FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

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

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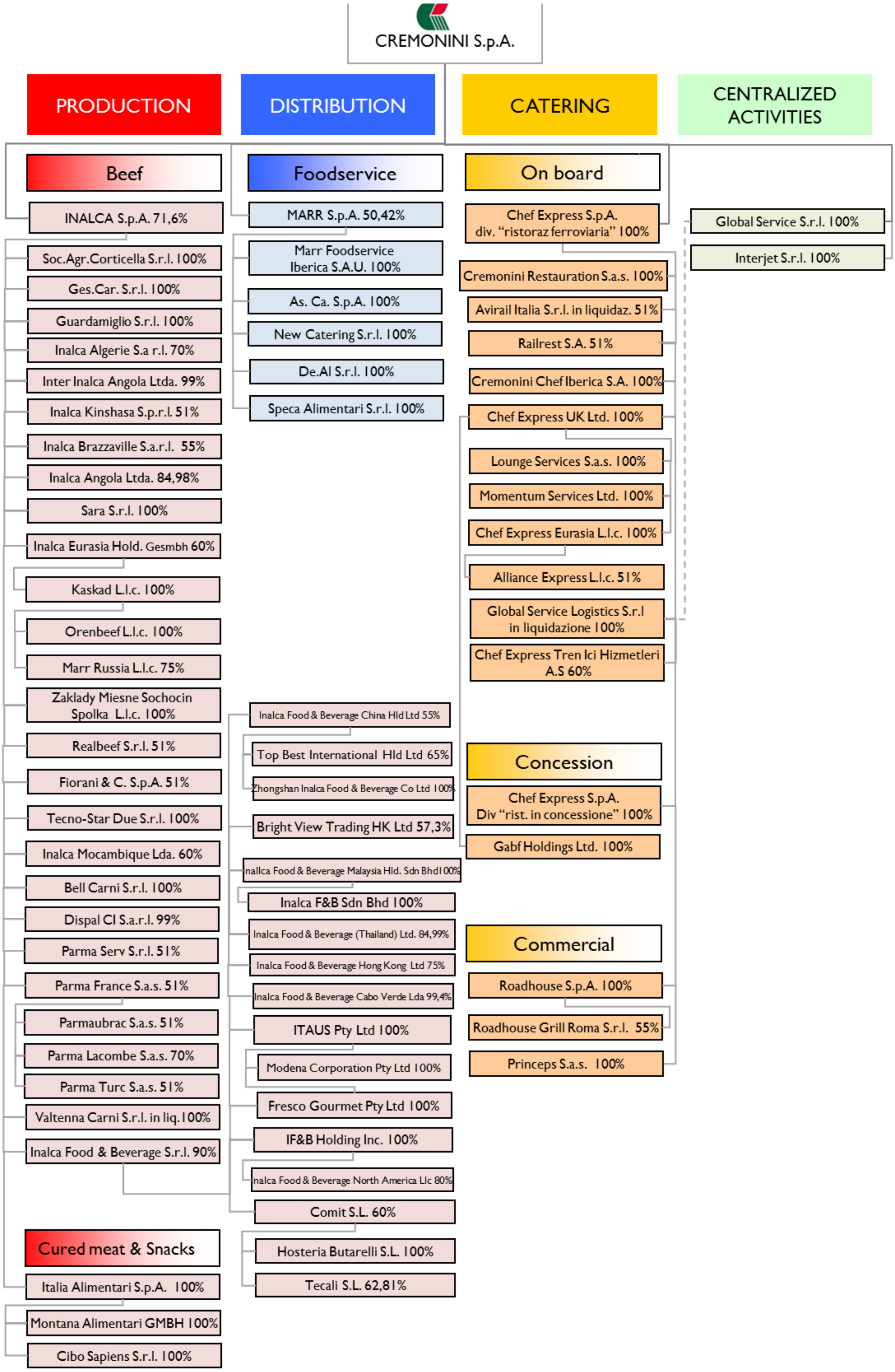
CREMONINI GROUP ORGANIZATION
AS AT 31 DECEMBER 2017



CORPORATE BODIES OF CREMONINI S.p.A.

Board of Directors

Chairman	Luigi	Cremonini
Vice Chairman	Illias	Aratri
Chief Executive Officer	Vincenzo	Cremonini
Directors		
	Paolo	Boni
	Serafino	Cremonini

Board of Statutory Auditors

Chairman	Eugenio	Orienti
Statutory Auditors	Giulio	Palazzo
	Paola	Simonelli
Alternates	Patrizia	Iotti
	Daniele	Serra

Independent Auditors

PricewaterhouseCoopers S.p.A.

DIRECTORS' REPORT

Introduction

The financial statements as at 31 December 2017, 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 2017 financial year

Cremonini Group recorded revenues of 4,031.2 million euro in the 2017 financial year, compared to 3,701.5 in 2016, an increase of 329.7 million euro (+8.9%) mainly attributable to the inclusion of some companies in the scope of the consolidation and the acquisition of business branches operating in the production and distribution sectors.

Specifically, compared to 2016, the following changes occurred:

- commencing from 4 April 2016 DE.AL. S.r.l., operating in the distribution of food products to the *foodservice* sector in Italy, was acquired and consolidated;
- on 1 May 2016 the business branches of Unipeg Soc. Coop. Agr. and Assofood S.p.A., active in slaughtering, processing and marketing of beef as well as pork processing in Italy, were acquired;
- on 7 June 2016, 60% of ITAUS Pty Ltd and 60% of Fresco Gourmet Pty Ltd was acquired; these companies operate in Australia and are specialized in the distribution of the typical Made in Italy food products; the remaining 40% of such companies was acquired in July 2017, taking the holdings to 100%;
- on 24 November 2016, 60% of Grupo Comit was acquired; this company is a leader in the distribution of food products in the Canary Islands;
- commencing from 1 January 2017 Speca Alimentari S.r.l., operating in the distribution of food products to the *foodservice* sector in Italy, was consolidated;
- on 8 March 2017 57.3% of the shares of Bright View Trading Hong Kong Ltd., a major operator in the distribution of Italian food products in the former British colony, was acquired.

The gross operating margin amounted to 271.6 million euro compared to 270.6 in 2016, an increase of 1 million euro, and the operating result was 161.6 million euro compared to 172.7 in 2016, down by 11.1 million euro (-6.4%). Such margin was affected by the results of the Inalca businesses in Africa (specifically Angola, Congo and Democratic Congo Republic) where the consumption crisis, related to the fall of the crude oil price and a worsening competitive scenario in the "frozen fish" product, resulted in a reduction both of revenues and profitability.

The profit from ordinary activities was 133.1 million euro (145.5 million euro in 2016) suffered from an unfavourable currency market trend, partially compensated by a reduction in net interest payable. With reference to the exchange rates, it is noted that the differences recorded in 2017, primarily due to currencies, were negative by 15.1 million euro mainly attributable to the US Dollar, while the 2016 result was penalized by 10.7 million following the devaluation of the Angolan currency (Kwanza).

The pre-tax profit amounted to 133.0 million euro compared to 143.8 million euro in 2016.

Lastly, the net profit was 45.4 million euro compared to 51.4 million of 2016.

Below are summarized the schedules of the financial statements for 2017, compared with the consolidated financial statements for the period ended on 31 December 2016. For a more complete analysis of the Group's results, details thereof subdivided by individual business sector are subsequently shown.

Consolidated Income Statement

(Euro/000)	Year 2017	Year 2016	Change %
Total revenues	**4,031,246**	**3,701,466**	**8.91**
Changes in inventories of work in progress, semi-finished and finished goods	451	(4,439)	
Value of production	**4,031,697**	**3,697,027**	**9.05**
Cost of production	(3,362,681)	(3,069,490)	
Value added	**669,016**	**627,537**	**6.61**
Personnel costs	(397,385)	(356,967)	
Gross operating margin [(a)]	**271,631**	**270,570**	**0.39**
Amortization, depreciation and write-downs	(109,991)	(97,881)	
Operating income [(b)]	**161,640**	**172,689**	**(6.40)**
Net financial income (charges)	(28,579)	(27,197)	
Profit from ordinary activities	**133,061**	**145,492**	**(8.54)**
Net income (charges) from investments	545	719	
Net extraordinary financial income (charges)	(604)	(2,421)	
Result before taxes	**133,002**	**143,790**	**(7.50)**
Income taxes for the financial year	(48,498)	(50,993)	
Result before minority interests	**84,504**	**92,797**	**(8.94)**
(Profit) Loss attributable to minority interests	(39,110)	(41,407)	
Net profit attributable to the Group	**45,394**	**51,390**	**(11.67)**

Consolidated Balance Sheet

(Euro/000)	31.12.2017	31.12.2016	Change %
Intangible assets	228,077	220,455	
Tangible assets	977,975	941,480	
Equity investments and other financial assets	33,173	21,923	
Total fixed assets	**1,239,225**	**1,183,858**	**4.68**
Trade net working capital			
- Trade receivables	557,500	562,817	
- Inventories	441,755	407,084	
- Trade payables	(604,996)	(560,810)	
Total trade net working capital	394,259	409,091	
Other current assets	90,452	96,483	
Other current liabilities	(96,827)	(94,162)	
Net working capital	**387,884**	**411,412**	**(5.72)**
Staff Severance Indemnity Provision and other m/l term provisions	**(89,546)**	**(94,002)**	
Net invested capital	**1,537,563**	**1,501,268**	**2.42**
Shareholders' Equity attributable to the Group	521,892	490,670	
Shareholders' Equity attributable to minority interests	313,721	304,457	
Total Shareholders' Equity	**835,613**	**795,127**	**5.09**
Net medium/long-term debt	553,831	591,582	
Net short-term debt	148,119	114,559	
Net debt	**701,950**	**706,141**	**(0.59)**
Net equity and net debt	**1,537,563**	**1,501,268**	**2.42**

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 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.

Net Consolidated Debt [c]

(Euro/000)	31.12.2017	30.09.2017	30.06.2017	31.12.2016
Payables to banks, bonds and other financial institutions				
- due within 12 months	(426,440)	(429,156)	(404,122)	(362,292)
- due between 1 and 5 years	(484,192)	(484,364)	(490,033)	(497,863)
- due beyond 5 years	(69,639)	(76,124)	(78,534)	(93,719)
Total payables to banks, bonds and other financial institutions	**(980,271)**	**(989,644)**	**(972,689)**	**(953,874)**
Liquidity				
- cash and cash equivalents	269,593	270,947	236,039	238,730
- other financial assets	8,728	7,992	3,426	9,003
Total liquidity	**278,321**	**278,939**	**239,465**	**247,733**
Total net debt	**(701,950)**	**(710,705)**	**(733,224)**	**(706,141)**

The Group's net debt as at 31 December 2017 amounted to 701.9 million euro, down by 4.2 million euro compared to 706.1 million euro as at 31 December 2016.

The improvement compared to 31 December 2016 was determined by the strong cash generation of the year's operations that more than compensated the cash out for ordinary investments of 125.1 million, the distribution of dividends to the market, parent companies, and minorities of 30.6 million and debt relating to acquisitions of 3.2 million euro.

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

(Euro/000)	Year 2017	Year 2016	Change total value	Change %
Production				
Net revenues	1,887,545	1,686,018	201,527	11.95
Intercompany revenues	80,678	74,730		
Total revenues	1,968,223	1,760,748	207,475	11.78
Gross operating margin	109,101	119,095	(9,994)	(8.39)
Amortization, depreciation and write-downs	(56,809)	(52,712)	(4,097)	7.77
Operating profit (loss)	52,292	66,383	(14,091)	(21.23)
Distribution				
Net revenues	1,568,673	1,501,613	67,060	4.47
Intercompany revenues	55,886	42,784		
Total revenues	1,624,559	1,544,397	80,162	5.19
Gross operating margin	115,992	110,955	5,037	4.54
Amortization, depreciation and write-downs	(18,213)	(17,455)	(758)	4.34
Operating profit (loss)	97,779	93,500	4,279	4.58
Catering				
Net revenues	572,967	511,267	61,700	12.07
Intercompany revenues	364	405		
Total revenues	573,331	511,672	61,659	12.05
Gross operating margin	47,954	42,449	5,505	12.97
Amortization, depreciation and write-downs	(31,607)	(24,738)	(6,869)	27.77
Operating profit (loss)	16,347	17,711	(1,364)	(7.70)
Holding company property and centralized activities				
Net revenues	2,061	2,569	(508)	(19.77)
Intercompany revenues	9,740	9,208		
Total revenues	11,801	11,777	24	0.20
Gross operating margin	(1,416)	(1,929)	513	(26.59)
Amortization, depreciation and write-downs	(3,362)	(2,976)	(386)	12.97
Operating profit (loss)	(4,778)	(4,905)	127	(2.59)
Consolidation adjustment				
Total revenues	*(146,668)*	*(127,128)*		
Gross operating margin	*0*	*0*		
Amortization, depreciation and write-downs	*0*	*0*		
Operating profit (loss)	*0*	*0*		
Total				
Total revenues	4,031,246	3,701,466	329,780	8.91
Gross operating margin	271,631	270,570	1,061	0.39
Amortization, depreciation and write-downs	(109,991)	(97,881)	(12,110)	12.37
Operating profit (loss)	161,640	172,689	(11,049)	(6.40)

The Group's total revenues, if compared with the same period of 2016, are up by 329.8 million euro. In detail, production was up by the 207.5 million euro, distribution increased by 80.2 million, and catering is up by 61.7 million.

The consolidated gross operating margin was up by 1 million euro with the production down by 10.0 million, distribution was up by 5.0 million euro and catering was up by 5.5 million.

Lastly, the consolidated operating income was down by 11.0 million euro, with production decreasing of 14.1 million, distribution up by 4.3 million, and catering down by 1.4 million.

Breakdown of revenues from sales and services by geographic area

Year 2017 - (Euro/000)	Production	%	Distribution	%	Catering	%	Other	%	Total	%
Italy	1,107,552	59.4	1,420,221	92.8	455,898	80.6	1,413	93.1	2,985,084	75.4
European Union	268,250	14.4	66,307	4.3	103,742	18.4	104	6.9	438,403	11.0
Extra-EU countries	488,292	26.2	43,816	2.9	5,844	1.0	-	-	537,952	13.6
Total	1,864,094	100.0	1,530,344	100.0	565,484	100.0	1,517	100.0	3,961,439	100.0

Year 2016 - (Euro/000)	Production	%	Distribution	%	Catering	%	Other	%	Total	%
Italy	958,785	57.4	1,364,089	93.4	393,110	78.2	1,719	100.0	2,717,703	74.8
European Union	226,966	13.6	59,327	4.1	106,280	21.1	-		392,573	10.8
Extra-EU countries	483,299	29.0	36,757	2.5	3,293	0.7	-		523,349	14.4
Total	1,669,050	100.0	1,460,173	100.0	502,683	100.0	1,719	100.0	3,633,625	100.0

Consolidated Balance Sheet structure by business sector

As at 31 December 2017 (Euro/000)	Production	Distribution	Catering	Holding and centralized activities	Intercompany eliminations	Total
Intangible assets	36,258	143,367	48,388	64	-	228,077
Tangible assets	587,305	62,012	244,879	83,779	-	977,975
Equity investments and other financial assets	28,756	1,589	1,745	1,083	-	33,173
Total fixed assets	**652,319**	**206,968**	**295,012**	**84,926**	**0**	**1,239,225**
Trade net working capital						
- Trade receivables	178,134	364,420	33,427	10,155	(28,636)	557,500
- Inventories	280,880	147,453	13,213	1	208	441,755
- Trade payables	(228,427)	(279,790)	(117,706)	(8,465)	29,392	(604,996)
Total trade and net working capital	**230,587**	**232,083**	**(71,066)**	**1,691**	**964**	**394,259**
Other current assets	22,729	47,613	21,149	3,482	(4,521)	90,452
Other current liabilities	(45,046)	(13,111)	(36,888)	(5,339)	3,557	(96,827)
Net working capital	**208,270**	**266,585**	**(86,805)**	**(166)**	**0**	**387,884**
Staff Severance Indemnity Provision and other m/l-term provisions	**(63,438)**	**(24,786)**	**(9,466)**	**8,144**	**-**	**(89,546)**
Net invested capital	**797,151**	**448,767**	**198,741**	**92,904**	**0**	**1,537,563**

As at 31 December 2016 (Euro/000)	Production	Distribution	Catering	Holding and centralized activities	Intercompany eliminations	Total
Intangible assets	34,579	136,057	49,784	35	-	220,455
Tangible assets	588,022	62,815	205,682	84,961	-	941,480
Equity investments and other financial assets	16,944	2,077	1,776	1,126	-	21,923
Total fixed assets	**639,545**	**200,949**	**257,242**	**86,122**	**0**	**1,183,858**
Trade net working capital						
- Trade receivables	189,528	362,399	30,849	3,704	(23,663)	562,817
- Inventories	252,461	142,278	12,276	1	68	407,084
- Trade payables	(212,700)	(269,733)	(95,935)	(6,930)	24,488	(560,810)
Total trade and net working capital	**229,289**	**234,944**	**(52,810)**	**(3,225)**	**893**	**409,091**
Other current assets	25,979	52,086	19,957	4,711	(6,250)	96,483
Other current liabilities	(45,309)	(14,019)	(32,830)	(7,361)	5,357	(94,162)
Net working capital	**209,959**	**273,011**	**(65,683)**	**(5,875)**	**0**	**411,412**
Staff Severance Indemnity Provision and other m/l-term provisions	**(65,981)**	**(25,076)**	**(9,198)**	**6,253**	**-**	**(94,002)**
Net invested capital	**783,523**	**448,884**	**182,361**	**86,500**	**0**	**1,501,268**

Consolidated Net Debt broken down by sector

As at 31 December 2017 (Euro/000)	Production	Distribution	Catering	Holding and centraliz. activities	Total
Payables to banks, bonds and other financial institutions					
- due within 12 months	(207,320)	(120,169)	(36,822)	(62,129)	(426,440)
- due between 1 and 5 years	(194,983)	(168,207)	(94,413)	(26,589)	(484,192)
- due beyond 5 years	(2,212)	(27,487)	(39,940)	0	(69,639)
Total payables to banks, bonds and other financial institutions	**(404,515)**	**(315,863)**	**(171,175)**	**(88,718)**	**(980,271)**
Liquidity					
- cash and cash equivalents	67,084	156,285	46,042	182	269,593
- other financial assets	6,898	709	971	150	8,728
Total liquidity	**73,982**	**156,994**	**47,013**	**332**	**278,321**
Securitization and internal treasury current accounts	**2,487**	**1,258**	**1,962**	**(5,707)**	**0**
Total net debt	**(328,046)**	**(157,611)**	**(122,200)**	**(94,093)**	**(701,950)**

As at 31 December 2016 (Euro/000)	Production	Distribution	Catering	Holding and centraliz. activities	Total
Payables to banks, bonds and other financial institutions					
- due within 12 months	(146,785)	(118,559)	(36,315)	(60,633)	(362,292)
- due between 1 and 5 years	(232,511)	(145,697)	(78,013)	(41,642)	(497,863)
- due beyond 5 years	(22,456)	(31,226)	(39,432)	(605)	(93,719)
Total payables to banks, bonds and other financial institutions	**(401,752)**	**(295,482)**	**(153,760)**	**(102,880)**	**(953,874)**
Liquidity					
- cash and cash equivalents	76,881	114,160	37,251	10,438	238,730
- other financial assets	6,354	919	1,730	-	9,003
Total liquidity	**83,235**	**115,079**	**38,981**	**10,438**	**247,733**
Securitization and internal treasury current accounts	**2,893**	**2,930**	**2,081**	**(7,904)**	**0**
Total net debt	**(315,624)**	**(177,473)**	**(112,698)**	**(100,346)**	**(706,141)**

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**

INALCA S.p.A. Via Spilamberto n. 30/C - Castelvetro di Modena (MO)	Slaughtering, processing and marketing of beef-based products.
GES.CAR. S.r.l. 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. Via Coppalati n. 52 - Piacenza	Retail stores management (butcher's and charcuterie shops).
SOC. AGR. CORTICELLA S.r.l. Via Corticella n. 15 – Spilamberto (MO)	Breeding cattle, both directly and by means of agistment contracts.
SARA S.r.l. Via Spilamberto n. 30/C - Castelvetro di Modena (MO)	Recovery and processing of agricultural and livestock waste.
INALCA ANGOLA Ltda. Rua Deolinda Rodrigues n. 563 - Luanda - Angola	Food marketing.
INALCA ALGERIE S.ar.l. 08, Rue Cherif Hamani - Algiers – Algeria	Food marketing.
INTER INALCA ANGOLA Ltda. Rua Major Kayangulo n. 504 - Luanda - Angola	Food marketing.
INALCA KINSHASA S.p.r.l. Kinshasa 11eme - Rue Limete Industriel n. 112, Limete (Kinshasa) - Democratic Republic of Congo	Food marketing.
INALCA EURASIA HOLDINGS GESMBH Palais Kinsky, Freyung 4 Vienna	Control of all companies currently developed by INALCA S.p.A. in Russia.
KASKAD OOO L.l.c. Via Vostochnaya n. 5, Odinzovo (Moscow) - Russia	Real estate services.
MARR RUSSIA L.l.c. Via Vostochnaya n. 5, Odinzovo (Moscow) - Russia	Food marketing.
INALCA BRAZZAVILLE S.a r.l. 64, Avenue de France Poto-Poto (Brazzaville) Republic of Congo	Food marketing.
ZAKLADY MIESNE SOCH. S.p.z.o.o. L.l.c. Al. Jana Pawła II n. 80, Warsaw – Poland	Dormant.
TECNO-STAR DUE S.r.l. Via Modena n. 53 – Castelvetro di Modena (MO)	Design of buildings and plants, management of maintenance and restructuring activities.
REALBEEF S.r.l. Contrada Tierzi – Flumeri (AV)	Slaughtering, processing and marketing of beef-based products.
FIORANI & C S.p.A. Via Coppalati n.52 Piacenza	Processing and marketing of beef-based products.
INDUSTRIA ALIMENTAR CARNES DE MOCAMBIQUE Lda – Avenida de Mocambique Km 9.5 Barrio Zimpeto Distretto 5- Maputo - Mozambique	Food marketing.
BELL CARNI S.r.l. Via Eridania n. 58 – Stienta (Rovigo)	Slaughtering, processing and marketing of beef-based products.
ORENBEEF LLC Via Pionerskaya 2 – Orenburg - Russia	Slaughtering, processing and marketing of beef-based products in Orenburg.
INALCA FOOD AND BEVERAGE S.r.l. Via Modena n. 53 - Castelvetro di Modena (MO)	Company that markets and distributes food products and drinks.
DISPAL CI S.a.r.l. 04 BP Abidjan 04 – Plateau Boulevard Carde – Ivory Coast	A company operating in the Ivory Coast and marketing food products in general.
IF& B HOLDING INC 1679 South Dupont Highway, Suite 100, Dover – US	Sub-holding controlling all activities developed by Inalca Food & Beverage in the USA.

INALCA FOOD & BEVERAGE NORTH AMERICA LLC 5 West, 19° Street, 10th Floor, 10011 New York	Company whose purpose is to distribute Italian food products in the USA.
INALCA FOOD & BEVERAGE (Thailand) LTD Amphur no.333/2 Moo 9 Tambol Bangpla – The Bangplee, Samutprakarn- Thailand	Company whose purpose is to distribute Italian food products in Thailand.
PARMA FRANCE S.A.S. 13 rue Claude Chappe, Le Parc de Crécy 69370 St - Didier au Mont d'or	Sub-holding of the Parma France Group that markets livestock in France.
PARMA SERV S.R.L. Viale Solferino 11- Parma	Markets livestock in Italy provides services to Parma France and the latter's subsidiaries.
PARMA TURC S.A.S. Ambronay – France	Markets livestock in France..
PARMA LACOMBE S.A.S. La Trémlolière 15600 St Santin de Maurs - France	Markets livestock in France.
PARMAUBRAC S.A.S. Le Bourg 48720 Malbouzon - France	Markets livestock in France.
INALCA FOOD & BEVERAGE HONG KONG LTD 2301, 23/F Chinachem Hollywood Centre 1-13 ,Hollywood Rd, Hong Kong	Company having the wholesale sale of Italian food products in Hong Kong as its purpose.
INALCA FOOD & BEVERAGE CABO VERDE LDA Rua Amilca Cabra, 1° Andar do Predio Argos - Santa Maria - Ilha do Sal - Cape Verde	Company having the distribution of Italian food products in Cape Verde as its purpose.
VALTENNA CARNI S.R.L. in liquidation Via della Costituente 1, Fermo	Company forming part of the Assofood S.p.A. business division and placed in liquidation commencing from 3 June 2016. Managed the rented Salerno factory.
ITAUS PTY LTD 90, Arthur Street - North Sidney - Australia	Company having the distribution of retail food products in Australia as its purpose.
FRESCO GOURMET PTY LTD 90, Arthur Street - North Sidney - Australia	Company having the distribution of food products to foodservice in Australia as its purpose.
COMIT - COMERCIAL ITALIANA DE ALIMENTACION S.L. Calle Peres Galdòs s/n, San Isidro - Granadilla de Albona – Tenerife	Company having the distribution of food products to foodservice in the Canary islands as its purpose.
HOSTERIA BUTARELLI S.L. Calle Herraje s/n, nave 29, Poligono Industrial de Arinaga - Agiunes - Grand Canaries	Company producing fresh pasta located in the Canary islands.
TECALI S.L. Camino Real de la Oratava 215,El Ortigal – La Laguna – Tenerife	Company producing mozzarella and fresh cheeses located in the Canary islands.
MODENA CORPORATION PTY LTD Mazars (NSW) PTY Ltd Level 12 90 Arthur Street North Sidney NSW 2060	Company controlled by ITAUS used for a new warehouse construction.
INALCA FOOD & BEVERAGE CHINA HOLDING LTD Unit 701, block 2 Golden Industri Bldg 16/26 - Kwai Tak Street, Kwai Fong - Hong Kong	A company that coordinates and has sub-holdings in some businesses in China.
TOP BEST INTERNATIONAL HOLDING LTD Unit 701 2920, Block 1, Golden Industrial Bldg 16-26, Kwai Tak Street - Hong Kong Kwai Fong	Subsidiary company of IFB China Holding, conducts mozzarella production in Hong Kong.
ZHONGSHAN INALCA FOOD & BEVERAGE CO LTD No. 431 Shaoshan North Road, Dongtang Ruifu, A Area-Hunan Province,508# Changsha City, Yuhua District	A company that distributes food products to foodservice in the Chinese Zhongshan territory.
BRIGHT VIEW TRADING HONG KONG LTD Unit B, 13/F Wah Shing Centre, 5 Fung Yip Street - Chai Wan, Hong Kong	A company that distributes food products to foodservice in Hong Kong.
INALCA FOOD & BEVERAGE MALAYSIA HOLDING SDN BHD 47B Jalan Batai Laut 5 Kawasan 16 Taman Intan 41300 - Klang Selangor - Malaysia	A company that coordinates and has sub-holdings in some businesses in the Malaysian territory.
INALCA F&B SDN BHD 151 B, Jalan Batu Tiga Lama Taman Rashna - Klang Selangor Darul Ehasan - Malaysia	A company that distributes food products to foodservice in the Malaysian territory.

b) Cured meat and snacks

ITALIA ALIMENTARI S.p.A. Via Europa n. 14, Busseto (PR)	Production and marketing of food products (cured meats and delicatessen).
MONTANA ALIMENTARI GMBH. KirschsStrasse 20- Munich –Germany	Marketing of food products (cured meats and delicatessen).
CIBO SAPIENS S.r.l. via Marconi 3, Gazoldo degli Ippoliti (MN)	A company incorporated with the objective of taking advantage of the emerging trends in the field of food consumption with a protein-based matrix different from animals origin.

Breakdown of revenues by activity (Euro/000)	Year 2017	Year 2016	*Chg. %*
Beef and meat-based products	1,819,119	1,639,590	*10.95*
- intercompany revenues	(17,214)	(16,134)	
Net total	**1,801,905**	**1,623,456**	
Cured meats and gastronomy/snack food	171,030	141,903	*20.53*
- intercompany revenues	(4,712)	(4,611)	
Net total	**166,318**	**137,292**	
Total Production	**1,968,223**	**1,760,748**	***11.78***

The production sector revenues were 1,968.2 million euro, up by 207.5 million euro compared to 1,760.7 in 2016. The gross operating margin decreased from 119.1 million euro to 109.1 million, down by 10.0 million euro and the operating result decreased from 66.4 to 52.3 million euro down by 14.1 million.

The beef business

The no confidence picture that characterised most of 2016 and was already partially dispelled towards the end of last year, left room for a general optimism climate that was reinforced during the course of 2017 thanks to the confirmation of the global growth rates. The international geopolitical pressures, fluctuations recorded on the foreign exchange market and oil price trend continue to significantly influence the markets in which the sector operates however.

In this context, the meat segment recorded a growth in revenues thanks to the contribution of the Unipeg and Assofood branches acquired on 1 May 2016, the positive final results in Russia and expansion of the distribution of food products to foodservice consequent to the acquisitions made by the Inalca Food & Beverage S.r.l. subsidiary.

The margins were up in Europe and Russia despite the marginal contribution of the companies and business branches acquired, for which the expected synergies must still be fully developed. In Africa, the sharp consumption crisis, related particularly to the fall in the crude oil price, impossibility of importing chicken meat into Angola and a worsening competitive scenario in the "frozen fish" product in the Congo, instead determined a drop in revenues and profitability, only partially offset by the positive results in Mozambique following the coming on stream of the new distribution platform.

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

- the subscription to a share capital increase of 400 thousand euro in Bonifiche Ferraresi, with the objective of benefiting from the potential synergies deriving from the development of an integrated chain of breading and marketing beef envisaged in the company's new business plan;
- the subsidiary Inalca Food & Beverage S.r.l., dedicated to the distribution of *fine food made in Italy* worldwide, acquired 57.3% of Bright View Trading Hong Kong Ltd., a major player in the distribution of Italian products in Hong Kong with revenues of over 7 million euro;
- the start-up of marketing of food products to foodservice in Kazakistan (Almaty) through the Marr Russia L.l.c. subsidiary;
- the Tecno-Star Due S.r.l. subsidiary concluded the acquisition of Bulgarelli Engineering & Trade S.r.l., dedicated to the technical development and implementation of slaughtering plants and refrigerating cells. The transaction, which will permit reinforcing the technical lay-out in the slaughtering, deboning and portioning sectors, was effective commencing from 1 April;

The following were the investments of greater significance made during 2017:

- the continuation of construction of the slaughtering, deboning and hamburger production plant in Poland;
- the opening of sales points in Southern Italy relating to management of the butchery departments of the Guardamiglio S.r.l. subsidiary;
- the acquisition of land in Odinzovo in Russia destined for the construction of a new plant for the foodservice business;
- expansion of the slaughtering factory in Orenburg (enlargement of the deboning hall, storage cells for frozen products and rendering plant);
- the start-up of the deep-frozen, precooked bacon production facility in Odinzovo (Russia);
- the purchase of specific plants for meat processing at the Fiorani & C. S.p.A. subsidiary (processing, packaging and weight/pricing lines).

Cured meats and snacks sector

The consumption of cured meats registered, contrary to the recent financial years, a slight rise of 2.7% in value and 1.4% in quantity in 2017, (source: 7/2018 Ismea report on Nielsen figures).

Also in the last financial year, the increasingly pronounced propensity of consumers to find the "best price" that led to the success of the "Discount" formula, and prompted large-scale retailers to offer their own "lowest price" product lines was confirmed. The large-scale retail trade grew by 1.4% (food discount by 3.2%) in 2017, against a retreat of the small independent shops of 0.8% (source: ISTAT "retail" press release of 7 February 2018).

In terms of raw materials, 2017 was a year of high average prices. The year started with very high prices, registered, starting from October, slight signs of a drop still far from covering the strong growth recorded in 2016.

In this scenario, the company, thanks to the good competitiveness ensured also by its industrial structure, was able to aggressively deal with the market, obtaining good results on both volumes (16% growth) and value (20% growth).

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 to the detriment of commercial brands and "cuts".

The situation was still worse for snack products compared to the prior year, because of the nature of the products. These are goods with a high service content (of which the consumer price obviously takes account) and largely "non-exchangeable" with similar products prepared by the supplier or directly by the consumer.

Nevertheless, the company knew how to react both on the commercial and industrial front, concluding important contracts with modern distribution and major operators in the diet and health sectors as well as proposing new product lines that have immediately met with the market's favour.
These measures determined a growth in volumes of 19.3% and 22.7% in revenues.

Today the company plays an absolute leadership role in the bar and Ho.Re.Ca. channels, organising its presence through various distribution systems throughout the country. The competitors in the sector generally operate in more restricted territorial areas offering a partial products range compared to that offered by Italia Alimentari. Raw materials have had differentiated trends by product. Against a substantially stable performance of bread and sauces, high cost levels were recorded in fish and cheese products.

Improvements were made to the Busseto and Gazoldo buildings during the course of the financial year, in both factories intervening on the rationalisation of the areas to install new production lines and plants. In the Gazoldo factory interventions were also conducted on the external areas with the construction of parkings, an ecological island and a goods handling area. Overall the interventions on the fixed industrial structures of the two factories amounted to about 2 million euro.
The company also invested about 6.4 million euro for the expansion of the bacon and snacks production lines at Gazoldo and seasoning of the cured meats and mortadella at Busseto.

Distribution

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

Company **Business carried out**

Foodservice (distribution to catering)

MARR S.p.A. Via Spagna n. 20 - Rimini	Marketing and distribution of fresh, dried and frozen food products for foodservice operators.
MARR FOODSERVICE IBERICA S.A.U. Calle Goya n. 99, Madrid – Spagna	Non-operating company.
AS.CA. S.p.A. 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. Via dell'Acero n.1/A, Santarcangelo di Romagna (RN)	Distribution of foodstuff products to bars and fast-food outlets.
DE.AL. S.r.l. Via Tevere 125 Elice (PE)	Marketing and distribution of fresh, dried and frozen food products for foodservice operators.
SPECA ALIMENTARI S.r.l. Via Donne della Resistenza 40, Baveno (VB)	Non-operative company, leased the business division to the MARR S.p.A. parent company

The distribution sector showed revenues growth in the 2017 financial year from 1,544.4 million euro to 1,624.6 million, an increase of 80.2 million euro (+5.2%). The operating margin rose from 111.0 to 116.0 million euro, an increase of 5.0 million euro (+4.5%). Lastly, the operating result amounted to 97.8 million euro compared to 93.5 in 2016, an increase of 4.3 million euro (+4.6%).

Specifically, sales in the "Street Market" category (restaurants and hotels not belonging to Groups or Chains) and those in the "National Account" category (operators of Chains and Groups and Canteens) reached 1,335.5 million Euro (1,263.7 million in 2016).

In terms of customer categories, sales to the "Street Market" category (restaurants and hotels not belonging to groups or chains) reached 1,048.7 million euro (983.9 million euro in 2016), with a contribution for the consolidation of DE.AL S.r.l. (from last 4 April) and Speca Alimentari S.r.l. (effects from 1 January 2017) that amounted to 18.3 million euro.

As regards the trend of the reference end market of customers in the Street Market segment, on the basis of the most recent survey by the Confcommercio Studies Office ("Congiuntura" Confcommercio no. 2, February 2018) the item "Hotels, meals and out of home consumption" recorded an increase in consumption (by quantity) in 2017 of +2.3% (+1.6% in 2016 – February 2018).

Sales to clients in the "National Account" category (operators of Chains and Groups and Canteens) amounted to 286.8 million Euro, (279.8 in 2016).

Sales to customers in the "Wholesale" category reached to 264.0 million Euro, compared to 252.5 million in 2016.

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

- On 1st January 2017, the acquisition by MARR S.p.A. of 100% of the shareholding in the company Speca Alimentari S.r.l. with headquarters in Baveno (VB), owner of the firm baring the same name operating in the foodservice sector, became effective. By express agreement between the parties, the active and passive effects deriving from the deed, underwritten on 30 December 2016, became effective between the parties as of 1st January 2017. The transaction involves a purchase price of 8.4 million Euro. From 1 January 2017, Speca Alimentari S.r.l. leased its enterprise to the parent company MARR S.p.A., which manages it through the new MARR Speca Alimentari distribution center;

- A project was launched in mid February aimed at increasing the commercial offer in the Romagna area, starting with the enhancement of the offer of fresh seafood products, opening a new operating structure at the historical premises in via Spagna in Rimini, to which all the activities (specialising in the commercialisation of fresh shellfish) previously carried out by the MARR Baldini distribution center were contributed. A new distribution center has thus been created which will operate through the facilities in Rimini (via Spagna) and Cesenatico, called “MARR Battistini”, which represents a reference point for the offer of fresh seafood products in the important Romagna area, where MARR was founded 45 years ago; 2017 is indeed the 45th anniversary of the MARR's business activities.

Catering

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

Company | **Business carried out**

a) On-board catering

CHEF EXPRESS S.p.A. – Railway Division Registered and administrative office, Via Modena n. 53 Castelvetro di Modena (MO)	Operating, under contract, on-board railway catering.
MOMENTUM SERVICES Ltd. 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 Via Modena n. 53 - Castelvetro di Modena (MO)	Non-operating company.
CREMONINI RESTAURATION S.a.s. 83, Rue du Charolais, Paris – France	Operating, under contract, on-board catering in Turkey.
RAILREST S.A. Frankrijkstraat, n. 95 - Brussels - Belgium	Operating, under contract, on-board catering on Thalys high speed trains connecting Belgium with France, Holland and Germany.
CREMONINI CHEF IBERICA S.A. Paseo de la Castellana 151bis, 1° Planta Madrid - Spain	Provides strategic advisory services, market analysis and coordination in the on-board catering segment. Also operates in the trading of food products.
CHEF EXPRESS UK LTD. 1-3 Union Street, Kingston Upon Thames, Surrey, London – United Kingdom	Holding of equity investments prevalently operating in the on-board sector.
LOUNGE SERVICES S.a.s 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. in liq. Via Modena n. 53, Castelvetro di Modena (MO)	Management of the logistical services for the trains in Italy.
CHEF EXPRESS EURASIA LLC 5, Vostochnaya Str.Odintzovo, Moscow - Russia	Company not yet operational, incorporated with the objective of managing the catering services in the national and international Russian railway market.
CHEF ESPRESS TREN IC HIZMETL. ANONIM SIRKETI A.S. Londra Asfalti nro 93 Sefakoi Postakodu 34295 Kucukcekmece Istanbul - Turkey	Non-operating company.
ALLIANCE EXPRESS LLC 5, Vostochnaya Str.Odintzovo, Moscow - Russia	Operating, under contract, on-board catering on some long-distance trains in Russia.

b) Concession Catering

CHEF EXPRESS S.p.A. – Concession Division Via Modena n. 53, Castelvetro di Modena (MO)	Operator in the commercial concession catering area. Specifically, catering is managed in the premises of major Italian railway stations, airports and hospitals and service areas of the motorway network.
GABF HOLDING Limited 90a Tooley Street London – United Kingdom	Sales of *bagels* in London and Ireland.

c) Commercial Catering

ROADHOUSE S.p.A. Via Modena n. 53, Castelvetro di Modena (MO)	Operating a chain of restaurants in Italy.
ROADHOUSE GRILL ROMA S.r.l. Via Modena n. 53, Castelvetro di Modena (MO)	Operating a chain of restaurants in Rome.
PRINCEPS S.a.s. 22 rue Saint-Augustin 75002 Paris - France	Non-operating company.

Breakdown of revenues by activity (Euro/000)	Year 2017	Year 2016	*Chg. %*
On-board catering	104,025	103,233	*0.77*
- intercompany revenues	-	-	
Net total	**104,025**	**103,233**	***0.77***
Motorway catering	317,040	288,990	*9.71*
- intercompany revenues	-	-	
Net total	**317,040**	**288,990**	***9.71***
Commercial catering	152,266	119,449	*27.47*
- intercompany revenues	-	-	
Net total	**152,266**	**119,449**	***27.47***
Total Catering	**573,331**	**511,672**	***12.05***

The catering sector showed an increase in revenues from 511.7 million euro to 573.3 million euro in 2017, an increase of 61.7 million euro (+12.1%). The gross operating margin increased from 42.4 million euro to 48.0 million euro with an increase of 5.6 million euro (+13.0%) and the operating result that amounted to 16.3 million euro was down by 1.4 million euro compared to 17.7 million euro in 2016.

The improvement in the results is attributable to the concession catering and commercial segments that benefited from the full operation of the investments made in the past and the on-going commercial expansion subsequent to the opening of the new Roadhouse steakhouses.

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 the "Roadhouse Restaurant" brand restaurants, "Calavera" and "Crazy Fish".

On-board catering

Noted amongst the significant events that occurred during the year is: the signing by Railrest S.a. of the extension of the contract for operating some catering services on-board the *Thalys* high-speed trains connecting France, Belgium, Germany and The Netherlands for a further three years.

Concession catering

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

- the commencement of catering services by Chef Express S.p.A. in the service areas of Versilia Est (LU), San Giacomo Nord (BS), San Giacomo Sud (BS), Gonars Nord (UD), and Adda Nord (BG) and disposal of the Sesia Ovest (VC), Garda Est (VR) and Bazzera Nord (VE) service areas;
- the opening of new catering premises within the Cremona hospital, Catullo of Verona-Villafranca and Bari-Palese airports, Milan Rogoredo and Florence Santa Maria Novella railway stations, within the food court of the new Milan CityLife Shopping District and the Bologna Interport, one of the largest logistical platforms in Europe, and the termination of business within the Parma airport;
- the opening of new catering premises within the Fiumicino and Ciampino airports, which the company was awarded during tenders during 2016;
- acquisition of the "Juicebar" brand, a modern concept of healthy food bars, winner of the 2017 Foodservice Award in the Green Appeal category;
- the completion of the refurbishment of the large motorway service area at the bridge. Novara Nord and Sud (A4 Milan – Turin), a historic symbol of the motorway catering in our country. The renovated premises, with a commercial area of almost 1,700 m^2., is distinguished by a very comprehensive offer, with seven different proposals amongst which a food and retail format ranging between urban contexts and major partnerships: the pairing of the "Burgery" and "Oltre Gusto" restaurants, the "Lavazza Etigua" bar/cafeteria, the "Gourmè salsamenteria (delicatessen)"corner, "Pomodoro&Mozzarella" pizzeria, the "Juicebar" healthy food and "Chef Store" market formats;

- the opening of the new "Attimi by Heinz Beck" restaurant created by Chef Express within the new E dock in Fiumicino Airport, involving Heinz Beck, a multi-starred chef of international fame, offering a significant restaurant experience of very high level, including to those who travel and have limited time; A new format that, amongst other things, has already been awarded the jury's special prize at the 2017 Foodservice Award ceremony;
- the opening of the renovated "Antonello Colonna Open Bistrò" created by Chef Express in Terminal 1 of the Fiumicino airport that has added an open food formula to the à la carte menu to ensure dynamicity and flexibility of the offer based on the time that travellers departing for Schengen destinations have.

Commercial Catering

We note amongst the significant events in 2017:

- the opening of new "Roadhouse Restaurant" brand restaurants in Garbagnate (MI), Antegnate (BG), Pistoia, Ancona, Sesto San Giovanni (MI), Prato, Fidenza (PR), Orio al Serio (BG), Roma Battistini, Siena, Modena, Conegliano (TV), Novara, Lentate sul Seveso (MB), San Giovanni in Lupatoto (VR), San Giuliano Milanese (MI), Grosseto, Turin, Milan, within the new *CityLife* Shopping District food court and Montano Lucino (CO), taking the number of premises opened to date in Italy by the chain to 112 and the signing of additional contracts to open new Roadhouse Grill brand premises in Desenzano sul Garda (BS), Roma Ardeatina, Sesto Fiorentino (FI), Roma, Vigevano (PV), Pisa, Capriolo (BS), Alessandria, Rivoli (TO), Arezzo, Chivasso (TO) and Montecchio Maggiore (VI);
- the launch by Roadhouse of two new catering formats:
  - "Calavera Fresh Mex", the menu of which is inspired by the Mexican kitchen using first quality ingredients. The debut of this new format took place in the last month of November within the new Milan CityLife Shopping District, the largest urban shopping centre in Italy. Contracts were also signed for the opening of new "Calavera Fresh Mex" premises in Serravalle Scrivia (AL) and Rome;
  - the other is "Crazy Fish" a fast food catering formula entirely dedicated to fish. the first openings were in Modena and Rome, and contracts were signed for the opening of new premises in Serravalle Scrivia (AL) and Rome.
- "Roadhouse Restaurant" is the first brand in the 'Restaurants" category in Italy for the Customer Experience quality offered to its customers and the prime brand in Italy in the 'Free Time/ Restaurants Chain" category for the quality of the service experienced by its customers.

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. 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. Via Modena n. 53 - Castelvetro di Modena (MO)	*Personnel services*: processing and administrative management of payrolls.
INTERJET S.r.l. Via Belvedere n. 23 - Castelvetro di Modena (MO)	Air transport services (P.P.T)

Relationships with unconsolidated subsidiaries, associated, controlling and related companies

With reference to the Group's relationships, in the 2017 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. Statement of assets and liabilities 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.

(Euro/000)	Controlling companies	Subsidiaries	Associated companies	Related companies
Revenues				
Trade income	-	2,340	9,446	3,598
Other income	9	160	248	13
Total revenues	**9**	**2,500**	**9,694**	**3,611**
Costs				
Trade expense	-	54	772	7,786
Other expense	35	374	1,474	681
Total costs	**35**	**428**	**2,246**	**8,467**
Loans and receivables				
Trade receivables	15	2,922	1,391	639
Other receivables	-	14,223	2,950	574
Total loans and receivables	**15**	**17,145**	**4,341**	**1,213**
Loans and payables				
Trade payables	35	79	412	45
Other payables	8,036	-	350	-
Total loans and payables	**8,071**	**79**	**762**	**45**

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

(Euro/000)	Trade		Other		**Total**	
	Receivables	Payables	Receivables	Payables	**Receivables**	**Payables**
Related and controlling companies:						
A.G.M. S.r.l.	-	20	220	-	**220**	**20**
Cremofin S.r.l. (parent company)	15	35	-	8,036	**15**	**8,071**
LLC Soyuz	208		354	-	**562**	**-**
TreErre Food S.r.l.	431	-	-	-	**431**	**-**
Twoford Holdings Ltd	-	25	-	-	**-**	**25**
Total related and controlling	654	80	574	8,036	**1,228**	**8,116**

(Euro/000)	Trade		Other		**Total**	
	Revenues	Costs	Revenues	Costs	**Revenues**	**Costs**
Related and controlling companies:						
A.G.M. S.r.l.	-	13	-	-	**-**	**13**
Cremofin S.r.l. (parent company)	-	-	9	35	**9**	**35**
Le Cupole S.r.l.	-	668	4	-	**4**	**668**
LLC Soyuz	1,962	-	9	-	**1,971**	**-**
Namsov Fishing Enterprises Ltd	-	7,786	-	-	**-**	**7,786**
TreErre Food S.r.l.	1,636	-	-	-	**1,636**	**-**
Total related and controlling	3,598	8,467	22	35	**3,620**	**8,502**

The payables of 668 thousand euro to Le Cupole refer to the rental of an industrial property, in Rimini, used for some time by MARR.

Investments

During the 2017 financial year the total of the net investments made was 125.1 million euro.

Shown below is the schedule of the net change in non-current tangible and intangible assets for the entire 2017 financial year.

Net investments broken down by sector

(Euro/000)	Production	Distribution	Catering	Others	Total
Intangibles					
Patents and intellectual property rights	322	340	586	-	**1,248**
Patents and intellectual property rights	-	-	16	-	**16**
Concessions, licenses, trademarks and similar rights	2	-	820	28	**850**
Intangible assets under development and advances	408	562	1,047	17	**2,034**
Other intangible assets	323	-	75	-	**398**
Total intangible assets	**1,055**	**902**	**2,544**	**45**	**4,546**
Tangibles					
Land and buildings	5,638	824	24,015	637	**31,114**
Plant and machinery	18,529	1,956	11,791	647	**32,923**
Industrial and business equipment	2,131	307	1,460	-	**3,898**
Other tangible assets	3,761	1,190	10,021	329	**15,301**
Tangible assets under development and advances	20,331	272	16,153	571	**37,327**
Total tangible assets	**50,390**	**4,549**	**63,440**	**2,184**	**120,563**
Total	**51,445**	**5,451**	**65,984**	**2,229**	**125,109**

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

In 2017 INALCA developed the following research currents:

- analysis of possible technologies to reduce the bio burden in its semi-finished and finished products based on microbiological agents able to improve the shelf-life of the products in protective atmosphere without using chemical additives;
- training and technological transfer activities on the analysis of sustainability in the beef sector and the related sustainable breeding techniques;
- identification of innovative industrial processes to recover some types of waste to reuse in internal processes with physical and enzymatic systems;
- use of organic products to replace chemical preservatives;
- assessment of innovative technological solutions aimed at improving the management and performance of recovery of water discharges;
- study and fitting-out advanced production lines in the portioned and processed products sector.

Cured meat products segment

The Research and Development activity that Italia Alimentari S.p.A. carried out during 2017 was conducted using internal resources and This is prevalently orientated to remarkable cured products development for specific consumer categories in the following areas:

- study and realisation of products for the vegan market, in continuity with last year;
- study and realisation of new products in the cured meats area with specific formats and diet and nutritional contents;
- study and realisation of new products in the snacks area.

The strategy to develop toward specialised products for certain consumer categories has ventured as far as the study and subsequent implementation of sliced product formulations capable of satisfying vegetarian and vegan food styles. In particular, a new line of vegan tofu- and seitan-based products was created.

In this context, products and processes aimed at obtaining the "Halal product" certification on some cured meats made at the Busseto facility with poultry coming from a guaranteed supply chain were identified. They join the range of beef-based "Halal" products already certified by the parent company INALCA S.p.A.

As for the traditional products, the company's efforts focussed on identifying totally national production chains that allow the knowledge of the Italian nature of our products to increasingly increase and that enrich them with greater information for consumers.

- Tools adopted in the production sector to support and fund research

  - INALCA takes part in the Foodbest platform through the University of Bologna. The Foodbest platform unites the food excellences of the EU territory and is the main tool for gaining access to the EU funds for research in the food sector granted by EIT - European Institute of Innovation & Technology (http://www.foodbest.eu/)
  - On the subject of research in the sustainability sector, INALCA started up the preliminary activities for implementing the national strategic development plan called "National Technological Cluster" on sustainability (Italian Ministry of Education, University and Research Decree prot. 257/RIC of 30/05/2012). It is the most important national tool for promoting strategic sustainability projects. The project is aimed at building industrial plants in the sector of waste recovery and production of energy from renewable sources.

Foodservice segment

The activity to develop and expand the product lines of its own brand continues.

Events occurring after the end of the 2017 financial year

The following events occurred after the financial year-end:

Production

- the continuation of the restructuring, rationalisation and integration process of the recently acquired business branches of Unipeg and Assofood for the purpose of achieving the expected operating synergies;
- the subsidiary INALCA S.p.A. acquired in January, through a judicial auction at the Modena Court, an industrial factory situated in Castelvetro di Modena for the purpose of arranging greater storage capacity for frozen products and possibly to be destined for deboning pork, a market in which the company is increasingly orientated;
- contacts were commenced for acquisition of an important player producing cured meats (specifically sliced ham) that would complete the Italia Alimentari production chain;
- commencement of the construction of the new distribution hub at Odinzovo (Russia);
- the acquisition of land situated in Luanda (Angola), on which to construct a large distribution centre for the country's fresh agricultural products in a Joint Venture with a local partner;
- the continuation of construction of the slaughtering plant in Poland;
- commencement of a study to verify the feasibility of construction of a slaughterhouse in Kazakistan;
- the public Veterinary Health Department of the Ministry of Health issued an authorisation, for expansion of pork products destined for export to the United States, on 28 February 2018 to the subsidiary Italia Alimentari S.p.A. Other than products already marketed in the USA, the subsidiary will be able to also export cooked ham, mortadella and cured meats with the authorisation obtained.

Catering

- the commencement of catering services in the Service Areas of Fratta Nord (VE), Fratta Sud (VE), Agogna Ovest (NO) and Agogna Est (NO);
- the signing of the lease contract renewals of the 19 principal premises belonging to the Centostazioni network, with contract duration of 6 + 6 years, commencing from 1 January 2018;

- opening of new Roadhouse brand restaurants in Bellinzago Novarese (NO) and Chivasso (TO) and signature of a further agreement for opening of new premises in Erba (CO);
- opening of the second "Calavera Fresh Mex" premises in Rome.

Distribution

On 27 February 2018 DE.AL. - S.r.l. Distribuzioni Alimentari acquired the remaining 50% of Griglia Doc S.r.l. for an amount of 190 thousand euro.
Following this transaction DE.AL. - S. r. l. Distribuzioni Alimentari holds 100% of the share capital of Griglia Doc S.r.l. and accordingly became the sole shareholder.

Business Outlook

The results achieved in the different sectors in 2017 confirm the Group's good performance, although in the presence of a market situation that is still weak.
The Group will be involved in consolidated the income results reached in 2018 as well by pursuing policies for development on markets and products and for cost rationalisation in the various operating segments.

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 2017 is given in the annual report.

Main risks and uncertainties

The Group 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, 2017 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.

Human resources

The Cremonini Group is aware that its collaborators make up an important resource for the company in order to achieve the success and future of the same company. This is why it pays a large amount of attention to the well-being of all collaborators, to the development of training programmes attentive to individual needs and to fostering a positive corporate climate able to arouse a sense of belonging and commitment to meeting common business objectives.
A total of 12,534 people work in the countries where the Group operates. The majority are in the European Union (83.9%), followed by Russia (9.2%) and Africa (5.1%). The headcount in 2016 was instead 11,432 collaborators.
The breakdown of the organizational structure based on professional designation was 162 executives, 452 middle managers, 2,272 office staff and 9,648 workers or seasonal workers.
In addition to its employees, the Group also uses a large number of salespeople and a network of haulage contractors that collaborate with agency and service agreements.

During the year, sector-based refresher and training courses were held, and they also regarding the fields of environmental safety, languages, computers and occupational safety. Despite the period of serious economic crisis, the company in no case whatsoever reduced its headcount and actually, in some cases, increased it, notwithstanding a voluntary mobility operation.
Please note the agreements with the university or secondary schools as well, which offered students traineeships that in some cases turn into employment.

Environment

In the perspective of safeguarding and respecting the environment, the Group has always been careful about the activities its companies carry out with reference to both its production processes and the optimization of the resources available, with a constant commitment to reduce water and energy consumption and the production of solid and liquid waste.

Catering

Chef Express S.p.A. implements a constant sensitization policy of its operators regarding energy saving for the purpose of promoting values of respect for the environment and safeguarding water and energy resources.
In connection with the environmental issues, the Group abides by the legal provisions as regards the disposal of special waste.

Production

The business social responsibility and sustainable development themes were further developed and integrated during 2017 through INALCA S.p.A.'s second edition of the sustainability report, prepared in conformity with the GRI – G4 guidelines, available at the following link: (http://www.inalca.it/filiera-2/bilancio-di-sostenibilità/).
The second edition of the sustainability report evidenced the development trajectories, results and objectives of the Group in the field of economic, environmental and social sustainability. As better described in the sustainability report, to which you are referred for more in-depth analysis, INALCA has identified four main pillars at the base of its policy in this field. These constitute of a sharing of the values and sustainability principles with the agricultural world, construction of an integrated chain of production consistent with the principles and practices of sustainable production, systematic control of the environmental impacts and consumption and realisation of sustainability governance tools.

Economic sustainability – the value generated and distributed by the Group

The value generated and distributed (EVG&D) represents the first basic indicator of value that the subsidiary INALCA has created for its stakeholders. The value transferred outside is particularly significant in the food sector, as an effect of the low added-value of the production processes and the high incidence of the raw materials and personnel in the company's income statement. Based on this indicator, recognised in the GRI – G4 guideline, INALCA's business is considerable and at a high rate of economic sustainability, as the value distributed outside is particularly high. On the basis of the data of the 2017 sustainability report, the economic value distributed is 95.2% of the overall value generated by INALCA.

Water resources

This is an area of intervention in which the Group concentrated its resources regarding water consumption. The Group companies optimised the complete waste water purification and recovery cycle at its production facilities using biological systems. The efficiency indicators of the water cycle are carefully monitored in the environmental management system.
To reduce water consumption, the companies have activated several tools to reuse water inside the production cycle such as, for example, reutilisation of the waste water of the purification processes and reduced consumption of water in the slaughter operations.

Indeed, INALCA has for some time pursued objectives of improvement of the water resource management, both on the consumption reduction front and an increase in the recovery and reutilisation index.
INALCA does not utilise water originating from surface sources for its production sites, but rather water from the aquifer that offers a greater guarantee in terms of quality. Over 90% of the water supply is furthermore directly managed by INALCA, both for the phase of drawdown from the aquifer and the distribution, treatment, usage and purification phases. This integrated cycle ensures efficient management of the water resource as the distribution network is particularly supervised and controlled.
The principal INALCA factories are equipped with modern purification systems that ensure high efficiencies.
Furthermore INALCA has for some time fixed discharge limits for the Castelvetro di Modena and Ospedaletto Lodigiano factories that are more restrictive than those provided by the factory environmental authorisations.
Where the sector regulations so allow, INALCA recovers water from the purification process. This indicator has improved by 7% during recent years, reaching about 88,000 mc/year of water recovered and re-used in the production circuits.

Energy

- Production sector

The subsidiary INALCA has consolidated its energy production from renewable sources during the course of 2017 through the start-up of new systems and purchase of existing ones. Indeed, INALCA today has an organised production system based on the various technologies: biogas production from anaerobic digestion, endothermic combustion of biomasses and photovoltaic systems. In the sector of biogas production from anaerobic digestion, in addition to the system situated at the Ospedaletto Lodigiano (LO) factory, the systems at Pegognaga (MN) and Spilamberto (MO), managed by the subsidiary Soc. Agr. Corticella S. r. l. have been added; the first two are supplied by non-food slaughtering scrap, while the third prevalently by livestock effluent. INALCA has a biomasses system in Pegognaga (MN) for energy enhancement from fats, through the investee company Unitea S.r.l., while the Group has started-up two photovoltaic systems at the production sites of Capo d'Orlando (ME) and Fiorani & C. in Piacenza.

Thanks to approval of the framework agreement by the Ministry of Agricultural Food Production and Forestry Policies pursuant to arts. 10 and 11 of Legislative Decree no. 102 of 27 May 2005 regarding the construction of agro-energy chains, INALCA has obtained the maxim enhancement of the energy produced by this incentive system and the consolidation of biomass flows originating all the Group's main production factories.

Consistently with the regulatory directives that incentivise the business regarding energy efficiency, INALCA has enhanced its energy efficiency for some Group companies through the production of TEE - Energy Efficiency Securities, admissible by the GSE (Electricity Services Operator).
The Inalca Group generated 4,924 TEE overall in 2017, up compared to the prior year.
Against the expectation of the reduction of incentives on matters of electricity production from renewable sources, INALCA is evaluating the opportunities provided by the new incentives framework, today prevalently directed at renewable energies other than electricity and their possible consistency with the Group's industrial set-up.

- Catering sector

During the prior year the installation was completed, at all the sales outlets, of a voltage reduction system that permits electrical consumption savings and the project to construct photovoltaic systems that will permit meeting part of the electricity needs that, when fully operative, will involve the majority of the premises managed by Chef Express S.p.a. and its subsidiary Roadhouse S.p.A.
The replacement of the lighting system with led technology is anticipated at premises being refurbished and

new ones, as well as that of the heating and air conditioning with a high efficiency system with rotating recovery. The new premises are constructed with a Building Automation system that permits removing operational inefficiencies and saves on electrical consumption.
Furthermore, from 2016 all the companies will acquire an energy certificate for 100% renewable source (Guarantee of Origin).

Life Cycle of Products and Environmental Disclosure

With regard to environmental sustainability and the policy to create an integrated and sustainable supply chain, the subsidiary INALCA has achieved its first EPD (Environmental Product Declaration) regarding the Montana frozen hamburgers and commenced the study of another reference product, Montana brand canned meat.

The EPD system is undoubtedly one of the most qualified objective technical references verified by third parties for providing clear and truthful information on the actual impacts and consumption of the food products.

These techniques make it possible to identify the potential of environmental improvement of the products at various points of their life cycle, to select the significant environmental performance indicators and to define environmental marketing strategies. It is an activity of growing interest for targeted company communication actions or for supporting similar initiatives of its customers, in both active and passive terms.

INALCA has also developed stable relations in the international platforms operating in the sustainability of the beef sector.
Through these research consortia, INALCA plans to acquire updated and scientifically sound information to improve the sustainability of its supply chain.

Waste production

The Group promotes the separated collection of waste and its maximum reuse. Some time ago the Group perfected the separated collection operations to top 99% of the waste produced, and it has also developed a plan aimed at improving the sustainability of the packaging products adopted, with particular reference to reduction of the weight of the packing and improvement of their sustainability characteristics.

In relation to the production sector, INALCA obtained an important environmental authorisation, through its subsidiary Sara S.r.l. during the course of 2016 that allows functional updating and production strengthening of its composting system to the most recent sector environmental regulations and, with this, the improvement of the quality of the compost obtained and reused in agriculture in accordance with the principles of a circular economy.
The company also developed a plan aimed at an improvement of the sustainability of the packaging products adopted, with particular reference to:

- reduction of the packaging weight;
- use of recycled raw materials in the composition of the packaging utilised;
- improvement in the recycling by end consumer.

The objective of waste reduction was pursued above all through use of the anaerobic digestion systems that allow substantial reductions of production of organic waste.
The availability of the second anaerobic digestion system at the INALCA Pegognaga (MN) factory placed in a bari-centric position compared to the production systems of the central North will permit further rationalisation of the internal logistics regarding the scrap and by-products flows, specifically a substantial reduction of transport numbers and the simultaneous improvement of the travel saturation index, mainly thanks to the functional integration with the similar system at Ospedaletto Lodigiano.

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.

(Euro/000)	Year 2017	Year 2016	Chg. %
Total revenues	**7,747**	**7,226**	*7.21*
Changes in inventories of work in progress, semi-finished and finished goods	-	-	
Value of production	**7,747**	**7,226**	*7.21*
Cost of production	(5,435)	(5,593)	
Value added	**2,312**	**1,633**	**n.a.**
Personnel costs	(2,459)	(2,667)	
Gross operating margin [(a)]	**(147)**	**(1,034)**	*(85.78)*
Amortization, depreciation and write-downs	(2,565)	(2,159)	
Operating income [(b)]	**(2,712)**	**(3,193)**	*(15.06)*
Net financial income (charges)	(1,397)	(1,837)	
Profit from ordinary activities	**(4,109)**	**(5,030)**	**n.a.**
Net income (charges) from investments	22,799	21,898	
Net extraordinary financial income (charges)	-	-	
Result before taxes	**18,690**	**16,868**	**n.a.**
Income taxes for the financial year	467	848	
Net profit	**19,157**	**17,716**	**n.a.**

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

(Euro/000)	Year 2017	Year 2016	*Chg. %*
Intangible assets	5	7	
Tangible assets	82,913	83,292	
Equity investments and other financial assets	256,785	256,534	
Total fixed assets	**339,703**	**339,833**	*(0.04)*
Trade net working capital			
- Trade receivables	2,060	2,240	
- Inventories	-	-	
- Trade payables	(6,908)	(5,436)	
Total trade net working capital	**(4,848)**	**(3,196)**	
Other current assets	16,460	16,804	
Other current liabilities	(5,273)	(7,263)	
Net working capital	**6,339**	**6,345**	*n.a.*
Staff Severance Indemnity Provision and other m/l term provisions	**(4,419)**	**(5,113)**	
Net invested capital	**341,623**	**341,065**	*0.16*
Total Shareholders' Equity	**251,473**	**238,817**	*5.30*
Net medium/long-term debt	26,589	42,247	
Net short-term debt	63,561	60,001	
Net debt	**90,150**	**102,248**	*(11.83)*
Net equity and net debt	**341,623**	**341,065**	*0.16*

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.

Net debt of the Parent Company Cremonini S.p.A. (c)

(Euro/000)	Year 2017	Year 2016
Payables to banks, bonds and other financial institutions		
- due within 12 months	(46,861)	(55,005)
- due between 1 and 5 years	(26,589)	(41,642)
- due beyond 5 years	-	(605)
Total payables to banks, bonds and other financial institutions	**(73,450)**	**(97,252)**
Liquidity		
- cash and cash equivalents	181	10,432
- other financial assets	-	-
Total liquidity	**181**	**10,432**
Securitization and internal treasury current accounts	**(16,881)**	**(15,428)**
Total net debt	**(90,150)**	**(102,248)**

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 structured 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 the consolidator, Cremonini S.p.A. has adhered to Article 117 of the T.U.I.R. (Consolidated Tax Code), the preparation of the "national tax consolidation". The subholding MARR S.p.A., Chef Express S.p.A. and all the other companies controlled by them have adhered to this rule.

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.

(Euro/000)	Parent Company	Subsidiaries	Associated companies	Related companies
Revenues				
Financial income	-	11	-	-
Services	-	5,762	11	-
Sales of goods	-	8	-	-
Other income	5	24,124	143	-
Total revenues	**5**	**29,905**	**154**	**-**
Costs				
Financial charges	35	67	-	-
Services	-	409	-	-
Purchase of goods	-	1	-	-
Other charges	-	1,137	-	2
Total costs	**35**	**1,614**	**-**	**2**
Receivables				
Financial	-	150	-	-
Trade	15	1,696	27	-
Other (a)	-	241	-	-
Total Receivables	**15**	**2,087**	**27**	**-**
Payables				
Financial	8,036	8,995	-	-
Trade	35	6,006	-	-
Other (a)	-	3,480	-	-
Total Payables	**8,071**	**18,481**	**-**	**-**

(a) mainly relevant to tax receivables and payable arose under the national tax 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 2017;
- 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 2017.

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 2017, 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 2017, together with the Directors' Report.

Furthermore, we propose the following allocation of the net profit for the year of euro 19,157,255.66 to the "Retained earnings" reserve.

Castelvetro di Modena, 26 March 2018

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

CREMONINI S.P.A

FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2017

Financial statements as at 31 December 2017

Statement of Financial Position – Assets

(Euro)	Note	31.12.2017	31.12.2016
Non-current assets			
Tangible assets	1	82,913,173	83,291,905
Goodwill		-	-
Other intangible assets	2	4,956	6,844
Investments in subsidiaries and associated	3	255,751,223	255,498,741
Investments in other companies	4	1,031,093	1,033,294
Financial assets held for sale		-	-
Deferred tax assets	16	0	0
Other non-current assets	5	44,456	3,061,209
Total non-current assets		**339,744,901**	**342,891,993**
Current assets			
Inventories		-	-
Current financial receivables	6	391,437	433,511
relating to related parties		*391,437*	*433,511*
Current trade receivables	7	2,059,982	2,240,123
relating to related parties		*1,738,506*	*1,914,911*
Current tax assets	8	9,163,650	8,709,448
Financial assets held for sale	4	4,389,858	4,404,502
Financial instruments / Derivatives		-	-
Cash and cash equivalents	9	181,721	10,431,825
Other current assets	10	2,682,320	255,395
relating to related parties		*0*	*0*
Total current assets		**18,868,968**	**26,474,804**
Total assets		**358,613,869**	**369,366,797**

Financial statements as at 31 December 2017

Statement of Financial Position - Liabilities

(Euro)	Note	31.12.2017	31.12.2016
Shareholders' Equity			
Share capital	11	67,073,932	67,073,932
Reserves	12	(41,188,910)	(41,137,239)
Retained earnings		206,431,056	195,164,353
Result for the period		19,157,256	17,716,120
Total Shareholders' Equity		**251,473,334**	**238,817,166**
Non-current liabilities			
Non-current financial payables	13	26,566,415	44,746,619
relating to related parties		*25,651*	*2,499,936*
Financial instruments / Derivatives		48,325.00	-
Employee benefits	14	350,476	353,997
Non-current provisions for risks and charges	15	151,536	245,229
Deferred tax liabilities	16	3,917,277	4,514,407
Other non-current liabilities		473	473
Total non-current liabilities		**31,034,502**	**49,860,725**
Current liabilities			
Current financial payables	17	67,347,136	73,137,949
relating to related parties		*20,485,772*	*18,133,173*
Financial instruments / Derivatives		-	-
Current tax liabilities	18	493,894	575,018
Current trade liabilities	19	6,966,848	5,488,426
relating to related parties		*6,040,485*	*4,531,943*
Other current liabilities	20	1,298,155	1,487,513
relating to related parties		-	-
Total current liabilities		**76,106,033**	**80,688,906**
Total liabilities		**358,613,869**	**369,366,797**

Financial statements as at 31 December 2017

Income statement

(Euro)	Note	31 December 2017	31 December 2016
Revenues	21	6,596,815	5,865,724
relating to related parties		*5,780,822*	*5,073,936*
Other revenues	22	1,150,398	1,360,040
relating to related parties		*791,615*	*556,244*
Costs for purchases	23	(56,438)	(53,349)
relating to related parties		*(1,055)*	*(1,696)*
Other operating costs	24	(5,378,867)	(5,539,778)
relating to related parties		*(411,603)*	*(334,124)*
Personnel costs	25	(2,459,216)	(2,667,092)
Amortization and depreciation	26	(2,565,261)	(2,144,079)
Write-downs and provisions	26	0	(15,000)
Revenues from equity investments	27	22,799,776	21,897,587
relating to related parties		*22,731,453*	*21,393,896*
Financial (Income)/Charges	28	(1,397,241)	(1,836,517)
relating to related parties		*(90,179)*	*(20,809)*
Result before taxes		**18,689,966**	**16,867,536**
Income taxes	29	467,290	848,584
Result for the period		**19,157,256**	**17,716,120**

Statement of comprehensive income

(Euro)	31 December 2017	31 December 2016
Result for the period	**19,157,256**	**17,716,120**
Items to be reclassified to profit or loss in subsequent periods:		
Fair value valuation financial assets available for sale	(14,644)	(607,760)
Efficacious part of profits/(losses) on cash flow hedge instruments	(48,325)	
Tax effect	11,598	0
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain (losses)	(414)	(4,218)
Tax effect	114	1,160
Comprehensive Income	**19,105,585**	**17,105,302**

Statement of changes in the shareholders' equity as at 31 December 2017

(Euro)				Other riserves											
	Share capital	Nominal value treasury stock in portfolio	Total Share capital	Share premium reserve	Legal reserve	Merger Deficit	Merger Surplus	Reserve for IAS adjustments	Reserve for trading treasury stock	Cash flow hedge reserve	Fair valute reserve	Total Reserves	Profits (Losses) carried forward	Result of the year	**Total Shareholders' Equity**
Balances at 31 December 2015	**67,073,932**	**0**	**67,073,932**	**78,279,705**	**14,749,280**	**(146,379,437)**	**94,514**	**12,787,578**	**(58,061)**	**0**	**0**	**(40,526,421)**	**162,739,556**	**32,424,796**	**221,711,863**
Allocation of the results for the previous year:															
- retained earnings reserve													32,424,796	(32,424,796)	
- others													1		**1**
Consolidated comprehensive income															
- Net profit (loss) for the period															
- Other Profits/(losses), net of taxes														17,716,120	**17,716,120**
									(3,058)		(607,760)	**(610,818)**			**(610,818)**
Balances at 31 December 2016	**67,073,932**	**0**	**67,073,932**	**78,279,705**	**14,749,280**	**(146,379,437)**	**94,514**	**12,787,578**	**(61,119)**	**0**	**(607,760)**	**(41,137,239)**	**195,164,353**	**17,716,120**	**238,817,166**
Allocation of the results for the previous year:															
- retained earnings reserve													11,266,703	(11,266,703)	**0**
- dividend distribution														(6,449,417)	**(6,449,417)**
- others															**0**
Comprehensive income															
- Net profit (loss) for the period														19,157,256	**19,157,256**
- Other Profits/(losses), net of taxes									(300)	(36,727)	(14,644)	**(51,671)**			**(51,671)**
Balances at 31 December 2017	**67,073,932**	**0**	**67,073,932**	**78,279,705**	**14,749,280**	**(146,379,437)**	**94,514**	**12,787,578**	**(61,419)**	**(36,727)**	**(622,404)**	**(41,188,910)**	**206,431,056**	**19,157,256**	**251,473,334**

Cash flow statement (indirect method)

(Euro/000)	31.12.2017	31.12.2016
Profit for the period	**19,157**	**17,716**
Amortization and depreciation	2,565	2,144
Impairment	-	-
Net change in other provisions and non-monetary income items	873	493
Net change in Staff Severance Provision	(817)	(712)
Changes in working capital		
(Increase) decrease in trade receivables	180	(462)
(Increase) decrease in inventories	-	-
Increase (decrease) in trade payables	1,472	1,067
(Increase) decrease in other items of the working capital	(1,646)	(8,993)
Cash-flow from operating activities (A)	**21,784**	**11,253**
Net (investments) in intangible assets	(1)	(6)
Net (investments) in tangible assets	(2,183)	(1,802)
Net change in other non current assets	(1,001)	54
Acquisition net of Cash and cash equivalent	-	-
Cash-flow from investment activities (B)	**(3,185)**	**(1,754)**
Increase (Decrease) in medium-long term borrowings	(15,706)	(38,343)
Increase (Decrease) in medium-long term liabilities for derivatives	48	-
Increase (Decrease) in short-term borrowings	(6,691)	39,017
Increase (Decrease) in short-term liabilites for derivatives	0	464
Cash-flow from distribution of dividends	(6,449)	-
Capital increase and other changes in equity	(52)	(611)
Cash flow from financing activities (C)	**(28,850)**	**527**
Cash Flow of the year (D=A+B+C)	**(10,251)**	**10,026**
Cash and cash equivalents at the beginning of the year (E)	10,432	406
Cash and cash equivalents at the end of the year (F=D+E)	**181**	**10,432**

Cremonini S.p.A. Financial Statement as at 31 December 2017

Notes to the financial statements

Form and content of the financial statements

The financial statements as at 31 December 2017 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 26 March 2018.

The section on "Accounting standards" illustrates the international accounting standards adopted in the preparation of the Cremonini S.p.A. statement of assets and liabilities as at 31 December 2017.

The Cremonini S.p.A. financial statements as at 31 December 2017 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;

- derivative contracts entered at the fair value.

For the purposes of comparison, the financial statements as at 31 December 2017 show the figures for the financial year ended as at 31 December 2016.

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 2017, 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 2017

The measurement criteria used for preparing the 2017 financial statements do not depart from those used for preparing the financial statements as at 31 December 2016, with the exception of the accounting standards, amendments and interpretations listed below applicable from 1 January 2017, but which have not been applied in the company's financial statements.

- Amendments to IAS 12 - Income taxes. The IASB clarifies how deferred tax assets relating to unrealised losses on fair value debt instruments that give rise to the creation of deductible timing difference, when the owner of the instrument expects to hold it up to due date, must be accounted for.
- Amendments to IAS 7 - Cash Flow Statement. The improvements regarding the information to be provided relative to the changes in loans payable that derive both on financial flows and not from cash flows (for example profits/losses on exchange rates). The Cash Flow Statement was updated as required and provided with the reconciliation of the opening and closing balances of the liabilities deriving from loan assets, as requested in paragraph 44A (please refer to Appendix 3 of these Notes).

Accounting standards, amendments and interpretations applicable to future financial statements

The standards and the interpretations that had already been issued but not yet in force at the time of drafting these financial statements are presented below.

- IFRS 9 - Financial Instruments. In July 2014, the IASB issued the final version of the IFRS 9 Financial Instruments which reflects all phases of the project in relation to financial instruments and replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. This standard introduces new requirements for the classification, measurement, impairment and *hedge accounting*. IFRS 9 is effective for the periods beginning on or after 1 January 2018. The Company does not expect significant impacts from the application of this standard.
- IFRS 15 (and subsequent clarifications issued on 12 April, 2016) - Revenue from contracts with customers. The IFRS was issued in May 2014 and introduces a new five-stage model that will apply to revenue from contracts with customers. IFRS 15 provides for the recognition of revenue for an amount reflecting the consideration that the entity expects to be entitled in exchange for goods or services to the customer. This standard provides a more structured approach to the recognition and measurement of revenue, replacing all current requirements in other IFRSs on revenue recognition. IFRS 15 is effective for financial years beginning on 1 January, 2018 or later, with full or modified retrospective application. Early application is allowed. The Company does not expect significant impacts from the application of this standard.
- IFRS 16 – On 9 November 2017 a further international accounting standard, IFRS 16 "Leases", which will substitute IAS 17. was also approved, applicable from 1 January 2019. The standard provides a new lease definition that will amend the accounting method for lessees who rent/lease a specific asset. Based on this new standard, the company must evaluate for every agreement if it falls under a lease definition; lease is defined as an agreement for which, in exchange for a consideration, the lessee has the rights of controlling the utilisation of a specific asset for a fixed term period exceeding twelve months. The company must subsequently once again evaluate the agreement only in the case of an amendment of the terms and conditions of the original agreement. At the date of first application on initial booking of an asset which represents the right to use pursuant to IFRS 16 (equal to the present value of the minimum future obligatory instalments) and financial payable of an equal amount, will proceed., The right to use recorded shall be the object of systematic amortisation over the residual term of the agreement. The financial payable recorded will be reduced over time as a portion of the lease instalments will be utilised for loan servicing (in reduction of the capital portion with recording of the relative financial charge). The lease and/or hire instalments shall no longer be recorded in the gross operating margin. In this regard it is noted that a dedicated work group was instituted, to which the updating project was entrusted with the ultimate purpose of quantifying the impacts of first application of this standard.
- Amendments to IFRS 2 - Clarifications of the classification and measurement of share based payment transactions. This amendment will apply from 1 January 2018 and deals with the following issues identified by the IFRS Interpretation Committee: (i) accounting for a payment plan through defined benefit shares that includes the achievement of results; Ii) the payment based on shares in which the adjustment mode is related to future events; (Iii) payments based on shares settled net of tax deductions; Iv) the transition

from a stock-based remuneration mode. These amendments are not applicable to the company's financial statements-

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. This amendment will be applicable from 1 January 2018 and deals with concerns arising from the application of IFRS 9 on financial instruments before the introduction of new insurance contractual standards. There are also two options for companies that subscribe insurance contracts with reference to IFRS 4: (i) an option allowing companies to reclassify certain revenues or costs from certain financial assets from the income statement to the statement of comprehensive income; (Ii) a temporary exemption from the application of IFRS 9 whose main activity is the subscription of contracts as described in IFRS 4. These amendments are not applicable to the company's financial statement.
- IFRIC 22 — Foreign Currency Transactions and Advance Consideration. The interpretation (which will be effective from 1 January 2018) deals with foreign currency transactions in the event that an entity recognises a non-monetary asset or liability arising from the payment or receipt of an advance before the entity recognises the relevant asset, cost or income. The definition does not apply to taxes, insurance or reinsurance contracts. This IFRIC is not applicable to the company's financial statements.
- Amendments to IAS 40 regarding transfers of investment property. The amendment (effective from 1 January 2018) provides: (i) that paragraph 57 of IAS 40 is amended by stipulating that an entity must transfer a property from, or to, the category of real estate investment only when there is evidence of a change in use. (ii) The list of examples given in paragraph 57 (a) to (d) is redefined as a list of non-exhaustive examples. These amendments are not applicable to the company's financial statements.
  Improvements to the International Financial Reporting Standards (2014-2016). These are part of the yearly improvement programme of policies and will enter into force on1 January 2018. The improvements concerned:
- IFRS 1 the short-term exemptions provided in paragraphs E3-E7 have been deleted, as the relief provided in those paragraphs had served its intended purpose;
- IFRS 12 the purpose of the Standard is clarified by specifying that disclosure requirements, except for those provided in paragraphs B10-B16, apply to the interests of an entity listed in paragraph 5 that are classified as held for sale, for distribution or as a discontinued operation pursuant to IFRS5;
- IAS 28 clarifies that the decision to measure at fair value through the profit and loss account an investment in a subsidiary or joint venture held by a venture capital is possible for all investments in subsidiaries or joint ventures from their initial recognition.
- Amendments to IFRS 9 - Financial Instruments. The amendments, published in October 2017, relate to "Prepayment Features with Negative Compensation" that permit application of the amortised cost, or fair value, through other comprehensive income (OCI) for financial assets with an option of negative compensation;
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures. The amendments define that for the long-term receivables from an associated company or joint venture that, substantially, form part of the investment in the associated company or joint venture, IFRS 9 must be applied;
- IFRIC 23 - Uncertainty over Income Tax Treatments. This interpretation provides indications on how to reflect income taxes, with uncertainties on the tax treatment of a determined phenomenon, in the accounting. IFRIC 23 shall come into force on 1 January 2019.

Lastly, it is noted that on 12 December 2017 the IASB published the Annual Improvements to IFRS (2015 – 2017 cycle), which include amendments to IAS 12 - Income Taxes, IAS 23 - Borrowing Costs, 'IFRS 3 - Business Combinations and 'IFRS 11 - Joint Arrangements.

Accounting standards

The measurement criteria utilised in the preparation of the consolidated financial statements for the year ended 31 December 2017 are the same used for the preparation of the consolidated financial statements as at 31 December 2016, 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 financial 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 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.

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.

De-recognition

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 value in use 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.

The profits and losses are accounted in the income statement when the liability is extinguished, as well as through the amortization process.

De-recognition 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 financial statements.

• <u>Estimates adopted for the purpose of measurement of the impairment of the assets</u>

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 5.5%. The evaluation of any impairment test on goodwill was carried out annually with reference to 31 December 2017.

• <u>Estimates adopted in the actuarial calculation for the purpose of the calculation of the defined benefits in connection with the post-employment benefits</u>

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:

- the anticipated inflation rate is 1.50%;
- the discount rate utilised is:
  - 0.88% (duration 7 – 10);
  - 1.30% (duration 10 +)[1];

[1] Average performance curve deriving from IBOXX Eurozone Corporates AA (7-10 years).

- the anticipated annual rate of increase in post-employment benefits is 2.625%;
- annual rate of salary increase is equal to:
  - Managers: 2.50%;
  - Dobs: 1.00%;
  - Office staff: 1.00%;
  - Factory staff: 1.00%;
- annual Post-employment benefit payment frequency forecast at 3.00%;
- the turnover of employees was 6.5%.

• 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. uses 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 2017 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, of about 60%, 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 2017, 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 0.7 million euro on an annual base (1.0 million thousand euro as at 31 December 2016).

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 outstanding 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:

(Euro/000)	**31.12.2017**	31.12.2016
Current trade receivables	2,060	2,240
Other non-current assets	44	3,061
Other current assets	2,682	255
Total	**4,787**	**5,556**

The fair value of the above categories is not indicated as the carrying value represents a reasonable approximation. The value of the Trade receivables, Other non-current assets and Other current asset items are classifiable as "Level 3" financial assets, or rather those where the inputs are not are based on observable market data.

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 obliged to sustain additional costs to meet its commitments or, as an extreme consequence, a situation of insolvency that places the company's activities at risk.
Cremonini S.p.A. systematically respects the maturities of its commitments, a conduct wich allows 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, it is generally preferred to find sources through 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.

(Euro/000)	Within 12 months	1-5 years	Over 5 years	Total
31 December 2017				
Financial payables	67,347	26,566	-	93,913
Financial instruments / Derivatives	-	48	-	48
Trade Liabilities	6,967	-	-	6,967
	74,314	**26,614**	**-**	**100,928**
31 December 2016				
Financial payables	73,138	44,142	605	117,885
Financial instruments / Derivatives	-	-	-	-
Trade Liabilities	5,488	-	-	5,488
	78,626	**44,142**	**605**	**123,373**

Classes of financial instruments

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

(Euro/000)	31 December 2017		
Balance Sheet Assets	Loans and Receibles	Derivates utilised for hedging	Total
Non-current derivative financial instruments	-	-	-
Non-current financial receivables	-	-	-
Other non-current receivable items	44	-	44
Current financial receivables	391	-	391
Current trade receivables	2,060	-	2,060
Current derivative financial instruments	9,164	-	9,164
Financial activities available for sale	4,390	-	4,390
Current tax receivables	-	-	-
Cash and cash equivalents	182	-	182
Other current receivable items	2,682	-	2,682
Total	**18,913**	**-**	**18,913**
Balance Sheet Liabilities	Other financial liabilities	Derivates utilised for hedg.	Total
Non-current financial payables	26,566	-	26,566
Current financial payables	67,347	-	67,347
Derivative financial instruments	-	48	48
Total	**93,914**	**48**	**93,962**

(Euro/000)	31 December 2016		
Balance Sheet Assets	Loans and Receibles	Derivates utilised for hedging	Total
Non-current derivative financial instruments	-	-	-
Non-current financial receivables	-	-	-
Other non-current receivable items	3,061	-	3,061
Current financial receivables	434	-	434
Current trade receivables	2,240	-	2,240
Current derivative financial instruments	8,709	-	8,709
Financial activities available for sale	4,405	-	4,405
Current tax receivables	-	-	-
Cash and cash equivalents	10,432	-	10,432
Other current receivable items	255	-	255
Total	**29,536**	**-**	**29,536**
Balance Sheet Liabilities	Other financial liabilities	Derivates utilised for hedg.	Total
Non-current financial payables	44,747	-	44,747
Current financial payables	73,138	-	73,138
Derivative financial instruments	-	-	-
Total	**117,885**	**-**	**117,885**

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].

In the same manner, with regard to the non-current financial payables, the recognition of which at fair value is indicated in paragraph 14 of these explanatory notes, financial assets are also classifiable as "Level 2" as the inputs that influence the fair value are directly observable market figures.

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 entity 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 the pursuit of satisfactory economic results and the generation of cash flows, can intervene on the dividends policy and configuration of the company's capital.

The main 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 Euro, 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.

1 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.

1. Tangible assets

(Euro/000)	Balance at 31.12.2016	Purchases	Decreases	Other	Depreciation	**Balance at 31.12.2017**
Land and buildings	77,335	637	-	-	(1,498)	76,474
Plant and machinery	3,549	647	-	-	(651)	3,545
Industrial and business equipment	2	-	-	-	(1)	1
Other assets	2,306	357	- 29.00	-	(412)	2,222
Fixed assets under construction and advances	100	571	-	-	0	671
Total	**83,292**	**2,212**	**(29)**	**0**	**(2,562)**	**82,913**

Land and buildings

The increase in the year, amounting to euro 637 thousand, mainly refers to expenditure on properties in Rome and Castelvetro.

The land and buildings are encumbered by mortgages, against the loans obtained, for an amount of euro 51.9 million.

Plant and machinery

The investments concerned mainly the purchase of specific facilities for the head office and the buildings in Rome and Via Farini in Modena.

Other assets

The change for the year refers to increases connected with the purchase of furniture, fittings and motor vehicles.

Fixed assets under construction and advances

The item shows an increase of about 571 thousand euro due to the restructuring in progress of the buildings in Rome.

2. Other intangible assets

(Euro/000)	Balance at 31.12.2016	Purchases	Decreases	Other	Amort.	**Balance at 31.12.2017**
Patents and intellectual property rights	2	-	-	-	(1)	1
Concessions, licences, trademarks and similar rights	5	1	-	-	(2)	4
Total	**7**	**1**	**0**	**0**	**(3)**	**5**

3. Investments in subsidiaries and associated companies

These amount to 255,751 thousand euro (255,499 thousand euro at 31 December 2016), higher than the previous year by 252 thousand euro.

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

Equity investments in subsidiaries

The main changes during the year 2017 regarded shareholdings in:

- Interjet S.r.l. for a future share capital increase payment of euro 1 million euro and a write-down of euro 901 thousand euro;
- Global Service S.r.l. for the revaluation of euro 194 thousand to restore part of past write-downs aimed at aligning the value of equity investments with the corresponding value of the company's net equity.

The surplus of the residual carrying value of the single equity investments in subsidiaries compared to the measurement made with the shareholders' equity method (appendix 6) is not due to enduring impairment since it is attributable to the greater value of the assets held by the subsidiary or to the potentials and goodwill of the industrial and commercial assets they manage.
More specifically, all equity investments presenting impairment indicators were tested for impairment, and the results were positive.

4. Investments in other companies and Financial assets held for sale

(Euro/000)	31.12.2017	31.12.2016
Tax assets	1,031	1,033
Financial assets held for sale	4,390	4,405

The reduction in the balance of the "Financial assets held for sale" is attributable to the fair value measurement of the equity investments in BPER Banca S.p.A. and Banco Popolare Società Cooperativa.

Please refer to "Equity investments in other companies" in Appendix 5 for more details.

5. Other non-current assets

(Euro/000)	31.12.2017	31.12.2016
Tax assets	42	3,059
Other receivables	2	2
Provision for bad debts	-	-
Accrued income and prepaid expenses	-	-
Total	**44**	**3,061**

The decrease of other non-current assets is due to a reimbursement of a receivable recorded in previous years following the presentation of an IRES (Corporate Income Tax) repayment request for the years from 2007 to 2011.

This amount, relating to Cremonini S.p.A. as the consolidating company, and the companies participating in the tax consolidation of such years, was originally calculated on the IRAP (Regional Business Tax) paid by the companies for costs of labour and associates not deducted.

Current assets

6. Current financial receivables

(Euro/000)	31.12.2017	31.12.2016
Receivables from subsidiaries	391	434
Total	**391**	**434**

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

(Euro/000)	31.12.2017	31.12.2016
Receivables from subsidiaries	**150**	**5**
Global Service Logistics S.r.l. in liq.	-	5
E-Marco Polo (E-MP) Spa	150	-
Provision for bad debts	-	-
Receivables for dividends distribution	**0**	**0**
Receivables from subsidiaries for tax consolidation	**241**	**429**
As.Ca. S.p.A.	-	26
Global Service S.r.l.	14	98
New Catering S.r.l.	24	219
Roadhouse S.p.A.	-	48
Roadhouse Grill Roma S.r.l.	203	38
Total	**391**	**434**

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.

7. Current trade receivables

Trade receivables are broken down as follows:

(Euro/000)	31.12.2017	31.12.2016
Receivables from customers	**322**	**325**
Due within 12 months	433	436
Provision for bad debts	(111)	(111)
Receivables from subsidiaries	**1,696**	**1,828**
As.Ca. S.p.A.	147	210
Chef Express S.p.A.	12	24
Fiorani & C. S.p.A.	101	119
Ges.car S.r.l.	564	666
Global Service S.r.l.	69	157
Guardamiglio S.r.l.	128	95
INALCA S.p.A.	-	5
Inalca Food & Beverage S.r.l.	-	2
Interjet S.r.l.	1	2
Momentum Services Ltd	5	5
Realbeef S.r.l.	48	-
Roadhouse S.p.A.	-	12
Soc. Agr. Corticella S.r.l.	621	514
Tecnostar S.r.l.	-	17
Receivables from associated companies	**27**	**79**
Time Vending S.r.l.	27	79
Receivables from related companies	**15**	**8**
Cremofin S.r.l.	15	8
Total	**2,060**	**2,240**

The change in the bad debt provision was the following:

(Euro/000)	31.12.2017	31.12.2016
Initial balance	(111)	(111)
Utilized during the year	-	-
Final balance	**(111)**	**(111)**

At 31 December 2017 the trade receivables and bad debt provision were apportioned by due date as follows:

(Euro/000)	31.12.2017		31.12.2016	
	Amount	Bad debt prov.	Amount	Bad debt prov.
Trade receivables not overdue	10	-	-	-
Overdue up to 30 days	29	-	69	-
Overdue from 31 to 60 days	14	-	13	-
Overdue from 61 to 90 days	21	-	18	-
Overdue from 91 to 120 days	-	-	336	-
Overdue over 120 days	359	(111)	-	(111)
Total	**433**	**(111)**	**436**	**(111)**

8. Current tax assets

(Euro/000)	31.12.2017	31.12.2016
Receivables for advance on direct taxes	2,763	1,538
Receivables for withholdings	18	-
VAT credit and other taxes requested for reimbursement	6,388	7,176
Other sundry receivables	(2)	(2)
Provision for bad debts	(3)	(3)
Total	**9,164**	**8,709**

The balance of 9.2 million, increased by 0.5 million euro compared to 8.7 million in 2016. This increase is mainly due to the combined effect of the following factors: on the one hand the reduction of the VAT receivable recognised on periodic settlement, and on the other hand the increase of direct tax receivables consequent to the recognition of lower tax charges compared to the payments on account made during 2016 by the companies falling within the scope of the tax consolidation to which Cremonini S.p.A. has participated as consolidating company.

9. Cash and cash equivalents

(Euro/000)	31.12.2017	31.12.2016
Cash	14	9
Bank and postal accounts	168	10,423
Total	**182**	**10,432**

The balance, which represents the available cash and cash equivalents at the year-end, includes a short-term Time Deposit of 10 million, with a high rate of return.
Please refer to the cash flow statement for the 2017 evolution of cash and cash equivalents.

10. Other current assets

(Euro/000)	31.12.2017	31.12.2016
Accrued income and prepaid expenses	79	83
Other receivables		
Advances to suppliers	59	52
Receivables from social security institutions	159	239
Provision for bad debts	(143)	(143)
Other sundry receivables	2,528	24
Total	**2,682**	**255**

LIABILITIES

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity

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

11. Share capital

The share capital as at 31 December 2017 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 2017 the Parent Company did not hold any treasury stock.

12. 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 2016.

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.

Revaluation reserve
This reserve identifies changes in the fair value of financial instruments available for sale. Changes for the period that affected the reserve under examination were a decrease in the value of the shares held in Banco Popolare Società Cooperativa and in BPER Banca S.p.A.

Basic earnings per share
Basic earnings per share as at 31 December 2017 amounted to 0.1485 (euro 0.1373 at 31 December 2016) and has been calculated on the basis of net profits of euro 19,157,256 thousand divided by the weighted average number of ordinary shares in 2017, equal to 128,988,330.

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

Non-current liabilities

13. Non-current financial payables

(Euro/000)	31.12.2017	31.12.2016
Due between 1 and 5 years		
Payables to banks	26,541	41,642
Payables to other financial institutions	-	-
Payables to subsidiaries for Ires reimursement	25	2,500
Total payables due between 1 and 5 years	**26,566**	**44,142**
Due beyond 5 years		
Payables to banks	-	605
Payables to other financial institutions	-	-
Total payables due beyond 5 years	**0**	**605**
Total	**26,566**	**44,747**

In 2017, as a result of the IRES reimbursement described in "5. Other non-current assets", Cremonini S.p.A. as consolidating company, recognized to each subsidiary participating in the tax consolidation their own portion of receivable.

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

(Euro/000)	Credit line	Current	Between 1 and 5 years	Beyond 5 years	Total 31.12.2017
Overdraft	7,900	824	-	-	824
Hot Money	33,500	17,524	-	-	17,524
Mortgages	55,054	28,513	26,541	-	55,054
Total		**46,861**	**26,541**	**0**	**73,402**

The composition of the mortgages is as follows:

Bank (Euro/000)	Expiry date	Current	between 1 and 5 years	beyond 5 years	Total 31.12.2017
CA - CIB e CariParma (Pool)	15/06/18	14,000	-	-	**14,000**
SANFELICE 1893 Banca Popolare Soc. Coop. p.a.	15/01/19	138	35	-	**173**
UBI Banca S.p.A.	29/07/20	5,024	9,043	-	**14,067**
Banca Intesa Sanpaolo S.p.A.	30/06/22	5,000	17,500	-	**22,500**
Banco do Brasil AG	10/11/18	4,400	-	-	**4,400**
Amortized Costs		(49)	(37)	-	**(86)**
Total		**28,513**	**26,541**	**0**	**55,054**

Net Debt

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

(Euro/000)	31.12.2017	31.12.2016
A. Cash	13	9
B. Cash equivalent	168	10,423
C. Financial assets held for sale	-	-
D. Liquidity (A) + (B) + (C)	**181**	**10,432**
E. Current financial assets	**150**	**5**
F. Current bank liabilities	46,861	55,005
G. Current financial instruments	-	-
H. Other current financial liabilities	17,031	15,433
I- Current financial liabilities	**63,892**	**70,438**
J. Current net debt (I) - (E) - (D)	**63,561**	**60,001**
K. Non current bank liabilities	26,541	42,247
L. Bonds	-	-
M. Other non current financial liabilities	-	-
N. Non current financial instruments	48	-
O. Non current debt (K) + (L) + (M) + (N)	**26,589**	**42,247**
P. Net Debt (J) + (O)	**90,150**	**102,248**

Some loan agreements provide for financial covenants on the happening of which the bank reserves the right to terminate the loan. The covenants on the loan agreements outstanding at 31 December 2017, which were respected, are shown in the tables below.

Table 1

(Euro/000)	Banca Intesa Sanpaolo S.p.A.	UBI Banca S.p.A.	CA - CIB e CariParma (Pool)
Amount of the loans as at 31 December 2017	22,500	12,821	14,000
Recipient of the loan	Cremonini S.p.A.	Cremonini S.p.A.	Cremonini S.p.A.
Expiry date	30/06/2022	29/07/2020	15/06/2018
Covenants			
Net Debt/EBITDA	<= 4,0 (a)	<= 4,0 (a)	<= 4,0 (a)
Net Debt/Equity		<= 2,75 (a)	<= 1,0 (b)
Net Debt Corrent / Net Debt No Corrent	>=4,0 (a)	>=4,0 (a)	

(a) covenants calculated on the consolidated financial statements of the Cremonini Group;
(b) covenants calculated on the separate financial statements of Cremonini S.p.A.;

14. Employee benefits

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

(Euro/000)	31.12.2017	31.12.2016
Opening balance	354	418
Accrued for the year	3	6
Use for the financial year	(7)	(74)
Actuarial gain losses	-	4
Closing balance	**350**	**354**

With reference to the significant actuarial hypotheses (as indicated in the paragraph "Main accounting judgments, estimates and assumptions adopted by Management"), the table below shows the effects on the final liabilities deriving from the possible changes thereto.

(Euro/000)	Turnover rate+1%	Turnover rate - 1%	Inflazion rate + 0.25%	Inflazion rate - 0.25%	Discount rate + 0.25%	Discount rate - 0.25%
Effect on the final liability	(348)	351	(353)	345	(343)	355

15. Non-current provisions for liabilities and charges

(Euro/000)	31.12.2017	31.12.2016
Provisions for taxes	-	93
Labour disputes	-	-
Minor lawsuits and disputes	50	50
Provision for risks and losses	102	102
Total	**152**	**245**

(Euro/000)	Balance at 31.12.2016	Provision	Use	Balance at 31.12.2017
Provisions for taxes	93	- -	93	-
Labour disputes	-	-	-	-
Minor law suits and disputes	50	-	-	50
Provision for losses on equity investments	-	-	-	-
Provision for risks and losses	102	-	-	102
Total	**245**	**-**	**(93)**	**152**

The movement of the balance, as shown in the table, is due to the use of certain provisions allocated to liabilities arising in previous years and settled or exceeded in the current financial year and the provision for a liability related to a formal notice of assessment issued following a tax audit for the 2013 tax period.

The provisions for liabilities, unchanged since 2016, are the quantification of liabilities connected with contractual costs and charges of probable existence.

16. Deferred tax liabilities

As at December 31, 2017, the deferred taxes amounted to euro 3,917 thousand and represent euro 4,028 thousand of deferred taxes and 111 thousand of pre-paid taxes.

The first items consist principally of deferred tax liabilities arising from the revaluation of land and buildings, carried out during the transition to international accounting standards, and the deferral of taxation on capital gains realised while deferred taxes refer to the tax effect calculated on the taxed funds taxable in subsequent years.
The details of the individual positions are shown in the following tables.

(Euro/000)	31.12.2017		31.12.2016	
	Amount of timing differences	Fiscal Effect	Amount of timing differences	Fiscal Effect
Advance Taxation				
Provision for bad debt	160		160	
Taxed Provisions	152		152	
Interest payables deductable	48			
Other	103		157	
Total	**463**		**469**	
Taxable amount forIRES	**463**		**469**	
Tax Rate	24.00%		24.00%	
Advanced taxation for IRES		111		113
Effect of change in tax rate effective from 2017				

(Euro/000)	31.12.2017		31.12.2016	
	Amount of timing differences	Fiscal Effect	Amount of timing differences	Fiscal Effect
Deferred Taxation				
Capital Gains	0		2,435	
Intangible assets	16,784		16,846	
Total	**16,784**		**19,281**	
Tax Rate	24.0%		24.0%	
Advanced taxation for IRES		**4,028**		**4,627**
Effect of change in tax rate effective from 2017				

Current liabilities

17. Current financial payables

(Euro/000)	31.12.2017	31.12.2016
Payables to subsidiaries	12,450	12,697
Payables controlling companies	8,036	5,436
Payables to banks	46,861	55,005
Closing balance	**67,347**	**73,138**

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:

(Euro/000)	31.12.2017	31.12.2016
Payables to consolidated subsidiaries	**8,995**	**9,999**
Chef Express S.p.A.	1,962	2,170
Global Service S.r.l.	1,731	1,055
Inalca S.p.A.	2,486	2,893
Interjet S.r.l.	1,558	951
Marr S.p.A.	1,258	2,930
Payables to unconsolidated subsidiaries	-	-
Payables to subsidiaries for tax consolidation	**3,455**	**2,698**
Avirail Italia S.r.l.	8	-
As.Ca S.r.l.	483	-
Chef Express S.p.A.	1,299	2,190
Interjet S.r.l.	287	262
Marr S.p.A.	754	246
Roadhouse S.p.A.	624	-
Total	**12,450**	**12,697**

Relative to the financial payables to consolidated companies please refer to the description in the item "Current financial receivables" (note 6).

18. Current tax liabilities

(Euro/000)	31.12.2017	31.12.2016
IRES	-	-
Withholding taxes	494	575
Total	**494**	**575**

19. Current trade liabilities

(Euro/000)	31.12.2017	31.12.2016
Suppliers	**926**	**956**
Payables to parent company	**35**	**0**
Cremofin S.r.l.	35	-
Payables to subsidiaries	**6,006**	**4,532**
Avirail Italia S.r.l. in liq.	2	12
Chef Express S.p.A.	1,407	325
Global Service S.r.l.	3	10
INALCA S.p.A.	1,620	1,670
Inalca Food & Beverage S.r.l.	80	86
Marr S.p.A.	-	373
Italia Alimentari S.p.A	865	470
Marr S.p.A.	347	-
New Catering S.r.l.	91	87
Realbeef S.r.l.	-	103
Roadhouse S.p.A.	1,409	1,218
Roadhouse Grill Roma S.r.l.	68	151
Sara S.r.l.	1	6
Tecno-Star Due S.r.l.	113	21
Total	**6,967**	**5,488**

20. Other current liabilities

(Euro/000)	31.12.2017	31.12.2016
Accrued expenses and deferred income	20	20
Inps/Inail/Scau	155	165
Inpdai/Previndai/Fasi/Besusso	27	28
Payables to other social security institutions	34	36
Other payables		
Advances and other payables from customers	-	-
Payables for employee remuneration	452	558
Guarantee deposits and down payments received	131	131
Payables to directors and auditors	401	472
Other minor payables	78	78
Total	**1,298**	**1,488**

The payable for employees remuneration includes the current wages and salaries still to be paid as at 31 December 2017, as well as the allocations relating to the holidays accrued and not taken and relating charges.

Guarantees, sureties and commitments

(Euro/000)	31.12.2017	31.12.2016
Direct guarantees – sureties		
- subsidiaries	210,575	210,499
- other companies	10,336	7,776
	220,911	**218,275**
Direct guarantees – letter of comfort		
- subsidiaries	185,258	148,493
	185,258	**148,493**
Direct guarantees – credit mandates		
- subsidiaries	6,260	6,260
	6,260	**6,260**
Total guarantees, sureties and commitments	**412,429**	**373,028**

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	5,336	VAT for compensation
Customs Office	Cremonini S.p.A. and other subsidiaries	-	Customs rights
Ferrovie dello Stato and operating companies (Grandi Stazioni, Cento Stazioni, Fer Servizi, Trenitalia, etc.)	Cremonini S.p.A.	5,000	Guaranteeing concessions for on-board catering services, station buffets and operation of storage facilities.
Other minor items	Cremonini S.p.A. and other subsidiaries	-	Administration of rented properties, energy supplies, credit cards, successful conclusion of contracts, etc.
Total		**10,336**	

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 521 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

21. Revenues

These are broken down as follows:

(Euro/000)	2017	2016
Revenues from sales - Goods for resale	6	6
Revenues from sales - Others	10	5
Revenues from services	2,803	2,504
Advisory services to third parties	1,610	1,740
Rent income	2,112	1,554
Other revenues from ordinary activities	56	57
Total	**6,597**	**5,866**

The increase in the item concerned is mainly attributable to higher revenues for services provided to subsidiaries (collateral guarantees and insurance cover) and for the leasing of the restructured property of Via San Vincenzo in Rome that became operative in the second half of 2016, generated revenues for only six months in the previous financial year.

Below is a breakdown of revenues by geographical area:

(Euro/000)	2017	2016
Italy	6,559	5,814
European Union	38	52
Non-EU countries	-	-
Total	**6,597**	**5,866**

22. Other revenues

(Euro/000)	2017	2016
Insurance reimbursements	3	5
Capital gains on disposal of capital goods	3	-
Other cost reimbursements	865	622
Services, consultancy and other minor revenues	279	733
Total	**1,150**	**1,360**

The decrease in the balance is to be mainly attributed to the item 'Services, consultancy and other minor revenues" that, last year, included the release of some previously allocated provisions that partially or totally exceeded the liabilities incurred.

23. Costs for purchases

(Euro/000)	2017	2016
Costs for purchases - Goods for resale	(10)	(13)
Costs for purchases - Stationery and printed paper	(11)	(9)
Other costs for purchases	(35)	(31)
Total	**(56)**	**(53)**

24. Other operating costs

(Euro/000)	2017	2016
Costs for services	(4,480)	(4,021)
Costs for leases and rentals	(51)	(60)
Other operating charges	(848)	(1,459)
Total	**(5,379)**	**(5,540)**

The change in the balance with respect to last year is detailed in the following tables.

Costs for services

(Euro/000)	2017	2016
Energy consumption and utilities	(343)	(282)
Maintenance and repairs	(292)	(285)
Commisions, commercial and distribution services	(735)	(717)
Third-party services and outsourcing	(44)	(25)
Purchasing services	-	(3)
Other technical and general services	(3,066)	(2,709)
Total	**(4,480)**	**(4,021)**

Costs for leases and rentals

(Euro/000)	2017	2016
Lease of business premises, royalties and others	**0**	**0**
Rents and charges payable other property assets	(51)	(60)
Leases and rentals related to real and personal property	**(51)**	**(60)**
Total	**(51)**	**(60)**

Other operating charges

(Euro/000)	2017	2016
Losses on receivables	-	(640)
Indirect taxes and duties	(475)	(449)
Contributions and membership fees	(72)	(101)
Other minor costs	(301)	(269)
Total	**(848)**	**(1,459)**

25. Personnel costs

(Euro/000)	2017	2016
Salaries and wages	(1,789)	(1,902)
Social security contributions	(540)	(618)
Staff Severance Provision	(123)	(127)
Other personnel costs	(7)	(20)
Total	**(2,459)**	**(2,667)**

On 31 December 2017 the Company employed a total staff of 19 persons, as follows:

	Factory staff	Office staff	Managers	Total
Eployees as at 31.12.2016	0	15	5	20
Eployees as at 31.12.2017	**0**	**14**	**5**	**19**
Increases (decreases)	0	(1)	0	(1)
Average no. of employees during	**0**	**14**	**5**	**19**

26. Amortization, depreciation, write-downs and provisions

(Euro/000)	2017	2016
Depreciation of tangible assets	(2,562)	(2,139)
Amortization of intangible assets	(3)	(5)
Write-downs and provisions	-	(15)
Total	**(2,565)**	**(2,159)**

Depreciation of the tangible assets increased by about 423 thousand euro compared to 2016. This change is ascribable to the depreciation of the refurbished real estate complex in Via San Vincenzo, Rome that was depreciated with effect from July 2016 when completed, burdening only six months of 2016, but the entire year of 2017.

Write-downs and provisions

(Euro/000)	2017	2016
Receivables write-downs	-	(15)
Total	**0**	**(15)**

27. Revenue from equity investments

(Euro/000)	2017	2016
Income (Charges) from investments in subs.	23,481	22,139
Income (Charges) from investments in other comp.	69	111
Revaluation of investments	194	529
Write-down of investments	(944)	(881)
Total	**22,800**	**21,898**

The change in the balance with respect to last year is detailed in the following table.

Income (Charges) from equity investments in subsidiaries

(Euro/000)	2017	2016
Marr S.p.A. (dividends)	23,481	22,139
Total	**23,481**	**22,139**

"Income from equity investments in subsidiaries" consists of dividends distributed by the subsidiary MARR S.p.A. totalling 23.5 million euro.

Income (charges) from equity investments in other companies

The 2017 balance of the item under examination includes dividends received in the year from BPER Banca S.p.A. (59.0 thousand euro) and Futura S.r.l. (9.4 thousand euro).

Write-downs of investments

(Euro/000)	2017	2016
Banca Popolare di Vicenza S.p.A. in compulsory liquidation	(2)	(136)
Global Service S.r.l.	194	-
Imprenditori E-Marco Polo	(41)	-
Interjet S.r.l.	(901)	(745)
Total	**(750)**	**(881)**

As already described in paragraphs 3 "Investments in subsidiaries and associates" and 4 "Investments in other companies", the receivables are impaired. In particular, the investment in Interjet S.r.l. was written down to reflect losses incurred in 2017 while the equity investment in Global Service S.r.l. was written up to restore part of the write-downs conducted in the past directed at aligning the value of the holding with the corresponding value of the company's shareholders' equity.

28. Financial (Income)/Charge

(Euro/000)	2017	2016
Income (Charges) from management of derivatives	(37)	-
Net financial Income (Charges)	(1,360)	(1,837)
Total	**(1,397)**	**(1,837)**

In detail:

Income (charges) from management of derivatives

(Euro/000)	2017	2016
Realized Income (Charges) from management of derivatives	(37)	-
Valuation Income (Charges) from management of derivatives	-	-
Total	**(37)**	**0**

Net financial income (charges)

(Euro/000)	2017	2016
Financial Income (Charges) from controlling companies	**(35)**	**(36)**
Financial Income (Charges) from subsidiaries	**(55)**	**15**
Financial Income (Charges) from associated companies	**-**	**-**
Financial income		
- Bank interest receivable	71	3
- Other financial income	39	58
Total financial income	**110**	**61**
Financial charges		
- Interest payable on loans	(1,182)	(1,677)
- Interest payable on current accounts and others	(131)	(164)
- Other bank charges	(29)	(30)
- Other sundry charges	(38)	(6)
Total financial charges	**(1,380)**	**(1,877)**
Total	**(1,360)**	**(1,837)**

The item groups the total of the interest payable connected to the Group's treasury service and interest, commissions and charges payable to banks and other financiers. As also commented in the Directors' Report, the decrease in financial charges compared to the previous year benefitted from both the reduced debt and a positive interest rate trend that reduced the cost of money.

Below is the breakdown of financial charges and income to/from subsidiaries:

(Euro/000)	2017	2016
Chef Express S.p.A.	(26)	40
Global Service S.r.l.	(10)	(10)
INALCA S.p.A.	7	25
Interjet S.r.l.	(15)	(18)
Marr S.p.A.	(11)	(22)
Total	**(55)**	**15**

29. Income taxes

(Euro/000)	2017	2016
Net income from subs. for transferred taxable amounts	7	329
IRES previous years	(125)	(40)
	(118)	**289**
IRAP	-	-
Provision for deferred/pre-paid taxes	585	566
IRAP previous years	-	(6)
Effect of change in IRES tax rate effective from 2017	-	-
	585	**560**
Total	**467**	**849**

The IRES (Corporate Income Tax) balance refers to the income connected to the result of the tax consolidation in which Cremonini S.p.A. participated as the consolidating company.

Reconciliation of theoretical tax burden and actual tax burden

IRES

(Euro/000)	Year 2017		Year 2016	
	Taxable amount	Tax	Taxable amount	Tax
Profit before taxation	**18,690**		**16,868**	
Taxation rate	27.5%		27.5%	
Theoretical tax burden		**(5,140)**		**(4,639)**
Permanent differences				
Non-deductible amortization and depreciation	197		199	
Write-down of financial assets (non-deductible part)	944		881	
Taxes and tax amnesties	261		256	
Other non-deductible costs	298		299	
Total	**1,700**		**1,635**	
Dividends from foreign companies	(22,372)		(21,138)	
Irap deductible	(46)		(12)	
Gains on disposals subject to substitute tax	(194)		(529)	
Other	(394)		(240)	
Total	**(23,006)**		**(21,919)**	
Timing differences deductible in future years				
Provisions to taxed funds	0		15	
Other	268		340	
Total	**268**		**355**	
Timing differences taxable in future years				
Anticipated depreciations	-		-	
Other	-		-	
Total	**0**		**0**	
Reversal of timing diff. from previous years				
Capital gains on disposal of real estate	2,435		2,585	
Total	**2,435**		**2,585**	
Use of taxed provisions	(35)		(654)	
Other	(76)		(66)	
Total	**(111)**		**(720)**	
Taxable income	**(24)**		**(1,196)**	
Tax rate	27.5%		27.5%	
Actual tax durden		**7**		**329**
Ires previous years		**(125)**		**(40)**

IRAP

(Euro/000)	Year 2017 Taxable amount		Year 2016 Taxable amount	
Profit before taxation	18,690		16,868	
Costs not relevant for IRAP				
Financial Income/Charges	1,397		1,837	
Revenues from equity investments	(22,800)		(21,898)	
Write-downs and provisions	0		15	
Personnel cost	2,459		2,667	
Deductible personnel cost			-	
Ohers				
Total	(18,944)		(17,379)	
Theoretical taxable amount	0		0	
Taxation rate	3.90%		3.90%	
Actual tax burden		0		0
Irap previous years				(6)

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 : 1,069 thousand euro
- Board of Statutory Auditors : 73 thousand euro
- Independent auditors: 65 thousand euro

(Euro/000)	Company that provided the service	Recipient	Fees pertaining to 2017
Audit	PricewaterhouseCoopers S.p.A.	Cremonini S.p.A.	65,457
Total			65,457

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, 26 March 2018

THE CHAIRMAN

OF THE BOARD OF DIRECTORS

(Cav. Lav. 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 2017;
Annex 2	-	List of revenues and costs from/to subsidiaries, associated controlling and related companies for the 2017 financial year;
Annex 3	-	Statement of changes in tangible assets for the financial year ended as at 31 December 2017;
Annex 4	-	Statement of changes in intangible assets for the financial year ended as at 31 December 2017;
Annex 5	-	List of equity investments classified under non-current assets as at 31 December 2017;
Annex 6	-	List of equity investments in subsidiaries and associated companies as at 31 December 2017 (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 2017

(Euro/000)	Treasury		Trade		Other		Total	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	**Receivables**	**Payables**
Subsidiaries:					(a)	(b)		
As.ca. S.p.A.	-	-	147	-	-	483	**147**	**483**
Avirail Italia S.r.l. in liq.	-	-		2	-	8	**-**	**10**
Azienda Agricola Corticella S.r.l.	-	-	621	-	-	-	**621**	**-**
Chef Express S.p.A.	-	1,962	12	1,407	-	1,308	**12**	**4,677**
Cremonini Chef Iberica S.A.	-	-	-	-	-	-	**-**	**-**
Cremonini Restauration S.A.S.	-	-	-	-	-	-	**-**	**-**
E-Marco Polo (E-MP) Spa	150	-	-	-	-	-	**150**	**-**
Fiorani & C. S.p.A.	-	-	101	-	-	-	**101**	**-**
Ges.Car. S.r.l.	-	-	564	-	-	-	**564**	**-**
Global Service Logistics S.r.l. in liquidazione	-	-	-	-	-	-	**-**	**-**
Global Service S.r.l.	-	1,731	69	3	14	3	**83**	**1,737**
Guardamiglio S.r.l.	-	-	128	-	-	-	**128**	**-**
INALCA S.p.A.	-	2,486	-	1,620	-	-	**-**	**4,106**
Inalca Food & Beverage S.r.l.	-	-	-	80	-	-	**-**	**80**
Interjet S.r.l.	-	1,558	1	-	-	287	**1**	**1,845**
Italia Alimentari S.p.A.	-	-	-	865	-	-	**-**	**865**
Marr S.p.A.	-	1,258	-	347	-	765	**-**	**2,370**
Momentum Services Ltd	-	-	5	-	-	-	**5**	**-**
New Catering S.r.l.	-	-	-	91	24	-	**24**	**91**
Realbeef S.r.l.	-	-	48	-	-	-	**48**	**-**
Roadhouse S.p.A.	-	-	-	68	-	626	**-**	**694**
Roadhouse Grill Roma S.r.l.	-	-	-	1,409	203	-	**203**	**1,409**
Sara S.r.l.	-	-	-	1	-	-	**-**	**1**
Tecnostar Due S.r.l.	-	-	-	113	-	-	**-**	**113**
Total subsidiaries	**150**	**8,995**	**1,696**	**6,006**	**241**	**3,480**	**2,087**	**18,481**
Associated companies:								
Time Vending S.r.l.	-	-	27	-	-	-	**27**	**-**
							-	-
Total associated companies	**-**	**-**	**27**	**-**	**-**	**-**	**27**	**-**
Controlling companies:								
Cremofin S.r.l.	-	8,036	15	35	-	-	**15**	**8,071**
Total controlling companies	**-**	**8,036**	**15**	**35**	**-**	**-**	**15**	**8,071**

(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 2017 financial year

(Euro/000)	Revenues Financial	Services	Sales	Other (a)	Total revenues	Expenses Financial	Services	Sales	Other	Total expenses
Subsidiaries:										
Azienda Agricola Corticella S.r.l.	-	-	-	-	-	-	-	-	-	-
Chef Express S.p.A.	1	2,098	3	398	**2,500**	27	99	-	-	**126**
Chef Express UK Ltd	-	25	-	-	**25**	-	-	-	-	-
Cremonini Restauration S.A.S.	-	-	-	-	-	-	-	-	-	-
Fiorani & C. S.p.A.	-	-	-	-	-	-	-	-	-	-
Ges.Car. S.r.l.	-	-	-	-	-	-	-	-	-	-
Global Service S.r.l.	-	60	-	33	**93**	10	178	-	195	**383**
Guardamiglio S.r.l.	-	-	-	-	-	-	-	-	-	-
INALCA S.p.A.	10	1,152	2	25	**1,189**	3	35	-	-	**38**
Imprenditori per E-Marco Polo	-	-	-	-	-	-	-	-	41	**41**
Inalca Food & Beverage S.r.l.	-	55	2	54	**111**	-	-	-	-	-
Interjet S.r.l.	-	11	-	-	**11**	15	40	-	901	**956**
Italia Alimentari S.p.A.	-	282	-	1	**283**	-	23	-	-	**23**
MARR S.p.A.	-	1,222	-	23,484	**24,706**	11	4	1	1	**17**
Momentum Services Ltd	-	5	-	-	**5**	-	-	-	-	-
New Catering S.r.l.	-	6	-	-	**6**	-	-	-	-	-
Railrest S.A.	-	8	-	-	**8**	-	-	-	-	-
Realbeef S.r.l.	-	5	-	-	**5**	-	-	-	-	-
Roadhouse S.p.A.	-	752	1	93	**846**	-	1	-	-	**1**
Roadhouse Grill Roma S.r.l.	-	24	-	-	**24**	-	-	-	-	-
Sara S.r.l.	-	-	-	-	-	-	-	-	-	-
Tecnostar Due S.r.l.	-	57	-	36	**93**	-	29	-	-	**29**
Total subsidiaries	**11**	**5,762**	**8**	**24,124**	**29,905**	**66**	**409**	**1**	**1,138**	**1,614**
Associated companies:										
Quinto Valore S.c.a.r.l.	-	-	-	-	-	-	-	-	-	-
Time Vending S.r.l.	-	11	-	143	**154**	-	-	-	-	-
Total associated companies	**-**	**11**	**-**	**143**	**154**	**-**	**-**	**-**	**-**	**-**
Controlling companies:										
Cremofin S.r.l.	-	-	-	5	**5**	35	-	-	-	**35**
Total controlling companies	**-**	**-**	**-**	**5**	**5**	**35**	**-**	**-**	**-**	**35**
(a) Other revenues include dividends from subsidiaries										
Related companies:										
Banca Popolare di Vicenza	-	-	-	-	-	-	-	-	2	**2**
Totale related companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**

(a) Other revenues include dividends from subsidiaries

Annex 3

Statement of changes in tangible assets for the financial year ended as at 31 December 2017

(Euro/000)	Opening position			Changes over the period					Closing position		
	Initial cost	Depreciation provision	Balance at 31.12.2016	Merger	Acquisitions	Net decreases	Reclass./ Other changes	Depreciation	Initial cost	Depreciation provision	Balance at 31.12.2017
Land and buildings	91,796	(14,461)	77,335	-	637	-	-	(1,498)	92,433	(15,959)	76,474
Plant and machinery	6,324	(2,775)	3,549	-	647	-	-	(651)	6,971	(3,426)	3,545
Industrial and business equipment	49	(47)	2	-	-	-	-	(1)	49	(48)	1
Other assets	6,924	(4,618)	2,306	-	357	(29)	-	(412)	7,185	(4,963)	2,222
Fixed assets under construction and advances	100	0	100	-	571	-	-		671	0	671
Total	**105,193**	**(21,901)**	**83,292**	**0**	**2,212**	**(29)**	**0**	**(2,562)**	**107,309**	**(24,396)**	**82,913**

Annex 4

Statement of changes in intangible assets for the financial year ended as at 31 December 2017

(Euro/000)	Opening position			Changes over the period				Closing position		
	Initial cost	Amortization provision	Balance at 31.12.2016	Acquisitions	Net decreases	Reclass./Write-downs Other changes	Amortization	Initial cost	Amortization provision	Balance at 31.12.2017
Patents and intellectual property rights	100	(98)	2	-	-	-	(1)	101	(100)	1
Concessions, licences, trademarks and similar rights	12	(7)	5	1	-	-	(2)	13	(9)	4
Fixed assets under development and advances	0	0	0	-	-	-	-	0	0	0
Other intangible assets	0	0	0	-	-	-	-	0	0	0
Total	**112**	**(105)**	**7**	**1**	**0**	**0**	**(3)**	**114**	**(109)**	**5**

Annex 5

List of equity investments classified under non-current assets as at 31 December 2017

(Euro/000) 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	56,070					100.00	56,070	
Global Service S.r.l.	100.00	756			194		100.00	950	
INALCA S.p.A.	71.60	138,209					71.60	138,209	
Interjet S.r.l.	100.00	2,467	1,000		(901)		100.00	2,566	
MARR S.p.A.	50.42	57,937					50.42	57,937	
Imprenditori per E-Marco Polo (I-EMP)	60.00	60			(41)		60.00	19	
Total subsidiaries		**255,499**	**1,000**	**0**	**(748)**	**0**		**255,751**	
Other companies:									
Futura S.p.A.		963						963	
Banco Popolare Società Cooperativa *		0						0	
Banca Popolare di Vicenza in compulsory liquidation		3			(3)		-		
Other minor companies		67				1		68	
Total other companies		**1,033**	**0**	**0**	**(3)**	**1**		**1,031**	
Financial assets held for sale									
BPER Banca S.p.A.		4,184			(47)			4,137	
Banco Popolare Società Cooperativa *		221			32	0		253	a)
Total Financial assets held for sale		**4,405**	**0**	**0**	**(15)**	**0**		**4,390**	

a) the investment write-off has been booked in the specific equity reserve "Fair value reserve"
* Company merged in Banco BPM S.p.A. on 01/01/2017.

Annex 6

List of equity investments in subsidiaries and associated companies as at 31 December 2017 (Article 2427.5 of the Italian Civil Code).

(Euro/000) Name	Registered office	Capital stock (in Euro if not otherwise stated)	Net profit (loss) for the year ended 31.12.2017	Net equity at 31.12.2017	Percentage held at 31.12.2017	Carrying value (A)	Valuation based on NE (B)	Difference (B) - (A)
Subsidiaries:								
Chef Express S.p.A.	Castelvetro di Modena (MO)	8,500,000	3,021	31,521	100.00%	56,070	57,178	1,108
Global Service S.r.l.	Castelvetro di Modena (MO)	93,000	194	950	100.00%	950	950	(0)
INALCAS.p.A.	Castelvetro di Modena (MO)	187,017,167	7,235	414,010	71.60%	138,209	302,589	164,380
Interjet S.r.l.	Castelvetro di Modena (MO)	2,500,000	(904)	2,566	100.00%	2,566	2,566	0
MARR S.p.A.	Rimini	33,262,560	63,227	297,494	50.42%	57,937	153,643	95,706
Imprenditori per E-Marco Polo (I-EMP)	Castelvetro di Modena (MO)	100,000	(71)	26	60.00%	19	15	(4)
Total subsidiaries						**255,751**	**516,941**	**261,190**

CREMONINI S.P.A

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

Share capital 67,073,931.60 euro fully paid-up

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

Entered in the Modena Company Register under no. 00162810360

Tax code and VAT no. 00162810360

* * *

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

drawn up pursuant and consequent to

Art. 2429.2 of the Italian Civil Code

This report was approved by the Board in time for its filing at the company's registered office in the 15 days preceding the date of the first call for a shareholders' meeting to approve these financial statements.

The Board of Directors has thus made the following documents approved on 26/03/2018 available, relating to the year ended as at 31 December 2017:

Draft financial statements, complete with explanatory notes and cash flow statement;

Directors' Report

Knowledge of the company, risk assessment and report on the appointments

The Board of Statutory Auditors, acknowledging by this time their consolidated knowledge, declares in connection with the company and as far as concerns:

i) the typology of work carried out;

ii) the organizational and accounting structure.

This report therefore summarises the business concerning the information provided in Art. 2429.2 of the Civil Code and more specifically,

- on theresults;
- on thecarried out in the fulfilment of the duties provided by the legislation;
- on observations and the proposals regarding the financial statements, with particular reference to possible utilisation by the Board of Directors of the exception mentioned in Art. 2423.4 of the Civil Code and the possible receipt of reports made by shareholders mentioned in Art. 2408 of the Civil Code.

The work carried out by the Board regarded the entire year and during the year the meetings mentioned in Art. 2404 of the Civil Code were regularly conducted and for such meetings appropriate minutes were prepared, duly signed, for unanimous approval.

Work carried out

The Board obtained knowledge of the evolution of the company's business during its periodic checks, paying particular attention to the problems of a contingent and/or extraordinary nature for the purpose of identifying the financial impact on the results for the year and equity structure. The Board therefore periodically evaluated the adequacy of the company's organizational and functional structure and any changes with respect to the anticipated minimum requirements from the company's performance.

The relationships with the persons operating in the aforesaid structure - directors employees and external consultants- are inspired by the reciprocal collaboration in compliance with the roles to which each is entrusted, the Board of Statutory Auditors having clarified those.

The Board of Statutory Auditors is able to observe for the full duration of the financial year that:

- the internal administrative personnel appointed for recording corporate events has not substantially changed with respect to the previous year and is updated;
- the level of their technical preparation updated with respect to the types of ordinary corporate events to be recorded can claim sufficient knowledge of the corporate issues;
- the external consultants and professionals for accounting, tax, corporate and legal assistance have not changed and accordingly have historical knowledge of the work and management issues, including extraordinary ones, which have influenced the financial statements results.

The information required by Art. 2381.5 of the Civil Code. was provided by the Chief Executive Officer, with frequency exceeding the minimum fixed at 6 months. On the occasion of the Board of Directors' meetings to approve the interim management cash flow statements prepared quarterly, and both through the programmed meetings of the Board and by telephonic and information systems contacts/information flows with members of the Board of Directors: from all the above it is clear that the executive directors have, in substance and form, respected that imposed thereon by the aforesaid legislation.

In conclusion, for that it was possible to observe during the work carried out during the financial year, the Board of Statutory Auditors can establish that:

- the decisions made by the shareholders and the Board of Directors conformed to the law and Bylaws and clearly there were no imprudent actions such as to definitively compromise the integrity of the shareholders' equity;
- sufficient information was acquired relating to the general company performance and its outlook, as well as on the transactions of greater significance , by size or characteristics, conducted by the company in 2017 and the first few months of the current year;
- the transactions conducted also conformed to the law and Bylaws and did not potentially contrast with resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the shareholders' equity;
- we have not discovered atypical and/or unusual corporate transactions conducted with third parties or related parties during the course of the financial year. The Inter-group transactions and those with related parties realised in 2017, which are adequately described in the explanatory notes to the financial statements, form part of normal management and were regulated at market conditions;
- no specific observations are made in connection with the company's organisational structure, nor the adequacy of the administrative and accounting system, as well as the latter's reliability in correctly representing the operational events;
- during the supervision work, as described above, no further significant facts arose such as to require notification in this report;
- it was not necessary to intervene regarding omissions of the Board of Directors pursuant to Art. 2406 of the Civil Code;
- The Board of Statutory Auditors acknowledge that the Board of Directors stated the safeguards put into place for risk management and uncertainties to which the company is exposed in its Report;
- no reports were received pursuant to Art. 2408 of the Civil Code; the Board has not issued opinions during the course of the financial year.

- **Observations and proposals regarding the financial statements and their approval**

The draft financial statements for the year ended at 31 December 2017 were approved by the Board of Directors and constitute the Statement of Assets and Liabilities, Income Statement, Cash Flow Statement and Explanatory Notes.

Furthermore:

- The Board of Directors has also prepared the Directors' Report mentioned in Art. 2428 7 of the Civil Code.
- these documents were delivered to the Board of Statutory Auditors in time in order that they are filed at the company's registered office with this report, and this independently of the term provided in Art. 2429.1 of the Civil Code.
- the audit is entrusted to PricewaterhouseCoopers s.p.a., which has prepared its report pursuant to Art. 14 of Legislative Decree no. 39 of 27 January 2010. The report, issued on 13/04/2018 does not include observations on significant deviations, or rather negative opinions or the impossibility of giving an opinion or disclosure references and the opinion issued is consequently positive.

The draft financial statements were therefore examined in connection with which the following further information is again provided:

- the financial statements for the year were prepared in accordance with international accounting standards (IAS/IFRS), pursuant to the directives of Legislative Decree. 38/2005 implemented by regulation EC no. 1606/2002 of the European Parliament and Council of 19/07/2002.
- the measurement criteria of the assets and liabilities items were checked and do not substantially differ from those adopted in the preceding financial years, with the exception of the accounting standards, amendments and interpretations applicable from 1 January 2017, amendments IAS 12 and IAS 17, which nevertheless have no impacts on these financial statements;
- observance of the legal regulations inherent in the preparation of the Directors' Report was verified and, in this connection we have no observations that must be shown in this report;
- the Board of Directors, in the preparation of the financial statements, has not disregarded the legal regulations pursuant to Art. 2423.5 of the Civil Code in the compatibility with the international accounting standards;
- the correspondence of the financial statements to the events and information was verified, at which we were aware following performance of the typical duties of the Board of Statutory Auditors and in this connection further observations are not given;
- the information required by Art. 2427-bis of the Civil Code, relative to derivative instruments, was provide in the explanatory notes ;
- It is acknowledged that on 19 December 2017 the company's Board of Directors approved the updating of the Organisational Model and Code of Ethics, pursuant to Legislative Decree 231/01, for the purpose of adoption of the new offences introduced in the legislation.
- information from the Supervisory Board was acquired, we have seen the latter's Annual Report issued on16/03/2018 and no criticalities emerged with respect to the Organisational Model that must be shown in

this report.

The results for the year

The net profit (loss) established by Board of Directors relating to the year ended as at 31 December 2017, as also shown from reading the financial statements, was a profit of 19,157,255.66 euro.

Regarding the Board of Directors' proposal on allocation of the net profit in the Directors' Report, the Board does not have observations; however it notes that the decision in this connection must be made by the Shareholders' Meeting.

Conclusions

Based on that shown above, brought to the attention of the Board of Statutory Auditors and discovered from the periodic checks carried out, it is unanimously considered that there are no impediments to your approval of the draft financial statements for the year ended as at 31 December 2017, as prepared and proposed to you by the Board of Directors.

Castelvetro (MO), 13/04/2018

The Board of Statutory Auditors

Eugenio Orienti (Chairman)_____signed_________________

Paola Simonelli (Statutory auditor)_____signed__________

Giulio Palazzo (Statutory auditor)_______signed____________

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of Cremonini SpA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cremonini SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in the shareholders' equity, the cash flows statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

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- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

Management of the company is responsible for preparing a report on operations of Cremonini SpA as of 31 December 2017, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Cremonini SpA as of 31 December 2017 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Cremonini SpA as of 31 December 2017 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 13 April 2018

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

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

CREMONINI GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

Consolidated financial statements as at 31 December 2017

Consolidated Statement of Financial Position - Assets

(Euro/000)	Note	**Year 2017**	Year 2016
Non-current assets			
Tangible assets	1	977,975	941,481
Goodwill	2	201,911	194,938
Other intangible assets	3	26,165	25,517
Investments valued at equity	4	6,267	6,491
Investments in other companies	5	9,653	9,714
Financial assets held for sale		17,997	10,241
Financial instruments / Derivatives	18	586	5,401
Non-current financial receivables	6	13,256	3,256
relating to related parties		12,069	*1,073*
Deferred tax assets	7	5,811	6,962
Other non-current assets	8	38,689	41,164
Total non-current assets		**1,298,310**	**1,245,165**
Current assets			
Inventories	9	401,158	366,904
Biological assets	10	40,597	40,180
Current financial receivables	11	9,638	9,286
relating to related parties		*5,678*	*6,275*
Current trade receivables	12	563,866	567,303
relating to related parties		*4,967*	*5,227*
Current tax assets	13	27,500	31,673
Financial assets held for sale		4,390	4,405
Financial instruments / Derivatives	18	11	236
Cash and cash equivalents	14	269,593	238,730
Other current assets	15	78,532	66,193
relating to related parties		*0*	*24*
Total current assets		**1,395,285**	**1,324,910**
Total assets		**2,693,595**	**2,570,075**

Consolidated financial statements as at 31 December 2017

Consolidated Statement of Financial Position - Liabilities

(Euro/000)	Note	**Year 2017**	Year 2016
Shareholders' Equity			
Share capital	16	67,074	67,074
Reserves	16	(25,155)	(18,045)
Retained earnings		434,579	390,251
Result for the period		45,394	51,390
Shareholders' Equity attributable to the Group		521,892	490,670
Minority interests' capital and reserves		274,611	263,050
Profit for the period attributable to minority		39,110	41,407
Shareholders' Equity attributable to minority		313,721	304,457
Total Shareholders' Equity		**835,613**	**795,127**
Non-current liabilities			
Non-current financial payables	17	572,773	592,427
Financial instruments / Derivatives	18	106	-
Employee benefits	19	25,947	29,057
Provisions for risks and charges	20	14,737	15,159
Deferred tax liabilities	21	48,862	49,787
Other non-current liabilities	22	1,380	11,574
Total non-current liabilities		**663,805**	**698,004**
Current liabilities			
Current financial payables	23	414,655	348,803
relating to related parties		*8,386*	*5,459*
Financial instruments / Derivatives	18	1,239	2,202
Current tax liabilities	24	19,073	20,837
Current trade liabilities	25	658,836	607,238
relating to related parties		*571*	*969*
Other current liabilities	26	100,374	97,864
relating to related parties			*14*
Total current liabilities		**1,194,177**	**1,076,944**
Total liabilities		**2,693,595**	**2,570,075**

Consolidated financial statements as at 31 December 2017

Income statement

(Euro/000)	Note	Year 2017	Year 2016
Revenues	27	3,961,439	3,633,625
relating to related parties		*15,384*	*20,713*
Other revenues	28	69,806	67,841
relating to related parties		*430*	*101*
Other revenues - Non recurring		-	-
Change in inventories of finished and semi-		(6,655)	(8,281)
Capitalisation of internal construction costs		7,107	3,842
Costs for purchases	29	(2,753,604)	(2,499,576)
relating to related parties		*(8,612)*	*(34,582)*
Other operating costs	30	(609,681)	(571,271)
relating to related parties		*(2,529)*	*(1,974)*
Other operating costs - Non recurring		-	-
Personnel costs	31	(397,384)	(357,682)
Amortization and depreciation	32	(81,143)	(71,081)
Write-downs and provisions	32	(28,849)	(27,150)
Revenues from equity investments		545	720
relating to related parties			*(142)*
Financial (Income)/Charges	33	(28,579)	(27,197)
relating to related parties		*(35)*	*(37)*
Financial (Income)/Charges - Non recurring		-	-
Result before taxes		**133,002**	**143,790**
Income taxes	34	(48,498)	(50,993)
Result before minority interests		**84,504**	**92,797**
Result attributable to minority interests		(39,110)	(41,407)
Result for the period attributable to the		45,394	51,390

Statement of conprehensive income

(Euro/000)	Year 2017	Year 2016
Result before minority interests	**84,504**	**92,797**
Items to be reclassified to profit or loss in subsequent periods:		
Fair value valuation financial assets available for sale	(15)	(608)
Efficacious part of profits/(losses) on cash flow hedge instruments	916	(3,317)
Tax effect	(230)	856
Items not to be reclassified to profit or loss in subsequent periods:		
Efficacious part of profits/(losses) on cash flowhedge instruments	105	(625)
Translation effects of the financial statements expressed in foreign currencies	(14,288)	4,758
Tax effect	(29)	172
Comprehensive Income	**70,963**	**94,033**
Result attributable to minority interests	(32,679)	(44,920)
Result for the period attributable to the Group	38,284	49,113

Statement of changes in consolidated shareholders' equity as at 31 December 2017

(Euro/000)	Share capital	Nominal value treasury stock in portfolio	Total Share capital	Share premium reserve	Legal reserve	Other Reserves: Reserve for IAS adjustments	Other Reserves: Reserve for trading treasury stock	Other Reserves: Reserve translation differences	Other Reserves: Deficit Merger	Other Reserves: Reserve Actuarial Gain Losses	Other Reserves: Cash flow hedge reserve	Other Reserves: Cash flow hedge reserve	Total Reserves	Profits (Losses) carried forward	Result attributable to the Group	**Shareholders' Equity attributable to Group**	Minority interests' capital and reserves	Result attributable to minority interests	**Shareholders' Equity attributable to minority interests**	**Total**
Balances at 31 December 2015	**67,074**	**0**	**67,074**	**78,280**	**14,749**	**79,036**	**0**	**(39,806)**	**(146,379)**	**(2,426)**	**0**	**(562)**	**(17,108)**	**338,738**	**55,129**	**443,833**	**228,984**	**38,361**	**267,345**	**711,178**
Allocation of the results of previous year:																				
- retained earnings reserve													**0**	55,129	(55,129)	**0**	38,361	(38,361)	**0**	**0**
- distribution of dividends													**0**			**0**	(22,713)		**(22,713)**	**(22,713)**
- distribution of dividends from INALCA																				
								1,340					**1,340**							
Change in the scope of consolidation and other operations with minority shareholders														(3,616)		**(2,276)**	14,905		**14,905**	**12,629**
Consolidated comprehensive income																**0**				
- Profit for the period													**0**		51,390	**51,390**		41,407	**41,407**	**92,797**
- Other Profits/Losses, net of taxes								(450)		(283)	(608)	(936)	**(2,277)**			**(2,277)**	3,513		**3,513**	**1,236**
Balances 31 December 2016	**67,074**	**0**	**67,074**	**78,280**	**14,749**	**79,036**	**0**	**(38,916)**	**(146,379)**	**(2,709)**	**(608)**	**(1,498)**	**(18,045)**	**390,251**	**51,390**	**490,670**	**263,050**	**41,407**	**304,457**	**795,127**
Allocation of the results of previous year:																				
- retained earnings reserve													**0**	51,390	(51,390)	**0**	41,407	(41,407)	**0**	**0**
- distribution of dividends													**0**	(6,449)		**(6,449)**	(24,187)		**(24,187)**	**(30,636)**
Change in the scope of consolidation and other operations with minority shareholders													0	(613)		(613)	772		772	159
Consolidated comprehensive income																				
- Profit for the period															45,394	45,394		39,110	39,110	84,504
- Other Profits/Losses, net of taxes								(7,263)	0	52	(15)	116	(7,110)			(7,110)	(6,431)		(6,431)	(13,541)
Balances 31 December 2017	**67,074**	**0**	**67,074**	**78,280**	**14,749**	**79,036**	**0**	**(46,179)**	**(146,379)**	**(2,657)**	**(623)**	**(1,382)**	**(25,155)**	**434,579**	**45,394**	**521,892**	**274,611**	**39,110**	**313,721**	**835,613**

Consolidated Cash Flow Statements (indirect method)

(Euro/000)	31.12.2017	31.12.2016
Net profit before minority interests	**84,504**	**92,797**
Amortization and depreciation	81,143	71,081
Amortization and depreciation	2,040	1,017
Net change in other provisions and non-monetary income items	40,892	39,020
Reversal of the effects from extraordinary transactions	0	0
Net change in Staff Severance Provision	(11,452)	(25,888)
Changes in working capital:		
(Increase) decrease in receivables from customers	(13,300)	26,895
(Increase) decrease in inventories	(33,109)	3,041
Increase (decrease) in payables to suppliers	42,578	(47,262)
(Increase) decrease in other items of the working capital	(12,702)	5,335
Net effects from the change in consolidation area	0	0
Cash-flow from operating activities (A)	**180,594**	**166,036**
Net (investments) in tangible assets	(120,346)	(108,826)
Net (investments) in intangible assets	(4,841)	(10,057)
Financial flow acquisition and disposal of shareholding or branch of business net of cash and cash equivalent	(2,657)	(130,961)
Net change in other non current assets	(12,088)	977
Net effects from the change in consolidation area	0	0
Cash-flow from investment activities (B)	**(139,932)**	**(248,867)**
Increase (Decrease) medium-long term borrowings	(37,857)	81,090
Increase (Decrease) medium-long term liabilities for derivatives	106	0
Increase (Decrease) short term borrowings	64,886	69,784
Changes in other securities and other financial assets	275	3,838
Increase (Decrease) short term liabilites for derivatives	(738)	5,136
Cash-flow from distribution of dividends	(30,636)	(22,713)
Capital increase and other changes in equity	(5,835)	1,010
Cash flow from financing activities (C)	**(9,799)**	**138,145**
Cash Flow of the year (D=A+B+C)	**30,863**	**55,314**
Cash and cash equivalents at the beginning of the period (E)	238,730	183,416
Cash and cash equivalents at the end of the period (F=D+E)	**269,593**	**238,730**

Consolidated financial statements as at 31 December 2017

Notes

Form and content of the consolidated financial statements

The consolidated financial statements as at 31 December 2017 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 26 March 2018.

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;

- 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 2017 shows the figures for the financial year ended as at 31 December 2016.

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;
- 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.

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 2017 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.

Control is obtained when the Group has, or has the right to, variable yields deriving from its relationship with the entity in which it has an investment and, at the same time, it has the capacity to impact on such income by exercising its power over such entities.

Specifically, the Group controls a partially owned company if, and only if, the Group has:
- the power over the entity in which it has an investment (or else holds valid rights that gives it the current capacity to direct the significant activities of such entity);
- recognition or the rights to variable returns deriving from the relationship with the investee entity;
- the capacity of exercising power over the investee entity to impact on the amount of its returns.

Generally, there is a presumption that the majority of the voting rights involves control. Supporting this presumption is that when the Group holds less than the majority of the voting rights (or similar rights), the Group considers all the relevant facts and circumstances to establish if control of the investee entity includes:
- contractual arrangements with other owners with voting rights;
- deriving from contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group considers whether or not there is control of a partially owned company if the facts and circumstances indicate that there were changes in one or more of the three relevant elements for the purposes of the definition of control.

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

Agrosakmara Llc
Bottega Mediterranea Sdn Bhd
Consorzio produttori della Culatta di Busseto
Fabri Fine Italian Foods Pty Ltd
Fratelliditalia SA
Imprenditori per E-Marco Polo (I-EMP) S.r.l.
Inalca Foods Nig Limited (inactive being cancelled)
Inalca Food & Beverage (Shanghai) Co Ltd
Inalca Food service Kaz Llp
Italia Alimentari Canada Ltd in start up
Montana Farm S.p.z.o.o. (in liquidation)
PeckInalca Lda
Quinto Valore S.c.a.r.l.
Shanghai Chef Express Rail Catering Management Company Ltd
Sociedade de Carnes e Derivados de Angola S.A.

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 2017, 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.

Specifically, with respect to 31 December 2016, the following companies were included in the scope of the consolidation:

- Speca Alimentari S.r.l. subsidiary held 100% by MARR S.p.A.;
- Inalca Food & Beverage China Holding Ltd subsidiary held 55% by Inalca Food & Beverage S.r.l.;
- Top Best International Holding Ltd. subsidiary held 65% by Inalca Food & Beverage China Holding Ltd;
- Zhongshan Inalca Food & Beverage Co Ltd subsidiary held 100% by Inalca Food & Beverage China Holding Ltd;
- Bright View Trading Hong Kong Ltd subsidiary held 57.3% by Inalca Food & Beverage S.r.l.;
- Inalca Food & Beverage Malaysia Holding Sdn Bhd subsidiary held 100% by Inalca Food & Beverage S.r.l.;
- Inalca F&B Sdn Bhd subsidiary held 100% by Inalca Food & Beverage Malaysia Holding Sdn Bhd;
- Cibo Sapiens S.r.l. subsidiary held 100% by Italia Alimentari S.p.A.

Lastly, the following changes took place in the scope of consolidation with respect to 31 December 2016:

- the increase in the equity investment in Inalca Food & Beverage North America Llc from 60% to 80%;
- the increase in the equity investment in Inalca Food & Beverage Cabo Verde Lda from 55% to 99.4%;
- the exit from the scope of the consolidation of Shanghai Chef Express Rail Catering Management Company Ltd, Pappabuona S.r.l. and Bottega Mediterranea Sdn Bhd;
- the merger of Capo d'Orlando S.r.l. with INALCA S.p.A.;
- the increase in the equity investment in ITAUS Pty Ltd from 60% to 100%;
- the increase in the equity investment in Fresco Gourmet Pty Ltd from 60% to 100%;
- the increase in the equity investment in Bell Carni S.r.l. from 66,67% to 100%;
- the increase in the equity investment in Tecno- star due S.r.l. from 60% to 100%;
- the increase in the equity investment in Zaklady Miesne Sochocin S.p.z.o.o Llc from 99.95% to 100%;
- the decrease in the equity investment in Inalca Kinshasa S.p.r.l. from 55% to 51%.
- the reduction in the equity investment in IF&B Thailand from 99.9% to 84.9% following a capital increase reserved for third parties.

Changes in accounting standards

The new IFRSs and IFRICs adopted by the EU, in effect from 1 January 2017, 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. Please also refer to the description in the Directors' Report.

New accounting standards, amendments and interpretations applicable in 2017

The measurement criteria used for preparing the 2017 financial statements do not depart from those used for preparing the financial statements as at 31 December 2016, with the exception of the accounting standards, amendments and interpretations listed below applicable from 1 January 2017, but which have not been applied in the Group's financial statements.
- Amendments to IAS 12 - Income taxes. The IASB clarifies how deferred tax assets relating to unrealised losses on fair value debt instruments that give rise to the creation of deductible timing difference, when the owner of the instrument expects to hold it up to due date, must be accounted for.
- Amendments to IAS 7 - Cash Flow Statement. The improvements regarding the information to be provided relative to the changes in loans payable that derive both from financial flows and not from cash flows (for example profits/losses on exchange rates). The Cash Flow Statement was updated as required and provided with the reconciliation of the opening and closing balances of the liabilities deriving from loan assets, as requested in paragraph 44A (please refer to Appendix 3 of these Notes).

Accounting standards, amendments and interpretations applicable to future financial statements

The standards and the interpretations that had already been issued but not yet in force at the time of drafting these financial statements are presented below.

- IFRS 9 - Financial Instruments. In July 2014, the IASB issued the final version of IFRS 9: Financial Instruments, which reflects all phases of the project in relation to financial instruments and replaces IAS 39 Financial Instruments recognition and measurement and all previous versions of IFRS 9. This standard introduces new requirements for the classification, measurement, impairment and hedge accounting. IFRS 9 is effective for the periods beginning on 1 January, 2018 or later. The Group does not expect significant impacts from the application of this standard.
- IFRS 15 (and subsequent clarifications issued on 12 April, 2016) - Revenue from contracts with customers. This IFRS was issued in May 2014 and introduces a new five-stage model that will apply to revenue from contracts with customers. IFRS 15 provides for the recognition of revenues in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services to the customer. This standard provides a more structured approach to the recognition and measurement of revenue, replacing all current requirements in other IFRSs on revenue recognition. IFRS 15 is effective for financial years beginning on 1 January, 2018 or later, with full or modified retrospective application. Early application is allowed. The Group does not expect significant impacts from the application of this standard.
- IFRS 16 – *Leases.* Standard published by the IASB on 13 January, 2016, to replace IAS 17 - Leasing as well as IFRIC 4 interpretations- Determining whether an arrangement contains a lease, SIC 15 – Operating Leases - Incentives and SIC 27 - Evaluating the substance of transactions in the legal form of a lease. The new standard provides a new lease definition and introduces a criterion based on the right to use an asset to make a distinction between leasing contracts and service contracts by identifying as criteria: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to manage the use of the asset underlying the contract. Its application is scheduled for 1 January, 2019. An early application is permitted for entities that apply IFRS15. The company is assessing the impacts of this new standard on its own financial statements.
- Amendments to IFRS 2 - Clarifications of classification and measurement of share based payment transactions. The above amendment will apply from 1 January 2018 and deals with the following issues identified by the IFRS Interpretation Committee: (i) accounting for a plan of payment through defined benefit shares that includes the achievement of results; ii) the payment based on shares in which the adjustment mode is related to future events; (Iii) payments based on shares settled net of tax deductions; Iv) the transition from a stock-based remuneration mode. These amendments are not applicable to the Group's

financial statements.

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. This amendment will be applicable from 1 January 2018 and deals with concerns arising from the application of IFRS 9 on financial instruments before the introduction of new insurance contractual standards. Two options are also provided for companies that subscribe insurance contracts with reference to IFRS 4: (a) an option allowing companies to reclassify certain revenues or costs from determined financial assets from the income statement to the statement of comprehensive income; (Ii) a temporary exemption from the application of IFRS 9 whose main activity is the signing of contracts as described in IFRS 4. These amendments are not applicable to the Group's consolidated financial statements.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration. The interpretation (which will be effective from 1 January, 2018) deals with foreign currency transactions in the event that an entity recognises a non-monetary asset or liability arising from the payment or receipt of an advance before the entity recognises the relevant asset, cost or income. The definition does not apply to taxes, insurance or reinsurance contracts.
- Amendments to IAS 40 regarding transfers of investment property. The amendment (effective from 1 January 2018) provides (i) that paragraph 57 of IAS 40 is amended by stipulating that an entity must transfer a property from, or to, the category of real estate investment only when there is evidence of a change in use. (ii) The list of examples given in paragraph 57 (a) to (d) is redefined as a list of non-exhaustive examples. This IFRIC is not applicable to the Group's consolidated financial statements.
- Improvements to the International Financial Reporting Standards (2014-2016). These are part of the yearly policies improvement programme and will enter into force on 1 January 2018. The improvements concerned:
- IFRS 1 the short-term exemptions provided in paragraphs E3-E7 have been deleted, as the relief provided in those paragraphs had served its intended purpose;
- IFRS 12 the purpose of the Standard is clarified by specifying that disclosure requirements, except for those provided in paragraphs B10-B16, apply to the interests of an entity listed in paragraph 5 that are classified as held for sale, for distribution or as a discontinued operation pursuant to IFRS5;
- IAS 28 clarifies that the decision to measure at fair value through the profit and loss account an investment in a subsidiary or joint venture held by a venture capital company is possible for all investments in subsidiaries or joint ventures from their initial recognition.
- Amendments to IFRS 9 - Financial Instruments. The amendments, published in October 2017, relate to "Prepayment Features with Negative Compensation" that permit application of the amortised cost, or fair value, through other comprehensive income (OCI) for financial assets with an option of negative compensation;
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures. The amendments define that for the long-term receivables from an associated company or joint venture that, substantially, form part of the investment in the associated company or joint venture, IFRS 9 must be applied;
- IFRIC 23 - Uncertainty over Income Tax Treatments. This interpretation provides indications on how to reflect income taxes, with uncertainties on the tax treatment of a determined phenomenon, in the accounting. IFRIC 23 shall come into force on 1 January 2019.

Lastly, it is noted that on 12 December 2017 the IASB published the Annual Improvements to IFRS (2015 – 2017 cycle), which include amendments to IAS 12 - Income Taxes, IAS 23 - Borrowing Costs, 'IFRS 3 - Business Combinations and 'IFRS 11 - Joint Arrangements.

Accounting policies

The measurement criteria used to prepare the consolidated financial statements as at 31 December 2017 were those used to prepare the consolidated financial statements as at 31 December 2016, 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: the intangible assets are traceable to a legal or contractual right, or 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, while those purchased by business combination are entered at fair value at the acquisition date. 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 financial 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.

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.

De-recognition

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 value in use 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 cannot 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.

De-recognition 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 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 instruments utilised is determined on an arm's length basis, should it be possible to identify an active market for these. If, instead, the market value of a financial instrument is not easily identifiable, but can be identified by its components or a similar instrument, the market value is determined by the measurement of the individual components of the instrument or of the similar instrument. Furthermore, the measurement of instruments, for which it is not possible to easily identify an active market, is determined by referring to the value obtained from generally accepted models and techniques, which ensure a reasonable approximation of 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;
V. on disposal of a foreign operation, the part of the comprehensive income statement referring to such foreign operation is recognised in the income statement.

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 rates		Average exchange rates	
	2017	2016	**2017**	2016
Dollars (USA)	1.19930	1.05410	1.12968	1.10690
Dinars (Algeria)	137.83430	116.37897	125.31945	121.09718
Readjustado Kwanza (Angola)	198.90600	175.75716	187.45064	182.07854
New Metical (Mozambique)	70.66000	75.19949	71.69338	69.31561
Renminbi (China)	7.80440	7.32020	7.62900	7.35222
Roubles (Russia)	69.39200	64.30000	65.93825	74.14457
Pounds (United Kingdom)	0.88723	0.85618	0.87667	0.81948
Zloty (Poland)	4.17700	4.41030	4.25701	4.36321

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 liabilities 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:

(Euro/000)	**Year 2017**	Year 2016	Change total value	Change %

Production

Net revenues	1,887,545	1,686,018	201,527	11.95
Intercompany revenues	80,678	74,730		
Total revenues	1,968,223	1,760,748	207,475	11.78
Gross operating margin	109,101	119,095	(9,994)	(8.39)
Amortization, depreciation and write-downs	(56,809)	(52,712)	(4,097)	7.77
Operating profit (loss)	52,292	66,383	(14,091)	(21.23)

Distribution

Net revenues	1,568,673	1,501,613	67,060	4.47
Intercompany revenues	55,886	42,784		
Total revenues	1,624,559	1,544,397	80,162	5.19
Gross operating margin	115,992	110,955	5,037	4.54
Amortization, depreciation and write-downs	(18,213)	(17,455)	(758)	4.34
Operating profit (loss)	97,779	93,500	4,279	4.58

Catering

Net revenues	572,967	511,267	61,700	12.07
Intercompany revenues	364	405		
Total revenues	573,331	511,672	61,659	12.05
Gross operating margin	47,954	42,449	5,505	12.97
Amortization, depreciation and write-downs	(31,607)	(24,738)	(6,869)	27.77
Operating profit (loss)	16,347	17,711	(1,364)	(7.70)

Holding company property and centralized activ

Net revenues	2,061	2,569	(508)	(19.77)
Intercompany revenues	9,740	9,208		
Total revenues	11,801	11,777	24	0.20
Gross operating margin	(1,416)	(1,929)	513	(26.59)
Amortization, depreciation and write-downs	(3,362)	(2,976)	(386)	12.97
Operating profit (loss)	(4,778)	(4,905)	127	(2.59)

Consolidation adjustment

Total revenues	*(146,668)*	*(127,128)*		
Gross operating margin	*0*	*0*		
Amortization, depreciation and write-downs	*0*	*0*		
Operating profit (loss)	*0*	*0*		

Total

Total revenues	4,031,246	3,701,466	329,780	8.91
Gross operating margin	271,631	270,570	1,061	0.39
Amortization, depreciation and write-downs	(109,991)	(97,881)	(12,110)	12.37
Operating profit (loss)	161,640	172,689	(11,049)	(6.40)

Revenues from sales and service by geographic area

Year 2017 - (Euro/000)	Production	%	Distribution	%	Catering	%	Other	%	Total	%
Italy	1,107,552	59.4	1,420,221	92.8	455,898	80.6	1,413	93.1	2,985,084	75.4
European Union	268,250	14.4	66,307	4.3	103,742	18.4	104	6.9	438,403	11.0
Extra-EU countries	488,292	26.2	43,816	2.9	5,844	1.0	-	-	537,952	13.6
Total	1,864,094	100.0	1,530,344	100.0	565,484	100.0	1,517	100.0	3,961,439	100.0

Year 2016 - (Euro/000)	Production	%	Distribution	%	Catering	%	Other	%	Total	%
Italy	958,785	57.4	1,364,089	93.4	393,110	78.2	1,719	100.0	2,717,703	74.8
European Union	226,966	13.6	59,327	4.1	106,280	21.1	-		392,573	10.8
Extra-EU countries	483,299	29.0	36,757	2.5	3,293	0.7	-		523,349	14.4
Total	1,669,050	100.0	1,460,173	100.0	502,683	100.0	1,719	100.0	3,633,625	100.0

Consolidated statement of assets and liabilities structure by business sector

As at 31 December 2017 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Intercompany revenues	Total
Intangible assets	36,258	143,367	48,388	64	-	228,077
Tangible assets	587,305	62,012	244,879	83,779	-	977,975
Equity investments and other financial assets	28,756	1,589	1,745	1,083	-	33,173
Total fixed assets	**652,319**	**206,968**	**295,012**	**84,926**	**0**	**1,239,225**
Trade net working capital						
- Trade receivables	178,134	364,420	33,427	10,155	(28,636)	557,500
- Inventories	280,880	147,453	13,213	1	208	441,755
- Trade payables	(228,427)	(279,790)	(117,706)	(8,465)	29,392	(604,996)
Total trade and net working capital	**230,587**	**232,083**	**(71,066)**	**1,691**	**964**	**394,259**
Other current assets	22,729	47,613	21,149	3,482	(4,521)	90,452
Other current liabilities	(45,046)	(13,111)	(36,888)	(5,339)	3,557	(96,827)
Net working capital	**208,270**	**266,585**	**(86,805)**	**(166)**	**0**	**387,884**
Staff Severance Indemnity Provision and other m/l-term provisions	**(63,438)**	**(24,786)**	**(9,466)**	**8,144**	**-**	**(89,546)**
Net invested capital	**797,151**	**448,767**	**198,741**	**92,904**	**0**	**1,537,563**

As at 31 December 2016 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Intercompany revenues	Total
Intangible assets	34,579	136,057	49,784	35	-	220,455
Tangible assets	588,022	62,815	205,682	84,961	-	941,480
Equity investments and other financial assets	16,944	2,077	1,776	1,126	-	21,923
Total fixed assets	**639,545**	**200,949**	**257,242**	**86,122**	**0**	**1,183,858**
Trade net working capital						
- Trade receivables	189,528	362,399	30,849	3,704	(23,663)	562,817
- Inventories	252,461	142,278	12,276	1	68	407,084
- Trade payables	(212,700)	(269,733)	(95,935)	(6,930)	24,488	(560,810)
Total trade and net working capital	**229,289**	**234,944**	**(52,810)**	**(3,225)**	**893**	**409,091**
Other current assets	25,979	52,086	19,957	4,711	(6,250)	96,483
Other current liabilities	(45,309)	(14,019)	(32,830)	(7,361)	5,357	(94,162)
Net working capital	**209,959**	**273,011**	**(65,683)**	**(5,875)**	**0**	**411,412**
Staff Severance Indemnity Provision and other m/l-term provisions	**(65,981)**	**(25,076)**	**(9,198)**	**6,253**	**-**	**(94,002)**
Net invested capital	**783,523**	**448,884**	**182,361**	**86,500**	**0**	**1,501,268**

Net consolidated debt broken down by sector

As at 31 December 2017 (Euro/000)	Production	Distribution	Catering	Holding and centraliz. activities	Total
Payables to banks, bonds and other financial institutions					
- due within 12 months	(207,320)	(120,169)	(36,822)	(62,129)	(426,440)
- due between 1 and 5 years	(194,983)	(168,207)	(94,413)	(26,589)	(484,192)
- due beyond 5 years	(2,212)	(27,487)	(39,940)	0	(69,639)
Total payables to banks, bonds and other financial institutions	**(404,515)**	**(315,863)**	**(171,175)**	**(88,718)**	**(980,271)**
Liquidity					
- cash and cash equivalents	67,084	156,285	46,042	182	269,593
- other financial assets	6,898	709	971	150	8,728
Total liquidity	**73,982**	**156,994**	**47,013**	**332**	**278,321**
Securitization and internal treasury current accounts	**2,487**	**1,258**	**1,962**	**(5,707)**	**0**
Total net debt	**(328,046)**	**(157,611)**	**(122,200)**	**(94,093)**	**(701,950)**

As at 31 December 2016 (Euro/000)	Production	Distribution	Catering	Holding and centraliz. activities	Total
Payables to banks, bonds and other financial institutions					
- due within 12 months	(146,785)	(118,559)	(36,315)	(60,633)	(362,292)
- due between 1 and 5 years	(232,511)	(145,697)	(78,013)	(41,642)	(497,863)
- due beyond 5 years	(22,456)	(31,226)	(39,432)	(605)	(93,719)
Total payables to banks, bonds and other financial institutions	**(401,752)**	**(295,482)**	**(153,760)**	**(102,880)**	**(953,874)**
Liquidity					
- cash and cash equivalents	76,881	114,160	37,251	10,438	238,730
- other financial assets	6,354	919	1,730	-	9,003
Total liquidity	**83,235**	**115,079**	**38,981**	**10,438**	**247,733**
Securitization and internal treasury current accounts	**2,893**	**2,930**	**2,081**	**(7,904)**	**0**
Total net debt	**(315,624)**	**(177,473)**	**(112,698)**	**(100,346)**	**(706,141)**

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.

- <u>Estimates adopted for the purposes of measuring impairment of assets</u>

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:

- 5.5% for the valuation of the goodwill of Chef Express S.p.A.;
- 6.3% for the valuation of the goodwill of INALCA S.p.A.;
- 4.51% for the valuation of the goodwill of MARR S.p.A.;

Any impairments of assets were measured (impairment tests on goodwill) annually as at 31 December 2017.

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

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

- discounting rate utilised was:
  - 0.88% [1](duration 7–10);
  - 1.30% [2] (duration 10+);
- the anticipated inflation rate is 1.50%;
- the anticipated annual rate of increase in post-employment benefits is 2.625%;
- annual rate of salary increase is equal to:
  - Managers: 2.50%;
  - Dobs: 1.00%;
  - Office staff: 1.00%;
  - Factory staff: 1.00%;
- the annual rate of frequency of post-employment benefits advances is anticipated as 3.0%;
- the turnover of employees was 6.5%.

- 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 S.p.A., 11% for Italia Alimentari S.p.A., 7% for AS.CA. S.p.A, 5% for New Catering S.r.l.
- the company turnover rate is 2% for MARR S.p.A., 10% for AS.CA. S.p.A., 4% Italia Alimentari S.p.A., 7% for New Catering S.r.l.
- a discount rate of 0.51%.

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

[1] Average performance curve deriving from IBOXX Eurozone Corporates AA (7-10 years).
[2] Average performance curve deriving from IBOXX Eurozone Corporates AA (+10 years).

Financial risk management

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

- Market risk: 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, Russian Roubles, Angolan Kwanza; the Group is exposed to other currencies such as Algerian dinars, pounds Sterling, Mozambican Metical, Australian Dollars, Cape Verde Escudo, Thailand Bath, Hong Kong Dollar, Malaysian Ringgit, Chinese Renminbi, and Turkish Lira.

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

At 31 December 2017, 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:

(Euro/000)	Euro 5% Appreciation	Eurvo5% Depreciation
US - Dollars	(3,127)	3,457
GB - Pounds	(24)	27
AU - Australian dollars	6	(7)
Angola - Readjustado Kwanza	(527)	583
Russia - Rubles	(360)	398

Interest rate risk

The Cremonini Group, as can be seen from the net debt, is exposed to the risk of interest rates fluctuation that affect the market value of financial assets and liabilities, and the amount of financial charges.
The medium/long-term loans are concluded, 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 2017, 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 5,366 thousand euro on an annual basis (7,031 thousand euro as at 31 December 2016).

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:

(Euro/000)	31.12.2017	31.12.2016
Current trade receivables	563,866	567,303
Other non-current assets	38,689	41,164
Other current assets	78,532	66,193
Total	**681,087**	**674,660**

The fair value of the categories shown above is not given as the carrying value represents a reasonable approximation. The value of the Trade receivables, Other non-current assets and Other current asset items are classifiable as "Level 3" financial assets, or rather those where the inputs are not are based on observable market data.

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.

(Euro/000)	Within 12 months	1-5 years	Over 5 years	Total
At 31 December 2017				
Financial payables	414,655	503,135	69,638	987,428
Financial instruments / Derivatives	(1,228)	480	-	(748)
Trade Liabilities	658,836	-	-	658,836
	1,072,263	**503,615**	**69,638**	**1,645,516**
At 31 December 2016				
Financial payables	348,803	498,708	93,719	941,230
Financial instruments / Derivatives	(1,966)	5,401	-	3,435
Trade Liabilities	607,238	-	-	607,238
	954,075	**504,109**	**93,719**	**1,551,903**

Classes of financial instruments

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

(Euro/000)	31 December 2017		
Balance Sheet Assets	Loans and Receibles	Derivates utilised for hedging	Total
Non-current financial assets held for sale	17,997	-	17,997
Non-current financial instruments / Derivatives	-	586	586
Non-current financial receivables	13,256	-	13,256
Other non-current receivable items	38,689	-	38,689
Current financial receivables	9,638	-	9,638
Current trade receivables	563,866	-	563,866
Current financial assets held for sale	4,390	-	4,390
Current derivative financial instruments	-	11	11
Current tax receivables	27,500	-	27,500
Cash and cash equivalents	269,593	-	269,593
Other current receivable items	78,532	-	78,532
Total	1,023,461	597	1,024,058
Balance Sheet Liabilities	Other financial liabilities	Derivates utilised for hedging	Total
Non-current financial payables	572,773	-	572,773
Non-current financial instruments / Derivatives	-	106	106
Current financial payables	414,655	-	414,655
Current financial instruments / Derivatives	44	1,195	1,239
Total	987,472	1,301	988,773

(Euro/000)	31 December 2016		
Balance Sheet Assets	Loans and Receibles	Derivates utilised for hedging	Total
Non-current financial receivables	10,241	-	10,241
Non-current derivative financial instruments	-	5,401	5,401
Other non-current receivable items	3,256	-	3,256
Current financial receivables	41,164	-	41,164
Current trade receivables	9,286	-	9,286
Current derivative financial instruments	567,303	-	567,303
Current financial receivables	4,405	-	4,405
Current derivative financial instruments	235	1	236
Current tax receivables	31,673	-	31,673
Cash and cash equivalents	238,730	-	238,730
Other current receivable items	66,193	-	66,193
Total	972,486	5,402	977,888
Balance Sheet Liabilities	Other financial liabilities	Derivates utilised for hedging	Total
Non-current financial payables	592,427	-	592,427
Current financial payables	-	-	-
Derivative financial instruments	348,803	-	348,803
Derivative financial instruments	2,115	87	2,202
Total	943,345	87	943,432

In conformity with the requirements brought about by the changes introduced to IFRS 13, 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].

In the same manner, with regard to the non-current financial payables, the recognition of which at fair value is indicated in paragraph 17 of these explanatory notes, financial assets are also classifiable as "Level 2" as the inputs that influence the fair value are directly observable market figures.
With regard to the "Other current and non-current assets" items, you are referred to that indicated 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 equity 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 pursuit of satisfactory economic results and the generation of cash flows, can intervene on the dividends policy and configuration of the company's capital.

The main 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.

1The 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 annexes 3 and 4, which indicate for each item the historic cost, previous amortization and depreciation, changes over the period and final balances.

As already stated in the Directors' Report, the Group concluded various transactions during the course of 2017 that influenced the comparability of the balances compared to those for the prior financial year.

For a better comprehension of the following tables it is noted that in the column "Changes in the scope of the consolidation" the effects are shown of the entry into the scope of consolidation of the subsidiaries Speca Alimentari S.r.l., Top Best International Holding Ltd, Zhongshan Inalca Food & Beverage Co Ltd, Bright View Trading Hong Kong Ltd and Inalca Food & Beverage Malaysia Holding Sdn Bhd.

1. Tangible assets

(Euro/000)	Balance at 31.12.2016	Change in consolidation area	Purchases	Decreases	Other	Depreciation	**Balance at 31.12.2017**
Land and buildings	693,271	198	31,393	(268)	5,145	(28,220)	701,519
Plant and machinery	156,448	370	33,951	(958)	11,317	(31,752)	169,376
Industrial and business equipment	12,267	105	4,109	(209)	619	(4,085)	12,806
Other assets	50,369	296	17,023	(1,169)	1,365	(12,727)	55,157
Fixed assets under construction and advances	29,126	13	37,656	(407)	(27,271)	0	39,117
Total	**941,481**	**982**	**124,132**	**(3,011)**	**(8,825)**	**(76,784)**	**977,975**

Land and buildings

All the sectors contributed to the acquisitions of the item under examination, in particular: the Catering Sector (24.0 million euro), the Production Sector (5.9 million euro), the Distribution Sector (0.8 million euro) and the Centralized activities Sector (0.6 million euro).

Catering:

The increases of the sector, which amounted to 24.0 million euro, concerned the purchase by financial lease of new premises of the Roadhouse S.p.A. chain of restaurants and the restoration of several sales outlets, mainly at railway stations and airports, of the subsidiary Chef Express S.p.A.

Production:

The increases of the sector, which amounted to 5.9 million Euro 2.5 million euro is mainly due to INALCA S.p.A. for various improvements to all factories and 2.1 million euro to the subsidiary Italia Alimentari S.p.A., for a third bacon line at Gazoldo and extraordinary maintenance at the Busseto, Gazoldo and Postalesio factories.

Distribution:

Improvements were made to the property of the various factories and branches for a total of 0.8 million euro. Specifically the interventions concerned improvements to the plant and machinery and extraordinary works at the new "MARR Battistini" branch in the new Rimini offices in Via Spagna, "MARR Adriatico"ad Elice, "MARR Bologna" (Anzola Emilia) and "MARR Supercash".

Centralized activities:

Expenses were incurred for interventions on buildings owned in Rome and Castelvetro.

The other movements refer to both reclassification of works that were previously recorded under the item "non-current assets in progress" and the changes deriving from exchange rate effects, which negatively impacted by 6.1 million euro in the year.

At 31 December 2017 there were forty-three financial leases. Shown below are the summarized figures of the transactions:

	Corbetta Building	Ferrara Building	Bergamo Building	Padova Building
Commencement of the lease term	01/03/2007	01/06/2007	01/07/2007	29/02/2008
Duration finance lease	15 years	15 years	15 years	18 years
Nr. of lease payments	179 months	179 months	179 months	71 quarter
Value of the leased asset	1,6 thousand Euros	1,3 thousand Euros	3,0 thousand Euros	3,4 thousand Euros
Initial payment on signing the contract	163 thousand Euros	133 thousand Euros	296 thousand Euros	339 thousand Euros
Amount of the monthly payment	10 thousand Euros	8 thousand Euros	19 thousand Euros	64 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor
Amount of final option	326 thousand Euros	267 thousand Euros	591 thousand Euros	339 thousand Euros
2017 payments*	89 thousand Euros	72 thousand Euros	160 thousand Euros	153 thousand Euros
Residual value as at 31 December 2017	0,7 million Euros	0,6 million Euros	1,3 million Euros	1,9 million Euros

	Trezzano Building	Rozzano Building	Corsico Building	Vicenza Building
Commencement of the lease term	10/09/2008	24/09/2008	12/08/2009	09/10/2009
Duration finance lease	18 years	18 years	18 years	18 years
Nr. of lease payments	215 months	215 months	215 months	215 months
Value of the leased asset	3,3 million Euros	3,2 million Euros	3,5 million Euros	2,6 million Euros
Initial payment on signing the contract	332 thousand Euros	316 thousand Euros	355 thousand Euros	260 thousand Euros
Amount of the monthly payment	16 thousand Euros	20 thousand Euros	15 thousand Euros	10 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor
Amount of final option	252 thousand Euros	316 thousand Euros	315 thousand Euros	215 thousand Euros
2017 payments*	153 thousand Euros	141 thousand Euros	181 thousand Euros	136 thousand Euros
Residual value as at 31 December 2017	1,9 million Euros	1,8 million Euros	2,0 million Euros	1,5 million Euros

	Modena Sud Building	Voghera Building	Mirabilandia Building	Parma Building
Commencement of the lease term	16/09/2010	02/12/2010	01/07/2011	23/12/2011
Duration finance lease	18 years	18 years	18 years	18 years
Nr. of lease payments	215 months	215 months	215 months	215 months
Value of the leased asset	4,4 million Euros	1,5 million Euros	2,4 million Euros	3,6 million Euros
Initial payment on signing the contract	437 thousand Euros	147 thousand Euros	237 thousand Euros	360 thousand Euros
Amount of the monthly payment	21 thousand Euros	7 thousand Euros	12 thousand Euros	21 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor
Amount of final option	437 thousand Euros	147 thousand Euros	237 thousand Euros	360 thousand Euros
2017 payments*	227 thousand Euros	76 thousand Euros	130 thousand Euros	198 thousand Euros
Residual value as at 31 December 2017	2,7 million Euros	0,9 million Euros	1,5 million Euros	2,6 million Euros

	Macerata Building	Capriate Building	Mestre Building	Legnano Building
Commencement of the lease term	01/05/2012	31/10/2012	19/12/2012	01/12/2005
Duration finance lease	18 years	18 years	13 years	15 years
Nr. of lease payments	215 months	215 months	155 months	179 months
Value of the leased asset	1,5 million Euros	2,3 million Euros	2,3 million Euros	3,0 million Euros
Initial payment on signing the contract	156 thousand Euros	465 thousand Euros	265 thousand Euros	300 thousand Euros
Amount of the monthly payment	8 thousand Euros	10 thousand Euros	18 thousand Euros	18 thousand Euros
Interest rate	Fixed	Euribor	Fixed	Euribor
Amount of final option	147 thousand Euros	465 thousand Euros	234 thousand Euros	300 thousand Euros
2017 payments*	95 thousand Euros	98 thousand Euros	195 thousand Euros	194 thousand Euros
Residual value as at 31 December 2017	1,1 million Euros	1,4 million Euros	1,7 million Euros	0,8 million Euros

*Values inclusive of indexation differences.

	Cinisello Balsamo Building	Capriate works (a)	Gallarate Building	Carpi Building
Commencement of the lease term	12/07/2013	06/12/2013	01/08/2014	01/08/2014
Duration finance lease	13 years	16 years	12 years	12 years
Nr. of lease payments	155 months	186 months	143 months	48 quarter
Value of the leased asset	3,5 million Euros	2,4 million Euros	2,4 million Euros	1,9 million Euros
Initial payment on signing the contract	680 thousand Euros	844 thousand Euros	224 thousand Euros	180 thousand Euros
Amount of the monthly payment	25 thousand Euros	16 thousand Euros	16 thousand Euros	43 thousand Euros
Interest rate	Fixed	Euribor	Euribor	Euribor
Amount of final option	307 thousand Euros	-	224 thousand Euros	180 thousand Euros
2017 payments*	244 thousand Euros	205 thousand Euros	183 thousand Euros	163 thousand Euros
Residual value as at 31 December 2017	2,2 million Euros	1,1 million Euros	1,6 million Euros	1,4 million Euros

a) the first 107 instalments amount to 15,800 euro and the subsequent 79 to 3,200 euro.

	Bellinzago Lombardo Building	Cernusco Building	Dalmine Building	Lainate Sempione Building
Commencement of the lease term	28/07/2014	21/12/2015	23/03/2015	31/07/2015
Duration finance lease	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months
Value of the leased asset	1,7 million Euros	1,5 million Euros	2,4 million Euros	2,1 million Euros
Initial payment on signing the contract	212 thousand Euros	170 thousand Euros	241 thousand Euros	244 thousand Euros
Amount of the monthly payment	14 thousand Euros	11 thousand Euros	16 thousand Euros	17 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor
Amount of final option	212 thousand Euros	170 thousand Euros	241 thousand Euros	244 thousand Euros
2017 payments*	130 thousand Euros	88 thousand Euros	187 thousand Euros	168 thousand Euros
Residual value as at 31 December 2017	1,3 million Euros	1,3 million Euros	1,9 million Euros	1,8 million Euros

	Pavia Building	Pioltello Building	Rovato Building	Senigallia Building
Commencement of the lease term	01/02/2015	20/11/2015	05/08/2015	11/06/2015
Duration finance lease	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months
Value of the leased asset	1,7 million Euros	2,6 million Euros	2,2 million Euros	1,5 million Euros
Initial payment on signing the contract	168 thousand Euros	297 thousand Euros	267 thousand Euros	148 thousand Euros
Amount of the monthly payment	12 thousand Euros	19 thousand Euros	18 thousand Euros	9 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor
Amount of final option	168 thousand Euros	297 thousand Euros	267 thousand Euros	148 thousand Euros
2017 payments*	135 thousand Euros	197 thousand Euros	175 thousand Euros	116 thousand Euros
Residual value as at 31 December 2017	1,2 million Euros	2,1 million Euros	1,9 million Euros	1,2 million Euros

	Treviso Silea Building	Lainate Casello Building	Olgiate Comasco Building	Gravellona Toce Building
Commencement of the lease term	29/05/2015	29/05/2015	05/04/2016	15/03/2016
Duration finance lease	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months
Value of the leased asset	3,2 million Euros	2,3 million Euros	2,0 million Euros	1,3 million Euros
Initial payment on signing the contract	320 thousand Euros	275 thousand Euros	257 thousand Euros	174 thousand Euro
Amount of the monthly payment	23 thousand Euros	15 thousand Euros	16 thousand Euros	11 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor
Amount of final option	32 thousand Euros	231 thousand Euros	257 thousand Euros	174 thousand Euros
2017 payments*	268 thousand Euros	173 thousand Euros	127 thousand Euros	66 thousand Euros
Residual value as at 31 December 2017	2,3 million Euros	1,9 million Euros	1,8 million Euros	1,1 million Euros

	Collegno Building	Como Lipomo Building	Cornaredo Building	Tradate Building
Commencement of the lease term	02/08/2016	15/02/2016	05/08/2016	19/10/2016
Duration finance lease	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months
Value of the leased asset	1,4 million Euros	1,7 million Euros	0,9 million Euros	2,4 million Euros
Initial payment on signing the contract	266 thousand Euros	276 thousand Euros	197 thousand Euros	500 thousand Euros
Amount of the monthly payment	17 thousand Euros	18 thousand Euros	13 thousand Euros	14 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor
Amount of final option	266 thousand Euros	276 thousand Euros	197 thousand Euros	250 thousand Euros
2017 payments*	93 thousand Euros	130 thousand Euros	20 thousand Euros	10 thousand Euros
Residual value as at 31 December 2017	1,9 million Euros	1,9 million Euros	1,3 million Euros	1,9 million Euros

*Values inclusive of indexation differences.

	Fidenza Building	Curtatone Building	Ancona Building	Modena Victoria Building
Commencement of the lease term	29/09/2016	29/09/2016	26/01/2017	08/06/2017
Duration finance lease	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months
Value of the leased asset	1,4 million Euros	1,2 million Euros	2,3 million Euros	1,9 million Euros
Initial payment on signing the contract	240 thousand Euros	148 thousand Euros	253 thousand Euros	200 thousand Euros
Amount of the monthly payment	10 thousand Euros	7 thousand Euros	14 thousand Euros	11 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor
Amount of final option	177 thousand Euros	119 thousand Euros	227 thousand Euros	187 thousand Euros
2017 payments*	5 thousand Euros	35 thousand Euros	14 thousand Euros	5 thousand Euros
Residual value as at 31 December 2017	1,5 million Euros	1,0 million Euros	2,0 million Euros	1,0 million Euros

	Cernusco sul Naviglio Building	Montano Lucino Building	Lido di Camaiore Building
Commencement of the lease term	03/02/2017	26/07/2017	10/11/2017
Duration finance lease	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months
Value of the leased asset	1,7 million Euros	2,1 million Euros	2,3 million Euros
Initial payment on signing the contract	220 thousand Euros	225 thousand Euros	232 thousand Euros
Amount of the monthly payment	14 thousand Euros	11 thousand Euros	14 thousand Euros
Interest rate	Euribor	Euribor	Euribor
Amount of final option	220 thousand Euros	187 thousand Euros	234 thousand Euros
2017 payments*	9 thousand Euros	5 thousand Euros	14 thousand Euros
Residual value as at 31 December 2017	0,7 million Euros	0,9 million Euros	2,1 million Euros

*Values inclusive of indexation differences.

<u>Plant and machinery</u>

The main increases for 2017 were made in the sectors:

- Production (for a total of 19.2 million euro) by:
  - INALCA S.p.A. improvements to the existing plant, factories and production lines were also conducted totalling 6.6 million euro;
  - Italia Alimentari S.p.A. (4.5 million euro) that arranged an extraordinary revision of the plant and machinery in the Gazoldo factory (bacon and snacks departments) and the purchase of plants for the Busseto and Postalesio factories;
  - Marr Russia (3.6 million euro)
  - Fiorani and C. S.p.A. (2.4 million euro) for the purchase of specific machinery for enlargement of the portioned beef department.
- Catering (for a total of 12.1 million euro) by:
  - Chef Express S.p.A. (7.1 million euro) for improvements on the plants of the airport and railway catering premises operated by the company;
  - Roadhouse S.p.A. (4.9 million euro) new plant and improvements of the existing plant, specifically in the Milano City Life, Ancona, Modena Victoria, Montano Lucino, Fidenza, Siena, Prato, Grosseto and San Giovanni Lupatoto steakhouses;
- Distribution (for a total of 2.0 million euro) almost exclusively attributable to MARR S.p.A. for works conducted at the various branches indicated in detail in the item "Land and buildings".

The decreases mainly concerned the Production sector (Fiorani e Italia Alimentari S.p.A.).
The other movements refer to both reclassification of works that were previously recorded under the item "non-current assets in progress" and the changes deriving from negative exchange rate effects (0.7 million euro).

<u>Other assets</u>

The main investments that justify the increase with respect to 31 December 2016 involved various sectors. In detail the higher increases can be ascribed to:

- Chef Express S.p.A. (6.0 million euro) for purchases of furniture and fittings, electronic machinery and signs;
- Roadhouse S.p.A. for fitting-out new steakhouses (3.7 million euro);

- MARR S.p.A. for the purchase of electronic machinery and industrial and motor vehicles (1.8 million euro);
- INALCA S.p.A. (0.9 million euro) for the purchase of electronic machinery, internal transport vehicles and motor vehicles;
- Realbeef S.r.l. (518 thousand euro) for purchase and extraordinary maintenance of new vehicles for the transport of live animals;
- Marr Russia Llc (436 thousand euro) for purchase of refrigerated truck, internal transport vehicles and motor vehicles;
- Cremonini S.p.A. (357 thousand euro) for motor vehicles and purchase of furniture and fittings in the real estate owned in Rome
- Momentum Services L.t.d. (340 thousand euro) for the purchase of a new EPOS system for electronic payments;
- Comit S.L. (339 thousand euro) for the purchase of vehicles.

The decreases for the period of 1.2 million euro almost totally refer to MARR S.p.A. (449 thousand euro) to the sale of industrial vehicles and motor vehicles by the subsidiary and to Chef Express S.p.A. (366 thousand euro) for refurbishment of premises.

<u>Fixed assets under construction and advances</u>

The greater increases regarded these sectors:

- Production for 20.6 million euro, incurred by:
  - Orenbeef L.l.c. for further expansion of the new slaughterhouse in Orenburg (Russia) for about 6.6 million euro;
  - Marr Russia Llc./Kaskad Llc. for enlargement of the factory (bacon line) and new distribution hub for 4.6 million euro overall;
  - Zaklady for the construction of the slaughtering plant in Poland for 4.5 million euro;
  - Italia Alimentari S.p.A. mainly for expansion of the bacon department at the Gazoldo factory (2.1 million euro).

- Catering for 16.2 million euro, incurred by:
  - Chef Express S.p.A. 10.5 million euro for investments made for the refurbishment of various station buffets and motorway service areas;
  - Roadhouse S.p.A. for expansion works on new premises of the steakhouse chain, specifically Ancona, Calavera Cernusco sul Naviglio, Fidenza, Milano Vulcano and Modena Victoria (5.5 million euro);

There are mortgages, secured by non-current tangible assets, for amounts of about 375 million euro against loans obtained.
In this regard it is specified that, following early redemption of the existing loans with UBI Banca and ICCREA BancaImpresa by the subsidiary MARR S.p.A. during the course of 2017, loan guarantees thereon of an overall amount of 30 million euro on the Santarcangelo (RN), Portoferraio (LI), Uta (CA) and Bologna buildings were cancelled.

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 accounting judgements estimates and assumptions adopted by Management".

(Euro/000)	Balance at 31.12.2014	Change in consolidation scope	Purchases	Decreases	Other	Amortization	Balance at 31.12.2017
Production - Beef	13,811	3,008	100		3		16,922
Distribution	134,953	6,641					141,594
Catering	46,174				(42)	(2,737)	43,395
Total	**194,938**	**9,649**	**100**	**0**	**(39)**	**(2,737)**	**201,911**

(Euro/000)	
Balance at 31.12.2016	194,938
Change in consolidation scope	9,649
Purchases	100
Decreases	0
Other	(39)
Amortization	(2,737)
Balance at 31.12.2017	**201,911**

The increase of the period of 9.7 million euro is due to the following transactions:

- in the Distribution sector, the acquisition of Alimentari S.r.l. with its registered office in Baveno (VB), owner of the same name company operating in the foodservice sector, which determined recognition of 6.6 million of goodwill;
- in the Production sector the recent company and business branches acquisitions mentioned in the Directors' Report and preambles, determined the recognition of goodwill of about 3.1 million.

The cost of the business combination regarding these transactions was determined based on the carrying values stated in the shares transfer agreement. The details of the net assets acquired and of the goodwill are explained below:

(Euro/000)	Speca Alimentari S.r.l.	Bright View	Zhongshan IFB
Total cost of the business combination	**8,445**	**2,966**	**976**
Fair value of assets acquired and contingent liabilities assumed	1,804	931	0
Goodwill	**6,641**	**2,035**	**976**

Book values determined in conformity with the IFRS immediately prior to the combination (Euro/000)	Speca Alimentari S.r.l.	Bright View	Zhongshan IFB
Intangible and tangible assets	214	199	0
Investments	6	0	0
Inventories	640	603	0
Receivables	2,036	995	0
Other current assets	163	247	0
Minority interests' capital and reserves	0	0	0
Employee benefits	(206)	0	0
Risks provisions	(58)	0	0
Payables to employees and social security institutions	284	299	0
Trade payables	(1,036)	(691)	0
Othre current liabilities	(239)	(27)	0
Fair value of assets acquired, liabilities and contingent liabilities assumed	**1,804**	**1,625**	**0**
Fair value of assets acquired, liabilities and contingent liabilities assumed	**1,804**	**931**	**0**

The goodwill provisionally attributed to the acquisitions showned above are justified by the important strategic value of such transactions that permitted the Group to significantly strenghthen its presence in areas not covered before.

As at the date of these annual financial statements, excluding the effects of the now definitive identification of the net assets regarding the Parma France Group, the purchase price allocation provided by IFRS 3 has not yet been completed for the remaining business combinations. The allocations illustrated in summary above, deriving from the management's best estimates based on the information currently available, are therefore provisional. As required by IFRS 3 the allocation procedure will be completed within 12 months.

3. Other intangible assets

(Euro/000)	Balance at 31.12.2016	Change in consolidation area	Purchases	Decreases	Other	Amortization	Balance at 31.12.2017
Patents and intellectual property rights	2,368	2	1,367	(9)	23	(1,291)	2,460
Development costs	281	0	16	0	288	(131)	454
Concessions, licences, trademarks and similar rights	15,953	21	934	(69)	301	(1,551)	15,589
Fixed assets under development and advances	1,836	0	2,345	(310)	(972)	0	2,899
Long-term costs	5,079	0	397	0	(23)	(690)	4,763
Total	**25,517**	**23**	**5,059**	**(388)**	**(383)**	**(3,663)**	**26,165**

The item "Patents and intellectual property rights" mainly includes the purchases and implementation of software. The acquisitions for the year refer to MARR S.p.A., a Roadhouse S.p.A., a Chef Express S.p.A. and INALCA S.p.A.
The increases in the Concessions, licences, trademarks and similar rights are attributable for 933 thousand euro to tobacco licences paid by the subsidiary Chef Express S.p.A. and capital expenditure of 300 thousand euro incurred by the subsidiary Tecnostar Due S.r.l.
The "Fixed assets under development and advances", which increased by 2,345 thousand euro, mainly regard the purchase of new software for 972 thousand euro overall, some of which is not yet in use, and the acquisition of the "Juice Bar" brand by the subsidiary Chef Express S.p.A. (550 thousand euro), subsequently reclassified to the item "Concessions, licences, trademarks and similar rights".

4. Investments valued at equity

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

Equity investments in subsidiaries companies

The decrease in the balance with respect to 31 December 2016 is ascribable to the entry into the scope of the consolidation of Inalca Food & Beverage Holding Malaysia Sdn Bhd and Inalca Food & Beverage China Holding Ltd.

During the year were also acquired majority shareholding in companies not consolidated due to their limited relevance and/or non-operative. The more significant are Fabri Fine Italian Foods Pty Ltd (108 thousand euro) and Inalca Food & Beverage Shanghai Co Ltd (154 thousand euro).

Equity investments in associated companies

The change in the value of associated companies mainly refers to an adjustment of the values of the equity investments in Griglia Doc S.r.l., Parma Sofrelim S.a.s., Time Vending S.r.l. and Unitea S.r.l. based on the last available financial statements.

5. Investments in other companies

The subscription to a share capital increase in 2017 in B.F. Holding S. p. A., has the objective of benefiting from the potential synergies deriving from the development of an integrated chain of rearing and marketing beef envisaged in the company's new business plan.

6. Non-current financial receivables

(Euro/000)	31.12.2017	31.12.2016
Receivables from subsidiaries		
- Fratelliditalia SA	-	335
- Peckinalca Lda	11,017	
Receivables from associated companies		
- Bottega Mediterranea Sdn Bhd	258	
- Frigomacello S.r.l.	794	738
Interest-bearing and non-interest-bearing loans to third parties	1,187	2,183
Total	**13,256**	**3,256**

As at 31 December 2017 the balance of the item, of 13,256 thousand euro and are mainly attributable to a non-interest bearing advance payment granted by Inalca Angola Ltda to Peckinalca Lda (non-consolidated subsidiary) aimed at the acquisition of a land located in Luanda (Angola).

The item loans to third parties constitutes loans by the subsidiary MARR S.p.A.; specifically the item includes the portion over a year of interest-bearing loans of MARR S.p.A. to Adria Market and other commercial partners (461 thousand euro), and the portion over a year (for a total of 710 thousand euro) of loans to truck drivers following the sales to the latter of the transport vehicles with which MARR S.p.A.'s goods are transported.

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

(Euro/000)	31.12.2017	31.12.2016
Trade receivables	8,143	10,729
Provision for bad debts	(1,055)	(859)
Tax assets	9,249	11,491
Other receivables	17,806	15,225
Deferred income and prepaid expenses	4,546	4,578
Total	**38,689**	**41,164**

Non-current "Trade receivables", which totalled 8,143 thousand euro (of which 1,982 thousand euro with expiry date beyond 5 years) are fully attributable to the subsidiary MARR S.p.A. and for the most part concern agreements and deferments in payment defined with the customers.

The item "Other receivables" is mostly due to the Distribution sector, as in past years. It above all comprises MARR S.p.A. trade receivables for 14.6 million euro (12.2 million euro as at 31 December 2016). There were also receivables for the "end of operations bonuses" that totalled about 782 thousand euro, which Chef Express S.p.A. accrued from the oil companies (749 thousand euro as at 31 December 2016). These bonuses, anticipated by the domestic collective agreements signed between the trade associations, are provided for, re-valued each year and will be paid to the company by the petroleum companies at the time of termination of the activities.
The "Accruals and deferrals" are mostly connected with long-term promotional contributions paid to the customers.

Current asset

9. Inventories

(Euro/000)	31.12.2017	31.12.2016
Raw materials, secondary materials and consumables	71,625	54,191
Work in progress and semi-finished goods	6,723	5,444
Finished goods and goods for resale	312,490	299,606
Advances	11,699	8,551
Provision for write-down of inventories	(1,379)	(888)
Total	401,158	366,904

The increase compared to the prior year is mainly attributable to the production sector, specifically to the new seasoning asset for fresh hams, entrusted by the subsidiary Italia Alimentari S.p.A. to third parties, higher stocks in Africa for requirements related to the marketing of products and an increase of the inventories in Russia as an effect of the start-up of marketing of food products to foodservice.

10. Biological assets

The amount of biological assets, amounting to 40.6 million euro, refers entirely to the measurement, according to IAS 41, of cattle bred and owned by Società Agricola Corticella and Realbeef S.r.l.

11. Current financial receivables

(Euro/000)	31.12.2017	31.12.2016
Receivables from subsidiaries	3,206	1,659
Agrosakmara Llc	1,269	143
DMS S.r.l. in liq.	-	2
E-Marco Polo (E-MP) Spa	150	-
Fratelliditalia SA	404	-
Inalca Food & Beverage Malaysia Holding Sdn Bhd	-	511
Inalca Food & Beverage Shanghai Co Ltd	155	-
Inalca Food Service Kaz Llp	44	-
Italia Alimentari Canada Ltd	1,184	855
Peckinalca Lda	-	2
SCDA Angola SA	-	146
Receivables from associated companies	1,898	4,395
Avirail S.a.s.	425	1,225
Castello di Godego S.s.	900	-
Farm Service S.r.l.	333	333
Frimo S.a.m.	227	895
Unitea S.r.l.	-	1,942
Unieffebi S.r.l. in liquidazione	13	-
Receivables from controlling companies	0	0
Cremofin S.r.l.	-	-
Other financial receivables	4,534	3,232
Treasury receivables from minorities	4,534	3,232
Provision for bad debts	-	-
Totale	9,638	9,286

12. Current trade receivables

Trade receivables are broken down as follows:

(Euro/000)	31.12.2017	31.12.2016
Trade receivables	**559,536**	**562,272**
Due within 12 months	617,206	616,491
Provision for bad debts	(57,670)	(54,219)
Receivables from parent companies	**15**	**17**
Cremofin S.r.l.	15	17
Receivables from unconsolidated subsidiaries	**2,922**	**1,098**
Bottega Mediterranea Sdn Bhd	-	199
Cibo Sapiens S.r.l.	-	18
E-Marco Polo (E-MP) Spa	143	29
Fratelliditalia SA	1,021	112
Imprenditori per E-Marco Polo (I-EMP) Srl	2	-
Inalca Food & Beverage China Holding Ltd	-	2
Inalca Food & Beverage Malaysia Holding Sdn Bhd	-	45
Inalca Food & Beverage Shanghai Co Ltd	42	73
Inalca Food Service Kaz Llp	768	-
Italia Alimentari Canada Ltd	635	157
Peckinalca Lda	150	-
Quinto Valore S.c.a.r.l.	10	185
SCDA Angola S.A.	150	-
Shanghai Chef Express Rail Catering Management Company Limited	1	-
Top Best International Holding Ltd	-	278
Provision for bad debts	-	-
Receivables from associated companies	**1,393**	**3,916**
Avirail S.a.s.	-	416
Bottega Mediterranea Sdn Bhd	4	-
Castello di Godego S.s.	1	-
Farm Service S.r.l.	285	481
Food & co S.r.l.	2	2
Frigomacello S.r.l.	-	100
Griglia Doc S.r.l.	1	21
Inalca Emirates Trading Llc	538	1,235
Parma Sofrelim S.a.s.	14	15
Sardinia Logistica S.r.l.	-	69
Time Vending S.r.l.	57	124
Unitea S.r.l.	491	1,443
Unieffebi S.r.l. in liquidazione	-	11
Provision for bad debts	-	(1)
Total	**563,866**	**567,303**

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 context.

At 31 December 2017, the composition of the overdue trade receivables from third parties is the following:

(Euro/000)	31.12.2017		31.12.2016	
	Amount	Bad Debt Prov.	Amount	Bad Debt Prov.
Trade receivables not overdue	330,746	(532)	318,842	(166)
Overdue up to 30 days	94,858	(233)	90,555	(68)
Overdue from 31 to 60 days	38,019	(77)	39,033	(25)
Overdue from 61 to 90 days	31,243	(2)	33,665	(3,879)
Overdue from 91 to 120 days	96,798	(38,886)	116,754	(39,706)
Overdue over 120 days	33,686	(18,996)	28,371	(11,234)
Total	**625,350**	**(58,726)**	**627,220**	**(55,078)**

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:

(Euro/000)	31.12.2017	31.12.2016
Initial balance	(55,078)	(51,084)
Change in scope of consolidation	(109)	(4,873)
Utilized during the year	15,611	17,643
Other movements	(9)	6,230
Exchange differences effect	752	(485)
Accruals during the year	(19,893)	(22,509)
Final balance	**(58,726)**	**(55,078)**

13. Current tax assets

(Euro/000)	31.12.2017	31.12.2016
Receivables for advance on direct taxes	5,273	10,700
Receivables for withholdings	118	62
IRPEG dispute	6,040	6,040
VAT credit and other taxes requested for reimbursement	9,815	9,946
Other sundry receivables	6,257	4,928
Bad debts provision	(3)	(3)
Total	**27,500**	**31,673**

As for the item "IRPEG dispute", please refer to the paragraph "Provisions for liabilities and charges".

14. Cash and cash equivalents

(Euro/000)	31.12.2017	31.12.2016
Cash	19,145	17,573
Checks	291	34
Bank and postal accounts	250,157	221,123
Total	**269,593**	**238,730**

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 evolution of the cash and cash equivalents, while please refer to item 23 of the explanatory notes to the consolidated financial statements for the composition of the Net Debt.

15. Other current assets

(Euro/000)	31.12.2017	31.12.2016
Accrued income and prepaid expenses	8,843	5,508
Other receivables		
Advances to suppliers	53,840	46,428
Receivables from insurance companies	475	470
Receivables for contributions to be collected	-	-
Receivables from social security institutions	1,156	1,195
Receivables from agents	3,155	2,554
Receivables from employees	571	657
Down payments	242	3,896
Guarantee deposits	317	589
Other sundry receivables	16,877	11,468
Provision for bad debts	(6,944)	(6,572)
Total	**78,532**	**66,193**

The "Accrued income and prepaid expenses" item mainly is composed of costs incurred for the awarding of catering services in motorway areas in concession. These costs, attributable to a form of rent prepaid, are accordingly recovered over the term of the various concessions.
The item "Advances to suppliers" relates to 48.8 million euro for the Distribution sector and 4.3 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.

"Receivables from insurance companies" relates to receivables reimbursable from claims not yet received at the

year-end.
The item "Down payments" includes 3,674 thousand euro as at 31 December 2016 the payments on account for the acquisition of 100% of Speca Alimentari S.r.l.

The item "Others sundry receivables" of 16.9 million euro increased by about 5.4 million euro (2.4 in 2016); this item contains receivables and prepayments for various re-invoicing, in addition to amounts advanced for on-going disputes.

The more significant are:

- AGEA (Agriculture Disbursements Agency) agricultural grants yet to be received of 2.3 million euro (Società Agricola Corticella S.r.l.);
- energy certificate receivables of 2.2 million euro (Inalca S.p.A.);
- tax disputes receivables of about 700 thousand euro (Inalca S.p.A.);
- customs advances receivables of 500 thousand euro (Inalca Kinshasa S.p.r.l.);
- prepayments for opening new premises of the "Roadhouse Restaurant" brand chain.

The "Provision for bad debts" mainly refers to receivables from suppliers and agents.

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' Equity

As regards the changes within the Shareholders' Equity, please refer to the relevant statement of changes.

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 2017.

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 compared to 31 December 2016.

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 revaluation reserve records the fair value changes of financial instruments available for sale. The movement of the period that involved the reserve under examination is an impairment of the equity investment in Banco Popolare Società Cooperativa.

The basic earnings per share as at 31 December 2017 amounted to euro 0.3519 (euro 0.3984 as at 31 December 2016) and was calculated on the basis of net profits of 45,393,540 euro divided by the weighted average number of ordinary shares in 2017 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:

(Euro/000)	Financial year as at 31.12.2017		
	Capital stock and reserve	Profit/(loss)	Shareholders' equity
Parent Company's shareholders' equity and profit/(loss) for the year	**232,316**	**19,157**	**251,473**
Elimination of carryng value of consolidated subsudiaries:			
- Pro rata subsidiary profits (losses)	-	56,261	56,261
- Difference between the carryng value and pro rata shareholder's equity, net of the effects of intra-Group transactions	83,253		83,253
- Investments write-up/write-down	(1,881)	1,881	-
- Dividends	32,157	(32,157)	-
- Consolidation differences	130,711		130,711
Elimination of the effects of commercial transactions between Group companies	(872)	391	(481)
Adjustment of the financial statement of the consolidated companies in accordance with the Group principles and shareholders' equity valuation of investments	814	(139)	675
Total adjustments	*244,182*	*26,237*	*270,419*
Group's share of net equity and profit/(loss)	**476,498**	**45,394**	**521,892**
Minorities' share of net equity and profit/(loss)	274,611	39,110	313,721
Consolidated financial statements shareholders' equity and profit/(loss) for the year	**751,109**	**84,504**	**835,613**

Non-current liabilities

17. Non-current financial payables

(Euro/000)	31.12.2017	31.12.2016
Due between 1 and 5 years		
Bonds	-	-
Payables to banks	472,235	472,794
Payables to other financial institutions	30,900	25,914
Total payables due between 1 and 5 years	**503,135**	**498,708**
Due beyond 5 years		
Payables to banks	2,211	23,061
Payables to other financial institutions	67,427	70,658
Total payables due beyond 5 years	**69,638**	**93,719**
Total	**572,773**	**592,427**

Shown below is a breakdown of payables to banks:

(Euro/000)	Credit line	Current portion	Between 1 and 5 years	Beyond 5 years	Balance at 31.12.2017
Overdraft	141,632	18,929	-	-	18,929
Advances - Imports	28,750	1,446	-	-	1,446
Advances - Exports	97,773	4,132	-	-	4,132
Advances on invoices Italy	162,002	72,377	-	-	72,377
Advances subject to collection	143,103	39,050	157	-	39,207
Hot Money	117,500	23,033	-	-	23,033
Mortgages	682,173	207,217	472,745	2,211	682,173
Others	10,278	10,190	88	-	10,278
Amortized cost		(732)	(755)	-	(1,487)
Total	**1,383,211**	**375,642**	**472,235**	**2,211**	**850,088**

Please refer to the Directors' Report for a careful examination of the net debt and its components, both current and non-current.

The payables to other financial institutions detailed in the following table; mainly refer to payables deriving from the booking, in accordance with the financial methodology, of the lease contracts and the private placement of bonds in US dollars concluded by the subsidiary MARR S.p.A. in July 2013. The bond placement amounts to 43 million dollars (originally 30.6 million Euro), of which 10 million dollars expires in 2020 and the remaining 33 million dollars in 2023 and involves an average coupon of about 5.1%. The decrease in its value is attributable to variations in the Dollar/Euro exchange rate.

It is recalled that, to hedge the risk of oscillations in the Euro-Dollar exchange rate, specific Cross Currency Swap contracts are ongoing, for the effects of which see paragraph 7 "Financial instruments / derivatives".

Other financial institutions	Interest rate	Expiry date	Current	Non current	Balance at 31.12.2017
Leasing					
Ancona	Euribor + spread	30/09/2029	139	1,839	**1,978**
Bellinzago Lombardo	"	25/01/2028	1	1,304	**1,305**
Bergamo	"	01/07/2022	132	1,208	**1,340**
Capriate	"	14/05/2029	55	1,384	**1,439**
Capriate Opere	"	14/05/2029	171	892	**1,063**
Carpi	"	01/11/2026	123	1,292	**1,415**
Calavera Cernusco	"	02/11/2028	-	680	**680**
Cernusco Lombardone	"	01/03/2029	93	1,203	**1,296**
Cinisello Balsamo	Fixed	09/01/2027	174	2,003	**2,177**
Collegno	Euribor + spread	20/06/2029	137	1,778	**1,915**
Como Lipomo	"	01/03/2029	134	1,754	**1,888**
Corbetta	"	01/03/2022	75	630	**705**
Cornaredo	"	05/08/2028	-	1,272	**1,272**
Corsico	"	11/08/2027	155	1,836	**1,991**
Curtatone	"	26/09/2029	72	955	**1,027**
Dalmine	"	28/04/2028	147	1,771	**1,918**
Ferrara	"	01/06/2022	68	524	**592**
Fidenza	"	13/12/2029	105	1,423	**1,528**
Gallarate	"	01/08/2026	140	1,434	**1,574**
Gravellona Toce	"	01/04/2029	77	1,015	**1,092**
Lainate Casello	"	20/10/2028	139	1,735	**1,874**
Lainate Sempione	"	11/10/2028	124	1,635	**1,759**
Legnano	"	01/12/2020	184	662	**846**
Lido di Camaiore	"	13/11/2029	148	1,945	**2,093**
Macerata	Fixed	29/05/2030	60	1,028	**1,088**
Mestre	Fixed	24/10/2026	141	1,546	**1,687**
Mirabilandia	Euribor + spread	01/07/2029	86	1,456	**1,542**
Modena Sud	"	16/09/2028	126	2,529	**2,655**
Modena Victoria	"	31/12/2029	108	917	**1,025**
Montano Lucino	"	25/10/2029	-	865	**865**
Olgiate Comasco	"	31/03/2029	132	1,679	**1,811**
Padova	"	01/03/2026	157	1,727	**1,884**
Parma	"	06/11/2030	133	2,479	**2,612**
Pavia	"	16/01/2027	99	1,127	**1,226**
Pioltello	"	19/09/2028	159	1,960	**2,119**
Rovato	"	07/10/2028	136	1,728	**1,864**
Rozzano	"	23/09/2026	137	1,710	**1,847**
Senigallia	"	18/04/2028	91	1,094	**1,185**
Tradate	"	01/12/2029	128	1,810	**1,938**
Treviso Silea	"	27/07/2027	228	2,115	**2,343**
Trezzano	"	08/10/2027	145	1,790	**1,935**
Vicenza	"	08/10/2027	117	1,375	**1,492**
Voghera	"	02/12/2028	65	845	**910**
Other minor leasings	"		241	614	**855**
Bond Private Placement	5.10%	2020 - 2023	753	35,603	**36,356**
Due to Factoring companies	Euribor + spread		24,083	6	**24,089**
Other Relationships	"		681	150	**831**
Total			**30,599**	**98,327**	**128,926**

18. Financial Instruments/Derivatives

(Euro/000)	31.12.2017	31.12.2017	31.12.2017
	IRS	Exchange Rates	Total
Non-current assets	-	586	586
Current assets	-	11	11
Non-current liabilities	(106)	-	(106)
Current liabilities	(213)	(1,026)	(1,239)
Total	**(319)**	**(429)**	**(748)**

(Euro/000)	31.12.2016	31.12.2016	31.12.2016
	IRS	Exchange Rates	Total
Non-current assets	-	5,401	5,401
Current assets	-	236	236
Non-current liabilities	-	-	0
Current liabilities	(87)	(2,115)	(2,202)
Total	**(87)**	**3,522**	**3,435**

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.
Several interest rate swap contracts were existing as at 31 December 2017, through which the variable Euribor rate was replaced with a fixed rate. The measurement of these contracts resulted in the recognition of a 319 thousand euro liability (87 thousand as at 31 December 2016).
The measurement of the hedging contracts for exchange rate risks instead resulted in the recognition of a current liability of 1,026 thousand euro, related for 975 thousand euro to purchases of forward US dollars and euro by the subsidiary Marr Russia L.l.c.

An asset of 11 thousand euro is also shown relating to forward purchase transactions of currencies hedge of underlying goods purchases conducted by the subsidiary MARR S.p.A. and an asset of 586 thousand euro under non-current assets, 207 thousand of which over 5 years . The latter asset represents the positive fair value of the Cross Currency Swap contracts concluded by MARR S.p.A. to hedge the risk of changes to the dollar euro exchange rate, with reference to the private placement bond in US dollars finalized in July 2013.

19. Employee benefits

(Euro/000)	31.12.2017	31.12.2016
Staff Severance Provision	25,942	28,825
Other benefits	5	232
Total	**25,947**	**29,057**

(Euro/000)	31.12.2017	31.12.2016
Opening balance	28,825	25,270
Effect of the change in consolidation area	195	4,215
Paymentsof the year	(3,854)	(2,497)
Provision of the year	975	1,274
Actuarial gain losses	(105)	589
Other changes	(94)	(26)
Closing balance	**25,942**	**28,825**

In addition to the portion accrued in the period, net of decreases, the change in respect of last year is related to the increase of Group employees following the change in the scope of consolidation.

The decreases in 2017 are mainly correlated to the reorganizations concerning some Units in the provinces of Rimini and Forlì Cesena, as well as the reorganization as a result of the integration following the lease of De.Al. S.r.l. by the subsidiary MARR S.p.A. and the continued progress in the securitization of the operating activities within these Units.

It is noted that the allocation for the period includes actuarial gains totalling 105 thousand euro booked, net of the theoretical tax effect, in the appropriate shareholders' equity reserve as provided in IAS 19.

With reference to the significant actuarial hypotheses (such as indicated in the paragraph "Main accounting judgements estimates and assumption adopted by the Management" and discretional measurements"), the table below shows the effects on the final liabilities deriving from the possible changes to them.

(Euro/000)	Turnover rate +1%	Turnover rate -1%	Inflation rate + 0,25%	Inflation rate - 0,25%	Discount rate + 0,25%	Discount rate - 0,25%
Effect on the final liability	(24,932)	25,213	(25,343)	24,792	(24,643)	25,501

It is also noted that the contribution expected for next year is about 635 thousand euro; the future payments expected for the next year can be estimated as a total of 12.2 million euro.

20. Provision for liabilities and charges

(Euro/000)	31.12.2017	31.12.2016
Provisions for taxes	302	521
Labour disputes	2,245	1,781
Minor lawsuits and disputes	1,232	1,039
Supplementary clientele severance indemnity	6,650	6,411
Provision for losses on equity investments	-	93.00
Provision for rewards and promotions	-	161
Provision for future risks and losses	4,308	5,153
Total	14,737	15,159

The item "Labour disputes" includes the sums allocated against contingent liabilities deriving from disputes with employees.

The provision for "Minor lawsuits and disputes" is mainly ascribable to INALCA S.p.A. and regards a liability for a legal action in progress with the Customs Authority of about 590 thousand euro, for which judgement by the Court of Cassation is pending, having lost the first instance judgement at the Regional Tax Commission.

The supplementary clientele severance indemnity was allocated based on a reasonable estimate of the probable future liability. The increase for the year includes the effects of consolidation of Speca Alimentari S.r.l.

The provision for future risks and losses was allocated mainly against probable liabilities connected to legal disputes in progress and a liability related to an INPS (National Social Welfare Institution) claim regarding joint and several liability of the subsidiary Gescar S.r.l. to a contractor.

In relation to the fiscal dispute currently ongoing deriving from the verification carried out by the "Guardia di Finanza", IV Group Section in San Lazzaro di Savena (BO), because of presumed breaches in terms of direct tax (1993-1999 fiscal years) and VAT (1998 and 1999 fiscal years) finalised in the month of July of the year 2000, it should be pointed out that on 28 February 2004, the recourses for direct tax (1993-1999 fiscal years) and VAT (1998 and 1999 fiscal years) were discussed in a public hearing. The amount involved in the dispute concerning taxes and the relevant sanctio ns, for the main inspection known as "C.R.C." (the other inspections concerning insignificant amounts or others that were abandoned) amounts to approximately 4.7 million Euro plus interest.
In its sentence no. 73/2/04, the Rimini Provincial Tributary Commission, Section II, accepted the recourse presented for IRAP referring to the main inspection, while it partly rejected, with reference to the other inspections, the recourses presented, confirming the conclusions of the Inland Revenue.
On 20 December 2004, MARR S.p.A. impugned the aforementioned sentence, presenting an appeal to the Rimini Section of the Bologna Regional Tributary Commission.
The matter was discussed before Section 24 of the Emilia Romagna Regional Tributary Commission on 16 January 2006.
As regards the reasons put forward by the company in the documentation for the second stage of the proceedings, the Bologna Tributary Commission disposed in Order 13/24/06 on 3 April 2006, that a technical consultancy be carried out, assigning the duty to a board of three professionals to provide an opinion, among other things, on the disputed matter, and asked them to ascertain, on the basis of contractual agreements and economic and financial relations effectively ongoing between the parties involved in the complex operation, whether the cost sustained by MARR S.p.A. and being disputed concerns the business of the company or not.
On 18 November 2006, the board of consultants deposited its report, concluding that: "in summary, it can be stated that these capital losses are relevant in as much as they are objectively referable to the business of the company".
On 15 January 2007, the dispute was again discussed in a public hearing during which the findings in the report of the board of consultants were again presented. In sentence 23/10/07, the Bologna Tributary Commission reviewed its first phase sentence in favour of MARR S.p.A. as regards the four findings subject of the dispute but, without providing any motivation, it completely rejected the conclusions drawn by the technical consultants it itself appointed with reference to the principal inspection known as "CRC", thus confirming that established by the judges in the first phase of the proceedings.
By reason of this, a recourse was presented on 22 April 2008 before the Supreme Court of Cassation. The State Bar met to discuss the matter on 3 June 2008.
Although the outcome of the appeal was negative, although it must be pointed out that there were two

technical consultancies in perfect agreement with each other during this phase, comprising four undoubtedly authoritative professionals, three of them appointed by the Tributary Commission itself, the opinions expressed being undoubtedly fully in favour of MARR Spa, and on the basis of the opinion expressed by the defence lawyers representing the Company, we
believe it reasonable to hypothesise the successful outcome of the dispute.

On 10 February 2014, the Supreme Court of Cassation, in sentence 20055/14 (filed on 24 September 2014), accepted the appeal by the Company, repealing the impugned sentence no. 23/2007 by the Regional Taxation Commission for Emilia Romagna, submitting for the second degree judge (in another proceeding) the decision regarding the claim, stating the need for the decision to be taken by proceeding with an "adequate assessment of the expert findings", consistently described by the same Court as "extremely favourable to the taxpayer".
On 16 December 2014, the Company filed the claim again with the above-mentioned Taxation Commission; the date for the discussion of the dispute has yet to be As at 31 December 2017, MARR S.p.A. had paid 6,040 thousand Euro as payment of taxes while awaiting judgment; this amount was classified under tax receivables.

During the course of 2007, several disputes arose with the Customs Authorities concerning the payment of preferential customs duties on certain imports of fish products. With reference to the most significant of these disputes, involving import duties amounting to approximately 250 thousand Euro concerning the purchase of certain goods from Mauritania, it must be pointed out that the judges in the first phase of proceedings rejected the recourses presented by the Company in May 2008, but in any case accepted the fact that the company was entirely extraneous to the claimed irregularities, as they were attributable exclusively to its suppliers, from whom, as already formally notified to them, all expenses and costs inherent and/or consequent to the aforementioned dispute will be reclaimed.
The appeal made by the Company against the first grade sentence has not been accepted by the Regional Tax Commission of Florence.
It should be noted that the Company appealed to the Supreme Court of Cassation in May 2013.

Lastly, it must be pointed out that on 29 June 2017, the Taxation Unit of the Guardia di Finanza (Finance Police) in Rimini started a tax inspection of a general nature (IRES, IRAP, VAT and other taxes) with MARR concerning the 2015 and subsequent fiscal years. The inspection ended and a Final Report was drawn up in which it was claimed that there had only been one presumed irregularity committed by MARR during the years involved. Specifically, this was the reduction, made pursuant to art. 87, paragraph 1 of Legislative Decree 917/86, amounting to 95% of the capital gains accrued during the 2015 business year, concerning the sale of the 55% holding in the share capital of the company Alisea Società Consortile a r.l., which was deemed to be improper. Considering the opinion expressed by our consultants, we believe that this presumed irregularity is unfounded, given that the Company acted correctly in determining the business profits. Because of this, on 20 December 2017, we filed with the Inland Revenue Service – Emilia Romagna Regional office and with the Inland Revenue Service – Rimini Provincial Office illustrative memorandums in which the reasons for the unfoundedness of the claim made were described analytically. As yet, we are still waiting to receive the notification setting the date for the first meeting, in which joint consultational proceedings will begin aimed at verifying the foundations of the reasons given by each of the parties for the circumstances described in the Final Report. Considering the opinion of the legal advisors who are assisting the Company in the proceedings, we deem it reasonable to believe that the case will in all probability conclude with a fully satisfactory outcome in favour of MARR.

21. Deferred tax liabilities

As at 31 December 2017, this item amounts to 48,862 thousand euro mainly and derived from the effect consequent to application of the international accounting standards (among which is the revaluation of the real estate), different tax treatment of leasing and the effects deriving from the consolidating entries, instalments of capital gains and other miscellaneous items.

22. Other non-current liabilities

(Euro/000)	31.12.2017	31.12.2016
Accrued expenses and deferred income	143	276
Non - current tax liabilities	182	27
Payables for acquisition of equity investments/branches of business	-	10,470
Payables to Social Security Institutions	48	40
Other payables	1,007	761
Total	**1,380**	**11,574**

The item "Accrued Expenses and deferred Income" includes both deferred income on rents received from third parties in previous financial years relating to the sales outlet of the subsidiary Chef Express S.p.A. at the Autoporto di Susa, as well as further deferred interest income from customers of MARR S.p.A.

With regard to the change in the item "Payables for acquisition of equity investments" it is recalled that 9,000 euro of the balance at 31 December 2016 refers to a payable for the acquisition of DE.AL. S.r.l. shares and 1,470 thousand euro a payable for the acquisition of Speca Alimentari S.r.l. with expiry in December 2018 and accordingly classified under current payables at 31 December 2017.

Instead, the item "Other payables" represents security deposits paid by the transporters of its subsidiary MARR S.p.A.

Current liabilities

23. Current financial payables

(Euro/000)	31.12.2017	31.12.2016
Payables to controlling companies	**8,036**	**5,436**
Cremofin S.r.l.	8,036	5,436
Payables to unconsolidated subsidiaries	**0**	**23**
Cibo Sapiens S.r.l.	-	23
Payables to associated companies	**350**	**0**
Time Vending S.r.l.	350	-
Other payables		
Payables to banks	375,642	314,959
Payables to other financial institutions	30,599	28,370
Other payables	28	15
Closing balance	**414,655**	**348,803**

The breakdown of the items “Pyables to banks” and “Payables to other financial institutions” is outlined in paragraph 17 above.

Net Debt

The net debt and details of its main components is shown below.

(Euro/000)	31.12.2017	31.12.2016
A. Cash	19,145	17,573
B. Cash equivalent	250,448	221,157
C. Financial assets held for sale	-	-
D. Liquidity (A) + (B) + (C)	**269,593**	**238,730**
E. Current financial assets	**8,717**	**8,767**
F. Current bank liabilities	375,642	314,959
G. Current financial instruments	1,228	1,966
H. Other current financial liabilities	49,559	45,131
I- Current financial liabilities	**426,429**	**362,056**
J. Current net debt (I) - (E) - (D)	**148,119**	**114,559**
K. Non current bank liabilities	474,446	495,855
L. Bonds	0	0
M. Other non current financial liabilities	79,279	95,727
N. Non current financial instruments	106	-
O. Non current debt (K) + (L) + (M) + (N)	**553,831**	**591,582**
P. Net Debt (J) + (O)	**701,950**	**706,141**

Some loan agreements provide for financial covenants on the happening of wich the bank reserve the right to terminate the loan. The covenants of the loans agreements outstanding at 31 December 2017, wich were respected, are shown in the tables below.

Table 1

(Euro/000)	UBI Banca S.p.A. (a)(I)	Unicredit (a)(II)	UBI Banca S.p.A. (a)(I)	ICCREA (a)(I)
Amount of the loans as at 31 December 2017	10,000	21,000	15,000	25,000
Recipient of the loan	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.
Expiry date	27/03/2021	15/05/2019	26/06/2020	21/12/2020
Covenants				
Net Debt/Equity	<= 1.5	<= 2	<= 1.5	<=2.0
Net Debt/Ebitda	<= 3.0	<= 3.0	<= 3.0	<= 3.0
Ebitda/Net financial expenses		>= 4.0		

Table 2

(Euro/000)	Fin. In Pool BNP Paribas (Linea unica come da Amendement del 31/03/2015)) (a)(II)	USPP (originari 33 mil USD) (a)(II)	USPP (originari 10 mil USD) (a)(II)	Banca Intesa Sanpaolo (a)(I)
Amount of the loans as at 31 December 2017	44,106	27,516 (*)	8,338 (*)	8,020
Recipient of the loan	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.
Expiry date	30/06/2022	11/07/2023	11/07/2020	31/12/2018
Covenants				
Net Debt/Equity	<2	<2	<2	<=2
Net Debt/Ebitda	< 3.5	< 3.5	< 3.5	< 3.5
Ebitda/Net financial expenses	> 4	> 4	> 4	>=4

Table 3

(Euro/000)	BPER Banca S.p.A. (a)(I)	Credit Agricole Cariparma (a)(I)	Banca Intesa Sanpaolo (a)(II)	BNL S.p.A. (a)(I)
Amount of the loans as at 31 December 2017	10,000	8,763	13,500	30,000
Recipient of the loan	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.
Expiry date	21/12/2021	19/05/2021	30/06/2022	30/09/2020
Covenants				
Net Debt/Equity	<=2	<=2	<=2	<=2
Net Debt/Ebitda	<=3	<=4	< 3.5	<=3
Ebitda/Net financial expenses			> =4	> =4

(a) covenants calculated on the MARR Group's consolidated financial statements;
(I) Indices verified annually at the year-end;
(II) Indices that are respected and verified with reference to 31 December and 30 June of each year;
(*) The euro value is shown at the euro/USD exchange rate on 31/12/17.

Table 4

(Euro/000)	Sberbank	Sberbank	Sberbank
Amount of the loans as at 31 December 2017	14,411 (*)	7,969 (*)	6,110 (*)
Recipient of the loan	Marr Russia L.l.c.	Orenbeef L.l.c.	Marr Russia L.l.c.
Expiry date	24/09/2018	18/07/2023	21/09/2018
Covenants			
Net Debt/Ebitda (b)	< 4.0	< 5.0	< 4.0
Total liabilities/Equity capital (b)	< 1.5	-	< 1.5
Net Income/Revenues (b)	> 0		
Net Debt/Ebitda (c)		< 4.0	< 4.0
Net Debt/Ebitda (d)		< 3,0	-
Debt Service Coverage Ratio (d)		> 1.5	
Net Income/Revenues (e)	> 0.02		
Net Debt/Ebitda (e)	< 3.0		

(b) covenants calculated on the financial statements of Marr Russia L.l.c. (quarterly verified);
(c) covenants calculated on the consolidated financial statements of the INALCA Group (annually verified).
(d) covenants calculated on the financial statements of Orenbeef L.l.c. (quarterly verified);
(e) covenants calculated on the financial statements of Inalca Eurasia Holding Gesmbh (quarterly verified);
(*) The euro value is shown at the euro/RUR exchange rate on 31/12/17.

Table 5

(Euro/000)	BNL S.p.A. (f)	Banca Intesa Sanpaolo (f)	Unicredit S.p.A. (f)
Amount of the loans as at 31 December 2017	20,000	12,500	82,000
Recipient of the loan	INALCA S.p.A	INALCA S.p.A	INALCA S.p.A
Expiry date	00/01/1900	31/12/2019	16/12/2021
Covenants			
Net Debt/EBITDA	< 3.5	< 3.5	< 3.25
Net Debt/Equity	< 0.9	< 0.9	-
Ebitda/Net financial expenses	-	-	> 5.0

Table 6

(Euro/000)	BNL S.p.A. (f)	Cariparma S.p.A. (f)	Banca Intesa Sanpaolo(f)
Amount of the loans as at 31 December 2017	25,000	7,524	40,000
Recipient of the loan	INALCA S.p.A	INALCA S.p.A	INALCA S.p.A
Expiry date	17/12/2018	22/12/2020	30/06/2022
Covenants			
Net Debt/EBITDA	< 3.5	< 3.5	< 3.5
Net Debt/Equity	< 0.9	< 0.9	< 0.9

Table 7

(Euro/000)	BPER Banca S.p.A. (f)	ING BANK N.V. (f)	Ubi Banca S.p.A. (f)
Amount of the loans as at 31 December 2017	16,040	50,000	20,000
Recipient of the loan	INALCA S.p.A	INALCA S.p.A	INALCA S.p.A
Expiry date	23/12/2019	19/12/2022	13/12/2021
Covenants			
Net Debt/EBITDA	< 3.5	< 3.5	< 3.5
Net Debt/Equity	< 0.9	< 0.9	< 0.9

(f) covenants calculated on the consolidated figures of the INALCA Group as at 31 December of each year.

Table 8

(Euro/000)	ING BANK N.V. (g)	BPER Banca S.p.A. (g)
Importo del finanziamento al 31 dicembre 2017	1,500	20,000
Recipient of the loan	Zaklady Miesne Soch. Llc	Inalca Food & Beverage S.r.l.
Expiry date	30/06/2024	19/12/2021
Covenants		
Net Debt/EBITDA	< 3.5	< 3.5
Net Debt/Equity	< 0.9	< 0.9

(g) covenants calculated on the consolidated figures of the INALCA Group as at 31 December of each year.
(h) covenants calculated on the financial statements of Cremonini S.p.A. at 31 December of each year.

Table 9

(Euro/000)	Banca Intesa Sanpaolo S.p.A.	UBI Banca S.p.A.	CA - CIB e CariParma (Pool)
Amount of the loans as at 31 December 2017	22,500	12,821	14,000
Recipient of the loan	Cremonini S.p.A.	Cremonini S.p.A.	Cremonini S.p.A.
Expiry date	30/06/2022	29/07/2020	15/06/2018
Covenants			
Net Debt/EBITDA	<= 4.0 (h)	<= 4.0 (h)	<= 4.0 (h)
Net Debt/Equity		<= 2.75 (h)	<= 1.0 (i)
Ebitda/Net financial expenses	>=4.0 (h)	>=4.0 (h)	

(h) covenants calculated on the consolidated financial statements of Cremonini Group;
(i) covenants calculated on the financial statements of Cremonini S.p.A.;

Table 10

(Euro/000)	Banco BPM S.p.A. (l)	BNL S.p.A. (l)	Carisbo S.p.A.(l)	UBI Banca S.p.A. (l)
Amount of the loans as at 31 December 2017	17,500	11,400	13,333	7,500
Recipient of the loan	Chef Express S.p.A.	Chef Express S.p.A.	Chef Express S.p.A.	Chef Express S.p.A.
Expiry date	30/06/2021	18/10/2019	31/12/2021	13/12/2020
Covenants				
Net Debt/EBITDA	<=3.0	<=3.0	<=3.0	<=3.0
Net Debt/Equity	<=2.0	<=2.0	<=2.0	<=2.0

(l) covenants calculated on the financial statements of Cremonini S.p.A. at 31 December of each year.

Table 11

(Euro/000)	Unicredit S.p.A. (m)	Cassa di Risparmio di Saluzzo S.p.A. (m)	BPER Banca S.p.A.(m)	ING BANK N.V. (m)
Amount of the loans as at 31 December 2017	10,000	12,000	3,000	3,888
Recipient of the loan	Roadhouse S.p.A.	Roadhouse S.p.A.	Roadhouse S.p.A.	Roadhouse S.p.A.
Expiry date	28/01/2022	19/12/2021	19/12/2021	05/12/2021
Covenants				
Net Debt/EBITDA	<=3.25	<=4.0	<=4.0	<=4.0
Net Debt/Equity		<=2.75	<=2.75	<=2.75

(m) covenants calculated on the financial statements of Cremonini S.p.A. at 31 December of each year.

24. Current tax liabilities

(Euro/000)	31.12.2017	31.12.2016
VAT	1,126	1,781
IRAP	1,151	789
IRES	1,816	841
Withholding taxes	9,702	9,381
Substitute taxes and other taxes payable	5,278	8,045
Total	**19,073**	**20,837**

IRAP and IRES payables relate to 2017 financial year taxes not yet paid at the year-end.

25. Current trade liabilities

(Euro/000)	31.12.2017	31.12.2016
Suppliers	**658,310**	**606,302**
Payables to unconsolidated subsidiaries	**79**	**206**
Agrosakmara Llc	-	76
Fratelliditalia S.A.	1	-
Inalca F&B (Shanghai) Co Ltd	35	-
Quinto Valore S.c.a.r.l.	43	130
Payables to associated companies	**412**	**730**
Frigomacello S.r.l.	1	1
Frimo S.a.m.	-	20
Griglia Doc S.r.l.	25	15
Parma Sofrelim S.a.s.	53	-
Unitea S.r.l.	333	468
Unieffebi S.r.l. in liquidazione	-	226
Payables to controlling companies	**35**	**0**
Cremofin S.r.l.	35	-
Total	**658,836**	**607,238**

Current trade payables refer primarily to balances deriving from commercial operations and the amount payable to Trade Agents.

26. Other current liabilities

(Euro/000)	31.12.2017	31.12.2016
Accrued expenses and deferred income	5,202	6,019
Inps/Inail/Scau	11,864	12,018
Inpdai/Previndai/Fasi/Besusso	160	169
Enasarco/FIRR	1,023	988
Payables to other social security institutions	3,795	3,847
Other payables		
Advances and other payables to customers	13,452	14,356
Payables for employee remuneration	46,833	44,029
Payables for acquisition of equity investments	10,574	11,302
Guarantee deposits and down payments received	238	256
Payables to directors and auditors	1,109	1,092
Payables to agents	143	93
Other minor payables	5,981	3,695
Total	100,374	97,864

The item "Accruals and deferrals" includes the liability connected to the development of the Roadhouse Grill Club bonus scheme. This scheme, valid throughout Italy, provides for the accumulation of points and the accrual of credits utilizable in the Roadhouse restaurants participating in the initiative. The liability that amounted to 2,083 thousand euro at 31 December 2017 increased by 240 thousand euro compared to 1,843 in 2016 as an effect of the commercial expansion of the Roadhouse brand steakhouse chain.

The payable to employees includes the current remuneration yet to be paid as at 31 December 2017 and the allocations relating to deferred remuneration. The significant increase of the payable compared to last year is justified by the increased headcount consequent to the continuous development of the commercial and in the concession catering businesses (Roadhouse S.p.A. and Chef Express S.p.A.).

Guarantees, sureties and commitments

(Euro/000)	31.12.2017	31.12.2016
Direct guarantees – sureties		
- related companies	-	-
- other companies	131,567	131,184
	131,567	131,184
Direct guarantees – letter of comfort		
- associated companies	8,600	5,788
- other companies	-	-
	8,600	5,788
Other risks and commitments	29,308	34,789
Total guarantees, sureties and commitments	169,475	171,761

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 (Euro/000)	Beneficiary	Amount	Reason
Revenue Office/VAT Office Modena	Cremonini S.p.A. and other subsidiaries	27,769	VAT for compensation.
Highways and Oil Companies	Cremonini S.p.A. subsidiares	29,822	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	11,716	Guaranteeing concessions for on-board catering services, station buffets and operation of storage facilities.
Public Agencies	Cremonini S.p.A. subsidiares	33,291	Garantees release for the timely execution of contracts lasting several years.
Airports	Cremonini S.p.A. subsidiares	11,840	Guaranteeing successful conclusion of contracts.
Other minor items	Cremonini S.p.A. and other subsidiaries	17,129	Administration of rented properties, energy supplies, credit cards, successful conclusion of contracts, etc.
Total		**131,567**	

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 S.p.A.	17,449
Credit letter of purchase of goods	Marr S.p.A.- As.Ca.	10,428
Other sundry	Fiorani & C S.p.A. - Italia Alimentari S.p.A.	1,431
Total		**29,308**

"Commitments for real estate purchases" regard preliminary contracts to buy real estate where the Roadhouse S.p.A. "steakhouse" chain can be further developed. (Saronno, Seregno, Baranzate, Cernusco sul Naviglio, Casalecchio, Agrate, Sesto Fiorentino, Vigevano, Pisa, Capriolo and Arezzo).

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 & C. S.p.A. 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:

(Euro/000)	31.12.2017	31.12.2016
Revenues from sales - Finished goods	1,480,181	1,292,602
Revenues from sales - Goods for resale	2,010,431	1,955,830
Revenues from sales - Oil	9,722	12,022
Revenues from sales - Others	67,211	59,958
Revenues from services	341,238	274,519
Advisory services to third parties	1,506	1,670
Rent income	3,350	3,281
Other revenues from ordinary activities	47,800	33,743
Total	**3,961,439**	**3,633,625**

Below is a breakdown of revenues by geographical area:

(Euro/000)	31.12.2017	31.12.2016
Italy	2,985,084	2,717,703
European Union	438,403	392,573
Non-EU countries	537,952	523,349
Total	**3,961,439**	**3,633,625**

As regards the revenues trend, you are referred to the details in the Directors' Report.

28. Other revenues

The other revenues can be broken-down as follows:

(Euro/000)	31.12.2017	31.12.2016
Contributions by suppliers and others	35,501	39,089
Operating grants	6,683	3,290
Other sundry revenues	27,622	25,462
Total	**69,806**	**67,841**

The item "Contributions from suppliers and others" mainly includes the contributions obtained for various titles from the suppliers for commercial promotion of their products at our customers/sales outlets.

With regard to the comparison with the prior year it is noted that part of the suppliers' contribution is shown as reduction of the goods purchase cost following re-formalisation of part of the contracts for recognition of the year-end bonuses.

Other sundry revenues

(Euro/000)	31.12.2017	31.12.2016
Rent income	535	4,283
Insurance reimbursements	2,582	6,350
Capital gains on disposal of capital goods	494	1,139
Other cost reimbursements	3,362	2,937
Services, consultancy and other minor revenues	20,649	10,753
Total	**27,622**	**25,462**

The income from insurance reimbursements accounted for in 2016 mainly refers to the reimbursement for the fire at Fiumicino airport to the subsidiary Chef Express S.p.A.
The "Services, consultancy and other minor revenues" included various sales, including the green energy

certificates, accounted for as additional revenues.

29. Costs for purchases

(Euro/000)	31.12.2017	31.12.2016
Costs for purchases - Raw materials	(988,366)	(837,104)
Costs for purchases - Goods for resale	(1,561,589)	(1,439,252)
Costs for purchases - Secondary materials, consumables, semi-finished goods, packages	(89,189)	(81,245)
Costs for purchases - Finished goods	(31,097)	(24,932)
Costs for purchases - Oil	(9,008)	(11,323)
Costs for purchases - Stationery and printed paper	(1,982)	(1,886)
Changes in inventories of raw materials, secondary materials, consumables and goods for resale	34,529	608
Other costs for purchases	(106,902)	(104,442)
Total	**(2,753,604)**	**(2,499,576)**

You are referred to the Directors' Report and the marginality analysis, subdivided by individual business sectors, for a careful examination of the purchases cost trend.

"Cost for purchases - Oil" is 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. The reduction in such costs is the direct consequence of the disposal of some sales outlets where the subsidiary Chef Express S.p.A. conducted operations.

30. Other operating costs

(Euro/000)	31.12.2017	31.12.2016
Costs for services	(500,161)	(472,675)
Costs for leases and rentals	(92,512)	(80,531)
Other operating charges	(17,008)	(18,065)
Total	**(609,681)**	**(571,271)**

Costs for services

(Euro/000)	31.12.2017	31.12.2016
Energy consumption and utilities	(47,970)	(43,501)
Maintenance and repairs	(27,180)	(24,585)
Transport on sales	(104,747)	(97,906)
Commisions, commercial and distribution services	(121,760)	(119,468)
Third-party services and outsourcing	(54,758)	(37,965)
Purchasing services	(42,188)	(46,761)
Other technical and general services	(101,558)	(102,489)
Total	**(500,161)**	**(472,675)**

The increase in service costs principally refers to the production and catering sectors, respectively increased by 19.7 million and 7.8 million euro.
The higher costs incurred regarded the activities related to importation of meat and goods transport, as well as the operating costs of the new premises awarded/acquired as a result of development of catering sector (Chef Express S.p.A. and Roadhouse S.p.A.).

Costs for leases and rentals

(Euro/000)	31.12.2017	31.12.2016
Lease of business, royalties and others	(61,672)	(53,195)
Costs for leases	(18)	(33)
Leases and rentals related to real estate and furniture	(30,822)	(27,303)
Total	**(92,512)**	**(80,531)**

The costs for leases and rentals, up by 13.2 million euro mainly refer to the catering sector and is relevant to costs incurred for the management of catering services.
The increase compared to the prior year is directly connected to the acquisition of new points of sales and the

increase in sales.

With reference to relationships with related companies it should be pointed out that the item "Leases and rentals related to real estate and furniture" include the fees of 668 thousand Euro paid to the associate company Le Cupole S.r.l. for the rental of the properties located in Rimini.

Other operating charges

(Euro/000)	31.12.2017	31.12.2016
Losses on receivables	(26)	(847)
Indirect taxes and duties	(9,947)	(9,297)
Capital losses on disposal of assets	(290)	(1,036)
Contributions and membership fees	(1,598)	(1,653)
Other minor costs	(5,147)	(5,232)
Total	**(17,008)**	**(18,065)**

31. Personnel costs

(Euro/000)	31.12.2017	31.12.2016
Salaries and wages	(278,180)	(250,398)
Social security contributions	(79,821)	(71,927)
Staff Severance Provision	(14,842)	(13,575)
Pension and similar provisions	(8)	(25)
Other personnel costs	(24,533)	(21,757)
Total	**(397,384)**	**(357,682)**

This item includes all the personnel costs, including holiday accruals and additional monthly pay as well as the related welfare charges, allocation for employee leaving indemnities and other contractually envisaged costs.

The increase compared to last year is ascribable to the production sectors, up by 22.6 million euro, and catering up by 18.4 million.
In the production sector the increase is linked to the effects deriving from the different scope of the consolidation and new sales outlets in the centre/south of Italy managed by the subsidiary Guardamiglio S.r.l. As already shown in the Directors' Report, it is recalled that 2017 is the first entire year of operations of the Unipeg Soc Coop Agricola and Assofood S.p.A. business branches acquired, as well as Grupo Comit companies, the latter acquired in November of last year.

As at 31 December 2017 Group employees amounted to 12,534 compared to 11,432 at 31 December 2016.

The increase is mainly attributable to the Catering and Production sectors that increased their headcounts respectively by 849 and 286 employees.

Specifically, increase in the Catering sector concerned the subsidiaries Roadhouse S.p.A., Chef Express S.p.A. and Roadhouse Grill Roma S.r.l. as an effect of the new premises opened.

The break down by category and average number of employees in 2017 is shown in the following schedule:

	Factory staff	Office staff	Managers	Total
Employees as at 31.12.2016	8,564	2,709	159	11,432
Employees as at 31.12.2017	**9,648**	**2,724**	**162**	**12,534**
Increases (decreases)	1,084	15	3	1,102
Average no. of employees during year 2017	**9,450**	**2,687**	**166**	**12,303**

32. Amortization, depreciation, write-downs and provisions

(Euro/000)	31.12.2017	31.12.2016
Depreciation of tangible assets	(76,784)	(67,956)
Amortization of intangible assets	(4,359)	(3,125)
Other write-downs of fixed assets	(2,543)	(984)
Write-downs and provisions	(26,306)	(26,166)
Total	**(109,992)**	**(98,231)**

The "Other write- downs of fixed assets" item includes the effects of the impairment test on the goodwill. This impacted by 2,040 thousand euro in 2017 and 847 thousand euro in 2016.
For more details on the amortization and depreciation items, please refer to the movement of tangible and intangible assets shown in Appendices 3 and 4.

33. Financial (Income)/Charges

(Euro/000)	31.12.2017	31.12.2016
Net exchange rate differences	(15,079)	(10,717)
Income (Charges) from management of derivatives	(556)	(53)
Net financial Income (Charges)	(12,944)	(16,427)
Total	**(28,579)**	**(27,197)**

Exchange rate differences

(Euro/000)	31.12.2017	31.12.2016
Realized exchange rate profits	4,181	22,362
Realized exchange rate losses	(9,168)	(32,167)
Unrealized exchange rate profits	10,486	21,774
Unrealized exchange rate losses	(20,506)	(20,184)
Realized income from management of exchange rate derivatives	1,567	2,079
Evaluated income from management of exchang rate derivatives	-	235
Realized charges from management of exchange rate derivatives	(1,360)	(1,357)
Evaluated charges from management of exchange rate derivatives	(279)	(3,459)
Total	**(15,079)**	**(10,717)**

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.

Income (Charges) from management of derivatives

(Euro/000)	31.12.2017	31.12.2016
Realized Charges from management of derivatives	(556)	(53)
Total	**(556)**	**(53)**

Net financial Income (Charges)

(Euro/000)	31.12.2017	31.12.2016
Financial Income (Charges) due to controlling companies	**(36)**	**(36)**
Financial income		
- Bank interest receivable	1,857	587
- Other financial income	2,416	3,642
Total financial income	**4,273**	**4,229**
Financial charges		
- Interest payable on loans	(3,998)	(4,982)
- Interest payable on factoring	(2,259)	(1,897)
- Interest payable on current accounts and others	(5,113)	(5,522)
- Other bank charges	(524)	(537)
- Other sundry charges	(5,287)	(7,682)
Total financial charges	**(17,181)**	**(20,620)**
Total	**(12,944)**	**(16,427)**

The decrease in financial charge compared to the previous year, already mentioned in the Directors' Report, benefitted from both the reduced debt and a positive interest rate trend that reduced the cost of money.

34. Income taxes

(Euro/000)	31.12.2017	31.12.2016
IRES	(39,423)	(42,594)
IRAP	(9,059)	(8,457)
Net deferred tax assets/liabilities	(16)	58
Total	**(48,498)**	**(50,993)**

It is also recalled that taxes for the period benefited from reduction of the corporate tax (IRES) rate of 3.5 percentage points, introduced by the 2016 stability law with effect from the financial years initiated after 31 December 2016.

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 : 6,272 thousand euro
- Independent auditors: 926 thousand euro

Subsequent events

With regard to the events subsequent to the year-end, please refer to the Directors' Report.

* * * * * *

Castelvetro di Modena, 26 March 2018

THE CHAIRMAN
OF THE BOARD OF DIRECTORS
(Cav. Lav. 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 2017;
Annex 2	-	List of revenues and costs from/to subsidiaries, associated, controlling and related companies for 2017;
Annex 3	-	Statement of changes in tangible assets for the financial year ended as at 31 December 2017;
Annex 4	-	Statement of changes in intangible assets for the financial year ended as at 31 December 2017;
Annex 5	-	List of equity investments classified under financial assets as at 31 December 2017 and others;
Annex 6	-	List of equity investments in subsidiaries and associated companies as at 31 December 2017 (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 2017

(Euro/000)	Trade		Other		Total	
	Receivables	Payables	Receivables	Payables	**Receivables**	**Payables**
Subsidiaries:						
Agrosakmara Llc	-	-	1,269	-	**1,269**	**-**
DMS S.r.l.in liq.	-	-	-	-	**-**	**-**
E-Marco Polo (E-MP) Spa	143	-	150	-	**293**	**-**
Fratelliditalia SA	1,021	1	404	-	**1,425**	**1**
Imprenditori per E-Marco Polo (I-EMP) Srl	2	-	-	-	**2**	**-**
InalcaFoos Service Kaz Llp	768	-	44	-	**812**	**-**
Inalca Food & Beverage Shanghai Co Ltd	42	35	155	-	**197**	**35**
Italia Alimentari Canada Ltd	635	-	1,184	-	**1,819**	**-**
Peckinalca Lda	150	-	11,017	-	**11,167**	**-**
Quinto Valore S.c.a.r.l.	10	43	-	-	**10**	**43**
SCDA Angola SA	150	-	-	-	**150**	**-**
Shanghai Chef Exp.Rail Cater. Manag.Company Limited	1	-	-	-	**1**	**-**
Fondo svalutazione crediti	-	-	-	-	**-**	**-**
Total subsidiaries	**2,922**	**79**	**14,223**	**-**	**17,145**	**79**
Associated companies:						
Avirail S.a.s.	-	-	425	-	**425**	**-**
Bottega Mediterranea Sdn Bhd	4	-	258	-	**262**	**-**
Castello di Godego S.a.	1	-	900	-	**901**	**-**
Farm Service S.r.l.	285	-	333	-	**618**	**-**
Food & Co	2	-		-	**2**	**-**
Frigomacello S.r.l.	-	1	794	-	**794**	**1**
Frimo S.a.m.	-	-	227	-	**227**	**-**
Griglia Doc S.r.l.	-	25	-	-	**-**	**25**
Inalca Emirates Trading Llc	538	-	-	-	**538**	**-**
Parma Sofrelim S.a.s.	14	53	-	-	**14**	**53**
Sardinia Logistica S.r.l.	-	-	-	-	**-**	**-**
Time Vending S.r.l.	56	-	-	350	**56**	**350**
Unitea S.r.l.	491	333	-	-	**491**	**333**
Unieffebi S.r.l. in liquidazione	-	-	13	-	**13**	**-**
Fondo svalutazione crediti	-	-	-	-	**-**	**-**
Total associated companies	**1,391**	**412**	**2,950**	**350**	**4,341**	**762**
Related and controlling companies:						
A.G.M. S.r.l.	-	20	220	-	**220**	**20**
Bluimex Sp. Zo.o.	-	-	-	-	**-**	**-**
Cremofin S.r.l.	15	35	-	8,036	**15**	**8,071**
Le Cupole S.r.l.	-	-	-	-	**-**	**-**
LLc Soyuz	208	-	354	-	**562**	**-**
TreErre Food S.r.l.	431	-	-	-	**431**	**-**
Twoford Holdings Ltd	-	25	-	-	**-**	**25**
Total related companies	**654**	**80**	**574**	**8,036**	**1,228**	**8,116**

Annex 2

List of revenues and costs from/to subsidiaries, associated, controlling and related companies for 2017

(Euro/000)	Trade		Other		Total	
	Revenues	Costs	Revenues	Costs	**Revenues**	**Costs**
Subsidiaries:						
Agrosakmara Llc	-	54	44	-	**44**	**54**
DMS S.r.l. in liq.	-	-	4	-	**4**	**-**
E-Marco Polo (E-MP) Spa	350	-	-	-	**350**	**-**
Fratelliditalia SA	752	-	61	1	**813**	**1**
Imprenditori per E-Marco Polo (I-EMP) Srl	2	-	-	-	**2**	**-**
Inalca Food & Beverage Shanghai Co Ltd	-	-	21	79	**21**	**79**
InalcaFoos Service Kaz Llp	1,117	-	1	-	**1,118**	**-**
Italia Alimentari Canada Ltd	1	-	29	-	**30**	**-**
Peckinalca Lda	1	-	-	-	**1**	**-**
Quinto Valore S.c.a.r.l.	117	-	-	294	**117**	**294**
SCDA Angola SA	-	-	-		**-**	**-**
Total subsidiaries	**2,340**	**54**	**160**	**374**	**2,500**	**428**
Associated companies:						
A.G.M.S.r.l.	-	-	-	-	**-**	**-**
Avirail S.a.s.	0	148	13	-	**13**	**148**
Bottega Mediterranea Sdn Bhd	-	-	3	-	**3**	**-**
Farm Service S.r.l.	4,766	-	-	40	**4,766**	**40**
Frigomacello S.r.l.	-	-	-	3	**-**	**3**
Frimo S.a.m.	-	-	32	-	**32**	**-**
Griglia Doc S.r.l.	24	-		20	**24**	**20**
Parma Sofrelim S.a.s.	0	624	-	-	**-**	**624**
Time Vending S.r.l.	36	-	168	-	**204**	**-**
Unitea S.r.l.	4,620	-	32	1,411	**4,652**	**1,411**
Unieffebi S.r.l. in liquidazione	-	-	-	-	**-**	**-**
Total associated companies	**9,446**	**772**	**248**	**1,474**	**9,694**	**2,246**
Controlling companies						
Cremofin S.r.l.	-	-	9	35	**9**	**35**
Total controlling companies	**-**	**-**	**9**	**35**	**9**	**35**
Related companies:						
A.G.M. S.r.l.	-	-	-	13	**-**	**13**
Le Cupole S.r.l.	-	-	4	668	**4**	**668**
LLc Soyuz	1,962	-	9	-	**1,971**	**-**
Longsy Italy Co Ltd	-	-	-	-	**-**	**-**
Namsov Fishing Enterprises Ltd	-	7,786	-	-	**-**	**7,786**
NBM Trading Consulting Lda	-	-	-	-	**-**	**-**
TreErre Food S.r.l.	1,636	-	-	-	**1,636**	**-**
Total related companies	**3,598**	**7,786**	**13**	**681**	**3,611**	**8,467**

Annex 3

Statement of changes in tangible assets for the financial year ended as at 31 December 2017

(Euro/000)	Opening position			Changes over the period							Closing position		
	Initial cost	Depreciation provision	Balance at 31.12.2016	Net effects of the change in consolidation area	Acquisitions	Net decreases	(Impairment) Reversal of an impairment	Reclassif./ Other changes	Exchange Differences	Depreciation	Initial cost	Depreciation provision	Balance at 31.12.2017
Land and buildings	911,292	(218,021)	693,271	198	31,393	(268)	(141)	11,400	(6,114)	(28,220)	942,897	(241,378)	701,519
Plant and machinery	533,676	(377,228)	156,448	370	33,951	(958)	(220)	12,283	(746)	(31,752)	569,304	(399,928)	169,376
Industrial and business equipment	41,733	(29,466)	12,267	105	4,109	(209)	(6)	618	7	(4,085)	45,998	(33,192)	12,806
Other assets	133,711	(83,342)	50,369	296	17,023	(1,169)	(228)	2,277	(684)	(12,727)	145,798	(90,641)	55,157
Fixed assets under construction and advances	29,126	0	29,126	13	37,656	(407)	35	(27,044)	(262)		39,117	0	39,117
Total	**1,649,538**	**(708,057)**	**941,481**	**982**	**124,132**	**(3,011)**	**(560)**	**(466)**	**(7,799)**	**(76,784)**	**1,743,114**	**(765,139)**	**977,975**

Annex 4

Statement of changes in intangible assets for the financial year ended as at 31 December 2017

(Euro/000)	Opening position			Changes over the period						Closing position		
	Initial cost	Amortization provision	Balance at 31.12.2016	Net effects change consolidation ar	Acquisitions	Net decreases	Reclass. Other changes	Exchange Differences	Amortiz.	Initial cost	Amortization provision	Balance at 31.12.2017
Patents and intellectual property rights	16,771	(14,403)	2,368	2	1,367	(9)	25	(2)	(1,291)	17,743	(15,283)	2,460
Development costs	351	(70)	281		16		288		(131)	655	(201)	454
Concessions, licences, trademarks and similar rights	21,792	(5,839)	15,953	21	934	(69)	589	(288)	(1,551)	22,447	(6,858)	15,589
Fixed assets under development and advances	1,836	-	1,836		2,345	(310)	(972)			2,899	-	2,899
Other intangible assets	10,353	(5,274)	5,079		397		104	(127)	(690)	10,524	(5,761)	4,763
Total	51,103	(25,586)	25,517	23	5,059	(388)	34	(417)	(3,663)	54,268	(28,103)	26,165

Annex 5

List of equity investments classified under financial assets as at 31 December 2017 and others

(Euro/000) Company name	Percentage	Initial value	Purchases or subscriptions	Disposals	(Write-downs) Revaluations	Other changes	Percentage	Final value	Notes
Subsidiaries:									
Agrosakmara L.l.c.	99.00	-					99.00	-	
Cibo Sapiens S.r.l.	100.00	15				(15)	-	-	(a)
Fabri Fine Italian Foods Pty Ltd			108				75.00	108	
Fratelliditalia SA	80.00	60	0			(60)	80.00	-	
Imprenditori per E-Marco Polo (I-EMP)	60.00	60			(41)		60.00	19	
Inalca Food & Beverage China Holding Ltd	55.00	300	980			(1,280)	-	-	(a)
Inalca Food & Beverage LLC (Casa Cremonini)	70.00	33		(29)		(4)	70.00	0	
Inalca Food & Beverage Malaysia Holding Sdn Bhd	100.00	219				(219)	-	-	(a)
Inalca Food & Beverage Shanghai Co Ltd	100.00	-	154			2	100.00	156	
Inalca Food Service Kaz Llp	100.00	123				(9)	100.00	114	
Italia Alimentari Canada Ltd	60.00	408					60.00	408	
Inalca Foods Nig Limited	57.00	0					57.00	-	
Montana Farm S.p.zo.o.	100.00	180					100.00	180	
PeckInalca Lda	51.00	10				(2)	51.00	8	
Quinto Valore s.c.a.r.l.	100.00	90					100.00	90	
SCDA Angola S.A.	51.00	6				(1)	51.00	5	
Shanghai Chef Express Rail Catering Manag.Company Ltd	100.00		134		(140)	6	100.00	-	
Total subsidiaries companies		**1,504**	**1,376**	**(29)**	**(181)**	**(1,582)**		**1,088**	
Associated companies									
A.G.M. S.r.l.	-	-				66	29.55	66	
Avirail S.a.s.	49.00	373			(7)		49.00	366	
Bottega Mediterranea Sdn Bhd	70.00	-	24			(24)	50.00	-	
Consorzio I.R.I.S. S.a.r.l.	37.50	4					37.50	4	
Farm Service S.r.l.	37.00	257					37.00	257	
Frigomacello S.r.l.	50.00	45					50.00	45	
Frimo SAM	45.30	527					45.30	527	
Griglia Doc S.r.l.	50.00	893			(153)		50.00	740	
Parma Sofrelim S.a.s.	50.00	879			(79)		50.00	800	
Sardinia Logistica S.r.l.	50.00	50			(50)		50.00	-	
Società Agricola Castello di Godego S.s.		-	50				50.00	50	
Time Vending S.r.l.	49.00	470			169	(265)	49.00	374	
Unieffebi S.r.l. in liquidazione	30.00	164		(164)			30.00	-	
Unitea S.r.l.	50.00	1,325			625		50.00	1,950	
Total associated companies		**4,987**	**74**	**(164)**	**505**	**(223)**		**5,179**	
Other companies:									
Banca Centro Padana		85		(33)				52	
Banca Popolare di Vicenza in L.C.A.		3			(3)			-	
Baronia Sviluppo Italia		93						93	
B.F. Holding S.p.A.		5,383	331					5,714	
Class China e Commerce S.r.l.		127						127	
Centro Agroalimentare Riminese S.p.A.		280						280	
Futura S.p.A.		963						963	
Gester Soc. Coop		820		(287)				533	
Nuova Campari S.p.A.		1,549						1,549	
Others		411				(69)		342	
Total other companies		**9,714**	**331**	**(320)**	**(3)**	**(69)**		**9,653**	
Current financial assets held for sale									
Government securities of the state of Angola		10,241	8,487		-	(731)	-	17,997	
Total Current financial assets held for sale		**10,241**	**8,487**	**0**	**0**	**(731)**		**17,997**	
Deferred financial assets held for sale									
BPER Banca S.p.A.		4,184			(47)			4,137	
Banco Popolare Società Cooperativa *		221			32		-	253	(b)
Total deferred financial assets held for sale		**4,405**	**0**	**0**	**(15)**	**0**		**4,390**	

(a) Company now included in the scope of consolidation

(b) the investment write-off has been booked in the specific equity reserve "Fair value reserve"

* Company merged in Banco BPM S.p.A. on 01/01/2017.

Annex 6

List of equity investments in subsidiaries and associated companies as at 31 December 2017 (Article 2427, paragraph 5, of the Italian Civil Code) with an indication of those falling within the scope of consolidation

(Euro/000) Company name	HQ	Share capital (expressed in Euro, unless otherwise indicated)	Result for the financial year ended 31.12.2017	Shareholders' equity at 31.12.2017	Control share at 31.12.2017	Shareholding at 31.12.2017	Book value (A)	Portion of the Shareholders' Equity (B)	Difference (B) - (A)	Participants at 31.12.2017	Control share at 31.12.2016	Shareholding at 31.12.2016	Notes
Investments valued at equity:													
Subsidiaries companies:													
Quinto Valore s.c.a.r.l.	Reggio Emilia	90,000	1	91	100.00%	71.60%	90	91	1	INALCA S.p.A.	100.00%	71.60%	(b)
Associated companies:													
Avirail S.a.s.	Paris (France)	100,000	242	955	49.00%	49.00%	366	468	102	Cremonini Restauration S.a.s.	49.00%	49.00%	
Griglia Doc S.r.l.	Elice (PE)	2,000,000	(214)	1,786	50.00%	25.21%	740	893	153	DE.AL. S.r.l.	50.00%	25.21%	(b)
Parma Sofrelim S.a.s.	St Germain Les Vergne - France	1,200,000	186	1,554	50.00%	18.26%	800	777	(23)	Parma France S.a.s.	50.00%	18.26%	(b)
Time Vending S.r.l.	Castelvetro di Modena	100,000	587	749	50.00%	50.00%	374	375	1	Chef Express S.p.A.	50.00%	50.00%	
Investments valued at cost:													
Subsidiaries													
Agrosakmara L.l.c.	Orenburg (Russia)	RUR 10.000	nd	nd	99.00%	53.16%	-	nd	nd	Marr Russia LLc	99.00%	74.25%	(a)(b)
Cibo Sapiens S.r.l.	Gazoldo degli Ippoliti (MN)	15,000	(3)	12	100.00%	71.60%	-	12	12	Italia Alimentari S.p.A.	100.00%	71.60%	
Fabri Fine Italian Foods Pty Ltd	Morningside (Australia)	AUD 337.073	nd	nd	75.00%	48.33%	108	nd	nd	Fresco Gourmet Pty Ltd	-	-	
Fratelliditalia SA	Playa del Carmen (Mexico)	MXN 100.000	(86)	25	80.00%	51.55%	-	nd	nd	Inalca Food & Beverage S.r.l.	80.00%	30.93%	(a)(b)
Imprenditori per E-Marco Polo (I-EMP)	Castelvetro di Modena (MO)	100,000	(3)	97	60.00%	60.00%	19	nd	nd	Cremonini S.p.A.	60.00%	60.00%	(b)
Inalca Food & Beverage Shanghai Co Ltd	Shanghai (China)	CNY 2.129.005	(108)	97	100.00%	#RIF!	156		(156)	Inalca Food & Beverage China Holding Ltd	-	-	(a)(b)
InalcaFood Service Kaz LLP	Almaty (Republic of Kazakhstan)	KZT 36.321.000	(50)	53	100.00%	53.70%	114	nd	nd	Marr Russia LLc	100.00%	53.70%	(a)(b)
Inalca Foods Nig Limited	Nigeria	Naira 10.000.000	nd	nd	57.00%	40.81%	nd	nd	nd	INALCA S.p.A.	57.00%	40.81%	(a)(c)
Italia Alimentari Canada Ltd	Brampton (Canada)	CAD 500.000	(80)	625	60.00%	42.96%	408	375	nd	Italia Alimentari S.p.A.	60.00%	42.96%	(a)(b)
Montana Farm S.p.zo.o.	Platyny (Poland)	Zloty 285.000	(3)	54	100.00%	71.60%	180	54	(126)	Italia Alimentari S.p.A.	100.00%	71.60%	(a)(b)
PeckInalca Lda	Luanda (Angola)	AOR 3.300.000	nd	nd	51.00%	31.03%	8	nd	nd	Inalca Angola Ltda.	51.00%	36.52%	(a)
SCDA Angola S.A.	Kuando Kubango (Angola)	AOR 2.000.000	(54)	(66)	51.00%	31.03%	5	(34)	(39)	Inalca Angola Ltda.	51.00%	31.03%	(a)(b)
Shanghai Chef Express Rail Catering Manag. Company Ltd	Shanghai (China)	CNY 8.040.090	(373)	6	100.00%	100.00%	-	6	6	Chef Express S.p.A.	100.00%	100.00%	(b)
Associated companies:													
A.G.M. S.r.l.	Castelnovo di Sotto (RE)	97,800	9	228	29.55%	21.16%	66	67	nd	INALCA S.p.A.	-	-	(b)
Bottega Mediterranea Sdn Bhd	Klang Selangor (Malesia)	MYR 10	(76)	(75)	50.00%	32.22%	-			Inalca F&B Holding Malaysia SDN BHD			
Consorzio I.R.I.S. S.a r.l.	Bolzano	10,000	8	16	37.50%	37.50%	4	6	1	Interjet S.r.l.	37.50%	37.50%	(d)
Farm Service S.r.l.	Reggio Emilia	500,000	111	1,194	37.00%	26.49%	257	442		INALCA S.p.A.	37.00%	21.48%	(b)
Frigomacello S.r.l.	Fermo (AP)	90,000	(36)	54	50.00%	35.80%	45	nd	2	Valtenna Carni S.r.l. in liquid.	50.00%	35.80%	(b)
Frimo SAM	Principato di Monaco	150,000	32	1,047	45.30%	32.43%	527	474	185	INALCA S.p.A.	45.30%	32.43%	(b)
Sardinia Logistica S.r.l.	Olbia (OT)	100,000	(146)	112	50.00%	35.80%	-	56	(45)	Valtenna Carni S.r.l. in liquid.	50.00%	35.80%	(b)
Società Agricola Castello di Godego S.s.	Castelvetro di Modena	100,000	nd	nd	50.00%	35.80%	50	nd	(53)	Società Agricola Corticella S.r.l.	-	-	
Unieffebi S.r.l. in liquidazione	Reggio Emilia	100,000	(222)	326	30.00%	21.48%	-	98	(53)	INALCA S.p.A.	30.00%	21.48%	(b)
Unitea S.r.l.	Mantova	100,000	1,136	3,860	50.00%	35.80%	1,950	1,930		INALCA S.p.A.	50.00%	35.80%	

NOTES

a) Amounts expressed in Euro resulting from the translation of the original amounts in foreign currencies /(b) The figures refer to 31 December 2016, the last financial statements available/(c) The figures refer to 31 December 2013, 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 31.12.16	Shareholders' equity at 31.12.17	Control share at 31.12.2017	Shareholding at 31.12.2017	Consolidation method	Participants at 31.12.2017	Control share at 31.12.2016	Shareholding at 31.12.2016	Notes
Companies consolidated on a line-by-line basis:											
Alliance Express Llc	Odinzovo (Russia)	RUR 500.000	42	(130)	51.00%	51.00%	Line by line	Chef Express Eurasia Llc	51.00%	51.00%	(a)
As.Ca. S.p.A.	Santarcangelo di Romagna (RN)	518,000	1,547	5,128	100.00%	50.42%	Line by line	MARR S.p.A.	100.00%	50.42%	
Avirail Italia S.r.l. in liq.	Milan	100,000	(8)	307	51.00%	51.00%	Line by line	Chef Express S.p.A.	51.00%	51.00%	
Bell Carni s.r.l.	Stienta (RO)	400,000	(216)	281	100.00%	71.60%	Line by line	INALCA S.p.A.	66.67%	47.73%	
Bright View Trading HK Ltd	Chai Wan (Hong Kong)	MYR 1.589.000	116	1,554	57.30%	36.92%	Line by line	Inalca Food & Beverage S.r.l.	-	-	(a)(b)
Chef Express S.p.A.	Castelvetro di Modena (MO)	8,500,000	3,021	31,521	100.00%	100.00%	Line by line	Cremonini S.p.A.	100.00%	100.00%	
Chef Express Eurasia	Moscow (Russia)	RUR 1.000.000	(72)	73	100.00%	100.00%	Line by line	Chef Express UK:99%Kaskad:1%	100.00%	100.00%	(a)
Chef Express Tren Ici Hizmetleri A.S.	Istanbul (Turchia)	TRY 50.000	(24)	(78)	60.00%	60.00%	Line by line	Chef Express S.p.A.	60.00%	60.00%	(a)
Chef Express UK Ltd.	London (United Kingdom)	GBP 80.000	1,396	1,498	100.00%	100.00%	Line by line	Chef Express S.p.A.	100.00%	100.00%	(a)
Cibo Sapiens S.r.l.	Gazoldo degli Ippoliti (MN)	15,000	32	44	100.00%	71.60%	Line by line	Italia Alimentari S.p.A.	-	-	(b)
Comit - Comercial italiana de alimentaciòn S.L.	Tenerife (Spain)	146,853	747	2,448	60.00%	38.66%	Line by line	Inalca Food & Beverage Srl	60.00%	38.66%	
Cremonini Chef Iberica S.A.	Madrid (Spain)	1,500,012	625	2,204	100.00%	100.00%	Line by line	Chef Express S.p.A.	100.00%	100.00%	
Cremonini Restauration S.a.s.	Paris (France)	1,500,000	(338)	1,586	100.00%	100.00%	Line by line	Chef Express S.p.A.	100.00%	100.00%	
Cremonini S.p.A.	**Castelvetro di Modena (MO)**	**67,073,932**	**19,157**	**251,473**			**Proportional**				
De.Al. S.r.l.	Elice (PE)	3,000,000	2,252	4,213	100.00%	50.42%	Line by line	MARR S.p.A.	100.00%	50.42%	
Dispal CI	Abidjan (Ivory Coast)	FCFA 38.500.000	97	250	99.00%	70.88%	Line by line	INALCA S.p.A.	99.00%	70.88%	(a)
Fiorani & C. S.p.A.	Piacenza	500,000	2,795	5,198	51.00%	36.52%	Line by line	INALCA S.p.A.	51.00%	36.52%	
Fresco Gourmet Pty Ltd	North Sidney (Australia)	AUD 1	(222)	447	100.00%	64.44%	Line by line	Inalca Food & Beverage Srl	60.00%	38.66%	(a)
Gabf Holdings Limited	London (United Kingdom)	GBP 7.880.953	33	(1,612)	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)	500,000	418	2,065	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
Global Service S.r.l.	Castelvetro di Modena (MO)	93,000	194	950	100.00%	100.00%	Line by line	Cremonini S.p.A.	100.00%	100.00%	
Guardamiglio S.r.l.	Piacenza	4,135,000	21	13,449	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
Hosteria Butarelli S.L.	Gran Canaria (Spain)	303,000	27	233	100.00%	38.66%	Line by line	Comit S.L.	100.00%	38.66%	
IF&B Holding Inc	Dover (US)	USD 179.960	(10)	93	100.00%	64.44%	Line by line	Inalca Food & Beverage Srl	100.00%	64.44%	(a)
INALCA S.p.A.	Castelvetro di Modena (MO)	187,017,167	7,235	414,010	71.60%	71.60%	Line by line	Cremonini S.p.A.	71.60%	71.60%	
Inalca Angola Ltda.	Luanda (Angola)	Kwanza 4.772.730.050	8,677	57,690	84.99%	60.85%	Line by line	INALCA S.p.A.	84.99%	60.85%	(a)
Inalca Algerie S.a r.l.	Algeri (Algeria)	DA 500.000.000	42	374	70.00%	50.12%	Line by line	INALCA S.p.A.	70.00%	50.12%	(a)
Inalca Brazzaville S.a r.l.	Brazzaville (Rep.Congo)	2,715	(1,681)	2,498	55.00%	39.38%	Line by line	INALCA S.p.A.	55.00%	39.38%	(a)
Inalca Eurasia Holding Gesmbh	Vienna (Austria)	35,000	3,932	124,201	60.00%	42.96%	Line by line	INALCA S.p.A.	60.00%	42.96%	(a)
Inalca Food & Beverage China Holding Ltd	Kwai Fong (Hong Kong)	HKD 12.117.333	(11)	1,280	55.00%	35.44%	Line by line	Inalca Food & Beverage Srl	-	-	(a)(b)
Inalca F&B Sdn Bhd	Klang Selangor (Malaysia)	MYR 999.999	(39)	92	100.00%	64.44%	Line by line	Inalca Food & Beverage Malaysia Holding Sdn Bh	-	-	(a)(b)
Inalca Food & Beverage Cabo Verde Lda	Isla de Sal (Green Cape)	CVE 89.000.000	(246)	(176)	99.40%	64.05%	Line by line	Inalca Food & Beverage Srl	55.00%	35.44%	(a)
Inalca Food & Beverage Hong Kong Ltd	Hong Kong	HKD 10.000	268	-	75.00%	48.33%	Line by line	Inalca Food & Beverage Srl	75.00%	48.33%	(a)
Inalca Food & Beverage (Thailand) Co. Ltd	Samutprakarn (Thailandia)	THB 117.650.000	(1,397)	2,215	84.99%	54.77%	Line by line	Inalca Food & Beverage Srl	84.99%	54.77%	(a)
Inalca Food & Beverage Malaysia Holding Sdn Bhd	Klang Selangor (Malaysia)	MYR 1.000.000	(248)	(310)	100.00%	64.44%	Line by line	Inalca Food & Beverage Srl	-	-	(a)(b)
Inalca Food & Beverage North America Llc	New York (US)	USD 200.000	(74)	42	80.00%	51.55%	Line by line	IF&B Holding Inc	60.00%	38.66%	(a)
Inalca Food & Beverage S.r.l.	Modena	5,000,000	(1,612)	1,968	90.00%	64.44%	Line by line	INALCA S.p.A.	90.00%	64.44%	
Inalca Kinshasa S.p.r.l.	Kinshasa (Rep.Dem.Congo)	USD 2.700.000	(5,742)	104	51.00%	36.52%	Line by line	INALCA S.p.A.	55.00%	39.38%	(a)
Industria Alimentar Carnes de Mocambique Ltd	Maputo (Mozambique)	MZN 390.000.000	795	8,088	60.00%	42.96%	Line by line	INALCA S.p.A.	60.00%	42.96%	(a)
Inter Inalca Angola Ltda.	Luanda (Angola)	Kwanza 900.000	(152)	1,618	99.00%	70.88%	Line by line	INALCA S.p.A.	99.00%	70.88%	(a)
Interjet S.r.l.	Castelvetro di Modena (MO)	2,500,000	(904)	2,566	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	1,541	60,045	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
ITAUS Pty Ltd	North Sidney (Australia)	AUD 225.105	(118)	182	100.00%	64.44%	Line by line	Inalca Food & Beverage Srl	60.00%	38.66%	(a)
Kaskad L.l.c.	Moscow (Russia)	Rubli 3.028.105.232	448	50,668	100.00%	42.96%	Line by line	Inalca Eurasia Holding Gesmbh	100.00%	42.96%	(a)
Lounge Services S.a.s.	Paris (Francie	40,000	91	138	100.00%	100.00%	Line by line	Chef Express UK Ltd.	100.00%	100.00%	
Marr Foodservice Iberica S.A.U.	Madrid (Spain)	600,000	(6)	401	100.00%	50.42%	Line by line	MARR S.p.A.	100.00%	50.42%	
Marr Russia L.l.c.	Moscow (Russia)	Rubli 100.000.000	6,371	36,496	75.00%	53.70%	Line by line	Kaskad L.l.c.	75.00%	53.70%	(a)
MARR S.p.A.	Rimini	33,262,560	63,227	297,494	50.42%	50.42%	Line by line	Cremonini S.p.A.	50.42%	50.42%	
Modena Corporation Pty Ltd	North Sidney (Australia)	AUD 20	(174)	(225)	100.00%	64.44%	Line by line	ITAUS Pty Ltd:50%Fresco Gourmet Pty Ltd:50%	100.00%	38.66%	(a)
Momentum Services Ltd.	Birmingham (United Kingdom)	269,258	1,253	2,261	100.00%	100.00%	Line by line	Chef Express UK Ltd.	100.00%	100.00%	
Montana Alimentari GMBH	Monaco (Germany)	25,000	117	155	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	2,126	4,917	100.00%	50.42%	Line by line	MARR S.p.A.	100.00%	50.42%	
Orenbeef L.L.C.	Orenburg (Russia)	Rubli 660.000.000	(1,543)	32,661	100.00%	71.60%	Line by line	Kaskad L.l.c.	100.00%	71.60%	(a)
Parma France S.a.s.	St Didier au Mont d'or (France)	1,000,000	361	3,855	51.00%	36.52%	Line by line	INALCA S.p.A.	51.00%	36.52%	
Parma Lacombe S.a.s.	St Santin de Maurs (France)	167,500	205	652	70.00%	25.56%	Line by line	Parma France S.a.s.	70.00%	25.56%	
Parma Serv S.r.l.	Parma	10,000	66	114	51.00%	36.52%	Line by line	INALCA S.p.A.	51.00%	36.52%	
Parma Turc S.a.s.	Ambronay (France)	100,000	430	3,286	51.00%	18.62%	Line by line	Parma France S.a.s.	51.00%	18.62%	
Parmaubrac S.a.s.	Malbouzon (France)	770,000	202	1,373	51.00%	18.62%	Line by line	Parma France S.a.s.	51.00%	18.62%	
Princeps S.a.s.	Paris (France)	200,000	(4)	(59)	100.00%	100.00%	Line by line	Chef Express S.p.A.	100.00%	100.00%	
Railrest S.A.	Bruxelles (Belgioum	500,000	740	1,693	51.00%	51.00%	Line by line	Chef Express S.p.A.	51.00%	51.00%	
Realbeef S.r.l.	Flumeri (AV)	300,000	(1,606)	(2,117)	51.00%	36.52%	Line by line	INALCA S.p.A.	51.00%	36.52%	
Roadhouse S.p.A.	Castelvetro di Modena (MO)	20,000,000	1,304	26,951	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	719	1,607	55.00%	55.00%	Line by line	Roadhouse S.p.A.	55.00%	55.00%	
Sara S.r.l.	Castelvetro di Modena (MO)	300,000	(396)	281	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
Società Agricola Corticella S.r.l.	Spilamberto (MO)	5,000,000	2,795	19,320	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
Speca Alimentari S.r.l.	Baveno (VB)	100,000	409	2,215	100.00%	50.42%	Line by line	MARR S.p.A.	-	-	(b)
Tecali S.L.	Tenerife (Spain)	363,000	459	2,999	62.81%	24.28%	Line by line	Comit S.L.	62.81%	24.28%	
TECNO-STAR DUE S.r.l.	Castelvetro di Modena (MO)	10,400	106	490	100.00%	71.60%	Line by line	INALCA S.p.A.	60.00%	42.96%	
Top Best International Holding Ltd	Kwai Fong - Hong Kong	HKD 3.618.200	(249)	(207)	65.00%	23.04%	Line by line	Inalca Food & Beverage China Holding Ltd	-	-	(a)(b)
Valtenna Carni S.r.l. in liq.	Fermo (AP)	1,050,000	(246)	771	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
Zaklady Miesne Soch. S.p.zo.o.	Warsaw (Poland)	Zloty 1.800.000	(363)	8,359	100.00%	71.60%	Line by line	INALCA S.p.A.	99.95%	71.56%	(a)
Zhongshan Inalca Food & Beverage Co Ltd	Changsha City - China	CNY 4.866.000	50	672	100.00%	35.44%	Line by line	Inalca Food & Beverage China Holding Ltd	-	-	(a)(b)

a) Amounts expressed in Euro resulting from the translation of the original amounts in foreign currencies. /(b) Subsidiary consolidated starting from 2017

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of Cremonini SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Cremonini Group and its subsidiaries (hereinafter also "the Group"), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flows statements for the financial year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of Cremonini SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as management

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determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Cremonini SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

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to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on compliance with other laws and regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

Management of Cremonini SpA is responsible for preparing a report on operations of the Group as of 31 December 2017, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Cremonini Group as of 31 December 2017 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Cremonini Group as of 31 December 2017 and is prepared in compliance with the law.

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With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 13 April 2018

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

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