# FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

# 31 DECEMBER 2013

Cremonini S.p.A.
Via Modena, 53
41014 Castelvetro di Modena (Mo) Italia
Share Cap. Euro 67,073,931.60, fully paid
Modena Comp. Reg. no. 00162810360
Modena Economic Admin. Reg. no. 126967
Tax ref. & VAT no. 00162810360

# TABLE OF CONTENTS

Cremonini Group Organization……………………………………...………..………………… 2

Corporate bodies of Cremonini S.p.A.……………………………………………….……….. 3

Financial statements as at 31 December 2013 ……………………………………………... 4

- Directors' report
- Cremonini S.p.A. financial statements
- Notes to the Cremonini S.p.A. financial statements
- Consolidated financial statements
- Notes to the consolidated financial statements

# CREMONINI GROUP ORGANIZATION
## SCOPE OF CONSOLIDATION AS AT 31 DECEMBER 2013

**CREMONINI S.p.A.**

### PRODUCTION

#### Beef
- INALCA S.p.A. 100%
  - Soc.Agr.Corticella S.r.l. 100%
  - Frimo S.a.m. 75,3%
    - Prometex S.a.m. 98,67%
  - Ges.Car. S.r.l. 80%
  - Guardamiglio S.r.l. 100%
  - Inalca Algerie S.a r.l. 70%
  - Inter Inalca Angola Ltda. 99%
  - Inalca Kinshasa S.p.r.l. 55%
  - Inalca Brazzaville S. a r.l. 55%
  - Inalca Angola Ltda. 99,9%
  - Quinto Valore S.c. a r.l. 50%
  - Sara S.r.l. 100%
  - Kaskad L.l.c. 100%
    - Orenbeef L.l.c. 100%
    - Marr Russia L.l.c. 75%
  - Zaklady Miesne Sochocin Spolka L.l.c. 90%
  - Realbeef S.r.l. 51%
  - Fiorani & C. S.p.A. 49%
  - Tecno-Star Due S.r.l. 60%
  - In.Al.Ca. Mocambique L.t.d. 100%
  - Bell Carni S.r.l. 66,7%
  - Inalca Food & Beverage S.r.l. 67%
  - Dispal CI S.a.r.l. 99%

#### Cured meats and snack
- Italia Alimentari S.p.A. 100%
  - Salumi d'Emilia S.r.l. 100%
  - Montana Alimentari GMBH 100%

### DISTRIBUTION

#### Foodservice
- MARR S.p.A. 50,42%
  - Alisea S.c. a r.l. 55%
  - Marr Foodservice Iberica S.A.U. 100%
  - Sfera S.p.A. 100%
  - Alisurgel S.r.l.in liq. 100%
  - As. Ca. S.p.A. 100%
  - New Catering S.r.l. 100%
  - Baldini Adriatica Pesca S.r.l. 100%
  - Emigel S.r.l. 100%

### CATERING

#### Commercial
- Chef Express S.p.A. Commercial Division 100%
  - Roadhouse Grill Italia S.r.l. 100%
    - Roadhouse Grill Roma S.r.l. 55%
  - Time Vending S.r.l. 50%
  - Gabf Holdings Ltd. 100%

#### On board
- Chef Express S.p.A. Railway Division 100%
  - Cremonini Restauration S.a.s. 86%
  - Avirail Italia S.r.l. 51%
  - Railrest S.A. 51%
  - Cremonini Rail Iberica S.A. 100%
  - Chef Express UK Ltd. 100%
    - Lounge Services S.a.s. 51%
    - Momentum Services Ltd. 51%
  - Rail Express Services BV 100%
  - Global Service Logistics S.r.l in liq. 100%

### CENTRALIZED ACTIVITIES
- Global Service S.r.l. 100%
- Interjet S.r.l. 100%

# CORPORATE BODIES OF CREMONINI S.p.A.

## Board of Directors

| | | |
|---|---|---|
| **Chairman** | Luigi | Cremonini |
| **Vice Chairman** | Paolo | Sciumè [1] |
| **Chief Executive Officer** | Vincenzo | Cremonini |
| **Directors** | | |
| | Illias | Aratri [2] |
| | Paolo | Boni |
| | Valentino | Fabbian |
| | Giorgio | Pedrazzi |

## Board of Statutory Auditors

| | | |
|---|---|---|
| **Chairman** | Eugenio | Orienti |
| **Statutory Auditors** | Albino | Motter |
| | Paola | Simonelli |
| **Alternates** | Patrizia | Lotti |
| | Deborah | Righetti |

**Independent Auditors** Reconta Ernst & Young S.p.A.

[1] Replaced by Illias Aratri with effect from 28 April 2014

[2] Replaced by Serafino Cremonini with effect from 28 April 2014

# DIRECTORS' REPORT

## Introduction

The financial statements as at 31 December 2013, pursuant to Legislative Decree No. 38 of 28 February 2005, have been prepared in accordance with the criteria for evaluation and measurement established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedures in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002.

## Group Performance and Analysis of the Results for the 2013 financial year

The Cremonini Group recorded revenues of 3,496.7 million Euro in the 2013 financial year, compared to 3,425.1 in 2012, an increase of 71.6 million Euro (+2.1%). The gross operating margin amounted to 258.0 million Euro compared to 241.1 in 2012, an increase of 16.9 million Euro (+7.0%), and the operating result was 166.8 million Euro compared to 148.6 in 2012, up by 18.2 million Euro (+1222%).

The result from normal operation was 114.7 million Euro, an increase of 18.9 million Euro compared to 95.8 million Euro in 2012 (19.7%).

The pre-tax profit was also up from 97.1 million Euro in 2012 to 114.2 million Euro in 2013 (+17.6 million).

Lastly, the net profit of 32.7 million Euro was slightly down compared to 33.6 million Euro in 2012 due to the increase in taxation of about 14.9 million, prevalently attributable to the production sector. Specifically the combined effect of taxation of the dividends and the termination of income tax exemption in Angola had an impact of about 10 million Euro.

Below is a summary of the consolidated figures for the financial year ended at 31 December 2013, compared with the previous financial year and with the Consolidated pro-forma Income Statement. For a more complete analysis of the Group's results, details have been set out below which are broken down by sector of activity.

With regard to the figures for the 2012 financial year it is noted that some amendments to the IAS 19 standard "Employee Benefits", which came into effect for the financial years commencing from 1 January 2012, resulted in the restatement of the 2012 values to the items "Provision for post-employment benefits" and "Provision for deferred taxes" with the relative effects on Shareholders' Equity and Profit for the year. The application of this change resulted in a lower Consolidated Shareholders' Equity of 2.4 million Euro as at 31 December 2012 and the Consolidated Net Profit for 2012 was 125 thousand Euro higher.

## Consolidated Income Statement

| *(in thousands of Euros)* | **Year 2013** | Year 2012 | Change % |
|---|---|---|---|
| **Total revenues** | **3,496,671** | **3,425,144** | **2.09** |
| Changes in inventories of work in progress, semi-finished and | (3,917) | 43,474 | |
| **Value of production** | **3,492,754** | **3,468,618** | **0.70** |
| Cost of production | (2,833,831) | (2,810,260) | |
| **Value added** | **658,923** | **658,358** | **0.09** |
| Personnel costs | (400,882) | (417,279) | |
| **Gross operating margin** [a] | **258,041** | **241,079** | **7.04** |
| Amortization, depreciation and write-downs | (91,271) | (92,471) | |
| **Operating income** [b] | **166,770** | **148,608** | **12.22** |
| Net financial income (charges) | (52,068) | (52,822) | |
| **Profit from ordinary activities** | **114,702** | **95,786** | **19.75** |
| Net income (charges) from investments | 1,346 | 1,296 | |
| Net extraordinary financial income (charges) | (1,856) | - | |
| **Result before taxes** | **114,192** | **97,082** | **17.62** |
| Income taxes for the financial year | (52,690) | (37,768) | |
| **Result before minority interests** | **61,502** | **59,314** | **3.69** |
| (Profit) Loss attributable to minority interests | (28,819) | (25,768) | |
| **Net profit attributable to the Group** | **32,683** | **33,546** | **(2.57)** |

## Consolidated Income Statement Pro-Forma

| *(in thousands of Euros)* | **Year 2013** | Year 2012* | Change % |
|---|---|---|---|
| **Total revenues** | **3,496,671** | **3,425,144** | **2.09** |
| Changes in inventories of work in progress, semi-finished and | (3,917) | 43,474 | |
| **Value of production** | **3,492,754** | **3,468,618** | **0.70** |
| Cost of production | (2,833,831) | (2,810,260) | |
| **Value added** | **658,923** | **658,358** | **0.09** |
| Personnel costs | (400,882) | (417,279) | |
| **Gross operating margin** [a] | **258,041** | **241,079** | **7.04** |
| Amortization, depreciation and write-downs | (91,271) | (92,471) | |
| **Operating income** [b] | **166,770** | **148,608** | **12.22** |
| Net financial income (charges) | (52,068) | (52,640) | |
| **Profit from ordinary activities** | **114,702** | **95,968** | **19.52** |
| Net income (charges) from investments | 1,346 | 1,296 | |
| Net extraordinary financial income (charges) | (1,856) | - | |
| **Result before taxes** | **114,192** | **97,264** | **17.40** |
| Income taxes for the financial year | (52,690) | (37,818) | |
| **Result before minority interests** | **61,502** | **59,446** | **3.46** |
| (Profit) Loss attributable to minority interests | (28,819) | (25,775) | |
| **Net profit attributable to the Group** | **32,683** | **33,671** | **(2.93)** |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement of the items "Net financial income (charges)" and "Income taxes for the year" relative to the year 2012.

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a – Ebitda (Gross operating margin) is an economic indicator not defined in the International Accounting Principles and the IFRS. Ebitda is the measurement used by the company's management to monitor and evaluate its operations. The managements retains that Editda is an important indicator for measuring the Group's performance as it is not affected by the volatile nature of the effects of the various criteria of calculating taxable income, the amount and characteristics of the invested capital as well as the relative depreciation criteria. At present, subject to a later in depth study regarding the evolution of the IFRS accounting practices, Ebitda is defined by Cremonini Group as the Profit/Loss gross of the depreciation and amortization, respectively, of tangible and intangible assets, allocations and write-downs, financial expenses and income and income taxes.

b – The operating profit (Ebit) is defined by the Cremonini Group as the Profit/Loss for the year gross of financial charges and income, non-recurring items and income taxes.

## Consolidated Balance Sheet

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 | Change % |
|---|---|---|---|
| Intangible assets | 161,813 | 167,024 | |
| Tangible assets | 790,013 | 812,552 | |
| Equity investments and other financial assets | 23,213 | 22,027 | |
| **Total fixed assets** | **975,039** | **1,001,603** | **(2.65)** |
| *Trade net working capital* | | | |
| *- Trade receivables* | 538,796 | 537,816 | |
| *- Inventories* | 361,798 | 352,284 | |
| *- Trade payables* | (482,520) | (501,011) | |
| Total trade net working capital | 418,074 | 389,089 | |
| Other current assets | 97,411 | 100,722 | |
| Other current liabilities | (91,226) | (103,488) | |
| **Net working capital** | **424,259** | **386,323** | **9.82** |
| **Staff Severance Indemnity Provision and other medium/long-term provisions** | **(115,903)** | **(113,996)** | |
| **Net invested capital** | **1,283,395** | **1,273,930** | **0.74** |
| Shareholders' Equity attributable to the Group | 314,709 | 262,552 | |
| Shareholders' Equity attributable to minority interests | 118,963 | 97,770 | |
| **Total Shareholders' Equity** | **433,672** | **360,322** | **20.36** |
| Net medium/long-term debt | 525,541 | 492,443 | |
| Net short-term debt | 324,182 | 421,165 | |
| **Net debt** | **849,723** | **913,608** | **(6.99)** |
| **Net equity and net debt** | **1,283,395** | **1,273,930** | **0.74** |

## Consolidated Balance Sheet pro-forma

| (in thousands of Euros) | **31.12.2013** | 31.12.2012* | Change % |
|---|---|---|---|
| Intangible assets | 161,813 | 167,024 | |
| Tangible assets | 790,013 | 812,552 | |
| Equity investments and other financial assets | 23,213 | 22,027 | |
| **Total fixed assets** | **975,039** | **1,001,603** | **(2.65)** |
| *Trade net working capital* | | | |
| *- Trade receivables* | 538,796 | 537,816 | |
| *- Inventories* | 361,798 | 352,284 | |
| *- Trade payables* | (482,520) | (501,011) | |
| Total trade net working capital | 418,074 | 389,089 | |
| Other current assets | 97,411 | 100,722 | |
| Other current liabilities | (91,226) | (103,488) | |
| **Net working capital** | **424,259** | **386,323** | **9.82** |
| **Staff Severance Indemnity Provision and other medium/long-term provisions** | **(115,903)** | **(116,361)** | |
| **Net invested capital** | **1,283,395** | **1,271,565** | **0.93** |
| Shareholders' Equity attributable to the Group | 314,709 | 260,456 | |
| Shareholders' Equity attributable to minority interests | 118,963 | 97,501 | |
| **Total Shareholders' Equity** | **433,672** | **357,957** | **21.15** |
| Net medium/long-term debt | 525,541 | 492,443 | |
| Net short-term debt | 324,182 | 421,165 | |
| **Net debt** | **849,723** | **913,608** | **(6.99)** |
| **Net equity and net debt** | **1,283,395** | **1,271,565** | **0.93** |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement as at 31.12.2012 of the items "Provision for post-employment benefits", "Provision for deferred taxes" and "Shareholders' Equity".

## Net Consolidated Debt [c]

| (in thousands of Euros) | **31.12.2013** | 30.09.2013 | 30.06.2013 | 31.12.2012 |
|---|---|---|---|---|
| Payables to banks, bonds and other financial institutions | | | | |
| - due within 12 months | (435,548) | (461,565) | (495,601) | (570,555) |
| - due between 1 and 5 years | (455,654) | (451,490) | (465,845) | (460,234) |
| - due beyond 5 years | (69,887) | (63,238) | (30,194) | (32,209) |
| **Total payables to banks, bonds and other financial institutions** | **(961,089)** | **(976,293)** | **(991,640)** | **(1,062,998)** |
| Liquidity | | | | |
| - cash and cash equivalents | 98,591 | 117,045 | 124,063 | 135,099 |
| - other financial assets | 12,775 | 13,687 | 14,380 | 14,291 |
| **Total liquidity** | **111,366** | **130,732** | **138,443** | **149,390** |
| **Total net debt** | **(849,723)** | **(845,561)** | **(853,197)** | **(913,608)** |

The Group's net debt as at 31 December 2013 amounted to 849.7 million Euro, down by 63.9 million Euro compared to 913.6 million Euro as at 31 December 2012. 46.2 million Euro of this improvement derived from the liquidity obtained following the accelerated book building (A.B.B.) transaction on 5,500,000 MARR shares and from operational cash generation that more than compensated the investments made of 55.8 million Euro and the dividend distribution of 25.3 million.

Despite the enduring economic/financial crisis that has made the re-financing of the maturing medium to long-term loans more difficult, the Group has already taken action to gradually reposition the debt maturing within 12 months medium to long-term, both through recourse to the usual bank loan transactions and evaluation of capital market transactions. In any case it is noted that, as in the past as well, a significant portion of the debt payable within 12 months concerns loans for 18 months less one day, which in most cases are repaid at the due date and subsequently renewed. The Directors do not consider that the Group will encounter difficulties in this normal practice of refinancing its debt, even in the current difficult credit market context,

c – The Net Debt, utilized as a financial indicator of the indebtedness, is shown as a summary of the following positive and negative components of the Statement of Assets and Liabilities pursuant to CONSOB communication no. 6064293 of 28 July 2006. Positive components: cash and cash equivalents; current securities due for sale; short-term financial receivables; derivative instruments. Negative components: due to banks; due to other financiers, leasing and factoring companies; derivative instruments and bonds.

## Financial results by sector of activity

The Group operates within the food sector, with the position of market leader in three macro business areas:

- production;
- distribution;
- catering.

The Parent Company, both directly and indirectly through its subsidiaries, provides support to the operational sectors, mainly services in the financial, corporate and fiscal, human resource and IT system sectors.

Breakdown of revenues by sector

| (thousands Euro) | **Year 2013** | Year 2012 | Change total value | Change % |
|---|---|---|---|---|
| **Production** | | | | |
| *Net revenues* | 1,499,488 | 1,496,851 | 2,637 | 0.18 |
| *Intercompany revenues* | 59,335 | 49,935 | | |
| Total revenues | 1,558,823 | 1,546,786 | 12,037 | 0.78 |
| Gross operating margin | 124,911 | 115,648 | 9,263 | 8.01 |
| Amortization, depreciation and write-downs | (47,917) | (48,498) | 581 | (1.20) |
| Operating profit (loss) | 76,994 | 67,150 | 9,844 | 14.66 |
| **Distribution** | | | | |
| *Net revenues* | 1,349,252 | 1,248,478 | 100,774 | 8.07 |
| *Intercompany revenues* | 15,493 | 11,490 | | |
| Total revenues | 1,364,745 | 1,259,968 | 104,777 | 8.32 |
| Gross operating margin | 94,942 | 90,205 | 4,737 | 5.25 |
| Amortization, depreciation and write-downs | (14,543) | (13,203) | (1,340) | 10.15 |
| Operating profit (loss) | 80,399 | 77,002 | 3,397 | 4.41 |
| **Catering** | | | | |
| *Net revenues* | 642,565 | 677,157 | (34,592) | (5.11) |
| *Intercompany revenues* | 267 | 275 | | |
| Total revenues | 642,832 | 677,432 | (34,600) | (5.11) |
| Gross operating margin | 40,947 | 37,940 | 3,007 | 7.93 |
| Amortization, depreciation and write-downs | (25,556) | (27,169) | 1,613 | (5.94) |
| Operating profit (loss) | 15,391 | 10,771 | 4,620 | 42.89 |
| **Holding company property and centralized activities** | | | | |
| *Net revenues* | 5,366 | 2,658 | 2,708 | 101.88 |
| *Intercompany revenues* | 7,052 | 8,264 | | |
| Total revenues | 12,418 | 10,922 | 1,496 | 13.70 |
| Gross operating margin | (2,759) | (2,714) | (45) | 1.66 |
| Amortization, depreciation and write-downs | (3,255) | (3,601) | 346 | (9.61) |
| Operating profit (loss) | (6,014) | (6,315) | 301 | (4.77) |
| ***Consolidation adjustment*** | | | | |
| *Total revenues* | *(82,147)* | *(69,964)* | | |
| *Gross operating margin* | | | | |
| *Amortization, depreciation and write-downs* | | | | |
| *Operating profit (loss)* | | | | |
| **Total** | | | | |
| Total revenues | 3,496,671 | 3,425,144 | 71,527 | 2.09 |
| Gross operating margin | 258,041 | 241,079 | 16,962 | 7.04 |
| Amortization, depreciation and write-downs | (91,271) | (92,471) | 1,200 | (1.30) |
| Operating profit (loss) | 166,770 | 148,608 | 18,162 | 12.22 |

The Group's total revenues, if compared with the same period of 2012, are up by 71.5 million Euro. In detail, production was up by the 12.0 million Euro and distribution increased by 104.8 million, while catering revenues fell by 34.6 million.
The consolidated gross operating margin was up by 17.0 million Euro: Production rose by 9.3 million, distribution was up by 4.7 million Euro and catering improved by 3.0 million.

Lastly, the consolidated operating result was up by 18.2 million Euro, with production achieving an improvement of 9.8 million, distribution growth of 3.4 million, and catering a 4.6 million Euro improvement.

## Breakdown of revenues from sales and services by geographic area

| **Year 2013 - (thousands Euro)** | Production | % | Distribution | % | Catering | % | Other | % | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 699,306 | 47.1 | 1,246,437 | 94.7 | 319,764 | 50.1 | 2,018 | 100.0 | 2,267,525 | 65.9 |
| European Union | 249,878 | 16.8 | 49,649 | 3.8 | 317,994 | 49.9 | | - | 617,521 | 18.0 |
| Extra-EU countries | 534,277 | 36.0 | 20,484 | 1.6 | 9 | 0.0 | | - | 554,770 | 16.1 |
| Total | 1,483,461 | 100.0 | 1,316,570 | 100.0 | 637,767 | 100.0 | 2,018 | 100.0 | 3,439,816 | 100.0 |

| Year 2012 - (thousands Euro) | Production | % | Distribution | % | Catering | % | Other | % | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 702,358 | 47.5 | 1,124,006 | 92.3 | 311,925 | 47.6 | 2,672 | 98.7 | 2,140,961 | 63.7 |
| European Union | 250,838 | 17.0 | 60,505 | 5.0 | 352,170 | 53.0 | 35 | 1.7 | 663,548 | 19.7 |
| Extra-EU countries | 525,712 | 35.5 | 32,987 | 2.7 | 9 | 0.0 | | - | 558,708 | 16.6 |
| Total | 1,478,908 | 100.0 | 1,217,498 | 100.0 | 664,104 | 100.0 | 2,707 | 100.0 | 3,363,217 | 100.0 |

## Consolidated Balance Sheet structure by business sector

| **As at 31 December 2013** ( thousands Euro) | Production | Distribution | Catering | Holding and centralized | Intercompany revenues | Total |
|---|---|---|---|---|---|---|
| Intangible assets | 14,868 | 91,699 | 55,128 | 118 | | 161,813 |
| Tangible assets | 515,319 | 57,046 | 136,016 | 81,632 | | 790,013 |
| Equity investments and other financial assets | 5,149 | 549 | 1,709 | 15,806 | | 23,213 |
| **Total fixed assets** | **535,336** | **149,294** | **192,853** | **97,556** | **0** | **975,039** |
| *Trade net working capital* | | | | | | |
| *- Trade receivables* | 122,591 | 390,732 | 37,692 | 3,110 | (15,329) | 538,796 |
| *- Inventories* | 252,408 | 100,634 | 8,560 | 1 | 195 | 361,798 |
| *- Trade payables* | (174,048) | (233,906) | (85,445) | (4,116) | 14,995 | (482,520) |
| Total trade and net working capital | 200,951 | 257,460 | (39,193) | (1,005) | (139) | 418,074 |
| Other current assets | 25,282 | 52,927 | 15,897 | 9,593 | (6,288) | 97,411 |
| Other current liabilities | (32,366) | (13,535) | (44,457) | (7,295) | 6,427 | (91,226) |
| **Net working capital** | **193,867** | **296,852** | **(67,753)** | **1,293** | **0** | **424,259** |
| **Staff Severance Indemnity Provision and other m/l-term provisions** | **(74,533)** | **(23,176)** | **(8,979)** | **(9,215)** | **0** | **(115,903)** |
| **Net invested capital** | **654,670** | **422,970** | **116,121** | **89,634** | **0** | **1,283,395** |

| As at 31 December 2012* ( thousands Euro) | Production | Distribution | Catering | Holding and centralized | Intercompany revenues | Total |
|---|---|---|---|---|---|---|
| Intangible assets | 15,898 | 91,769 | 58,749 | 608 | | 167,024 |
| Tangible assets | 538,886 | 52,592 | 135,374 | 85,700 | | 812,552 |
| Equity investments and other financial assets | 5,188 | 527 | 1,739 | 14,573 | | 22,027 |
| **Total fixed assets** | **559,972** | **144,888** | **195,862** | **100,881** | **0** | **1,001,603** |
| Trade net working capital | | | | | | |
| *- Trade receivables* | 135,713 | 372,235 | 39,500 | 4,754 | (14,386) | 537,816 |
| *- Inventories* | 239,127 | 98,677 | 14,249 | 5 | 226 | 352,284 |
| *- Trade payables* | (176,192) | (236,748) | (98,385) | (3,613) | 13,927 | (501,011) |
| Total trade and net working capital | 198,648 | 234,164 | (44,636) | 1,146 | (233) | 389,089 |
| Other current assets | 31,958 | 45,550 | 17,450 | 12,421 | (6,657) | 100,722 |
| Other current liabilities | (30,876) | (12,275) | (58,439) | (8,787) | 6,889 | (103,488) |
| **Net working capital** | **199,730** | **267,439** | **(85,625)** | **4,780** | **(1)** | **386,323** |
| **Staff Severance Indemnity Provision and other m/l-term provisions** | **(74,186)** | **(25,357)** | **(9,594)** | **(7,224)** | **0** | **(116,361)** |
| **Net invested capital** | **685,516** | **386,970** | **100,643** | **98,437** | **(1)** | **1,271,565** |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement as at 31.12.2012 of the items "Provision for post-employment benefits", "Provision for deferred taxes" and "Shareholders' Equity".

## Net consolidated debt broken down by sector

| As at 31 December 2013 (thousands Euro) | Production | Distribution | Catering | Holding and centralized | Total |
|---|---|---|---|---|---|
| Payables to banks, bonds and other financial institutions | | | | | |
| - due within 12 months | (198,986) | (67,705) | (88,499) | (80,358) | (435,548) |
| - due between 1 and 5 years | (234,861) | (130,222) | (24,508) | (66,063) | (455,654) |
| - due beyond 5 years | (10,132) | (34,368) | (25,353) | (34) | (69,887) |
| **Total payables to banks, bonds and other financial institutions** | **(443,979)** | **(232,295)** | **(138,360)** | **(146,455)** | **(961,089)** |
| Liquidity | | | | | |
| - cash and cash equivalents | 43,291 | 32,825 | 22,158 | 317 | 98,591 |
| - other financial assets | 3,449 | 2,706 | 4,347 | 2,273 | 12,775 |
| **Total liquidity** | **46,740** | **35,531** | **26,505** | **2,590** | **111,366** |
| **Securitization and internal treasury current accounts** | **8,194** | **2,634** | **40,811** | **(51,639)** | **0** |
| **Total net debt** | **(389,045)** | **(194,130)** | **(71,044)** | **(195,504)** | **(849,723)** |

| As at 31 December 2012 (thousands Euro) | Production | Distribution | Catering | Holding and centralized | Total |
|---|---|---|---|---|---|
| Payables to banks, bonds and other financial institutions | | | | | |
| - due within 12 months | (194,923) | (179,981) | (108,292) | (87,359) | (570,555) |
| - due between 1 and 5 years | (297,399) | (49,940) | (10,918) | (101,977) | (460,234) |
| - due beyond 5 years | (2,557) | (3,529) | (25,946) | (177) | (32,209) |
| **Total payables to banks, bonds and other financial institutions** | **(494,879)** | **(233,450)** | **(145,156)** | **(189,513)** | **(1,062,998)** |
| Liquidity | | | | | |
| - cash and cash equivalents | 56,923 | 52,595 | 25,446 | 135 | 135,099 |
| - other financial assets | 3,067 | 2,354 | 5,009 | 3,861 | 14,291 |
| **Total liquidity** | **59,990** | **54,949** | **30,455** | **3,996** | **149,390** |
| **Securitization and internal treasury current accounts** | **12,192** | **13,268** | **49,693** | **(75,153)** | **0** |
| **Total net debt** | **(422,697)** | **(165,233)** | **(65,008)** | **(260,670)** | **(913,608)** |

# The operating sectors of the Group

## Production

This sector includes the following areas of business and companies within the scope of consolidation:

**Company** | **Business carried out**

**a) Beef and meat - based products**

| Company | Business carried out |
|---|---|
| INALCA S.p.A.<br>Via Spilamberto n. 30/C - Castelvetro di Modena (MO) | Slaughtering, processing and marketing of beef-based products. |
| GES.CAR. S.r.l.<br>Via Spilamberto n. 30/C - Castelvetro di Modena (MO) | Service provision connected to beef processing and treatment at the INALCA plant in Ospedaletto Lodigiano. |
| GUARDAMIGLIO S.r.l.<br>Via Coppalati n. 52 - Piacenza | Retail outlet management (butcher's and charcuterie shops). |
| SOC. AGR. CORTICELLA S.r.l.<br>Via Corticella n. 15 – Spilamberto (MO) | Breeding cattle, both directly and by means of agistment contracts. |
| FRIMO S.a.m.<br>1, Rue du Gabian "Le Thales"- Principality of Monaco | Food marketing. |
| QUINTO VALORE S.c.a r.l.<br>Via Due Canali n.13- Reggio Emilia | Sale of beef. Slaughtering by-products (leathers). |
| SARA S.r.l.<br>Via Spilamberto n. 30/C - Castelvetro di Modena (MO) | Recovery and processing of agricultural and livestock waste. |
| INALCA ANGOLA Ltda.<br>Rua Deolinda Rodrigues n. 563 - Luanda - Angola | Food marketing. |
| INALCA ALGERIE S.ar.l.<br>08, Rue Cherif Hamani - Algiers – Algeria | Food marketing. |
| INTER INALCA ANGOLA Ltda.<br>Rua Major Kayangulo n. 504 - Luanda - Angola | Food marketing. |
| INALCA KINSHASA S.p.r.l.<br>Kinshasa 11eme - Rue Limete Industriel n. 112, Limete (Kinshasa) - Democratic Republic of Congo | Food marketing. |
| KASKAD OOO L.l.c.<br>Via Vostochnaya n. 5, Odinzovo (Moscow) - Russia | Real estate services. |
| MARR RUSSIA L.l.c.<br>Via Vostochnaya n. 5, Odinzovo (Moscow) - Russia | Food marketing. |
| INALCA BRAZZAVILLE S.a r.l.<br>64, Avenue de France Poto-Poto (Brazzaville)<br>Republic of Congo | Food marketing. |
| ZAKLADY MIESNE SOCH. S.p.z.o.o. L.l.c.<br>Al. Jana Pawła II n. 80, Warsaw – Poland | Dormant. |
| TECNO-STAR DUE S.r.l.<br>Via Modena n. 53 – Castelvetro di Modena (MO) | Design of buildings and plants, management of maintenance and restructuring activities. |
| REALBEEF S.r.l.<br>Contrada Tierzi – Flumeri (AV) | Slaughtering, processing and marketing of beef-based products. |
| FIORANI & C S.p.A.<br>Via Coppalati n.52 Piacenza | Processing and marketing of beef-based products. |
| INDUSTRIA ALIMENTAR CARNES DE MOCAMBIQUE L.t.d. – Avenida de Mocambique Km 9.5 Barrio Zimpeto Distretto 5- Maputo - Mozambique | Food marketing. |
| BELL CARNI S.r.l.<br>Via Eridania n. 58 – Stienta (Rovigo) | Slaughtering, processing and marketing of beef-based products. |
| PROMETEX S.A.M.<br>I, Rue de Gabian "Le Thales" Principality of Monaco | International marketing and brokerage of food products, in general meat. |
| ORENBEEF LLC<br>Via Pionerskaya 2 – Orenburg - Russia | Company owning the Orenburg area and factory for construction of a new slaughterhouse. |
| INALCA FOOD AND BEVERAGE S.r.l.<br>Via Spilamberto n. 30/C - Castelvetro di Modena (MO) | This start-up company markets and distributes food products and drinks. |

| | |
|---|---|
| DISPAL CI S.a.r.l.<br>04 BP Abidjan 04 – Plateau Boulevard Carde – Ivory Coast | A company operating in the Ivory Coast and marketing food products in general. |

**b) Cured meat and snacks**

| | |
|---|---|
| ITALIA ALIMENTARI S.p.A.<br>Via Europa n. 14, Busseto (PR) | Production and marketing of food products (cured meats and delicatessen). |
| SALUMI D'EMILIA S.r.l.<br>Via Modena n. 53 - Castelvetro di Modena (MO) | Production and marketing of cured meats. |
| MONTANA ALIMENTARI GMBH.<br>KirschsStrasse 20- Munchen –Germany | Marketing of food products (cured meats and delicatessen). |

| **Breakdown of revenues by activity**<br>(in thousands of Euros) | **Year 2013** | Year 2012 | *Chg. %* |
|---|---|---|---|
| Beef and meat-based products | 1,430,411 | 1,412,811 | *1.25* |
| *- intercompany revenues* | (9,522) | (8,528) | |
| **Net total** | **1,420,889** | **1,404,283** | |
| Cured meats and gastronomy/snack food | 140,034 | 144,977 | *(3.41)* |
| *- intercompany revenues* | (2,100) | (2,474) | |
| **Net total** | **137,934** | **142,503** | |
| **Total Production** | **1,558,823** | **1,546,786** | ***0.78*** |

The production sector revenues were 1,558.8 million Euro, up compared to 1,546.8 in 2012. The gross operating margin increased from 115.6 million Euro to 124.9 million, up by 9.3 million Euro and the operating result increased from 67.1 to 77.0 million Euro up by 9.9 million.

The beef business

The beef segment registered improved results compared to the final 2012 figures.
Investments made in the last few years and above all the development of the foreign businesses in Russia Angola and Congo in particular, permitted the achievement of a good performance in line with the set growth objectives, despite the unfavourable exchange rates trend (particularly the Rouble).

The slight fall in the quantities of meat on the bone sold in the domestic market was compensated by sales of the products with higher value-added, among which were hamburgers.

Furthermore, a positive contribution to the segment's results derived from the sales of canned meat, supported by a major advertising campaign on the Montana brand.

Noted amongst the significant events that occurred during the year are:

- agreements were concluded in the months of July and August for expansion of the businesses in Russia through Marr Russia (opening of a branch in Novosibirsk in September, the start-up of the marketing/logistics activities with Ikea) and the agreements drawn up for opening branches in the Arab Emirates;
- the financial cover of about 17 million Euro was signed with the Russian Sberbank directed at the construction of a cattle slaughterhouse in Orenburg, the start-up of which is anticipated by the first quarter of 2014.

The investments of greater significance made during 2013 were the following:

- expansion and improvement of the plants at the Castelvetro and Ospedaletto Lodigiano factories;
- completion of the fast sliced meats line at the Gazoldo degli Ippoliti factory;
- expansion of the canned meat packaging line at the Rieti factory;
- continuation of construction of the slaughtering plant in Orenburg (Russia);
- connection to the gas network and preparation of the meat thawing area in Odinzovo (Russia)
- construction of a dehydrated goods storage warehouse in Angola;

- construction of the hot dog production line in Kinshasa;
- expansion of the Realbeef (Avellino) factory with the construction of a logistical platform and purification plant.

Cured meats and snacks sector

The Community market for pork was influenced throughout 2013 by the stagnant economic trend, the high unemployment rate and an increase in fiscal pressure caused by the recent public finances budget, which factors have provoked a general fall in consumption propensity.

The increase in pork commodities that particularly characterised the second half of 2013 negatively impacted the margins of the segment, which operates in a market where demand continues to remain weak.

In this scenario, the Group limited the reduction in revenues and marginality by tightening new commercial agreements, seeking to contain the effects of the price markdown by competitors as far as possible and expanding its territorial coverage.

The specific dynamics of the cured meats market were unchanged, confirming trends already seen for some years in the success of "private labels" and pre-sliced products front, to the detriment of commercial brands and "cuts".

With regard to the snack division, the slowdown in sales that has been registered for some years was reconfirmed.

The investments made in the quarter were aimed at improving productivity.

## Distribution

This sector includes the following companies within the scope of consolidation:

**Foodservice (distribution to catering)**

| Company | Business carried out |
|---|---|
| MARR S.p.A.<br>Via Spagna n. 20 - Rimini | Marketing and distribution of fresh, dried and frozen food products for foodservice operators. |
| ALISURGEL S.r.l. in liq.<br>Via dell'Acero n.1/A, Santarcangelo di Romagna (RN) | Non-operating company, now being liquidated. |
| MARR FOODSERVICE IBERICA S.A.U.<br>Calle Goya n. 99, Madrid – Spagna | Non-operating company. |
| ALISEA S.c.ar.l.<br>Via Imprunetana n. 231/b, Tavarnuzze (FI) | Hospital catering. |
| SFERA S.p.A.<br>Via dell'Acero n.1/A, Santarcangelo di Romagna (RN) | Marketing and distribution of fresh, dried and frozen food products for foodservice operators, through the "Lelli" business division. |
| AS.CA. S.p.A.<br>Via dell'Acero n.1/A, Santarcangelo di Romagna (RN) | Marketing and distribution of fresh, dried and frozen food products for foodservice operators. |
| NEW CATERING S.r.l.<br>Via dell'Acero n.1/A, Santarcangelo di Romagna (RN) | Distribution of foodstuff products to bars and fast-food outlets. |
| BALDINI ADRIATICA PESCA S.r.l.<br>Via dell'Acero n.1/A, Santarcangelo di Romagna (RN) | Commercialisation and distribution of fresh and frozen seafood products. |
| EMI.GEL S.r.l.<br>Via dell'Acero n.1/A, Santarcangelo di Romagna (RN) | Distribution of foodstuff products to bars and fast-food outlets. |

The distribution sector showed revenues growth in the 2013 financial year from 1,260.0 million Euro to 1,364.7 million, an increase of 104.8 million Euro (+8.3%). The operating margin rose from 90.2 to 94.9 million Euro, an increase of 4.7 million Euro (+5.3%). Lastly, the operating result amounted to 80.4 million Euro compared to 77.0 in 2012, an increase of 3.4 million Euro (+4.4%).

The organic growth (+4.3%) in "Catering" customers was achieved in a market environment that, according to the Italian General Confederation of Commerce, Tourism and Services Research Department statistics (March 2014) for the "Hotels, meals and eating out" expense item, showed a contraction of the value of Italian household consumption of 2.6%. However, it should be observed that in the second half of 2013 this reduction was assessed at 1.5%.

The operational solidity of the MARR Group, the flexibility of its business model and capacity to adapt its offer and improve service was accordingly reconfirmed, reinforcing its leadership in the Italian market of marketing and distribution of fresh, dried and deep-frozen food products destined for eating-out caterers and thus the Foodservice sector.

In terms of clientele categories, sales to the "Street Market" category (restaurants and hotels not belonging to groups or chains) reached 823.3 million Euro (774.8 million Euro in 2012), while those to the "National Account" category (operators of structured commercial catering and collective catering) were 301.8 million Euro (230.9 million Euro in 2012).

Sales to the "Wholesale" category customers were 217.9 million Euro compared to 233.7 million Euro in 2012.

Noted amongst the significant events that occurred during the year are:

- on 23 February 2013 the business lease agreement for the Scapa Italia S.p.A. ("Scapa") businesses commenced. This contract, which is in connection with an arrangement with creditors with a going concern procedure commenced by Scapa, was authorised by the Milan Court on 12 February

following the assent of the Italian Antitrust Authority.
The business lease, which is for a term of 12 months, envisages the taking over of receivable and liability contracts identified as instrumental to the continuation of the businesses, including the lease of the two warehouses, in addition to the purchase of the inventories. The contract also provides for the acquisition of the businesses by MARR S.p.A., subordinate to the filing of approval of the composition.

- In the perspective of lengthening the maturities of the financial debt, MARR defined a syndicated credit facility for a total of 85 million Euro in the month of June, which has the participation of major international financial institutions and constitutes: a loan facility of 60 million Euro, with expiry in 5 years and redemption in 9 instalments from June 2014, and a revolving facility of 25 million Euro with bullet redemption after 3 years.

- On 12 July MARR notified the closing of a private bond placement for 43 million Eurodollars subscribed by United States institutional investors (USPP).
- The bond issue, structured on 10 million Eurodollars at 7 years and 33 million Eurodollars at 10 years, provides, following the swap into Euro, an average coupon of around 5.1%.

  This is MARR's debut in the American private placement market. MARR is also the sole Italian company with sales concentrated in Italy that has recently finalised a USPP loan. The transaction allows MARR to diversify its sources of funds and lengthen the maturities, thereby giving further solidity to the process of consolidation of its reference market.

- In connection with the reorganisation of the stocking platforms, the acquisition of the real estate situated in Bologna from Consorzio Centro Commerciale Ingrosso Carni Srl, where the Carnemilia branch has its headquarters, was formalised in July.

## Catering

The business conducted in this sector, within the scope of consolidation, includes the following companies:

**Company** | **Business carried out**

### a) On-board catering

| Company | Business carried out |
|---|---|
| CHEF EXPRESS S.p.A. – Railway Division<br>Registered and administrative office, Via Modena n. 53<br>Castelvetro di Modena (MO) | Operating, under contract, on-board railway catering in Italy. |
| MOMENTUM SERVICES Ltd.<br>Parklands Court, n.24 - Birmingham Great Park Rubery, Birmingham - United Kingdom | Operating, under contract, on-board catering on the trains connecting London with Paris and Brussels through the Euro tunnel. |
| GLOBAL SERVICE LOGISTICS S.r.l. in liquidation<br>Via Modena n. 53 - Castelvetro di Modena (MO) | Non-operating company. |
| CREMONINI RESTAURATION S.a.s.<br>83, Rue du Charolais, Paris – France | Operating, under contract, on-board catering in France. |
| RAILREST S.A.<br>Frankrijkstraat, n. 95 - Brussels - Belgium | Operating, under contract, on-board catering on Thalys high speed trains connecting Belgium with France, Holland and Germany. |
| CREMONINI RAIL IBERICA S.A.<br>Paseo de la Castellana 151bis, 1° Planta<br>Madrid - Spain | Operating under contract, on-board catering on the high speed trains (AVE) in Spain until 30 November 2013. |
| CHEF EXPRESS UK LTD.<br>1-3 Union Street, Kingston Upon Thames, Surrey,<br>London – United Kingdom | Holding company. |
| LOUNGE SERVICES S.a.s<br>91, Rue du Faubourg Saint-Honoré – Paris - France | Management, under concession, of the business lounge in the Eurostar waiting rooms in Paris. |
| AVIRAIL ITALIA S.r.l.<br>Via Modena n. 53, Castelvetro di Modena (MO) | Management of the logistical services for the trains in Italy (proportionally consolidated until 30 June 2012 and subsequently with the line-by-line method). |
| RAIL EXPRESS SERVICES B.V.<br>The Netherlands Carolina MacGillavrylaan 3402 – 1098 XJ Amsterdam - Holland | Operation of the on-board catering services on the *Fyria* trains connecting Brussels to Amsterdam. |

### b) Commercial Catering

| Company | Business carried out |
|---|---|
| CHEF EXPRESS S.p.A. –Commercial Division<br>Via Modena n. 53, Castelvetro di Modena (MO) | Operator in the sector of commercial contracted catering. Specifically operating buffet services in major Italian railway stations, airports, ports and other areas. |
| ROADHOUSE GRILL ITALIA S.r.l.<br>Via Modena n. 53, Castelvetro di Modena (MO) | Operating a chain of steakhouses in Italy. |
| ROADHOUSE GRILL ROMA S.r.l.<br>Via Modena n. 53, Castelvetro di Modena (MO) | Operating a chain of *steakhouses* in Rome. |
| TIME VENDING S.r.l<br>Via Modena n. 53 - Castelvetro di Modena (MO) | Operation of automatic distributors for drinks, cooked food and non- food products. |
| GABF HOLDING Limited<br>90a Tooley Street London – United Kingdom | Sales of *bagels* in the main London railway stations. |

| **Breakdown of revenues by activity** (in thousands of Euros) | **Year 2013** | Year 2012 | *Chg. %* |
|---|---|---|---|
| On-board catering | 328,231 | 361,456 | *(9.19)* |
| *- intercompany revenues* | | | |
| **Net total** | **328,231** | **361,456** | ***(9.19)*** |
| Motorway catering | 251,379 | 264,102 | *(4.82)* |
| *- intercompany revenues* | | | |
| **Net total** | **251,379** | **264,102** | ***(4.82)*** |
| Commercial catering | 63,222 | 51,874 | *21.88* |
| *- intercompany revenues* | | | |
| **Net total** | **63,222** | **51,874** | ***21.88*** |
| **Total Catering** | **642,832** | **677,432** | ***(5.11)*** |

The catering sector showed a reduction in revenues from 677.4 million Euro to 642.8 million Euro in 2013, a decrease of 34.6 million Euro (5.1%). The gross operating margin rose from 37.9 million Euro to 40.9 million Euro with an increase of 3.0 million Euro (+7.9%) and the operating result that amounted to 15.4 million Euro was up by 4.6 million Euro compared to 10.8 million Euro in 2012.

The sector's revenues reduction is principally ascribable to the reduction in revenues of the motorway and foreign on-board segments (France and Spain), partially offset by the increase in commercial catering sales consequent to the opening of new "Roadhouse Grill" steakhouses.

The marginality recovery is instead attributable to the commercial catering segment that, as an effect of the development policy in course over for some years, benefitted from the coming on stream of investments made in the past.

The catering sector conducts its business in three segments:

- On-board catering: operating on-board train catering services and logistical activities in the railway stations;
- Concession catering: operating, in concession, catering services in railway stations, airports and motorway network service stations;
- Commercial catering: operating a chain of Roadhouse Grill brand steakhouses.

On-board catering

In the on-board sector, amongst the significant events that took place during the period we note:

- the re-award to the wholly-owned subsidiary Chef Express UK of the international tender placed by the Eurostar Group Ltd for the operating of the on-board catering services of the high-speed trains that connect London, Paris and Brussels through the Eurotunnel, and relative waiting rooms, with assistance to the customers within the London St. Pancreas, Paris Gare du Nord and Brussels Midi stations.

  The new contract will commence on 1 June 2014 and will have a seven-year term and a renewal option for further seven-years;
- the result of the tenders placed by the French railways (SNCF) and Spanish railways (RENFE) for the operation of on-board catering on the high-speed trains in France and Spain, with the award to other companies operating in the sector;

Under contract catering

Noted amongst the significant events that took place in the period are:

- the opening to the public of new catering premises in the Milan Linate and Pisa airports, the Milan Lambrate, Bologna and Rome Tiburtina railway stations and in the Varano (PR) Race Track;

- the opening of new sales outlets in the Cagliari, Milan Malpensa, Fiumicino (Rome) airports and Rome Termini railway station;
- the opening to the public of catering services at two service areas near Pontedera (PI), a rest area near Val di Sona (VR) and premises in the Capriate (BG) Municipality;
- the disposal of the businesses in the service areas of Campiolo Ovest (UD), Aprilia (LT) and Sangro Ovest (CH);
- the award of tenders placed by Aeroporti di Roma S.p.A. relating to the operating of the catering services in 15 sales outlets, of which 12 were already previously managed, in Rome's Fiumicino and Ciampino airports;

<u>Commercial Catering</u>

We note amongst the significant events in 2013:

- the opening to the public of eight new Roadhouse Grill brand steakhouses, respectively in Rome (Trastevere), Gallarate (VA), Mestre, (VE), Trento, Settimo Torinese (TO), Brescia, Assago (MI) and Villesse (GO), thereby taking he number of the premises now opened in Italy by the chain to 46;
- the signing of further contracts for opening new Roadhouse Grill brand steakhouses to the public in Treviso, Chieti, Rome, Broni (PV), Prato and Castelletto Ticino (NO);

## Centralized activities (holding company, property and services)

The activities carried out in this area are mainly connected to the provision of specialised services supporting the operating sectors and management of real estate assets, and include the following companies and/or divisions:

| Company | Business carried out |
|---|---|
| CREMONINI S.p.A.<br>Via Modena n. 53, Castelvetro di Modena (MO) | Provides support services to Group companies in the areas of finance, insurance, legal and management/administration. It also manages the Group's real estate assets. |
| GLOBAL SERVICE S.r.l.<br>Via Modena n. 53 - Castelvetro di Modena (MO) | *Personnel services*: processing and administrative management of payrolls. |
| INTERJET S.r.l.<br>Via Belvedere n. 23 - Castelvetro di Modena (MO) | Real estate services. |

Noted amongst the significant events that took place during the year are that Cremonini S.p.A. completed the sale of a total of 5,600,000 MARR S.p.A. ordinary shares, corresponding to 8.42% of MARR's share capital, for 47.7 million Euro.

Specifically the transaction took place as follows:

- 5,500,000 shares were sold in the month of March through an accelerated book building procedure reserved for Institutional investors and was closed at a price of Euro 8.5 per share;
- a further100,000 shares were sold in October at a price of Euro 9.9 per share.

Cremonini continues to maintain control of MARR following these sales with about 50.42% of MARR's share capital and voting rights.

In compliance with the IAS provisions this transaction was treated in the same way as a transaction between shareholders this being change of the percentage of interest that does not result in the loss of control. Consistently, the consolidated capital gain was recognised in the majority shareholders' equity.

Also noted is the acquisition of the residual quotas (13.31%) of Consorzio Centro Commerciale Ingrosso Carni S.r.l. at a cost of 850 thousand Euro, which was then merged with the Parent Company Cremonini S.p.A.

As already reported in the significant events of the distribution sector, it is noted that Consorzio Centro Commerciale Ingrosso Carni Srl sold an industrial property in Bologna to MARR S.p.A in July.

## Relationships with unconsolidated subsidiaries, associated, controlling and related companies

With reference to the Group's relationships, in the 2013 financial year, with unconsolidated subsidiaries, associated, controlling and related companies on market conditions, it should be noted that these transactions affected the types of costs and revenues summarised in the following table. Balance sheet and income statement data are shown in specific annexes to the notes to the consolidated financial statements relating to each company, broken down by type of relationship. It should further be noted that relationships with related companies (i.e., companies referable to the controlling shareholder and outside the Cremonini Group's scope of consolidation) are overall, insignificant.

| *(in thousands of Euros)* | Controlling companies | Subsidiaries | Associated companies | Related companies |
|---|---|---|---|---|
| **Revenues** | | | | |
| Trade income | - | - | 3,523 | 4,814 |
| Other income | 33 | 21 | - | 4 |
| **Total revenues** | **33** | **21** | **3,523** | **4,818** |
| **Costs** | | | | |
| Trade expense | - | - | 28,660 | 5,531 |
| Other expense | - | - | - | - |
| **Total costs** | **-** | **-** | **28,660** | **5,531** |
| **Loans and receivables** | | | | |
| Trade receivables | - | - | 45 | 740 |
| Other receivables | 253 | 274 | 4,164 | - |
| **Total loans and receivables** | **253** | **274** | **4,209** | **740** |
| **Loans and payables** | | | | |
| Trade payables | - | - | 7,642 | 171 |
| Other payables | - | - | - | - |
| **Total loans and payables** | **-** | **-** | **7,642** | **171** |

As far as relationships with both related and controlling companies are concerned, the breakdown is as follows:

| *(in thousands of Euros)* | Trade | | Other | | **Total** | |
|---|---|---|---|---|---|---|
| | Receivables | Payables | Receivables | Payables | **Receivables** | **Payables** |
| Related and controlling companies: | | | | | | |
| Cremofin S.r.l. (parent company) | - | - | 253 | - | **253** | **-** |
| LLC Soyuz Service | 740 | - | - | - | **740** | **-** |
| Parmaubrac S.a.s. | - | 171 | - | - | **-** | **171** |
| **Total related and controlling** | 740 | - | 253 | - | **993** | **171** |

| *(in thousands of Euros)* | Trade | | Other | | **Total** | |
|---|---|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs | **Revenues** | **Costs** |
| Related and controlling companies: | | | | | | |
| Le Cupole S.r.l. | - | 671 | 4 | - | **4** | **671** |
| Cremofin S.r.l. (parent company) | - | - | 33 | - | **33** | **-** |
| LLC Soyuz Service | 4,814 | - | - | - | **4,814** | **-** |
| NBM Trading Consulting Ltd | - | 902 | - | - | **-** | **902** |
| Parmaubrac S.a.s. | - | 3,958 | - | - | **-** | **3,958** |
| **Total related and controlling** | 4,814 | 5,531 | 37 | - | **4,851** | **5,531** |

The payables of 671 thousand Euro to Le Cupole refer to the rental of an industrial property, in Rimini, used for some time by MARR.

## Investments

During the 2012 financial year the total of the net investments made was 55.8 million Euro.
The following is the detail of the net change in intangible and tangible assets in the 2013 financial year:

Net investments broken down by sector

| *(in thousands of Euros)* | Production | Distribution | Catering | Others | **Total** |
|---|---|---|---|---|---|
| **Intangibles** | | | | | |
| Patents and intellectual property rights | 162 | 92 | 140 | | **394** |
| Concessions, licenses, trademarks and similar rights | 211 | | 243 | 1 | **455** |
| Intangible assets under development and advances | | | 21 | | **21** |
| Other intangible assets | 1 | | | | **1** |
| **Total intangible assets** | **374** | **92** | **404** | **1** | **871** |
| **Tangibles** | | | | | |
| Land and buildings | 2,292 | 6,130 | 3,168 | (2,952) | **8,638** |
| Plant and machinery | 7,047 | 945 | 1,751 | 1 | **9,744** |
| Industrial and business equipment | 781 | 446 | 473 | | **1,700** |
| Other tangible assets | 1,280 | 859 | 2,206 | 180 | **4,525** |
| Tangible assets under development and advances | 15,786 | 55 | 12,797 | 1,709 | **30,347** |
| **Total tangible assets** | **27,186** | **8,435** | **20,395** | **(1,062)** | **54,954** |
| **Total** | **27,560** | **8,527** | **20,799** | **(1,061)** | **55,825** |

More detailed information on the investments made during the year can be found in the notes to the consolidated financial statements.

## Research and development

The main research and development activities, broken-down by sector, were as follows:

- Beef segment – The segment has already commenced activities directed at the production of energy through utilisation of slaughtering by-products with biogas plants for some time, as well as developing technologies aimed at:
  - the reduction of the microbe load in its semi-finished and finished products based on physical agents, and consequent study of the possible application and utilisation of the lactic acid;
  - the rapid and controlled management of the cold processes (tempering), above all for the plants in Russia;
  - Active packaging studies for the improvement of the conservability characteristics of fresh products and *shelf life* increase;
  - the development of new slaughtering technologies and systems having the objective of reducing the bacteria on the carcasses after slaughtering to the minimum;
  - the development of quality control systems directly applicable on the production lines (e.g., technologies for observation of defects with special optical software and extraneous bodies through utilisation of radiation).

  The instruments that INALCA S.p.A. has adopted for the support to and financing of research are the following:

  - INALCA has participated in the Foodbest platform (http://www.foodbest.eu/) from 2012 through the Bologna University. The Foodbest platform aggregates the food excellence of the Community territory and is the main instrument for accessing Community funds for research in the food sector supplied by the EIT – *European Institute of Innovation & Technology* (http://eit.europa.eu/);

- on the themes of research on matters of active packaging materials, the company has obtained a loan from the Lombardy Region, defined as a *Nactivepack*, together with some leading companies of the packaging materials, conservation gas and food aromas segments; the research agenda is aimed at the development of a packaging system capable of lengthening the conservability of products, while keeping the organoleptic properties unaltered;
- on matters of research in the sustainability segment, INALCA has coordinated a national strategic development plan entitled "Cluster Tecnologico Nazionale" (MIUR Decree prot.257/RIC of 30/05/2012). This is the most important national instrument for the promotion of strategic projects on sustainability. INALCA was granted a loan (MIUR Decree of 14 December 2012). The project is aimed at the construction of industrial plants in the sector of scrap recovery and production of energy from renewable sources.

- Cured meats and snack segment – Research and development continued in 2013 directed at the IGP (Protected Geographical Identity) area, supply high quality content supply chain and consumer recognisability, and above all research on production systems with better qualitative and productivity standards in the area of self-service products (sliced meats and cuts). As in the past financial years the following research directions were continued with the use of internal resources:

  - implementation of formulations with a higher health content, capable of meeting the most modern nutritional requirements of the consumers;
  - study and implementation of innovative production processes to higher quality standards and research for higher productivity in the sliced meats areas.

- Foodservice distribution segment – Development and expansion of own brand products lines continue.

## Events occurring after the end of the 2013 financial year

The following events occurred after the financial year-end:

Production

- purchase of the property where the Capo d'Orlando (ME) factory is situated. This has been leased from 2009 and the factory acts as an INALCA logistics platform for the Sicilian market catchment area, smaller islands and part of the Southern Italy, in addition to being used for the preparation of portioned and processed products in a protected atmosphere;
- purchase of agricultural land by Società Agricola Corticella S.r.l.;
- disposal of 40% of the subsidiary Kaskad Llc to an investor of international prominence for an amount of 60 million Euro.

Distribution

- On 12 March MARR S.p.A. signed the contract for the acquisition of the Scapa enterprise, which it had operated from 23 February 2013 with a business lease agreement.

The purchase price net of the liabilities for employees, agents and business leases already paid was determined as 1.6 million Euro, the amount that was paid on signing the contract.

Following start-up of the Scapa operations, MARR reorganised its logistical activities through the ex-Scapa warehouses in Marzano (Pavia) and Pomezia (Rome), in which it concentrated the activities of distribution to the National Account customers and created two important stocking platforms.

Furthermore MARR, thanks to Scapa, has had access to a significant customer base and a consolidated specialisation, specifically in the Collective Catering segment, thereby being able to increase the service level offered to its customers.

Catering

- the opening to the public of new Roadhouse Grill brand premises in Cinisello Balsamo (MI), thus taking the number of premises opened in Italy by the chain to 47;
- the signing of further contracts for opening new Roadhouse Grill brand steakhouses in Civitanova Marche (MC) and Montesilvano (PE) to the public;
- the acquisition by Chef Express UK Ltd of the remaining 49% of the Momentum Ltd and Lounge Services S.a.s. shares; these companies operate and will operate the Eurostar Group Ltd contract, thanks to the new award;
- the opening to the public of catering/market services at two new premises situated on the *Grande Raccordo Anulare* (circular motorway) in Rome.

;

## Business Outlook

The results achieved in the 2012 financial year confirm the company's good performance, although with a still weak market trend.
The Group will again be committed in 2014 to the consolidation of the income results achieved by pursuing development and cost rationalisation policies in the various operating sectors. The operating synergies consequent to the integration of the new businesses acquired will also be developed and greater production efficiencies researched.

## Other information

With reference to the compliance provided for in the Personal Data Protection Code mentioned in Legislative Decree 196/2003, it is noted that the policy document on security is updated based on the indications in the relative regulation.

## Atypical and/or unusual transactions

There were no atypical and/or unusual transactions during the course of the year that, for materiality, nature of the counterparties, object of the transaction, method of determination of the transfer price and their occurrence in proximity to the year-end can raise doubts as to the correctness and completeness of these financial statements, conflict of interest, safeguarding of corporate.

## Reconciliation between the Parent Company's shareholders' equity values and the profit for the year with the corresponding consolidated values

A reconciliation schedule between the shareholders' equity values of the Parent Company and the profit for the year with the Group's share of the corresponding consolidated values at 31 December 2013 is given in the annual report.

## Main risks and uncertainties

The company is exposed to financial risks in the conduct its business, such as those described in more detail in the explanatory notes and where these mean: market risk (being the combination of the currency risk for foreign purchases of goods, interest rate and price risks), credit and liquidity risks.

Furthermore, consider that the company, though operating in the food sector that is characterised by a substantial stability, suffers from the general conditions of the economy and is therefore exposed, even though to a lower extent compared to other sectors, to the uncertainties of the current macroeconomic climate.
As already described in the reports for previous financial years, 2013 was again characterised by volatility in the financial markets and difficulty in access to credit, other than a consumption contraction; this has led the management to maintain high attention to the dynamics of credit management and cost curbing policies to preserve the commercial margin.
As far as concerns the evolution of the Group's financial position, this depends on numerous conditions

amongst which are, other than achievement of set targets in terms of commercial working capital management, the trend of the banking and monetary markets that are also influenced by the current economic situation.
As far as concerns the specific risks and uncertainties of the Cremonini and Group business, please refer to the paragraph "Provisions for non-current liabilities and charges" in the Explanatory Notes.

The Cremonini Group is aware that its employees and associates are an important resource for the business to achieve success and for the future of the company itself. For this reason great attention is placed on the well-being of all the employees and associates and the development of training programmes tailored for individual requirements, in order to favour a positive corporate climate capable of instigating a sense of belonging and commitment to the achievement of communal business targets.
8,806 persons work in the 14 countries where the Group is present: the majority are in the European Union (87.9%), followed by Russia (7.3%) and lastly Africa (4.7%). The headcount was instead 11,970 in 2012. The reduction of 3,164 persons is mainly ascribable to the catering sector and is related to the term of the contracts for the operation of the catering services on-board the TGV and AVE trains in France and Spain respectively.

The breakdown of the organizational structure based on professional designation is 145 executives, 496 managers, 1,825 office staff and 6,340 workers or seasonal employees.
Other than employees the Group also has numerous salespersons and a network of transporters who collaborate with agency agreements and performance of services.

Training

The Group considers that continuous training and learning is a determining factor for increasing and keeping its human resources always updated. For this reason it conducts periodic training programmes oriented at development of the internal staff and sales force. The Group promoted numerous training initiatives in 2013, with both internal and external updating courses that varied according to the sector. Noted amongst the different initiatives undertaken are those carried out in the distribution sector area, orientated to training the staff who conduct activities that influence the quality of the products, services and processes.
Furthermore, the attention paid to the training on safety at work was significant (Legislative Decree 81/08, as amended) with the provision of training to the employees on the correct utilisation of the fork lifts, first aid and emergency fire fighting.

The Group also promotes conventions and University master courses to favour traineeships at its sales outlets that frequently are transformed into employment and assists, in collaboration with other Group companies, the Modena and Reggio Emilia Universities and the Marco Biagi Foundation, with research doctorates in the trade union relations area.

## Environment

In the perspective of safeguarding and respecting the environment, the Group has always been careful of the activities carried out by its companies, with reference both to the impact of its production processes and the optimization of the available resources, with a constant commitment to reduce water and energy consumption and the production of solid and liquid waste. The production sector, which is involved in transformation, has equipped its production plants with the most modern technologies available in the environmental field, specifically in the water, energy and waste sectors. As confirmation of this, INALCA has further developed projects regarding energy production from renewable sources during 2012. The principal interventions are concentrated on the design of new plants and management of the complex authorisation procedures. INALCA has identified an integrated environmental technologies system that aims at the complete enhancement of the energies of its by-products of animal origin accordance with the standards of a true and proper "Smart Grid". These are integrated and complementary technologies, conceived for every specific biomass concentration, which required significant preliminary studies of feasibility and sustainability by INALCA and that the moment are in the authorisation phase at the relevant entities.

Water

In the water consumption area, the Group has optimized the complete wastewater purification and recovery cycle in its production factories by using biological systems. The efficiency indicators of the water cycle are carefully monitored in the environmental management system.

Energy

With regard to energy recovery, the Group's efforts are mainly directed at the utilisation of evolved cogeneration and thermal valorisation systems. Consistent with the new legal directives that incentivise activities regarding energy efficiency, the Group has commenced energy efficiency (TT- Energy Efficiency Certificates) projects in the production sector admissible by the AEEG (Electricity and Gas Authority).
The Group is furthermore actively committed to further innovative projects directed at the recovery and energy valorisation of its biomass concentrations and reduction of the effect of greenhouse gas emissions.

Waste

Other than the constant commitment directed at the differentiation of the waste, the Group promotes reduction of the source of waste production and their maximum reutilisation through initiatives of recovery of some typologies of waste through composting, or controlled transformation of the organic part into products for agriculture.

## The Parent Company Cremonini S.p.A.

Shown below are the summarised results of the Parent Company prepared in conformity with the IAS/IFRS International Accounting Standards.

### Income statement of the Parent Company Cremonini S.p.A.

| (in thousands of Euros) | Year 2013 | Year 2012 | Chg. % |
|---|---|---|---|
| **Total revenues** | **20,960** | **5,907** | **254.83** |
| Changes in inventories of work in progress, semi-finished and | | - | |
| **Value of production** | **20,960** | **5,907** | **254.83** |
| Cost of production | (8,450) | (6,463) | |
| **Value added** | **12,510** | **(556)** | **n.a.** |
| Personnel costs | (2,413) | (2,295) | |
| **Gross operating margin [a]** | **10,097** | **(2,851)** | **(454.16)** |
| Amortization, depreciation and write-downs | (2,346) | (2,410) | |
| **Operating income [b]** | **7,751** | **(5,261)** | **(247.33)** |
| Net financial income (charges) | (10,757) | (12,825) | |
| **Profit from ordinary activities** | **(3,006)** | **(18,086)** | **n.a.** |
| Net income (charges) from investments | 55,747 | 36,381 | |
| Net extraordinary financial income (charges) | - | - | |
| **Result before taxes** | **52,741** | **18,295** | **n.a.** |
| Income taxes for the financial year | (377) | 6,362 | |
| **Net profit** | **52,364** | **24,657** | **n.a.** |

### Pro forma Income statement of the Parent Company Cremonini S.p.A.

| (in thousands of Euros) | Year 2013 | Year 2012* | Chg. % |
|---|---|---|---|
| **Total revenues** | **20,960** | **5,907** | **254.83** |
| Changes in inventories of work in progress, semi-finished and | | - | |
| **Value of production** | **20,960** | **5,907** | **254.83** |
| Cost of production | (8,450) | (6,463) | |
| **Value added** | **12,510** | **(556)** | **n.a.** |
| Personnel costs | (2,413) | (2,295) | |
| **Gross operating margin [a]** | **10,097** | **(2,851)** | **(454.16)** |
| Amortization, depreciation and write-downs | (2,346) | (2,410) | |
| **Operating income [b]** | **7,751** | **(5,261)** | **(247.33)** |
| Net financial income (charges) | (10,757) | (12,819) | |
| **Profit from ordinary activities** | **(3,006)** | **(18,080)** | **n.a.** |
| Net income (charges) from investments | 55,747 | 36,381 | |
| Net extraordinary financial income (charges) | - | - | |
| **Result before taxes** | **52,741** | **18,301** | **n.a.** |
| Income taxes for the financial year | (377) | 6,360 | |
| **Net profit** | **52,364** | **24,661** | **n.a.** |

It is specified that, as shown in the introductions to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee benefits") has resulted in the restatement of the items "Net financial income (charges)" and "Income taxes for the year" relative to 2012.

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a – Ebitda (Gross operating margin) is an economic indicator not defined in the International Accounting Principles and the IFRS. Ebitda is the measurement used by the company's management to monitor and evaluate its operations. The managements retains that Ebitda is an important indicator for measuring the company performance as it is not affected by the volatile nature of the effects of the various criteria of calculating taxable income, the amount and characteristics of the invested capital as well as the relative depreciation criteria. At present, subject to a later in depth study regarding the evolution of the IFRS accounting practices, Ebitda is defined by Cremonini as the Profit/Loss gross of the depreciation or amortization of tangible and intangible assets, allocations and write-downs, financial expenses and income and income taxes.
b – The operating profit (Ebit) is defined by Cremonini as the Profit/Loss for the year gross of financial charges and income, non-recurring items and income taxes.

## Statement of Assets and Liabilities of the Parent Company Cremonini S.p.A.

| (in thousands of Euros) | Year 2013 | Year 2012 | Chg. % |
|---|---|---|---|
| Intangible assets | 30 | 62 | |
| Tangible assets | 77,953 | 77,241 | |
| Equity investments and other financial assets | 282,761 | 290,642 | |
| **Total fixed assets** | **360,744** | **367,945** | *(1.96)* |
| Trade net working capital | | | |
| *- Trade receivables* | 2,233 | 979 | |
| *- Inventories* | - | - | |
| *- Trade payables* | (3,203) | (2,584) | |
| Total trade net working capital | (970) | (1,605) | |
| Other current assets | 8,865 | 11,905 | |
| Other current liabilities | (7,326) | (8,711) | |
| **Net working capital** | **569** | **1,589** | *n.a.* |
| **Staff Severance Indemnity Provision and other medium/long-term provisions** | **(8,314)** | **(6,023)** | |
| **Net invested capital** | **352,999** | **363,511** | *(2.89)* |
| **Total Shareholders' Equity** | **159,795** | **106,735** | *49.71* |
| Net medium/long-term debt | 66,097 | 102,154 | |
| Net short-term debt | 127,107 | 154,622 | |
| **Net debt** | **193,204** | **256,776** | *(24.76)* |
| **Net equity and net debt** | **352,999** | **363,511** | *(2.89)* |

## Pro forma Statement of Assets and Liabilities of the Parent Company Cremonini S.p.A.

| (in thousands of Euros) | Year 2013 | Year 2012* | Chg. % |
|---|---|---|---|
| Intangible assets | 30 | 62 | |
| Tangible assets | 77,953 | 77,241 | |
| Equity investments and other financial assets | 282,761 | 290,642 | |
| **Total fixed assets** | **360,744** | **367,945** | *(1.96)* |
| Trade net working capital | | | |
| *- Trade receivables* | 2,233 | 979 | |
| *- Inventories* | - | - | |
| *- Trade payables* | (3,203) | (2,584) | |
| Total trade net working capital | (970) | (1,605) | |
| Other current assets | 8,865 | 11,905 | |
| Other current liabilities | (7,326) | (8,711) | |
| **Net working capital** | **569** | **1,589** | *n.a.* |
| **Staff Severance Indemnity Provision and other medium/long-term provisions** | **(8,314)** | **(6,065)** | |
| **Net invested capital** | **352,999** | **363,469** | *(2.88)* |
| **Total Shareholders' Equity** | **159,795** | **106,693** | *49.77* |
| Net medium/long-term debt | 66,097 | 102,154 | |
| Net short-term debt | 127,107 | 154,622 | |
| **Net debt** | **193,204** | **256,776** | *(24.76)* |
| **Net equity and net debt** | **352,999** | **363,469** | *(2.88)* |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement as at 31.12.2012 of the items "Provision for post-employment benefits", "Provision for deferred taxes" and "Shareholders' Equity".

## Net debt of the Parent Company Cremonini S.p.A. [c]

| (in thousands of Euros) | Year 2013 | Year 2012 |
|---|---|---|
| Payables to banks, bonds and other financial institutions | | |
| - due within 12 months | (79,846) | (83,693) |
| - due between 1 and 5 years | (66,063) | (101,977) |
| - due beyond 5 years | (34) | (177) |
| **Total payables to banks, bonds and other financial institutions** | **(145,943)** | **(185,847)** |
| Liquidity | | |
| - cash and cash equivalents | 317 | 116 |
| - other financial assets | 2,131 | 2,081 |
| **Total liquidity** | **2,448** | **2,197** |
| **Securitization and internal treasury current accounts** | **(49,709)** | **(73,126)** |
| **Total net debt** | **(193,204)** | **(256,776)** |

### Property services

Cremonini S.p.A. directly manages both its own property that is destined for civil use and property destined for the catering division business.

### The direct services

The transactions and services rendered, carried out mainly in relation to Group companies, generally concern the following operational areas:

Finance: management of the centralized treasury and planning of special and medium to long-term loans;

Guarantees and advisory services: issuing of guarantees (bank and insurance) and general assistance concerning accounting, corporate law, taxes, legal and contractual services;

Fiscal consolidation: as consolidator, Cremonini S.p.A. has adhered to Article 117 of the T.U.I.R. (Consolidated Tax Code), the preparation of the "national fiscal consolidation" (NFC). All the main companies controlled by Cremonini S.p.A. have adhered to this standard.

c – The Net Debt, utilized as a financial indicator of the indebtedness, is shown as a summary of the following positive and negative components of the Statement of Assets and Liabilities pursuant to CONSOB communication no. 6064293 of 28 July 2006. Positive components: cash and cash equivalents; current securities due for sale; short-term financial receivables; derivative instruments. Negative components: due to banks; due to other financiers, leasing and factoring companies; derivative instruments and bonds.

## Relationships with Group and related companies

With particular reference to its own activities and the specific financial and service relationships with the subsidiaries and related companies it should be noted that Cremonini S.p.A.'s relationships involved the type of costs and revenues summarised in the following table. The economic and financial data by type of relationship for each company is indicated in the specific annexes to the explanatory notes. It should further be noted that the relationships with related companies are of a minor entity.

| *(thousands Euro)* | Parent Company | Subsidiaries | Associated companies | Related companies |
|---|---|---|---|---|
| **Revenues** | | | | |
| Financial income | 33 | 282 | | |
| Services | | 5,096 | | |
| Sales of goods | | | | |
| Other income | | 19,965 | | |
| **Total revenues** | **33** | **25,343** | **-** | **-** |
| **Costs** | | | | |
| Financial charges | | 3,176 | | |
| Services | | 515 | | |
| Purchase of goods | | 1 | | |
| Other charges | | 1,184 | | 85 |
| **Total costs** | **-** | **4,876** | **-** | **85** |
| **Receivables** | | | | |
| Financial | 253 | 7,349 | | |
| Trade | | 1,915 | | |
| Other (a) | | 1,140 | | |
| **Total Receivables** | **253** | **10,404** | **-** | **-** |
| **Payables** | | | | |
| Financial | | 57,311 | | |
| Trade | | 1,543 | | |
| Other (a) | | 5,597 | | |
| **Total Payables** | **-** | **64,451** | **-** | **-** |

(a) mainly attributable to receivables and payables resulting from the national fiscal consolidation.

## The powers granted to the Directors

The powers granted to the individual directors are those specified below:

- to the Chairman Mr. Luigi Cremonini, in addition to the legal representation mentioned in art. 21 of the By-laws, the necessary powers were conferred for the completion of acts relating to the company's business, to be exercised with an individual signature, in connection with powers attributed with a Board of Directors resolution on 28 April 2011 and with a Board of Directors resolution on 23 July 2012;
- to the Chief Executive Officer Vincenzo Cremonini, in addition to the legal representation mentioned in art.21 of the By-laws, the necessary powers were conferred for the completion of acts relating to the company's business, to be exercised with an individual signature, in connection with powers attributed with a Board of Directors resolution on 28 April 2011 and with a Board of Directors resolution on 23 July 2012.

An Executive Committee and a General Manager have not been appointed in the current corporate bodies' structure.
During the financial year, both the Chairman and the Chief Executive Officers used their powers only for the normal management of the company's business, while significant transactions by typology, quality and value, were submitted to the examination of the Board of Directors.

*********

Dear Shareholders,

Before concluding and requesting your decisions on this matter, we confirm that the draft financial statements for the year ended on December 2013, submitted for your examination and approval at this meeting, were prepared in compliance with prevailing legislation.

Please refer to the Directors' Report for comment on the overall situation of the company and the Group, as well as the Explanatory Notes for comments on individual items. We invite you to approve the financial statements for the year ended on 31 December 2013, together with the Directors' Report.

Furthermore, we propose the following allocation of the net profit for the year of Euro 52,363,823 to the "Undistributed profits reserve".

Castelvetro di Modena, 24 March 2014

THE CHAIRMAN
OF THE BOARD OF DIRECTORS
(Cav. Lav. Luigi Cremonini)

signed by Luigi Cremonini

# CREMONINI S.P.A

## FINANCIAL STATEMENTS
## AS AT 31 DECEMBER 2013

# Financial statements as at 31 December 2013

## *Statement of Assets and Liabilities– Assets*

| (Euro) | Note | **31.12.2013** | 31.12.2012 | 31.12.2012 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Tangible assets | 1 | 77,952,999 | 77,241,166 | 78,631,466 |
| Goodwill | | - | - | - |
| Other intangible assets | 2 | 30,204 | 62,165 | 3,531 |
| Investments in subsidiaries and associated | 3 | 270,717,865 | 287,988,520 | 285,565,408 |
| Investments in other companies | 4 | 12,040,257 | 2,650,695 | 1,650,696 |
| Financial assets held for sale | | 50,000 | - | - |
| Deferred tax assets | 5 | 749,949 | 1,791,629 | 1,422,599 |
| Other non-current assets | 6 | 4,932,408 | 4,931,419 | 104,087 |
| **Total non-current assets** | | **366,473,682** | **374,665,594** | **367,377,787** |
| **Current assets** | | | | |
| Inventories | | - | - | - |
| Current financial receivables | 7 | 8,742,172 | 7,207,131 | 32,551,591 |
| *relating to related parties* | | *8,742,172* | *7,207,131* | *32,551,591* |
| Current trade receivables | 8 | 2,256,169 | 996,768 | 2,289,127 |
| *relating to related parties* | | *1,914,564* | *595,263* | *1,774,191* |
| Current tax assets | 9 | 1,742,916 | 4,750,829 | 1,856,322 |
| Financial assets held for sale | | 2,081,076 | 2,081,076.0 | 2,081,075.0 |
| Financial instruments / Derivatives | 15 | - | - | - |
| Cash and cash equivalents | 10 | 316,807 | 115,791 | 810,683 |
| Other current assets | 11 | 358,389 | 471,748 | 1,586,033 |
| *relating to related parties* | | - | - | *1,000,000* |
| **Total current assets** | | **15,497,529** | **15,623,343** | **41,174,831** |
| **Total assets** | | **381,971,211** | **390,288,937** | **408,552,618** |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement of some items for 2012.

## Statement of Assets and Liabilities

| (Euro) | Note | 31.12.2013 | 31.12.2012 * | 01.01.2012* |
|---|---|---|---|---|
| **Shareholders' Equity** | | | | |
| Share capital | 12 | 67,073,932 | 67,073,932 | 67,073,932 |
| Reserves | 13 | (41,346,017) | (42,084,774) | (41,320,789) |
| Retained earnings | | 81,703,619 | 57,042,031 | 51,221,481 |
| Result for the period | | 52,363,822 | 24,661,588 | 5,820,550 |
| **Total Shareholders' Equity** | | **159,795,356** | **106,692,777** | **82,795,174** |
| **Non-current liabilities** | | | | |
| Non-current financial payables | 14 | 68,686,393 | 103,857,556 | 119,516,101 |
| *relating to related parties* | | *3,737,169* | *3,737,169* | - |
| Financial instruments / Derivatives | 15 | 1,148,084 | 2,033,933.00 | 1,041,515.00 |
| Employee benefits | 16 | 430,975 | 430,690 | 349,903 |
| Non-current provisions for risks and charges | 17 | 373,132 | 717,731 | 966,316 |
| Deferred tax liabilities | 18 | 7,509,721 | 4,916,364 | 6,045,076 |
| Other non-current liabilities | | 473 | 473 | 473 |
| **Total non-current liabilities** | | **78,148,778** | **111,956,747** | **127,919,384** |
| **Current liabilities** | | | | |
| Current financial payables | 19 | 139,016,795 | 167,408,536 | 190,293,627 |
| *relating to related parties* | | *59,170,698* | *83,715,945* | *74,169,104* |
| Financial instruments / Derivatives | 15 | - | - | - |
| Current tax liabilities | 20 | 581,755 | 483,251 | 3,937,448 |
| Current trade liabilities | 21 | 3,258,376 | 2,654,249 | 2,333,811 |
| *relating to related parties* | | *1,543,291* | *1,247,576* | *278,330* |
| Other current liabilities | 22 | 1,170,151 | 1,093,377 | 1,273,174 |
| *relating to related parties* | | *0* | - | - |
| **Total current liabilities** | | **144,027,077** | **171,639,413** | **197,838,060** |
| **Total liabilities** | | **381,971,211** | **390,288,937** | **408,552,618** |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement of some items for 2012.

# Financial statements as at 31 December 2013

## Income statement

| (Euro) | Note | 31 December 2013 | 31 December 2012* |
|---|---|---|---|
| Revenues | 23 | 5,917,650 | 5,443,075 |
| *relating to related parties* | | *5,090,918* | *4,737,472* |
| Other revenues | 24 | 15,042,845 | 464,003 |
| *relating to related parties* | | *11,790,238* | *379,950* |
| Costs for purchases | 25 | (46,051) | (49,963) |
| *relating to related parties* | | *(1,339)* | *(40)* |
| Other operating costs | 26 | (8,403,503) | (6,413,796) |
| *relating to related parties* | | *(526,240)* | *(1,132,093)* |
| Personnel costs | 27 | (2,413,082) | (2,294,764) |
| Amortization and depreciation | 28 | (1,739,268) | (1,771,749) |
| Write-downs and provisions | 28 | (607,322) | (638,322) |
| Revenues from equity investments | 29 | 55,746,927 | 36,381,380 |
| *relating to related parties* | | *18,339,610* | *36,377,222* |
| Financial (Income)/Charges | 30 | (10,757,197) | (12,819,037) |
| *relating to related parties* | | *2,860,199* | *(3,224,936)* |
| **Result before taxes** | | **52,740,999** | **18,300,827** |
| Income taxes | 31 | **(377,177)** | **6,360,761** |
| **Result for the period** | | **52,363,822** | **24,661,588** |

## Other comprehensive income components

| (Euro) | 31 December 2013 | 31 December 2012* |
|---|---|---|
| **Result for the period** | **52,363,822** | **24,661,588** |
| *Items to be reclassified to profit or loss in subsequent periods:* | | |
| Efficacious part of profits/(losses) on cash flow hedge instruments | 885,850 | (990,302) |
| Tax effect | (243,609) | 272,333 |
| *Items not to be reclassified to profit or loss in subsequent periods:* | | |
| Actuarial gain (losses) | 2,761 | (40,112) |
| Tax effect | (759) | 11,031 |
| **Comprehensive Income** | **53,008,065** | **23,914,538** |

Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement of some items for 2012.

## Statement of changes in the shareholders' equity over the financial year ended as at 31 December 2013

| *(Euro)* | | | | Other riserves | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Nominal value treasury stock in portfolio | Total Share capital | Share premium reserve | Legal reserve | Merger Deficit | Merger Deficit | Reserve for IAS adjustments | Reserve for trading treasury stock | Cash flow hedge reserve | Total Reserves | Profits (Losses) carried forward | Result of the year | **Total Shareholders' Equity** |
| **Balances at 31 December 2011** | **67,073,932** | **0** | **67,073,932** | **78,279,705** | **14,749,280** | **(146,379,437)** | **0** | **12,787,578** | **(16,935)** | **(757,915)** | **(41,337,724)** | **51,221,481** | **5,820,550** | **82,778,239** |
| Allocation of the results for the previous year: | | | | | | | | | | | | | | |
| - retained earnings reserve | | | | | | | | | | | | 5,820,550 | (5,820,550) | **0** |
| - distribution of dividends | | | | | | | | | | | | | | |
| Consolidated comprehensive income | | | | | | | | | | | | | 24,661,588 | **24,661,588** |
| - Net profit (loss) for the period | | | | | | | | | (29,081) | (717,969) | **(747,050)** | | | **(747,050)** |
| - Other Profits/(losses), net of taxes | | | | | | | | | | | | | | |
| **Balances at 31 December 2012** | **67,073,932** | **0** | **67,073,932** | **78,279,705** | **14,749,280** | **(146,379,437)** | **0** | **12,787,578** | **(46,016)** | **(1,475,884)** | **(42,084,774)** | **57,042,031** | **24,661,588** | **106,692,777** |
| Allocation of the results for the previous year: | | | | | | | | | | | | 24,661,588 | (24,661,588) | **0** |
| - retained earnings reserve | | | | | | | | | | | | | | |
| - distribution of dividends | | | | | | | 94,514 | | | | **94,514** | | | **94,514** |
| Consolidated comprehensive income | | | | | | | | | | | | | | |
| - Net profit (loss) for the period | | | | | | | | | | | | | 52,363,822 | **52,363,822** |
| - Other Profits/(losses), net of taxes | | | | | | | | | 2,002 | 642,241 | **644,243** | | | **644,243** |
| **Balances at 31 December 2013** | **67,073,932** | **0** | **67,073,932** | **78,279,705** | **14,749,280** | **(146,379,437)** | **94,514** | **12,787,578** | **(44,014)** | **(833,643)** | **(41,346,017)** | **81,703,619** | **52,363,822** | **159,795,356** |

## Cash flow statements for the financial years ended as at 31 December 2013 and 2012

| (thousand Euro) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| **Profit for the period** | **52,364** | **24,662** |
| Amortization and depreciation | 1,739 | 1,772 |
| Impairment | - | - |
| Net change in other provisions and non-monetary income items | 2,011 | 749 |
| Net change in Staff Severance Provision | 1,553 | (1,439) |
| *Changes in working capital* | | |
| (Increase) decrease in trade receivables | (1,286) | 672 |
| (Increase) decrease in inventories | - | - |
| Increase (decrease) in trade payables | 619 | 306 |
| (Increase) decrease in other items of the working capital | 1,655 | (778) |
| **Cash-flow from operating activities (A)** | **58,655** | **25,943** |
| Net (investments) in intangible assets | 0 | (90) |
| Net (investments) in tangible assets | (2,419) | (351) |
| Net change in other non current assets | 6,597 | (3,425) |
| Acquisition net of Cash and cash equivalent | - | - |
| **Cash-flow from investment activities (B)** | **4,178** | **(3,866)** |
| Increase (Decrease) in medium-long term borrowings | (35,171) | (19,396) |
| Increase (Decrease) in medium-long term liabilities for derivatives | (886) | 992 |
| Increase (Decrease) in short-term borrowings | (27,314) | (3,621) |
| Increase (Decrease) in short-term liabilites for derivatives | 0 | 0 |
| Capital increase and other changes in equity | 739 | (747) |
| **Cash flow from financing activities ( C)** | **(62,632)** | **(22,772)** |
| **Cash Flow of the year (D=A+B+C)** | **201** | **(695)** |
| Cash and cash equivalents at the beginning of the year (E) | 116 | 811 |
| **Cash and cash equivalents at the end of the year (F=D+E)** | **317** | **116** |

# Cremonini SpA Financial Statement as at 31 December 2013

## Notes to the financial statements

### Form and content of the financial statements

The financial statements as at 31 December 2012 were prepared in accordance with the accounting standards and measurement criteria laid down by the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union according to the procedure referred to in Article 6 of the (EC) Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002, as adopted by Legislative Decree no. 38 of 28 February 2005, as amended, and resolutions and ordinances promulgated in implementation of art. 9 of Legislative Decree 38/2005.

The financial statements for the year were authorised for publication by the Board of Directors meeting held on 24 March 2014.

The section on "Accounting principles" illustrates the international accounting principles adopted in the preparation of the Cremonini S.p.A. statement of assets and liabilities as at 31 December 2013.

The Cremonini S.p.A. financial statements as at 31 December 2013 were prepared in accordance with the cost method, with the exception of the following postings in the statement of assets and liabilities :

- land and buildings for which the fair value as at 1 January 2004 was adopted, as "deemed cost" as provided for by IFRS 1, as detailed later in this report;
- derivative contracts entered at the fair value against an entry in the income statement.

For the purposes of comparison, the financial statements as at 31 December 2013 show the figures for the financial year ended as at 31 December 2012.

The following classifications have been used:

- "Statement of Assets and Liabilities" for current/non-current items;
- "Income Statement" by nature;
- "Cash flow statement" (indirect method.)

It is considered that these classifications provide information that better responds to representing the company's equity, economic and financial situation.

The functional and presentation currency is the Euro.

With regard to the schedules contained in these financial statements, the Statement of Assets and Liabilities and Income Statement are shown in units of Euro, while the schedule of the changes of the Shareholders' Equity and Cash Flow Statement are shown in thousands of Euro. If not otherwise indicated, the tables contained in these financial statements are shown in thousands of Euro.

### Changes in accounting standards

The new IFRS and IFRIC standards adopted by the EU, in force commencing from 1 January 2013, are shown below with a brief description. The adoption of these revised standards and interpretations has not had effects on the financial statements but has resulted, in some cases, in additional information only.

## New accounting standards, amendments and interpretations applicable in 2013

- IAS 19 "Employee benefits". The IASB has issued numerous amendments to this standard that came into effect for the financial years commencing on 1 January 2013 or subsequently. In addition to simple clarifications and terminology, the amendments to the standard provide the obligation of recording the actuarial profits and losses in the comprehensive income statement, eliminating the possibility of adopting the corridor method.
In compliance with the provisions of IAS 19, the new directives were applied with retroactive effect; the opening statement of assets and liabilities (1 January 2012) for the most recent comparative financial year is presented with the comparative figures restated.

The restatement of the comparative figures of previous periods in these financial statements in application of this amendment has determined the following effects:
- an increase in the Provision for post-employment benefits of 23 thousand Euro and decrease in Deferred taxes of 6 thousand Euro as at 1 January 2012 resulted in a reduction of the company's Shareholders' Equity of 17 thousand Euro;
- an increase in the Provision for post-employment benefits of 58 thousand Euro and decrease in Deferred taxes of 16 thousand Euro as at 31 December 2012 resulted in a reduction of the Shareholders' Equity of 41 thousand Euro;
- at the economic level, the impact on 2012 was a higher profit of 4 thousand Euro and recognition of other comprehensive income statement losses of 29 thousand Euro (40 thousand Euro of actuarial losses net of tax effect of 11 thousand Euro).

- IFRS 13 "Fair value measurement" – this standard establishes a single guideline in the IFRS area for all fair value measurements. This amendment does not change the cases where the use of fair value is required, but rather provides a guide on how to measure the fair value in the IFRS area when application of fair value is required or permitted. Application of IFRS13 has not had significant impacts on the fair value measurements carried out by the company. IFRS 13 also requires specific disclosure on the fair value, part of which substitutes the disclosure requisites currently provided by other standards, including IFRS 7 "Financial Instruments: additional disclosure".
- IAS 1 "Presentation of financial statements – Recognition in the financial statements of items of the other comprehensive income statement components". This amendment introduced the grouping of the items presented in the other components in the comprehensive income statement. The items that should be reclassified (or "recycled") in future in the income statement must now be presented separately with respect to items that should never be reclassified. The amendment only regarded the method of presentation and has not had any impact on the company's financial position.
- IFRS 7 "Financial Instruments: Disclosures – offsetting financial assets and financial liabilities". The amendments require that the entity discloses the set-off rights and related agreements (guarantees, for example). The disclosure will give the reader of financial statements useful information for evaluating the effect of set-off agreements on the entity's financial position. The new disclosure is required for all financial instruments that are subject to set-off in accordance with IAS 32 "Financial instruments: presentation in the financial statements". The disclosure is also required for financial instruments that are subject to executive framework contracts of set-off or similar agreements, independently of the fact that they should be offset in accordance with IAS 32. These amendments are not applicable to these company financial statements.

We also note some improvements to the IFRS issued in May 2012 that are also effective for the financial years commencing from 1 January 2013 or subsequently:

- IFRS 1 "First adoption of International Financial Reporting Standards" – this improvement clarifies that an entity that has ceased applying IFRS in the past and that decides, or is required, to apply the IFRS, has the option to once again apply IFRS 1. Should IFRS 1 not be once again applied, the entity must retrospectively restate its financial statements, as if it had never ceased the application of the IFRS.
- IAS 1 "Presentation of financial statements" – this improvement clarifies the difference between voluntary comparative information and the minimum comparative information required. Generally the minimum comparative information required is for the previous period.
- IAS 16 "Property, Plant and Equipment" – the improvement clarifies that the significant spare parts and machinery dedicated to maintenance, which comply with the definition of property, plant and equipment are not inventory.

- IAS 32 "Financial instruments": presentation in the financial statements" – this improvement clarifies that the taxes related to distributions to the shareholders are accounted for in accordance with IAS 12 "income taxes".
- IAS 34 "Interim financial statements" – this amendement aligns the disclosure requisites for the total assets and liabilities of the sector in the interim financial statements. The clarification is intended to ensure that the information for the interim period is aligned with the annual information.

## Accounting standards, amendments and interpretations applicable later

IFRS 10 "Consolidated financial statements" and IAS 27 "Separate financial statements (reviewed in 2011)". IFRS 10 substitutes part of IAS 27 "Consolidated and separate financial statements" and also includes the problems raised in SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a sole control model that is applied to all companies, including special purpose entities and will require discretional measurements for the determination of which are subsidiary companies and which must be consolidated by the parent company. Following the introduction of this new standard IAS 27 is limited to the accounting for subsidiary companies with joint control and related companies in the separate financial statements and will come into force from the financial years beginning from 1 January 2014 or subsequently.

IFRS 11 "Joint Arrangements" – this standard substitutes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 11 eliminates the option of accounting for jointly controlled subsidiary companies using the proportional consolidation method but establishes the use of the net equity method. This standard will not be applicable to the company's financial statements.

- IFRS 12 "Disclosure of interests in other entities" – this standard includes all the directives on the matter of disclosure previously included in IAS 27 relating to consolidated financial statements, as well all the disclosure directives of IAS 31 and IAS 28 relating to a company's interests in jointly controlled subsidiary companies, related companies and structured vehicles. New cases of disclosure are also provided. This standard is applicable from the financial years commencing from 1 January 2014 or subsequently and will not have any impact on the company's financial position or on its results.
- IAS 28 "Investments in Associates (reviewed in 2011)". Following the new IFRS 11 and IFRS 12, tale this standard was renamed "Investments in associates and joint ventures" and describes the application of the shareholders' equity method for investments in jointly controlled companies, in addition to related companies. The amendments are effective for the financial years commencing from 1 January 2014 or subsequently. This standard will not be applicable to the company's financial statements.
- IAS 32 "Offsetting financial assets and financial liabilities – Amendments to IAS 32". The amendments clarify the significance of "currently has a legally enforceable right to set off the recognised amounts". The amendments also clarify the application of the offsetting criterion of IAS 32 in the case of settlement systems (for example, centralized clearing houses) that apply gross, non-simultaneous settlement. These amendments should not entail impacts on the company's financial position or on its results and will come into force for the financial years commencing from 1 January 2014 or subsequently.

We also note that the IASB published the "Annual Improvements to IFRS documents on 12 December 2013: 2010 – 2012 cycle" and "Annual Improvements to IFRSs: 2011 – 2013 cycle" that adopt the amendments to the standards in connection with the annual improvement process thereof, concentrating on amendments considered as necessary, but not urgent.

The main amendments that could have relevance for the company refer to:

- IFRS 2 - Share-based payments: some amendments were made to the definitions of "vesting condition" and "market condition" and further definitions of the "performance conditions" and "service conditions" added for the recording of share-based benefit plans;
- IFRS 3 – "Business combinations": the amendments clarify that a potential consideration classified as an asset or liability must be measured at fair value at every year-end, with recording of the effects in the income statement, disregarding the fact that the potential consideration is a financial instrument or else a non-financial asset or liability. furthermore, it clarifies that this standard is not applicable to all joint venture constitutions;
- IFRS 8 – Aggregation of operating Segments: The amendments require disclosure of the management's measurements in the application of combination of the operating segments, including a description of the combination of operating segments and the economic indicators considered in the determination of whether such operating Segments have "similar economic characteristics". Furthermore, the reconciliation between the

total assets of the operating segments and the total assets of the entity must only be provided if the total assets of the operating segments is regularly supplied to the corporate management;

IFRS 13 – Fair value measurement: the Basis for "Conclusions of the standard" were amended for the purpose of clarifying that with the issue of IFRS 13, and the consequent amendments to IAS 39 and IFRS 9, the possibility of accounting for the short-term trade receivables and payables without recording the effects of discounting remains valid, such effects being immaterial.

The effective date of the proposed amendments is anticipated for the financial years commencing from 1 July 2014 or a subsequent date. These amendments have not yet been approved by the European Union.

## Accounting standards

The measurement criteria utilised in the preparation of the consolidated financial statements for the year ended 31 December 2013 are the same used for the preparation of the consolidated financial statements as at 31 December 2012, with the exception of that described in the above section. The more significant measurement criteria adopted for the preparation of the consolidated financial statements are indicated below.

### Tangible assets

The tangible assets are entered at their purchase cost or production cost, inclusive of directly allocated additional charges required to make them available for use. As indicated in the section on the "effects of the application of the international accounting standards", as permitted by IFRS 1, the Company has measured certain owned land and buildings at fair value, and adopted such fair value as the new cost subject to depreciation.

Apart from the foregoing, no revaluations are permitted, even if in pursuance to specific laws. Assets subject to capital lease are entered under tangible assets against a financial payable to the lessor and depreciated in accordance with the criteria below.

Tangible assets are systematically depreciated on a straight-line basis over their expected useful life, based on the estimate of the period over which the assets will be used by the Company. When the tangible asset is made up of a number of significant components, each with a different useful life, each individual component is depreciated. The depreciated value is represented by the carrying value minus the presumable net transfer value at the end of its useful life, if material and reasonable determinable. Land (items with an undefined profit) is not depreciated, even if purchased together with a building, as well as tangible assets held for sale, measured at the lower of the carrying value and fair value after transfer charges.

Costs for improvement, upgrading and transformation increasing the value of tangible assets are entered as assets in the statement of assets and liabilities.

The recoverability of the carrying value of tangible assets is determined by adopting the criteria indicated in the section "Impairment of assets".

Depreciation reflects the economic and technical deterioration of the asset and commences when the asset is available for use, calculated according to the linear model of the asset's estimated useful life.

The rates applied are the following:

| | |
|---|---|
| - Buildings | 2% - 4% (useful life) |
| - Plant and machinery | 8% - 20% |
| - Industrial and business equipment | 15% - 25% |
| - Other assets: | |
| • Furniture and fittings | 10% - 15% |
| • Electronic office machines | 20% |
| • Motor vehicles and means of internal transport | 20% |
| • Cars | 25% |
| • Other minor assets | 10% - 40% |

An asset is eliminated from the financial statements at the time of sale or when future economic benefits are no longer anticipated from its use or disposal. Any losses or profits (calculated as the difference between the net proceeds from sale and the carrying value) are included in the income statement at the time of the aforesaid elimination.

### Leasing

The leasing contracts are classified as finance leases whenever the terms of the contracts substantially transfer all the risks and benefits of ownership to the lessee.
The assets leased are recognised as assets of the Group at their fair value on the date of execution of the contract, or, if less, at the present value of the minimum payments due for the leasing. The corresponding payable to the lessor is included in the statement of assets and liabilities as a payable for leases. The payments for rentals are split between capital and interest portions in order to obtain a constant interest rate on the remaining liability. The financial charges are directly entered in the income statement.
The costs for rentals deriving from operative leases are recognised in income statement in constant instalments on the basis of the duration of the contract.

### Goodwill and other intangible assets

Intangible assets are assets that lack physical substance, controlled by the Company and capable of generating future economic benefits, as well as goodwill, whenever purchased for a valuable consideration.
Identification is defined by reference to the possibility of distinguishing acquired intangible assets from the goodwill. This requirement is normally satisfied when:

I. the intangible assets are traceable to a legal or contractual right, or
II. the asset is separable, that is it may be assigned, transferred, leased out or exchanged autonomously or is an integral part of other assets. Control over the business consists in the power to exploit the future economic benefits deriving from the assets and the possibility of limiting access to it by others.

Intangible assets are entered at cost, measured in accordance with the criteria established for tangible assets. No revaluations are allowed, even in pursuance to specific laws.

Intangible assets with a definite useful life are systematically amortized over their useful life, based on the estimate of the period over which the assets will be used by the Company; the recoverability of their carrying value is determined by adopting the criteria included in the section "Impairment of assets".

Goodwill and other intangible assets, if any, with an indefinite useful life, are not subject to amortization; the recoverability of their carrying value is determined at least each year and, in any case, whenever there are events implying an impairment. As far as goodwill is concerned, the smallest aggregate is measured, upon which Management, assesses the return on investment, either directly or indirectly, including the goodwill itself (cash generating unit). Write-downs are not subject to value restoration.

Goodwill is considered as having an indefinite useful life and is therefore not related to the period of the contractual license. The management has decided to use this accounting treatment since:

I. the licence price initially paid is related to the value of the turnover of the business purchased and is independent with regard to the remaining contractual period;
II. in the past, on expiry of the contract, the Group was always able to renew the licenses;
III. the redefining of contractual relationships that occurred in the past resulted from voluntary agreements. From the conclusion of these transactions, the Group, besides having solidified trade relationships with the companies, has also obtained extensions to the contractual terms. In these cases, as previously, any goodwill paid has not shown an impairment.

Other intangible assets have been amortized by adopting the following criteria:

| | |
|---|---|
| - Patents and intellectual property rights | 5 years |
| - Concessions, licences, trademarks and similar rights | 5 years / 20 years |
| - Other assets | 5 years / contract term |

The amortisation period and criteria for intangible assets with a definite useful life is reviewed at least every year-end and updated if necessary.

### Equity investments in subsidiaries, associated and other companies

Equity investments in subsidiaries, associated and other companies are valued at purchase, subscription or underwriting cost, eventually written-down in the case of long-term impairment; the original value is reinstated in later financial years if the reasons for the write-down no longer exist.
Equity investments in other enterprises classified, in accordance with IAS 39, as available for sale are initially recorded at their fair value and subsequently, where it might not be possible to determine a reliable fair value, possibly written-down In the event of enduring losses. The original value shall not be reinstated in the following financial years, even should the reasons for the write-down no longer exist.

### Cash and cash equivalents

Cash and cash equivalents includes cash, current bank accounts, deposits payable on demand and other easily cashable short-term investments not subject to the risk of a change in value.

### Receivables and other short-term assets

Trade and other short-term receivables are initially entered at their fair value and then valued at their amortized cost, after write-down. Upon entry, the nominal value of receivables represents their fair value upon said date. Given the high receivables turnover, application of amortized cost produces no effects. Provision for bad debts, as at said date, represents the difference between the carrying value of receivables and the reasonable expectation of the forecast financial flows from their collection.

### Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is cancelled from the financial statements when:

I. the rights of the asset to receive financial flows are extinguished;
II. the right of the asset to receive financial flows is conserved but there is a contractual obligation to pay the total without delay to a third party;
III. the company has transferred the right to receive financial flows from the asset and (a) it has substantially transferred all the risks and benefits of ownership of the financial asset or (b) it has not substantially transferred or retained all the risks and benefits of ownership of the asset, but has transferred control thereof.

In the cases where the company has transferred the rights to receive financial flows from an asset and has not substantially transferred or retained all the risks and benefits or lost control thereof, the asset is recorded in the company's financial statements to the extent of its residual involvement in the asset itself. In this case the Group also recognises an associated liability. The asset transferred and associated liability are measured so as to reflect the Group's rights and obligations. The residual involvement that, for example, takes the form of a guarantee on the asset transferred is valuated at the lower of the initial carrying value of the asset and the maximum value of the consideration that the company could be required to pay.

### Impairments of financial assets

At each reporting date, the Group assesses whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as result of one or more events that have occurred after the initial recognition of the asset (when a "loss event" occurs) and this loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets in question that can be reliably estimated. Evidence of impairment may be represented by indicators such as financial difficulties, the incapacity to deal with the obligations undertaken, insolvency in the payment of interest or significant payments that are affecting the debtors or a group of debtors; the probability that it will enter bankruptcy or other form of financial reorganisation, and where observable data indicate that there is a measurable decrease in expected future cash flows, such as changes in context or in the economic conditions related to the obligations undertaken.

As regards the financial assets carried at amortized cost, the Company firstly assesses whether objective evidence of impairment exists for each financial asset that is individually significant, or collectively in the case of financial assets that are not individually significant. If the Company determines that there is no evidence of impairment for a financial asset evaluated individually, whether significant or not, then the asset in question is included in a group of financial assets with similar credit risk characteristics and these are assessed collectively for impairment. The assets that are evaluated individually in terms of impairment and for which an impairment has been recorded or continues to be recorded are not included in any collective assessments of impairment.

If there is objective evidence of impairment, the amount of the loss is measured as the difference between the carrying value of the asset and the present value of the future estimated cash flows (excluding the expectations of credit losses in future that have not yet occurred).
The carrying value of the asset is reduced by utilisation of a write-down provision and the amount of the loss will be disclosed in the income statement.
Should, in a subsequent financial year, the amount of the estimated write-down increase or diminish because of an event that took place after the write-down was recorded, the write-down previously recorded must be increased or diminished by adjusting the provision with a contra entry in the income statement.
For financial assets available for sale, the company assesses at every reference date of the financial statements whether there is objective evidence that an asset or a group of assets has suffered an impairment.

### Impairments of non-financial assets

The company evaluates the possible existence of indicators of the impairment of non-financial assets at every year-end. In the event of cases implying an impairment of an asset, the recoverability of its value is determined by comparing the carrying value with the relevant recoverable value, which is the higher of the fair value, net of disposal charges and the usable value.
Failing a binding sales agreement, fair value is estimated on the basis of the value expressed by an active market, by recent transactions or on the basis of the best available information reflecting the sum the Company may gain by selling the asset.
The usable value is determined by discounting back the expected cash flows deriving from the use of the asset and, if material and reasonable determinable, from its transfer at the end of its useful life. Cash flows are determined on the basis of reasonable assumptions, to be supported by documentary evidence, representing the best estimate of future economic conditions, occurring over the residual useful life of the asset, attaching greater importance to external indications. Discounting back is made at a rate that considers the risks inherent in the specific line of business.

Evaluation is made for each single asset or for the smallest identifiable group of assets generating autonomous incoming cash flows, deriving from constant use (the so-called cash generating unit). When the reasons for write-down no longer apply, the assets, except for goodwill, are written-up and the adjustment is entered in the income statement as a revaluation (value restoration). Revaluation is made at the lower between the recoverable value and the carrying value before write-downs previously made, minus the amortization and depreciation rates that would have been allocated should no write-down have been made.

### Capital stock

The costs relative to the issue of shares or options are classified in the shareholder's equity (net of the fiscal benefits related to them) as a deduction of the revenues deriving from the issue of such instruments.
In the case of acquisition of treasury stock, the price paid, including any directly attributable accessory costs, is deducted from the shareholders' equity until the shares are cancelled, re-issued or disposed of. When the treasury stock is sold or re-issued, the price cashed, net of any directly attributable accessory costs and the relative tax effect, is entered as shareholders' equity.

### Earnings per share

The basic earnings per share are calculated by dividing the company's net profit by the weighted average of the ordinary shares in circulation during the financial year, excluding the treasury shares.
For the purpose of the calculation of the diluted earnings per share, the weighted average of the shares in circulation is modified assuming the conversion of all the potential shares having a dilution effect, while the

company's net profit is adjusted to take into account the effects, net of taxation, of the conversion.

### Financial liabilities

Financial liabilities that fall within the field of application of IAS 39 are classified financial liabilities at fair value recorded in the income statement, as with financial payables, or as derivatives designated as hedging instruments, according to the cases. The company's financial liabilities comprise trade and other payables, loans and derivative instruments. The company determines the classification of its financial liabilities at the time of their initial recognition.

Financial liabilities are initially measured at their fair value, equal to the consideration received at the date of the settlement to which is added, in the case of financial payables, the directly attributable transaction costs.

Subsequently the non-derivative financial liabilities are measured with the amortised cost criterion, using the effective interest rate method. Profits and losses are accounted for in the income statement when the liability is extinguished, other than through the amortisation process.

The amortised cost is calculated by realising any purchase discount, premium and disbursements or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included in the financial charges of the income statement.

### Derecognition of financial liabilities

The cancellation from the financial statements of the financial liability takes place when the obligation underlying the liability is extinguished, annulled or discharged. In the cases where an existing financial liability is substituted by another of the same lender, on substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or modification is treated as an accounting cancellation of the original liability and the recording of a new liability, with the consequent booking to the income statement of any differences between the carrying values.

### Accounting treatment of derivative contracts

Cremonini S.p.A. utilises derivative financial instruments to hedge the exposure to interest rate risk.
These derivative financial instruments are initially recorded at fair value at the date when they are stipulated; subsequently this fair value is periodically re-measured; they are booked as assets when the fair value is positive and as liabilities when negative.
The fair value is the price that would be received for the sale of an asset, or which would be paid for the transfer of a liability, in a normal transaction between market operators at the date of measurement.
The fair value of the derivative financial instruments utilised is determined with reference to the market value whenever it is possible to identify an active market for them. If, instead, the market value of a financial instrument is not easily identifiable, but can be identified for its components or a similar instrument, the market value is determined by the valuation of the individual components of the instrument or a similar instrument. Furthermore, the valuation of instruments for which it is not possible to identify an active market easily is determined by resorting to the value that arises from generally accepted valuation models and techniques, which ensure a reasonable approximation to the market value.

The accounting methods are the following:

- fair value hedge: the changes in fair value of the hedging instrument are booked to the income statement together with the fair value changes of the transactions hedged.
- cash flow hedge: the "effective" portion of the fair value change in the derivative instrument is booked to the shareholders' equity and subsequently to the income statement when the transaction hedged produces its effects; the ineffective portion is directly booked to the income statement.
- financial instruments not qualified as hedges: the changes are booked to the income statement.

Derivatives are classified as hedging instruments when the relationship between the derivative and the subject matter of the hedge has been formally documented and the effectiveness of the hedge, checked periodically, is high. When the hedging derivative covers the risk of variation of the fair value of the instruments to be hedged (fair value hedge – e.g., hedging variations in fair value of fixed rate assets/liabilities), the derivatives are entered at their fair value with the recognition of the related effects in the income statement; consistently, the instruments are adjusted to reflect variations in fair value associated to the risk hedged. When the derivatives hedge risks of variation in the cash flow of the instruments to be hedged (cash flow hedge, e.g., hedging variations of cash flow of assets/liabilities by effect of exchange rate fluctuations), the variations in the fair value of the derivatives are initially entered under shareholders' equity and subsequently entered in the income statement consistently with the economic effects produced by the transaction hedged. Variations in the fair value of derivatives not satisfying the conditions allowing them to be identified as hedging instruments are entered in the income statement.

## Employee benefits

Post-Employment Benefits are in the area of those that IAS 19 defines as defined benefits plans in connection with benefits subsequent to employment. The accounting treatment provided for these forms of remuneration requires an actuarial calculation that allows the projecting of the amount of the Post-Employment Benefits already accrued into the future and actualizing this to take account of the time that will pass before the effective payment. Variables are considered in the actuarial calculation such as the average permanence of the employees, the inflation rate and anticipated interest rates. The measurement of the liability is carried out by an independent actuary. Following the amendment of IAS 19, effective for the financial years commencing from 1 January 2013 and subsequently, the profits and losses from actuarial calculation the defined benefits plans are fully recognised in the comprehensive income statement in the period to which they refer. These actuarial profits and losses are immediately classified in the undistributed profits and are not reclassified to the income statement in the subsequent periods. The welfare cost relates to a past service cost, which is recognised at the most recent date of the following:

- the date when a change or reduction of the plan occurred;
- the date when the Group recognised the correlated restructuring costs.

The Group recognised the following changes in the net obligation for defined benefits in the schedule of the profit/ (loss) for the year:

- service costs, including current and past service costs, profits and losses on non-routine reductions and extensions;
- Net interest receivable or payable.

The asset or liability relating to defined benefits includes the present value of the defined benefits obligation after deducting the fair value of the assets serving the plan.

Lastly, it is recalled that, following the 2007 reform of the national legislation and the regulation, for companies with more than 50 employees, that the post-employment benefits accruing from 1 January 2007 are configured as a defined contribution plan, the payments to which are directly accounted for in the income statement, as a cost, when recognised. The post-employment benefits accrued up to 31.12.2006 remain as a defined benefits plan, without future contributions. Accordingly, its measurement was carried out by the independent actuaries based only on the expected average residual working life of the employees, without more consideration of their remuneration during a predetermined period of service. The "accrued" post-employment benefits before 1 January 2007 therefore suffers from a change in the calculation as an effect of the lack of an actuarial hypothesis, as previously provided, related to the salary increases. Specifically, the liability connected to "accrued " was evaluated on 1 January 2007 without application of the pro rata (years of service already provided/total years of service), as the relating to all on 31 December 2006 can almost be considered as fully accrued (the only exception being revaluation) in application of paragraph 67 (b) of IAS 19. It follows that for the purposes of this calculation, the "current service costs" relating to the future work of the employees to be considered as nil as they represent contribution payments to additional retirement benefit funds or the INPS Treasury Fund.

## Provisions for liabilities and charges

Provisions for liabilities and charges regard costs and charges of a determined nature and certain or probable existence, the amount or date of occurrence of which is unknown as at the end of the financial year. These provisions are recorded when: (i) the existence of a current, legal or implicit obligation, deriving from a past event, is probable; (ii) the fulfilment of the obligation against payment is probable; (iii) the amount of the obligation can be reliably estimated. The provisions are recorded at the value representative of the best estimate of the amount that the company would rationally pay to extinguish the obligation or else to transfer it to third parties at the year-end. When the financial effect of the timing is significant and the dates of payment of the obligations can be reliably estimated, the allocation is discounted and the increase in the connected provision after a lapse of time is attributed to the income statement in the item "Financial income (charges)". The additional customer indemnity provision, as with other provisions for liabilities and charges, was allocated based on a reasonable estimate, taking available elements of the future probable liability into consideration.

## Income taxes

Current taxes are determined on the basis of a realistic forecast of the charges to be paid in application of the prevailing tax legislation, or that substantially approved, at the year-end. The related payable is recognised net of any tax payments on account, withholdings and tax receivables that can be offset, in the item "Tax payables". Should there be a credit balance the amount is shown in the item "Other receivables" under current assets.

Deferred and prepaid income taxes are calculated on the timing differences between the values of the assets and liabilities recorded in the financial statements and the corresponding values recognised for tax purposes.

Deferred taxes payable are recorded against all the taxable timing differences, with the following exceptions:

- the deferred taxes payable deriving from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of the transaction itself, there are no effects either on the financial statements profit, or profit or loss calculated for tax purposes;
- the reversing of the taxable timing differences, associated with investments in subsidiaries, related companies and joint ventures, can be checked and it is probable that it will not occur in the foreseeable future.

Deferred tax assets are recorded against all the taxable timing differences and unutilised tax receivables and losses carried forward, to the extent where their existence is probable and adequate future tax profits will be available for the use of the deductible timing differences and tax receivables and losses carried forward, except in the case where:

- deferred tax assets associated with deductible timing differences deriving from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction itself, does not influence either the result of the financial statements, or the taxable profit or loss;
- the taxable timing differences, associated with investments in subsidiaries, related companies and joint ventures and deferred tax assets, are only recognised in the extent that it is probable that the deductible timing differences will reverse and adequate future tax profits will be available for the use of the deductible timing differences.

Prepaid tax assets are recognised when their recovery is probable. The value of the prepaid taxes is re-examined at every year-end and reduced to the extent to which it is no longer probable that sufficient fiscally recognised profits will be available. Prepaid tax assets and deferred tax liabilities are classified under the non-current assets and liabilities and are offset if referred to taxes that can be offset. The balance of the compensation, if receivable, is recorded under the item "Prepaid tax assets"; if payable under the item "Deferred tax liabilities". When the results of the transactions are recorded directly to shareholders' equity, the current taxes, prepaid tax assets and deferred tax liabilities are also booked to shareholders' equity or the comprehensive income statement consistently with recording of the element to which they refer.
Prepaid and deferred taxes are calculated on the basis of the tax rates that are expected to be applied in the year when such assets will be realised or these liabilities will be extinguished.

## Translation criteria for the items in foreign currencies

Foreign currency transactions are initially recorded in the functional currency by applying the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated to the functional currency at the date of the financial statements.

The exchange rate differences are recorded in the income statement, including the exchange rate differences realised on receipt of the receivables and payment of the payables in foreign currencies.
Non-monetary items measured at the historical cost in a foreign currency are translated using the exchange rate at the date of initial recording of the transaction. Non-monetary items recorded at their fair value in a foreign currency are translated using the exchange rate at the date of determination of such value. The profit or loss that emerges from the reconversion of non-monetary items is treated in line with the recording of the profits and losses relating to the change of the fair value of the aforesaid items (the translation differences on the items for which a change of the fair value is recorded in the comprehensive income statement or the income statement are recorded, respectively, in the comprehensive income statement or income statement*).*

### Revenue recognition

Revenues from sales of products are recognised at the time of the transfer of all the liabilities and charges, deriving from ownership of the goods transferred, coincides with the shipment or delivery thereof.
The revenues for services are recognised with reference to the percentage of completion.
Revenues of a financial nature are recognised on an accruals basis. The interest income from all financial instruments measured at amortised cost is recognised utilising the effective interest rate (EIT), which is the rate that exactly discounts the future payments and receipts, estimated with the expected life of the financial instrument.

### Dividends

Dividends are recognised when their distribution is certain, that is, when the subsidiaries have resolved to distribute dividends or else the authorisation of the local monetary authority that approves or the authorisation of the local monetary authority which approves expatriation.

### Recognition of costs

Costs are recognised when related to assets and services purchased and/or received during the period.
Operating lease instalments are booked to the income statement on an accruals basis.
The capital portion of financial lease instalments is booked as a reduction of the financial payable, while the interest portion is recognised in the income statement.
Charges for services are recognised on an accruals basis.
Interest income from all financial instruments measured at amortised cost is recognised utilising the effective interest rate (EIT), which is the rate that exactly discounts the future payments and receipts, estimated with the expected life of the financial instrument.

### Main accounting judgments, estimates and assumptions adopted by Management

Corporate management has made accounting estimates based on their overall and/or subjective judgements. The generally accepted accounting standards applied for the preparation of the interim financial statements and accounting reports, take account of past experiences and hypotheses considered as reasonable and realistic on the basis of known information at that time. The use of these accounting estimates influences the carrying value of the assets and liabilities and the information on the potential assets and liabilities at the date of the financial statements, as well as the revenues and costs for the reporting period. The effective results can differ from those estimated due to the uncertainty characterising the hypotheses and conditions on which the estimates are based. Indicated below are the critical accounting estimates of the preparation process of the financial statements and interim financial reports as these result in a high recourse to subjective judgements, assumptions and estimates relating to matters that by their nature are uncertain. Should these estimates and assumptions, based on the management's best assessment differ in the future from the effective circumstances, these would be amended appropriately in the period when the circumstances themselves vary. The changes of the conditions on which the judgements, assumptions and estimates adopted are based could determine a material impact on the subsequent results.

Shown below are the main estimates and assumptions made by the management for the preparation of these annual financial statements, of which the changes, though not foreseeable at this time, could have effects on the Group's financial statements.

- Estimates adopted for the purpose of measurement of the impairment of the assets

For the purposes of verification of a possible impairment of the equity investments recorded in the financial statements, the company has adopted the methodology already described in the paragraph "Impairment of assets".

The discount rate utilised for the average cost of capital (WACC) was 7.5%. The evaluation of any impairment test on goodwill was carried out annually with reference to 31 December 2013.

- Estimates adopted in the actuarial calculation for the purpose of the calculation of the defined benefits in connection with the post-employment benefits

The measurement of the post-employment benefits liability was carried out by an independent actuary on the basis of the following assumptions:

- Estimates adopted in the actuarial calculation for the purpose of the calculation of the defined benefits in connection with the post-employment benefits

  - anticipated inflation rate of 2%;
  - discount factor utilised of 2.50%;
  - envisaged annual rate of post-employment benefits increase of 3%;
  - employee turnover of 9%.
- Estimates adopted in the calculation of deferred taxes

A significant discretional measurement is required of the directors to determine the amount of the deferred tax assets that can be booked. They must estimate the probable timing of the occurrence and the amount of the future taxable profits.

- Others

The following financial statements elements are affected by the management's estimates and assumptions:

- obsolete inventory;
- amortisation, depreciation and write-downs
- measurements of other assets.

## Financial risk management

The principal risks identified, monitored and actively managed by Cremonini S.p.A. are the following:

- Market risks: deriving from company's exposure to the fluctuations in exchange rates and interest rates, and volatility of the prices of the products and services sold;

- Credit risk: deriving from the possibility of bankruptcy of a counterparty;

- Liquidity risk: deriving from the absence of financial resources to meet short-term financial commitments.

Cremonini S.p.A. utilises derivative financial instruments to hedge the exposure to interest rate risk. Nevertheless, in the cases where the derivative financial instruments do not meet all the conditions provided for the accounting treatment of the hedging derivative financial instruments (hedge accounting); these are booked at the fair value with a contra entry to the income statement.

## Market Risks

The market risk consists of the possibility that changes in the exchange rates, interest rates and prices of the products, can negatively influence the value of the assets, liabilities or expected cash flows.

## Exchange rate risk

Cremonini S.p.A., operating mainly nationally, is marginally exposed to changes in exchange rates that therefore have little effect on the financial flows that originate from operations and loan transactions in currencies other than the European currency (Euro).
At 31 December 2013 the Parent Company did not have an exchange rate risk.

*Sensitivity analysis*

In consideration of the above comments, the changes in exchange rates with respect to the Euro should not have influenced Cremonini S.p.A.'s result for the period in any manner.

## Interest rate risk

Cremonini S.p.A., as is evident from the net debt, is exposed to the risk of fluctuation in interest rates that affect the market value of financial assets and liabilities, and the amount of financial charges.

The medium/long-term loans are, almost totally, stipulated with variable interest rates exposing the company to the risk of a change in future cash flows while the fixed rate loans expose the company to the risk of a change of the fair value of the loans themselves. There are also some loans originally at variable interest rates for which hedging "interest rate swap" contracts were signed by means of which the variable Euribor rate was substituted with a fixed rate.

*Sensitivity analysis*

As at 31 December 2013, a hypothetic increase of 1% of the Euribor, as with all the other variables, would have determined a higher pre-tax charge (and therefore a corresponding reduction of the shareholders' equity) of about 1,432 thousand Euro on an annual base (2,068 thousand Euro as at 31 December 2012). A zeroing of the Euribor would instead have determined a lower pre-tax charge of about 392 thousand Euro (383 thousand Euro as at 31 December 2012).

## Credit risk

The credit risk represents the company's exposure to potential losses deriving from the counter party's failure to meet obligations assumed and is evaluated both in commercial terms, i.e., correlated to the customer typologies and to the contractual terms and concentration of the sales, and in financial terms connected to the typology of the counter parties utilised in financial transactions.

Management of trade credit is the responsibility of the Customers Office, Debt Recovery Office and Disputes Management on the basis of formalised valuation procedures for commercial partners' credit lines. This procedure permits the definition of those rules and operational mechanisms that ensure the generation of a payments flow such as to guarantee Cremonini S.p.A. customer solvability and the profitability of the relationship.

The monitoring of the customer is based on collection of data and information on the new customers (to permit a complete and correct evaluation of the risks that a new customer can contribute) and supervision of the evolution of individual credit positions. Furthermore, the receivables balance is monitored during the financial year so as to ensure that the delinquent positions are never significant.
The company's operating practices allow control of the credit risk, through a procedure that monitors the merit classes of the customers that request deferment of payments, thus limiting sales of products and/or services to customers without an adequate level of credit line and guarantees.

The credit risk is also mitigated by the fact that there are no major expositions due to a concentration of positions, in view of the multiple numbers of customers and particularly distributed turnover. With regard to the financial counterparty risk deriving from the use of liquidity, the company implements policies that limit the loan exposure with the individual financial institutions.

At the reference date of the financial statements, the maximum exposure to the credit risk is equal to the value of each category of the receivables indicated below:

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Current trade receivables | 2,256 | 997 |
| Other non-current assets | 4,932 | 4,931 |
| Other current assets | 358 | 472 |
| **Total** | **7,547** | **6,400** |

Please refer to point 8 of the explanatory notes to the financial statements for information regarding the maximum exposure to credit risk.

## Liquidity risk

The liquidity risk represents the risk that, due to the incapacity of raising new funds or liquidate assets in the market, the company cannot meet its payment obligations, determining an impact on the economic result in the case where the company is constricted to sustain additional costs to meet its commitments or, as an extreme consequence, a situation of insolvability that places the company's activities at risk.

Cremonini S.p.A. systematically respects the maturities of its commitments, a conduct that allows it to operate in the market with the necessary flexibility and reliability for the purpose of maintaining a correct balance between the supply and use of financial resources.
Cremonini S.p.A. manages the liquidity risk through prudent control of the necessary cash and cash equivalents for the normal conduct of operations and availability of credit lines that guarantee a satisfying level of resources sufficient to cover any financial necessities. These controls mainly take place through the constant monitoring by the centralised treasury of the receipts and payments flows of all the companies, pursuing the maintenance of a balance in terms of duration and composition of the payables. This specifically allows the monitoring of the resources flows generated and absorbed by normal operations. With regard to management of the resources absorbed by the investment activities, in general it privileges the location of sources of specific long-term loans.

The table below analyses the financial liabilities and derivative financial liabilities on the basis of the contractual maturities as at the date of the financial statements. It is noted that the amounts indicated do not reflect the carrying values (with the exception of the balances within 12 months, for which the book balances reflect reasonable estimates of the financial flows, given the insignificance of the discounting effect) as they are not discounted. The financial flows from variable rate loans were estimated utilising the average rate of indebtedness at the reference date of the financial statements.

| (in thousands of Euros) | Within 12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|
| **31 December 2013** | | | | |
| Financial payables | 139,017 | 68,652 | 34 | 207,703 |
| Financial instruments / Derivatives | - | 1,148 | - | 1,148 |
| Trade Liabilities | 3,258 | - | - | 3,258 |
| | **142,275** | **69,800** | **34** | **212,109** |
| **31 December 2012** | | | | |
| Financial payables | 167,409 | 103,680 | 177 | 271,266 |
| Financial instruments / Derivatives | - | 2,034 | - | 2,034 |
| Trade Liabilities | 2,654 | - | - | 2,654 |
| | **170,063** | **105,714** | **177** | **275,954** |

## Classes of financial instruments

The following elements are recognised in conformity with the accounting standards relating to financial instruments:

| (in thousands of Euros) | 31 December 2013 | | |
|---|---|---|---|
| **Balance Sheet Assets** | **Loans and Receibles** | **Derivates utilised for hedging** | **Total** |
| Other non-current receivable items | 4,932 | - | 4,932 |
| Current financial receivables | 8,742 | - | 8,742 |
| Current trade receivables | 2,256 | - | 2,256 |
| Current derivative financial instruments | 1,743 | - | 1,743 |
| Current tax receivables | - | - | - |
| Cash and cash equivalents | 317 | - | 317 |
| Financial activities available for sale | 2,081 | - | 2,081 |
| Other current receivable items | 358 | - | 358 |
| **Total** | **20,430** | **-** | **20,430** |
| **Balance Sheet Liabilities** | **Other financial liabilities** | **Derivates utilised for hedg.** | **Total** |
| Non-current financial payables | 68,686 | - | 68,686 |
| Current financial payables | 139,017 | - | 139,017 |
| Derivative financial instruments | - | 1,148 | 1,148 |
| **Total** | **207,703** | **1,148** | **208,851** |

| (in thousands of Euros) | 31 December 2012 | | |
|---|---|---|---|
| **Balance Sheet Assets** | **Loans and Receibles** | **Derivates utilised for hedging** | **Total** |
| Other non-current receivable items | 4,931 | - | 4,931 |
| Current financial receivables | 7,207 | - | 7,207 |
| Current trade receivables | 997 | - | 997 |
| Current derivative financial instruments | 4,751 | - | 4,751 |
| Current tax receivables | - | - | - |
| Cash and cash equivalents | 116 | - | 116 |
| Financial activities available for sale | 2,081 | - | 2,081 |
| Other current receivable items | 472 | - | 472 |
| **Total** | **20,555** | **-** | **20,555** |
| **Balance Sheet Liabilities** | **Other financial liabilities** | **Derivates utilised for hedg.** | **Total** |
| Non-current financial payables | 103,858 | - | 103,858 |
| Current financial payables | 167,409 | - | 167,409 |
| Derivative financial instruments | - | 2,034 | 2,034 |
| **Total** | **271,266** | **2,034** | **273,300** |

In conformity with the requirements of the changes introduced to IFRS 7 commencing from 1 January 2009, we indicate that the derivative financial instruments, constituting hedging contracts on exchange and interest rates, are classifiable as "Level 2" financial assets, as the input having a significant effect on the fair value recorded are figures directly observable on the market[1].
With regard to the "Other current and non-current assets" items, you are referred to the indications in paragraphs 6 and 11 of these explanatory notes.

### Capital management policy

The company's primary aim, regard capital management, is to obtain an appropriate level of own funds in relation to debt, with the purpose of maintaining equity solidity and achieve a functional debt/equity ratio for the purpose of adequate management of the financial leverage.

For the purpose of reaching these objectives, the company, in addition to pursuance of satisfying financial results and the generation of cash flows, can intervene on the dividends policy and configuration of the company's capital.

The principal indicators that the company uses for capital management are:

1) R.O.S. (Return on sales);
2) R.O.I. (Return on investments);
3) R.O.A.C.E. (Return On Average Capital Employed);
4) R.O.E. (Return on equity);
5) Net Debt / Equity;
6) Net Debt /Ebitda.

## Presentation of the financial statements

The Statement of Assets and Liabilities, Income Statement and Statement of Changes in Shareholders' Equity have been drawn up in Euros, while the Financial Statements and the Explanatory Notes have been drawn up in thousands of Euro in order to facilitate their presentation and interpretation.

## Information included in the Directors' Report

With respect to the nature of the Group's business activities, the events of significance occurring after the end of the financial year, relationships with associated and related companies together with other information relating to the different business sectors in which the Group operates, please refer to the Directors' Report.

The company identifies as "Level 1" financial assets/liabilities those where the input has a significant effect on the fair value recorded, represented by prices quoted on an active market for assets or liabilities and as "Level 3" financial assets/liabilities those where the input is not based on observable market figures.

# Details of the main items of the statement of assets and liabilities

## ASSETS

## Non-current assets

Specific statements have been prepared for the two categories of non-current assets (tangible and intangible) which have been respectively attached in annex 3 and 4 that indicate for each item the historic cost, previous amortization and depreciation, changes over the period and final balances.

### I. Tangible assets

| (in thousands of Euros) | Balance at 31.12.2012 | Purchases | Decreases | Other | Amort. | **Balance at 31.12.2013** |
|---|---|---|---|---|---|---|
| Land and buildings | 72,844 | 4,343 | (3,854) | 0 | (1,384) | 71,949 |
| Plant and machinery | 385 | 77 | (35) | 0 | (115) | 312 |
| Industrial and business equipment | 7 | - | - | 0 | (2) | 5 |
| Other assets | 1,104 | 213 | (33) | 0 | (206) | 1,078 |
| Fixed assets under construction and advances | 2,901 | 1,810 | (100) | (2) | | 4,609 |
| **Total** | **77,241** | **6,443** | **(4,022)** | **(2)** | **(1,707)** | **77,953** |

Land and buildings

As an effect of the abovementioned merger of Consorzio Centro Commerciale Ingrosso Carni S.r.l with Cremonini S.p.A., the item Land and buildings increased by about 3.9 million Euro, which is ascribable to the real estate, situated in Via Fantoni 31 Bologna, owned by the absorbed company.
This real estate was subsequently sold to the subsidiary MARR S.p.A in July.
During the financial year improvements were also made to the real estate owned in Via Farini Modena, the Castelvetro headquarters and Piazza di Spagna Rome.

The Land and buildings are mortgaged for an amount of 31,900 thousand Euro against some loans obtained.

Plant and machinery

Investments mainly regarded the purchase of specific equipment for the headquarters and the Via Farini real estate in Modena.

Other assets

The change in the financial year refers to increases related to the purchase of furniture and fittings for about 115 Euro.

Non-current assets in progress

The increase for the year is totally ascribable to the restructuring in progress of the Area defined as "Ex Mondadori" within the complex in Via San Vincenzo, Rome.

## 2. Other intangible assets

| (in thousands of Euros) | Balance at 31.12.2012 | Purchases | Decreases | Branch Transfer | Other | Amort. | **Balance at 31.12.2013** |
|---|---|---|---|---|---|---|---|
| Patents and intellectual property rights | 60 | | | | - | (30) | **30** |
| similar rights | 2 | - | | | - | (2) | **0** |
| **Total** | **62** | **0** | | **0** | **0** | **(32)** | **30** |

## 3. Investments in subsidiaries and associated companies

The main changes that took place in the financial year and the additional information list regarding the subsidiary companies are deductible, in detail, in Annexures 5 and 6.

<u>Equity investments in subsidiaries</u>
The main changes that took place during 2013 regarded:

- the payment of 7,0 thousand Euro for the future share capital increase in Chef Express S.p.A.;
- the payment of 200 thousand Euro for the future share capital increase in Global Service S.r.l.;
- the payment of 1.150 thousand Euro for the future share capital increase in Interjet S.r.l.;
- acquisition of the residual quotas (13.31%) of Consorzio Centro Commerciale Ingrosso Carni S.r.l. (875 thousand Euro) following which it was merged in the Parent Company Cremonini S.p.A.;
- the reduction of the equity investment in MARR S.p.A. of 9.7 million Euro (you are referred to the comments in the Directors' Report, with reference to the significant events that took place during the year regarding the Centralised Activities sector);
- The write-down of the equity investment in Global Service S.r.l. by 187 thousand Euro;
- The write-down of the equity investment in Interjet S.r.l. by 1,012 thousand Euro.

The excesses of the residual carrying value of individual equity investments in subsidiary companies compared to the measurement with the net equity method (appendix 6) are not attributable to enduring losses, as they are ascribable to the higher value of the assets held by the subsidiary or the potentiality, and the goodwill of the industrial and commercial activities they manage.
Specifically, an impairment test was made for all the equity investments that present the indicators and the results were positive.

<u>Equity investments in associated companies</u>

For greater detail of the "Equity investments in related companies" you are referred to Annex 5.

## 4. Investments in other companies

The sole change during 2013 concerned the acquisition of an equity investment in Banco Popolare di Vicenza for 50 thousand Euro. You are referred to Appendix 5 for greater detail of the "Equity investments in other companies".

## 5. Deferred tax assets

The amount of the prepaid taxes was 750 thousand Euro, and mainly refers to the tax effect (IRES -Corporate Income Tax - and IRAP - Regional Business Tax) calculated on the taxed provisions fiscally deductible in subsequent financial years and taxation calculated on the measurement of the derivatives.
The prepaid taxes, accounted for as it is considered they will be recovered from future taxable income, originate from the timing differences described below:

| *(in thousands of euros)* | **31.12.2013** | | 31.12.2012 | |
|---|---|---|---|---|
| | **Amount of timing differences** | **Fiscal Effect** | **Amount of timing differences** | **Fiscal Effect** |
| **Advance Taxation** | | | | |
| Write-down of tangible fixed assets | - | | - | |
| Bad debt provision | 985 | | 2,864 | |
| Taxed Provisions | 315 | | 1,433 | |
| Interest payables deductable | 1,148 | | 2,034 | |
| Other | 278 | | 185 | |
| **Total** | **2,726** | | **6,516** | |
| **Taxable amount forIRES** | **2,726** | | **6,516** | |
| Tax Rate | 27.50% | | 27.50% | |
| **Advanced taxation for IRES** | | **750** | | **1,792** |

## 6. Other non-current assets

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Tax assets | 4,829 | 4,829 |
| Other receivables | 68 | 67 |
| Accrued income and prepaid expenses | 35 | 35 |
| **Total** | **4,932** | **4,931** |

## Current assets

### 7. Current financial receivables

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Receivables from subsidiaries | 8,489 | 5,928 |
| Receivables from parent companies | 253 | 1,279 |
| **Total** | **8,742** | **7,207** |

Details of the receivables from subsidiaries are given below; you are referred to Annex 1 for further details:

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| **Receivables from subsidiaries** | **8,380** | **5,896** |
| Alisea S.c.a r.l. | - | 9 |
| Chef Express S.p.A. | 601 | - |
| Global Service Logistics S.r.l. | 37 | - |
| Interjet S.r.l. | 1,850 | 1,978 |
| Roadhouse Grill Italia S.r.l. | 5,892 | 3,855 |
| **Receivables from subsidiaries for transferred tax payables** | **109** | **32** |
| As.Ca. S.p.A. | 6 | - |
| Baldini Adriatica Pesca S.r.l. | 24 | - |
| Cons. Centro Comm. Ingrosso Carni S.r.l. | - | 22 |
| Emigel S.r.l. | 77 | 9 |
| Alisurgel S.r.l. in liquidazione | 2 | 1 |
| **Total** | **8,489** | **5,928** |

Financial receivables from subsidiaries refer to the financial relationships settled through the ordinary treasury current account, the terms and conditions of which are aligned to the conditions normally applied by the banks. Specifically, the Euribor is used as the benchmark interest rate, increased by a spread that varies as a function of the indebtedness or credit position of the balances during the year.

## 8. Current trade receivables

Trade receivables are broken down as follows:

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Receivables from customers** | **342** | **402** |
| Due within 12 months | 1,193 | 1,265 |
| Provision for bad debts | (851) | (863) |
| **Receivables from subsidiaries** | **1,914** | **595** |
| Alisea S.c.a r.l. | 16 | - |
| As.Ca. S.p.A. | 221 | 52 |
| Baldini Adriatica Pesca S.r.l. | 25 | - |
| Chef Express S.p.A. | 95 | - |
| Cremonini Restauration S.a.s. | - | 231 |
| Ges.car S.r.l. | 3 | - |
| Global Service S.r.l. | 67 | - |
| Guardamiglio S.r.l. | 144 | - |
| INALCA S.p.A. | 3 | 221 |
| Interjet S.r.l. | 1 | - |
| Marr S.p.A. | 711 | 62 |
| Momentum Services Ltd. | - | 5 |
| Italia Alimentari S.p.A | - | 6 |
| Railrest S.A. | 3 | - |
| Roadhouse Roma | - | 8 |
| Sara S.r.l. | 4 | - |
| Sfera S.p.A. | 32 | - |
| Soc. Agr. Corticella S.r.l. | 513 | - |
| Tecno-Star Due S.r.l. | - | 10 |
| Time Vending S.r.l. | 76 | - |
| **Receivables from associated companies** | **0** | **0** |
| **Receivables from related companies** | **0** | **0** |
| **Total** | **2,256** | **997** |

The change in the bad debt provision was the following:

| (in thousands of euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Initial balance | (863) | (863) |
| Merger | (2) | - |
| Utilized during the year | 104 | - |
| Accruals during the year | (90) | - |
| **Final balance** | **(851)** | **(863)** |

At 31 December 2013 the trade receivables and bad debt provision were apportioned by due date as follows:

| (in thousands of euros) | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Amount | Bad Debt prov. | Amount | Bad Debt prov. |
| Trade receivables not overdue | 29 | - | 45 | - |
| Overdue up to 30 days | 27 | - | 26 | - |
| Overdue from 31 to 60 days | 13 | - | 1 | - |
| Overdue from 61 to 90 days | 16 | - | 36 | - |
| Overdue from 91 to 120 days | 377 | (120) | 14 | - |
| Overdue over 120 days | 731 | (731) | 1,143 | (863) |
| **Total** | **1,193** | **(851)** | **1,265** | **(863)** |

### 9. Current tax assets

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Receivables for advance on direct taxes | 420 | 3,692 |
| Receivables for withholdings | 5 | 5 |
| VAT credit and other taxes requested for reimbursement | 1,210 | 944 |
| Other sundry receivables | 124 | 126 |
| Provision for bad debts | (16) | (16) |
| **Total** | **1,743** | **4,751** |

The decrease compared to last year is due to the lower IRES advances paid in 2013, partially offset by an increase in the VAT receivables.

### 10. Cash and cash equivalents

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Cash | 9 | 9 |
| Bank and postal accounts | 308 | 107 |
| **Total** | **317** | **116** |

The balance represents the cash and cash equivalents and the existence of money in circulation and notes at the year-end.
You are referred to the cash flow statement for the 2013 for the evolution of cash and cash equivalents.

### 11. Other current assets

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Accrued income and prepaid expenses | 95 | 167 |
| Other receivables | | |
| Advances to suppliers | 55 | 70 |
| Receivables from social security institutions | 156 | 157 |
| Other sundry receivables | 297 | 2,942 |
| Provision for bad debts | (245) | (2,864) |
| **Total** | **358** | **472** |

# LIABILITIES

# SHAREHOLDERS' EQUITY AND LIABILITIES

## Shareholders' equity

As far as changes are concerned, please refer to the statement of changes in equity.

### 12. Share capital

The share capital as at 31 December 2013 of Euro 67,073,932 is represented by 128,988,330 ordinary shares of the Parent Company Cremonini S.p.A., with a par value of Euro 0.52 each, fully subscribed and paid up, with normal rights.

*Treasury stock*
At 31 December 2013 the Parent Company did not hold any treasury stock.

### 13. Reserves

*Share premium reserve*
This reserve is made up of the share premium paid by the shareholders at the time of the Public Subscription Offer in 1998.
This reserve amounting to 78,280 thousand Euro has not undergone changes compared to 31 December 2012.

*Legal reserve*
The legal reserve amounting to 14,749 thousand Euro remained unchanged in the financial year, having reached the limit referred to in Article 2430 of the Italian Civil Code.

*Reserve for transition to IAS*
This is the reserve set up following the first-time adoption of the International Accounting Standards.

*Merger deficit*
The merger deficit generated in 2008 on the inverse merger between Cremonini Investimenti S.r.l. and Cremonini S.p.A, amounts to 146,379 thousand Euro, and is unchanged with respect to 31 December 2012.

*Merger surplus*
The merger of Consorzio Centro Commerciale S.r.l. with Cremonini S.p.A. generated a merger surplus of 94.5 thousand Euro *Cash flow hedge reserve*

The cash flow hedge reserve records the profits or losses deriving from the measurement of the financial instruments designated to hedge variable rate loans. With adoption of IAS 39, the fair value change in the derivative contracts designated as effective hedging instruments is recognised in the financial statements, with a contra entry directly to a reserve for hedging cash flows in the shareholders' equity. These contracts were entered into to hedge the risk exposure of fluctuation of the interest rates of floating-rate loans (negative by Euro 1,148 thousand), and is shown net of tax effect (Euro 316 thousand).

*Basic earnings per share*
Basic earnings per share as at 31 December 2013 amounted to 0,4060 (Euro 0.1912 at 31 December 2012) and has been calculated on the basis of net profits of Euro 52,363,822 thousand divided by the weighted average number of ordinary shares in 2013, equal to 128,988,330.

*Diluted earnings per share*
There is no difference between the basic and diluted earnings per share.

## Non-current liabilities

### 14. Non-current financial payables

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| *Due between 1 and 5 years* | | |
| Payables to banks | 64,915 | 99,943 |
| Payables to other financial institutions | - | - |
| Payables to subsidiaries for Ires reimursement | 3,737 | 3,737 |
| **Total payables due between 1 and 5 years** | **68,652** | **103,680** |
| *Due beyond 5 years* | | |
| Payables to banks | 34 | 177 |
| Payables to other financial institutions | - | - |
| **Total payables due beyond 5 years** | **34** | **177** |
| **Total** | **68,686** | **103,857** |

The breakdown of payables to banks, with the indication of the interest rates applied, is shown below:

| (in thousands of Euros) | Credit line | Interest Rate | Current | Between 1 and 5 years | Beyond 5 years | **Total 31.12.2013** |
|---|---|---|---|---|---|---|
| Overdraft | 11,300 | Euribor 3 months+spread | 6,510 | | | 6,510 |
| Hot Money | 25,000 | Euribor 3 months+spread | 24,547 | | | 24,547 |
| Mortgages | | Euribor 6 months+spread | 48,789 | 64,915 | 34 | 113,738 |
| **Total** | | | **79,846** | **64,915** | **34** | **144,795** |

The composition of the mortgages is as follows:

| Bank | Interest rate | Expiry date | Current | between 1 and 5 years | beyond 5 years | **Total 31.12.2013** |
|---|---|---|---|---|---|---|
| Banca Popolare Emilia Romagna | Euribor 3 m + spread | 08/02/15 | - | 10,000 | - | **10,000** |
| Banca Popolare di Milano | Euribor 3 m + spread | 22/04/15 | - | 3,000 | - | **3,000** |
| Banca Popolare di Verona | Euribor 3 m + spread | 31/07/16 | 2,500 | 4,375 | - | **6,875** |
| Banca Popolare di Vicenza | Euribor 3 m + spread | 07/05/14 | 10,000 | - | - | **10,000** |
| Credito Italiano (1°tranche) | Euribor 6 m + spread | 30/06/15 | 21,127 | 6,900 | - | **28,027** |
| Credito Italiano (2°tranche) | Euribor 6 m + spread | 30/06/15 | - | 40,214 | - | **40,214** |
| B. Pop. S. Felice sul Pan. | Euribor 3 m + spread | 15/01/19 | 128 | 542 | 34 | **704** |
| Banca Pop. Sondrio | Euribor 3/6 m + spread | 09/01/14 | 15,000 | - | - | **15,000** |
| Amortized Costs | | | (333) | (116) | - | **(449)** |
| Interest payable accrued | | | 367 | - | - | **367** |
| **Total** | | | **48,789** | **64,915** | **34** | **113,738** |

### Net Debt

The Net Debt and the detail of its principal components are shown below:

| *(in thousands of Euros)* | **31.12.2013** | 31.12.2012 |
|---|---|---|
| A. Cash | 9 | 9 |
| B. Cash equivalent | 308 | 107 |
| C. Financial assets held for sale | 2,081 | 2,081 |
| **D. Liquidity (A) + (B) + (C)** | **2,398** | **2,197** |
| **E. Current financial assets** | **7,652** | **7,175** |
| F. Current bank liabilities | 79,846 | 83,693 |
| H. Other current financial liabilities | 57,311 | 80,301 |
| **I- Current financial liabilities** | **137,157** | **163,994** |
| **J. Current net debt (I) - (E) - (D)** | **127,107** | **154,622** |
| K. Non current bank liabilities | 64,949 | 100,120 |
| L. Bonds | - | - |
| M. Other non current financial liabilities | - | - |
| N. Non current financial instruments | 1,148 | 2,034 |
| **O. Non current debt (K) + (L) + (M) + (N)** | **66,097** | **102,154** |
| **P. Net Debt (J) + (O)** | **193,204** | **256,776** |

Some loan agreements provide for financial covenants on the happening of which the bank reserves the right to rescind the loan. The covenants on the loan agreements outstanding at 31 December 2013, which were respected, are shown in the tables below.

Table 1

| (thousands Euro) | Banca Popolare di Verona (c) (d) | BPER (c) (d) | Unicredit Corporate Banking (c) (d) |
|---|---|---|---|
| Amount of the loans as at 31 December 2013 | 6,875 | 10,000 | 67,813 |
| Expiry date | 31/07/2016 | 07/02/2015 | 30/06/2015 |
| Covenants | | | |
| Net Debt/Equity | <= 3,0 | <= 3,0 | <= 3,0 |
| Net Debt/Ebitda | <= 4,2 | <= 4,2 | <= 4,2 |
| Net Debt Corrent / Net Debt No Corrent | | | <= 1,0 |

Table 2

| *(thousands Euro)* | Banca MPS (c) (d) |
|---|---|
| Amount of the loans as at 31 December 2013 | 15,000 |
| Expiry date | 07/02/2014 |
| Covenants | |
| Equity | > 50,000 |

(c ) Compliance with the covenants shown in the tables is carefully verified half-yearly, based on the audited consolidated financial statements figures of the Cremonini Group first two parameters) and the separate financial statements of the Parent Company (third parameter).
(d) amount relating to the acquisition line and costs line supplied by the agent bank that was functional in the exercise of the public offer to buy Cremonini S.p.A. shares. The maturity indicates the last date by which the full loan must be repaid. Some half-yearly interim repayments are also provided.

It is noted that 150,000,000 shares in INALCA S.p.A., and 19,957,536 shares in MARR S.p.A. were pledged as at 31 December 2013 as a guarantee for medium to long-term loans.

### 15. Financial instruments/Derivatives

The Group uses financial instruments offered by the market (including the so-called "derivatives") solely with a view to optimise debt costs and to hedge the risk of fluctuation in interest and exchange rates.

On 31 December 2013 the Company was involved in some "interest rate swap" hedging contracts, which substituted the variable Euribor rate with a fixed rate. These transactions, accounted for with the "hedge accounting" criteria, are shown below:

- "interest rate swap" contract with Akros for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with Banca S. Geminiano e S. Prospero for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with Unicredit for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with Unicredit for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with BNP Paribas for 10.0 million Euro (maturity 30.06.2015).

The measurement of these hedge contracts led to the recording of a liability of 1,148 thousand Euro that, in compliance with the IAS, was recorded in shareholders' equity and booked to the income statement neutralizing the economic effects produced by the underlying transactions.
Details of the changes recognised in the period are shown below:

| (in migliaia di Euro) | 31 December 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Riserva CFH Lorda | Imposte differite | Riserva CFH Netta | Riserva CFH Lorda | Imposte differite | Riserva CFH Netta |
| Opening balance | (2,032) | 556 | (1,476) | (1,042) | 284 | (758) |
| Changes of the period | | | | | | |
| *Hedge instruments* | | | | | | |
| Profit/(Loss) of the period | 897 | (247) | 650 | 344 | (95) | 249 |
| Riclass. Profit/(Loss) to Income statement | (897) | 247 | (650) | (343) | 94 | (249) |
| | (2,031) | 556 | (1,476) | (1,041) | 283 | (758) |
| Net change of the period Other comprehensive income | 886 | (244) | 642 | (990) | 272 | (718) |
| **Closing balance** | **(1,145)** | **312** | **(833)** | **(2,032)** | **556** | **(1,476)** |

### 16. Employee benefits

The item includes the payable for staff severance indemnities and the movement in the period, which was the following:

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Opening balance | 431 | 369 |
| Accrued for the year | 11 | 23 |
| Use for the financial year | - | - |
| Transfers | - | - |
| Actuarial gain losses | (6) | 40 |
| Other changes | (5) | (1) |
| **Closing balance** | **431** | **431** |

| (in thousands of euros) | 31.12.2012 | 31.12.12 Adj | Differences |
|---|---|---|---|
| Deferred tax liabilities | 4,932 | 4,916 | 16 |
| Staff Severance Provision | 373 | 431 | (58) |
| Shareholders' Equity | 106,735 | 106,693 | 42 |

## 17. Non-current provisions for risks and charges

| (in thousands of euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Provisions for taxes | 35 | - |
| Labour disputes | 110 | 65 |
| Minor lawsuits and disputes | 103 | 58 |
| Provision for losses on equity investments | 23 | 36 |
| Provision for risks and losses | 102 | 559 |
| **Total** | **373** | **718** |

| (in thousands of Euro) | Balance at 31.12.2012 | Provision | Use | Balance at 31.12.2013 |
|---|---|---|---|---|
| Provisions for taxes | - | 35 | - | 35 |
| Labour disputes | 65 | 93 | (48) | 110 |
| Minor law suits and disputes | 58 | 50 | (5) | 103 |
| Provision for losses on equity investments | 36 | 23 | (36) | 23 |
| Provision for risks and losses | 559 | - | (457) | 102 |
| **Total** | **718** | **201** | **(546)** | **373** |

The reduction of the balance is ascribable to decrease in the balances of the provisions raised against staff disputes and cases of another nature.

The item "Coverage of losses on equity investments" relates to the coverage of the loss of the subsidiary Global Service S.r.l.

The provision for liabilities represents the quantification of liabilities related to probable costs and charges of a contractual nature.

## 18. Deferred tax liabilities

As at 31 December 2013 this item of 7,510 thousand Euro mainly composed the deferred tax payables deriving from the revaluation of the land and buildings made during the transition to the International Accounting Standards and deferment of the taxation the capital gains realised.

| (in thousands of euros) | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Amount of timing differences | Fiscal Effect | Amount of timing differences | Fiscal Effect |
| **Advance Taxation** | | | | |
| Capital Gains | 10,189 | | 598 | |
| Intangible assets | 17,116 | | 17,287 | |
| Intangible assets | 2 | | (8) | |
| **Total** | **27,307** | | **17,877** | |
| Tax Rate | 27.5% | | 27.5% | |
| Advanced taxation for IRES | | **7,509** | | **4,916** |

## Current liabilities

### 19. Current financial payables

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Payables to subsidiaries | 59,171 | 83,716 |
| Payables controlling companies | - | - |
| Payables to banks | 79,846 | 83,693 |
| Payables to other financial institutions | - | - |
| **Closing balance** | **139,017** | **167,409** |

With regard to the change in bank payables compared to the previous year please refer to the cash flow statement and comments in the Directors' Report with reference to the net debt.

The detail of the payables to subsidiaries is reported below; please refer to Annex 1 for further details:

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| **Payables to consolidated subsidiaries** | **57,311** | **80,301** |
| Cons. Centro Comm. Ingrosso Carni S.r.l. | - | 1,786 |
| Chef Express S.p.A. | 34,180 | 34,838 |
| Cremonini Rail Iberica | 3,704 | 2,696 |
| Cremonini Restauration S.a.s | 8,445 | 15,990 |
| Global Service S.r.l. | 155 | - |
| Global Service Logistics S.r.l. | - | 24 |
| Inalca S.p.A. | 8,194 | 11,690 |
| Marr S.p.A. | 2,633 | 13,277 |
| **Payables to subsidiaries for transferred tax receivables** | **1,860** | **3,415** |
| As.Ca. S.p.A. | - | 53 |
| Baldini Adriatica Pesca S.r.l. | - | 40 |
| Chef Express S.p.A. | - | 1,205 |
| Global Service Logistics S.r.l. | 20 | 4 |
| Global Service S.r.l. | 14 | 49 |
| Interjet S.r.l. | 365 | 304 |
| Marr S.p.A. | 1,253 | 964 |
| New Catering S.r.l. | 13 | 18 |
| Roadhouse Grill Italia S.r.l. | 10 | 668 |
| Roadhouse Grill Roma S.r.l. | 69 | 65 |
| Sfera S.p.A. | 116 | 45 |
| **Total** | **59,171** | **83,716** |

Relative to the financial payables to consolidated companies please refer to the description in the item "current financial receivables" (note 7).

## 20. Current taxes liabilities

| (in thousands of euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| VAT | - | - |
| IRAP | 101 | - |
| IRES | - | - |
| Withholding taxes | 429 | 383 |
| Substitute taxes and other taxes payable | 52 | 100 |
| **Total** | **582** | **483** |

The increase compared to last year is ascribable to the recording of IRAP for 2013; in 2012 the IRAP taxable income was negative.

## 21. Current trade liabilities

| (in thousands of euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Suppliers** | **1,716** | **1,406** |
| **Payables to consolidated subsidiaries** | **1,542** | **1,248** |
| Alisea S.c. a r.l. | - | 1 |
| Baldini Adriatica Pesca S.r.l. | - | 19 |
| Chef Express S.p.A. | 15 | 103 |
| Cons. Centro Comm. Ingrosso Carni S.r.l. | - | 3 |
| Cremonini Restauration S.A.S. | - | 231 |
| Emigel S.r.l. | 32 | 43 |
| Global Service Logistics S.r.l. | - | 2 |
| Global Service S.r.l. | 13 | 8 |
| Global Service S.r.l. | - | 1 |
| INALCA S.p.A. | 180 | 83 |
| Inalca Food & Beverage | 76 | - |
| Interjet S.r.l. | 5 | 8 |
| Italia Alimentari S.p.A | 412 | 5 |
| New Catering S.r.l. | 3 | 31 |
| Roadhouse Grill Italia S.r.l. | 473 | 671 |
| Roadhouse Grill Roma S.r.l. | 213 | - |
| Sfera S.r.l. | - | 22 |
| Tecno-Star Due S.r.l. | 120 | 16 |
| Time Vending S.r.l. | - | 1 |
| **Total** | **3,258** | **2,654** |

### 22. Other current liabilities

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Accrued expenses and deferred income | 48 | 67 |
| Inps/Inail/Scau | 151 | 160 |
| Inpdai/Previndai/Fasi/Besusso | 35 | 34 |
| Debiti verso istituti diversi | 37 | 36 |
| Other payables | | |
| Advances and other payables from customers | 23 | 17 |
| Payables for employee remuneration | 328 | 477 |
| Guarantee deposits and down payments received | 131 | 131 |
| Payables to directors and auditors | 328 | 78 |
| Other minor payables | 89 | 93 |
| **Total** | **1,170** | **1,093** |

The employees' remuneration payable includes the current wages and salaries still to be paid as at 31 December 2013, as well as the allocations relating to the holidays accrued and not taken and relating charges.

## Guarantees, sureties and commitments

| (in thousands of euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Direct guarantees – sureties | | |
| - subsidiaries | 119,849 | 128,130 |
| - related companies | - | - |
| - other companies | 3,399 | 5,475 |
| | 123,248 | 133,605 |
| Direct guarantees – letter of comfort | | |
| - subsidiaries | 242,395 | 178,243 |
| - associated companies | - | 100 |
| | 242,395 | 178,343 |
| Direct guarantees – credit mandates | | |
| - subsidiaries | 6,260 | 10,380 |
| | 6,260 | 10,380 |
| | | |
| Other risks and commitments | - | - |
| **Total guarantees, sureties and commitments** | **371,903** | **322,328** |

### Direct guarantees – sureties

These guarantees include both the guarantees given directly by the companies, in the interests of both Group companies and third parties to banks for loans or credit lines, and those guarantees for which the Parent Company is jointly liable, given by banks or insurance companies, for a variety of commercial transactions, Group VAT set-offs, participation in tenders, etc.

Other companies– It should be noted that, with reference to guarantees given to "Other companies", this is the classification normally given to guarantees given directly to third parties by Group companies, but exclusively in their own interests. Such guarantees are rarely given in the interests of third-party companies and even in such a case, in the context of transactions effected for the benefit of Group companies. In particular this item includes the following (in thousands of Euro):

| Company to which the guarantee is provided | Beneficiary | Amount | Reason |
|---|---|---|---|
| Revenue Office/VAT Office Modena | Cremonini S.p.A. and other subsidiaries | - | VAT for compensation |
| Ferrovie dello Stato and operating companies (Grandi Stazioni, Cento Stazioni, Fer Servizi, Trenitalia, etc.) | Cremonini S.p.A. | 3,086 | Guaranteeing concessions for on-board catering services, station buffets and operation of storage facilities. |
| Other minor items | Cremonini S.p.A. and other subsidiaries | 313 | Administration of rented properties, energy supplies, credit cards, successful conclusion of contracts, etc. |
| **Total** | | **3,399** | |

### Direct guarantees – comfort letters

Comfort letters are exclusively concerned with guarantees given to banks for the grant of loans or credit lines and include "simple" comfort letters of the Parent Company for 82,012 thousand Euro.

### Indirect guarantees – credit mandates

Credit mandates relate to bank overdrafts and endorsement credits of subsidiaries guaranteed by credit lines granted by banks to the Company.

## Details of the main items of the income statement

### 23. Revenues

These are broken down as follows:

| (in thousands of Euros) | **2013** | 2012 |
|---|---|---|
| Revenues from sales - Goods for resale | 5 | - |
| Revenues from sales - Others | 4 | 5 |
| Revenues from services | 2,231 | 2,279 |
| Advisory services to third parties | 1,740 | 1,700 |
| Rent income | 1,906 | 1,426 |
| Other revenues from ordinary activities | 32 | 33 |
| **Total** | **5,918** | **5,443** |

Below is a breakdown of revenues by geographical area:

| (in thousands of Euros) | **2013** | 2012 |
|---|---|---|
| Italy | 5,559 | 5,023 |
| European Union | 334 | 390 |
| Non-EU countries | 25 | 30 |
| **Total** | **5,918** | **5,443** |

## 24. Other revenues

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Insurance reimbursements | 39 | 4 |
| Capital gains on disposal of capital goods | 11,337 | - |
| Other cost reimbursements | 504 | 425 |
| Services, consultancy and other minor revenues | 3,163 | 35 |
| **Total** | **15,043** | **464** |

The change in the balance is due to the capital gain deriving from the previously mentioned disposal of the industrial real estate situated in Bologna where the Carnemilia branch of MARR S.p.A. has its office.
The 2013 balance includes the drawdown of provisions previously allocated to meet liabilities occurring in the current year or the release of surplus allocations.

## 25. Costs for purchases

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Costs for purchases - Goods for resale | (8) | (7) |
| Costs for purchases - Stationery and printed paper | (10) | (8) |
| Changes in inventories of raw materials, secondary materials, | (4) | - |
| Other costs for purchases | (24) | (35) |
| **Total** | **(46)** | **(50)** |

## 26. Other operating costs

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Costs for services | (4,712) | (4,792) |
| Costs for leases and rentals | (153) | (130) |
| Other operating charges | (3,539) | (1,492) |
| **Total** | **(8,404)** | **(6,414)** |

## Costs for services

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Energy consumption and utilities | (342) | (286) |
| Maintenance and repairs | (177) | (233) |
| Commisions, commercial and distribution services | (1,357) | (1,348) |
| Third-party services and outsourcing | (38) | (79) |
| Other technical and general services | (2,798) | (2,846) |
| **Total** | **(4,712)** | **(4,792)** |

## Costs for leases and rentals

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Instalments payable | - | - |
| **Lease of business premises, royalties and others** | **0** | **0** |
| Leasing | - | (26) |
| Rents and charges payable other property assets | (153) | (104) |
| **Leases and rentals related to real and personal property** | **(153)** | **(130)** |
| **Total** | **(153)** | **(130)** |

### Other operating charges

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Losses on receivables | (2,785) | (167) |
| Indirect taxes and duties | (516) | (563) |
| Capital losses on disposal of assets | (25) | (534) |
| Contributions and membership fees | (67) | (62) |
| Other minor costs | (146) | (166) |
| **Total** | **(3,539)** | **(1,492)** |

The 2013 balance includes the reversal of a receivable previously written-down. The relative drawdown of the provision was recognised in the item Other revenues.

### 27. Personnel costs

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Salaries and wages | (1,746) | (1,624) |
| Social security contributions | (546) | (542) |
| Staff Severance Provision | (121) | (126) |
| Other personnel costs | - | (3) |
| **Total** | **(2,413)** | **(2,295)** |

On 31 December 2013 the Company employed a total staff of 21 persons, as follows:

| | Factory staff | Office staff | Managers | Total |
|---|---|---|---|---|
| Eployees as at 31.12.2012 | 0 | 14 | 7 | 21 |
| **Eployees as at 31.12.2013** | **0** | **14** | **7** | **21** |
| Increases (decreases) | 0 | 0 | 0 | 0 |
| **Average no. of employees** | **0** | **14** | **7** | **21** |

### 28. Amortization, depreciation, write-downs and provisions

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Depreciation of tangible assets | (1,707) | (1,741) |
| Amortization of intangible assets | (32) | (32) |
| Write-downs and provisions | (607) | (637) |
| **Total** | **(2,346)** | **(2,410)** |

### Write-downs and provisions

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Receivables write-downs | (32) | (621) |
| Other provisions | (575) | (16) |
| **Total** | **(607)** | **(637)** |

## 29. Revenue from equity investments

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Income (Charges) from investments in subs. | 56,977 | 37,052 |
| Income (Charges) from investments in ass. comp. | - | 346 |
| Income (Charges) from investments in other comp. | 54 | 41 |
| Write-down of investments | (1,284) | (1,058) |
| **Total** | **55,747** | 36,381 |

### Income (Charges) from equity investments in subsidiaries

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Inalca (dividends) | - | 12,000 |
| Marr S.p.A. (dividends) | 19,514 | 25,052 |
| Marr S.p.A. (gain) | 37,463 | - |
| **Total** | **56,977** | **37,052** |

The "Income from equity investments in subsidiaries" constituted, as shown in the table, dividends distributed by the subsidiaries INALCA S.p.A. and MARR S.p.A. and a capital gain of 37.5 million Euro realised following the disposal of 5,600,000 MARR ordinary shares (carried out on 26 March and 22 October).

### Income (charges) from equity investments in other companies

The income from equity investments in other companies constituted dividends from other companies, amongst which were Gemma S.p.A. (33.5 thousand Euro), Futura S.r.l. (12.5 thousand Euro) and Banca Popolare di Vicenza (8 thousand Euro).

### Write-downs of investments

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Carnolanda | (2) | - |
| Interjet S.r.l. | (1,012) | (909) |
| Food Trend Fundation | (83) | - |
| Global Service S.r.l. | (187) | (149) |
| **Total** | **(1,284)** | **(1,058)** |

## 30. Financial (Income)/Charge

| (in thousands of Euros) | 2013 | 2012* |
|---|---|---|
| Net exchange rate differences | - | 1 |
| Income (Charges) from management of derivatives | (897) | (344) |
| Net financial Income (Charges) | (9,860) | (12,476) |
| **Total** | **(10,757)** | **(12,819)** |

In detail:

<u>Exchange rate differences</u>

| (in thousands of Euros) | 2013 | 2012 |
|---|---|---|
| Realised net exchange rate differences | - | 1 |
| Net exchange rates valuation differences | - | - |
| **Total** | **0** | 1 |

## Income (charges) from management of derivatives

| (in thousands of Euros) | **2013** | 2012 |
|---|---|---|
| Realized Income from management of derivatives | (897) | - |
| Realized Charges from management of derivatives | - | (344) |
| **Total** | **(897)** | **(344)** |

## Net financial income (charges)

| (in thousands of Euros) | **2013** | 2012 |
|---|---|---|
| **Financial Income (Charges) from controlling companies** | **33** | **(11)** |
| **Financial Income (Charges) from subsidiaries** | **(2,894)** | **(3,203)** |
| **Financial Income (Charges) from associated companies** | **-** | **-** |
| *Financial income* | | |
| - Bank interest receivable | 35 | 25 |
| - Other financial income | 72 | 50 |
| **Total financial income** | **107** | **75** |
| *Financial charges* | | |
| - Interest payable on loans | (4,565) | (6,971) |
| - Interest payable on current accounts and others | (1,729) | (1,936) |
| - Other bank charges | (759) | (299) |
| - Other sundry charges | (53) | (131) |
| **Total financial charges** | **(7,106)** | **(9,337)** |
| **Total** | **(9,860)** | **(12,476)** |

The item groups together the total interest payable connected to the Group treasury service and interest, commissions and charges from banks and other financiers.
Below is the breakdown of financial charges and income to/from subsidiaries:

| (in thousands of Euros) | **2013** | 2012 |
|---|---|---|
| Chef Express S.p.A. | (1,841) | (2,640) |
| Cons. Centro Comm. Ingrosso Carni S.r.l. | - | (43) |
| Cremonini Rail Iberica S.A. | (190) | 222 |
| Cremonini Restauration S.A.S. | (392) | (458) |
| Global Service Logistics S.r.l. | 1 | 1 |
| Global Service S.r.l. | 3 | 3 |
| INALCA S.p.A. | (551) | (390) |
| Interjet S.r.l. | 55 | 89 |
| Marr S.p.A. | (199) | (258) |
| Roadhouse Grill Italia S.r.l. | 220 | 271 |
| **Total** | **(2,894)** | **(3,203)** |

### 31. Income taxes

| (in thousands of Euros) | **2013** | 2012 |
| --- | --- | --- |
| Net income from subs. for transferred taxable amounts | 3,163 | 3,916 |
| Income from IRES reimbursement years 2007-2011 | 0 | 978 |
| IRES previous years | (49) | 268 |
| | **3,114** | **5,162** |
| IRAP | (101) | (10) |
| Provision for deferred/pre-paid taxes | (3,390) | 1,209 |
| | **(3,491)** | **1,199** |
| **Total** | **(377)** | **6,361** |

The IRES balance refers to income connected to the tax consolidation to which Cremonini S.p.A. participated as the consolidating company. As at 31 December 2012 this item benefitted from non-recurring income of 978 thousand Euro, relating to the allocation of a IRES reimbursement for the years from 2007 to 2011.

The deferred tax charge mainly refers to the different tax deductibility of the depreciation and amortisation recorded and deferred taxation on the capital gains realised in the current year.

## Reconciliation of theoretical tax burden and actual tax burden

### IRES

| (in thousands of Euros) | Year 2013 | | Year 2012 | |
|---|---|---|---|---|
| | Taxable amount | Tax | Taxable amount | Tax |
| **Profit before taxation** | **52,741** | | **18,295** | |
| Taxation rate | 27.5% | | 27.5% | |
| **Theoretical tax burden** | | **(14,504)** | | **(5,031)** |
| **Permanent differences** | | | | |
| Non-deductible amortization and depreciation | 157 | | 341 | |
| Write-down of financial assets (non-deductible part) | 1,284 | | 1,058 | |
| Taxes and tax amnesties | 352 | | 281 | |
| Other non-deductible costs | 784 | | 879 | |
| **Total** | **2,577** | | **2,559** | |
| Dividends from foreign companies | (18,589) | | (35,567) | |
| Irap deductible | (95) | | | |
| Gains on disposals subject to substitute tax | (36,374) | | | |
| Other | (82) | | (199) | |
| **Total** | **(55,140)** | | **(35,766)** | |
| **Timing differences deductible in future years** | | | | |
| Provisions to taxed funds | 206 | | 640 | |
| Other | - | | 797 | |
| **Total** | **206** | | **1,437** | |
| **Timing differences taxable in future years** | | | | |
| Anticipated depreciations | (8,901) | | - | |
| Other | - | | (597) | |
| **Total** | **(8,901)** | | **(597)** | |
| **Reversal of timing diff. from previous years** | | | | |
| Capital gains on disposal of real estate | 149 | | - | |
| Receipt of dividends related to previous year | - | | - | |
| **Total** | **149** | | **0** | |
| Use of taxed provisions | (3,134) | | (167) | |
| Write-down of financial assets | | | - | |
| Other | - | | - | |
| **Total** | **(3,134)** | | **(167)** | |
| **Taxable income** | **(11,502)** | | **(14,239)** | |
| Tax rate | 27.5% | | 27.5% | |
| **Actual tax durden** | | **(3,163)** | | **(3,916)** |
| **Ires previous years** | | **(49)** | | **268** |

**IRAP**

| (in thousands of Euros) | Year 2013 | | Year 2012 | |
|---|---|---|---|---|
| | Taxable amount | Tax | Taxable amount | Tax |
| **Profit before taxation** | **52,741** | | **18,295** | |
| **Costs not relevant for IRAP** | | | | |
| Financial Income/Charges | 10,757 | | 12,819 | |
| Revenues from equity investments | (55,747) | | (36,381) | |
| Write-downs and provisions | 607 | | 637 | |
| Personnel cost | 2,413 | | 2,295 | |
| Deductible personnel cost | (633) | | (632) | |
| Ohers | (7,966) | | 652 | |
| **Total** | **(50,569)** | | **(20,610)** | |
| **Theoretical taxable amount** | **2,172** | | **(2,315)** | |
| Taxation rate | 4.65% | | 4.37% | |
| **Actual tax burden** | | **(101)** | | **0** |
| **Irap previous years** | | | | **(10)** |

## Other information

Pursuant to the law the total fees due to the directors, members of the Board of Statutory Auditors and independent auditors are noted below:

- Directors : 997 thousand Euro
- Board of Statutory Auditors : 73 thousand Euro
- Independent auditors: 70 thousand Euro

| (in thousands of Euros) | Company that provided the service | Recipient | Fees pertaining to 2013 |
|---|---|---|---|
| Audit | Reconta Ernst & Young S.p.A. | Cremonini S.p.A. | 70 |
| Compliance audit | Reconta Ernst & Young S.p.A. | Cremonini S.p.A. | 0 |
| Other services | | | 0 |
| **Total** | | | **70** |

## Events occurring after the end of the financial year

Please refer to the Directors' Report for details of the other events occurring after the financial year-end.

Castelvetro di Modena, 24 March 2014

THE CHAIRMAN

OF THE BOARD OF DIRECTORS

(Cav. Lav. Luigi Cremonini)

signed by Luigi Cremonini

## Annexes

These annexes contain information additional to that reported in the notes to the consolidated financial statements, and form an integral part thereof:

| | | |
|---|---|---|
| Annex 1 | - | Breakdown of receivables and payables from/to subsidiaries, associated, controlling and related companies as at 31 December 2013; |
| Annex 2 | - | List of revenues and costs from/to subsidiaries, associated controlling and related companies for the 2013 financial year; |
| Annex 3 | - | Statement of changes in tangible assets for the financial year ended as at 31 December 2013; |
| Annex 4 | - | Statement of changes in intangible assets for the financial year ended as at 31 December 2013; |
| Annex 5 | - | List of equity investments classified under non-current assets as at 31 December 2013; |
| Annex 6 | - | List of equity investments in subsidiaries and associated companies as at 31 December 2013 (Article 2427, paragraph 5, of the Italian Civil Code). |

# Annex I

## Breakdown of receivables and payables from/to subsidiaries, associated, controlling and related companies as at 31 December 2013

| (thousands Euro) | Treasury | | Trade | | Other | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | Receivables | Payables | Receivables | Payables | Receivables | Payables | **Receivables** | **Payables** |
| *Subsidiaries:* | | | | | (a) | (b) | | |
| Alisea S.c.a r.l. | | | 16 | | | | **16** | **-** |
| Alisurgel S.r.l. in liq. | | | | | 2 | | **2** | **-** |
| As.ca. S.p.A. | | | 221 | | 6 | 51 | **227** | **51** |
| Azienda Agricola Corticella S.r.l. | | | 513 | | | 2 | **513** | **2** |
| Baldini Adriatica Pesca S.r.l. | | | 25 | | 24 | 31 | **49** | **31** |
| Chef Express S.p.A. | | 34,180 | 95 | 15 | 601 | 1,110 | **696** | **35,305** |
| Cremonini Rail Iberica S.A. | | 3,704 | | | | | **-** | **3,704** |
| Cremonini Restauration S.A.S. | | 8,445 | | | | | **-** | **8,445** |
| Emigel S.r.l. | | | | 32 | 77 | 14 | **77** | **46** |
| Ges.Car. S.r.l. | | | 3 | | | 29 | **3** | **29** |
| Global Service Logistics S.r.l. | 37 | | | | | 126 | **37** | **126** |
| Global Service S.r.l. | | 155 | 67 | 13 | | 43 | **67** | **211** |
| Guardamiglio S.r.l. | | | 144 | | | 151 | **144** | **151** |
| INALCA S.p.A. | | 8,194 | 3 | 180 | | 330 | **3** | **8,704** |
| Inalca Food & Beverage | | | | | | | | |
| Interjet S.r.l. | 1,850 | | 1 | 5 | | 365 | **1,851** | **370** |
| Italia Alimentari S.p.A. | | | | 412 | | 190 | **-** | **602** |
| Marr S.p.A. | | 2,634 | 712 | | | 2,554 | **712** | **5,188** |
| New Catering S.r.l. | | | | 3 | | 25 | **-** | **28** |
| Railrest S.A. | | | 3 | | | | **3** | **-** |
| Roadhouse Grill Italia S.r.l. | 5,463 | | | 473 | 429 | 333 | **5,892** | **806** |
| Roadhouse Grill Roma S.r.l. | | | | 213 | | 69 | **-** | **282** |
| Salumi d'Emilia S.r.l. | | | | | | 49 | **-** | **49** |
| Sara S.r.l. | | | 4 | | | | **4** | **-** |
| Sfera S.p.A. | | | 32 | | | 116 | **32** | **116** |
| Tecnostar Due S.r.l. | | | | 120 | | 9 | **-** | **129** |
| Time Vending S.r.l. | | | 76 | | | | **76** | **-** |
| **Total subsidiaries** | **7,350** | **57,312** | **1,915** | **1,542** | **1,139** | **5,597** | **10,404** | **64,451** |
| *Controlling companies:* | | | | | | | | |
| Cremofin S.r.l. | 253 | | | | | | **253** | **-** |
| **Total controlling companies** | **253** | **-** | **-** | **-** | **-** | **-** | **253** | **-** |

(a) Other receivables include receivables for IRES (corporate tax) benefits transferred to the Parent Company.

(b)The other payables include payables for IRES (corporate tax) benefits transferred to the Parent Company.

# Annex 2

## List of revenues and costs from/to subsidiaries, associated controlling and related companies for the 2013 financial year

| (in thousands of Euros) | Revenues | | | | **Total** | Expenses | | | | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financial | Services | Sales | Other (a) | **revenues** | Financial | Services | Sales | Other | **expenses** |
| Subsidiaries: | | | | | | | | | | |
| Alisurgel S.r.l. in liq. | | | | | **-** | | | | | **-** |
| Avirail italia | | 36 | | | **36** | | | | | **-** |
| Azienda Agricola Corticella S.r.l. | | 7 | | | **7** | | | | | **-** |
| Chef Express S.p.A. | 1 | 1,374 | | 219 | **1,594** | 1,842 | 106 | | | **1,948** |
| Cremonini Rail Iberica S.A. | 1 | 177 | | | **178** | 191 | | | | **191** |
| Cremonini Restauration S.A.S. | | 140 | | 2 | **142** | 392 | | | | **392** |
| Emigel S.r.l. | | 2 | | | **2** | | | | | **-** |
| Fiorani & C. S.p.A. | | 42 | | | **42** | | | | | **-** |
| Frimo S.a.m. | | 25 | | | **25** | | | | | **-** |
| Ges.Car. S.r.l. | | 7 | | | **7** | | | | | **-** |
| Global Service S.r.l. | 4 | 58 | | | **62** | 1 | 163 | | | **164** |
| Global Service Logistics S.r.l. | 1 | | | 27 | **28** | | | | 190 | **190** |
| Guardamiglio S.r.l. | | 30 | | | **30** | | | | | **-** |
| INALCA S.p.A. | | 694 | | 22 | **716** | 551 | 24 | | | **575** |
| Interjet S.r.l. | 55 | 15 | | 2 | **72** | | 134 | | 987 | **1,121** |
| Italia Alimentari S.p.A. | | 350 | | 7 | **357** | | 18 | | | **18** |
| MARR S.p.A. | | 1,569 | | 19,617 | **21,186** | 199 | 9 | 1 | 6 | **215** |
| Momentum Services Ltd | | 5 | | | **5** | | | | | |
| New Catering S.r.l. | | 1 | | | **1** | | | | | |
| Quinto Valore soc.cons.a r.l. | | 40 | | | **40** | | 14 | | | **14** |
| Railrest S.A. | | 13 | | | **13** | | | | | **-** |
| Realbeef S.r.l. | | 6 | | | **6** | | | | | **-** |
| Roadhouse Grill Italia S.r.l. | 220 | 361 | | 39 | **620** | | 3 | | 1 | **4** |
| Roadhouse Grill Roma S.r.l. | | 5 | | | **5** | | | | | **-** |
| Sara S.r.l. | | 2 | | | **2** | | | | | **-** |
| Salumi d'Emilia S.r.l. | | | | | **-** | | 2 | | | **2** |
| Tecnostar Due S.r.l. | | 36 | | 28 | **64** | | 42 | | | **42** |
| Time Vending S.r.l. | | 101 | | 2 | **103** | | | | | **-** |
| **Total subsidiaries** | **282** | **5,096** | **-** | **19,965** | **25,343** | **3,176** | **515** | **1** | **1,184** | **4,876** |
| Associated companies: | | | | | | | | | | |
| Emilia Romagna Factor S.p.A. | | | | | - | | | | | - |
| **Total associated companies** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Related companies: | | | | | | | | | | |
| Carnolanda S.r.l. | | | | | - | | | | 2 | **2** |
| Cremofin S.r.l. | 33 | | | | 33 | | | | | **-** |
| Food Trend Foundation | | | | | - | | - | - | 84 | **84** |
| **Totale related companies** | **33** | **-** | **-** | **-** | **33** | **-** | **-** | **-** | **86** | **86** |

(a) Other revenues include dividends from subsidiaries

# Annex 3

## Statement of changes in tangible assets for the financial year ended as at 31 December 2013

| *(thousands Euro)* | Opening position | | | Changes over the period | | | | | Closing position | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Initial cost | Depreciation provision | Balance at 31.12.2012 | Merger | Acquisitions | Net decreases | Reclass./ Other changes | Depreciation | Initial cost | Depreciation provision | Balance at 31.12.2013 |
| Land and buildings | 82,387 | (9,543) | 72,844 | 3,928 | 415 | (3,854) | | (1,384) | 82,773 | (10,824) | 71,949 |
| Plant and machinery | 2,406 | (2,021) | 385 | 40 | 37 | (35) | | (115) | 2,443 | (2,131) | 312 |
| Industrial and business equipment | 48 | (41) | 7 | | | | | (2) | 48 | (43) | 5 |
| Other assets | 4,935 | (3,831) | 1,104 | 1 | 212 | (33) | | (206) | 5,061 | (3,983) | 1,078 |
| Fixed assets under construction and advances | 2,901 | | 2,901 | | 1,810 | (100) | (2) | | 4,609 | | 4,609 |
| **Total** | **92,677** | **(15,436)** | **77,241** | **3,969** | **2,474** | **(4,022)** | **(2)** | **(1,707)** | **94,934** | **(16,981)** | **77,953** |

# Annex 4

## Statement of changes in intangible assets for the financial year ended as at 31 December 2013

| *(thousands Euro)* | Opening position | | | Changes over the period | | | | Closing position | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Initial cost | Amortization provision | Balance at 31.12.2012 | Acquisitions | Net decreases | Reclass./Write-downs Other changes | Amortization | Initial cost | Amortization provision | Balance at 31.12.2013 |
| Patents and intellectual property rights | 90 | (60) | 60 | | | | (30) | 90 | (60) | 30 |
| Concessions, licences, trademarks and similar rights | 2 | 0 | 2 | | | | (2) | 0 | 0 | 0 |
| Fixed assets under development and advances | 0 | 0 | 0 | | | | | 0 | 0 | 0 |
| Other intangible assets | 0 | 0 | 0 | | | | | 0 | 0 | 0 |
| **Total** | **92** | **(60)** | **62** | **0** | **0** | **0** | **(32)** | **90** | **(60)** | **30** |

# Annex 5

## List of equity investments classified under non-current assets as at 31 December 2013

| *(in thousands of Euros)* Company name | Percentage | Initial value | Purchases or subscriptions | Disposals | (Write-downs) Revaluations | Other changes | Percentage | Final value | Note |
|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries:** | | | | | | | | | |
| Chef Express S.p.A. | 100.00 | 49,070 | 7,000 | | | | 100.00 | 56,070 | |
| Cons. C. Comm. Ingr. Carni S.r.l. | 87 | 5,312 | 875.00 | | | (6,187) | | - | a) |
| Global Service S.r.l. | 100.00 | - | 200 | | (187) | (13) | 100.00 | - | |
| INALCAS.p.A. | 50.00 | 154,821 | | | | | 100.00 | 154,821 | |
| Interjet S.r.l. | 100.00 | 1,752 | 1,150 | | (1,012) | | 100.00 | 1,890 | |
| Lounge Services SAS | - | - | | | | | - | - | |
| MARR S.p.A. | 58.84 | 67,609 | | (9,672) | | | 50.42 | 57,937 | |
| **Total subsidiaries** | | **278,564** | **9,225** | **(9,672)** | **(1,199)** | **(6,200)** | | **270,718** | |
| | | | | | | | | | |
| **Associated companies:** | | | | | | | | | |
| Emilia Romagna Factor S.p.A. | 16.97 | 9,425 | | | | (9,425) | | - | |
| **Total associated companies** | | **9,425** | **0** | **0** | **0** | **(9,425)** | | **0** | |
| **Other companies:** | | | | | | | | | |
| Futura S.p.A. | | 963 | | | | | | 963 | |
| Banco Popolare Società Cooperativa | | 528 | | | | | | 528 | |
| Banco Popolare di Vicenza | | 1,000 | 50 | | | | | 1,050 | |
| Emilia Romagna Factor S.p.A. | | | | | | 9,425 | | 9,425 | |
| Other minor companies | | 160 | | | (85) | (1) | | 74 | |
| **Total other companies** | | **2,651** | **50** | **0** | **(85)** | **9,424** | | **12,040** | |
| | | | | | | | | | |
| **Total equity investments** | | **290,640** | **9,275** | **(9,672)** | **(1,284)** | **(6,201)** | | **282,758** | |

a)Merged into Cremonini S.p.A.

# Annex 6

## List of equity investments in subsidiaries and associated companies as at 31 December 2013 (Article 2427.5 of the Italian Civil Code).

| *(thousands euro)* Name | Registered office | Capital stock (in Euro if not otherwise stated) | Net profit (loss) for the year ended 31.12.2013 | Net equity at 31.12.2013 | Percentage held at 31.12.2013 | Carrying value (A) | Valuation based on NE (B) | Difference (B) - (A) | Notes |
|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries:** | | | | | | | | | |
| Chef Express S.p.A. | Castelvetro di Modena (MO) | 8,500,000 | 1,897 | 10,137 | 100.00% | 56,070 | 45,077 | (10,993) | |
| Global Service S.r.l. | Castelvetro di Modena (MO) | 93,000 | (187) | (1) | 100.00% | 0 | (1) | (1) | (a) |
| INALCA S.p.A. | Castelvetro di Modena (MO) | 150,000,000 | 24,298 | 250,434 | 100.00% | 154,821 | 265,625 | 110,804 | |
| Interjet S.r.l. | Castelvetro di Modena (MO) | 2,500,000 | (1,012) | 1,878 | 100.00% | 1,890 | 1,878 | (12) | (a) |
| MARR S.p.A. | Rimini | 33,262,560 | 46,773 | 238,291 | 50.42% | 57,937 | 228,839 | 170,902 | |
| **Total subsidiaries** | | | | | | **270,718** | **541,418** | **270,700** | |

NOTE

(a) A provision for risks has been created against the shareholders' equity deficit.

# Cremonini S.p.A.

Via Modena no. 53 – Castelvetro di Modena (MO)

Share Capital Euro 67,073,931.60 fully paid

Registered with the Modena Chamber of Commerce, Economic Administrative Register no. 126967

Recorded in the Modena Register of Companies as no. 00162810360

Tax reference and VAT no. 00162810360

# STATUTORY AUDITORS' REPORT

# TO THE SHAREHOLDERS' MEETING

INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

AS AT 31 DECEMBER 2013

Prepared pursuant to and for the effects

of art. 2429.2 of the Italian Civil Code.

Dear Shareholders,

The draft individual financial statements and consolidated financial statements for the financial year ended 31.12.2013, which the Board of Directors submit for your approval in terms of the law, were prepared in accordance with international accounting standards (IAS/IFRS), pursuant to the directives of Legislative Decree 38/2005 implemented by EC Regulation no.1606/2002 of the European Parliament and Council of 19/07/2002. The aforesaid documents, together with the Notes to the financial statements and Directors' Report, were made available to the Board of Statutory Auditors in compliance with the terms of art. 2429.1 of the Italian Civil Code.

Legislative Decree no. 17 January 2003, no. 6, established the function of supervisory legal audit of the accounts. The latter is carried out by the auditors Reconta Ernst & Young S.p.A.

We were appointed, for the financial year ended as at 31.12.2013, with the resolution that appointed us to exclusively carry out supervision of the administration and, with this report, we are accounting to you for our work.

During the course of the financial year ended at 31.12.2013 we have carried out our engagement based on that prescribed by arts. 2403 *et seq* of the Italian Civil Code.

As far as our supervisory work is concerned, we can state the following:

a. we have attended the meetings of the Board of Directors Shareholders, verifying compliance with the legislative and statutory rules regulating their functioning and ascertaining that the decisions taken were in turn in conformity to the law and Bylaws and not manifestly imprudent, risky or in conflict of interest or such as to compromise the integrity of the assets of your company.
b. we have not discovered any atypical and/or unusual corporate transactions carried out with third parties or related parties during the course of the financial year. The inter-group transactions and those with related parties conducted in the 2013 financial year are adequately described in the explanatory notes to the financial statements, forming part of routine operations and are regulated at market conditions;
    c. we met with the managers of the various functions for the purpose of guaranteeing the adequacy of the organisational structure and, in this connection, there are no elements to be noted;
d. we have established the adequacy of the accounting and administrative system and its reliability in correctly representing the operational transactions both through the examination of the corporate documents, and by acquisition of information from the managers of the corporate functions; on this matter there are no notifications to refer;
e. no further significant facts emerged during our supervisory work such as to require mention in this report;

f. there was no need to intervene due to omissions of the directors, pursuant to art. 2406 of the Italian Civil Code;
g. no reports were received pursuant to art. 2408 of the Italian Civil Code;
h. no reports were received pursuant to art. 2409.1 of the Italian Civil Code.
i. no reports were made pursuant to art. 2409.7 of the Italian Civil Code;
j. we have not issued opinions from 01.01.2013 to 31.12.2013;
k. we have supervised the duties and obligations of the directors in the exercise of their mandate, including pursuant to Legislative Decree no. 231 of 8 June 2001, especially with reference to the provisions of Legislative Decree no. 81 of 9 April 2008, on the theme of safety in the work places;
l. lastly, we report that the company's Board of Statutory Auditors supervised the functioning and observance of the Organisation and Management Model (OMM) during the financial year, and verified the updating and consequent suitability thereof to prevent commission of the offences referred to in the regulations. No irregularities ascribable to the offences contemplated in connection with the directives of Legislative Decree no. 231/2001 emerged from the activities carried out.

With reference to the content of the individual and consolidated financial statements for the financial year ended at 31 December 2013, considering that the legal audit was carried out by the audit firm Reconta Ernst & Young S.p.A., the Board of Statutory Auditors confirms that it has received the draft individual and consolidated financial statements for the financial year ended 31 December 2013 as required by law together with the Directors' Report, and certifies, within its authority, having verified that:

- the legal regulations inherent in the preparation of the individual and consolidated financial statements and Directors' Report were observed through direct checks and information obtained from the appointed auditors, and do not have particular observations to make. Specifically, the Notes to the financial statements also show the information on the transactions with related parties mentioned in number 22 - bis of art. 2427 of the Italian Civil Code;
- the financial statements were prepared in conformity with the international accounting standards (IAS/IFRS) in accordance with the indications provided by the Board of Directors in the explanatory notes to which you are referred for more details.
- as far as we are aware the directors kept to the legal regulations for preparation of the financial statements, pursuant to art. 2423 of the Italian Civil Code and compatible with the IAS/IFRS international accounting standards.
- the accounting was subjected to the audit envisaged by the law from Reconta Ernst & Young

S.p.A., the appointed independent auditors, who, during periodic meetings held with the Board of Statutory Auditors, did not evidence observations in this connection; with reference to the audit report on the financial statements under examination the Board of Statutory Auditors, issued on 10 April 2014, confirms the absence of observations.

- the goodwill, having an indefinite useful life, was subjected to the annual verification of possible impairment (impairment test procedure"), in compliance with the provisions on the matter of the international accounting standards;
- the information relating to legal advertising, mentioned in art. 2497-bis of the Italian Civil Code, regarding the groups' management and coordination was provided.

**CONCLUSIONS**

In light of our supervisory work and on the basis of the documents submitted by the Board of Directors

- in our opinion, the individual and consolidated financial statements for the financial year ended as at 31.12.2013 were prepared with clarity and truly and correctly represent the equity and financial position and the profit of the Parent Company and Cremonini Group overall, in conformity to the rules that regulate the preparation of individual and consolidated financial statements;
- we consider that there are no reasons obstructing your approval of the draft financial statements for the financial year ended as at 31.12.2013;
- we agree with the proposal of the Board of Directors on the allocation of the profit for the year;
- finally, we remind you that with the approval of these financial statements the mandates granted to the Board of Directors and Board of Statutory Auditors expires. We invite you accordingly to resolve in this connection.

Castelvetro (Mo), 10.04.2014

The Board of Statutory Auditors

Mr. Eugenio Orienti(Chairman)*(signed)*

Mr. Paola Simonelli (standing statutory auditor)*(signed)*

Mr. Albino Motter (standing statutory auditor)*(signed)*

Reconta Ernst & Young S.p.A.
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Building a better working world

## Independent auditors' report
**pursuant to art. 14 of Legislative Decree n. 39 dated 27 January, 2010 and Article 165-bis of Legislative Decree n. 58 dated February 24, 1998 (Translation from the original Italian text)**

To the Shareholders of
Cremonini S.p.A.

1. We have audited the financial statements of Cremonini S.p.A. as of 31 December, 2013 and for the year then ended, comprising the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in shareholders equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of Cremonini S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For comparative purposes, the financial statements include the corresponding figures of the prior year and the balance sheet as of 1 January, 2012. As illustrated in the notes to the financial statements, due to the retroactive application of the amendments to IAS 19 the directors have restated certain comparative figures related to the prior year and the balance sheet as of 1 January, 2012, which is derived from the financial statements as of 31 December, 2011, with respect to the figures previously presented, upon which we issued our auditors' reports dated, respectively, 4 April, 2013 and 12 April, 2012. We have examined the methods used to restate the corresponding figures and the related information presented in the notes to the financial statements, for the purpose of expressing our opinion on the financial statements as of 31 December, 2013 and for the year then ended.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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3. In our opinion, the financial statements of Cremonini S.p.A. at 31 December, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Cremonini S.p.A. for the year then ended.

4. The Directors of Cremonini S.p.A. are responsible for the preparation of the Directors' Report in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Directors' Report with the financial statements as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Directors' Report is consistent with the financial statements of Cremonini S.p.A. at 31 December, 2013.

Bologna, April 10, 2014

Reconta Ernst & Young S.p.A.

Signed by: Andrea Nobili, Partner

*This report has been translated into the English language solely for the convenience of international readers.*

# CREMONINI GROUP

# CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

# Consolidated financial statements as at 31 December 2013

## Balance sheet assets

| (in thousands of Euros) | Note | Year 2013 | 31.12.2012* | 01.01.2012* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Tangible assets | 1 | 790,014 | 812,552 | 816,334 |
| Goodwill | 2 | 145,629 | 148,824 | 151,862 |
| Other intangible assets | 3 | 16,183 | 18,200 | 18,814 |
| Investments valued at equity | 4 | 1,522 | 13,215 | 11,909 |
| Investments in other companies | 5 | 17,802 | 4,672 | 3,701 |
| Financial instruments / Derivatives | 18 | 50 | - | 42 |
| Non-current financial receivables | 6 | 2,495 | 3,712 | 4,453 |
| Deferred tax assets | 7 | 20,328 | 21,152 | 20,333 |
| Other non-current assets | 8 | 50,854 | 37,785 | 24,748 |
| **Total non-current assets** | | **1,044,877** | **1,060,112** | **1,052,196** |
| **Current assets** | | | | |
| Inventories | 9 | 333,394 | 324,611 | 302,130 |
| Biological assets | 10 | 28,404 | 27,673 | 13,617 |
| Current financial receivables | 11 | 10,644 | 12,210 | 5,171 |
| *relating to related parties* | | *4,691* | *6,546* | *270* |
| Current trade receivables | 12 | 537,379 | 541,083 | 533,109 |
| *relating to related parties* | | *785* | *460* | *1,243* |
| Current tax assets | 13 | 20,562 | 27,943 | 30,713 |
| Financial assets held for sale | | 2,081 | 2,081 | 2,081 |
| Financial instruments / Derivatives | 18 | 209 | 371 | 8 |
| Cash and cash equivalents | 14 | 98,591 | 135,099 | 122,244 |
| Other current assets | 15 | 66,208 | 56,168 | 55,859 |
| *relating to related parties* | | *0* | *0* | *0* |
| **Total current assets** | | **1,097,472** | **1,127,239** | **1,064,932** |
| **Total assets** | | **2,142,349** | **2,187,351** | **2,117,128** |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement of the items ("Employee Benefits", "Deferred tax payables" and "Shareholders' equity" as at 31.12.2012 and 01.01.2012.

# Consolidated financial statements as at 31 December 2013

## Balance sheet liabilities

| (in thousands of Euros) | Note | Year 2013 | 31.12.2012* | 01.01.2012* |
|---|---|---|---|---|
| **Shareholders' Equity** | | | | |
| Share capital | 16 | 67,074 | 67,074 | 67,074 |
| Reserves | 16 | 1,490 | 17,437 | 18,889 |
| Retained earnings | | 213,462 | 142,275 | 97,005 |
| Result for the period | | 32,683 | 33,671 | 50,001 |
| Shareholders' Equity attributable to the Group | | 314,709 | 260,457 | 232,969 |
| Minority interests' capital and reserves | | 90,144 | 71,725 | 66,290 |
| Profit for the period attributable to minority | | 28,819 | 25,775 | 24,515 |
| Shareholders' Equity attributable to minority | | 118,963 | 97,500 | 90,805 |
| **Total Shareholders' Equity** | | **433,672** | **357,957** | **323,774** |
| **Non-current liabilities** | | | | |
| Non-current financial payables | 17 | 521,391 | 490,332 | 526,321 |
| Financial instruments / Derivatives | 18 | 4,150 | 2,034 | 1,041 |
| Employee benefits | 19 | 28,439 | 28,538 | 26,646 |
| Provisions for risks and charges | 20 | 8,556 | 9,546 | 9,921 |
| Deferred tax liabilities | 21 | 78,908 | 78,277 | 83,781 |
| Other non-current liabilities | 22 | 909 | 1,009 | 1,544 |
| **Total non-current liabilities** | | **642,353** | **609,736** | **649,254** |
| **Current liabilities** | | | | |
| Current financial payables | 23 | 432,489 | 566,752 | 506,914 |
| *relating to related parties* | | | *1,000* | *1,010* |
| Financial instruments / Derivatives | 18 | 3,273 | 5,986 | 1,840 |
| Current tax liabilities | 24 | 25,223 | 24,702 | 24,421 |
| Current trade liabilities | 25 | 529,448 | 536,721 | 520,681 |
| *relating to related parties* | | *7,813* | *5,232* | *3,585* |
| Other current liabilities | 26 | 75,891 | 85,497 | 90,244 |
| *relating to related parties* | | *0* | *0* | *0* |
| **Total current liabilities** | | **1,066,324** | **1,219,658** | **1,144,100** |
| **Total liabilities** | | **2,142,349** | **2,187,351** | **2,117,128** |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement of the items "Employee Benefits", "Deferred tax payables" and "Shareholders' equity" as at 31.12.2012 and 01.01.2012.

# Consolidated financial statements as at 31 December 2013

## Income statement

| (in thousands of Euros) | Note | **Year 2013** | Year 2012* |
|---|---|---|---|
| Revenues | 27 | 3,439,816 | 3,363,217 |
| *relating to related parties* | | *8,337* | *3,095* |
| Other revenues | 28 | 56,856 | 61,926 |
| *relating to related parties* | | *4* | *16* |
| Change in inventories of finished and semi-finished goods | | (10,344) | 40,648 |
| Capitalisation of internal construction costs | | 6,427 | 2,826 |
| Costs for purchases | 29 | (2,292,559) | (2,297,602) |
| *relating to related parties* | | *(32,618)* | *(26,626)* |
| Other operating costs | 30 | (541,273) | (512,659) |
| *relating to related parties* | | *(1,573)* | *(675)* |
| Personnel costs | 31 | (402,498) | (417,279) |
| Amortization and depreciation | 32 | (69,808) | (72,388) |
| Write-downs and provisions | 32 | (21,703) | (20,082) |
| Revenues from equity investments | | 1,346 | 1,297 |
| *relating to related parties* | | *0* | *2* |
| Financial (Income)/Charges | 33 | (52,068) | (52,640) |
| *relating to related parties* | | *(54)* | *(3)* |
| **Result before taxes** | | **114,192** | **97,264** |
| Income taxes | 34 | (52,690) | (37,818) |
| **Result before minority interests** | | **61,502** | **59,446** |
| Result attributable to minority interests | | (28,819) | (25,775) |
| Result for the period attributable to the Group | | 32,683 | 33,671 |

### Other conprehensive income

| (in thousands of Euros) | **Year 2013** | Year 2012* |
|---|---|---|
| **Result before minority interests** | **61,502** | **59,446** |
| *Items to be reclassified to profit or loss in subsequent periods:* | | |
| Efficacious part of profits/(losses) on cash flow hedge instruments | 1,872 | (5,535) |
| Tax effect | (515) | 1,522 |
| *Items not to be reclassified to profit or loss in subsequent periods:* | | |
| Efficacious part of profits/(losses) on cash flow | 117 | (2,676) |
| Translation effects of the financial statements expressed in foreign currencies | (15,345) | (800) |
| Tax effect | (32) | 736 |
| **Comprehensive Income** | **47,599** | **52,693** |
| Result attributable to minority interests | (27,491) | (25,355) |
| Result for the period attributable to the Group | 20,108 | 27,338 |

* Note that, as stated in the introduction to this Directors' Report and detailed in the subsequent Explanatory Notes, the retroactive application of the amendments to IAS19 ("Employee Benefits") resulted in the restatement of "Actuarial profits/losses" for 2012.

# Statement of changes in the shareholders' equity over the financial year ended as at 31 December 2013

| *(in thousands of Euros)* | Share capital | Nominal value treasury stock in portfolio | Total Share capital | Other Reserves: Share premium reserve | Legal reserve | Reserve for IAS adjustments | Reserve for trading treasury stock | Reserve translation differences | Deficit Merger | | Cash flow hedge reserve | Total Reserves | Profits (Losses) carried forward | Result attributable to the Group | **Shareholders' Equity attributable to the Group** | Minority interests' capital and reserves | Result attributable to minority interests | **Shareholders' Equity attributable to minority interests** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balances at 31 December 2011 adjusted** | **67,074** | **0** | **67,074** | **78,280** | **14,749** | **79,036** | **0** | **(6,039)** | **(146,379)** | **(619)** | **(758)** | **18,270** | **97,624** | **50,001** | **232,969** | **66,290** | **24,515** | **90,805** | **323,774** |
| Allocation of the results of previous year: | | | | | | | | | | | | | | | | | | | |
| - retained earnings reserve | | | | | | | | | | | | | 50,001 | (50,001) | **0** | 24,515 | (24,515) | **0** | **0** |
| - distribution of dividends | | | | | | | | | | | | | | | **0** | (19,005) | | **(19,005)** | **(19,005)** |
| Other changes | | | | | | | | | | | | | 150 | | **150** | 345 | | **345** | **495** |
| Net profit (loss) for the year | | | | | | | | | | | | | | | **33,671** | | 25,775 | **25,775** | **59,446** |
| ended 31 December 2012 | | | | | | | | | | | | | | 33,671 | **(6,333)** | (420) | | **(420)** | **(6,753)** |
| | | | | | | | | (734) | | (1,601) | (718) | **(3,053)** | (3,280) | | | | | | |
| **Balances 31 December 2012 adjusted** | **67,074** | **0** | **67,074** | **78,280** | **14,749** | **79,036** | **0** | **(6,773)** | **(146,379)** | **(2,220)** | **(1,476)** | **15,217** | **144,495** | **33,671** | **260,457** | **71,725** | **25,775** | **97,500** | **357,957** |
| Allocation of the results of previous year: | | | | | | | | | | | | | | | | | | | |
| - retained earnings reserve | | | | | | | | | | | | | 33,671 | (33,671) | **0** | 25,775 | (25,775) | **0** | **0** |
| - distribution of dividends | | | | | | | | | | | | | | | **0** | (25,036) | | **(25,036)** | **(25,036)** |
| Other changes | | | | | | | | | | | | | 33,881 | | **33,881** | 19,587 | | **19,587** | **53,468** |
| | | | | | | | | | | | | | (196) | | **(196)** | (662) | | **(662)** | **(858)** |
| | | | | | | | | | | | | | 459 | | **459** | 83 | | **83** | **542** |
| Net profit (loss) for the year | | | | | | | | | | | | | | | | | | | |
| ended 31 December 2013 | | | | | | | | | | | | | | 32,683 | **32,683** | | 28,819 | **28,819** | **61,502** |
| | | | | | | | | (14,460) | | 91 | 642 | (13,727) | 1,152 | | **(12,575)** | (1,328) | | **(1,328)** | **(13,903)** |
| **Balances 31 December 2013** | **67,074** | **0** | **67,074** | **78,280** | **14,749** | **79,036** | **0** | **(21,233)** | **(146,379)** | **(2,129)** | **(834)** | **1,490** | **213,462** | **32,683** | **314,709** | **90,144** | **28,819** | **118,963** | **433,672** |

## Cash flow statements for the financial years ended as at 31 December 2013 and 2012

| (in thousands of Euro) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| **Net profit before minority interests** | **61,502** | **59,314** |
| Amortization and depreciation | 69,808 | 72,388 |
| Amortization and depreciation | 2,108 | - |
| Net change in other provisions and non-monetary income items | 29,493 | 28,376 |
| Reversal of the effects from extraordinary transactions | 0 | 0 |
| Net change in Staff Severance Provision | (14,310) | (20,253) |
| *Changes in working capital:* | | |
| (Increase) decrease in receivables from customers | (16,620) | (20,123) |
| (Increase) decrease in inventories | (9,514) | (36,537) |
| Increase (decrease) in payables to suppliers | (18,491) | 17,994 |
| (Increase) decrease in other items of the working capital | (8,951) | (16,924) |
| Net effects from the change in consolidation area | 0 | (45) |
| **Cash-flow from operating activities (A)** | **95,025** | **84,190** |
| Net (investments) in tangible assets | (53,864) | (61,165) |
| Net (investments) in intangible assets | (489) | (1,822) |
| Net change in other non current assets | (1,186) | (2,393) |
| Net effects from the change in consolidation area | (170) | 181 |
| **Cash-flow from investment activities (B)** | **(55,709)** | **(65,199)** |
| Increase (Decrease) medium-long term borrowings | 30,982 | (36,067) |
| Increase (Decrease) medium-long term liabilities for derivatives | 2,116 | 993 |
| Increase (Decrease) short term borrowings | (132,244) | 41,753 |
| Changes in other securities and other financial assets | 1,516 | 8,424 |
| Increase (Decrease) short term liabilites for derivatives | (2,763) | 4,188 |
| Cash-flow from distribution of dividends | (25,036) | (19,005) |
| Capital increase and other changes in equity | 49,605 | (6,421) |
| **Cash flow from financing activities ( C)** | **(75,824)** | **(6,135)** |
| **Cash Flow of the year (D=A+B+C)** | **(36,508)** | **12,856** |
| Cash and cash equivalents at the beginning of the period (E) | 135,099 | 122,243 |
| **Cash and cash equivalents at the end of the period (F=D+E)** | **98,591** | **135,099** |

# Consolidated financial statements as at 31 December 2013

## Notes

### Form and content of the consolidated financial statements

The consolidated financial statements as at 31 December 2013 were prepared in accordance with the accounting policies and measurement criteria laid down by the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union according to the procedure referred to in Article 6 of the (EC) Regulation No. 1606/2002 of the European Parliament and Council of 19 July 2002, as adopted by Legislative Decree no. 28 of 28 February 2005 as amended, CONSOB communications and resolutions and ordinances promulgated in implementation of art. 9 of Legislative Decree 38/2005.

The financial statements for the year were authorised for publication by the Board of Directors on 24 March 2014.

The consolidated financial statements were prepared in accordance with the cost method, with the exception of the following statement of assets and liabilities entries:

- land and buildings for which the fair value as at 1 January 2004 was adopted, as "deemed cost" as provided for by IFRS 1, as detailed later in this report;
- the derivative contracts were entered at their fair value with a contra entry in the income statement.

For the purpose of comparison, the consolidated financial statements as at 31 December 2013 show the figures for the financial year ended as at 31 December 2012.

In this connection it is noted that the application of the amendment to the IAS 19 standard "Employee benefits" that came into effect for the financial years commencing from 1 January 2013 or subsequently, has resulted in the restatement of the 2012 figures and the opening figures of the items "Employee benefits" and "Deferred tax payables" as at 1 January 2012 with related effects on the Shareholders' Equity and Profit for the period. You are referred to the paragraph "Accounting policies" for further details in connection with the abovementioned effects.

The following classifications were utilised:

- Statement of Assets and Liabilities by current/non-current items;
- Income Statement by nature;
- Cash flow statement (indirect method).

It is considered that these classifications provide information that better responds to representing the Group's equity, economic and financial situation.

The Euro is the Parent Company's functional currency and is used for the presentation of the consolidated financial statements. The schedules contained in these financial statements are shown in thousands of Euro. If not otherwise indicated, the schedules contained in these financial statements are shown in thousands of Euro.

The evaluation criteria adopted to prepare these financial statements are shown in the following points:

## Consolidation methods

The consolidation is effected using the line-by-line method that consists of the adoption of all asset and liability items in their entirety. The main consolidation criteria adopted for the application of this method are the following:

- the subsidiary companies are consolidated commencing from the date when control is effectively transferred to the Group, and cease to be consolidated at the date when control is transferred outside the Group;
- where necessary adjustments are made to the financial statements of the subsidiaries to align their accounting policies to those of the Group;
- the assets and liabilities and the income and companies consolidated using the line-by-line method are integrated in the consolidated financial statements; the carrying value of the equity investments is eliminated against the corresponding fraction of shareholders' equity of the subsidiaries, attributing to individual elements of the assets and liabilities their current value at the date of acquisition of control (acquisition method as defined by IFRS 3 "Business combinations"). Any residual difference, if positive, is recorded in the asset item "Goodwill" and if negative in the income statement;
- joint ventures are consolidated with the proportional method by which the proportional share of each item of asset, liability, income and charge of a jointly controlled enterprise is consolidated line-by-line with those of the financial statements of the controlling participant;
- reciprocal debit and credit and costs and revenues relationships between consolidated companies and the effects of all the transactions of significant relevance exchanged between the latter are eliminated;
- the minority shareholders' portion of shareholders' equity and results for the period are shown separately in the shareholders' equity and in the consolidated income statement. The result of the comprehensive income statement relating to a subsidiary is attributed to the minority shareholders even if this implies that the minority holdings have a negative balance;
- changes in the Parent Company's interest in a subsidiary that does not result in the loss of control are accounted for as capital transactions.

Changes in the Parent Company's interest in a subsidiary that does not result in the loss of control are accounted for as capital transactions.
If the Parent Company loses control of a subsidiary, it:

- eliminates the assets (including any goodwill) and the liabilities of the subsidiary;
- eliminates the carrying values of any minority interests in the ex-subsidiary;
- eliminates the accumulated exchange rate differences recorded in the shareholders' equity;
- records the fair value of the consideration received;
- records the fair value of any interest maintained in the ex-subsidiary;
- records each profit or loss in the income statement;
- reclassifies the portion held by the Parent Company of the components previously recorded in the comprehensive income statement, income statement or undistributed profits, as appropriate.

## Scope of consolidation

The consolidated financial statements as at 31 December 2013 include the financial statements of the Parent Company Cremonini S.p.A. and those of the companies in the which it holds, directly or indirectly, control including therein the specific purpose entities) excluding immaterial subsidiaries.

Subsidiary companies are the companies of which the Group has the power of determining the administrative and management decisions, generally this refers to the existence of control when the Group holds more than half the voting rights, or exercises a dominant influence on the corporate and operating decisions of the latter.
Related companies are those in which the Group has a significant influence, though not having control, generally when it holds between 20% and 49% of the voting rights.

Companies that have financial statement values individually and cumulatively immaterial with respect to the Group's consolidated financial statements were excluded from the scope of the consolidation. Specifically, the exclusion regarded the following subsidiary companies:

*Directly controlled*

Montana Farm S.p.zo.o.
Inalca Foods Nig Limited
Domus Italia
Chef Express Shanghai

The equity investments in these companies were measured at cost.

The complete list of the holdings included in the scope of the consolidation as at 31 December 2013, with an indication of the method of consolidation, is shown in Appendix 6.

The scope of the consolidation has been changed, compared to that of the consolidated financial statements of the previous year, as described below. The financial effects of such changes are shown, when significant, in the explanatory notes to the financial statements. The equity changes have not instead impacted significantly on the comparability with the corresponding figures of last year.

Specifically, with respect to 31 December 2012, the following companies were included in the scope of the consolidation:

- Dispal CI S.a.r.l., a company marketing food products in general (Ivory Coast);
- Rail Express Services B.V., a company operating catering services on-board the Fyria trains connecting Brussels to Amsterdam.

Lastly, the following changes took place in the scope of consolidation with respect to 31 December 2012:

- the reduction in the MARR equity investment from 58.84% to 50.42%;
- the reduction of the Inalca Food & Beverage equity investment from 70% to 67%;
- the merger of Consorzio Centro Commerciale Ingrosso Carni S.r.l. with Cremonini S.p.A.

The effects of this change are shown in this document.

## Changes in accounting standards

The new IFRSs and IFRICs adopted by the EU, in effect from 1 January 2013, are shown below. The adoption of these revised standards and interpretations has not had effects on the financial statements but has only resulted, in some cases, in additional information.

## New accounting standards, amendments and interpretations applicable in 2013

The accounting standards chosen for preparing the consolidated financial statements are in accordance with those chosen for preparing the consolidated financial statements as at 31 December 2012, with the exception of adoption of new the standards, amendments and interpretation in force from 1 January 2013.

Specifically the following is noted:

- IAS 19 "Employee benefits": the IASB has issued many amendments to these standards, which came into force for cycles starting from 1 January 2013 or later. Besides simple clarification and terminology, the amendments to the standard provide for the obligation to recognize actuarial gains and losses in the statements of comprehensive income, eliminating the possibility of choosing the corridor method.
  In accordance with the requirements of IAS 19, the new provisions are applied retroactively; the statements for the financial position of the most recently presented comparative period (1 January 2012) and the comparative figures have been restated.

The restatement of figures from previous financial years caused by the application of such amendment determined the following effects in these consolidated financial statements:

- on 1 January 2012, an increase of 770 thousand Euro in the Provision for post-employment benefits and a 212 million Euro decrease in the Provision for deferred taxes resulted in a reduction of the Group's Shareholders' Equity of 619 thousand Euro and an increase in Minority interests of 61 thousand Euro on the same date;
- on 31 December 2012, an increase of 3,263 thousand Euro in the Provision for Post-employment benefits and a decrease of 897 thousand Euro in the Provision for deferred tax assets; this entailed a reduction of 2,096 thousand Euro in the Group's Shareholders' equity and an increase in Minority interests of 270 thousand Euro on the same date;
- as for the economic conditions, the impact on 2012 was a greater Group profit share of 125 thousand Euro and recognition of Other losses in the comprehensive income statement of 2,676 thousand Euro (gross of tax).

- IFRS 13 "Measurement at fair value" - this standard establishes a single guideline concerning the IFRS for all fair value measurements. Such amendment does not change the scenarios for which fair value is required, but it provides for a rule concerning fair value measurement concerning the IFRS, when the use of fair value is required or allowed. The application of IFRS13 did not entail significant impacts in the Group's fair value measurements. IFRS 13 also requires special information about fair value, part of this information substitutes the disclosure requirements required by other standards, including IFRS 7 "Financial Instruments: Disclosures".

- IAS 1 – "Financial Statement Presentation – Presentation in the financial statement of Items of Other Comprehensive Income". This amendment introduces the grouping of the other components in the statement of comprehensive income. The items that could be in the future reclassified (or "recycled") in the income statement must now be separated from items that will not be reclassified. The amendment has only affected the presentation mode and did not entail any impact on the financial standing of the Group.

- IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities". These amendments require the entity to disclose information about set-off rights and relating arrangements (such as guarantees). This disclosure will provide the readers of the financial statements with useful information in evaluating the effect of the netting arrangements on the financial position of the entity. The new disclosures are required for all financial instruments subjected to set-off pursuant to IAS 32 "Financial instruments - Presentation". The disclosure is also required for financial instruments which are subject to set-off executive framework contracts or similar agreements, regardless of whether they are offset in in accordance with IAS 32 These amendments are applied in these Group financial statements.

Furthermore, we highlight some improvements to the IFRS issued in May 2012, also impacting the financial cycles commencing from 1 January 2013 or later:

- IFRS 1 "Early Adoption of International Financial Reporting Standards" - this amendment states that if an entity has ceased the application of IFRS in the past and if it decides, or it is required, to apply the IFRS, it can again apply IFRS 1. If IFRS 1 is not applied again, the entity shall restate its financial statements retrospectively, as if it had never ceased to apply the IFRS.

- IAS 1 "Presentation of financial statement" – this amendment clarifies the difference between voluntary additional comparative disclosures and the minimum required comparative disclosures. Generally, the minimum required comparative disclosure is for the previous period.

- IAS 16 "Property, plant and machinery" – this amendment clarifies that major spare parts and machinery used for maintenance, which meet the definition of property, plant and machinery, are not inventory.

- IAS 32 "Financial Instruments: presentation" – this amendment clarifies that income taxes arising from distributions to shareholders are accounted for in accordance with IAS 12 "Income taxes".

- IAS 34 "Interim financial reporting" – this amendment aligns the disclosure requirements for total segment assets with total segment liabilities in the interim financial statements. The clarification is also aimed at ensuring that the interim disclosures are in line with the annual disclosures.

## Accounting standards, amendments and interpretations applicable to future financial statements

Set out below are the standards and the interpretations, at the date of preparation of the consolidated financial statements, that have already been issued but are not yet effective.

- IAS 32 "Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32". These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the IAS 32 principle of compensation application in the case of settlement systems (such as central clearing houses) which apply gross not-simultaneous settlement mechanisms. These amendments should not affect the financial position of Group and will enter into force for business year starting on 1 January 2014 or later.

We also report that on 12 December 2013 the IASB published the documents "Annual Improvements to IFRS: 2010 - 2012 cycle" and "Annual Improvements to IFRSs: 2011 - 2013 cycle" that incorporate the amendments to the standards as part of their annual improvement process, focusing on amendments deemed as necessary, but not urgent.
The main amendments that may be relevant to the Group are related to:

- IFRS 2 – Payments based on shares: amendments to the definition of "vesting condition" and "market conditions" have been made and the additional definitions of "performance condition" and "service condition" added, for the recognition of share-based benefit plans;

- IFRS 3 - Business combinations: the amendments clarify that a contingent consideration classified as an asset or a liability is to be measured at fair value at each period-end, with the effects recognized in the income statement, irrespectively of whether the contingent consideration is a financial instrument or non-financial asset or liability. Additionally, it is clarified that this standard is not applicable to all joint venture establishments;

- IFRS 8 - Operating Segments: the amendments require showing the assessments disclosure made by the management in applying the combination criteria to operating segments, including a description of the operating segments and aggregate economic indicators considered in determining whether the operating segments have "similar economic features". Additionally, the sum of total assets of the operating segments and total assets of the entity must be provided only if the total assets of the operating segments is regularly provided to the management;

- IFRS 10 "Consolidated Financial Statements" and IAS 27 "Separated Financial Statements (revised in 2011)". IFRS 10 replaces part of IAS 27 "Consolidated and Separate Financial Statements" and also includes the issues raised in the SIC 12 "Consolidation - Special Purpose Entities." IFRS 10 establishes a single control model that is applied to all the companies, including the special purpose entities and shall require discretionary assessments for determining which ones are subsidiary companies and which ones are to be consolidated by a parent company. Following the introduction of this new standard, the IAS 27 is limited to accounting for subsidiaries, joint ventures and associates in the separate financial statements and will come into effect from financial years commencing from 1 January 2014 or subsequently.

- IFRS 11- "Joint Arrangements" – this standard replaces IAS 31 "Interest in joint ventures" and SIC 13 "Jointly-controlled Entities – non-monetary contributions by venturers". IFRS 11 removes the option of accounting for jointly controlled entities using proportionate consolidation but establishes the use of the net equity method.

- IFRS 12 - "Disclosures of Involvement with Other Entities" – this standard includes all the dispositions concerning disclosures previously included in IAS 27 concerning the consolidated financial statements as well as all of the disclosures that were included in IAS 31 and IAS 28 concerning the shareholdings of a company in subsidiary, jointly controlled, associated companies and in structured vehicles. It also provides new disclosure examples. This standard is applicable to the years commencing from 1 January 2014 or later.

- IAS 28 "Investment in associated companies (revised in 2011)". As consequence of the new IFRS 11 and IFRS 12, this standard has been renamed "Investments in Associates and Joint Ventures" and describes the application of the net equity method to investments in joint ventures in addition to associated companies. The changes are into force for business years starting on 1 January 2014 or later.

- IFRS 13 – "Fair Value Measurement": The "Basis for Conclusions of the standards" has been amended in order to clarify that after the issue of IFRS 13 and subsequent amendments to IAS 39 and IFRS 9, the option is still available to account for trade receivables and payables without considering the effects of discounting, if these effects are immaterial.

The effective date of the proposed amendments is for financial; years starting on 1 July 2014 or after. These amendments have not yet been endorsed by the European Union.

## Accounting policies

The measurement criteria used to prepare the consolidated financial statements as at 31 December 2013 were those used to prepare the consolidated financial statements as at 31 December 2012, with the exceptions reported in the former section.
The most important measurement criteria to be adopted in the preparation of the consolidated financial statements are shown in the following points.

### Tangible assets

Tangible assets are recorded at their purchase price or cost of production, including directly allocable ancillary costs necessary to make the assets usable. The Group, as allowed by IFRS 1, has measured some land and buildings it owns at fair value during the transition to the International Accounting Standards and used this fair value as the new cost subject to depreciation.

Tangible assets are entered at their purchase cost or production cost, inclusive of directly allocated additional charges required to make the assets available for use. As indicated in the section on the "Effects of the applications of the international accounting standards", as permitted by IFRS 1, the Group has measured certain owned land and buildings at fair value, and has adopted such fair value as the new cost subject to depreciation.
Apart from the foregoing, no revaluations are permitted, even if in pursuance to specific laws. Assets subject to capital lease are entered under tangible assets against a financial payable to the lessor; and depreciated in accordance with the criteria below.
Tangible assets are systematically depreciated on a straight-line basis over their expected useful life, based on the estimate of the period over which the assets will be used by the Group. When a tangible asset is made up of a number of significant components, each with a different useful life, each individual component is depreciated. The depreciated value is represented by the carrying value minus the presumable net transfer value at the end of its useful life, if material and reasonable determinable. Land (Items with indefinite useful lives) is not depreciated, even if purchased together with a building, as well as tangible assets held for sale, measured at the lower between the carrying value and fair value after transfer charges.
Costs for improvement, modernisation and transformation increasing tangible assets are entered as assets in the statement of assets and liabilities.
The recoverability of the carrying value of tangible assets is determined by adopting the criteria indicated in the section "Impairment of assets".

Depreciation reflects the economic and technical deterioration of an asset and starts when the asset is available for utilization and calculated according to the linear model of the estimated useful life of the asset.

The rates applied are the following:

| | |
|---|---|
| - Buildings | 2% - 5% |
| - Plant and machinery | 7.50%-20% |
| - Industrial and business equipment | 15%-25% |
| - Other assets: | |
| - Electronic office machines | 20% |
| - Office furniture and fittings | 10%-15% |
| - Motor vehicles and means of internal transport | 20% |
| - Cars | 25% |
| - Other minor assets | 10%-40% |

The residual carrying value, useful life and amortization/depreciation criteria are reviewed at every year-end and prospectively updated if necessary.

An asset is eliminated from the financial statements at the time of sale or when there are no longer future economic benefits anticipated from its use or disposal. Any losses or profits (calculated as the difference between the net proceeds from sale and the carrying value) are included in the income statement at the time of the aforesaid elimination.

### Leasing

The leasing contracts are classified as finance leases whenever the terms of the contracts substantially transfer all the risks and benefits of ownership to the lessee.
The assets leased are recognised as assets of the Group at their fair value on the date of execution of the contract, or, if less, at the present value of the minimum payments due for the leasing. The corresponding payable to the lessor is included in the statement of assets and liabilities as a payable for leases. The payments for rentals are split between capital and interest portions in order to obtain a constant interest rate on the remaining liability. The financial charges are directly entered in the income statement.

The costs for rentals deriving from operative leases are recognised in income statement in constant instalments on the basis of the duration of the contract.

### Goodwill and other intangible assets

Intangible assets are assets that lack physical substance, controlled by the Group and capable of generating future economic benefits, as well as goodwill, whenever purchased for a valuable consideration.
Identification is defined by reference to the possibility of distinguishing acquired intangible assets from the goodwill. This requirement is normally satisfied when:

I. the intangible assets are traceable to a legal or contractual right, or
II. the asset is separable, that is it may be assigned, transferred, leased out or exchanged autonomously or is an integral part of other assets. Control over the business consists in the power to exploit the future economic benefits deriving from the assets and the possibility of limiting access to it by others.

Intangible assets are entered at cost, measured in accordance with the criteria established for tangible assets. No revaluations are allowed, even in pursuance to specific laws.

Intangible assets with a definite useful life are systematically amortized over their useful life, based on the estimate of the period over which the assets will be used by the Group; the recoverability of their carrying value is determined by adopting the criteria included in the section “Impairment of assets”.

Goodwill and other intangible assets, if any, with an indefinite useful life, are not subject to amortization; the recoverability of their carrying value is determined at least each year and, in any case, whenever there are events implying an impairment. As far as goodwill is concerned, verification is made on the smallest aggregate, upon which Management, either directly or indirectly assesses the return on investment, including the goodwill itself (cash generating unit). Write-downs are not subject to value restoration.

Goodwill is considered as having an indefinite useful life and is therefore not related to the period of the contractual license. The management has decided to use this accounting treatment since:

- the licence price initially paid is related to the value of the turnover of the business purchased and is independent with regard to the remaining contractual period;
- in the past, on expiry of the contract, the Group was always able to renew the licenses;
- the redefining of contractual relationships that occurred in the past resulted from voluntary agreements. From the conclusion of these transactions, the Group, besides having solidified trade relationships with the companies, has also obtained extensions to the contractual terms. In these cases, as in the previous, the goodwill eventually paid has not shown an impairment.

Other intangible assets have been amortized by adopting the following criteria:

| | |
|---|---|
| - Patents and intellectual property rights | 5 years |
| - Concessions, licences, trademarks and similar rights | 5 years / 20 years |
| - Other assets | 5 years / contract term |

The amortisation term and criteria for intangible assets with definite useful lives are reassessed at least at each year-end and adjusted prospectively, if necessary.

### Equity investments in associated and other companies

An associated company is a company upon which the Group exerts a significant influence. Significant influence means the power to participate in the financial and operating policies of the investee while not having control or joint control over it.

Investments in associates are measured by using the net equity method and investments in other companies are measured at cost of acquisition, subscription or contribution.
With the net equity method, the investment in an associate is initially recognized at cost. The carrying value of the investment is increased or decreased to recognize the investor's share of the profits and losses pertaining to the subsidiary after the date of acquisition. The goodwill of the subsidiary is included in the carrying value of the investment and is subjected neither to amortization, nor to individual assessment of impairment.
The consolidated income statement for the year reflects the share attributable to the Group as the subsidiary's result for the year. Any change in the other components of the comprehensive income statement related to these subsidiaries is presented as part of the Group's comprehensive income statement. In addition, in the event that an associated company detects a change with a direct effect on shareholders' equity, the Group recognises its share, where applicable, in the statement of changes in net equity. The unrealized gains and losses deriving from transactions between the Group and its associates or joint ventures are eliminated to the extent of the investment in the associates or joint ventures.

Upon losing the Significant Influence over the associated company, the Group assesses and recognises the residual interest at fair value. Any difference between the carrying value of the investment at the date of the loss of significant influence and the fair value of the residual interest and consideration received must be recorded in the income statement.

Equity investments in other companies, classified as available for sale, regarding their insignificance and the impossibility of finding a suitable fair value measurement, are measured at the acquisition, subscription or transfer cost, as indicated in Appendix 5 and the notes that follow. The recoverability of their carrying value is verified by adopting the criteria indicated in the section "Impairment of assets"

### Inventories

Inventories are entered at the lower of purchase or production cost, calculated by the FIFO method and the presumed realisable value in consideration of the market trend. The purchase cost is comprehensive of costs incurred for transporting each asset to its storage place. The manufacturing costs of finished and semi-finished goods include direct costs and the portion of indirect costs reasonably attributable to the products, according to the normal operation of the plant.

### Biological assets

The biological assets represented by livestock essentially have been valued at their fair value, net of accretion and sale costs.

### Cash and cash equivalent

Cash and cash equivalent includes cash, current bank accounts, deposits payable on demand and other easily cashable short-term investments not subject to the risk of a change in value, except for the exchange rate risk.

### Receivables and other short-term assets

Trade and other short-term receivables are initially entered at their fair value and then valued at their amortized cost, after write-down. Upon entry, the nominal value of receivables represents their fair value upon said date. Given the high receivables turnover, application of amortized cost produces no effects. Provision for bad debts, as at said date, represents the difference between the carrying value of receivables and the reasonable expectation of financial flows forecasted from their collection.

## Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is cancelled from the financial statements when:

I. the rights of the asset to receive financial flows are extinguished;
II. the right of the asset to receive financial flows is conserved but there is a contractual obligation to pay the total without delay to a third party;
III. the Group has transferred its rights to receive financial flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or, (b) has neither transferred nor substantially retained all the risks and rewards of the asset, but has transferred its control.

In the cases where the Group has transferred the rights to receive financial flows from an asset and has not substantially transferred or retained all the risks and benefits or lost control thereof, the asset is recorded in the Group's financial statements to the extent of its residual involvement in the asset itself. In this case, the Group also acknowledges an associated liability. The asset transferred and associated liabilities are measured to reflect the rights and the obligations that the Group has retained. The residual involvement that, for example, takes the form of a guarantee on the asset transferred is measured at the lower of the initial carrying value of the asset and the maximum value of the consideration that the Group could be required to pay.

### Impairment of financial assets

The Group verifies whether any figure in the financial statements, either a financial asset or a group of financial assets, has suffered impairment. A financial asset or a group of financial assets is to be considered as subject to impairment if, and only if, there is objective evidence of impairment as a result of one or more events that took place after the initial recording (when there is "an impairment event") and this impairment event has an impact, which can be reliably estimated, on the future estimated cash flows from a financial asset or a group of financial assets. Evidence of impairment can be represented by indicators such as financial difficulties, the incapacity to meet obligations, insolvency, pay interest or make other important payments, which result from the debtors, or a group of debtors, having the probability that they will go bankrupt or are subject to another form of financial reorganisation, and where observable figures indicate that there is a measurable decrease in the future estimated cash flows, such as changes in contexts or economic conditions correlated to the obligations.

The company has first of all evaluated for the financial assets accounted for at their amortised cost whether there is objective evidence of impairment for every financial asset that is individually or collectively significant; for the financial assets that are not individually significant. If the company determines that there is no evidence of impairment of a financial asset, including the assets in a group of financial assets with similar credit risk characteristics, and assesses them collectively for the purposes of verification of the write-down. Assets that

are individually measured for a write-down and for which an impairment is recorded, or continues to be recorded, are included in a collective evaluation for impairment. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the carrying value of the asset and the present value of the future estimated cash flows (excluding the expectations of credit losses in future that have not yet occurred).
The carrying value of the asset is reduced by utilisation of a write-down provision and the amount of the loss will be recorded in the income statement. Should, in a subsequent financial year, the amount of the estimated write-down increase or diminish as a consequence of an event that took place after the write-down was recorded, the write-down previously recorded must be increased or diminished by adjusting the provision with a contra entry to income statement.

The company assesses financial assets available for sale, at every financial statements reference date, to ascertain whether there is objective evidence that an asset, or a group of assets, has suffered impairment.
In the case of instruments representative of capital classified as available for sale, the objective evidence should include a significant or prolonged reduction below its cost in the fair value of the instrument. The 'Significance' is measured with respect to the historical cost of the instrument and the 'prolonged' (the duration of the) period in which the fair value was below the historical cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value - any loss for impairment on that financial asset previously recorded in the income statement is deducted.

The impairment of instruments representing capital may not be reinstated and recognised in the income statement; the increases in their fair value following the impairment are reported directly in the other components of the comprehensive income statement.

### Impairment of non – financial assets

At the end of each accounting period the Group assesses any indicators of impairment of non-financial assets.
When there are events which give rise to a presumption of the reduction of the value of an asset or where an annual verification of impairment is required, its recoverability is checked by comparing the value of the entry with the associated recoverable value, it is represented by the greater of the fair value, minus disposal costs, and the value in use.
In the absence of a binding sales agreement, the fair value is estimated based on active market values, recent transactions or based on the best information available to reflect the amount that the business could obtain from the sale of the asset.
The usage value is calculated by discounting the cash flows anticipated from the use of the asset and, if significant and reasonably calculable, from its disposal at the end of its useful life. The cash flows can be calculated based on reasonable and documentable assumptions representative of the best estimate of future economic conditions which will be seen in the remaining useful life of the asset, giving greater significance to external indications. The discounting is made at a rate which takes account of the risk implicit in the segment of operations.
The measurement is made per individual asset or per the smallest identifiable group of assets which can independently generate cash flows from continual use (cash generating unit). When the reasons for the write-downs put into effect no longer apply, assets, excluding goodwill, are revalued and the adjustment is charged to the income statement as a value reinstatement. The revaluation is applied as the lower between the recoverable value and the carrying value before write-downs previously applied and reduced by the share of depreciation which would have been allocated if there had been no write-down.
Goodwill is checked for impairment at least once a year (at 31 December) and, more frequently when circumstances imply that the carrying value could have fallen.

The impairment of goodwill is calculated by assessing the recoverable value of the relevant cash generating unit (or group of cash generating units). Where the recoverable value of the cash generating unit is less than the carrying value of the cash generating unit to which the goodwill is allocated, an impairment is recognised. The impairment of the goodwill value can be restated in future financial years

### Capital stock

The costs relative to the issue of shares or options are classified in the shareholder's equity (net of the fiscal benefits related to them) as a deduction of the revenues deriving from the issue of such instruments.
In the case of acquisition of treasury stock, the price paid, including any directly attributable accessory costs, is deducted from the Group's shareholders' equity until the shares are cancelled, re-issued or disposed of. When the treasury stock is sold or re-issued, the price cashed, net of any directly attributable accessory costs and the relative tax effect, is entered as the group's shareholders' equity.

### Earnings per share

#### Basic and Diluted

The base earnings per share are calculated by dividing the Group's net profit by the weighted average of the ordinary shares in circulation during the financial year, excluding the treasury shares.
For the purpose of calculation of the diluted earnings per share, the weighted average of the shares in circulation is modified by assuming the conversion of all the potential shares having a dilution effect, while the Group's net profit is adjusted to take into account the effects, net of taxation, of the conversion.

### Financial liabilities

Financial liabilities which fall within the sphere of application of IAS 39 are classified as financial liabilities at fair value reported in the income statement, as financial debts, or as derivatives designated as hedging instruments, as applicable. The Group's financial liabilities include trade payables and other payables, loans and derivative instruments. The Group classifies its financial liabilities at the point of initial recognition.
Financial liabilities are initially valued at their fair value, amounting to the payment received on the settlement date, to which, in the case of borrowing debts, directly attributable transaction costs are added.
Subsequently non-derivative financial liabilities are measured using the authorised cost criterion, using the effective interest rate method.
The amortised cost is calculated by disclosing each discount or premium on the purchase and fees or costs which are an integral part of the effective interest rate. The amortisation at the effective interest rate is included among borrowing costs in the income statement.
Profits and losses are recognised in the income statement when the liability is settled, as well as by means of the amortisation process.

### Derecognition of financial liabilities

The cancellation from the financial statements of the financial liability takes place when the obligation underlying the liability is extinguished, annulled or discharged. In the cases where an existing financial liability is substituted by another of the same lender, on substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or modification is treated as an accounting cancellation of the original liability and the recording of a new liability, with the consequent booking to the income statement of any differences between the carrying values.

### Accounting treatment of derivative contracts

The Cremonini Group utilises derivative financial instruments to hedge the exposure to interest rate risk. These derivative financial instruments are initially recorded at fair value at the date when they are stipulated; subsequently this fair value is periodically re-measured; they are booked as assets when the fair value is positive and as liabilities when negative.
The fair value of the derivative financial instruments utilised is determined with reference to the market value whenever it is possible to identify an active market for them. If, instead, the market value of a financial instrument is not easily identifiable, but can be identified for its components or a similar instrument, the market value is determined by the valuation of the individual components of the instrument or a similar instrument. Furthermore, the valuation of instruments for which it is not possible to identify an active market easily is determined by resorting to the value that arises from generally accepted valuation models and techniques, which ensure a reasonable approximation to the market value.

The recognition methods are the following:

- fair value hedge: the fair value changes of the hedging instrument are booked to the income statement together with the fair value changes of the transactions that are the object of the hedge.
- cash flow hedge: the "effective" portion of fair value change in the derivative instrument is attributed to shareholders' equity and subsequently to the income statement when the transaction that is the object of the hedge produces its effects; the ineffective portion is directly attributed to the income statement.
- financial instruments not qualified as hedges: the changes are booked to the income statement.

Derivatives are classified as hedging instruments when the relationship between the derivative and the subject matter of the hedge has been formally documented and the effectiveness of the hedge, checked periodically, is high. When the hedging derivative covers the risk of variation of the fair value of the instruments to be hedged (fair value hedge – e.g., hedging variations in fair value of fixed rate assets/liabilities), the derivatives are entered at their fair value with the recognition of the related effects in the income statement; consistently, the instruments are adjusted to reflect variations in fair value associated to the risk hedged. When the derivatives hedge risks of variation in the cash flow of the instruments to be hedged (cash flow hedge, e.g., hedging variations of cash flow of assets/liabilities by effect of exchange rate fluctuations), the variations in the fair value of the derivatives are initially entered under shareholders' equity and subsequently entered in the income statement consistently with the economic effects produced by the transaction hedged. Variations in the fair value of derivatives not satisfying the conditions allowing them to be identified as hedging instruments are entered in the income statement.

### Employee benefits

Post-employment benefits fall within the sphere of those which IAS 19 defines as defined post-employment benefit plans. The accounting treatment envisaged for such forms of remuneration require an actuary calculation which can project the amount of the Post-employment benefit already accrued into the future and to discount it to take account of the time that will pass before the actual payment. The actuary calculation considers certain variables such as the average service duration of employees, the level of inflation and expected interest rates. The measurement of the liability is made by an independent actuary. Following the amendment of IAS 19, in effect for accounting periods beginning from 1 January 2013, gains and losses deriving from the actuary calculation for defined benefit plans are recognised in the consolidated income statement entirely in the period to which they refer. These actuarial gains and losses are classified immediately among profits carried forward and are not reclassified in the income statement in subsequent periods. The pension cost relating to past service cost is disclosed at the most recent date of the following:

- the date on which the plan is changed or reduced;
- the date on which the Group discloses the related restructuring costs.

The Group reports the following changes of net obligation for defined benefits in the cash flow statement for the period:

- costs of labour, inclusive of current and past labour costs, gains and losses on non-routine reductions and terminations;
- interest receivable or net liabilities.

The asset or liability relating to defined benefits includes the current value of the defined benefit obligation minus the fair value of the assets for servicing the plan.

Following the reform in 2007 of the relevant national regulations, for companies with more than 50 employees, Post-employment benefits accruing from 1 January 2007 are classified as defined contribution plans, whose payments are to be recognised directly in the income statement, as a cost, when disclosed. Post-employment benefit accrued up to 31/12/2006 remains a defined benefit plan, without any future contributions. Therefore it is valued by independent actuaries based on the average expected remaining working life of the employees, without any longer having to consider the remuneration they received during a specific period of service.

Post-employment benefit *accrued* prior to 1 January 2007 therefore undergoes a change of calculation through the effect of the previously required actuarial calculation linked to salary increases no longer applying. Specifically the liability associated with Post-employment benefit accrued is subject to actuary valuation as at 1 January 2007 without *pro rata* application (years already served/total years of service), as the employee benefits up to 31 December 2006 may be considered almost entirely accrued (with the sole exception of revaluation) in application of section 67(b) of IAS 19. It follows that, for the purpose of this calculation, the "current service costs" for the future service of employees is to be considered as nil, as it represents contribution payments to supplementary pension funds or to the INPS Treasury fund.

### Provisions for liabilities and charges

Provisions for liabilities and charges involve determined costs and charges, considered definite or probable, for which the amount or due date could not yet be determined at year-end. Provisions are recognised when:

I. the existence of a current, legal or implied obligation is probable, arising from a previous event;
II. the discharge of the obligation may likely carry charges;
III. the amount of the obligation may be reliably estimated.

Provisions are entered at the value representing the best estimate of the amount the Group would reasonably pay to redeem the obligation or to transfer it to third parties at the end of the period. When the financial effect of time is significant and the payment dates of the obligations are reliably estimable, the provision is discounted back; the increase in the provision, associated with the passage of time, is entered in the income statement under "Financial income (charges)". The supplementary clientele severance indemnity, as all other provisions for liabilities and charges, has been appropriated, based on a reasonable estimate of future probable liabilities, and taking the elements available into consideration.

### Income taxes

The taxes for the period represent the sum of current and deferred taxes.

Current taxes are calculated based on a realistic prediction of charges to be settled pursuant to current tax legislation or substantially approved on the closing date of the period in the various countries the Group operates in. The relative amount payable is reported net of any tax amounts paid, deemed payable and tax credits which may be offset, in the item Tax debts. If there is a credit, the amount is disclosed under the item Amounts payable to others, of floating capital.
Taxes on deferred and prepaid income are calculated on the temporary differences between the values of the assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes.

Deferred tax liabilities are recognised against all temporary differences taxable, with the following exceptions:

- Deferred tax liabilities deriving from the initial reporting of goodwill or an asset or liability in a transaction which is not a business aggregation and, at the time of the settlement, have no effect on the balance sheet profit or the profit or loss calculated for tax purposes;

- the reversal of the taxable temporary differences, associated with holdings in subsidiary, related companies and joint ventures, can be verified and it is likely that they will not occur in the foreseeable future.

Prepaid tax assets are disclosed against all temporary deductible differences and tax credits and losses not used and carried forward, in the amount where it is likely there will be reasonable future tax profits which renders the use of the temporary deductible differences and tax credits and losses carried forward applicable, except in the following cases:

- prepaid tax asset related to temporary deductible differences deriving from the initial disclosure of an asset or liability in a transaction which is not a business aggregation and, at the time of the transaction itself, has no influence on the accounts, or on the tax profit or loss;

- temporary taxable differences associated with holdings in subsidiary, related companies and joint ventures, the prepaid tax assets are reported only in the amount where it is likely that the temporary deductible differences will be reversed in the foreseeable future and that there will be suitable tax profits against which the temporary differences may be used.

Prepaid tax assets are recognised when their recovery is likely. The value of prepaid taxes is re-examined for every year and is reduced in the amount it is no longer likely that sufficient taxable profits will be available. Prepaid tax assets and deferred tax liabilities are classified as non-current assets and liabilities and may be offset if referred to taxes that can be offset. The balance of the offsetting, if receivable, is recorded under the item Prepaid tax assets; if payable, under the item Deferred tax liabilities. When the results of the transactions are recorded directly under shareholders' equity, the current taxes, the prepaid tax assets and deferred tax liabilities are also booked to shareholders' equity or in the comprehensive income statement consistently with recording of the element they refer to.
Prepaid and deferred taxes are calculated based on tax rates expected to be applied in the year when such assets will be realised or liabilities settled.

## Translation criteria of the foreign currencies items and translation thereof in the financial statements

Transactions and balances

Foreign currency transactions are initially recorded in the functional currency by applying the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated to the functional currency at the exchange rate at the date of the financial statements.
Exchange rate differences are recognised in the income statement, including the exchange rate differences realised when settlement is made of the receivables and payables in foreign currency, which are recognised in the income statement, except for monetary elements that constitute part of the hedge of a net investment in a foreign operation. These differences are initially recognised in the statement of comprehensive income until the disposal of the net investment, and only then will they be recognised in the income statement. Taxes and tax receivables attributable to the exchange rate differences on the monetary elements must also be recognised in the statement of comprehensive income.

Group companies

The Cremonini Group's consolidated financial statements are prepared in Euro, which is the Parent Company's functional currency and that used for presentation.
The balances included in the financial statements of each of the Group's companies are recorded in the currency of the primary economic environment where the company operates (functional currency).

The rules for translation of the financial statements expressed in foreign currencies into the presentation currency are the following:

I. assets and liabilities included in the financial statements, even if only for comparative purposes, are translated at the exchange rate at the year-end;
II. the costs and revenues, charges and income, included in the financial statements, even if only for comparative purposes, are translated at the average exchange rate of the period presented;
III. the components of the shareholders' equity, excluding the profit for the period, are translated at historic exchange rates;
IV. the "translation reserve" includes both the exchange rate differences generated from the translation of the magnitudes at a different rate from that of the year-end, and those generated from the translation of the opening shareholders' equities at an exchange rate different from that of the year-end.

The exchange rates utilised for the translation into Euro of the financial statements of foreign subsidiaries that do not use the European currency (Euro) were the following:

| Currency | Year-end exchange rate | | Average exchange rates | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Dollars (USA) | 1.37910 | 1.31940 | 1.32812 | 1.28479 |
| Dinars (Algeria) | 107.78700 | 103.38361 | 105.61400 | 99.80862 |
| Readjustado Kwanza (Angola) | 134.61600 | 126.42491 | 128.17600 | 122.51020 |
| New Metical (Mozambique) | 41.45570 | 38.98827 | 39.71370 | 36.21243 |
| Roubles (Russia) | 45.32460 | 40.32950 | 42.33700 | 39.92617 |
| Pounds (United Kingdom) | 0.83370 | 0.81610 | 0.84926 | 0.81087 |
| Zloty (Poland) | 4.15430 | 4.07400 | 4.19749 | 4.18474 |

## Business combinations

Business combinations that occurred before 1 January 2010 were accounted for by application of the so-called purchase method (defined in IFRS 3 "Business combinations").

The purchase method imposes measurement at the fair value of all asset and liabilities (including the so-called contingent liabilities) acquired after having identified the purchaser in connection with the business combination and determined the acquisition cost. For this purpose the company is required to measure any intangible assets acquired specifically. Any goodwill is determined only residually as the difference between the cost of the business combination (including ancillary charges and any contingent considerations) and portion applicable of the difference between the assets and liabilities acquired measured at fair value.
Business combinations occurring after 1 January 2010 are accounted for by utilising the acquisition method (IFRS 3R). The cost of an acquisition is measured as the sum of the consideration transferred measured at fair value at the date of acquisition and the amount of any minority interests in the business combination. Minority interests in any business combination must be evaluated at fair value, or else in proportion to the minority interests in the identifiable net assets of the business combination. Acquisition costs are expensed and classified under the administrative expenses.
If a business combination is conducted in several phases, the fair value of the equity investment previously held is recalculated at fair value at the date of acquisition, with any resulting profit or loss recorded in the income statement.
Any potential consideration is recorded by the purchaser at fair value at the date of acquisition. A fair value change of the potential consideration is classified as a financial asset or liability, will be recorded, in accordance with the provisions of IAS 39, in the income statement or statement of the other components of the comprehensive income statement. If this does not form part of the application of IAS 39, it will be accounted for based on the most appropriate IAS 37 or IFRS.
If the potential consideration is classified in the shareholders' equity, its value is not recalculated until its extinction is booked against the shareholders' equity.
The goodwill is initially measured at the cost that emerges as the excess over the sum of the consideration paid and the amount recognised for the minority interests, compared to the identifiable net assets acquired and the liabilities assumed by the Group. Should the consideration be less than the fair value of the net assets of the subsidiary acquired, the difference is recorded in the income statement.

After the initial recognition, the goodwill is measured at cost net of the accumulated impairment. For the purpose of verification of impairment, the goodwill acquired in a business combination must be allocated to each of the Group's cash flows generating units at the acquisition date that provides benefits from the combination synergies, disregarding the fact that other assets or liabilities of the entities acquired are assigned to such units.
Should the goodwill have been allocated to a financial flows generating unit and the entity dispose of part of the assets of such unit, the goodwill associated to the asset disposed of must be included in the carrying value of the asset when the profit or loss deriving from the disposal is determined. The goodwill associated to the asset disposed of must be determined on the basis of the relating values of the asset disposed of and of the part retained of the financial flows generating unit.

## Revenue recognition

Revenues from sales of goods are recognised upon the transfer of all the risks and charges deriving from ownership of the goods transferred, which is generally their shipment or delivery date.
Financial income and revenues from services are recognised on an accrual basis.
Dividends are recognised in the income statement on the date on which the right to receive them matures, which, in the case of listed companies is the date on which the coupon is detached.
The interest receivable is recognised for all financial instruments measured at amortised cost using the effective interest rate, which is the rate which discounts future payments and receipts exactly, estimated according to the anticipated life of the financial instrument.

## Dividends

Dividends are recognised in the income statement on the date of the right to their collection, therefore when shareholders are entitled to receive payment in conformity with locally prevailing legislation, normally coinciding with the date of the resolution of a shareholders meeting or the authorisation of the local monetary authority which approves expatriation.

## Recognition of costs

Costs are recognised when related to goods and services acquired and/or received over the period.
The lease rental instalments are entered in the income statement on the basis of their pertinence.
The financial leasing instalments are entered, for as much as regards the capital portion as a reduction of the financial debt, for as much as regards the interest portion in the income statement.
Financial costs and charges for services are recognised on an accrual basis.
The interest receivable is recognised for all financial instruments measured at amortised cost using the effective interest rate, which is the rate which discounts future payments and receipts exactly, estimated according to the anticipated life of the financial instrument.

## Sector information

A sector is defined as a business area or geographical area in which the Group carries out its business activities, characterised by conditions and risks differing from those applying in other sectors. In particular, the sectors of a business represent the Group's primary sectors identified as follows: Production, Distribution, Catering and Holding Company and Centralized Activities. Geographical areas (secondary sectors) have been identified in Italy, the European Union and the Non-EU countries.

The principal summarized figures by business sector are shown below:

| (thousands Euro) | **Year 2013** | Year 2012 | Change total value | Change % |
|---|---|---|---|---|
| **Production** | | | | |
| *Net revenues* | 1,499,488 | 1,496,851 | 2,637 | 0.18 |
| *Intercompany revenues* | 59,335 | 49,935 | | |
| Total revenues | 1,558,823 | 1,546,786 | 12,037 | 0.78 |
| Gross operating margin | 124,911 | 115,648 | 9,263 | 8.01 |
| Amortization, depreciation and write-downs | (47,917) | (48,498) | 581 | (1.20) |
| Operating profit (loss) | 76,994 | 67,150 | 9,844 | 14.66 |
| **Distribution** | | | | |
| *Net revenues* | 1,349,252 | 1,248,478 | 100,774 | 8.07 |
| *Intercompany revenues* | 15,493 | 11,490 | | |
| Total revenues | 1,364,745 | 1,259,968 | 104,777 | 8.32 |
| Gross operating margin | 94,942 | 90,205 | 4,737 | 5.25 |
| Amortization, depreciation and write-downs | (14,543) | (13,203) | (1,340) | 10.15 |
| Operating profit (loss) | 80,399 | 77,002 | 3,397 | 4.41 |
| **Catering** | | | | |
| *Net revenues* | 642,565 | 677,157 | (34,592) | (5.11) |
| *Intercompany revenues* | 267 | 275 | | |
| Total revenues | 642,832 | 677,432 | (34,600) | (5.11) |
| Gross operating margin | 40,947 | 37,940 | 3,007 | 7.93 |
| Amortization, depreciation and write-downs | (25,556) | (27,169) | 1,613 | (5.94) |
| Operating profit (loss) | 15,391 | 10,771 | 4,620 | 42.89 |
| **Holding company property and centralized activities** | | | | |
| *Net revenues* | 5,366 | 2,658 | 2,708 | 101.88 |
| *Intercompany revenues* | 7,052 | 8,264 | | |
| Total revenues | 12,418 | 10,922 | 1,496 | 13.70 |
| Gross operating margin | (2,759) | (2,714) | (45) | 1.66 |
| Amortization, depreciation and write-downs | (3,255) | (3,601) | 346 | (9.61) |
| Operating profit (loss) | (6,014) | (6,315) | 301 | (4.77) |
| ***Consolidation adjustment*** | | | | |
| *Total revenues* | *(82,147)* | *(69,964)* | | |
| *Gross operating margin* | | | | |
| *Amortization, depreciation and write-downs* | | | | |
| *Operating profit (loss)* | | | | |
| **Total** | | | | |
| Total revenues | 3,496,671 | 3,425,144 | 71,527 | 2.09 |
| Gross operating margin | 258,041 | 241,079 | 16,962 | 7.04 |
| Amortization, depreciation and write-downs | (91,271) | (92,471) | 1,200 | (1.30) |
| Operating profit (loss) | 166,770 | 148,608 | 18,162 | 12.22 |

## Revenues from sales and service by geographic area

**Year 2013 - (thousands Euro)**

| | Production | % | Distribution | % | Catering | % | Other | % | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 699,306 | 47.1 | 1,246,437 | 94.7 | 319,764 | 50.1 | 2,018 | 100.0 | 2,267,525 | 65.9 |
| European Union | 249,878 | 16.8 | 49,649 | 3.8 | 317,994 | 49.9 | | - | 617,521 | 18.0 |
| Extra-EU countries | 534,277 | 36.0 | 20,484 | 1.6 | 9 | 0.0 | | - | 554,770 | 16.1 |
| Total | 1,483,461 | 100.0 | 1,316,570 | 100.0 | 637,767 | 100.0 | 2,018 | 100.0 | 3,439,816 | 100.0 |

Year 2012 - (thousands Euro)

| | Production | % | Distribution | % | Catering | % | Other | % | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 702,358 | 47.5 | 1,124,006 | 92.3 | 311,925 | 47.6 | 2,672 | 98.7 | 2,140,961 | 63.7 |
| European Union | 250,838 | 17.0 | 60,505 | 5.0 | 352,170 | 53.0 | 35 | 1.7 | 663,548 | 19.7 |
| Extra-EU countries | 525,712 | 35.5 | 32,987 | 2.7 | 9 | 0.0 | | - | 558,708 | 16.6 |
| Total | 1,478,908 | 100.0 | 1,217,498 | 100.0 | 664,104 | 100.0 | 2,707 | 100.0 | 3,363,217 | 100.0 |

## Consolidated statement of assets and liabilities structure by business sector

| **As at 31 December 2013** ( thousands Euro) | Production | Distribution | Catering | Holding and centralized | Intercompany revenues | Total |
|---|---|---|---|---|---|---|
| Intangible assets | 14,868 | 91,699 | 55,128 | 118 | | 161,813 |
| Tangible assets | 515,319 | 57,046 | 136,016 | 81,632 | | 790,013 |
| Equity investments and other financial | 5,149 | 549 | 1,709 | 15,806 | | 23,213 |
| **Total fixed assets** | **535,336** | **149,294** | **192,853** | **97,556** | **0** | **975,039** |
| *Trade net working capital* | | | | | | |
| *- Trade receivables* | 122,591 | 390,732 | 37,692 | 3,110 | (15,329) | 538,796 |
| *- Inventories* | 252,408 | 100,634 | 8,560 | 1 | 195 | 361,798 |
| *- Trade payables* | (174,048) | (233,906) | (85,445) | (4,116) | 14,995 | (482,520) |
| Total trade and net working capital | 200,951 | 257,460 | (39,193) | (1,005) | (139) | 418,074 |
| Other current assets | 25,282 | 52,927 | 15,897 | 9,593 | (6,288) | 97,411 |
| Other current liabilities | (32,366) | (13,535) | (44,457) | (7,295) | 6,427 | (91,226) |
| **Net working capital** | **193,867** | **296,852** | **(67,753)** | **1,293** | **0** | **424,259** |
| **Staff Severance Indemnity Provision and other m/l-term provisions** | **(74,533)** | **(23,176)** | **(8,979)** | **(9,215)** | **0** | **(115,903)** |
| **Net invested capital** | **654,670** | **422,970** | **116,121** | **89,634** | **0** | **1,283,395** |

| **As at 31 December 2012*** ( thousands Euro) | Production | Distribution | Catering | Holding and centralized | Intercompany revenues | Total |
|---|---|---|---|---|---|---|
| Intangible assets | 15,898 | 91,769 | 58,749 | 608 | | 167,024 |
| Tangible assets | 538,886 | 52,592 | 135,374 | 85,700 | | 812,552 |
| Equity investments and other financial | 5,188 | 527 | 1,739 | 14,573 | | 22,027 |
| **Total fixed assets** | **559,972** | **144,888** | **195,862** | **100,881** | **0** | **1,001,603** |
| Trade net working capital | | | | | | |
| *- Trade receivables* | 135,713 | 372,235 | 39,500 | 4,754 | (14,386) | 537,816 |
| *- Inventories* | 239,127 | 98,677 | 14,249 | 5 | 226 | 352,284 |
| *- Trade payables* | (176,192) | (236,748) | (98,385) | (3,613) | 13,927 | (501,011) |
| Total trade and net working capital | 198,648 | 234,164 | (44,636) | 1,146 | (233) | 389,089 |
| Other current assets | 31,958 | 45,550 | 17,450 | 12,421 | (6,657) | 100,722 |
| Other current liabilities | (30,876) | (12,275) | (58,439) | (8,787) | 6,889 | (103,488) |
| **Net working capital** | **199,730** | **267,439** | **(85,625)** | **4,780** | **(1)** | **386,323** |
| **Staff Severance Indemnity Provision and other m/l-term provisions** | **(74,186)** | **(25,357)** | **(9,594)** | **(7,224)** | **0** | **(116,361)** |
| **Net invested capital** | **685,516** | **386,970** | **100,643** | **98,437** | **(1)** | **1,271,565** |

* Note that, as shown in the introduction to this Directors' Report and as detailed in the Explanatory Notes below, the retrospective application of the amendments to IAS 19 (Employment Benefits) led to the restatement of the items Post-employment benefits, Provisions of the deferred taxes and Shareholders' equity as at 31/12/2012.

## Net consolidated debt broken down by sector

| As at 31 December 2013 (thousands Euro) | Production | Distribution | Catering | Holding and centralized | Total |
|---|---|---|---|---|---|
| Payables to banks, bonds and other financial institutions | | | | | |
| - due within 12 months | (198,986) | (67,705) | (88,499) | (80,358) | (435,548) |
| - due between 1 and 5 years | (234,861) | (130,222) | (24,508) | (66,063) | (455,654) |
| - due beyond 5 years | (10,132) | (34,368) | (25,353) | (34) | (69,887) |
| **Total payables to banks, bonds and other financial institutions** | **(443,979)** | **(232,295)** | **(138,360)** | **(146,455)** | **(961,089)** |
| Liquidity | | | | | |
| - cash and cash equivalents | 43,291 | 32,825 | 22,158 | 317 | 98,591 |
| - other financial assets | 3,449 | 2,706 | 4,347 | 2,273 | 12,775 |
| **Total liquidity** | **46,740** | **35,531** | **26,505** | **2,590** | **111,366** |
| **Securitization and internal treasury current accounts** | **8,194** | **2,634** | **40,811** | **(51,639)** | **0** |
| **Total net debt** | **(389,045)** | **(194,130)** | **(71,044)** | **(195,504)** | **(849,723)** |

| As at 31 December 2012 (thousands Euro) | Production | Distribution | Catering | Holding and centralized | Total |
|---|---|---|---|---|---|
| Payables to banks, bonds and other financial institutions | | | | | |
| - due within 12 months | (194,923) | (179,981) | (108,292) | (87,359) | (570,555) |
| - due between 1 and 5 years | (297,399) | (49,940) | (10,918) | (101,977) | (460,234) |
| - due beyond 5 years | (2,557) | (3,529) | (25,946) | (177) | (32,209) |
| **Total payables to banks, bonds and other financial institutions** | **(494,879)** | **(233,450)** | **(145,156)** | **(189,513)** | **(1,062,998)** |
| Liquidity | | | | | |
| - cash and cash equivalents | 56,923 | 52,595 | 25,446 | 135 | 135,099 |
| - other financial assets | 3,067 | 2,354 | 5,009 | 3,861 | 14,291 |
| **Total liquidity** | **59,990** | **54,949** | **30,455** | **3,996** | **149,390** |
| **Securitization and internal treasury current accounts** | **12,192** | **13,268** | **49,693** | **(75,153)** | **0** |
| **Total net debt** | **(422,697)** | **(165,233)** | **(65,008)** | **(260,670)** | **(913,608)** |

## Main accounting judgments, estimates and assumptions adopted by Management

The application of generally accepted accounting standards for the drafting of the interim financial statements and accounting reports means that the management of the company is required to carry out accounting estimates based on complex and/or subjective judgements, estimates based on previous experience and hypotheses considered reasonable and realistic on the basis of the information known at the time when the estimate is made. The use of these accounting estimates influences the value at which assets and liabilities are entered into the accounts and information on potential assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs over the reference period. Actual results may differ from those estimated because of the uncertainty characterising the hypotheses and the conditions on which the estimates are based. Below are the accounting estimates of critical importance in the process of drawing up the interim financial statements and accounting reports because involving a high degree of reliance on subjective judgements, assumptions and estimates relating to questions that are by their nature uncertain. A change in the conditions underlying the judgement, assumptions and estimates adopted may have a significant impact on subsequent results.
Below are the main estimates and assumptions adopted by Management to prepare these annual financial statements, whose variations, unpredictable at this time, may affect the Group's economic and financial situation.

• Estimates adopted for the purposes of measuring impairment of assets

For the purposes of confirming any impairment of goodwill recorded in the financial statements the Group adopted the methodology described above in Losses of value of assets.
The recoverable value was calculated based on the calculation of the value in use.
The cash flows of cash generating units attributable to each unit of goodwill/consolidation difference were taken from the Budget for 2013 and from estimates by the Company Management for the subsequent years using constant rates of growth greater than the scheduled inflation rates. The weighted average cost of capital (WACC) was used as the discount rate, in the amount of:

- 7.5% for the valuation of the goodwill of Chef Express SpA;
- 7.5% for the valuation of the goodwill of INALCA SpA;
- 6.56% for the valuation of the goodwill of MARR SpA;

Any impairments of assets were measured (impairment tests on goodwill) annually as at 31 December 2013.

• Estimates used in the actuarial calculation for determining defined benefit - Post-employment benefit plans

Post-employment benefit liabilities were valued by an independent actuary using the following assumptions:

- forecast inflation rate of 2.0%;
- discount rate of 2.5%[3];
- Post-employment benefit increase rate of 3.0%;
- annual Post-employment benefit payment frequency forecast at 2.5%;
- turnover of employees of 9.0% (Fiorani 5%);

• Estimates adopted in the actuarial calculation of Provisions for supplementary clientele severance indemnity

Provisions for supplementary clientele severance indemnity liabilities were valued by an independent actuary using the following assumptions:

- The voluntary turnover rate is 13% for MARR SpA, 10% for Italia Alimentari SpA, 7% for AS.CA. S.p.A, 5% for New Catering Srl, 6% for EMI.GEL Srl 11% for Sfera SpA
- The company turnover rate is 2% for MARR SpA and EMI.GEL Srl, 10% for AS.CA. SpA and Italia Alimentari SpA, 7% for New Catering Srl and 4% for Sfera SpA
- A discount rate of 1.8%.

Deferred taxes

Deferred tax assets are recognised against all tax losses carried forward, in the amount adequate future taxable profits against which these losses may be used are likely. Directors are required to use their discretion in their measurement of the amount of deferred tax assets which can be recognised. They must estimate the likely time and amount of future taxable profits and a planning strategy of future taxes.

• Other estimates and hypotheses used

The following financial statement elements were affected by management estimates and assumptions:
- inventory obsolescence
- amortisation and depreciation
- measurement of other assets

[3] The annual discount rate utilised for the current value determination of the obligation was calculated, consistent with par. 78 of IAS 19, with reference to the average yields curve that arises from the IBOXX Eurozone Corporates A index with a 7-10 years' duration in December 2012, considered as mostly representative of the Group's debt rate.

## Financial risk management

The principal risks identified, monitored and actively managed by the Cremonini Group are the following:

- Market risks: deriving from Group's exposure to the fluctuations in exchange rates, interest rates and volatility of the prices of the products and services sold;

- Credit risk: deriving from the possibility of bankruptcy of a counterparty;

- Liquidity risk: deriving from the absence of financial resources to meet short-term financial commitments.

The Cremonini Group utilises derivative financial instruments to hedge the exposure to exchange rate and interest rate risks. Nevertheless, in the cases where the derivative financial instruments do not meet all the conditions provided for the accounting treatment of the hedging derivative financial instruments (hedge accounting); these are booked at the fair value with a contra entry to the income statement.

### Market risk

The market risk consists of the possibility that changes in the exchange rates, interest rates and prices of the products can negatively influence the value of the assets, liabilities or expected cash flows.

### Exchange rate risk

The Cremonini Group, operating internationally, is structurally exposed to changes in exchange rates that affect the financial flows that originate from operations and loan transactions in currencies other than the European currency (Euro).
The Group reports transactions settled mainly in US dollars; the Group is exposed to other currencies such as Russian roubles, pounds Sterling, Angolan kwanza, Polish zlotys, Mozambican metical and Algerian dinars.

The exchange rate changes have affected:

- on the financial result, as an effect of the significantly different costs and revenues in foreign currencies with respect to the time when the price conditions were defined, and as an effect of the translation of trade or financial receivables and payables denominated in foreign currencies;
- on the financial result and shareholders' equity of the consolidated financial statements, as an effect of the translation of the assets and liabilities of the companies that prepare their financial statements in a foreign currency other than the Euro.

The risk deriving from the formation of the income for the financial year in a foreign currency or the translation of the assets and liabilities of the companies that prepare their financial statements in a foreign currency other than the Euro is not as a norm hedged, except for a specific different valuation.

**Sensitivity analysis**

In general, an appreciation of the Euro against other currencies has a negative effect on the pre-tax profit and vice versa.
At 31 December 2013, the effects of an appreciation or depreciation of the Euro of 5% against the foreign currencies in which the Group operates are shown in the following table:

Effects on the pre-tax result:

| (in thousands of Euros) | Euro 5% Appreciation | Euro 5% Depreciation |
|---|---|---|
| US - Dollars | (735) | 812 |
| GB - Pounds | 25 | (28) |
| AU - Australian dollars | (71) | 78 |
| Angola - Readjustado Kwanza | 657 | (726) |
| Russia - Rubles | 636 | (703) |

## Interest rate risk

The Cremonini Group, as is evident from the net debt, is exposed to the risk of fluctuation in interest rates that affect the market value of financial assets and liabilities, and the amount of financial charges.
The medium/long-term loans are stipulated, almost totally, with variable interest rates exposing the Group to the risk of a change in future cash flows, while the fixed rate loans expose the Group to the risk of a change in the fair value of the loans themselves.

### Sensitivity analysis

As at 31 December 2013, a hypothetical increase of 1% of the Euribor, being equal to the other variables, would have determined a higher pre-tax charge (and therefore a corresponding reduction of the shareholders' equity of about 5,352 thousand Euro on an annual basis (6,032 thousand Euro as at 31 December 2012). a hypothetical zeroing of the Euribor would instead have determined a lower pre-tax charge of about 1,464 thousand Euro on an annual basis (1,116 thousand Euro as at 31 December 2012).

## Price risk

The reduction of the prices of the products and services sold generally leads to a reduction in the operating results and vice versa. The Group, which operates worldwide, is exposed to the fluctuations of prices that are also affected by the normal seasonality that characterises the individual sectors. These risks are managed directly by the individual companies through the diversification of the sources of procurement and through the following-up of the stability of the margins implemented with an optimal prices policy.

## Credit risk

The credit risk represents the Group's exposure to potential losses deriving from the counter party's failure to meet obligations assumed and is evaluated both in commercial terms, i.e., correlated to the customer typologies and to the contractual terms and concentration of the sales, and in financial terms connected to the typology of the counter parties used in financial transactions.
The Group's operating practices allow control of the credit risk, through a procedure that monitors the merit classes of the customers that request deferment of payments, thus limiting sales of products and/or services to customers without an adequate level of credit line and guarantees. The monitoring of the customer is based on collection of data and information on new customers and supervision of the evolution of individual credit positions. Furthermore, the receivables balance is monitored during the financial year to ensure that the delinquent positions are not significant.
The credit risk is also mitigated by the fact that there are no major expositions due to a concentration of positions, in view of the multiple numbers of customers and particularly distributed turnover. With regard to the financial counterparty risk deriving from the use of liquidity, the Group implements policies that limit the loan exposure with the individual financial institutions.

Management of trade credit is the responsibility of the Customers Office, Debt Recovery Office and Disputes Management based on formalised valuation procedures for commercial partners' credit lines, including the recovery of receivables and eventual management of the disputes. This procedure permits the definition of those rules and operational mechanisms that ensure the generation of a payments flow such as to guarantee Cremonini S.p.A. customer solvability and the profitability of the relationship.

At the reference date of the financial statements, the maximum exposure to the credit risk is equal to the value of each category of the receivables indicated below:

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Current trade receivables | 537,379 | 541,083 |
| Other non-current assets | 50,854 | 37,785 |
| Other current assets | 66,208 | 56,168 |
| **Total** | **654,441** | **635,036** |

The fair value of the categories shown above is not given as the carrying value represents a reasonable approximation.
Please refer to point 12 of the explanatory notes to the financial statements for information regarding the maximum exposure to credit risk.

## Liquidity risk

The liquidity risk represents the risk that, due to the incapacity of raising new funds or liquidate assets in the market, the company cannot meet its payment obligations, determining an impact on the financial result in the case where the company is constricted to sustain additional costs to meet its commitments or, as an extreme consequence, a situation of insolvability that places the company's activities at risk.

The Group systematically respects the maturities of its commitments, a behaviour that allows it to operate in the market with the necessary flexibility and reliability to maintain a correct balance between the supply and use of financial resources.
The Group manages the liquidity risk through prudent control of the necessary cash and cash equivalents for the normal conduct of operations and availability of credit lines that guarantee a satisfying level of resources sufficient to cover any financial necessities. These controls mainly take place through the constant monitoring by the centralised treasury of the receipts and payments flows of all the companies, pursuing the maintenance of a balance in terms of duration and composition of the payables. This specifically allows the monitoring of the resources flows generated and absorbed by normal operations. With regard to management of the resources absorbed by the investment activities, in general it privileges the location of sources of specific long-term loans.

The table below analyses the financial liabilities and the derivative financial liabilities based on the contractual maturities as at the date of the financial statements. It is noted that the amounts indicated do not reflect the carrying values (with the exception of the balances within 12 months, for which the book balances reflect reasonable estimates of the financial flows, given the insignificance of the discounting effect) as they are not discounted. The financial flows from variable rate loans were estimated utilising the average rate of indebtedness at the reference date of the financial statements.

| (in thousands of Euros) | Vithin 12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|
| **At 31 December 2013** | | | | |
| Financial payables | 432,489 | 451,504 | 69,887 | 953,880 |
| Financial instruments / Derivatives | 3,064 | 4,150 | - | 7,214 |
| Trade Liabilities | 529,448 | - | - | 529,448 |
| | **965,001** | **455,654** | **69,887** | **1,490,542** |
| | | | | |
| **At 31 December 2012** | | | | |
| Financial payables | 551,752 | 473,123 | 32,209 | 1,057,084 |
| Financial instruments / Derivatives | 5,615 | 2,034 | - | 7,649 |
| Trade Liabilities | 536,721 | - | - | 536,721 |
| | **1,094,088** | **475,157** | **32,209** | **1,601,454** |

## Classes of financial instruments

The following elements are booked conforming to the accounting standards relating to financial instruments:

| (in thousands of Euros) | 31 December 2013 | | |
|---|---|---|---|
| **Balance Sheet Assets** | **Loans and Receibles** | **Derivates utilised for hedging** | **Total** |
| Non-current financial receivables | - | 50 | **50** |
| Non-current financial receivables | 2,495 | - | **2,495** |
| Other non-current receivable items | 50,854 | - | **50,854** |
| Current financial receivables | 10,644 | - | **10,644** |
| Current trade receivables | 537,379 | - | **537,379** |
| Current derivative financial instruments | 209 | - | **209** |
| Current tax receivables | 20,562 | - | **20,562** |
| Cash and cash equivalents | 98,591 | - | **98,591** |
| Other current receivable items | 66,208 | - | **66,208** |
| **Total** | **786,942** | **50** | **786,992** |
| **Balance Sheet Liabilities** | **Other financial liabilities** | **Derivates utilised for hedg.** | **Total** |
| Non-current financial payables | 521,391 | - | **521,391** |
| Current financial payables | - | 4,150 | **4,150** |
| Current financial payables | 432,489 | - | **432,489** |
| Derivative financial instruments | - | 3,273 | **3,273** |
| **Total** | **953,880** | **7,423** | **961,303** |

| (in thousands of Euros) | 31 December 2012 | | |
|---|---|---|---|
| **Balance Sheet Assets** | **Loans and Receibles** | **Derivates utilised for hedging** | **Total** |
| Non-current financial receivables | - | - | **-** |
| Other non-current receivable items | 3,712 | - | **3,712** |
| Current financial receivables | 37,785 | - | **37,785** |
| Current trade receivables | 12,210 | - | **12,210** |
| Current derivative financial instruments | 541,083 | - | **541,083** |
| Current derivative financial instruments | 371 | - | **371** |
| Current tax receivables | 27,943 | - | **27,943** |
| Cash and cash equivalents | 135,099 | - | **135,099** |
| Other current receivable items | 56,168 | - | **56,168** |
| **Total** | **814,371** | **-** | **814,371** |
| **Balance Sheet Liabilities** | **Other financial liabilities** | **Derivates utilised for hedg.** | **Total** |
| Non-current financial payables | 490,332 | - | **490,332** |
| Current financial payables | - | 2,034 | **2,034** |
| Derivative financial instruments | 566,752 | - | **566,752** |
| Derivative financial instruments | - | 5,986 | **5,986** |
| **Total** | **1,057,084** | **8,020** | **1,065,104** |

In conformity with the requirements of the changes introduced to IFRS 7 commencing from 1 January 2009, we indicate that the derivative financial instruments, constituting hedging contracts on exchange and interest rates, are classifiable as "Level 2" financial assets, as the inputs that have a significant effect on the fair value recorded are figures are directly observable on the market[1].
With regard to the "Other current and non-current assets" items, you are referred to the indications in paragraphs 6 and 11 of these explanatory notes.

### Capital management policy

The company's primary aim, regarding capital management, is to obtain an appropriate level of own funds in relation to debt, with the purpose of maintaining equity solidity and achieve a functional debt/equity ratio for the purpose of adequate management of the financial leverage.

For the purpose of reaching these objectives, the company, in addition to pursuance of satisfying financial results and the generation of cash flows, can intervene on the dividends policy and configuration of the company's capital.

The principal indicators that the company uses for capital management are:

1. R.O.S. (Return on sales);
2. R.O.I. (Return on investments);
3. R.O.A.C.E. (Return On Average Capital Employed);
4. R.O.E. (Return on equity);
5. Net Debt / Equity;
6. Net Debt /Ebitda.

## Information included in the Directors' Report

With respect to the nature of the Group's business activities, the events of significance occurring after the closing of the financial year, relationships with Group and related companies and other information relating to the different business sectors in which the Group operates, please refer to the Directors' Report.

The company identifies as "Level 1" financial assets/liabilities those where the inputs that have a significant effect on the fair value recorded are represented by prices quoted on an active market for similar assets or liabilities and as "Level 3" financial assets/liabilities those where the inputs are not based on observable market figures.

# Details of the main items of the consolidated statement of assets and liabilities

## ASSETS

## Non-current assets

Specific statements have been prepared for the two categories of non-current assets (intangible and tangible) which have been attached respectively in annex 3 and 4, that indicate for each item the historic cost, previous amortization and depreciation, changes over the period and final balances.

### 1. Tangible assets

| (in thousands of Euro) | Balance at 31.12.2012 | Change in consolidation area | Purchases | Decreases | Other | Amortization | **Balance at 31.12.2013** |
|---|---|---|---|---|---|---|---|
| Land and buildings | 605,369 | 1 | 8,797 | (644) | (4,157) | (21,921) | 587,445 |
| Plant and machinery | 140,670 | | 11,461 | (1,734) | 3,449 | (31,183) | 122,663 |
| Industrial and business equipment | 6,287 | | 1,812 | (120) | 241 | (2,047) | 6,173 |
| Other assets | 34,931 | 15 | 6,741 | (2,432) | 2,630 | (11,346) | 30,539 |
| Fixed assets under construction and advances | 25,295 | 83 | 32,212 | (1,714) | (12,682) | | 43,194 |
| **Total** | **812,552** | **99** | **61,023** | **(6,644)** | **(10,519)** | **(66,497)** | **790,014** |

Land and buildings

The following segments have had the greatest contribution to acquisitions in the item under examination: Catering segment (3.7 million) production (2.3 million) and distribution (2.3 million).

For greater detail we inform you that in the Catering sector the increase mainly concerns the acquisitions via the finance lease realised by Roadhouse Grill Italia Srl for the opening of the new branches of the steakhouse chain, such as at Capriate Opere and Cinisello, and the investments made by Chef Express SpA for the refurbishment and improvement of various station buffets and Highway Areas.

In Production the increase concerned primarily the investment made in the Meats division, by the following subsidiaries in particular: INALCA SpA for the improvements and adjustments of the buildings, dismantling of the old central refrigeration unit, new layout and asbestos removal in the precooked section (1.1 million) and the company Realbeef Srl by around 561 thousand Euro, for the completion of a new logistics platform and a purification system.

In Distribution we report the acquisition of a portion of a building in Santarcangelo di Romagna (1.6 million).

The other movements include reclassifications of works previously recognised under the item Assets under development completed in the period, and the exchange rate effect which led to a reduction of the item by approximately 6.7 million.

At 31 December 2013 there were eighteen financial leases. Shown below are the summarized figures of the transactions:

| | Corbetta Building | Ferrara Building | Bergamo Building |
|---|---|---|---|
| Commencement of the lease term | 01/03/2007 | 01/06/2007 | 01/07/2007 |
| Duration finance lease | 180 months | 180 months | 180 months |
| Nr. of lease payments | 179 months | 179 months | 179 months |
| Value of the leased asset | 1.6 milion Euros | 1.3 milion Euros | 2.9 milion Euros |
| Initial payment on signing the contract | 163 thousand Euros | 133 thousand Euros | 296 thousand Euros |
| Amount of the monthly payment | 10 thousand Euros | 8 thousand Euros | 19 thousand Euros |
| Interest rate | Euribor | Euribor | Euribor |
| Amount of final option | 326 thousand Euros | 267 thousand Euros | 589 thousand Euros |
| 2013 payments* | 92 thousand Euros | 75 thousand Euros | 166 thousand Euros |
| Residual value as at 31 December 2013 | 1.01 milion Euros | 859 thousand Euros | 1.87 milion Euros |

| | Padova Building | Trezzano Building | Rozzano Building |
|---|---|---|---|
| Commencement of the lease term | 29/02/2008 | 10/09/2008 | 24/09/2008 |
| Duration finance lease | 18 years | 216 months | 216 months |
| Nr. of lease payments | 71 semester | 215 months | 215 months |
| Value of the leased asset | 3.4 milion Euros | 2.5 milion Euros | 3.2 milion Euros |
| Initial payment on signing the contract | 339 thousand Euros | 332 thousand Euros | 316 thousand Euros |
| Amount of the monthly payment | 64 thousand Euros | 16 thousand Euros | 20 thousand Euros |
| Interest rate | Euribor | Euribor | Euribor |
| Amount of final option | 339 thousand Euros | 251 thousand Euros | 313 thousand Euros |
| 2013 payments* | 141 thousand Euros | 140 thousand Euros | 129 thousand Euros |
| Residual value as at 31 December 2013 | 2.44 milion Euros | 2.47 milion Euros | 2.34 milion Euros |

| | Corsico Building | Vicenza Building | Modena Sud Building |
|---|---|---|---|
| Commencement of the lease term | 12/08/2009 | 09/10/2009 | 16/09/2010 |
| Duration finance lease | 18 years | 18 years | 18 years |
| Nr. of lease payments | 215 months | 215 months | 215 months |
| Value of the leased asset | 3.1 million Euros | 2.2 million Euros | 4.4 million Euros |
| Initial payment on signing the contract | 355 thousand Euros | 260 thousand Euros | 437 thousand Euros |
| Amount of the monthly payment | 15 thousand Euros | 10 thousand Euros | 21 thousand Euros |
| Interest rate | Euribor | Euribor | Euribor |
| Amount of final option | 314 thousand Euros | 215 thousand Euros | 437 thousand Euros |
| 2013 payments* | 188 thousand Euros | 142 thousand Euros | 238 thousand Euros |
| Residual value as at 31 December 2013 | 2.57 million Euros | 1.93 million Euros | 3.4 million Euros |

| | Voghera Building | Mirabilandia Building | Parma Building |
|---|---|---|---|
| Commencement of the lease term | 02/12/2010 | 01/07/2011 | 23/12/2011 |
| Duration finance lease | 18 years | 18 years | 18 years |
| Nr. of lease payments | 215 months | 215 months | 215 months |
| Value of the leased asset | 1.5 million Euros | 2.4 million Euros | 3.6 million Euros |
| Initial payment on signing the contract | 147 thousand Euros | 237 thousand Euros | 360 thousand Euros |
| Amount of the monthly payment | 7 thousand Euros | 12 thousand Euros | 21 thousand Euros |
| Interest rate | Euribor | Euribor | Euribor |
| Amount of final option | 147 thousand Euros | 237 thousand Euros | 360 thousand Euros |
| 2013 payments* | 80 thousand Euros | 137 thousand Euros | 204 thousand Euros |
| Residual value as at 31 December 2013 | 1.16 million Euros | 1.92 million Euros | 3.1 million Euros |

| | Macerata Building | Mestre Building | Capriate Building |
|---|---|---|---|
| Commencement of the lease term | 01/05/2012 | 31/10/2012 | 19/12/2012 |
| Duration finance lease | 216 | 216 | 156 mesi |
| Nr. of lease payments | 215 months | 215 months | 155 months |
| Value of the leased asset | 1.5 million Euros | 2.4 million Euros | 2.7 million Euros |
| Initial payment on signing the contract | 156 thousand Euros | 497 thousand Euros | 265 thousand Euros |
| Amount of the monthly payment | 8 thousand Euros | 10 thousand Euros | 18 thousand Euros |
| Interest rate | Euribor | Euribor | Euribor |
| Amount of final option | 147 thousand Euros | 465 thousand Euros | 265 thousand Euros |
| 2013 payments* | 100 thousand Euros | 83 thousand Euros | 104 thousand Euros |
| Residual value as at 31 December 2013 | 1.2 million Euros | 2.1 million Euros | 1.7 million Euros |

| | Legnano Building | Cinisello Balsamo Building | Capriate works |
|---|---|---|---|
| Commencement of the lease term | 01/12/2005 | 12/07/2013 | 06/12/2013 |
| Duration finance lease | 180 months | 13 years | 16 years |
| Nr. of lease payments | 179 months | 155 months | 186 months |
| Value of the leased asset | 3.0 million Euros | 3.9 million Euros | 2.4 million Euros |
| Initial payment on signing the contract | 300 thousand Euros | 680 thousand Euros | 844 thousand Euros |
| Amount of the monthly payment | 18 thousand Euros | 25 thousand Euros | 16 thousand Euros |
| Interest rate | Euribor | Euribor | Euribor |
| Amount of final option | 300 thousand Euros | 398 thousand Euros | 241 thousand Euros |
| 2013 payments* | 198 thousand Euros | 46 thousand Euros | - |
| Residual value as at 31 December 2013 | 1.56 million Euros | 2.4 million Euros | 2.8 million Euros |

| | Specific machinery |
|---|---|
| Commencement of the lease term | 01/04/2010 |
| Duration finance lease | 48 months |
| Nr. of lease payments | 8 semester |
| Value of the leased asset | 1.5 million Euros |
| Initial payment on signing the contract | 290 thousand Euros |
| Amount of the monthly payment | 230 thousand Euros |
| Interest rate | Euribor |
| Amount of final option | 23 thousand Euros |
| 2013 payments* | 371 thousand Euros |
| Residual value as at 31 December 2013 | 22 thousand Euros |

*Values inclusive of indexation differences.

Plant and machinery

The larger investments for 2013 were in the following segments:

- Production (a total of 7.3 million) by: INALCA SpA (4.1 million), Italia Alimentari SpA (1.6 million), Inalca Kinshasa S.p.r.l. (513 thousand) and Realbeef Srl (457 thousand);
- Catering (a total of 3.2 million) by: Chef Express SpA (1.3 million), Roadhouse Grill Italia Srl (855 thousand), Cremonini Restauration (699 thousand);
- Distribution (a total of 919 thousand) mainly attributable to MARR SpA.

Increases in the category under examination concerned plant and machinery used in production, distribution and restaurants, and apply to the following companies:

- INALCA SpA for various improvements on all sites and the creation of the new ragù production line;
- Italia Alimentari SpA for completion of the fast sliced meats line and the associated revision of the plant and machinery at the site in Gazoldo degli Ippoliti.
- Realbeef Srl for the new packaging and deboning plant.
- Chef Express SpA for improvements on systems of buildings not owned by the company in various sales

units.

- Roadhouse Grill Italia Srl for the purchases necessary for carrying out the activity in the open spaces during 2013;
- MARR SpA for the investment at the Scapa branch and the other acquisitions divided among the other branches.

The other movements refer to reclassification of works that were previously recorded under the item "non-current assets in progress".

Other assets

The main investments made can be attributed to the Catering sector (2.7 million), Distribution (2.4 million Euroalmost entirely attributable to MARR SpA) and Production (1.4 million).
More specifically in Restaurants there were investments in furniture and furnishings, electronic machinery, cash registers and signs for the premises (1.1 million Euro for Roadhouse Grill Italia Srl and 692 thousand for Chef Express SpA); in Production the balance reported concerns the purchase of vehicles and electronic machinery by INALCA SpA (313 thousand), Inalca Kinshasa (212 thousand), Inalca Angola (198 thousand) and Realbeef (144 thousand); lastly, in Distribution acquisitions concerned industrial vehicles, road vehicles and electronic machines.

Non-current assets under construction and advances

Most of the increases can be accounted for as follows:

- investment of Euro 12.3 million of made by Orenbeef LLC for the new meat processing plant in Orenburg (Russia).
- investment of Euro 9.6 million for the refurbishment of the new branches of the chain of steakhouses of the subsidiary Roadhouse Grill Italia Srl (Prenestina, Cinisello Balsamo, Pavia and Capriate in particular);
- Euro 4.6 million in construction and refurbishment works of the various station buffets and highway service areas of the subsidiary Chef Express SpA;
- Euro 1.8 million of investment by Cremonini SpA for the refurbishment of a property in Rome;
- Euro 1.3 million Euro of investment by the subsidiary Kaskad LLC for the connection of the site to the gas network.
- Euro 1.0 million for the down payment on the purchase of land by the subsidiary Agricola Corticella Srl.
- Euro 752 thousand of investment by the subsidiary Italia Alimentari SpA primarily for the adaptation to USA certification of the Busseto plant and improvements and expansion of new production lines.
- Euro 370 thousand of investment by the subsidiary Marr Russia LLC for the acquisition of refrigerated trucks and motor vehicles.

There are mortgages and liens secured by non-current tangible assets for amounts of about 613.3 million Euros against loans obtained.

## 2. Goodwill

Goodwill is not amortized with the exclusion of that with a defined useful life, the amortization of which is correlated to the term of the concession; recoverability of the related book value is verified at least annually and anyway when events occur that presuppose impairment.
The verification is carried out at the level of the smallest aggregate on the basis of which corporate management measures, directly or indirectly, the return on the investment that includes the goodwill (cash generating unit); for the main hypotheses utilized for the determination of recoverable value you are referred to that shown in the paragraph "Main estimates used by management and discretional measurements".

| (in thousands of Euros) | Balance at 31.12.2012 | Change in consolidation area | Purchases | Decreases | Other | Amortization | **Balance at 31.12.2013** |
|---|---|---|---|---|---|---|---|
| Production - Beef | 1,549 | 59 | | (133) | | | 1,475 |
| Production - Others | 0 | | | | | | 0 |
| Distribution | 91,349 | | | | | | 91,349 |
| Catering | 55,525 | | | (189) | | (2,531) | 52,805 |
| Holding company and services | 401 | | | | | (401) | 0 |
| **Total** | **148,824** | **59** | **0** | **(322)** | **0** | **(2,932)** | **145,629** |

### 3. Other intangible assets

| (in thousands of Euros) | Balance at 31.12.2012 | Change in consolidation area | Purchases | Decreases | Other | Amortization | **Balance at 31.12.2013** |
|---|---|---|---|---|---|---|---|
| Patents and intellectual property rights | 2,162 | 11 | 957 | (533) | 42 | (1,000) | 1,639 |
| Concessions, licences, trademarks and similar rights | 15,246 | 0 | 234 | (26) | (103) | (1,416) | 13,935 |
| Fixed assets under development and advances | 149 | 0 | 66 | (21) | (158) | | 36 |
| Long-term costs | 643 | 0 | 0 | 1 | 0 | (71) | 573 |
| **Total** | **18,200** | **11** | **1,257** | **(579)** | **(219)** | **(2,487)** | **16,183** |

The increase in the item "Industrial patient rights" concerns purchases and implementation of business software and relates primarily to the Catering sector (Cremonini Restauration S.a.s. and Chef Express SpA and Roadhouse Grill Italia Srl).
The decrease relates entirely to Cremonini Restauration S.a.s. and concerns the transfer of licences to the new holder of the contract for the management of high speed train catering in France.

The item "Non-current assets in progress and prepayments" represents the capitalisation of costs for transactions in progress as at 31 December 2013 which will complete in future periods.

The other non-current intangible assets have a defined useful life and consequently are amortised over that life.

### 4. Investments valued at equity

The main changes that took place during the financial year, deducible in detail from appendix 5, are commented on below. Appendix 6 also shows the list and figures required by art. 2427.5 *quinquies* of the Italian Civil Code).

Equity investments in associated companies

The change in the value of related companies relates primarily to the reclassification of the holding in Emilia Romagna Factor to equity investments in other companies. Please refer to Appendix 5 for more detail.

### 5. Investments in other companies

The increase in the balance is due to the reclassification of the holding in Emilia Romagna Factor from related companies to the category under examination and the revaluation of the same holding based on the latest available financial statements data as at the measurement date.
For further detail on "Investments in other companies" please refer to Annex 5.

## 6. Non-current financial receivables

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Interest-bearing and non-interest-bearing loans to third parties | 2,495 | 3,712 |
| **Total** | **2,495** | 3,712 |

As at 31 December 2013 the balance of the item, of 2,495 thousand Euro relates primarily to MARR SpA; specifically it includes the MARR SpA amount of financial receivables due from Adria Market (235 thousand) and the amount of receivables from vehicle transporters following sales to them of the transport vehicles for shipping the MARR SpA goods (a total of 1,965 thousand).

## 7. Deferred tax assets

The amount of these taxes mainly refers to the tax effect (IRES and IRAP) calculated on the taxed provisions, write-downs of non-current financial assets fiscally deductible in subsequent financial years and write-downs of non-current intangible assets.

## 8. Other non-current assets

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Trade receivables | 12,219 | 6,187 |
| Tax assets | 13,497 | 12,243 |
| Other receivables | 20,002 | 17,087 |
| Deferred income and prepaid expenses | 5,136 | 2,268 |
| **Total** | **50,854** | **37,785** |

Tax receivables

The balance as at 31 December 2010 is made up primarily of:

- Tax receivables of around 6.7 million, of IRES rebates on the deductibility of IRAP relating to staff costs.
- Receivables for claims of VAT rebates of around 4.3 million Euro for VAT on customer losses (MARR SpA).

Deferred income and pre-paid expenses

The item "Non-current deferred income and prepaid charges" can be attributed primarily to MARR SpA for promotional payments with multiannual clients and Chef Express SpA, for costs sustained for the concession of catering services in highway areas.
These costs, which can be regarded as a form of prepaid lease payments, are therefore accrued on the duration of the various concessions.

Other receivables

This item is primarily attributable, for the past periods, to the Distribution sector.

It especially includes receivables from MARR SpA suppliers in the amount of 17.4 million Euro (14.8 million Euro as at 31 December 2012). There are also receivables for the accrued end of year bonuses from petroleum companies of around 883 thousand Euro (949 thousand as at 31 December 2012) by Chef Express SpA. These bonuses, provided for by national collective agreements, signed between the relevant associations, are allocated and revalued each year and will be paid to the company by the petrol companies on termination of the business.

## Current asset

### 9. Inventories

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Raw materials, secondary materials and consumables | 44,248 | 47,452 |
| Work in progress and semi-finished goods | 4,413 | 4,505 |
| Finished goods and goods for resale | 282,505 | 269,878 |
| Advances | 3,233 | 3,671 |
| Provision for write-down of inventories | (1,005) | (895) |
| **Total** | **333,394** | **324,611** |

The increase in inventories is attributable to the change in stocks related to the Italian production sector, a strategic choice to face 2013 during which an insufficiency of products is expected.

### 10. Biological assets

The amount of Biological assets refers entirely to the measurement, according to IAS 41, of cattle owned by Società Agricola Corticella, the Group's agricultural company.
The increase on the 2012 value derives from: both the number of cattle (30,647 head 2012 compared to the 29,027 of the 2012 period), in order to provide for the procurement needs of the segment and the increase of their purchase price.

### 11. Current financial receivables

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Receivables from subsidiaries** | **274** | **501** |
| Dispal CI | - | 227 |
| Domus Italia S.r.l. | 274 | 274 |
| **Receivables from associated companies** | **4,164** | **4,766** |
| Farm Service S.r.l. | 270 | 270 |
| Avirail s.a.s. | 3,894 | 4,496 |
| **Receivables from controlling companies** | **253** | **1,279** |
| Cremofin S.r.l. | 253 | 1,279 |
| **Other financial receivables** | **5,953** | **5,664** |
| Interest-bearing and non-interest-bearing loans to third parties | - | - |
| Treasury receivables from minorities | 5,953 | 5,664 |
| **Totale** | **10,644** | **12,210** |

Other financial receivables concern: 2.7 million Euro of receivables for loans to third parties by the subsidiary MARR SpA, all interest-bearing, which in more detail are loans receivable from vehicle transporters (1,096 thousand), following the sale to them of transport vehicles for shipping the MARR SpA goods, from suppliers of services (310 thousand), from other companies in commercial partnerships (1,300 thousand) in order to consolidate the trade relationships and allow an additional increase of turnover.
Also under the same item are receivables relating to the Production sector attributable both to Inalca Kinshasa for 1.4 million Euro (for a loan to a third party company called Minocongo) and to Realbeef for a value of 0.9 million.

## 12. Current trade receivables

Trade receivables are broken down as follows:

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Trade receivables** | **537,346** | **540,623** |
| Due within 12 months | 582,899 | 581,061 |
| Provision for bad debts | (45,553) | (40,438) |
| **Receivables from unconsolidated subsidiaries** | **0** | **159** |
| Dispal CI | - | 159 |
| **Receivables from associated companies** | **33** | **301** |
| Parma France S.a.s | - | 2 |
| Farm Service S.r.l. | 33 | 299 |
| **Total** | **537,379** | **541,083** |

The Group's credit risk is primarily attributable to the amount of trade receivables. The amounts disclosed in the financial statements are net of provisions for bad debts, estimated by the Group management based on historical experience and their measurement in the current economic climate.

At 31 December 2013, the composition of the overdue trade receivables from third parties is the following:

| (in thousands of Euros) | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Amount | Bad Debt Prov. | Amount | Bad Debt Prov. |
| Trade receivables not overdue | 329,101 | (354) | 327,830 | (552) |
| Overdue up to 30 days | 80,463 | (257) | 87,511 | (432) |
| Overdue from 31 to 60 days | 27,712 | (55) | 28,487 | (131) |
| Overdue from 61 to 90 days | 23,372 | (42) | 28,491 | (212) |
| Overdue from 91 to 120 days | 121,635 | (35,629) | 102,755 | (33,330) |
| Overdue over 120 days | 13,370 | (9,751) | 13,291 | (6,898) |
| **Total** | **595,653** | **(46,088)** | **588,365** | **(41,555)** |

The fair value of the categories shown above is not given as the carrying value represents a reasonable approximation.

The change in the bad debt provision was the following:

| (in thousands of euros) | 31.12.2013 |
|---|---|
| Initial balance | (41,555) |
| Merger | (2) |
| Utilized during the year | 13,374 |
| Exchange differences effect | 257 |
| Accruals during the year | (18,162) |
| **Final balance** | **(46,088)** |

## 13. Current tax assets

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Receivables for advance on direct taxes | 1,720 | 5,742 |
| Receivables for withholdings | 39 | 38 |
| VAT credit and other taxes requested for reimbursement | 10,978 | 13,772 |
| Other sundry receivables | 7,894 | 8,460 |
| Bad debts provision | (69) | (69) |
| **Total** | **20,562** | **27,943** |

The reduction of current tax receivables is due primarily to a decrease of Receivables for direct tax prepayments.
As already reported during the last period the VAT receivable is primarily attributable to the Production sector: Marr Russia 1.1 million, Orenbeef 1.8 million Euro and Quinto Valore, which increases to around 2.3 million Euro because of corporate structural credit dealings.

## 14. Cash and cash equivalents

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Cash | 17,897 | 20,053 |
| Checks | 48 | 20 |
| Bank and postal accounts | 80,646 | 115,026 |
| **Total** | **98,591** | **135,099** |

The balance represents the cash and cash equivalents and the existence of money and notes in circulation at the year-end.
You are referred to the cash flow statement for the year 2013 for the evolution of cash and cash equivalents.

## 15. Other current assets

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Accrued income and prepaid expenses | 4,894 | 6,388 |
| *Other receivables* | | |
| Advances to suppliers | 46,928 | 35,710 |
| Receivables from insurance companies | 960 | 1,039 |
| Receivables from social security institutions | 1,263 | 1,027 |
| Receivables from agents | 2,377 | 2,385 |
| Receivables from employees | 1,072 | 1,163 |
| Down payments | 7 | - |
| Guarantee deposits | 522 | 565 |
| Other sundry receivables | 10,238 | 10,134 |
| Provision for bad debts | (2,053) | (2,243) |
| **Total** | **66,208** | **56,168** |

The item "Advances to suppliers" relates to 40.3 million Euro for the Distribution sector and 6.3 million Euro for production, both amounts are associated with the typical procurement methods; these include in particular payments made to overseas suppliers for the purchase of goods under the F.O.B. clause.

The item "Others" amounts to around 10.2 million Euro and is attributable primarily to the following:

- 2.7 million Euro by the subsidiary INALCA SpA for energy certificate credits (868 thousand) and around 600 thousand to the existing dispute with Customs, suitably written-down;
- around 800 thousand to Agrea agricultural contributions to be drawn by the subsidiary Agricola Corticella Srl;
- 700 thousand for prepayments to Customs by the subsidiary Inalca Kinshasa;
- allocation of the Post-employment benefits provision, the holiday/days-off and additional monthly payments to the Provisions for supplementary clientele severance indemnity accrued as at 23 February 2013 for employees and agents of Scapa for which MARR became liable on the same date through the lease of the Scapa business.

The "Bad debts provision" refers mainly to receivables from suppliers and agents.

# LIABILITIES

## Shareholders' Equity

As regards the changes within the Shareholders' Equity refer to the statement of changes in the Shareholders' Equity.

### 16. Share capital and reserves

The share capital amounts to 67,073,932 thousand Euro and represents 128,988,330 ordinary shares of the Parent Company Cremonini S.p.A., fully subscribed and paid-up, with normal rights and a par value of Euro 0.52 each.

Treasury stock

The Parent Company did not hold treasury shares at 31 December 2013.

Reserves

The legal reserve of 14,749 thousand Euro remained unchanged in the period, having reached the limit set out by art. 2430 of the Civil Code.

The share premium reserve was made up of the premium paid by the shareholders under the IPO during 1998. The amount of the reserve of 78,280 thousand Euro did not change over 31 December 2012.

The cash flow hedge reserve records the profits or losses deriving from the valuation of the financial instruments designated to hedge variable rate loans.
The reserve for transition to IAS/IFRS was set up following the first-time adoption of the International Accounting Standards.

The merger deficit generated in 2008 on the inverse merger between Cremonini Investimenti S.r.l. and Cremonini S.p.A, amounts to 146,379 thousand Euro, and is unchanged with respect to 31 December 2012.

The basic earnings per share as at 31 December 2013 amounted to Euro 0.2534 (Euro 0.2610 as at 31 December 2012) and was calculated on the basis of net profits of 32,683 thousand Euro divided by the weighted average number of ordinary shares in 2013 equal to 128,988,330. There is no difference between basic and diluted earnings per share.

The reconciliation between the shareholders' equity of the Parent Company and the corresponding consolidated figures is the following:

| *(in thousands of Euros)* | Financial year as at 31.12.2013 | | |
|---|---|---|---|
| | Capital stock and reserve | Profit/(loss) | Shareholders' equity |
| **Parent Company's shareholders' equity and profit/(loss) for the year** | **107,431** | **52,364** | **159,795** |
| Elimination of carryng value of consolidated subsudiaries: | | | |
| - Difference between the carryng value and pro rata shareholder's equity, net of the effects of intra-Group transactions | 23,898 | (32,225) | (8,327) |
| - Pro rata subsidiary profits (losses) | - | 70,301 | 70,301 |
| - Investments write-downs | (5,381) | 5,381 | - |
| - Dividends | 53,373 | (53,373) | - |
| - Consolidation differences | 100,271 | (3,110) | 97,161 |
| Elimination of the effects of commercial transactions between Group companies | (334) | (7,855) | (8,189) |
| Adjustment of the financial statement of the consolidated companies in accordance with the Group principles and shareholders' equity valuation of investments | 2,768 | 1,200 | 3,968 |
| *Total adjustments* | *174,595* | *(19,681)* | *154,914* |
| **Group's share of net equity and profit/(loss)** | **282,026** | **32,683** | **314,709** |
| Minorities' share of net equity and profit/(loss) | 90,144 | 28,819 | 118,963 |
| **Consolidated financial statements shareholders' equity and profit/(loss) for the year** | **372,170** | **61,502** | **433,672** |

## Non-current liabilities

### 17. Non-current financial payables

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| *Due between 1 and 5 years* | | |
| Payables to banks | 443,971 | 450,759 |
| Payables to other financial institutions | 7,533 | 7,364 |
| **Total payables due between 1 and 5 years** | **451,504** | **458,123** |
| *Due beyond 5 years* | | |
| Payables to banks | 14,387 | 7,130 |
| Payables to other financial institutions | 55,500 | 25,079 |
| **Total payables due beyond 5 years** | **69,887** | **32,209** |
| **Total** | **521,391** | **490,332** |

Shown below is a breakdown of payables to banks with the indication of the interest rates applied:

| (in thousands of Euros) | Credit line | Interest Rate | Current portion | Between 1 and 5 years | Beyond 5 years | **Balance at 31.12.2013** |
|---|---|---|---|---|---|---|
| Overdraft | 99,947 | Euribor + spread | 63,313 | | | 63,313 |
| Advances - Imports | 81,594 | | 19,410 | | | 19,410 |
| Advances - Exports | 54,969 | | 17,747 | | | 17,747 |
| Advances on invoices Italy | 238,996 | | 62,304 | | | 62,304 |
| Advances subj. to collection | 111,090 | Euribor + spread | 8,862 | | | 8,862 |
| Hot Money | 82,148 | Euribor + spread | 81,779 | | | 81,779 |
| Mortgages | | Euribor + spread | 131,652 | 325,236 | 14,384 | 471,272 |
| Altri Rapporti | | | 24,407 | 118,735 | 3 | 143,145 |
| **Total** | **668,744** | | **409,474** | **443,971** | **14,387** | **867,832** |

You are referred to the Directors' Report for a careful examination of the net debt and its components, both current and non-current.
The amounts due to other financial institutions, detailed in the following table, mainly constitute the payables deriving from the recording, in accordance with the financial method, of the lease contracts.

| Other financial institutions | Interest rate | Expiry date | Current | Non current | Balance at 31.12.2013 |
|---|---|---|---|---|---|
| Leasing | | | | | |
| Legnano | Euribor + spread | 01/12/2020 | 174 | 1,389 | **1,563** |
| Ferrara | Euribor + spread | 01/06/2022 | 65 | 794 | **859** |
| Corbetta | Euribor + spread | 01/03/2022 | 71 | 963 | **1,034** |
| Bergamo | Euribor + spread | 01/07/2022 | 125 | 1,805 | **1,930** |
| Capriate | Euribor + spread | 19/12/2025 | 63 | 1,643 | **1,706** |
| Rozzano | Euribor + spread | 23/09/2026 | 108 | 2,229 | **2,337** |
| Trezzano | Euribor + spread | 09/09/2026 | 114 | 2,359 | **2,473** |
| Padova | Euribor + spread | 01/03/2026 | 126 | 2,310 | **2,436** |
| Corsico | Euribor + spread | 11/08/2027 | 139 | 2,433 | **2,572** |
| Vicenza | Euribor + spread | 08/10/2027 | 106 | 1,827 | **1,933** |
| Modena Sud | Euribor + spread | 16/09/2028 | 151 | 3,252 | **3,403** |
| Voghera | Euribor + spread | 02/12/2028 | 60 | 1,101 | **1,161** |
| Mirabilandia | Euribor + spread | 01/07/2029 | 74 | 1,853 | **1,927** |
| Parma | Euribor + spread | 23/12/2029 | 112 | 2,980 | **3,092** |
| Macerata | Euribor + spread | 01/05/2030 | 44 | 1,195 | **1,239** |
| Mestre | Euribor + spread | 31/10/2030 | 116 | 1,993 | **2,109** |
| Cinisello balsamo | Euribor + spread | 08/02/2014 | 126 | 2,264 | **2,390** |
| Sara | Euribor + spread | 15/01/2014 | 22 | | **22** |
| Other minor leasings | Euribor + spread | | 755 | | **755** |
| Bond Private Placement | 5.10% | 2020 - 2023 | | 30,643 | **30,643** |
| Due to Factoring companies | Euribor + spread | | 18,058 | | **18,058** |
| Other Relationships | Euribor + spread | | 2,324 | | **2,324** |
| **Total** | | | **22,933** | **63,033** | **85,966** |

## 18. Financial Instruments/Derivatives

The Group uses financial instruments offered by the market (including so-called "derivatives") solely with a view to optimizing debt cost and hedging interest and exchange rate fluctuations.

As at 31 December 2013 there were some outstanding "interest rate swap" hedging contracts, by which the variable Euribor interest rate was substituted with a fixed rate. These transactions, booked using hedge accounting criteria, are the following:

- "interest rate swap" contract with Akros for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with Banca S. Geminiano e S. Prospero for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with Unicredit for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with Unicredit for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with BNP Paribas for 10.0 million Euro (maturity 30.06.2015);
- "interest rate swap" contract with BNL bullet for 50.0 million Euro (maturity 31.08.2016);
- "interest rate swap" contract with BNL annuity for 50.0 million Euro (maturity 31.08.2016);
- "interest rate swap" contract with Rabobank for 133.8 million Euro (maturity 31.08.2016);
- "interest rate swap" contract with Carisbo for 0.7 million Euro (maturity 01.07.2014);
- "interest rate swap" contract with Veneto Banca for 5.0 million Euro (maturity 18.06.2018);
- "interest rate swap" contract with Ra.Bo. Bank for 25.0 million Euro (maturity 29.03.2015).

The measurement of these hedging contracts led to the recognition of a liability of 4,435 thousand Euro which, in compliance with IAS, was recognised in the shareholders' equity, and in subsequent years will be attributed to the income statement thereby neutralising the financial effects produced by the underlying transactions.
The measurement of exchange rate risk hedging contracts however led to the recognition of a liability of 2,988 thousand.

Details of the changes recognised in the period are given below:

| (in thousands of Euros) | **31 December 2013** | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | CFH Reserve Gross | Deferred taxes | CFH Reserve Net | CFH Reserve Gross | Deferred taxes | CFH Reserve Net |
| Opening balance - Parent company | (2,032) | 556 | (1,476) | (1,042) | 284 | (758) |
| Opening balance - Consolidated companies | (5,356) | 1,473 | (3,883) | (804) | 221 | (583) |
| Changes of the period | | | | | | |
| *Hedge instruments* | | | | | | |
| Profit/(Loss) of the period | (3,041) | 836 | (2,205) | 1,589 | (437) | 1,152 |
| Riclass. Profit/(Loss) to Income statement | 3,061 | (842) | 2,219 | (1,596) | 439 | (1,157) |
| | 20 | (6) | 14 | (7) | 2 | (5) |
| Net change of the period Other comprehensive income | 1,872 | (515) | 1,357 | (5,535) | 1,522 | (4,013) |
| Closing balance - Consolidated companies | (4,350) | 1,196 | (3,154) | (5,356) | 1,473 | (3,883) |
| **Closing balance - Parent company** | **(1,146)** | **312** | **(834)** | **(2,032)** | **556** | **(1,476)** |

## 19. Employee benefits

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Staff Severance Provision | 27,693 | 27,786 |
| Other benefits | 746 | 752 |
| **Total** | **28,439** | **28,538** |

* Note that, as described in the introduction to the Director's Report, the retrospective application of the amendments to IAS 19 (Employee benefits) led to the re-recognition of the item Post-employment benefits for the year 2012.

Below are the changes in the staff severance provision over the period:

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Opening balance | 27,786 | 25,892 |
| Effect of the change in consolidation area | - | 10 |
| Use for the financial year | (1,708) | (2,816) |
| Financial year provision | 1,010 | 1,555 |
| Actuarial gain losses | (117) | 2,675 |
| Other changes | 722 | 470 |
| **Closing balance** | **27,693** | **27,786** |

* Note that, as described in the introduction to the Director's Report, the retrospecitive application of the amendments to IAS 19 (Employee benefits) led to the re-recognition of the item Post-employment benefits for the year 2012.

## 20. Provision for risks and charges

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Provisions for taxes | 311 | 255 |
| Labour disputes | 920 | 857 |
| Minor lawsuits and disputes | 1,767 | 1,598 |
| Supplementary clientele severance indemnity | 3,425 | 3,338 |
| Provision for rewards and promotions | 764 | 624 |
| Provision for future risks and losses | 1,369 | 2,874 |
| **Total** | **8,556** | **9,546** |

The Supplementary clientele severance indemnity was allocated based on the reasonable estimate of likely future liability, considering the elements available. Note that the movement for the period includes around 60 thousand Euro of the Supplementary clientele severance indemnity for the agents which became the potential liability of MARR following the lease of the Scapa business, as also indicated in the item "Other movements".

The item Provisions for specific liabilities was allocated against potential liabilities associated with certain legal disputes in progress.

As regards the on-going tax dispute deriving from the inspection by the Guardia di Finanza (Fiscal Police), IV Group, San Lazzaro di Savena (BO), for alleged violations of direct taxes (tax years 1993-1999) and VAT (tax years 1998 and 1999) completed in June 2000, we inform you that on 28 February 2004 the appeals on the direct taxes (tax years 1993-1999) and VAT (tax years 1998 and 1999) were discussed in a public hearing. The issue of the tax dispute and associated fines, for the main finding referred to as "CRC" (the other findings are of an insignificant amount or were abandoned), amounted to approximately 4.7 million, plus interest.
The Rimini Provincial Tax Commission, Section II, by sentence no. 73/2/04 upheld the appeals submitted against the main finding, solely for IRAP, while it partly rejected the appeals submitted for the other findings by confirming the findings of the tax revenue authority.
On 20 December 2004 MARR SpA challenged the above cited sentence by submitting an application to the Bologna Regional Tax Commission, a section not attached to Rimini, for a primary deed of appeal.
On 16 January 2006 the claim was discussed first of all before Section no. 24 of the Emilia Romagna Regional Tax Commission.
Following the reasons submitted by the company in the level II case, by order no. 13/24/06 of 3 April 2006 the Bologna Tax Commission ordered an expert witness panel comprising three experts to give their findings, *inter alia*, on the matter of the dispute. This appointed expert witness panel was asked to confirm, based on the contractual agreements and financial arrangements entered into between the interested parties in the complex operation, if the cost claimed by MARR SpA and challenged was inherent in the activities of the business or not.
On 18 November 2006 the expert witness panel submitted their report, concluding: "In summary, it can be stated that these losses had the required relevance as they could objectively be referred to business activities."
On 15 January 2007 the dispute was discussed again in a public hearing at which the findings of the report of the panel of expert witnesses was represented.
By sentence no. 23/10/07 the Bologna Tax Commission updated the level I sentence in favour of MARR SpA, with reference to four findings but, without any reason, fully rejected the conclusions drawn by the expert witnesses it itself had appointed with reference to the principal finding referred to as CRC, therefore confirming the ruling of the level I judge.
Following this an appeal was lodged at the Supreme Court of Cassation on 22 April 2008. The state attorneys entered into proceedings on 3 June 2008.
While the level II proceedings had a negative outcome, highlighting that at the same forum the report of the two technical consultants was perfectly in agreement, prepared by four authoritative professionals, of which three were appointed by the same Tax Commission, they reported without doubt in favour of MARR SpA and considering the opinion expressed by the lawyers instructed by the company, we deemed it reasonable to expect the dispute would have a favourable outcome.
On 10 February 2014 the CRC case was discussed in a public hearing, jointly with other less significant tax disputes (former Battistini dispute on direct taxes and Alisurgel, on registration tax), before the Supreme Court of Cassation; the panel of judges is deciding and their orders are pending.

During 2007 various disputes with the Customs Agency arose over the payment of preferential customs duties on certain fish imports. With reference the more significant dispute, for duties in the amount of around 250 thousand Euro for the procurement of goods from Mauritania, the first level judge, in May 2008, when rejecting the appeals lodged by the company, confirmed his position against the irregularities disputed, as being

attributable solely to its suppliers, from which therefore any cost sustained thus far was therefore fully reimbursed.
The appeal submitted by the company against the first level sentence was not upheld by the Florence Regional Tax Commission.
In May 2013 the company submitted an appeal to the Supreme Court of Cassation.

On 31 December 2013 MARR SpA paid 6,040 thousand Euro pending the judgement for taxes; the amount was classified among tax receivables.

The incentives and promotions fund was related to the development of the Roadhouse Grill Club bonus operation. This operation, valid throughout Italy, involved the accumulation of points and the accrual of credits which could be used in Roadhouse Grills by adopters of the initiative.

## 21. Deferred tax liabilities

As at 31 December 2013 the amount of this item, 78,908 thousand Euro, derived primarily from the effects of the application of international accounting standards, the effect of the different amounts of depreciation deductible for tax compared to the depreciation recognised and from the different tax treatment of leasing and the effects deriving from consolidation, accrued capital gains accounting, and other minor items.

## 22. Other non-current liabilities

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Accrued expenses and deferred income | 726 | 837 |
| Payables for acquisition of equity investments/branches of business | - | 77 |
| Payables to Social Security Institutions | 68 | 73 |
| Other payables | 115 | 22 |
| **Total** | **909** | **1,009** |

The item "Accrued income and deferrals" comprises both deferred income on rents received from third parties in previous financial years relative to the sales outlet of the subsidiary Chef Express S.p.A. at the Susa airport, as well as further deferred income of 322 thousand Euro on interest income from MARR S.p.A.'s customers.

# Current liabilities

## 23. Current financial payables

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| **Payables to controlling companies** | **-** | **-** |
| **Payables to unconsolidated subsidiaries** | **-** | **-** |
| **Payables to associated companies** | **-** | **1,000** |
| Avirail s.a.s | - | 1,000 |
| **Other payables** | | |
| Payables to banks | 409,474 | 535,305 |
| Payables to other financial institutions | 22,933 | 28,507 |
| Other payables | 82 | 1,940 |
| **Closing balance** | **432,489** | **566,752** |

The breakdown of the items "Due to banks" and "Due to other financial institutions" is shown in item 17 above.

### Net Debt

The overall net debt and details of its chief elements is shown below.

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| A. Cash | 17,897 | 20,053 |
| B. Cash equivalent | 80,694 | 115,046 |
| C. Financial assets held for sale | 2,131 | 2,081 |
| **D. Liquidity (A) + (B) + (C)** | **100,722** | **137,180** |
| **E. Current financial assets** | **10,644** | **10,430** |
| F. Current bank liabilities | 409,474 | 535,305 |
| G. Current financial instruments | 3,064 | 5,615 |
| H. Other current financial liabilities | 23,010 | 27,855 |
| **I- Current financial liabilities** | **435,548** | **568,775** |
| **J. Current net debt (I) - (E) - (D)** | **324,182** | **421,165** |
| K. Non current bank liabilities | 458,358 | 457,889 |
| M. Other non current financial liabilities | 63,033 | 32,520 |
| N. Non current financial instruments | 4,150 | 2,034 |
| **O. Non current debt (K) + (L) + (M) + (N)** | **525,541** | **492,443** |
| **P. Net Debt (J) + (O)** | **849,723** | **913,608** |

Several loan contracts require financial covenants. The bank reserves the right to revoke the loans in the event of failure to comply with the covenants. The covenants on loans in force as at 31 December 2013, all completely complied with, are listed in the following tables.

Table 1

| *(thousands Euro)* | Fin. In Pool BNP Pribas (Linea A - TL) (a) (I) | Fin. In Pool BNP Pribas (Linea A - TL) (a) (I) | USPP (originari 43 mil USD) (a) (I) | USPP (originari 10 mil USD) (a) (I) |
|---|---|---|---|---|
| Amount of the loans as at 31 December 2013 | 65,000 | 25,000 | 23,929 (III) | 7,251 (III) |
| Expiry date | 14/06/2018 | 14/06/2016 | 11/07/2023 | 11/07/2020 |
| Covenants | | | | |
| Net Debt/Equity | <2 | <2 | <2 | <2 |
| Net Debt/Ebitda | < 3,5 | < 3,5 | < 3,5 | < 3,5 |
| Value of trade transactions | > 4 | > 4 | > 4 | > 4 |

Table 2

| *(thousands Euro)* | Banca ICCREA (a) | Centrobanca (a) | Coop. Centrale Raiffeisen (a) (II) |
|---|---|---|---|
| Amount of the loans as at 31 December 2013 | 9,080 | 6,667 | 25,000 |
| Expiry date | 23/12/2014 | 31/12/2019 | 30/03/2015 |
| Covenants | | | |
| Net Debt/Equity | <= 1,5 | <= 1,5 | <1,5 |
| Net Debt/Ebitda | <= 3,0 | <= 3,6 | < 3,0 |
| Value of trade transactions | | | |

(a) covenants calculated on the consolidated financial statements of the MARR Group;
(I) these indices are verified with reference to 31 December and 30 June of each year (starting from 31 December 2013). In addition to the above indices the Net Debt/EBITDA ratio calculated at 31 March 2015 on the 12 previous months must not be greater than 3.
(II) These indices are verified with reference to the consolidated figures as at 31 December and 30 June of each year based on the consolidated figures of the Marr Group in the 12 months prior to the verification date. Failure to conform to these indices could lead to the termination of the agreement.
(III) the value in USD is reported at the exchange rate as at 31/12/13.

Table 3

| *(thousands Euro)* | Banca IMI tranche A [(b)] | Banca IMI tranche B [(b)] |
|---|---|---|
| Amount of the loans as at 31 December 2013 | 162,800 | 98,214 |
| Expiry date | 31/08/2016 | 28/02/2017 |
| Covenants | | |
| Net Debt/Ebitda | < =3,25 | < =3,25 |
| Ebitda/Net Financial charges | >= 4,50 | >= 4,50 |
| Maximum capex | <= 24.000 | <= 24.000 |
| Shareholders' Equity attributable to the Group | >= 180.000 | >= 180.000 |
| Share capital and unavailable reserves | >= 145.000 | >= 145.000 |

(b) covenants calculated on the consolidated financial statements of the INALCA Group;
Conformity to the covenants is verified annually based on the figures of the consolidated financial statements and reviewed as at 31 December precisely and contractual verification of the same figures is not required during the year.
The loan agreements taken out with Banca IMI relative to Inalca SpA envisage the commitment to maintaining the current company name, which if changed gives the lending institutions the option to demand early repayment.

Table 4

| (thousands Euro) | Banca Popolare di Verona (c) (d) | BPER (c) (d) | Unicredit Corporate Banking (c) (d) |
|---|---|---|---|
| Amount of the loans as at 31 December 2013 | 6,875 | 10,000 | 67,813 |
| Expiry date | 31/7/2016 | 7/2/2015 | 30/6/2015 |
| Covenants | | | |
| Net Debt/Equity | <= 3,0 | <= 3,0 | <= 3,0 |
| Net Debt/Ebitda | <= 4,2 | <= 4,2 | <= 4,2 |
| Net Debt Corrent / Net Debt No Corrent | | | <= 1,0 |

Table 5

| *(thousands Euro)* | Banca MPS (c) (d) |
|---|---|
| Amount of the loans as at 31 December 2013 | 15,000 |
| Expiry date | 07/02/2014 |
| Covenants | |
| Equity | >= 50.000 |

(c) Covenants calculated on the consolidated financial statements of Cremonini Group (first two parameters) and on the separate financial statements of the parent company (third parameter);

(d) amount relating to the purchase and cost line provided by the agent bank functional to the IPO of shares in Cremonini SpA. The expiry indicated represents the date limit by which the entire loan must be repaid. Intermediate repayments are also envisaged half-yearly.

Conformity to the covenants under the Unicredit Corporate Banking loan are verified annually based on the figures of the consolidated and revised financial statements of Cremonini Group as at 31 December for the first two parameters and exactly half-yearly based on the separate financial statements of the parent company as at 31 June and 30 June for the third parameter.

Table 6:

| *(thousands Euro)* | Carisbo (e) |
|---|---|
| Amount of the loans as at 31 December 2013 | 10,119 |
| Expiry date | 20/06/2014 |
| Covenants | |
| Net Debt/Equity | <= 2,5 |
| Net Debt/Ebitda | <= 3,7 |
| Gross Debt Catering sector | <= Euro 120.000 |

(e) Covenants calculated on the consolidated financial statements of Cremonini Group (first two parameters) and on the Catering sector (third parameter);

It is noted that 150,000,000 shares in INALCA S.p.A. and 19,957,536 shares in MARR S.p.A. were pledged as at 31 December 2013, as a guarantee for medium to long-term loans.

## 24. Current tax liabilities

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| VAT | 5,018 | 4,337 |
| IRAP | 1,599 | 1,071 |
| IRES | 3,083 | 3,972 |
| Withholding taxes | 7,152 | 8,311 |
| Substitute taxes and other taxes payable | 8,371 | 7,011 |
| **Total** | **25,223** | **24,702** |

IRAP and IRES payables relate to 2012 financial year taxes not yet paid at the year-end.

## 25. Current trade liabilities

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Suppliers** | **521,635** | **531,489** |
| **Payables to associated companies** | **7,813** | **5,232** |
| Emil Food S.r.l. | - | 3 |
| Parma France S.a.s. | 3,800 | 2,403 |
| Parma Lacombe | 666 | 383 |
| Parma Turc S.a.s. | 3,176 | 2,443 |
| Parmaubrac S.a.s. | 171 | - |
| **Total** | **529,448** | **536,721** |

Current trade payables refer primarily to balances deriving from commercial operations and the amount payable to Trade Agents.

## 26. Other current liabilities

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Accrued expenses and deferred income | 5,958 | 2,583 |
| Inps/Inail/Scau | 7,890 | 7,672 |
| Inpdai/Previndai/Fasi/Besusso | 141 | 131 |
| Enasarco/FIRR | 754 | 710 |
| Payables to other social security institutions | 10,926 | 17,772 |
| Other payables | | |
| Advances and other payables to customers | 10,802 | 9,454 |
| Payables for employee remuneration | 32,968 | 40,540 |
| Payables for acquisition of equity investments | 77 | 128 |
| Guarantee deposits and down payments received | 207 | 222 |
| Payables to directors and auditors | 1,192 | 608 |
| Payables to agents | 132 | 171 |
| Other minor payables | 4,844 | 5,506 |
| **Total** | **75,891** | **85,497** |

The payables to employees include the unpaid current remuneration at 31 December 2013 and allocations relating to deferred remuneration.

## Guarantees, sureties and commitments

| (in thousands of euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Direct guarantees – sureties | | |
| - related companies | - | - |
| - other companies | 114,438 | 116,171 |
| | 114,438 | 116,171 |
| Direct guarantees – letter of comfort | | |
| - associated companies | 1,468 | 1,406 |
| - other companies | - | - |
| | 1,468 | 1,406 |
| Other risks and commitments | 20,541 | 17,996 |
| **Total guarantees, sureties and commitments** | **136,447** | **135,573** |

### Direct guarantees - sureties

These guarantees include both the guarantees given directly by the companies, both in the interests of Group companies and third parties to banks for loans or credit lines, and those guarantees for which the Parent Company is jointly liable, given by banks or insurance companies, for a variety of commercial transactions, for Group VAT set-offs, for participation in tenders, etc.

Other companies – It should be noted that, with reference to guarantees to "Other companies", this is the classification normally given to guarantees given directly to third parties by Group companies, but exclusively in their own interests- Such guarantees are rarely given in the interests of third-party companies and even in such a case, in the context of transactions effected for the benefit of Group companies. In particular, this item includes the following (in thousands of Euro):

| Company to which the guarantee is provided | Beneficiary | Amount | Reason |
|---|---|---|---|
| Revenue Office/VAT Office Modena | Cremonini S.p.A. and other subsidiaries | 24,054 | VAT for compensation. |
| Highways and Oil Companies | Cremonini S.p.A. subsidiares | 20,038 | Guaranteeing successful conclusion of contracts (services, maintainance). |
| Ferrovie dello Stato and operating companies (Grandi Stazioni, Cento Stazioni, Fer Servizi, Trenitalia, etc) | Cremonini S.p.A. and other subsidiaries | 14,870 | Guaranteeing concessions for on-board catering services, station buffets and operation of storage facilities. |
| Public Agencies | Cremonini S.p.A. subsidiares | 34,060 | Garantees release for the timely execution of contracts lasting several years. |
| Airports | Cremonini S.p.A. subsidiares | 8,507 | Guaranteeing successful conclusion of contracts. |
| Other minor items | Cremonini S.p.A. and other subsidiaries | 12,909 | Administration of rented properties, energy supplies, credit cards, successful conclusion of contracts, etc. |
| **Total** | | **114,438** | |

**Direct guarantees – comfort letters**

The letters of comfort solely regard the guarantees provided to the lending institutions for the granting of loans or credit lines.

**Indirect guarantees – credit mandates**

The credit mandates relate to bank overdrafts and endorsement credits of subsidiaries guaranteed by credit lines granted by banks to the Group.

**Other risks and commitments**

Details of "Other risks and commitments", for commitments of Group companies, are shown below (in thousands of Euro):

| Description | Company to which the risk or commitment refers | Amount |
|---|---|---|
| Promise of purchase of property | Roadhouse Grill Italia S.r.l. | 6,478 |
| Credit letter of purchase of goods | Marr S.p.A.- As.Ca. | 12,938 |
| Other sundry | Fiorani & C S.p.A. - Italia Alimentari S.p.A. | 1,125 |
| **Total** | | **20,541** |

"Commitments for real estate purchases" regard preliminary contracts to buy real estate where the Roadhouse Grill S.r.l. "steakhouse" chain can be further developed. (Gallarate, Lainate, Saronno, Pavia, and Bellinzago Lombardo).

The item "Letters of credit for goods purchases" relates to letters of credit, issued by some banks, to guarantee obligations to our foreign suppliers.
The "Other miscellaneous" item regards third party consignment goods at the Fiorani and Italia Alimentari S.p.A. warehouses.

# Details of the main items of the consolidated income statement

## 27. Revenues

Revenues are broken down as follows:

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Revenues from sales - Finished goods | 1,117,017 | 1,093,165 |
| Revenues from sales - Goods for resale | 1,920,039 | 1,828,600 |
| Revenues from sales - Oil | 28,866 | 39,048 |
| Revenues from sales - Others | 50,611 | 56,826 |
| Revenues from services | 296,735 | 317,477 |
| Advisory services to third parties | 2,354 | 1,968 |
| Rent income | 5,192 | 6,944 |
| Other revenues from ordinary activities | 19,002 | 19,189 |
| **Total** | **3,439,816** | **3,363,217** |

Below is a breakdown of revenues by geographical area:

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Italy | 2,267,525 | 2,140,961 |
| European Union | 617,521 | 663,548 |
| Non-EU countries | 554,770 | 558,708 |
| **Total** | **3,439,816** | **3,363,217** |

## 28. Other revenues

The other revenues can be broken-down as follows:

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Contributions by suppliers and others | 32,333 | 35,895 |
| Operating grants | 1,608 | 2,245 |
| Other sundry revenues | 22,915 | 23,786 |
| **Total** | **56,856** | **61,926** |

### Other sundry revenues

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Rent income | 1,196 | 1,213 |
| Insurance reimbursements | 1,962 | 3,344 |
| Capital gains on disposal of capital goods | 2,046 | 1,854 |
| Other cost reimbursements | 2,030 | 2,262 |
| Services, consultancy and other minor revenues | 15,681 | 15,113 |
| **Total** | **22,915** | **23,786** |

## 29. Costs for purchases

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Costs for purchases - Raw materials | (697,694) | (727,670) |
| Costs for purchases - Goods for resale | (1,390,029) | (1,337,032) |
| Costs for purchases - Secondary materials, consumables, semi-finished goods, packages | (68,263) | (67,470) |
| Costs for purchases - Finished goods | (26,770) | (22,005) |
| Costs for purchases - Oil | (27,209) | (37,114) |
| Costs for purchases - Stationery and printed paper | (2,196) | (2,358) |
| Changes in inventories of raw materials, secondary materials, consumables and goods for resale | 29,090 | (2,593) |
| Other costs for purchases | (109,488) | (101,360) |
| **Total** | **(2,292,559)** | **(2,297,602)** |

"Oil purchases" related to the sale of fuel in the motorway service stations and refer to the corresponding "Revenue from oil sales", an item attributable entirely to the Catering sector.

## 30. Other operating costs

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Costs for services | (452,355) | (431,864) |
| Costs for leases and rentals | (68,288) | (62,605) |
| Other operating charges | (20,630) | (18,190) |
| **Total** | **(541,273)** | **(512,659)** |

### Costs for services

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Energy consumption and utilities | (41,228) | (39,668) |
| Maintenance and repairs | (20,638) | (20,684) |
| Transport on sales | (84,287) | (76,415) |
| Commisions, commercial and distribution services | (104,116) | (96,653) |
| Third-party services and outsourcing | (51,167) | (50,034) |
| Purchasing services | (52,689) | (53,009) |
| Other technical and general services | (98,230) | (95,401) |
| **Total** | **(452,355)** | **(431,864)** |

### Costs for leases and rentals

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Lease of business premises, royalties and others | (42,615) | (39,466) |
| Costs for leases | (192) | (154) |
| Leases and rentals related to real and personal property | (25,481) | (22,985) |
| **Total** | **(68,288)** | **(62,605)** |

It is specified with reference to relationships with related companies that the item "Rents and instalments relating to immovable and movable assets" includes amounts ascribable to MARR S.p.a.'s business, specifically: rent of 671 thousand Euro to Le Cupole S.r.l. for an industrial property in Rimini.

### Other operating charges

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Losses on receivables | (2,787) | (161) |
| Indirect taxes and duties | (9,303) | (8,801) |
| Capital losses on disposal of assets | (2,139) | (2,047) |
| Contributions and membership fees | (1,698) | (1,790) |
| Other minor costs | (4,703) | (5,391) |
| **Total** | **(20,630)** | **(18,190)** |

### 31. Personnel costs

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Salaries and wages | (295,198) | (306,499) |
| Social security contributions | (92,194) | (95,393) |
| Staff Severance Provision | (9,906) | (10,262) |
| Pension and similar provisions | (9) | (379) |
| Other personnel costs | (5,191) | (4,746) |
| **Total** | **(402,498)** | **(417,279)** |

This item includes all the personnel costs, including holiday accruals and additional monthly pay as well as the connected welfare charges, allocation for employee leaving indemnities and other contractually envisaged costs.

As at 31 December 2013 Group employees amounted to 8,806 compared to 11,970 at 31 December 2012. The reduction of 3164 is primarily attributable to the catering sector and is associated with the termination of agreements for providing restaurant services on board TGV trains in France and AVE trains in Spain.

The break down by category and average number of employees in 2012 is shown in the following schedule:

| | Factory staff | Office staff | Managers | Total |
|---|---|---|---|---|
| Employees as at 31.12.2012 | 9,478 | 2,348 | 144 | 11,970 |
| **Employees as at 31.12.2013** | **6,340** | **2,321** | **145** | **8,806** |
| Increases (decreases) | (3,138) | (27) | 1 | (3,164) |
| **Average no. of employees during year 2013** | **7,098** | **2,497** | **144** | **9,739** |

### 32. Amortization, depreciation, write-downs and provisions

| (in thousands of Euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Depreciation of tangible assets | (66,497) | (66,615) |
| Amortization of intangible assets | (3,311) | (5,772) |
| Other write-downs of fixed assets | (2,125) | (1,243) |
| Write-downs and provisions | (19,578) | (18,840) |
| **Total** | **(91,511)** | **(92,470)** |

### 33. Financial (Income)/Charges

| (in thousands of Euros) | **31.12.2013** | 31.12.2012* |
|---|---|---|
| Net exchange rate differences | (2,435) | 167 |
| Income (Charges) from management of derivatives | (3,041) | (1,589) |
| Net financial Income (Charges) | (46,592) | (51,218) |
| **Total** | **(52,068)** | **(52,640)** |

*Note that, as described in the introduction to the Director's Report, the retrospective application of the amendments to IAS 19 (Employee benefits) led to the re-recognition of the 2012 balance of the item by 182 thousand Euro.

<u>Exchange rate differences</u>

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Realized exchange rate profits | 5,889 | 19,143 |
| Realized exchange rate losses | (7,852) | (13,043) |
| Unrealized exchange rate profits | 12,871 | 8,095 |
| Unrealized exchange rate losses | (15,406) | (14,261) |
| Realized income from management of exchange rate derivatives | 3,287 | 3,456 |
| Evaluated income from management of exchang rate derivatives | 626 | 1,356 |
| Realized charges from management of exchange rate derivatives | (1,350) | (4,153) |
| Evaluated charges from management of exchange rate derivatives | (500) | (426) |
| **Total** | **(2,435)** | **167** |

The net exchange rate valuation differences refer to the valuation of balances in the statement of assets and liabilities in foreign currencies to the existing exchange rates at the end of the financial year.

<u>Income (Charges) from management of derivatives</u>

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| Realized Charges from management of derivatives | (3,041) | (1,589) |
| Valuation Income from management of derivatives | - | - |
| **Total** | **(3,041)** | **(1,589)** |

<u>Net financial Income (Charges)</u>

| (in thousands of Euros) | **31.12.2013** | 31.12.2012* |
|---|---|---|
| **Financial Income (Charges) due to controlling companies** | **33** | **-** |
| *Financial income* | | |
| - Bank interest receivable | 205 | 270 |
| - Other financial income | 3,679 | 2,204 |
| **Total financial income** | **3,884** | **2,474** |
| *Financial charges* | | |
| - Interest payable on loans | (18,642) | (23,917) |
| - Interest payable on factoring | (3,829) | (4,336) |
| - Interest payable on current accounts and others | (17,634) | (16,978) |
| - Other bank charges | (2,826) | (3,019) |
| - Interest on bonds | (4) | - |
| - Other sundry charges | (7,574) | (5,442) |
| **Total financial charges** | **(50,509)** | **(53,692)** |
| **Total** | **(46,592)** | **(51,218)** |

*Note that, as described in the introduction to the Director's Report, the retrospective application of the amendments to IAS 19

(Employee benefits) led to the re-recognition of the 2012 balance of the item by 182 thousand.

The borrowing costs of 50.5 million Euro, compared to 53.7 million Euro in the same period in 2012, were down by around 3.2 million Euro due to the lower cost of money.

### 34. Income taxes

| (in thousands of Euros) | **31.12.2013** | 31.12.2012 |
|---|---|---|
| IRES | (40,708) | (27,419) |
| IRAP | (11,116) | (10,446) |
| Net deferred tax assets/liabilities | (866) | 47 |
| **Total** | **(52,690)** | **(37,818)** |

## Other information

Pursuant to the law the total fees due to the directors, members of the Board of Statutory Auditors and independent auditors, where applicable, are noted below:

- Directors/ Statutory Auditors : 6,697 thousand Euro
- Independent auditors: 916 thousand Euro

## Subsequent events

With regard to the events subsequent to the year-end, please refer to the Directors' Report.

******

Castelvetro di Modena, 24 March 2014

THE CHAIRMAN
OF THE BOARD OF DIRECTORS
(Cav. Lav. Luigi Cremonini)

signed by Luigi Cremonini

# Annexes

These annexes contain information additional to that reported in the notes to the consolidated financial statements, and form an integral part thereof:

| | | |
|---|---|---|
| Annex 1 | - | Breakdown of receivables and payables from/to subsidiaries, associated, controlling and related companies as at 31 December 2013; |
| Annex 2 | - | List of revenues and costs from/to subsidiaries, associated, controlling and related companies for 2013; |
| Annex 3 | - | Statement of changes in tangible assets for the financial year ended as at 31 December 2013; |
| Annex 4 | - | Statement of changes in intangible assets for the financial year ended as at 31 December 2013; |
| Annex 5 | - | List of equity investments classified under financial assets as at 31 December 2013 and others; |
| Annex 6 | - | List of equity investments in subsidiaries and associated companies as at 31 December 2013 (Article 2427, paragraph 5, of the Italian Civil Code) with an indication of those falling within the scope of consolidation. |

## Annex I

## Breakdown of receivables and payables from/to subsidiaries, associated, controlling and related companies as at 31 December 2013

| *(in thousands of Euros)* | Trade | | Other | | **Total** | |
|---|---|---|---|---|---|---|
| | Receivables | Payables | Receivables | Payables | **Receivables** | **Payables** |
| *Subsidiaries:* | | | | | | |
| Domus Italia S.r.l. | - | - | 274 | - | **274** | - |
| Montana Farm S.p.zo.o. | - | - | - | - | - | - |
| Bad debts provision | - | - | - | - | - | - |
| **Total subsidiaries** | **-** | **-** | **274** | **-** | **274** | **-** |
| | | | | | | |
| *Associated companies:* | | | | | | |
| Avirail s.a.s. | | | 3,894 | | **3,894** | **-** |
| Farm Service S.r.l. | 43 | | 270 | | **313** | - |
| Food & Co S.r.l. | 2 | | | | **2** | - |
| Parma France S.a.s. | | 3,800 | | | - | **3,800** |
| Parma Lacombe | | 666 | | | - | **666** |
| Parma Turc S.a.s. | | 3,176 | | | - | **3,176** |
| Bad debts provision | | | | | - | - |
| **Total associated companies** | **45** | **7,642** | **4,164** | **-** | **4,209** | **7,642** |
| Related and controlling companies: | | | | | | |
| Cremofin S.r.l. | | | 253 | | **253** | - |
| Le Cupole S.r.l. | | | | | - | - |
| LLC Soyuz Service | 740 | | | | **740** | - |
| NBM Trading Consulting Lda | | | | | - | - |
| Parmaubrac S.a.s. | | 171 | | | - | **171** |
| **Total related companies** | **740** | **171** | **253** | **-** | **993** | **171** |

## Annex 2

### List of revenues and costs from/to subsidiaries, associated, controlling and related companies for 2013

| *(in thousands of Euros)* | Trade | | Other | | Total | |
|---|---|---|---|---|---|---|
| | Revenues | Costs | Revenues | Costs | **Revenues** | **Costs** |
| *Subsidiaries:* | | | | | | |
| Domus Italia S.r.l. | | | 21 | | **21** | **-** |
| Montana Farm S.p.zo.o. | | | | | **-** | **-** |
| **Total subsidiaries** | **-** | **-** | **21** | **-** | **21** | **-** |
| | | | | | | |
| *Associated companies:* | | | | | | |
| Farm Service S.r.l. | 3,523 | | | | **3,523** | **-** |
| Parma France S.a.s. | | 9,977 | | | **-** | **9,977** |
| Parma Lacombe S.a.s. | | 5,814 | | | **-** | **5,814** |
| Parma Noihlac S.a.s. | | 47 | | | | **47** |
| Parma Turc S.a.s. | | 12,822 | | | **-** | **12,822** |
| **Total associated companies** | **3,523** | **28,660** | **-** | **-** | **3,523** | **28,660** |
| | | | | | | |
| *Controlling companies* | | | | | | |
| Cremofin S.r.l. | | | 33 | | **33** | **-** |
| **Total controlling companies** | **-** | **-** | **33** | **-** | **33** | **-** |
| | | | | | | |
| *Related companies:* | | | | | | |
| Le Cupole S.r.l. | | 671 | 4 | | **4** | **671** |
| LLC Soyuz Service | 4,814 | | | | **4,814** | **-** |
| NBM Trading Consulting Lda | | 902 | | | **-** | **902** |
| Parmaubrac S.a.s. | | 3,958 | | | **-** | **3,958** |
| **Total related companies** | **4,814** | **5,531** | **4** | **-** | **4,818** | **5,531** |

# Annex 3

## Statement of changes in tangible assets for the financial year ended as at 31 December 2013

| *(thousands Euro)* | Opening position | | | Changes over the period | | | | | | Closing position | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Initial cost | Depreciation provision | Balance at 31.12.2012 | Net effects of the change n consolidation are: | Acquisitions | Net decreases | Reclassif./ Other changes | Exchange Differences | Depreciation | Initial cost | Depreciation provision | Balance at 31.12.2013 |
| Land and buildings | 742,969 | (137,600) | 605,369 | 1 | 8,797 | (644) | 2,501 | (6,658) | (21,921) | 744,767 | (157,322) | 587,445 |
| Plant and machinery | 426,346 | (285,676) | 140,670 | | 11,461 | (1,734) | 5,583 | (2,134) | (31,183) | 431,256 | (308,593) | 122,663 |
| Industrial and business equipment | 28,794 | (22,507) | 6,287 | | 1,812 | (120) | 267 | (26) | (2,047) | 29,882 | (23,709) | 6,173 |
| Other assets | 110,199 | (75,268) | 34,931 | 15 | 6,741 | (2,432) | 2,981 | (351) | (11,346) | 100,293 | (69,754) | 30,539 |
| Fixed assets under construction and advances | 25,295 | - | 25,295 | 83 | 32,212 | (1,714) | (11,847) | (835) | | 43,194 | - | 43,194 |
| **Total** | **1,333,603** | **(521,051)** | **812,552** | **99** | **61,023** | **(6,644)** | **(515)** | **(10,004)** | **(66,497)** | **1,349,392** | **(559,378)** | **790,014** |

# Annex 4

## Statement of changes in intangible assets for the financial year ended as at 31 December 2013

| *(in thousands of Euros)* | Opening position | | | Changes over the period | | | | | | Closing position | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Initial cost | Amortization provision | Balance at 31.12.2012 | Net effects change in consolidation area | Acquisitions | Net decreases | Reclass. Other changes | Exchange Differences | Amortiz. | Initial cost | Amortization provision | Balance at 31.12.2013 |
| Patents and intellectual property rights | 15,362 | (13,200) | 2,162 | 11 | 957 | (533) | 43 | (1) | (1,000) | 14,439 | (12,800) | 1,639 |
| Concessions, licences, trademarks and similar rights | 21,392 | (6,146) | 15,246 | | 234 | (26) | 248 | (351) | (1,416) | 19,698 | (5,763) | 13,935 |
| Fixed assets under development and advances | 149 | 0 | 149 | | 66 | (21) | (158) | | | 36 | 0 | 36 |
| Other intangible assets | 4,807 | (4,164) | 643 | | | 1 | | | (71) | 4,806 | (4,233) | 573 |
| **Total** | **41,710** | **(23,510)** | **18,200** | **11** | **1,257** | **(579)** | **133** | **(352)** | **(2,487)** | **38,979** | **(22,796)** | **16,183** |

# Annex 5

## List of equity investments classified under financial assets as at 31 December 2013 and others

| *(in thousands of Euros)* Company name | Percentage | Initial value | Purchases or subscriptions | Disposals | (Write-downs) Revaluations | Other changes | Percentage | Final value | Notes |
|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries:** | | | | | | | | | |
| Chef Express Shangai | | | 365 | | | | 100.00 | 365 | |
| Dispal C.I. | 100.00 | 34 | | | | (34) | | - | (a) |
| Domus Italia S.r.l. | 56.00 | 40 | 18 | | | | 56.00 | 58 | |
| Inalca Foods Nig Limited | 57.00 | - | | | | | 57.00 | - | |
| Montana Farm S.p.zo.o. | 100.00 | 172 | | | | | 100.00 | 172 | |
| Rail Express Services B.V. | 100.00 | 100 | | | | (100) | 100.00 | - | (a) |
| **Total subsidiaries** | | **346** | **383** | **0** | **0** | **(134)** | | **595** | |
| **Associated companies:** | | | | | | | | | |
| Avirail S.a.s. | 49.00 | 394 | | | | (49) | 49.00 | 345 | |
| Consorzio I.R.I.S. a r.l. | 37.50 | 4 | | | | | 37.50 | 4 | |
| Emilia Romagna Factor S.p.A. | 16.97 | 11,890 | | | | (11,890) | | - | |
| Farm Service S.r.l. | 30.00 | 174 | | | | | 30.00 | 174 | |
| Food & Co. S.r.l. | 30.00 | 3 | | (3) | | | 30.00 | - | |
| Parma France S.a.s. | 30.40 | 404 | | | | | 30.40 | 404 | |
| **Total associated companies** | | **12,869** | **0** | **(3)** | **0** | **(11,939)** | | **927** | |
| **Other companies:** | | | | | | | | | |
| Banca Popolare Soc Coop | | 528 | | | | | | 528 | |
| Banca Popolare di Vicenza | | 1,000 | 50 | | | | | 1,050 | |
| Centro Agroalimentare Riminese S.p.A. | | 280 | | | | | | 280 | |
| Emilia Romagna Factor S.p.A. | | | | | 1,268 | 11,890 | 16.97 | 13,158 | |
| Futura S.p.A. | | 963 | | | | | | 963 | |
| Nuova Campari S.p.A. | | 1,549 | | | | | | 1,549 | |
| Altre minori | | 352 | 8 | | (85) | (1) | | 274 | |
| **Total other companies** | | **4,672** | **58** | **0** | **1,183** | **11,889** | | **17,802** | |
| **Total equity investments** | | **17,887** | **441** | **(3)** | **1,183** | **(184)** | | **19,324** | |

(a) Company now included in the scope of consolidation

# Annex 6

## List of equity investments in subsidiaries and associated companies as at 31 December 2013 (Article 2427, paragraph 5, of the Italian Civil Code) with an indication of those falling within the scope of consolidation

| *(in thousands of Euros)* Company name | HQ | Share capital (expressed in Euro, unless otherwise indicated) | Result for the financial year ended 31.12.2013 | Shareholders' equity at 31.12.2013 | Control share at 31.12.2013 | Shareholding at 31.12.2013 | Book value (A) | Portion of the Shareholders' Equity (B) | Difference (B) - (A) | Participants at 31.12.2013 | Control share at 31.12.2012 | Shareholding at 31.12.2012 | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investments valued at equity:** | | | | | | | | | | | | | |
| *Associated companies:* | | | | | | | | | | | | | |
| Avirail S.a.s. | Parigi (France) | 100,000 | 704 | 805 | 49.00% | 42.14% | 345 | 394 | 49 | Cremonini Restauration S.a.s. | 49.00% | 42.14% | |
| **Investments valued at cost:** | | | | | | | | | | | | | |
| *Subsidiaries* | | | | | | | | | | | | | |
| Shangai Chef Express Rail Catering Management Ltd | Shanghai (China) | USD 516.000 | nd | nd | 100.00% | 100.00% | 365 | nd | nd | Chef Express S.p.A. | | | |
| Domus Italia S.r.l. | Magnago (Milan) | 50,000 | - | - | 100.00% | 100.00% | 58 | nd | nd | Inalca Food & Beverage | 56.00% | 56.00% | |
| Inalca Foods Nig Limited | Benin City (Nigeria) | Naira 10.000.000 | nd | nd | 57.00% | 57.00% | - | nd | nd | INALCA S.p.A. | 57.00% | 57.00% | (a) |
| Montana Farm S.p.z.o.o. | Platyny (Poland) | Zloty 3.394.000 | (29) | 475 | 100.00% | 100.00% | 172 | 475 | 303 | Italia Alimentari S.p.A. | 100.00% | 100.00% | (a)(b) |
| *Associated companies:* | | | | | | | | | | | | | |
| Consorzio IRIS a r.l. | Bolzano | 10,000 | 8 | 16 | 37.50% | 37.50% | 4 | 6 | 2 | Interjet S.r.l. | 37.50% | 37.50% | (d) |
| Farm Service S.r.l. | Reggio Emilia | 500,000 | 23 | 1,145 | 30.00% | 30.00% | 174 | 344 | 170 | INALCA S.p.A. | 30.00% | 30.00% | (c) |
| Parma France S.a.s. | Lyon (France) | 1,000,000 | 214 | 2,136 | 30.40% | 30.40% | 404 | 649 | 245 | INALCA S.p.A. | 30.40% | 30.40% | (c) |

NOTES

a) Amounts expressed in Euro resulting from the translation of the original amounts in foreign currencies / (b) The figures refer to 31 December 2012, the last financial statements available/ (c) The figures refer to 31 December 2011, the last financial statements available/ (d) The figures refer to 31 December 2008, the last financial statements available.

# Continued: Annex 6

| *(thousands Euro)* Company name | HQ | Share capital (expressed in Euro, unless otherwise indicated) | Result for the financial year ended 31.12.13 | Shareholders' equity at 31.12.13 | Control share at 31.12.2013 | Shareholding at 31.12.2013 | Consolidation method | Participants at 31.12.2013 | Control share at 31.12.2012 | Shareholding at 31.12.2012 | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Companies consolidated on a line-by-line basis:** | | | | | | | | | | | |
| Alisea S.c.a r.l. | Tavarnuzze (FI) | 500,000 | 1,292 | 2,505 | 55.00% | 27.73% | Line by line | MARR S.p.A. | 55.00% | 32.71% | |
| Alisurgel S.r.l. in liquidazione | Santarcangelo di Romagna (RN) | 10,000 | 9 | 198 | 100.00% | 50.42% | Line by line | MARR: 97% Sfera: 3% | 100.00% | 59.47% | |
| As.Ca. S.p.A. | Santarcangelo di Romagna (RN) | 518,000 | 1,756 | 5,419 | 100.00% | 50.42% | Line by line | MARR S.p.A. | 100.00% | 59.47% | |
| Avirail Italia | Castelvetro di Modena (MO) | 100,000 | 367 | 490 | 51.00% | 51.00% | Line by line | Chef Express S.p.A. | 51.00% | 51.00% | |
| Baldini Adriatica Pesca S.r.l. | Santarcangelo di Romagna (RN) | 10,000 | 235 | 600 | 100.00% | 50.42% | Line by line | MARR S.p.A. | 100.00% | 59.47% | |
| Bell Carni s.r.l. | Stienta (RO) | 90,000 | (122) | (31) | 66.67% | 66.67% | Line by line | INALCA S.p.A. | 66.67% | 66.67% | |
| Chef Express S.p.A. | Castelvetro di Modena (MO) | 8,500,000 | 1,894 | 10,134 | 100.00% | 100.00% | Line by line | Cremonini S.p.A. | 100.00% | 100.00% | |
| Chef Express UK Ltd. | Castelvetro di Modena (MO) | GBP 80.000 | 3 | 65 | 100.00% | 100.00% | Line by line | Chef Express S.p.A. | 100.00% | 100.00% | |
| Cremonini Restauration S.a.s. | London (United Kingdom) | 1,500,000 | 3,840 | 5,143 | 86.00% | 86.00% | Line by line | Chef Express S.p.A. | 86.00% | 86.00% | |
| Cremonini Rail Iberica S.A. | Paris (France) | 1,500,012 | (4,128) | (2,871) | 100.00% | 100.00% | Line by line | Chef Express S.p.A. | 100.00% | 100.00% | |
| Cremonini S.p.A. | Madrid (Spain) | 67,073,932 | 52,364 | 159,795 | | | Holding | | | | |
| Dispal CI | Castelvetro di Modena (MO) | FCFA 10.000.000 | (307) | (332) | 99.00% | 99.00% | Line by line | INALCA S.p.A. | 99.00% | 99.00% | (b) |
| Emigel S.r.l. | Santarcangelo di Romagna (RN) | 260,010 | 482 | 3,019 | 100.00% | 50.42% | Line by line | MARR S.p.A. | 100.00% | 59.47% | |
| Fiorani & C. S.p.A. | Piacenza | 500,000 | 231 | 1,170 | 49.00% | 49.00% | Proportional | INALCA S.p.A. | 49.00% | 49.00% | |
| Frimo S.a.m. | Principality of Monaco | 150,000 | (37) | 917 | 75.30% | 75.30% | Line by line | INALCA S.p.A. | 75.30% | 75.30% | |
| Gabf Holdings Limited | London (United Kingdom) | GBP 7.880.953 | (353) | (1,789) | 100.00% | 100.00% | Line by line | Chef Express UK Ltd. | 100.00% | 100.00% | (a) |
| Ges.Car. S.r.l. | Castelvetro di Modena (MO) | 330,000 | 36 | 504 | 80.00% | 80.00% | Line by line | INALCA S.p.A. | 80.00% | 80.00% | |
| Global Service S.r.l. | Castelvetro di Modena (MO) | 93,000 | (201) | (17) | 100.00% | 100.00% | Line by line | Cremonini S.p.A. | 100.00% | 100.00% | |
| Global Service Logistics S.r.l. in liquidazione | Castelvetro di Modena (MO) | 90,000 | (71) | 87 | 100.00% | 100.00% | Line by line | Global Service S.r.l. | 100.00% | 100.00% | |
| Guardamiglio S.r.l. | Piacenza | 4,135,000 | 600 | 11,570 | 100.00% | 100.00% | Line by line | INALCA S.p.A. | 100.00% | 100.00% | |
| INALCA S.p.A. | Castelvetro di Modena (MO) | 150,000,000 | 24,298 | 250,434 | 100.00% | 100.00% | Line by line | Cremonini S.p.A. | 100.00% | 100.00% | |
| Inalca Angola Ltda. | Luanda (Angola) | Kwanza 810.000.000 | 8,682 | 19,161 | 99.90% | 99.90% | Line by line | INALCA S.p.A. | 99.90% | 99.90% | (a) |
| Inalca Algerie S.a r.l. | Algeri (Algeria) | DA 500.000.000 | 328 | 5,527 | 70.00% | 70.00% | Line by line | INALCA S.p.A. | 70.00% | 70.00% | (a) |
| Inalca Brazzaville S.a r.l. | Brazzaville (Rep.Congo) | USD 2.715 | 2,495 | 2,768 | 55.00% | 55.00% | Line by line | INALCA S.p.A. | 55.00% | 55.00% | (a) |
| Inalca Food & Beverage | Modena | 30,000 | (213) | (121) | 67.00% | 67.00% | Line by line | INALCA S.p.A. | 70.00% | 70.00% | |
| Inalca Kinshasa S.p.r.l. | Kinshasa (Rep.Dem.Congo) | USD 2.700.000 | 1,513 | 6,265 | 55.00% | 55.00% | Line by line | INALCA S.p.A. | 55.00% | 55.00% | (a) |
| Industria Alimentar Carnes de Mocambique Ltd | Maputo (Mozambique) | USD 20.000.000 | (148) | 631 | 100.00% | 100.00% | Line by line | INALCA S.p.A. | 99.90% | 99.90% | (a) |
| Inter Inalca Angola Ltda. | Luanda (Angola) | Kwanza 900.000 | 411 | 2,219 | 99.00% | 99.00% | Line by line | INALCA S.p.A. | 100.00% | 100.00% | (a) |
| Interjet S.r.l. | Castelvetro di Modena (MO) | 2,500,000 | (1,012) | 1,878 | 100.00% | 100.00% | Line by line | Cremonini S.p.A. | 100.00% | 100.00% | |
| Italia Alimentari S.p.A. | Busseto (PR) | 40,248,000 | (2,439) | 56,607 | 100.00% | 100.00% | Line by line | INALCA S.p.A. | 100.00% | 100.00% | |
| Kaskad L.l.c. | Moscow (Russia) | Rubli 1525.656.473 | 70 | 76,989 | 100.00% | 100.00% | Line by line | INALCA S.p.A. | 100.00% | 100.00% | (a) |
| Lounge Services S.a.s. | Paris (France) | 40,000 | 69 | 116 | 51.00% | 51.00% | Line by line | Chef Express UK Ltd. | 51.00% | 51.00% | |
| Marr Foodservice Iberica S.A. | Madrid (Spain) | 600,000 | (13) | 415 | 100.00% | 50.42% | Line by line | MARR S.p.A. | 100.00% | 59.47% | |
| Marr Russia L.l.c. | Moscow (Russia) | Rubli 100.000.000 | 9,932 | 26,609 | 75.00% | 75.00% | Line by line | Kaskad L.l.c. | 75.00% | 75.00% | (a) |
| MARR S.p.A. | Rimini | 33,262,560 | 46,773 | 238,291 | 50.42% | 50.42% | Line by line | Cremonini S.p.A. | 58.84% | 59.47% | |
| Momentum Services Ltd. | Birmingham (United Kingdom) | GBP 269.258 | 927 | 1,231 | 51.00% | 51.00% | Line by line | Chef Express UK Ltd. | 51.00% | 51.00% | (a) |
| Montana GMBH | Moglingen (Germany) | 25,000 | 26 | (33) | 100.00% | 100.00% | Line by line | Italia Alimentari S.p.A. | 100.00% | 100.00% | |
| New Catering S.r.l. | Santarcangelo di Romagna (RN) | 33,900 | 669 | 1,174 | 100.00% | 50.42% | Line by line | MARR S.p.A. | 100.00% | 59.47% | |
| Orenbeef L.L.C. | Orenburg (Russia) | Rubli 300.000.000 | (517) | 6,056 | 100.00% | 100.00% | Line by line | Kaskad L.l.c. | 100.00% | 100.00% | (a) |
| Prometex S.A.M. | Principality of Monaco | 150,000 | (48) | 150 | 98.67% | 74.30% | Line by line | Frimo S.a.m. | 98.67% | 74.30% | |
| Quinto Valore S.c.a r.l. | Reggio Emilia | 90,000 | - | 45 | 50.00% | 50.00% | Proportional | INALCA S.p.A. | 50.00% | 50.00% | |
| Rail Express Services BV | Brussels (Belgium) | 100,000 | 652 | 752 | 100.00% | 100.00% | Line by line | Chef Express S.p.A. | - | - | (b) |
| Railrest S.A. | Flumeri (AV) | 500,000 | 506 | 1,064 | 51.00% | 51.00% | Line by line | Chef Express S.p.A. | 51.00% | 51.00% | |
| Realbeef S.r.l. | Castelvetro di Modena (MO) | 300,000 | (1,066) | (681) | 51.00% | 51.00% | Line by line | INALCA S.p.A. | 51.00% | 51.00% | |
| Roadhouse Grill Italia S.r.l. | Castelvetro di Modena (MO) | 20,000,000 | 1,464 | 23,817 | 100.00% | 100.00% | Line by line | Chef Express S.p.A. | 100.00% | 100.00% | |
| Roadhouse Grill Roma S.r.l. | Castelvetro di Modena (MO) | 1,200,000 | (212) | 795 | 55.00% | 55.00% | Line by line | Roadhouse Grill Italia S.r.l. | 55.00% | 55.00% | |
| Salumi d'Emilia S.r.l. | Castelvetro di Modena (MO) | 5,300,000 | 297 | 7,660 | 100.00% | 100.00% | Line by line | Italia Alimentari S.p.A. | 100.00% | 100.00% | |
| Sara S.r.l. | Santarcangelo di Romagna (RN) | 100,000 | (102) | (6) | 100.00% | 100.00% | Line by line | INALCA S.p.A. | 100.00% | 100.00% | |
| Sfera S.p.A. | Spilamberto (MO) | 220,000 | 14 | 1,759 | 100.00% | 50.42% | Line by line | MARR S.p.A. | 100.00% | 59.47% | |
| Società Agricola Corticella S.r.l. | Castelvetro di Modena (MO) | 5,000,000 | 2,445 | 13,079 | 100.00% | 100.00% | Line by line | INALCA S.p.A. | 100.00% | 100.00% | |
| TECNO-STAR DUE S.r.l. | Castelvetro di Modena (MO) | 10,400 | 32 | 90 | 60.00% | 60.00% | Line by line | INALCA S.p.A. | 60.00% | 60.00% | |
| Time Vending S.r.l. | Varsavia (Polonia) | 100,000 | 138 | 207 | 50.00% | 50.00% | Proportional | Chef Express S.p.A. | 50.00% | 50.00% | |
| Zaklady Miesne Soch. S.p.zo.o. | Warsaw (Poland) | Zloty 1800.000 | (481) | (1,486) | 90.00% | 90.00% | Line by line | INALCA S.p.A. | 90.00% | 90.00% | (a) |

a) Amounts expressed in Euro resulting from the translation of the original amounts in foreign currencies. /(b) Subsidiary consolidated starting from 2013

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**Independent auditors' report**
**pursuant to art. 14 of Legislative Decree n. 39 dated 27 January, 2010 and Article 165-bis of Legislative Decree n. 58 dated February 24, 1998**
**(Translation from the original Italian text)**

To the Shareholders of
Cremonini S.p.A.

1. We have audited the consolidated financial statements of Cremonini S.p.A. and its subsidiaries, (the "Cremonini Group") as of 31 December, 2013 and for the year then ended, comprising the statement of financial position, the consolidated statement of profit and loss, the statement of comprehensive income, the statement of changes in shareholders equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of Cremonini S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For comparative purposes, the consolidated financial statements include the corresponding figures of the prior year and the balance sheet as of 1 January, 2012. As illustrated in the notes to the consolidated financial statements, due to the retroactive application of the amendments to IAS 19 the directors have restated certain comparative figures related to the prior year and the balance sheet as of 1 January, 2012, which is derived from the consolidated financial statements as of 31 December, 2011, with respect to the figures previously presented, upon which we issued our auditors' reports dated, respectively, 4 April, 2013 and 12 April, 2012. We have examined the methods used to restate the corresponding figures and the related information presented in the notes to the consolidated financial statements, for the purpose of expressing our opinion on the consolidated financial statements as of 31 December, 2013 and for the year then ended.

Reconta Ernst & Young S.p.A.
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3. In our opinion, the consolidated financial statements of the Cremonini Group at 31 December, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Cremonini Group for the year then ended.

4. The Directors of Cremonini S.p.A. are responsible for the preparation of the Directors' Report in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Directors' Report with the financial statements as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Directors' Report is consistent with the consolidated financial statements of the Cremonini Group at December 31, 2013.

Bologna, April 10, 2014

Reconta Ernst & Young S.p.A.

Signed by: Andrea Nobili, Partner

*This report has been translated into the English language solely for the convenience of international readers.*