FINANCIAL STATEMENTS AT 31 DECEMBER 2018

Cremonini S.p.A.
Via Modena, 53
41014 Castelvetro di Modena (Mo) Italy
Share Cap. Euro 67,073,931.60 fully paid-up
Modena Register of Companies no. 00162810360
Modena Economic Admin. Reg. no. 126967
Tax Code and VAT no. 00162810360

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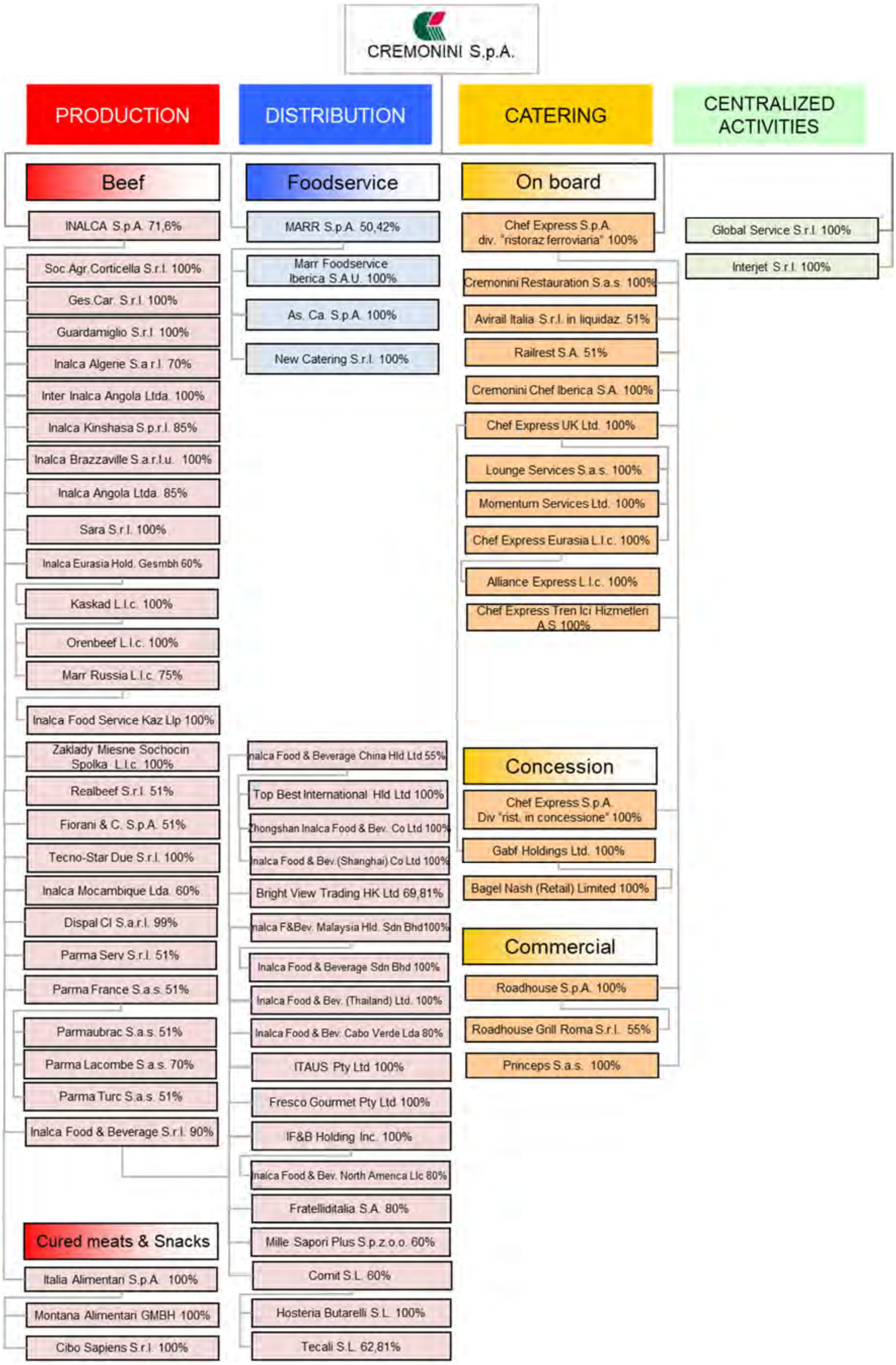
CREMONINI GROUP ORGANIZATION
AT 31 DECEMBER 2018



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
Alternate Auditors	Patrizia	Iotti
	Daniele	Serra

Independent Auditors PricewaterhouseCoopers S.p.A.

DIRECTORS' REPORT

Introduction

The financial statements at 31 December 2018, pursuant to Legislative Decree No. 38 of 28 February 2005, have been prepared in accordance with the accounting and measurement policies laid down in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set out in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

Group performance and results for the 2018 financial year

In 2018 the Cremonini Group recorded revenues of Euro 4,184.1 million compared to Euro 4,018.0 million in 2017, showing an increase of Euro 166.1 million (+4.1%).

The gross operating margin amounted to Euro 289.4 million compared to Euro 271.6 million in 2017, showing an increase of Euro 17.8 million (+6.6%), while the operating result was Euro 167.2 million compared to Euro 161.6 million in 2017, up by Euro 5.6 million (+3.4%).

The profit from ordinary activities, which amounted to Euro 150.8 million (Euro 133.1 million in 2017), benefited from a reduction in financial charges as a result of a more favourable currency market trend and a reduction in net interest payable. With reference to exchange rates, it is noted that the differences recorded in 2018 were positive by Euro 1.3 million, while they had adversely affected the 2017 result by Euro 15.1 million.

Finally, the net profit was Euro 51.6 million, up by Euro 6.2 million compared to Euro 45.4 million in 2017.

Below are summarized the schedules of the income statement, balance sheet and cash flows for 2018, compared with the consolidated financial statements for the period ended 31 December 2017. For a more complete analysis of the Group's results, the related details are reported below, broken down by business sector.

Consolidated Income Statement

(Euro/000)	Year 2018	Year 2017*	Change %
Total revenues	**4,184,084**	**4,017,950**	**4.13**
Changes in inventories of work in progress, semi-finished and finished goods	35,430	451	
Value of production	**4,219,514**	**4,018,401**	**5.00**
Cost of production	(3,516,432)	(3,349,385)	
Value added	**703,082**	**669,016**	**5.09**
Personnel costs	(413,634)	(397,385)	
Gross operating margin [(a)]	**289,448**	**271,631**	**6.56**
Amortization, depreciation and write-downs	(122,230)	(109,991)	
Operating income [(b)]	**167,218**	**161,640**	**3.45**
Net financial income (charges)	(16,431)	(28,579)	
Profit from ordinary activities	**150,787**	**133,061**	**13.32**
Net income (charges) from investments	2,760	545	
Net extraordinary financial income (charges)	(17)	(604)	
Result before taxes	**153,530**	**133,002**	**15.43**
Income taxes for the financial year	(57,758)	(48,498)	
Result before minority interests	**95,772**	**84,504**	**13.33**
(Profit) Loss attributable to minority interests	(44,182)	(39,110)	
Net profit attributable to the Group	**51,590**	**45,394**	**13.65**

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of "Total revenues" and "Costs of production", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

Consolidated Balance Sheet

(Euro/000)	31.12.2018	31.12.2017	Change %
Intangible assets	230,374	228,077	
Tangible assets	1,061,121	977,975	
Equity investments and other financial assets	31,002	33,173	
Total fixed assets	**1,322,497**	**1,239,225**	**6.72**
Trade net working capital			
- Trade receivables	565,252	557,500	
- Inventories	483,857	441,755	
- Trade payables	(605,101)	(604,996)	
Total trade net working capital	444,008	394,259	
Other current assets	79,404	90,452	
Other current liabilities	(103,847)	(96,827)	
Net working capital	**419,565**	**387,884**	**8.17**
Staff Severance Indemnity Provision and other m/l term provisions	**(99,501)**	**(89,546)**	
Net invested capital	**1,642,561**	**1,537,563**	**6.83**
Shareholders' Equity attributable to the Group	555,632	521,892	
Shareholders' Equity attributable to minority interests	318,858	313,721	
Total Shareholders' Equity	**874,490**	**835,613**	**4.65**
Net medium/long-term debt	604,195	553,831	
Net short-term debt	163,876	148,119	
Net debt	**768,071**	**701,950**	**9.42**
Net equity and net debt	**1,642,561**	**1,537,563**	**6.83**

a – EBITDA (Gross operating margin) is an economic indicator not defined in the International Accounting Standards and the IFRS. EBITDA is the measurement used by the Company's management to monitor and assess its operations. The managements believes that EBITDA is a key indicator for measuring the Group's performance as it is not affected by the volatility due to the effects of the various criteria of calculating taxable income and by the amount and characteristics of the invested capital, as well as by the related amortisation and depreciation criteria. At present, subject to a subsequent in-depth study regarding the developments in the definitions of corporate performance indicators, EBITDA is defined by the Cremonini Group as the Profit/Loss before depreciation and amortization of tangible and intangible assets, allocations and write-downs, financial charges and income and income taxes.

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

Net Consolidated Debt [c]

(Euro/000)	**31.12.2018**	30.09.2018	30.06.2018	31.12.2017
Payables to banks, bonds and other financial institutions				
- due within 12 months	(488,341)	(451,294)	(439,120)	(426,440)
- due between 1 and 5 years	(532,253)	(556,722)	(516,227)	(484,192)
- due beyond 5 years	(71,941)	(61,816)	(77,370)	(69,639)
Total payables to banks, bonds and other financial institutions	**(1,092,535)**	**(1,069,832)**	**(1,032,717)**	**(980,271)**
Liquidity				
- cash and cash equivalents	310,235	298,932	273,277	269,593
- other financial assets	14,229	12,013	12,386	8,728
Total liquidity	**324,464**	**310,945**	**285,663**	**278,321**
Total net debt	**(768,071)**	**(758,887)**	**(747,054)**	**(701,950)**

The Group's net debt at 31 December 2018 amounted to Euro 768.1 million, up by Euro 66.2 million compared to Euro 701.9 million at 31 December 2017.

The increase compared to 31 December 2017 was limited by the strong cash generation of the year's operations which partly offset the cash outflows for ordinary investments of Euro 168.9 million, the distribution of dividends to the market, parent companies and minorities of Euro 27.6 million and the debt relating to acquisitions of Euro 7.3 million. Among the latter are:

- The acquisition of 60% of Mille Sapori Plus Sp.z.o.o. and of some of its distributors in Poland, which resulted in an increase in debt of Euro 5.9 million;
- The acquisition of 100% of Bagel Nash (Retail) Limited which resulted in an increase in debt of Euro 0.9 million;
- The acquisition of 40% of the quotas of Si'Frutta S.r.l. which resulted in an increase in debt of Euro 0.5 million.

c – The Net Debt, utilized as a financial indicator of the indebtedness, is shown as a sum of the following positive and negative components of the Balance Sheet. Positive components: cash and cash equivalents; current securities held for sale; short-term financial receivables; derivative instruments. Negative components: payables to banks; payables to other lenders, leasing and factoring companies; derivative instruments and bonds.

Financial results by business sector

The Group, which operates in the food sector, conducts its business 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 operating sectors, mainly services in the financial, corporate and tax, human resources and insurance, IT system sectors.

Breakdown of revenues by sector

(Euro/000)	**Year 2018**	Year 2017*	Change total value	Change %
Production				
Net revenues	1,953,100	1,874,249	78,851	4.21
Intercompany revenues	94,790	80,678		
Total revenues	2,047,890	1,954,927	92,963	4.76
Gross operating margin	118,505	109,101	9,404	8.62
Amortization, depreciation and write-downs	(64,473)	(56,809)	(7,664)	13.49
Operating profit (loss)	54,032	52,292	1,740	3.33
Distribution				
Net revenues	1,603,272	1,568,673	34,599	2.21
Intercompany revenues	64,157	55,886		
Total revenues	1,667,429	1,624,559	42,870	2.64
Gross operating margin	119,278	115,992	3,286	2.83
Amortization, depreciation and write-downs	(19,278)	(18,213)	(1,065)	5.85
Operating profit (loss)	100,000	97,779	2,221	2.27
Catering				
Net revenues	625,817	572,967	52,850	9.22
Intercompany revenues	519	364		
Total revenues	626,336	573,331	53,005	9.25
Gross operating margin	53,063	47,954	5,109	10.65
Amortization, depreciation and write-downs	(34,967)	(31,607)	(3,360)	10.63
Operating profit (loss)	18,096	16,347	1,749	10.70
Holding company property and centralized act				
Net revenues	1,894	2,061	(167)	(8.10)
Intercompany revenues	10,216	9,740		
Total revenues	12,110	11,801	309	2.62
Gross operating margin	(1,398)	(1,416)	18	(1.27)
Amortization, depreciation and write-downs	(3,512)	(3,362)	(150)	4.46
Operating profit (loss)	(4,910)	(4,778)	(132)	2.76
Consolidation adjustment				
Total revenues	*(169,681)*	*(146,668)*		
Gross operating margin	*0*	*0*		
Amortization, depreciation and write-downs	*0*	*0*		
Operating profit (loss)	*0*	*0*		
Total				
Total revenues	4,184,084	4,017,950	166,134	4.13
Gross operating margin	289,448	271,631	17,817	6.56
Amortization, depreciation and write-downs	(122,230)	(109,991)	(12,239)	11.13
Operating profit (loss)	167,218	161,640	5,578	3.45

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of "Total revenues" and "Costs of production", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

The Group's total revenues, if compared with those recorded in the previous year, showed an increase of Euro 166.1 million. In detail, production was up by Euro 93.0 million, while revenues from distribution increased by Euro 42.9 million and those from catering increased by Euro 53.0 million.

The consolidated gross operating margin was up by Euro 17.8 million with the production up by Euro 9.4 million euro, distribution was up by Euro 3.3 million and catering was up by Euro 5.1 million compared to the same period in 2017.

Finally, the consolidated operating income was up by Euro 5.6 million, with production increasing by Euro 1.7 million, distribution up by Euro 2.2 million and catering up by Euro 1.7 million.

Breakdown of revenues from sales and services by geographical area
Comparison between values at 31 December 2018 and at 31 December 2017 (12 months)

Year 2018 - (Euro/000)	Production	%	Distribution	%	Catering	%	Other	%	Total	%
Italy	1,149,445	59.4	1,465,782	93.7	506,127	81.7	1,596	100.0	3,122,950	75.8
European Union	299,734	15.5	64,578	4.1	111,201	18.0	-	-	475,513	11.5
Extra-EU countries	486,289	25.1	34,029	2.2	1,982	0.3	-	-	522,300	12.7
Total	1,935,468	100.0	1,564,389	100.0	619,310	100.0	1,596	100.0	4,120,763	100.0

Year 2017 - (Euro/000)(*)	Production	%	Distribution	%	Catering	%	Other	%	Total	%
Italy	1,094,256	59.1	1,420,221	92.8	455,898	80.6	1,413	93.1	2,971,788	75.3
European Union	268,250	14.5	66,307	4.3	103,742	18.4	104	6.9	438,403	11.1
Extra-EU countries	488,292	26.4	43,816	2.9	5,844	1.0	-	-	537,952	13.6
Total	1,850,798	100.0	1,530,344	100.0	565,484	100.0	1,517	100.0	3,948,143	100.0

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of "Total revenues" and "Costs of production", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

Consolidated Balance Sheet by business sector

As at 31 December 2018 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Intercompany revenues	Total
Intangible assets	39,124	143,770	47,323	157	-	230,374
Tangible assets	631,984	60,813	286,094	82,230	-	1,061,121
Equity investments and other financial assets	26,599	1,378	1,706	1,319	-	31,002
Total fixed assets	**697,707**	**205,961**	**335,123**	**83,706**	**0**	**1,322,497**
Trade net working capital						
- Trade receivables	184,561	367,039	34,540	9,333	(30,221)	565,252
- Inventories	310,663	158,760	14,219	1	214	483,857
- Trade payables	(244,785)	(264,999)	(116,480)	(10,437)	31,600	(605,101)
Total trade and net working capital	**250,439**	**260,800**	**(67,721)**	**(1,103)**	**1,593**	**444,008**
Other current assets	22,435	39,300	20,952	(88)	(3,195)	79,404
Other current liabilities	(47,856)	(13,335)	(41,142)	(3,116)	1,602	(103,847)
Net working capital	**225,018**	**286,765**	**(87,911)**	**(4,307)**	**0**	**419,565**
Staff Severance Indemnity Provision and other m/l-term provisions	**(73,813)**	**(24,847)**	**(9,788)**	**8,947**	**-**	**(99,501)**
Net invested capital	**848,912**	**467,879**	**237,424**	**88,346**	**0**	**1,642,561**

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**

Consolidated Net Debt by business sector

As at 31 December 2018 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Total
Payables to banks, bonds and other financial institutions					
- due within 12 months	(276,933)	(119,588)	(64,315)	(27,505)	(488,341)
- due between 1 and 5 years	(221,847)	(218,357)	(69,573)	(22,476)	(532,253)
- due beyond 5 years	(13,867)		(45,595)	(12,479)	(71,941)
Total payables to banks, bonds and other financial institutions	**(512,647)**	**(337,945)**	**(179,483)**	**(62,460)**	**(1,092,535)**
Liquidity					
- cash and cash equivalents	106,684	178,410	24,979	162	310,235
- other financial assets	12,692	918	569	50	14,229
Total liquidity	**119,376**	**179,328**	**25,548**	**212**	**324,464**
Securitization and internal treasury current accounts	**2,912**	**1,957**	**(1,170)**	**(3,699)**	**0**
Total net debt	**(390,359)**	**(156,660)**	**(155,105)**	**(65,947)**	**(768,071)**

As at 31 December 2017 (Euro/000)	Production	Distribution	Catering	Holding and centralized	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)**

The operating sectors of the Group

Production

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

Company | **Business**

a) Beef and meat - based products, distribution of food products in foreign countries

INALCA S.p.A. Via Spilamberto 30/C - Castelvetro di Modena (MO)	Slaughtering, processing and trading of beef-based products.
FIORANI & C. S.p.A. Via Coppalati 52, Piacenza	Processing and trading of beef-based products.
GES.CAR. S.r.l. Via Spilamberto 30/C - Castelvetro di Modena (MO)	Services connected to beef processing and treatment at the INALCA S.p.A. plant in Ospedaletto Lodigiano.
GUARDAMIGLIO S.r.l. Via Coppalati 52 - Piacenza	Operation of retail stores (butcher shops and delicatessens).
REALBEEF S.r.l. Contrada Tierzi – Flumeri (AV)	Slaughtering, processing and trading of beef-based products.
SARA S.r.l. Via Spilamberto 30/C - Castelvetro di Modena (MO)	Recovery and processing of waste from agricultural and livestock activities.
SOC. AGR. CORTICELLA S.r.l. Via Corticella 15 – Spilamberto (MO)	Breeding of cattle, both directly and under agistment contracts.
TECNO-STAR DUE S.r.l. Via Modena 53 – Castelvetro di Modena (MO)	Design of buildings and plants, management of maintenance and refurbishment activities.
PARMA FRANCE S.A.S. 13 rue Claude Chappe, Le Parc de Crécy 69370 St - Didier au Mont d'or	Sub-holding company in the Parma France Group, which sells livestock in France.
PARMA LACOMBE S.A.S. La Trémlolière 15600 St Santin de Maurs - France	Selling cattle in France.
PARMA SERV S.R.L. Viale Solferino 11- Parma	Selling cattle in Italy and providing services to Parma France and its subsidiaries.
PARMA TURC S.A.S. LD Les Brosses 71880 Curbigny - France	Selling cattle in France.
PARMAUBRAC S.A.S. Le Bourg 48720 Malbouzon - France	Selling cattle in France.
INALCA EURASIA HOLDINGS GESMBH Palais Kinsky, Freyung 4 Wien	Controlling all companies currently developed by INALCA S.p.A. in Russia.
ZAKLADY MIESNE SOCH. S.p.z.o.o. L.l.c. Al. Jana Pawła II 80, Warsaw – Poland	Dormant company.
KASKAD OOO L.l.c. Via Vostochnaya 5, Odintsovo (Moscow) – Russia	Real estate services.
MARR RUSSIA L.l.c. Via Vostochnaya 5, Odintsovo (Moscow) - Russia	Trading of food products.
ORENBEEF LLC Via Pionerskaya 2 - Orenburg - Russia	Slaughtering, processing and trading of beef-based products in Orenburg.
INALCA FOOD SERVICE KAZ LLP Bekmakhanova street, 96/2 - Almaty - Republic of Kazakhstan	Start-up company that conducts HoReCa businesses in Almaty (Kazakhstan).
DISPAL CI S.a.r.l. 04 BP Abidjan 04-Plateau Bvrd Carde - Ivory Coast	Active in trading food products in general in the Ivory Coast.

INALCA ALGERIE S.a.r.l. 08, Rue Cherif Hamani - Algiers – Algeria	Trading and processing of food products.
INALCA ANGOLA Ltda. Rua Deolinda Rodrigues n. 563 - Luanda - Angola	Trading and processing of food products.
INALCA BRAZZAVILLE S.a r.l.u. Immeuble Lincoln, 15 Boulevard Charles de Gaulle - Pointe Noire – Republic of Congo	Trading of food products.
INALCA KINSHASA S.p.r.l. Kinshasa 11eme - Rue Limete Industriel n. 112, Limete (Kinshasa) – Democratic Republic of Congo	Trading and processing of food products.
INDUSTRIA ALIMENTAR CARNES DE MOCAMBIQUE Lda. – Avenida de Mocambique Km 9.5 Barrio Zimpeto Distretto 5- Maputo - Mozambique	Trading of food products.
INTER INALCA ANGOLA Ltda. Rua Major Kayangulo n. 504 - Luanda - Angola	Trading and processing of food products.
BRIGHT VIEW TRADING HONG KONG LTD Unit B, 13/F Wah Shing Centre, 5 Fung Yip Street - Chai Wan, Hong Kong	Distribution of food products to foodservice in Hong Kong.
COMIT – COMERCIAL ITALIANA DE ALIMENTACION S.L. Calle Peres Galdòs s/n, San Isidro - Granadilla de Albona - Tenerife	Distribution of food products to foodservice in the Canary Islands.
FRATELLIDITALIA SA Calle 11 sur, mza 248 late 1 zona 1 Col Ejido sur, local 9 Palmeiras Business Center - Playa del Carmen - Mexico	Distribution of Italian food products in Mexico.
FRESCO GOURMET PTY LTD 90, Arthur Street - North Sidney - Australia	Distribution of food products to foodservice in Australia.
HOSTERIA BUTARELLI S.L. Calle Herraje s/n, nave 29, Poligono Industrial de Arinaga Agiunes - Grand Canary	Production of fresh pasta in the Canary Islands.
IF&B HOLDING INC 1679 South Dupont Highway, Suite 100, Dover – USA	Sub-holding company controlling all the operations developed by Inalca Food & Beverage in the United States of America.
INALCA F&B SDN BHD 151 B, Jalan Batu Tiga Lama Taman Rashna - Klang Selangor Darul Ehasan - Malaysia	Distribution of Halal food products to foodservice in Malaysia.
INALCA FOOD & BEVERAGE (SHANGHAI) CO LTD Room 2807,1277 Dingxi Road, Changning District	Distribution of Italian food products in Shanghai.
INALCA FOOD & BEVERAGE (Thailand) Co. LTD Amphur no.333/2 Moo 9 Tambol Bangpla – The Bangplee, Samutprakarn- Thailand	Distribution of Italian food products in Thailand.
INALCA FOOD & BEVERAGE CABO VERDE LDA Rua Amilca Cabra, 1°Andar do Predio Argos - Santa Maria - Ilha do Sal - Cape Verde	Distribution of Italian food products in Cape Verde.
INALCA FOOD & BEVERAGE CHINA HOLDING LTD Unit 701, block 2 Golden Industri Bldg 16/26 - Kwai Tak Street, Kwai Fong - Hong Kong	Coordination and sub-holding company operations in China.
INALCA FOOD & BEVERAGE MALAYSIA HOLDING SDN BHD47B Jalan Batai Laut 5 Kawasan 16 Taman Intan 41300 - Klang Selangor – Malaysia	Coordination and sub-holding company operations in Malaysia.
INALCA FOOD & BEVERAGE NORTH AMERICA LLC 5 West, 19° Street, 10th Floor, 10011 New York	Distribution of Italian food products in the USA.

INALCA FOOD & BEVERAGE S.r.l. Via della Pace 6/C – Castelnuovo Rangone (MO)	Trading and distribution of food products and beverage.
ITAUS PTY LTD 90, Arthur Street - North Sidney - Australia	Distribution of food products to the retail channel in Australia.
MILLE SAPORI PLUS S.P.Z.O.O. ul. Kazimierza Gierdziejewskiego 7- Warsaw – Poland	Leading company in the distribution of Italian food products in the Polish foodservice market.
TECALI S.L. Camino Real de la Oratava 215,El Ortigal - La Laguna - Tenerife	Production of mozzarella and fresh cheeses in the Canary Islands.
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, which conducts mozzarella production in Hong Kong.
ZHONGSHAN INALCA FOOD & BEV. CO LTD No. 431 Shaoshan North Road, Dongtang Ruifu, A Area- Hunan Province,508# Changsha City, Yuhua District	Distribution of food products to foodservice in the Chinese Zhongshan area.

b) Cured meats and snacks

ITALIA ALIMENTARI S.p.A. Via Europa 14, Busseto (PR)	Production and trading of food products (cured meats and delicatessen).
CIBO SAPIENS S.r.l. via Marconi 3, Gazoldo degli Ippoliti (MN)	Company incorporated with the objective of taking advantage of the emerging trends in the field of food consumption with a protein-based matrix other than that of animal origin.
MONTANA ALIMENTARI GMBH Kirschstrasse 20 - Munich – Germany	Company incorporated for the trading and distribution of food products (cured meats and delicatessen) in Germany.

Breakdown of revenues by activity (Euro/000)	**Year 2018**	**Year 2017***	*Chg. %*
Beef and meat-based products	1,878,794	1,805,823	*4.04*
- intercompany revenues	(18,980)	(17,214)	
Beef and meat-based products - Net total	**1,859,814**	**1,788,609**	
Cured meats and gastronomy/snack food	190,512	171,030	*11.39*
- intercompany revenues	(2,436)	(4,712)	
Net total - Cured meats and gastronomy/snack food	**188,076**	**166,318**	
Total Production	**2,047,890**	**1,954,927**	***4.76***

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of "Total revenues" and "Costs of production", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

The Production sector revenues were Euro 2,047.9 million, up by Euro 93.0 million compared to Euro 1,954.9 million in 2017. The gross operating margin increased from Euro 109.1 million to Euro 118.5 million, up by Euro 9.4 million, while the operating result increased from Euro 52.3 to Euro 54.0 million, up by Euro 1.7 million.

The beef business

During 2018 the world economic scenario continued the rising trend already in progress since the end of the previous financial year, even if from the second half year on it showed signs of a slowdown and uneven performances in different areas. Prospects for the global economy were weaker in general owing to the presence of many risk factors, such as the uncertain outcome of trade negotiations between the United States and China, another heightening of financial tensions in emerging countries and the manner in which the United Kingdom's process of exiting from the European Union will be completed.
Oil prices fell substantially during the last months of the year after the peak they reached in October.

The slowdown in the economy observed during the second half-year was more pronounced in the European Union. The trend was generated by a decline in domestic demand, more downbeat business expectations and less momentum from exports to non-EU countries, which were affected by the general weakening in world trade.

In this context, the meat segment recorded a growth in revenues thanks to the good performance recorded in Italy, which benefitted from higher sales revenues due to the entry into full operation of the businesses acquired in 2016 with the business units of Unipeg Soc. Coop. Agricola and of its subsidiary Assofood S.p.A.. Abroad, revenues in Russia were rising, while they were slumping in Africa owing to a consumer crisis, exchange rate fluctuations and the prudent approach the Group has taken in order to avoid higher currency exposure, particularly to the Angola companies. Distribution of food products in general and to foodservice abroad on the part of subsidiaries controlled by the sub-holding company Inalca Food & Beverage S.r.l. whose turnovers are rising, continued to expand.

The results recorded in terms of profit margins were also positive as a whole.
In Italy, the process of reorganisation and combination of the business units mentioned previously resulted in an appreciable recovery in profit margins in the segment of traditional meat on the bone, vacuum-packed meat and portioned and processed products.
Profits rose in Russia too, in spite of an unfavourable exchange rate trend, thus remunerating the investments made over the years and recognising the leading positions attained. The devaluation of the Angolan Reajustado Kwanza (Angola currency) in Africa caused a further drop in margins.

Among the significant events that occurred during the year are:
- A new corporate structure of the Algerian subsidiary to revive the business in Algeria;
- The acquisition of a branch operating in the trading of food products to foodservice in Ekaterinburg (Russia) through subsidiary Marr Russia L.l.c..;
- Società Agricola Corticella S.r.l. acquired of 50% of the quota capital of Società Agricola Marchesina S.r.l., which is the owner of more than 170 hectares of farmland and stables with a production capacity of over 6,000 heads per year;
- The deed of merger of Bell Carni S.r.l. into INALCA S.p.A. was executed in July, with effect from 1 August 2018;
- on 3 July 2018, through subsidiary Inalca Food & Beverage S.r.l., there was the acquisition of 60% of the share capital of Mille Sapori Plus Sp. z.o.o., which is a leading company in the distribution of Italian food products in the Polish foodservice market with sales of about Euro 16 million in 2017; subsequently some distributors of the same company in Poland were also acquired by Mille Sapori;
- the Court of first instance granted the subsidiary's Ges. Car S.r.l. appeal in the matter of the application for social security contribution rebates provided for in the regulations that are better known as "Jobs Act"; in this affair, which began during the 2015 financial year, the subsidiary engaged the worker quotaholders involved in the Euro 2000 Consortium's default permanently on indefinite-term contracts. Now, two years later, the Court of first instance ruled that Ges. Car. S.r.l. had acted correctly. The company's right to be refunded about Euro 16 million appears to be certain according to the judgment handed down in July, but, prudentially, the amount has not yet been recognised in the accounts. The company's opposing party (INPS, Italian Social Security Institute) has lodged an appeal against the judgment and the company continued to allocate the amount of the rebates enjoyed during 2018 to the provision for risks in its financial statements after the favourable lower court judgment.

Below are the major industrial investments made during 2018:

- The acquisition of ex Fimar Carni S.p.A. plant in Solignano di Castelvetro di Modena, which will be used for the storage of frozen products and where pork deboning operations will be started;
- The construction of a new flow storage warehouse and a carton freezer plant at Ospedaletto Lodigiano;
- In July subsidiary INALCA S.p.A. acquired an industrial building in Spilamberto (MO) for an amount of about Euro 1.5 million, which has become the operational and industrial headquarters of subsidiary Tecno-Star due S.r.l.. The property was assigned within a composition procedure at the Court of Modena;
- The acquisition of another portion of land at Odintsovo, in Russia, to complete the area on

which the new platform of Marr Russia is being built;
- Work continued on the construction of the slaughterhouse in Poland, for which a loan of more than Euro 30 million was obtained from ING BANK N.V.;
- The acquisition of land in Angola for the construction of a new warehouse;
- The opening of sales outlets in Italy at which subsidiary Guardamiglio S.r.l. is to run the butchers' departments under its responsibility.

Cured meats and snacks sector

The consumption of cured meats recorded, contrary to the trend in recent financial years, a slight rise of 0.7% in value in 2018 (source: 9/2018 Ismea report on Nielsen figures).

In the last financial year too, 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 0.8% (food discount by 4.4%) in 2018, against a slowdown in the business of small independent shops by 2.1% (source: ISTAT "retail" press release of 7 February 2019).
In terms of raw materials, 2018 was a year of limited fluctuations, but with a quite low average price of raw materials at levels comparable to those recorded in 2016.

In this scenario, the company, thanks to the good competitiveness ensured also by its industrial structure, was able to take up an aggressive approach to the market, obtaining good results in terms of both volumes (8.9% growth) and value (7.7% growth).

The specific trends in 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".
It should be also noted that in July 2018, Italia Alimentari acquired total control (100%) over D'Autore Food S.r.l., which operates in the portioning and trading of cured meats. The acquisition will allow important synergies to be developed, especially in the area of Exports, in which the acquiree is well placed.
Finally, in November 2018 the company took over the management of a business unit for the production of typical Calabrian cured meats, the operations being carried out at the plant located in Mandatoriccio (Cosenza).

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 "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 15% and 13.1% 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 local areas offering a partial products range compared to that offered by Italia Alimentari S.p.A.. Raw materials have had differentiated trends by product. Against a substantially stable performance in the fishing sector, high levels of cost were recorded in the bread and flour derivatives sector. Sauces dropped slightly and there were substantial downward fluctuations in dairy products in the last period of the year.

Major improvements were made to the Gazoldo factory during the course of the financial year, intervening on the rationalisation of the areas to install new production lines and plants; overall the interventions on the fixed industrial structures amounted to about Euro 2 million.

The company also invested about Euro 7.1 million for the expansion of production lines in the segments of portioning and snacks production at Gazoldo and seasoning of cured meats and mortadella at Busseto.

Distribution

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

Foodservice (distribution to catering)

Company	Business
MARR S.p.A. Via Spagna n. 20 - Rimini	Trading and distribution of fresh, dried and frozen food products for foodservice operators.
AS.CA. S.p.A. Via dell'Acero n.1/A, Santarcangelo di Romagna (RN)	Trading and distribution of fresh, dried and frozen food products for foodservice operators.
MARR FOODSERVICE IBERICA S.A.U. Calle Lagasca n. 106 1°centro - Madrid – Spain	Non-operating company.
NEW CATERING S.r.l. Via dell'Acero n.1/A, Santarcangelo di Romagna (RN)	Distribution of food products to bars and fast-food outlets.

The Distribution sector showed an increase in revenues in 2018 from Euro 1,624.6 million to Euro 1,667.4 million, by Euro 42.8 million (+2.6%). The operating margin rose from Euro 116.0 to Euro 119.3 million, with an increase of Euro 3.3 million (+2.8%). Finally, the operating result amounted to Euro 100.0 million compared to Euro 97.8 in 2017, with an increase of Euro 2.2 million (+2.3%).

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 Euro 1.394,1 million (Euro 1,335.5 million in 2017).

In terms of customer categories, sales to the "Street Market" category (restaurants and hotels not belonging to Groups or Chains) reached Euro 1,093.2 million (Euro 1,048.7 million in 2017).

As regards the trend in 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 2019) the item "Hotels, meals and out of home consumption" recorded an increase in consumption (by quantity) in 2018 of +1.4%.

Sales to customers in the "National Account" category (operators of Chains and Groups and Canteens) amounted to Euro 300.9 million (Euro 286.8 million in 2017).
Sales to customers in the "Wholesale" category reached Euro 249.0 million, compared to Euro 264.0 million in 2017.

Among the significant events that occurred during the year were:

- On 27 February 2018 DE.AL. S.r.l. Depositi Alimentari acquired the 50% quota in associate Griglia Doc S.r.l. for an overall amount of Euro 190 thousand. Following this transaction DE.AL S.r.l. Depositi Alimentari accordingly became the sole quotaholder of Griglia Doc S.r.l.. Subsequently (in the implementation of the resolution passed by the Board of Directors' meeting held on 20 February 2018) the Extraordinary Quotaholders' Meetings of Griglia Doc S.r.l. and DE.AL S.r.l. Depositi Alimentari were held on 23 April 2018, which resolved the merger of Griglia Doc by incorporation into DE.AL were held on 23 April 2018.
  On 8 June 2018 the subsidiary Griglia Doc S.r.l. was then merged by incorporation into DE.AL. S.r.l. Depositi Alimentari; the legal effects of the merger became applicable from 25 June 2018, while tax effects became applicable from 1 January 2018;
- In May MARR obtained the MSC (Marine Stewardship Council) certification according to the MSC Standard for the Chain of Custody. The products bearing this certification come from fishing areas governed by means of the latest management programmes. The MSC certification is the most widespread and best-known sustainable fishing guarantee system in the world.
  The new certification is an addition to MARR's sustainable fishing policy. The company has its own rules for managing the process of monitoring the "Sustainable fish supply chain" certificate (www.marr.it/sostenibilita/pescasostenibile);

- MARR has also adopted an animal well-being policy (www.marr.it/sostenibilita/benessere-animale) so that its commitment in the fishing sector also extends to fish farming. Another salient element in the policy concerns eggs and egg-based products. For MARR, animal well-being criteria play an indispensable part in supply requisites in order to ensure that current Italian and EU regulations are complied with in supply chains in the matter of animal well-being and of the five freedoms laid down by the Farm Animal Welfare Council in 1979;

- On 31 May 2018 the Parent Company completed the acquisition of 40% of quotas of Si'Frutta S.r.l. at an overall price of Euro 0.5 million (plus a possible adjustment to be defined on the closing date). This acquisition was covered by special contractual safeguards of MARR's participation. Si'Frutta S.r.l., which is based in Cervia (RA), supplies fresh fruit and vegetables to customers in hotel, restaurant, organised catering and industrial processing channels;

- On 3 August the Board of Directors of MARR S.p.A. approved, in accordance with Article 2505, paragraph 2, of the Italian Civil Code and with the company's by-laws, the merger of the wholly-owned subsidiaries DE.AL. S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. by incorporation into MARR S.p.A.. On the same date the Quotaholders' Meetings of DE.AL. S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. also approved the merger in question.
  The transaction was aimed at streamlining economic, financial and administrative operations, since the businesses of DE.AL. S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. were limited to the lease of business units to parent company MARR S.p.A..
  The legal effects of the transaction became applicable from 1 December 2018, while the accounting and tax effects were backdated to 1 January 2018.

Catering

The business conducted in this sector is divided into three areas through the following companies and/or corporate divisions:

a) On-board catering

Company	Business
CHEF EXPRESS S.p.A. – Railway Division Registered and administrative office, Via Modena n. 53 Castelvetro di Modena (MO)	Concession for operating on-board catering.
ALLIANCE EXPRESS LLC 5, Vostochnaya Str. Odintsovo, Moscow - Russia	Operating on-board catering on some long-distance trains in Russia.
AVIRAIL ITALIA S.r.l. in liquidation Via Modena n. 53, Castelvetro di Modena (MO)	Operation of logistical services for trains.
CHEF EXPRESS EURASIA LLC 5, Vostochnaya Str.Odintzovo, Moscow - Russia	Company not yet operating, incorporated with the objective of operating catering services in the Russian domestic and international railway market.
CHEF EXPRESS TREN IC HIZMETLERI ANONIM SIRKETI Londra Asfalti n.93 Sefakoi Postakodu: 34295 Kucukcekmece Istanbul - Turkey	Non-operating company.
CHEF EXPRESS UK LTD. 1-3 Union Street, Kingston Upon Thames, Surrey, London – United Kingdom	Holding company mainly operating in the on-board sector and under concession agreements.
CREMONINI CHEF IBERICA S.A. Marques de Mondejar , planta 3 - Madrid - Spain	Provides strategic advisory services, market analysis and coordination in the on-board catering segment. Also operates in the trading of food products.
CREMONINI RESTAURATION S.a.s. 83, Rue du Charolais, Paris – France	Concession for operating on-board catering and related logistics operations in Turkey.
LOUNGE SERVICES S.a.s 91, Rue du Faubourg Saint-Honoré – Paris – France	Concession for operating welcome services in the Eurostar passenger lounges in Paris.
MOMENTUM SERVICES Ltd. 90a Tooley Street, London, SE1 2TH - United Kingdom	Concession for operating on-board catering on the trains connecting London to Paris and Brussels through the Eurotunnel.
RAILREST S.A. Rue de France 95 (Frankrijkstraat) 1070, Brussels - elgium	Concession for operating on-board catering on Thalys high-speed trains connecting Belgium to France, Holland and Germany.

b) Concession Catering

CHEF EXPRESS S.p.A. – Concession Division Registered and administrative office, Via Modena 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 stations of the motorway network.
BAGEL NASH (RETAIL) LIMITED 90a Tooley Street, London, SE1 2TH – United Kingdom	It runs eleven bagel-theme outlets in northern England.
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 53, Castelvetro di Modena (MO)	Operating a chain of steakhouse restaurants in Italy.
ROADHOUSE GRILL ROMA S.r.l. Via Modena 53, Castelvetro di Modena (MO)	Operating a chain of steakhouse restaurants in Rome.

PRINCEPS S.a.s. rue Saint-Augustin 75002 Paris - France	Non-operating company.

Breakdown of revenues by activity (Euro/000)	**Year 2018**	**Year 2017**	*Chg. %*
On-board catering	106,767	104,025	*2.64*
- intercompany revenues	-	-	
On-board catering - Net total	**106,767**	**104,025**	***2.64***
Motorway catering	345,584	317,040	*9.00*
- intercompany revenues	-	-	
Motorway catering - Net total	**345,584**	**317,040**	***9.00***
Commercial catering	173,985	152,266	*14.26*
- intercompany revenues	-	-	
Commercial catering - Net total	**173,985**	**152,266**	***14.26***
Total Catering	**626,336**	**573,331**	***9.25***

The Catering sector showed an increase in revenues from Euro 573. million to Euro 626.3 million in 2018, showing an increase of Euro 53.0 million (+9.3%). The gross operating margin increased from Euro 48.0 million to Euro 53.1 million, with an increase of Euro 5.1 million (+10.6%) and the operating result that amounted to Euro 18.1 million, up by Euro 1.8 million compared to Euro 16.3 million in 2017.

The improvement in the results is mainly attributable to the concession and commercial catering segments, which 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 Restaurant steakhouses.

The catering sector conducts its business in three segments:

- On-board catering: operating on-board train catering services and related logistical activities;
- Concession catering: operating, in concession, catering services in railway stations, airports and motorway network service stations;
- Commercial catering: operating the "Roadhouse Restaurant", "Calavera Fresh Mex" and "Calavera Rapido" brand restaurants.

On-board catering

Among the important events that took place during the period were the extension to Amsterdam of the catering services, operated by subsidiary Momentum Services Ltd, on high-speed Eurostar Group Ltd trains which already previously connected London, Paris and Brussels through the Eurotunnel.

Concession catering

Among the significant events that took place in the period were:

- The commencement of catering services in the Service Stations of Fratta Nord (VE), Fratta Sud (VE), Agogna Ovest (NO), Agogna Est (NO) and San Lorenzo Est (VR);
- The acquisition of two new "Mc Donald's" brand restaurants in the Service Stations of Ardeatina Esterna (Rome Ring Road) and Magliana Nord (Rome – Fiumicino Airport Motorway);
- The inauguration of new catering premises in Mestre station, a stopover in the Grandi Stazioni Retail circuit, where Chef Express S.p.A. has been present for more than 25 years. The range is now considerably wider and more diversified, including a Juice Bar store, a RossoSapore pizza restaurant, a McDonald's and a Chef Store market;
- The opening of a new catering outlet in Rome Termini Station with a craft bakery format, created in partnership with ''Panella – L'arte del Pane dal 1929'' store, beside a traditional cafeteria based on historical cafes and a grab & go corner with products specially conceived for travelling customers;
- The inauguration of new catering premises in Belluno Station, with a food court containing a Mokà brand cafe bar and Prosecco Bar Bottega corner, an absolute novelty in a station;

- The inauguration of new completely refurbished catering spaces in the Cagliari Airport boarding area, with an Etigua by Lavazza cafe bar, a Gourmé food and wine tasting area and a Löwengrube format, Bavarian-style restaurant and beer house, in addition to Viaggio Italia Market, which sells typical Italian and Sardinian fare;
- The opening of new catering spaces in the food court of the new Milan CityLife Shopping District, as well as of Lounge Bar Attimi and the new Attimi by Heinz Beck fine dining restaurant with its culinary experience formula. The first Attimi by Heinz Beck restaurant, opened in Rome Fiumicino Airport in 2016, had already won the Foodservice Award 2017 as the most innovative concept of the year and also won in 2018 the international Best Restaurant in Mobility award of La Liste, which publishes the most authoritative selection of haute cuisine venues;
- The inauguration of new Antica Focacceria San Francesco outlets in Catania Fontanarossa International Airport, a brand that tells the story of respect for tradition, care for products and promotes the flavours of unique Sicilian cuisine; and the closure of the catering outlet in Genoa Airport;
- The renewals of the lease agreements for four additional premises belonging to the Centostazioni circuit, with a contract term of 6 + 6 years, commencing from 1 January 2018;
- The opening of a new Juice Bar brand store in the Valle Aurelia shopping centre in Rome;
- The acquisition by subsidiary Bagel Factory of the British company Bagel Nash, which runs eleven bagel theme outlets in Northern England. Furthermore, note that a new Bagel Factory brand store was opened in the Canary Wharf underground station (London's second most important financial centre), the contract for the catering space in the ExCeL Exhibition Centre (London) was renewed for five more years and the sales outlet in the Paddington underground station (London) was sold.

<u>Commercial Catering</u>

Among the significant events in 2018:

- The opening of new "Roadhouse Restaurant" brand restaurants in Bellinzago Novarese (NO), Chivasso (TO), Catania, Vigevano (PV), Ascoli Piceno, Rome, Lodi, Sarzana (SP), Saronno (VA), Treviglio (BG), Rome, Alessandria, Montecchio Maggiore (VI), Ferrara, Pomezia (RM), Vicolungo (NO), Sesto Fiorentino (FI), Baranzate (MI), Desenzano (BS) and Aosta, thus bringing the number of the premises opened by the restaurant chain in Italy to 131;
- The signature of additional contracts for opening new Roadhouses in Erba (CO), Monza (MB), Milan, Assago (MI), Noventa di Pieve (VE), Carate Brianza (MB), Cremona, Bussolengo (VR), Trieste, Padua and Vimercate (MB);
- The commencement of Roadhouse's new advertising campaign, which describes the unique nature of this proposal with Broadway-inspired choreography. Showgirl Michelle Hunziker is the star celebrity in this campaign;
- The opening of new Calavera Fresh Mex brand premises in the Da Vinci shopping centre in Rome, inside the retail park in Serravalle Scrivia (AL), Cernusco sul Naviglio (MI), Vimercate (MB), Vicolungo (NO), Orio al Serio (BG), Milan and Desenzano (BS). On the menu of this chain are burritos, salads, tacos and soups. It is based on Mexican cuisine with two distinct essences: Fresh, consisting of fresh food from the land with specialities prepared on the spot using top quality ingredients selected according to their origin and the season of the year; and Mex, with intense, fragrant flavours from the authentic tradition and age-old flavours of Mexican cuisine, reinterpreted with a modern, original twist.

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
CREMONINI S.p.A. Via Modena 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 53 - Castelvetro di Modena (MO)	Personnel services: processing and administrative management of payrolls.
INTERJET S.r.l. Via Belvedere 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 2018 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	-	1,273	15,334	3,272
Other income	4	375	216	53
Total revenues	**4**	**1,648**	**15,550**	**3,325**
Costs				
Trade expense	-	1,005	11,985	9,977
Other expense	47	3	10	-
Total costs	**47**	**1,008**	**11,995**	**9,977**
Loans and receivables				
Trade receivables	6	1,841	1,735	367
Other receivables	-	7,365	2,704	501
Total loans and receivables	**6**	**9,206**	**4,439**	**868**
Loans and payables				
Trade payables	59	196	2,251	284
Other payables	5,036	-	350	-
Total loans and payables	**5,095**	**196**	**2,601**	**284**

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.	-	70	220	-	**220**	**70**
Bluimex Sp. Zo.o.	-	2	-	-	**-**	**2**
Cremofin S.r.l. (parent company)	6	59	-	5,036	**6**	**5,095**
LLC Soyuz	148	-	281	-	**429**	**-**
Namsov Fishing Enterprises Ltd	-	187	-	-	**-**	**187**
TreErre Food S.r.l.	219	-	-	-	**219**	**-**
Twoford Holdings Ltd	-	25	-	-	**-**	**25**
Total related and controlling	373	343	501	5,036	**874**	**5,379**

(Euro/000)	Trade		Other		**Total**	
	Revenues	Costs	Revenues	Costs	**Revenues**	**Costs**
Related and controlling companies:						
A.G.M. S.r.l.	-	57	-	-	**-**	**57**
Bluimex Sp. Zo.o.	-	25	-	-	**-**	**25**
Cremofin S.r.l. (parent company)	-	-	4	47	**4**	**47**
Le Cupole S.r.l.	-	668	4	-	**4**	**668**
LLC Soyuz	1,414	-	34	-	**1,448**	**-**
Namsov Fishing Enterprises Ltd	-	9,227	15	-	**15**	**9,227**
TreErre Food S.r.l.	1,858	-	-	-	**1,858**	**-**
Total related and controlling	3,272	9,977	57	47	**3,329**	**10,024**

The payables of Euro 668 to Le Cupole refer to the rental of an industrial property, in Rimini, used for some time by MARR S.p.A..

Investments

During the 2018 financial year the total of the net investments made was Euro 168.9 million.

Shown below is the schedule of the net change in non-current tangible and intangible assets for the entire 2018 financial year.

Net investments broken down by sector

(Euro/000)	Production	Distribution	Catering	Others	Total
Intangibles					
Patents and intellectual property rights	865	152	1,033	162	**2,212**
Patents and intellectual property rights	24	-	-	-	**24**
Concessions, licenses, trademarks and similar rights	91	-	611	6	**708**
Intangible assets under development and advances	20	276	444	-	**740**
Other intangible assets	206		171	-	**377**
Total intangible assets	**1,206**	**428**	**2,259**	**168**	**4,061**
Tangibles					
Land and buildings	26,524	389	26,548	909	**54,370**
Plant and machinery	21,863	1,133	12,435	298	**35,729**
Industrial and business equipment	1,936	334	1,415	-	**3,685**
Other tangible assets	7,207	725	9,919	325	**18,176**
Tangible assets under development and advances	31,581	2,209	18,708	355	**52,853**
Total tangible assets	**89,111**	**4,790**	**69,025**	**1,887**	**164,813**
Total	**90,317**	**5,218**	**71,284**	**2,055**	**168,874**

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 2018 INALCA developed the following research areas:

- Analysis of possible technologies for the reduction of the microbial load within its semi-processed and finished products based on microbiologicals able to improve shelf life of portioned and packaged for end consumers;
- Development of industrial meat hanging systems;
- Training and technological transfer on sustainable breeding techniques. On this matter, INALCA has encouraged the preparation of a national plan for the assessment of sustainability in Italian cattle farms;
- Identification of innovative industrial processes for the recovery of certain types of waste for reuse in internal processes through physical and enzymatic systems;
- Use of organic products for the replacement of chemical preservatives;
- Evaluation of possible innovative technological solutions aimed at improving water drain recovery management and performance;
- Study of innovative canned meat products.

Cured meat products segment

Health Food

In this area, new formulations strongly focused on health aspects have been developed with special attention to the nutritional profile; for example a new cured meat production line has been created for the single portion cold cut range.
New types of raw meat material were identified and studied from pigs bred on a certified antibiotic-free production chain in which the use of antibiotics is prohibited from birth and throughout the animal's life. Vegetal origin preservatives and antioxidants are also used with these raw materials in place of traditional additives. This is an area for development that meets modern consumers' requirements.

New Markets Area

In this area, the Busseto plant (Parma) was certified for exporting to the United States. The company afterwards started to concentrate its efforts on finding products and processes to sustain this certification. R&D then focused on considering cold cuts products that comply with US regulations to give the maximum support to communication regarding Italianity and fight back effectively against the Italian Sounding phenomenon.

New high healthy food content preparations have been made, paying particular attention to their nutrition value; in particular, a production line has been installed, validated and certified for the production of gluten-free sandwiches certified by AIC, for consumers with CELIAC disease.

In the area of gluten-free products, which represent the main segment within the range of "well-being food products", new lines of cold cuts have been identified which combine traditional meat ingredients of the delicatessen department with vegetables and other products with specific nutritional properties. Along with the new formulations, processes like steam cooking have been introduced, which are able to respect and enhance the high quality of the raw materials.

The strategy based on the development of specialized products for particular categories of consumers includes the study and subsequent implementation of cold cut formulations that can satisfy vegetarian and vegan eating styles: in particular, a new line of vegan cold cuts has been introduced based on tofu and seitan.

Within this context, products and processes have been identified to support the "halal product" certification for certain salamis produced in the Busseto plant using poultry from a guaranteed production chain, which will complement the already certified range of beef Halal products offered by the parent company INALCA.

As to traditional products, the company's efforts focused on the identification of 100% Italian production chains, in order to support as much as possible communications on the All-Italian nature of the products and provide a greater amount of product information to consumers.

Tools adopted in the production sector to support and fund research

- INALCA participates in the Foodnexus platform through the University of Bologna. The Foodnexus platform is an aggregation point for food excellence within the EU and constitutes the main community instrument for access to EU funds for research in the food sector, granted by EIT - European Institute of Innovation and Technology (http://www.foodnexus.eu/);
- As to research in the area of sustainability, INALCA is the beneficiary of the So.Fi.A. (Sustainability in the Food Farming Chain) project within the scope of the national strategic development plan named "National Technology Cluster" for sustainability (*MIUR* – Ministry of Education, University and Research - Decree no. 257/RIC dated 30 May 2012). This is the most significant instrument in Italy for the promotion of strategic projects focused on sustainability. This project aims to create plants in the sector for waste recovery and production of energy from renewable sources.
- Through the 2014-2020 Rural Development Plan, Operation 16.2.01, INALCA obtained a loan for the application of a protocol for high standards of animal wellbeing in cattle fattening farms;
- During 2018 INALCA was also admitted to the financing programme under Ministerial Decree

of 8 February 2016 for contracts in a project for the promotion of chains of supply for 100% Italian cattle in Southern Italy.

Foodservice segment

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

Events occurring after the end of the 2018 financial year

The following events occurred after the financial year-end:

Production

- The completion of the construction of the new distribution hub at Odintsovo (Russia), the start of which is expected in July 2019;
- In January, the subsidiary Mille Sapori Plus Sp.z.o.o. completed the acquisition of Mille Sapori Krakow Sp.z.o.o., a distribution company of Italian food products in the Polish foodservice market operating in Krakow.

Catering

- The opening of new catering spaces in Turin Caselle international airport;
- The opening of new Roadhouse brand restaurants in Belluno, two in Rome and Vimercate (MB), thus bringing the number of restaurants in the Italian chain, which celebrates its first 18 years of life in 2019, up to 135;
- The opening of new Calavera brand stores in the Valle Aurelia shopping center in Rome and in Moncalieri (TO), the eleventh one of the chain;
- the signature of an additional contract for opening new premises of the Roadhouse chain in Beinasco (TO).

Business Outlook

The results achieved in the different sectors in 2018 confirm the Group's good performance, although in the presence of a market situation that is still weak.
The Group will be involved in consolidating the income results reached in 2019 as well by pursuing policies for development on markets and products and for cost rationalisation in the various operating segments.

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 2018 is given in the annual report.

Main risks and uncertainties

The Group Companies are exposed to financial risks in the conduct of their 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 Group Companies, 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, 2018 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.

Anti-corruption policy

The main Group companies have adopted their own Codes of Ethics in the framework of their anti-corruption policy. The professional practices and conduct by which all employees and other persons working with the Group must abide are laid down in this document.
Furthermore, the types of risk to which the Group is exposed (predicate offences) are detailed in the specific Organisational Models 231/01 of each company.
The Group Companies have put in place a series of preventive procedures against corruption risks associated with the approval and qualification of suppliers and the management of product nonconformity.
In view of the various types of business the companies conduct, one of the main areas in which the risk of corruption could materialise is participation in public tenders.
Here, if a criminal offence is committed by a director and/or representative of a company, the result may be that the company is banned, under Article 80 of Legislative Decree no. 50/2016 (Public Contracts Code), from taking part in any public tender.
Corruption risk is considered to be recurrent because it arises in the ordinary course of business. Impacts may be reputational or financial (disqualification from the public tender sector with the loss of the revenues from this sales channel).

The aim of the Code of Ethics is to assure an increasingly high degree of corporate governance transparency and efficiency: it contains the rules of conduct and principles of legality, transparency and honesty to apply to the Group Companies' internal and external relations. The Companies themselves see that the Code of Ethics is made known to their stakeholders and to new employees at the time of their engagement. The control bodies audit the compliance with and the adequacy of the

Code annually.
A whistleblowing system is in place with a special email address which can be consulted exclusively by the Supervisory Board.

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 13,162 people work in the countries where the Group operates. The majority are in the European Union (84.9%), followed by Russia (8.7%) and Africa (4.5%). The headcount in 2017 was instead 12,534 collaborators.
The breakdown of the organizational structure based on professional designation was 172 executives, 182 middle managers, 2,433 office staff and 10,375 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 regarded the fields of environmental safety, languages, computers and occupational safety. Despite the uncertainty arising from the macroeconomic scenario, the Group in no case whatsoever reduced its headcount and actually increased it. Please note the agreements with the university or secondary schools as well, which offered students traineeships that in some cases turn into employment.

Furthermore, among the Group's policies for respecting and appreciating its human resources are:

<u>Production</u>

During the year, sector-based ongoing refresher training courses were held and they also regarding the fields of environmental safety, languages, computers and occupational safety. Despite a substantial and repeated stagnation in consumption, the company in no case whatsoever reduced its headcount and actually, in some cases, increased it, notwithstanding a voluntary mobility operation for a total of 15 persons.

Please note, in addition to agreements with the university and secondary schools, the close collaboration with local employment centres, i.e. the set of sources required to procure resources to be intended for traineeships that in some cases turn into employment.

<u>Distribution</u>

Training: in MARR programmes for the enhancement of human resources and performance appraisal are mainly run by the Top Management. These programmes, mainly addressed at managerial and/or sales roles, are created empirically, as up to now there is no procedure for the purpose.
A project named "Let's take care of our future" has been launched whose goal is to strengthen motivation and sense of belonging and identify resources with the potential and background (scholastic and professional) that would enable them to take on greater and greater responsibilities, also with the help of personal growth paths.

Apprenticeships and internships: MARR pays apprentices and interns observing the minimum wage prescribed in collective labour agreements. To a limited extent, the Group offers apprenticeships to undergraduates and new graduates in cooperation with universities; Bologna University in particular suggests possible candidates for apprenticeship vacancies within the Group.

A training project for twenty pupils of the Rimini Sigismondo Malatesta School of Food and Wine Services and Hotel Management was created on the occasion of MARR's participation in the *Beer Attraction* fair at Rimini in February 2019. The students worked in the catering area of MARR's stand and thus had the opportunity of practising serving at table in addition to working with an important professional caterer.

Catering

During 2018 the Company invested in training and occupational safety as required by the laws in force, with specific regard to accident protection and prevention.

Continuous training and learning are considered decisive factors for the growth of human resources and for keeping them always abreast with the latest developments, and it is for this reason that the Company has opened an Academy where, also thanks to access to inter-occupational funding in the sector, it has started arranging specific occupational training and growth courses. Periodic personnel training courses are also given and agreements are made with Universities in order to assist in engaging trainees at its retail outlets, most of whom are afterwards engaged on permanent contracts.

The Company maintains labour relations both nationally and locally with the most representative unions at national level and has entered into some second-level contracts prepared in compliance with the current Inter-confederal agreements.

Health and Occupational Safety

The Group considers the safeguarding of its employees' psycho-physical integrity to be a primary objective and therefore undertakes to provide workplaces that are as healthy and safe as possible and comply with current health and safety regulations, at the same time encouraging all those who work with the Group to take a responsible approach to safety.

The risks to which the workers of the Company and the Group are exposed in going about their duties are identifiable as: i) work-related stress; ii) risks from noise, vibrations, chemicals, explosive atmospheres and microclimate; (iii) risks from handling loads manually and repetitive movements; and iv) risk of working with display screen equipment.

After careful consideration, the managements of the various Group Companies have drawn up their own specific assessments of worker safety risks and given the heads of the areas concerned authority to act on their behalf, with the aim of making them aware of their responsibilities in the field of safety.

Given the complexity of the Group, reference should be made to the specific detailed policies provided in the financial statements of the subsidiaries.

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.

Production

INALCA has consolidated its energy production from renewable sources during the course of 2018. 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 plants operate at Pegognaga (MN) and Spilamberto (MO), managed by the subsidiary Soc. Agr. Corticella S. r. l.; 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 operates two PV plants at the production sites of Capo d'Orlando (ME) and Fiorani & C. in Piacenza.

The INALCA Group is able to produce about 97% of its energy requirement itself, over 40% of which from renewable sources. In terms of its contribution to the fight against climate change INALCA's energy system saves 14,943 TOEs (Tonnes of Oil Equivalent) equal to 36,800 tons of Carbon Dioxide.
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, the subsidiary INALCA S.p.A. 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 about 4,067 TEEs overall in 2018, down compared to the prior year.
INALCA is evaluating the opportunities provided by the new incentives framework, today prevalently directed at renewable energies other than electricity, specifically the production of biomethane for road transport, and their possible consistency with the Group's industrial set-up and its *supply chain*. Its plants are being examined by experts for possible energy conversion.

Water resources

Water consumption is one of the areas for action on which the Group is concentrating its resources. In their factories, INALCA Group companies have optimised complete cycles of effluent water purification and water recovery by means of biological systems. The efficiency indicators of the water cycle are carefully monitored in the environmental management system.
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 use surface water in its factories, but groundwater, whose quality is more reliable. 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.
INALCA 's main factories are equipped with modern high-performance purification plants.
Furthermore, for the plants at Castelvetro di Modena and Ospedaletto Lodigiano, some time ago INALCA started to set itself more restrictive water discharge limits than those laid down in the environmental permits for its factories.
INALCA recovers purified process water where allowable under the regulations for the sector. During the last years this indicator improved from about 88,000 cubic meters per year of water recovered and reused in the production circuits in 2015 to 93,000 cubic meters per year in the three-yer period from 2016 to 2018.

Waste production

The INALCA Group promotes the separated collection of waste and its maximum reuse. Some time ago the INALCA 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.

INALCA obtained an important environmental authorisation, through its subsidiary Sara S.r.l. 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 objective of waste reduction was pursued above all through use of the anaerobic digestion systems that allow substantial reductions of production of organic waste, while providing energy and raw materials for the production of fertilisers.

The availability of the second anaerobic digestion system at the INALCA Pegognaga (MN) factory placed in a baricentric 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.
INALCA has also developed a plan to enhance the sustainability of its packaging products, specifically:

- it has reduced the grams of its packaging;
- it uses recycled raw materials in its packaging components;
- more of its packaging can be recycled by the end consumer.

Distribution

Environment protection is an extremely important issue for MARR: wherever it is, the Company acts in such a way as to strike a balance between its activities and its surroundings, without spoiling them, minimising the use of resources and doing all it can to increase the use of sustainable products.
About 190 road haulage firms help the Group in its work; as more than 750 vehicles are used, suitable procedures have to be put in place for the optimisation of logistic processes, aimed at reducing emissions into the atmosphere.
It also sells a vast range of products in the various stages of preservation (frozen, fresh, imperishable) with impacts not only on the use of energy resources and waste production but also, particularly as regards fish, on sustainable fishing.
The risks attached to the Group's activities are excessive water or energy consumption with consequences on carbon dioxide emissions, the emission of noxious substances from the trucks that the Group uses to distribute its products, the emission of polluting substances from refrigeration plant water discharge pipes and gas exhaust vents and the impoverishment of marine resources as a result of unregulated fish supplies.
MARR assesses these risks as being recurrent in that they are inherent in the Group's core business and, in order to foster environmental sustainability (in addition to social sustainability), tries to steer its internal stakeholders towards water and energy saving and atmospheric emission reduction programmes and towards the creation of stable relations with suppliers that satisfy the Group that they share MARR's principles.

As regards the environment, MARR follows a "Control and Management of Environmental Issues" Quality System which describes the methods for managing the operations and activities related to environmental issues that are identified as being of significance, including the oversight and management of environmental emergencies. MARR also fosters pollution prevention and the limitation of the utilisation of available resources by taking preventive measures. As regards waste in particular, it undertakes to:

- cut down the quantity of packing and use recyclable material where possible;
- encourage the use of certified cellulose packaging and materials from responsibly managed resources;

- increase recycling waste and enhance the management of special waste and sub-products of animal origin, such as waste from processing meat and fish.

MARR also pays attention to other consumer-related aspects and the consequent emission of substances that are harmful to the environment, and, specifically, undertakes to:

- cut the number of vehicles that have a strong impact on the environment: all those with a Euro 2 approval rating were disposed of in 2016, while all those with a Euro 3 approval rating were disposed of in 2017. Now the minimum required specification for new incoming vehicles is Euro 5 and in the framework of a project which will be developed further in the coming years, the first entirely electric vehicle was acquired in 2018 for the MARR Urbe branch in Rome to deliver supplies in the capital's historical centre;
- reduce the environmental impact of manufacturing processes, fostering the prevention of pollution in ways which include controlling the quality of discharge water by laboratory tests to verify their compliance with the provisions of Italian Legislative Decree 152 of 2006;
- cut the consumption of electricity (above all by means of the proper management of the cold chain), drinking water and gas;
- limit the destruction of foodstuffs, which constitutes a waste of food and corporate resources as well as, indirectly, environmental resources;
- rationalise the consumption of detergents and disinfectants that have a direct impact on the drains, scrupulously observing the methods of use and concentrations indicated in sanitisation procedures;
- managing deliveries to customers and the logistics for transferring products from one Group platform to another as efficiently as possible and seeing that loads are as large as is compatible with the limits imposed by the Italian highway code;
- foster conduct tending to respect for the environment and care for the proper utilisation of natural resources; involving fish product suppliers and asking them to agree to the standards of ethical, social and environmental responsibility laid down in their contracts;
- manage products, rotation and stocks in such a way as to reduce rejects and destruction, avoiding the waste of foodstuffs and corporate resources.

Also falling within the scope of environmental issues is the monitoring of the fish supply chain procurement process: in March 2018 MARR obtained a "Sustainable Fish Supply Chain Control Service Certification" from an internationally recognised certification body. As regards sustainable fishing MARR also obtained the MSC certification for the chain of custody.

Catering

Chef Express S.p.A. follows a constant policy of maintaining its workers' awareness of energy saving in order to foster the values of respect for the environment and the safeguarding of water and energy resources.
The Company abides by the provisions of law governing the disposal of special waste as regards environmental issues.

During the previous period Chef Express S.p.A. and subsidiary Roadhouse S.p.A. continued to install PV plants on most of its premises, which will meet a part of the energy requirements. Furthermore, a Building Automation system will be set up in reconstructed or newly built premises that will monitor the functioning of plants and machinery in real time remotely in order to improve efficiency. As this system will monitor energy requirements continuously, the result will be a fall in energy consumption and a financial benefit for the Company.
Furthermore, all the energy that the Company has been acquiring since 2016 is certified as being of 100% renewable origin (Guarantee of Origin).

The Company also endeavours to use recyclable or biodegradable materials, to recycle waste and to use organic foodstuffs and/or foodstuffs coming from fair trade markets, compatibly with the products contained in the recipes used in the catering industry.

Sustainable Quality and Development

Production

The business social responsibility and sustainable development themes were further developed and integrated during 2018 through INALCA S.p.A.'s fourth edition of the sustainability report, prepared in conformity with the GRI – G4 guidelines, available at the following link: https://www.Inalca.it/it/bilancio-di-sostenibilita/.
The fourth edition of the sustainability report evidenced the development trajectories, results and objectives of the INALCA 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:

1) Sharing of the values and sustainability principles with the agricultural world;
2) Construction of an integrated chain of production consistent with the principles and practices of sustainable production;
3) Systematic control of the environmental impacts and consumption;
4) Realisation of sustainability governance tools.

In the 2017 Sustainability Report the business of INALCA has been further brought in line with the global UN Sustainable Development Goals - SDGs, - which will constitute an increasingly important benchmark in the definition of INALCA's business in this field https://www.un.org/sustainabledevelopment/sustainable-development-goals/).

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 96.3% of the overall value generated by INALCA, higher than the value posted in the previous year.

Social sustainability – transparency and clarity towards consumers – governance in the sectors of food hygiene, quality, health and safety at work

In this area, INALCA has strengthened the use of voluntary technical standards applicable to food safety, environmental protection, workplace safety and health, disclosures to customers and consumers at the company's plants, implementing an integrated management system compliant with standard ISO 45001 on safety at work and with IFS (International Food Standard) on food safety. The adoption of voluntary technical standards constitutes a key governance tool which the company has built in a number of years of experience; the system is managed by a single program, which is applied, in an integrated manner, at the various production plants. To these must be added the environmental management system (ISO14001) and the Company Organisational Model prepared pursuant to Law no. 231/2001.
INALCA has also developed a comprehensive system of internal procedures for managing the information provided for consumers in the forms of food product labelling, marketing and corporate communications. The system seeks to ensure that messages are clear, transparent and truthful and to substantiate some voluntary certifications regarding specific product claims. The combination of internal procedures and voluntary certifications confirmed by third parties also ensures a high level of transparency towards customers and consumers in this case too, about the truthfulness of the contents of corporate information.
The main tool for the management of information for consumers is the voluntary specification for the optional labelling of meat under Regulation (EC) no. 1760/2000. Within this context, in 2018 the INALCA rules for the optional labelling of meats were further developed to support communications on the Italian supply chain adopted by the company as part of its sustainable development policy and to strengthen its partnership with the modern distribution channel. The contents of the voluntary

information conveyed by the technical specifications on the label have been expanded to include issues related to animal wellbeing and the prudent use of antibiotics, are matters of increasing importance for stakeholders and consumers. The specification for the optional labelling of meat allows in fact INALCA to adopt important commercial claims; in addition to those specified above, 100% Italian origin of the supply chain, non-GMO feeds and absence of added animal fats in animal feeds are other subjects to be taken into account in the consumer information process. This tool has recently become increasingly advanced in Italy, allowing firms to conduct communication and marketing campaigns on specific issues, above all at the sales outlets of the Large Scale Retail Trade network.

Health and Safety

During 2018, INALCA conducted 233,103 internal analytical tests in its internal laboratory, accredited under ISO 17025, as well as 8,782 external analyses involving the entire production and supply chain; the value increased compared to 2017, when it was equal to 203,874 audits. In addition to Italian and European regulations, the INALCA food safety management system also adopts the methods and controls referred to in other bodies of regulation, such as the Codex Alimentarius, or regulations in force in other parts of the world, such as in the USA, Canada, Japan and the Russian Federation. INALCA therefore complies with many special procedures in the different countries in which it distributes its products.
An innovative device for the reduction of microbial loads, able to increase significantly the level of hygiene of productions of particularly sensitive products, such as ground meat, is also in full operation at the Ospedaletto Lodigiano (Lodi) plant.

Life Cycle of Products and Environmental Disclosure

In order to disclose actual impacts and consumption of its production chain to consumers, INALCA has renewed its first EPD (Environmental Product Declaration) regarding the Montana frozen hamburgers (http://www.environdec.com/en/Detail/epd711) and has extended it to another flagship product, Montana brand canned meat.
The EPD© system is 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.
Life cycle-related information makes it possible to identify the potential of environmental improvement of the products, to select the significant environmental performance indicators and to define environmental disclosure strategies. It is an activity of growing interest for targeted environmental disclosure, or for supporting similar initiatives of its customers.

INALCA has also developed stable relations in the major 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 in all the markets in which the Group operates.

Food Health and Safety

The many dietary emergencies and growing concern with personal health and wellbeing have drawn attention to the fact that the safety and quality of the products sold by the Group are fundamentally important aspects. The Group's activity cannot be limited to making and distributing foodstuffs, nor can it be considered in purely economic terms of profit and earnings: it is also a question of ethics and duties which guide Group Companies in performing their work taking up clear-cut safety and quality policies. Food safety must not be seen purely as the observance of a prerequisite for a product which confirms that it is fit for consumption, but as part of a broader, more modern vision involving many additional factors, such as origin, traceability, the exclusion of organisms or substances deemed to be suspect and proper information for the consumer through labelling or other means of communication.
The risk factors with a potential effect on the community and the consumer are mainly product hygiene and safety. These vary according to commodity category but, in substance, are represented by contaminants that may be found in a food accidentally as a result of manufacturing processes or contamination of the environment. Contaminating substances may be divided into two types: those from natural and those from man-made sources.
The manifestation of one of the above risk factors may lead to reputational damage for the Company and a loss of trust on the part of consumers with an adverse impact on the Group's profits.

The Group companies have included the analysis of the dangers and risks attached to various commodity categories in the steps in their production and distribution processes in order to ensure food safety as well as in the manufacturing processes that take place in their own operating units. Analysis of dangers and risk assessment are conducted on the basis of the experience of the HACCP (Hazard Analysis and Critical Control Points) Team, a multidisciplinary group of people with specific know-how and competences and the authority necessary to intervene in corporate processes. Risk assessment is conducted according to HACCP criteria, setting down particular procedures for the control of critical points.

Risk factor analysis has always been conducted on the basis of the information gathered regarding the products processed and distributed; product characteristics and origin are considered in particular, as are the relevant domestic and EU regulations.

Data protection and Cyber Risk

In compliance with Regulation (EU) 679/2016 (GDPR – General Data Protection Regulation), as transposed into the Italian legal system under Legislative Decree 101 of 10 August 2018, in 2018 the Group adopted a policy for the management of sensitive information and data in 2018, following the appropriate procedures for minimising the risk of breaching privacy and data protection as required by the current regulations.

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 2018	Year 2017	Chg. %
Total revenues	**7,747**	**7,747**	*0.00*
Changes in inventories of work in progress, semi-finished and finished goods	-	-	
Value of production	**7,747**	**7,747**	*0.00*
Cost of production	(5,764)	(5,435)	
Value added	**1,983**	**2,312**	**n.a.**
Personnel costs	(2,457)	(2,459)	
Gross operating margin [(a)]	**(474)**	**(147)**	*222.45*
Amortization, depreciation and write-downs	(2,673)	(2,565)	
Operating income [(b)]	**(3,147)**	**(2,712)**	*16.04*
Net financial income (charges)	(711)	(1,397)	
Profit from ordinary activities	**(3,858)**	**(4,109)**	**n.a.**
Net income (charges) from investments	27,890	22,799	
Net extraordinary financial income (charges)	-	-	
Result before taxes	**24,032**	**18,690**	**n.a.**
Income taxes for the financial year	534	467	
Net profit	**24,566**	**19,157**	**n.a.**

Balance Sheet of the Parent Company Cremonini S.p.A.

(Euro/000)	Year 2018	Year 2017	Chg. %
Intangible assets	86	5	
Tangible assets	82,033	82,913	
Equity investments and other financial assets	258,192	256,785	
Total fixed assets	**340,311**	**339,703**	*0.18*
Trade net working capital			
- Trade receivables	2,277	2,060	
- Inventories	-	-	
- Trade payables	(8,779)	(6,908)	
Total trade net working capital	**(6,502)**	**(4,848)**	
Other current assets	13,195	16,460	
Other current liabilities	(3,078)	(5,273)	
Net working capital	**3,615**	**6,339**	*n.a.*
Staff Severance Indemnity Provision and other m/l term provisions	**(4,333)**	**(4,419)**	
Net invested capital	**339,593**	**341,623**	*(0.59)*
Total Shareholders' Equity	**275,124**	**251,473**	*9.40*
Net medium/long-term debt	34,956	26,589	
Net short-term debt	29,513	63,561	
Net debt	**64,469**	**90,150**	*(28.49)*
Net equity and net debt	**339,593**	**341,623**	*(0.59)*

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 2018	Year 2017
Payables to banks, bonds and other financial institutions		
- due within 12 months	(16,498)	(46,861)
- due between 1 and 5 years	(22,477)	(26,589)
- due beyond 5 years	(12,479)	-
Total payables to banks, bonds and other financial institutions	**(51,454)**	**(73,450)**
Liquidity		
- cash and cash equivalents	162	181
- other financial assets	-	-
Total liquidity	**162**	**181**
Securitization and internal treasury current accounts	**(13,177)**	**(16,881)**
Total net debt	**(64,469)**	**(90,150)**

Property services

Cremonini S.p.A. directly manages both property units that are destined for civil use and property destined for specific activities in the Catering Sector.

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 sub-holding company 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	-	24	-	-
Services	-	6,057	2	-
Sales of goods	-	4	-	-
Other income	-	29,122	160	-
Total revenues	**-**	**35,207**	**162**	**-**
Costs				
Financial charges	47	51	-	-
Services	-	453	-	-
Purchase of goods	-	2	-	-
Other charges	-	727	-	-
Total costs	**47**	**1,233**	**-**	**-**
Receivables				
Financial	-	1,220	-	-
Trade	6	1,882	-	-
Other (a)	-	674	-	-
Total Receivables	**6**	**3,776**	**-**	**-**
Payables				
Financial	5,036	9,361	-	-
Trade	59	7,495	-	-
Other (a)	-	1,263	-	-
Total Payables	**5,095**	**18,119**	**-**	**-**

(a) mainly relevant to tax receivables and payables 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 22 May 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 22 May 2018.

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 Officer 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 31 December 2018, 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 31 December 2018, together with the Directors' Report.

Furthermore, we propose the following allocation of the net profit for the year of Euro 24,566,241.60 as follows:

- to a dividend of Euro 0.024 for each ordinary share equal to a total of Euro 3,095,719.92 with detachment of related coupon (no. 14) on 24 June 2019 and payment on 26 June 2019;
- the remaining portion equal to Euro 21,470,521.68 to "Retained earnings" reserve.

Castelvetro di Modena, 28 March 2019

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

CREMONINI SPA

FINANCIAL STATEMENTS
AT 31 DECEMBER 2018

Financial statements at 31 December 2018

Statement of Financial Position – Assets

(Euro)	Note	**31.12.2018**	31.12.2017
Non-current assets			
Tangible assets	1	82,032,852	82,913,173
Goodwill		-	-
Other intangible assets	2	86,372	4,956
Investments in subsidiaries and associated	3	257,160,323	255,751,223
Investments in other companies	4	1,031,093	1,031,093
Financial instruments / Derivatives		-	-
Financial assets held for sale		-	-
Deferred tax assets	16	-	0
Other non-current assets	5	42,691	44,456
Total non-current assets		**340,353,331**	**339,744,901**
Current assets			
Inventories		-	-
Current financial receivables	6	1,893,311	391,437
relating to related parties		*1,893,311*	*391,437*
Current trade receivables	7	2,277,411	2,059,982
relating to related parties		*1,888,404*	*1,738,506*
Current tax assets	8	8,898,839	9,163,650
Financial assets held for sale	4	3,495,612	4,389,858
Financial instruments / Derivatives		-	-
Cash and cash equivalents	9	162,199	181,721
Other current assets	10	338,184	2,682,320
relating to related parties		*0*	*0*
Total current assets		**17,065,556**	**18,868,968**
Total assets		**357,418,887**	**358,613,869**

Statement of Financial Position - Liabilities

(Euro)	Note	**31.12.2018**	31.12.2017
Shareholders' Equity			
Share capital	11	67,073,932	67,073,932
Reserves	12	(42,103,832)	(41,188,910)
Retained earnings		225,588,312	206,431,056
Result for the period		24,566,242	19,157,256
Total Shareholders' Equity		**275,124,654**	**251,473,334**
Non-current liabilities			
Non-current financial payables	13	34,902,882	26,566,415
relating to related parties		*25,651*	*25,651*
Financial instruments / Derivatives		78,564.00	48,325
Employee benefits	14	349,687	350,476
Non-current provisions for risks and	15	151,536	151,536
Deferred tax liabilities	16	3,832,134	3,917,277
Other non-current liabilities		473	473
Total non-current liabilities		**39,315,276**	**31,034,502**
Current liabilities			
Current financial payables	17	32,132,620	67,347,136
relating to related parties		*15,634,182*	*20,485,772*
Financial instruments / Derivatives		-	-
Current tax liabilities	18	497,974	493,894
Current trade liabilities	19	9,031,742	6,966,848
relating to related parties		*7,554,466*	*6,040,485*
Other current liabilities	20	1,316,621	1,298,155
relating to related parties		-	-
Total current liabilities		**42,978,957**	**76,106,033**
Total liabilities		**357,418,887**	**358,613,869**

Financial statements at 31 December 2018

Income statement

(Euro)	Note	**31 December 2018**	31 December 2017
Revenues	21	6,912,503	6,596,815
relating to related parties		*6,063,579*	*5,780,822*
Other revenues	22	834,354	1,150,398
relating to related parties		*791,232*	*791,615*
Costs for purchases	23	(48,397)	(56,438)
relating to related parties		*(1,570)*	*(1,055)*
Other operating costs	24	(5,716,035)	(5,378,867)
relating to related parties		*(454,729)*	*(411,603)*
Personnel costs	25	(2,456,505)	(2,459,216)
Amortization and depreciation	26	(2,673,463)	(2,565,261)
Write-downs and provisions	26	0	0
Revenues from equity investments	27	27,889,928	22,799,776
relating to related parties		*27,766,498*	*22,731,453*
Financial (Income)/Charges	28	(710,667)	(1,397,241)
relating to related parties		*(74,763)*	*(90,179)*
Result before taxes		**24,031,718**	**18,689,966**
Income taxes	29	534,524	467,290
Result for the period		**24,566,242**	**19,157,256**

Statement of comprehensive income

(Euro)	**31 December 2018**	31 December 2017
Result for the period	**24,566,242**	**19,157,256**
Items to be reclassified to profit or loss in subsequent periods:		
Fair value valuation financial assets available for sale	(894,246)	(14,644)
Efficacious part of profits/(losses) on cash flow hedge instruments	(30,239)	(48,325)
Tax effect	7,257	11,598
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain (losses)	3,181	(414)
Tax effect	(875)	114
Comprehensive Income	**23,651,320**	**19,105,585**

Statement of changes in the shareholders' equity

(Euro)	Share capital	Nominal value treasury tock in portfoli	Total Share capital	Other riserves: Share premium reserve	Legal reserve	Merger Deficit	Merger Surplus	Reserve for IAS adjustments	Reserve Actuarial Gain Losses	Cash flow hedge reserve	Fair valute reserve	Total Reserves	Profits (Losses) carried forward	Result of the year	**Total Shareholders' Equity**
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**
Consolidated comprehensive income															
- Net profit (loss) for the period															
- Other Profits/(losses), net of taxes														19,157,256	**19,157,256**
									(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**
Allocation of the results for the previous year:															
- retained earnings reserve													19,157,256	(19,157,256)	**0**
Comprehensive income															
- Net profit (loss) for the period														24,566,242	**24,566,242**
- Other Profits/(losses), net of taxes									2,306	(22,982)	(894,246)	**(914,922)**			**(914,922)**
Balances at 31 December 2018	**67,073,932**	**0**	**67,073,932**	**78,279,705**	**14,749,280**	**(146,379,437)**	**94,514**	**12,787,578**	**(59,113)**	**(59,709)**	**(1,516,650)**	**(42,103,832)**	**225,588,312**	**24,566,242**	**275,124,654**

Cash flow statement (indirect method)

(Euro/000)	**31.12.2018**	31.12.2017
Profit for the period	**24,566**	**19,157**
Amortization and depreciation	2,673	2,565
Impairment	-	-
Net change in other provisions and non-monetary income items	154	873
Net change in Staff Severance Provision	(208)	(817)
Changes in working capital		
(Increase) decrease in trade receivables	(217)	180
(Increase) decrease in inventories	-	-
Increase (decrease) in trade payables	1,871	1,472
(Increase) decrease in other items of the working capital	1,070	(1,646)
Cash-flow from operating activities (A)	**29,909**	**21,784**
Net (investments) in intangible assets	(123)	(1)
Net (investments) in tangible assets	(1,751)	(2,183)
Net change in other non current assets	(1,439)	(1,001)
Acquisition net of Cash and cash equivalent	-	-
Cash-flow from investment activities (B)	**(3,313)**	**(3,185)**
Increase (Decrease) in medium-long term borrowings	8,337	(15,706)
Increase (Decrease) in medium-long term liabilities for derivatives	30	48
Increase (Decrease) in short-term borrowings	(34,067)	(6,691)
Increase (Decrease) in short-term liabilites for derivatives	0	0
Cash-flow from distribution of dividends	0	(6,449)
Capital increase and other changes in equity	(915)	(52)
Cash flow from financing activities (C)	**(26,615)**	**(28,850)**
Cash Flow of the year (D=A+B+C)	**(19)**	**(10,251)**
Cash and cash equivalents at the beginning of the year (E)	181	10,432
Cash and cash equivalents at the end of the year (F=D+E)	**162**	**181**

Cremonini S.p.A. Financial Statements at 31 December 2018

Notes to the financial statements

Form and content of the financial statements

The financial statements as at 31 December 2018 were prepared in accordance with the accounting standards and measurement criteria laid down by the International Financial Reporting Standards (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 28 March 2019.

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 2018.

The Cremonini S.p.A. financial statements as at 31 December 2018 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 at 31 December 2018 show the figures for the financial year ended at 31 December 2017.

The following classifications have been used:

- Statement of Financial Position 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 European Union, applicable from 1 January 2018 are reported below with a brief description. The adoption of these revised standards and interpretations has not had any significant impact on the financial statements but has resulted, in some cases, in additional information only. Please also refer to the description in the Directors' Report.

New accounting standards, amendments and interpretations applicable in 2018

The valuation criteria used in preparing the financial statements for the year 2018 do not diverge from those used to draw up the financial statements for the financial year ended 31 December 2017, with the exception of the accounting standards, amendments and interpretations applicable as of 1 January 2018, as listed below, which had no impact on the financial position, income statement and cash flows in the Company's financial statements :

- IFRS 9 - *Financial instruments*. In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all the phases of the financial instrument project and supersedes IAS 39 *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new classification, measurement, impairment and hedge accounting requirements. As reported above, the adoption of the new standard had no significant impact on the consolidated financial position, results of operations and cash flows. It should be noted that the Company, according to the option provided by the new IFRS9 (paragraph 7.2.21 concerning "Transition for hedge accounting"), has decided to continue to apply the provisions governing hedge accounting laid down in IAS 39 for this type of operations.

- IFRS 15 (and subsequent clarifications issued on 12 April 2016) - *Revenue from Contracts with Customers*. This standard was issued in May 2014 and introduces a new five-step model applicable to revenue from contracts with customers. IFRS 15 provides for the recognition of revenue for an amount reflecting the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer. The standard provides a more structured approach to the recognition and measurement of revenue, replacing all the requirements currently set forth in any other IFRS concerning revenue recognition. The Company's core business is the sale of food products, which is completed when the product is delivered to the customer. Almost all transactions are carried out on the basis of specific orders; the aim of commercial agreements, where they exist, is mainly that of defining product quality. Given the nature of these transactions, the change in the standard has not had any impact on the Company's financial statements.

- Amendments to IFRS 2 - *Clarifications of classification and measurement of share-based payment transactions*. This amendment handles all the following issues identified by the IFRS Interpretation Committee: (i) accounting for a payment plan through defined benefit shares which includes the achievement of a performance condition; (ii) share-based payments whose settlement is related to future events; (iii) share-based payments settled net of withholding tax; and (iv) changing from a cash-based to a share-based payment method.

- Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments to IFRS 4 Insurance Contracts*. This amendment deals with concerns which have arisen regarding the application of IFRS 9 Financial Instruments before the introduction of the new insurance contract standards. Two options are also provided for companies which take out insurance contracts under IFRS 4: (i) one allowing entities to reclassify some revenues or costs related to certain financial assets from profit or loss to comprehensive income; (ii) a temporary exemption from the application of IFRS 9 if its main business is to issue contracts as described in IFRS 4.

- IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*. This interpretation deals with foreign currency transactions in which an entity recognises a non-monetary asset or liability arising from the payment or receipt of advance consideration before it recognises the related asset, expense or income. The interpretation need not be applied to income taxes or insurance or reinsurance contracts.

- *Amendments to IAS 40 regarding transfers of investment property*. This amendment provides for (i) a change to paragraph 57 of IAS 40 in that an entity must only transfer a property from, or to, an investment property category when there is evidence of a change of use; and (ii) for the list of examples in subparagraph 57(a)-(d) to be redefined as a list of non-exhaustive examples.

- *Improvements to IFRS (2014-2016).* These are a part of the annual improvements project involving the standards which came into effect on 1 January 2018. The following work has been done :
  - IFRS 1: the short-term exemptions in paragraphs E3-E7 have been deleted because they have now served their intended purpose;
  - IFRS 12: the scope of the standard has been clarified, specifying that the disclosure requirements, except for those in paragraphs B10-B16, apply to an entity's interests that are listed in paragraph 5 which are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5;
  - IAS 28: it has been clarified that a decision to measure at fair value through profit or loss an investment in an associate or joint venture that is held by a venture capital company may be taken for each investment in an associate or joint venture upon initial recognition;
  - Amendments to IAS 28 - *Long-term Interests in Associates and Joint Ventures*. The amendments provide for IFRS 9 to be applied to long-term receivables from an associate or a joint venture that substantially form part of the investment in the associate or joint venture.

Accounting standards, amendments and interpretations applicable to the financial statements for the financial years commencing on a subsequent date

Below are the standards and interpretations which, as at the reporting date of these financial statements, had already been issued but were not yet applicable.

- *IFRS 16 – Leases*. The standard, which was published by the IASB on 13 January 2016, is intended to replace IAS 17 – *Leases*, as well as the interpretations IFRIC 4 – *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 gives a new definition of leases and introduces a criterion based on the right of use of an asset to distinguish lease contracts from contracts for services, naming, as discriminating factors, the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits from the use of the asset and the right to direct the use of the asset underlying the contract. The standard is expected to be adopted from 1 January 2019, with early adoption permitted for the entities that will apply IFRS 15. The Company is assessing the impact of this new standard on its consolidated financial statements; it has decided to apply a modified retrospective approach to first-time adoption for which the restatement of comparative data is not required. In consideration of the lease agreements existing on the reporting date of these financial statements, it is estimated that the adoption of this standard will have no impact on the year 2019.

- IFRIC 23 - *Uncertainty over Income Tax* Treatments. This interpretation clarifies the accounting for uncertainties in income tax treatments. IFRIC 23 will come into force in 1 January 2019. The Company believes that this IFRIC will have no significant impact on the consolidated financial position, results of operations and cash flows.

- Amendments to IFRS 9 - *Financial Instruments*. The amendments, which were published in October 2017, related to the "Prepayment Features with Negative Compensation", which allow financial assets subject to an early redemption option (negative compensation) to be measured at amortised cost or at fair value through other comprehensive income (OCI).

- Amendments to *IAS 28 - Long-term Interests in Associates and Joint Ventures*. On 12 October 2017, the IASB issued these amendments to clarify the adoption of IFRS 9 - Financial Instruments in relation to long-term interests in subsidiaries or joint ventures to which the equity method is not applied. These amendments will be applicable to the financial periods commencing on or after 1 January 2019.

The Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union are listed below. These standards will be applicable from the subsequent financial periods; the Company is assessing the impact on its financial position, results of operations and cash flows based on a preliminary basis.

- *IFRS 17 - Insurance Contracts*. This standard, which was issued on 18 May 2017, sets out the principles for the recognition, measurement, presentation and reporting of insurance contracts included therein. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents these contracts in order to give a basis for users of financial statements to assess their effect on the entity's financial position, results of operations and cash flows. On 21 June 2018 the IASB decided to provide clarifications as to IFRS 17 - *Insurance Contracts*, in order to ensure that the words in it reflect the decisions made by the Board, particularly as regards some points in variable fee contracts and issues concerning IFRS 3 - *Business Combinations*. The provisions of IFRS 17 will be applicable from the financial periods commencing on or after 1 January 2021.

- IFRS 14 - *Regulatory deferral accounts*. The standard, which was published by the IASB on 30 January of 2014, allows IFRS first-time adopters only to continue to recognise the amounts relating to the rate regulation according to the accounting principles previously in force.

- Amendments to IAS 19 - *Employee benefits' plan amendment, curtailment or settlement*. This amendment, which was issued by the IASB on 7 February 2018, clarifies the method to determine pension costs, when there is a change in defined benefit plans. These amendments will be applicable to the financial periods commencing on or after 1 January 2019.

- Improvements to International Financial Reporting Standards (2015-2017). The amendments, which were published in December 2017, mainly relate to the following IFRS: a) IAS 12 - *Income Taxes.* The proposed amendments clarify that an entity should recognise any and all tax effects concerning the distribution of dividends; b) IAS 23 - *Borrowing Costs*: the proposed amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowings made specifically to purchase or construct that asset as part of the funds that it has borrowed generally, for the purposes of determining the capitalisation rates of borrowings; c) IAS 28 - *Investments in Associates and joint ventures – Long-term interests in associates or joint ventures*. The proposed amendments clarify that IFRS 9 - *Financial Instruments*, including impairment requirements, also applies to other financial instruments that are held for a long period and issued to an associate or a joint venture. These amendments will be applicable from 1 January 2019, with early adoption permitted.

- Amendments to IAS 1 and to IAS 8. These amendments, which were published by the IASB on 31 October 2018, provide for a different definition of "material", i.e.: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". These amendments will be applicable for the financial periods commencing on or after 1 January 2020, with early adoption permitted.

- Amendments to IFRS 10 and to IAS 28: this amendment, which was published on 11 September 2014, was expected to come into force on 1 January 2016; after this, adoption was postponed to a date as yet undetermined. These amendments were published for the conflict between the requirements set out in IAS 28 and IFRS 10. The IASB and the Interpretations Committee decided that a reporting entity recognises a complete gain or loss on the loss of control of an entity whether the entity is a part of a subsidiary or not.

- Amendments to IFRS3 - *Business Combinations*. The purpose of these amendments, which were issued by the IASB on 22 October 2018, is to resolve the difficulties that arise when a reporting entity determines whether it has purchased an entity or a group of assets. The amendments are applicable to those business combinations for which the acquisition date is falling on or after 1 January 2020, with early adoption permitted.

- Finally, it should be noted that on 29 March 2018 the IASB published the revised version of the *Conceptual Framework for Financial Reporting*. The main amendments to the 2010 version are (i) a new chapter on measurement; (ii) better definitions and guidance, in particular with reference to the definition of liabilities; and (iii) the clarification of important concepts such as stewardship, prudence and measurement uncertainty. The amendments, where effectively updated, will be applicable from the financial periods commencing on or after 1 January 2020.

Valuation criteria

The valuation criteria used in the drafting of the financial statements for the period ended 31 December 2018 are the same as those used for the drafting of the financial statements at 31 December 2017, with the possible exception as reported in the section above.

The most significant valuation criteria adopted for the drafting of the financial statements are indicated below.

Property, plant and equipment

Property, plant and equipment are recognised at their acquisition price or production price including any ancillary costs which are directly attributable to the asset and connected with its use.
As allowed by IFRS 1, upon transition to the International Accounting Standards, the Company carried out the initial valuation at fair value of certain lands and buildings it owned, and used this fair value as

the new cost subject to depreciation.
Except as indicated above, revaluations are not allowed, even in application of specific laws. Assets under finance leases are recognised under property, plant and equipment as offsetting entries to the financial debt to the lessor and depreciated according to the criteria indicated below.
Property, plant and equipment are depreciated systematically on a straight line basis throughout their useful life, which is the estimated time in which the asset will be used by the company. When the Property, plant and equipment consist of several significant components, each having a different useful life, depreciation is carried out separately for each component. The value to be depreciated is represented by the book value reduced by the presumable net disposal value at the end of its useful life, if significant or if it can be reliably determined. Land is not depreciated (elements with an indefinite useful life), even if purchased jointly with a building, similarly to property, plant and equipment held for sale which are valued at the lower of the book value and their fair value net of disposal expenses.
Costs for improvements, updating and transformation which add value to the property, plant and equipment are allocated to the balance sheet assets.
Any other repair and maintenance costs are recognised in the income statement when they are incurred.
The recoverability of the book value of intangible fixed assets is verified by adopting the criteria indicated under "Impairment of assets".
Depreciation reflects the economic and technical deterioration of the asset and begins when the asset becomes available for use. It is calculated according to the linear model of the asset's estimated useful life.

The rates applied are:

- Buildings	2% - 4% (useful life)
- Plant and equipment	8% - 20%
- Industrial and trade equipment	15% - 25%

Other assets:

- Furniture and furnishings	10% - 15%
- Electronic office equipment	20%
- Vehicles and internal means of transport	20%
- Automobiles	25%
- Other minor assets	10%-40%

An asset is eliminated from the balance sheet at the time of sale or when the future economic benefits expected from its use or disposal no longer apply. Any losses or profits (calculated as the difference between net proceeds of the sale and book value) are included in the income statement upon said elimination.

Leasing

Leasing agreements are classified as finance leases when the terms of the agreement are such that they essentially transfer all the risks and benefits of ownership to the lessee.
Assets which are the subject of a finance lease agreement are recognised as assets at their fair value on the date the contract is concluded or, if lower, at the current value of the minimum payments due for the leasing. The corresponding liabilities payable to the lessor are included in the balance sheet as liabilities for finance leases. Lease payments are divided between principal and interest in order to reach an interest rate which is constant on the residual liability. Financial expenses are directly imputable to the income statement for the reporting period.
The costs of operating lease payments are recognised on a straight-line basis based on the duration of the contract.

Goodwill and other intangible assets

Intangible assets refer to assets without an identifiable physical consistency, which are controlled by the company and able to produce future economic benefits, as well as goodwill when purchased against payment of consideration.
An intangible asset is identifiable if it can be separated from goodwill; the identifiability requirement is usually satisfied when:

(i) the intangible asset essentially consists of a legal or contractual right, or

(ii) the asset can be separated, that is, it can be sold, transferred, rented or exchanged autonomously from or as an integral part of other assets. Control means the company's ability to use the future economic benefits arising from the asset and the possibility of limiting access to the asset by others.

Intangible assets are recognised at cost, determined according to the criteria indicated for property, plant and equipment. Revaluations are not allowed, even in application of specific laws.
Intangible assets with a definite useful life are systematically amortised throughout their useful life, which is the estimated period in which the assets will be used by the company; the recoverability of their book value is verified by adopting the criteria indicated under "Impairment of assets".
Goodwill and other intangible assets with an indefinite useful life, where present, are not amortised; the recoverability of their book value is verified at least annually and in any case whenever events take place that could indicate impairment. Regarding goodwill, verification takes place at the lowest aggregate level on the basis of which the company Management assesses, directly or indirectly, the return on the investment including goodwill (cash generating unit). Write-downs are not used for reversing an impairment loss.

Other intangible assets are amortised according to the following criteria:

- Industrial patents and intellectual property rights	5 years
- Concessions, licences, trademarks and similar rights	5 years / 20 years
- Other	5 years / duration of the contract

The amortisation period and the amortisation criteria of intangible assets with a definite useful life are reviewed at least upon each closing date and adjusted prospectively if necessary.

Investments in subsidiaries, associated and other companies

Investments in subsidiaries and associated companies are valued at their acquisition cost, subscription cost or conferral cost, as possible written down in the case of permanent impairment losses; the initial value is reinstated in subsequent financial periods if the reasons for the write-down no longer apply.

The investments in other companies that are classified, according to IAS 39, as available for sale are initially stated at their fair value; subsequently, where it is not possible to determine a reliable fair value, they are maintained at cost, as possibly written down in the case of permanent impairment losses. The initial value will not be reinstated in subsequent years, even when the reasons for the write-down no longer apply.

Cash and cash equivalents

The item relating to cash and cash equivalents includes cash, current bank accounts, demand deposits and other high-liquidity short-term financial investments, which are easily converted into cash and are subject to an insignificant risk of value fluctuation.

Receivables and other short-term assets

Trade receivables and other short-term assets are initially recognised at their nominal value, which is representative of their fair value, and subsequently valued at their amortised cost, net of any write-downs. Due to the short duration of trade receivables, they are not discounted as the effect of the discounting of cash flows is irrelevant, therefore application of the amortised cost does not produce significant effects. The bad debt provision on that date represents the difference between the book value of the receivables and the cash flows reasonably expected from collection thereof.

Derecognition of financial assets

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

i. the rights to receive cash flows from the asset have been extinguished;
ii. the right to receive cash flows from the assets is maintained, but there is a contractual obligation to pay them in full and without delay to a third party;
iii. the Company has transferred the right to receive cash flows from the asset and (a) has essentially transferred all the risks and benefits of ownership of the financial asset or (b) it did not transfer or essentially retain all the risks and benefits of the asset, but transferred control of the asset.

In the cases in which the Company transferred the right to receive cash flows from an asset and did not transfer nor essentially maintain all the risks and benefits or did not lose control of the asset, the asset is recognised in the Company balance sheet to the extent of the latter's residual involvement in the asset itself.
In this case, the Group also recognises an associated liability. The asset which is transferred and the associated liabilities are valued so as to reflect the rights and obligations that the Group has retained. Residual involvement which for example takes the form of a guarantee on a transferred asset, is valued at the lower of the asset's initial book value and the maximum value of the consideration that the Company may be required to pay.

Impairment of financial assets

The Company verifies on each balance sheet date whether a financial asset or group of financial assets has become impaired. A financial asset or group of financial assets is considered to have undergone impairment if, and only if, there is objective evidence of impairment as a result of one or several events that took place since the initial recognition (when a "loss event" occurs) and this loss event has an impact that can be reliably estimated on the estimated future cash flows of the financial assets or the group of financial assets. Proof of impairment can be given by indicators such as financial difficulties, inability to fulfil obligations, insolvency with regard to the payment of interest or significant payments, which the debtors or a group of debtors are going through; the probability that the debtor will be bankrupt or become subject to another form of financial reorganisation, or where observable information indicates that there exists a measurable decrease in estimated future cash flows, such as a change in the economic environment or the terms and conditions of the obligations.

For financial assets recognised at amortised cost, the Company group has first of all assessed whether there is objective evidence of impairment for each financial asset that is individually significant, or

collectively significant for those financial assets that are not significant individually. If the Company determines that there is no evidence of impairment for a financial asset, it includes the asset in a group of financial assets with credit risk characteristics that are similar and assesses it collectively for the purpose of verifying the impairment. Assets that are not evaluated individually for a write-down and for which impairment has been recognised or continues to be recognised, are not evaluated on a collective basis for impairment.
If there is objective evidence of impairment, the amount of the loss is measured as a difference between the book value of the asset and the current value of the estimated future cash flows (excluding credit losses expected in the future that have not yet occurred).
The book value of the asset is reduced through the use of an allowance for bad debt and the amount of the loss is recognised in the income statement.
If in subsequent years the amount of the write-down is estimated to have increased or decreased as a consequence of an event that took place after the write-down was recognised, the previous write-down must be increased or decreased by adjusting the provision as an offsetting entry in the income statement.

For available for sale financial assets, the Company measures on each balance sheet reference date whether there is objective evidence that an asset or a group of assets has become impaired.

Impairment of non-financial assets

On each balance sheet closing date, the Company assesses whether there are any indicators of impairment of non-financial assets.
When events take place that indicate a reduction in the value of an asset or in cases where annual verification of impairment is required, recoverability is verified by comparing the book value with the relevant recoverable value, the latter being the higher of fair value, net of disposal expenses, and value in use.
If there is no binding selling agreement, fair value is estimated on the basis of the values expressed by an active market, recent transactions or on the basis of the best available information in order to reflect the amount that the company could obtain from the sale of the asset.
Value in use is determined by discounting the expected cash flows from use of the asset and, if significant and reasonably determinable, from its disposal at the end of its useful life. Cash flows are determined on the basis of reasonable and documented assumptions which represent the best estimate of future economic conditions that will take place in the remaining useful life of the asset, with greater weight given to indications from outside the company. Discounting takes place at a rate that takes into account the risk inherent in the business area.
Valuation takes place for each individual asset or for the smallest identifiable group of assets that generates autonomously incoming cash flows from continuing use (cash generating unit). When the reasons for the write-downs cease to exist, the assets, except for goodwill, are revalued and the adjustment is allocated to the income statement as a write-back (reversal of an impairment loss). The write-back is made at the lower between recoverable value and gross book value of previous write-downs, decreased by the amortisation rate at which they would have been recognised if the write-down had not taken place.

Share capital

The costs for the issuing of shares or options are classified in shareholders' equity (net of the physical benefit connected to them) as a deduction of profits deriving from the issuing of these instruments.
For buybacks of treasury shares, the price paid, including any directly attributable ancillary expenses, is deducted from the group shareholders' equity until the time of elimination, reissuing or sale of the

shares. When treasury shares are resold or reissued, the price collected, net of any directly attributable ancillary expenses and the relevant tax effect, is recognised as group shareholders' equity.

Earnings per share

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

Financial liabilities

Financial liabilities that fall within the scope of application of IAS 39 are classified as financial liabilities at fair value recognised in the income statement, or as financial payables or derivatives designated as hedging instruments, as the case may be. The Company's financial liabilities include trade payables and other payables, loans and derivative financial instruments. The Company determines the classification of its financial liabilities at the time of initial recognition.
Financial liabilities are initially carried at fair value, which is equal to the consideration received on the settlement date to which are added, in the case of financial payables, directly attributable transaction costs.
Subsequently, non-derivative financial liabilities are measured on the basis of the depreciated cost criterion using the effective interest rate method.
Amortised cost is calculated by recognising every discount or premium on the acquisition and the fees and costs that are an integral part of the effective interest rate. Amortisation at the actual interest rate is included among financial expenses in the income statement.
Profits and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

Derecognition of financial liabilities

Financial liabilities are derecognised from the balance sheet when the obligation underlying the liability has been extinguished, cancelled or fulfilled. When an extinguished financial liability has been replaced by another from the same lender, at terms and conditions that are essentially different, or the conditions attached to a liability in existence are essentially modified, this exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, with a consequent recognition in the income statement of any differences between book values.

Accounting treatment for derivatives contracts

Cremonini S.p.A. uses derivative financial instruments to hedge interest rate risk. These derivative financial instruments are initially recognised at fair value on the date on which they are concluded; subsequently this fair value is periodically remeasured; they are accounted for as assets when fair value is positive and as liabilities when it is negative.
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 an arm's length transaction on the valuation date.
The fair value of the derivative financial instruments used is determined with reference to the market value whenever it is possible to identify an active market for them. If on the other hand the market value of a financial instrument cannot be readily identified, but can be identified through its components or for a similar instrument, market value is determined through assessment of the

individual components of the instrument or the similar instrument. Furthermore, for instruments for which it is not possible to readily identify an active market, valuation is determined by using the value from generally accepted valuation models and techniques, which ensure a reasonable approximation of market value.

The accounting methods are the following:

- fair value hedge: changes in fair value of the hedging instrument are in the Income Statement together with changes in fair value of the transactions that are the subject of the hedge.
- cash flow hedge: the "effective" portion of the change in fair value of the derivative is recognised in Equity and subsequently allocated to the Income Statement when the transaction which is the object of the hedge produces its effects; the ineffective portion is allocated directly to the Income Statement.
- financial instruments that do not qualify as hedge: the changes are posted to the income statement.

Derivatives are classified as hedges when the relation between the derivative and the subject of the hedge is formally documented and the hedge effectiveness, which is periodically verified, is high. When hedging derivatives cover the risk of changes in fair value of the instruments which are the subject of the hedge (fair value hedge; e.g. hedging of the change in fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value without allocation of the effects to the income statement; consistently, hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk. When the derivatives hedge the risk of changes in cash flows of the hedged items (cash flow hedge; e.g. hedging of fluctuations in cash flows of assets/liabilities due to exchange rate fluctuations), fluctuations in fair value of derivatives are initially recognised in equity and subsequently allocated to the income statement consistently with the economic effects produced by the hedged transaction. Changes in the fair value of derivatives that no longer qualify as hedges are recognised in the income statement.

Employee benefits

Employee Severance Indemnity is part of what IAS 19 defines as defined benefit plans, as part of benefits after employment termination. The accounting treatment provided for these types of remuneration requires an actuarial calculation that makes it possible to project into the future the amount of the already accrued employee severance indemnity and discount it to take into account the time that will elapse prior to actual payment. The actuarial calculation considers variables such as average permanence of employees, level of inflation and expected interest rates. Liabilities are measured by independent actuaries. Following the amendments to IAS 19, which were applicable for the financial years commencing on or after 1 January 2013, the profits and losses from the actuarial calculation of defined benefit plans are recognised in the comprehensive income statement entirely in the period they refer to. These actuarial profits and losses are classified directly in retained earnings and are not reclassified in the income statement in subsequent reporting periods. Past service cost is recognised on the earliest of the following dates:

- date on which an amendment or reduction of the plan takes place;
- date on which the Group recognises the related restructuring costs.

The Group recognises the following changes in the net obligations for defined benefit plans in the statement of profit/(loss) for the reporting period by nature:

- costs for work provided, including costs for current and past work provided, profits and losses on non-routine reductions and extinctions; and
- net interest income or interest expenses.

The asset or liability relating to defined benefits includes the present value of the defined benefit obligation after the fair value of the asset servicing the plan is deducted.
Finally, it should be noted that, following the 2007 reform of the national legislation that governs it, for companies with more than 50 employees, the employee severance indemnity accrued from 1 January 2007 is to be considered a defined contribution plan, the payments of which are recognised directly in the income statement, as a cost, when they are incurred. Employee severance indemnity accrued up to 31 December 2006 remains as a defined benefit plan, without future contributions. Therefore, its measurement is made by independent actuaries based only on the average expected residual working life of the employees, without considering the remuneration earned by them during a predetermined service period.
Employee severance indemnity "accrued" prior to 1 January 2007 therefore undergoes a change in calculation due to the fact that the previously required actuarial assumptions which are connected to salary increases no longer apply. In particular, the liability connected to "accrued employee severance indemnity" is assessed for actuarial purposes as at 1 January 2007 without an application of pro-rata (years of service already served/total years of service) since the total benefits of the employees to 31 December 2006 can be considered as almost completely accrued (except for revaluation) in application of paragraph 67 (b) of IAS 19. It follows that, for the purposes of this calculation, "current service costs" relating to future work of the employees are to be considered as null as they consist of contributions to a supplementary retirement benefit plan of the INPS Treasury Fund.

Provisions for risks and charges

Provisions for risks and charges are costs and expenses of a definite nature that are certain or likely to be incurred but which at the end of the year could not be quantified or timed. Provisions are recognised when: (i) the existence of an actual, legal or implicit obligation deriving from a past event is probable; (ii) it is probable that the fulfilment of an obligation will be onerous; (iii) the amount of the obligation can be reliably estimated. Provisions are recognised at the amount representing the best estimate of the total that the company would reasonably pay to settle the obligation, or transfer it to third parties at year-end. When the financial effect of time is significant and the payment dates of the obligations are estimated reliably, the provision is discounted; the increase of the provision linked to the passing of time is allocated to income statement under "Financial income (expenses)". The supplementary client indemnity provisions have been set aside on the basis of reasonable estimates, as have other provisions for risks and charges, taking into consideration the available elements for the probable future liability.

Income taxes

Current taxes are determined on the basis of a realistic forecast of the charges to be settled in application of applicable tax laws or which have been essentially approved on the period closing date. The relevant payable is recorded net of any deferred tax assets, withholdings made and tax credits which can be offset, under the item "Tax payables".
In the event of a receivable, the amount is recorded under "Receivables from others" of current assets.
Deferred tax assets and liabilities are calculated on the temporary differences between the values of the assets and liabilities recognised in the balance sheet and the corresponding amounts recognised for tax purposes.
Deferred tax liabilities are recognised against all temporary taxable differences, with the following exceptions:

- the deferred tax liabilities originate from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction itself, does not have any effects either on balance sheet profits or the profit and loss calculated for tax purposes;
- the reversal of taxable temporary differences, associated with equity investments in subsidiaries, associated companies and joint ventures, can be controlled and it is probable that this will not take place in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and for tax credits and losses which are unused and carried forward, to the extent that there will be adequate future tax profits that could make possible the use of deductible temporary differences and tax credits and losses carried, except if:

- deferred tax assets connected to deductible temporary differences arise from 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 affect either balance sheet results or profit or loss for tax purposes;
- taxable temporary differences associated with equity investments in subsidiaries, associated companies and joint ventures and deferred tax assets are recognised only to the extent that temporary deductible differences will be reversed in the foreseeable future and there are adequate tax profits against which the temporary differences can be used.

Recognition of deferred tax assets takes place when their recovery is probable.
The value of deferred tax assets is re-examined on each closing date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available. Deferred tax assets and deferred tax liabilities are classified among non-current assets and liabilities and are netted if they refer to taxes that can be offset. The balance of the netting, if it is an asset, is recognised under the item "Deferred tax assets"; if it is a liability it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, current taxes, deferred tax assets and deferred tax liabilities are also recognised under equity or in the statement of comprehensive income consistently with the recognition of the element to which they refer.
Deferred tax assets or deferred tax liabilities are calculated on the basis of the tax rate that is expected to be applied in the year in which these assets will be realised or these liabilities will be extinguished.

Criteria for converting foreign currency items

Transactions in a foreign currency are initially recognised in the functional currency, applying the spot exchange rate on the transaction date. Monetary assets and liabilities denominated in a foreign currency are converted into the functional currency at the exchange rate applicable on the balance sheet date.

Foreign exchange differences are recognised in the income statement including foreign exchange differences realised upon collection of the receivables and payment of payables in a foreign currency.

Non-monetary items valued at their historical cost in a foreign currency are converted using the exchange rate applicable on the initial recognition date of the transaction. Non-monetary items recognised at fair value in a foreign currency are converted using the exchange rate applicable on the date that value was determined. Profit and loss from the reconversion of non-monetary items is handled in line with the recognition of profits and losses relating to changes in fair value of these items (conversion differences on items the fair value of which is recognised in the statement of comprehensive income or the income statement are recognised in the comprehensive income statement or the income statement, respectively).

Recognition of revenues

Revenues from the sale of products are recognised at the time that all the risks and expenses deriving from ownership of the assets are transferred, this coinciding with the delivery or shipment thereof.
Revenues from services are recognised on the basis of their degree of completion.
Income of a financial nature is recognised on an accruals basis.
For all financial instruments measured at amortised cost, interest income is recognised using the actual interest rate, which is the rate that exactly discounts future payments and collections, estimated on the basis of the expected life of the financial instrument.

Dividends

Dividends are recognised when their allocation is certain, which usually coincides with the distribution resolution passed on the part of the investee, or authorisation by the local monetary authority which approves expatriation thereof.

Recognition of costs

Costs are recognised when they refer to goods and services which are acquired and/or received during the reporting period.

Rents payable for operating leases are allocated to the income statement according to the accruals principle.
Finance lease payments are allocated, as to the principal amount, to reduction of the financial debt, and as to interest to the income statement.

Expenses and services are recognised on an accruals basis.
For all financial instruments measured at amortised cost, interest expense is recognised using the actual interest rate, which is the rate that exactly discounts future payments and collections, estimated on the basis of the expected life of the financial instrument.

Major assumptions adopted by Management and discretionary valuations

The application of generally accepted accounting principles to the preparation of financial statements and interim financial reports requires that the management make accounting assumptions based on complex and/or subjective judgements, estimates based on past experience and assumptions which

are considered reasonable and realistic based on the information which is known at the time the estimate is made. The use of these accounting assumptions influences the carrying value of assets and liabilities and the disclosures on contingent assets and liabilities as at the balance sheet date, as well as the amount of revenues and costs in the reporting period. The actual results may differ from the estimated ones due to the uncertainty that characterises the assumptions and conditions on which the estimates are based. Below are accounting assumptions made during the drafting of the financial statements and interim reports, which are critical because they are based on highly subjective assumptions and estimates with regard to issues which by their very nature are uncertain. If these estimates and assumptions, which are based on the best valuation on the part of the management, should differ from the actual circumstances in the future, they would be modified in an appropriate manner during the period in which these circumstances vary. Changes in the conditions on which the adopted judgements, assumptions and estimates are based may have a significant impact on subsequent results.
Below are the main estimates and assumptions adopted by the Management for the preparation of these annual statements; any changes thereto, which cannot be anticipated at this time, may affect the income and equity.

- Estimates adopted for the measurement of asset impairment

For the purpose of verifying any impairment of the equity investments recognised in the account, the Company has adopted the methodology described in the paragraph "Impairment of assets".
The discount rate used was the weighted average cost of capital(WACC), equal to 6.5%. The measurement of any asset impairment (goodwill impairment test) was carried out on an annual basis with reference to 31 December 2018.

- Estimates made in actuarial calculation for the determination of defined benefit plans as part of termination benefits

The measurement of employee severance indemnity liabilities was carried out by an independent actuary based on the following assumptions:

- anticipated interest rate of 1.50%;
- discounting rate[1] of 1.13%;
- the annual rate of increase in employee severance indemnity is expected to be equal to 2.625%;
- the annual salary increase rate is equal to:
  - Senior managers: 2.50%
  - Middle-managers: 1.00%;
  - Office workers: 1.00%
  - Manual workers: 1.00%;
- the annual rate of employee severance indemnity advances is expected to be 3.00%;
- employee turnover is equal to 6.5%.

- Estimates adopted in the calculation of deferred taxes

[1] Curve of average returns that arises from the IBOXX Eurozone Corporates AA index (7-10 years).

The directors are required to make a significant discretionary assessment to determine the amount of deferred tax assets that can be recognised. They are required to estimate the probable time and amount of future taxable profits.

- Others

The following financial statement elements are affected by estimates and assumptions made by Management:

- inventory obsolescence
- depreciation and amortisation
- valuation of other assets.

Financial risk management

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

- Market risk:	arising from the Company's exposure to interest rate and exchange rate fluctuations and to price volatility of the products and services sold;
- Credit risk:	arising from the possibility of insolvency of a debtor counterparty;
- Liquidity risk:	arising from the lack of financial resources with which to cover 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 risk

Market risk consists in the possibility of changes in exchange rates, interest rates or the prices of products adversely affecting the value of assets, liabilities or estimated 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 2018 the 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 2018, 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 Euro 0.5 million on an annual base (Euro 0.7 million at 31 December 2017).

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)	**31.12.2018**	31.12.2017
Current trade receivables	2,277	2,060
Other non-current assets	43	44
Other current assets	338	2,682
Total	**2,658**	**4,787**

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 which 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 2018				
Financial payables	32,133	22,424	12,479	67,036
Financial instruments / Derivatives	-	79	-	79
Trade Liabilities	9,032	-	-	9,032
	41,164	**22,503**	**12,479**	**76,146**
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**

Classes of financial instruments

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

Balance Sheet Assets 2018	Financial assets at amortised cost	Assets at FVPL	Assets at FVOCI	Total
Financial assets held for sale	-	-	-	-
Financial instruments / Derivatives	-	-	-	-
Other non-current receivable items	43	-	-	43
Current financial receivables	1,893	-	-	1,893
Current trade receivables	2,277	-	-	2,277
Current tax receivables	3,496	-	-	3,496
Current financial assets held for sale	0	-	-	-
Current derivative financial instruments	8,899	-	-	8,899
Cash and cash equivalents	162	-	-	162
Other current receivable items	338	-	-	338
Total	17,108	-	-	17,108
Balance Sheet Assets 2017				
Financial assets held for sale	-	-	-	-
Financial instruments / Derivatives	-	-	-	-
Other non-current receivable items	44	-	-	44
Current financial receivables	391	-	-	391
Current trade receivables	2,060	-	-	2,060
Current tax receivables	4,390	-	-	4,390
Current financial assets held for sale	-	-	-	-
Current derivative financial instruments	9,164	-	-	9,164
Cash and cash equivalents	182	-	-	182
Other current receivable items	2,682	-	-	2,682
Total	18,913	-	-	18,913

Balance Sheet Liabilities 2018	Financial liabilities at amortised cost	Liabilities at FVPL	Liabilities at FVOCI	Total
Non-current financial receivables	34,903	-	-	34,903
Non-current derivative financial instruments	-	-	79	79
Other non-current receivable items	32,133	-	-	32,133
Current financial receivables	-	-	-	-
Total	67,036	-	79	67,114
Balance Sheet Liabilities 2017				
Non-current financial payables	26,566	-	-	26,566
Current financial payables	-	-	48	48
Derivative financial instruments	67,347	-	-	67,347
Derivative financial instruments	-	-	-	-
Total	93,914	-	48	93,962

In conformity with the requirements of 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 input having a significant effect on the fair value recorded are figures directly observable on the market[1].

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.

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.

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

ASSETS

Non-current assets

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

I. Tangible assets

(Euro/000)	Balance at 31.12.2017	Purchases	Decreases	Other	Amort.	**Balance at 31.12.2018**
Land and buildings	76,474	910	-	624	(1,522)	76,486
Plant and machinery	3,545	298	-	29	(709)	3,163
Industrial and business equipment	1	0	-	-	-	1
Other assets	2,222	188	-	46	(401)	2,055
Fixed assets under construction and advances	671	355	-	(698)	-	328
Total	**82,913**	**1,751**	**0**	**1**	**(2,632)**	**82,033**

Land and buildings

The increase in the year, amounting to Euro 910 thousand, related for Euro 516 thousand to expenses for the refurbishment of the company-owned properties located in Rome and Castelvetro (MO) and for Euro 394 thousand to acquisitions of additional property units located in Rome, in the Trevi district, in the vicinity of the properties already owned.

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 in Castelvetro di Modena.

Other assets

The change for the year refers to increases connected with the purchase of furniture and fittings for the company-owned properties in Castelvetro and Rome.

Fixed assets under construction and advances

The increase in the year, amounting to Euro 355 thousand, was due to the refurbishment in progress for some recently-acquired properties located in Rome.

2. Other intangible assets

(Euro/000)	Balance at 31.12.2017	Purchases	Decreases	Other	Amort.	**Balance at 31.12.2018**
Patents and intellectual property rights	1	119	-	-	(40)	80
Concessions, licences, trademarks and similar rights	4	4	-	-	(2)	6
Total	**5**	**123**	**0**	**0**	**(42)**	**86**

Patents and intellectual property rights

The increase in the year, equal to Euro 119 thousand, mainly related to the purchase of the new corporate JD Edwards ERP system.

3. Investments in subsidiaries and associated companies

This item, amounting to Euro 257,160 thousand, compared to Euro 255,751 thousand at 31 December 2017, increased by Euro 1,409 thousand.
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 2018 regarded shareholdings in:

- Interjet S.r.l. for a future share capital increase payment of Euro 1.2 million and a write-down of Euro 723 thousand;
- Global Service S.r.l. for the revaluation of Euro 694 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)	**31.12.2018**	31.12.2017
Tax assets	1,031	1,031
Other receivables	3,496	4,390

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 BPM S.p.A..

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

5. Other non-current assets

(Euro/000)	**31.12.2018**	31.12.2017
Tax assets	42	42
Other receivables	1	2
Other receivables	-	-
Accrued income and prepaid expenses	-	-
Total	**43**	**44**

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)	31.12.2018	31.12.2017
Receivables from subsidiaries	1,893	391
Total	**1,893**	**391**

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

(Euro/000)	31.12.2018	31.12.2017
Receivables from subsidiaries	**50**	**150**
E-Marco Polo S.p.A.	50	150
Fondo svalutazione crediti	-	-
Loans for dividends distribution	**0**	**0**
Receivables from subsidiaries for transferred tax payables	**1,843**	**241**
Chef Express S.p.A.	1,825	-
Global Service S.r.l.	-	14
New Catering S.r.l.	18	24
Roadhouse Grill Roma S.r.l.	-	203
Total	**1,893**	**391**

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.

7. Current trade receivables

Trade receivables are broken down as follows:

(Euro/000)	31.12.2018	31.12.2017
Receivables from customers	**389**	**322**
Due within 12 months	447	433
Provision for bad debts	(58)	(111)
Receivables from subsidiaries	**1,882**	**1,696**
As.Ca. S.p.A.	-	147
Chef Express S.p.A.	-	12
Fiorani & C. S.p.A.	-	101
Ges.car S.r.l.	632	564
Global Service S.r.l.	162	69
Guardamiglio S.r.l.	86	128
Interjet S.r.l.	-	1
Momentum Services Ltd	10	5
Realbeef S.r.l.	283	48
Soc. Agr. Corticella S.r.l.	460	621
Tecnostar S.r.l.	249	-
Receivables from associated companies	**0**	**27**
Time Vending S.r.l.	-	27
Receivables from related companies	**6**	**15**
Cremofin S.r.l.	6	15
Total	**2,277**	**2,060**

The change in the bad debt provision was the following:

(Euro/000)	31.12.2018	31.12.2017
Initial balance	(111)	(111)
Utilized during the year	53	-
Final balance	**(58)**	**(111)**

At 31 December 2018 the trade receivables and bad debt provision were apportioned by due date as follows:

(Euro/000)	31.12.2018		31.12.2017	
	Amount	Bad Debt prov.	Amount	Bad Debt prov.
Trade receivables not overdue	80	-	10	-
Overdue up to 30 days	51	-	29	-
Overdue from 31 to 60 days	23	-	14	-
Overdue from 61 to 90 days	16	-	21	-
Overdue from 91 to 120 days	-	-	-	-
Overdue over 120 days	277	(58)	359	(111)
Total	**447**	**(58)**	**433**	**(111)**

8. Current tax assets

(Euro/000)	31.12.2018	31.12.2017
Receivables for advance on direct taxes	902	2,763
Receivables for withholdings	-	18
VAT credit and other taxes requested for reimbursement	8,002	6,388
Other sundry receivables	(2)	(2)
Provision for bad debts	(3)	(3)
Total	**8,899**	**9,164**

The balance, equal to Euro 8.9 million, showed a slight decrease compared to Euro 9.2 million in 2017. In detail, there was a decrease of Euro 1.9 million in receivables for direct tax advances paid because of the recognition of lower tax charges compared to the payments on account made during 2018 by the companies falling within the scope of the tax consolidation to which Cremonini S.p.A. has participated as consolidating company, while there was an increase of Euro 1.6 million in the VAT credit balance.

9. Cash and cash equivalents

(Euro/000)	31.12.2018	31.12.2017
Cash	18	14
Bank and postal accounts	144	168
Total	**162**	**182**

Please refer to the cash flow statement for the 2018 evolution of cash and cash equivalents.

10. Other current assets

(Euro/000)	31.12.2018	31.12.2017
Accrued income and prepaid expenses	37	79
Other receivables		
Advances to suppliers	252	59
Receivables from social security institutions	157	159
Provision for bad debts	(143)	(143)
Receivables from employees	3	-
Other sundry receivables	32	2,528
Total	**338**	**2,682**

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 2018 of Euro 67,073,931.60 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 2018 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 2017.

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.

AFS 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 BPER Banca S.p.A. and Banco BPM S.p.A..

Basic earnings per share
Basic earnings per share as at 31 December 2018 amounted to 0.1905 (Euro 0.1485 at 31 December 2017) and has been calculated on the basis of net profits of Euro 24,566,242 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)	31.12.2018	31.12.2017
Due between 1 and 5 years		
Payables to banks	22,398	26,541
Payables to other financial institutions	-	-
Payables to subsidiaries for Ires reimursement	26	25
Total payables due between 1 and 5 years	**22,424**	**26,566**
Due beyond 5 years		
Payables to banks	12,479	-
Payables to other financial institutions	-	-
Total payables due beyond 5 years	**12,479**	**0**
Total	**34,903**	**26,566**

Below is the breakdown of payables to banks:

(Euro/000)	Credit line	Current	Between 1 and 5 years	Beyond 5 years	Total 31.12.2018
Overdraft	5,400	871	-	-	871
Hot Money	30,000	8,055	-	-	8,055
Mortgages	42,449	7,572	22,398	12,479	42,449
Total		**16,498**	**22,398**	**12,479**	**51,375**

The composition of the mortgages is as follows:

Bank (Euro/000)	Expiry date	Current	between 1 and 5 years	beyond 5 years	Total 31.12.2018
SANFELICE 1893 Banca Popolare Soc. Coop. p.a.	15/01/19	35	-	-	**35**
Banca Intesa Sanpaolo S.p.A.	30/06/22	5,000	12,500	-	**17,500**
UBI Banca S.p.A.	25/07/25	2,577	10,000	12,500	**25,077**
Interest payable accrued		(40)	(102)	(21)	**(163)**
Total		**7,572**	**22,398**	**12,479**	**42,449**

Net Debt

The table below reports the breakdown of Net Debt at 31 December 2018 and for the previous year:

(Euro/000)	31.12.2018	31.12.2017
A. Cash	18	13
B. Cash equivalent	144	168
C. Financial assets held for sale	-	-
D. Liquidity (A) + (B) + (C)	**162**	**181**
E. Current financial assets	**1,220**	**150**
F. Current bank liabilities	16,498	46,861
G. Current financial instruments	-	-
H. Other current financial liabilities	14,397	17,031
I- Current financial liabilities	**30,895**	**63,892**
J. Current net debt (I) - (E) - (D)	**29,513**	**63,561**
K. Non current bank liabilities	34,877	26,541
L. Bonds	-	-
M. Other non current financial liabilities	-	-
N. Non current financial instruments	79	48
O. Non current debt (K) + (L) + (M) + (N)	**34,956**	**26,589**
P. Net Debt (J) + (O)	**64,469**	**90,150**

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 2018, which were respected, are shown in the tables below:

Table 1

(Euro/000)	Banca Intesa Sanpaolo S.p.A. (a)	UBI Banca S.p.A. (a)
Amount of the loans as at 31 December 2018	17,500	25,000
Recipient of the loan	Cremonini S.p.A.	Cremonini S.p.A.
Expiry date	30/06/2022	24/07/2025
Covenants		
Net Debt/EBITDA	<= 4.0	<= 4.0
Net Debt/Equity	0	<= 2.75
Net Debt Corrent / Net Debt No Corrent	>=4.0	>=4.0

(a) covenants calculated on the consolidated financial statements of the Cremonini Group.

14. Employee benefits

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

(Euro/000)	**31.12.2018**	31.12.2017
Opening balance	350	354
Accrued for the year	3	3
Use for the financial year	(1)	(7)
Actuarial gain losses	(2)	-
Closing balance	**350**	**350**

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	(347)	350	(352)	345	(343)	354

15. Non-current provisions for liabilities and charges

(Euro/000)	**31.12.2018**	31.12.2017
Provisions for taxes	-	-
Labour disputes	-	-
Minor lawsuits and disputes	50	50
Provision for risks and losses	102	102
Total	**152**	**152**

(Euro/000)	Balance at 31.12.2017	Provision	Use	**Balance at 31.12.2018**
Provisions for taxes	-	-	-	-
Labour disputes	-	-	-	-
Minor law suits and disputes	50	-	-	50
Provision for losses on equity investments	-	-	-	-
Provision for risks and losses	102	-	-	102
Total	**152**	**-**	**0**	**152**

The provisions for liabilities and charges, unchanged compared to 2017, consist of the quantification of liabilities connected with contractual costs and charges of probable existence.

16. Deferred tax assets and liabilities

As at 31 December 2018, the deferred taxes amounted to Euro 3,832 thousand and represent Euro 3,960 thousand of deferred taxes and Euro 128 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)	**31.12.2018**		31.12.2017	
	Amount of timing differences	**Fiscal Effect**	**Amount of timing differences**	**Fiscal Effect**
Deferred tax assets				
Bad debt provision	204		160	
Taxed Provisions	152		152	
Interest payables deductable	79		48	
Other	97		103	
Total	**532**		**463**	
Taxable amount forIRES	**532**		**463**	
Tax Rate	24.00%		24.00%	
Deferred tax assets for IRES		**128**		**111**

(Euro/000)	**31.12.2018**		31.12.2017	
	Amount of timing differences	**Fiscal Effect**	**Amount of timing differences**	**Fiscal Effect**
Deferred tax liabilities				
Capital Gains	0		0	
Intangible assets	16,498		16,784	
Total	**16,498**		**16,784**	
Tax Rate	24.00%		24.00%	
Deferred tax liabilities for IRES		**3,960**		**4,028**

Current liabilities

17. Current financial payables

(Euro/000)	**31.12.2018**	31.12.2017
Payables to subsidiaries	10,599	12,450
Payables controlling companies	5,036	8,036
Payables to banks	16,498	46,861
Closing balance	**32,133**	**67,347**

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)	**31.12.2018**	31.12.2017
Payables to consolidated subsidiaries	**9,361**	**8,995**
Chef Express S.p.A.	-	1,962
Global Service S.r.l.	2,151	1,731
Inalca S.p.A.	2,912	2,486
Interjet S.r.l.	2,341	1,558
Marr S.p.A.	1,957	1,258
Payables to unconsolidated subsidiaries	-	-
Payables to subsidiaries for transferred tax receivables	**1,238**	**3,455**
Avirail Italia S.r.l. in liq.	-	8
As.Ca S.r.l.	88	483
Chef Express S.p.A.	-	1,299
Global Service S.r.l.	68	-
Interjet S.r.l.	268	287
Marr S.p.A.	27	754
Roadhouse S.p.A.	576	624
Roadhouse Grill Roma S.r.l.	211	-
Total	**10,599**	**12,450**

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)	**31.12.2018**	31.12.2017
IRES	-	-
Withholding taxes	486	494
Substitute taxes and other taxes payable	12	-
Total	**498**	**494**

19. Current trade liabilities

(Euro/000)	31.12.2018	31.12.2017
Suppliers	**1,477**	**926**
Payables to parent company	**59**	**35**
Cremofin S.r.l.	59	35
Payables to subsidiaries	**7,496**	**6,006**
Avirail Italia S.r.l. in liq.	6	2
As.Ca. S.p.A.	38	-
Chef Express S.p.A.	666	1,407
Cibo Sapiens S.r.l.	2	-
Fiorani & C. S.p.A.	37	-
Global Service S.r.l.	8	3
INALCA S.p.A.	2,026	1,620
Inalca Food & Beverage S.r.l.	139	80
Interjet S.r.l.	3	-
Italia Alimentari S.p.A.	496	865
Marr S.p.A.	2,662	-
Marr S.p.A.	-	347
New Catering S.r.l.	38	91
Roadhouse S.p.A.	1,134	1,409
Roadhouse Grill Roma S.r.l.	204	68
Sara S.r.l.	1	1
Tecno-Star Due S.r.l.	36	113
Total	**9,032**	**6,967**

20. Other current liabilities

(Euro/000)	31.12.2018	31.12.2017
Accrued expenses and deferred income	16	20
Inps/Inail/Scau	158	155
Inpdai/Previndai/Fasi/Besusso	27	27
Payables to other social security institutions	32	34
Other payables		
Advances and other payables from customers	-	-
Payables for employee remuneration	425	452
Guarantee deposits and down payments received	131	131
Payables to directors and auditors	427	401
Other minor payables	101	78
Total	**1,317**	**1,298**

The payable for employees remuneration includes the current wages and salaries still to be paid as at 31 December 2018, as well as the allocations relating to the holidays accrued and not taken and relating charges.

Guarantees, sureties and commitments

(Euro/000)	31.12.2018	31.12.2017
Direct guarantees – sureties		
- subsidiaries	146,076	210,575
- other companies	34,315	10,336
	180,391	**220,911**
Direct guarantees – letter of comfort		
- subsidiaries	221,525	185,258
	221,525	**185,258**
Direct guarantees – credit mandates		
- subsidiaries	6,000	6,260
	6,000	**6,260**
Total guarantees, sureties and commitments	**407,916**	**412,429**

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	23,370	VAT for compensation
Customs Office	Cremonini S.p.A. and other subsidiaries	166	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	5,779	Administration of rented properties, energy supplies, credit cards, successful conclusion of contracts, etc.
Total		**34,315**	

Direct guarantees – comfort letters

Comfort letters are exclusively concerned with guarantees given to banks for the grant of loans or credit lines.

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)	2018	2017
Revenues from sales - Goods for resale	5	6
Revenues from sales - Others	-	10
Revenues from services	3,087	2,803
Advisory services to third parties	1,602	1,610
Rent income	2,161	2,112
Other revenues from ordinary activities	58	56
Total	**6,913**	**6,597**

The increase in the item concerned is mainly attributable to higher revenues for services provided to subsidiaries (collateral guarantees and insurance cover).

Below is a breakdown of revenues by geographical area:

(Euro/000)	2018	2017
Italy	6,904	6,559
European Union	9	38
Non-EU countries	-	-
Total	**6,913**	**6,597**

22. Other revenues

(Euro/000)	2018	2017
Insurance reimbursements	-	3
Capital gains on disposal of capital goods	-	3
Other cost reimbursements	834	865
Services, consultancy and other minor revenues	-	279
Total	**834**	**1,150**

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)	2018	2017
Costs for purchases - Goods for resale	(10)	(10)
Costs for purchases - Stationery and printed paper	(7)	(11)
Other costs for purchases	(31)	(35)
Total	**(48)**	**(56)**

24. Other operating costs

(Euro/000)	2018	2017
Costs for services	(4,549)	(4,480)
Costs for leases and rentals	(91)	(51)
Other operating charges	(1,076)	(848)
Total	**(5,716)**	**(5,379)**

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

Costs for services

(Euro/000)	**2018**	2017
Energy consumption and utilities	(371)	(343)
Maintenance and repairs	(345)	(292)
Commisions, commercial and distribution services	(773)	(735)
Third-party services and outsourcing	(45)	(44)
Purchasing services	(6)	-
Other technical and general services	(3,009)	(3,066)
Total	**(4,549)**	**(4,480)**

Costs for leases and rentals

(Euro/000)	**2018**	2017
Lease of business premises, royalties and others	**0**	**0**
Rents and charges payable other property assets	(91)	(51)
Leases and rentals related to real and personal property	**(91)**	**(51)**
Total	**(91)**	**(51)**

Other operating charges

(Euro/000)	**2018**	2017
Losses on receivables	-	-
Indirect taxes and duties	(494)	(475)
Contributions and membership fees	(71)	(72)
Other minor costs	(511)	(301)
Total	**(1,076)**	**(848)**

25. Personnel costs

(Euro/000)	**2018**	2017
Salaries and wages	(1,781)	(1,789)
Social security contributions	(554)	(540)
Staff Severance Provision	(122)	(123)
Other personnel costs	-	(7)
Total	**(2,457)**	**(2,459)**

On 31 December 2018 the Company employed a total staff of 19 persons, as follows:

	Factory staff	Office staff	Managers	**Total**
Eployees as at 31.12.2017	0	14	5	19
Eployees as at 31.12.2018	**0**	**14**	**5**	**19**
Increases (decreases)	0	0	0	0
Average no. of employees during year 2018	**0**	**15**	**5**	**20**

26. Amortization, depreciation, write-downs and provisions

(Euro/000)	**2018**	2017
Depreciation of tangible assets	(2,631)	(2,562)
Amortization of intangible assets	(42)	(3)
Write-downs and provisions	-	-
Total	**(2,673)**	**(2,565)**

Depreciation of the tangible assets increased by about Euro 69 thousand compared to 2017.

27. Revenues from equity investments

(Euro/000)	**2018**	2017
Income (Charges) from investments in subs.	27,799	23,481
Income (Charges) from investments in other comp.	123	69
Revaluation of investments	694	194
Write-down of investments	(726)	(944)
Total	**27,890**	**22,800**

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)	**2018**	2017
Dividends from subsidiaries		
Chef Express S.p.A.	2,976	-
Marr S.p.A. (dividends)	24,823	23,481
Total	**27,799**	**23,481**

"Income from equity investments in subsidiaries" consists of dividends distributed by subsidiaries MARR S.p.A. and Chef Express S.p.A. totalling Euro 24.8 million and Euro 3.0 million, respectively, as stated in the table.

Income (charges) from equity investments in other companies

The 2018 balance of the item under examination includes dividends received in the year from BPER Banca S.p.A. (Euro 108.1 thousand) and Futura S.r.l. (Euro 15.3 thousand).

Write-downs/Revaluations of investments

(Euro/000)	**2018**	2017
Banca Popolare di Vicenza S.p.A. in Compulsory Liquidation	-	(2)
Global Service S.r.l.	694	194
Imprenditori E-Marco Polo S.r.l.	(3)	(41)
Interjet S.r.l.	(723)	(901)
Total	**(32)**	**(750)**

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 2018 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)/Charges

(Euro/000)	**2018**	2017
Income (Charges) from management of derivatives	-	(37)
Net financial Income (Charges)	(711)	(1,360)
Total	**(711)**	**(1,397)**

In detail:

Income (charges) from management of derivatives

(Euro/000)	2018	2017
Realized Income (Charges) from management of derivatives	-	(37)
Valuation Income (Charges) from management of derivatives	-	-
Total	**0**	**(37)**

Net financial income (charges)

(Euro/000)	2018	2017
Financial Income (Charges) from controlling companies	**(47)**	**(35)**
Financial Income (Charges) from subsidiaries	**(28)**	**(55)**
Financial Income (Charges) from associated companies	**-**	**-**
Financial income		
- Bank interest receivable	-	71
- Other financial income	7	39
Total financial income	**7**	**110**
Financial charges		
- Interest payable on loans	(512)	(1,182)
- Interest payable on current accounts and others	(76)	(131)
- Other bank charges	(32)	(29)
- Other sundry charges	(23)	(38)
Total financial charges	**(643)**	**(1,380)**
Total	**(711)**	**(1,360)**

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 lenders. The decrease in financial charges compared to the previous year was the result of an improved net financial position.

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

(Euro/000)	2018	2017
Chef Express S.p.A.	9	(26)
Global Service S.r.l.	(16)	(10)
INALCA S.p.A.	4	7
Interjet S.r.l.	(24)	(15)
Marr S.p.A.	(1)	(11)
Total	**(28)**	**(55)**

29. Income taxes

(Euro/000)	2018	2017
Net income from subs. for transferred taxable amounts	456	7
IRES previous years	-	(125)
	456	**(118)**
IRAP	-	-
Provision for deferred/pre-paid taxes	79	585
IRAP previous years	-	-
Effect of change in IRES tax rate effective from 2017	-	-
	79	**585**
Total	**535**	**467**

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 2018		Year 2017	
	Taxable amount	Tax	Taxable amount	Tax
Profit before taxation	**24,032**		**18,690**	
Taxation rate	24.0%		27.5%	
Theoretical tax burden		**(5,768)**		**(5,140)**
Permanent differences				
Non-deductible amortization and depreciation	219		197	
Write-down of financial assets (non-deductible part)	726		944	
Taxes and tax amnesties	261		261	
Other non-deductible costs	431		298	
Total	**1,637**		**1,700**	
Dividends from foreign companies	(26,525)		(22,372)	
Irap deductible	(52)		(46)	
Write-up of financial assets (non-taxable part)	(694)		0	
Gains on disposals subject to substitute tax	0		(194)	
Other	(453)		(394)	
Total	**(27,724)**		**(23,006)**	
Timing differences deductible in future years				
Provisions to taxed funds	0		0	
Other	281		268	
Total	**281**		**268**	
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	0		2,435	
Total	**0**		**2,435**	
Use of taxed provisions	(53)		(35)	
Other	(73)		(76)	
Total	**(126)**		**(111)**	
Taxable income	**(1,900)**		**(24)**	
Tax rate	24.0%		27.5%	
Actual tax durden		**456**		**7**
Ires previous years		**-**		**(125)**

IRAP

(Euro/000)	Year 2018		Year 2017	
	Taxable amount		Taxable amount	
Profit before taxation	**24,032**		**18,690**	
Costs not relevant for IRAP				
Financial Income/Charges	711		1,397	
Revenues from equity investments	(27,890)		(22,800)	
Write-downs and provisions	0		0	
Personnel cost	2,457		2,459	
Deductible personnel cost				
Ohers				
Total	**(24,722)**		**(18,944)**	
Theoretical taxable amount	**0**		**0**	
Taxation rate	3.90%		3.90%	
Actual tax burden		**0**		**0**
Irap previous years				

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 : Euro 1,062 thousand
- Board of Statutory Auditors : Euro 73 thousand
- Independent auditors: Euro 55 thousand

(Euro/000)	Company that provided the service	Recipient	Fees pertaining to 2018
Audit	PricewaterhouseCoopers S.p.A.	Cremonini S.p.A.	54,763
Total			**54,763**

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, 28 March 2019

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 2018;
Annex 2	-	List of revenues and costs from/to subsidiaries, associated controlling and related companies for the 2018 financial year;
Annex 3	-	Statement of changes in tangible assets for the financial year ended as at 31 December 2018;
Annex 4	-	Statement of changes in intangible assets for the financial year ended as at 31 December 2018;
Annex 5	-	List of equity investments classified under non-current assets as at 31 December 2018;
Annex 6	-	List of equity investments in subsidiaries and associated companies as at 31 December 2018 (Article 2427, paragraph 5, of the Italian Civil Code).

Annex 1

Breakdown of receivables and payables from/to subsidiaries, associated, controlling and related companies as at 31 December 2018

(Euro/000)	Treasury		Trade		Other		**Total**	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	**Receivables**	**Payables**
Subsidiaries:					(a)	(b)		
As.ca. S.p.A.	-	-	-	37	-	88	**-**	**125**
Avirail Italia S.r.l. in liq.	-	-	-	6	-	-	**-**	**6**
Chef Express S.p.A.	1,170	-	-	666	655	9	**1,825**	**675**
Cibo Sapiens S.r.l.	-	-	-	2	-	-	**-**	**2**
Cremonini Chef Iberica S.A.	-	-	-	-	-	-	**-**	**-**
Cremonini Restauration S.A.S.	-	-	-	-	-	-	**-**	**-**
E-Marco Polo S.p.A.	50	-	-	-	-	-	**50**	**-**
Fiorani & C. S.p.A.	-	-	-	37	-	-	**-**	**37**
Ges.Car. S.r.l.	-	-	632	-	-	-	**632**	**-**
Global Service S.r.l.	-	-	162	8	-	71	**162**	**79**
Guardamiglio S.r.l.	-	2,151	86	-	-	-	**86**	**2,151**
INALCA S.p.A.	-	2,912	-	2,026	-	-	**-**	**4,938**
Inalca Food & Beverage S.r.l.	-	-	-	139	-	-	**-**	**139**
Interjet S.r.l.	-	2,341	-	3	-	268	**-**	**2,612**
Italia Alimentari S.p.A.	-	-	-	496	-	-	**-**	**496**
Marr S.p.A.	-	1,957	-	2,662	-	38	**-**	**4,657**
Momentum Services Ltd	-	-	10	-	-	-	**10**	**-**
New Catering S.r.l.	-	-	-	38	18	-	**18**	**38**
Realbeef S.r.l.	-	-	283	-	-	-	**283**	**-**
Roadhouse S.p.A.	-	-	-	1,134	-	578	**-**	**1,712**
Roadhouse Grill Roma S.r.l.	-	-	-	204	-	211	**-**	**415**
Sara S.r.l.	-	-	-	1	-	-	**-**	**1**
Società Agricola Corticella S.r.l.	-	-	461	-	-	-	**461**	**-**
Tecnostar Due S.r.l.	-	-	249	36	-	-	**249**	**36**
Total subsidiaries	**1,220**	**9,361**	**1,883**	**7,495**	**673**	**1,263**	**3,776**	**18,119**
Controlling companies:								
Cremofin S.r.l.	-	5,036	6	59	-	-	**6**	**5,095**
Total controlling companies	**-**	**5,036**	**6**	**59**	**-**	**-**	**6**	**5,095**

(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 2018 financial year

(Euro/000)	Revenues Financial	Services	Sales	Other (a)	Total revenues	Expenses Financial	Services	Sales	Other	Total expenses
Subsidiaries:										
Chef Express S.p.A.	13	2,274	1	3,377	**5,665**	4	147	-	-	**151**
Chef Express UK Ltd	-	-	-	-	**-**	-	-	-	-	**-**
Cremonini Restauration S.A.S.	-	-	-	-	**-**	-	-	-	-	**-**
E-Marco Polo S.p.A.	1	-	-	-	**1**	-	-	-	-	**-**
Fiorani & C. S.p.A.	-	-	-	-	**-**	-	-	-	-	**-**
Ges.Car. S.r.l.	-	-	-	34	**34**	-	-	-	-	**-**
Global Service S.r.l.	-	61	-	693	**754**	16	168	-	-	**184**
Guardamiglio S.r.l.	-	-	-	2	**2**	-	-	-	-	**-**
INALCA S.p.A.	10	1,228	2	22	**1,262**	5	4	-	-	**9**
Imprenditori per E-Marco Polo S	-	-	-	-	**-**	-	-	-	4	**4**
Inalca Food & Beverage S.r.l.	-	31	1	35	**67**	-	1	-	-	**1**
Interjet S.r.l.	-	11	-	-	**11**	24	-	-	723	**747**
Italia Alimentari S.p.A.	-	285	-	20	**305**	-	26	-	1	**27**
MARR S.p.A.	-	1,234	-	24,831	**26,065**	1	5	1	-	**7**
Momentum Services Ltd	-	5	-	-	**5**	-	-	-	-	**-**
New Catering S.r.l.	-	6	-	-	**6**	-	-	-	-	**-**
Railrest S.A.	-	4	-	-	**4**	-	-	-	-	**-**
Realbeef S.r.l.	-	5	-	-	**5**	-	-	-	-	**-**
Roadhouse S.p.A.	-	830	-	80	**910**	-	-	-	-	**-**
Roadhouse Grill Roma S.r.l.	-	26	-	-	**26**	-	-	-	-	**-**
Sara S.r.l.	-	-	-	-	**-**	-	-	-	-	**-**
Società Agricola Corticella S.r.l.	-	-	-	-	**-**	-	-	-	-	**-**
Tecnostar Due S.r.l.	-	57	-	28	**85**	-	103	-	-	**103**
Total subsidiaries	**24**	**6,057**	**4**	**29,122**	**35,207**	**50**	**454**	**1**	**728**	**1,233**
Associated companies:										
Quinto Valore S.c.a.r.l.	-	-	-	-	**-**	-	-	-	-	**-**
Time Vending S.r.l.	-	2	-	160	**162**	-	-	-	-	**-**
Total associated companies	**-**	**2**	**-**	**160**	**162**	**-**	**-**	**-**	**-**	**-**
Controlling companies:										
Cremofin S.r.l.	-	-	-	-	**-**	47	-	-	-	**47**
Total controlling companies	**-**	**-**	**-**	**-**	**-**	**47**	**-**	**-**	**-**	**47**

(a) Other revenues include dividends from subsidiaries

Annex 3

Statement of changes in tangible assets for the financial year ended as at 31 December 2018

(Euro/000)	Opening position			Changes over the period					Closing position		
	Initial cost	Depreciation provision	Balance at 31.12.2017	Merger	Acquisitions	Net decreases	Reclass./ Other changes	Depreciation	Initial cost	Depreciation provision	Balance at 31.12.2018
Land and buildings	92,433	(15,959)	76,474	-	910	-	624	(1,522)	93,966	(17,480)	76,486
Plant and machinery	6,971	(3,426)	3,545	-	298	-	29	(709)	7,297	(4,134)	3,163
Industrial and business equipment	49	(48)	1	-		-	-	-	49	(48)	1
Other assets	7,185	(4,963)	2,222	-	188	-	46	(401)	7,419	(5,364)	2,055
Fixed assets under construction and advances	671	0	671	-	355	-	(698)	-	328	0	328
Total	**107,309**	**(24,396)**	**82,913**	**0**	**1,751**	**0**	**1**	**(2,632)**	**109,059**	**(27,026)**	**82,033**

Annex 4

Statement of changes in intangible assets for the financial year ended as at 31 December 2018

(Euro/000)	Opening position			Changes over the period				Closing position		
	Initial cost	Amortization provision	Balance at 31.12.2017	Acquisitions	Net decreases	Reclass./Write-downs Other changes	Amortization	Initial cost	Amortization provision	Balance at 31.12.2018
Patents and intellectual property rights	101	(100)	1	119	-	-	(40)	220	(140)	80
Concessions, licences, trademarks and similar rights	13	(9)	4	4	-	-	(2)	18	(12)	6
Fixed assets under development and advances	0	0	0	-	-	-	-	0	0	0
Other intangible assets	0	0	0	-	-	-	-	0	0	0
Total	**114**	**(109)**	**5**	**123**	**0**	**0**	**(42)**	**238**	**(152)**	**86**

Annex 5

List of equity investments and Available-for-sale assets as at 31 December 2018

(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	950	-	-	694	-	100.00	1,644	
INALCA S.p.A.	71.60	138,209	-	-	-	-	71.60	138,209	
Interjet S.r.l.	100.00	2,566	1,200	-	(723)	-	100.00	3,043	
MARR S.p.A.	50.42	57,937	-	-	-	-	50.42	57,937	
Imprenditori per E-Marco Polo S.r.l.	60.00	19	241	-	(3)	-	60.00	257	
Total subsidiaries		**255,751**	**1,441**	**0**	**(32)**	**0**		**257,160**	
Other companies:									
Futura S.p.A.		963	-	-	-	-		963	
Other minor companies		68	-	-	-	-		68	
Total other companies		**1,031**	**0**	**0**	**0**	**0**		**1,031**	
Financial assets held for sale									
BPER Banca S.p.A.		4,137	-	-	(831)	-		3,306	
Banco BPM S.p.A.		253	-	-	(63)	-		190	a)
Total Financial assets held for sale		**4,390**	**0**	**0**	**(894)**	**0**		**3,496**	

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

Annex 6

List of equity investments in subsidiaries and associated companies as at 31 December 2018 (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 31.12.2018	Net equity at 31.12.2018	Percentage held at 31.12.2018	Carrying value (A)	Valuation based on NE (B)	Difference (B) - (A)	Notes
Subsidiaries:									
Chef Express S.p.A.	Castelvetro di Modena (MO)	8,500,000	4,974	33,539	100.00%	56,070	62,699	6,629	
Global Service S.r.l.	Castelvetro di Modena (MO)	93,000	694	1,644	100.00%	1,644	1,640	(4)	
INALCA S.p.A.	Castelvetro di Modena (MO)	187,017,167	25,795	439,768	71.60%	138,209	296,981	158,772	
Interjet S.r.l.	Castelvetro di Modena (MO)	2,500,000	(722)	3,044	100.00%	3,043	3,044	1	
MARR S.p.A.	Rimini	33,262,560	64,649	318,097	50.42%	57,937	163,727	105,790	
Imprenditori per E-Marco Polo S.r.l.	Castelvetro di Modena (MO)	100,000	(71)	26	96.00%	257	25	(232)	
Total subsidiaries						**257,160**	**528,116**	**270,956**	

CREMONINI S.P.A

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

Share capital Euro 67,073,931.60 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 AT 31 DECEMBER 2018

prepared pursuant and for the purposes of

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 28 March 2019 available, relating to the year ended 31 December 2018:

- 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 the results for the financial year;
- on the work performed 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;
- the possible receipt of reports made by shareholders mentioned in Art. 2408 of the Italian 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 Italian 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, having clarified those of the Board of Statutory Auditors.

The Board of Statutory Auditors was 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 is updated with respect to the types of ordinary corporate events to be recorded and 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 Italian Civil Code was provided by the Chief Executive Officer, at least on a quarterly basis, 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;
- the company has carried out its management and coordination activities, as the parent company, in accordance with Article 2497 of the Italian Civil Code, towards the investee companies;
- 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 2018 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 2018, 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 Italian Civil Code;
- no reports were submitted pursuant to Art. 2409.7 of the Italian Civil Code;
- the Board did not issue 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 31 December 2018 were approved by the Board of Directors at the meeting held on 28 March 2019 and are made up of the Balance Sheet, the Income Statement, the Cash Flow Statement and Explanatory Notes.

Furthermore:

- The Board of Directors has also prepared the Directors' Report mentioned in Art. 2428 of the Italian 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 Italian 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, which was issued on 12 April 2019, shows that, in their opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2018, as well as of the results of operations and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards adopted by the European Union.

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

- the financial statements at 31 December 2018 were prepared in accordance with the accounting and measurement policies laid down in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board

(IASB) and adopted by the European Union according to the procedure set out in Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as transposed by Legislative Decree no. 38 of 28 February 2005, as amended, as well as with the orders issued in the implementation of Article 9 of Legislative Decree 38/2005;

- the accounting policies used for the purposes of preparing the accounting statements for 2018 are the same as those used for the formation of the financial statements at 31 December 2017, with the exception of the accounting standards, amendments and interpretations applicable from 1 January 2018, which are listed below and which nevertheless had no impact on the Company's balance sheet, income statement and cash flows: IFRS 9, IFRS 15, Amendments to IFRS 2, Amendments to IFRS 4, IFRC 22, Amendments to IAS 40, Improvements to International Financial Reporting Standards (2014-2016);
- 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 Italian Civil Code in the compatibility with the International Accounting Standards;
- the correspondence of the Financial Statements to the events and information was verified, of 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 Italian Civil Code, relative to derivative instruments, was provided in the explanatory notes;
- information from the Supervisory Board was acquired periodically; we have seen the latter's Annual Report issued on 22 February 2019 and no criticalities emerged with respect to the Organisational Model that must be shown in this report. The Board meeting held on 28 March 2019 renewed the term of office of the members of the Supervisory Board for the three-year period from 2019 to 2021 and allocated the related budget.

The results for the financial year

The net profit (loss) established by Board of Directors relating to the year ended 31 December 2018, as also shown from reading the financial statements, was a profit of Euro 24,566,241.60.

Regarding the Board of Directors' proposal on allocation of the net profit 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 financial year ended 31 December 2018, as prepared and proposed to you by the Board of Directors.

Castelvetro (MO), 12 April 2019

The Board of Statutory Auditors

Signed by

Eugenio Orienti (Chairman)

Paola Simonelli (Standing auditor)

Giulio Palazzo (Standing Auditor)

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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 2018, 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 2018 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;

- 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 2018, 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 2018 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 2018 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, 12 April 2019

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

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CREMONINI GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

Consolidated financial statements at 31 December 2018

Consolidated Statement of Financial Position - Assets

(Euro/000)	Note	**Year 2018**	Year 2017
Non-current assets			
Tangible assets	1	1,061,121	977,975
Goodwill	2	203,825	201,911
Other intangible assets	3	26,550	26,165
Investments valued at equity	4	10,582	6,267
Investments in other companies	5	13,265	9,653
Financial assets held for sale		11,774	17,997
Financial instruments / Derivatives	18	2,513	586
Non-current financial receivables	6	2,719	13,256
relating to related parties		1,176	*12,069*
Deferred tax assets	7	5,245	5,811
Other non-current assets	8	38,207	38,689
Total non-current assets		**1,375,801**	**1,298,310**
Current assets			
Inventories	9	440,229	401,158
Biological assets	10	43,628	40,597
Current financial receivables	11	13,644	9,638
relating to related parties		*9,394*	*5,678*
Current trade receivables	12	570,254	563,866
relating to related parties		*3,949*	*4,967*
Current tax assets	13	23,362	27,500
Financial assets held for sale		3,496	4,390
Financial instruments / Derivatives	18	1,561	11
Cash and cash equivalents	14	310,235	269,593
Other current assets	15	84,214	78,532
relating to related parties		*0*	*0*
Total current assets		**1,490,623**	**1,395,285**
Total assets		**2,866,424**	**2,693,595**

Consolidated Statement of Financial Position - Liabilities

(Euro/000)	Note	**Year 2018**	Year 2017
Shareholders' Equity			
Share capital	16	67,074	67,074
Reserves	16	(47,170)	(25,155)
Retained earnings		484,138	434,579
Result for the period		51,590	45,394
Shareholders' Equity attributable to the Group		555,632	521,892
Minority interests' capital and reserves		274,676	274,611
Profit for the period attributable to minority		44,182	39,110
Shareholders' Equity attributable to minority		318,858	313,721
Total Shareholders' Equity		**874,490**	**835,613**
Non-current liabilities			
Non-current financial payables	17	617,405	572,773
Financial instruments / Derivatives	18	159	106
Employee benefits	19	23,939	25,947
Provisions for risks and charges	20	17,483	14,737
Deferred tax liabilities	21	58,080	48,862
Other non-current liabilities	22	1,606	1,380
Total non-current liabilities		**718,672**	**663,805**
Current liabilities			
Current financial payables	23	487,838	414,655
relating to related parties		*5,386*	*8,386*
Financial instruments / Derivatives	18	430	1,239
Current tax liabilities	24	22,565	19,073
Current trade liabilities	25	668,942	658,836
relating to related parties		*2,789*	*571*
Other current liabilities	26	93,487	100,374
relating to related parties		*1*	
Total current liabilities		**1,273,262**	**1,194,177**
Total liabilities		**2,866,424**	**2,693,595**

Consolidated financial statements as at 31 December 2018

Consolidated income statement

(Euro/000)	Note	**Year 2018**	Year 2017*
Revenues	27	4,120,763	3,948,143
relating to related parties		*19,879*	*15,384*
Other revenues	28	63,415	69,806
relating to related parties		*347*	*430*
Other revenues - Non recurring		-	-
Change in inventories of finished and semi-finished goods		28,297	(6,655)
Capitalisation of internal construction costs		7,133	7,107
Costs for purchases	29	(2,881,921)	(2,753,604)
relating to related parties		*(20,471)*	*(8,612)*
Other operating costs	30	(635,429)	(596,385)
relating to related parties		*(2,496)*	*(2,529)*
Other operating costs - Non recurring		-	-
Personnel costs	31	(413,808)	(397,384)
Amortization and depreciation	32	(88,899)	(81,143)
Write-downs and provisions	32	(33,331)	(28,849)
Revenues from equity investments		2,760	545
relating to related parties		*(301)*	-
Financial (Income)/Charges	33	(15,450)	(28,579)
relating to related parties		*(60)*	*(35)*
Financial (Income)/Charges - Non recurring		-	-
Result before taxes		**153,530**	**133,002**
Income taxes	34	(57,758)	(48,498)
Result before minority interests		**95,772**	**84,504**
Result attributable to minority interests		(44,182)	(39,110)
Result for the period attributable to the Group		51,590	45,394

Statement of conprehensive income

(Euro/000)	**Year 2018**	Year 2017*
Result before minority interests	**95,772**	**84,504**
Items to be reclassified to profit or loss in subsequent periods:		
Fair value valuation financial assets available for sale	(893)	(15)
Efficacious part of profits/(losses) on cash flow hedge instruments	2,601	916
Tax effect	(650)	(230)
Items not to be reclassified to profit or loss in subsequent periods:		
Efficacious part of profits/(losses) on cash flow hedge instruments	185	105
Translation effects of the financial statements expressed in foreign currencies	(36,933)	(14,288)
Tax effect	(51)	(29)
Comprehensive Income	**60,031**	**70,963**
Result attributable to minority interests	(30,456)	(32,679)
Result for the period attributable to the Group	29,575	38,284

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of "Total revenues" and "Costs of production", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

Statement of changes in consolidated shareholders' equity

(Euro/000)	Share capital	Nominal value treasury stock in portfolio	Total Share capital	Other Reserves: Share premium reserve	Legal reserve	Reserve for IAS adjustments	Reserve for trading treasury stock	Reserve translation differences	Deficit Merger	Reserve Actuarial Gain Losses	Cash flow hedge reserve	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 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)**
								0					**0**							
Change in the scope of consolidation and other operations with minority shareholders														(613)		**(613)**	772		**772**	**159**
Consolidated comprehensive income																**0**				
- Profit for the period													**0**		45,394	**45,394**		39,110	**39,110**	**84,504**
- Other Profits/Losses, net of taxes								(7,263)		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**
Allocation of the results of previous year:																				
- retained earnings reserve													**0**	45,394	(45,394)	**0**	39,110	(39,110)	**0**	**0**
- distribution of dividends													**0**	0		**0**	(27,568)		**(27,568)**	**(27,568)**
Change in the scope of consolidation and other operations with minority shareholders													**0**	(6,262)		**(6,262)**	(2,632)		**(2,632)**	**(8,894)**
Hyperinflation													**0**	10,427		**10,427**	4,881		**4,881**	**15,308**
Consolidated comprehensive income																				
- Profit for the period															51,590	**51,590**	0	44,182	**44,182**	**95,772**
- Other Profits/Losses, net of taxes								(21,811)	0	98	(894)	592	**(22,015)**			**(22,015)**	(13,726)		**(13,726)**	**(35,741)**
Balances 31 December 2018	**67,074**	**0**	**67,074**	**78,280**	**14,749**	**79,036**	**0**	**(67,990)**	**(146,379)**	**(2,559)**	**(1,517)**	**(790)**	**(47,170)**	**484,138**	**51,590**	**555,632**	**274,676**	**44,182**	**318,858**	**874,490**

Consolidated Cash Flow Statement (indirect method)

(Euro/000)	**31.12.2018**	31.12.2017
Net profit before minority interests	**95,772**	**84,504**
Amortization and depreciation	88,899	81,143
Amortization and depreciation	0	2,040
Net change in other provisions and non-monetary income items	51,107	40,892
Reversal of the effects from extraordinary transactions	0	0
Net change in Staff Severance Provision	(23,182)	(11,452)
Changes in working capital:		
(Increase) decrease in receivables from customers	(24,320)	(13,300)
(Increase) decrease in inventories	(37,696)	(33,109)
Increase (decrease) in payables to suppliers	(4,748)	42,578
(Increase) decrease in other items of the working capital	18,684	(12,702)
Net effects from the change in consolidation area	0	0
Cash-flow from operating activities (A)	**164,516**	**180,594**
Net (investments) in tangible assets	(164,427)	(120,346)
Net (investments) in intangible assets	(4,377)	(4,841)
Financial flow acquisition and disposal of shareholding or branch of business net of cash and cash equivalent	(6,581)	(2,657)
Net change in other non current assets	3,540	(12,088)
Net effects from the change in consolidation area	0	0
Cash-flow from investment activities (B)	**(171,845)**	**(139,932)**
Increase (Decrease) medium-long term borrowings	50,363	(37,857)
Increase (Decrease) medium-long term liabilities for derivatives	0	106
Increase (Decrease) short term borrowings	49,436	64,886
Changes in other securities and other financial assets	6,223	275
Increase (Decrease) short term liabilites for derivatives	741	(738)
Cash-flow from distribution of dividends	(27,568)	(30,636)
Capital increase and other changes in equity	(31,224)	(5,835)
Cash flow from financing activities (C)	**47,971**	**(9,799)**
Cash Flow of the year (D=A+B+C)	**40,642**	**30,863**
Cash and cash equivalents at the beginning of the period (E)	269,593	238,730
Cash and cash equivalents at the end of the period (F=D+E)	**310,235**	**269,593**

Consolidated financial statements at 31 December 2018

Notes to the consolidated financial statements

Form and content of the consolidated financial statements

The consolidated financial statements at 31 December 2018 were prepared in accordance with the accounting standards and measurement criteria laid down by the International Financial Reporting Standards (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 28 March 2019.

The consolidated financial statements 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 through profit or loss.

For the purposes of comparison, the consolidated financial statements at 31 December 2018 show the figures for the financial year ended at 31 December 2017.

The following classifications have been used:

- Statement of Financial Position 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 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 accounting policies adopted to prepare these consolidated 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 at 31 December 2018 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;
- 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:

Agrosakmara Llc
Agrosakmara Bashkiria Llc
Bottega Mediterranea Sdn Bhd
Consorzio produttori della Culatta di Busseto
D'Autore Food Srl
Fabri Fine Italian Foods Pty Ltd
Imprenditori per E-Marco Polo (I-EMP) S.r.l.
Inalca Foods Nig Limited (inactive being cancelled)
Inalca Food & Beverage Queensland Pty
Italia Alimentari Canada Ltd in start up
Mille Sapori Due S.p.z.o.o (Gdansk)
Mille Sapori Tre S.p.z.o.o (Poznan)
Montana Farm S.p.z.o.o. (in liquidation)
PeckInalca Lda
Shanghai Chef Expr. Rail Catering Manag. Ltd (in liquidation)
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 at 31 December 2018, 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 2017, the following companies were included in the scope of the consolidation:

- Inalca Food & Beverage (Shanghai) Co Ltd subsidiary wholly held by Inalca Food & Beverage China Holding Ltd;
- Fratelliditalia S.A. subsidiary 80% held by Inalca Food & Beverage S.r.l.;
- Inalca Food Service Kaz Llp subsidiary wholly held by Marr Russia Llc;
- Mille Sapori Plus S.p.z.o.o. subsidiary 60% held by Inalca Food & Beverage S.r.l.;
- Bagel Nash (Retail) Limited subsidiary wholly owned by Gabf Holdings Limited.

Lastly, the following changes took place in the scope of consolidation with respect to 31 December 2017:

- the exit from the scope of the consolidation of Global Service Logistics S.r.l. following its winding-up;
- the exit from the scope of the consolidation of Inalca Food & Beverage Hong Kong Ltd following its winding-up;
- the exit from the scope of the consolidation of Modena Corporation Pty Ltd following the discontinuance of its business;
- the exit from the scope of the consolidation of Valtenna Carni S.r.l. following its cancellation;
- the merger of Bell Carni S.r.l. by incorporation into INALCA S.p.A.;
- the merger of Speca Alimentari S.r.l. by incorporation into MARR S.p.A.;
- the merger of DE.AL. S.r.l. Depositi Alimentari by incorporation into MARR S.p.A.;
- the increase in the equity investment in Chef Express Tren Ic Hizmetleri Anonim Sirketi from 60% to 100%;

- the increase in the equity investment in Top Best International Holding Ltd from 65% to 100%;
- the increase in the equity investment in Inalca Brazzaville S.a.r.l.u. from 55% to 100%;
- the increase in the equity investment in Inalca Food & Beverage Ltd (Thailand) from 84.99% to 100%;
- the increase in the equity investment in Inalca Kinshasa S.p.r.l. from 51% to 85%;
- the increase in the equity investment in Inalca Angola Ltda from 84.98% to 85%;
- the increase in the equity investment in Inter Inalca Angola Ltda from 99% to 100%;
- the increase in the equity investment in Bright View Trading HK Ltd Ltda from 57.3% to 69.81%;
- the increase in the equity investment in Alliance Express Llc from 51% to 100%;
- the decrease in the equity investment in Inalca Food & Beverage Cabo Verde Lda from 99.4% to 80%.

Changes in accounting standards

The new IFRS and IFRIC standards adopted by the European Union, applicable from 1 January 2018 are reported below with a brief description. The adoption of these revised standards and interpretations has not had any significant impact on the financial statements but has resulted, in some cases, in additional information only. Please also refer to the description in the Directors' Report.

New accounting standards, amendments and interpretations applicable in 2018

The valuation criteria used in preparing the consolidated financial statements for the year 2018 do not diverge from those used to draw up the financial statements for the financial year ended 31 December 2017, with the exception of the accounting standards, amendments and interpretations applicable as of 1 January 2018, as listed below, which had no impact on the financial position, income statement and cash flows in the Company's financial statements :

- IFRS 9 - *Financial instruments*. In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all the phases of the financial instrument project and supersedes IAS 39 *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new classification, measurement, impairment and hedge accounting requirements. As reported above, the adoption of the new standard had no significant impact on the consolidated financial position, results of operations and cash flows. It should be noted that the Group, according to the option provided by the new IFRS9 (paragraph 7.2.21 concerning "Transition for hedge accounting"), has decided to continue to apply the provisions governing hedge accounting laid down in IAS 39 for this type of operations.

- IFRS 15 (and subsequent clarifications issued on 12 April 2016) - *Revenue from Contracts with Customers*. This standard was issued in May 2014 and introduces a new five-step model applicable to revenue from contracts with customers. IFRS 15 provides for the recognition of revenue for an amount reflecting the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer. The standard provides a more structured approach to the recognition and measurement of revenue, replacing all the requirements currently set forth in any other IFRS concerning revenue recognition. The Group's core business is the sale of food products, which is completed when the product is delivered to the customer. Almost all transactions are carried out on the basis of specific orders; the aim of commercial agreements, where they exist, is mainly that of defining product quality. The adoption of IFRS 15 has entailed the reclassification of promotional costs for an amount of Euro 11.3 million as a reduction in revenues for the 2018 financial year and Euro 13.2 million for the previous year.

- Amendments to IFRS 2 - *Clarifications of classification and measurement of share-based payment transactions*. This amendment handles all the following issues identified by the IFRS Interpretation Committee: (i) accounting for a payment plan through defined benefit shares which includes the achievement of a performance condition; (ii) share-based payments whose settlement is related to future events; (iii) share-based payments settled net of withholding tax; and (iv) changing from a cash-based to a share-based payment method.

- Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments to IFRS 4 Insurance Contracts*. This amendment deals with concerns which have arisen regarding the application of IFRS 9 Financial Instruments before the introduction of the new insurance contract standards. Two options are also provided for companies which take out insurance contracts under IFRS 4: (i) one allowing entities to reclassify some revenues or costs related to certain financial assets from profit or loss to comprehensive income; (ii) a temporary exemption from the application of IFRS 9 if its main business is to issue contracts as described in IFRS 4.

- IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*. This interpretation deals with foreign currency transactions in which an entity recognises a non-monetary asset or liability arising from the payment or receipt of advance consideration before it recognises the related asset, expense or income. The interpretation need not be applied to income taxes or insurance or reinsurance contracts.

- *Amendments to IAS 40 regarding transfers of investment property*. This amendment provides for (i) a change to paragraph 57 of IAS 40 in that an entity must only transfer a property from, or to, an investment property category when there is evidence of a change of use; and (ii) for the list of examples in subparagraph 57(a)-(d) to be redefined as a list of non-exhaustive examples.

- *Improvements to IFRS (2014-2016).* These are a part of the annual improvements project involving the standards which came into effect on 1 January 2018. The following work has been done :
  - IFRS 1: the short-term exemptions in paragraphs E3-E7 have been deleted because they have now served their intended purpose;
  - IFRS 12: the scope of the standard has been clarified, specifying that the disclosure requirements, except for those in paragraphs B10-B16, apply to an entity's interests that are listed in paragraph 5 which are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5;
  - IAS 28: it has been clarified that a decision to measure at fair value through profit or loss an investment in an associate or joint venture that is held by a venture capital company may be taken for each investment in an associate or joint venture upon initial recognition;
  - Amendments to IAS 28 - *Long-term Interests in Associates and Joint Ventures*. The amendments provide for IFRS 9 to be applied to long-term receivables from an associate or a joint venture that substantially form part of the investment in the associate or joint venture.

Accounting standards, amendments and interpretations applicable to the financial statements for the financial years commencing on a subsequent date

Below are the standards and interpretations which, as at the reporting date of these financial statements, had already been issued but were not yet applicable.

- *IFRS 16 – Leases*. The standard, which was published by the IASB on 13 January 2016, is intended to replace IAS 17 – *Leases*, as well as the interpretations IFRIC 4 – *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 gives a new definition of leases and introduces a criterion based on the right of use of an asset to distinguish lease contracts from contracts for services, naming, as discriminating factors, the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits from the use of the asset and the right to direct the use of the asset underlying the contract. The standard is expected to be adopted from 1 January 2019, with early adoption permitted for the entities that will apply IFRS 15. The Group is assessing the impact of this new standard on its consolidated financial statements; it has decided to apply a modified retrospective approach to first-time adoption for which the restatement of comparative data is not required. Therefore, it has been estimated that its adoption will have the following effects on the consolidated financial position, results of operations and cash flows: a deterioration at 1 January 2019 in the net financial position for an amount of between Euro 268 and Euro 302 million and an increase in non-current assets for the same amount. In consideration of the lease agreements existing on the reporting date of these financial statements, it is estimated that the adoption of this standard will have the following effects on 2019: an improvement in EBITDA for an amount estimated at between Euro 54 to Euro 57 million and in EBIT for an amount estimated at between Euro 8 and Euro 12 million.

- IFRIC 23 - *Uncertainty over Income Tax* Treatments. This interpretation clarifies the accounting for uncertainties in income tax treatments. IFRIC 23 will come into force in 1 January 2019. The Group believes that this IFRIC will have no significant impact on the consolidated financial position, results of operations and cash flows.

- Amendments to IFRS 9 - *Financial Instruments*. The amendments, which were published in October 2017, related to the "Prepayment Features with Negative Compensation", which allow financial assets subject to an early redemption option (negative compensation) to be measured at amortised cost or at fair value through other comprehensive income (OCI).

- Amendments to *IAS 28 - Long-term Interests in Associates and Joint Ventures*. On 12 October 2017, the IASB issued these amendments to clarify the adoption of IFRS 9 - Financial Instruments in relation to long-term interests in subsidiaries or joint ventures to which the equity method is not applied. These amendments will be applicable to the financial periods commencing on or after 1 January 2019.

The Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union are listed below. These standards will be applicable from the subsequent financial periods; the Group is assessing the impact on its financial position, results of operations and cash flows based on a preliminary basis.

- *IFRS 17 - Insurance Contracts*. This standard, which was issued on 18 May 2017, sets out the principles for the recognition, measurement, presentation and reporting of insurance contracts included therein. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents these contracts in order to give a basis for users of financial statements to assess their effect on the entity's financial position, results of operations and cash flows. On 21 June 2018 the IASB decided to provide clarifications as to IFRS 17 - *Insurance Contracts*, in order to ensure that the words in it reflect the decisions made by the Board, particularly as regards some points in variable fee contracts and issues concerning IFRS 3 - *Business Combinations*. The provisions of IFRS 17 will be applicable from the financial periods commencing on or after 1 January 2021.

- IFRS 14 - *Regulatory deferral accounts*. The standard, which was published by the IASB on 30 January of 2014, allows IFRS first-time adopters only to continue to recognise the amounts relating to the rate regulation according to the accounting principles previously in force.

- Amendments to IAS 19 - *Employee benefits' plan amendment, curtailment or settlement*. This amendment, which was issued by the IASB on 7 February 2018, clarifies the method to determine pension costs, when there is a change in defined benefit plans. These amendments will be applicable to the financial periods commencing on or after 1 January 2019.

- Improvements to International Financial Reporting Standards (2015-2017). The amendments, which were published in December 2017, mainly relate to the following

IFRS: a) IAS 12 - *Income Taxes.* The proposed amendments clarify that an entity should recognise any and all tax effects concerning the distribution of dividends; b) IAS 23 - *Borrowing Costs*: the proposed amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowings made specifically to purchase or construct that asset as part of the funds that it has borrowed generally, for the purposes of determining the capitalisation rates of borrowings; c) IAS 28 - *Investments in Associates and joint ventures – Long-term interests in associates or joint ventures*. The proposed amendments clarify that IFRS 9 - *Financial Instruments*, including impairment requirements, also applies to other financial instruments that are held for a long period and issued to an associate or a joint venture. These amendments will be applicable from 1 January 2019, with early adoption permitted.

- Amendments to IAS 1 and to IAS 8. These amendments, which were published by the IASB on 31 October 2018, provide for a different definition of "material", i.e.: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". These amendments will be applicable for the financial periods commencing on or after 1 January 2020, with early adoption permitted.

- Amendments to IFRS 10 and to IAS 28: this amendment, which was published on 11 September 2014, was expected to come into force on 1 January 2016; after this, adoption was postponed to a date as yet undetermined. These amendments were published for the conflict between the requirements set out in IAS 28 and IFRS 10. The IASB and the Interpretations Committee decided that a reporting entity recognises a complete gain or loss on the loss of control of an entity whether the entity is a part of a subsidiary or not.

- Amendments to IFRS 3 - *Business Combinations*. The purpose of these amendments, which were issued by the IASB on 22 October 2018, is to resolve the difficulties that arise when a reporting entity determines whether it has purchased an entity or a group of assets. The amendments are applicable to those business combinations for which the acquisition date is falling on or after 1 January 2020, with early adoption permitted.

Finally, it should be noted that on 29 March 2018 the IASB published the revised version of the *Conceptual Framework for Financial Reporting*. The main amendments to the 2010 version are (i) a new chapter on measurement; (ii) better definitions and guidance, in particular with reference to the definition of liabilities; and (iii) the clarification of important concepts such as stewardship, prudence and measurement uncertainty. The amendments, where effectively updated, will be applicable from the financial periods commencing on or after 1 January 2020.

Valuation criteria

The valuation criteria used in the drafting of the consolidated financial statements for the period ended 31 December 2018 are the same as those used for the drafting of the consolidated financial statements at 31 December 2017, with the possible exception as reported in the section above.

The most significant valuation criteria adopted for the drafting of the consolidated financial statements are indicated below.

Property, plant and equipment

Property, plant and equipment are recognised at their acquisition price or production price including any directly-attributable ancillary costs required to make the assets available for use.
As allowed by IFRS 1, upon transition to the International Accounting Standards, the Company carried out the valuation at fair value of certain lands and buildings it owned, and used this fair value as the new cost subject to depreciation.
Except as indicated above, revaluations are not allowed, even in application of specific laws. Assets held under finance leases are recognised under property, plant and equipment as offsetting entries to the financial debt to the lessor and depreciated according to the criteria indicated below.
Property, plant and equipment are depreciated systematically on a straight line basis throughout their useful life, which is the estimated time in which the asset will be used by the company. When the Property, plant and equipment consist of several significant components, each having a different useful life, depreciation is carried out separately for each component. The value to be depreciated is represented by the book value reduced by the presumable net disposal value at the end of its useful life, if significant or if it can be reliably determined. Land is not depreciated (elements with an indefinite useful life), even if purchased jointly with a building, similarly to property, plant and equipment held for sale which are valued at the lower of the book value and their fair value net of disposal expenses.
Costs for improvements, updating and transformation which add value to the property, plant and equipment are allocated to the balance sheet assets if they meet the capitalisation requirements required by IAS 16.
Any other repair and maintenance costs are recognised in the income statement when they are incurred.
The recoverability of the book value of intangible fixed assets is verified by adopting the criteria indicated under "Impairment of assets".
Depreciation reflects the economic and technical deterioration of the asset and begins when the asset becomes available for use. It is calculated according to the linear model of the asset's estimated useful life.

The rates applied are:

- Buildings	2% - 5%
- Plant and equipment	7.50% - 20%
- Industrial and trade equipment	15% - 25%

Other assets:

- Electronic office equipment	20%
- Office furniture and equipment	10% - 15%
- Vehicles and internal means of transport	20%
- Automobiles	25%
- Other minor assets	10%-40%

The residual book value, the useful life and the depreciation criteria are revised at each reporting date and adjusted on a prospective basis, if necessary.
An asset is eliminated from the balance sheet at the time of sale or when the future economic benefits expected from its use or disposal no longer apply. Any losses or profits (calculated as the difference between net proceeds of the sale and book value) are included in the income statement upon said

elimination.

Leasing

Leasing agreements are classified as finance leases when the terms of the agreement are such that they essentially transfer all the risks and benefits of ownership to the lessee.
Assets which are the subject of a finance lease agreement are recognised as Group assets at their fair value on the date the contract is concluded or, if lower, at the current value of the minimum payments due for the leasing. The corresponding liabilities payable to the lessor are included in the balance sheet as liabilities for finance leases. Lease payments are divided between principal and interest in order to reach an interest rate which is constant on the residual liability. Financial expenses are directly imputable to the income statement for the reporting period.
The costs of operating lease payments are recognised on a straight-line basis based on the duration of the contract.

Goodwill and other intangible assets

Intangible assets refer to assets without an identifiable physical consistency, which are controlled by the company and able to produce future economic benefits, as well as goodwill when purchased against payment of consideration.
Identifiability is defined with reference to the possibility of separating the intangible asset acquired from goodwill; this requirement is usually satisfied when:

- the intangible asset essentially consists of a legal or contractual right, or
- the asset can be separated, that is, it can be sold, transferred, rented or exchanged autonomously from or as an integral part of other assets. Control means the company's ability to use the future economic benefits arising from the asset and the possibility of limiting access to the asset by others.

Intangible assets that are acquired separately are initially recognised at cost, determined according to the criteria indicated for property, plant and equipment, while those acquired through business combinations are stated at fair value at the date of acquisition. Revaluations are not allowed, even in application of specific laws.
Intangible assets with a definite useful life are systematically amortised throughout their useful life, which is the estimated period in which the assets will be used by the company; the recoverability of their book value is verified by adopting the criteria indicated under "Impairment of assets".
Goodwill and other intangible assets with an indefinite useful life, where present, are not amortised; the recoverability of their book value is verified at least annually and in any case whenever events take place that could indicate impairment. Regarding goodwill, verification takes place at the lowest aggregate level on the basis of which the company Management assesses, directly or indirectly, the return on the investment including goodwill (cash generating unit). Write-downs are not used for reversing an impairment loss.
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.

When goodwill is directly correlated to a contract the award and/or renewal of which is traditionally subject to tendering or to any other form of similar awarding, this goodwill is regarded as having a definite useful life and is amortised over the term of the concession.

Other intangible assets are amortised according to the following criteria:

- Industrial patents and intellectual property rights	5 years
- Concessions, licences, trademarks and similar rights	5 years / 20 years
- Other	5 years / duration of the contract

The amortisation period and the amortisation criteria of intangible assets with a definite useful life are reviewed at least upon each closing date 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 equivalents

The item relating to cash and cash equivalents includes cash, current bank accounts, demand deposits and other high-liquidity short-term financial investments, which are easily converted into cash and are subject to an insignificant risk of value fluctuation, except for exchange risk.

Receivables and other short-term assets

Trade receivables and other short-term assets are initially recognised at their nominal value, which is representative of their fair value at the reporting date and subsequently valued at their amortised cost, net of any write-downs. Upon recognition, the face value of the receivable consists of its fair value at the reporting date. Due to the short duration of trade receivables, they are not discounted as the effect of the discounting of cash flows is irrelevant, therefore application of the amortised cost does not produce significant effects. The bad debt provision on that date represents the difference between the book value of the receivables and the cash flows reasonably expected from collection thereof.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have been extinguished;
- the right to receive cash flows from the assets is maintained, but a contractual obligation has been undertaken to pay them in full and without delay to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has essentially transferred all the risks and benefits of ownership of the financial asset or (b) it did not transfer or essentially retain all the risks and benefits of the asset, but transferred control of the asset.

In the cases in which the Group transferred the right to receive cash flows from an asset and did not transfer nor essentially maintain all the risks and benefits or did not lose control of the asset, the asset is recognised in the Group balance sheet to the extent of the latter's residual involvement in the asset itself.

In this case, the Group also recognises an associated liability. The asset which is transferred and the associated liabilities are valued so as to reflect the rights and obligations that the Group has retained. Residual involvement which for example takes the form of a guarantee on a transferred asset, is valued at the lower of the asset's initial book value and the maximum value of the consideration that the Group may be required to pay.

Impairment of financial assets

The Group verifies on each balance sheet date whether a financial asset or group of financial assets has become impaired. A financial asset or group of financial assets is considered to have undergone impairment if, and only if, there is objective evidence of impairment as a result of one or several events that took place since the initial recognition (when a "loss event" occurs) and this loss event has an impact that can be reliably estimated on the estimated future cash flows of the financial assets or the group of financial assets. Proof of impairment can be given by indicators such as financial difficulties, inability to fulfil obligations, insolvency with regard to the payment of interest or significant payments, which the debtors or a group of debtors are going through; the probability that the debtor will be bankrupt or become subject to another form of financial reorganisation, or where observable information indicates that there exists a measurable decrease in estimated future cash flows, such as a change in the economic environment or the terms and conditions of the obligations.

For financial assets recognised at amortised cost, the Group has first of all assessed whether there is objective evidence of impairment for each financial asset that is individually significant, or collectively significant for those financial assets that are not significant individually. If the Group determines that there is no evidence of impairment for a financial asset, it includes the asset in a group of financial assets with credit risk characteristics that are similar and assesses it collectively for the purpose of verifying the impairment. Assets that are not evaluated individually for a write-down and for which impairment has been recognised or continues to be recognised, are not evaluated on a collective basis for impairment.
If there is objective evidence of impairment, the amount of the loss is measured as a difference between the book value of the asset and the current value of the estimated future cash flows (excluding credit losses expected in the future that have not yet occurred).
The book value of the asset is reduced through the use of an allowance for bad debt and the amount of the loss is recognised in the income statement.
If in subsequent years the amount of the write-down is estimated to have increased or decreased as a consequence of an event that took place after the write-down was recognised, the previous write-down must be increased or decreased by adjusting the provision as an offsetting entry in the income statement.

For available for sale financial assets, the Group measures on each balance sheet reference date whether there is objective evidence that an asset or a group of assets has become impaired.
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

On each balance sheet closing date, the Group assesses whether there are any indicators of impairment of non-financial assets.
When events take place that indicate a reduction in the value of an asset or in cases where annual verification of impairment is required, recoverability is verified by comparing the book value with the relevant recoverable value, the latter being the higher of fair value, net of disposal expenses, and value in use.
If there is no binding selling agreement, fair value is estimated on the basis of the values expressed by an active market, recent transactions or on the basis of the best available information in order to reflect the amount that the company could obtain from the sale of the asset.
Value in use is determined by discounting the expected cash flows from use of the asset and, if significant and reasonably determinable, from its disposal at the end of its useful life. Cash flows are determined on the basis of reasonable and documented assumptions which represent the best estimate of future economic conditions that will take place in the remaining useful life of the asset, with

greater weight given to indications from outside the company. Discounting takes place at a rate that takes into account the risk inherent in the business area.
Valuation takes place for each individual asset or for the smallest identifiable group of assets that generates autonomously incoming cash flows from continuing use (cash generating unit). When the reasons for the write-downs cease to exist, the assets, except for goodwill, are revalued and the adjustment is allocated to the income statement as a write-back (reversal of an impairment loss). The write-back is made at the lower between recoverable value and gross book value of previous write-downs, decreased by the amortisation rate at which they would have been recognised if the write-down had not taken place.
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.

Share capital

The costs for the issuing of shares or options are classified in shareholders' equity (net of the physical benefit connected to them) as a deduction of profits deriving from the issuing of these instruments.
For buybacks of treasury shares, the price paid, including any directly attributable ancillary expenses, is deducted from the Group shareholders' equity until the time of elimination, reissuing or sale of the shares. When treasury shares are resold or reissued, the price collected, net of any directly attributable ancillary expenses and the relevant tax effect, is recognised as Group shareholders' equity.

Earnings per share

Basic and diluted

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

Financial liabilities

Financial liabilities that fall within the scope of application of IAS 39 are classified as financial liabilities at fair value recognised in the income statement, or as financial payables or derivatives designated as hedging instruments, as the case may be. The Group's financial liabilities include trade payables and other payables, loans and derivative financial instruments. The Group determines the classification of its financial liabilities at the time of initial recognition.
Financial liabilities are initially carried at fair value, which is equal to the consideration received on the settlement date to which are added, in the case of financial payables, directly attributable transaction costs.
Subsequently, non-derivative financial liabilities are measured on the basis of the depreciated cost criterion using the effective interest rate method.
Amortised cost is calculated by recognising every discount or premium on the acquisition and the fees and costs that are an integral part of the effective interest rate. Amortisation at the actual interest rate is included among financial expenses in the income statement.

Profits and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

Derecognition of financial liabilities

Financial liabilities are derecognised from the balance sheet when the obligation underlying the liability has been extinguished, cancelled or fulfilled. When an extinguished financial liability has been replaced by another from the same lender, at terms and conditions that are essentially different, or the conditions attached to a liability in existence are essentially modified, this exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, with a consequent recognition in the income statement of any differences between book values.

Accounting treatment for derivatives contracts

The Cremonini Group uses derivative financial instruments to hedge exchange and interest rate risks. These derivative financial instruments are initially recognised at fair value on the date on which they are concluded; subsequently this fair value is periodically remeasured; they are accounted for as assets when fair value is positive and as liabilities when it is negative.

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 an arm's length transaction on the valuation date.

The fair value of the derivative financial instruments used is determined with reference to the market value whenever it is possible to identify an active market for them. If on the other hand the market value of a financial instrument cannot be readily identified, but can be identified through its components or for a similar instrument, market value is determined through assessment of the individual components of the instrument or the similar instrument. Furthermore, for instruments for which it is not possible to readily identify an active market, valuation is determined by using the value from generally accepted valuation models and techniques, which ensure a reasonable approximation of market value.

The accounting methods are the following:

- fair value hedge: changes in fair value of the hedging instrument are in the Income Statement together with changes in fair value of the transactions that are the subject of the hedge.
- cash flow hedge: the "effective" portion of the change in fair value of the derivative is recognised in Equity and subsequently allocated to the Income Statement when the transaction which is the object of the hedge produces its effects; the ineffective portion is allocated directly to the Income Statement.
- financial instruments that do not qualify as hedge: the changes are posted to the income statement.

Derivatives are classified as hedges when the relation between the derivative and the subject of the hedge is formally documented and the hedge effectiveness, which is periodically verified, is high. When hedging derivatives cover the risk of changes in fair value of the instruments which are the subject of the hedge (fair value hedge; e.g. hedging of the change in fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value without allocation of the effects to the income statement; consistently, hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk. When the derivatives hedge the risk of changes in cash flows of the hedged items (cash flow hedge; e.g. hedging of fluctuations in cash flows of assets/liabilities due to exchange rate fluctuations), fluctuations in fair value of derivatives are initially recognised in equity and subsequently allocated to the income statement consistently with the economic effects produced by the hedged transaction. Changes in the fair value of derivatives that no longer qualify as hedges are recognised in the income statement.

Employee benefits

Employee Severance Indemnity is part of what IAS 19 defines as defined benefit plans, as part of benefits after employment termination. The accounting treatment provided for these types of remuneration requires an actuarial calculation that makes it possible to project into the future the amount of the already accrued employee severance indemnity and discount it to take into account the time that will elapse prior to actual payment. The actuarial calculation considers some variables such as average permanence of employees, level of inflation and expected interest rates. Liabilities are measured by independent actuaries. Following the amendments to IAS 19, which were applicable for the financial years commencing on or after 1 January 2013, the profits and losses from the actuarial calculation of defined benefit plans are recognised in the comprehensive income statement entirely in the period they refer to.
These actuarial profits and losses are classified directly in retained earnings and are not reclassified in the income statement in subsequent reporting periods. Past service cost is recognised on the earliest of the following dates:

- date on which an amendment or reduction of the plan takes place;
- date on which the Group recognises the related restructuring costs.

The Group recognises the following changes in the net obligations for defined benefit plans in the statement of profit/(loss) for the reporting period by nature:

- costs for work provided, including costs for current and past work provided, profits and losses on non-routine reductions and extinctions; and
- net interest income or interest expenses.

The asset or liability relating to defined benefits includes the present value of the defined benefit obligation after the fair value of the asset servicing the plan is deducted.
Finally, it should be noted that, following the 2007 reform of the national legislation that governs it, for companies with more than 50 employees, the employee severance indemnity accrued from 1 January 2007 is to be considered a defined contribution plan, the payments of which are recognised directly in the income statement, as a cost, when they are incurred. Employee severance indemnity accrued up to 31 December 2006 remains as a defined benefit plan, without future contributions. Therefore, its measurement is made by independent actuaries based only on the average expected residual working life of the employees, without considering the remuneration earned by them during a predetermined service period.
Employee severance indemnity "accrued" prior to 1 January 2007 therefore undergoes a change in calculation due to the fact that the previously required actuarial assumptions which are connected to salary increases no longer apply. In particular, the liability connected to "accrued employee severance indemnity" is assessed for actuarial purposes as at 1 January 2007 without an application of pro-rata (years of service already served/total years of service) since the total benefits of the employees to 31 December 2006 can be considered as almost completely accrued (except for revaluation) in application of paragraph 67 (b) of IAS 19. It follows that, for the purposes of this calculation, "current service costs" relating to future work of the employees are to be considered as null as they consist of contributions to a supplementary retirement benefit plan of the INPS Treasury Fund.

Provisions for risks and charges

Provisions for risks and charges are costs and expenses of a definite nature that are certain or likely to be incurred but which at the end of the year could not be quantified or timed. Provisions are recognised when:

(i) the existence of an actual, legal or implicit obligation deriving from a past event is probable;
(ii) it is probable that the fulfilment of an obligation will be onerous;
(iii) the amount of the obligation can be reliably estimated.

Provisions are recognised at the amount representing the best estimate of the total that the company would reasonably pay to settle the obligation, or transfer it to third parties at year-end. When the financial effect of time is significant and the payment dates of the obligations are estimated reliably, the provision is discounted; the increase of the provision linked to the passing of time is allocated to income statement under “Financial income (expenses)”. The supplementary client indemnity provisions have been set aside on the basis of reasonable estimates, as have other provisions for risks and charges, taking into consideration the available elements for the probable future liability.

Income taxes

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

Current taxes are determined on the basis of a realistic forecast of the charges to be settled in application of applicable tax laws or which have been essentially approved on the period closing date in the various countries in which the Group operates. The relevant payable is recorded net of any deferred tax assets, withholdings made and tax credits which can be offset, under the item “Tax payables”.
In the event of a receivable, the amount is recorded under “Receivables from others” of current assets.

Deferred tax assets and liabilities are calculated on the temporary differences between the values of the assets and liabilities recognised in the balance sheet and the corresponding amounts recognised for tax purposes.

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

- the deferred tax liabilities originate from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction itself, does not have any effects either on balance sheet profits or the profit and loss calculated for tax purposes;
- the reversal of taxable temporary differences, associated with equity investments in subsidiaries, associated companies and joint ventures, can be controlled and it is probable that this will not take place in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and for tax credits and losses which are unused and carried forward, to the extent that there will be adequate future tax profits that could make possible the use of deductible temporary differences and tax credits and losses carried, except if:

- deferred tax assets connected to deductible temporary differences arise from 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 affect either balance sheet results or profit or loss for tax purposes;
- taxable temporary differences associated with equity investments in subsidiaries, associated companies and joint ventures and deferred tax assets are recognised only to the extent that temporary deductible differences will be reversed in the foreseeable future and there are adequate tax profits against which the temporary differences can be used.

Recognition of deferred tax assets takes place when their recovery is probable.
The value of deferred tax assets is re-examined on each closing date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available. Deferred tax assets and deferred tax liabilities are classified among non-current assets and liabilities and are netted if they refer to taxes that can be offset. The balance of the netting, if it is an asset, is recognised under the item "Deferred tax assets"; if it is a liability it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, current taxes, deferred tax assets and deferred tax liabilities are also recognised under equity or in the statement of comprehensive income consistently with the recognition of the element to which they refer.
Deferred tax assets or deferred tax liabilities are calculated on the basis of the tax rate that is expected to be applied in the year in which these assets will be realised or these liabilities will be extinguished.

Criteria for converting foreign currency items and translation of financial statements in foreign currency

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.

Non-monetary items valued at their historical cost in a foreign currency are converted using the exchange rate applicable on the initial recognition date of the transaction. Non-monetary items recognised at fair value in a foreign currency are converted using the exchange rate applicable on the date that value was determined. Profit and loss from the reconversion of non-monetary items is handled in line with the recognition of profits and losses relating to changes in fair value of these items (conversion differences on items the fair value of which is recognised in the statement of comprehensive income or the income statement are recognised in the comprehensive income statement or the income statement, respectively).

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:

- assets and liabilities included in the financial statements, even if only for comparative purposes, are translated at the exchange rate at the year-end;
- 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;
- the components of the shareholders' equity, excluding the profit for the period, are translated at historic exchange rates;
- 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;
- 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 above provisions do not fall within the scope of application of IAS 29 – *Financial Reporting in Hyperinflationary Economies*, which requires appropriately restated amounts in the balance sheet and income statement to be translated into the European reporting currency at the exchange rate prevailing on the closing date of the financial period.

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

Currency	Year-end exchange rate		Average exchange rates	
	2018	2017	**2018**	2017
Dollars (USA)	1.14500	1.19930	1.18096	1.12968
Dinars (Algeria)	135.48810	137.83430	137.65248	125.31945
Readjustado Kwanza (Angvla)	353.02100	198.90600	353.02100	187.45064
New Metical (Mozambique)	70.51000	70.66000	71.29235	71.69338
Renminbi (China)	7.87510	7.80440	7.80808	7.62900
Roubles (Russia)	79.71530	69.39200	74.04160	65.93825
Pounds (United Kingdom)	0.89453	0.88723	0.88471	0.87667
Zlovty (Poland)	4.30140	4.17700	4.26149	4.25701

<u>IAS 29 – Financial Reporting in Hyperinflationary Economies</u>

The high inflation rate in Angola made it necessary to apply IAS 29 for hyperinflationary economies in order to report, through appropriate adjustments, the current values at the end of the period under consideration. The indexation process to which the Angolan subsidiaries have been subjected gave rise in particular to a revaluation of the properties while setting aside a specific equity reserve; this process was applied to all non-monetary items, including the income statement, and not to monetary items because they were already stated in current currency at the end of the period.

The adjustment at the current exchange rate to the values in the Balance Sheet and Income Statement resulted in a loss on the net cash position of the company through the financial items of the income statement.

Business combinations

Business combinations that took place prior to 1 January 2010, were accounted for through application of the purchase method (as defined in IFRS 3 "*Business Combinations*"). The purchase method requires, after identification of the purchaser as part of the business combination and determination of the acquisition cost, the valuation at fair value of all the acquired assets and liabilities (including contingent liabilities). To this end, the company is required to carry out a specific measurement of any intangible assets acquired. Any goodwill is determined only residually as a

difference between the cost of the business combination (including accessory charges and any contingent considerations) and the portion pertaining to the company of the difference between the assets and liability acquired, measured at fair value.
Business combinations that took place after 1 January 2010 are accounted for using the acquisition method (IFRS 3R). Acquisition cost is determined as the sum of the consideration transferred, measured at fair value on the acquisition date, and the amount of any minority shareholdings acquired. For each business combination, any minority shareholdings in the acquired company must be measured at fair value or in proportion to the share of the minority shareholdings in the identifiable net assets of the acquired company. Acquisition costs are charged to and classified among administrative costs.
If the business combination takes place in multiple phases, the fair value of the previously held equity investment is recalculated at fair value on the acquisition date, with recognition in the income statement of any profit or loss resulting thereof.
Any potential consideration is recognised by the purchaser at fair value on the acquisition date. Change in fair value of the potential consideration classified as a financial asset or liability, will be recognised pursuant to IAS 39, in the income statement or other comprehensive income components. If it does not fall within the scope of application of IAS 39, it will be accounted for based on IAS 37 or the most appropriate IFRS.
If the potential consideration is classified in shareholders' equity, its value is not recalculated until its extinction is accounted for against shareholders' equity.
Goodwill is initially measured at the cost that emerges as excess of the sum of consideration paid and amount recognised for minority interests, against identifiable net assets acquired and liabilities assumed by the Group. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the differences are recognised in the income statement.

After initial recognition, goodwill is carried at cost less any accumulated impairment losses. For the purposes of verifying impairment, goodwill acquired in a business combination must, on the acquisition date, be allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entities are assigned to this unit or not.
If goodwill is allocated to a cash generating unit and the entity disposes of part of the assets of that unit, the goodwill associated to the assets disposed of must be included in the assets' book value when the profit or loss arising from the disposal is determined. Goodwill associated with a disposed asset must be determined on the basis of the relative values of the disposed asset and the part of the cash generating unit which is maintained.

Recognition of revenues

Revenues from the sale of products are recognised at the time that all the risks and expenses deriving from ownership of the assets are transferred, this coinciding with the delivery or shipment thereof.
Revenues from services are recognised on the basis of their degree of completion.
Income of a financial nature is recognised on an accruals basis.
For all financial instruments measured at amortised cost, interest income is recognised using the actual interest rate, which is the rate that exactly discounts future payments and collections, estimated on the basis of the expected life of the financial instrument.

Dividends

Dividends are recognised in the income statement at the date on which the right to receive them arises, i.e. when, based on locally applicable laws, the shareholders are entitled to receive payment, a date which normally coincides with the approval date by the shareholders' meeting, or authorisation by the local monetary authority which approves expatriation thereof.

Recognition of costs

Costs are recognised when they refer to goods and services which are acquired and/or received during the reporting period.
Rents payable for operating leases are allocated to the income statement according to the accruals principle.
Finance lease payments are allocated, as to the principal amount, to reduction of the financial debt, and as to interest to the income statement.
Expenses of a financial nature and services are recognised on an accruals basis.
For all financial instruments measured at amortised cost, interest income is recognised using the actual interest rate, which is the rate that exactly discounts future payments and collections, estimated on the basis of the expected life of the financial instrument.

Segment Information

A segment is defined as an area of activity or geographic area in which the Group's operations take place, characterised by conditions and risks that are different from those of other segments. 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.

Key summary data by segment of activity are shown below:

(Euro/000)	**Year 2018**	Year 2017*	Change total value	Change %
Production				
Net revenues	1,953,100	1,874,249	78,851	4.21
Intercompany revenues	94,790	80,678		
Total revenues	2,047,890	1,954,927	92,963	4.76
Gross operating margin	118,505	109,101	9,404	8.62
Amortization, depreciation and write-downs	(64,473)	(56,809)	(7,664)	13.49
Operating profit (loss)	54,032	52,292	1,740	3.33
Distribution				
Net revenues	1,603,272	1,568,673	34,599	2.21
Intercompany revenues	64,157	55,886		
Total revenues	1,667,429	1,624,559	42,870	2.64
Gross operating margin	119,278	115,992	3,286	2.83
Amortization, depreciation and write-downs	(19,278)	(18,213)	(1,065)	5.85
Operating profit (loss)	100,000	97,779	2,221	2.27
Catering				
Net revenues	625,817	572,967	52,850	9.22
Intercompany revenues	519	364		
Total revenues	626,336	573,331	53,005	9.25
Gross operating margin	53,063	47,954	5,109	10.65
Amortization, depreciation and write-downs	(34,967)	(31,607)	(3,360)	10.63
Operating profit (loss)	18,096	16,347	1,749	10.70
Holding company property and centralized act				
Net revenues	1,894	2,061	(167)	(8.10)
Intercompany revenues	10,216	9,740		
Total revenues	12,110	11,801	309	2.62
Gross operating margin	(1,398)	(1,416)	18	(1.27)
Amortization, depreciation and write-downs	(3,512)	(3,362)	(150)	4.46
Operating profit (loss)	(4,910)	(4,778)	(132)	2.76
Consolidation adjustment				
Total revenues	*(169,681)*	*(146,668)*		
Gross operating margin	*0*	*0*		
Amortization, depreciation and write-downs	*0*	*0*		
Operating profit (loss)	*0*	*0*		
Total				
Total revenues	4,184,084	4,017,950	166,134	4.13
Gross operating margin	289,448	271,631	17,817	6.56
Amortization, depreciation and write-downs	(122,230)	(109,991)	(12,239)	11.13
Operating profit (loss)	167,218	161,640	5,578	3.45

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of "Total revenues" and "Costs of production", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

Consolidated balance sheet broken down by business sector

As at 31 December 2018 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Intercompany revenues	Total
Intangible assets	39,124	143,770	47,323	157	-	230,374
Tangible assets	631,984	60,813	286,094	82,230	-	1,061,121
Equity investments and other financial assets	26,599	1,378	1,706	1,319	-	31,002
Total fixed assets	**697,707**	**205,961**	**335,123**	**83,706**	**0**	**1,322,497**
Trade net working capital						
- Trade receivables	184,561	367,039	34,540	9,333	(30,221)	565,252
- Inventories	310,663	158,760	14,219	1	214	483,857
- Trade payables	(244,785)	(264,999)	(116,480)	(10,437)	31,600	(605,101)
Total trade and net working capital	**250,439**	**260,800**	**(67,721)**	**(1,103)**	**1,593**	**444,008**
Other current assets	22,435	39,300	20,952	(88)	(3,195)	79,404
Other current liabilities	(47,856)	(13,335)	(41,142)	(3,116)	1,602	(103,847)
Net working capital	**225,018**	**286,765**	**(87,911)**	**(4,307)**	**0**	**419,565**
Staff Severance Indemnity Provision and other m/l-term provisions	**(73,813)**	**(24,847)**	**(9,788)**	**8,947**	**-**	**(99,501)**
Net invested capital	**848,912**	**467,879**	**237,424**	**88,346**	**0**	**1,642,561**

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**

Net consolidated debt broken down by sector

As at 31 December 2018 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Total
Payables to banks, bonds and other financial institutions					
- due within 12 months	(276,933)	(119,588)	(64,315)	(27,505)	(488,341)
- due between 1 and 5 years	(221,847)	(218,357)	(69,573)	(22,476)	(532,253)
- due beyond 5 years	(13,867)		(45,595)	(12,479)	(71,941)
Total payables to banks, bonds and other financial institutions	**(512,647)**	**(337,945)**	**(179,483)**	**(62,460)**	**(1,092,535)**
Liquidity					
- cash and cash equivalents	106,684	178,410	24,979	162	310,235
- other financial assets	12,692	918	569	50	14,229
Total liquidity	**119,376**	**179,328**	**25,548**	**212**	**324,464**
Securitization and internal treasury current accounts	**2,912**	**1,957**	**(1,170)**	**(3,699)**	**0**
Total net debt	**(390,359)**	**(156,660)**	**(155,105)**	**(65,947)**	**(768,071)**

As at 31 December 2017 (Euro/000)	Production	Distribution	Catering	Holding and centralized	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)**

Major assumptions adopted by Management and discretionary valuations

The application of generally accepted accounting principles to the preparation of financial statements and interim financial reports requires that the management make accounting assumptions based on complex and/or subjective judgements, estimates based on past experience and assumptions which are considered reasonable and realistic based on the information which is known at the time the estimate is made. The use of these accounting assumptions influences the carrying value of assets and liabilities and the disclosures on contingent assets and liabilities as at the balance sheet date, as well as the amount of revenues and costs in the reporting period. The actual results may differ from the estimated ones due to the uncertainty that characterises the assumptions and conditions on which the estimates are based. Below are accounting assumptions made during the drafting of the financial statements and interim reports, which are critical because they are based on highly subjective assumptions and estimates with regard to issues which by their very nature are uncertain. Changes in the conditions on which the adopted judgements, assumptions and estimates are based may have a significant impact on subsequent results.
Below are the main estimates and assumptions adopted by the Management for the preparation of these annual financial statements; any changes thereto, which cannot be anticipated at this time, may affect the Group's income and equity.

- <u>Estimates adopted for the measurement of asset impairment</u>

For the purpose of verifying any impairment of goodwill recognised in the accounts, the Group has adopted the methodology described in the paragraph "Impairment 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:

- 6.5% 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.;
- 6.94% for the valuation of the goodwill of Inalca Food & Beverage Cabo Verde Lda;
- 7.54% for the valuation of goodwill of Inalca Food & Beverage (Thailand) Co. Ltd;
- 4.72% 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 2018.

- 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 1.13%;
- 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 0.77%.

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.

- <u>Others</u>

The following financial statement elements are affected by estimates and assumptions made by Management:

- inventory obsolescence
- depreciation and amortisation
- valuation of other assets.

Financial risk management

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

- Market risk:	arising from the Group's exposure to interest rate and exchange rate fluctuations and to price volatility of the products and services sold;
- Credit risk:	arising from the possibility of insolvency of a debtor counterparty;
- Liquidity risk:	arising from the lack of financial resources with which to cover short-term financial commitments.

The Cremonini Group uses derivative financial instruments to hedge the exposure to exchange 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

Market risk consists in the possibility of changes in exchange rates, interest rates or the prices of products adversely affecting the value of assets, liabilities or estimated 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 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, Turkish Lira and Polish Zloty.

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 2018, 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)	Eurv 5% Appreciativn	Eurv 5% Depreciativn
US - Dollars	(1,480)	1,636
GB - Pounds	(38)	42
AU - Australian dollars	(193)	213
Angola - Readjustadv Kwanza	108	(119)
Russia - Roubles	(627)	694

Interest rate risk

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

At Group level, the medium/long-term loans and finance leases are, for about 64%, stipulated 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 of the fair value of the loans themselves.

Sensitivity analysis

As at 31 December 2018, 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 Euro 6,381 thousand on an annual basis (Euro 5,366 thousand at 31 December 2017).

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)	**31.12.2018**	31.12.2017
Current trade receivables	570,254	563,866
Other non-current assets	38,207	38,689
Other current assets	84,214	78,532
Total	**692,675**	**681,087**

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 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 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.
The Group systematically respects the maturities of its commitments, a conduct which 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.
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, 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
At 31 December 2018				
Financial payables	487,838	545,464	71,941	1,105,243
Financial instruments / Derivatives	1,131	2,354	-	3,485
Trade Liabilities	668,942	-	-	668,942
	1,157,911	**547,818**	**71,941**	**1,777,670**
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**

Classes of financial instruments

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

Balance Sheet Assets 2018	**Financial assets at amortised cost**	**Assets at FVPL**	**Assets at FVOCI**	**Total**
Financial assets held for sale	11,774	-	-	**11,774**
Financial instruments / Derivatives	0	-	2,513	**2,513**
Non-current financial receivables	2,719	-	-	**2,719**
Other non-current receivable items	38,207	-	-	**38,207**
Current financial receivables	13,644	-	-	**13,644**
Current trade receivables	570,254	-	-	**570,254**
Current tax receivables	3,496	-	-	**3,496**
Current financial assets held for sale	0	-	1,561	**1,561**
Current derivative financial instruments	23,362	-	-	**23,362**
Cash and cash equivalents	310,235	-	-	**310,235**
Other current receivable items	84,214	-	-	**84,214**
Total	**1,057,905**	**-**	**4,074**	**1,061,979**
Balance Sheet Assets 2017				
Financial assets held for sale	17,997	-	-	**17,997**
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 tax receivables	4,390	-	-	**4,390**
Current financial assets held for sale	-	-	11	**11**
Current derivative financial instruments	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 2018	**Liabilitiea at amortised cost**	**Liabilities at FVPL**	**Liabilities at OCI**	**Total**
Non-current financial receivables	617,405	-	-	**617,405**
Non-current derivative financial instruments	-	-	159	**159**
Other non-current receivable items	487,838	-	-	**487,838**
Current financial receivables	65	-	365	**430**
Total	**1,105,308**	**-**	**524**	**1,105,832**
Balance Sheet Liabilities 2017				
Non-current financial payables	572,773	-	-	**572,773**
Current financial payables	-	-	106	**106**
Derivative financial instruments	414,655	-	-	**414,655**
Derivative financial instruments	44	-	1,195	**1,239**
Total	**987,472**	**-**	**1,301**	**988,773**

In conformity with the requirements of 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 input having a significant effect on the fair value recorded are figures directly observable on the market[21].

Similarly, non-current borrowings, whose recognition at fair value is reported in paragraph 17 of these explanatory notes, can also be classified as "Level 2" financial assets, since the inputs that affect their fair value are market data that can be observed directly.

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:

7) R.O.S. (Return on sales);
8) R.O.I. (Return on investments);
9) R.O.A.C.E. (Return On Average Capital Employed);
10) R.O.E. (Return on equity);
11) Net Debt / Equity;
12) 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 end of the financial year, relationships with Group companies and related companies together with other information relating to the different business sectors in which the Group operates, please refer to the Directors' Report.

[2] 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 consolidated statement of financial position

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 2018 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 Inalca Food & Beverage (Shanghai) Co Ltd, Fratelliditalia S.A., Inalca Foodservice Kaz Llp , Mille Sapori Plus S.p.z.o.o. and Bagel Nah (Retail) Ltd. and of the exit of Modena Corporation Pty Ltd from the scope of consolidation.

1. Tangible assets

(Euro/000)	Balance at 31.12.2017	Change in consolidation area	Purchases	Decreases	Hyperinflation effect	Other	Amortization	**Balance at 31.12.2018**
Land and buildings	701,519	(475)	55,065	(1,047)	13,804	3,799	(30,758)	741,907
Plant and machinery	169,376	(421)	37,343	(1,621)	233	7,096	(33,908)	178,098
Industrial and business equipment	12,806	26	3,784	(86)	53	775	(4,482)	12,876
Other assets	55,157	1,573	18,982	(1,418)	-	4,007	(14,686)	63,615
Fixed assets under construction and advances	39,117	0	54,152	(727)	427	(28,344)	-	64,625
Total	**977,975**	**703**	**169,326**	**(4,899)**	**14,517**	**(12,667)**	**(83,834)**	**1,061,121**

Land and buildings

The item under examination, net of depreciation for the period, increased compared to 2017 as a result of:
- investment property for about Euro 55 million;
- the adoption of IAS 29 "*Financial Reporting in Hyperinflationary Economies*", which entailed the revaluation of some properties owned by the Angolan companies for Euro 14.5 million;
- the exchange rate effect which gave rise to a reduction of Euro 9.2 million.

All the sectors contributed to the increase in the item under examination, in particular: the Catering Sector for Euro 27.1 million, the Production Sector for Euro 26.7 million, the Centralized activities Sector for Euro 0.9 million and the Distribution Sector for Euro 0.4 million.
In detail:

Catering:

The increases of the sector, which amounted to Euro 27.1 million, 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 Euro 26.7 million, were mainly due to INALCA S.p.A. for Euro 14.3 million for the acquisition of the ex Fimar Carni S.p.A. plant at Solignano (MO), the acquisition of a building in Spilamberto and for various improvements to all factories; to subsidiary Inalca Angola Ltda for Euro 6.9 million for the acquisition of a land for the construction of a new warehouse; to subsidiary Italia Alimentari S.p.A. for Euro 2.0 million, for major improvements, especially at the Gazoldo factory, adapting it to greater production requirements; to subsidiary Fiorani for Euro 1.6 million for improvements to production facilities and to Fresco Gourmet PTY Ltd for Euro 1.2 million for refurbishment work carried out at the warehouse.

Centralized activities:

Expenses of Euro 0.9 million were incurred for interventions on buildings owned in Rome and Castelvetro.

Distribution:

Improvements were made to the property of the various factories and branches for a total of Euro 395 thousand, consisting specifically of expansion works at the "Marr Adriatico ed Elice" branch.

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 9.2 million euro in the year (already mentioned above).

At 31 December 2018 there were fifty-two financial leases. Shown below are the summarized figures of the transactions:

	Corbetta Building	Ferrara Building	Bergamo Building	Padova Building	Trezzano Building
Commencement of the lease term	01/03/2007	01/06/2007	01/07/2007	29/02/2008	10/09/2008
Duration finance lease	15 years	15 years	15 years	18 years	18 years
Nr. of lease payments	179 months	179 months	179 months	71 quarter	215 months
Value of the leased asset	1.6 million Euros	1.3 million Euros	3.0 million Euros	3.4 million Euros	3.3 million Euros
Initial payment on signing the contract	163 thousand Euros	133 thousand Euros	296 thousand Euros	339 thousand Euros	332 thousand Euros
Amount of the monthly payment	10 thousand Euros	8 thousand Euros	19 thousand Euros	64 thousand Euros	16 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	326 thousand Euros	267 thousand Euros	591 thousand Euros	339 thousand Euros	252 thousand Euros
2018 payments*	89 thousand Euros	72 thousand Euros	560 thousand Euros	160 thousand Euros	162 thousand Euros
Residual value as at 31 December 2018	0.6 thousand Euros	0.5 million Euros	1.1 million Euros	1.7 million Euros	1.8 million Euros

	Rozzano Building	Corsico Building	Vicenza Building	Modena Sud Building	Voghera Building
Commencement of the lease term	24/09/2008	12/08/2009	09/10/2009	16/09/2010	02/12/2010
Duration finance lease	18 years	18 years	18 years	18 years	18 years
Nr. of lease payments	215 months	215 months	215 months	215 months	215 months
Value of the leased asset	3.2 million Euros	3.5 million Euros	2.6 million Euros	4.4 million Euros	1.5 million Euros
Initial payment on signing the contract	316 thousand Euros	355 thousand Euros	260 thousand Euros	437 thousand Euros	147 thousand Euros
Amount of the monthly payment	20 thousand Euros	15 thousand Euros	10 thousand Euros	21 thousand Euros	7 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	316 thousand Euros	315 thousand Euros	215 thousand Euros	437 thousand Euros	147 thousand Euros
2018 payments*	148 thousand Euros	183 thousand Euros	138 thousand Euros	228 thousand Euros	76 thousand Euros
Residual value as at 31 December 2018	1.7 million Euros	1.8 million Euros	1.4 million Euros	2.5 million Euros	0.8 million Euros

	Mirabilandia Building	Parma Building	Macerata Building	Capriate Building	Mestre Building
Commencement of the lease term	01/07/2011	23/12/2011	01/05/2012	31/10/2012	19/12/2012
Duration finance lease	18 years	18 years	18 years	18 years	13 years
Nr. of lease payments	215 months	215 months	215 months	215 months	155months
Value of the leased asset	2.4 million Euros	3.6 million Euros	1.5 million Euros	2.3 million Euros	2,5 million Euros
Initial payment on signing the contract	237 thousand Euros	360 thousand Euros	156 thousand Euros	465 thousand Euros	265 thousand Euros
Amount of the monthly payment	12 thousand Euros	21 thousand Euros	8 thousand Euros	10 thousand Euros	18 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	237 thousand Euros	360 thousand Euros	147 thousand Euros	465 thousand Euros	234 thousand Euros
2018 payments*	130 thousand Euros	206 thousand Euros	95 thousand Euros	99 thousand Euros	195 thousand Euros
Residual value as at 31 December 2018	1.4 million Euros	2.5 million Euros	1.0 million Euros	1.4 million Euros	1.5 million Euros

* Values inclusive of indexation differences.

	Legnano Building	Cinisello Balsamo Building	Capriate works (a)	Bellinzago Lombardo Building	Gallarate Building
Commencement of the lease term	01/12/2005	12/07/2013	06/12/2013	28/07/2014	01/08/2014
Duration finance lease	15 years	13 years	16 years	12 years	12 years
Nr. of lease payments	179 months	155 months	186 months	143 months	143 months
Value of the leased asset	3.0 million Euros	3.5 million Euros	2.4 million Euros	1.7 million Euros	2.4 million Euros
Initial payment on signing the contract	300 thousand Euros	680 thousand Euros	844 thousand Euros	212 thousand Euros	224 thousand Euros
Amount of the monthly payment	18 thousand Euros	25 thousand Euros	16 thousand Euros	14 thousand Euros	16 thousand Euros
Interest rate	Euribor	Fisso	Euribor	Euribor	Euribor
Amount of final option	300 thousand Euros	307 thousand Euros	-	170 thousand Euros	224 thousand Euros
2018 payments*	194 thousand Euros	244 thousand Euros	206 thousand Euros	129 thousand Euros	183 thousand Euros
Residual value as at 31 December 2018	0.7 million Euros	2.0 million Euros	0.9 million Euros	1.2 million Euros	1.4 million Euros

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

	Carpi Building	Pavia Building	Dalmine Building	Treviso Silea Building	Senigallia Building
Commencement of the lease term	01/08/2014	01/02/2015	23/03/2015	29/05/2015	11/06/2015
Duration finance lease	12 years	12 years	12 years	12 years	12 years
Nr. of lease payments	48 quarter	143 months	143 months	143 months	143 months
Value of the leased asset	1.9 million Euros	1.7 million Euros	2.4 million Euros	3.2 million Euros	1.5 million Euros
Initial payment on signing the contract	180 thousand Euros	168 thousand Euros	241 thousand Euros	320 thousand Euros	148 thousand Euros
Amount of the monthly payment	43 thousand Euros	12 thousand Euros	16 thousand Euros	23 thousand Euros	9 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	180 thousand Euros	168 thousand Euros	241 thousand Euros	32 thousand Euros	148 thousand Euros
2018 payments*	163 thousand Euros	135 thousand Euros	187 thousand Euros	269 thousand Euros	116 thousand Euros
Residual value as at 31 December 2018	1.3 million Euros	1.1 million Euros	1.8 million Euros	2.1 million Euros	1.1 million Euros

	Lainate Sempione Building	Lainate Casello Building	Rovato Building	Pioltello Building	Cernusco Lombardone Building
Commencement of the lease term	31/07/2015	29/05/2015	05/08/2015	20/11/2015	21/12/2015
Duration finance lease	12 years	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months	143 months
Value of the leased asset	2.1 million Euros	2.3 million Euros	2.3 million Euros	2.6 million Euros	1.5 million Euros
Initial payment on signing the contract	244 thousand Euros	275 thousand Euros	267 thousand Euros	297 thousand Euros	170 thousand Euros
Amount of the monthly payment	17 thousand Euros	15 thousand Euros	18 thousand Euros	19 thousand Euros	10 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	244 thousand Euros	231 thousand Euros	267 thousand Euros	297 thousand Euros	154 thousand Euros
2018 payments*	168 thousand Euros	1730 thousand Euros	175 thousand Euros	197 thousand Euros	117 thousand Euros
Residual value as at 31 December 2018	1.6 million Euros	1.7 million Euros	1.7 million Euros	2.0 million Euros	1.2 million Euros

	Como Lipomo Building	Gravellona Toce Building	Olgiate Comasco Building	Collegno Building	Cornaredo Building
Commencement of the lease term	15/02/2016	15/03/2016	05/04/2016	02/08/2016	05/08/2016
Duration finance lease	12 years	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months	143 months
Value of the leased asset	1.7 million Euros	1.3 million Euros	2.0 million Euros	1.4 million Euros	1.5 million Euros
Initial payment on signing the contract	276 thousand Euros	174 thousand Euros	257 thousand Euros	266 thousand Euros	197 thousand Euros
Amount of the monthly payment	18 thousand Euros	8 thousand Euros	16 thousand Euros	17 thousand Euros	9 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	276 thousand Euros	131 thousand Euros	257 thousand Euros	266 thousand Euros	147 thousand Euros
2018 payments*	166 thousand Euros	72 thousand Euros	158 thousand Euros	164 thousand Euros	78 thousand Euros
Residual value as at 31 December 2018	1.8 million Euros	1.0 million Euros	1.7 million Euros	1.8 million Euros	1.2 million Euros

	Tradate Building	Fidenza Building	Curtatone Building	Calavera Building	Ancona Building
Commencement of the lease term	19/10/2016	29/09/2016	29/09/2016	03/02/2017	26/01/2017
Duration finance lease	12 years	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months	143 months
Value of the leased asset	2.4 million Euros	1.8 million Euros	1.2 million Euros	2.1 million Euros	2.3 million Euros
Initial payment on signing the contract	500 thousand Euros	240 thousand Euros	148 thousand Euros	220 thousand Euros	253 thousand Euro
Amount of the monthly payment	14 thousand Euros	10 thousand Euros	7 thousand Euros	14 thousand Euros	14 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	243 thousand Euros	177 thousand Euros	119 thousand Euros	220 thousand Euros	227 thousand Euros
2018 payments*	145 thousand Euros	126 thousand Euros	86 thousand Euros	13 thousand Euros	166 thousand Euros
Residual value as at 31 December 2018	1.8 million Euros	1.4 million Euros	1.0 million Euros	1.8 million Euros	1.8 million Euros

* Values inclusive of indexation differences.

	Modena Victoria Building	Montano Lucino Building	Lido di Camaiore Building	Lainate Sempione works	Vigevano Building
Commencement of the lease term	08/06/2017	26/07/2017	10/11/2017	11/05/2017	08/03/2018
Duration finance lease	12 years	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	138 months	143 months
Value of the leased asset	1.9 million Euros	2.1 million Euros	2.3 million Euros	0.1 million Euros	2.0 million Euros
Initial payment on signing the contract	200 thousand Euros	225 thousand Euros	234 thousand Euros	-	230 thousand Euros
Amount of the monthly payment	11 thousand Euros	12 thousand Euros	14 thousand Euros	0.6 thousand Euros	14 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	187 thousand Euros	187 thousand Euros	234 thousand Euros	-	230 thousand Euros
2018 payments*	123 thousand Euros	91 thousand Euros	170 thousand Euros	7 thousand Euros	48 thousand Euros
Residual value as at 31 December 2018	1.6 million Euros	1.8 million Euros	1.9 million Euros	0.1 million Euros	1.8 million Euros

	Baranzate Building	Ferrara Sud Building	Sesto Fiorentino Building	Saronno Building	SegrateBuilding
Commencement of the lease term	29/03/2018	29/05/2018	12/11/2018	10/04/2018	01/12/2018
Duration finance lease	12 years	12 years	12 years	12 years	12 years
Nr. of lease payments	143 months	143 months	143 months	143 months	143 months
Value of the leased asset	3.0 million Euros	1.9 million Euros	4.1 million Euros	1.9 million Euros	3.6 million Euros
Initial payment on signing the contract	287 thousand Euros	250 thousand Euros	500 thousand Euros	210 thousand Euros	536 thousand Euros
Amount of the monthly payment	19 thousand Euros	15 thousand Euros	31 thousand Euros	13 thousand Euros	20 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	29 thousand Euros	250 thousand Euros	500 thousand Euros	210 thousand Euros	257 thousand Euros
2018 payments*	13 thousand Euros	7 thousand Euros	0 thousand Euros	6 thousand Euros	20 thousand Euros
Residual value as at 31 December 2018	1.9 million Euros	1.2 million Euros	2.4 million Euros	1.1 million Euros	3.0 million Euros

	Aosta Building	Belluno Building
Commencement of the lease term	17/10/2018	19/12/2018
Duration finance lease	12 years	12 years
Nr. of lease payments	143 months	143 months
Value of the leased asset	1.0 million Euros	1.0 million Euros
Initial payment on signing the contract	175 thousand Euros	270 thousand Euros
Amount of the monthly payment	11 thousand Euros	10 thousand Euros
Interest rate	Euribor	Euribor
Amount of final option	175 thousand Euros	180 thousand Euros
2018 payments*	0 thousand Euros	0 thousand Euros
Residual value as at 31 December 2018	0.4 million Euros	0.5 million Euros

* Values inclusive of indexation differences.

Plant and machinery

The main increases for 2018 were made in the sectors:

- Production (for a total of Euro 22.5 million) by:
  - INALCA S.p.A. (Euro 9.7 million) for the acquisition of new plant and machinery for the Reggio Emilia and Solignano factories and improvements to the existing plant, factories and production lines were also made;
  - Italia Alimentari S.p.A. (Euro 6.2 million) for the expansion of specific production plants in the segments of portioning and snack at Gazaldo and of mortadella and cured meats at Busseto;
  - Fiorani e C. S.p.A. (Euro 4.8 million) for the purchase of specific machinery for enlargement of the portioned beef department.

- Catering (for a total of Euro 13.2 million) by:
  - Chef Express S.p.A. (Euro 6.6 million) for improvements on the plants of the airport and railway catering premises operated by the company;
  - Roadhouse S.p.A. (Euro 5.9 million) new plant and improvements of the existing plant, specifically at the Vigevano, Chivasso, Ferrara Sud, Rome Da Vinci, Vimercate, Catania and Bellinzago Novarese steakhouses.

- Distribution (for a total of Euro 1.3 million) almost exclusively attributable to MARR S.p.A. for works executed at the various branches, specifically "MARR Adriatico", "MARR Romagna", at the Emiliani Division factories and at the "Marr Puglia" branch.

The decreases mainly concerned Chef Express S.p.A. (Euro 675 thousand), INALCA S.p.A. (Euro 313 thousand) and Fiorani & C.S p.A. (Euro 171 thousand).

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 (Euro 1.7 million).

Other assets

The main investments that justify the increase with respect to 31 December 2017 involved various sectors. In detail the higher increases can be ascribed to:

- Roadhouse S.p.A. for fitting-out new steakhouses (Euro 5.0 million);
- Chef Express S.p.A. (Euro 4.8 million) for the acquisition of furniture and fittings;
- MARR S.p.A. for purchases of electronic machinery and industrial and motor vehicles (Euro 1.4 million);
- Marr Russia Llc (Euro 1.1 million) for the purchase of refrigerated trucks, internal transport vehicles and motor vehicles, personal computers and hardware;
- Inalca Angola Ltda (Euro 1.1 million) mainly for the purchase of vehicles, furniture and fittings.

The decreases for the period, equal to Euro 1.4 million, mainly related to MARR S.p.A. (Euro 708 thousand) for the sale of industrial vehicles, as well as to Chef Express S.p.A. (Euro 356 thousand) for the sale of furniture and fittings of some premises and to Inalca Kinshasa S.p.r.l. (Euro 121 thousand) for the sale of industrial vehicles.

Fixed assets under construction and advances

The greater increases regarded these sectors:

- Production for Euro 32.4 million, incurred by:
  - Kaskad Llc for further expansion of the new distribution hub for about Euro 12.4 million;
  - Zaklady Miesne Socochin Sp.z.o.o. for the construction of the new slaughtering plant in Poland for Euro 9.6 million;
  - Orenbeef Llc for the acquisition of new container cleaning areas and of a purification plant for the modernisation of the new slaughterhouse in Orenburg (Russia) for Euro 5.0 million;
  - Inalca Algerie for the refurbishment of the deboning department for Euro 2.2 million;
  - Italia Alimentari S.p.A. for improvements at the Gazoldo, Busseto e Postalesio plants (Euro 1.3 million).

- Catering for Euro 19.2 million, incurred by:
  - Chef Express S.p.A. for investments made for the refurbishment of various station buffets and Motorway Service Stations (Euro 9.6 million);
  - Roadhouse S.p.A. for works at the new premises of the steakhouse chain, specifically Bologna, Sesto Fiorentino, Baranzate, Belluno and Ferrara Sud, as well as works at the offices of Castelvetro di Modena (Euro 9.1 million);

- Distribution for Euro 2.2 million, fully attributable to MARR S.p.A. for the construction of the new headquarters in the municipal district of Santarcangelo di Romagna.

There are mortgages, secured by non-current tangible assets, for amounts of about Euro 375 million against loans obtained.

2. Goodwill

Goodwill is not amortized with the exclusion of that with a defined useful life, the amortization of which is correlated to the term of the concession; recoverability of the related book value is verified at least annually and anyway when events occur that presuppose impairment.

The verification is carried out at the level of the smallest aggregate on the basis of which corporate management measures, directly or indirectly, the return on the investment that includes the goodwill (cash generating unit); for the main hypotheses utilized for the determination of recoverable value you are referred to that shown in the paragraph "Main accounting judgements estimates and assumptions adopted by Management".

(Euro/000)	Balance at 31.12.2017	Change in consolidation scope	Purchases	Decreases	Other	Amortization	**Balance at 31.12.2018**
Production - Beef	16,922	3,484	377	-	48	(2)	20,829
Production - Others	0	-	-	-	-	-	0
Distribution	141,594	-	-	-	-	-	141,594
Catering	43,395	652	-	-	(9)	(2,636)	41,402
Holding company and services	0	-	-	-	-	-	0
Total	**201,911**	**4,136**	**377**	**0**	**39**	**(2,638)**	**203,825**

The increase of the period of Euro 4.5 million is due to the following transactions:

- In the Catering sector, the acquisition of Bagel Nah (Retail) Ltd which determined recognition of Euro 0.6 million of goodwill;
- in the Production sector the recent company acquisitions mentioned in the Directors' Report and preambles, determined the recognition of goodwill of about Euro 3.9 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)	Inalca Food & Beverage Shanghai Co Ltd	Mille Sapori Plus S.p.z.o.o.	Bagel Nash (Retail) Ltd
Total cost of the business combination	**371**	**4,326**	**937**
Fair value of assets acquired and contingent liabilities assumed	174	1,039	285
Goodwill	**197**	**3,287**	**652**

Book values determined in conformity with the IFRS immediately prior to the combination (Euro/000)	Inalca Food & Beverage Shanghai Co Ltd	Mille Sapori Plus S.p.z.o.o.	Bagel Nash (Retail) Ltd
Intangible and tangible assets	129	916	483
Investments	10	-	-
Inventories	275	2,061	85
Receivables	622	1,502	-
Other current assets	32	5	122
Minority interests' capital and reserves	-	(693)	-
Employee benefits	-	-	-
Risks provisions	-	(2)	-
Payables to employees and social security institutions	(480)	(89)	39
Trade payables	(436)	(2,462)	(421)
Othre current liabilities	22	(199)	(23)
Fair value of assets acquired, liabilities and contingent liabilities assumed	**174**	**1,039**	**285**
Fair value pertaining to the Group	**174**	**1,039**	**87**

The goodwill provisionally attributed to the acquisitions showed above are justified by the important strategic value of such transactions that permitted the Group to significantly strengthen 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 31.12.2017	Change in consolidation area	Purchases	Decreases	Other	Amortization	**Balance at 31.12.2018**
Patents and intellectual property rights	2,460	364	2,194	-	780	(1,877)	3,921
Development costs	454	-	-	-	0	(131)	323
Concessions, licences, trademarks and similar rights	15,589	4	712	(4)	53	(1,618)	14,736
Fixed assets under development and advances	2,899	-	1,360	(621)	(746)	-	2,892
Long-term costs	4,763	-	377	-	318	(780)	4,678
Total	**26,165**	**368**	**4,643**	**(625)**	**405**	**(4,406)**	**26,550**

The item "Patents and intellectual property rights" mainly includes the purchases and implementation of software. The acquisitions for the year refer to Roadhouse S.p.A., Chef Express S.p.A., INALCA S.p.A. and MARR S.p.A..

The increases in the "Concessions, licences, trademarks and similar rights" are almost entirely attributable to tobacco licences paid by the subsidiary Chef Express S.p.A. (Euro 615 thousand).

The acquisitions regarding "Fixed assets under development and advances", equal to Euro 1.4 million, mainly regard the purchase of new software, partly still being implemented by subsidiaries Chef Express S.p.A. (Euro 800 thousand), MARR S.p.A. (Euro 194 thousand), INALCA S.p.A. (Euro 158 thousand) and Inalca Food & Beverage S.r.l. (Euro 105 thousand).

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 increase in the balance compared to 31 December 2017 is mainly ascribable to the acquisition of majority shareholdings in Mille Sapori Due S.p.z.o.o. and Mille Sapori Tre S.p.z.o.o.. During 2018 Inalca Food & Beverage Shanghai Co Ltd and Inalca Food Service Kaz Llp were also included in the scope of consolidation.

Equity investments in associated companies

The increase in the item under examination mainly relates to the acquisition of equity investments in Società Agricola Marchesina S.r.l., to Si' Frutta S.r.l. and to an adjustment to the values of equity investments in Società Agricola Marchesina S.r.l., Parma Sofrelim S.a.s. and Società Agricola Castello di Godego S.s. based on the last available interim financial statements.
During the year, there also was the acquisition of the remaining 50% of the quota in Griglia Doc. S.r.l., which was subsequently merged by incorporation into the consolidated company DE.AL. S.r.l., which in turn was incorporated into MARR S.p.A. on 1 December 2018.

5. Investments in other companies

Among the most significant changes was an increase of Euro 3.3 million in the equity investment in B.F. S.p.A. (formerly B.F.Holding S.p.A.), a company listed on the Milan Stock Exchange, following the subscription of a capital increase launched at the end of November 2018.

6. Non-current financial receivables

(Euro/000)	31.12.2018	31.12.2017
Receivables from subsidiaries		
- Peckinalca Lda	-	11,017
Receivables from associated companies		
- Bottega Mediterranea Sdn Bhd	-	258
- Frigomacello S.r.l.	775	794
- Società Agricola Marchesina S.r.l.	400	-
Interest-bearing and non-interest-bearing loans to third parties	1,544	1,187
Total	**2,719**	**13,256**

As at 31 December 2018 they amounted to Euro 2,719 thousand compared to Euro 13,256 thousand in 2017. The reduction compared to the previous year is attributable to the repayment of the non-interest bearing advance payment made to Peckinalca Lda.

The item "Loans to third parties" includes loans by the subsidiary MARR S.p.A. for Euro 723 thousand; 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 (Euro 356 thousand), and the portion over a year of loans to truck drivers for the sale of MARR S.p.A. cargo transport vehicles (this value amounted to Euro 367 thousand).

7. Deferred tax assets

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

8. Other non-current assets

(Euro/000)	31.12.2018	31.12.2017
Trade receivables	9,166	8,143
Provision for bad debts	(430)	(1,055)
Tax assets	8,077	9,249
Other receivables	13,803	17,806
Deferred income and prepaid expenses	7,591	4,546
Total	**38,207**	**38,689**

Non-current "Trade receivables", which totalled Euro 9,166 thousand (of which Euro 3,261 thousand 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 Euro 10.7 million (Euro 14.6 million at 31 December 2017). There were also receivables for the "end of operations bonuses" that totalled about Euro 419 thousand, which Chef Express S.p.A. accrued from the oil companies (Euro 749 thousand at 31 December 2017). 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 assets

9. Inventories

(Euro/000)	31.12.2018	31.12.2017
Raw materials, secondary materials and consumables	61,559	71,625
Work in progress and semi-finished goods	5,979	6,723
Finished goods and goods for resale	358,663	312,490
Advances	15,068	11,699
Provision for write-down of inventories	(1,040)	(1,379)
Total	**440,229**	**401,158**

The increase compared to the previous year is mainly attributable to the production sector as a result of an increase in frozen meat stock due to favourable terms for the procurement of raw materials, whose price fell in the second half of the year.
There was also an increase in inventories in the distribution sector as a result of storage policies aimed at seizing certain trading opportunities in the frozen fish market.

10. Biological assets

The amount of biological assets, amounting to Euro 43.6 million, refers to the measurement, according to IAS 41, of cattle bred and owned by Società Agricola Corticella S.r.l..

It should be noted that the increase in the number of animals bred was also due to the execution of new agistment contracts, linked to the need for supplies to meet any shortage of animals on the market and to also ensure continuity in the procurement of raw materials so as to ensure high efficiency in production flows on an ongoing basis.

Below is a table summarising the number of heads in the stables of the aforesaid company:

(Euro/000)	31.12.2018	31.12.2017
Veals	20,033	19,163
Bullocks	16,346	14,647
Heifers	11,588	13,165
Total	**47,967**	**46,975**

11. Current financial receivables

(Euro/000)	31.12.2018	31.12.2017
Receivables from subsidiaries	**7,365**	**3,206**
Agrosakmara Llc	2,734	1,269
Agrosakmara Bashkiria Llc	435	-
D'Autore Food S.r.l.	1,829	-
E-Marco Polo Spa	50	150
Fabri Fine Italian Food PTY Ltd	223	-
Fratelliditalia SA	-	404
Inalca Eurasia Kazakhstan Llp	58	-
Inalca Food & Beverage Shanghai Co Ltd	-	155
Inalca Food Service Kaz Llp	-	44
Italia Alimentari Canada Ltd	1,215	1,184
Società Agricola Transumanza S.r.l.	821	-
Receivables from associated companies	**1,529**	**1,898**
Avirail S.a.s.	-	425
Bottega Mediterranea Sdn Bhd	245	-
Farm Service S.r.l.	333	333
Frimo S.a.m.	38	227
Società Agricola Castello di Godego S.r.l.	900	900
Unieffebi S.r.l. (liquidata)	13	13
Receivables from controlling companies	**501**	**0**
A.G.M. S.r.l.	220	-
LLc Soyuz	281	-
Other financial receivables	**4,249**	**4,534**
Treasury receivables from minorities	4,249	4,534
Provision for bad debts	-	-
Totale	**13,644**	**9,638**

12. Current trade receivables

Trade receivables are broken down as follows:

(Euro/000)	31.12.2018	31.12.2017
Trade receivables	**566,672**	**559,536**
Due within 12 months	620,077	617,206
Provision for bad debts	(53,405)	(57,670)
Receivables from parent companies	**6**	**15**
Cremofin S.r.l.	6	15
Receivables from unconsolidated subsidiaries	**1,841**	**2,922**
D'Autore Food S.r.l.	47	-
E-Marco Polo (E-MP) Spa	324	143
Fratelliditalia SA	-	1,021
Imprenditori per E-Marco Polo (I-EMP) Srl	-	2
Inalca Food & Beverage Shanghai Co Ltd	-	42
Inalca Food Service Kaz Llp	-	768
Italia Alimentari Canada Ltd	1,244	635
Mille Sapori Gdansk	82	-
Mille Sapori Poznan	143	-
Peckinalca Lda	-	150
Quinto Valore S.c.a.r.l.	-	10
SCDA Angola S.A.	-	150
Shanghai Chef Express Rail Catering Management Company Limited	1	1
Provision for bad debts	-	-
Receivables from associated companies	**1,735**	**1,393**
Avirail S.a.s.	-	-
Bottega Mediterranea Sdn Bhd	13	4
Farm Service S.r.l.	229	285
Food & co S.r.l.	-	2
Griglia Doc S.r.l.	-	1
Inalca Emirates Trading Llc	538	538
Inalca West Africa Food & Beverage Ltd	249	-
Parma Sofrelim S.a.s.	17	14
Sì Frutta S.r.l.	43	-
Società Agricola Castello di Godego S.r.l.	1	1
Time Vending S.r.l.	54	57
Unitea S.r.l.	591	491
Bad debts provision	-	-
Total	**570,254**	**563,866**

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 2018, the composition of the overdue trade receivables from third parties is the following:

(Euro/000)	31.12.2018		31.12.2017	
	Amount	Bad Debt Prov.	Amount	Bad Debt Prov.
Trade receivables not overdue	334,915	(593)	330,746	(532)
Overdue up to 30 days	93,039	(227)	94,858	(233)
Overdue from 31 to 60 days	39,007	(139)	38,019	(77)
Overdue from 61 to 90 days	26,246	(136)	31,243	(2)
Overdue from 91 to 120 days	103,307	(36,470)	96,798	(38,886)
Overdue over 120 days	32,731	(16,272)	33,686	(18,996)
Total	**629,245**	**(53,837)**	**625,350**	**(58,726)**

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)	31.12.2018	31.12.2017
Initial balance	(58,726)	(55,078)
Change in scope of consolidation	6	(109)
Utilized during the year	20,942	15,611
Other movements	1,864	(9)
Exchange differences effect	831	752
Accruals during the year	(18,754)	(19,893)
Final balance	**(53,837)**	**(58,726)**

13. Current tax assets

(Euro/000)	31.12.2018	31.12.2017
Receivables for advance on direct taxes	3,213	5,273
Receivables for withholdings	171	118
IRPEG dispute	14,356	6,040
VAT credit and other taxes requested for reimbursement	5,625	9,815
Other sundry receivables	-	6,257
Bad debts provision	(3)	(3)
Total	**23,362**	**27,500**

The decrease in the item was mainly linked to the reimbursement of the amount paid by subsidiary MARR S.p.A. in past years, in relation to the legal dispute with the Italian Finance Police, 4th Division Unit in San Lazzaro di Savena (BO) (for alleged breaches concerning direct tax for the 1993-1999 tax periods and VAT for the 1998 and 1999 tax periods, completed in June 2000). As already stated in the 2018 Half-year Report, the tax dispute was discussed before the Emilia Romagna Regional Tax Board on 22 March 2019; on 20 April 2018 the Court appealed to filed judgment no. 1155/18 whereby the Regional Tax Board granted the claims submitted by MARR and ordered the cancellation of the notices of assessment.
Therefore a total amount of Euro 6,996 thousand, including interest of Euro 981 thousand, was collected in August and October 2018.

14. Cash and cash equivalents

(Euro/000)	31.12.2018	31.12.2017
Cash	16,973	19,145
Checks	332	291
Bank and postal accounts	292,930	250,157
Total	**310,235**	**269,593**

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)	31.12.2018	31.12.2017
Accrued income and prepaid expenses	9,207	8,843
Other receivables		
Advances to suppliers	63,841	53,840
Receivables from insurance companies	399	475
Receivables for contributions to be collected	-	-
Receivables from social security institutions	1,336	1,156
Receivables from agents	1,813	3,155
Receivables from employees	726	571
Down payments	328	242
Guarantee deposits	290	317
Other sundry receivables	11,143	16,877
Provision for bad debts	(4,869)	(6,944)
Total	**84,214**	**78,532**

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 Euro 57.8 million for the Distribution sector and Euro 4.6 million 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" relate to receivables reimbursable from claims not yet received at the year-end.

The item "Others sundry receivables" of Euro 11.1 million decreased by about Euro 5.7 million (Euro 16.9 million in 2017); 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 Euro 2.3 million (Società Agricola Corticella S.r.l.);
- energy certificate receivables of Euro 1.5 million (INALCA S.p.A.);
- tax disputes receivables of about Euro 700 thousand (INALCA S.p.A.);
- customs advances receivables of Euro 500 thousand (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 Euro 67,073,931.60 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 2018.

Reserves

The legal reserve of Euro 14,749 thousand 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 Euro 78,280 thousand did not change compared to 31 December 2017.

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 AFS reserve records the fair value changes of financial instruments available for sale. During the period the reserve recorded changes due to the market valuation of the equity investments in Banco Popolare Società Cooperativa and BPER Banca S.p.A..

The basic earnings per share at 31 December 2018 amounted to Euro 0.4000 (Euro 0.3519 at 31 December 2017) and was calculated on the basis of net profits of Euro 51,589,455 divided by the weighted average number of ordinary shares in 2018 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 31.12.2018		
	Capital stock and reserve	Profit/(loss)	Shareholders' equity
Parent Company's shareholders' equity and profit/(loss) for the year	**250,559**	**24,566**	**275,125**
Elimination of carryng value of consolidated subsudiaries:			
- Pro rata subsidiary profits (losses)	-	60,049	60,049
- Difference between the carryng value and pro rata shareholder's equity, net of the effects of intra-Group transactions	121,813		121,813
- Investments write-up/write-down	(3,131)	3,131	-
- Dividends	36,447	(36,447)	-
- Consolidation differences	98,700		98,700
Elimination of the effects of commercial transactions between Group companies	(1,028)	320	(708)
Adjustment of the financial statement of the consolidated companies in accordance with the Group principles and shareholders' equity valuation of investments	683	(30)	653
Total adjustments	*253,484*	*27,023*	*280,507*
Group's share of net equity and profit/(loss)	**504,043**	**51,589**	**555,632**
Minorities' share of net equity and profit/(loss)	274,676	44,182	318,858
Consolidated financial statements shareholders' equity and profit/(loss) for the year	**778,719**	**95,771**	**874,490**

Non-current liabilities

17. Non-current financial payables

(Euro/000)	31.12.2018	31.12.2017
Due between 1 and 5 years		
Bonds	-	-
Payables to banks	480,112	472,235
Payables to other financial institutions	65,352	30,900
Total payables due between 1 and 5 years	**545,464**	**503,135**
Due beyond 5 years		
Payables to banks	26,346	2,211
Payables to other financial institutions	45,595	67,427
Total payables due beyond 5 years	**71,941**	**69,638**
Total	**617,405**	**572,773**

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 31.12.2018
Overdraft	112,071	11,396	-	-	11,396
Advances - Imports	28,750	12,076	-	-	12,076
Advances - Exports	81,295	23,333	1,043	-	24,376
Advances on invoices Italy	169,750	72,168	-	-	72,168
Advances subj. to collection	146,117	35,051	585	-	35,636
Hot Money	124,500	30,056	-	-	30,056
Mortgages	766,567	259,981	478,680	26,367	765,028
Others	6,561	6,405	64	-	6,469
Amortized cost		(307)	(260)	(21)	(588)
Total	**1,435,611**	**450,159**	**480,112**	**26,346**	**956,617**

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 USD 43 million (originally Euro 30.6 million), involves an average coupon of about 5.1% of which USD 10 million expires in 2020 and the remaining USD 33 million in 2023; for this reason, there are no portions with a maturity of more than five years.

The increase 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 31.12.2018**
Leasing					
Ancona	Euribor + spread	30/09/2029	141	1,698	**1,839**
Aosta	"	pre-leasing	446	-	**446**
Baranzate	"	pre-leasing	-	1,913	**1,913**
Bellinzago Lombardo	"	25/01/2028	2	1,201	**1,203**
Belluno	"	pre-leasing	-	480	**480**
Bergamo	"	01/07/2022	153	977	**1,130**
Capriate	"	14/05/2029	58	1,310	**1,368**
Capriate Opere	"	14/05/2029	183	711	**894**
Carpi	"	01/11/2026	127	1,165	**1,292**
Calavera Cernusco	"	02/11/2028	128	1,709	**1,837**
Cernusco Lombardone	"	01/03/2029	95	1,108	**1,203**
Cinisello Balsamo	Fisso	09/01/2027	180	1,822	**2,002**
Collegno	Euribor + spread	20/06/2029	139	1,639	**1,778**
Como Lipomo	"	01/03/2029	137	1,618	**1,755**
Corbetta	"	01/03/2022	85	513	**598**
Cornaredo	"	05/08/2028	86	1,129	**1,215**
Corsico	"	11/08/2027	160	1,676	**1,836**
Curtatone	"	26/09/2029	73	882	**955**
Dalmine	"	28/04/2028	150	1,621	**1,771**
Ferrara	"	01/06/2022	69	435	**504**
Ferrara sud	"	pre-leasing	-	1,175	**1,175**
Fidenza	"	13/12/2029	106	1,316	**1,422**
Gallarate	"	01/08/2026	144	1,288	**1,432**
Gravellona Toce	"	01/04/2029	78	936	**1,014**
Lainate Casello	"	20/10/2028	142	1,593	**1,735**
Lainate Sempione	"	11/10/2028	125	1,506	**1,631**
Lainate Sempione Opere	"	11/10/2028	6	55	**61**
Legnano	"	01/12/2020	188	474	**662**
Lido di Camaiore	"	13/11/2029	150	1,795	**1,945**
Macerata	Fisso	29/05/2030	62	965	**1,027**
Mestre	Fisso	24/10/2026	145	1,400	**1,545**
Mirabilandia	Euribor + spread	01/07/2029	88	1,351	**1,439**
Modena Sud	"	16/09/2028	127	2,333	**2,460**
Modena Victoria	"	31/12/2029	119	1,446	**1,565**
Montano Lucino	"	25/10/2029	132	1,643	**1,775**
Olgiate Comasco	"	31/03/2029	134	1,545	**1,679**
Padova	"	01/03/2026	166	1,560	**1,726**
Parma	"	06/11/2030	132	2,339	**2,471**
Pavia	"	16/01/2027	100	1,020	**1,120**
Pioltello	"	19/09/2028	162	1,798	**1,960**
Rovato	"	07/10/2028	139	1,588	**1,727**
Rozzano	"	23/09/2026	145	1,561	**1,706**
Saronno		pre-leasing	-	1,114	**1,114**
Segrate		31/10/2030	214	2,802	**3,016**
Senigallia	"	18/04/2028	93	1,001	**1,094**
Sesto Fiorentino	"	pre-leasing	-	2,401	**2,401**
Tradate	"	01/12/2029	141	1,679	**1,820**
Treviso Silea	"	27/07/2027	226	1,915	**2,141**
Trezzano	"	08/10/2027	154	1,627	**1,781**
Vicenza	"	08/10/2027	120	1,255	**1,375**
Vigevano		31/08/2030	128	1,642	**1,770**
Voghera	"	02/12/2028	65	779	**844**
Other minor leasings	"		745	2,960	**3,705**
Bond Private Placement	5.10%	2020 - 2023	749	37,367	**38,116**
Due to Factoring companies	Euribor + spread		23,832	-	**23,832**
Other Relationships	"		536	111	**647**
Total			**32,005**	**110,947**	**142,952**

18. Financial Instruments/Derivatives

(Euro/000)	31.12.2018	31.12.2018	31.12.2018
	IRS	Exchange Rates	Total
Non-current assets	-	2,513	2,513
Current assets	-	1,561	1,561
Non-current liabilities	(159)	-	(159)
Current liabilities	(355)	(75)	(430)
Total	**(514)**	**3,999**	**3,485**

(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)**

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 at 31 December 2018, through which the variable EURIBOR rate was replaced with a fixed rate. The measurement of these contracts resulted in the recognition of a total liability of Euro 514 thousand (Euro 319 thousand at 31 December 2017).

The measurement of the hedging contracts for exchange rate risks instead resulted in the recognition of a current asset of Euro 1,561 thousand, almost entirely relating to forward purchases of US dollars and Euro entered into by subsidiary Marr Russia L.l.c. and a current liability of Euro 75 thousand.

A non-current asset of Euro 2,513 thousand was also recognized, which 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)	31.12.2018	31.12.2017
Staff Severance Provision	23,929	25,942
Other benefits	10	5
Total	**23,939**	**25,947**

(Euro/000)	31.12.2018	31.12.2017
Opening balance	25,942	28,825
Effect of the change in consolidation area	0	195
Use for the financial year	(2,959)	(3,854)
Financial year provision	1,059	975
Actuarial gain losses	(192)	(105)
Other changes	79	(94)
Closing balance	**23,929**	**25,942**

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.

It is noted that the allocation for the period includes actuarial gains totalling Euro 195 thousand booked, net of the theoretical tax effect, in the appropriate shareholders' equity reserve as provided in IAS 19 (see the information reported for changes in Shareholders' Equity).

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	(23,221)	23,434	(23,580)	23,069	(22,936)	23,721

It is also noted that the contribution expected for next year is about Euro 796 thousand; the future payments expected for the next year can be estimated as a total of Euro 11.7 million.

20. Provision for liabilities and charges

(Euro/000)	**31.12.2018**	31.12.2017
Provisions for taxes	1,023	302
Labour disputes	1,773	2,245
Minor lawsuits and disputes	1,232	1,232
Supplementary clientele severance indemnity	7,124	6,650
Provision for losses on equity investments	-	-
Provision for rewards and promotions	-	-
Provision for future risks and losses	6,331	4,308
Total	**17,483**	**14,737**

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 change for the year includes the portion of the indemnity of subsidiary DEAL, which was contributed to MARR as a result of the merger.

The provision for future risks and losses was allocated mainly against probable liabilities connected to legal disputes in progress. The most significant amount, equal to about Euro 3 million, was set aside by subsidiary Gescar S.r.l. in relation to the dispute pending with the Lodi INPS (Italian Social Security Institute) office, which did not acknowledge the decontribution provided for in the Jobs Act. The accrual, which had been partly set aside as early as in previous financial periods, was replenished during 2018 in order to neutralise the amount of concessions used in the last months of the year following the favourable trial judgment 76/2018 handed down by the Lodi Court.

In relation to the legal dispute pending with the Italian Finance Police, 4th Division Unit of San Lazzaro di Savena (BO), for alleged breaches concerning direct tax for the 1993-1999 tax periods and VAT for the 1998 and 1999 tax periods, note that the inspection was completed in June 2000, with the main remark, known as "C.R.C.", being reported in the financial statements at 31 December 2017; the dispute was finally settled by judgment no. 1155/18 handed down by the Emilia Romagna Regional Tax Board on 17 November 2017, which, in fully granting the claim submitted by the Company, ruled the annulment of the notices of assessment that had been issued by the Revenue Agency and bound the Agency to refund the sums MARR S.p.A. had paid in complying with the lower court judgments, each party bearing their own costs.

This judgment was not appealed by the opposing party, thus becoming final. In conformity to the directions in the above judgment no. 1155 of 2018, the Revenue Agency refunded MARR the sums it had advanced while the action was pending for a total amount of Euro 6,996 thousand, including interest equal to Euro 981 thousand.

In addition to the information reported above, it should be noted that, 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 Euro 250 thousand 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 2018, this item amounted to Euro 71,317 thousand 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)	**31.12.2018**	31.12.2017
Accrued expenses and deferred income	458	143
Non - current tax liabilities	1	182
Payables for acquisition of equity investments/branches of business	-	-
Payables to Social Security Institutions	66	48
Other payables	1,081	1,007
Total	**1,606**	**1,380**

The item "Accrued expenses and deferred income" includes proceeds of Euro 373 thousand accounted for by subsidiary Chef Express S.p.A. for tax benefits granted for refurbishment and energy saving works pursuant to Article 1, paragraph 349, of Law no. 296 of 27 December 2006, activities in support of culture ("Art Bonus") in accordance with Law no. 106 of 29 July 2014 and allowances for investments qualifying for R&D tax credit as per Article 1, paragraph 35, of Law no. 190 of 23 December 2014 (Stability Law 2015). The item under examination also includes deferred interest income from customers of MARR S.p.A.

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)	31.12.2018	31.12.2017
Payables to controlling companies	**5,036**	**8,036**
Cremofin S.r.l.	5,036	**8,036**
Payables to unconsolidated subsidiaries	**0**	**0**
Payables to associated companies	**350**	**350**
Time Vending S.r.l.	350	350
Other payables		
Payables to banks	450,159	375,642
Payables to other financial institutions	32,005	30,599
Other payables	288	28
Closing balance	**487,838**	**414,655**

The breakdown of the items "Payables to banks" and "Payables to other financial institutions" is outlined in paragraph 17 above.
The amount of current financial payables increased in relation to higher uses and as a result of the reclassification of some loans to short-term items (Unicredit and Intesa San Paolo), whose covenants had not been complied with at 31 December 2018. The Group is considering the case of early repayment and subsequent replacement of the abovementioned loans.

Net Debt

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

(Euro/000)	31.12.2018	31.12.2017
A. Cash	16,973	19,145
B. Cash equivalent	293,262	250,448
C. Financial assets held for sale	-	-
D. Liquidity (A) + (B) + (C)	**310,235**	**269,593**
E. Current financial assets	**12,669**	**8,717**
F. Current bank liabilities	452,404	375,642
G. Current financial instruments	(1,132)	1,228
H. Other current financial liabilities	35,508	49,559
I- Current financial liabilities	**486,780**	**426,429**
J. Current net debt (I) - (E) - (D)	**163,876**	**148,119**
K. Non current bank liabilities	493,908	474,446
L. Bonds	0	0
M. Other non current financial liabilities	110,128	79,279
N. Non current financial instruments	159	106
O. Non current debt (K) + (L) + (M) + (N)	**604,195**	**553,831**
P. Net Debt (J) + (O)	**768,071**	**701,950**

Some loan agreements provide for financial covenants on the happening of which the bank reserve the right to terminate the loan. The covenants of the loans agreements outstanding at 31 December 2018, which were respected, are shown in the tables below.

Table1

(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 2018	10,000	25,000	9,000	45,000
Recipient of the loan	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.
Expiry date	19/07/2021	11/04/2022	29/06/2020	21/12/2020
Covenants				
Net Debt/Equity	<= 1.5	<= 2.0	<=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)	Pool Finan. BNP Paribas (Unique line as per Amendement of 31/03/2015)) (a)(II)	USPP (original amount 33 mil USD) (a)(II)	USPP (original amount 10 mil USD) (a)(II)	Banca Intesa Sanpaolo (a)(II)
Amount of the loans as at 31 December 2018	65,000	28,821 (*)	8,734 (*)	5,250
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	30/06/2022
Covenants				
Net Debt/Equity	<2.0	<2.0	<2.0	<=2.0
Net Debt/Ebitda	< 3.5	< 3.5	< 3.5	< =3.5
Ebitda/Net financial expenses	> 4.0	> 4.0	> 4.0	> =4.0

Table 3

(Euro/000)	BPER Banca S.p.A. (a)(I)	Credit Agricole Cariparma (a)(I)	BNL S.p.A. (a)(I)	Creval S.p.A.(a)(I)
Amount of the loans as at 31 December 2018	10,000	6,278	30,000	10,000
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	30/09/2020	05/01/2023
Covenants				
Net Debt/Equity	<= 2.0	<= 2.0	<= 2.0	<= 2.0
Net Debt/Ebitda	<=3.0	<4.0	< 3.0	< =3.5
Ebitda/Net financial expenses			> =4.0	

Table 4

(Euro/000)	Banca Intesa Sanpaolo (a)(II)	CREDEM (a)(I)(III)
Amount of the loans as at 31 December 2018	20,000	6,878
Recipient of the loan	MARR S.p.A.	MARR S.p.A.
Expiry date	04/10/2021	18/07/2021
Covenants		
Net Debt/Equity	<=2.0	
Net Debt/Ebitda	< 3.5	=< 4.9
Ebitda/Net financial expenses	> =4.0	>= 16.20

(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;
(III) If one of the following indexes is not complied with: Net Debt/EBITDA<=3.15 and EBITDA/Net financial costs >=14.5 the bank is entitled to increase the interest rate compared to the applicable spread;
(*) The euro value is shown at the euro/USD exchange rate on 31/12/18.

Table 5

(Euro/000)	Sberbank	Sberbank	Sberbank	Sberbank
Amount of the loans as at 31 December 2018	1,307 (*)	16,308 (*)	18,817 (*)	21,027 (*)
Recipient of the loan	Marr Russia L.l.c.	Marr Russia L.l.c.	Marr Russia L.l.c.	Kaskad Llc
Expiry date	20/11/2021	05/09/2021	09/04/2021	28/12/2022
Covenants				
Net Debt/Ebitda (b)	< 4.0	< 4.0	< 4.0	< 4.0
Total liabilities/Equity capital (b)	< 1.5	< 1.5	< 1.5	
Net Income/Revenues (b)	> 0	> 0	> 0	> 0
Net Income/Revenues (d)				> 0
Net Debt/Ebitda (c)	< 4.9	< 4.9	< 4.9	< 4.9
Ebitda/interests (c)	>2.4	>2.4	>2.4	>2.4
Ebit/Revenues (c)	> 0.047	> 0.047	> 0.047	> 0.047

(b) covenants calculated on the financial statements of Marr Russia L.l.c. (quarterly verified);
(c) covenants calculated on the financial statements of Inalca Eurasia Holding Gesmbh (annually verified).
(d) covenants calculated on the financial statements of Kaskad L.l.c. (quarterly verified);
(*) The euro value is shown at the euro/RUR exchange rate on 31/12/18.

Table 6

(Euro/000)	BNL S.p.A. (e)	Banca Intesa Sanpaolo (e)	Unicredit S.p.A. (e)	Banca del Mezzogiorno - MedioCredito Centrale S.p.A. (e)
Amount of the loans as at 31 December 2018	20,000	6,500	61,500	19,011
Recipient of the loan	INALCA S.p.A	INALCA S.p.A	INALCA S.p.A	INALCA S.p.A
Expiry date	10/07/2022	31/12/2019	16/12/2021	30/09/2023
Covenants				
Net Debt/Ebitda	< 3.5	< 3.0	< 2.75	<= 3.5
Net Debt/Patrimonio Netto	< 0.9	< 0.8	-	< =0.9
Ebitda/Net financial expenses			> 5.0	

Table 7

(Euro/000)	BPER Banca S.p.A. (e)	Cariparma S.p.A. (e)	Banca Intesa Sanpaolo (e)
Amount of the loans as at 31 December 2018	30,000	5,035	35,000
Recipient of the loan	INALCA S.p.A	INALCA S.p.A	INALCA S.p.A
Expiry date	09/10/2024	22/12/2020	30/06/2022
Covenants			
Net Debt/EBITDA	< 3.5	< 3.5	< 3.0
Net Debt/Equity	< 0.9	< 0.9	< 0.8

Table 8

(Euro/000)	BNL S.p.A. (e)	ING BANK N.V. (e)	Ubi Banca S.p.A. (e)
Amount of the loans as at 31 December 2018	8,060	40,667	15,000
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

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

Table 9

(Euro/000)	BPER Banca S.p.A. (g)	BNL S.p.A. (g)	ING BANK N.V.
Amount of the loans as at 31 December 2018	20,000	10,000	13,500
Recipient of the loan	Inalca F&B S.r.l.	Inalca F&B S.r.l.	Zaklady Miesne Soch. Llc
Expiry date	19/12/2021	09/10/2024	30/06/2024
Covenants			
Net Debt/Ebitda	< 3.5	< 3.5	< 3.5 (g)
Net Debt/Patrimonio Netto	< 0.9	< 0.9	< 0.9 (g)
Ebitda/Net financial expenses	-	-	-
Tangible Net worth/Total Assets			>30% (h)

g) covenants calculated on the consolidated figures of the INALCA Group on an annual basis;
(h) covenant calculated on the local financial statements of Zaklady Miesne Sochocin S.p.z.o.o.

Table 10

(Euro/000)	Banca Intesa Sanpaolo S.p.A. (i)	UBI Banca S.p.A. (i)
Amount of the loans as at 31 December 2018	17,500	25,000
Recipient of the loan	Cremonini S.p.A.	Cremonini S.p.A.
Expiry date	30/06/2022	24/07/2025
Covenants		
Net Debt/EBITDA	<= 4.0	<= 4.0
Net Debt/Equity		<= 2.75
Ebitda/Net financial expenses	>=4.0	>=4.0

(i) covenants calculated on the consolidated financial statements of the Cremonini Group;

Table 11

(Euro/000)	Banco BPM S.p.A. (l)	BNL S.p.A. (l)	Banca Intesa Sanpaolo S.p.A. (l)	UBI Banca S.p.A. (l)
Amount of the loans as at 31 December 2018	15,000	7,800	10,000	5,000
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 consolidated financial statements of Cremonini S.p.A. at 31 December of each year.

Table 12

(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 2018	8,500	12,000	3,000	2,777
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 consolidated financial statements of Cremonini S.p.A. at 31 December of each year.

24. Current tax liabilities

(Euro/000)	31.12.2018	31.12.2017
VAT	1,763	1,126
IRAP	1,340	1,151
IRES	4,627	1,816
Withholding taxes	10,642	9,702
Substitute taxes and other taxes payable	4,193	5,278
Total	**22,565**	**19,073**

IRAP and IRES payables relate to 2018 financial year taxes not yet paid at the year-end.

25. Current trade liabilities

(Euro/000)	31.12.2018	31.12.2017
Suppliers	**666,623**	**658,310**
Payables to unconsolidated subsidiaries	**196**	**79**
D'Autore Food S.r.l.	192	-
Fratelliditalia S.A.	-	1
Inalca F&B (Shanghai) Co Ltd	-	35
Quinto Valore S.c.a.r.l.	-	43
Società Agricola Transumanza S.r.l.	4	-
Debiti verso imprese collegate	**2,064**	**412**
Bottega Mediterranea Sdn Bhd	26	-
Farm Service S.r.l.	1	-
Frigomacello S.r.l.	1	1
Griglia Doc S.r.l.	-	25
Parma Sofrelim S.a.s.	662	53
Sì Frutta S.r.l.	25	-
Società Agricola Marchesina S.r.l.	1,188	-
Time Vending S.r.l.	1	-
Unitea S.r.l.	347	333
Payables to controlling companies	**59**	**35**
Cremofin S.r.l.	59	35
Total	**668,942**	**658,836**

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

26. Other current liabilities

(Euro/000)	31.12.2018	31.12.2017
Accrued expenses and deferred income	4,747	5,202
Inps/Inail/Scau	12,164	11,864
Inpdai/Previndai/Fasi/Besusso	186	160
Enasarco/FIRR	1,089	1,023
Payables to other social security institutions	4,400	3,795
Other payables		
Advances and other payables to customers	13,738	13,452
Payables for employee remuneration	49,426	46,833
Payables for acquisition of equity investments	361	10,574
Guarantee deposits and down payments received	245	238
Payables to directors and auditors	963	1,109
Payables to agents	160	143
Other minor payables	6,008	5,981
Total	**93,487**	**100,374**

The item "Accrued expenses and deferred income" 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 Euro 2,390 thousand at 31 December 2018 increased by

Euro 307 thousand compared to Euro 2,083 thousand in 2017 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 2018 and the allocations relating to deferred remuneration. The significant increase of the payable compared to last year is mainly justified by the increased headcount consequent to the continuous development of the commercial and in the concession catering businesses (Roadhouse S.p.A. andChef Express S.p.A.).

Guarantees, sureties and commitments

(Euro/000)	**31.12.2018**	31.12.2017
Direct guarantees – sureties		
- related companies	-	-
- other companies	128,550	131,567
	128,550	**131,567**
Direct guarantees – letter of comfort		
- associated companies	25,100	8,600
- other companies		-
	25,100	**8,600**
Other risks and commitments	38,228	29,308
Total guarantees, sureties and commitments	**191,878**	**169,475**

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	31,920	VAT for compensation.
Highways and Oil Companies	Cremonini S.p.A. subsidiares	29,789	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	12,557	Guaranteeing concessions for on-board catering services, station buffets and operation of storage facilities.
Public Agencies	Cremonini S.p.A. subsidiares	30,256	Garantees release for the timely execution of contracts lasting several years.
Airports	Cremonini S.p.A. subsidiares	12,006	Guaranteeing successful conclusion of contracts.
Other minor items	Cremonini S.p.A. and other subsidiaries	12,022	Administration of rented properties, energy supplies, credit cards, successful conclusion of contracts, etc.
Total		**128,550**	

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.	25,175
Credit letter of purchase of goods	Marr S.p.A.- As.Ca.	11,525
Other sundry	Fiorani & C S.p.A. - Italia Alimentari S.p.A.	1,528
Total		**38,228**

"Commitments for real estate purchases" regard preliminary contracts to buy real estate where the Roadhouse S.p.A. "steakhouse" chain can be further developed (Trieste, Agrate, Monza, Casalecchio, Carate Brianza, Pisa, Milan Viale Richard, Seregno, Padova Ovest, Assago, Erba, Arezzo, Capriolo, Bussolengo, Cremona, Belluno and Noventa di Piave).
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)	31.12.2018	31.12.2017 *
Revenues from sales - Finished goods	1,563,863	1,480,181
Revenues from sales - Goods for resale	2,031,968	2,010,431
Revenues from sales - Oil	10,386	9,722
Revenues from sales - Others	81,654	67,211
Revenues from services	379,150	327,942
Advisory services to third parties	918	1,506
Rent income	3,720	3,350
Other revenues from ordinary activities	49,104	47,800
Total	**4,120,763**	**3,948,143**

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of "Revenues from services", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

Below is a breakdown of revenues by geographical area:

(Euro/000)	31.12.2018	31.12.2017 *
Italy	3,122,950	2,971,788
European Union	475,513	438,403
Non-EU countries	522,300	537,952
Total	**4,120,763**	**3,948,143**

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of the item "Italy", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

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)	31.12.2018	31.12.2017
Contributions by suppliers and others	36,758	35,501
Operating grants	4,595	6,683
Other sundry revenues	22,062	27,622
Total	**63,415**	**69,806**

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)	31.12.2018	31.12.2017
Rent income	787	535
Insurance reimbursements	4,502	2,582
Capital gains on disposal of capital goods	649	494
Other cost reimbursements	3,463	3,362
Services, consultancy and other minor revenues	12,661	20,649
Total	**22,062**	**27,622**

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)	**31.12.2018**	31.12.2017
Costs for purchases - Raw materials	(1,035,277)	(988,366)
Costs for purchases - Goods for resale	(1,625,274)	(1,561,589)
Costs for purchases - Secondary materials, consumables, semi-finished goods, packages	(95,331)	(89,189)
Costs for purchases - Finished goods	(31,993)	(31,097)
Costs for purchases - Oil	(9,929)	(9,008)
Costs for purchases - Stationery and printed paper	(2,063)	(1,982)
Changes in inventories of raw materials, secondary materials, consum. and goods for resale	15,362	34,529
Other costs for purchases	(97,416)	(106,902)
Total	**(2,881,921)**	**(2,753,604)**

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 "Revenues from oil sales", an item attributable entirely to the Catering sector.

30. Other operating costs

(Euro/000)	**31.12.2018**	31.12.2017 *
Costs for services	(510,550)	(486,865)
Costs for leases and rentals	(103,699)	(92,512)
Other operating charges	(21,180)	(17,008)
Total	**(635,429)**	**(596,385)**

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of the item "Costs for services", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

Costs for services

(Euro/000)	**31.12.2018**	31.12.2017 *
Energy consumption and utilities	(52,457)	(47,970)
Maintenance and repairs	(28,301)	(27,180)
Transport on sales	(112,602)	(104,747)
Commisions, commercial and distribution services	(111,434)	(108,464)
Third-party services and outsourcing	(61,374)	(54,758)
Purchasing services	(37,919)	(42,188)
Other technical and general services	(106,463)	(101,558)
Total	**(510,550)**	**(486,865)**

(*) The adoption of IFRS15 has entailed the restatement of the 2017 balances of the item "Commissions, commercial and distribution services", as a result of the different method of accounting for costs for product placement services which were taken as a direct reduction in revenues from 1 January 2018.

The increase in service costs relates for Euro 12.7 million to the Production sector, for Euro 5.1 million to the Distribution sector and for Euro 6.1 million to the Catering sector.

Costs for leases and rentals

(Euro/000)	**31.12.2018**	31.12.2017
Lease of business premises, royalties and others	(69,284)	(61,672)
Costs for leases	(55)	(18)
Leases and rentals related to real and personal property	(34,360)	(30,822)
Total	**(103,699)**	**(92,512)**

The costs for leases and rentals, up by Euro 11.2 million 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)	**31.12.2018**	31.12.2017
Losses on receivables	(57)	(26)
Indirect taxes and duties	(10,862)	(9,947)
Capital losses on disposal of assets	(1,120)	(290)
Contributions and membership fees	(1,760)	(1,598)
Other minor costs	(7,381)	(5,147)
Total	**(21,180)**	**(17,008)**

31. Personnel costs

(Euro/000)	**31.12.2018**	31.12.2017
Salaries and wages	(291,173)	(278,180)
Social security contributions	(80,940)	(79,821)
Staff Severance Provision	(16,485)	(14,842)
Pension and similar provisions	(179)	(8)
Other personnel costs	(25,031)	(24,533)
Total	**(413,808)**	**(397,384)**

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 catering sectors up by Euro 13.7 million and production up by Euro 2.3 million.
In the catering sector the main reason for the increase was the opening of new outlets by subsidiaries Chef Express S.p.A. and Roadhouse S.p.A. and an extension of catering services of subsidiary Momentum Services Ltd partly offset by a decrease recorded by subsidiary Railrest owing to a cut in the services provided on first-class carriages.

In the Production sector the increase is linked to the effects deriving from the different scope of the consolidation (Euro 1.1 million) and to new sales outlets managed by subsidiary Guardamiglio S.r.l.. In Angola the euro/kwanza exchange rate trend entailed a reduction of about Euro 2.5 million in personnel costs.

As at 31 December 2018 Group employees amounted to 13,162 compared to 12,534 at 31 December 2017.

The increase is mainly attributable to the Catering and Production sectors that increased their headcounts respectively by 485 and 128 employees.

Specifically, increase in the Catering sector concerned the subsidiaries Roadhouse S.p.A., Chef Express S.p.A. Momentum Services Ltd 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 2018 is shown in the following schedule:

	Factory staff	Office staff	Managers	**Total**
Employees as at 31.12.2017	9,648	2,724	162	12,534
Employees as at 31.12.2018	**10,375**	**2,615**	**172**	**13,162**
Increases (decreases)	727	(109)	10	628
Average no. of employees during year 2018	**10,323**	**2,616**	**172**	**13,111**

32. Amortization, depreciation, write-downs and provisions

(Euro/000)	**31.12.2018**	31.12.2017
Depreciation of tangible assets	(83,834)	(76,784)
Amortization of intangible assets	(5,065)	(4,359)
Other write-downs of fixed assets	(2,386)	(2,543)
Write-downs and provisions	(30,945)	(26,306)
Total	**(122,230)**	**(109,992)**

The "Other write- downs of fixed assets" item includes the effects of the impairment test on the goodwill. This impacted by Euro 1,975 thousand in 2018 and Euro 2,040 thousand in 2017.
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)	**31.12.2018**	31.12.2017
Net exchange rate differences	1,348	(15,079)
Income (Charges) from management of derivatives	(457)	(556)
Net financial Income (Charges)	(16,341)	(12,944)
Total	**(15,450)**	**(28,579)**

Exchange rate differences

(Euro/000)	**31.12.2018**	31.12.2017
Realized exchange rate profits	6,544	4,181
Realized exchange rate losses	(16,031)	(9,168)
Unrealized exchange rate profits	19,156	10,486
Unrealized exchange rate losses	(8,216)	(20,506)
Realized income from management of exchange rate derivatives	610	1,567
Evaluated income from management of exchang rate derivatives	44	-
Realized charges from management of exchange rate derivatives	(633)	(1,360)
Evaluated charges from management of exchange rate derivatives	(126)	(279)
Total	**1,348**	**(15,079)**

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)	**31.12.2018**	31.12.2017
Realized Charges from management of derivatives	(457)	(556)
Total	**(457)**	**(556)**

Net financial Income (Charges)

(Euro/000)	**31.12.2018**	31.12.2017
Financial Income (Charges) due to controlling companies	**(47)**	**(36)**
Financial income		
- Bank interest receivable	3,191	1,857
- Other financial income	3,290	2,416
Total financial income	**6,481**	**4,273**
Financial charges		
- Interest payable on loans	(8,402)	(3,998)
- Interest payable on factoring	(2,225)	(2,259)
- Interest payable on current accounts and others	(4,664)	(5,113)
- Other bank charges	(627)	(524)
- Other sundry charges	(6,857)	(5,287)
Total financial charges	**(22,775)**	**(17,181)**
Total	**(16,341)**	**(12,944)**

Financial charges showed an increase compared to the previous year as a result of accounting for a loss on the net cash position of subsidiary Inalca Angola Ltda, equal to Euro 4.2 million. This loss arose from the adoption of "IAS 29 – Financial Reporting in Hyperinflationary Economies" in the financial statements of the Angolan subsidiary, the currency of which recorded a considerable depreciation in recent years.

34. Income taxes

(Euro/000)	**31.12.2018**	31.12.2017
IRES	(43,291)	(39,423)
IRAP	(9,881)	(9,059)
Net deferred tax assets/liabilities	(4,586)	(16)
Total	**(57,758)**	**(48,498)**

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 : Euro 6,843 thousand
- Independent auditors: Euro 982 thousand

Subsequent events

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

* * * * * *

Castelvetro di Modena, 28 March 2019

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 2018;
Annex 2	-	List of revenues and costs from/to subsidiaries, associated, controlling and related companies for 2018;
Annex 3	-	Statement of changes in tangible assets for the financial year ended as at 31 December 2018;
Annex 4	-	Statement of changes in intangible assets for the financial year ended as at 31 December 2018;
Annex 5	-	List of equity investments classified under financial assets as at 31 December 2018 and others;
Annex 6	-	List of equity investments in subsidiaries and associated companies as at 31 December 2018 (Article 2427, paragraph 5, of the Italian Civil Code) with an indication of those falling within the scope of consolidation.

Annex 1

Breakdown of receivables and payables from/to subsidiaries, associated, controlling and related companies as at 31 December 2018

(Euro/000)	Trade		Other		**Total**	
	Receivables	Payables	Receivables	Payables	**Receivables**	**Payables**
Subsidiaries:						
Agrosakmara Llc	-	-	2,734	-	**2,734**	**-**
Agrosakmara Bashkiria Llc	-	-	435	-	**435**	**-**
D'Autore Food Srl	47	192	1,829	-	**1,876**	**192**
E-Marco Polo Spa	324	-	50	-	**374**	**-**
Fabri Fine Italian Food PTY Ltd	-	-	223	-	**223**	**-**
Imprenditori per E-Marco Polo Srl	-	-	-	-	**-**	**-**
Inalca Eurasia Kazakhstan Llp	-	-	58	-	**58**	**-**
Italia Alimentari Canada Ltd	1,244	-	1,215	-	**2,459**	**-**
Mille Sapori Gdansk	82	-	-	-	**82**	**-**
Mille Sapori Poznan	143	-	-	-	**143**	**-**
Quinto Valore S.c.a.r.l.	-	-	-	-	**-**	**-**
SCDA Angola SA	-	-	-	-	**-**	**-**
Shanghai Chef Exp.Rail Cater. Manag.Company Ltd	1	-	-	-	**1**	**-**
Società Agricola Transumanza S.r.l.	-	4	821	-	**821**	**4**
Fondo svalutazione crediti	-	-	-	-	**-**	**-**
Total subsidiaries	**1,841**	**196**	**7,365**	**-**	**9,206**	**196**
Associated companies:						
Avirail S.a.s.	-	-	-	-	**-**	**-**
Bottega Mediterranea Sdn Bhd	13	26	244	-	**257**	**26**
Castello di Godego S.r.l.	1	-	900	-	**901**	**-**
Farm Service S.r.l.	229	1	333	-	**562**	**1**
Food & Co	-	-	-	-	**-**	**-**
Frigomacello s.R.L.	-	1	776	-	**776**	**1**
Frimo S.a.m.	-	-	38	-	**38**	**-**
Griglia Doc S.r.l.	-	-	-	-	**-**	**-**
Inalca Emirates Trading Llc	538	-	-	-	**538**	**-**
Inalca West Africa Food & Beverage Ltd	249	-	-	-	**249**	**-**
Parma Sofrelim S.a.s.	17	662	-	-	**17**	**662**
Sardinia Logistica S.r.l.	-	-	-	-	**-**	**-**
Sì Frutta S.r.l.	43	25	-	-	**43**	**25**
Società Agricola Marchesina S.r.l.	-	1,188	400	-	**400**	**1,188**
Time Vending S.r.l.	54	1		350	**54**	**351**
Unieffebi Srl	-	-	13	-	**13**	**-**
Unitea S.r.l.	591	347	-	-	**591**	**347**
Fondo svalutazione crediti	-	-	-	-	**-**	**-**
Total associated companies	**1,735**	**2,251**	**2,704**	**350**	**4,439**	**2,601**
Related and controlling companies:						
A.G.M. S.r.l.	-	70	220	-	**220**	**70**
Bluimex Sp. Zo.o.	-	2	-	-	**-**	**2**
Cremofin S.r.l.	6	59	-	5,036	**6**	**5,095**
Le Cupole S.r.l.	-	-	-	-	**-**	**-**
LLc Soyuz	148	-	281	-	**429**	**-**
Namsov Fishing Enterprises Ltd	-	187	-	-	**-**	**187**
TreErre Food S.r.l.	219	-	-	-	**219**	**-**
Twoford Holdings Ltd	-	25	-	-	**-**	**25**
Total related companies	**373**	**343**	**501**	**5,036**	**874**	**5,379**

Annex 2

List of revenues and costs from/to subsidiaries, associated, controlling and related companies for 2018

(Euro/000)	Trade		Other		**Total**	
	Revenues	Costs	Revenues	Costs	**Revenues**	**Costs**
Subsidiaries:						
Agrosakmara Llc	-	782	180	-	**180**	**782**
Agrosakmara Bashkiria Llc	-	-	23	-	**23**	**-**
D'Autore Food Srl	286	223	14	-	**300**	**223**
E-Marco Polo (E-MP) Spa	265	-	90	-	**355**	**-**
Imprenditori per E-Marco Polo Srl	-	-	-	-	**-**	**-**
Italia Alimentari Canada Ltd	1	-	68	-	**69**	**-**
Mille Sapori Gdansk	322	-	-	-	**322**	**-**
Mille Sapori Poznan	399	-	-	-	**399**	**-**
Quinto Valore S.c.a.r.l.	-	-	-	3	**-**	**3**
SCDA Angola SA	-	-	-	-	**-**	**-**
Total subsidiaries	**1,273**	**1,005**	**375**	**3**	**1,648**	**1,008**
Associated companies:						
A.G.M.S.r.l.	-	-	-	-	**-**	**-**
Avirail S.a.s.	-	-	4	-	**4**	**-**
Bottega Mediterranea Sdn Bhd	131	39	6	-	**137**	**39**
Farm Service S.r.l.	3,049	5	(9)	-	**3,040**	**5**
Frigomacello S.r.l.	-	3	-	-	**-**	**3**
Frimo S.a.m.	-	-	11	-	**11**	**-**
Inalca West Africa Food & Beverage Ltd	249	-	-	-	**249**	**-**
Parma Sofrelim S.a.s.	416	1,048	8	-	**424**	**1,048**
Sì Frutta S.r.l.	13	55	-	-	**13**	**55**
Società Agricola Marchesina S.r.l.	7,692	9,121	-	-	**7,692**	**9,121**
Time Vending S.r.l.	74	-	196	2	**270**	**2**
Unitea S.r.l.	3,710	1,714	-	8	**3,710**	**1,722**
Total associated companies	**15,334**	**11,985**	**216**	**10**	**15,550**	**11,995**
Controlling companies						
Cremofin S.r.l.	-	-	4	47	**4**	**47**
Total controlling companies	**-**	**-**	**4**	**47**	**4**	**47**
Related companies:						
A.G.M. S.r.l.	-	57	-	-	**-**	**57**
Bluimex Sp. Zo.o.	-	25	-	-	**-**	**25**
Le Cupole S.r.l.	-	668	4	-	**4**	**668**
LLc Soyuz	1,414	-	34	-	**1,448**	**-**
Longsy Italy Co Ltd	-	-	-	-	**-**	**-**
Namsov Fishing Enterprises Ltd	-	9,227	15	-	**15**	**9,227**
NBM Trading Consulting Lda	-	-	-	-	**-**	**-**
TreErre Food S.r.l.	1,858	-	-	-	**1,858**	**-**
Total related companies	**3,272**	**9,977**	**53**	**-**	**3,325**	**9,977**

Annex 3

Statement of changes in tangible assets for the financial year ended as at 31 December 2018

(Euro/000)	Opening position			Changes over the period								Closing position		
	Initial cost	Depreciation provision	Balance at 31.12.2017	Net effects of the change in consolidation area	Acquisitions	Net decreases	(Impairment) Reversal of an impairment	Hyperinflation effetc	Reclassif./ Other changes	Exchange Differences	Depreciation	Initial cost	Depreciation provision	Balance at 31.12.2018
Land and buildings	942,897	(241,378)	701,519	(475)	55,065	(1,047)	(319)	13,804	13,347	(9,229)	(30,758)	1,013,296	(271,389)	741,907
Plant and machinery	569,304	(399,928)	169,376	(421)	37,343	(1,621)	396	233	8,428	(1,728)	(33,908)	606,347	(428,249)	178,098
Industrial and business equipment	45,998	(33,192)	12,806	26	3,784	(86)	31	53	779	(35)	(4,482)	47,755	(34,879)	12,876
Other assets	145,798	(90,641)	55,157	1,573	18,982	(1,418)	57	-	4,116	(166)	(14,686)	166,190	(102,575)	63,615
Fixed assets under construction and advances	39,117	0	39,117		54,152	(727)	-	427	(26,636)	(1,708)	-	64,625	0	64,625
Total	**1,743,114**	**(765,139)**	**977,975**	**703**	**169,326**	**(4,899)**	**165**	**14,517**	**34**	**(12,866)**	**(83,834)**	**1,898,213**	**(837,092)**	**1,061,121**

Annex 4

Statement of changes in intangible assets for the financial year ended as at 31 December 2018

(Euro/000)	Opening position			Changes over the period						Closing position		
	Initial cost	Amortization provision	Balance at 31.12.2017	t effects change consolidation a	Acquisitions	Net decreases	Reclass. Other changes	Exchange Differences	Amortiz.	Initial cost	Amortization provision	Balance at 31.12.2018
Patents and intellectual property rights	17,743	(15,283)	2,460	364	2,194	-	794	(14)	(1,877)	20,282	(16,361)	3,921
Development costs	655	(201)	454	-	-	-	-	-	(131)	655	(332)	323
Concessions, licences, trademarks and similar rights	22,447	(6,858)	15,589	4	712	(4)	64	(11)	(1,618)	22,551	(7,815)	14,736
Fixed assets under development and advances	2,899	-	2,899	-	1,360	(621)	(746)	-	-	2,892	-	2,892
Other intangible assets	10,524	(5,761)	4,763	-	377	-	151	167	(780)	10,807	(6,129)	4,678
Total	**54,268**	**(28,103)**	**26,165**	**368**	**4,643**	**(625)**	**263**	**142**	**(4,406)**	**57,187**	**(30,637)**	**26,550**

Annex 5

List of equity investments classified under financial assets as at 31 December 2018 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	-	
D'Autore Food S.r.l.	100.00	-	64				100.00	64	
Fabri Fine Italian Foods Pty Ltd	75.00	108	6			(5)	75.00	109	
Imprenditori per E-Marco Polo S.r.l.	60.00	19	241		(3)		96.16	257	
Inalca Food & Beverage Shanghai Co Ltd	100.00	156				(156)	100.00	-	(a)
Inalca Food Service Kaz Llp	100.00	114				(114)	100.00	-	(a)
Italia Alimentari Canada Ltd	60.00	408					60.00	408	
Inalca Foods Nig Limited	57.00	-					57.00	-	
Mille Sapori Due S.p.z.o.o. (Gdansk)	-	-	1,221				100.00	1,221	
Mille Sapori Tre S.p.z.o.o.(Poznan)	-	-	352				100.00	352	
MSP Trasport S.p.z.o.o.	-	-	25					25	
Montana Farm S.p.zo.o.	100.00	180			(80)		100.00	100	
PeckInalca Lda	51.00	8				(8)	51.00	-	
Quinto Valore s.c.a.r.l.	100.00	90			(90)		100.00	-	
SCDA Angola S.A.	51.00	5				(5)	51.00	-	
Shanghai Chef Express Rail Catering Manag.Company	100.00	-	134		(134)		100.00	-	
Società Agricola Transumanza S.r.l.	-	-	5				51.00	5	
Total subsidiaries companies		**1,088**	**2,048**	**0**	**(307)**	**(288)**	**1,340**	**2,541**	
Associated companies									
A.G.M. S.r.l.	29.55	66					29.55	66	
Avirail S.a.s.	49.00	366					49.00	366	
Bottega Mediterranea Sdn Bhd	50.00	-					50.00	-	
Consorzio I.R.I.S. S.a.r.l.	37.50	4					37.50	4	
Gourmet Italia Ltd in liq.	20.00	-	32				20.00	32	
Farm Service S.r.l.	37.00	257					37.00	257	
Frigomacello S.r.l.	50.00	45	20				50.00	65	
Frimo SAM	45.30	527					45.30	527	
Griglia Doc S.r.l.	50.00	740				(740)	-	-	(b)
Inalca Emirates Trading Llc	49.00						49.00		
Inalca West Africa Food & Beverage Ltd	45.00								
Longsi Italia Co Ltd	40.00	-	8			1	40.00	9	
Parma Sofrelim S.a.s.	50.00	800			190		50.00	990	
Sardinia Logistica S.r.l.	50.00	-	78		(78)		-	-	
SCEA PBL	-	-	90				30.00	90	
SC Pulsar	-	-	240				30.00	240	
Sì Frutta S.r.l.	-	-	516				40.00	516	
Società Agricola Castello di Godego S.r.l.	50.00	50			272		50.00	322	
Società Agricola Marchesina S.r.l.	-	-	825		1,955		50.00	2,780	
Time Vending S.r.l.	50.00	374			167	(290)	50.00	251	
Unitea S.r.l.	50.00	1,950				(500)	50.00	1,450	
Total associated companies		**5,179**	**1,809**	**0**	**2,506**	**(1,529)**		**7,965**	
Other companies:									
Banca Centro Padana		52		(12)				40	
Baronia Sviluppo Italia		93		(93)				-	
B.F. Holding S.p.A.		5,714	3,293					9,007	
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		533						533	
Montagna Spa		-	490					490	
Nuova Campari S.p.A.		1,549						1,549	
Others		342		(59)		(7)		276	
Total other companies		**9,653**	**3,783**	**(164)**	**0**	**(7)**		**13,265**	
Current financial assets held for sale									
Government securities of the state of Angola		17,997				(6,223)		11,774	
Total Current financial assets held for sale		**17,997**	**0**	**0**	**0**	**(6,223)**		**11,774**	
Deferred financial assets held for sale									
BPER Banca S.p.A.		4,137			(831)			3,306	
Banco Popolare Società Cooperativa *		253			(63)			190	(c)
Total deferred financial assets held for sale		**4,390**	**0**	**0**	**(894)**	**0**		**3,496**	

(a) Company consolidated from 2018
(b) Company incorporated into DE.AL. S.r.l. after the acquisition of the remaining 50% of quotas
(c) The impairment of the equity investment has been recorded in the equity reserve set aside for the purpose
* Company merged into Banco BPM SpA on 1 January 2017.

Annex 6

List of equity investments in subsidiaries and associated companies as at 31 December 2018 (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, unles otherwise indicated)	Result for the financial year ended 31.12.2018	Shareholders' equity at 31.12.2018	Control share at 31.12.2018	Shareholding at 31.12.2018	Book value (A)	Portion of the Shareholders' Equity (B)	Difference (B) - (A)	Participants at 31.12.2018	Control share at 31.12.2017	Shareholding at 31.12.2017	Notes
Investments valued at equity:													
Subsidiaries companies:													
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%	(b)
Parma Sofrelim S.a.s.	St Germain Les Vergne - France	1,200,000	186	1,554	50.00%	18.26%	990	777	(213)	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%	251	375	124	Chef Express S.p.A.	50.00%	50.00%	(b)
Investments valued at cost:													
Subsidiaries													
Agrosakmara L.l.c.	Orenburg (Russia)	RUR 10.000	(75)	75	99.00%	53.16%	-	74	74	Marr Russia LLc	99.00%	53.16%	(a)(b)
D'Autore Food S.r.l.	Catselnuovo Rangone (MO)	50,000	nd	nd	100.00%	71.60%	64	-	-	Italia Alimentari S.p.A.	-	-	
Fabri Fine Italian Foods Pty Ltd	Morningside (Australia)	AUD 337.073	nd	nd	75.00%	48.33%	109	-	(111)	Fresco Gourmet Pty Ltd	75.00%	48.33%	(a)(b)
Imprenditori per E-Marco Polo S.r.l.	Castelvetro di Modena	100,000	(3)	97	60.00%	60.00%	257	58	(199)	Cremonini S.p.A.	60.00%	60.00%	(b)
Italia Alimentari Canada Ltd	Brampton (Canada)	CAD 1.000.000	(652)	(63)	60.00%	42.96%	408	(38)	(446)	Italia Alimentari S.p.A.	60.00%	42.96%	(a)
Italia Foods Nig Ltd	Nigeria	Naira 10.000.000	nd	nd	57.00%	40.81%	-	-	-	INALCA S.p.A.	57.00%	40.81%	(a)(d)
Mille Sapori Due S.p.z.o.o. (Gdansk)	Gdansk (Polonia)	PLN 100.000	nd	nd	100.00%	64.44%	1,221	-	(1,221)	MILLE SAPORI Plus Sp. z.o.o.	-	-	
Mille Sapori Tre S.p.z.o.o.(Poznan)	Poznan (Polonia)	PLN 120.000	nd	nd	100.00%	64.44%	352	-	(352)	MILLE SAPORI Plus Sp. z.o.o.	-	-	
MSP Trasport S.p.z.o.o.	Varsavia (Polonia)	PLN 100.000	nd	nd	100.00%	64.44%	25	-	(25)	MILLE SAPORI Plus Sp. z.o.o.	-	-	
Montana Farm S.p.zo.o.	Platyny (Polonia)	Zloty 285.000	(3)	54	100.00%	71.60%	100	54	(126)	Italia Alimentari S.p.A.	100.00%	71.60%	(a)(c)
Peckinalca Lda	Luanda (Angola)	AOR 3.300.000	-	17	51.00%	31.03%	-	nd	nd	Inalca Angola Ltda.	51.00%	31.03%	(a)
SCDA Angola S.A.	Kuando Kubango (Angola)	AOR 2.000.000	(50)	105	51.00%	31.03%	-	54	51	Inalca Angola Ltda	51.00%	31.03%	(a)
Shanghai Chef Express Rail Catering Manag. Company Ltd	Shanghai (Cina)	CNY 6.616.690	(373)	6	100.00%	100.00%	-	6	6	Chef Express S.p.A.	100.00%	100.00%	(a)(c)
Società Agricola Transumanza S.r.l.	Mistretta (ME)	10,000	nd	nd	51.00%	18.62%	5	-	(5)	Parma Serv S.r.l.	-	-	
Associated companies:													
A.G.M. S.r.l.	Castelnovo di Sotto (RE)	97,800	3	231	29.55%	21.16%	66	68	2	INALCA S.p.A.	29.55%	21.16%	(b)
Bottega Mediterranea Sdn Bhd	Klang Selangor (Malesia)	MYR 10	(45)	(120)	50.00%	32.22%	-	(60)	(60)	Inalca F&B Holding Malaysia SDN BHD	50.00%	32.22%	(b)
Consorzio I.R.I.S. S.a.r.l.	Bolzano	10,000	8	16	37.50%	37.50%	4	6	2	Interjet S.r.l.	37.50%	37.50%	(e)
Gourmet Italia Ltd in liq.	Bangkok (Thailandia)	BHT 6.000.000	nd	nd	20.00%	14.31%	32	-	(32)	Inalca Food & Beverage (Thailand) Co. Ltd	-	-	
Farm Service S.r.l.	Reggio Emilia	500,000	10	1,204	37.00%	26.49%	257	445	188	INALCA S.p.A.	37.00%	26.49%	(b)
Frigomacello S.r.l.	Fermo (AP)	90,000	(37)	53	50.00%	35.80%	65	nd	(65)	Valtenna Carni S.r.l. (liquidata)	50.00%	35.80%	(b)
Frimo SAM	Principato di Monaco	150,000	57	1,141	45.30%	32.43%	527	517	(10)	INALCA S.p.A.	45.30%	32.43%	(b)
Inalca West Africa Food & Beverage Ltd	Lagos - Nigeria	USD 198.000	nd	nd	45.00%	32.22%	76	-	(76)	INALCA S.p.A.	-	-	(b)
Longsi Italia Co Ltd	Bangkok (Thailandia)	BHT 2.000.000	nd	nd	40.00%	28.61%	9	-	(9)	Inalca Food & Beverage (Thailand) Co. Ltd	-	-	
SCEA PBL	Chabrignac (Francia)	300,000	nd	nd	30.00%	10.95%	90	-	(90)	Parma France S.a.s.	-	-	
SC Pulsar	Chabrignac (Francia)	306,000	nd	nd	30.00%	10.95%	240	-	(240)	Parma France S.a.s.	-	-	
Sì Frutta S.r.l.	Cervia (RA)	210,000	1,515	241	40.00%	20.17%	516	96	(420)	MARR S.p.A.	-	-	
Società Agricola Castello di Godego S.r.l.	Castelvetro di Modena	100,000	nd	nd	50.00%	35.80%	322	-	(105)	Società Agricola Corticella S.r.l.	50.00%	35.80%	(b)
Società Agricola Marchesina S.r.l.	Rosate (MI)	6,000,000	(1,250)	5,560	50.00%	35.80%	2,780	2,780	0	Società Agricola Corticella S.r.l.	-	-	(b)
Unitea S.r.l.	Mantova	100,000	1,136	3,860	50.00%	35.80%	1,450	1,930	480	Valtenna Carni S.r.l. in liquid.	50.00%	35.80%	(b)

NOTES

a) Amounts expressed in Euro resulting from the translation of the original amounts in foreign currencies /(b) The figures refer to 31 December 2017, the last financial statements available/(c) 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/(e) 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, unles otherwise indicated)	Result for the financial year ended 31.12.18	Shareholders' equity at 31.12.18	Control share at 31.12.2018	Shareholding at 31.12.2018	Consolidation method	Participants at 31.12.2018	Control share at 31.12.2017	Shareholding at 31.12.2017	Notes
Companies consolidated on a line-by-line basis:											
Alliance Express Llc	Odinzovo (Russia)	RUR 500.000	(192)	(283)	100.00%	100.00%	Line by line	Chef Express Eurasia Llc	51.00%	51.00%	(a)
As.Ca. S.p.A.	Santarcangelo di Romagna (RN)	518,000	1,552	6,686	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	(175)	132	51.00%	51.00%	Line by line	Chef Express S.p.A.	51.00%	51.00%	
Bagel Nash (Retail) Limited	London (United Kingdom)	GBP 100	94	378	100.00%	100.00%	Line by line	Gabf Holdings Limited	-	-	(b)
Bright View Trading HK Ltd	Chai Wan (Hong Kong)	MYR 1.588.921	304	1,938	69.81%	44.99%	Line by line	Inalca Food & Beverage S.r.l.	57.30%	36.92%	(a)
Chef Express S.p.A.	Castelvetro di Modena (MO)	8,500,000	4,974	33,539	100.00%	100.00%	Line by line	Cremonini S.p.A.	100.00%	100.00%	
Chef Express Eurasia	Moscow (Russia)	RUR 1.000.000	(108)	(36)	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 (Turkey)	TRY 50.000	(37)	(94)	100.00%	100.00%	Line by line	Chef Express S.p.A.	60.00%	60.00%	(a)
Chef Express UK Ltd.	London (United Kingdom)	GBP 80.000	889	1,023	100.00%	100.00%	Line by line	Chef Express S.p.A.	100.00%	100.00%	(a)
Chef Iberica S.A.	Madrid (Spain)	1,500,012	1,504	3,148	100.00%	100.00%	Line by line	Chef Express S.p.A.	100.00%	100.00%	
Cibo Sapiens S.r.l.	Gazoldo degli Ippoliti (MN)	15,000	15	58	100.00%	71.60%	Line by line	Italia Alimentari S.p.A.	100.00%	71.60%	
Comit - Comercial italiana de alimentaciòn S.L.	Tenerife (Spain)	146,880	499	2,697	60.00%	38.66%	Line by line	Inalca Food & Beverage Srl	60.00%	38.66%	
Cremonini Restauration S.a.s.	Paris (France)	1,500,000	11	1,705	100.00%	100.00%	Proportional	Chef Express S.p.A.	100.00%	100.00%	
Cremonini S.p.A.	**Castelvetro di Modena (MO)**	**67,073,932**	**24,566**	**275,125**			**Holding**				
Dispal CI	Abidjan (Ivory Coast)	FCFA 38.500.000	15	459	99.00%	70.88%	Line by line	INALCA S.p.A.	99.00%	70.88%	(a)
Fiorani & C. S.p.A.	Piacenza	500,000	2,805	6,003	51.00%	36.52%	Line by line	INALCA S.p.A.	51.00%	36.52%	
Fratelliditalia SA	Playa del Carmen (Mexico)	MXN 100.000	(221)	537	80.00%	51.55%	Line by line	Inalca Food & Beverage S.r.l.	-	-	(a)(b)
Fresco Gourmet Pty Ltd	North Sidney (Australia)	AUD 1	(331)	100	100.00%	64.44%	Line by line	Inalca Food & Beverage Srl	100.00%	64.44%	(a)
Gabf Holdings Limited	London (United Kingdom)	GBP 7.880.953	(838)	(2,427)	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	247	2,311	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	694	1,644	100.00%	100.00%	Line by line	Cremonini S.p.A.	100.00%	100.00%	
Guardamiglio S.r.l.	Piacenza	4,135,000	3,600	17,052	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
Hosteria Butarelli S.L.	Gran Canaria (Spain)	353,000	(60)	218	100.00%	38.66%	Line by line	Comit S.L.	100.00%	38.66%	
IF&B Holding Inc	Dover (US)	USD 179.960	(2)	60	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	25,795	439,768	71.60%	71.60%	Line by line	Cremonini S.p.A.	71.60%	71.60%	
Inalca Angola Ltda.	Luanda (Angola)	Kwanza 12.201.875.577	(3,774)	43,168	85.00%	60.86%	Line by line	INALCA S.p.A.	84.99%	60.85%	(a)
Inalca Algerie S.a r.l.	Algeri (Algeria)	DA 500.000.000	(2,962)	2,632	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)	3,049	(3,208)	2,598	100.00%	71.60%	Line by line	INALCA S.p.A.	55.00%	39.38%	(a)
Inalca Eurasia Holding Gesmbh	Vienna (Austria)	35,000	(33)	121,102	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 17.445.183	(13)	1,918	55.00%	35.44%	Line by line	Inalca Food & Beverage Srl	55.00%	35.44%	(a)(b)
Inalca F&B Sdn Bhd	Klang Selangor (Malaysia)	MYR 999.999	(52)	(370)	100.00%	64.44%	Line by line	Inalca Food & Beverage Malaysia Holding Sdn Bhd	100.00%	64.44%	(a)
Inalca Food & Beverage Cabo Verde Lda	Isla de Sal (Cabo Verde)	CVE 100.026.500	(165)	(51)	80.00%	51.55%	Line by line	Inalca Food & Beverage Srl	99.40%	64.05%	(a)
Inalca Food & Beverage (Thailand) Co. Ltd	Samutprakarn (Thailandia)	THB 117.650.000	(1,642)	(1,264)	99.99%	64.43%	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	(99)	(5)	100.00%	64.44%	Line by line	Inalca Food & Beverage Srl	100.00%	64.44%	(a)
Inalca Food & Beverage North America Llc	New York (US)	USD 200.000	(78)	(37)	80.00%	51.55%	Line by line	IF&B Holding Inc	80.00%	51.55%	(a)
Inalca Food & Beverage S.r.l.	Modena	9,500,000	(322)	9,178	90.00%	64.44%	Line by line	INALCA S.p.A.	90.00%	64.44%	
Inalca Food & Beverage Shanghai Co Ltd	Shanghai (China)	CNY 8.168.007	(123)	215	100.00%	64.44%	Line by line	Inalca Food & Beverage China Holding Ltd	-	-	(b)
Inalca Food Service Kaz Llp	Almaty (Republic of Kazakhstan)	KZT 40.000.000	(191)	(440)	100.00%	53.70%	Line by line	Marr Russia L.l.c.	-	-	(b)
Inalca Kinshasa S.p.r.l.	Kinshasa (Rep.Dem.Congo)	USD 3.000.000	(14,370)	4,720	85.00%	60.86%	Line by line	INALCA S.p.A.	51.00%	36.52%	(a)
Industria Alimentar Carnes de Mocambique Ltd	Maputo (Mocambique)	MZN 390.000.000	1,193	9,310	60.00%	42.96%	Line by line	INALCA S.p.A.	60.00%	42.96%	(a)
Inter Inalca Angola Ltda.	Luanda (Angola)	Kwanza 3.004.917	(37)	1,547	100.00%	71.60%	Line by line	INALCA S.p.A.	99.00%	70.88%	(a)
Interjet S.r.l.	Castelvetro di Modena (MO)	2,500,000	(722)	3,044	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	4,014	63,835	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
ITAUS Pty Ltd	North Sidney (Australia)	AUD 225.105	(548)	(361)	100.00%	64.44%	Line by line	Inalca Food & Beverage Srl	100.00%	64.44%	(a)
Kaskad L.l.c.	Moscow (Russia)	Rubli 3.028.105.232	1,073	45,103	100.00%	42.96%	Line by line	Inalca Eurasia Holding Gesmbh	100.00%	42.96%	(a)
Lounge Services S.a.s.	Paris (France)	40,000	51	(100)	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	(5)	396	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	12,418	43,977	75.00%	53.70%	Line by line	Kaskad L.l.c.	75.00%	53.70%	(a)
MARR S.p.A.	Rimini	33,262,560	64,649	318,097	50.42%	50.42%	Line by line	Cremonini S.p.A.	50.42%	50.42%	
Mille Sapori Plus S.p.z.o.o.	Poland	PLN 500.000	303	2,214	60.00%	38.66%	Line by line	Inalca Food & Beverage S.r.l.	-	-	(b)
Momentum Services Ltd.	Birmingham (United Kingdom)	269,258	1,873	2,842	100.00%	100.00%	Line by line	Chef Express UK Ltd.	100.00%	100.00%	
Montana Alimentari GMBH	Monaco (Germany)	25,000	84	239	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	2,116	7,033	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	(3,267)	32,924	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	421	4,355	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	219	869	70.00%	25.56%	Line by line	Parma France S.a.s.	70.00%	25.56%	
Parma Serv S.r.l.	Parma	10,000	49	163	51.00%	36.52%	Line by line	INALCA S.p.A.	51.00%	36.52%	
Parma Turc S.a.s.	Ambronay (France)	100,000	437	3,724	51.00%	18.62%	Line by line	Parma France S.a.s.	51.00%	18.62%	
Parmaubrac S.a.s.	Malbouzon (France)	770,000	209	1,480	51.00%	18.62%	Line by line	Parma France S.a.s.	51.00%	18.62%	
Princeps S.a.s.	Paris (France)	200,000	67	8	100.00%	100.00%	Line by line	Chef Express S.p.A.	100.00%	100.00%	
Railrest S.A.	Bruxelles (Belgium)	500,000	884	1,907	51.00%	51.00%	Line by line	Chef Express S.p.A.	51.00%	51.00%	
Realbeef S.r.l.	Flumeri (AV)	300,000	(366)	(45)	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	295	27,234	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	263	1,871	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	(182)	99	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	3,267	20,592	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
Tecali S.L.	Tenerife (Spain)	363,000	509	3,263	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	79	579	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	
Top Best International Holding Ltd	Kwai Fong - Hong Kong	HKD 6.507.000	(27)	79	100.00%	35.44%	Line by line	Inalca Food & Beverage China Holding Ltd	65.00%	23.04%	(a)
Zaklady Miesne Soch. S.p.zo.o.	Varsaw (Poland)	Zloty 37.372.000	(671)	7,453	100.00%	71.60%	Line by line	INALCA S.p.A.	100.00%	71.60%	(a)
Zhongshan Inalca Food & Beverage Co Ltd	Changsha City - China	CNY 4.866.000	(14)	652	100.00%	35.44%	Line by line	Inalca Food & Beverage China Holding Ltd	100.00%	35.44%	(a)

a) Amounts expressed in Euro resulting from the translation of the original amounts in foreign currencies. /(b) Subsidiary consolidated starting from 2018

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 2018, 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 2018 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

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 2018, 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 2018 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 2018 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, 12 April 2019

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