



A multibrand company

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Share Capital € 40,780,482.00 fully paid-up – Economic and Administrative Index of Reggio Emilia (REA) no. 277595 – VAT and Tax ID 00183410653  
Company subject to management and coordination by Newlat Group S.A. pursuant to articles 2497 et seq. of the Italian Civil Code.

**DIRECTORS' REPORT ON THE SOLE ITEM ON THE AGENDA OF THE  
EXTRAORDINARY SHAREHOLDERS' MEETING OF NEWLAT FOOD S.P.A.  
CONVENED FOR 25 JUNE 2020 (SINGLE CALL)**

(drafted pursuant to article 2441, paragraph 6 of the Italian Civil Code, article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998, as amended, as well as article 70 of the Regulation adopted by CONSOB Resolution no. 11971 of 14 May 1999, as amended, and in accordance with Annex 3A - Schedule no. 2 to the same Regulation)

26 May 2020

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**Newlat Food S.p.A. Directors' Report on the sole item on the agenda of the Extraordinary Shareholders' Meeting of Newlat Food S.p.A., convened on 25 June 2020 (single call), drafted pursuant to article 2441, paragraph 6 of the Italian Civil Code, article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998, as amended, as well as article 70 of the Regulation adopted by CONSOB Resolution no. 11971 of 14 May 1999, as amended, and in accordance with Annex 3A - Schedule no. 2 to the same Regulation**

Shareholders,

The Board of Directors of Newlat Food S.p.A. ("**Newlat Food**" or the "**Company**") has called you to an extraordinary meeting (single call), on 25 June 2020, at 11:00, at the offices of the notary Andrea De Costa in Milan, Via Agnello no. 18, to discuss and resolve 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 Articles of Association. Related and resulting resolutions.*

This report (the "**Report**") was prepared by the Board of Directors of the Company pursuant to article 2441, paragraph 6 of the Italian Civil Code, article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998, as amended (hereafter the "**TUF**"), as well as article 70 of the Regulation adopted by CONSOB Resolution no. 11971 of 14 May 1999, as amended ("**Issuers' Regulation**"), and in accordance with Annex 3A, Schedule no. 2 to the same Regulation.

The Company Board of Directors has called you to this Extraordinary Shareholders' Meeting to submit for your approval the 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, for a maximum amount of Euro 24,080,032 (including any premium), through the issue of a maximum of 4,666,673 new Newlat Food ordinary shares with no indication of nominal value, with normal dividend rights, and the same characteristics as the shares in circulation on the date of issue (the "**Capital Increase**"), to be allocated (i) as consideration in shares under the mandatory public purchase and exchange offer (the "**Offer**") covering all ordinary shares issued by

Centrale del Latte d'Italia S.p.A. (“**CLI**”), after deducting the ordinary shares of CLI already held by Newlat Food – for which the Company published on 1 April 2020 a communication pursuant to art. 102, first paragraph of the TUF and art. 37 of the Issuers’ Regulations (the “**Offer Notice**”) – as well as (ii) to Newlat Group S.A. (“**Newlat Group**”) in execution of the Purchase and Sale Agreement (as defined herein); the Capital Increase will therefore be paid by contribution in kind of CLI ordinary shares.

It should be noted that since Newlat Food exercised the so-called opt-out option pursuant to art. 70, paragraph 8 of the Issuers’ Regulation during admission to trading on the Mercato Telematico Azionario (“**MTA**”), organised and managed by Borsa Italiana S.p.A. (“**Borsa Italiana**”), STAR Segment, the information document referred to in art. 70, paragraph 6 of the Issuers’ Regulation shall not be prepared.

\* \* \*

## **1. EXPLANATION, JUSTIFICATION AND ALLOCATION OF THE CAPITAL INCREASE**

### **1.1 Explanation of the transaction**

On 30 March 2020, Newlat Group, as the buyer, and certain CLI shareholders (i.e. Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew), as the sellers, entered into a Purchase and Sale Agreement, under which Newlat Group, on 1 April 2020, purchased 6,473,122 CLI ordinary shares, representing 46.24% of the share capital and voting rights of CLI against the payment, for every three CLI Shares, of a total consideration of Euro 3 and 1 ordinary share of Newlat Food held by Newlat Group and, therefore, corresponding to a unit consideration for each CLI Share of Euro 1 and 0.33̄ ordinary shares of Newlat Food (the “**Consideration**”) held by Newlat Group.

On 1 April 2020 (the “**Execution Date**”), the purchase and sale agreement (the “**Purchase and Sale Agreement**”) was entered into on the same date between Newlat Food and Newlat Group, pursuant to which Newlat Food purchased, upon payment of the same Consideration, a total of 6,660,242 CLI ordinary shares, representing 47.57% of CLI’s share capital and voting rights (the “**CLI Shares subject to Purchase and Sale**” or the “**CLI Major Holding**”), comprising:

- (i) 6,473,122 CLI ordinary shares, representing 46.24% of the share capital and voting

rights acquired by Newlat Group on the same date from the selling CLI shareholders pursuant to the aforementioned Purchase and Sale Agreement entered into on 30 March 2020; and

- (ii) 187,120 CLI ordinary shares, representing 1.34% of CLI's share capital and voting rights, already held by Newlat Group.

Under the Purchase and Sale Agreement:

- (i) the transfer to Newlat Food of the CLI Shares subject to Purchase and Sale was executed on 1 April 2020 by means of off-market trading, through the respective appointed intermediaries, in accordance with the relevant legislation; and
- (ii) in relation to the transfer of the CLI Major Holding (hereafter also the "**Acquisition**" and, together with the Offer, the "**Transaction**"), Newlat Food transferred to Newlat Group an amount equal to Euro 6,660,242 by bank transfer of immediately available funds; 2,220,080 (as rounded up when issued) newly issued Newlat Food ordinary shares will be paid to Newlat Group as soon as possible following the approval of the Capital Increase.

Following the completion on 1 April 2020 of the purchase of the CLI Shares subject to Purchase and Sale by Newlat Food, on the same date, the legal conditions for the promotion by Newlat Food of the Offer concerning all CLI ordinary shares minus the CLI ordinary shares already held by Newlat Food and, therefore, 7,339,778 CLI ordinary shares (the "**CLI Shares subject to the Offer**") were met. On the same date, Newlat Food published the Offer Notice, announcing to the market that it will occur in the forms referred to in art. 106, paragraphs 1 and 2-*bis* of the TUF and, therefore, in the form of the purchase and exchange of shares.

The Offer therefore provides that, for each CLI ordinary share tendered, Newlat Food shall pay the CLI shareholders the same Consideration paid by Newlat Food under the Purchase and Sale Agreement, equal to Euro 1 and 0.33 newly issued Newlat Food ordinary shares.

Therefore, the Capital Increase which you have been called to resolve on is an essential prerequisite for Newlat Food to pay the Consideration for:

- (i) the contribution of a maximum of 7,339,778 CLI Shares subject to the Offer, which may be tendered by CLI shareholders as part of the Offer; and

- (ii) the contribution of an additional 6,660,242 CLI ordinary shares purchased by Newlat Food on 1 April 2020 pursuant to the Purchase and Sale Agreement signed with Newlat Group.

Therefore, at its meeting of 25 May 2020, the Company Board of Directors resolved, among other things, to:

- approve this Report, which explains the reasons for the Capital Increase, pursuant to art. 2441, paragraph 6 of the Italian Civil Code and the criteria adopted for determining the issue price of Newlat Food shares resulting from the Capital Increase and the exchange ratio between the Newlat Food ordinary shares and CLI ordinary shares resulting from the Capital Increase;
- ask PriceWaterhouseCoopers S.p.A., the statutory auditing firm, to issue a fairness opinion on the issue price of the Newlat Food shares resulting from the Capital Increase, pursuant to article 2441, paragraph 6 of the Italian Civil Code and article 158 of the TUF. This opinion will be made publicly available under the terms and conditions laid down by the legislation in force.

## **1.2 Reasons for the Capital Increase and reflections on Newlat Food's management programmes**

The Capital Increase is part of an overall transaction aimed at integrating the two groups headed by Newlat Food and CLI, respectively, two highly complementary agri-food groups operating in a context characterised by significant market changes and constant pressure in terms of both demand and competition, primarily in the milk business.

The transaction enables a leading operator to be created in the dairy sector in Italy with a development outlook aimed at the main European markets, with strategic benefits for shareholders and all stakeholders.

Within this strategic plan, Newlat Food sees CLI as a benchmark for dairy activities and, therefore, is developing a plan for the possible integration of the Newlat Food business unit relating to milk products within CLI or a similar structure with the same objective. This structure could also be established as a combined hub of other complementary businesses in the same reference sector. In addition, Newlat Food intends to evaluate further acquisition and aggregation opportunities with a view to consolidating the sector on both a national and

international level.

Newlat Food and CLI are among the main operators in the dairy sector in Italy and have significant complementary elements such as type of business, production know-how and geographical positioning.

#### About CLI

The group headed by CLI (the “**CLI Group**”) is an interregional hub specialising in the production and direct marketing of dairy products such as fresh milk, UHT milk and yoghurt. CLI has been listed on the MTA since 2000 and was admitted to the STAR Segment in 2001.

In addition to its core business, CLI Group has developed other high-potential areas of interest in other sectors, such as IV range salads, for which it directly manages the marketing. In addition, CLI Group sells, under its own brands, packaged products in the fresh food segment such as eggs, cheese, pasta and desserts.

CLI Group is characterised by strong local roots, with all of its business in Piedmont, Aosta Valley, Tuscany, Liguria and Veneto, with leadership positions in terms of fresh milk and UHT milk. Since 2014, CLI Group has been growing overseas, starting exports of certain products, in particular long-life milk and organic beverages, first to China and then also to the United Arab Emirates, Kuwait, Saudi Arabia and Oman.

CLI Group currently has 4 production plants equipped with the most advanced technologies for the processing, packaging and refrigerated storage of products, located in Turin, Florence, Rapallo (Genoa) and Vicenza.

#### The integration project

Based on past experience, market knowledge and the characteristics of CLI products, the integration project will enable significant value creation for Newlat Food, CLI and their stakeholders, leveraging the following factors:

- the harnessing of complementary elements, including in terms of geographical positioning, with the supply of products in the milk sector by Newlat Food – in which Newlat Food is active through its plants in Reggio Emilia, Lodi and Salerno, located in strategic positions to cover both the collection of milk and the distribution of its products throughout the country – and by CLI, which has a leadership position in

Piedmont, Aosta Valley, Tuscany, Liguria and Veneto in the fresh milk and ESL (Extended Shelf-Life) sectors and in the long-life (UHT) milk sector, with particular value in the management of local supply and production chains, which will allow Newlat Food to access new markets and expand its geographical presence;

- the combination of the production capacity of Newlat Food and CLI, which will ensure that the new group resulting from the integration will become the second Italian company in terms of volumes with reference to the supply of products in the milk sector;
- the bringing together of the wealth of experience and know-how of both groups, through the activation of processes of sharing best industrial and commercial practices;
- supply chain optimisation, enhancing the various supply chains;
- sharing the respective strengths of sales networks to achieve synergies in the marketing and distribution of products;
- the possibility for Newlat Food to use CLI Group's modern production facilities located in Turin, Florence and Vicenza, taking advantage of CLI Group's plant-based dairy production line for the production of plant milk and the development of new products;
- simplification of the corporate structure, as indicated below, and the relative optimisation of overheads;
- the coordination of financial management within Newlat Food, with the possibility of leveraging its financial solidity with a view to strengthening the overall capital structure of CLI and in order to define an optimal funding structure for CLI.

It should also be noted that, in order to achieve the aforementioned synergies and make CLI Group's corporate structure more streamlined and flexible, on 9 April 2020, the CLI Board of Directors initiated a reorganisation process for CLI Group, through the merger by incorporation into the CLI parent company of the wholly owned subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A., to be completed by the second quarter of 2020.

For a more detailed description of the purposes of the transaction, please refer to the Offer



Notice, available at [www.newlat.it](http://www.newlat.it).

## **2. NUMBER, CATEGORY AND ENTITLEMENT DATE OF NEWLY ISSUED NEWLAT FOOD SHARES**

The Capital Increase provides for the issue of a maximum of 4,666,673 Newlat Food ordinary shares, with no nominal value, to be paid by contribution in kind of the CLI Shares subject to the Offer and the CLI Shares subject to Purchase and Sale. The maximum number of Newlat Food shares subject to the Capital Increase was determined by the Board of Directors based on the exchange ratio between the CLI shares and Newlat Food shares underlying the Consideration, identified by the Board of Directors with the support of its financial advisers, based on the valuation methodologies described in the next section 4.

It should be noted that the transfer to Newlat Food of the CLI Shares subject to Purchase and Sale was already executed on 1 April 2020 by means of off-market trading, in accordance with the relevant legislation in execution of the Purchase and Sale Agreement.

The newly issued Newlat Food shares will have normal dividend rights and, therefore, will give their holders equal rights to the shares already in circulation at the time of issue; the Newlat Food shares subject to the Offer will be admitted to trading on the MTA, STAR Segment, from the date of payment of the Consideration, while Newlat Food shares assigned to Newlat Group in execution of the Purchase and Sale Agreement will be admitted to trading on the MTA, STAR Segment, according to the timing agreed with Borsa Italiana.

## **3. ISSUE PRICE OF NEWLAT FOOD SHARES RESULTING FROM THE CAPITAL INCREASE**

The unit issue price of newly issued Newlat Food shares arising from the Capital Increase was determined by the Newlat Food Board of Directors as Euro 5.16 (the “**Issue Price**”). The Issue Price of the shares will be set at Euro 1 nominal capital with a premium of Euro 4.16.

In compliance with the provisions of art. 2441, paragraph 6 of the Italian Civil Code (requiring the share issue price to be determined based on the shareholders’ equity value, also taking into account the trend in share prices over the last 6 months), for the purpose of determining the Issue Price, the Board of Directors, at its meeting of 25 May 2020, considered: (i) Newlat

Food's equity per share as at 31 March 2020 of Euro 2.3, (ii) the weighted average market price of Newlat Food ordinary shares over the time period of one month before the last trading day prior to the date of the meeting of the Board of Directors that approved the Report (enclosed), equal to Euro 5.10, as well as (iii) the weighted average market price of Newlat Food ordinary shares over the three months before the last trading day prior to the date of the meeting of the Board of Directors that approved the Report (enclosed), equal to Euro 5.11, since the observation of the weighted average market price of Newlat Food ordinary shares over a shorter time span allows sufficiently updated information on the Company profile and on the underlying trends of the reference financial markets to be included, also taking into account the recent COVID-19 health emergency and the high volatility of stock prices recorded in recent months.

In light of this, taking into account the characteristics of the Capital Increase – aimed at issuing Newlat Food ordinary shares to be allocated as Consideration to CLI shareholders within the context of the Offer as well as to be assigned to Newlat Group in execution of the Purchase and Sale Agreement – as well as the nature and purpose of the Offer, the Board of Directors decided to set the Issue Price equal to the unit value assigned to each Newlat Food ordinary share for the purposes of determining the exchange ratio with CLI ordinary shares (see section 4.2 below).

The Issue Price thus determined is higher than the equity per share of Newlat Food as at 31 March 2020 (equal to Euro 2.3) and consistent with the weighted averages of the stock prices recorded by Newlat Food ordinary shares in the reference periods indicated in the following table and prior to the date of approval of the Report by the Newlat Food Board of Directors. The above consistency was established and defined due to the high volatility of stock prices recorded in the first quarter of 2020 and up to the date of approval of the Report, mainly related to systemic events (FSTE MIB - 30% in 1Q 2020). In this context, the Board of Directors considers that an average deviation of less than 2% between the Issue Price and the values expressed by the weighted averages of the stock prices recorded by Newlat Food ordinary shares over the time periods considered relevant by the Board of Directors (specifically, over the time periods of three months and one month prior to the date of approval of the Report) is not significant.

Newlat Food VWAP (€)	
1 day (22/05/2020) (*)	5.01
1-month average	5.10
3-month average	5.11

(\*) Official price of the last day of trading prior to the date of approval of the Report by the Newlat Food Board of Directors.

#### **4. CRITERIA FOR DETERMINING THE EXCHANGE RATIO BETWEEN NEWLAT FOOD SHARES AND CLI SHARES AND FAIRNESS OF THE ISSUE PRICE**

##### **4.1 Introduction**

Below are the main criteria used by the Board of Directors to determine the valuation of CLI, the Consideration and therefore the value ranges of the exchange ratio between Newlat Food shares and CLI shares, also in order to allow the assessment of the fairness of the Issue Price.

The Newlat Food Board of Directors made use of the analyses and considerations carried out by management and the Executive Chairman, with the advice and support of financial advisers. In particular, the analyses were carried out with reference to the data and information in the public domain indicated below concerning both CLI and Newlat Food:

- (a) stock market prices and volumes recorded by Newlat Food and CLI shares in recent months;
- (b) Newlat Food draft financial statements as at 31 December 2019, approved by the Board of Directors on 19 March 2020, and CLI draft financial statements, approved by the CLI Board of Directors on 5 March 2020;
- (c) information relating to listed companies operating in the Newlat Food and CLI reference sectors;
- (d) information relating to acquisition transactions carried out for companies operating in the Newlat Food and CLI reference sectors.

The Board of Directors also considered the extent of potential synergies and the timing for their implementation. Publicly available data and information was then used and, in particular, data and information collected through Borsa Italiana, CONSOB and Bloomberg, relating to Newlat Food, CLI and selected listed companies not operating in the dairy sector.

Each of the analyses carried out had specific limitations and difficulties such as:

- (a) unavailability of forward-looking analytical data of the business plan adopted by the CLI Board of Directors;
- (b) limitations in due diligence activities regarding CLI, since CLI is listed;
- (c) partial comparability of CLI as well as Newlat Food with other similar listed companies and/or with companies subject to acquisition for relevant elements such as geographical presence, mix of activities, size and profitability, the latter indicator particularly penalising CLI compared to Newlat Food and to the other companies considered.

In carrying out its analyses, the Newlat Food Board of Directors relied on and assumed the accuracy and completeness of all publicly available information.

Below is a brief overview of the assessment methodologies considered appropriate for both Newlat Food and CLI. This overview does not have to be considered and does not represent an exhaustive description of all the in-depth analyses carried out.

#### **4.2 Valuation criteria selected by the Board of Directors for the determination of the exchange ratio**

The valuations carried out are aimed at expressing a comparative estimate of the economic values of the group headed by Newlat Food (“**Newlat Group**” or “**Group**”) and CLI Group. The valuations presented are valid in relation to the profile and the context of the specific transaction described in this Report and cannot be compared with other valuations carried out in different contexts or for different purposes.

In line with the provisions of best valuation practices on a national and international level, in determining the comparative estimate of the economic capital of Newlat Group and CLI Group, reference was made to the following valuation methods, taking into account the specific characteristics of these groups, the type of assets and reference markets in which they operate, and the limitations and difficulties set out above:

- stock market pricing (“**Stock Market Pricing**”) as the main valuation methodology;
- the stock market multiples of comparable listed companies (“**Stock Market Multiples**”) and the multiples of comparable transactions (“**Comparable**”)

**Transactions**”) as control valuation methodologies.

In application of these methods, the characteristics and limitations implicit to each of them were considered, based on the professional valuation practices normally followed in the sector. These elements shall also be considered an inseparable part of an individual valuation process and, therefore, the analysis of the results obtained with each method shall be read in light of the complementarity that is created with the other criteria as part of an individual valuation process.

In light of the aforementioned limitations, difficulties and purposes of the valuation made here, aimed at defining a relationship between the companies whose shares are subject to exchange valued in relative terms on the basis of uniform methodologies and comparable valuation approaches, the Newlat Food Board of Directors did not apply the Discounted Cash Flow method because the Newlat Food business plan was not made public and the CLI business plan was only made public in summary form, without a sufficient degree of detail.

#### 4.2.1 Main methodology: Stock Market Pricing

The Stock Market Pricing method consists of assigning a value to the company in question equal to that attributed to it by the market in which its shares are traded. This criterion assumes the efficiency of the market in which the company is listed and results in the possibility of identifying the economic value of the company with the value expressed by the stock prices recorded in appropriate time periods. The following tables show the official volume-weighted average prices (“**VWAP**”) of Newlat Food and CLI stock in various reference periods, up to 30 March 2020 (the last day of trading prior to the approval of the Transaction by the Newlat Food Board of Directors) and the related exchange ratios:

	Newlat Food VWAP (€)	CLI VWAP (€)	Exchange ratios
1 day (30/03/2020)	5.15	2.51	0.29
1-week average	5.45	2.59	0.29
1-month average	4.92	2.38	0.28
3-month average	5.45	2.41	0.26
Average since 29 October 2019(*)	5.78	2.43	0.25

(\*) Start date of trading of Newlat Food ordinary shares on the MTA, STAR Segment.

The Newlat Food Board of Directors therefore considered that, based on the application of the methodology described above and the control methodologies indicated below - which are considered reasonable and consistent with market practices for this type of valuation - as well as considering a normalised level of profitability of CLI and the potential synergy of the transaction described in this Report, the Consideration, equal to Euro 1 and 0.33̄ ordinary shares of Newlat Food for each CLI share, is consistent with the results of the valuation methods used, and the Issue Price is consistent with the valuations described above.

#### 4.2.2 *Control methods*

The Newlat Food Board of Directors also applied the following control methods:

- *Stock Market Multiples Method*: this is based on the analysis of stock market prices of a sample of companies comparable to those being valued, compared to certain economic and/or operational parameters of the companies themselves. This method is based on the general assumption that, in an efficient market and in the absence of speculative movements, the stock price of a company's shares reflects market expectations regarding the rate of profit growth and the degree of risk associated with it. For this purpose, a sample of medium and large international companies was selected whose prices have relevance characteristics deemed significant. The data available as at 27 March 2020 was used to calculate the economic capital value of the sampled companies. For each of the companies, a series of ratios, or multiples, considered significant for the analysis according to this criterion were calculated. The choice of such multiples was made on the basis of the specific characteristics of the dairy sector, the characteristics of the companies under assessment, and market practices; and
- *Comparable Transactions Method*: this is based on the analysis of valuations recognised within the context of acquisitions of companies comparable to those being valued, compared to certain economic and/or operational parameters of the companies themselves. For this purpose, a sample of transactions involving medium-sized Italian and European dairy companies was selected. The available data relating to the acquisition price on the date of acquisition was used to calculate the economic capital value of the companies subject to acquisition. For each of the companies, a series of ratios, or multiples, considered significant for the analysis according to this criterion were calculated. The choice of such multiples was made on the basis of the specific characteristics of the dairy sector, the characteristics of the companies under

assessment, the availability of information, and market practices.

**5. VALUATION OF THE CONTRIBUTED ASSETS, PURSUANT TO ARTICLES 2343-TER AND 2440 OF THE ITALIAN CIVIL CODE**

Assuming an Issue Price, for the reasons previously indicated, of Euro 5.16, considering the exchange ratio deemed appropriate explained in section 4 above, it follows that the unit value attributed to CLI shares for the purposes of the Capital Increase is equal to Euro 2.72 (the “**Contribution Unit Value**”).

In order to ascertain this value and, therefore, to comply with the principles that govern the correct formation of the share capital, the Newlat Food Board of Directors resolved, pursuant to art. 2440, paragraph 2 of the Italian Civil Code, to apply the provisions set out in articles 2343-ter, second paragraph, letter b) and 2343-*quater* of the Italian Civil Code.

Specifically, these provisions do not require a valuation of the contributed assets certified by an expert appointed by the court in whose district the transferee company is located, if the value attributed to the assets in kind contributed for the purposes of determining the share capital and any premium is equal to or lower than the value resulting from a valuation, referring to a previous date of no more than six months from the contribution and complying with the generally recognised principles and criteria for the valuation of the assets subject to the contribution, performed by an expert independent of the contributor, the company and the shareholders who individually or jointly exercise control over the transferor or the company itself, with adequate and proven professional qualifications (art. 2343-ter, paragraph 2, letter b) of the Italian Civil Code).

Newlat Food therefore appointed Giacinto Sarubbi, partner of Studio Sarubbi - Poggi Longostrevi - independent expert pursuant to article 2343-ter, paragraph 2, letter b) of the Italian Civil Code - the task of drawing up a valuation of the CLI ordinary shares subject to the contribution in kind, which will be made available, in the terms and in the manner provided for by the current legislation, prior to the shareholders' meeting called to resolve on the Capital Increase.

In addition, pursuant to the combined provisions of articles 2343-*quater* and 2440 of the Italian Civil Code, it is envisaged that the directors of the transferee company (in this case, Newlat

Food) issue, within thirty days of the execution of the contribution or, if later, from the date of registration in the register of companies of the resolution to increase the capital, a statement containing the information referred to in points a), b), c) and d) of article 2343-*quater*, paragraph 3 of the Italian Civil Code, namely: (a) a description of the assets to be contributed (in this case, CLI shares) for which the report referred to in art. 2343, paragraph 1 of the Italian Civil Code has not been prepared; (b) the value attributed to said assets, the source of the valuation and, where applicable, the method of valuation; (c) a statement that this value is at least equal to that attributed to them for the purposes of determining the share capital and any premium; and (d) a statement that no exceptional or significant events have occurred that affected the valuation referred to in letter (b) above. Pursuant to art. 2343-*quater*, paragraph 4 of the Italian Civil Code, until the statement with the contents referred to in letters (a), (b), (c), and (d) is registered in the register of companies, newly issued Newlat Food shares are inalienable and must remain deposited with the Company.

## **6. PERIOD OF EXECUTION OF THE CAPITAL INCREASE**

Taking into account the regulatory requirements concerning public purchase and exchange offers, the Company intends to implement the Capital Increase by 31 December 2020.

As this is a divisible Capital Increase, which may also be carried out in several tranches, pursuant to art. 2439, paragraph 2 of the Italian Civil Code: (i) the share capital shall be deemed to be increased from time to time in proportion to the amount of subscriptions collected within the context of the Offer (subject, however, to the terms and conditions provided for therein), as well as the contribution of the Major Holding by Newlat Group in execution of the Purchase and Sale Agreement; and (ii) the Capital Increase, if not fully subscribed by 31 December 2020, shall be deemed to be limited to the amount resulting from the total subscriptions collected within the aforementioned period.

The timing of the Capital Increase may also, in any case, be modified in relation to the results of the Offer and the possible need to proceed with the obligations referred to in art. 108, paragraphs 1 and 2 of the TUF.



**7. UNDERWRITING AND/OR PLACEMENT SYNDICATES AND ANY OTHER FORMS OF PLACEMENT**

As this is a Capital Increase to be paid by contribution in kind, no underwriting and/or placement syndicates are envisaged.

**8. TAX CONSIDERATIONS OF THE TRANSACTION REGARDING NEWLAT FOOD**

The CLI Major Holding received by Newlat Food following the transfer by Newlat Group and the additional CLI Shares subject to the Offer that will be received by Newlat Food following any subscription to the Offer will assume – for Newlat Food - a value recognised for tax purposes determined on the basis of the tax regime applied to such transfers.

The fiscal treatment of Newlat Group and CLI shareholders participating in the Offer depends on, among other things, the tax status of the individual party (e.g. natural person not involved in business, business, company, etc.).

According to current tax provisions, capital increases in kind and related contributions are subject to fixed registration duty (Euro 200).

Both the acquisition of the CLI Major Holding by Newlat Food and subsequent acquisitions upon subscription to the Offer are exempt from the financial transaction tax (so-called Tobin tax), pursuant to article 15, paragraph 1, letter f) of the Decree of the Ministry of Economy and Finance of 21 February 2013, as the CLI Shares subject to Purchase and Sale and the CLI Shares subject to the Offer are issued by a company with an average capitalisation of less than Euro 500 million in November 2019 (pursuant to article 17, paragraph 3, Decree of the Ministry of Economy and Finance of 21 February 2013).

## **9. FINANCIAL INFORMATION ON THE TRANSFEREE ISSUER**

On 29 April 2020, the Newlat Food Shareholders' Meeting approved the Company's financial statements for the year ended 31 December 2019 and, on 14 May 2020, the Newlat Food Board of Directors approved the interim management report as at 31 March 2020. For further information on the management performance of Newlat Food in the year ended 31 December 2019 and in the first quarter of 2020, on the expected management outlook as well as on any impacts of the health emergency related to COVID-19 on the income prospects of Newlat Group, please refer to the 2019 Financial Report and the Interim Management Report as at 31 March 2020, publicly available at the registered office of Newlat Food in Reggio Emilia, Via J. F. Kennedy 16, on the website [www.newlat.it](http://www.newlat.it), as well as in the additional ways provided for by applicable legislation.

## **10. EFFECTS OF THE CAPITAL INCREASE ON THE COMPANY RESULTS AND FINANCIAL POSITION, AS WELL AS EFFECTS ON THE UNIT VALUE OF SHARES**

The Company's Proforma Consolidated Statement of Financial Position for the year ended 31 December 2019 and the Proforma Consolidated Income Statement for the year ended 31 December 2019 (hereafter the "**Proforma Consolidated Statements 2019**") are reported below, together with the related explanatory notes.

The Proforma Consolidated Statements 2019 have been prepared in order to represent the main effects of the Transaction on the Newlat Group Combined Consolidated Statement of Financial Position for the year ended 31 December 2019 and on the Combined Consolidated Income Statement for the year ended 31 December 2019.

The Proforma Consolidated Statements 2019 have been prepared in order to simulate, according to valuation criteria consistent with historical data and in compliance with the relevant legislation, the main effects of the Transaction on the Newlat Group Combined Consolidated Statement of Financial Position as if it had taken place on 31 December 2019 and on the Newlat Group Combined Consolidated Income Statement as if it had taken place on 1 January 2019.

It should be noted, however, that the information contained in the Proforma Consolidated Statements 2019 represents, as previously indicated, a simulation, provided for illustrative

purposes only, of the effects that could derive from the Transaction. The proforma financial information relates to a hypothetical situation and, therefore, does not represent the Group's financial position and Newlat Group's actual results. In particular, since proforma financial information is constructed to retroactively reflect the effects of subsequent transactions, despite compliance with commonly accepted rules and the use of reasonable assumptions, the very nature of such information means there are limitations. Therefore, it should be noted that, if the Transaction had actually taken place on the assumed dates, the same results would not necessarily have been obtained as the ones presented in the Proforma Consolidated Statements 2019. Furthermore, in view of the different purposes of the proforma financial information compared to the financial information included in the historical financial statements and the different methods of calculating the effects of the Transaction with reference to the Proforma Consolidated Statement of Financial Position and Proforma Consolidated Income Statement, these documents should be read and interpreted without looking for accounting links between them.

Finally, it should be noted that, by their nature, the Proforma Consolidated Statements 2019 relate to a hypothetical situation and, therefore, do not, and in no way intend to, represent Newlat Group's actual results, nor a forecast of its future results. The Proforma Consolidated Statements 2019 must not, therefore, be used in this regard.

The Proforma Consolidated Statements derive from the following historical data:

- the Newlat Group Combined Consolidated Financial Statements for the year ended 31 December 2019 approved by the Board of Directors on 25 May 2020, prepared in accordance with the IFRS international accounting standards adopted by the European Union and audited by PriceWaterhouseCoopers S.p.A. (hereafter the “**Combined Consolidated Financial Statements 2019**”);
- the CLI Consolidated Financial Statements for the year ended 31 December 2019 approved by the CLI Board of Directors on 5 March 2020, prepared in accordance with the IFRS international accounting standards adopted by the European Union and audited by the auditing firm Deloitte & Touche S.p.A., which issued its unqualified report on 23 March 2020 (hereafter the “**CLI Consolidated Financial Statements**”);
- the CLI Interim Management Report as at 31 March 2020 approved by the CLI Board of Directors on 14 May 2020, prepared in accordance with the International Accounting Standard for Interim Financial Reporting (IAS 34) adopted by the

European Union (hereafter the "**CLI Interim Report**").

Specifically, for the valuation of CLI Group's net assets, the reference date of the CLI Interim Report was used as the date closest to that of the acquisition of the CLI Major Holding.

The Proforma Consolidated Statements 2019 have been prepared in accordance with CONSOB Communication no. DEM/1052803 of 5 July 2001 governing the methodology for the preparation of proforma financial information. In particular, the Proforma Consolidated Statements 2019 were prepared by adjusting the combined consolidated historical data of Newlat Group as at 31 December 2019 and for the financial year ended 31 December 2019, taken from the Combined Consolidated Financial Statements 2019.

The accounting principles adopted for the preparation of the Proforma Consolidated Statements 2019 are the same as those used for the preparation of the Combined Consolidated Financial Statements 2019, namely the International Financing Reporting Standards, which comprise all the International Accounting Standards, all the International Financial Reporting Standards and all the interpretations of the IFRS Interpretations Committee (previously known as the Standing Interpretations Committee), adopted by the European Union ("**IFRS**").

Following the transfer of the CLI Major Holding, the Company transferred Euro 6,660 thousand to Newlat Group, and 2,220,080 (as rounded up when issued) newly issued Newlat Food ordinary shares will be paid as soon as possible following the approval of the Capital Increase by the Company Shareholders' Meeting.

With reference to the Offer, for the purposes of preparing the Proforma Consolidated Statements 2019, a level of subscription of 7,339,778 ordinary shares was assumed, representing 52.43% of the share capital, of CLI (hereafter the "**Subscription Level**"), thus assuming the transfer by Newlat Food to the shareholders of CLI who are beneficiaries of the Offer (hereafter "**CLI Shareholders**") of Euro 7,340 thousand and 2,446,593 newly issued ordinary shares deriving from the Capital Increase.

In view of the above, for the purposes of preparing the Proforma Consolidated Statements 2019, it has been assumed that the Transaction as a whole concerns 14,000,020 ordinary shares, representing 100% of CLI's share capital and that, consequently, Newlat Food will have to (i) transfer Euro 14,000 thousand and (ii) issue 4,666,673 new ordinary shares within the context of the Capital Increase.

In addition, as part of the preparation of the Proforma Consolidated Statements 2019, for the purposes of determining the fair value of the newly issued ordinary shares related to the Offer deriving from the Capital Increase and therefore for the purposes of determining the consideration paid as part of the Offer, the most recent date in relation to the timing of preparation of the Proforma Consolidated Statements 2019 was assumed as the reference date, i.e. 22 May 2020.

The following are reported below: (i) the table relating to the Proforma Consolidated Statement of Financial Position as at 31 December 2019 and (ii) the table relating to the Proforma Consolidated Income Statement for the financial year ended 31 December 2019, showing, by type, the adjustments made to represent the significant effects of the Transaction and the related explanatory notes.

***Proforma Consolidated Statement of Financial Position as at 31 December 2019***

<i>(in thousands of Euro)</i>	Newlat Group	CLI	<i>Proforma adjustments</i>		Group Proforma Consolidated Statement of Financial Position as at 31 December 2019
	Combined	Reclassified	Acquisition Accounting	Offer Accounting	
	Consolidated	Consolidated			
	Statement of Financial Position as at 31 December 2019	Statement of Financial Position as at 31 December 2019	(3)	(4)	
<b>Non-current assets</b>					
Property, plant and equipment	31,799	120,058	-	-	151,857
Right-of-use assets	17,326	4,304	-	-	21,630
Intangible assets	25,217	19,655	-	-	44,872
Equity investments in associates	-	1,397	-	-	1,397
Non-current financial assets measured at fair value through profit or loss	42	656	1,391	-	2,089
Financial assets at amortised cost	866	1	-	-	867
Prepaid tax assets	5,034	1,664	-	-	6,698
<b>Total non-current assets</b>	<b>80,284</b>	<b>147,735</b>	<b>1,391</b>	<b>-</b>	<b>229,410</b>
<b>Current assets</b>					
Inventories	25,880	10,755	-	-	36,635
Trade receivables	49,274	21,465	-	-	70,739
Current tax assets	716	3,230	-	-	3,946
Other receivables and current assets	4,702	8,615	-	-	13,317
Current financial assets measured at fair value through profit or loss	4	-	-	-	4
Cash and cash equivalents	100,884	18,950	(6,660)	(7,340)	105,834
<b>Total current assets</b>	<b>181,460</b>	<b>63,015</b>	<b>(6,660)</b>	<b>(7,340)</b>	<b>230,475</b>
<b>TOTAL ASSETS</b>	<b>261,744</b>	<b>210,750</b>	<b>(5,269)</b>	<b>(7,340)</b>	<b>459,885</b>
<b>Group shareholders' equity</b>	<b>91,546</b>	<b>57,070</b>	<b>(25,086)</b>	<b>12,477</b>	<b>136,007</b>
<b>Minority interests</b>	-	-	19,817	(19,817)	-
<b>SHAREHOLDERS' EQUITY</b>	<b>91,546</b>	<b>57,070</b>	<b>(5,269)</b>	<b>(7,340)</b>	<b>136,007</b>
<b>Non-current liabilities</b>					
Provisions for employee benefits	10,646	5,856	-	-	16,502
Provisions for risks and charges	1,396	65	-	-	1,461
Deferred tax liabilities	3,850	6,089	-	-	9,939
Non-current financial liabilities	12,000	56,278	-	-	68,278
Non-current lease liabilities	13,032	2,284	-	-	15,316
Other non-current liabilities	600	-	-	-	600
<b>Total non-current liabilities</b>	<b>41,524</b>	<b>70,572</b>	<b>-</b>	<b>-</b>	<b>112,096</b>
<b>Current liabilities</b>					
Trade payables	85,592	39,160	-	-	124,752
Current financial liabilities	22,456	35,633	-	-	58,089
Current lease liabilities	4,776	2,052	-	-	6,828
Current tax liabilities	471	12	-	-	483
Other current liabilities	15,379	6,251	-	-	21,630
<b>Total current liabilities</b>	<b>128,674</b>	<b>83,108</b>	<b>-</b>	<b>-</b>	<b>211,782</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>261,744</b>	<b>210,750</b>	<b>(5,269)</b>	<b>(7,340)</b>	<b>459,885</b>

Note 1 - Newlat Group Combined Consolidated Statement of Financial Position as at 31 December 2019: this column includes the Newlat Group Combined Consolidated Statement of Financial Position as at 31 December 2019 extracted from the Combined Consolidated Financial Statements 2019.

Note 2 - CLI Reclassified Consolidated Statement of Financial Position as at 31 December 2019: this column includes the CLI Reclassified Consolidated Statement of Financial Position as at 31 December 2019, extracted from the CLI Consolidated Financial Statements and reclassified to reflect Newlat Group's statement format.

Note 3 - Acquisition Accounting: this column includes the effects of accounting for the Acquisition, as if it had taken place on 31 December 2019, and the resulting consolidation, in accordance with IFRS 10, of the same holding in the Combined Consolidated Financial Statements 2019. The Acquisition is accounted for in accordance with IFRS 3.

The price recognised by Newlat Food to Newlat Group for the Acquisition (hereafter the “**CLI Major Holding Price**”) was determined as shown in the following table.

<i>(in thousands of Euro)</i>	
Monetary component of the Consideration (in Euro)	1.00
Number of shares representing the CLI Major Holding	6,660,242
<b>Monetary component of the CLI Major Holding Price (A)</b>	<b>6,660</b>
Non-monetary component of the Consideration (no. Newlat shares)	0.33
Fair value of non-monetary component of the Consideration as at the Execution Date (in Euro)	5.10
Number of shares representing the CLI Major Holding	6,660,242
<b>Non-monetary component of the CLI Major Holding Price (B)</b>	<b>11,322</b>
<b>CLI Major Holding Price (C=A+B)</b>	<b>17,982</b>

The pro-forma adjustment to cash and cash equivalents, amounting to Euro 6,660 thousand, is the monetary component of the CLI Major Holding Price and reflects the amount transferred from Newlat Food to Newlat Group as at the Execution Date, financed through its own resources, in relation to the transfer of the CLI Major Holding.

The non-monetary component of the CLI Major Holding Price, equal to Euro 11,322 thousand, represented as an increase in the Group shareholders' equity, reflects the amount of the Capital Increase paid by contribution in kind of the CLI Major Holding by Newlat Group,

or associated with the issue of 2,220,080 ordinary shares of the Company.

The valuation of CLI Group's non-controlling interests as at the Execution Date is represented, within the provisions of paragraph 19 of IFRS 3, through the application of the fair value method. The following table reports the calculation relating to the valuation of minority interests as at the Execution Date, amounting to Euro 19,817 thousand, based on the aforementioned method.

<i>(in thousands of Euro)</i>	
CLI Major Holding Price (A)	17,982
CLI Group non-controlling interests as at the Execution Date (%) (B)	52.43%
<b>Fair value of CLI Group's net assets as at the Execution Date (C=A/(1-B))</b>	<b>37,799</b>
<b>Fair value of minority interests as at the Execution Date (D=C-A)</b>	<b>19,817</b>

The following table reports the calculation of the difference between the value of CLI Group's net assets acquired as at the Execution Date and the CLI Major Holding Price.

<i>(in thousands of Euro)</i>	
CLI Group net assets as at the Execution Date (A)	58,461
Fair value of minority interests as at the Execution Date (B)	19,817
<b>CLI Group's net assets acquired as at the Execution Date (C=A-B)</b>	<b>38,644</b>
<b>CLI Major Holding Price (D)</b>	<b>17,982</b>
<b>Badwill (E=C-D)</b>	<b>20,662</b>

The difference between the value of CLI Group's net assets acquired as at the Execution Date and the CLI Major Holding Price, attributable to the badwill recorded as an increase in the Group shareholders' equity in the Proforma Consolidated Statement of Financial Position as at 31 December 2019, was calculated on the basis of the financial information as at the Execution Date. Therefore, as part of the preparation of the Proforma Consolidated Statements 2019, the difference between the value of CLI Group's net assets acquired as at 31 December 2019 (Euro 37,253 thousand) and the same values as at the Execution Date derived from the CLI Interim Report (Euro 38,664 thousand), equal to Euro 1,391 thousand, was recorded as non-current financial assets valued at fair value, in accordance with the provisions of CONSOB Communication no. DEM/1052803 of 5 July 2001.



Finally, it should be noted that, in accordance with paragraph 45 of IFRS 3, which provides for a “valuation period” during which the company must carry out a preliminary initial accounting of the acquisition and complete the valuation at a later date, and in any case within 12 months from the date of acquisition, the final valuation of the current value of CLI Group’s net assets acquired by Newlat Food has not yet been completed. Therefore, the final valuation of the current value of the aforementioned CLI Group’s net assets may change with respect to that reported in the Proforma Consolidated Statements 2019, in which it was assumed that the valuation is equal to CLI Group’s net assets as at the date closest to the Acquisition Execution Date.

Note 4 - Offer Accounting: this column includes the effects of accounting of the Offer as if it had taken place on 31 December 2019.

Pursuant to IFRS 10, the Offer is a transaction with minority shareholders. The price paid by Newlat Food to CLI Shareholders for the purchase, within the context of the Offer, of the number of ordinary shares relating to the Subscription Level (hereafter the “**Offer Price**”) was determined as shown in the following table.

<i>(in thousands of Euro)</i>	
Monetary component of the Consideration (in Euro)	1.00
No. of shares representing the Subscription Level in the Offer	7,339,778
<b>Monetary component of the Offer Price (A)</b>	<b>7,340</b>
Non-monetary component of the Consideration (no. Newlat shares)	0.33
Fair value of the non-monetary component of the Consideration (in Euro)	5.03
No. of shares representing the Subscription Level in the Offer	7,339,778
<b>Non-monetary component of the Offer Price (B)</b>	<b>12,306</b>
<b>Offer Price (C=A+B)</b>	<b>19,646</b>

The proforma adjustment to cash and cash equivalents, amounting to Euro 7,340 thousand, is the monetary component of the Offer Price and reflects the amount transferred from Newlat Food to CLI Shareholders within the context of the Offer, financed through its own resources, determined on the basis of the number of ordinary shares relating to the Subscription Level.

The non-monetary component of the Offer Price, equal to Euro 12,306 thousand, represented as an increase in the Group shareholders’ equity, reflects the amount of the Capital Increase

paid by contribution in kind of ordinary shares relating to the Subscription Level by the CLI Shareholders, or associated with the issue of 2,446,593 ordinary shares of the Company valued, as part of the preparation of the Proforma Consolidated Statements 2019, as previously specified, on the most recent date available, namely 22 May 2020.

The Subscription Level determines, within the context of the accounting of the Offer, the full reversal of the value of minority interests, amounting to Euro 19,817 thousand. In this regard, it should be noted that, with reference to the configuration of the Offer as a transaction with non-controlling shareholders, the Group shareholders' equity increases, pursuant to paragraph 23 of IFRS 10, also due to the positive difference between the aforementioned value of minority interests and the Offer Price (Euro 19,646 thousand), equal to Euro 171 thousand, resulting from the difference between the fair value of the non-monetary component of the Consideration on 22 May 2020 and the same fair value as at the Execution Date.

***Proforma Consolidated Income Statement for the year ended 31 December 2019***

<i>(in thousands of Euro)</i>	Group Combined	CLI Reclassified	<i>Proforma adjustments</i>		Proforma
	Consolidated	Consolidated			consolidated
	Income Statement for the year ended 31 December 2019	Income Statement for the year ended 31 December 2019	Acquisition Accounting	Offer Accounting	income statement of the Group for the year ended 31 December 2019
	(5)	(6)	(7)	(8)	
Revenue from contracts with customers	320,902	175,151	-	-	496,053
Cost of sales	(262,212)	(134,361)	-	-	(396,573)
<b>Gross operating profit/(loss)</b>	<b>58,690</b>	<b>40,790</b>	-	-	<b>99,480</b>
Sales and distribution costs	(31,717)	(34,859)	-	-	(66,576)
Administrative costs	(13,417)	(11,507)	-	-	(24,924)
Net write-downs of financial assets	(674)	(1,176)	-	-	(1,850)
Other revenues and income	5,141	3,436	-	-	8,577
Other operating costs	(3,464)	(1,986)	-	-	(5,450)
<b>Operating profit/(loss)</b>	<b>14,559</b>	<b>(5,302)</b>	-	-	<b>9,257</b>
Financial income	582	239	-	-	821
Financial expenses	(1,946)	(1,833)	-	-	(3,779)
Income (expenses) from investments	-	117	-	-	117
<b>Profit (loss) before taxes</b>	<b>13,195</b>	<b>(6,779)</b>	-	-	<b>6,416</b>
Income taxes	(2,884)	268	-	-	(2,616)
<b>Net profit/(loss)</b>	<b>10,311</b>	<b>(6,511)</b>	-	-	<b>3,800</b>
<i>- of which for the Group</i>	<i>10,311</i>	<i>(6,511)</i>	<i>3,414</i>	<i>(3,414)</i>	<i>3,800</i>
<i>- of which for minority interests</i>	-	-	<i>(3,414)</i>	<i>3,414</i>	-

Note 5 - Newlat Group Combined Consolidated Income Statement for the year ended 31 December 2019: this column includes the Newlat Group Combined Consolidated Income Statement for the year ended 31 December 2019, extracted from the Combined Consolidated Financial Statements 2019.

Cost of sales, sales and distribution costs, and administrative expenses include amortisation, depreciation and write-downs amounting to Euro 13,092 thousand.

In accordance with the provisions of CONSOB Communication no. DEM/1052803 of 5 July 2001 it should also be noted that the Newlat Group Combined Consolidated Income Statement as at 31 December 2019 for the year ended 31 December 2019 includes non-recurring expenses amounting to Euro 367 thousand.

Note 6 - CLI Reclassified Consolidated Income Statement for the year ended 31 December 2019: this column includes the CLI Consolidated Income Statement for the year ended 31 December 2019, extracted from the CLI Consolidated Financial Statements and reclassified to reflect Newlat Group's statement format.

Cost of sales, sales and distribution costs, and administrative expenses include amortisation, depreciation and write-downs amounting to Euro 10,589 thousand.

Note 7 - Acquisition Accounting: this column includes the effects of accounting for the Acquisition, as if it had taken place on 1 January 2019, and the resulting consolidation, in accordance with IFRS 10, of the same investment in the Combined Consolidated Financial Statements 2019.

In particular, this column represents the distribution of CLI Group's net loss between Newlat Group's share of Euro 3,097 thousand and the CLI Shareholders' share of Euro 3,414 thousand, determined on the basis of the percentage of share capital representing the CLI Major Holding.

In accordance with the provisions of CONSOB Communication no. DEM/1052803 of 5 July 2001, it should be noted that the goodwill, amounting to Euro 20,662 thousand, was not taken into account in the preparation of the Proforma Consolidated Income Statement for the year ended 31 December 2019 as it was a non-recurring income directly attributable to the Transaction. In this regard, it should be noted that paragraph 34 of IFRS 3 requires goodwill to be recognised in the buyer's consolidated income statement as at the date of acquisition.

Note 8 - Offer Accounting: this column includes the effects of accounting of the Offer as if it had taken place on 1 January 2019.

In particular, this column represents the reversal of CLI Group's net loss attributable to the CLI Shareholders, amounting to Euro 3,414 thousand, determined on the basis of the

percentage of share capital representing the CLI Major Holding referred to in note 7, according to the Subscription Level relating to the Offer.

In accordance with the relevant legislation, for the preparation of these Proforma Consolidated Statements 2019, no assumptions have been made about any synergies arising from the integration of Newlat Group with CLI, nor about the costs that will be incurred in relation to the integration.

The table below shows a sensitivity analysis of the expected total outlay of Newlat Food as well as the number of new ordinary shares that it would be required to issue as part of the Capital Increase due to changes in the levels of subscription to the Offer by CLI Shareholders and taking into account the Acquisition of the CLI Major Holding.

	Acquisition of the CLI Major Holding						
	+0%	+10%	+20%	+30%	+40%	+50%	+Subscription Level
Shares representing CLI share capital (%)	47.57%	57.57%	67.57%	77.57%	87.57%	97.57%	100.00%
Monetary outlay (thousands of Euro)	6,660	8,060	9,460	10,860	12,260	13,660	14,000
Issue of new ordinary shares (no.)	2,220,080	2,686,748	3,153,415	3,620,082	4,086,750	4,553,417	4,666,673

The following is a statement of Newlat Group's proforma net financial debt as at 31 December 2019, determined in accordance with CONSOB Communication of 28 July 2006 and in compliance with the Recommendations ESMA/2013/319.

<i>(in thousands of Euro)</i>	<b>Proforma as at 31 December 2019</b>
<b>Net financial debt</b>	
A. Cash	74,497
B. Cash equivalents	45,338
C. Securities held for trading	4
<b>D. Cash and cash equivalents (A)+(B)+(C)</b>	<b>119,839</b>
<b>E. Current financial receivables</b>	<b>-</b>
F. Current bank payables	(25,665)
G. Current portion of non-current debt	(29,114)
H. Other current financial debt	(10,138)
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>(64,917)</b>
<b>J. Net current financial debt (I)+ (E)+ (D)</b>	<b>54,922</b>
K. Non-current bank payables	(56,358)
L. Bonds issued	(11,872)
M. Other non-current financial debt	(15,364)
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>(83,594)</b>
<b>O. O. Net financial debt (J)+ (N)</b>	<b>(28,672)</b>

(\*) Proforma net financial debt 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 financial performance and financial position.

Finally, the proforma EBITDA and proforma Standardised EBITDA of Newlat Group for the year ended 31 December 2019 is reported below.

<i>(in thousands of Euro)</i>	<b>Proforma financial year ended 31 December 2019</b>
Operating profit/(loss)	9,257
Amortisation, depreciation and write-downs	23,681
Net write-downs of financial assets	1,850
<b>Proforma EBITDA (*)</b>	<b>34,788</b>
Non-recurring expense (income)	367
<b>Proforma Standardised EBITDA (*)</b>	<b>35,155</b>

(\*) Proforma EBITDA and proforma Standardised EBITDA 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.

**11. CORPORATE STRUCTURE OF NEWLAT FOOD AND NEWLAT GROUP FOLLOWING THE CAPITAL INCREASE AND EFFECTS ON ANY SHAREHOLDERS' AGREEMENTS**

The share structure of Newlat Food and the percentage dilution of the current shareholders as a result of the Capital Increase, without prejudice to the contribution of the CLI Shares subject to Purchase and Sale, depend in part on the outcome of the Offer, as the number of Newlat Food shares to be issued as part of the Capital Increase will also depend on the number of subscriptions to the Offer.

In the event of subscription to the Offer by all CLI shareholders, Newlat Food will issue a total of 2,446,593 shares to be allocated in exchange to the subscribers to the Offer, in addition to 2,220,080 shares to be assigned to Newlat Group as Consideration under the Purchase and Sale Agreement. In this case, the dilution of Newlat Food's current shareholders in the Offerer's share capital will be 10.27%.

As at the date of this Report, Newlat Group directly holds 24,842,293 Newlat Food ordinary shares, representing 60.92% of the share capital and 75.67% of Newlat Food's total voting rights. Angelo Mastrolia, born in Campagna (Salerno), on 5 December 1964, tax code MSTNGL64T05B492D, controls Newlat Food as he indirectly holds, through equity investments in Newlat Group, 60.92% of the share capital and 75.67% of the total voting rights of Newlat Food.

As at the date of this Report, the share capital of Newlat Group was wholly owned by Angelo Mastrolia.

As a result of the execution of the Capital Increase, Newlat Group's corporate structure will remain unchanged.

Based on the information available to the Company, as at the date of this Report, there are no shareholders' agreements pursuant to article 122 of the TUF relating to Newlat Food.

## 12. CHANGES TO SHARE CAPITAL

If the proposed Capital Increase referred to in this Report is approved, it will be necessary to amend article 6 of the Articles of Association of Newlat Food with the addition of a final paragraph with the following content:

<p style="text-align: center;"><b>Current text</b></p> <p style="text-align: center;"><b>Art. 6 – Share capital</b></p>	<p style="text-align: center;"><b>Proposed text</b></p> <p style="text-align: center;"><b>Art. 6 – Share capital</b></p>
<p><i>The share capital is Euro 40,780,482.00 (forty million seven hundred and eighty thousand four hundred and eighty-two/00), fully paid up, and is divided into 40,780,482 (forty million seven hundred and eighty thousand four hundred and eighty-two) shares, with no nominal value, all having equal rights, both administrative and equity, established by the law and these Articles of Association, except as provided for in paragraphs 9) et seq. in terms of increased voting.</i></p>	<p style="text-align: center;"><b>Unchanged</b></p>
<p><i>The Company Extraordinary Shareholders' Meeting on 8 July 2019 approved a paid share capital increase transaction, divisible and excluding the option right pursuant to art. 2441, fifth paragraph of the Italian Civil Code, for a maximum of Euro 200,000,000 (two hundred million) - including any premium - through the issue of no. 23,000,000 (twenty-three million) new ordinary shares with no nominal value, with normal dividend rights, reserved for the private placement of ordinary shares for Italian “qualified investors”, as defined by art. 34-ter of CONSOB Regulation no. 11971/1999, as well as for other foreign qualified/institutional investors excluding, among others, the United States of America (the “Offer”),</i></p>	<p style="text-align: center;"><b>Unchanged</b></p>

*and in favour of the management of the Company and the group to which it belongs (including the parent company) establishing that:*

*-- the Board of Directors, in accordance with the law, proceeds with the establishment of additional shares, the amount of which, if applicable, will be defined at a later stage, for the concession in favour of the Joint Global Coordinators (i.e. Equita SIM, HSBC and Société Générale) of a subscription option for shares in the Company at the offer price (so-called greenshoe), according to standard market practices (the “Greenshoe”);*

*-- the Board of Directors, in accordance with the law, determines - in line with practices for initial public offering transactions and with the forms required by current regulations - a maximum subscription price and a minimum non-binding price before the start of the Offer and, at the end of the Offer, the final share issue price (within the price range), without prejudice to the fact that the final subscription price must be identified by taking into account, among other things, (a) the results achieved by the Company and the group, (b) the development outlook for the current year and subsequent years, (c) the conditions of the national and international markets, (d) the valuation methodologies most commonly recognised by professional principles and practice on a national and international level, and (e) the quantity and quality of expressions of interest received from qualified investors in Italy and foreign institutional investors and anything else necessary for the successful completion of the transaction.*



<p><i>In any case, the issue price must not be lower than the value of the Company shareholders' equity divided by each share existing as at 31 December 2018;</i></p> <p><i>-- this capital increase must be implemented by the deadline of 31 December 2020 and, in any case, if earlier, by the final settlement date of the Offer or, where provided for and if necessary carried out with shares deriving from the capital increase, by the deadline for the exercise of the Greenshoe option, where if not fully implemented by that deadline, will remain within the limits of the collected subscriptions.</i></p>	
	<p><b>The extraordinary shareholders' meeting of 25 June 2020 resolved to increase the share capital, with payment, for a maximum amount, including any premium, of Euro 24,080,032, and more precisely by a maximum nominal amount of Euro 4,666,673 in addition to a maximum premium of Euro 19,413,359, through the issue of a maximum of 4,666,673 ordinary shares of the Company with no indication of nominal value, with normal dividend rights, and the same characteristics as ordinary shares already in circulation, with the exclusion of the option right pursuant to article 2441, paragraph 4, first sentence of the Italian Civil Code, to be paid by 31 December 2020, in one or more rounds and also in several tranches, through the contribution in kind (i) of 6,660,242</b></p>

	<p>ordinary shares of Centrale del Latte d'Italia S.p.A. by Newlat Group S.A.; and (ii) of the ordinary shares of Centrale del Latte d'Italia S.p.A. brought into line with the mandatory public purchase and exchange offer, announced by the Company on 1 April 2020, concerning all the shares of Centrale del Latte d'Italia S.p.A., after deducting the shares of Centrale del Latte d'Italia already held by the Company, on its terms.</p>
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\* \* \*

If you agree with the above, we therefore invite you to adopt the following resolutions:

*“The Extraordinary Shareholders’ Meeting of Newlat Food S.p.A.*

- *having reviewed the Report on Operations and the proposal therein;*
- *and having considered: (i) the fairness opinion on the issue price of newly issued Newlat Food S.p.A. shares, expressed, pursuant to article 2441, paragraph 6 of the Italian Civil Code and article 158 of Italian Legislative Decree no. 58 of 24 February 1998, by the auditing firm PriceWaterhouseCoopers S.p.A.; (ii) the report prepared by the independent expert Giacinto Sarubbi pursuant to art. 2440, paragraph 2 of the Italian Civil Code and 2343-ter of the Italian Civil Code; and (iii) the certification of the Board of Statutory Auditors that the share capital of Euro 40,780,482 is fully subscribed and paid up;*

**RESOLVES**

1. *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, and more precisely for a maximum nominal amount of Euro 4,666,673, in addition to a maximum premium of Euro 19,413,359;*
2. *to establish that the capital increase referred to in point 1 above is carried out by issuing a maximum of 4,666,673 Newlat Food S.p.A. ordinary shares with no indication of nominal value, with normal dividend rights, and the same characteristics as ordinary shares already in circulation, with the exclusion of*

*the option right pursuant to article 2441, paragraph 4, first sentence of the Italian Civil Code, at an issue price per share of Euro 5.16 (Euro 1 nominal capital and Euro 4.16 share premium), to be paid by 31 December 2020, in one or more rounds and also in several tranches by way of contribution in kind (i) of 6,660,242 ordinary shares of Centrale del Latte d'Italia S.p.A. by Newlat Group S.A.; and (ii) of ordinary shares of Centrale del Latte d'Italia S.p.A. brought into line with the mandatory public purchase and exchange offer, announced by the Company on 1 April 2020, concerning all the shares of Centrale del Latte d'Italia S.p.A., after deducting the shares of Centrale del Latte d'Italia already held by Company, under the terms and conditions provided by it;*

3. *to set 31 December 2020 as the deadline for executing the share capital increase - subject, where necessary, to the updating of the valuation made by the independent expert pursuant to art. 2343-ter, paragraph 2, letter b) of the Italian Civil Code, at a date no later than six months before the date of the contribution - and to establish that, pursuant to art. 2439, paragraph 2 of the Italian Civil Code, (i) the share capital shall be deemed to be increased from time to time in proportion to (a) the contribution of the ordinary shares of Centrale del Latte d'Italia S.p.A. by Newlat Group S.A. and (b) the amount of subscriptions collected as part of the aforementioned mandatory public purchase and exchange offer; and (ii) the capital increase, if not fully subscribed by 31 December 2020, shall be deemed to be limited to the amount resulting from the total subscriptions collected within the aforementioned period,*
4. *to accordingly amend art. 6 of the Articles of Association as illustrated in the table containing the proposed by-law amendments included in the directors' report and to approve, for this purpose, the new text of the Articles of Association that is attached to these minutes;*
5. *to grant the Board of Directors and, for it, the Chairman of the Board of Directors, with power of sub-delegation, all the necessary and appropriate powers, with no exclusions or exceptions, to execute the aforementioned resolutions, as well as to carry out all acts and negotiations necessary or appropriate for the completion of the formalities required by current legislation, including, but not limited to, the powers to:*
  - *prepare and submit any document required for the purpose of executing the capital increase, as well as to fulfil the formalities necessary to proceed with the admission to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A., STAR Segment, of newly issued shares, including the powers to provide for the preparation and submission to the competent Italian and foreign authorities of any necessary or appropriate request, application, document or prospectus for the purpose;*
  - *proceed with the obligations referred to in articles 2343-quater and 2440 of the Italian Civil Code;*
  - *manage relations with any competent Italian or foreign body and/or authority in order to obtain all the*

*necessary authorisations and approvals in relation to the successful outcome of the transaction, as well as the preparation, amendment, supplementing and/or signing and/or conclusion of any necessary contract, agreement, deed, statement or document for this purpose;*

- make any amendments and/or additions to the resolutions adopted that may be necessary and/or appropriate, also following a request from the competent authorities and/or when registering them with the Register of Companies and, in general, to carry out what is necessary for the complete execution of the resolutions, with any and all powers necessary or appropriate for this purpose.*

\* \* \*

Reggio Emilia, 26 May 2020

For the Board of Directors  
The Chairman  
(Angelo Mastrolia)