equivalents	100,324,191	70,184,098
	158,360,349	**126,420,641**
Financial assets valued at fair value through profit or loss:		
Non-current financial assets measured at fair value through profit or loss	42,075	42,075
Current financial assets measured at fair value through profit or loss	4,240	4,240
	46,315	**46,315**
TOTAL FINANCIAL ASSETS	**158,406,664**	**126,466,956**

(in euros)	Book value at 31 dicembre 2020	2019
FINANCIAL LIABILITIES:		
Financial liabilities at amortised cost:		
Non-current financial liabilities	25,625,013	12,000,000
Non-current lease liabilities	10,479,739	12,969,293
Other non-current liabilities	-	-
Trade payables	86,109,629	69,576,718
Current financial liabilities	22,021,041	15,366,853
Current lease liabilities	4,438,890	4,714,481
Other current liabilities	12,814,996	12,842,722
TOTAL FINANCIAL LIABILITIES	**161,489,309**	**127,470,067**

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 2020 and 2019:

	At 31 December 2020		
(In euros)	Level 1	Level 2	Level 3
Non-current financial assets measured at fair value through profit or loss	-	-	42,075
Current financial assets measured at fair value through profit or loss	-	-	4,240
Total financial assets measured at fair value	**-**	**-**	**46,315**

	At 31 December 2019		
(In euros)	Level 1	Level 2	Level 3
Non-current financial assets measured at fair value through profit or loss	-	-	42,075
Current financial assets measured at fair value through profit or loss	-	-	4,240
Total financial assets measured at fair value	**-**	**-**	**46,315**

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 Group's activity is identifiable in the following business segments: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products and Other activities.

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

	Year ended 31 December 2020						
(In thousands of Euro)	Pasta	Milk products	Bakery products	Dairy products	Special products	Other assets	Separate Financial Statements total
Revenue from contracts with customers (third parties)	71,504	71,895	39,075	33,693	34,006	15,436	**265,608**
EBITDA (*)	4,379	5,094	6,777	4,150	3,591	668	**24,659**
EBITDA Margin	6.12%	7.09%	17.34%	12.32%	10.56%	4.33%	**9.28%**
Amortisation, depreciation and write-downs	3,557	3,429	1,164	118	2,180	358	**10,806**
Net write-downs of financial assets	-	-	-	-	-	977	**977**
Operating profit/(loss)	**821**	**1,666**	**5,612**	**4,033**	**1,411**	**(667)**	**12,875**
Financial income	-	-	-	-	-	192	**192**
Financial expenses	-	-	-	-	-	(1,960)	**(1,960)**
Profit (loss) before taxes	**821**	**1,666**	**5,612**	**4,033**	**1,411**	**(2,435)**	**11,108**
Income taxes	-	-	-	-	-	(3,853)	**(3,853)**
Net profit/(loss)	**821**	**1,666**	**5,612**	**4,033**	**1,411**	**(6,288)**	**7,254**
Total assets	**112,845**	**61,955**	**16,156**	**8,602**	**17,962**	**113,427**	**330,947**
Total liabilities	**39,934**	**39,156**	**16,933**	**13,205**	**15,932**	**50,318**	**175,478**
Investments	2,415	585	1,556	161	645	263	**5,625**
Employees (number)	357	154	192	60	155	58	**976**

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

The table below shows the main 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 2019, and the reconciliation of these items with respect to the corresponding amount included in the Separate Financial Statements:

	Year ended 31 December 2019						
(in thousands of Euro)	Pasta	Milk products	Bakery products	Dairy products	Special products	Other assets	Separate Financial Statements total
Revenue from contracts with customers (third parties)	70,413	70,216	35,670	33,271	30,547	17,931	**258,048**
EBITDA (*)	2,920	5,453	5,815	4,030	3,408	619	**22,245**
EBITDA Margin	4.15%	7.77%	16.30%	12.11%	11.16%	3.45%	**8.6%**
Amortisation, depreciation and write-downs	3,381	3,386	1,011	466	2,110	377	**10,731**
Net write-downs of financial assets						745	**745**
Operating profit/(loss)	**(461)**	**2,067**	**4,804**	**3,564**	**1,298**	**(503)**	**10,769**
Financial income	-	-	-	-	-	400	**400**
Financial expenses	-	-	-	-	-	(1,745)	**(1,745)**
Profit (loss) before taxes	**(461)**	**2,067**	**4,804**	**3,564**	**1,298**	**(1,848)**	**9,424**
Income taxes	-	-	-	-	-	(1,949)	**(1,949)**
Net profit/(loss)	**(461)**	**2,067**	**4,804**	**3,564**	**1,298**	**(3,797)**	**7,475**
Total assets	**39,374**	**9,373**	**125,724**	**12,753**	**18,896**	**67,017**	**273,137**
Total liabilities	**28,149**	**16,477**	**41,988**	**14,266**	**10,518**	**28,020**	**139,418**
Investments	1,473	644	1,042	122	229	287	**3,797**
Employees (number)	393	166	132	62	148	52	**953**

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

Revenue from contracts with customers in the "Pasta" and "Milk Products" segments totalled €143,399 thousand and €140,629 thousand for the years ended 31 December 2020 and 2019, equal to 54.0% and 54.5% respectively of all revenue from contracts with customers. EBITDA in the "Pasta" and "Milk Products" segments totalled €9,473 thousand and €8,373 thousand respectively for the years ended 31 December 2020 and 2019, equal to 38.4% and 37.6% respectively.

The biggest EBITDA margins over the two years under review were delivered by the "Bakery Products" and "Dairy Products" segments.

In particular, revenues from the "Pasta" sector increased by €1,059 thousand from €70,413 thousand to €71,504 thousand in the year ended 31 December 2020. The increase is mainly due to a greater contribution of the other countries area. EBITDA from the "Pasta" sector increased by €1,459 thousand from €2,920 thousand in the year ended 31 December 2019 to €4,379 thousand in the year ended 31 December 2020. Consequently, the related EBITDA margin increased by 2%, from 4% in the year ended 31 December 2019 to 6% in the year ended 31 December 2020.

Revenues from the "Milk Products" sector increased by €1,679 thousand from €70,216 thousand in the year ended 31 December 2019 to €71,895 thousand in the year ended 31 December 2020. This increase is mainly due to higher sales volumes. EBITDA from the "Milk Products" sector decreased by €359 thousand from €5,453 thousand in the year ended 31 December 2019 to €5,094 thousand in the year ended 31 December 2020 as a result of a more aggressive pricing policy in order to support sales volumes. Consequently, the related EBITDA margin decreased by 0.68%, from 7.77% in the year ended 31 December 2019 to 7.09% in the year ended 31 December 2020.

In addition to the sectoral information, the statement of financial position and income statement data by geographical area, as required by IFRS 8, is provided below.

The following table displays revenue from contracts with customers by geographical area for the years ended 31 December 2020 and 2019.

	Year ended 31 December	
(in euros)	2020	2019
Italy	181,602,750	171,683,308
Germany	26,059,342	33,654,055
Other countries	57,946,359	52,709,525
Total revenue from contracts with customers	**265,608,451**	**258,046,888**

Finally, in accordance with IFRS 8, paragraph 34, for the years ended 31 December 2020 and 2019, the Company did not have any customers generating more than 10% of its revenues.

8. Notes to the Consolidated 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 2020 and 2019:

(in euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Assets under construction and pay-ments on account	Total
Historical costs at 31 December 2019	**14,608,800**	**118,334,135**	**4,447,582**	**5,109,945**		**394,814**	**142,895,276**
Investments		4,676,869	89,595	94,009		489,641	5,350,114
Disposals		(43,460)		(18,601)			(62,061)
Reclassifications		350,782	44,032			(394,814)	-
Historical costs at 31 December 2020	**14,608,800**	**123,318,326**	**4,581,209**	**5,185,353**	**-**	**489,641**	**148,183,329**
Provision for depreciation at 31 December 2020	**(9,297,200)**	**(97,857,943)**	**(4,250,648)**	**(4,540,184)**		**-**	**(115,945,975)**
Amortisation	(332,759)	(4,516,124)	(134,291)	(81,732)			(5,064,906)
Disposals		42,934		18,601			61,535
Provision for depreciation at 31 December 2019	**(9,629,959)**	**(102,331,133)**	**(4,384,939)**	**(4,603,315)**	**-**	**-**	**(120,949,346)**
Net carrying amount at 31 December 2019	**5,311,600**	**20,476,192**	**196,934**	**569,761**	**-**	**394,814**	**26,949,301**
Net carrying amount at 31 December 2020	**4,978,841**	**20,987,193**	**196,270**	**582,038**	**-**	**489,641**	**27,233,984**

Investments in property, plant and equipment for the year ended 31 December 2020 totalled €5,065 thousand and were attributable mainly to the renovation of production lines. For more information on investments, please refer to the specific chapter "Investments".

The net value of property, plant and equipment disposed of in the years ending 31 December 2020 and 2019 is not significant.

At 31 December 2020 there were no capital contributions classified as a reduction in core plant and equipment. The income for the year ended 31 December 2020 amounted to €561 thousand and was classified as a reduction in the depreciation of the aforementioned plant and equipment.

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

As at 31 December 2020, there are no real estate assets or proprietary capital goods subject to any kind of guarantee given to third parties.

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 2020:

(in euros)	Right-of-use assets
Historical cost at 31 December 2019	**27,495,998**
Increases	1,722,936
Decreases	
Historical cost at 30 December 2020	**29,218,934**
Provision for depreciation at 31 December 2019	**(10,288,107)**
Amortisation	(4,614,017)
Disposals	
Provision for depreciation at 30 December 2020	**(14,902,124)**
Net carrying amount at 31 December 2019	**17,207,891**
Net carrying amount at 31 December 2020	**14,316,808**

At 31 December 2020, the Company found no indicators of long-term impairment for right-of-use assets.

The following table displays the non-discounted contractual values of the Company's lease liabilities at 31 December 2020, following the application of IFRS 16 as of 1 January 2018:

	At 31 December 2020					
(in euros)	less than 1 year	between 1 and 2 years	between 3 and 5 years	over 5 years	Contract value	Book value
Lease liabilities	4,840,099	4,332,576	4,607,828	1,360,253	**15,140,756**	**14,918,629**

The discount rate was determined on the basis of the marginal borrowing rate of the Company, i,e, the rate that the Company would have to pay for a loan, 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.

The main information relating to the lease agreements held by the Company, which acts mainly as a lessee, is shown in the following table:

(in euros)	At 31 December 2020
Net book value of right-of-use assets (real estate)	10,847,726
Net book value of right-of-use assets (machinery)	2,455,589
Net book value of right-of-use assets (motor vehicles)	1,013,493
Total net book value of right-of-use assets	**14,316,808**
Current lease liabilities	4,438,890
Non-current lease liabilities	10,479,739
Total lease liabilities	**14,918,629**
Depreciation of right-of-use assets (real estate)	-3,089,750
Depreciation of right-of-use assets (machinery)	-1,291,569
Depreciation of right-of-use assets (motor vehicles)	-232,698
Total depreciation of right-of-use assets	**-4,614,017**
Interest expense on leases	**354,848**
Short-term lease costs	106,000
Costs to lease low-value assets	603,262
Variable payments not included in lease liabilities	0
Total other costs	**709,262**
Total lease outflows	**4,887,225**

Real estate right-of-use assets relate mainly to the production plants in Sansepolcro (AR), Ozzano Taro (PR), Reggio Emilia, Lodi, Lecce and Eboli (SA), as well as the plants of Bologna and Corte de' Frati (CR), leased to Newlat under the agreements entered into with the related party New Property, The term of the lease of the aforementioned properties has been set at six years, based on the withdrawal options provided for in the contracts themselves and on managerial assessments, The rental contracts stipulated between the parties have the same structure, namely: (I) a term of six years automatically extendable for a further six years, with any subsequent tacit renewals every six years, and (II) the early termination options exercisable by the lessor upon renewal and by the lessee, which may withdraw at any time and without cause, with six months' notice, On the basis of the assessments carried out in accordance with IFRS 16, management is reasonably certain of holding the leases for a period of six years from the date of signing of the contracts.

These leases fall within the scope of related party transactions; please see the Section 10 of the Separate 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 2020:

(in euros)	Goodwill	Patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other assets	Assets under development	Total
Historical cost at 31 December 2019	**9,375,900**	**19,832,669**	**43,767,690**	**2,658,112**	**108,118**	**75,742,489**
Investments	-	232,751	44,814	8,200	9,280	295,045
Disposals	-					-
Reclassifications		108,118				-
Historical cost at 31 December 2020	**9,375,900**	**20,173,538**	**43,812,504**	**2,666,312**	**(108,118)**	**76,037,534**
Provision for depreciation at 31 December 2019	**(5,512,413)**	**(18,653,053)**	**(42,589,171)**	**(2,600,245)**	**9,280**	**(69,354,882)**
Amortisation		(194,369)	(918,496)	(14,661)	-	(1,127,526)
Disposals						-
Provision for depreciation at 31 December 2020	**(5,512,413)**	**(18,847,422)**	**(43,507,667)**	**(2,614,906)**	**-**	**(70,482,408)**
Net carrying amount at 31 December 2019	**3,863,487**	**1,179,616**	**1,178,519**	**57,867**	**108,118**	**6,387,607**
Net carrying amount at 31 December 2020	**3,863,487**	**1,326,116**	**304,837**	**51,406**	**9,280**	**5,555,126**

Investments in intangible assets for the year ended 31 December 2020 amounted to €295 thousand and were mainly attributable to the purchase of software, For more information on investments, please refer to the specific chapter "Investments".

There were no indicators of long-term impairment for intangible assets for the year ended 31 December 2020.

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

Goodwill

Goodwill refers to the acquisition in December 2014 of Centrale del Latte di Salerno S,p,A, (hereinafter "**Centrale del Latte di Salerno**"), which is the only cash generating unit (CGU) to which it has been allocated, This amount reflects the difference between the purchase price and the equity of Centrale del Latte di Salerno on the acquisition date, as shown below:

(in thousand of euros)	
Purchase cost	12,701
Net equity at 31 December 2014	8,838
GOODWILL	**3,863**

In line with IAS 36, impairment testing was carried out at the individual reporting dates to check for any impairment of goodwill. The impairment test, approved by the Board of Directors on 19 March 2021, was prepared by an independent professional, comparing the book value of goodwill with the recoverable value of the related cash generating unit (CGU).

The impairment test is carried out at least annually and whenever there are indicators of impairment.

The 2019-2022 business plan has not been revised, but for impairment testing purposes the individual plans have been revised to better reflect the current data and the impacts of COVID-19 on the CGU.

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 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:

(percentage)	At 31 December 2020
Growth rate	0.5%
WACC	8.1%

For the purposes of estimating the value in use of the CGU to which goodwill is allocated:

(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 goodwill impairment test a three-year 2021-2023 plan was used, The Company's Board of Directors approved this test, as well as the flows represented therein, on 19 March 2021, For the goodwill impairment test as at 31 December 2020, improvements in operating costs are prudently expected and therefore an increase of 1% was considered in subsequent years,

(b) external sources: for the goodwill impairment test, external sources of information were used for the purposes of calculating the cost of capital set out below, All information for calculating the cost of capital is from an external source, The estimated calculation of the weighted average cost of capital was based on:

- the CAPM to estimate the cost of equity;

- the WACC (Modigliani-Miller) formula for estimating the weighted average cost of capital (after tax),

The cost of capital was calculated considering the financial structure of Centrale del Latte di Salerno corresponding to 100% equity and having liquidity available rather than financial debts as at 31 December 2020,

(II) the following main basic assumptions were also used:

(a) average revenue increase of 1,33% per annum from 2021 to 2023; and

(b) EBITDA margin in the forecast years of 20%,

The revenue growth assumed for the years of the explicit period is marginally higher than the expected growth of the Italian market, in view of the good competitive position of the subsidiary, but above all in view of (I) the company's planned growth strategies, focused on R&D activities (including high protein milk); (II) a guaranteed supply chain with strong local roots; (III) and the development of new Group products.

After a positive 2020, in a context of global spread of COVID-19, the Group estimated the plan flows used for the impairment test, forecasting a consolidation of the results achieved for 2021 and subsequent years and a transition to new normality, with a progressive replacement of the volumes generated by the pandemic with structural volumes,

The following table displays the assumptions underlying the calculation of the discount rate for the year ending 31 December 2020:

Component	Parameter
Risk-free rate	1.15%
Market risk premium	6.20%
Levered beta	0.58
Cost of equity	2.50%
Cost of net debt	3.00%
Discount rate	**5.88%**

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its book value by more than €13,2 million, The value in use was calculated on the basis of a weighted average cost of capital (WACC) equal to 8,11%, 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, To negate the difference between value in use and book value, the cost of capital (WACC) would have to increase by more than 20% and the terminal growth rate would have to be equal to zero,

Industrial patents and rights to use intellectual property

This item consists almost exclusively of software costs,

Concessions, licences, trademarks and similar rights

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 31 December 2020:

	At 31 December	
(in thousands of euros)	2020	2019
Trademarks with a finite useful life	1,026	1,880
Total net book value	**1,026**	**1,880**

Trademarks with a finite useful life

This item includes brands owned by Newlat, amortised according to the residual useful life, estimated on the basis of the period of time over which it is considered that they are guaranteed to generate cash flows,

8.4 Equity investments in subsidiaries

This item consists of:

- the purchase value of all shares in Newlat GmbH on 29 October 2019 from the parent company Newlat Group S,A, The final fee paid to Newlat Group amounted to €68,324 thousand,
- the purchase value of Centrale del Latte d'Italia for €25,342 thousand as detailed in the section "Acquisition of Centrale del Latte d'Italia SpA"

The book value of the equity investment is significantly higher than the shareholders' equity of Newlat GmbH.

In line with the requirements of international accounting standards, an impairment test was carried out to ascertain whether the carrying value of the investment had been impaired. The impairment test, approved by the Board of Directors on 19 March 2021, was prepared with the support of an independent professional, comparing the book value of the equity investment 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") in the unlevered version for the three 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 deemed to be equal to that recorded in 2020.

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 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:

(percentage)	At 31 December 2019
Growth rate	0.50%
WACC	5.88%

For the purposes of estimating the value in use of the CGU, the following sources of information were used:

- internal sources the estimate of value in use is based on senior management's most up-to-date results flows forecasts. For the equity investment impairment test as at 31 December 2020, the 2019-2022 plan drafted for the listing operation, presented on the Italian Stock Exchange and approved by the Board of Directors on 22 July 2019 was used. The Company's Board of Directors approved this test and the flows represented therein on 19 March 2021, For the purpose of estimating the value in use, investments of approximately €800 were envisaged for the three-year period 2021-2013. For the equity investment impairment test as at 31 December 2020, no improvements in operating costs are expected and therefore a constant margin was considered over the period (EBITDA margin of 8%). This means that any EBITDA growth is due to expected growth in turnover, which is 1% higher than the company's past CAGR.
- external sources: for the impairment test, external sources of information were used for the purposes of calculating the cost of capital set out below. All information for calculating the cost of capital is from an external source. The estimated calculation of the weighted average cost of capital was based on:

- the CAPM to estimate the cost of equity;

- the WACC (Modigliani-Miller) formula for estimating the weighted average cost of capital (after tax).

The cost of capital was calculated considering the present financial structure of Newlat GmbH corresponding to 100% equity and having net liquidity available rather than net financial debts as at 31 December 2020.

- the following main basic assumptions were also used:

  (a) average annual revenue increase of 1% per annum from 2021 to 2023; and

  (b) EBITDA margin in the forecast years of 8%.

For the 2020 and 2021 revenues, however, the average annual growth rate ("CAGR") was estimated at 1%, which is conservative given the outlook for the German pasta market, the leading positions of the Birkel and Drei Glocken brands and the historical performance of the company with growth rates well above 1%. Any significant changes to the assumptions described above would affect the determination of the value in use.

After a positive 2020, in a context of global spread of COVID-19, the Group estimated the plan flows used for the impairment test, forecasting a consolidation of the results achieved for 2021 and subsequent years and a transition to new normality, with a progressive replacement of the volumes generated by the pandemic with structural volumes.

The results of the impairment tests carried out show that the estimated recoverable value for the CGU exceeds its book value by more than €34.9 million. The value in use was calculated on the basis of a weighted average cost of capital (WACC) equal to 5.88% 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. To negate the difference between value in use and book value, the cost of capital (WACC) would have to be equal to 10.5% and the growth rate equal to 0%.

No impairment test was performed on the investment held in Centrale del Latte d'Italia in view of the excellent results of the investee company and the capitalisation at 31 December 2020 above book value.

8.5 Non-current financial assets measured at fair value through profit or loss

At 31 December 2020 and 2019, non-current financial assets valued at fair value through profit or loss amounted to €42 thousand and €42 thousand respectively. These balances, which are not material, relate to smaller corporate capital instruments.

8.6 Financial assets measured at amortised cost

At 31 December 2020 and 2019, financial assets at amortised cost amounted to €801 thousand and €866 thousand respectively. These balances refer to security deposits paid against existing lease agreements.

8.7 Prepaid tax assets and deferred tax liabilities

The following table shows a breakdown of "Prepaid tax assets" as at 31 December 2020 and 2019:

	At 31 December	
(in euros)	2020	2019
Provisions	2,472,421	3,024,845
Tax losses carried forward		393,503
Leases	165,444	173,366
Amortisation	775,003	930,003
Other	527,243	510,444
Gross prepaid tax assets	**3,940,111**	**5,032,159**
Offsetting with deferred tax liabilities	-	-
Total prepaid tax assets	**3,940,110**	**5,032,159**

Prepaid tax assets are recognised where it is probable that future taxable income will be realised against which they can be used.

At 31 December 2020, the Company did not recognise prepaid tax assets relating to tax losses of the incorporated Delverde Industrie Alimentari S.p.A., as they will be the subject of a future appeal to the Revenue Agency to have them recognised and to be exempt from the carry-over restriction up to the limit of the equity of the incorporated company. The amount of these unrecognised tax losses is approximately €30.6 million.

The following table displays a breakdown of and changes in the gross value of prepaid tax assets for the years ending 31 December 2020 and 2019:

(in euros)	Provisions	Tax losses carried forward	Leases	Amortisation	Other	Total prepaid tax assets
Balance at 31 December 2019	**3,024,845**	**393,503**	**173,366**	**930,003**	**510,444**	**5,032,160**
Provisions (releases) to income statement	(552,424)	(393,503)	(7,922)	(155,000)	(160,086)	(1,268,935)
Provisions (releases) to statement of other comprehensive income	-	-	-	-	176,885	176,885
Balance at 31 December 2020	**2,472,421**	**-**	**165,444**	**775,003**	**527,243**	**3,940,110**

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.

8.8 Inventories

The following table shows a breakdown of "Inventories" as at 31 December 2020 and 2019:

	At 31 December	
(in euros)	2020	2019
Raw materials, supplies, consumables and spare parts	15,438,414	14,281,000
Finished products and goods	12,597,955	9,251,000
Semi-finished products	-	-
Advance payments	34,000	41,000
Total gross inventories	**28,070,369**	**23,573,000**
Inventory write-down reserve	(944,342)	(944,342)
Total inventories	**27,126,027**	**22,628,658**

Inventories are recorded net of the obsolescence reserve, which amounted to €944 thousand at 31 December 2020 and related mainly to spare parts for slow-moving machinery.

8.9 Trade receivables

The following table shows a breakdown of "Trade receivables" as at 31 December 2020 and 2019:

	Al 31 December	
(in euros)	2020	2019
Trade receivables from customers	65,727,282	64,659,960
Trade receivables from related parties	4,095,585	3,095,233
Trade receivables (gross)	**69,822,867**	**67,755,193**
Provision for doubtful trade receivables	**(16,370,129)**	**(15,419,960)**
Total trade receivables	**53,452,738**	**52,335,233**

The following table displays the changes in the provision for doubtful trade receivable for the year ended 31 December 2020:

(in euros)	Provision for doubtful trade receivables
Balance at 31 December 2018	**14,196,217**
Provisions	673,873
Uses	(8,960)
Releases	(173,321)
Change within the consolidation scope for mergers	732,151
Balance at 31 December 2019	**15,419,960**
Provisions	(976,965)
Uses	26,796
Balance at 31 December 2020	**16,370,219**

The net value of overdue trade receivables at 31 December 2020 amounted to €10,995 thousand, a considerable decrease compared with the previous year.

Analysis of the credit risk, including details of the provisioning for doubtful receivables for the individual bands of overdueness, can be found 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.

8.10 Current tax assets and liabilities

Current tax assets totalled €704 thousand at 31 December 2020 and €716 thousand at 31 December 2019.

Current tax liabilities totalled €2,470 thousand at 31 December 2020 and €471 thousand at 31 December 2019.

The changes in the net balances of the assets and liabilities under review for the year ended 31 December 2020 mainly concern the setting aside of current income taxes amounting to €2,470 thousand, and payments amounting to €471 thousand.

8.11 Other receivables and current assets

The following table shows a breakdown of "Other receivables and current assets" as at 31 December 2020 and 2019:

	At 31 December	
(in euros)	2020	2019
Tax assets	1,842,598	1,147,509
Receivables from social security institutions	804,783	699,669
Accrued income and prepaid expenses	331,989	531,383
Advance payments	621,894	402,078
Other receivables	180,830	254,461
Total other receivables and current assets	**3,782,094**	**3,035,100**

Receivables from social security institutions at 31 December 2020 and 2019 mainly refer to receivables from INAIL, amounting to €805 thousand and €700 thousand respectively.

Payments on account at 31 December 2020 and 2019 mainly refer to down payments for supplies.

Tax credits at 31 December 2020 mainly include VAT credits of €1,546 thousand, research and development credits of €200 thousand and INAIL credits of €96 thousand.

8.12 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 2020 and 2019:

	At 31 December	
(in euros)	2020	2019
Unlisted shares	4,240	4,240
Total current financial assets measured at fair value through profit or loss	**4,240**	**4,240**

This item includes bonds held for sale.

8.13 Cash and cash equivalents

The following table shows a breakdown of "Cash and cash equivalents" at 31 December 2020 and 2019:

	At 31 December	
(in euros)	2020	2019
Bank and postal deposits	100,296,799	70,145,998
Cash in hand	27,392	38,100
Total cash and cash equivalents	**100,324,191**	**70,184,098**

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 2020, cash and cash equivalents were not subject to restrictions or constraints.

Part of the aforementioned cash and cash equivalents, amounting to €21,428 thousand and €24,159 thousand respectively at 31 December 2020 and 2019, is attributable to the cash pooling relationships of Newlat Food with the parent company Newlat Group S.A. and with the subsidiary company Centrale del Latte d'Italia S.p.A.

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 2020 the item Shareholders' Equity totalled €155,468 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 2020 related to the following:

- acquisition of Centrale del Latte d'Italia SpA through a capital increase with new shares for a total amount of €15,873 thousand;
- costs related to the aforementioned transaction net of the tax benefit for a total amount of €564 thousand;
- the recognition of the net profit for the year, in the amount of €7,254 thousand;
- actuarial losses of €465 thousand relating to the discounting of the employee severance indemnity provision,
- Purchase of treasury shares for €922 thousand

Share capital

As at 31 December 2020, the Company's fully subscribed and paid-up share capital totalled Euro 43,935,050, divided into 43,935,050 ordinary shares that were dematerialised as a result of the IPO operation.

Legal reserve

At 31 December 2019, the legal reserve totalled €2,497 thousand.

Reserves

Please refer to the statement of changes in equity for a breakdown of and changes in reserves in 2019, of which the possibility of use is shown in this statement, with reference to 31 December 2020.

Nature / description	Amount	Possible use	Al 31 dicembre Quota available
Share capital	43,935,050	B	
Capital reserves:			
Reserve L,413/91	1,314,285	A, B	1,314,285
FTA reserve	6,937,414	B	6,937,414
IAS reserve	(95,634)		(95,634)
Costs to Shareholders' Equity	(4,224,615)		(4,224,615)
Share premium reserve	78,865,110	A,B,C	78,865,110
Other non-distributable reserves	123,110	A, B	
Treasury shares	(921,920)		(921,920)
Profit reserves:			
Legal reserve	2,497,575	B	2,497,575
Extraordinary reserve	19,735,808	A,B,C	19,735,808
Other reserves	511,686	A,B,C	511,686
Total			104,742,819
Non-distributable portion			93,870,435
Residual distributable portion			10,872,384

Note
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" on 31 December 2020 and 2019:

(in euros)	Emplyee benefits
Balance at 31 December 2018	**9,163,469**
Current service cost	55,002
Financial expenses	159,000
Actuarial losses/(gains)	324,000
Benefits paid	(1,150,002)
Change within the consolidation scope for mergers	1,530,779
Balance at 31 December 2019	**10,082,248**
Financial expenses	79,361
Actuarial losses/(gains)	633,995
Benefits paid	(737,436)
Balance at 31 December 2020	**10,058,168**

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 Newlat'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 2020 and 2019, in accordance with the provisions of IAS 19:

	At 31 December 2020	2019
Financial assumptions		
Discount rate	0.34%	0.77%
Inflation rate	1.00%	1.00%
Annual rate of salary increase	1.00%	1.00%
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 main assumptions relating to the annual turnover rate and requests for severance pay advances adopted for the calculation of Newlat's provisions for employee benefits , in accordance with the provisions of IAS 19:

	At 31 December 2020	2019
Annual turnover rate and TFR Advances	**Newlat Food**	**Newlat Food**
Frequency of advances	2.0%	3.50%
Turnover rate	0.40%	0.40%

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 2020 and 2019:

	Discount rate		Inflation rate		Rate of salary increase		Change in retirement age	
(In thousands of euros)	+0,50%	-0,50%	+0,50%	-0,50%	+0,50%	-0,50%	+ 1 year	- 1 year
Employee benefits (severance indemnities) at 31 December 2020	(598)	653	398	(368)	-	-	83	(87)
Employee benefits (severance indemnities) at 31 December 2019	(526)	569	349	(326)	3	(3)	7	(7)

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 2020:

(in euros)	Provision for agents' indemnities	Provision for legal risks	Other provisions for risks and charges	Total provisions for risks and charges
Balance at 31 December 2019	**1,170,986**	**68,993**	**155,704**	**1,395,683**
Provisions	115,291	-	-	115,291
Uses	-	-	-	-
Releases	(50,092)	-	-	(50,092)
Balance at 31 December 2020	**1,236,185**	**68,993**	**155,704**	**1,460,882**

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 Current and non-current financial liabilities

The following table shows a breakdown of "Current and non-current financial liabilities" as at 31 December 2020 and 2019:

	At 31 December 2020		At 31 December 2019	
(in euros)	Current portion	Non-Current portion	Current portion	Non-Current portion
Payables to Newlat CLI for cash pooling	5,286,166		-	-
Payables to Newlat Group SA for cash pooling	981,114		-	-
Total financial payables for cash pooling	**6,267,280**	**-**	**-**	**-**
Unicredit loan agreement (Newlat Food SpA)	-		1,690,723	
Deutsche Bank loan agreement	3,000,000	9,000,000	3,000,000	12,000,000
BPM loan agreement	3,115,211	9,572,755		
BPER loan agreement	1,970,064	7,052,258		
Trade credit facilities	7,637,836		10,575,390	-
Current account overdrafts	30,650		100,740	-
Total financial debt to banks and other lenders	**15,753,761**	**25,625,013**	**15,366,853**	**12,000,000**
Total financial liabilities	**22,021,041**	**25,625,013**	**15,366,853**	**12,000,000**

The following table shows an analysis by maturity of the financial liabilities outstanding at 31 December 2020:

	Book value at 31 December	Expiry				
(in euros)	2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
Payables to Newlat CLI for cash pooling	5,286,166	5,286,166				
Payables to Newlat Group SA for cash pooling	981,114	981,114				
Deutsche Bank loan agreement	12,000,000	3,000,000	3,000,000	3,000,000	3,000,000	
BPM loan agreement	12,687,966	3,115,211	3,152,760	3,190,766	3,229,229	
BPER loan agreement	9,022,322	1,970,064	1,989,838	2,009,812	2,029,985	1,022,623
Payables for invoice payments on account (BMPS)	7,637,836	7,637,836				
Use of credit lines and current account overdrafts	30,650	30,650	-	-		
Total financial liabilities	**47,646,054**	**22,021,041**	**8,142,598**	**8,200,578**	**8,259,214**	**1,022,623**

The following table shows the Net Financial Position, according to the classification scheme indicated in the Consob Communication:

	At 31 December	
(in thousands of euros)	2020	2019
A. Cash	27,392	38,100
B. Other cash equivalents	100,296,799	70,145,998
C. Securities held for trading	4,240	4,240
D. Cash and cash equivalents (A)+(B)+(C)	**100,328,431**	**70,188,338**
E. Current financial receivables		
F. Current bank payables	(13,935,766)	(10,676,130)
G. Current portion of non-current debt	(8,085,275)	(4,690,723)
H. Other current financial debt	(4,438,890)	(4,714,481)
I. Current financial debt (F)+(G)+(H)	**(26,459,931)**	**(20,081,334)**
J. Net current financial debt (I)+ (E)+ (D)	**73,868,500**	**50,107,004**
K. Non-current bank loans	(25,625,013)	(12,000,000)
L. Bonds issued		-
M. Other non-current financial payables	(10,479,739)	(12,969,293)
N. Non-current financial debt (K)+(L)+(M)	**(36,104,752)**	**(24,969,293)**
O. Net financial debt (J)+ (N)	**37,763,748**	**25,137,711**

Without considering the effects of IFRS 16, the net financial position would be determined as follows:

	At 31 dicembre	
(in euros)	2020	2019
Net financial debt	**37,763,748**	**25,137,711**
Current lease liabilities	4,438,890	4,714,481
Non-current lease liabilities	10,479,739	12,969,293
Net financial position	**52,682,377**	**42,821,485**

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 euros)	At 31 December 2019	New loans	Repayments	Reclassifications	At 31 December 2020
Non-current financial liabilities	12,000,000	-	-	13,625,013	25,625,013
Current financial liabilities	15,366,854	25,000,000	(4,720,800)	(13,625,013)	22,021,041
Total financial liabilities	**27,366,854**	**25,000,000**	**(4,720,800)**	**-**	**47,646,054**

8.18 Trade payables

The following table shows a breakdown of "Trade payables" as at 31 December 2020 and 2019:

	At 31 December	
(in euros)	2020	2019
Trade payables to suppliers	83,185,713	69,427,835
Trade payables to related parties	2,923,916	148,883
Total trade payables	**86,109,629**	**69,576,718**

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 Separate Financial Statements.

The book value of trade payables is deemed to approximate their fair value.

8.19 Other current liabilities

The following table shows a breakdown of "Other current liabilities" as at 31 December 2020 and 2019:

	At 31 December	
(in euros)	2020	2019
Payables to employees	7,109,910	6,445,861
Payables to social security institutions	2,539,193	2,603,335
Tax liabilities	1,574,626	1,849,467
Accrued expenses and deferred income	914,886	1,070,145
Miscellaneous payables	676,382	873,914
Total other current liabilities	**12,814,996**	**12,842,722**

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 2020 mainly include payables to the Treasury for withholding taxes, amounting to €1,574 thousand.

9. Notes to the Separate Income Statement

9.1 Revenue from contracts with customers

The following table displays a breakdown of "Revenue from Contracts with Customers" by operating segment:

	At 31 december	
(in euros)	2020	2019
Pasta	71,503,909	70,412,541
Milk Products	71,894,802	70,215,739
Bakery Products	39,075,305	35,669,508
Dairy Products	33,693,305	33,271,445
Special Products	34,005,540	30,546,721
Other assets	15,435,590	17,930,933
Total revenue from contracts with customers	**265,608,451**	**258,046,887**

The following table displays a breakdown of "Revenue from Contracts with Customers" by distribution channel:

	At 31 December	
(in euros)	2020	2019
Mass Distribution	143,190,850	138,099,667
B2B partners	41,352,450	40,081,000
Normal trade	37,750,480	37,442,989
Private labels	37,256,850	33,235,000
Food services	6,057,821	9,188,232
Total revenue from contracts with customers	**265,608,451**	**258,046,888**

The following table displays "Revenue from Contracts with Customers" by geographical area:

	At 31 December	
(in euros)	2020	2019
Italy	181,602,750	171,683,308
Germany	26,059,342	33,654,055
Other countries	57,946,359	52,709,525
Total revenue from contracts with customers	**265,608,451**	**258,046,888**

Sectoral information is given in Section 7 of the Separate Financial Statements above.

Revenue from contracts with customers for the year ended 31 December 2020 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:

	At 31 December	
(in euros)	2020	2019
Cost of sales	218,355,795	213,652,693
Sales and distribution costs	24,039,900	24,527,600
Administrative costs	12,623,177	11,161,950
Total operating costs	**255,018,872**	**249,342,243**

The table below shows details of the same operating costs broken down according to their nature:

	Year ended 31 December	
(in euros)	2020	2019
Purchase and consumption of raw materials and finished goods	127,221,210	125,321,693
Personnel costs	45,904,898	44,838,000
Packaging	17,463,043	19,222,000
Transport	14,288,795	14,794,000
Utilities	12,615,462	11,891,000
Amortisation, depreciation and write-downs	10,806,449	10,061,000
Sales commissions	4,317,476	4,923,000
Porterage and logistics	3,456,331	2,654,000
Surveillance and cleaning	4,057,605	3,749,000
Maintenance and repair	2,618,009	2,247,000
Royalties payable	2,052,270	1,694,000
Cost for use of third-party assets	2,920,394	1,822,000
Advertising and promotions	579,248	760,000
Consultancy and professional services	708,065	589,000
Insurance	668,734	710,000
Laboratory analysis and testing	1,089,993	962,000
Production plant services	428,179	388,000
Remuneration of the chairman and directors	299,600	36,000
External auditor's fees	224,000	248,000
Statutory auditors' fees	15,600	90,000
Release of provision for Ozzano Taro risks	-	-
Other minor operating costs	3,283,511	2,342,550
Total operating costs	**255,018,872**	**249,342,243**

Operating costs increased by €5,677 thousand from €249,342 thousand in the year ended 31 December 2019 to €255,019 thousand in the year ended 31 December 2020 as a result of the increase in sales volumes.

9.3 Net write-downs of financial assets

The item "Net write-downs of financial assets", amounting to €977 thousand for the year ended 31 December 2020, refers to the write-down of trade receivables. A breakdown of changes to the provision for bad debts for the year ended 31 December 2020 can be found in Note 8.8 "Trade receivables" above of the Separate Financial Statements.

9.4 Other revenues and income

The following table provides a breakdown of "Other revenues and income":

	Year ended 31 December	
(in euros)	2020	2019
Repayments and compensation	2,630,726	2,021,986
Advertising revenues and promotional contributions	360,968	52,419
Tax credit for research and development activities	200,000	200,000
Leases receivable	158,956	203,098
Other revenues from the Ozzano plant	33,811	282,110
Capital gains from disposals	2,216	84,145
Royalties to GmbH	1,316,636	1,078,813
Other	1,804,156	1,691,574
Total other revenue and income	**6,507,469**	**5,614,145**

9.5 Other operating costs

The following table shows a breakdown of "Other operating costs":

	Year 31 December	
(in euros)	2020	2019
Stamps, duties and local taxes	675,755	505,110
Corporate canteen	229,950	236,632
Repayments and compensation	866	367,492
Benefits and membership fees	43,072	48,386
Losses	526	-
Other	2,294,679	1,718,111
Total other operating costs	**3,244,848**	**2,875,731**

9.6 Financial income and expenses

The following table provides a breakdown of "Financial income":

	Year ended 31 December	
(in euros)	2020	2019
Interest income from cash pooling	84,531	370,762
Net foreign exchange gains	105,618	-
Other financial income	2,199	29,094
Total financial income	**192,349**	**399,856**

The following table provides a breakdown of "Financial expenses":

(in euros)	Year ended 31 December 2020	2019
Interest on loans	796,950	735,593
Interest expense on lease liabilities	354,026	421,508
Interest expense and charges to Newlat Group	2,922	134,816
Fees and commissions	306,107	260,896
Net foreign exchange losses	374,355	16,465
Net interest expense on provisions for employee benefits	79,462	158,897
Other financial expenses	46,019	17,302
Total financial expenses	**1,959,841**	**1,745,477**

9.7 Income taxes

The following table provides a breakdown of "Income taxes":

(in euros)	Year ended 31 December 2020	2019
Current taxes	2,289,027	334,373
Prior-year taxes		-
Tax benefit to Shareholders' Equity	295,433	1,416,410
Total current taxes	**2,584,460**	**1,750,783**
Decrease (increase) in prepaid taxes	1,268,935	198,061
Increase (decrease) in deferred taxes		-
Total deferred taxes	**1,268,935**	**198,061**
Total income taxes	**3,853,396**	**1,948,845**

The following table displays a reconciliation of the theoretical tax rate with the effective impact on the pre-tax result:

(in euros)	Year ended 31 December 2020	2019
Profit (loss) before taxes	**11,107,743**	**9,423,564**
Theoretical rate	24.0%	24.0%
Theoretical tax charge	**2,665,858**	**2,261,655**
Adjustments		
Difference between theoretical and local rates		42,000
Tax incentives	200,000	200,000
Other	987,538	(554,810)
Income taxes	**3,853,396**	**1,948,845**
Effective rate	**34.69%**	**20.68%**

The effective tax rate in the Company's income tax return is lower than the accounting tax rate because the tax benefit relating to the entire tax deductibility in 2019 of the costs related to the OPAS process (itself accounted for as a reduction of the increase in shareholders' equity arising from the listing transaction), for a total amount of €295 thousand, was recorded as a reduction in shareholders' equity.

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:

(in euros)	For the year ended 31 December 2020	2019
Profit for the year attributable to the Group in Euro thousands	7,254,348	7,474,719
Weighted average number of shares in circulation	41,539,865	29,206,707
Earnings per share (in Euro)	**0.17**	**0.26**

The diluted earnings per share is the same as the basic earnings per share because there are no financial instruments with potential dilutive effects.

10. 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, a direct parent company; and
- 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 2020 and 2019:

	Parent company	Subsidiaries		Companies controlled by the parent companies				
(In thousands of euros)	Newlat Group	Centrale del Latte d'Italia	Newlat Gmbh	New Property	Other companies controlled by the parent companies	Total	Total statement of financial position items	% of statement of financial position item
Right-of-use assets								
At 31 December 2020				6,708,184		6,708,184	14,316,808	46.9%
At 31 December 2019	-			9,467,000	-	9,467,000	17,207,891	55.0%
Non-current financial assets at amortised cost								
At 31 December 2020				735,000		735,000	801,325	91.7%
At 31 December 2019	-			735,000	-	735,000	866,210	84.9%
Trade receivables								
At 31 December 2020		125,000	3,364,072	587,059	19,454	4,095,585	53,452,738	7.6%
At 31 December 2019	-		3,076,249	-	19,454	3,095,703	52,335,233	5.9%
Cash and cash equivalents								
At 31 December 2020	21,428,029			-	-	21,428,029	100,324,191	21.4%
At 31 December 2019	24,159,000					24,159,000	70,184,098	34.4%
Non-current lease liabilities								
At 31 December 2020				4,144,343		4,144,343	10,479,739	39.5%
At 31 December 2019	-			6,989,000	-	6,989,000	12,969,293	53.9%
Trade payables								
At 31 December 2020	105,145	2,710,898		57,000	107,873	2,923,916	86,109,629	3.4%
At 31 December 2019	48,000				44,000	149,000	69,576,718	0.2%
Current financial liabilities								
At 31 December 2020	981,114	5,286,166		-	-	6,267,280	22,021,041	28.5%
At 31 December 2019	-					-	15,366,853	0.0%
Current lease liabilities								
At 31 December 2020				2,811,890	-	2,811,890	4,438,890	63.3%
At 31 December 2019	-			2,341,000		2,341,000	4,714,481	49.7%

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 2020 and 2019:

(In thousands of euros)	Parent company	subsidiaries		Companies controlled by the parent companies				
	Newlat Group	Centrale del Latte d'Italia	Newlat Gmbh	New Property	Other companies controlled by the parent companies	Total	Total statement of financial position items	% of statement of financial position item
Revenue from contracts with customers								
Year ended 31 December 2020		13.094.840	3,372,248			16,467,088	265,608,451	6.2%
Year ended 31 December 2019		17.525.000				17,525,000	258,046,888	6.8%
Cost of sales								
Year ended 31 December 2020			3,084,547	3,302,895	278,115	6,665,557	218,355,795	3.1%
Year ended 31 December 2019	-			3,243,000	214,517	3,457,517	213,652,693	1.6%
Administrative costs								
Year ended 31 December 2020	180,000					180,000	12,623,177	
Year ended 31 December 2019	400,667			-	-	400,667	11,161,950	3.6%
Financial income								
Year ended 31 December 2020	134,223					134,223	192,349	69.8%
Year ended 31 December 2019	370,762			-	-	370,762	399,855	92.7%
Financial expenses								
Year ended 31 December 2020	2,922	-	1,031	201,413		205,345	1,959,841	10.5%
Year ended 31 December 2019	189,891	21		269,000	-	458,891	1,745,477	26.3%

Transactions with parent company Newlat Group

Cash and cash equivalents, amounting to €21.428 thousand and €24.159 thousand respectively at 31 December 2020 and 2019, are attributable to the cash pooling relationships of Newlat Food S.p.A. with the parent company and the subsidiary Centrale del Latte d'Italia SpA. Administrative expenses for the year ending 31 December 2019 are attributable to: (I) €187 thousand in operating expenses incurred by Newlat and Centrale del Latte di Salerno S.p.A. for service contracts and (II) €213 thousand in fees incurred for the cash pooling agreements signed by Newlat and Centrale del Latte di Salerno S.p.A., while at 31 December 2020 they are attributable to the cost sharing services provided by the parent company Newlat Group S.A.

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.

New Property S.p.A.

At 31 December 2020, €6,708 thousand of right-of-use assets and €2,811 thousand and €4,144 thousand respectively of current and non-current lease liabilities relate to real estate spun off to New Property S.p.A. on 1 June 2017 and subsequently leased to Newlat. The recognition of these contracts according to IFRS 16 led to the recognition of depreciation, recorded in the cost of sales, of

€3,303 thousand, and financial charges of €201 thousand for the year ended 31 December 2020.

11. Commitments and Guarantees

The guarantees given to the Company by Newlat Group S.A. amounted to €47,900 thousand at 31 December 2020 and refer, in the amount of €32,400 thousand, to a surety provided in relation to payables to banks for available lines of credit. The remaining amount, totalling €15,500 thousand at 31 December 2020, refers to letters of sponsorship in favour of Newlat Deutschland in relation to transactions with UniCredit.

A guarantee was issued to MPS and Deutsche Bank to cover the loan granted to Centrale del Latte d'Italia SpA.

12. Other informatio

12.1 Remuneration of Directors and Statutory Auditors

The fees payable to Directors and Statutory Auditors amounted to €300 thousand and €15.6 thousand respectively in the year ended 31 December 2020.

12.2 External Auditor's fees

The independent auditors' fees for activities carried out in 2020 totalled €70 thousand.

12.3 Research and Development

Newlat Food S.p.A.'s R&D is focused on the ability to develop innovative products, occasionally evocative of local traditions in the relevant markets.

Research and development costs incurred during 2020 and 2019 have been instrumental in pursuing the Company's production and commercial strategies, aimed at making product ranges more innovative and strengthening its position in the market.

Research and development expenses totalled €4,414 thousand for the year ended 31 December 2020, fully expensed in the income statement and corresponding to 1.7% of revenues from contracts with the Company's customers for that year.

It should be noted that the Company intends to avail itself of the research and development tax credit provided for in article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in the manner specified in the said legislation.

12.4 Proposal for allocation of the net result

Dear Shareholders, the separate financial statements that we submit for your approval show a net profit of €7,254,348, of which we propose to allocate 5% to the legal reserve and 95% to the extraordinary reserve.

Results, Assets And Liabilities And Cash Flows Of The Parent Company Newlat Group Sa That Exercises Management And Control

(in Eur)	FINANCIAL STATEMENTS AS AT 31.12.2019 STATEMENT OF FINANCIAL POSITION
ASSETS	
Intangible assets	325
Tangible assets	530,366
Equity investments	160,386,833
Other non-current receivables	2,149
Total non-current assets	**160,919,674**
Receivables and other current items	132,815,233
Short-term liquidity and investments	42,407,394
Total current assets	**175,222,627**
Total assets	**336,142,301**
LIABILITIES	
Shareholders' Equity	252,605,984
Provisions for risks and charges	1,032,292
Total non-current liabilities	**1,032,292**
Current payables and liabilities	82,504,025
Total current liabilities	**82,504,025**
Total liabilities	**336,142,301**
INCOME STATEMENT	
Other revenues and income	799,927
Other operating costs	1,646,102
Financial (income)/expenses	(23,415)
Capital gains on equity investments	64,049,225
Profit (loss) before taxes	**63,226,466**
Income taxes	122,708
Profit/loss for the year	**63,103,757**

Certification of the Separate Financial Statements Pursuant to Article 154-Bis of Italian Legislative Decree 58/98

Taking into consideration article 154-bis (3) and (4) of Legislative Decree no. 58 of 24 February 1998, the undersigned, Angelo Mastrolia, as CEO, and Rocco Sergi, as Financial Reporting Officer, of Newlat Food Group, certify:

the adequacy in relation to the company characteristics, and
the effective application

of the administrative and accounting procedures for preparing the financial statements during the 2020 financial year.

(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 2002;

(b) correspond with the accounting books and records;

(c) provide a true and correct representation of the asset, economic and financial situation of the issuer and of the companies included in the consolidation.

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.

Reggio Emilia, 19 March 2021

Chief Executive Officer Angelo Mastrolia	Financial Reporting Officer Rocco Sergi

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 Newlat Food SpA

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Newlat Food SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2020, the income statement, statement of other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and explanatory notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Newlat Food SpA as of 31 December 2020 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. 38/2005.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the separate 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 judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the investment in the German subsidiary Newlat GmbH *(See notes no. 2.2 – "Accounting standards and measurement criteria" and no. 8.4 - "Equity investments in subsidiaries" to the* separate *financial statements as of 31 December 2020)* As of 31 December 2020, the carrying amount of investments in subsidiaries reported in the separate financial statements of Newlat Food SpA was equal to some Euro 93.7 million; this amount relates to the German subsidiary Newlat GmbH for some Euro 68.3 million and to the newly controlled subsidiary Centrale del Latte d'Italia SpA for some Euro 25.4 million. Investments in subsidiaries are carried at cost; whenever indicators of possible impairment exist, cost is compared with the recoverable amount, which is the higher of fair value less costs of disposal and value in use. At least annually, the Company tests the recoverability of the carrying amounts of equity investments and performs an analysis to identify any indicators of impairment of investments in subsidiaries; if such indicators are present, management determines the recoverable amount of the investments. The valuation models applied to determine the recoverable amounts (values in use) of investments in subsidiaries are based on complex valuations and estimates made by management. In detail, the models applied in the valuation of investments in subsidiaries and the assumptions used in those models are influenced by future market conditions with regard to the future cash flows, the perpetual growth rate and the discount rate. In order to assess the recoverability of the investment in Newlat GmbH as of 31 December	Our audit approach involved, first of all, understanding and evaluating the method and procedures defined by the Company to determine the recoverable amount of the investment in Newlat GmbH, which were approved by the Board of Directors on 19 March 2021, in accordance with the international accounting standard IAS 36 as adopted by the European Union. We verified, also involving business valuation experts from the PwC network, that the method used by the Company was consistent with IAS 36 as adopted by the European Union and with prevailing valuation practice. The key valuation parameters adopted by the Company were analysed in terms of reasonableness. With specific reference to the method of determination of the discount rate (average weighted cost of capital, "WACC"), we verified that the latter had been determined in accordance with best practices and using market data adopted for entities operating in the same segment as the German subsidiary. Similarly, we analysed the determination of the medium-/long-term growth rate ("g") against the guidance provided by IFRS as adopted by the European Union. We analysed the reasonableness of estimated future cash flows. We also verified the mathematical accuracy of the valuation models prepared by the Company.

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Key audit matters	*Auditing procedures performed in response to key audit matters*
2020, the Directors of Newlat Food SpA, with the support of an external advisor, prepared a specific impairment test. In our statutory audit of the separate financial statements, we considered this a key audit matter in consideration of the materiality of the balance relative to the financial position of Newlat Food SpA as of 31 December 2020.	Finally, we verified the adequacy and completeness of disclosures provided in the explanatory notes to the separate financial statements.

Emphasis of matter

We draw your attention to the disclosures provided in the paragraph titled "Acquisition of Centrale del Latte d'Italia SpA" and in other paragraphs of the explanatory notes to the separate financial statements concerning the accounting and financial effects of the acquisition by Newlat Food SpA, on 1 April 2020, of control of the listed company Centrale del Latte d'Italia SpA (hereinafter, "CLI") and the subsequent public tender and exchange offer, finalised on 31 July 2020, which entailed an increase in shareholders' equity of the Company in connection with the acquisition of an additional equity interest in CLI. Our opinion is not qualified for this matter.

Other matters

The Company, as required by law, has included in the explanatory notes to the separate financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the separate financial statements of Newlat Food SpA does not extend to those figures.

Responsibilities of the Directors and those charged with governance ("Collegio Sindacale") for the separate financial statements

The Directors of Newlat Food SpA are responsible for the preparation of separate 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. 38/2005 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 separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate 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.

Those charged with governance *("Collegio Sindacale")* of Newlat Food SpA are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 Italy) 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 separate financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italy), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the separate 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 separate financial statements, including the disclosures, and whether the separate 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 Italy, 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, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the separate 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 8 July 2019, the shareholders of Newlat Food SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

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 separate financial statements expressed in this report is consistent with the additional report to those charged with governance *("Collegio Sindacale")*, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e) of Legislative Decree no. 39/2010 and article 123-bis, paragraph 4, of Legislative Decree no. 58/1998

The Directors of Newlat Food SpA are responsible for preparing a report on operations (jointly prepared for both separate and consolidated financial statements) and a report on the Company's corporate governance and ownership structure as of 31 December 2020, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italy) 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. 58/1998, with the separate financial statements of Newlat Food SpA as of 31 December 2020 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 separate financial statements of Newlat Food SpA as of 31 December 2020 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. 39/2010, 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.

Bologna, 26 March 2021

PricewaterhouseCoopers SpA

signed by

Gianni Bendandi
(Partner)

"This report has been translated into the English language from the original, which was issued in Italian language, solely for the convenience of international readers. Reference in this report to the separate financial statements refer to the separate financial statements in original Italian and not to any their translation."

Report of the board of statutory auditors and of the shareholders' meeting

Registered Office in Reggio Emilia, Via Kennedy, 16 - 42124
Share capital: €43,935,050.00, fully paid-in
Reggio Emilia Companies Register, Tax ID and VAT no. 00183410653
Economic Administrative Index no. RE277595

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Report of the Board of Statutory Auditors to the Newlat Food S.p.A. Shareholders' Meeting of 29 April pursuant to art. 153 of Italian Legislative Decree 58/1998 and art. 2429 of the Italian Civil Code

Shareholders,

1. Introduction: legislative, regulatory and code of conduct sources

This Report was prepared by the Board of Statutory Auditors of **NEWLAT FOOD S.p.A. (hereinafter the "Company" or "NEWLAT FOOD")** appointed by the Shareholders' Meeting on 8 July 2019 and currently in office until the approval of the financial statements for the year ended 31 December 2021. The Board of Statutory Auditors is composed of Massimo Carlomagno (Chairman), Ester Sammartino and Antonio Mucci (Standing Auditors).
This Report details the supervision activities and other activities carried out by the Board of Statutory Auditors during the year ended 31 December 2020, prepared pursuant to Legislative Decree no. 58/1998 ("TUF") and subsequent amendments, art. 2429 of the Italian Civil Code, the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Association of Certified Accountants and Accounting Experts, and also in compliance with the guidance contained in the CONSOB Communication DEM/1025564 of 6 April 2001, as amended.

Since **NEWLAT FOOD** has adopted the traditional Governance model, and given that PricewaterhouseCoopers S.p.A. (hereinafter also "PWC") was appointed as independent auditor for the financial years 2019 to 2027, the Board of Statutory Auditors sees itself as the "Internal Control and Accounts Auditing Committee", which has additional specific control and monitoring functions on financial reporting and statutory auditing provided for in article 19 of Italian Legislative Decree of 27 January 2010 no. 39, as amended, which are also acknowledged in this Report.

With this Report, the Board of Statutory Auditors also reports on the supervision activities carried out with regard to the obligations relating to non-financial information pursuant to Italian Legislative Decree no. 254/2016.

2. Supervision of compliance with laws, regulations and articles of association

During the 2020 financial year, the Board of Statutory Auditors met six times. The Board of Statutory Auditors attended all the meetings of the Board of Directors held in 2020, and all those after 31 December 2020 to date. The Remuneration and Appointments Committee met once in 2021. The Control and Risks Committee met three times in 2020 and three times in 2021. The Related Party Transactions Committee met four times in 2020.
The Board of Statutory Auditors participated in its entirety in the Shareholders' Meetings of 29 April 2020 and 25 June 2020. The Board of Statutory Auditors met regularly with the independent auditing firm PWC.

The Board of Statutory Auditors liaised with the Head of the Internal Audit Department and held regular meetings with the heads of some key corporate functions (such as the Chairman and CEO, Deputy CEO, Deputy CEO & COO, the Financial Reporting Officer and CFO). The Board of Directors appointed Stefano Ferro as Head of Internal Audit, to whom, among other things, the tasks referred to in art. 7, application criterion 7.C.5. of the

Corporate Governance Code have been assigned, as a person with adequate professional, independent and organisational requirements.

Stefano Ferro is not responsible for any operational activities. He carries out support activities in the context of M&A operations and reports to the Board of Directors.

During the year 2020, the activity of the Internal Audit function was carried out in line with the provisions of the Audit Plan approved on 19 March 2020, which provides for: Compliance audits (with a focus on Italian Legislative Decree 231/2001), Financial audits (aimed at providing assurance on the reliability of financial data) and Operational audits on the areas of business processes of greatest interest. As part of the Audit Plan, the Internal Audit Manager verified the accounting systems with a view to improving the reliability of the information systems.

At the meeting of 19 February 2021, the Control and Risks Committee was informed of the outcome of the Internal Audit function's activities for the second half of 2020.

The Financial Reporting Officer was provided with information on the activities of the Internal Audit Manager under Law 262/05 for the year 2020, through the half-yearly reports on the adequacy of the control model implemented for the purposes of 262 and the results of the tests performed by the Internal Audit function in this area.

The Board of Statutory Auditors continuously acquired useful documentation and information in order to plan its activities, which concerned in particular:

(a) Supervision of: (i) Compliance of the resolutions adopted by the corporate bodies with the law and regulatory provisions, as well as with the Articles of Association; (ii) Pursuant to Article 149, paragraph 1, letter c-bis of Italian Legislative Decree 58/98, the method of actual implementation of the Corporate Governance Code of listed companies which NEWLAT FOOD has adhered to; (iii) Compliance with the obligations regarding inside information; (iv) Compliance of the internal procedure concerning related party transactions with the principles specified in the Regulations approved by CONSOB with Resolution no. 17221 of 12 March 2010 and subsequent amendments (hereinafter "RPT Regulation"); (v) The functioning of the corporate information process, verifying compliance with the laws and regulations concerning the preparation and layout of the separate and consolidated financial statements, as well as the accompanying documentation, for this purpose also examining the Annual Report of the Financial Reporting Officer; (vi) The actions taken with reference to the provisions on privacy, for which the Company has appointed a Data Protection Officer; and (vii) Compliance of the non-financial statement (hereinafter also "NFS") with the provisions of Italian Legislative Decree no. 254/2016 and subsequent amendments;

(b) Verification of the following: (i) Compliance with the rules on the holding of meetings of corporate bodies and the fulfilment of the periodic reporting obligation by the delegated bodies regarding the exercise of delegated powers; (ii) That none of the Statutory Auditors had an interest, on their own behalf or on behalf of third parties, in a specific transaction during the 2020 financial year and that the conditions of independence are maintained, including through the internal process of continuous self-assessment concerning the recurrence and maintenance of the eligibility requirements of members and the correctness and effectiveness of their operations; (iii) Monitoring the actual methods of implementing corporate governance rules; and (iv) Preparation of the Remuneration Report.

To date, there have been no reports to CONSOB pursuant to Article 149 (3) of the Consolidated Law on Finance (TUF).

3. Most significant economic, financial and equity transactions - related party transactions

The Board of Statutory Auditors reports the significant events during the year under review:

- On 30 March 2020, Newlat Group S.A. entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as the sellers, under which Newlat Group SA will purchase 6,473,122 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 46.24% of the share capital and voting rights, against the payment, for every three CLI shares subject to purchase and sale, of a total consideration of Euro 3.00 and 1 ordinary share of Newlat Food held by Newlat Group, corresponding to a unit price for each share of Centrale del Latte d'Italia S.p.A. subject to purchase and sale of Euro 1.00 and 0.33 Newlat Food S.p.A. ordinary shares. The transaction allowed the sellers to become shareholders of Newlat Food S.p.A. with a total shareholding of 5.30% before the future share capital increase servicing the public purchase and exchange offer. As a result of the acquisition of the Major Interest in Centrale del Latte d'Italia S.p.A., Newlat Group also expressed its willingness to sell to Newlat Food on and with effect from the Execution Date the CLI Shares subject to Purchase and Sale that will be purchased by Newlat Group as per the Contract, as well as an additional 187,120 CLI ordinary shares representing 1.34% of CLI's share capital, currently held by Newlat Group, for a total of 6,660,242 CLI ordinary shares representing 47.58% of the share capital, under the same financial terms referred to in the Contract, and therefore against payment of the Consideration by Newlat Food. Newlat Food launched a mandatory public purchase and exchange offer (the "PPEO") on the remaining ordinary shares pursuant to and in accordance with applicable law, at the same Consideration paid to Newlat Group (as well as the same Consideration paid by Newlat Group to the Sellers) and therefore equal to 0.33 newly issued Newlat Food ordinary shares and Euro 1 for each Centrale del Latte d'Italia S.p.A. ordinary share subject to the PPEO;

- on 9 April 2020, the Board of Directors of Centrale del Latte d'Italia S.p.A. approved the proposed merger by incorporation, within the meaning of article 2501-ter of the Italian Civil Code, of Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. into Centrale del Latte d'Italia S.p.A;

- On 29 April 2020, the Shareholders' Meeting of Newlat Food S.p.A. resolved to approve the separate financial statements, to examine the 2019 consolidated financial statements and to allocate the €7,474,719 profit for the year to the Statutory Reserve (5%) and to the Extraordinary Reserve (95%);

- on 29 April 2020, the Shareholders' Meeting of Centrale del Latte d'Italia S.p.A. resolved to approve the annual financial statements and to examine the 2019 consolidated financial statements. The shareholders' meeting appointed the new Board of Directors;

- on 29 April 2020, the Extraordinary Shareholders' Meeting of Centrale del Latte d'Italia S.p.A. resolved a capital increase of up to €30 million;

  on 14 May 2020, the Board of Directors of Newlat Food S.p.A. examined and approved the Interim Management Report at 31 March 2020;

- on 25 June 2020, an extraordinary session of the Company's Shareholders' Meeting resolved to increase the paid share capital, on a divisible basis, in one or more rounds and also in several tranches, excluding the option right pursuant to art. 2441, paragraph 4, first sentence of the Italian Civil Code, for a maximum amount, including any premium, of Euro 24,080,032, more specifically for a maximum nominal amount of Euro 4,666,673, in addition to a maximum premium of Euro 19,413,359; The capital increase will be executed by issuing a maximum of 4,666,673 Newlat Food S.p.A. ordinary shares without par value, with normal dividend rights and with the same characteristics as ordinary shares already in circulation, at an issue price per share of Euro 5.16 (Euro 1 capital and Euro 4.16 premium), to be paid by 31 December 2020, in one or more rounds and also in several tranches by way of the contribution in kind of (i) 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares by Newlat Group S.A. assigned by Newlat Group S.A. to Newlat Food S.p.A. under the purchase and sale agreement on 1 April 2020; and (ii) the Centrale del Latte d'Italia S.p.A. ordinary shares that will be attached to the full mandatory public purchase and exchange offer announced by Newlat Food S.p.A on 1 April 2020 and promoted on 3 June 2020, concerning all the shares of Centrale del Latte d'Italia S.p.A., less the shares already held by Newlat Food, under the terms and conditions set out in said offer;

- On 30 July 2020, the final results of the take-up of Newlat Food S.p.A.'s offer to the shareholders of Centrale del Latte d'Italia S.p.A. was announced. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offerer's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale del Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020;

- on 7 September 2020, the Board of Directors of Newlat Food S.p.A. examined and approved the Half-Year Management Report at 30 June 2020;

- on 14 September 2020, Ms. Banfi resigned as an independent Director;

- on 25 September 2020, Ms. Zoppo was appointed Independent Director;

- on 13 November 2020, the Board of Directors of Newlat Food S.p.A. examined and approved the Interim Management Report at 30 September 2020;

- With regard to events after the reporting date, a bond of €200 million was issued in February 2021. The aforementioned unsecured, non-convertible loan called "€200,000,000 Senior Unsecured Fixed Rate Notes due February 2027" was approved by the Central Bank of Ireland on 2 February 2021. On 9 February 2021, following the achievement of the maximum amount of the Offer of €200 million, the market was notified of the early closure, the Offer having been successful. Bonds were sold for a total amount of €200,000,000 at an issue price of 100% of the nominal value, represented by 200,000 Bonds with a nominal value of €1,000 each. The maturity date of the bonds was set at 19 February 2027. In synergy with SACE, as an anchor investor benefiting pro-rata from a SACE guarantee, Cassa Depositi e Prestiti subscribed €60 million of the bond issued by Newlat Food SpA on the Electronic Bond Market (MOT) and the Irish Stock Exchange. The resources from the aforementioned operation will be used to support Newlat Food in the continuation of its external growth strategy, aimed at acquiring potential targets in the food&beverage sector in order to support the Group's expansion and the consolidation of its market leadership position.

Taking into account the size and structure of the Company and NEWLAT FOOD Group, the Board of Statutory Auditors considers that the Board of Directors, in its Annual Financial Report for the year ended 31 December 2020, provided an adequate illustration of the transactions with subsidiaries and other related parties, explaining the economic, financial and equity effects.

The Board of Statutory Auditors highlights the main events relating to the year ended 31 December 2020 of the company Centrale del Latte d'Italia Spa with Newlat Food as the largest shareholder:

- Newlat Food, now the main shareholder of Centrale del latte d'Italia Spa, joined the group on 1 April. Newlat Food has brought enormous benefits to the company, with a strong implementation of the activities defined in the business plan expanding opportunities at commercial, operational and management levels;

- with regard to the financial debt, it has been restructured and is therefore less burdensome than in the past. In July, a medium-long term loan of €31.5 million was contracted with MPS Capital Services and Deutsche Bank, which among other things allowed for early repayment in September of the bond loan originally valued at €15 million;
- on 9 April 2020, the proposed merger by incorporation within the meaning of article 2501-ter of the Italian Civil Code of the wholly-owned subsidiaries Centrale del latte di Vicenza SpA and Centrale del Latte della Toscana SpA into Centrale del Latte d'Italia Spa was approved. On 20 July 2020, the deed of merger was signed, the last entries in the Company Register showing the legal effectiveness thereof and a retroactive tax and accounting effectiveness as at 1 January 2020;

- Centrale del Latte d'Italia signed centralised liquidity management contracts with the direct and indirect parent company (Newlat Food Spa and Newlat group SA) to optimise liquidity management throughout the Group;

- With regard to events after the reporting date, a lease agreement was stipulated by Newlat Food SpA and Centrale del Latte d'Italia for the lease of all the dairy companies of the Newlat Food SpA group involved in the processing of raw materials and the production of milk & dairy products. The contract will last for two years. The activities of the Business Unit are carried out through the plants in Reggio Emilia, Salerno and Lodi with the warehouses in Reggio Emilia, Lodi, Rome Eboli, Pozzuoli and Lecce. The fee consists of a fixed component of €2 million and a variable of 1.5% based on the Branch's quarterly turnover;

- The auditor Deloitte & Touche SpA expressed its willingness to reach a consensual resolution of the mandate with effect from the meeting that will be called to approve the financial statements for the year ended 31 December 2020. The Company issued its report for the financial statements which contains no particular findings or disclosures, and certifies that the financial statements comply with IFRS accounting standards. In light of the above, a Sole Auditor is envisaged.

4. Supervision of compliance with the principles of good administration

In order to monitor compliance with the principles of good administration, in addition to attendance at all Board of Directors meetings, the Board of Statutory Auditors declares that:

- it has obtained the information during the 2020 financial year about the activities performed and the most significant economic, financial and equity transactions carried out by NEWLAT FOOD and its subsidiaries in the 2020 financial year from the Directors. All this is reported accurately in the documents relating to the consolidated financial statements and the separate financial statements. Based on the information made available to the Board of Statutory Auditors, the latter can reasonably consider that the transactions carried out in 2020 were performed in accordance with the law and the Articles of Association, and that they were not demonstrably irresponsible, reckless or in conflict with the resolutions passed by the Shareholders' Meeting or likely to compromise the integrity of the share capital.

- it did not identify any atypical or unusual transactions with Group companies or with third parties carried out during the 2020 financial year. Reference should be made to the Management Report and the risk analysis contained in the consolidated financial statements and the separate financial statements for the risks and effects of the transactions carried out.

- The Board of Directors identified the nature and level of risk compatible with the Company's strategic objectives when drawing up its strategic, industrial and financial plans. This assessment included all and any risks that may become significant in terms of sustaining the Company's activities in the medium to long term. In support of the ICRMS and the Control and Risks Committee, on 8 July 2019 the Board of Directors appointed Mr Angelo Mastrolia as the director responsible for the ICRMS, who will perform the functions listed in the Corporate Governance Code. With the help of the Control and Risks Committee, the Board of Directors also prepared guidelines for the Internal Control and Risk Management System (ICRMS). The ICRMS is capable of identifying, measuring, managing and monitoring major risks and is in line with national and international best practices.

5. Supervision activities on the adequacy of the organisational structure

Within its scope of responsibility, the Board of Statutory Auditors acquired knowledge and monitored the adequacy of the Company's organisational structure and considers that the structure, which was being adjusted with the entry of new figures, is adequate. The Company has a Supervisory Board which currently consists of Massimo Carlomagno, as Chairman, and Ester Sammartino, as a Member. The Company's Board of Directors approved its Organisation, Management and Control Model in accordance with Italian Legislative Decree 231/2001 on 30 March 2016, updating it on 9 August 2019. 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. Soon, also in light of recent regulatory developments, an Organisation, Management and Control Model as envisaged by Italian Legislative Decree 231/2001 will be implemented.

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.

During the past year the Board of Statutory Auditors of Newlat Food exchanged information with the Board of Statutory Auditors of Centrale del Latte d'Italia SpA. Regarding the self-assessment process of the Board of Directors and its Committees, a largely adequate picture emerges.

At the meeting of 19 March 2021, the Chairman of the Board of Directors informed those present of the contents of the letter of the Chairman of the Italian Corporate Governance Committee of 22 December 2020, as well as the related report on the evolution of corporate governance of listed companies 2020, prepared by said Italian Corporate Governance Committee. Specifically, a discussion was held on the analysis of the recommendations contained therein on sustainability, the adequacy of information flows within the Board of Directors, the correct application of the independence criteria and the verification of compensation paid to non-executive directors and members of the Board of Statutory Auditors. It was stressed that the practices implemented by the Company are in line with these requirements, as outlined in the Corporate Governance Report 2020, which was discussed on the same date.

The Chairman also pointed out that with the same communication of 22 December 2020, the Italian Corporate Governance Committee took note of the approval of the new edition of the Corporate Governance Code, which takes the name of Corporate Governance Code, to be applied from the year following the one ended on 31 December 2020.

Therefore, during the current year, 2021, the Company will adapt its corporate practices to the guiding principles of the new Corporate Governance Code, informing the market in the corporate governance report to be published in 2022.

6. Supervision of the internal control and risk management system and the administrative and accounting system

The Board of Statutory Auditors examined the assessment expressed by the Board of Directors on the adequacy and effective functioning of the Internal Control and Risk Management System (hereinafter "ICRMS") through: (i) identification of the ICRMS Guidelines, within which the company validated the integrated risk management model; (ii) certification of the Separate Financial Statements and Consolidated Financial Statements by the Chairman of the Board of Directors and the Financial Reporting Officer, who provided the appropriate statements; (iii) regular meetings with the Internal Audit Manager; (iv) examination of company documents and the results of the work carried out by PWC; (v) participation in the work of the Control and Risks Committee. It received information from PWC concerning the new regulations having an impact on auditing activities, as well as confirmation of the independence of PWC and communication of the non-statutory audit services provided; and (vi) with reference to the issues of social responsibility, monitored the data and information related to sustainability, which were presented in the Non-Financial Statement.

Ample space has been given to information relating to the financial and operational risks that the Company is exposed to, as well as to the measurement criteria that have affected financial statement items, also in compliance with the recent bulletin no. 1/21 issued by Consob dated 16 February 2021 regarding the information to be provided on the subject of Covid-19.

7. Audit of the separate financial statements, the consolidated financial statements and the consolidated non-financial report

The Board of Statutory Auditors carried out the checks on compliance with the rules relating to the preparation of the Separate Financial Statements of NEWLAT FOOD and the Group Consolidated Financial Statements for the year ended 31 December 2020, and duly noted the statement of the responsible bodies for which the separate financial statements and the consolidated financial statements were prepared in accordance with IAS/IFRS accounting standards. The notes to the financial statements contain the information required by the international accounting standards regarding the impairment of assets. The procedure adopted by the Company for the impairment test since its listing was updated in March 2021 for both goodwill and the value of trademarks. The Company used external experts for the procedure (impairment tests).

The Board of Statutory Auditors monitored the approval of the Non-Financial Statement. The Board of Statutory Auditors met both the function responsible for its preparation and representatives of PWC, and examined the documentation made available. The Board of Statutory Auditors acknowledges the report of PWC, from which it can be seen that there are no elements, facts or circumstances that suggest that the NFS was not drafted in compliance with the relevant regulations. PricewaterhouseCoopers S.p.A., which was appointed the task of statutory auditing, issued, on 26 March 2021, the reports pursuant to Article 14 of Italian Legislative Decree 39/2010 and art. 10 of Regulation (EU) No. 537/2014 for the Separate Financial Statements and Consolidated Financial Statements of NEWLAT FOOD S.p.A. as of 31 December 2020, reporting that no irregularities were found. In particular, PWC certifies that the separate financial statements and the consolidated financial statements provide a truthful and correct representation of the equity and financial situation of Newlat Food S.p.A. as of 31 December 2020 and of the Newlat Group as of 31 December 2020, respectively, and of the net result and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005.

8. Methods of actual implementation of corporate governance rules

The Board of Statutory Auditors reports, based on acquired information, on the adjustment of the corporate governance structure of the Company. From the start of the listing and periodically thereafter, the Company carried out a self-assessment of the members of the Board of Directors and its Committees. The Board of Statutory Auditors verified that the Annual Corporate Governance Report was prepared in accordance with existing regulations. No complaints or reports were received by the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code.

9. Comments on the adequacy of provisions imposed upon subsidiaries pursuant to art. 114 of Italian Legislative Decree 58/1998 - Management and Coordination

The Board of Statutory Auditors supervised the adequacy of the instructions given by Newlat Food to its subsidiaries pursuant to article 114 of Italian Legislative Decree 58/1998, considering them sufficient to meet the reporting obligations established by law. With regard to the close functional and operational links, also considering the presence of Newlat Food SpA personnel in subsidiaries, a correct, constant and adequate flow of information is guaranteed, supported by suitable documents and accounting processes relating to the management of the investee companies. There are no comments worthy of note on the adequacy of the instructions given to subsidiaries in order to acquire the information flows necessary to ensure the timely fulfilment of the reporting obligations established by law. The Board of Statutory Auditors also acknowledges that Newlat Food SpA is subject to the management and coordination of Newlat Group SA.

10. Opinions of the Board of Statutory Auditors

During 2020 and after 31 December 2020 until today, the Board of Statutory Auditors issued the following opinion: (i) Opinion on the assignment of non-auditing tasks to PWC. A certificate was also issued pursuant to article 2438 of the Italian Civil Code.

11. Conclusions and proposals regarding the financial statements and their approval

Based on the supervision activities carried out during the financial year, the Board of Statutory Auditors, taking into account the above, does not find any reason to oppose the approval of the NEWLAT FOOD S.p.A. financial statements as of 31 December 2020 and the proposal made by the Board of Directors on 19 March 2020 regarding the allocation of the net result for the financial year.

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Dear Shareholders, at the end of our Report we would like to express our warmest thanks to all those who have actively cooperated with us, and to all of you for the trust and esteem you have shown us with our appointment.

26 March 2021

On behalf of the Board of Statutory Auditors

Massimo Carlomagno   Chairman

A multibrand company

Newlat Food S.p.A
CF e P. Iva 00183410653
REA di RE n°277595

Ufficio del registro Camera di Commercio Industria
Artigianato e Agricoltura Cap. Soc.
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