FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

Cremonini S.p.A.
Via Modena, 53
41014 Castelvetro di Modena (Mo) Italia
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 2019

CREMONINI S.p.A.

PRODUZIONE

Carne bovina

- INALCA S.p.A. 71,6%
  - Società Agricola Corticella S.r.l. 100%
  - Cremovit S.r.l. 51%
  - Ges.Car. S.r.l. 100%
  - Guardamiglio S.r.l. 100%
  - Inalca Algeria S.a.r.l. 70%
  - Inter Inalca Angola Ltda. 100%
  - Inalca Kinshasa S.a.r.l. 85%
  - Inalca Brazzaville S.a.r.l.u. 100%
  - Inalca Angola Ltda 95%
  - Sara S.r.l. 51%
  - Kaskad Llc. 100%
  - Orenbeef Llc. 80%
  - Agrosakmara Llc. 100%
  - Agrosakmara Bashkiriya Llc. 100%
  - Marr Russia Llc. 75%
  - Inalca Food Service Kaz Llp. 100%
  - Zaklady Miesne Sochocin S.p.zo.o. 100%
  - Realbeef S.r.l. 51%
  - Fiorani & C. S.p.A. 51%
  - Tecno-star Due S.r.l. 100%
  - Inalca Mocambique Lda. 60%
  - Inalca CI S.a.r.l. 99,9%
  - Parma Serv S.r.l. 51%
  - Parma France S.a.s. 51%
  - Parmaubrac S.a.s. 51%
  - Parma Lacombe S.a.s. 70%
  - Parma Turc S.a.s. 51%
  - Parma Capel S.a.s. 66,67%
  - Inalca Food & Beverage S.r.l. 90%
    - Inalca Food & Beverage China Hld Ltd. 55%
    - Top Best International Hld Ltd 100%
    - Zhongshan Inalca Food & Beverage Co Ltd 100%
    - Inalca Food & Beverage (Shanghai) Co. Ltd. 100%
    - Bright View Trading HK Ltd. 69,81%
    - Inalca Food &Beverage Malaysia Hld Sdn Bhd 100%
    - Inalca Food & Beverage Sdn Bhd 100%
    - Inalca Food & Beverage (Thailand) Ltd. 100%
    - Inalca Food & Beverage Cabo Verde Lda. 80%
    - ITAUS Pty Ltd. 100%
    - Fresco Gourmet Pty Ltd. 100%
    - Inalca Food & Bev. Queensland Pty Ltd 75%
    - IF&B Holding Inc. 100%
    - Inalca Food & Beverage North America Llc. 80%
    - Fratelliditalia S.A. 80%
    - Comit S.L. 60%
    - Hosteria Buttarelli S.L. 100%
    - Tecali S.L. 62,81%
    - Mille Sapori Plus S.p.zo.o. 60%
    - Mille Sapori Due Sp.zo.o. 100%
    - Mille Sapori Tre S.p.zo.o. 100%
    - Mille Sapori Krakow Sp.zo.o. 100%
    - MSP Transport Sp.zo.o. 100%

Salumi e Snack

- Italia Alimentari S.p.A. 100%
  - Montana Alimentari GMBH 100%
  - Cibo Sapiens S.r.l. 100%

DISTRIBUZIONE

Foodservice

- MARR S.p.A. 50,42%
  - Marr Food Service Iberica S.a.u. 100%
  - As.Ca. S.p.A. 100%
  - New Catering S.r.l. 100%

RISTORAZIONE

On board

- Chef Express S.p.A. Div «ristorazione ferroviaria» 100%
  - Cremonini Restauration S.a.s. 100%
  - Avirail Italia S.r.l. in liquidaz. 51%
  - Railrest S.A. 51%
  - Cremonini Chef Iberica S.A. 100%
  - Chef Express UK Ltd 100%
    - Lounge Services S.a.s. 100%
    - Momentum Services Ltd. 100%
    - Chef Express Eurasia Llc. 100%
    - Alliance Express Llc. 100%
    - Chef Express Tren Ici Hizmetleri A.S. in liq. 100%

In concessione

- Chef Express S.p.A. Div «ristorazione in concessione» 100%
- Gabf Holding Ltd. 100%
  - Bagel Nash (Retail) Ltd. 100%

Commerciale

- Roadhouse S.p.A. 100%
  - Roadhouse Grill Roma S.r.l. 55%

ATTIVITA' CENTRALIZZATE

- Global Service S.r.l. 100%
- Interjet S.r.l. 100%

CORPORATE BODIES OF CREMONINI S.p.A.

Board of Directors

Chairman	Luigi	Cremonini
Vice Chairman	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 2019, 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.

As from 1 January 2019, the Group adopted the new international accounting standard IFRS 16 by using a modified retrospective approach for which the restatement of comparative data is not required. The effects of the adoption of this standard, which are detailed hereinbelow, consist of the derecognition of lease payments accrued in the period, falling within the scope of application of IFRS 16, from the income statement, thus giving rise to an improvement in EBITDA. Furthermore, amortisation of right-of-use assets is charged to profit or loss, with an adverse impact on the operating result, and notional interest expense is recognised on lease liabilities.
With regard to balance sheet ratios, net invested capital recorded an increase during the half- year as a result of the recognition of right-of-use assets, while net financial position was adversely affected by the recognition of right-of-use liabilities.

Group performance and results for the 2019 financial year

In 2019, the Cremonini Group recorded revenues of Euro 4,437.0 million compared to Euro 4,184.1 million in 2018, showing an increase of Euro 252.9 million (+6.0%).

The gross operating margin amounted to Euro 377.2 million compared to Euro 289.4 million in 2018, showing an increase of Euro 87.8 million (+30.3%), while the operating result was Euro 193.9 million compared to Euro 167.2 million in 2018, up by Euro 26.7 million (+160%).

The first-time adoption of the new accounting standard IFRS 16, which provides for a different method of accounting for leases with the direct control of the asset covered by the contract, resulted in an increase of Euro 62.9 million in gross operating margin and Euro 9.9 million in operating result.

The gross operating margin and operating result, as adjusted by the effect of IFRS 16, amounted to Euro 314.3 million and Euro 184.9 million, respectively, in any case showing an improvement of Euro 24.9 million and Euro 16.8 million, respectively, against comparable data for 2018.

The profit from ordinary activities, which amounted to Euro 145.8 million (Euro 150.8 million in 2018), was adversely affected by the recognition of notional financial costs of Euro 19.9 million connected with the adoption of IFRS 16, as well as by accounting for a loss on the net cash position of the Angolan subsidiaries, equal to Euro 10.9 million. This loss arose from the adoption of "IAS 29 – Financial Reporting in Hyperinflationary Economies" in the financial statements of the Angolan subsidiaries, the currency of which recorded a considerable depreciation in recent years.

Finally, the net profit was Euro 44.6 million, down by Euro 6.5 million compared to Euro 51.6 million in 2018, mainly due to the effects of the non-recurring notional items mentioned above. Net of the effects of IFRS 16, the net result would be equal to Euro 52.5 million, up by Euro 0.9 million compared to 2018.

Below are summarised the schedules of the income statement, balance sheet and cash flows for 2019, compared with the consolidated financial statements for the period ended 31 December 2018.

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 2019	Year 2018*	Change %
Total revenues	**4,436,953**	**4,184,084**	**6.04**
Changes in inventories of work in progress, semi-finished and finished goods	(1,055)	35,430	
Value of production	**4,435,898**	**4,219,514**	**5.13**
Cost of production	(3,618,048)	(3,516,432)	
Value added	**817,850**	**703,082**	**16.32**
Personnel costs	(440,663)	(413,634)	
Gross operating margin [(a)]	**377,187**	**289,448**	**30.31**
Amortization, depreciation and write-downs	(130,334)	(122,230)	
Rightof use amortization and depreciation	(52,908)	-	
Operating income [(b)]	**193,945**	**167,218**	**15.98**
Net financial income (charges)	(28,266)	(16,431)	
Right of use financial charges	(19,874)	-	
Profit from ordinary activities	**145,805**	**150,787**	**(3.30)**
Net income (charges) from investments	594	2,760	
Net extraordinary financial income (charges)	(2,800)	(17)	
Result before taxes	**143,599**	**153,530**	**(6.47)**
Income taxes for the financial year	(51,799)	(57,758)	
Result before minority interests	**91,800**	**95,772**	**(4.15)**
(Profit) Loss attributable to minority interests	(47,233)	(44,182)	
Net profit attributable to the Group	**44,567**	**51,590**	**(13.61)**

Consolidated Balance Sheet

(Euro/000)	31.12.2019	31.12.2018	Change %
Intangible assets	229,975	230,374	
Tangible assets	1,151,512	1,061,121	
Right of use	307,222	-	
Equity investments and other financial assets	49,980	31,002	
Total fixed assets	**1,738,689**	**1,322,497**	**31.47**
Trade net working capital			
- Trade receivables	595,003	565,252	
- Inventories	497,231	483,857	
- Trade payables	(639,681)	(605,101)	
Total trade net working capital	452,553	444,008	
Other current assets	81,771	79,404	
Other current liabilities	(111,658)	(103,847)	
Net working capital	**422,666**	**419,565**	**0.74**
Staff Severance Indemnity Provision and other m/l term provisions	**(96,351)**	**(99,501)**	
Net invested capital	**2,065,004**	**1,642,561**	**25.72**
Shareholders' Equity attributable to the Group	605,319	555,632	
Shareholders' Equity attributable to minority interests	364,091	318,858	
Total Shareholders' Equity	**969,410**	**874,490**	**10.85**
Net medium/long-term debt	691,219	604,195	
Net short-term debt	90,411	163,876	
Net debt before IFRS 16	**781,630**	**768,071**	**1.77**
Net medium/long-term debt - Right of use	265,767		
Net short-term debt - Right of use	48,197		
IFRS 16 effects on net debt	**313,964**	**0**	
Net debt	**1,095,594**	**768,071**	**42.64**
Net equity and net debt	**2,065,004**	**1,642,561**	**25.72**

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)	**31.12.2019**	30.09.2019	30.06.2019	31.12.2018
Payables to banks, bonds and other financial institutions				
- due within 12 months	(467,074)	(446,138)	(450,579)	(488,341)
- due between 1 and 5 years	(562,683)	(591,000)	(567,258)	(532,253)
- due beyond 5 years	(128,536)	(135,006)	(104,832)	(71,941)
Total payables to banks, bonds and other financial institutions	**(1,158,293)**	**(1,172,144)**	**(1,122,669)**	**(1,092,535)**
Liquidity				
- cash and cash equivalents	367,642	407,959	349,461	310,235
- other financial assets	9,021	11,646	13,064	14,229
Total liquidity	**376,663**	**419,605**	**362,525**	**324,464**
Total net debt before IFRS 16	**(781,630)**	**(752,539)**	**(760,144)**	**(768,071)**
Financial liabilities right of use				
- due within 12 months	(48,197)	(42,404)	(42,720)	n/a
- due between 1 and 5 years	(191,924)	(135,846)	(137,190)	n/a
- due beyond 5 years	(73,843)	(124,447)	(127,622)	n/a
IFRS 16 effects on net debt	**(313,964)**	**(302,697)**	**(307,532)**	**0**
Total net debt	**(1,095,594)**	**(1,055,236)**	**(1,067,676)**	**(768,071)**

The Group's net debt at 31 December 2019, equal to Euro 1,095.6 million, was adversely affected by the recognition of a right-of-use liability for Euro 314.0 million arising from the adoption of IFRS 16, as already stated in the introduction. The increase in Net Debt amounted, in fact, to Euro 327.5 million compared to 31 December 2018.

Net of the adoption of the new accounting standard IFRS 16, the increase in Net Debt compared to 31 December 2018, equal to Euro 13.5 million, was limited by the strong cash generation of the year's operations which substantially offset the cash outflows for ordinary investments equal to Euro 170.6 million and acquisitions for Euro 7.8 million, in addition to the distribution of dividends to the market and minorities, equal to Euro 30.9 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 2019**	Year 2018*	Change total value	Change %
Production				
Net revenues	2,143,014	1,953,100	189,914	9.72
Intercompany revenues	97,960	94,790		
Total revenues	2,240,974	2,047,890	193,084	9.43
Gross operating margin	145,863	118,505	27,358	23.09
Amortization, depreciation and write-downs	(70,635)	(64,473)	(6,162)	9.56
Operating profit (loss)	75,228	54,032	21,196	39.23
Distribution				
Net revenues	1,631,224	1,603,272	27,952	1.74
Intercompany revenues	64,585	64,157		
Total revenues	1,695,809	1,667,429	28,380	1.70
Gross operating margin	128,479	119,278	9,201	7.71
Amortization, depreciation and write-downs	(28,579)	(19,278)	(9,301)	48.25
Operating profit (loss)	99,900	100,000	(100)	(0.10)
Catering				
Net revenues	661,090	625,817	35,273	5.64
Intercompany revenues	464	519		
Total revenues	661,554	626,336	35,218	5.62
Gross operating margin	104,395	53,063	51,332	96.74
Amortization, depreciation and write-downs	(80,231)	(34,967)	(45,264)	129.45
Operating profit (loss)	24,164	18,096	6,068	33.53
Centralized activities				
Net revenues	1,625	1,894	(269)	(14.20)
Intercompany revenues	10,662	10,216		
Total revenues	12,287	12,110	177	1.46
Gross operating margin	(1,550)	(1,398)	(152)	10.87
Amortization, depreciation and write-downs	(3,797)	(3,512)	(285)	8.12
Operating profit (loss)	(5,347)	(4,910)	(437)	8.90
Consolidation adjustment				
Total revenues	*(173,671)*	*(169,681)*		
Gross operating margin	*0*	*0*		
Amortization, depreciation and write-downs	*0*	*0*		
Operating profit (loss)	*0*	*0*		
Total				
Total revenues	4,436,953	4,184,084	252,869	6.04
Gross operating margin	377,187	289,448	87,739	30.31
Amortization, depreciation and write-downs	(183,242)	(122,230)	(61,012)	49.92
Operating profit (loss)	193,945	167,218	26,727	15.98

The Group's total revenues, if compared with those recorded in the previous year, showed an increase of Euro 252.9 million. In detail, production was up by Euro 193.1 million, while revenues from distribution increased by Euro 28.4 million and those from catering increased by Euro 35.2 million.

The consolidated gross operating margin was up by Euro 87.7 million with the production up by Euro 27.4 million, distribution was up by Euro 9.2 million and catering was up by Euro 51.3 million compared to 2018.

Finally, the consolidated operating income was up by Euro 26.7 million, with production increasing by Euro 21.2 million, catering up by Euro 6.1 million, while the distribution confirmed the final result posted in the previous year.

Breakdown of revenues from sales and services by geographical area

Comparison between values at 31 December 2019 and at 31 December 2018 (12 months)

Year 2019 - (Euro/000)	Production	%	Distribution	%	Catering	%	Other	%	Total	%
Italy	1,269,167	59.8	1,480,876	93.3	538,490	82.2	1,341	99.6	3,289,874	75.4
European Union	271,023	12.8	58,243	3.7	115,580	17.7	5	0.4	444,851	10.2
Extra-EU countries	580,725	27.4	48,365	3.0	771	0.1	-	-	629,861	14.4
Total	2,120,915	100.0	1,587,484	100.0	654,841	100.0	1,346	100.0	4,364,586	100.0

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

Consolidated Balance Sheet by business sector

As at 31 December 2019 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Intercompany revenues	Total
Intangible assets	39,267	143,980	46,613	115	-	229,975
Tangible assets	679,886	64,387	323,321	83,918	-	1,151,512
Right of use	18,923	45,437	242,862		-	307,222
Equity investments and other financial assets	34,927	3,302	10,333	1,418	-	49,980
Total fixed assets	**773,003**	**257,106**	**623,129**	**85,451**	**0**	**1,738,689**
Trade net working capital						
- Trade receivables	215,004	365,077	31,452	11,680	(28,210)	595,003
- Inventories	311,937	170,292	14,776	1	225	497,231
- Trade payables	(269,755)	(274,279)	(114,890)	(7,148)	26,391	(639,681)
Total trade and net working capital	**257,186**	**261,090**	**(68,662)**	**4,533**	**(1,594)**	**452,553**
Other current assets	28,431	35,597	14,074	7,039	(3,370)	81,771
Other current liabilities	(53,787)	(16,443)	(42,339)	(4,053)	4,964	(111,658)
Net working capital	**231,830**	**280,244**	**(96,927)**	**7,519**	**0**	**422,666**
Staff Severance Indemnity Provision and other m/l-term provisions	**(69,042)**	**(14,010)**	**(9,840)**	**(3,459)**	**-**	**(96,351)**
Net invested capital	**935,791**	**523,340**	**516,362**	**89,511**	**0**	**2,065,004**

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**

Consolidated Net Debt by business sector

As at 31 December 2019 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Total
Payables to banks, bonds and other financial institutions					
- due within 12 months	(169,631)	(178,875)	(98,931)	(19,637)	(467,074)
- due between 1 and 5 years	(309,418)	(166,859)	(68,900)	(17,506)	(562,683)
- due beyond 5 years	(72,193)		(46,343)	(10,000)	(128,536)
Total payables to banks, bonds and other financial institutions	**(551,242)**	**(345,734)**	**(214,174)**	**(47,143)**	**(1,158,293)**
Liquidity					
- cash and cash equivalents	141,453	192,493	33,376	320	367,642
- other financial assets	6,483	1,797	691	50	9,021
Total liquidity	**147,936**	**194,290**	**34,067**	**370**	**376,663**
Securitization and internal treasury current accounts	**3,736**	**1,843**	**(5,314)**	**(265)**	**0**
Total net debt before IFRS 16	**(399,570)**	**(149,601)**	**(185,421)**	**(47,038)**	**(781,630)**
Financial liabilities right of use					
- within 12 months	(5,512)	(7,911)	(34,774)	-	(48,197)
- between 1 and 5 years	(13,564)	(22,399)	(155,961)	-	(191,924)
- beyond 5 years		(16,116)	(57,727)	-	(73,843)
Total financial liabilities right of use	**(19,076)**	**(46,426)**	**(248,462)**	**0**	**(313,964)**
Total net debt	**(418,646)**	**(196,027)**	**(433,883)**	**(47,038)**	**(1,095,594)**

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)**

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) Production

INALCA S.p.A. Via Spilamberto 30/C - Castelvetro di Modena (MO)	Slaughtering, processing and trading of beef-based products.
CREMOVIT S.r.l. Via Spilamberto 30/C - Castelvetro di Modena (MO)	Calf breeding.
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).
PARMA SERV S.R.L. Viale Solferino 11- Parma	Selling cattle in Italy and providing services to Parma France and its subsidiaries.
REALBEEF S.r.l. Contrada Tierzi – Flumeri (AV)	Slaughtering, processing and trading of beef-based products.
SOC. AGR. CORTICELLA S.r.l. Via Corticella 15 – Spilamberto (MO)	Breeding of cattle, both directly and under agistment contracts.
SARA S.r.l. Via Spilamberto 30/C - Castelvetro di Modena (MO)	Recovery and processing of waste from agricultural and livestock activities.
TECNO-STAR DUE S.r.l. Via Modena 53 – Castelvetro di Modena (MO)	Design of buildings and plants, management of maintenance and refurbishment activities.

b) Distribution

AGROSAKMARA LLC. Dorozhnaya str.50, Chernyi Otrog – Orenburg - Russia	Breeding of cattle in Russia.
AGROSAKMARA BASHKIRIYA LLC. Via Admiral Makarov,26 (b. 2, office 16) Ufa, Republic of Bashkortostan	Feedlot development in the Russian region.
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 CI S.a.r.l. 04 BP Abidjan 04-Plateau Bvrd Carde- Ivory Coast	Company active in trading food products in general in the Ivory Coast.
INALCA FOOD SERVICE KAZ LLP Bekmakhanova street, 96/2 - Almaty - Republic of Kazakhstan	Start-up company that conducts HoReCa businesses in Almaty (Kazakhstan).

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.
KASKAD OOO L.l.c. Via Vostochnaya 5, Odintsovo (Moscow) – Russia	Real estate services.
MARR RUSSIA LLC. Via Vostochnaya 5, Odinzovo (Moscow) – Russia	Trading of food products.
ORENBEEF LLC Via Pionerskaya 2 - Orenburg - Russia	Slaughtering, processing and trading of beef-based products in Orenburg.
PARMA CAPEL S.A.S. Le Pradel 19700 - Saint Jal - France	Sells live cattle in France specialising in the Limousines breed.
PARMA FRANCE S.A.S. 13 rue Claude Chappe, Le Parc de Crécy 69370 St - Didier au Mont d'or - France	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 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.
ZAKLADY MIESNE SOCH. S.p.z.o.o. L.l.c. Al. Jana Pawła II 80, Warsaw – Poland	Dormant company. The construction of the new beef slaughtering plant is underway in Poland at the Sochocin property.

c) 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.

d) Food & Beverage

INALCA FOOD & BEVERAGE S.r.l. Via della Pace 6/C – Castelnuovo Rangone (MO)	Trading and distribution of food products and beverages.
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 -	Distribution of food products to foodservice in the Canary Islands.

Tenerife	
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.
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 for operations in China.
INALCA FOOD & BEVERAGE LDA (Cabo Verde) 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 Co. LTD (Thailand) Amphur no.333/2 Moo 9 Tambol Bangpla – The Bangplee, Samutprakarn- Thailand	Distribution of Italian food products in Thailand.
INALCA FOOD & BEVERAGE MALAYSIA HOLDING SDN BHD47B Jalan Batai Laut 5 Kawasan 16 Taman Intan 41300 - Klang Selangor – Malaysia	Coordination and sub-holding company for 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 QUEENSLAND PTY LTD. Building 5,237 Flemming Road–Queensland- Australia	Distribution of Italian food products in the Queensland region (Australia), based in Brisbane.
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, No 1277 Dingxi Road, Changning District	Distribution of Italian food products in Shanghai.
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.
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.
MILLE SAPORI DUE SP.ZO.O. ul. Budowlanych 27 - Gdańsk - Poland	Distribution of Italian food products in the Polish foodservice market, in the Gdansk region.
MILLE SAPORI TRE SP.ZO.O. ul. Kazimierza Gierdziejewskiego 7/17- Warsaw - Poland	Distribution of Italian food products in the Polish foodservice market in the Poznan region.
MILLE SAPORI KRAKOW SP.ZO.O. ul. Przewóz 2, 30-716 - Krakow - Poland	Distribution of Italian food products in the Polish foodservice market in the Krakow region.
MSP TRANSPORT SP.ZO.O. ul. Kazimierza Gierdziejewskiego 7- Warsaw - Poland	Transport company owned by Mille Sapori Plus SP.ZO.O.
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	Distribution of food products to foodservice in the Chinese

No. 431 Shaoshan North Road, Dongtang Ruifu, A Area-Hunan Province,508# Changsha City, Yuhua District	Zhongshan area.

Breakdown of revenues by activity (Euro/000)	**Year 2019**	**Year 2018**	*Chg. %*
Beef and meat-based products	2,059,822	1,878,794	*9.64*
- intercompany revenues	(22,923)	(18,980)	
Beef and meat-based products - Net total	**2,036,899**	**1,859,814**	
Cured meats and gastronomy/snack food	208,334	190,512	*9.35*
- intercompany revenues	(4,259)	(2,436)	
Cured meats and gastronomy/snack food - Net total	**204,075**	**188,076**	
	2,240,974	**2,047,890**	***9.43***

The Production sector revenues were Euro 2,241.0 million, up by Euro 193.1 million compared to Euro 2,047.9 million in 2018. The gross operating margin increased from Euro 118.5 million to Euro 145.9 million, up by Euro 27.4 million, while the operating result increased from Euro 54.0 million to Euro 75.2 million, up by Euro 21.2 million.

<u>The beef business</u>

The signs of a slowdown in the world economy, which had affected the second half of 2018, continued to grow stronger during 2019. The International Monetary Fund also took action in October 2019, revising its global growth forecasts for the year downwards.
This revision became necessary following the contraction in international trade fuelled by the climate of tension between China and the United States that led to harsher protectionist measures in many countries, another heightening of financial tensions in emerging countries, a slide in the Eurozone caused by the erosion of consumer and business confidence, a contraction in some key sectors and political uncertainty which began to weaken cohesion within the European Union.

In this context, the meat segment continued to record 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..

Revenues and profit margins abroad are also rising thanks to good performances in Russia and Africa. We are beginning to see signs of improvement in the latter area even if there are still some difficult situations in some of the countries in which the Group trades.

Growth in Russia is assisted by rising production of frozen hamburgers and pre-cooked bacon, very good results in distribution to the Ho.Re.Ca industry, which includes the activity of the new platform at Ekaterinburg acquired by Marr Russia Llc in May 2019, and slaughtering at Orenburg, where there was a rise in the number of heads of cattle slaughtered compared with the previous year.

Distribution of food products to foodservice continued to expand abroad on the part of subsidiaries controlled by Inalca Food & Beverage S.r.l., whose turnovers are rising, even as a result of extending the scope of consolidation to include the Polish companies acquired at the end of 2018 and in early 2019.

Among the significant events that occurred during the year are:

- In January 2019, the subsidiary Mille Sapori Plus Sp.zo.o. completed the acquisition of Mille Sapori Krakow Sp.zo.o., a company distributing Italian food products in the Polish foodservice market, operating in Krakow;
- The early repayment of Euro 61.5 million for the medium/long-term loan disbursed by Unicredit S.p.A. in 2014, the simultaneous early termination of the related IRS and the disbursement of a new medium/long-term loan granted by Rabobank in an amount of Euro 95 million;
- In May 2019, the subsidiary Società Agricola Corticella S.r.l. acquired 25% of the capital of consortium company Società Agricola La Torre A R.L. in Isola della Scala (VR), which is the biggest producer of beef cattle in a single site in Italy (over 8 thousand calf stalls);

- The incorporation of Cremovit S.r.l., 51% owned by INALCA S.p.A. and dedicated to breeding and trading beef calves;
- The acquisition by the subsidiary Società Agricola Corticella S.r.l. of a calf stall in the Province of Modena (former Giglio), which will be reorganised to take about 4,000 spaces and the agreement for the purchase of three other facilities, two in Emilia and one in the Province of Lodi (Zorlesco) in order to obtain 14,000 more calf stalls to add to the approximately 35,000 others already possessed by Cremovit;
- INALCA S.p.A. is completing the acquisition of the production plant located in Agrate Brianza (MB), operated by Nava subject to composition with creditors, which will be completed in 2020;
- In October the Russian sovereign investment fund RDIF acquired a minority interest in the capital of subsidiary Orenbeef Llc. The capital increase subscribed for an amount in Roubles equal to about Euro 10 million to be allocated to developing cattle breeding operations;
- The service of the Supreme Court judgment concerning INALCA S.p.A.'s, application for the recognition of the reduction of duty on imported beef, which referred the matter back to the Regional Tax Board. The favourable outcome of the proceedings before the Supreme Court has allowed the release of the provision, which had been set aside at the time, equal to Euro 589 thousand;
- The signature of an Amendment Agreement with ING Bank N.V. and Bank Śląski SA in relation to the loan granted to the Polish subsidiary Zaklady Miesne Sochocin Sp.zo.o. to finance the construction of the new slaughterhouse, which takes into account the longer time necessary for the completion of the plant and the higher investment required;
- The conclusion of negotiations with Banca Intesa Sanpaolo S.p.A. in relation to the existing loans, in relation to which there was a breach of the covenants at 31 December 2018 and for which a partial early repayment has been made, with the simultaneous disbursement of a new medium/long-term syndicated loan of approximately Euro 95 million in September, together with Banco BPM S.p.A. and Banca IMI S.p.A. as Agent Bank;
- The completion by INALCA S.p.A. of the transfer of 49% of subsidiary Sara S.r.l. to third parties in August;
- The favourable conclusion of the proceedings before the Milan Court of Appeal on 14 October 2019, which confirmed the principles laid down in the lower court judgment and allowed Ges.Car. S.r.l.'s right to the tax rebates contained in the "Jobs Act" with regard to its engagement of personnel previously working for a cooperative company.

Below are the major industrial investments made during 2019:

- The completion of the construction of the new distribution hub at Odintsovo (Russia), which has recently entered into service and at which all stock previously operated at third-party warehouses has been stored;
- Work continued on the construction of the slaughterhouse in Sochocin in Poland;
- The opening of sales outlets in Italy at which subsidiary Guardamiglio S.r.l. is to run the butcher's departments under its responsibility;
- Work continued on the renewal of industrial lines and equipment and non-routine maintenance at the main production plants, specifically the construction of a cooked products department at Castelnuovo Rangone plant on the part of subsidiary Fiorani S.p.A..

<u>Cured meats and snacks sector</u>

The market for raw pork meat expanded abruptly after shrinking substantially during the last months of 2018 and remaining practically stable during the first quarter of 2019. From April onwards all raw materials rose in price considerably, recording increases of up to 30/40% owing to the swine fever which affected Chinese breeding farms. In order to make up for the big drop in production and meet its requirements for pork meat, and also as a result of the tariff war being conducted with the United States, China began to buy raw materials in Europe, giving rise to an sharp mismatch between supply and demand.
On the contrary, large-scale retail trade chains, including Discount stores, went on trying to keep up their sales volumes by launching very well conceived and successful promotional campaigns, passing almost their entire effects onto producers, which were thus forced to trade at a bare profit. Even the usual bargaining was replaced in some increasingly frequent cases by online auctions for very high quantities: this method always makes it hard to attach a significance and a value to trade and partnership relations that may have been built

up over a number of years, and can "lock" selling prices for months.
Furthermore, throughout the year, the impact of higher prices of raw materials, which has no precedent in the target market and subjected the entire processing chain to an absolute stress test in terms of profit margins and financial stability, could only be transferred to sales prices when it was too late and then only partially.

In this scenario, the Company tried to stem the fall in profit margins imposed by the market by expanding existing commercial relations with the aim of using all its production capacity in order to increase productivity and by exploiting all the commercial and industrial synergies resulting from the acquisition of D'Autore Food S.r.l., which took place in the previous year.
Among the successful actions taken was the purchasing and storage policy which was implemented at the beginning of 2019 for frozen raw materials, which allowed manufacturing costs to be kept down for at least a few months.

Having stated this, the direct comparison with the same period of 2018 shows an increase in terms of both volumes (+5.9%) and sales (+13.4%).

The snacks division continued to grow in spite of the fact that the main distribution channels of these products were even more profoundly affected by the general difficulties, since they are goods with a high service content that are interchangeable with ready-made products that cost the consumer less. Prices of basic raw materials in this division (bread and sauces) remained stable at medium to high levels.
The Company had already reacted in the previous year by putting some innovative products into production that modern distribution channels are finding increasingly interesting and are obtaining very satisfactory results in terms of sales.
The direct comparison of revenues with the previous year shows an increase in terms of both volume and value, equal to 10.2% and 6.0%, respectively.

The investments made in the year, totalling Euro 15.6 million, involved improvements to production plants for about Euro 1.3 million, enhancing of plant and machinery in the areas of portioning of cured meats for Euro 7.4 million and the enlargement of the Gazoldo degli Ippoliti (MN) picking and despatching area for Euro 6 million.

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 (subject to pre-liquidation).
NEW CATERING S.r.l. Via dell'Acero n.1/A, Santarcangelo di Romagna (RN)	Trading and distribution of food products to bars and fast-food outlets.

The Distribution sector showed an increase in revenues in 2019 from Euro 1,667.4 million to Euro 1,695.8 million, up by Euro 28.4 million (+1.7%). The operating margin rose from Euro 119.3 million to Euro 128.5 million, with an increase of Euro 9.2 million (+7.7%). Finally, the operating result amounted to Euro 99.9 million, in line with the value of Euro 100.0 million posted in 2018.

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 1,424.2 million (Euro 1,394.1 million in 2018).
In terms of customer categories, sales to the "Street Market" category (restaurants and hotels not belonging to

Groups or Chains) reached Euro 1,128.2 million (Euro 1,093.2 million in 2018).
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 report no. 2, February 2020) the item "Hotels, meals and out of home consumption" recorded an increase of +1.0% in consumption (by quantity) in 2019.

Sales to customers in the "National Account" category (operators of Chains and Groups and Canteens) amounted to Euro 296.0 million (Euro 300.9 million in 2018).
Sales to customers in the "Wholesale" category reached Euro 242.4 million compared to Euro 249.0 million in 2018.

Among the significant events that occurred during the year, it should be noted that on 13 November MARR S.p.A. acquired 34% of shares of Jolanda de Colò S.p.A. from Intrapresa S.r.l., while signing an irrevocable agreement with ABA S.r.l. belonging to the Pessot family, holding 66% of Jolanda de Colò, under which MARR was granted an option to acquire a majority interest in Jolanda de Colò with effect from 31 March 2022. This agreement also provides for a call option for MARR and a put option for ABA on the remaining 33% of the share capital of Jolanda de Colò. As a result of this transaction, MARR entered into partnership with the Pessot, family, still led by Jolanda de Colò in developing the premium segment of the supply of food to the Foodservice industry. Jolanda de Colò is in fact among the main Italian businesses in this (high-range) premium segment with sales of more than Euro 21 million in the 2018 financial year and about 5,000 customers served with more than 2,000 top cuisine products. Founded by the family in 1976 and initially a meat producer, Jolanda de Colò, gradually extended its activities into the distribution of food products over the years.
In particular, unprocessed product sales rose progressively until they accounted for more than 70% of the total and about 90% of these sales are in the Ho.Re.Ca industry channel, about 93% of them in Italy. Jolanda de Colò S.p.A. operates through a distribution and production hub with a covered area of over 6,000 square meters located in Palmanova (Udine).
The purchase price of 34% of shares of Jolanda de Colò S.p.A. was equal to Euro 2 million and was paid up in full upon their transfer.

Catering

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

Company | **Business**

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 - Belgium	Concession for operating on-board catering on Thalys high-speed trains connecting Belgium to France, Holland and Germany.

b) Concession Catering

Company	Business
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) LTD. 90a Tooley Street, London, SE1 2TH – United Kingdom	It runs eleven bagel-theme outlets in northern England.
GABF HOLDING LTD. 90a Tooley Street London – United Kingdom	Sales of bagels in London and Ireland.

c) Commercial Catering

Company	Business
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.

Breakdown of revenues by activity (Euro/000)	Year 2019	Year 2018	Chg. %
On-board catering	110,300	106,767	3.31
- intercompany revenues	-	-	
On-board catering - Net total	**110,300**	**106,767**	**3.31**
Motorway catering	361,281	345,584	4.54
- intercompany revenues	-	-	
Motorway catering - Net total	**361,281**	**345,584**	**4.54**
Commercial catering	189,973	173,985	9.19
- intercompany revenues	-	-	
Commercial catering - Net total	**189,973**	**173,985**	**9.19**
Total Catering	**661,554**	**626,336**	**5.62**

The Catering sector showed an increase in revenues from Euro 626.3 million to Euro 661.6 million in 2019, showing an increase of Euro 35.2 million (+5.6%). The gross operating margin increased from Euro 53.1 million to Euro 104.4 million, with an increase of Euro 51.3 million (+96.7%) and the operating result that amounted to Euro 24.2 million, up by Euro 6.1 million compared to Euro 18.1 million in 2018.

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:

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

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

- Subsidiary Cremonini Restauration S.a.s. stopped providing catering services on Turkish trains and subsidiary Bagel Nash Ltd ceased providing these services in the Thornton Gallery in Leeds (UK);
- Subsidiary Alliance Express Llc. stopped providing catering services on Russian high-speed trains;
- On 1 October an agreement was signed between Chef Express S.p.A. and Odissea S.r.l. – the Holding company of the Percassi Group, a leading property developer and manager of large sales networks for major brands, to create a multi-brand catering business in the sector of Shopping Centres, Shopping Malls, Outlets and Retail Parks. Under the agreement, on 31 October Chef Express S.p.A. took over 60% of Percassi Food&Beverage S.r.l., which changed its name to C&P S.r.l., while the remaining 40% remained in the hands of the Percassi Group through Odissea S.r.l.. C&P S.r.l.'s network at the moment consists of 16 catering outlets in some big Italian shopping centres and city centres: 9 "Casa Maioli" *piadine* (flatbread) format outlets, 5 "Caio Antica Pizza Romana" Roman pizza format outlets and 2 outlets for the famous Asian "Wagamama" catering brand, with a total annual turnover exceeding Euro 10 million. Chef Express S.p.A. also bought two outlets directly, one Caio Antica Pizza Romana, and the other "Wagamama", at Milan Malpensa airport, which were previously operated by Percassi Food&Beverage;
- New catering outlets including a McDonald's hamburger restaurant in the Turin Caselle International Airport. Chef Express S.p.A. then now operates at twelve airports;
- The Company was awarded tenders for running new catering outlets in Bari, Rome Fiumicino and Bergamo Orio al Serio Airports and in the Humanitas Oncology Centre in Catania;
- It was also awarded the ANAS Italian Highways Agency tender for running the catering areas in the Ardeatina Esterna Service Station on the Rome *Grande Raccordo Anulare* motorway ring road;
- The Company signed renewals of contracts with Grandi Stazioni for running catering services at Rome Termini, Rome Tiburtina, Bologna and Palermo railway stations;
- The contract for running catering services in the Monferrato Ovest Service Station was renewed for a further nine years and the Company began operating Oil Services in this Service Station;

- A catering outlet was opened in Bolzano Railway 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;
- Chef Express received the 2019 Animal Well-Being Award for its commitment to removing all systems for the breeding of hens in cages from its supply chains;
- British subsidiary The Great American Bagel Factory Ltd. renewed the contract for the catering outlet at Waterloo Station in London for a further three years;
- The new Roadhouse communication campaign was launched with a new positioning and an original payoff that turns on substantial changes in the new menu including a new line of cuts of meat from 100% Italian-bred cattle and many particularly attractive offers. "*Senti che buono*" ("See how good it tastes") is the new claim and the videos were shot in ASMR mode, an innovative form of expression that calls up the smell, taste and sound sensations of dishes and their preparation;
- The opening of new Roadhouse Restaurant brand restaurants in Belluno, Rome (Corso Emanuele, Torre Spaccata, GranRoma shopping mall and Salario Center), Vimercate (MB), Pordenone, Rozzano (MI), San Martino Buon Albergo (VR), Milazzo (ME), San Rocco al Porto (LO), Monza, Noventa di Piave (VE), Rovereto (TN), Reggio Emilia, Bussolengo (VR), Padova, Catania, Erba (CO), Cremona and Trieste, thus bringing to 152 the number of the premises opened in Italy by the restaurant chain, which celebrated its first 18 years in 2019: even if this format holds on to its characteristics of a meat restaurant with the best value for money range in the sector, it has always evolved following its customers' tastes and inclinations;
- New Calavera Fresh Mex brand outlets were opened in Rome (Valle Aurelia and GranRoma shopping centres), Moncalieri (TO), Civitanova Marche (MC), Assago (MI), Settimo Torinese (TO), San Rocco al Porto (LO), Vimercate (MB), Bologna, Milan, Catania and Biella, the twenty-first of the chain (8 Restaurants and 13 Rapido outlets), while the Crazy Fish brand outlets were closed in Serravalle Scrivia (AL) and Rome;
- The signature of additional contracts for opening outlets in the Roadhouse chain in Beinasco (TO), at Vanchiglia shopping centre in Turin, Bolzano, Ivrea (TO), Agrate Brianza (MB), Livorno, Caselle Torinese (TO), Lonato sul Garda (BS), Alba (CN), Milan and Merano (BZ) and the Calavera chain in Turin, Cerro Maggiore (MI) and Caselle Torinese (TO).

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 2019 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.

(Euro/000)	Controlling companies	Subsidiaries	Associated companies	Related companies
Revenues				
Trade income	-	1,682	18,620	3,258
Other income	4	119	356	36
Total revenues	**4**	**1,801**	**18,976**	**3,294**
Costs				
Trade expense	-	1,889	15,802	20,539
Other expense	-	-	2	15
Total costs	**-**	**1,889**	**15,804**	**20,554**
Loans and receivables				
Trade receivables	5	1,747	2,925	186
Other receivables	-	2,734	2,522	2,566
Total loans and receivables	**5**	**4,481**	**5,447**	**2,752**
Loans and payables				
Trade payables	-	440	1,848	3,355
Other payables	4,662	-	-	1,159
Total loans and payables	**4,662**	**440**	**1,848**	**4,514**

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.	-	127	220	-	**220**	**127**
Bluimex Sp. Zo.o.	-	2	-	-	**-**	**2**
Cremofin S.r.l. (parent company)	5	-	-	4,662	**5**	**4,662**
Le Cupole S.r.l.				-	**-**	**-**
Delizie Italiane S.p.zo.o.	67	-	-	-	**67**	**-**
La Torre Soc.Agr.Consortile Ar.l.	119	1,374	-	-	**119**	**1,374**
Le Cupole S.r.l.	-	-	-	1,159	**-**	**1,159**
LLC Soyuz	-	-	118	-	**118**	**-**
Namsov Fishing Enterprises Ltd	-	1,852	2,228	-	**2,228**	**1,852**
TreErre Food S.r.l.	-	-	-	-	**-**	**-**
Twoford Holdings Ltd	-	-	-	-	**-**	**-**
Total related and controlling companies	191	3,355	2,566	5,821	**2,757**	**9,176**

(Euro/000)	Trade		Other		**Total**	
	Revenues	Costs	Revenues	Costs	**Revenues**	**Costs**
Related and controlling companies:						
A.G.M. S.r.l.	-	58	-	-	**-**	**58**
Bluimex Sp. Zo.o.	-	23	-	-	**-**	**23**
Cremofin S.r.l. (parent company)	-	-	4	-	**4**	**-**
Delizie Italiane S.p.zo.o.	328	-	-	-	**328**	**-**
La Torre Soc.Agr.Consortile Ar.l.	-	12,462	-	-	**-**	**12,462**
Le Cupole S.r.l.	-	-	4	15	**4**	**15**
LLC Soyuz	1,136	-	-	-	**1,136**	**-**
Namsov Fishing Enterprises Ltd	-	7,996	32	-	**32**	**7,996**
TreErre Food S.r.l.	1,794	-	-	-	**1,794**	**-**
Total related and controlling companies	3,258	20,539	40	15	**3,298**	**20,554**

Investments

During the 2019 financial year the total of the net investments made was Euro 170.6 million, in addition to acquisitions for Euro 7.8 million.

Shown below is the schedule of the net change in non-current tangible and intangible assets for the entire 2019 financial year.

Net investments broken down by sector

(Euro/000)	Production	Distribution	Catering	Others	Total
Intangibles					
Patents and intellectual property rights	1,517	253	874	13	**2,657**
Development costs	-	-	-	-	**0**
Concessions, licenses, trademarks and similar rights	40	-	195	28	**263**
Intangible assets under development and advances	19	356	754	-	**1,129**
Other intangible assets	283	-	10	-	**293**
Total intangible assets	**1,859**	**609**	**1,833**	**41**	**4,342**
Tangibles					
Land and buildings	23,293	1,885	33,830	3,990	**62,998**
Plant and machinery	25,144	2,082	8,222	729	**36,177**
Industrial and business equipment	2,508	395	1,475	-	**4,378**
Other tangible assets	6,890	1,121	7,433	412	**15,856**
Tangible assets under construction and advances	36,831	4,153	19,333	163	**60,480**
Total tangible assets	**94,666**	**9,636**	**70,293**	**5,294**	**179,889**
Total	**96,525**	**10,245**	**72,126**	**5,335**	**184,231**

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 2019 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

In 2019 the Research and Development activities were carried out in the cured meats segment through the use of internal resources and were mostly focused on two different areas of development:

Bacon

During 2019 process technologies for the production of bacon for the catering and Foodservice industry were strengthened and further developed and new commercial references were added.

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

- The subsidiary INALCA S.p.A. 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, the subsidiary INALCA S.p.A. 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;
- 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, aimed at creating livestock raising facilities in Sicily for the management of a 100% Italian beef cattle chain.

Foodservice segment

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

Events occurring after the end of the 2019 financial year

The following events occurred after the financial year-end:

Production

- The progressive spread of COVID-19 both in Italy and abroad started to have an impact on sales and operations in the sector from March 2020, particularly the foodservice sales carried out by INALCA S.p.A. (mainly in the segment of frozen hamburgers), in addition to the operations of subsidiaries of Inalca Food & Beverage S.r.l.. In Italy, the plants located in the most critical areas in terms of virus spread have experienced operational difficulties. There is fear of the virus starting to spread in Russia, where Marr Russia LLC's activities of production and distribution to the foodservice industry are mainly concentrated. Nevertheless, the INALCA Group, in compliance with the law, took the organisational measures necessary to ensure continuity in supplying food products to all its Customers in the large-scale retail trade, discount and self service sectors by means of its production and distribution network all over the country;
- During the month of February, since INPS (the Italian Social Security Institute) did not appeal to the Supreme Court, the appeal judgment became final, which had recognised Ges.Car. S.r.l.'s right to benefit from the relief from social security contributions provided for in the law (the "Jobs Act"), the amount of which will be recovered by offsetting it against contributions payable;
- In early March the business unit of Casteflrigo S.r.l. was acquired through the subsidiary D'autore Food S.r.l. following bankruptcy proceedings.

Distribution

- The spread of COVID-19, which began to affect Italy at the end of February 2020, led the Italian Government to take more and more rigorous measures to safeguard the country's health, which imposed restrictions on people's movement and, in the Prime Minister's Decree of 11 March 2020, also the closure of almost all catering businesses excluding those of public interest, thus seriously penalising MARR S.p.A.'s target market;
- On 11 March MARR S.p.A. acquired 60% of the quotas of Sì Frutta S.r.l. from Sì Frutta S.r.l. and Vitali e Bagnoli Multiservice S.r.l. at a total price of Euro 0.7 million, thus acquiring full control over the investee.

Catering

- The spread of COVID-19, which began to affect Italy at the end of February 2020, led the Italian Government to take more and more rigorous measures to safeguard the country's health, which imposed restrictions on people's movement and, in the Prime Minister's Decree of 11 March 2020, also the closure of almost all catering businesses excluding those of public interest. Accordingly, all the catering activities of subsidiaries Roadhouse S.p.A. and Roadhouse Grill Roma S.r.l. and most of Chef Express S.p.A.'s outlets were closed first in Italy and afterwards in other countries with effect from the date of entry into force of the abovementioned Decree; they continued, as required by law, to provide the minimum legally prescribed essential service on motorways, in hospitals, in Italian airports and on international trains.

Business Outlook

Production

The rise in turnover and profits at the commencement of the new financial year seemed, on the whole, to meet the expectations of a budget based on a general increase in business and results. At the date of the preparation of this report, however, some adverse effects related to the COVID-19 emergency have begun to appear. The overall impact of this pandemic will depend on the extent to which it spreads and on how long the present phase of emergency lasts.

While the prolongation of the epidemiological emergency in Italy is, on one hand, causing a fall in business in the foodservice industry channel, on the other hand there is solid growth in the retail channel, which is INALCA S.p.A. and Italia Alimentari S.p.A.'s main business area.

In Russia too, in spite of the improvements recorded in the early months of the year, the COVID-19 emergency has begun to have an impact on both the production of frozen hamburgers and, obviously, on the foodservice industry sector. Unlike the position in Italy, these effects will be only partially mitigated by growth in the retail segment, which is still developing.

Although still lower than the peaks reached in previous years, there are clear signs of a gradual recovery in the results of the business activities in Africa in terms of both turnover and profitability. The limited spending power of the continent's populations and a fierce competitive scenario together with difficult social and political conditions in some states make the recovery of their previous levels of performance on the part of the main companies trading in Africa slower than expected.

As regards Inalca Food & Beverage S.r.l., which mainly operates in the foreign Ho.Re.Ca. market, the effects of the spread of the COVID-19 virus gave rise to a substantial decrease in turnover as from February 2020, particularly notable in China but, now, also in other countries in which the Company operates through its branches.

Distribution

The uncertainties generated by the spread of the COVID-19 epidemic do not allow, at this stage, to make realistic forecasts on the effects that the phenomenon may have on general consumption and, as far as MARR's activities are concerned, on the foodservice market in Italy.
Although the Italian eating out market expanded in the previous year too, and again demonstrated its resilience, the measures to limit infection put in place by the Government and local Authorities will have a substantial effect on consumption in the coming months.
It should be borne in mind, however, that MARR S.p.A. has organisational and distribution facilities throughout Italy, so that it is capable of providing the requisite level of service to all its customers and in all areas of business in which food is consumed away from home, including those related to public and healthcare services such as hospitals and care homes.
The Company is also very attentive to the management of trade receivables and operating costs, which have always included a high proportion of variable costs as far as MARR is concerned. The Company tries to mitigate the adverse effects of the crisis and its aim is to ensure continuity in the quality, products and service it offers the market in order to contribute, where possible, to alleviating the temporary difficulties and being absolutely ready to return to full activity as soon as the present uncertainties are resolved.

Catering

The measures to contain the spread of the COVID-19 epidemic enacted in Italy in March 2020 and, after this, in the other countries in which Chef Express S.p.A. and its Subsidiaries trade, had effectively stopped almost all business activities in the sector as of the date of these Financial Statements except for essential public services.
All the possible steps have already been taken, however, in the light of the regulations that have been issued as the emergency continued, to limit all operating costs in order to reduce the impact as much as possible.
We hope that the pandemic will be of a limited duration. There is no doubt that Chef Express S.p.A. and its Subsidiaries will be able to resume their business activities as soon as the restrictions imposed in Italy and in

the various other countries concerned are lifted.

Generally speaking however, the financial impact on the Group of the crisis brought about by the global spread of COVID-19 is unpredictable at the moment.

Considering the complexity and the uncertainty surrounding a rapidly evolving scenario, the Group (and each Group company individually) has analysed its present and prospective financial position and has found that the substantial stock of liquidity available at the moment would allow the Group to face up to a period of some months of poor business without having to resort to other sources of funds; moreover, very substantial credit facilities have been granted that have not been used in addition to the fact that the Group considers that it enjoys the support of the main banks with which it has relations, with which arrangements are also being made for further financing as back-up (some already made available at the reporting date); finally, assuming that the effects of the restriction on catering and consumer habits may be presumed to be temporary and such as to be resolved in a reasonably short time, we do not see any particular reason to believe that there is a risk of breaching the covenants regarding contractual maturity dates associated with the present loans.

On this basis, both the Group and, of course, its member companies have considered the going-concern principle according to which these financial statements have been prepared to be appropriate.

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 2019 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, 2019 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 13,573 people work in the countries where the Group operates. The majority are in the European Union (87.0%), followed by Russia (9.0%) and Africa (3.1%). The headcount in 2018 was instead 13,162 collaborators.
The breakdown of the organizational structure based on professional designation was 167 executives, 200 middle managers, 2,469 office staff and 10,737 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.

Distribution

Recruitment and selection: through the *Work with us* section of website www.marr.it, MARR addresses competent, dynamic and motivated persons with a disposition to work in a team who would like to contribute to the Company's future with commitment and passion, and receives a large number of applications every day. By participating in events such as the *Career Day*, an annual Bologna University event conceived with the purpose of having undergraduates and new graduates meet businesses, MARR comes into contact with many young candidates to join the Company and carries out employer branding activities.
The Group also gives internships to undergraduates and new graduates in collaboration with universities. Bologna University particularly submits the names of potential candidates to fill internship vacancies with the Company. These experiences are an opportunity to learn and acquire professional experience that provides students and new graduates with their first chance of becoming acquainted with the world of work and MARR with the opportunity to appreciate these young people in depth, also with a view to the possibility of their subsequent engagement.
MARR gives everybody the same opportunities from the time of the selection procedure, which, in fact, is conducted solely on the basis of the candidates' competencies, experience, expectations, aspirations, potential and personal characteristics, which must be compatible with the principles of rectitude, loyalty and integrity. The selection procedure is also based on positions vacant in the Company, the type of candidate and the qualifications required to fill the position, with the utmost transparency and observing the principle of equal opportunities, refraining from favouritism and discrimination in any form.
In fact, from the time of the recruitment and selection procedure onwards, as also throughout its relations with those who work with it, MARR's conduct is based on the principle of equal opportunities, not making any distinctions of gender, race, language, religion, political opinions or personal and social status; on the contrary, MARR is convinced that differences are a source of richness because they encourage the birth of new ideas and innovation.
MARR considers that these prerequisites are of fundamental importance also to ensure gender equality: indeed, three of the nine-member Board of Directors of MARR S.p.A. are women, while 6 are men; furthermore, in 2015 the Marisa Bellisario Foundation awarded MARR S.p.A. the *Mela Rosa* ("Pink Apple") award for giving recognition to female talent in its top management.
When engaged, new recruits are handed the Company's Code of Ethics and the Procedure for the management of inside and confidential information and they must undertake to comply with the principles and rules of conduct laid down in these documents.

Training: Training, which is an ongoing and constant process in MARR, is one of our basic values: in fact, always abiding by fair and unbiased criteria, MARR sets itself to ensure that those who work for the Company receive suitable professional training that takes their personal characteristics into account consistently with its business strategy and targets.
For this reason the MARR Group has created its own academy, the MARR Academy, a virtual and physical "environment" for learning and training and for the development of technical competencies; the Academy also functions transversally, providing remote learning in alternation with traditional "classroom" format sessions during which knowledge, competencies, experiences and values are shared in order to assist in the growth of the Company's People and its Organisation.
Furthermore, MARR fosters a responsible approach to safety among those who work for it because it believes that among its primary objectives are safeguarding its Employees' psychological and physical well-being seeing that its workplaces comply with current regulations and ensuring that they are as healthful and safe as possible.
In order to achieve these objectives, MARR invests large sums on an ongoing basis in training: general training for all workers and supervisors (in accordance with Article 37 of Legislative Decree 81/2008), including training in safety – for example safety courses for forklift users, members of firefighting and first-aid assistants, users of vertical aerial platforms and engineers in charge of running and maintaining refrigerating and air-conditioning plants.

Professional growth: MARR is profoundly convinced of the importance of the professional growth of its Human

Resources as a vital requirement for its development ("Grow to generate growth" - MARR S.p.A.).
Within the scope of the "Let's take care of our future" programme, whose goal is to strengthen motivation and sense of belonging and identify resources, through sessions aimed at deepening knowledge and appraisal, 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, MARR has seized concrete opportunities for the enhancement and growth of Human Resources.
Indeed, although MARR is aware that bringing in new Human Resources that have gained previous professional experience in other companies is necessary for its further enrichment and so that it can take advantage of their contributions of ideas and innovations, it also believes that it is important to offer the Resources already working in the Company the possibility of expressing their potential and shaping their professional growth that on one hand enhances their personal satisfaction and motivation and on the other hand values the contribution that they are able to make to the Company.

Performance appraisal: MARR appraises the performance of its Human Resources by setting them objectives and measuring results ("management by objectives"). The Resources involved in this process are those with management responsibilities and those who, even not having such responsibilities, fill some roles that are considered to be directly in support of and specific to the attainment of the Company's principal goals.
The process starts from setting objectives for periods that are mainly annual, that are clear and well identified, that are for by far the greatest part quantitative and thus easily measurable and verifiable, that are challenging but attainable and that are agreed with the person being appraised in the initial part of the period concerned; progress is assessed and discussed at intervals afterwards and the process ends with a final evaluation of the results achieved.
Performance appraisal is linked not only to an incentive scheme but to a professional growth objective in the form of the improvement of personal performance. The starting point is to clarify expectations and objectives and there are one or more feedbacks afterwards on what has been achieved in order to establish any possible corrective action that may be necessary and thus make it possible to improve performance.

Remuneration system: the principles underlying the management of the development and professional growth of the Human Resources are impartiality, the absence of any type of discrimination whatsoever and merit. These principles constitute guarantees that the management system satisfies equal treatment requirements.
MARR in fact assures that gender, political opinions, religious faith, race and language are of no relevance to the determination of its Workers' pay, as it is profoundly convinced of the right to equal pay for equal duties and results.
To this end, its pay policy is based on the responsibilities vested in the persons concerned, on their professional ability and competencies and on the appraisal of their performance so that their responsibilities, the results they have achieved and their growth potential are all properly recognised.
Indeed, in addition to its annual process of considering increases in fixed pay for personnel who assume increasing responsibilities in the course of their professional growth, MARR has also put a variable incentive scheme in place, linked to the Management By Objectives (MBO) system, for Resources that have management responsibilities or that fill roles that are considered to be directly in support of and specific to the attainment of the Company's principal goals. MARR takes great care with the MBO system setting annual individual or company objectives, for by far the greatest part quantitative, measuring progress periodically and ending with a final evaluation of the results achieved. Incentive bonuses are paid in amounts exactly corresponding to the degree to which objectives have been attained.

Internal communication: Human Resources are also involved in company objectives and everything regarding the Company through a system of internal communication whose purposes are to stimulate participation, develop an increasingly strong sense of belonging and strengthen motivation and solidarity.
"Internal communications" regarding specific themes are sent to all heads of functions and branch managers, who inform those working under them accordingly (depending on the theme, they are also sometimes put up on the company notice boards that are to be found in all MARR offices). In addition to these forms of internal communication, MARR edits a periodical house organ (InforMARR) available to all workers: this publication gives them the opportunity of sharing in the Company's objectives, actions, activities, projects and results.
Periodic meetings such as the following are also held:
- commercial conferences (attended by all members of the sales organisation and managers of Head office functions;
- operational and commercial conferences (attended by Branch managers, the sales department management

and managers of Head office functions);
- *Fucina delle stelle* ("Melting pot of the stars") meetings (involving Branch managers);
- special theme-based meetings attended by the Human Resources concerned according to subject.

Industrial relations: MARR gives all its workers the right to elect their representatives in the manner prescribed by law and the National Collective Labour Agreement (CCNL), with the assurance that these representatives are not subject to any type of discrimination and that they are free to communicate with workers in their workplaces.
MARR meets the Trade Unions several times during the year and in any case a special meeting is normally arranged before the end of April each year to exchange relevant information regarding reorganisations, outsourcing, restructuring, etc..
The Company has also undertaken with the Trade Unions in Rimini to inform the workers concerned and their representatives with 30 days' notice in the event of any outsourcing of departments or services.
Trade Unions are allowed to put up messages in the spaces set aside for the purpose.
Furthermore, MARR puts meeting places at the disposal of workers and their representatives for the conduct of union activities and grants time off for these activities. Union representatives are free to perform their functions as laid down in the National Collective Labour Agreement.
Among the policies applied in order to express respect for human resources and appreciation of their value are Measures for ensuring the observance of human rights: there has been a Company email address since 2009 to which any conduct contrary to MARR Code of Ethics can be reported. This address is restricted exclusively to the Supervisory Board.

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 also created on the occasion of MARR's participation in the *Beer Attraction* fair at Rimini in February 2019 and in the 2020 *Beer & Food Attraction* fair. 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.

Welfare: the Company complies with company welfare provisions in the relevant collective labour agreement. Additionally, when requests for modifications to working hours are made by employees during the post-maternity period, it gives careful consideration to the possibility of finding organisational solutions in order to be able to grant such requests.
From 2016 to 2019 the Group received applications for reduced working hours (part-time) from 21 female employees (three in 2016, six in 2017, four in 2018, eight in 2019), in some cases for family reasons and in other cases in relation to the post-maternity period. Following its equal opportunities policy, the Company managed to make the organisational changes necessary in order to respond favourably to these requests by accepting the application in nineteen of these cases.

<u>Catering</u>

During 2019 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 2019. 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 three PV plants at the INALCA production site of Capo d'Orlando (ME) and Fiorani & C. in Piacenza, to which must be added the additional plant operating at Azienda Agricola Marchesina.

The INALCA Group is able to produce about 90% 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 20,000 TOEs (Tonnes of Oil Equivalent) equal to 50,000 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 current transition from the public system of incentives for the production of electricity to biogas, Inalca has started preliminary work on a plan to convert its anaerobic digestion plants to this new type of energy production for the sustainable mobility of its transport fleets. Preliminary technical appraisals will continue with the identification of suitable sites during 2020.

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 97,000 cubic meters per year in the period from 2015 to 2019.

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.

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.

INALCA fosters the use of packaging consisting of recycled raw materials: 90% for paper packaging, 20% plastic and 70% aluminium: over 6,000 tons a year of raw materials saved.

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 170 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. The process of renewal of the motor-car fleet is continuing: now almost all the vehicles used by MARR are in classes Euro 5 and 6; the last vehicles in lower classes will be decommissioned during 2020. As regards the food transport vehicle fleet, in the framework of a programme that commenced in the recent past, 5 liquefied natural gas (LNG) vehicles – which reduce CO2 emissions by 20% compared to Euro 6 vehicles – were also put on the road in 2019 for primary distribution from distribution platforms to branches and last mile-national account distribution from the Marzano platform. Furthermore, according to next year's programme 100% electric vehicles are to be brought into the fleet for deliveries in the city of Florence (to add to those already operating for deliveries in the historic centre of Rome). Finally, another important development is the use of an exclusive TMS (Transport Management System), consisting of a tracking module that monitors distribution in real time and a planning module that schedules delivery journeys, pursuing the objective of service quality while making the most efficient possible use of the vehicles. Average last mile-street market distribution deliveries per journey increased by about 2% in 2019 and average capacity utilisation increased by over 5%;
- 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, obtaining the "MARR Sustainable Fish Supply Chain Control Service Certification", issued by an internationally recognised certification body. As regards sustainable fishing and aquaculture MARR also obtained the MSC and ASC certifications 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 2019 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 fifth 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.

During the various editions of the 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 95.9% 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.
As a part of its Food Security activities, Inalca started to work on adding the ISO 28000:2007 standard on security along the entire length of the supply chain to its certification system.
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 2019 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 2019, Inalca conducted 275,233 internal analytical tests in its laboratory, accredited under ISO 17025, as well as more than 9,000 external analyses involving breeding control; the value increased compared to 2018. In addition to Italian and European regulations, the INALCA food safety management system also adopts the methods and controls referred to in other regulations, such as the global FAO food safety standard (Codex Alimentarius), or regulations in force in other parts of the world, such as in the USA, Canada, Japan and the Russian Federation. This allows INALCA to bring its management system into line with specific regulations applicable in the numerous countries in which it distributes its products.
An innovative device for a heat-based meat hygiene control, which is capable of further increasing the level of safety of production of particularly sensitive products such as minced meat or products to be eaten raw, i.e. "ready to eat", is also in full operation at the Ospedaletto Lodigiano plant; similar systems are being installed in INALCA's other slaughterhouses.

Life Cycle of Products and Environmental Disclosure

In order to disclose actual impacts and consumption of its production chain to consumers, INALCA has maintained its present EPD (Environmental Product Declaration) regarding the Montana-branded frozen hamburgers and canned meat (http://www.environdec.com/en/Detail/epd711). The use of this instrument was extended to TV and digital communication for canned meat in 2019, in addition to the information on the product.
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.

Supply chain

The Group buys products from a large number of suppliers all over the world in order to provide its customers with a complete range of food products and equipment.
The Group Companies have decided to take measures to ensure increasingly careful and purposeful oversight of compliance not only with the law but with MARR's principles on the part of the entire supply chain.
Hence suppliers are subjected to painstaking scrutiny to ensure that they observe the safety and quality requirements that products must satisfy, both those under their exclusive brand names and those under third party brand names.

Distribution

Product suppliers belonging to MARR's procurement chain and service providers are selected, evaluated and approved in the manner and in accordance with criteria laid down in the relative Quality System procedures, in accordance with ISO 9001. The Company has decided to put measures in hand whose aim is to ensure increasingly accurate oversight of compliance on the part of the entire supply chain not only with the law but with its own principles.

The "Supplier Evaluation and Approval" procedure in MARR's Quality System requires the Company to check suppliers' system and product certifications, including certification SA 8000 regarding Social Responsibility. This standard covers protection of workers' rights, occupational health rights and the respect of rights in general and extends to the entire supply chain. When signing a supply contract, the contractor is also asked to sign a specific "Declaration of Commitment to Social Responsibility", whereby it warrants that it will respect all the principles in SA 8000.

Supplier performance is appraised periodically in order to verify that the required quality and service standards are maintained. A number of elements are considered in this appraisal, including the results of close testing inspections of the products acquired, evidence of the accuracy and regularity of deliveries and Customers' complaints and goods returns for which the supplier is to blame. During the period of supply, products that have been bought are inspected at reception and when processed and/or stored in MARR factories and platforms. Inspections at reception are conducted by competent personnel who have been trained in applying testing instructions and special control plans for carrying out these inspections.

For a thorough supplier appraisal, any complaints by suppliers and/or goods returned by Customers are examined to comprehend the reasons for non-conformity and determine the responsibility for it.
"Supplier Evaluation Questionnaire" data, supply non-conformities and complaints by Customers are used in drawing up the "List of MARR Approved Suppliers", which is updated periodically. Any suppliers that are not given an entirely favourable rating are asked by MARR to take steps and corrective action in order to remedy the shortcomings that have been found. If a serious issue arises during the supply relationship, the competent functions take immediate action with respect to the supplier (letters of complaint, audits at production facilities, sampling and analytic tests of products and even the suspension of purchases) in order to remove the problems that have arisen and ensure product conformity.

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, the Group has adopted a policy for the management of sensitive information and data, following the appropriate procedures for minimising the risk of breaching privacy and data protection as required by the current regulations.

Covid-19 emergency

Even if this event regards the 2020 financial year, in view of its enormous importance and its extraordinary nature, the measures adopted by the Group companies to face the Covid-19 emergency are described below. After the first emergency measures for the municipalities in the Lodi area on 21 February, even if INALCA was not within the exclusion zone (referred to as the "Red zone"), it had to deal immediately with an operational difficulty: low attendance by its staff at its Ospedaletto Lodigiano factory, on the edge of the exclusion zone, because many workers lived in municipalities in which movement was banned. The Company immediately solved this problem by re-allocating a part of its production work to other Group factories, in particular Castelvetro di Modena and Pegognaga (Mantua). This enabled production to continue entirely as normal and in compliance with regulations: measures necessary to safeguard the workers in the factory concerned were taken at once. The production organisation, with a network of integrated factories a short distance from each other and with similar production technologies, proved extremely effective in countering the effects of the emergency.

Subsequently, after restrictions were extended to the entire country, the Group formed an ad hoc working team that strengthened the protective measures concerning its workers and widened their scope to all the factories, distribution platforms, head and local offices and retail outlets managed by the various Group Companies. With the experience gained from the time of the commencement of the emergency, the Group's preventive measures complied and were in line with those that gradually succeeded each other in the numerous decrees and orders issued by the competent authorities. Among these, the main measures were:

- informing all employees on action to take to protect themselves against infection, how to behave in order to avoid contagion and how to behave in the workplace;
- measuring the personnel's body temperature on their entry to their place of work;

- special cleaning and disinfection protocols at all levels and in all production departments, offices and common areas;
- arrangements at office and factory gates for the control of the state of health of outside personnel and use of personal protection equipment;
- organisational measures for limiting and regulating flows of persons in the Company in order to manage the risk of gatherings and facilitate monitoring;
- widespread adoption of remote working tools and other organisational measures to reduce the numbers of personnel in workplaces, if applicable;
- restriction of access to common areas such as refreshment areas, dressing rooms and company canteens;
- segregation of flows of outside personnel such as lorry drivers and providers of essential services;
- all employees were prohibited from travelling, making business trips and holding physical meetings;
- amending biohazard assessment documents in order to ensure compliance with an inter-personal distance of one metre and identification of the particular workstations at which individual measures to protect workers have to be taken.

These activities are being continually updated, also depending on the provisions issued from time to time both in Italy and in any other country in which the Group operates, and are allowing production to continue in all the Group's factories and major distribution platforms in Italy and abroad in a sector, the food production and distribution industry, that is so highly essential.

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 2019**	Year 2018	Chg. %
Total revenues	**8,111**	**7,747**	*4.70*
Changes in inventories of work in progress, semi-finished and finished goods	-	-	
Value of production	**8,111**	**7,747**	*4.70*
Cost of production	(5,820)	(5,764)	
Value added	**2,291**	**1,983**	**n.a.**
Personnel costs	(2,570)	(2,457)	
Gross operating margin [(a)]	**(279)**	**(474)**	*(41.14)*
Amortization, depreciation and write-downs	(2,948)	(2,673)	
Operating income [(b)]	**(3,227)**	**(3,147)**	*2.54*
Net financial income (charges)	(399)	(711)	
Profit from ordinary activities	**(3,626)**	**(3,858)**	**n.a.**
Net income (charges) from investments	26,656	27,890	
Net extraordinary financial income (charges)		-	
Result before taxes	**23,030**	**24,032**	**n.a.**
Income taxes for the financial year	446	534	
Net profit	**23,476**	**24,566**	**n.a.**

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

(Euro/000)	**Year 2019**	Year 2018	*Chg. %*
Intangible assets	56	86	
Tangible assets	84,518	82,033	
Equity investments and other financial assets	258,139	258,192	
Total fixed assets	**342,713**	**340,311**	*0.71*
Trade net working capital			
- Trade receivables	4,189	2,277	
- Inventories	-	-	
- Trade payables	(5,648)	(8,779)	
Total trade net working capital	**(1,459)**	**(6,502)**	
Other current assets	7,759	13,195	
Other current liabilities	(3,876)	(3,078)	
Net working capital	**2,424**	**3,615**	*n.a.*
Staff Severance Indemnity Provision and other m/l term provisions	**(4,307)**	**(4,333)**	
Net invested capital	**340,830**	**339,593**	*0.36*
Total Shareholders' Equity	**296,367**	**275,124**	*7.72*
Net medium/long-term debt	27,507	34,956	
Net short-term debt	16,956	29,513	
Net debt	**44,463**	**64,469**	*(31.03)*
Net equity and net debt	**340,830**	**339,593**	*0.36*

a – EBITDA (Gross operating margin) is an economic indicator not defined in the International Accounting Principles and the IFRS. EBITDA is the measurement used by the company's management to monitor and evaluate its operations. The managements retains that EBITDA is an important indicator for measuring the Group 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 the Cremonini Group 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 the Cremonini Group 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 2019	Year 2018
Payables to banks, bonds and other financial institutions		
- due within 12 months	(8,284)	(16,498)
- due between 1 and 5 years	(17,507)	(22,477)
- due beyond 5 years	(10,000)	(12,479)
Total payables to banks, bonds and other financial institutions	**(35,791)**	**(51,454)**
Liquidity		
- cash and cash equivalents	80	162
- other financial assets	-	-
Total liquidity	**80**	**162**
Securitization and internal treasury current accounts	**(8,752)**	**(13,177)**
Total net debt	**(44,463)**	**(64,469)**

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	-	34	-	-
Services	-	6,276	-	-
Sales of goods	-	765	162	-
Other income [(a)]	-	27,665	-	-
Total revenues	**-**	**34,740**	**162**	**-**
Costs				
Financial charges	-	39	-	-
Services	-	481	-	-
Purchase of goods	-	10	-	-
Other charges	-	1,154	-	-
Total costs	**-**	**1,684**	**-**	**-**
Receivables				
Financial	-	5,364	-	-
Trade	-	3,831	-	-
Other (b)	-	2,221	-	-
Total Receivables	**-**	**11,416**	**-**	**-**
Payables				
Financial	4,662	9,455	-	-
Trade	-	4,215	-	-
Other (b)	-	2,200	-	-
Total Payables	**4,662**	**15,870**	**-**	**-**

(a) mainly dividends.
(b) 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 2019, 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 2019, together with the Directors' Report.

Furthermore, we propose the following allocation of the net profit for the year of Euro 23,476,313.95 as follows:

- to a dividend of Euro 0.031 for each ordinary share equal to a total of Euro 3,998,638.23;
- the remaining portion equal to Euro 19,477,674.77 to "Retained earnings" reserve.

Castelvetro di Modena, 27 March 2020

THE CHAIRMAN

OF THE BOARD OF DIRECTORS

(Cav. Lav. Luigi Cremonini)

INFORMATION NOTE ON THE PROPOSAL TO CHANGE THE ALLOCATION OF THE 2019 PROFIT FOR THE YEAR AND DISTRIBUTION OF DIVIDENDS

Castelvetro di Modena, 21 April 2020

The Board of Directors has noted the substantial change in the economic scenario that started to take place after the meeting on 27 March as a result of the evolution of the Covid-19 pandemic with the consequent risk of prolonged uncertainty regarding consumption. Taking the prudent approach that has gradually been adopted by some listed companies at this time, and as suggested by financial institutions and institutional investors, the Board has decided, in order to give additional support to the Group's financial solidity, to amend the resolution on the distribution of profits that was already approved on 27 March, proposing the distribution of a gross dividend per share of Euro 0.031. The Board has then approved the proposal to allocate the entire profit for the year to the reserve of "Retained earnings", to be submitted to the Shareholders' Meeting.
In order to facilitate the understanding of the implications of this decision, extracts from the Annual Financial Report approved by the Board of Directors on 27 March 2020 and the Board of Statutory Auditors' Report on 10 April 2020 are reproduced below. The passages related to the decision are marked.

Directors' Report on operations **Proposal for allocation of 2019 profit for the year and distribution of dividends (page 42)**	**Notes**
Dear Shareholders, Before concluding and requesting your decisions on this matter, we confirm that the draft financial statements for the year ended 31 December 2019, 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 2019, together with the Directors' Report.	Unchanged
Furthermore, we propose the following allocation of the net profit for the year of Euro 23,476,313.95 as follows:	**Furthermore, we propose to allocate the net profit for the year of Euro 23,476,313.95 to**

- to a dividend of Euro 0.031 for each ordinary share equal to a total of Euro 3,998,638.23; - the remaining portion equal to Euro 19,477,674.77 to "Retained earnings" reserve.	**"Retained earnings" reserve.**

Board of Statutory Auditors' Report to the Shareholders' Meeting of Cremonini S.p.A. in accordance with Article 2429 of the Italian Civil Code	**Notes**
(omissis) **Observations and proposals concerning the approval of financial statements** The net result established by the Governing Body for the financial year ended 31 December 2019, as also resulting from reading the Financial Statements, consists of a profit of Euro 23,476,313.95 and the Board agrees with the proposal for allocation of the result for the year put forward by the Governing Body in the Report on operations. (omissis)	Following the resolution passed by the Board of Directors on 21 April 2020, which changed the proposal for distribution of dividends, the Board of Statutory Auditors' opinion on the proposal for allocation of the result for the year remains unchanged.

For the Board of Directors

The Chairman

Luigi Cremonini

FINANCIAL STATEMENTS AT 31 DECEMBER 2019

CREMONINI SPA

Financial statements at 31 December 2019

Statement of Financial Position – Assets

(Euro)	Note	31.12.2019	31.12.2018
Non-current assets			
Tangible assets	1	84,518,269	82,032,852
Goodwill		-	-
Other intangible assets	2	56,222	86,372
Investments in subsidiaries and associated	3	257,106,934	257,160,323
Investments in other companies	4	1,031,093	1,031,093
Financial instruments / Derivatives		-	-
Financial assets held for sale		-	-
Deferred tax assets	16	-	-
Other non-current assets	5	39,461	42,691
Total non-current assets		**342,751,979**	**340,353,331**
Current assets			
Inventories		-	-
Current financial receivables	6	7,584,442	1,893,311
relating to related parties		*7,584,442*	*1,893,311*
Current trade receivables	7	4,188,680	2,277,411
relating to related parties		*3,831,529*	*1,888,404*
Current tax assets	8	5,217,042	8,898,839
Financial assets held for sale	4	195,537	3,495,612
Financial instruments / Derivatives		-	-
Cash and cash equivalents	9	79,761	162,199
Other current assets	10	160,391	338,184
relating to related parties		*0*	*0*
Total current assets		**17,425,853**	**17,065,556**
Total assets		**360,177,832**	**357,418,887**

Statement of Financial Position - Liabilities

(Euro)	Note	**31.12.2019**	31.12.2018
Shareholders' Equity			
Share capital	11	67,073,932	67,073,932
Reserves	12	(41,242,610)	(42,103,832)
Retained earnings		247,058,833	225,588,312
Result for the period		23,476,313	24,566,242
Total Shareholders' Equity		**296,366,468**	**275,124,654**
Non-current liabilities			
Non-current financial payables	13	27,436,907	34,902,882
relating to related parties		*25,663*	*25,651*
Financial instruments / Derivatives		95,421.00	78,564
Employee benefits	14	365,976	349,687
Non-current provisions for risks and charges	15	151,536	151,536
Deferred tax liabilities	16	3,789,940	3,832,134
Other non-current liabilities		473	473
Total non-current liabilities		**31,840,253**	**39,315,276**
Current liabilities			
Current financial payables	17	24,575,523	32,132,620
relating to related parties		*16,292,695*	*15,634,182*
Financial instruments / Derivatives		-	-
Current tax liabilities	18	514,747	497,974
Current trade liabilities	19	5,720,800	9,031,742
relating to related parties		*4,213,241*	*7,554,466*
Other current liabilities	20	1,160,041	1,316,621
relating to related parties		-	-
Total current liabilities		**31,971,111**	**42,978,957**
Total liabilities		**360,177,832**	**357,418,887**

Financial statements at 31 December 2019

Income statement

(Euro)	Note	31 December 2019	31 December 2018
Revenues	21	7,089,605	6,912,503
relating to related parties		*6,276,484*	*6,063,579*
Other revenues	22	1,021,727	834,354
relating to related parties		*927,410*	*791,232*
Costs for purchases	23	(78,892)	(48,397)
relating to related parties		*(10,232)*	*(1,570)*
Other operating costs	24	(5,740,680)	(5,716,035)
relating to related parties		*(480,704)*	*(454,729)*
Personnel costs	25	(2,569,847)	(2,456,505)
Amortization and depreciation	26	(2,845,008)	(2,673,463)
Write-downs and provisions	26	(103,000)	0
Revenues from equity investments	27	26,656,614	27,889,928
relating to related parties		*26,511,845*	*27,766,498*
Financial (Income)/Charges	28	(400,120)	(710,667)
relating to related parties		*(5,202)*	*(74,763)*
Result before taxes		**23,030,399**	**24,031,718**
Income taxes	29	445,914	534,524
Result for the period		**23,476,313**	**24,566,242**

Statement of comprehensive income

(Euro)	31 December 2019	31 December 2018
Result for the period	**23,476,313**	**24,566,242**
Items to be reclassified to profit or loss in subsequent periods:		
Measurement of financial assets available for sale	883,435	(894,246)
Efficacious part of profits/(losses) on cash flow hedge instruments	(16,857)	(30,239)
Income taxes	4,046	7,257
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains (losses)	(12,371)	3,181
Income taxes relating to other comprehensive income	2,969	(875)
Total Comprehensive Income (Expense)	**24,337,535**	**23,651,320**

Statement of changes in the shareholders' equity

(Euro)				Other riserves											
	Share capital	Nominal value treasury stock in portfolio	Total Share capital	Share premium reserve	Legal reserve	Merger Deficit	Merger Surplus	Reserve for IAS adjustments	Reserve 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 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**
Consolidated comprehensive income															
- Net profit (loss) for the period															
- Other Profits/(losses), net of taxes									2,306	(22,982)	(894,246)	(914,922)		24,566,242	**24,566,242**
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**
Allocation of the results for the previous year:															
- retained earnings reserve													24,566,242	(24,566,242)	**0**
- dividend distribution													(3,095,721)		**(3,095,721)**
Comprehensive income															
- Net profit (loss) for the period														23,476,313	**23,476,313**
- Other Profits/(losses), net of taxes									(9,402)	(12,811)	883,435	**861,222**			**861,222**
Balances at 31 December 2019	**67,073,932**	**0**	**67,073,932**	**78,279,705**	**14,749,280**	**(146,379,437)**	**94,514**	**12,787,578**	**(68,515)**	**(72,520)**	**(633,215)**	**(41,242,610)**	**247,058,833**	**23,476,313**	**296,366,468**

Cash flow statement (indirect method)

(Euro/000)	31.12.2019	31.12.2018
Profit for the period	**23,476**	**24,566**
Amortization and depreciation	2,845	2,673
Impairment	-	-
Net change in other provisions and non-monetary income items	1,382	154
Net change in Staff Severance Provision	(151)	(208)
Changes in working capital		
(Increase) decrease in trade receivables	(2,015)	(217)
(Increase) decrease in inventories	-	-
Increase (decrease) in trade payables	(3,131)	1,871
(Increase) decrease in other items of the working capital	6,234	1,070
Cash-flow from operating activities (A)	**28,640**	**29,909**
Net (investments) in intangible assets	(16)	(123)
Net (investments) in tangible assets	(5,284)	(1,751)
Net change in other non current assets	(1,100)	(1,439)
Acquisition net of Cash and cash equivalent	-	-
Cash-flow from investment activities (B)	**(6,400)**	**(3,313)**
Increase (Decrease) in medium-long term borrowings	(7,466)	8,337
Increase (Decrease) in medium-long term liabilities for derivatives	17	30
Increase (Decrease) in short-term borrowings	(12,639)	(34,067)
Increase (Decrease) in short-term liabilites for derivatives	0	-
Cash-flow from distribution of dividends	0	-
Capital increase and other changes in equity	(2,234)	(915)
Cash flow from financing activities (C)	**(22,322)**	**(26,615)**
Cash Flow of the year (D=A+B+C)	**(82)**	**(19)**
Cash and cash equivalents at the beginning of the year (E)	162	181
Cash and cash equivalents at the end of the year (F=D+E)	**80**	**162**

Cremonini S.p.A. Financial Statements at 31 December 2019

Notes to the financial statements

Form and content of the financial statements

The financial statements as at 31 December 2019 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 27 March 2020.

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 2019.

The Cremonini S.p.A. financial statements as at 31 December 2019 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 2019 show the figures for the financial year ended at 31 December 2018.

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 2019 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 2019

The valuation criteria used in preparing the financial statements for the year 2019 do not diverge from those used to draw up the financial statements for the financial year ended 31 December 2018, with the exception of the accounting standards, amendments and interpretations applicable as of 1 January 2019.

Specifically, note, as also reported in the introduction of these Explanatory Notes, the adoption of the new IFRS 16. This new standard, which provides a new definition of lease and sets out a criterion based on the right of use of an asset to distinguish lease agreements from contracts for services, has not had any impact on the separate financial statements of Cremonini S.p.A. since leases payable concern agreements that are either short term or of low value.

Below are the new accounting standards, amendments and interpretations applicable from 1 January 2019 but that have not had any impact on the Group's financial position, results of operations and cash flows:

- IFRIC 23 - *Uncertainty over Income Tax Treatments*. This interpretation clarifies the accounting for uncertainties in income tax treatments; with reference to this IFRIC, it should be noted that management, after having heard the opinion of its consultants, believes that there are no uncertainties regarding the treatment adopted for income tax purposes which are such as to require a provision to be set aside in the financial statements.

- 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.

- 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.

- Improvements to IFRS (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.

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. These standards will be applicable from the subsequent financial periods; on a preliminary basis, the Company believes that they will have no significant impact on its consolidated financial position, results of operations and cash flows.

- 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 the *Conceptual Framework* for *Financial Reporting*, published by the IASB on 29 March 2018. 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.
- Amendments to IFRS 9, IAS 39 and IFRS 7 (*Interest Rate Benchmark Reform*). These amendments focus on accounting for hedging transactions in order to clarify the potential effects arising from uncertainties caused by the Interest Rate Benchmark Reform. Furthermore, these amendments require the entity to provide investors with additional information concerning their hedging relationships that are directly affected by these uncertainties. These amendments will be applicable for the financial periods commencing on or after 1 January 2020.

Below are the Accounting standards, amendments and interpretations published by the IASB but for which the endorsement process has not yet been completed.

- 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.

- 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.
- The IASB has published amendments to IAS 1 "*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" with the objective of clarifying the method to be used to classify payables and other liabilities among short- or long-term items. The amendments will be applicable from 1 January 2022, with early adoption permitted.

Valuation criteria

The valuation criteria used in the drafting of the financial statements for the period ended 31 December 2019 are the same as those used for the drafting of the financial statements at 31 December 2018, 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.

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 for 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 2019.

- 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:

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

  - anticipated interest rate of 1.20%;
  - discounting rate[1] of 0.37%;
  - the annual rate of increase in employee severance indemnity is expected to be equal to 2.4%;
  - 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

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.

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

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 2019 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 2019, 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 0.2 million on an annual basis (Euro 0.5 million at 31 December 2018).

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)	**31.12.2019**	31.12.2018
Current trade receivables	4,189	2,277
Other non-current assets	39	43
Other current assets	160	338
Total	**4,389**	**2,658**

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 2019				
Financial payables	24,576	17,437	10,000	52,013
Financial instruments / Derivatives	-	95	-	95
Trade Liabilities	5,721	-	-	5,721
	30,296	**17,532**	**10,000**	**57,829**
31 December 2018				
Financial payables	32,133	22,424	12,479	67,036
Financial instruments / Derivatives	-	79	-	79
Trade Liabilities	9,032	-	-	9,032
	41,165	**22,503**	**12,479**	**76,147**

Classes of financial instruments

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

Balance Sheet Assets 2019	Loans and receivables	Assets at FVPL	Assets at FVOCI	Total
Non-current financial assets available for sale	-	-	-	-
Non-current derivative assets	-	-	-	-
Other non-current assets	39	-	-	**39**
Current financial receivables	7,584	-	-	**7,584**
Current trade receivables	4,189	-	-	**4,189**
Current financial assets available for sale	196	-	-	**196**
Current derivative financial instruments	0	-	-	-
Current tax receivables	5,217	-	-	**5,217**
Cash and cash equivalents	80	-	-	**80**
Other current assets	160	-	-	**160**
Total	**17,465**	**-**	**-**	**17,465**
Balance Sheet Assets 2018				
Non-current financial assets available for sale	-	-	-	-
Non-current derivative assets	-	-	-	-
Other non-current assets	43	-	-	**43**
Current financial receivables	1,893	-	-	**1,893**
Current trade receivables	2,277	-	-	**2,277**
Current financial assets held for sale	3,496	-	-	**3,496**
Current derivative financial instruments	-	-	-	-
Current tax receivables	8,899	-	-	**8,899**
Cash and cash equivalents	162	-	-	**162**
Other current assets	338	-	-	**338**
Total	**17,108**	**-**	**-**	**17,108**

Balance Sheet Liabilities 2019	Other financial liabilities	Liabilities at FVPL	Liabilities at FVOCI	Total
Non-current financial payables	27,437	-	-	**27,437**
Non-current derivative financial instruments	-	-	95	**95**
Current financial payables	24,576	-	-	**24,576**
Current derivatives	-	-	-	-
Total	**52,012**	**-**	**95**	**52,108**
Balance Sheet Liabilities 2018				
Non-current financial payables	34,903	-	-	**34,903**
Non-current derivatives	-	-	79	**79**
Current financial payables	32,133	-	-	**32,133**
Current derivatives	-	-	-	-
Total	**67,036**	**-**	**79**	**67,114**

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.

1. Tangible assets

(Euro/000)	Balance at 31.12.2018	Purchases	Decreases	Other	Depr.	**Balance at 31.12.2019**
Land and buildings	76,486	3,990	-	263	(1,572)	79,167
Plant and machinery	3,163	729	-	113	(793)	3,212
Industrial and business equipment	1	-	-	-	(1)	0
Other assets	2,055	403	-	14	(433)	2,039
Fixed assets under construction and advances	328	162	-	(390)	-	100
Total	**82,033**	**5,284**	**0**	**0**	**(2,799)**	**84,518**

Land and buildings

The increase in the year, amounting to Euro 3,990 thousand, related for Euro 3,100 thousand to the acquisition of property units located in Rome, in the Trevi district, in the vicinity of the properties already owned; furthermore, expenses were incurred for the refurbishment of the company-owned buildings located in Rome and Castelvetro (MO).

Land and buildings are encumbered by mortgages, against the loans obtained, for an amount of Euro 50 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 mainly refers to increases connected with the purchase of furniture and fittings for the company-owned properties in Castelvetro and Rome, as well as to the purchase of cars.

Fixed assets under construction and advances

The increase in the year, amounting to Euro 162 thousand, was due to the refurbishment in progress for some recently-acquired properties located in Rome.

2. Other intangible assets

(Euro/000)	Balance at 31.12.2018	Purchases	Decreases	Other	Amort.	**Balance at 31.12.2019**
Patents and intellectual property rights	80	13	-	-	(44)	49
Concessions, licences, trademarks and similar rights	6	3	-	-	(2)	7
Total	**86**	**16**	**0**	**0**	**(46)**	**56**

3. Investments in subsidiaries and associated companies

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

Equity investments in subsidiaries

The main changes during the year 2019 regarded shareholdings in:

- Interjet S.r.l. for a future capital increase payment of Euro 1 million and a write-down of Euro 1,153 thousand;
- Imprenditori per E-Marco Polo S.r.l. for a capital increase of Euro 100 thousand.

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)	**31.12.2019**	31.12.2018
Equity investments in other companies	1,031	1,031
Financial assets held for sale	196	3,496

The reduction in the balance of the "Financial assets held for sale" is attributable to the sale of the shares of BPER Banca S.p.A., the transfer of which gave rise to a capital gain of Euro 77 thousand, and to the fair value measurement of the investment in 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)	**31.12.2019**	31.12.2018
Tax receivables	38	42
Other receivables	1	1
Total	**39**	**43**

Tax receivables consist of the remaining amount of a request for IRES (Corporate Income) tax refund submitted by Cremonini S.p.A. for itself and the companies that joined the tax consolidation scheme in the years 2007 to 2011.
The amount that was initially claimed for refund had been calculated on the IRAP (Regional Business Tax) with reference to the cost of labour and workers collaborating with the Company.

Current assets

6. Current financial receivables

(Euro/000)	31.12.2019	31.12.2018
Receivables from subsidiaries	7,584	1,893
Total	**7,584**	**1,893**

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

(Euro/000)	31.12.2019	31.12.2018
Financial receivables from subsidiaries	**50**	**50**
E-Marco Polo S.p.A.	50	50
Provision for bad debts	-	-
Loans for dividends distribution	**0**	**0**
Receivables from subsidiaries for transferred tax payables	**7,534**	**1,843**
Chef Express S.p.A.	5,314	1,825
Global Service S.r.l.	-	-
Marr S.p.A.	2,213	-
New Catering S.r.l.	7	18
Roadhouse Grill Roma S.r.l.	-	-
Total	**7,584**	**1,893**

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)	31.12.2019	31.12.2018
Receivables from customers	**357**	**389**
Due within 12 months	483	447
Provision for bad debts	(126)	(58)
Receivables from subsidiaries	**3,831**	**1,882**
As.Ca. S.p.A.	84	-
C&P S.r.l.	10	-
Chef Express S.p.A.	3	-
Cremonini Restauration S.a.s.	1	-
Fiorani & C. S.p.A.	228	-
Ges.car S.r.l.	821	632
Global Service S.r.l.	96	162
Guardamiglio S.r.l.	231	86
INALCA S.p.A.	1,770	-
italia Alimentari S.p.A.	1	-
MARR s.p.A.	2	-
Momentum Services Ltd	5	10
Realbeef S.r.l.	-	283
Roadhouse S.p.A.	2	-
Soc. Agr. Corticella S.r.l.	375	460
Tecnostar S.r.l.	202	249
Receivables from associated companies	**0**	**0**
Time Vending S.r.l.	-	-
Receivables from related companies	**1**	**6**
Cremofin S.r.l.	1	6
Total	**4,189**	**2,277**

The change in the bad debt provision was the following:

(Euro/000)	31.12.2019	31.12.2018
Initial balance	(58)	(111)
Utilized during the year	35	53
Accruals during the year	(103)	-
Final balance	**(126)**	**(58)**

At 31 December 2019 the trade receivables and bad debt provision were apportioned by due date as follows:

(Euro/000)	31.12.2019		31.12.2018	
	Amount	Bad Debt prov.	Amount	Bad Debt prov.
Trade receivables not overdue	51	-	80	-
Overdue up to 30 days	112	-	51	-
Overdue from 31 to 60 days	19	-	23	-
Overdue from 61 to 90 days	15	-	16	-
Overdue from 91 to 120 days	-	-	-	-
Overdue over 120 days	286	(126)	277	(58)
Total	**483**	**(126)**	**447**	**(58)**

8. Current tax assets

(Euro/000)	31.12.2019	31.12.2018
Receivables for advance on direct taxes	324	902
Receivables for withholdings	1	-
VAT credit and other taxes requested for reimbursement	4,894	8,002
Other sundry receivables	1	(2)
Provision for bad debts	(3)	(3)
Total	**5,217**	**8,899**

The balance in current tax assets, equal to Euro 5.2 million, showed a decrease of Euro 3.7 million compared to Euro 8.9 million in 2018.
The decrease was mainly due to the lower VAT credit that was recognised at the end of the year at the time of the periodic payment of the Group VAT.

9. Cash and cash equivalents

(Euro/000)	31.12.2019	31.12.2018
Cash	18	18
Bank and postal accounts	62	144
Total	**80**	**162**

Please refer to the cash flow statement for the 2019 evolution of cash and cash equivalents.

10. Other current assets

(Euro/000)	**31.12.2019**	31.12.2018
Accrued income and prepaid expenses	48	37
Other receivables		
Advances to suppliers	73	252
Receivables from social security institutions	159	157
Provision for bad debts	(143)	(143)
Receivables from employees	-	3
Other sundry receivables	23	32
Total	**160**	**338**

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 2019 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 2019 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 2018.

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. (sold in 2019) and Banco BPM S.p.A.

Basic earnings per share
Basic earnings per share as at 31 December 2019 amounted to Euro 0.1820 (Euro 0.1905 at 31 December 2018) and has been calculated on the basis of net profits of Euro 23,476,313 divided by the weighted average number of ordinary shares in 2018, 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)	31.12.2019	31.12.2018
Due between 1 and 5 years		
Payables to banks	17,411	22,398
Payables to other lenders	-	-
Payables to subsidiaries for Ires reimbursement	26	26
Total payables due between 1 and 5 years	**17,437**	**22,424**
Due beyond 5 years		
Payables to banks	10,000	12,479
Payables to other lenders	-	-
Total payables due beyond 5 years	**10,000**	**12,479**
Total	**27,437**	**34,903**

Below is the breakdown of payables to banks:

(Euro/000)	Credit line	Current	Between 1 and 5 years	Beyond 5 years	Total 31.12.2019
Overdraft	5,400	782	-	-	782
Hot Money	30,000	36	-	-	36
Mortgages	34,877	7,466	17,411	10,000	34,877
Total		**8,284**	**17,411**	**10,000**	**35,695**

The composition of the mortgages is as follows:

Bank (Euro/000)	Expiry date	Current	between 1 and 5 years	beyond 5 years	Total 31.12.2019
Banca Intesa Sanpaolo S.p.A.	30/06/22	5,000	7,500	-	**12,500**
UBI Banca S.p.A.	25/07/25	2,500	10,000	10,000	**22,500**
Interest payable accrued		(34)	(89)	-	**(123)**
Total		**7,466**	**17,411**	**10,000**	**34,877**

Net Debt

The table below reports the breakdown of Net Debt at 31 December 2019 and for the previous year:

(Euro/000)	31.12.2019	31.12.2018
A. Cash	18	18
B. Cash equivalent	61	144
C.Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	**80**	**162**
E. Current financial receivables	**5,365**	**1,220**
F. Current bank liabilities/Curent bonds issued	8,284	16,498
G. Current derivatives	-	-
H. Other current financial payables	14,117	14,397
I- Current financial payables	**22,401**	**30,895**
J. Current net debt (I) - (E) - (D)	**16,956**	**29,513**
K. Non-current bank payables	16,957	34,877
L. Bonds	27,411	-
M. Other non-current financial payables	-	-
N. Non-current derivatives	95	79
O. Non-current debt (K) + (L) + (M) + (N)	**27,507**	**34,956**
P. Net Debt (J) + (O)	**44,463**	**64,469**

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 2019, 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 loan as at 31 December 2018	12,500	22,500
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
EBITDA / Net financial charges	>=4.0	>=4.0

(a) covenants calculated on the consolidated annual financial statements of the Cremonini Group, net of the effects of the adoption of IFRS 16.

14. Employee benefits

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

(Euro/000)	**31.12.2019**	31.12.2018
Opening balance	350	350
Accrued for the year	4	3
Use for the financial year	0	(1)
Actuarial gain losses	12	(2)
Closing balance	**366**	**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	362	367	368	361	359	371

15. Non-current provisions for liabilities and charges

(Euro/000)	**31.12.2019**	31.12.2018
Minor lawsuits and disputes	50	50
Provision for risks	102	102
Total	**152**	**152**

(Euro/000)	Balance at 31.12.2018	Provision	Use	**Balance at 31.12.2019**
Minor lawsuits and disputes	50	-	-	50
Provision for risks	102	-	-	102
Total	**152**	**-**	**0**	**152**

The provisions for risks and charges, unchanged compared to 2018, 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 2019, the deferred taxes amounted to Euro 3,790 thousand and represent Euro 3,940 thousand of deferred taxes and Euro 150 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)	**31.12.2019**		31.12.2018	
	Amount of timing differences	**Fiscal Effect**	**Amount of timing differences**	**Fiscal Effect**
Deferred tax assets				
Bad debt provision	272		204	
Taxed Provisions	152		152	
Derivatives- cash flow hedge	95		79	
Other	108		97	
Total	**627**		**532**	
Taxable amount for IRES	**627**		**532**	
Tax rate	24.00%		24.00%	
Deferred tax assets for IRES		**150**		**128**

(Euro/000)	**31.12.2019**		31.12.2018	
	Amount of timing differences	**Fiscal Effect**	**Amount of timing differences**	**Fiscal Effect**
Deferred tax liabilities				
Capital Gains	0		0	
Tangible assets	16,416		16,498	
Total	**16,416**		**16,498**	
Tax rate	24.00%		24.00%	
Deferred tax liabilities for IRES		**3,940**		**3,960**

Current liabilities

17. Current financial payables

(Euro/000)	31.12.2019	31.12.2018
Payables to subsidiaries	11,630	10,599
Payables controlling companies	4,662	5,036
Payables to banks	8,284	16,498
Closing balance	**24,576**	**32,133**

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)	31.12.2019	31.12.2018
Payables to consolidated subsidiaries	**9,464**	**9,361**
Global Service S.r.l.	1,050	2,151
Inalca S.p.A.	3,740	2,912
Interjet S.r.l.	2,831	2,341
Marr S.p.A.	1,843	1,957
Payables to unconsolidated subsidiaries	-	-
Payables to subsidiaries for transferred tax receivables	**2,166**	**1,238**
Avirail Italia S.r.l. in liq.	-	-
As.Ca S.r.l.	465	88
Chef Express S.p.A.	1,337	-
Global Service S.r.l.	59	68
Interjet S.r.l.	132	268
Marr S.p.A.	-	27
Roadhouse S.p.A.	165	576
Roadhouse Grill Roma S.r.l.	8	211
Total	**11,630**	**10,599**

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)	31.12.2019	31.12.2018
IRES tax	-	-
IRPEF tax for employees and self-employed	500	486
Substitute taxes and other taxes payable	15	12
Total	**515**	**498**

19. Current trade liabilities

(Euro/000)	31.12.2019	31.12.2018
Suppliers	**1,508**	**1,477**
Payables to parent company	**0**	**59**
Cremofin S.r.l.	-	59
Payables to subsidiaries	**4,213**	**7,496**
Avirail Italia S.r.l. in liq.	6	6
As.Ca. S.p.A.	-	38
Chef Express S.p.A.	741	666
Cibo Sapiens S.r.l.	169	2
Fiorani & C. S.p.A.	-	37
Global Service S.r.l.	-	8
INALCA S.p.A.	4	2,026
Inalca Food & Beverage S.r.l.	187	139
Interjet S.r.l.	4	3
Italia Alimentari S.p.A.	894	496
Marr S.p.A.	679	2,662
Marr S.p.A.	-	-
New Catering S.r.l.	58	38
Realbeef S.r.l.	2	
Roadhouse S.p.A.	1,381	1,134
Roadhouse Grill Roma S.r.l.	46	204
Sara S.r.l.	2	1
Tecno-Star Due S.r.l.	40	36
Total	**5,721**	**9,032**

20. Other current liabilities

(Euro/000)	31.12.2019	31.12.2018
Accrued expenses and deferred income	14	16
Inps/Inail/Scau	171	158
Inpdai/Previndai/Fasi/Besusso	34	27
Payables to other social security institutions	32	32
Other payables		
Advances and other payables from customers	-	-
Payables for employee remuneration	455	425
Guarantee deposits and down payments received	-	131
Payables to directors and statutory auditors	372	427
Other minor payables	82	101
Total	**1,160**	**1,317**

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

These consist of 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.

They refer to:

(Euro/000)	**31.12.2019**
Loans or credit lines	379,748
Revenue Agency/ VAT offices	39,576
Supply contracts, management of leased assets, good execution of contracts etc.	7,884
Other minor	666
Total guarantees, sureties and commitments	**427,874**

Real Guarantees granted

Real guarantees granted to third parties mainly refer to mortgages on properties owned and are detailed in the comment on the financial statement item of "tangible assets."

Details of the main items of the income statement

21. Revenues

These are broken down as follows:

(Euro/000)	**2019**	2018
Revenues from sales - Goods for resale	9	5
Revenues from services	3,160	3,087
Advisory services to third parties	1,602	1,602
Rent income	2,259	2,161
Other revenues from ordinary activities	60	58
Total	**7,090**	**6,913**

Below is a breakdown of revenues by geographical area:

(Euro/000)	**2019**	2018
Italy	7,081	6,904
European Union	9	9
Non-EU countries	-	-
Total	**7,090**	**6,913**

22. Other revenues

(Euro/000)	**2019**	2018
Insurance reimbursements	4	-
Capital gains on disposal of capital goods	1	-
Other cost reimbursements	976	834
Services, consultancy and other minor revenues	41	-
Total	**1,022**	**834**

23. Costs for purchases

(Euro/000)	**2019**	2018
Costs for purchases - Goods for resale	(15)	(10)
Costs for purchases - Stationery and printers	(7)	(7)
Other costs for purchases	(57)	(31)
Total	**(79)**	**(48)**

24. Other operating costs

(Euro/000)	**2019**	2018
Costs for services	(4,489)	(4,549)
Costs for leases and rentals	(68)	(91)
Other operating charges	(1,184)	(1,076)
Total	**(5,741)**	**(5,716)**

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

Costs for services

(Euro/000)	2019	2018
Energy consumption and utilities	(384)	(371)
Maintenance and repairs	(317)	(345)
Commisions, commercial and distribution services	(766)	(773)
Third-party services and outsourcing	(49)	(45)
Purchasing services	(9)	(6)
Other technical and general services	(2,964)	(3,009)
Total	**(4,489)**	**(4,549)**

Costs for leases and rentals

(Euro/000)	2019	2018
Rents and charges payable other property assets	(68)	(91)
Leases and rentals related to real and personal property	**(68)**	**(91)**
Total	**(68)**	**(91)**

Other operating charges

(Euro/000)	2019	2018
Indirect taxes and duties	(514)	(494)
Contributions and membership fees	(65)	(71)
Other minor costs	(605)	(511)
Total	**(1,184)**	**(1,076)**

"Other minor costs" mainly include costs anticipated in the name and on behalf, which are then re-charged back to subsidiaries.

25. Personnel costs

(Euro/000)	2019	2018
Salaries and wages	(1,866)	(1,781)
Social security contributions	(563)	(554)
Staff Severance Provision	(125)	(122)
Other personnel costs	(16)	-
Total	**(2,570)**	**(2,457)**

On 31 December 2019 the Company employed a total staff of 21 persons, as follows:

	Factory staff	Office staff	Senior Managers	Total
Employees as at 31.12.2018	0	14	5	19
Employees as at 31.12.2019	**0**	**15**	**6**	**21**
Increases (decreases)	0	1	1	2
Average no. of employees during year 2019	**0**	**15**	**5**	**20**

26. Amortization, depreciation, write-downs and provisions

(Euro/000)	2019	2018
Depreciation of tangible assets	(2,798)	(2,631)
Amortization of intangible assets	(47)	(42)
Write-downs and provisions	(103)	-
Total	**(2,948)**	**(2,673)**

A provision for credit losses, equal to Euro 103 thousand, was set aside for prudential purposes in 2019.

27. Revenues from equity investments

(Euro/000)	2019	2018
Income (Charges) from investments in subs.	27,665	27,799
Income (Charges) from investments in other comp.	145	123
Revaluation of investments	-	694
Write-down of investments	(1,153)	(726)
Total	**26,657**	**27,890**

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)	2019	2018
Dividends from subsidiaries		
Chef Express S.p.A.	-	2,976
Global Service S.r.l.	1,500	
MARR S.p.A.	26,165	24,823
Total	**27,665**	**27,799**

"Income from equity investments in subsidiaries" consists of dividends distributed by subsidiaries MARR S.p.A. and Global Service S.r.l. totalling Euro 26.2 million and Euro 1.5 million, respectively, as stated in the table.

Income (charges) from equity investments in other companies

The 2019 balance of the item under examination includes dividends received in the year from BPER Banca S.p.A. (Euro 127 thousand), Futura S.r.l. (Euro 17 thousand).

Write-downs/Revaluations of investments

(Euro/000)	2019	2018
Global Service S.r.l.	-	694
Imprenditori E-Marco Polo S.r.l.	-	(3)
Interjet S.r.l.	(1,153)	(723)
Total	**(1,153)**	**(32)**

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 2019.

28. Financial (Income)/Charges

(Euro/000)	**2019**	2018
Income (Charges) from management of derivatives	-	-
Net financial Income (Charges)	(400)	(711)
Total	**(400)**	**(711)**

In detail:

Net financial income (charges)

(Euro/000)	**2019**	2018
Financial Income (Charges) from controlling companies	**(24)**	**(47)**
Financial Income (Charges) from subsidiaries	**(5)**	**(28)**
Financial Income (Charges) from associated companies	**-**	**-**
Financial income		
- Bank interest receivable	-	-
- Other financial income	78	7
Total financial income	**78**	**7**
Financial charges		
- Interest payable on loans	(350)	(512)
- Interest payable on current accounts and others	(70)	(76)
- Other bank charges	(29)	(32)
- Other sundry charges	-	(23)
Total financial charges	**(449)**	**(643)**
Total	**(400)**	**(711)**

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)	**2019**	2018
Chef Express S.p.A.	18	9
E-Marco Polo S.p.A.	1	-
Global Service S.r.l.	(11)	(16)
INALCA S.p.A.	6	4
Interjet S.r.l.	(18)	(24)
Marr S.p.A.	(1)	(1)
Total	**(5)**	**(28)**

29. Income taxes

(Euro/000)	**2019**	2018
Net income from subs. for transferred taxable amounts	411	456
IRES tax - previous years	-	-
	411	**456**
IRAP tax	-	-
Provision for deferred tax liabilities/assets	35	79
IRAP tax - previous years	-	-
Effect of change in IRES tax rate effective from 2017	-	-
	35	**79**
Total	**446**	**535**

The balance of net income from tax consolidation refers to the result of the IRES (Corporate Income) tax consolidation scheme, which has been joined by Cremonini S.p.A. as the consolidating company.

Reconciliation of theoretical tax burden and actual tax burden

IRES

(Euro/000)	Year 2019		Year 2018	
	Taxable amount	Tax	Taxable amount	Tax
Profit before taxation	**23,030**		**24,032**	
Tax rate	24.0%		24.0%	
Theoretical tax burden		**(5,527)**		**(5,768)**
Permanent differences				
Non-deductible amortization and depreciation	222		219	
Write-down of investments	1,153		726	
Taxes and tax amnesties	263		261	
Other increases	341		431	
Total increases	**1,979**		**1,637**	
Non-taxable part of dividends	(26,419)		(26,525)	
Deductible IRAP/IMU	(131)		(52)	
Revaluation of investments	0		(694)	
Gains/Losses on disposal of equity investemensts	0		0	
Other decreases	(473)		(453)	
Total decreases	**(27,023)**		**(27,724)**	
Timing differences deductible in future years				
Accruals to taxed provisions	103		0	
Other increases	307		281	
Total	**410**		**281**	
Timing differences taxable in future years				
Capital gains on disposal of real estate			-	
Other decreases			-	
Total	**0**		**0**	
Reversal of timing diff. from previous years				
Capital gains on disposal of real estate	0		-	
Total	**0**		**0**	
Use of taxed provisions	(35)		(53)	
Other decreases	(73)		(73)	
Total	**(108)**		**(126)**	
Taxable income	**(1,712)**		**(1,900)**	
Tax rate	24.0%		24.0%	
Actual tax benefit (burden)		**411**		**456**
Ires tax - previous years		**-**		**0**

IRAP

(Euro/000)	Year 2019		Year 2018	
	Taxable amount		Taxable amount	
Profit before taxation	**23,030**		**24,032**	
Costs not relevant for IRAP				
Financial Income/Charges	400		711	
Revenues from equity investments	(26,657)		(27,890)	
Write-downs and provisions	(103)		0	
Personnel cost	2,570		2,457	
Deductible personnel cost				
Others				
Total	**(23,789)**		**(24,722)**	
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 (articles 2364 and 2389 of the Italian Civil Code), members of the Board of Statutory Auditors and independent auditors are noted below:

- Directors: Euro 1,062 thousand
- Board of Statutory Auditors: Euro 71 thousand
- Independent auditors: Euro 46 thousand

(Euro/000)	Company that provided the service	Recipient	Fees pertaining to 2019
Audit	PricewaterhouseCoopers S.p.A.	Cremonini S.p.A.	45,527
Total			**45,527**

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, 27 March 2020

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 2019;
Annex 2	-	List of revenues and costs from/to subsidiaries, associated, controlling and related companies for the 2019 financial year;
Annex 3	-	Statement of changes in tangible assets for the financial statements ended 31 December 2019;
Annex 4	-	Statement of changes in other intangible assets for the financial statements ended 31 December 2019;
Annex 5	-	List of equity investments and Available-for-sale assets as at 31 December 2019;
Annex 6	-	List of equity investments in subsidiaries and associated companies as at 31 December 2019 (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 2019

(Euro/000)	Treasury		Trade		Other		**Total**	
	Receivables	Payables	Receivables	Payables	Receivables	Payables	**Receivables**	**Payables**
Subsidiaries:					(a)	(b)		
As.ca. S.p.A.	-	-	84	-	-	465	**84**	**465**
Avirail Italia S.r.l. in liq.	-	-	-	6	-	-	**-**	**6**
C&P S.r.l.	-	-	10	-	-	-	**10**	**-**
Chef Express S.p.A.	5,314	-	3	741	-	1,346	**5,317**	**2,087**
Cibo Sapiens S.r.l.	-	-	-	-	-	-	**-**	**-**
Cremonini Chef Iberica S.A.	-	-	-	-	-	-	**-**	**-**
Cremonini Restauration S.A.S.	-	-	1	-	-	-	**1**	**-**
E-Marco Polo S.p.A.	50	-	-	-	-	-	**50**	**-**
Fiorani & C. S.p.A.	-	-	228	-	-	-	**228**	**-**
Ges.Car. S.r.l.	-	-	821	-	-	-	**821**	**-**
Global Service S.r.l.	-	1,048	96	170	-	64	**96**	**1,282**
Guardamiglio S.r.l.	-	-	231	-	-	-	**231**	**-**
INALCA S.p.A.	-	3,737	1,770	4	-	3	**1,770**	**3,744**
Inalca Food & Beverage S.r.l.	-	-	-	187	-	-	**-**	**187**
Interjet S.r.l.	-	2,827	-	4	-	136	**-**	**2,967**
Italia Alimentari S.p.A.	-	-	1	894	-	-	**1**	**894**
Marr S.p.A.	-	1,843	2	679	2,213	11	**2,215**	**2,533**
Momentum Services Ltd	-	-	5	-	-	-	**5**	**-**
New Catering S.r.l.	-	-	-	58	7	-	**7**	**58**
Realbeef S.r.l.	-	-	-	2	-	-	**-**	**2**
Roadhouse S.p.A.	-	-	2	1,381	-	167	**2**	**1,548**
Roadhouse Grill Roma S.r.l.	-	-	-	46	-	8	**-**	**54**
Sara S.r.l.	-	-	-	3	-	-	**-**	**3**
Società Agricola Corticella S.r.l.	-	-	375	-	-	-	**375**	**-**
Tecnostar Due S.r.l.	-	-	202	40	-	-	**202**	**40**
Total subsidiaries	**5,364**	**9,455**	**3,831**	**4,215**	**2,220**	**2,200**	**11,415**	**15,870**
Associated companies:								
Time Vending S.r.l.	-	-	-	-	-	-	**-**	**-**
Total associated companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Controlling companies:								
Cremofin S.r.l.	-	4,662	1	-	-	-	**1**	**4,662**
Total controlling companies	**-**	**4,662**	**1**	**-**	**-**	**-**	**1**	**4,662**

(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 2019 financial year

(Euro/000)	Financial Revenues	Services	Sales	Other (a)	**Total revenues**	Financial Expenses	Services	Purchses	Other	**Total costs**
Subsidiaries:										
C&P S.r.l.	-	-	8	-	**8**	-	-	-	-	**-**
Chef Express S.p.A.	24	2,442	465	-	**2,931**	6	153	-	1	**160**
Chef Express UK Ltd	-	-	-	-	**-**	-	-	-	-	**-**
Cremonini Restauration S.A.S.	-	-	-	-	**-**	-	-	-	-	**-**
E-Marco Polo S.p.A.	1	-	-	-	**1**	-	-	-	-	**-**
Fiorani & C. S.p.A.	-	4	-	-	**4**	-	-	-	-	**-**
Ges.Car. S.r.l.	-	-	-	-	**-**	-	-	-	-	**-**
Global Service S.r.l.	-	61	31	1,500	**1,592**	11	166	7	-	**184**
Guardamiglio S.r.l.	-	-	1	-	**1**	-	-	-	-	**-**
INALCA S.p.A.	9	1,245	32	-	**1,286**	3	7	1	-	**11**
Imprenditori per E-Marco Polo S.r.l.	-	-	-	-	**-**	-	-	-	-	**-**
Inalca Food & Beverage S.r.l.	-	23	4	-	**27**	-	-	-	-	**-**
Interjet S.r.l.	-	10	-	-	**10**	18	17	-	1,153	**1,188**
Italia Alimentari S.p.A.	-	279	13	-	**292**	-	32	1	-	**33**
MARR S.p.A.	-	1,236	17	26,165	**27,418**	1	11	1	-	**13**
Momentum Services Ltd	-	5	-	-	**5**	-	-	-	-	**-**
New Catering S.r.l.	-	5	-	-	**5**	-	-	-	-	**-**
Railrest S.A.	-	4	-	-	**4**	-	-	-	-	**-**
Realbeef S.r.l.	-	4	-	-	**4**	-	-	-	-	**-**
Roadhouse S.p.A.	-	877	170	-	**1,047**	-	1	-	-	**1**
Roadhouse Grill Roma S.r.l.	-	25	-	-	**25**	-	-	-	-	**-**
Sara S.r.l.	-	-	-	-	**-**	-	-	-	-	**-**
Società Agricola Corticella S.r.l.	-	3	-	-	**3**	-	-	-	-	**-**
Tecnostar Due S.r.l.	-	53	24	-	**77**	-	94	-	-	**94**
Total subsidiaries	**34**	**6,276**	**765**	**27,665**	**34,740**	**39**	**481**	**10**	**1,154**	**1,684**
Associated companies:										
Time Vending S.r.l.	-	-	162	-	**162**	-	-	-	-	**-**
Total associated companies	**-**	**-**	**162**	**-**	**162**	**-**	**-**	**-**	**-**	**-**
Controlling companies:										
Cremofin S.r.l.	-	-	-	-	**-**	-	-	-	-	**-**
Total controlling companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(a) Other revenues include dividends from subsidiaries

Annex 3

Statement of changes in tangible assets for the financial statements ended 31 December 2019

(Euro/000)	Opening position			Changes over the period					Closing position		
	Initial cost	Accumulated depreciation	Balance at 31.12.2018	Merger	Acquisitions	Net decreases	Reclass./ Other changes	Depreciation	Initial cost	Accumulated depreciation	Balance at 31.12.2019
Land and buildings	93,966	(17,480)	76,486	-	3,990	-	263	(1,572)	98,219	(19,052)	79,167
Plant and machinery	7,297	(4,134)	3,163	-	729	-	113	(793)	8,136	(4,924)	3,212
Industrial and business equipment	49	(48)	1	-	-	-	-	(1)	49	(49)	0
Other assets	7,419	(5,364)	2,055	-	403	-	14	(433)	7,816	(5,777)	2,039
Fixed assets under construction and advances	328	0	328	-	162	-	(390)	-	100	0	100
Total	**109,059**	**(27,026)**	**82,033**	**0**	**5,284**	**0**	**0**	**(2,799)**	**114,320**	**(29,802)**	**84,518**

Annex 4

Statement of changes in other intangible assets for the financial statements ended 31 December 2019

(Euro/000)	Opening position			Changes over the period				Closing position		
	Initial cost	Accumulated amortization	Balance at 31.12.2018	Acquisitions	Net decreases	Reclass./Write-downs Other changes	Amortization	Initial cost	Accumulated amortization	Balance at 31.12.2019
Patents and intellectual property rights	220	(140)	80	13	-	-	(44)	233	(184)	49
Concessions, licences, trademarks and similar rights	18	(12)	6	3	-	-	(2)	21	(14)	7
Fixed assets under development and advances	0	0	0	-	-	-	-	0	0	0
Other intangible assets	0	0	0	-	-	-	-	0	0	0
Total	**238**	**(152)**	**86**	**16**	**0**	**0**	**(46)**	**254**	**(198)**	**56**

Annex 5

List of equity investments and Available-for-sale assets as at 31 December 2019

(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	1,644	-	-	-	-	100.00	1,644	
INALCA S.p.A.	71.60	138,209	-	-	-	-	71.60	138,209	
Interjet S.r.l.	100.00	3,043	1,000	-	(1,153)	-	100.00	2,890	
MARR S.p.A.	50.42	57,937	-	-	-	-	50.42	57,937	
Imprenditori per E-Marco Polo S.r.l.	60.00	257	100	-	-	-	100.00	357	
Total subsidiaries		**257,160**	**1,100**	**0**	**(1,153)**	**0**		**257,107**	
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.		3,306	-	(4,184)	-	878	-		
Banco BPM S.p.A.		190	-	-	-	6		196	a)
Total Financial assets held for sale		**3,496**	**0**	**(4,184)**	**0**	**884**		**196**	

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 2019 (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 31.12.2019	Net equity at 31.12.2019	Percentage held at 31.12.2019	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	5,532	34,091	100.00%	56,070	61,789	5,719	
Global Service S.r.l.	Castelvetro di Modena (MO)	93,000	395	534	100.00%	1,644	1,644	0	
INALCA S.p.A.	Castelvetro di Modena (MO)	187,017,167	17,443	462,003	71.60%	138,209	317,603	179,394	
Interjet S.r.l.	Castelvetro di Modena (MO)	2,500,000	(983)	2,890	100.00%	2,890	2,890	0	
MARR S.p.A.	Rimini	33,262,560	64,349	331,338	50.42%	57,937	171,326	113,389	
Imprenditori per E-Marco Polo S.r.l.	Castelvetro di Modena (MO)	100,000	0	126	96.00%	357	121	(236)	
Total subsidiaries						**257,107**	**555,373**	**298,266**	

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
Modena Register of Companies no. 00162810360
Tax code and VAT no. 00162810360

ADDENDUM OF 22 APRIL 2020
to the

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING
FINANCIAL STATEMENTS AT 31 DECEMBER 2019
prepared pursuant to and for the purposes of Art. 2429.2 of the Italian Civil Code

The Company's Board of Statutory Auditors issued its Report on the Financial Statements at 31 December 2019 on 10 April 2020 within the time limits prescribed for the shareholders' meeting called to approve the financial statements.

The Company's Board of Directors' meeting held on 21 April 2020, nevertheless, noted the substantial change in the economic scenario that had taken place after its meeting on 27 March owing to the evolution of the Covid-19 pandemic, with the consequent risk of prolonged uncertainty regarding consumption. Adopting a prudential approach, which had also been taken gradually by some listed companies and in line with the suggestions of financial institutions and institutional investors, the Board of Directors decided to amend the resolution regarding the distribution of profits in order further to sustain the Group's financial stability; the resolution had already been approved on 27 March 2020, proposing the distribution of a gross dividend of Euro 0.031 per share. Accordingly, on 21 April 2020 the Board of Directors then approved the new proposal to be submitted to the Shareholders' Meeting to allocate the entire result for the period to the reserve of "Profits carried forward".

Following the aforesaid resolution passed by the Board of Directors on 21 April 2020, which amended the proposal for distribution of dividends, the Board of Statutory Auditors' opinion concerning the present proposal for allocation of the result for the period, which is reported below, remains unchanged:

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Observations and proposals as to the approval of the financial statements

The net result established by the Board of Directors for the financial year ended 31 December 2019, as is also shown from reading the Financial Statements, was a profit of Euro 23,476,313.95 and the Board of Statutory Auditors agrees with the proposal for allocation of the result for the period put forward by the Board of Directors in the Report on Operations.

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Castelvetro di Modena (MO), 22 April 2020

The Board of Statutory Auditors

Signed by

Eugenio Orienti (Chairman)

Paola Simonelli (Standing auditor)

Giulio Palazzo (Standing auditor)

Dear Shareholders,

Preamble

This Report was approved by the Board of Statutory Auditors 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 27 March 2020 available, relating to the financial year ended 31 December 2019:

- Draft separate and consolidated financial statements, complete with explanatory notes and Cash Flow Statement;
- Directors' Report on Operations.

The Board of Statutory Auditors carried out the supervision work required by current legislation, taking into account the provisions of Articles 2403 and ff. of the Italian Civil Code and the Board of Statutory Auditors' rules of conduct recommended by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*).

Generally speaking, the Board of Statutory Auditors obtained the information necessary for it to perform the duties of oversight for which it is responsible by interviewing the Company's directors and management, by regularly attending Board of Directors' and Shareholders' Meetings and by conducting particular audits directly.

Supervision work under Art. 2403 and ff. of the Italian Civil Code

We supervised compliance with the law, with the Articles of Association and with proper management principles.

We attended Shareholders' Meetings and Board of Directors' meetings, in relation to which, on the basis of the information to hand, we have not reported any breaches of the law or of the Articles of Association, nor any transactions that were manifestly imprudent, reckless, in a potential conflict of interest or such as to compromise the integrity of the shareholders' equity.

We obtained information from the Board of Directors, even during the meetings held, on the general company performance and its outlook, as well as on the transactions of greater significance, by size or characteristics, conducted by the Company and its subsidiaries and, on the basis of the information to hand, we have no particular observations to report.

As a part of periodic exchanges of data and information, we held the annual meeting with PricewaterhouseCoopers S.p.A, appointed to carry out the statutory audit of accounts, and the Supervisory Board, without any points emerging that are worthy of mention herein.

We perused the annual Report prepared by the Supervisory Board and no critical issues emerged with respect to the organisational Model that should be reported herein.

We acquainted ourselves with and supervised the adequacy of the organisational, administrative and accounting structure and its actual functioning, also from the point of view of the timely recognition of situations of crisis or loss of continuity, also by gathering information from heads of functions and we have no particular observations to report in this regard.

We acquainted ourselves with and supervised, within the sphere of our responsibility, the adequacy and functioning of the administrative and accounting system and its reliability in giving a fair view of the operational events by obtaining information from the heads of functions and scrutinising company documents and we have no particular observations to report in this regard.

We did not discover atypical and/or unusual corporate transactions carried out with third parties or related parties during the course of the financial year. Inter-group and related-party transactions carried out in 2019 are adequately described in the explanatory notes to the financial statements, form part of normal management and were regulated at market conditions.

The Board of Statutory Auditors also acknowledges that:

- No reports were received from the shareholders pursuant to Art. 2408 of the Italian Civil Code;

- It was not necessary to intervene regarding omissions of the Board of Directors pursuant to Art. 2406 of the Italian Civil Code;
- The Directors stated the safeguards put into place for risk management and uncertainties to which the Company is exposed in their Report on Operations. In this connection, it should be noted that the Report on Operations and the Explanatory Notes provide sufficient information regarding the measures put in hand as a result of the current COVID-19 ("coronavirus") epidemiological emergency. The directors deemed that it was not appropriate to proceed with a quantification of its effects owing to the objective uncertainty regarding the impact of this event on the Company and on the Italian macroeconomic scenario. The Board of Statutory Auditors satisfied itself, however, that the Company and the Group as a whole took all the necessary action to ensure the protection of its personnel and of the community. It also satisfied itself that the measures taken by the Group in continuing to conduct its business complied with the law;
- No reports were submitted pursuant to Art. 2409.7 of the Italian Civil Code;
- On 10 April 2019, the Board of Statutory Auditors issued a reasoned proposal, pursuant to Art. 13 of Legislative Decree no. 39 of 27 January 2010, to appoint the audit firm PricewaterhouseCoopers S.p.A. to carry out the statutory audit of accounts for the three-year period 2019-2020-2021.

No other significant facts emerged during the course of the supervision work, as described above, which would require to be mentioned herein.

Observations on the separate financial statements

With reference to the disclosures provided in the financial statements at 31 December 2019, taking account that the statutory audit of accounts was carried out by the audit firm PricewaterhouseCoopers S.p.A., the Board of Statutory Auditors confirms that it received from the Board of Directors the draft separate and consolidated financial statements at 31 December 2019 within the time limits prescribed by law, with the related reports on operations and states that it verified, within the sphere of its responsibility, that:

- The provisions of law governing the preparation of the separate financial statements, the consolidated financial statements and the report on operations have been complied with, by means of direct audits and information obtained from the appointed audit firm, and that it has no particular observations to report. Specifically, the explanatory notes to the financial statements also provide the disclosures required by Art. 1, paragraph 125, of Law no. 124/2017 and those on related-party transactions referred to in Art. 2427-22.bis of the Italian Civil Code;
- The separate financial statements have been prepared in accordance with the "International accounting standards" (IFRS) according to the instructions given by the Board of Directors in the explanatory notes to the financial statements, to which reference should be made for more details;
- The accounting policies used for the purposes of preparing the accounting statements for 2019 are the same as those used for the formation of the consolidated financial statements at 31 December 2018, with the exception of new accounting standards, amendments and interpretations applicable from 1 January 2019;
- The accounting policies used for the purposes of preparing the accounting statements for 2019 are the same as those used for the formation of the financial statements at 31 December 2018, with the exception of new accounting standards, amendments and interpretations applicable from 1 January 2019. The first-time adoption of these revised standards and interpretations has not had any significant impact on the financial statements, but has only required, in some cases, additional disclosures. In particular, note the first-time adoption of the new IFRS 16 that has not had any effect on the separate financial statements of Cremonini S.p.A. since the leases entered into as lessee are either short-term or of low value;
- To the best of our knowledge, the Directors have complied with the provisions of law in the preparation of the separate financial statements, in compliance with the international accounting standards IFRS;
- As prescribed by law, the accounts have been audited by PricewaterhouseCoopers S.p.A., the independent audit firm appointed to carry out the statutory audit of accounts, which did not report any remark in that regard during the periodic meetings held with the Board of Statutory Auditors.

On 10 April 2020 the audit firm PricewaterhouseCoopers S.p.A. issued its report, whereby it attested that the financial statements at 31 December 2019 give a true and fair view of the Company's financial position at 31 December 2019, 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.

Having stated this, the Board of Statutory Auditors then states that it verified, within the sphere of its responsibility, that:

- the provisions of law and of the articles of association and proper management principles have been complied with;
- the provisions of law governing the preparation of the separate financial statements and the report on operations have been complied with, also by means of direct audits and information obtained from the audit firm appointed to carry out the statutory audit of accounts.

Observations and proposals as to the approval of the financial statements

The net result established by the Board of Directors for the financial year ended 31 December 2019, as is also shown from reading the Financial Statements, was a profit of Euro 23,476,313.95 and the Board of Statutory Auditors agrees with the proposal for allocation of the result for the period put forward by the Board of Directors in the Report on Operations.

The Board of Statutory Auditors reminds the Shareholders that its three-year term of office expires with the approval of these financial statements. Thanking you for the trust you have reposed in us, we invite you to pass a resolution on its renewal.

Considering the results of the work we performed, the Board of Statutory Auditors invites the Shareholders to approve the financial statements at 31 December 2019, as prepared by the Board of Directors.

Castelvetro di Modena (MO), 10 April 2020

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

CREMONINI SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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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 2019, 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 2019 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.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on compliance with other laws and regulations

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

Management of the company is responsible for preparing a report on operations of Cremonini SpA as of 31 December 2019, 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 2019 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 2019 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, 10 April 2020

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

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

CREMONINI GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Consolidated financial statements at 31 December 2019

Consolidated Statement of Financial Position - Assets

(Euro/000)	Note	**Year 2019**	Year 2018
Non-current assets			
Tangible assets	1	1,151,512	1,061,121
Right of use	2	307,222	-
Goodwill	3	204,079	203,825
Other intangible assets	4	25,896	26,550
Investments valued at equity	5	16,466	10,582
Investments in other companies	6	23,193	13,265
Financial assets held for sale		2,843	11,774
Financial instruments / Derivatives	19	3,419	2,513
Non-current financial receivables	7	6,355	2,719
relating to related parties		1,294	*1,176*
Deferred tax assets	8	8,464	5,245
Other non-current assets	9	46,868	38,207
Total non-current assets		**1,796,317**	**1,375,801**
Current assets			
Inventories	10	447,621	440,229
Biological assets	11	49,610	43,628
Current financial receivables	12	8,780	13,644
relating to related parties		*6,528*	*9,394*
Current trade receivables	13	599,022	570,254
relating to related parties		*4,863*	*3,949*
Current tax assets	14	23,682	23,362
Financial assets held for sale		196	3,496
Financial instruments / Derivatives	19	1,265	1,561
Cash and cash equivalents	15	367,642	310,235
Other current assets	16	82,075	84,214
relating to related parties			*0*
Total current assets		**1,579,893**	**1,490,623**
Total assets		**3,376,210**	**2,866,424**

Consolidated Statement of Financial Position - Liabilities

(Euro/000)	Note	**Year 2019**	Year 2018
Shareholders' Equity			
Share capital	17	67,074	67,074
Reserves	17	(49,804)	(47,170)
Retained earnings		543,482	484,138
Result for the period		44,567	51,590
Shareholders' Equity attributable to the Group		605,319	555,632
Minority interests' capital and reserves		316,858	274,676
Profit for the period attributable to minority interests		47,233	44,182
Shareholders' Equity attributable to minority interests		364,091	318,858
Total Shareholders' Equity		**969,410**	**874,490**
Non-current liabilities			
Non-current financial payables	18	699,277	617,405
Non-current financial payables - Right of use		265,767	-
Financial instruments / Derivatives	19	221	159
Employee benefits	20	23,681	23,939
Provisions for risks and charges	21	16,555	17,483
Deferred tax liabilities	22	56,115	58,080
Other non-current liabilities	23	1,742	1,606
relating to related parties		499	
Total non-current liabilities		**1,063,358**	**718,672**
Current liabilities			
Current financial payables	24	465,312	487,838
relating to related parties		*5,322*	*5,386*
Current financial payables - Right of use		48,197	-
relating to related parties			-
Financial instruments / Derivatives	19	1,364	430
Current tax liabilities	25	25,477	22,565
Current trade liabilities	26	704,946	668,942
relating to related parties		*5,643*	*2,789*
Other current liabilities	27	98,146	93,487
relating to related parties			*1*
Total current liabilities		**1,343,442**	**1,273,262**
Total liabilities		**3,376,210**	**2,866,424**

Consolidated financial statements as at 31 December 2019

Consolidated income statement

(Euro/000)	Note	**Year 2019**	Year 2018
Revenues	28	4,364,586	4,120,763
relating to related parties		*23,560*	*19,879*
Other revenues	29	72,367	63,415
relating to related parties		*328*	*347*
Other revenues - Non recurring			-
Change in inventories of finished and semi-finished goods		(7,307)	28,297
Capitalisation of internal construction costs		6,252	7,133
Costs for purchases	30	(3,010,716)	(2,881,921)
relating to related parties		*(36,252)*	*(20,471)*
Other operating costs	31	(608,382)	(635,429)
relating to related parties		*(1,978)*	*(2,496)*
Other operating costs - Non recurring		-	-
Personnel costs	32	(442,413)	(413,808)
Amortization and depreciation	33	(97,330)	(88,899)
Right of use amortization	33	(52,908)	
Write-downs and provisions	33	(33,004)	(33,331)
Revenues from equity investments		594	2,760
relating to related parties		*170*	(301)
Financial (Income)/Charges	34	(28,266)	(15,450)
relating to related parties		*(17)*	*(60)*
Financial charges - right of use	34	(19,874)	
Profit from business combination at a favourable price		-	-
Result before taxes		**143,599**	**153,530**
Income taxes	35	(51,799)	(57,758)
Total profil/(Loss) for the period		**91,800**	**95,772**
Result attributable to minority interests		(47,233)	(44,182)
Result for the period attributable to the Group		44,567	51,590

Statement of conprehensive income

(Euro/000)	**Year 2019**	Year 2018
Profit/Loss for the period	**91,800**	**95,772**
Items to be reclassified to profit or loss in subsequent periods:		
Fair value valuation financial assets available for sale	5,912	(893)
Efficacious part of profits/(losses) on cash flow hedge instruments	(1,556)	2,601
Income taxes	401	(650)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses)	(639)	185
Profit/(Losses) from translation effects of the financial statements expressed in foreign currencies	(3,655)	(36,933)
Income taxes	176	(51)
Comprehensive Income	**92,439**	**60,031**
Result attributable to minority interests	(50,506)	(30,456)
Result for the period attributable to the Group	41,933	29,575

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	Other Reserves: Legal reserve	Other Reserves: Reserve for IAS adjustments	Other Reserves: Reserve for trading treasury stock	Other Reserves: Reserve translation differences	Other Reserves: Deficit Merger	Other Reserves: Reserve Actuarial Gain Losses	Other Reserves: Cash flow hedge reserve	Other Reserves: Cash flow hedge reserve	Total Reserves	Profits (Losses) carried forward	Result attributable to the Group	**Shareholders' Equity attributable to Group**	Minority interests' capital and reserves	Result attributable to minority interests	**Shareholders' Equity attributable to minority interests**	**Total**
Balances at 31 December 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		0	0	0	**0**	45,394	(45,394)	**0**	39,110	(39,110)	**0**	**0**
- distribution of dividends								0		0	0	0	**0**	0	0	**0**	(27,568)	0	**(27,568)**	**(27,568)**
								0		0	0	0	**0**	0	0	**0**	0	0	**0**	**0**
Hyperinflation								0		0	0	0	**0**	(6,262)	0	**(6,262)**	(2,632)	0	**(2,632)**	**(8,894)**
								0		0	0	0	**0**	0	0	**0**	0	0	**0**	**0**
Change in the scope of consolidation and other operations with minority shareholders								0		0	0	0	**0**	10,427	0	**10,427**	4,881	0	**4,881**	**15,308**
								0		0	0	0	**0**	0	0	**0**	0	0	**0**	**0**
Consolidated comprehensive income								0		0	0	0	**0**	0	0	**0**	0	0	**0**	**0**
- Profit for the period								(21,811)		98	(894)	592	**(22,015)**	0	51,590	**51,590**	0	44,182	**44,182**	**95,772**
- Other Profits/Losses, net of taxes								0		0	0	0	**0**	0	0	**(22,015)**	(13,726)	0	**(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**
Allocation of the results of previous year:																				
- retained earnings reserve													**0**	51,590	(51,590)	**0**	44,182	(44,182)	**0**	**0**
- distribution of dividends													**0**	(3,096)		**(3,096)**	(27,755)		**(27,755)**	**(30,851)**
Change in the scope of consolidation and other operations with minority shareholders													**0**	328		**328**	17,549		**17,549**	**17,877**
Hyperinflation													**0**	10,522		**10,522**	4,933		**4,933**	**15,455**
Consolidated comprehensive income																				
- Profit for the period															44,567	**44,567**	0	47,233	**47,233**	**91,800**
- Other Profits/Losses, net of taxes								(6,619)	0	(276)	4,484	(223)	**(2,634)**			**(2,634)**	3,273		**3,273**	**639**
Balances 31 December 2019	**67,074**	**0**	**67,074**	**78,280**	**14,749**	**79,036**	**0**	**(74,609)**	**(146,379)**	**(2,835)**	**2,967**	**(1,013)**	**(49,804)**	**543,482**	**44,567**	**605,319**	**316,858**	**47,233**	**364,091**	**969,410**

Consolidated Cash Flow Statement (indirect method)

(Euro/000)	**31.12.2019**	31.12.2018
Net profit before minority interests	**91,800**	**95,772**
Amortization and depreciation	97,330	88,899
Amortization and depreciation - Right of use	52,908	0
Impairment	2,397	0
Net change in other provisions and non-monetary income items	78,505	51,107
Reversal of the effects from extraordinary transactions	0	0
Net change in Staff Severance Provision and other m/l-term liab.	(51,666)	(23,182)
Changes in working capital:		
Receivables from customers	(48,226)	(24,320)
Inventories	(2,463)	(37,696)
Payables to suppliers	26,594	(4,748)
(Increase) decrease in other items of the working capital	5,748	18,684
Net effects from the change in consolidation area	0	0
Net cash-flow from operating activities (A)	**252,927**	**164,516**
Investments in tangible assets	(166,122)	(164,427)
Investments in intangible assets	(5,219)	(4,377)
Rights of use	(55,791)	-
Cash flows for the period for acquisition and disposal of subsidiaries or business units (net of cash and cash equivalent)	(9,455)	(6,581)
Net change in other non-current assets	(15,225)	3,540
Net effects from the change in consolidation area	0	0
Net cash-flow from investing activities (B)	**(251,812)**	**(171,845)**
Increase (Decrease) in medium/long-term borrowings	87,023	50,363
Increase (Decrease) in medium/long-term liabilities for derivatives	0	0
Increase (Decrease) in short-term borrowings	(16,059)	49,436
Changes in other securities and other financial assets	0	6,223
Increase (Decrease) in short-term liabilities for derivatives	0	741
Increase (Decrease) in financial liabilities for IFRS 16 (rights of use)	9,567	0
Cash-flow from distribution of dividends	(30,851)	(27,568)
Capital increase and other changes in equity	6,612	(31,224)
Net cash flow from financing activities (C)	**56,292**	**47,971**
Cash Flow of the year (D=A+B+C)	**57,407**	**40,642**
Cash and cash equivalents at the beginning of the year (E)	310,235	269,593
Cash and cash equivalents at the end of the year (F=D+E)	**367,642**	**310,235**

Consolidated financial statements at 31 December 2019

Notes to the consolidated financial statements

Form and content of the consolidated financial statements

The consolidated financial statements at 31 December 2019 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 27 March 2020.

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 2019 show the figures for the financial year ended at 31 December 2018.

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 2019 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 companies and their subsidiaries:

C&P S.r.l.
D'Autore Food Srl
Imprenditori per E-Marco Polo (I-EMP) S.r.l.
Inalca Eurasia Holdings Gesmbh
Inalca Food & Beverage Beijing Holding Ltd
Inalca Foods Nig Limited (inactive being cancelled)
Italia Alimentari Canada Ltd in start up
Italia Alimentari USA Corporation
Montana Farm S.p.z.o.o. (in liquidation)
Peckinalca Lda
Royi Wine & Spirit (China) Ltd
Sociedade de Carnes e Derivados de Angola S.A. (SCDA Angola S.A.)
Società Agricola Transumanza S.r.l.

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 2019, 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 2018, the following companies were included in the scope of the consolidation:

- Agrosakmara Llc. 99% held by Orenbeef Llc and 1% by Kaskad Llc.;
- Agrosakmara Bashkiriya Llc. wholly held by Agrosakmara Llc.;
- Cremovit S.r.l. 51% held by Società Agricola Corticella S.r.l.;
- Inalca Food & Beverage Queensland Pty Ltd. wholly held by Fresco Gourmet Pty Ltd.;
- Mille Sapori Due S.p.z.o.o. wholly held by Mille Sapori Plus S.p.z.o.o.;
- Mille Sapori Tre S.p.z.o.o. wholly held by Mille Sapori Plus S.p.z.o.o.;
- Mille Sapori Krakow S.p.z.o.o. wholly held by Mille Sapori Plus S.p.z.o.o.;
- Mille Sapori Transport S.p.z.o.o. wholly held by Mille Sapori Plus S.p.z.o.o.;
- Parma Capel S.a.s. 66.67% held by Parma France S.a.s.

Lastly, the following changes took place in the scope of consolidation with respect to 31 December 2018:

- the exit from the scope of the consolidation of Inalca Eurasia Holding Gesmbh;
- the increase in the equity investment in Inalca Angola Ltda from 85% to 95%;
- the decrease in the equity investment in Sara S.r.l. from 100% to 51%;
- the decrease in the equity investment in Orenbeef Llc. from 100% to 80%.

Changes in accounting standards

The new IFRS and IFRIC standards adopted by the European Union, applicable from 1 January 2019 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 2019

The valuation criteria used in preparing the consolidated financial statements for the year 2019 do not diverge from those used to draw up the consolidated financial statements for the financial year ended 31 December 2018, with the exception of the new accounting standards, amendments and interpretations applicable as of 1 January 2019.

Specifically, note, as also reported in the introduction of these Explanatory Notes, the adoption of the new IFRS

16. This new standard provides a new definition of lease and sets out a criterion based on the right of use of an asset to distinguish lease agreements from contracts for services. As from 1 January 2019 it entailed the recognition of a Right of use among non-current assets, the net book value of which amounted to Euro 307.2 million at 31 December 2019. As a contra-entry, the new standard entailed the recognition of a financial debt which amounted to Euro 314.0 million at the end of the year. In terms of income statement, the new standard entailed the recognition of amortisation for Euro 52.9 million, financial costs of Euro 19.9 million and lower lease rentals for a total amount of Euro 62.9 million, with a final impact consisting of a lower profit of Euro 8.2 million.

Below are the new accounting standards, amendments and interpretations applicable from 1 January 2019 but that have not had any impact on the Group's financial position, results of operations and cash flows:

- IFRIC 23 - *Uncertainty over Income Tax Treatments*. This interpretation clarifies the accounting for uncertainties in income tax treatments; with reference to this IFRIC, it should be noted that management, after having heard the opinion of its consultants, believes that there are no uncertainties regarding the treatment adopted for income tax purposes which are such as to require a provision to be set aside in the financial statements.

- 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.

- 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.

- Improvements to IFRS (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.

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. These standards will be applicable from the subsequent financial periods; on a preliminary basis, the Group believes that they will have no significant impact on its consolidated financial position, results of operations and cash flows.

- 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 the *Conceptual Framework* for *Financial Reporting*, published by the IASB on 29 March 2018. 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.
- Amendments to IFRS 9, IAS 39 and IFRS 7 (*Interest Rate Benchmark Reform*). These amendments focus on accounting for hedging transactions in order to clarify the potential effects arising from uncertainties caused by the Interest Rate Benchmark Reform. Furthermore, these amendments require the entity to provide investors with additional information concerning their hedging relationships that are directly affected by these uncertainties. These amendments will be applicable for the financial periods commencing on or after 1 January 2020.

Below are the Accounting standards, amendments and interpretations published by the IASB but for which the endorsement process has not yet been completed:

- 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.

- 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.
- The IASB has published amendments to IAS 1 - *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* with the objective of clarifying the method to be used to classify payables and other liabilities among short- or long-term items. The amendments will be applicable from 1 January 2022, with early adoption permitted.

Valuation criteria

The valuation criteria used in the drafting of the consolidated financial statements for the period ended 31 December 2019 are the same as those used for the drafting of the consolidated financial statements at 31 December 2018, 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 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.

Right of use

The right of use is stated at cost, net of accumulated amortisation and impairment losses and as adjusted to take account of any possible restatement of lease liabilities.
The cost of this asset includes:
a) the amount of the initial measurement of the lease liability;
b) lease payments due on or before the effective date, net of lease incentives received;
c) initial direct costs sustained by the lessee; and
d) the estimated costs that the Group, as lessee, is to incur for dismantling and removing the underlying asset and restoring the site at which it is installed or for restoring the underlying asset to the condition laid down in the lease terms and conditions. The lessee falls under the obligation to pay these costs on the effective date or as a result of the use of the underlying asset during a certain period.
The lessee must recognise the costs referred to in paragraph 24, letter d), as a part of the cost of the right-of-use asset when it assumes the obligation to pay these costs. The obligations relating to the aforesaid costs accounted for by applying this Standard or IAS 2 are recognised and measured by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
Right of use is amortised from the effective date until the end of the right-of-use asset's useful life or, if before, at the end of the term of the lease.
Recoverability of book value is measured adopting the criteria set out in “Impairment of non-financial assets.”

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 fair value, as indicated in Annex 5 and the notes that follow.
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.
The recoverability of their carrying value is verified by adopting the criteria indicated in the section on "impairment of non-financial assets" as regards investments in associated companies and in the section on "impairment of financial assets" as regards investments in other companies.
When losing significant influence over an associated company or joint control over a joint venture, the Group assesses and recognises the residual shareholding at fair value. The difference between the carrying value of the equity investment on the date that significant influence or joint control is lost and the fair value of the residual shareholding and of the consideration received must be recognised in the income statement.

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. According to its policy choice the Group classifies the write-down of receivables among "Amortisation, depreciation and write-downs."

Financial assets

In line with IFRS 9, financial assets are initially recognised at amortised cost value or fair value, plus any transaction costs that are directly attributable to the acquisition, except for financial assets recognised at fair value through profit or loss. The Group's financial assets include cash and short-term deposits, trade receivables, other short-term receivables, loans, unlisted financial instruments and derivatives.
The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. After initial recognition, these financial assets are subsequently measured at amortised cost by using the effective interest rate (EIR) method, less impairment losses. Amortised cost is calculated considering discounts, purchase bonuses, fees or costs (if any) that are an integral part of the effective interest rate. Amortisation at effective interest rate is recognised as a financial income in the income statement. Impairment losses are recognised as financial costs in the income statement.

Derivatives
After their initial recognition, derivatives are measured at fair value once again and are accounted for as financial assets when fair value is positive.
Profits or losses (if any) arising from changes in the fair value of derivatives are recognised directly through profit or loss, except for the effective portion of cash flow hedges, which is recognised among other comprehensive income and subsequently reclassified in the statement of profit/(loss) for the year when the hedging instrument affects profit or loss.

As regards instruments that are classified as cash flow hedge and qualify as such, fair value changes are recognised, limited to the effective portion only, in a specific equity reserve stated as "Cash flow hedge reserve" through comprehensive income. This reserve is subsequently taken to profit or loss at the time the hedged underlying affects profit or loss. Fair value changes attributable to the ineffective portion are immediately recognised through profit or loss for the period. If the occurrence of the underlying transaction is no longer considered to be highly probable, or when the hedging relationship can no longer be demonstrated, the corresponding portion of the "Cash flow hedge reserve" is immediately taken to profit or loss.

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets), as required by IFRS 9, is derecognised when:
- the rights to receive cash flows from the asset have been extinguished;
- the Group has transferred the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay to a third party and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has not transferred or substantially retained all the risks and rewards of the asset, but has transferred the related control.

In the cases in which the Group has transferred the rights to receive cash flows from an asset and has not transferred nor substantially retained all the risks and rewards or has not lost control of the asset, the asset is recognised in the Group's financial statements 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 transferred and the associated liabilities are measured in such a way as to reflect the rights and obligations that the Group has retained.

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 present value of cash flows is discounted at the initial effective interest rate of the financial asset. If a loan has a variable interest rate, the discount rate for the measurement of any possible impairment loss is the current effective rate of interest.

The book value of the asset is reduced directly and the amount of the loss is recognised in the income statement. Interest income continues to be estimated on reduced book value and is calculated applying the rate of interest used to discount future cash flows for the purposes of measuring impairment losses. Interest income is recognised as a part of financial income in the income statement. Loans and related provisions are written off when there are no realistic prospects of future recovery and when all the guarantees have been enforced or have been transferred to the Group. 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. If a future reversal is recovered at a later time, the recovered amount is credited to the income statement as a reduction in financial costs.

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.

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**	
(foreign currency amount for 1 Euro)	**2019**	2018	**2019**	2018
Dollars (USA)	1.12340	1.14500	1.11948	1.18096
Dinars (Algeria)	133.89160	135.48810	133.67570	137.65248
Kwanza (Angola)	540.03700	353.02100	540.03700	353.02100
New Metical (Mozambique)	69.59000	70.51000	69.94349	71.29235
Renminbi (China)	7.82050	7.87510	7.73549	7.80808
Roubles (Russia)	69.95630	79.71530	72.45534	74.04160
Pounds (United Kingdom)	0.85080	0.89453	0.87777	0.88471
Zlovty (Poland)	4.25680	4.30140	4.29762	4.26149

IAS 29 – Financial Reporting in Hyperinflationary Economies

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 Centralised 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 2019**	Year 2018	Change total value	Change %
Production				
Net revenues	2,143,014	1,953,100	189,914	9.72
Intercompany revenues	97,960	94,790		
Total revenues	2,240,974	2,047,890	193,084	9.43
Gross operating margin	145,863	118,505	27,358	23.09
Amortization, depreciation and write-downs	(70,635)	(64,473)	(6,162)	9.56
Operating profit (loss)	75,228	54,032	21,196	39.23
Distribution				
Net revenues	1,631,224	1,603,272	27,952	1.74
Intercompany revenues	64,585	64,157		
Total revenues	1,695,809	1,667,429	28,380	1.70
Gross operating margin	128,479	119,278	9,201	7.71
Amortization, depreciation and write-downs	(28,579)	(19,278)	(9,301)	48.25
Operating profit (loss)	99,900	100,000	(100)	(0.10)
Catering				
Net revenues	661,090	625,817	35,273	5.64
Intercompany revenues	464	519		
Total revenues	661,554	626,336	35,218	5.62
Gross operating margin	104,395	53,063	51,332	96.74
Amortization, depreciation and write-downs	(80,231)	(34,967)	(45,264)	129.45
Operating profit (loss)	24,164	18,096	6,068	33.53
Centralized activities				
Net revenues	1,625	1,894	(269)	(14.20)
Intercompany revenues	10,662	10,216		
Total revenues	12,287	12,110	177	1.46
Gross operating margin	(1,550)	(1,398)	(152)	10.87
Amortization, depreciation and write-downs	(3,797)	(3,512)	(285)	8.12
Operating profit (loss)	(5,347)	(4,910)	(437)	8.90
Consolidation adjustment				
Total revenues	*(173,671)*	*(169,681)*		
Gross operating margin	*0*	*0*		
Amortization, depreciation and write-downs	*0*	*0*		
Operating profit (loss)	*0*	*0*		
Total				
Total revenues	4,436,953	4,184,084	252,869	6.04
Gross operating margin	377,187	289,448	87,739	30.31
Amortization, depreciation and write-downs	(183,242)	(122,230)	(61,012)	49.92
Operating profit (loss)	193,945	167,218	26,727	15.98

Consolidated balance sheet broken down by business sector

Consolidated balance sheet structure by business sector

As at 31 December 2019 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Intercompany eliminations	Total
Intangible assets	39,267	143,980	46,613	115	-	229,975
Tangible assets	679,886	64,387	323,321	83,918	-	1,151,512
Right of use	18,923	45,437	242,862		-	307,222
Equity investments and other financial assets	34,927	3,302	10,333	1,418	-	49,980
Total fixed assets	**773,003**	**257,106**	**623,129**	**85,451**	**0**	**1,738,689**
Net trade working capital						
- Trade receivables	215,004	365,077	31,452	11,680	(28,210)	595,003
- Inventories	311,937	170,292	14,776	1	225	497,231
- Trade payables	(269,755)	(274,279)	(114,890)	(7,148)	26,391	(639,681)
Total trade and net working capital	**257,186**	**261,090**	**(68,662)**	**4,533**	**(1,594)**	**452,553**
Other current assets	28,431	35,597	14,074	7,039	(3,370)	81,771
Other current liabilities	(53,787)	(16,443)	(42,339)	(4,053)	4,964	(111,658)
Net working capital	**231,830**	**280,244**	**(96,927)**	**7,519**	**0**	**422,666**
Staff Severance Indemnity Provision and other m/l-term provisions	**(69,042)**	**(14,010)**	**(9,840)**	**(3,459)**	**-**	**(96,351)**
Net invested capital	**935,791**	**523,340**	**516,362**	**89,511**	**0**	**2,065,004**

As at 31 December 2018 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Intercompany eliminations	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**
Net trade 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**

Net consolidated debt broken down by sector

As at 31 December 2019 (Euro/000)	Production	Distribution	Catering	Holding and centralized	Total
Payables to banks, bonds and other financial institutions					
- due within 12 months	(169,631)	(178,875)	(98,931)	(19,637)	(467,074)
- due between 1 and 5 years	(309,418)	(166,859)	(68,900)	(17,506)	(562,683)
- due beyond 5 years	(72,193)		(46,343)	(10,000)	(128,536)
Total payables to banks, bonds and other financial institutions	**(551,242)**	**(345,734)**	**(214,174)**	**(47,143)**	**(1,158,293)**
Liquidity					
- cash and cash equivalents	141,453	192,493	33,376	320	367,642
- other financial assets	6,483	1,797	691	50	9,021
Total liquidity	**147,936**	**194,290**	**34,067**	**370**	**376,663**
Securitization and internal treasury current accounts	**3,736**	**1,843**	**(5,314)**	**(265)**	**0**
Total net debt before IFRS 16	**(399,570)**	**(149,601)**	**(185,421)**	**(47,038)**	**(781,630)**
Financial liabilities right of use					
- within 12 months	(5,512)	(7,911)	(34,774)	-	(48,197)
- between 1 and 5 years	(13,564)	(22,399)	(155,961)	-	(191,924)
- beyond 5 years		(16,116)	(57,727)	-	(73,843)
Total financial liabilities right of use	**(19,076)**	**(46,426)**	**(248,462)**	**0**	**(313,964)**
Total net debt	**(418,646)**	**(196,027)**	**(433,883)**	**(47,038)**	**(1,095,594)**

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)**

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 2020 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.;
- 4.12% 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 2019.

- <u>Estimates used in the actuarial calculation for determining defined benefit - Post-employment benefit plans</u>

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

- discounting rate utilised is equal to:
  - 0.77% (duration 10+);
  - 0.37% (duration 7-10);
  - 0.17% (duration 5-7)
- the anticipated inflation rate is 1.20%;
- the anticipated annual rate of increase in post-employment benefits is 2.4%;
- 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%.

- <u>Estimates adopted in the actuarial calculation of Provisions for supplementary clientele severance indemnity</u>

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 0.17%.

<u>Deferred taxes</u>

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 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 2019, the effects of an appreciation or depreciation of the euro of 5% against the foreign currencies in which the Group operates are shown in the following table:

Effects on the pre-tax result:

(Euro/000)	Euro 5% Appreciation	Eurv 5% Depreciation
US - Dollars	(2,326)	2,585
GB - Pounds	(18)	19
AU - Australian dollars	(159)	175
Angola - Readjustadv Kwanza	109	(105)
Russia - Roubles	(773)	870

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 2019, 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 7,642 thousand on an annual basis (Euro 6,381 thousand at 31 December 2018).

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)	**31.12.2019**	31.12.2018
Current trade receivables	599,022	570,254
Other non-current assets	46,868	38,207
Other current assets	82,075	84,214
Total	**727,965**	**692,675**

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 2019				
Financial payables	465,312	570,741	128,536	1,164,589
Financial instruments / Derivatives	(99)	3,198	-	3,099
Trade Liabilities	704,946	-	-	704,946
	1,170,159	**573,939**	**128,536**	**1,872,634**
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**

Classes of financial instruments

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

Balance Sheet Assets 2019	Financial assets at amortised cost	Assets at FVPL	Assets at FVOCI	Total
Financial assets held for sale	2,843	-	-	**2,843**
Financial instruments / Derivatives	0	-	3,419	**3,419**
Non-current financial receivables	6,355	-	-	**6,355**
Other non-current receivable items	46,868	-	-	**46,868**
Current financial receivables	8,780	-	-	**8,780**
Current trade receivables	599,022	-	-	**599,022**
Current tax receivables	196	-	-	**196**
Current financial assets held for sale	0	-	1,265	**1,265**
Current derivative financial instruments	23,682	-	-	**23,682**
Cash and cash equivalents	367,642	-	-	**367,642**
Other current receivable items	82,075	-	-	**82,075**
Total	**1,137,463**	**-**	**4,684**	**1,142,147**

Balance Sheet Assets 2018				
Financial assets held for sale	11,774	-	-	**11,774**
Financial instruments / Derivatives	-	-	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	-	-	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 Liabilities 2019	Liabilitiea at amortised cost	Liabilities at FVPL	Liabilities at OCI	Total
Non-current financial receivables	699,277	-	-	**699,277**
Non-current financial receivables - Right of use	265,767	-	-	**265,767**
Non-current derivative financial instruments	221	-	-	**221**
Other non-current receivable items	465,312	-	-	**465,312**
Other non-current receivable items - Right of use	48,197	-	-	**48,197**
Current financial receivables	999	-	365	**1,364**
Total	**1,479,773**	**-**	**365**	**1,480,138**

Balance Sheet Liabilities 2018

Non-current financial payables	617,405	-	-	**617,405**
Current financial payables	-	-	159	**159**
Derivative financial instruments	487,838	-	-	**487,838**
Derivative financial instruments	65	-	365	**430**
Total	**1,105,308**	**-**	**524**	**1,105,832**

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].

Similarly, non-current borrowings, whose recognition at fair value is reported in paragraph 18 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.

With regard to the "Other current and non-current assets" items, you are referred to the indications in paragraphs 9 and 16 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.

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.

[1] The company identifies "Level 1" financial assets and liabilities as being those whose inputs having a significant effect on measured fair value are prices quoted in an active market for similar assets and liabilities and "Level 3" assets and liabilities as being those whose inputs are not based on observable market data.

Details of the main items of the consolidated statement of financial position

ASSETS

Non-current assets

Specific statements have been prepared for the categories of non-current assets (intangible, tangible assets and rights of use) which have been attached respectively in annexes 3, 4 and 5, 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 2019 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 F&B Queensland Pty Ltd, Agrosakmara Llc., Agrosakmara Bashkiriya Llc., Mille Sapori Due S.p.zo.o., Mille Sapori Tre S.p.zo.o., Mille Sapori Krakow S.p.zo.o., MSP Tranport S.p.zo.o., Cremovit S.r.l. and Parma Capel S.a.s. and of the exit of Inalca Eurasia Holding Gesmbh.

1. Tangible assets

(Euro/000)	Balance at 31.12.2018	Change in consolidation area	Purchases	Decreases	Hyperinflation effect	Other	Amortization	**Balance at 31.12.2019**
Land and buildings	741,907	18,840	57,746	(2,823)	8,385	30,820	(37,103)	817,772
Plant and machinery	178,098	(18,701)	36,839	(605)	(4)	12,928	(32,922)	175,633
Industrial and business equipment	12,876	199	4,356	(80)	91	(35)	(4,849)	12,558
Other assets	63,615	302	18,124	(3,105)	364	5,305	(16,642)	67,963
Fixed assets under construction and	64,625	0	62,326	(1,926)	0	(47,439)	-	77,586
Total	**1,061,121**	**640**	**179,391**	**(8,539)**	**8,836**	**1,579**	**(91,516)**	**1,151,512**

Land and buildings

The item under examination, net of depreciation for the period, increased compared to 2018 as a result of:
- investment property for about Euro 54.9 million, net of disinvestments;
- the adoption of IAS 29 "*Financial Reporting in Hyperinflationary Economies*", which entailed the revaluation of some properties owned by the Angolan companies for Euro 8.4 million;
- the exchange rate effect which gave rise to a reduction of Euro 2.1 million.

All the sectors have made new investments in property, in particular: the Catering Sector for Euro 34.8 million, the Production Sector for Euro 16.9 million, the Centralised activities Sector for Euro 4.0 million and the Distribution Sector for Euro 2.0 million.
In detail:

Catering:

The increases of the sector, which amounted to Euro 34.8 million, mainly 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 16.9 million, were mainly due to INALCA S.p.A. for Euro 5.6 million for the acquisition of a building in Spilamberto, the completion of new premises to be used for company canteen, the construction of a "Tina Gran Dispensa" outlet open to the general public and improvements made to production plants, in particular at Ospedaletto Lodigiano, with a refrigeration unit under construction, and the renovation of the roof at Castelnuovo Rangone; to subsidiary Realbeef S.r.l. for Euro 3.7 million, arising from the contribution of the factory that was previously used under a lease agreement; to subsidiary Società Agricola Corticella S.r.l. for Euro 3.4 million for the acquisition of a piece of land in Campogalliano (MO); to subsidiary Italia Alimentari S.p.A. for Euro 1.7 million for major improvements, especially at the Gazoldo, Busseto and Postalesio factories, adapting them for greater production requirements; to subsidiary Fiorani & C. S.p.A. for Euro 1.3 million for improvements to production facilities; to subsidiary Guardamiglio S.r.l. for Euro 0.9 million for structural work at the Piacenza factory and the opening and renovation of retail outlets and the computerisation of the network.

Centralized activities:

Expenses of Euro 4.0 million were incurred for the purchase of property units located in the Trevi district of Rome near properties already possessed; expenses were also sustained for refurbishments in the Groups-owned buildings located in Rome and Castelvetro (MO).

Distribution:

Building works continued on the new head office in Santarcangelo di Romagna.
Improvements were also made to some branches of the Parent Company MARR S.p.A., specifically MARR Venezia and MARR Adriatico, and the expansion works at the warehouse in Rimini of the subsidiary New Catering S.r.l. were completed.

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 Euro 2.1 million in the year (already mentioned above).

At 31 December 2019 there were sixty-three 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
No. 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
2019 payments*	89 thousand Euros	72 thousand Euros	160 thousand Euros	170 thousand Euros	255 thousand Euros
Residual value as at 31 December 2019	0.5 thousand Euros	0.4 million Euros	1.0 million Euros	1.6 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
No. 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
2019 payments*	155 thousand Euros	184 thousand Euros	139 thousand Euros	228 thousand Euros	76 thousand Euros
Residual value as at 31 December 2019	1.6 million Euros	1.7 million Euros	1.3 million Euros	2.3 million Euros	0.8 million Euros

* Values inclusive of indexation differences.

	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
No. 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	Fixed	Euribor	Fixed
Amount of final option	237 thousand Euros	360 thousand Euros	147 thousand Euros	465 thousand Euros	234 thousand Euros
2019 payments*	130 thousand Euros	238 thousand Euros	95 thousand Euros	100 thousand Euros	195 thousand Euros
Residual value as at 31 December 2019	1.3 million Euros	2.6 million Euros	1.0 million Euros	1.3 million Euros	1.4 million Euros

	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
No. 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	Fixed	Euribor	Euribor	Euribor
Amount of final option	300 thousand Euros	307 thousand Euros	-	170 thousand Euros	224 thousand Euros
2019 payments*	194 thousand Euros	244 thousand Euros	206 thousand Euros	129 thousand Euros	183 thousand Euros
Residual value as at 31 December 2019	0.5 million Euros	1.8 million Euros	0.7 million Euros	1.1 million Euros	1.3 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
No. 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
2019 payments*	163 thousand Euros	135 thousand Euros	187 thousand Euros	269 thousand Euros	116 thousand Euros
Residual value as at 31 December 2019	1.3 million Euros	1.0 million Euros	1.6 million Euros	1.9 million Euros	1.0 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
No. 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
2019 payments*	168 thousand Euros	1730 thousand Euros	175 thousand Euros	197 thousand Euros	117 thousand Euros
Residual value as at 31 December 2019	1.5 million Euros	1.6 million Euros	1.7 million Euros	1.8 million Euros	1.1 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
No. 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
2019 payments*	166 thousand Euros	96 thousand Euros	158 thousand Euros	164 thousand Euros	108 thousand Euros
Residual value as at 31 December 2019	1.6 million Euros	0.9 million Euros	1.5 million Euros	1.6 million Euros	1.1 million Euros

* Values inclusive of indexation differences.

	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
No. 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
2019 payments*	157 thousand Euros	126 thousand Euros	86 thousand Euros	150 thousand Euros	166 thousand Euros
Residual value as at 31 December 2019	1.7 million Euros	1.3 million Euros	0.9 million Euros	1.7 million Euros	1.7 million Euros

	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
No. 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
2019 payments*	134 thousand Euros	148 thousand Euros	170 thousand Euros	7 thousand Euros	144 thousand Euros
Residual value as at 31 December 2019	1.4 million Euros	1.6 million Euros	1.8 million Euros	0.1 million Euros	1.6 million Euros

	Baranzate Building	Ferrara Sud Building	Sesto Fiorentino Building	Saronno Building	Segrate Building
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
No. 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
2019 payments*	84 thousand Euros	1507 thousand Euros	78 thousand Euros	33 thousand Euros	240 thousand Euros
Residual value as at 31 December 2019	2.8 million Euros	2.1 million Euros	3.7 million Euros	2.6 million Euros	2.8 million Euros

	Aosta Building	Belluno Building	Monza Building	Assago Building	Noventa Building
Commencement of the lease term	17/10/2018	19/12/2018	08/04/2019	27/02/2019	01/07/2019
Duration finance lease	12 years	12 years	12 years	12 years	12 years
No. of lease payments	143 months	143 months	47 months	143 months	143 months
Value of the leased asset	1.0 million Euros	1.0 million Euros	2.5 million Euros	2.6 million Euros	2.2 million Euros
Initial payment on signing the contract	175 thousand Euros	270 thousand Euros	72500 thousand Euro	280 thousand Euros	220 thousand Euros
Amount of the monthly payment	11 thousand Euros	10 thousand Euros	51 thousand Euros	16 thousand Euros	13 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	175 thousand Euros	180 thousand Euros	253 thousand Euros	271 thousand Euros	217 thousand Euros
2019 payments*	26 thousand Euros	19 thousand Euros	2.4 thousand Euros	0 thousand Euros	0 thousand Euros
Residual value as at 31 December 2019	1.3 million Euros	1.4 million Euros	2.3 million Euros	2.4 million Euros	2.0 million Euros

	Bussolengo Building	Erba Building	Cremona Building	Bologna Stalingrado Building	Padova ovest Building
Commencement of the lease term	17/12/2018	17/12/2018	24/10/2019	31/07/2019	05/04/2019
Duration finance lease	12 years	12 years	12 years	12 years	12 years
No. of lease payments	143 months	143 months	143 months	143 months	143 months
Value of the leased asset	2.3 million Euros	2.3 million Euros	2.2 million Euros	3.4 million Euros	2.3 million Euros
Initial payment on signing the contract	230 thousand Euros	235 thousand Euros	220 thousand Euros	400 thousand Euros	278 thousand Euros
Amount of the monthly payment	14 thousand Euros	14 thousand Euros	13 thousand Euros	23 thousand Euros	18 thousand Euros
Interest rate	Euribor	Euribor	Euribor	Euribor	Euribor
Amount of final option	230 thousand Euros	235 thousand Euros	220 thousand Euros	400 thousand Euros	27 thousand Euros
2019 payments*	0 thousand Euros	0 thousand Euros	0 thousand Euros	0 thousand Euros	0 thousand Euros
Residual value as at 31 December 2019	0.8 million Euros	0.4 million Euros	0.6 million Euros	3.0 million Euros	1.4 million Euros

* Values inclusive of indexation differences.

	Trieste Building	Casalecchio Building	Casalecchio Calavera Building
Commencement of the lease term	24/10/2019	28/11/2019	28/11/2019
Duration finance lease	12 years	12 years	12 years
No. of lease payments	143 months	143 months	143 months
Value of the leased asset	3.0 million Euros	1.9 million Euros	2.2 million Euros
Initial payment on signing the contract	305 thousand Euros	640 thousand Euros	610 thousand Euros
Amount of the monthly payment	20 thousand Euros	17 thousand Euros	17 thousand Euros
Interest rate	Euribor	Euribor	Euribor
Amount of final option	30 thousand Euros	320 thousand Euros	305 thousand Euros
2019 payments*	0 thousand Euros	0 thousand Euros	0 thousand Euros
Residual value as at 31 December 2019	1.1 million Euros	1.4 million Euros	1.3 million Euros

* Values inclusive of indexation differences.

Plant and machinery

The main increases for 2019 were made in the sectors:

- Production (for a total of Euro 25.5 million) by:
  - INALCA S.p.A. (Euro 10.3 million) for the acquisition of new plant and machinery at the main factories, mainly for the renewal of production lines and industrial equipment and for non-routine maintenance work; specifically, the new warehouse and the carton freezer project in Ospedaletto and the new cooked products department at Castelnuovo Rangone;
  - Italia Alimentari S.p.A. (Euro 7.5 million) for the expansion of specific production plants in the segments of portioning and snack at Gazaldo, of mortadella and cured meats at Busseto and bresaola cured meat at Postalesio;
  - Fiorani e C. S.p.A. (Euro 2.8 million) for the purchase of specific machinery for enlargement of production lines at Piacenza and Castelnuovo Rangone factories;
  - Realbeef S.r.l. (Euro 2.3 million) following the contribution of the slaughterhouse at Flumeri, previously leased to the company by the minority quotaholder.

- Catering (for a total of Euro 8.5 million) by:
  - Roadhouse S.p.A. (Euro 5.1 million) for new plant and improvements to the existing plant, specifically at the Monza, Padova Ovest, Cremona Casello, Reggio Emilia ("I Petali" Shopping Centre), Catania ("Centro Sicilia" Shopping Centre), Settimo Torinese and Belluno steakhouses.
  - Chef Express S.p.A. (Euro 2.4 million) for improvements on the plants of the airport and railway catering premises operated by the company;

- Distribution (for a total of Euro 2.1 million) almost exclusively attributable to MARR S.p.A. for works executed at the various branches, specifically "MARR Venezia" and "MARR Adriatico".

The decreases mainly concerned Chef Express S.p.A. (Euro 290 thousand) and Fiorani & C.S S.p.A. (Euro 141 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 positive exchange rate effects (Euro 1.2 million).

Other assets

The main investments that justify the increase with respect to 31 December 2018 involved various sectors. In detail the higher increases can be ascribed to:

- Roadhouse S.p.A. for fitting-out new steakhouses (Euro 4.1 million);
- Marr Russia Llc. (Euro 3.1 million) for the renewal and enlargement of the fleet of vehicles that distribute to customers, work on the bacon line for the creation of a new product (bacon bits) and non-routine maintenance;
- Chef Express S.p.A. (Euro 2.9 million) for the acquisition of furniture and fittings;
- MARR S.p.A. for purchase of electronic machinery and industrial vehicles (Euro 1.2 million);
- INALCA S.p.A. (Euro 1.1 million) mainly for the purchases of vehicles, electronic machinery, furniture and fittings.

The decreases for the period, equal to Euro 3.1 million, mainly related to Inalca Kinshasa S.a.r.l. (Euro 3.2 million) for the sale of industrial vehicles, as well as to Chef Express S.p.A. (Euro 1.5 million), for the sale of furniture and fittings of some premises and to MARR S.p.A. (Euro 0.7 million) for the sale of industrial vehicles.

Fixed assets under construction and advances

The greater increases regarded these sectors:

- Production for Euro 37.8 million, incurred by:
  - Zaklady Miesne Sochocin Sp.zo.o. for the construction of the new slaughtering plant in Poland, in Sochocin, for Euro 12.4 million;
  - Kaskad Llc. for further expansion of the new distribution hub in Odinzovo for about Euro 6.9 million;
  - Italia Alimentari S.p.A., mainly involving the ongoing enlargement of the Gazoldo picking and despatching areas (Euro 6.0 million);
  - Orenbeef Llc. for the acquisition of new container cleaning areas, a purification plant, the use of a design rendering and frozen product storage cells for the modernisation of the new slaughterhouse in Orenburg (Russia) for Euro 4.0 million;
  - INALCA S.p.A. for Euro 3.8 million for the acquisition of the Nava plant in Agrate Brianza (MB), which will be completed during 2020 through a composition with creditors procedure that has already been approved.

- Catering for Euro 20.3 million, incurred by:
  - Chef Express S.p.A. for investments made for the refurbishment of various station buffets and Motorway Service Stations (Euro 13.6 million);
  - Roadhouse S.p.A. for works at the new premises of the steakhouse chain, specifically at Monza, Padova Ovest, Cremona Casello, Trieste, Reggio Emilia ("I Petali" Shopping Centre), Catania ("Centro Sicilia" Shopping Centre), as well as for works at the offices of Castelvetro di Modena (Euro 6.6 million).

- Distribution for Euro 4.1 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 495 million against loans obtained.

2. Right of use

(Euro/000)	Balance at 31.12.2018	Change in consolidation area	Purchases	Decreases	Hyperinflation effect	Other	Amortization	**Balance at 31.12.2019**
Land and buildings	0	302,373	58,145	(6,903)	-	495	(51,401)	302,709
Plant and machinery	0	1,926	2,592	-	-	0	(1,169)	3,349
Industrial and business equipment	0	-	1,308	-	-	(1)	(282)	1,025
Other assets	0	99	96	-	-	0	(56)	139
Total	**0**	**304,398**	**62,141**	**(6,903)**	**0**	**494**	**(52,908)**	**307,222**

As stated above, the adoption of the new accounting standard IFRS 16 entailed the recognition of a Right of use among non-current assets, the book value of which amounted to Euro 307.2 million at 31 December 2019. Below is the breakdown of the Right of use by sector:

- Production Euro 18.9 million;
- Distribution Euro 45.4 million;
- Catering Euro 242.9 million.

3. 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 31.12.2018	Change in consolidation scope	Purchases	Decreases	Other	Amortization	**Balance at 31.12.2019**
Production - Beef	20,829	1,556	132	(162)	85	(900)	21,540
Production - Cured meats	0						0
Distribution	141,594						141,594
Catering	41,402		770		92	(1,319)	40,945
Holding company and services	0						0
Total	**203,825**	**1,556**	**902**	**(162)**	**177**	**(2,219)**	**204,079**

The increase of the period of Euro 2.5 million is due to the following transactions:

- in the Production sector the recent company acquisitions determined the recognition of goodwill of about Euro 1.6 million;
- in the Catering sector the acquisition of business units for the operation of two catering outlets at Milan Malpensa airport and one outlet at Milan Cadorna railway station.

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 the most significant goodwill are explained below:

(Euro/000)	Mille Sapori Due Sp.zo.o.	Mille Sapori Tre Sp.zo.o.	Mille Sapori Krakow Sp.zo.o.
Total cost of the business combination	**1,221**	**352**	**419**
Fair value of net indentifiable assets	290	126	46
Goodwill	**931**	**226**	**373**

Book values determined in conformity with the IFRS immediately prior to the combination (Euro/000)	Mille Sapori Due Sp.zo.o.	Mille Sapori Tre Sp.zo.o.	Mille Sapori Krakow Sp.zo.o.
Intangible and tangible assets	8	41	35
Other current assets	286	94	14
Net financial debt	111	7	0
Othre current liabilities	(115)	(16)	(3)
Fair value of net identifiable assets	**290**	**126**	**46**
Fair value pertaining to the Group	**290**	**126**	**46**

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, the purchase price allocation provided by IFRS 3 has not yet been completed. 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.

4. Other intangible assets

(Euro/000)	Balance at 31.12.2018	Change in consolidation area	Purchases	Decreases	Other	Amortization	**Balance at 31.12.2019**
Patents and intellectual property rights	3,921	12	2,644	(18)	2,371	(2,838)	6,092
Development costs	322	-	1	-	0	(131)	192
Concessions, licences, trademarks and similar rig	14,736	5	264	-	98	(1,655)	13,448
Fixed assets under development and advances	2,892	-	2,330	(1,120)	(2,465)	-	1,637
Long-term costs	4,678	-	114	(14)	686	(937)	4,527
Total	**26,549**	**17**	**5,353**	**(1,152)**	**690**	**(5,561)**	**25,896**

The item "Patents and intellectual property rights" mainly includes the purchases and implementation of software. The acquisitions for the year refer to Inalca Food & Beverage S.r.l., Chef Express S.p.A., INALCA S.p.A., Roadhouse 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 195 thousand).

The acquisitions regarding "Fixed assets under development and advances", equal to Euro 2.3 million, mainly regard the purchase of new software, partly still being implemented by subsidiaries Chef Express S.p.A. (Euro 1.7 million), MARR S.p.A. (Euro 437 thousand), INALCA S.p.A. (Euro 136 thousand).

5. 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).

<u>Equity investments in subsidiaries</u>

The increase in the balance compared to 31 December 2018 is mainly ascribable to the acquisition of majority shareholdings in C&P S.r.l., Italia Alimentari USA Corporation and Inalca Food & Beverage Beijing Holding. We must also note, compared to 2018, the write-down of the investment in Italia Alimentari Canada Ltd and the inclusion of the following companies in the consolidation area:

- Mille Sapori Due S.p.z.o.o. (Gdansk);
- Mille Sapori Tre S.p.z.o.o.(Poznan);
- MSP Trasport S.p.z.o.o.;
- Inalca F&B Queensland Pty Ltd (formerly Fabri Fine It. Foods Pty Ltd).

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

The increase in the item under examination mainly relates to the acquisition of equity investments in Jolanda De Colò S.p.A.. The investments in Avirail S.a.s. and Time Vending S.r.l. were also adjusted to take account of the results of the last available interim reports. As regards the investment held in Parma Capel S.a.s. (formerly Parma Sofrelim S.a.s.), it should be noted that the company is now controlled and has been consolidated following the exit of a minority shareholder.

6. Investments in other companies

Among the most significant changes was an increase of Euro 5.0 million for the acquisition of the investment in Società Agricola Consortile La Torre A r.l. and the revaluation of Euro 5.0 million of the investment in B.F. S.p.A. (formerly B.F.Holding S.p.A.), a company listed on the Milan Stock Exchange. This revaluation, recognised against an entry in a specific equity reserve, became necessary following a significant increase in the market price resulting on the reporting date.

7. Non-current financial receivables

(Euro/000)	**31.12.2019**	31.12.2018
Receivables from associated companies		
- Frigomacello S.r.l.	775	775
- Società Agricola Marchesina S.r.l.	400	400
Interest-bearing and non-interest-bearing loans to third parties	5,180	1,544
Total	**6,355**	**2,719**

As at 31 December 2019 they amounted to Euro 6,355 thousand compared to Euro 2,719 thousand in 2018. The change in the balance includes an increase attributable to the Production sector which concerns the disbursement of a loan of Euro 4,660 thousand to the investee company Montagna S.p.A..

The item "Loans to third parties" includes loans by the subsidiary MARR S.p.A. for Euro 490 thousand (Euro 723 thousand at 31 December 2018); specifically the item includes the portion over a year of interest-bearing loans of MARR S.p.A. to companies that are commercial partners (Euro 250 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 238 thousand).

8. 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.

9. Other non-current assets

(Euro/000)	31.12.2019	31.12.2018
Trade receivables	9,598	9,166
Provision for bad debts	(310)	(430)
Tax assets	8,798	8,077
Other receivables	24,240	13,803
Deferred income and prepaid expenses	4,542	7,591
Total	**46,868**	**38,207**

Non-current "Trade receivables", which totalled Euro 9,598 thousand (of which Euro 2,258 thousand with expiry date beyond 5 years), are almost entirely attributable to the subsidiary MARR S.p.A. and concern agreements and deferments in payment defined with the customers

The item "Other receivables", as in past years, is mostly attributable to the Distribution sector and includes VAT receivables from the Tax Office for losses on customers for Euro 6,668 thousand, as well as receivables from suppliers for Euro 18,217 thousand (Euro 10,727 thousand at 31 December 2018), of which an amount of Euro 577 thousand with maturity beyond 5 years. There were also receivables for the "end of operations bonuses" that totalled about Euro 444 thousand, which Chef Express S.p.A. accrued from the oil companies (Euro 419 thousand at 31 December 2018). 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 (the amount falling due beyond 5 years is estimated at about Euro 1,985 thousand).

Current assets

10. Inventories

(Euro/000)	31.12.2019	31.12.2018
Raw materials, secondary materials and consumables	73,292	61,559
Work in progress and semi-finished goods	8,786	5,979
Finished goods and goods for resale	355,152	358,663
Advances	11,941	15,068
Provision for write-down of inventories	(1,550)	(1,040)
Total	**447,621**	**440,229**

The increase compared to the previous year is mainly attributable to the distribution sector, which increased its food inventories by about Euro 11.6 million. This increase, mainly concerning seafood products, is correlated to the timing of fishing seasons and to storage policies aimed at seizing certain trading opportunities in the frozen product market.

11. Biological assets

Biological assets, equal to Euro 49.6 million, increased by Euro 6.0 million compared to Euro 43.6 million in 2018. This increase was linked to the inclusion of Agrosakmara Llc. in the consolidation area for Euro 5.2 million, while the remaining amount was due to the higher number of animals bred in order to meet any shortage of cattle on the market and to ensure continuity in the procurement of raw materials so as to ensure high efficiency in production flows on an ongoing basis.

It should be noted that, during the year, the consolidation area was extended to include Cremovit S.r.l. to which the breeding operations carried out under agistment agreements, previously managed by Società Agricola Corticella S.r.l., were contributed.

The table below reports the number of heads in the stables of the aforesaid companies:

(Euro/000)	31.12.2019	31.12.2018
Veals	31,208	20,033
Bullocks	14,568	16,346
Heifers	10,501	11,588
Total	**56,277**	**47,967**

12. Current financial receivables

(Euro/000)	31.12.2019	31.12.2018
Receivables from subsidiaries	**2,734**	**7,365**
Agrosakmara Llc	-	2,734
Agrosakmara Bashkiria Llc	-	435
D'Autore Food S.r.l.	385	1,829
E-Marco Polo Spa	50	50
Fabri Fine Italian Food PTY Ltd	-	223
Inalca Eurasia Kazakhstan Llp	-	58
Italia Alimentari Canada Ltd	1,247	1,215
Società Agricola Transumanza S.r.l.	1,052	821
Receivables from associated companies	**1,346**	**1,529**
Bottega Mediterranea Sdn Bhd	-	245
Farm Service S.r.l.	333	333
Frimo S.a.m.	-	38
Società Agricola Castello di Godego S.r.l.	1,000	900
Società Agricola Marchesina S.r.l.	-	
Unieffebi S.r.l. (liquidata)	13	13
Receivables from controlling companies	**2,448**	**2,729**
A.G.M. S.r.l.	220	220
LLc Soyuz	-	281
Namsov Fishing Enterprises Ltd	2,228	2,228
Other financial receivables	**2,252**	**2,021**
Treasury receivables from minorities	2,252	2,021
Provision for bad debts	-	-
Totale	**8,780**	**13,644**

The reduction in the balance was mainly due to the consolidation of the Russian subsidiaries Agrosakmara Llc and Agrosakmara Bashkiriya Llc, as well as to a reduction in the loan to D'Autore Food S.r.l..

13. Current trade receivables

Trade receivables are broken down as follows:

(Euro/000)	31.12.2019	31.12.2018
Trade receivables	**594,896**	**566,672**
Due within 12 months	654,020	620,077
Provision for bad debts	(59,124)	(53,405)
Receivables from parent companies	**5**	**6**
Cremofin S.r.l.	5	6
Receivables from unconsolidated subsidiaries	**1,747**	**1,841**
Caio S.r.l.	49	-
Casa Maioli S.r.l.	83	-
C&P S.r.l.	24	-
D'Autore Food S.r.l.	-	47
E-Marco Polo (E-MP) Spa	107	324
Italia Alimentari Canada Ltd	1,359	1,244
Italia Alimentari USA Corporation	94	-
Mille Sapori Gdansk	-	82
Mille Sapori Poznan	-	143
Shanghai Chef Express Rail Catering Management Company Limited	-	1
W Italia S.r.l.	31	-
Provision for bad debts	-	-
Receivables from associated companies	**2,374**	**1,735**
Bottega Mediterranea Sdn Bhd	59	13
Farm Service S.r.l.	206	229
Inalca Emirates Trading Llc	538	538
Inalca West Africa Food & Beverage Ltd	249	249
Parma Sofrelim S.a.s.	-	17
Sì Frutta S.r.l.	16	43
Società Agricola Castello di Godego S.r.l.	153	1
Società Agricola Castello di Marchesina S.r.l.	923	-
Time Vending S.r.l.	43	54
Unitea S.r.l.	187	591
Total	**599,022**	**570,254**

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 2019, the composition of the overdue trade receivables from third parties is the following:

(Euro/000)	31.12.2019		31.12.2018	
	Amount	Bad Debt Prov.	Amount	Bad Debt Prov.
Trade receivables not overdue	365,847	(313)	334,915	(593)
Overdue up to 30 days	85,396	(108)	93,039	(227)
Overdue from 31 to 60 days	40,821	(78)	39,007	(139)
Overdue from 61 to 90 days	29,733	(24)	26,246	(136)
Overdue from 91 to 120 days	109,585	(41,063)	103,307	(36,470)
Overdue over 120 days	32,237	(17,849)	32,731	(16,272)
Total	**663,619**	**(59,435)**	**629,245**	**(53,837)**

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)	31.12.2019	31.12.2018
Initial balance	(53,837)	(58,726)
Change in scope of consolidation	24	6
Utilized during the year	15,639	20,942
Other movements	(120)	1,864
Exchange differences effect	(246)	831
Accruals during the year	(20,895)	(18,754)
Final balance	**(59,435)**	**(53,837)**

14. Current tax assets

(Euro/000)	31.12.2019	31.12.2018
Receivables for advance on direct taxes	6,816	3,213
Receivables for withholdings	154	171
VAT credit and other taxes requested for reimbursement	12,721	14,356
Other sundry receivables	3,994	5,625
Bad debts provision	(3)	(3)
Total	**23,682**	**23,362**

15. Cash and cash equivalents

(Euro/000)	31.12.2019	31.12.2018
Cash	18,754	16,973
Checks	73	332
Bank and postal accounts	348,815	292,930
Total	**367,642**	**310,235**

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 24 of the explanatory notes to the consolidated financial statements for the composition of the Net Debt.

Below is a breakdown of the balance by sector:

(Euro/000)	31.12.2019	31.12.2018
Production	141,453	106,684
Distribution	192,493	178,410
Catering	33,376	24,979
Centralized Activities	320	162
Total	**367,642**	**310,235**

16. Other current assets

(Euro/000)	**31.12.2019**	31.12.2018
Accrued income and prepaid expenses	6,078	9,207
Other receivables		
Advances to suppliers	65,265	63,841
Receivables from insurance companies	1,785	399
Receivables for contributions to be collected	-	-
Receivables from social security institutions	1,259	1,336
Receivables from agents	1,735	1,813
Receivables from employees	666	726
Down payments	44	328
Guarantee deposits	343	290
Other sundry receivables	9,993	11,143
Provision for bad debts	(5,093)	(4,869)
Total	**82,075**	**84,214**

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 decrease in the balance compared to the previous year was due to the adoption of the new standard IFRS 16 as a result of which prepaid expenses are no longer recognized on lease payments.

The item "Advances to suppliers" relates to Euro 58.0 million for the Distribution sector and Euro 4.7 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 10.0 million (Euro 11.1 million in 2018); 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 2.8 million (Società Agricola Corticella S.r.l.);
- energy certificate receivables of Euro 1.4 million (INALCA S.p.A.);
- tax disputes receivables of about Euro 400 thousand (INALCA S.p.A.);
- customs advances receivables of Euro 500 thousand (Inalca Kinshasa S.a.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.

17. Share capital and reserves

Share capital

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 2019.

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 2019.

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.

This reserve recognises the fair value changes of financial instruments available for sale. The movement for the period that affected this reserve related to the change in the value of the investments held in BPER Banca S.p.A. (sold during 2019) and Banco BPM S.p.A..

The basic earnings per share at 31 December 2019 amounted to Euro 0.3500 (Euro 0.4000 at 31 December 2018) and was calculated on the basis of net profits of Euro 45,147 thousand divided by the weighted average number of ordinary shares in 2019 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 31.12.2019		
	Capital stock and reserve	Profit/(loss)	Shareholders' equity
Parent Company's shareholders' equity and profit/(loss) for the year	**272,890**	**23,476**	**296,366**
Elimination of carrying value of consolidated subsidiaries:			
- Pro rata investee profits (losses)	-	47,597	47,597
- Difference between the carrying value and pro rata shareholder's equity, net of the effects of intra-Group transactions	162,395		162,395
- Investments write-up/write-down	(10,824)	10,824	-
- Dividends	37,719	(37,719)	-
- Consolidation differences	99,285		99,285
Elimination of the effects of commercial transactions between Group companies	(1,225)	517	(708)
Adjustment of the financial statements of the consolidated companies in accordance with the Group principles and equity valuation of investments	512	(128)	384
Total adjustments	*287,862*	*21,091*	*308,953*
Group's share of net equity and profit/(loss)	**560,752**	**44,567**	**605,319**
Minorities' share of net equity and profit/(loss)	316,858	47,233	364,091
Consolidated financial statements shareholders' equity and profit/(loss) for the year	**877,610**	**91,800**	**969,410**

Non-current liabilities

18. Non-current financial payables

(Euro/000)	31.12.2019	31.12.2018
Due between 1 and 5 years		
Bonds	-	-
Payables to banks	508,686	480,112
Payables to other financial institutions	62,055	65,352
Total payables due between 1 and 5 years	**570,741**	**545,464**
Due beyond 5 years		
Payables to banks	82,193	26,346
Payables to other financial institutions	46,343	45,595
Total payables due beyond 5 years	**128,536**	**71,941**
Total	**699,277**	**617,405**

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 31.12.2019
Overdraft	94,685	30,905	999	-	31,904
Advances - Imports	13,250	787	-	-	787
Advances - Exports	77,000	950	-	-	950
Advances on invoices Italy	170,710	31,438	-	-	31,438
Advances subj. to collection	259,690	36,139	293	-	36,432
Hot Money	12,500	44,036	-	-	44,036
Mortgages	835,603	244,810	508,596	82,193	835,599
Others	6,708	9,783	45	-	9,828
Amortized cost		(836)	(1,247)	-	(2,083)
Total	**1,470,146**	**398,012**	**508,686**	**82,193**	**988,891**

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 31.12.2019
Leasing					
Ancona	Euribor + spread	30/09/2029	143	1,555	**1,698**
Aosta	"	16/10/2030	90	1,183	**1,273**
Assago Calavera	"	26/02/2021	173	2,259	**2,432**
Baranzate	"	28/03/2030	224	2,542	**2,766**
Bellinzago Lombardo	"	25/01/2028	4	1,094	**1,098**
Belluno	"	18/12/2030	(379)	1,790	**1,411**
Bergamo	"	01/07/2022	154	824	**978**
Bologna Casalecchio	"	27/11/2031	1,447	-	**1,447**
Bologna Casalecchio	"	27/11/2031	1,287	-	**1,287**
Bologna Stalingrado	"	30/07/2031	2,956	-	**2,956**
Bussolengo	"	16/12/2030	765	-	**765**
Capriate	"	14/05/2029	60	1,232	**1,292**
Capriate Opere	"	14/05/2029	190	526	**716**
Carpi	"	01/11/2026	132	1,033	**1,165**
Calavera Cernusco	"	02/11/2028	129	1,579	**1,708**
Cernusco Lombardone	"	01/03/2029	97	1,011	**1,108**
Cinisello Balsamo	Fixed	09/01/2027	189	1,633	**1,822**
Collegno	Euribor + spread	20/06/2029	141	1,497	**1,638**
Como Lipomo	"	01/03/2029	140	1,478	**1,618**
Corbetta	"	01/03/2022	86	428	**514**
Cornaredo	"	05/08/2028	88	1,041	**1,129**
Corsico	"	11/08/2027	164	1,512	**1,676**
Cremona	"	23/10/2031	605	-	**605**
Curtatone	"	26/09/2029	74	808	**882**
Dalmine	"	28/04/2028	154	1,467	**1,621**
Erba	"	16/11/2030	365		**365**
Ferrara	"	01/06/2022	70	366	**436**
Ferrara sud	"	28/05/2030	160	1,917	**2,077**
Fidenza	"	13/12/2029	108	1,209	**1,317**
Gallarate	"	01/08/2026	148	1,139	**1,287**
Gravellona Toce	"	01/04/2029	80	856	**936**
Lainate Casello	"	20/10/2028	144	1,448	**1,592**
Lainate Sempione	"	11/10/2028	129	1,372	**1,501**
Lainate Sempione Opere	"	11/10/2028	6	50	**56**
Legnano	"	01/12/2020	474	-	**474**
Lido di Camaiore	"	13/11/2029	151	1,644	**1,795**
Macerata	Fixed	29/05/2030	65	900	**965**
Mestre	Fixed	24/10/2026	152	1,247	**1,399**
Mirabilandia	Euribor + spread	01/07/2029	91	1,244	**1,335**
Modena Sud	"	16/09/2028	129	2,131	**2,260**
Modena Victoria	"	31/12/2029	120	1,325	**1,445**
Montano Lucino	"	25/10/2029	133	1,511	**1,644**
Monza	"	07/04/2031	2,257	-	**2,257**
Noventa	"	30/06/2031	136	1,814	**1,950**
Olgiate Comasco	"	31/03/2029	137	1,408	**1,545**
Padova	"	01/03/2026	175	1,384	**1,559**
Padova ovest	"	04/04/2031	1,372	-	**1,372**
Parma	"	06/11/2030	202	2,444	**2,646**
Pavia	"	16/01/2027	100	911	**1,011**
Pioltello	"	19/09/2028	165	1,634	**1,799**
Rovato	"	07/10/2028	143	1,446	**1,589**
Rozzano	"	23/09/2026	154	1,403	**1,557**
Saronno	"	09/04/2030	117	1,502	**1,619**
Segrate	"	31/10/2030	216	2,586	**2,802**
Senigallia	"	18/04/2028	95	906	**1,001**
Sesto Fiorentino	"	11/11/2030	(2,136)	5,878	**3,742**
Tradate	"	01/12/2029	133	1,546	**1,679**
Treviso Silea	"	27/07/2027	232	1,684	**1,916**
Trezzano	"	08/10/2027	215	1,570	**1,785**
Trieste	"	23/10/2031	1,120	-	**1,120**
Vicenza	"	08/10/2027	123	1,132	**1,255**
Vigevano	"	31/08/2030	129	1,513	**1,642**
Voghera	"	02/12/2028	66	711	**777**
Other minor leasings	"		899	2,647	**3,546**
Bond Private Placement	5.10%	2020 - 2023	9,657	29,246	**38,903**
Due to Factoring companies	Euribor + spread		34,872	-	**34,872**
Other Relationships	"		469	182	**651**
Total			**62,686**	**108,398**	**171,084**

19. Derivatives

(Euro/000)	31.12.2019	31.12.2019	31.12.2019
	IRS	Exchange Rates	Total
Non-current assets	-	3,419	3,419
Current assets	-	1,265	1,265
Non-current liabilities	(221)	-	(221)
Current liabilities	(500)	(864)	(1,364)
Total	**(721)**	**3,820**	**3,099**

(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**

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 2019, 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 721 thousand (Euro 514 thousand at 31 December 2018).

The measurement of the hedging contracts for exchange rate risks instead resulted in the recognition of a current asset of Euro 1,265 thousand, almost entirely relating to forward purchases of US dollars and Euro entered into by subsidiary Marr Russia LLC. and a current liability of Euro 864 thousand.
A non-current asset of Euro 3,419 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.

20. Employee benefits

(Euro/000)	31.12.2019	31.12.2018
Staff Severance Provision	23,671	23,929
Other benefits	10	10
Total	**23,681**	**23,939**

(Euro/000)	31.12.2019	31.12.2018
Opening balance	23,929	25,942
Effect of the change in consolidation area	0	0
Use for the financial year	(2,078)	(2,959)
Financial year provision	1,058	1,059
Actuarial (gain) losses	819	(192)
Other changes	(57)	79
Closing balance	**23,671**	**23,929**

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 losses totalling Euro 819 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	22,966	23,294	23,372	22,876	22,742	23,514

It is also noted that the contribution expected for next year is about Euro 705 thousand; the future payments expected for the next year can be estimated as a total of Euro 11.4 million.

21. Provisions for liabilities and charges

(Euro/000)	**31.12.2019**	31.12.2018
Provisions for taxes	249	1,023
Labour disputes	1,312	1,773
Minor lawsuits and disputes	500	1,232
Supplementary clientele severance indemnity	7,592	7,124
Provision for losses on equity investments	259.00	-
Provision for future risks and losses	6,643	6,331
Total	**16,555**	**17,483**

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

The supplementary clientele severance indemnity was allocated based on a reasonable estimate of the probable future liability.

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 Ges.Car 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. At the end of 2019, the Milan Court of Appeal, Labour Division, handed down the second-instance ruling which, just like that issued by the court of first instance, determined the Company's right to benefit from the aforementioned reduction in social security contributions envisaged for the three-year period from 2016 to 2018 for new hires. Since the time limits for appeal have now expired and notice has been received that the INPS Central Lawyer's Office in Rome has proposed a binding opinion in relation to the aforesaid judgment, the latter must be regarded as having become final and the Company is therefore fully entitled to benefit from the aforesaid reduction. The provision against this liability, which is no longer required, is now intended to cover the risk from tax disputes pending with the Milan Revenue Agency, which, during 2018, challenged the lawful deductibility of VAT relating to the work contract with Consorzio Euro 2000 for the years from 2009 to 2015.

As regards the tax disputes pending between MARR S.p.A. and the Customs Agency (which arose in 2007 in relation to the payment of preferential customs duties on certain imports of seafood products and for which, despite the rejection of the appeals submitted by the Company, the judges in the first phase of proceedings accepted the fact that the company was entirely extraneous to the claimed irregularities, as they were attributable exclusively to its suppliers), it should be noted that MARR S.p.A. appealed to the Supreme Court in May 2013.
On 16 April 2019 the Supreme Court handed down an order, filed by the Clerk's Office on 6 June 2019, which accepted MARR S.p.A.'s application for a full review of the judgment handed down by the court of second instance, quashed the challenged judgment and referred the dispute back to a new panel of the Livorno branch of the Tuscany Regional Tax Board. In the light of the instructions in the Supreme Court order, it appears reasonable to believe that the dispute will end favourably for the Company.

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 S.p.A., 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 S.p.A. 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. No claim has arisen from this investigation report yet; in any case, even if a dispute with the Revenue Agency were to be brought, considering the opinion of the lawyers appointed to assist the Company we believe it is reasonable to assume that such a dispute would end with an outcome fully favourable to MARR S.p.A.
In this regard it should be noted that, after having heard the opinion of our consultants, it is believed that there is no uncertainty over the treatments adopted for income tax purposes as defined by IFRIC23.

22. Deferred tax liabilities

As at 31 December 2019, this item amounted to Euro 56,115 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.

23. Other non-current liabilities

(Euro/000)	**31.12.2019**	31.12.2018
Accrued expenses and deferred income	559	458
Non - current tax liabilities	0	1
Payables to Social Security Institutions	3	66
Other payables	1,180	1,081
Total	**1,742**	**1,606**

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 recognizes the amount due beyond 12 months of 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

24. Current financial payables

(Euro/000)	**31.12.2019**	31.12.2018
Payables to controlling companies	**4,662**	**5,036**
Cremofin S.r.l.	4,662	**5,036**
Payables to unconsolidated subsidiaries	**0**	**0**
Payables to associated companies	**0**	**350**
Time Vending S.r.l.	-	350
Other payables		
Payables to banks	398,012	450,159
Payables to other financial institutions	62,686	32,005
Other payables	(48)	288
Closing balance	**465,312**	**487,838**

The breakdown of the items "Payables to banks" and "Payables to other financial institutions" is outlined in paragraph 18 above.

Ne Debt

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

(Euro/000)	31.12.2019	31.12.2018
A. Cash	18,754	16,973
B. Cash equivalent	348,888	293,262
C. Financial assets held for sale	-	-
D. Liquidity (A) + (B) + (C)	**367,642**	**310,235**
E. Current financial assets	**7,756**	**12,669**
F. Current bank liabilities	398,012	452,404
G. Current financial instruments	99	(1,132)
H. Other current financial liabilities	67,698	35,508
H.1 Other current financial liabilities (right of use)	48,197	-
I- Current financial liabilities	**514,006**	**486,780**
J. Current net debt (I) - (E) - (D)	**138,608**	**163,876**
K. Non current bank liabilities	590,880	493,908
L. Bonds	-	-
M. Other non current financial liabilities	100,118	110,128
M1. Other non current financial liabilities (right of use)	265,767	-
N. Non current financial instruments	221	159
O. Non current debt (K) + (L) + (M) + (N)	**956,986**	**604,195**
P. Net Debt (J) + (O)	**1,095,594**	**768,071**

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 2019, which were respected, are shown in the tables below.

Table 1

(Euro/000)	UBI Banca S.p.A. (a)(I)	Unicredit (a)(II)	UBI Banca S.p.A. (a)(I)	ICCREA (a)(I)
Amount of the loans as at 31 December 2019	7,778	20,833	3,000	22,562
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	04/08/2022
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 2019	46,429	25,307 (*)	7,669 (*)	3,750
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 2019	3,667	3,778	30,000	8,761
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)	CaixaBank S.A. (a)(I)	Mediobanca - Banca di Credito Finanziario S.p.A. (a)(II)	Banca Intesa Sanpaolo (a)(II)	CREDEM (a)(I)(III)
Amount of the loans as at 31 December 2019	25,000	35,000	16,000	4,384
Recipient of the loan	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.	MARR S.p.A.
Expiry date	31/10/2024	30/04/2024	04/10/2021	18/07/2021
Covenants				
Net Debt/Equity	<1.5	<1.5	<=2.0	
Net Debt/Ebitda	<= 2.0	<3.0	<=3.5	=< 4.9
Ebitda/Net financial expenses		> 4.0	> =4.0	>= 16.20

(a) covenants calculated on the consolidated financial statements of MARR S.p.A.;
(I) covenants verified annually at the year-end;
(II) covenants that are respected and verified with reference to 31 December and 30 June of each year;
(III) if one of the following covenants 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 31/12/19.

Table 5

(Euro/000)	Sberbank	Sberbank	Sberbank	Sberbank
Amount of the loans as at 31 December 2019	14,466 (*)	18,583 (*)	6,004 (*)	23,960 (*)
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
Net Income/Revenues (b)	> 0	> 0	> 0	> 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 Llc. (quarterly verified);
(c) covenants calculated on the consolidated financial statements of Kaskad LLC. (annually verified);
(d) covenants calculated on the financial statements of Kaskad LLC. (quarterly verified);
(*) the euro value is shown at the euro/RUR exchange rate on 31/12/19.

Table 6

(Euro/000)	BNL S.p.A. (e)	Banca Intesa Sanpaolo (e)	Rabo bank (e)	Banca del Mezzogiorno - MedioCredito Centrale S.p.A. (e)
Amount of the loans as at 31 December 2019	17,340	94,500	95,000	15,047
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	24/09/2025	04/06/2027	30/09/2023
Covenants				
Net Debt/Ebitda	< 3.5	< 3.5	<= 3.5	<= 3.5
Net Debt/Patrimonio Netto	< 0.9	< 0.9	< =0.9	< =0.9

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 2019	30,000	2,524	12,500
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	< 0.9

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 2019	30,000	31,333	10,000
Recipient of the loan	INALCA S.p.A	INALCA S.p.A	INALCA S.p.A
Expiry date	09/10/2024	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 annual financial statements of INALCA S.p.A..

Table 9

(Euro/000)	ING BANK Pol	BPER Banca S.p.A. (g)	BNL S.p.A. (g)	ING BANK N.V.
Amount of the loans as at 31 December 2019	1,410	13,333	10,000	22,500
Recipient of the loan	Mille Sapori Plus S.p.z.o.o.	Inalca F&B S.r.l.	Inalca F&B S.r.l.	Zaklady Miesne Soch. S.p.zo.o.
Expiry date	31/10/2023	19/12/2021	09/10/2024	31/12/2026
Covenants				
Net Debt/Ebitda	< 3.0 (g)	< 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)
DSCR	>1.1 (i)			

g) covenants calculated on the consolidated annual financial statements of INALCA S.p.A.; (h) covenant calculated on the local financial statements of Zaklady Miesne Sochocin S.p.zo.o.; (i) covenant calculated on the local financial statements of Mille Sapori Plus S.p.zo.o.

Table 10

(Euro/000)	Banca Intesa Sanpaolo S.p.A. (j)	UBI Banca S.p.A. (j)
Amount of the loans as at 31 December 2019	12,500	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

(J) covenants calculated on the consolidated annual financial statements of Cremonini S.p.A., net of the effects of the adoption of IFRS 16.

Table 11

(Euro/000)	Banco BPM S.p.A. (k)	Cassa di Risparmio di Cento S.p.A. (k)	Banca Intesa Sanpaolo S.p.A. (k)	UBI Banca S.p.A. (k)
Amount of the loans as at 31 December 2019	10,000	4,510	6,666	2,500
Recipient of the loan	Chef Express S.p.A.	Chef Express S.p.A.	Chef Express S.p.A.	S.p.A.
Expiry date	30/06/2021	01/04/2024	31/12/2021	13/12/2020
Covenants				
Net Debt/EBITDA	<=3.0	<=4,0	<=3.0	<=3.0
Net Debt/Equity	<=2.0	<=2,75	<=2.0	<=2.0

(k) covenants calculated on the consolidated annual financial statements of Cremonini S.p.A., net of the effects of the adoption of IFRS 16.

Table 12

(Euro/000)	Unicredit S.p.A. (k)	Cassa di Risparmio di Saluzzo S.p.A. (k)	BPER Banca S.p.A.(k)	ING BANK N.V. (k)
Amount of the loans as at 31 December 2019	6,500	8,000	2,000	1,666
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

(k) covenants calculated on the consolidated annual financial statements of Cremonini S.p.A., net of the effects of the adoption of IFRS 16.

Table 13

(Euro/000)	Cassa di Risparmio di Cento S.p.A. (k)
Amount of the loans as at 31 December 2019	5,412
Recipient of the loan	Roadhouse S.p.A.
Expiry date	01/04/2024
Covenants	
Net Debt/EBITDA	<=4.0
Net Debt/Equity	<=2.75

(k) covenants calculated on the consolidated annual financial statements of Cremonini S.p.A., net of the effects of the adoption of IFRS 16.

25. Current tax liabilities

(Euro/000)	**31.12.2019**	31.12.2018
VAT	2,152	1,763
IRAP	773	1,340
IRES	5,169	4,627
Withholding taxes	11,552	10,642
Substitute taxes and other taxes payable	5,831	4,193
Total	**25,477**	**22,565**

IRAP and IRES payables relate to 2019 financial year taxes not yet paid at the year-end.

26. Current trade liabilities

(Euro/000)	**31.12.2019**	31.12.2018
Suppliers	**702,496**	**666,623**
Payables to unconsolidated subsidiaries	**440**	**196**
Caio S.r.l.	2	-
Casa Maioli S.r.l.	5	-
D'Autore Food S.r.l.	254	192
E-Marco Polo (E-MP) Spa	162	-
Società Agricola Transumanza S.r.l.	4	4
W Italia S.r.l.	13	
Debiti verso imprese collegate	**1,848**	**2,064**
Bottega Mediterranea Sdn Bhd	-	26
Farm Service S.r.l.	-	1
Frigomacello S.r.l.	-	1
Parma Sofrelim S.a.s.	-	662
Sì Frutta S.r.l.	215	25
Società Agricola Marchesina S.r.l.	1,053	1,188
Time Vending S.r.l.	350	1
Unitea S.r.l.	230	347
Payables to controlling companies	**162**	**59**
Cremofin S.r.l.	162	59
Total	**704,946**	**668,942**

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

27. Other current liabilities

(Euro/000)	**31.12.2019**	31.12.2018
Accrued expenses and deferred income	4,500	4,747
Inps/Inail/Scau	12,764	12,164
Inpdai/Previndai/Fasi/Besusso	158	186
Enasarco/FIRR	1,161	1,089
Payables to other social security institutions	5,029	4,400
Other payables		
Advances and other payables to customers	13,309	13,738
Payables for employee remuneration	52,363	49,426
Payables for acquisition of equity investments	-	361
Guarantee deposits and down payments received	119	245
Payables to directors and auditors	1,007	963
Payables to agents	184	160
Other minor payables	7,552	6,008
Total	**98,146**	**93,487**

The item "Accrued expenses and deferred income" includes the liability connected to the retention programme involving customers of "Roadhouse Club". This programme, 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 amounted to Euro 2,168 thousand at 31 December 2019.

The payable to employees includes the current remuneration yet to be paid as at 31 December 2019 and the allocations relating to deferred remuneration. The increase in the payable compared to last year, equal to Euro 2,937 thousand, is attributable to the Production sector for Euro 2,900 thousand and to the Catering sector for Euro 380 thousand.

Guarantees, sureties and commitments

(Euro/000)	**31.12.2019**	31.12.2018
Direct guarantees – sureties		
- related companies	-	-
- other companies	131,489	128,550
	131,489	**128,550**
Direct guarantees – letter of comfort		
- associated companies	23,984	25,100
- other companies	-	-
	23,984	**25,100**
Other risks and commitments	18,151	38,228
Total guarantees, sureties and commitments	**173,624**	**191,878**

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	44,095	VAT for compensation.
Highways and Oil Companies	Cremonini S.p.A. subsidiares	30,218	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	8,206	Guaranteeing concessions for on-board catering services, station buffets and operation of storage facilities.
Public Agencies	Cremonini S.p.A. subsidiares	13,068	Garantees release for the timely execution of contracts lasting several years.
Airports	Cremonini S.p.A. subsidiares	12,547	Guaranteeing successful conclusion of contracts.
Other minor items	Cremonini S.p.A. and other subsidiaries	23,355	Administration of rented properties, energy supplies, credit cards, successful conclusion of contracts, etc.
Total		**131,489**	

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.	8,315
Credit letter of purchase of goods	Marr S.p.A.- As.Ca.	8,193
Other sundry	Fiorani & C S.p.A. - Italia Alimentari S.p.A.	1,643
Total		**18,151**

"Commitments for real estate purchases" regard preliminary contracts to buy real estate where the Roadhouse S.p.A. "steakhouse" chain can be further developed (Seregno, Agrate, Pisa, Capriolo, Carate).
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

28. Revenues

Revenues are broken down as follows:

(Euro/000)	31.12.2019	31.12.2018 *
Revenues from sales - Finished goods	1,669,611	1,563,863
Revenues from sales - Goods for resale	2,148,861	2,031,968
Revenues from sales - Oil	11,736	10,386
Revenues from sales - Others	79,270	81,654
Revenues from services	397,280	379,150
Advisory services to third parties	2,455	918
Rent income	3,750	3,720
Other revenues from ordinary activities	51,623	49,104
Total	**4,364,586**	**4,120,763**

Below is a breakdown of revenues by geographical area:

(Euro/000)	31.12.2019	31.12.2018 *
Italy	3,289,874	3,122,950
European Union	444,851	475,513
Non-EU countries	629,861	522,300
Total	**4,364,586**	**4,120,763**

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

29. Other revenues

The other revenues can be broken-down as follows:

(Euro/000)	31.12.2019	31.12.2018
Contributions by suppliers and others	39,395	36,758
Operating grants	5,578	4,595
Other sundry revenues	27,394	22,062
Total	**72,367**	**63,415**

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; as far as this is concerned, it should be borne in mind that a part of the suppliers' contributions for the agreements for the award of end-of-year bonuses is recognised as a reduction in goods purchasing costs.

Other sundry revenues

(Euro/000)	31.12.2019	31.12.2018
Rent income	780	787
Insurance reimbursements	4,819	4,502
Capital gains on disposal of capital goods	1,280	649
Other cost reimbursements	3,652	3,463
Services, consultancy and other minor revenues	16,863	12,661
Total	**27,394**	**22,062**

The "Services, consultancy and other minor revenues" included various sales, including the green energy certificates, accounted for as additional revenues.

The increase recorded in this item compared to the previous year concerns the granting of relief from social security contributions prescribed by regulations (Jobs Act), equal to Euro 2.3 million, the benefit from which was suspended in 2016 in consideration of the litigation with the INPS.

30. Costs for purchases

(Euro/000)	**31.12.2019**	31.12.2018
Costs for purchases - Raw materials	(1,093,185)	(1,035,277)
Costs for purchases - Goods for resale	(1,682,155)	(1,625,274)
Costs for purchases - Secondary materials, consumables, semi-finished goods, packages	(103,990)	(95,331)
Costs for purchases - Finished goods	(40,686)	(31,993)
Costs for purchases - Oil	(11,122)	(9,929)
Costs for purchases - Stationery and printed paper	(2,471)	(2,063)
Changes in inventories of raw materials, secondary materials, consum. and goods for resale	26,522	15,362
Other costs for purchases	(103,629)	(97,416)
Total	**(3,010,716)**	**(2,881,921)**

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.

31. Other operating costs

(Euro/000)	**31.12.2019**	31.12.2018 *
Costs for services	(546,203)	(510,550)
Costs for leases and rentals	(38,401)	(103,699)
Other operating charges	(23,778)	(21,180)
Total	**(608,382)**	**(635,429)**

Costs for services

(Euro/000)	**31.12.2019**	31.12.2018 *
Energy consumption and utilities	(54,245)	(52,457)
Maintenance and repairs	(30,373)	(28,301)
Transport on sales	(116,466)	(112,602)
Commisions, commercial and distribution services	(124,661)	(111,434)
Third-party services and outsourcing	(62,039)	(61,374)
Purchasing services	(37,422)	(37,919)
Other technical and general services	(120,997)	(106,463)
Total	**(546,203)**	**(510,550)**

The increase in service costs relates for Euro 19.0 million to the Production sector (an amount of Euro 5.1 million of which due to the changes in the consolidation area), for Euro 8.4 million to the Distribution sector and for Euro 8.2 million to the Catering sector.

Costs for leases and rentals

(Euro/000)	**31.12.2019**	31.12.2018
Lease of business premises, royalties and others	(25,189)	(69,284)
Costs for leases	92	(55)
Leases and rentals related to real and personal property	(13,304)	(34,360)
Total	**(38,401)**	**(103,699)**

The costs for leases and rentals totalled Euro 38.4 million and their decrease compared to the previous year is connected to the adoption of IFRS 16; the amount stated at 31 December 2019 consists of lease agreements that do not fall within the scope of application of the new accounting standard.

Other operating charges

(Euro/000)	**31.12.2019**	31.12.2018
Losses on receivables	(301)	(57)
Indirect taxes and duties	(11,118)	(10,862)
Capital losses on disposal of assets	(811)	(1,120)
Contributions and membership fees	(1,806)	(1,760)
Other minor costs	(9,742)	(7,381)
Total	**(23,778)**	**(21,180)**

32. Personnel costs

(Euro/000)	**31.12.2019**	31.12.2018
Salaries and wages	(316,679)	(291,173)
Social security contributions	(86,756)	(80,940)
Staff Severance Provision	(16,721)	(16,485)
Pension and similar provisions	(192)	(179)
Other personnel costs	(22,065)	(25,031)
Total	**(442,413)**	**(413,808)**

This item includes all the personnel costs, including holiday accruals and additional monthly pay as well as the related welfare charges, allocation for employee leaving indemnities and other contractually envisaged costs. The increase compared to last year is ascribable to the production sectors up by Euro 18.5 million and catering up by Euro 9.4 million.

In the Production sector the increase is linked to the effects deriving from the different scope of consolidation (+ Euro 1.4 million), to new sales outlets managed by subsidiary Guardamiglio S.r.l. and to the higher number of employees deriving from business development in the sector.

In the catering sector, on the contrary, 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.

As at 31 December 2019 Group employees amounted to 13,573 compared to 13,162 at 31 December 2018.

The increase is mainly attributable to the Catering and Production sectors that increased their headcounts respectively by 230 and 199 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 increase in the Production sector was mainly attributable to the subsidiaries Ges.Car. S.r.l. and Guardamiglio S.p.A..

The break down by category and average number of employees in 2019 is shown in the following schedule:

	Factory staff	Office staff	Managers	**Total**
Employees as at 31.12.2018	10,375	2,615	172	13,162
Employees as at 31.12.2019	**10,502**	**2,904**	**167**	**13,573**
Increases (decreases)	127	289	(5)	411
Average no. of employees during	**10,748**	**2,833**	**165**	**13,746**

33. Amortization, depreciation, write-downs and provisions

(Euro/000)	31.12.2019	31.12.2018
Depreciation of tangible assets	(91,515)	(83,834)
Amortization of intangible assets	(5,815)	(5,065)
Amortization of right of use	(52,908)	-
Other write-downs of fixed assets	(3,539)	(2,386)
Write-downs and provisions	(29,465)	(30,945)
Total	**(183,242)**	**(122,230)**

For more details on the items reported above, please refer to the related changes shown in annexes 3, 4 and 5 relating to tangible assets, intangible assets and rights of use.
The "Other write- downs of fixed assets" item includes the effects of the impairment test on the goodwill. This impacted by Euro 2,127 thousand in 2019 and Euro 1,975 thousand in 2018. This item also includes an amount of Euro 1,266 thousand of write-downs of fixed assets installed at some retail outlets, which are being disposed of.
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.

34. Financial (Income)/Charges

(Euro/000)	31.12.2019	31.12.2018
Net exchange rate differences	(1,579)	1,348
Income (Charges) from management of derivatives	(271)	(457)
Net financial Income (Charges)	(26,416)	(16,341)
Right of use financial charges	(19,874)	-
Total	**(48,140)**	**(15,450)**

Exchange rate differences

(Euro/000)	31.12.2019	31.12.2018
Realized exchange rate profits	9,302	6,544
Realized exchange rate losses	(7,626)	(16,031)
Unrealized exchange rate profits	5,711	19,156
Unrealized exchange rate losses	(9,427)	(8,216)
Realized income from management of exchange rate derivatives	521	610
Evaluated income from management of exchang rate derivatives	82	44
Realized charges from management of exchange rate derivatives	(142)	(633)
Evaluated charges from management of exchange rate derivatives	-	(126)
Total	**(1,579)**	**1,348**

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)	31.12.2019	31.12.2018
Realized Charges from management of derivatives	(271)	(457)
Total	**(271)**	**(457)**

Net financial Income (Charges)

(Euro/000)	31.12.2019	31.12.2018
Financial Income (Charges) from/to controlling companies	**(24)**	**(47)**
Financial income		
- Bank interest receivable	1,853	3,191
- Other financial income	1,867	3,290
Total financial income	**3,720**	**6,481**
Financial charges		
- Interest payable on loans	(9,241)	(8,402)
- Interest payable on factoring	(1,659)	(2,225)
- Interest payable on current accounts and others	(4,931)	(4,664)
- Other bank charges	(938)	(627)
- Other sundry charges	(13,343)	(6,857)
Total financial charges	**(30,112)**	**(22,775)**
Total financial charges - Right of use	**(19,874)**	-
Total	**(46,290)**	**(16,341)**

"Net Financial Income (Charges)" showed an increase compared to the previous year as a result of both the recognition of notional financial costs of Euro 19.8 million arising from the adoption of the new IFRS 16 already mentioned above and accounting for a loss on the net cash position of Angolan subsidiaries, equal to Euro 10.9 million. The latter loss arose from the adoption of IAS 29 – *Financial Reporting in Hyperinflationary Economies* in the financial statements of the Angolan subsidiaries, the currency of which recorded a considerable depreciation in recent years.

Finally, higher financial charges were incurred as a result of an early repayment of a medium/long-term loan granted by Unicredit S.p.A. in 2014, which also entailed the termination of the associated interest rate swap contract and the recognition of the remaining amount of charges incurred to raise the loan among costs.

It should be noted that interest expenses from rights of use arising from the adoption of IFRS 16 include an amount of Euro 15 thousand relating to the lease agreements attributable to the operations of MARR S.p.A. with its related party Le Cupole di Castelvetro (MO), for the lease of an industrial building located in Rimini.

35. Income taxes

(Euro/000)	31.12.2019	31.12.2018
IRES	(47,065)	(43,291)
IRAP	(9,315)	(9,881)
Net deferred tax assets/liabilities	4,581	(4,586)
Total	**(51,799)**	**(57,758)**

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 8,203 thousand
- Independent auditors: Euro 910 thousand

Subsequent events

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

* * * * * *

Castelvetro di Modena, 27 March 2020

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 2019;

Annex 2 - List of revenues and costs from/to subsidiaries, associated, controlling and related companies for 2019;

Annex 3 - Statement of changes in tangible assets for the financial year ended as at 31 December 2019;

Annex 4 - Statement of changes in rights of use for the financial year ended 31 December 2019;

Annex 5 - Statement of changes in other intangible assets for the financial year ended as at 31 December 2019;

Annex 6 - List of equity investments classified under financial assets as at 31 December 2019 and others;

Annex 7 - List of equity investments in subsidiaries and associated companies as at 31 December 2019 (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 2019

(Euro/000)	Trade		Other		Total	
	Receivables	Payables	Receivables	Payables	**Receivables**	**Payables**
Subsidiaries:						
Caio S.r.l.	49	2	-	-	**49**	**2**
Casa Maioli S.r.l.	83	5	-	-	**83**	**5**
C&P Srl	24	-	-	-	**24**	**-**
D'Autore Food Srl	-	254	385	-	**385**	**254**
E-Marco Polo Spa	107	162	50	-	**157**	**162**
Italia Alimentari Canada Ltd	1,359	-	1,247	-	**2,606**	**-**
Italia Alimentari USA Corporation	94	-	-	-	**94**	**-**
Società Agricola Transumanza S.r.l.	-	4	1,052	-	**1,052**	**4**
W Italia S.r.l.	31	13	-	-	**31**	**13**
Provision for bad debts	-		-	-	**-**	**-**
Total subsidiaries	**1,747**	**440**	**2,734**	**-**	**4,481**	**440**
Associated companies:						
Bottega Mediterranea Sdn Bhd	59	-	-	-	**59**	**-**
Castello di Godego S.r.l.	153	-	1,000	-	**1,153**	**-**
Farm Service S.r.l.	206	-	333	-	**539**	**-**
Frigomacello s.R.L.	-	-	776	-	**776**	**-**
Inalca Emirates Trading Llc	538	-	-	-	**538**	**-**
Inalca West Africa Food & Beverage Ltd	249	-	-	-	**249**	**-**
Sì Frutta S.r.l.	16	215	-	-	**16**	**215**
Società Agricola Marchesina S.r.l.	923	1,053	951	-	**1,874**	**1,053**
Time Vending S.r.l.	43	350	-	-	**43**	**350**
Unieffebi Srl	-		13	-	**13**	**-**
Unitea S.r.l.	187	230	-	-	**187**	**230**
Provision for bad debts	-	-	-	-	**-**	**-**
Total associated companies	**2,374**	**1,848**	**3,073**	**-**	**5,447**	**1,848**
Related and controlling companies:						
A.G.M. S.r.l.	-	127	220	-	**220**	**127**
Bluimex Sp. Zo.o.	-	2	-	-	**-**	**2**
Cremofin S.r.l.	5	-	-	4,662	**5**	**4,662**
Delizie Italiane S.r.l.	67	-	-	-	**67**	**-**
La Torre Soc.Agr.Consortile Ar.l.	119	1,374	-	-	**119**	**1,374**
Le Cupole S.r.l.	-	-	-	1,159	**-**	**1,159**
LLc Soyuz	-	-	118	-	**118**	**-**
Namsov Fishing Enterprises Ltd	-	1,852	2,228	-	**2,228**	**1,852**
Total related companies	**191**	**3,355**	**2,566**	**5,821**	**2,757**	**9,176**

Annex 2

List of revenues and costs from/to subsidiaries, associated, controlling and related companies for 2019

(Euro/000)	Trade		Other		**Total**	
	Revenues	Costs	Revenues	Costs	**Revenues**	**Costs**
Subsidiaries:						
Caio S.r.l.	181	3	4	-	**185**	**3**
Casa Maioli S.r.l.	218	-	8	-	**226**	**-**
C&P S.r.l.	-	1	21	-	**21**	**1**
D'Autore Food Srl	242	1,873	33	-	**275**	**1,873**
E-Marco Polo (E-MP) Spa	88	-	1	-	**89**	**-**
Italia Alimentari Canada Ltd	914	-	32	-	**946**	**-**
Italia Alimentari USA Corporation	-	-	1	-	**1**	**-**
Società Agricola Transumanza S.r.l.	-	-	17	-	**17**	**-**
W Italia S.r.l.	39	12	2	-	**41**	**12**
Total subsidiaries	**1,682**	**1,889**	**119**	**-**	**1,801**	**1,889**
Associated companies:						
Bottega Mediterranea Sdn Bhd	51	-	-	-	**51**	**-**
Castello di Godego S.r.l.	1	2,567	-	-	**1**	**2,567**
Farm Service S.r.l.	2,947	-	-	-	**2,947**	**-**
Frigomacello S.r.l.	-	1	-	-	**-**	**1**
Frimo S.a.m.	-	-	1	-	**1**	**-**
Sì Frutta S.r.l.	23	1,941	-	-	**23**	**1,941**
Società Agricola Marchesina S.r.l.	8,087	9,705	89	-	**8,176**	**9,705**
Time Vending S.r.l.	31	-	266	2	**297**	**2**
Unitea S.r.l.	7,480	1,588	-	-	**7,480**	**1,588**
Total associated companies	**18,620**	**15,802**	**356**	**2**	**18,976**	**15,804**
Controlling companies						
Cremofin S.r.l.	-	-	4	-	**4**	**-**
Total controlling companies	**-**	**-**	**4**	**-**	**4**	**-**
Related companies:						
A.G.M. S.r.l.	-	58	-	-	**-**	**58**
Bluimex Sp. Zo.o.	-	23	-	-	**-**	**23**
Delizie Italiane S.r.l.	328	-	-	-	**328**	**-**
La Torre Soc.Agr.Consortile Ar.l.	-	12,462	-	-	**-**	**12,462**
Le Cupole S.r.l.	-	-	4	15	**4**	**15**
LLc Soyuz	1,136	-	-	-	**1,136**	**-**
Namsov Fishing Enterprises Ltd	-	7,996	32	-	**32**	**7,996**
TreErre Food S.r.l.	1,794	-	-	-	**1,794**	**-**
Total related companies	**3,258**	**20,539**	**36**	**15**	**3,294**	**20,554**

Annex 3

Statement of changes in tangible assets for the financial year ended as at 31 December 2019

(Euro/000)	Opening position			Changes over the period								Closing position		
	Initial cost	Depreciation provision	Balance at 31.12.2018	Net effects of the change in consolidation area	Acquisitions	Net decreases	(Impairment) Reversal of an impairment	Hyperinflation effect	Reclassif./ Other changes	Exchange Differences	Depreciation	Initial cost	Depreciation provision	Balance at 31.12.2019
Land and buildings	1,013,296	(271,389)	741,907	18,840	57,746	(2,823)	(33)	8,385	32,935	(2,082)	(37,103)	1,143,097	(325,325)	817,772
Plant and machinery	606,347	(428,249)	178,098	(18,701)	36,839	(605)	(158)	(4)	11,872	1,214	(32,922)	615,321	(439,688)	175,633
Industrial and business equipment	47,755	(34,879)	12,876	199	4,356	(80)	(4)	91	115	(146)	(4,849)	51,865	(39,307)	12,558
Other assets	166,190	(102,575)	63,615	302	18,124	(3,105)	(239)	364	5,617	(73)	(16,642)	179,633	(111,670)	67,963
Fixed assets under construction and advances	64,625	0	64,625		62,326	(1,926)			(50,615)	3,176	-	77,586	0	77,586
Total	**1,898,213**	**(837,092)**	**1,061,121**	**640**	**179,391**	**(8,539)**	**(434)**	**8,836**	**(76)**	**2,089**	**(91,516)**	**2,067,502**	**(915,990)**	**1,151,512**

Annex 4
Statement of changes in rights of use for the financial year ended as at 31 December 2019

(Euro/000)	Opening position			Changes over the period								Closing position		
	Initial cost	Depreciation provision	Balance at 31.12.2018	Net effects of the change in consolidation area	Acquisitions	Net decreases	(Impairment) Reversal of an impairment	Hyperinflation effect	Reclassif./ Other changes	Exchange Differences	Depreciation	Initial cost	Depreciation provision	Balance at 31.12.2019
Land and buildings - Right of use	-	-	-	302,373	58,145	(6,903)	-	-	556	(61)	(51,401)	354,129	(51,420)	302,709
Plant and machinery - Right of use	-	-	-	1,926	2,592	-	-	-	0	0	(1,169)	4,518	(1,169)	3,349
Industrial and business equipment - Right of use	-	-	-	-	1,308	-	-	-	0	(1)	(282)	1,308	(283)	1,025
Other assets - Right of use	-	-	-	99	96	-	-	-	0	0	(56)	139	-	139
Total	**0**	**0**	**0**	**304,398**	**62,141**	**(6,903)**	**0**	**0**	**556**	**(62)**	**(52,908)**	**360,094**	**(52,872)**	**307,222**

Annex 5

Statement of changes in intangible assets for the financial year ended as at 31 December 2019

(Euro/000)	Opening position			Changes over the period						Closing position		
	Initial cost	Amortization provision	Balance at 31.12.2018	Net effects change in consolidation area	Acquisitions	Net decreases	Reclass. Other changes	Exchange Differences	Amortiz.	Initial cost	Amortization provision	Balance at 31.12.2019
Patents and intellectual property rights	20,282	(16,361)	3,921	12	2,644	(18)	2,388	(17)	(2,838)	25,306	(19,214)	6,092
Development costs	655	(332)	322	-	1	-	-	-	(131)	655	(463)	192
Concessions, licences, trademarks and similar rights	22,551	(7,815)	14,736	5	264	-	3	95	(1,655)	23,047	(9,599)	13,448
Fixed assets under development and advances	2,892	-	2,892	-	2,330	(1,120)	(2,465)	-	-	1,637	-	1,637
Other intangible assets	10,807	(6,129)	4,678	-	114	(14)	386	300	(937)	11,351	(6,824)	4,527
Total	**57,187**	**(30,637)**	**26,549**	**17**	**5,353**	**(1,152)**	**312**	**378**	**(5,561)**	**61,996**	**(36,100)**	**25,896**

Annex 6

List of equity investments classified under financial assets as at 31 December 2019 and others

(Euro/000) Company name	%	Initial value	Purchases or subscriptions	Disposals	(Write-downs) Revaluations	Other Changes	%	Final value	Notes
Subsidiaries:									
C&P Sr.l.	-	-	6,236	-	-	-	60.00	6,236	
D'Autore Food Sr.l.	100.00	64	-	-	-	-	100.00	64	
Inalca F&B Queensland Pty Ltd (ex Fabri Fine It. Foods Pty	75.00	109	-	-	-	(109)	75.00	-	(a)
Imprenditori per E-Marco Polo Sr.l.	60.00	257	100	-	-	-	100.00	357	
Inalca Eurasia Holdings Gesmbh		-	-	-	-	61	60.00	61	
Inalca Food & Beverage Beijing Holding Ltd		-	412	-	-	-	60.00	412	
Inalca Food & Beverage Shanghai Co Ltd	100.00	-	-	-	-	-	100.00	-	(a)
Inalca Foods Nig Limited	57.00	-	-	-	-	-	57.00	-	
Italia Alimentari Canada Ltd	60.00	408	-	-	(408)	-	60.00	-	
Italia Alimentari USA Corporation		-	669	-	(303)	-	100.00	366	
Mille Sapori Due Sp.z.o.o. (Gdansk)	-	1,221	-	-	-	(1,221)	100.00	-	(a)
Mille Sapori Tre Sp.z.o.o.(Poznan)	-	352	-	-	-	(352)	100.00	-	(a)
MSP Trasport Sp.z.o.o.	-	25	-	-	-	(25)	100.00	-	(a)
Montana Farm Sp.zo.o.	100.00	100	-	-	-	-	100.00	100	
PeckInalca Lda	51.00	-	-	-	-	-	51.00	-	
Quinto Valore s.c.a.r.l.	100.00	-	-	-	-	-	100.00	-	
Royi Wine & Spirit (China) LTD		-	63	-	-	-	100.00	63	
SCDA Angola SA.	51.00	-	-	-	-	-	51.00	-	
Società Agricola Transumanza Sr.l.	-	5	-	-	-	-	51.00	5	
Total subsidiaries companies		**2,541**	**7,480**	**0**	**(711)**	**(1,646)**	**1,525**	**7,664**	
Associated companies									
A.G.M. Sr.l.	29.55	66	-	-	-	-	29.55	66	
Avirail Sa.s.	49.00	366			438	(490)	49.00	314	
Bottega Mediterranea Sdn Bhd	50.00	-	-	-	-	-	50.00	-	
Consorzio I.R.I.S Sa.r.l.	37.50	4	-	-	-	-	37.50	4	
Gourmet Italia Ltd in liq.	20.00	32	-	-	(36)	4	20.00	-	
Farm Service Sr.l.	37.00	257	-	-	-	-	37.00	257	
Frigomacello Sr.l.	50.00	65	-	-	-	-	50.00	65	
Frimo SAM	45.30	527	-	-	-	-	45.30	527	
Inalca Emirates Trading Llc	49.00	-	-	-	-	-	49.00	-	
Inalca West Africa Food & Beverage Ltd	45.00	76	-	-	-	-	45.00	76	
Jolanda De Colò Sp.A.	-	-	2,046	-	-	-	34.00	2,046	
Longsi Italia Co Ltd	40.00	9	49	-	-	-	40.00	58	
Parma Capel Sa.s. (già Parma Sofrelim Sa.s.)	50.00	990	-	-	-	(990)	66.67	-	(a)
SCEA PBL	-	90	-	-	-	-	30.00	90	
SC Pulsar	-	240	-	-	-	-	30.00	240	
SI Frutta Sr.l.	-	516	-	-	(110)	-	40.00	406	
Società Agricola Castello di Godego Sr.l.	50.00	322	-	-	-	-	50.00	322	
Società Agricola Marchesina Sr.l.	-	2,780	-	-	-	-	50.00	2,780	
Time Vending Sr.l.	50.00	251	-	-	190	(340)	50.00	101	
Unitea Sr.l.	50.00	1,450	-	-	-	-	50.00	1,450	
Total associated companies		**8,041**	**2,095**	**0**	**482**	**(1,816)**		**8,802**	
Other companies:									
Banca Centro Padana		40	-	-	-	-		40	
B.F. Holding Sp.A.		9,007	-	-	5,029	-		14,036	
Class China e Commerce Sr.l.		127	-	-	-	-		127	
Centro Agroalimentare Riminese Sp.A.		280	-	-	-	-		280	
Futura Sp.A.		963	-	-	-	-		963	
Gester Soc. Coop		533	-	-	-	-		533	
La Torre Soc.Agr.Consortile Ar.l.		-	5,000	-	-	-		5,000	
Montagna Spa		490	-	-	-	-		490	
Nuova Campari Sp.A.		1,549	-	-	-	-		1,549	
Others		276	-	(101)	-	-		175	
Total other companies		**13,265**	**5,000**	**(101)**	**5,029**	**0**		**23,193**	
Current financial assets held for sale									
Government securities of the state of Angola		11,774	24	(9,052)	-	97		2,843	
Total Current financial assets held for sale		**11,774**	**24**	**(9,052)**	**0**	**97**		**2,843**	
Deferred financial assets held for sale									
BPER Banca Sp.A.		3,306	-	(4,184)	-	878	-		
Banco Popolare Società Cooperativa *		190	-	-	-	6		196	(b)
Total deferred financial assets held for sale		**3,496**	**0**	**(4,184)**	**0**	**884**		**196**	

(a) Company now included in the scope of consolidation starting from 2019

(b) Company incorporated into DE.AL. Sr.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 in Banco BPM Sp.A. on 01/01/2017.

Annex 7
List of equity investments in subsidiaries and associated companies as at 31 December 2019 (Article 2427, paragraph 5, of the Italian Civil Code) with an indication of those falling within the scope of consolidation

(Euro/000) Company name	HQ	Share capital (expressed in Euro, unless otherwise indicated)	Result for the financial year ended 31.12.2019	Shareholders' equity at 31.12.2019	Control share at 31.12.2019	Shareholding at 31.12.2019	Book value (A)	Portion of the Shareholders' Equity (B)	Difference (B) - (A)	Participants at 31.12.2019	Control share at 31.12.2018	Shareholding at 31.12.2018	Notes
Investments valued at equity:													
Subsidiaries companies:													
Associated companies:													
Avirail S.a.s.	Paris (France)	100.000	687	1.642	49,00%	49,00%	314	805	491	Cremonini Restauration S.a.s.	49,00%	49,00%	(b)
Time Vending S.r.l.	St Germain Les Vergne - France	100.000	690	859	50,00%	50,00%	101	430	329	Chef Express S.p.A.	50,00%	50,00%	(b)
Investments valued at cost:													
Subsidiaries													
C&P S.r.l.	Castelvetro di Modena	nd	nd	nd	60,00%	60,00%	6.236	-	(6.236)	Chef Express S.p.A.	-	-	
D'Autore Food S.r.l.	Castelnuovo Rangone (MO)	50.000	80	93	100,00%	71,60%	64	-	(64)	Italia Alimentari S.p.A.	100,00%	71,60%	(b)
Imprenditori per E-Marco Polo S.r.l.	Castelvetro di Modena	267.000	(268)	(1)	100,00%	100,00%	357	(1)	(358)	Cremonini S.p.A.	60,00%	60,00%	(b)
Inalca Eurasia Holdings Gesmbh	Vienna (Austria)	35.000	121.067	121.102	60,00%	42,96%	61	-	(61)	INALCA S.p.A.	-	-	(b)
Inalca Food & Beverage Beijing Holding Ltd	Hong Kong (Cina)	nd	nd	nd	100,00%	35,44%	412	-	(412)	Inalca Food & Beverage China Holding Ltd	-	-	(a)
Inalca Food & Beverage Shanghai Co Ltd	Shanghai (Cina)	CNY 8.168.007	8	164	100,00%	35,44%	-	164	164	Inalca Food & Beverage China Holding Ltd	-	-	(a)
Italia Foods Nig Ltd	Nigeria	nd	nd	nd	57,00%	40,81%	-	-	-	INALCA S.p.A.	57,00%	40,81%	(a)
Italia Alimentari Canada Ltd	Brampton (Canada)	CAD 1.000.000	(652)	(63)	60,00%	42,96%	-	(38)	(38)	Italia Alimentari S.p.A.	60,00%	42,96%	(a)(b)
Italia Alimentari USA Corporation	(Ewing) US	USD 400.000	nd	nd	100,00%	71,60%	366	-	(366)	Italia Alimentari S.p.A.	-	-	(a)
Montana Farm S.p.z.o.o.	Platyny (Polonia)	Zloty 285.000	(2)	13	100,00%	71,60%	100	13	(87)	Italia Alimentari S.p.A.	100,00%	71,60%	(a)(b)
Peckinalca Lda	Luanda (Angola)	AOR 3.300.000	-	17	51,00%	34,69%	-	9	9	Inalca Angola Ltda.	51,00%	31,03%	(a)(b)
Royi Wine & Spirit (China) LTD	Hong Kong (Cina)	nd	nd	nd	100,00%	51,55%	63	-	(63)	Inalca Food & Beverage China Holding Ltd	-	-	(a)
SCDA Angola S.A.	Kuando Kubango (Angola)	AOR 2.000.000	(50)	105	51,00%	31,03%	-	54	54	Inalca Angola Ltda	51,00%	31,03%	(a)(b)
Società Agricola Transumanza S.r.l.	Mistretta (ME)	10.000	nd	nd	51,00%	18,62%	5	-	(5)	Parma Serv S.r.l.	51,00%	18,62%	
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%	(c)
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%	(a)(c)
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%	(d)
Gourmet Italia Ltd in liq.	Bangkok (Thailandia)	BHT 6.000.000	nd	nd	20,00%	14,31%	-	-	-	Inalca Food & Beverage (Thailand) Co. Ltd	20,00%	14,31%	
Farm Service S.r.l.	Reggio Emilia	500.000	533	671	37,00%	26,49%	257	248	(9)	INALCA S.p.A.	37,00%	26,49%	(b)
Frigomacello S.r.l.	Fermo (AP)	90.000	(37)	53	50,00%	35,80%	65	27	(39)	INALCA S.p.A.	50,00%	35,80%	(c)
Frimo SAM	Principato di Monaco	150.000	46	1.141	45,30%	32,43%	527	517	(10)	INALCA S.p.A.	45,30%	32,43%	(b)
Inalca Emirates Trading Llc	Abu Dhabi (Emirati Arabi Uniti)	nd	nd	nd	49,00%	35,08%	-	-	-	INALCA S.p.A.	-	-	(a)
Inalca West Africa Food & Beverage Ltd	Lagos - Nigeria	USD 225.000	76	0	45,00%	32,22%	76	-	(76)	INALCA S.p.A.	45,00%	32,22%	(a)(c)
Jolanda De Colò S.p.A.	Palmanova (UD)	nd	nd	nd	34,00%	17,14%	2.046	-	(2.046)	MARR S.p.A.	-	-	
Longsi Italia Co Ltd	Bangkok (Thailandia)	BHT 500.000	nd	nd	40,00%	28,61%	58	-	(58)	Inalca Food & Beverage (Thailand) Co. Ltd	40,00%	28,61%	
SCEA PBL	Chabrignac (Francia)	104.000	nd	nd	30,00%	10,95%	90	-	(90)	Parma France S.a.s.	30,00%	10,95%	
SC Pulsar	Chabrignac (Francia)	306.000	nd	nd	30,00%	10,95%	240	-	(240)	Parma France S.a.s.	30,00%	10,95%	
Sì Frutta S.r.l.	Cervia (RA)	210.000	1.515	241	40,00%	20,17%	406	96	(310)	MARR S.p.A.	40,00%	20,17%	(b)
Società Agricola Castello di Godego S.r.l.	Castelvetro di Modena	100.000	(8)	201	50,00%	35,80%	322	-	(322)	Società Agricola Corticella S.r.l.	50,00%	35,80%	(b)
Società Agricola Marchesina S.r.l.	Rosate (MI)	6.000.000	(1.042)	4.518	50,00%	35,80%	2.780	2.259	(521)	Società Agricola Corticella S.r.l.	50,00%	35,80%	(b)
Unitea S.r.l.	Mantova	100.000	(181)	2.722	50,00%	35,80%	1.450	1.361	(89)	INALCA S.p.A.	50,00%	35,80%	

NOTES

a) Amounts expressed in Euro resulting from the translation of the original amounts in foreign currencies /(b) The figures refer to 31 December 2018, the last financial statements available/(c) The figures refer to 31 December 2017, the last financial statements available/(d) The figures refer to 31 December 2008, the last financial statements available.

Continued: Annex 7

(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 al 31.12.2019	Control share at 31.12.2019	Shareholding at 31.12.2019	Consolidation method	Participants at 31.12.2019	Control share at 31.12.2018	Shareholding at 31.12.2018	Notes
Companies consolidated on a line-by-line basis:											
Agrosakmara Llc.	Orenburg (Russia)	RUR 10.000	(510)	2.199	100,00%	42,96%	Line by line	99%Orenbeef Llc;1%Kaskad Llc	-	-	(a)(b)
Agrosakmara Bashkiria Llc.	Ufa (Republic of Bashkortostan)	RUR 10.000	35	1.431	100,00%	42,96%	Line by line	Agrosakmara Llc.	-	-	(a)(b)
Alliance Express Llc	Odinzovo (Russia)	RUR 500.000	(147)	10	100,00%	100,00%	Line by line	Chef Express Eurasia Llc	100,00%	100,00%	(a)
As.Ca. S.p.A.	Santarcangelo di Romagna (RN)	518.000	204	6.964	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	(2)	121	51,00%	51,00%	Line by line	Chef Express S.p.A.	51,00%	51,00%	
Bagel Nash (Retail) Limited	London (UK)	GBP 100	56	330	100,00%	100,00%	Line by line	Gabf Holdings Limited	100,00%	100,00%	(a)
Bright View Trading HK Ltd	Chai Wan (Hong Kong)	MYR 1.588.921	534	2.559	69,81%	44,99%	Line by line	Inalca Food & Beverage S.r.l.	69,81%	44,99%	(a)
Chef Express S.p.A.	Castelvetro di Modena (MO)	8.500.000	5.532	33.078	100,00%	100,00%	Line by line	Cremonini S.p.A.	100,00%	100,00%	
Chef Express Eurasia Llc.	Moscow (Russia)	RUR 1.000.000	(34)	(77)	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	(8)	(70)	100,00%	100,00%	Line by line	Chef Express S.p.A.	100,00%	100,00%	(a)
Chef Express UK Ltd.	London (UK)	GBP 80.000	1.736	1.906	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	(463)	1.331	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	18	76	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	(121)	2.151	60,00%	38,66%	Line by line	Inalca Food & Beverage Srl	60,00%	38,66%	
Cremonini Restauration S.a.s.	Parigi (France)	1.500.000	99	1.828	100,00%	100,00%	Line by line	Chef Express S.p.A.	100,00%	100,00%	
Cremonini S.p.A.	Castelvetro di Modena (MO)	67.073.932	23.476	296.366			Holding				
Cremovit S.r.l.	Castelvetro di Modena (MO)	3.000.000	906	3.906	51,00%	36,52%	Line by line	Società Agricola Corticella S.r.l.	-	-	
Fiorani & C. S.p.A.	Piacenza	500.000	3.197	7.813	51,00%	36,52%	Line by line	INALCA S.p.A.	51,00%	36,52%	
Fratelliditalia SA	Playa del Carmen (Mexico)	MXN 100.000	(619)	(1.202)	80,00%	51,55%	Line by line	Inalca Food & Beverage S.r.l.	80,00%	51,55%	(a)
Fresco Gourmet Pty Ltd	North Sidney (Australia)	AUD 1	(1.776)	(1.710)	100,00%	64,44%	Line by line	Inalca Food & Beverage Srl	100,00%	64,44%	(a)
Gabf Holdings Limited	London (UK)	GBP 7.880.953	(567)	(3.245)	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	2.136	4.415	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	395	534	100,00%	100,00%	Line by line	Cremonini S.p.A.	100,00%	100,00%	
Guardamiglio S.r.l.	Piacenza	4.135.000	4.626	19.673	100,00%	71,60%	Line by line	INALCA S.p.A.	100,00%	71,60%	
Hosteria Butarelli S.L.	Gran Canaria (Spain)	353.000	(39)	178	100,00%	38,66%	Line by line	Comit S.L.	100,00%	38,66%	
IF&B Holding Inc	Dover (US)	USD 179.960	(5)	57	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	17.617	462.003	71,60%	71,60%	Line by line	Cremonini S.p.A.	71,60%	71,60%	
Inalca Algerie S.a r.l.	Algeri (Algeria)	DA 500.000.000	(4.944)	(2.506)	70,00%	50,12%	Line by line	INALCA S.p.A.	70,00%	50,12%	(a)
Inalca Angola Ltda.	Luanda (Angola)	Kwanza 12.201.875.577	(4.359)	38.803	95,00%	68,02%	Line by line	INALCA S.p.A.	85,00%	60,86%	(a)
Inalca Brazzaville S.a r.l.	Brazzaville (Rep.Congo)	1.982	(3.323)	(775)	100,00%	71,60%	Line by line	INALCA S.p.A.	100,00%	71,60%	(a)
Inalca CI S.a.r.l.	Abidjan (Ivory Coast)	FCFA 38.500.000	(147)	302	99,00%	70,88%	Line by line	INALCA S.p.A.	99,00%	70,88%	(a)
Inalca Food & Beverage China Holding Ltd	Kwai Fong (Hong Kong)	HKD 25.545.183	(8)	3.878	55,00%	35,44%	Line by line	Inalca Food & Beverage Srl	55,00%	35,44%	(a)
Inalca F&B Sdn Bhd	Klang Selangor (Malaysia)	MYR 1.000.000	(193)	(615)	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 (Capo Verde)	CVE 100.026.500	(294)	(357)	80,00%	51,55%	Line by line	Inalca Food & Beverage Srl	80,00%	51,55%	(a)
Inalca Food & Beverage (Thailand) Co. Ltd	Samutprakarn (Thailand)	THB 117.650.000	(3.569)	(4.888)	99,99%	64,43%	Line by line	Inalca Food & Beverage Srl	99,99%	64,43%	(a)
Inalca Food & Beverage Malaysia Holding Sdn Bhd	Klang Selangor (Malesia)	MYR 1.000.000	(320)	(324)	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	105	69	80,00%	51,55%	Line by line	IF&B Holding Inc	80,00%	51,55%	(a)
Inalca Food & Beverage Queensland Pty Ltd	Brisbane (Australia)	AUD 175.000	(6)	(48)	75,00%	48,33%	Line by line	Fresco Gourmet Pty Ltd	-	-	(a)(b)
Inalca Food & Beverage S.r.l.	Modena	10.000.000	(10.490)	7.342	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	8	164	100,00%	64,44%	Line by line	Inalca Food & Beverage China Holding Ltd	100,00%	64,44%	(b)
Inalca Food Service Kaz Llp	Almaty (Rep. Kazakhstan)	KZT 40.000.000	(335)	(775)	100,00%	32,22%	Line by line	Marr Russia L.l.c.	100,00%	53,70%	(b)
Inalca Kinshasa S.a.r.l.	Kinshasa (Rep.Dem.Congo)	USD 3.000.000	(6.559)	(1.764)	85,00%	60,86%	Line by line	INALCA S.p.A.	85,00%	60,86%	(a)
Industria Alimentar Carnes de Mocambique Ltd	Maputo (Mocambique)	MZN 390.000.000	641	10.071	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	(469)	1.069	100,00%	71,60%	Line by line	INALCA S.p.A.	100,00%	71,60%	(a)
Interjet S.r.l.	Castelvetro di Modena (MO)	2.500.000	(983)	2.890	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	5.451	66.244	100,00%	71,60%	Line by line	INALCA S.p.A.	100,00%	71,60%	
ITAUS Pty Ltd	North Sidney (Australia)	AUD 225.105	(572)	(955)	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	(599)	50.770	60,00%	42,96%	Line by line	INALCA S.p.A.	100,00%	42,96%	(a)
Lounge Services S.a.s.	Paris (France)	40.000	43	92	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)	401	100,00%	50,42%	Line by line	MARR S.p.A.	100,00%	50,42%	
Marr Russia L.l.c.	Moscow (Russia)	Rubli 100.000.000	17.452	66.130	75,00%	32,22%	Line by line	Kaskad L.l.c.	75,00%	53,70%	(a)
MARR S.p.A.	Rimini	33.262.560	64.349	331.338	50,42%	50,42%	Line by line	Cremonini S.p.A.	50,42%	50,42%	
Mille Sapori Due S.p.z.o.o (Gdansk)	Gdansk (Poland)	PLN 100.000	88	423	100,00%	38,66%	Line by line	Mille Sapori Plus S.p.z.o.o.			(a)(b)
Mille Sapori Krakow S.p.z.o.o.	Kraków (Poland)	PLN 5.000	(5)	48	100,00%	38,66%	Line by line	Mille Sapori Plus S.p.z.o.o.			(a)(b)
Mille Sapori Plus S.p.z.o.o.	Warsaw (Poland)	PLN 500.000	456	2.863	60,00%	38,66%	Line by line	Inalca Food & Beverage S.r.l.	60,00%	38,66%	(a)(b)
Mille Sapori Tre S.p.z.o.o (Poznan)	Warsaw (Poland)	PLN 120.000	65	195	100,00%	38,66%	Line by line	Mille Sapori Plus S.p.z.o.o.			(a)(b)
Momentum Services Ltd.	Birmingham (UK)	269.258	1.556	2.688	100,00%	100,00%	Line by line	Chef Express UK Ltd.	100,00%	100,00%	
Montana Alimentari GMBH	Monaco (Germany)	25.000	47	426	100,00%	100,00%	Line by line	Italia Alimentari S.p.A.	100,00%	100,00%	
MSP Transport S.p.z.o.o.	Warsaw (Poland)	PLN 100.000	(87)	(65)	100,00%	38,66%	Line by line	Mille Sapori Plus S.p.z.o.o.			(a)(b)
New Catering S.r.l.	Santarcangelo di Romagna (RN)	33.900	2.157	9.691	100,00%	50,42%	Line by line	MARR S.p.A.	100,00%	50,42%	
Orenbeef L.L.C.	Orenburg (Russia)	Rubli 942.857.000	(2.182)	56.079	100,00%	42,96%	Line by line	Kaskad L.l.c.	100,00%	71,60%	(a)
Parma Capel S.a.s.	Saint Jal (France)	900.000	228	1.697	66,67%	24,35%	Line by line	Parma France S.a.s.	-	-	(b)
Parma France S.a.s.	St Didier au Mont d'or (France)	1.000.000	1.241	5.679	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	240	1.102	70,00%	25,56%	Line by line	Parma France S.a.s.	70,00%	25,56%	
Parma Serv S.r.l.	Parma	10.000	41	195	51,00%	36,52%	Line by line	INALCA S.p.A.	51,00%	36,52%	
Parma Turc S.a.s.	Ambronay (France)	100.000	509	3.826	51,00%	18,62%	Line by line	Parma France S.a.s.	51,00%	18,62%	
Parmaubrac S.a.s.	Malbouzon (France)	770.000	187	1.563	51,00%	18,62%	Line by line	Parma France S.a.s.	51,00%	18,62%	
Railrest S.A.	Bruxelles (Belgium)	500.000	868	1.966	51,00%	51,00%	Line by line	Chef Express S.p.A.	51,00%	51,00%	
Realbeef S.r.l.	Flumeri (AV)	9.500.000	(750)	8.876	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	654	40.139	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	249	1.682	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	(56)	225	51,00%	36,52%	Line by line	INALCA S.p.A.	100,00%	71,60%	
Società Agricola Corticella S.r.l.	Spilamberto (MO)	5.000.000	796	19.384	100,00%	71,60%	Line by line	INALCA S.p.A.	100,00%	71,60%	
Tecali S.L.	Tenerife (Spain)	363.000	250	3.332	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	253	829	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	4	131	100,00%	35,44%	Line by line	Inalca Food & Beverage China Holding Ltd	100,00%	35,44%	(a)
Zaklady Miesne Soch. S.p.zo.o.	Warsaw (Poland)	Zloty 37.372.000	(377)	11.631	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	(139)	559	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 2019

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

CREMONINI SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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 2019, 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 2019 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 determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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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 2019, 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 2019 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 2019 and is prepared in compliance with the law.

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

Bologna, 10 April 2020

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