GRUPPO ORSERO

2017 ANNUAL FINANCIAL REPORT

COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS

THE ITALIAN TEXT SHALL PREVAIL OVER THE ENGLISH VERSION.

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SUMMARY DATA

Thousands of Euro	31.12.2017 Pro-forma	31.12.2017	31.12.2016 Pro-forma	31.12.2016
Net Sales	937.830	819.124	684.970	684.970
Gross Profit	78.591	68.461	72.653	72.653
Adjusted Ebitda	31.337	26.255	35.210	35.488
% Adjusted Ebitda	3,34%	3,21%	5,14%	5,18%
Adjusted Ebit	16.019	12.620	23.915	24.194
Ebit	11.255	7.880	17.607	16.731
Net Profit from continuing operations	15.083	13.035	18.250	17.468
Net Profit of "Discontinued Operations"	-	-	-	844
Net Profit	15.083	13.035	18.250	18.312
Net Profit attributable to non controlling interests	229	226	97	97
Net Profit attributable to parent company	14.854	12.809	18.153	18.215
ROI	8,33%	6,63%	14,44%	14,56%
Net Invested Capital	192.228	190.233	165.564	166.164
Capital and reserves attributable to Parent Company	144.657	142.662	115.756	67.973
Non-Controlling Interest	1.084	1.084	741	741
Total Shareholders' Equity	145.741	143.747	116.497	68.714
Net Financial Position	46.487	46.487	49.067	97.450
Net Financial Position/Total Shareholders' Equity	0,32	0,32	0,42	1,42
Net Financial Position/Adjusted Ebitda	1,48	1,77	1,39	2,75

The pro-forma data as at 31 December 2017 shown above are meant to reflect the effects of the agreements finalized after 30 June 2017 and which resulted in Orsero Group acquiring full ownership of the companies Fruttital Firenze S.p.A. and Galandi S.p.A., as well as the Spanish company Hermanos Fernández López S.A., in which the Group previously held an equity investment of 50% (measured at equity method). Therefore, the figures shown want to represent the effects on the income statement and statement of financial position that would have been generated if the aforementioned transaction taken place on 1 January 2017. In particular, the pro-forma figures at 31 December 2017 include the effects of the line-by-line consolidation of the three companies which entailed an increase in net sales for the whole of 2017 equal to Euro 230,815 thousand, an increase in gross margin equal to Euro 20,206 thousand, and an increase in Adjusted EBITDA equal to Euro 9,671 thousand. In addition, the net profit from continuing operations includes the effect of Euro 18,491 thousand deriving from the recognition of the business combination which took place in steps, in accordance with IFRS 3. Instead, note that the figures as at 31 December 2017 include the financial data of the Tuscan and Spanish companies starting from 1 July 2017.

The pro-forma data as at 31 December 2016, which were presented in last year's financial statements, instead, serve the purpose of representing the effects on the statement of financial position generated by the merger by absorption of GF Group in Orsero S.p.A., which took place on 13 February 2017, as if it had taken place on 31 December 2016.

INTRODUCTION

On 13 February 2017, the merger by absorption (the "Merger") of GF Group S.p.A. ("GF Group") into Glenalta Food S.p.A. ("Glenalta") took effect for statutory accounting purposes, with the consequent assumption, by the absorbing company, of the name Orsero S.p.A. ("Orsero" or the "Company") and the cancellation of GF Group. As a result of the Merger, Orsero became the Parent Company of the Group by the same name (the "Orsero Group").

For accounting purposes, transactions carried out by the absorbed company GF Group are recognized in the financial statements of the absorbing company Glenalta as of 1 January 2017 and the fiscal effects of the Merger also apply from that date.

The main data for Orsero as at 31 December 2017 are shown below.

ORSERO S.P.A. CORPORATE INFORMATION:

Registered Office:

Orsero S.p.A.
Via Gaudenzio Fantoli 6/15,
20138 – Milan

Representative Office:

Corso Venezia 37,
20121 - Milan

Administrative Office:

Cime di Leca 30,
17031 Albenga (SV)

Legal data:

Share Capital: Euro 69,163,340
No. of ordinary shares with no nominal value: 17,682,500
Tax ID and Milan Register of Companies enrolment no.: 09160710969
Milan Chamber of Commerce enrolment no. R.E.A. 2072677
Company website www.orserogroup.it

DIRECTOR'S REPORT ON OPERATIONS

COMPOSITION OF ORSERO S.P.A. CORPORATE BODIES

Orsero S.p.A., Parent Company of the Orsero Group, adopted the "traditional system" of management and control.

Board of Directors[1]:

Paolo Prudenziati	Chairman and Managing Director
Raffaella Orsero	Deputy Chair and Managing Director
Matteo Colombini	Managing Director
Vera Tagliaferri[2]	Director
Armando Rodolfo de Sanna[2]	Director
Gino Lugli	Director
Luca Fabio Giacometti	Director
Carlos Fernández Ruiz	Director
Alessandro Piccardo	Director

Board of Auditors[3]:

Michele Paolillo	Chairman
Guido Riccardi	Statutory Auditor
Paolo Rovella	Statutory Auditor
Elisabetta Barisone	Alternate Auditor
Giovanni Tedeschi	Alternate Auditor

Related Parties Committee:

Luca Fabio Giacometti	Chairman
Vera Tagliaferri	Member
Armando Rodolfo de Sanna	Member

Remuneration Committee:

Gino Lugli	Chairman
Vera Tagliaferri	Member
Armando Rodolfo de Sanna	Member

Independent Auditors:

KPMG S.p.A.

(1) The Board of Directors, consisting of 7 members, was appointed by the Shareholders' Meeting on 30 November 2016 (then Glenalta Food S.p.A.), effective from 13 February 2017, and shall remain in office until the date of approval of the financial statements at 31 December 2019. It should be noted that Mr. Gino Lugli and Mr. Luca Fabio Giacometti were appointed upon designation of the promoting shareholders of Glenalta, while the other members of the Board were appointed upon designation of FIF Holding S.p.A. On 15 September 2017, the Shareholders' Meeting resolved to increase the number of members of the Board of Directors from 7 to 9, with the appointment of Carlos Fernández Ruiz and Alessandro Piccardo.
(2) Directors satisfying the independence requirements in accordance with the current By-laws of Orsero S.p.A.
(3) The Board of Statutory Auditors, consisting of 3 statutory auditors and two alternate auditors, was appointed by the Shareholders' Meeting on 30 November 2016 (then Glenalta Food S.p.A.). It should be noted that Mr. Paolillo, Mr. Rovella and Ms. Barisone were appointed upon designation by FIF Holding S.p.A., while Mr. Riccardi and Mr. Tedeschi upon designation of the promoting shareholders of Glenalta.

GROUP STRUCTURE

Summary representation of the Group

COMPOSITION OF THE GROUP

At 31 December 2017, Orsero Group includes Orsero S.p.A. (Parent Company) and its fully consolidated subsidiaries, listed below, in which the Parent Company holds, directly or indirectly, the majority of the voting rights and over which it exercises control.

Orsero S.p.A.:	Parent Company, holding company that handles the purchase and management of investments in other companies or entities.

Europe:

Az France S.A.	Distribution company in France
Bella Frutta S.A.	Distribution company in Greece
Cosiarma S.p.A.	Shipbuilding company in Italy
Cultifruit S.A.	Sub-holding company in Spain
Eurofrutas S.A.	Distribution company in Portugal
Eurorticolas L.D.A.	Company in liquidation in Portugal
Fresco Ships' A&F S.r.l.	Loading/port agent in Italy
Fruttital S.r.l.	Distribution company in Italy

Fruttital Espana S.A.	Distribution company in Spain
Fruttital Firenze S.p.A.	Distribution company in Italy
Galandi S.p.A.	Distribution company in Italy
GFB S.r.l.	Insurance broker in Italy
GF Distribuzione S.r.l.	Sub-holding company in Italy
GF Porterm S.r.l.	Sub-holding company in Italy
GF Produzione S.r.l.	Sub-holding company in Italy
GF Servizi S.r.l.	Services and consultancy provider
GF Solventa S.L.	Service provider in Spain
GF Trasporti S.r.l.	Sub-holding company in Italy
Hermanos Fernández López S.A.	Distribution company in Spain
Isa Platanos S.A.	Manufacturing company in Spain
Kiwisol LDA	Distribution company in Portugal
M.A.P. Servizi Generali S.r.l.	Service provider in Italy
Simba S.p.A.	Fruit importing business in Europe
Siter Trasporti S.r.l. in liquidazione	Company in liquidation in Italy
Solfrutas LDA	Distribution company in Portugal
Tropical Frutas LDA	Distribution company in Portugal
Vado Container Services S.r.l.	Port services provider in Italy

Americas:

Comercializadora de Frutas SACV	Distribution company in Mexico
Cosiarma Costa Rica S.r.l.	Loading/port agent in Costa Rica
Hermanos Fernández Chile S.A.	Services and consultancy provider in Chile
Productores Aguacate Jalisco SACV	Manufacturing company in Mexico
R.O.S.T. Fruit S.A.	Manufacturing company in Argentina
Simbacol S.A.S.	Provider of export services to fruit in Columbia
Simbarica S.A.S.	Provider of export services to fruit in Costa Rica

ALTERNATIVE PERFORMANCE INDICATORS

In this annual financial report, certain financial indicators, that are not defined as accounting measures by IAS-IFRS, but which make it possible to discuss the Group's business are presented and analyzed. These figures, explained below, are used to comment on the performance of the Group's business in the sections "Summary Data", "Directors' Report on Operations" and in the "Notes", in compliance with the provisions of the Consob Communication of 28 July 2006 (DEM 6064293) and subsequent amendments and supplements (Consob Communication no. 0092543 of 3 December 2015 implementing the ESMA/2015/1415 guidelines).

The alternative performance indicators listed below should be used as a supplement to those provided in accordance with IAS-IFRS to assist users of the Annual Report in better understanding the Group's economic, equity and financial performance.

It should be emphasized that the criterion used by the Group may not be the same as that adopted by other groups and thus the figure obtained may not be comparable with these other groups.

The definitions of the alternative performance indicators used in the Annual Report are as follows:

Adjusted EBITDA: the Operating Result (EBIT) including depreciation, amortization, and provisions, however excluding non-recurring costs/income and costs related to the Stock Grant Plan, which have been thoroughly analyzed in this report.

Adjusted EBIT: the Operating Result (EBIT) excluding non-recurring costs/income and costs related to the Stock Grant Plan, which have been thoroughly analyzed in this report.

Net working capital: calculated as the sum of inventories, trade receivables and trade payables.

Fixed assets: calculated as the sum of the following items: goodwill, other intangible assets, tangible assets, financial investments, other fixed assets, and deferred tax assets.

Other receivables and payables: the sum of the following items: current tax receivables, other current assets, assets held for sale, other non-current liabilities, deferred tax liabilities, provisions for risks and charges, employees benefits liabilities, current tax and social security contributions liabilities, other current liabilities, and liabilities held for sale. Any fair value of hedging derivatives, as well as assets held for trading and assets available for sale included in the item "other current assets", should be excluded from these items.

Net invested capital: calculated as the sum of net working capital, fixed assets, and other receivables and other payables, as defined above. This indicator represents the capital "requirements" necessary for the Company's operation at the reporting date, financed through the two components, capital (Shareholders' Equity) and third-party funds (Net Financial Position).

Net financial position: calculated as the sum of the following items: cash and cash equivalents, non-current/current financial liabilities, which also include payables associated with acquisition prices still to be paid and the positive/negative fair value of hedging derivatives, non-current financial assets, recorded under the item other fixed assets, as well as assets held for trading and assets available for sale included in the item "other current assets".

ROI: calculated as the ratio between Adjusted EBIT and Net invested capital.

SIGNIFICANT EVENTS DURING THE YEAR

Introduction

The Orsero annual financial statements as at 31 December 2017 represent the first annual report prepared after the completion of the Significant Transaction; starting from 13 February 2017, the company GF Group merged by absorption into Glenalta and the latter took the name “Orsero S.p.A.”, becoming the Parent Company of the Orsero Group. For the most appropriate disclosure, we present the consolidated annual financial statements of Orsero Group as approved by the Board of Directors.

Furthermore, note that, for accounting purposes, transactions carried out by the absorbed company GF Group are recognized in the financial statements of the absorbing company Glenalta as of 1 January 2017, and the fiscal effects of the Merger also apply from that date.

Significant Transaction

Below are the key steps in the transaction that led to the merger between the two companies (“Significant Transaction”).

Before the merger, Glenalta was a Special Purpose Acquisition Company (SPAC) listed on the AIM Italia market managed by Borsa Italiana S.p.A., having as its purpose the “search and selection of potential acquisitions of investments in other companies and other forms of potential aggregation of the company itself with other companies”. The share capital of Glenalta was spread among the public, consistent with the public company nature of an SPAC, with the result that no shareholder (either alone or jointly with others) was able to exercise control or a significant influence on the same. Glenalta had obtained a significant amount of liquidity on the market to be allocated to the realization of the aggregation of its own corporate purpose.

GF Group was the holding company of the group by the same name (the “GF Group”), operating mainly in the areas of production, import and distribution of fresh fruit and vegetables. Its share capital was entirely held by FIF Holding S.p.A. (“FIF Holding”).

Within the scope of the Significant Transaction, the GF Group (now Orsero Group) agreed with the banks the purchase of the equity instruments already issued in 2015 by GF Group and those still to be issued for a total fixed price of Euro 25 million.

On 28 October 2016, Glenalta, GF Group and FIF Holding then signed a framework agreement (the “Master Agreement”) to regulate the terms and conditions of the Merger.

On the same date, the Board of Directors of GF Group and Glenalta approved the merger plan, filed and registered on the same date at the Milan Register of Companies.

Respectively on 28 November and 30 November 2016, the Shareholders' Meetings of GF Group and Glenalta approved the Merger (which constituted a reverse takeover in accordance with art. 14 of the AIM Italia Issuers' Regulation). Subsequently, Glenalta ascertained that the Condition Subsequent per the Glenalta Bylaws had not been met, as Glenalta itself disclosed to the market on 28 December 2016. On 10 January 2017, Glenalta also communicated that the exact number of Glenalta ordinary shares for which the right of withdrawal had been exercised was 817,005, equal to 10.21% of the ordinary shares of the company and of the capital represented by ordinary shares. Lastly, on 1 February 2017, Glenalta then announced that, in the context of the offer in option of 817,005 ordinary shares for which the right of withdrawal had been exercised, ending on 27 January 2017, as a result of the exercise of the option rights and associated pre-emption rights, 228,618 shares of the offer were allocated.

On 31 January 2017, the period provided for by art. 2503 of the Italian Civil Code for opposition to the Merger expired, without any creditors exercising opposition.

The Merger was carried out: (i) with Glenalta share capital increase for the nominal amount of Euro 55,000,000.00 with the issue for exchange of 5,590,000 new ordinary shares with no par value; (ii) with annulment of all shares representing the entire share capital of GF; (iii) with annulment without exchange of the equity financial instruments.

The new ordinary shares of Glenalta were attributed to FIF Holding according to the exchange ratio of 43 ordinary shares of Glenalta for every 50 ordinary shares of GF Group.

As a result of the effectiveness of the Merger, on 13 February 2017, Glenalta changed its corporate name to Orsero; on the same date, Orsero adopted new By-laws, including, among other things, as corporate purpose, the corporate purpose of GF Group.

On 13 February 2017, the share capital of Orsero was equivalent to a nominal value of Euro 64,500,000, divided into 13,590,000 ordinary shares and 150,000 special shares, all without indication of par value. At that date, the FIF Holding shareholder held 41.13% of the share capital (shares with voting right held equal to 5,590,000). At the Merger effective date, Orsero held 643,387 ordinary treasury shares. Instead, as a result of the Merger, there were 7,693,997 "Orsero S.p.A. Warrants".

Since 13 February 2017, the Orsero ordinary shares and the "Orsero S.p.A. Warrants" have been traded on AIM Italia.

It should also be noted that, from an accounting perspective, in light of the Merger's characteristics, it cannot be considered to have caused a change in control of Orsero, nor do the conditions apply to consider that said transaction was an "acquisition", and as a consequence that the valuation principles and criteria established by IFRS 3 for business combinations apply.

Acquisitions and disposals during the year

Acquisition of the remaining 50% of Hermanos Fernández López S.A.

In July 2017, the Group signed an agreement with Grupo Fernández S.A. and its controlling shareholder, Luis Fernández López, to acquire an investment equal to 50% of the share capital held by Grupo Fernández in Hermanos Fernández López S.A., a leader in the distribution of fresh fruits and vegetables in Spain. The remaining 50% of the latter's share capital was already held by GF Distribuzione S.r.l., a wholly owned subsidiary of Orsero.

The purchase value for 50% of the share capital of Hermanos Fernández López S.A. was Euro 19 million, and the transaction was carried out as described below:

- purchase by the sub-holding GF Distribuzione of 15.79% of the company's share capital for a cash consideration of Euro 6 million, thereby resulting in a stake of 65.79% in the company's capital;
- contribution in kind by Grupo Fernández to Orsero of the remaining investment, equal to 34.21% of share capital, in exchange for a reserved share capital increase with the issue of 1,000,000 new Orsero shares at a subscription price of Euro 13 each, for a total of Euro 13 million.

Following the subscription of the share capital increase, Grupo Fernández holds a stake of 5.655% in the share capital of Orsero.

Note that the investment of Grupo Fernández in Orsero will be subject to a lock-up restriction by the Company until 13 February 2020, in line with the commitments undertaken by FIF Holding S.p.A.

Acquisition of the remaining 50% of Fruttital Firenze S.p.A. and Galandi S.p.A.

In July 2017, the sub-holding GF Distribuzione S.r.l. completed the acquisition of 50% of the share capital held by PI.DA. S.p.A., which is controlled by the Maestrelli family, in Fruttital Firenze S.p.A. and Galandi S.p.A., in which GF Distribuzione S.r.l already held the remaining 50% of the share capital. The transactions were carried out for a total value Euro 14,377 thousand, of which Euro 11,433 thousand for 50% of Fruttital Firenze S.p.A. and Euro 2,944 thousand for 50% of Galandi S.p.A.. In addition to these payments, Euro 243 thousand is set as subsequent deferred payment following the sale of land in Sicily by Galandi and Euro 223 thousand as an earn-out linked to a series of factors, including the company achieving a certain level of profitability.

For a more detailed analysis of the transactions described above, please refer to the "Notes", in the "Business Combinations" section.

Exercise of purchase option for 50% of Acorsa S.A. by FIF Holding S.p.A.

On 13 December 2017, FIF Holding S.p.A. exercised the option to purchase 50% of Desarollo Bananero Acorsa S.A., held by the Parent Company through its wholly owned subsidiary, GF Produzione S.r.l. The transfer of the investment was finalized with the payment of the Call Option amount by FIF Holding S.p.A. to the subholding, for an amount equal to the value of the Acorsa investment recognized in the financial statements of GF Produzione S.r.l., or Euro 20,160,284.

As a result of this transaction, the Group has effectively improved its net financial position, thereby ensuring that the Group's internal lines are more solid, putting it in a better position to make any new investments.

For a more detailed analysis of the transactions described above, please refer to the “Notes”, in the “Business Combinations” section.

Other significant events during the year

Orsero S.p.A. Warrants

Pursuant to the Company's Warrant Regulations, n.1 warrant was assigned free of charge for every n.2 ordinary shares held to all those who held ordinary shares in Glenalta on the day before the effective date; therefore the total number of outstanding warrants amounted to 7,693,997. Furthermore, note that, also as a result of the Merger, 50,000 special shares were converted into ordinary shares, in the ratio of 6 ordinary shares for every n.1 special share held, without changing the amount of share capital.

On 7 March and 18 April 2017, all conditions set forth in art. 6.4 of the Orsero By-laws for the automatic conversion of 100,000 special shares in the ratio of 6 ordinary shares for each 1 special share held were verified, without any change in the amount of share capital.

On 30 June 2017, in accordance with the “Regulation of the Orsero S.p.A. Warrants”, the “Acceleration Condition” defined therein was met, with the resulting conclusion of subscription of the “Converted Shares” on 2 August 2017 with an Exercise Ratio of 0.2879. By 2 August 2017, the Company had received requests to exercise 7,531,496 warrants and therefore issued 2,168,297 ordinary shares to service this exercise, for a total value of Euro 216,829.70; as a result of the above at the end of the year there is no longer any outstanding warrants.

Following the conversion of the special shares into ordinary shares and the exercise of the warrant conversion following the triggering of the “Acceleration Condition”, the share capital amounted to Euro 64,719,250 divided into 16,682,500 ordinary shares with no par value.

Stock Grant Plan

On 16 May 2017, the Shareholders' Meeting approved a long-term incentive plan based on the Company's ordinary shares, known as the "Orsero S.p.A. Stock Grant Plan". This plan envisages the allocation to beneficiaries, free of charge, of the rights to receive from Orsero S.p.A., again free of charge, Orsero ordinary shares held by the Company (up to a maximum of 500,000 shares), subject to the achievement of pre-determined, measurable performance objectives, which will be set by the Board of Directors for each year of the Plan's three-year performance period (2017, 2018, and 2019). This Plan is reserved for executive directors of Orsero and certain executives who hold or perform strategically important roles or functions within the Company. The 2017 objective was achieved and resulted in the assignment to the aforementioned individuals of 166,667 shares, which will be delivered, free of charge, within and no later than 15 trading days from the approval by the Orsero Shareholders' Meeting of the financial statements as at 31 December 2019, for a total amount of Euro 2,328 thousand. This represents the fair value, in accordance with IFRS 2, at the assignment date, equal to a share price of Euro 13.97. Note that these shares are already held by the Company, which allocated a portion of the shares owned, or 500,000 shares, specifically for the Stock Grant Plan. With regard to the costs associated with the Stock Grant Plan, a specific reserve was created in shareholders' equity.

Buy-Back Plan

On 16 October 2017, the Parent Company's Board of Directors approved the launch of a treasury share buy-back program, with a duration of 18 months starting from the effectiveness of the Merger, as it was considered a strategic investment opportunity. The purchases involved, or will involve, Orsero S.p.A. ordinary shares, with no par value, for a maximum value set at Euro 2,000,000. These purchases are carried out at a price that is not greater than the highest price considering the last independent transaction and the highest current independent offer price in trading venues where the purchases are carried out. However, in any case, the unit price cannot be more than 20% lower and 10% higher than the arithmetic average of the official prices of the Orsero S.p.A. share in the ten trading days prior to each individual purchase transaction. Purchase volumes must be not more than 25% of the average daily trading volume of the Orsero S.p.A. shares in the trading venue where the purchase is made.

At 31 December 2017, the Group had acquired 69,300 treasury shares at an average price of Euro 10.12 for this treasury share buy-back program.

Merger by incorporation of Nuova Banfrutta S.r.l. into Fruttital S.r.l.

On 14 June 2017, the merger by incorporation of Nuova Banfrutta S.r.l. into Fruttital S.r.l. was concluded through the cancellation of the share capital of the absorbed company by the absorbing company. For accounting purposes, transactions carried out by the absorbed company Nuova Banfrutta S.r.l. are recognized in the financial statements of the absorbing company Fruttital S.r.l. as of 1 January 2017, and from the same date the fiscal effects of the merger also apply. It is worth noting that this transaction has no effects on the consolidated accounts, as Nuova Banfrutta was already wholly owned by the absorbing company.

The transaction described above has the objective of simplifying the shareholding structure of the wholly owned fruit and vegetable distribution companies operating in the Italian market that are part of Orsero S.p.A. Group. The Group also manages and coordinates the companies involved in the business combination, through a rationalization and simplification of the structures, centralizing in a single legal entity the operational and administrative functions related to the wholesale trade of fruit and vegetables in the markets in which the companies operate. This simplification will ensure the full continuity of activities performed, while reducing administrative and management costs and eliminating formal duplications in terms of legal and administrative obligations, as well as simplifying decision-making processes. This process will result in better positioning, in commercial terms, of the activities carried out in relation to the Pescara fruit and vegetable market.

ANALYSIS OF THE ECONOMIC AND FINANCIAL SITUATION OF ORSERO GROUP

The separate financial statements for Orsero and the consolidated financial statements for Orsero Group as at 31 December 2017 were prepared in accordance with international accounting standards (IAS-IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, including all International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

This annual report was prepared in accordance with art. 2428 of the Italian Civil Code; it provides the most significant information on the economic, equity, and financial situation as well as the performance of Orsero Group, as a whole and in the various segments in which it operates.

For the purpose of preparing the separate and consolidated financial statements, the option was exercised, as granted by current legislation on financial statements, of presenting a single report on operations that accompanies both the separate and consolidated financial statements of the Parent Company (“Orsero”), giving more prominence, unless otherwise indicated, to the phenomena at Group level.

Note that the comparison to 2016 is, at the consolidated level, with the financial statements of GF Group, while at the level of the separate financial statements, with that of the SPAC Glenalta (now Orsero).

The consolidated financial statements show profit of Euro 13,035 thousand (as at 31 December 2016: Euro 18,312 thousand), of which Euro 12,809 thousand attributable to the Group (as at 31 December 2016: Euro 18,215 thousand) after depreciation, amortization, and provisions for Euro 13,635 thousand (as at 31 December 2016: Euro 11,294 thousand), charges related to the Stock Grant Plan for Euro 2,328 thousand, and non-recurring charges related to the Glenalta Significant Transaction for Euro 1,570 thousand. Instead, the pro-forma consolidated financial statements show profit of Euro 15,083 thousand (as at 31 December 2016: Euro 18,312 thousand), of which Euro 14,854 thousand attributable to the Group (as at 31 December 2016: Euro 18,215 thousand) after depreciation, amortization, and provisions for Euro 15,318 thousand (as at 31 December 2016: Euro 11,294 thousand), charges related to the Stock Grant Plan for Euro 2,328 thousand, and non-recurring charges related to the Glenalta Significant Transaction for Euro 1,570 thousand. The Orsero separate financial statements show profit of Euro 2,386 thousand (as at 31 December 2016: loss of Euro 1,026 thousand), after depreciation, amortization, and provisions for Euro 189 thousand (as at 31 December 2016: zero), dividends collected for Euro 24,850 thousand, and non-recurring charges recorded for Euro 9,921 thousand, essentially resulting from the write-off of Euro 8,351 thousand for the

receivable from Reefer Terminal Sète, following its liquidation (as at 31 December 2016: charges for Euro 1,900 thousand).
Below you can find a breakdown of the main income statement items, almost all identifiable in the financial statements with the exception of the "Adjusted EBITDA", which is the main performance indicator used by the Group, as further explained and identified below. The Adjusted EBITDA is determined as the operating result (EBIT) less depreciation, amortization and provisions, non-recurring costs/income, and costs associated with the Stock Grant Plan. The parameter thus determined does not consider net financial expenses, taxes, income and charges originating from the statement of financial position, as well as pro-rata gains/losses arising from the application of the equity method for associated companies and joint ventures.

On a strategic point of view, note that in early July the Group signed agreements which led them to own the full ownership of the Tuscan companies Fruttital Firenze S.p.A. and Galandi S.p.A. and of the Spanish company Hermanos Fernandez Lopez S.A., all of which had already been 50% owned since the early 2000s, with a total investment of Euro 33,843 thousand. As reported in the disclosure published at the time, a significant portion - Euro 13 million - of the acquisition price for the Spanish company was paid through the issue of 1,000,000 new Orsero S.p.A. shares, a concrete manifestation of the confidence of our Spanish partner in the Group's future.

Since, according to the IAS-IFRS, line-by-line consolidation of the acquired companies starts only after control is obtained, hence from 1 July 2017 onwards, to provide an adequate representation of the current situation of the Group, and as previously specified, consolidated pro-forma financial statements at 31 December 2017 were prepared including the three companies as if the economic effects had already manifested themselves starting from 1 January 2017, and their results are shown and commented in the pages that follow. This approach was also used to draft the analogous pro-forma for the 2017 half-yearly financial report, in order to highlight the income statement data, mainly revenues and Adjusted EBITDA, for the entire year, achieved by the Group in the current configuration after the acquisition of the aforesaid company.

Thousands of Euro	31.12.2017 Pro-forma	31.12.2017	31.12.2016 Pro-forma	31.12.2016
Net Sales	937.830	819.124	684.970	684.970
Gross Profit	78.591	68.461	72.653	72.653
Adjusted Ebitda	31.337	26.255	35.210	35.488
Adjusted Ebit	16.019	12.620	23.915	24.194
Operating Result (Ebit)	11.255	7.880	17.607	16.731
Net financial expenses	(2.658)	(2.579)	(1.407)	(2.144)
Net income (loss) from equity investments*	10.027	9.475	(75)	(75)
Share of Profit of JV and Associated company*	957	1.912	4.987	4.987
Profit before tax	19.582	16.689	21.112	19.499
Net Profit from continuing operations	15.083	13.035	18.250	17.468
Net Profit of "Discontinued Operations"	-	-	-	844
Net Profit	15.083	13.035	18.250	18.312

*Included in the "Net income (loss) from equity investments"

The economic performance for 2017, in comparison to the previous year, reflects weaker performance for the Import & Shipping segment partly tied to the insufficient profitability of the banana product (determined by the prolonged low level of sale prices that characterized the markets from the fourth quarter of 2016), lower performance for pineapples due to lower sales prices, and above all of the maritime transport activity due to the drop in transported volumes, coupled with a marked increase in the cost of fuel and with repeated problems encountered in the ports of embarkation that affected the travelling schedule of the ships and the overall efficiency of shipping operations. Instead, the positive trend for the Distribution segment continued, which is the true "core" of the Group, due to improved performance of the Italian, Mexican and Greek companies, boosted by growth in revenues, offsetting lower profitability of business activities in France (for which extraordinarily positive results had been recorded in 2016 with the Mexican avocado campaign) and in Portugal (penalized this year by the negative performance of the banana market).

The results of the consolidated financial statements as at 31 December 2017 highlight the positive contribution of the acquired Tuscan and Spanish companies and, in terms of non-recurring results, the recognition in the income statement item "Equity/financial result" of the higher fair value of the 50% already held in said companies compared to their valuation in the financial statements as at 30 June 2017, expressed based on the respective pro-rata portion of shareholders' equity, in accordance with IFRS 3 with reference to business combinations conducted in multiple stages ("step acquisition"). The effect from this application generated income of Euro 17,482 thousand. The results of the consolidated pro-forma financial statements as at 31 December 2017 further highlight the positive contribution of the acquired Tuscan and Spanish companies in addition to replicating, as a non-recurring item, the recognition in the income statement item "Equity/financial result" of the higher fair value of the 50% already held in said companies compared to their valuation in the financial statements as at 31 December 2016, expressed based on the respective pro-rata portion of shareholders' equity, in accordance with IFRS 3 with reference to business combinations conducted in multiple stages ("step acquisition"). The effect from this application generated income of Euro 18,491 thousand.

The difference between these two values derives from the fact that, in the pro-forma statements, net equity as at 31 December 2016 was used as the reference, while the consolidated statements used net equity as at 30 June 2017, including the positive result accrued in the first six months of the year.

The following table shows the contribution to turnover from the different operating segments: as previously stated, the considerable increase in sales for the Distribution segment of Euro 161,799 thousand and Euro 295,908 thousand for the pro-forma - including Euro 36,678 thousand of higher sales using the same scope of consolidation, most of which was due to operations in Italy and France - connected with the companies acquired in Italy and Spain. Net sales of the Import & Shipping segment declined slightly, essentially due to the decrease in transported volumes of fruit.

Thousands of Euro	31.12.2017 Pro-forma	31.12.2017	31.12.2016 Pro-forma	31.12.2016
"Distribution" Segment	851.615	717.506	555.707	555.707
"Import & Shipping" Segment	217.983	217.983	233.765	233.765
"Services" Segment	13.363	13.363	13.465	13.465
Net Sales Inter-segment	(145.131)	(129.728)	(117.967)	(117.967)
Net Sales	**937.830**	**819.124**	**684.970**	**684.970**

The following table shows the results in terms of Adjusted EBITDA and highlights the decline in performance of the Import & Shipping segment for the reasons already stated, tied to the less profitable performance of the banana and pineapple market and of the maritime activity. Since the performance of the Import & Shipping segment was particularly, if not extraordinarily, positive in the 2016, this year's figure highlights the high variability of the performance of this segment, for reasons intrinsic to the market, tied to the level of prices, essentially determined by the availability of the product (bananas and pineapples) and of the service (maritime transport), as well as by trends in the price of bunker fuel. On the contrary, the improved performance for the Distribution segment should also be considered, whose margins, while lower than that of the Import & Shipping segment in percentage terms, shows a growth trend in line with the Group's mission of focusing its strategy on this segment. In this view, it is significant to highlight, through the pro-forma consolidated financial statements, the increase in Adjusted EBITDA tied to the effect of the new acquisitions.

Thousands of Euro	31.12.2017 Pro-forma	31.12.2017	31.12.2016 Pro-forma	31.12.2016
"Distribution" Segment	29.083	24.001	15.745	15.745
"Import & Shipping" Segment	7.060	7.060	24.875	24.875
"Services" Segment	(4.806)	(4.806)	(5.410)	(5.132)
Adjusted Ebitda	**31.337**	**26.255**	**35.210**	**35.488**

As regards the statement of financial position, in order to provide an adequate summary to represent the Group's new reality, the main data used and reviewed periodically by management for the purpose of making decisions regarding resources to be allocated and evaluation of results are presented.

Thousands of Euro	31.12.2017 Pro-forma	31.12.2017	31.12.2016 Pro-forma	31.12.2016
Fixed Assets	161.252	159.290	143.231	143.103
Net Working Capital	43.002	43.002	27.443	28.801
Other current assets/(liabilities)	(12.026)	(12.058)	(5.110)	(5.740)
Net Invested Capital	192.228	190.233	165.564	166.164
Total Shareholders' Equity	145.741	143.747	116.497	68.714
Net Financial Position	46.487	46.487	49.067	97.450

The main changes in the capital and financial structure with respect to 31 December 2016 are obviously tied to the merger with Glenalta, through which Shareholders' Equity increased by Euro 48,308 thousand and cash and cash equivalents within the Net Financial Position (NFP) by Euro 48,849 thousand, net of the Euro 25 million paid to banks to redeem the financial equity instruments previously held by them. The increase in invested capital is for the most part associated with the acquisitions. With respect to the 2016 pro-forma statements, which showed the comprehensive situation of the expected completion of the Glenalta Transaction, note that the improvement in Net Financial Position as at 31 December 2017 is connected to the positive operating cash flow in 2017 and the sale of the investment in Acorsa S.A. for Euro 20,160 thousand to FIF Holding S.p.A., which more than offset the disbursements for acquiring the Tuscan companies and Fernández.

The summary representation of the aforesaid consolidated financial statements and the main indicators of the following table highlight the soundness of the Group's current capital and financial structure, a necessary starting base to plan and achieve the growth of its activities in the future.

Thousands of Euro	31.12.2017 Pro-forma	31.12.2017	31.12.2016 Pro-forma	31.12.2016
Net Financial Position/Total Shareholders' Equity	0,32	0,32	0,42	1,42
Net Financial Position/Adjusted Ebitda	1,48	1,77	1,39	2,75

It is recalled that, as regards the Net Financial Position is calculated as the sum of the following items: cash and cash equivalents, non-current/current financial liabilities, which also include payables associated with acquisition prices still to be paid and the positive/negative fair value of hedging derivatives, non-current financial assets, recorded under the item other fixed assets, as well as assets held for trading and assets available for sale included in the item "other current assets".

ANALYSIS OF THE ECONOMIC AND FINANCIAL SITUATION OF THE PARENT COMPANY ORSERO

The Orsero annual financial statements as at 31 December 2017 represent the first annual report prepared after the completion of the Significant Transaction; starting from 13 February 2017, the company GF Group merged by absorption into Glenalta that took the name "Orsero S.p.A.", becoming the Parent Company of the Orsero Group.

The Orsero separate financial statements show profit of Euro 2,386 thousand (as at 31 December 2016: loss of Euro 1,026 thousand), after depreciation, amortization, and provisions for Euro 189 thousand (as at 31 December 2016: zero), dividends collected for Euro 24,850 thousand, and non-recurring charges recorded for Euro 9,921 thousand. Note that the comparative data as at 31 December 2016 refers to the company Orsero S.p.A. (formerly Glenalta S.p.A.), reclassified according to international accounting standards; and that to ensure better comparability, the figures as at 31 December 2016 of GF Group S.p.A. were also shown as the actual economic entity.

The following are details of the main income statement items:

Thousands of Euro	31.12.2017	31.12.2016 Orsero S.p.A.	31.12.2016 GF Group S.p.A.
Net Sales	3.862	-	4.044
Adjusted Ebitda	(5.205)	(278)	(5.638)
Adjusted Ebit	(5.394)	(278)	(5.764)
Ebit	(17.644)	(2.178)	(6.917)
Non recurring income/(expenses)	(9.921)	(1.900)	(1.153)
Dividends*	24.850	-	9.298
Net income (loss) from equity investments*	(3.876)	-	1.950
Profit before tax	1.945	(975)	3.160
Net Profit from continuing operations	2.386	(1.026)	5.525
Net Profit of "Discontinued Operations"	-	-	(6.754)
Net Profit	2.386	(1.026)	(1.229)

*Included in the "Net income (loss) from equity investments"

The results of Orsero S.p.A. for the two-year period 2016-2017 were largely influenced by the non-recurring components associated with the Significant Transaction for Euro 1,570 thousand in 2017 and Euro 1,900 thousand in 2016. GF Group S.p.A. also recognized non-recurring costs as at 31 December 2016 related to the merger with the SPAC for Euro 1,153 thousand. Comparing the Orsero results as at 31 December 2017 with those of GR Group S.p.A. as at 31 December 2016 (actual economic entity), it can be seen that the result of ordinary operations, net of dividends received, reflects the decrease in advertising costs associated with brand promotion and the increase in labor costs resulting from the strengthening of Orsero's management structure. Non-recurring items as at 31 December 2017 include Euro 8,351 thousand for the write-off of the receivable from Reefer Terminal Sète S.A., following its liquidation. The company recognized Euro 2,328 thousand in costs related to the Stock Grant Plan, charges which were not included in the "Adjusted EBITDA" and "Adjusted EBIT" figures. Orsero S.p.A. collected dividends amounting to Euro 24,850 thousand at 31 December 2017.

It should be noted that, as reported in the 2016 Annual Report, in the context of the sale of the investment in Moño Azul S.A. - in preparation for the completion of the Significant Transaction - Intesa Sanpaolo S.p.A. required Orsero S.p.A. to provide a guarantee of Euro 8 million, associated with the credit line granted by the bank maturing on 31 December 2017, for the repayment of the outstanding debt of Argentina S.r.l. against proceeds from the expected disposal of Moño Azul S.A. In light of the Company's recent developments and agreements reached with Intesa Sanpaolo S.p.A., the guarantee amount of Euro 8 million was entirely allocated by the Company as "Current financial debt", and therefore included in the calculation of net financial position, which was then settled on 30 January 2018, allowing the Group to evaluate on an ongoing basis the most appropriate solutions to recover the amount paid. However, note that any actions depend entirely on the possibility that Argentina can sell the Moño Azul S.A. investment at a price exceeding the residual debt to Intesa Sanpaolo S.p.A., amounting to over Euro 10 million, an assumption that is rather uncertain, given that the Group no longer has control over the Argentinian business activities, the increasingly problematic situation for the entire country-system in Argentina, and the negative performance of Moño Azul once again in 2017. For this reason, the directors have decided to set aside a provision for bad debts (within the "Equity/financial result" item) equal to 100% of the receivable due from the related party, Argentina S.r.l. (part of "Receivables and other current assets") for the recovery of the guarantee paid to Intesa, recognizing any amounts recovered in the future as contingent assets.

The comparison of the 2017 income statement data with the 2016 data for GF Group S.p.A. shows the significant change in the item "Discontinued Operations" which last year included the negative effect of the sale of Business Aviation, which took place on 28 October 2016 in preparation for the "Significant Transaction".

As regards the statement of financial position, the main data used and reviewed periodically by management for the purpose of making decisions regarding resources to be allocated and evaluation of results is presented.

Thousands of Euro	31.12.2017	31.12.2016 Orsero S.p.A.	31.12.2016 GF Group S.p.A.
Fixed Assets	170.939	187	167.730
Net Working Capital	(744)	(1.358)	7.674
Other current assets/(liabilities)	11.306	(7.540)	(3.728)
Net Invested Capital	181.501	(8.712)	171.675
Total Shareholders' Equity	158.258	71.022	93.132
Net Financial Position	23.242	(79.733)	78.544
Net Financial Position/Total Shareholders'Equity	0,15	N.s.	0,84

The increase in fixed assets is due to the effect of the completion of the Significant Transaction, which involved the merger by incorporation of GF Group into Glenalta (which then assumed the name "Orsero S.p.A.").

The increase in fixed assets compared to the figures approved in the 2016 financial statements of GF Group S.p.A. is essentially due to the increase in the value of investments during 2017 linked to the recovery of the write-down on GF Porterm S.r.l. for Euro 4,391 thousand, recognized in previous years, and by the recognition of 34.21% of the share capital of Hermanos Fernández López S.A. following the contribution in kind to Orsero of 2,948 shares, against the issue of n. 1,000,000 new Orsero ordinary shares reserved in subscription to Grupo Fernández López S.A., pursuant to art. 2441, paragraph 4 of the Italian Civil Code, representing 6.45% of the Company's share capital as a result of the transfer and 5.655% of the fully diluted share capital. The subscription price of each new Orsero ordinary share is Euro 13 resulting in a total amount of Euro 13,000 thousand. This share capital increase was partially offset by the reduction in the value of the investment in GF Produzione S.r.l. for Euro 14,858 thousand, due to the repayment of previously paid capital contributions. Depreciation and amortization of tangible and intangible assets is in line with the previous year.

Net working capital is essentially consistent with the previous year. Instead, when compared with GF Group as at 31 December 2016, there is a reduction due to the decrease in payables to Group companies, partially offset by a decrease in receivables due from the Group.

The change in Shareholders' Equity from 2016 to 2017 is essentially due to the impact of the merger with Glenalta, through which Shareholders' Equity increased in total by Euro 70,418 thousand, and the issue of 1,000,000 new ordinary shares linked to the acquisition of the Spanish company described above. Moreover, the 2017 Shareholders' Equity includes Euro 2,328 thousand for costs associated with the Stock Grant Plan, for which a specific reserve was created.

The 2016 Net Financial Position is negative as it consists exclusively of cash and cash equivalents contributed mainly by shareholders that subscribed to the placement of ordinary shares with no par value on the AIM Italia/Alternative Investment Market; in light of this, the ratio of Net Financial Position to Net Equity shown in the table above is meaningless.

The change in the Net Financial Position of Euro 102,975 thousand between 2017 and 2016 is essentially due to:

- Net Financial Position of GF Group S.p.A. merged into Orsero S.p.A., for Euro 78,544 thousand;
- amount paid by the Company to banks to redeem the financial equity instruments held by them, for Euro 25,000 thousand.

The indicator in the table below shows the quality of the Parent Company's current financial statements, which can be summarized in the Debt/Equity ratio of less than one.

Reconciliation between the results and shareholders' equity of the Parent Company and the Group

The reconciliation schedule for the result of the period and shareholders' equity of the Parent Company and the analogous consolidated values are provided below:

Thousands of euro	Share capital and reserves at 31.12.2017	Net Profit 2017	Total Shareholders' equity at 31.12.2017
Orsero S.p.A. (Parent company)	**155.872**	**2.386**	**158.258**
Net profits and reserv es of subsidiaries	(74.933)	22.768	**(52.164)**
Net profits and reserv es of associates and joint v entures using equity method	(1.452)	822	**(630)**
Net profits and reserv es of acquired associates and joint v entures using equity method at 30 June 2017	(1.036)	1.036	**-**
Div idends distributed by consolidated companies to the Parent company	29.043	(29.043)	**-**
Consolidation differences	21.297	17.482	**38.779**
Elimination of capital gain and/or other transactions carried out by subsidiaries	1.920	(2.416)	**(496)**
Total shareholders' equity	**130.711**	**13.035**	**143.747**
Minorities	858	226	1.084
Group equity	**129.853**	**12.809**	**142.662**

RISK PROFILES OF THE BUSINESS, CONTROL SYSTEMS, ENVIRONMENT

The Orsero Group's business is focused on the import and distribution of fruit and vegetables, alongside these activities the segments of transport and services have been added over time.

Risks associated with the external market

Risks associated with the macroeconomic performance

The economic results and the financial position of the Orsero Group are influenced by various factors that reflect the macroeconomic trend, including consumption trends, labor costs, as well as the trend in interest rates and currency markets. The crisis that began in the second half of 2007, that affected the financial markets, and the consequent worsening of the macroeconomic conditions that led to a decline in global consumption and industrial production, have had the effect of restricting credit access conditions in recent years, reducing the level of liquidity in financial markets, and causing extreme volatility in stock and bond markets. The financial market crisis has led, together with other factors, to a scenario of economic difficulty.

Despite the slight recovery in the economy during 2017, there is the risk that political-economic events, such as, at the national level, the political uncertainty of the government and, internationally, the UK's exit from the European Union and the actions of the Trump administration, have a negative impact on market stability and the sustainability of the recovery over time, with possible negative effects on Orsero Group's economic, financial, and equity situation.

Although the core business of Orsero Group is the sale of fresh fruit and vegetables, a sector tied to primary consumption and as such substantially stable and not sensitive to changes in the macroeconomic context, the international situation described is carefully monitored to be ready to possibly adapt its business strategies and confirm growth expectations.

Socio-political risks, also associated with the presence of Orsero Group in emerging countries

The Orsero Group operates globally and, in particular, between Central America, South America and the Mediterranean. The Orsero Group's activities are therefore partly linked to non-European countries, both from the point of view of relations with the suppliers of some of the products it sells and the local presence of controlled and/or associated operating companies. The activity of these companies is represented by ancillary services for the purchase and transport of fruit, with dimensional levels in terms of people and rather limited invested capital. Instead, the long-standing commercial agreement with a leading local operator is of paramount importance for obtaining bananas in Costa

Rica. In order to mitigate these risks, the Orsero Group's strategy is mainly directed towards politically stable countries, with fairly limited exposure to them, and it also carefully evaluates all growth opportunities, including those through agreements and alliances.

Risks associated with the high degree of competitiveness in the segments in which Orsero Group operates

With reference to the distribution segment in which the Orsero Group operates, note that the intrinsic shelf life of the products, the wide range of fruit and vegetables placed on the market, and the need for their rapid marketing contribute to making the fruit and vegetable market a "perfect" market, where daily demand and supply set the related prices, determining a situation of sustained competitiveness and compressing the margins of operators. This circumstance, along with the complexity of the logistics chain and the need for significant investment in plants, mean that the segment is characterized by the presence of a few large operators active on a national scale, alongside a multitude of small to medium-sized local companies. In this context, Orsero Group's strategy has always been focused on size and territorial expansion, to be achieved by growth through internal lines, i.e. through acquisitions/aggregations with other operators in the segment.

Risks associated with the regulatory framework of reference

The Orsero Group is subject, in the various regions in which it operates, to legal provisions and technical standards applicable to the products sold. The issuance of new regulations or amendments to existing regulations could require Orsero Group to adopt stricter standards, which could involve the costs of adjusting procedures for carrying out the various activities or even temporarily limiting the operation of Orsero Group, with possible repercussions on the economic, financial and equity situation.

Orsero Group, through dedicated offices, undertakes all activities required to ensure compliance with the regulations in the various regions in which it operates and to optimize its operations.

Strategic and operational risks

Operational risk is the risk of losses due to errors, breaches, interruptions, damage caused by internal processes, personnel, systems or caused by external events. Orsero Group's activities are characterized by the need to ensure the optimal preservation of fruit throughout the source path to the final market and the regularity of supply. For this purpose, the Orsero Group uses its own fleet, represented by four reefer ships that transport bananas and pineapples from Central America to the Mediterranean weekly and the warehouses where bananas are ripened and the fruit is stored, and is able to maintain control over the cold chain for the entire time.

Risk associated with the trend in prices of raw materials, any difficulties in procurement and relations with suppliers

Orsero Group's activities, represented by the import and distribution of fruit and vegetables, are heavily dependent on the procurement of certain products such as bananas, pineapples, avocados, etc. The quality and quantity of these products as well as the availability and sustainability of the purchase price of goods sold by Orsero Group can be influenced by factors that are difficult to predict or control. In particular, procurement conditions are extremely sensitive to the climatic factor (periods of drought or excessive rainfall, storms or hail on plantations), as well as soil conditions or the presence of weeds or parasites that determine the higher or lower availability of products, and consequently, their purchase price. To address these issues, Orsero Group is implementing a strategy of diversifying its sources, both in terms of geographical supply areas as well as suppliers, in order to mitigate and offset any product shortages during the various seasons (or "campaigns") for the products. For the Orsero Group, one of the priorities has always been developing relations with suppliers, many of whom have established consolidated relationships over time, thus guaranteeing the consistency of the necessary procurement and possible mediation of purchase prices.

Risk associated with the trend in prices of fuel used by Orsero Group ships (bunker).

The fuel used to supply ships (bunker fuel), and in particular its availability and price, are of considerable importance for the Orsero Group's activities in the "Import & Shipping" segment, as the fuel used by the 4 ships represents one of the main cost factors.

In order to manage the risk of cost fluctuations, linked to fluctuations in the price of oil, Orsero Group, in line with the practice of the shipping segment, stipulates, where possible and based on agreements reached with customers, transport contracts with the "bunker adjustment factor" (BAF) clause that allows an adjustment of the transport price depending on the increase or decrease of the bunker price. It should also be noted that Orsero Group stipulates hedging contracts on bunker fuel according to the best strategies identified, but that as at the reporting date, there are no outstanding derivatives of this type.

Risks associated with dependence on distribution channels

The Orsero Group's turnover depends significantly on sales to both Mass Distribution (GDO) and traditional wholesalers. In particular, in 2017 Orsero Group's turnover from GDO was approximately 57% (57% in 2016) of total Group turnover. It should be noted that contracts with the GDO are governed by framework agreements, which regulate the main specific characteristics of the product being delivered. Except for specific cases, product volumes and prices are defined on a weekly basis, also in order to manage some factors not necessarily related to the product such as the Euro/Dollar exchange rate or the cost of oil that affects the transport cost.

In this context, Orsero Group has always responded with a strategy aimed at increasing its size and with a continuous effort to adapt and improve efficiency, while maintaining the objective of safeguarding the basic economic efficiency of its operations.

Since 2012, the marketing of bananas and pineapples under its own brand has represented an effective strategic response from a structured and mature group to a radical change in the mechanisms of its core business. The Orsero Group is well aware of the risk associated with this challenge but believes that it is balanced by a unique opportunity to create over time a name and an Italian quality brand able to stand on the market and compete with the major multinationals in the segment.

Financial risks

Risks associated with fluctuations in exchange rates

In view of its operations, the Orsero Group, like other operators in the segment, is exposed to the risk of fluctuations in the exchange rates of currencies other than the one in which the commercial and financial transactions are expressed. In fact, part of the fruit supply (bananas and pineapples) is carried out by the Orsero Group in Central American countries at the price denominated in US dollars, resulting in Orsero Group's exposure to the USD/Euro exchange rate, linked to the fact that sales of these products are denominated in Euro, as they are almost entirely on the markets of the EU countries.

In relation to this type of risk, it is emphasized that the historical observation of results shows that there is no direct automatic relationship between the trend in the dollar and marginality, mainly due to the pricing system, which being variable from week to week, allows "transferring" most of the exchange rate effect to the final market. In addition, part of the risk is offset by the maritime transport activity that has an opposite currency profile with a surplus of dollar-denominated net sales over costs, without prejudice to the net exposure in dollars at the level of the Group's currency balance.

Risks associated with loan agreements

The Orsero Group has some short-term and medium-term loan agreements with some of the major banking institutions, which envisage in the coming years a repayment plan for its debt adjusted for expected revenue flows, together with a low interest rate.

Risks of default and covenants on the debt

The Group has, with some major banks, lending agreements that prescribe compliance with financial covenants that depend on the performance of certain financial parameters at the consolidated Group level; upon the occurrence of given events, the counterparties could ask the debtor to repay the borrowed sum immediately, consequently generating a liquidity risk. The management of the Group reviewed periodically the trend of financial performance indicators in order to compliance with the covenant.

Risks associated with credit

The Orsero Group is exposed to credit risk arising from both commercial relations and liquidity use in the financing of some seasonal product campaigns. Commercial credit risk is monitored based on formalized procedures for selecting and evaluating the customer portfolio, defining the limits of reliance, monitoring the expected income flows and any recovery actions, and in some cases, involves the stipulation of insurance policies with primary counterparties.

Risks associated with guarantees provided to third parties

As presented in the Annual Report for last year, in the context of the sale of the investment in Moño Azul S.A. - in preparation for the completion of the Significant Transaction - which the related acquiring party, Argentina S.r.l., paid for by liberating assumption of the residual debt on the loan granted to GF Group S.p.A. by Intesa Sanpaolo S.p.A.. It was agreed with the bank that GF Group S.p.A. would issue a first-demand guarantee up to a maximum of Euro 8 million, which was then confirmed by Orsero. This new guarantee is linked to the credit line granted by the bank, expiring on 31 December 2017, for the repayment of the debt against the proceeds of the expected disposal of Moño Azul S.A. by Argentina S.r.l.

In light of the Company's recent developments and agreements reached with Intesa Sanpaolo S.p.A., the guarantee amount of Euro 8 million was entirely allocated by the Parent Company as current financial debt, and therefore included in the calculation of net financial position, which was then settled on 30 January 2018, allowing the Group to evaluate on an ongoing basis the most appropriate solutions to recover the amount paid. However, note that any actions depend entirely on the possibility that Argentina can sell the Moño Azul S.A. investment at a price exceeding the residual debt to Intesa of more than Euro 10 million, an assumption that is rather uncertain, given that the Group no longer has control over the Argentinian business activities, the increasingly problematic situation for the entire country-system in Argentina, and the negative performance of Moño Azul once again in 2017. For this reason, the directors have decided to set aside a provision for bad debts (within the "Equity/financial result" item) equal to 100% of the receivable due from the related party, Argentina S.r.l. (part of "Receivables and other current assets") for the recovery of the guarantee paid to Intesa, recognizing any amounts recovered in the future as contingent assets.

As stated in last year's Annual Report, there are additional guarantees issued in favor of the related companies Moño Azul, the Business Aviation sector, and Nuova Beni Immobiliari S.r.l. - also originating from the agreements reached to finalize the merger with Glenalta - equivalent to Euro 3,333 thousand (USD 4 million), Euro 1,559 thousand, and Euro 518 thousand, respectively, for which there is no significant risk profile at present, as there is the concrete possibility of recovering directly from these companies any amounts that may be disbursed by the Group against these guarantees.

Legal and compliance risks

Risks associated with potential environmental damages

The Orsero Group is exposed to the risk of serious failures or breakdowns of ships, plants, facilities and/or machinery that could result in a slowdown in the Orsero Group's activities, damage to third parties, accidents or environmental damage. The Orsero Group, through dedicated offices, continues all the activities needed to ensure respect for the environment, as well as optimization of the use of energy sources and natural resources.

Risks associated with the administrative liability of legal entities

Starting in 2010, the Orsero Group (formerly GF Group) has applied the organizational model and the code of ethics and appointed the ethical committee as provided by the Italian Legislative Decree of 8 June 2011, in addition to the supervisory body, in order to ensure compliance with the prescribed conditions of fairness and transparency in the conduct of business, safeguarding the company's position and image, shareholders' expectations and employees' work. The model is a valuable tool for raising awareness among all those who work on behalf of the Orsero Group so that they ensure proper and consistent conduct in carrying out their activities and a means of preventing the risk of committing crimes.

Risks associated with the adequacy of the internal control system

The Orsero Group's attention and commitment to the improvement of its control systems, which is understood as the set of procedures and provisions to monitor the effectiveness in the achievement of the company's business strategies, the adequacy of accounting/administrative systems to correctly understand management events and compliance of their actions with existing regulations and laws, remain strong. The general framework of internal control systems set up within Orsero Group is appropriate to oversee and prevent the risks to which all business activities are inevitably exposed.

SIGNIFICANT EVENTS IN THE YEAR AND COMMENTARY ON PERFORMANCE OF THE BUSINESS SEGMENTS

As has been widely stated, the most significant events of 2017 are the completion of the Significant Transaction and the acquisitions, concluded in July 2017, of 50% of the share capital of the Tuscan and Spanish companies, which are now wholly owned by the Group, as well as the capital increase associated with the acquisition of the Spanish company and the sale of the Costa Rican firm, Acorsa S.A., in December.

The 2017 consolidated income statement, in its main indicators of turnover and Adjusted EBITDA, takes into account the economic performance of Orsero Group in its optimal perimeter, focused on the activities of the two segments of "Distribution" and "Import & Shipping", true core business of the company.

As further described below, compared to the previous year, 2017 reflects weaker performance in the Import & Shipping segment partly tied to the insufficient profitability of the banana product (determined by the prolonged low level of sale prices that characterized the markets from the second half of 2016 to autumn of 2017), the weaker performance for pineapples due to lower sales prices, and above all, for maritime transport due to the decline in transported volumes and annual freight rates, coupled with a marked increase in the cost of fuel and with repeated problems encountered in the ports of embarkation that impacted the travelling schedule of ships and the overall efficiency of shipping operations. Instead, the profitability of the Distribution segment, the true "core" of the Group, improved, due to better performance for the Italian, Mexican, and Greek companies, boosted by the increased revenues, to offset the lower profitability of business activities in France (for which extraordinarily positive results had been recorded in 2016 with the Mexican avocado campaign) and in Portugal (penalized this year by the negative performance of the banana market). Note that the positive performance of the Distribution segment was also influenced by the acquisitions of the Tuscan and Spanish companies completed in 2017, which contributed to improving the profitability of this segment compared to the previous year.

The information required by IFRS 8 is provided below, broken down by "segment of activity". The operating areas identified by Orsero Group are defined as the sectors of activity that generate net sales and costs, the results of which are periodically reviewed by the highest decision-making level for assessment of performance and decisions regarding allocation of resources. For more thorough disclosure, the results of the pro-forma consolidated financial statements at 31 December 2017, prepared according to the purposes indicated above, are also shown.

The results of the 2017 consolidated financial statements and the 2017 pro-forma consolidated statements highlight the positive contribution of the acquired Tuscan and Spanish companies and, in terms of non-recurring results, the recognition in the income statement item "Equity/financial result", according to IFRS 3, of the higher fair value -

equivalent to the acquisition value - of the 50% already held in said companies, expressed based on the respective pro-rata portion of shareholders' equity.

The Group's business is divided into three main segments:

- Distribution Segment
- Import & Shipping Segment
- Services Segment

The table below provides a first overview of the performance of the different segments in the two-year period 2016-17, according to the current configuration. It should be noted that, in accordance with IAS-IFRS standards, the results of the disposal of Argentina-based business and the Business Aviation sector are shown in the line "Result of discontinued operations" in the financial statements as at 31 December 2016.

The following tables illustrate the results of fully consolidated companies; as regards associated companies, their performance is amply described in the Notes.

Thousands of euro	Distribution	Import & Shipping	Services	Orsero / eliminations	Total
Net sales pro-forma 31.12.2017	851.615	217.983	13.363	(145.131)	937.830
Net sales 31.12.2017	717.506	217.983	13.363	(129.728)	819.124
Net sales 31.12.2016	555.707	233.765	13.465	(117.967)	684.970
Change	161.799	(15.782)	(102)	(11.761)	134.154
Adjusted EBITDA pro-forma 31.12.2017	29.083	7.060	(4.806)	-	31.337
Adjusted EBITDA 31.12.2017	24.001	7.060	(4.806)	-	26.255
Adjusted EBITDA 31.12.2016	15.745	24.875	(5.132)	-	35.488
Change	8.256	(17.815)	326	-	(9.233)
NPF 31.12.2017	N.d.	N.d.	N.d.	N.d.	46.487
NPF 31.12.2016	N.d.	N.d.	N.d.	N.d.	97.450
Change					(50.963)

We would now like to comment on the trends of the individual operating sectors, referring to the Notes for all details of the various investees and the consolidation criteria adopted. Note that the following figures have been determined based on the accounting standards of consolidation in accordance with International Accounting Standards and Group standards and for that reason may be different from those that may be deduced from the individual statutory financial statements filed by the companies.

Distribution Segment

Thousands of Euro	31.12.2017 Pro-forma	31.12.2017	31.12.2016
Net Sales	851.615	717.506	555.707
Contribution margin	100.049	85.086	62.249
Incidence %	11,75%	11,86%	11,20%
Gross Profit	62.325	52.192	37.615
Adjusted Ebitda	29.083	24.001	15.745
% Adjusted Ebitda	3,42%	3,35%	2,83%
Net Profit	12.626	10.632	5.352

Thousands of Euro	31.12.2017	31.12.2016
Fixed Assets	64.914	37.271
Net Working Capital	7.658	4.104
Other current assets/(liabilities)	(354)	4.412
Net Invested Capital	72.218	45.787
Total Shareholders' Equity	77.016	34.584
Net Financial Position	(4.798)	11.203

It should be noted that data is aggregated, prior to the consolidation entries

In this segment of activity, companies are involved in the distribution of fresh fruits and vegetables from many countries around the world, at any time of the year, in the relevant regions.

The Group's distributing companies are located and operate on the markets of Mediterranean Europe (Italy, France, Iberian Peninsula and Greece) and Mexico.

The widespread presence in the regions, with specialized platforms in the processing and storage of fresh produce, allows the Company to serve both traditional wholesalers/markets and mass distribution (GDO), with different mixes in different countries depending on the higher (e.g. France) or lower (e.g. Spain) incidence of GDO on these markets. Globally, the percentage of sales to GDOs is on average around 57%, with slight changes from year to year around this figure.

With mass distribution, there are framework agreements that govern the main specifications and features of the product being delivered while, as a rule, the volumes and prices of the products are defined on a weekly basis, following the dynamics of the market.

Suppliers, selected in some of the world's most important production areas, guarantee the offer of a full range of products available 365 days a year.

The table above differs from the summary tables of the other segments shown below in that it includes a specific indicator for the distribution segment, the "1st sales margin", also referred to as the contribution margin, which in distribution companies constitutes the main indicator used to monitor business activity. The "1st sales margin" represents the difference between net sales and the direct costs of the products sold (meaning the purchase costs of the goods, plus incoming and outgoing cargoes, customs duties and packaging costs), where it is considered that these costs represent most of the costs incurred by the company and therefore the positive or negative changes in the 1st margin tend to be reflected almost entirely on the profit or loss for the year. The growth in turnover compared to the previous year and the substantial stability in margins constitute the "driver" of the increase in the pro-forma contribution margin in 2017 of Euro 37,800 thousand, of which Euro 6,035 thousand for equivalent scope of consolidation.

Concerning the performance of sales, the increase relative to 2016 is due to the growth of activities in Italy (Fruttital S.r.l., net sales +8% as a result of a 4% increase in volumes to over 237 thousand tons and higher average unit sale prices) and France (net sales +13% as a result of a 13% growth in volumes to just over 141 thousand tons).

In terms of margins, however, both at the level of 1st sales margin and the Adjusted EBITDA, the increase on a "like-for-like" basis compared to 2016 reflects the improved profitability and consistent efficiency of the Italian operations, which more than offset the decline in margins in France and Portugal, caused, in the former, by the exceptionally positive trend of the Mexican avocado campaign in 2016 and, in the latter, by the less profitable trend of the banana product, which has a strong impact on sales in that country.

Naturally, the contribution of the acquired companies in Tuscany and Spain is positive, with profitability ratios that are among the highest in the segment. In 2017, the performance of the acquired companies was very positive, with turnover up 7% for Fruttital Firenze S.p.A. and 1% for Galandi S.p.A. (Tuscan companies), and 10% for Hermanos Fernández López S.A., compared to 2016.

The increase in net working capital is mainly due to higher inventories of Euro 5,641 thousand, and to the increase in trade receivables of Euro 34,611 thousand. Trade payables mainly refer to fruit purchased from producers and posted an increase of Euro 36,700 thousand, due to both the growth in volumes and the change in the scope of consolidation.

Note that the increase in fixed assets is mainly associated with the change in the scope of consolidation due to the acquisitions of the Tuscan and Spanish companies.

Import & Shipping Segment

Thousands of Euro	31.12.2017	31.12.2016
Net Sales	217.983	233.765
Gross Profit	8.740	27.614
Adjusted Ebitda	7.060	24.875
% Adjusted Ebitda	3,24%	10,64%
Net Profit	(455)	15.439

Thousands of Euro	31.12.2017	31.12.2016
Fixed Assets	56.458	68.459
Net Working Capital	30.776	23.027
Other current assets/(liabilities)	(10.309)	(7.439)
Net Invested Capital	76.925	84.048
Total Shareholders' Equity	72.085	83.461
Net Financial Position	4.840	586

It should be noted that data is aggregated, prior to the consolidation entries

The import and sale of bananas and pineapples is one of the Group's main activities as a whole because of the importance and weight of these items within the range of fruit and vegetables and the fact, not inconsiderable in terms of stability of the operational cycle, of their availability throughout the year. The Group supplies bananas and pineapples as a result of long-term relationships established with the most important producers based in the Central American countries and, for a portion of the banana product, in Africa. Bananas and pineapple are sold under the brands "F.lli Orsero" and "Simba", in addition to numerous private labels.

Maritime transport of bananas and pineapples of Central American production is carried out mainly with owned ships, the four reefer units "Cala Rosse" which connect, on the basis of a 28-day travel schedule, Central America with the Mediterranean, thereby allowing punctual arrival on a weekly basis of fresh fruit in European markets.

The profit performance of the segment in 2017 was significantly lower than in the previous year, which was characterized by an extraordinarily positive situation in terms of banana prices and profitability of maritime activities. As has been pointed out, the large supply of bananas, which was normal in the second half of 2016 but, unusually, continued through the autumn of 2017, caused banana prices to compress, limiting the profit. Recall that the Group procures bananas and pineapples to a large extent based on annual agreements, with predetermined volumes and prices, and hence it is exposed to the risk that sales prices, variable on a weekly basis and essentially driven by the availability of the product and by the gap between its supply and demand, may be more or less profitable. In this regard, the price level in 2016 was better than the year under review. Furthermore, note that 2017 was characterized by the worst performance in the pineapple product due to lower sales prices.

At the same time, the shipping activity, which in 2016 had recorded excellent margins as a result of a high load factor and a low price of bunker fuel relative to the negotiated freight fees, experienced a challenging period in 2017, marked by problems encountered in the embarkation port in Costa Rica with consequent logistical issues for respecting the shipping schedule and impact on the overall efficiency of the maritime operations, coupled with the reduction in transported volumes and, above all, by the 45% increase in the cost of bunker fuel from an average 216 USD/ton in 2016 to an average 313 USD/ton for 2017, only partly offset by the BAF (bunker adjustment factor) clause, since most customers, in view of the changed situation of the freight market, requested and obtained an annual freight fee to be applied for 2017 without that clause. It should be pointed out that for these reasons the profitability of the shipping activity is not only lower than that of 2016, but also compared to the average in recent years.

The increase in net working capital is mainly due to higher inventories of Euro 3,744 thousand, and the increase in trade receivables of Euro 2,781 thousand. Trade payables mainly refer to purchases for import and transport activities and posted a decrease of Euro 1,225 thousand.

The reduction in fixed assets is mainly due to the depreciation effect of Euro 6,721 thousand, the reclassification of the refrigerated warehouse in Argentina for Euro 4,688 thousand in inventories to change its purpose, and the liquidation of the Simba France S.A. investment.

The reduction in shareholders' equity is essentially connected to the distribution of a dividend of Euro 10,000 thousand by Cosiarma S.p.A., an amount that has no effect at the consolidated level.

Services Segment

Thousands of Euro	31.12.2017	31.12.2016
Net Sales	13.363	13.465
Adjusted Ebitda	(4.806)	(5.132)
Net Profit	(5.342)	6.215

Thousands of Euro	31.12.2017	31.12.2016
Fixed Assets	294.228	287.893
Net Working Capital	4.568	1.669
Other current assets/(liabilities)	(1.395)	(2.712)
Net Invested Capital	297.400	286.849
Total Shareholders' Equity	250.956	201.189
Net Financial Position	46.444	85.660

It should be noted that data is aggregated, prior to the consolidation entries

This segment includes activities related to the Parent Company as well as the activities of providing services in customs, in the maintenance of containers and in the IT sector, carried out by some smaller companies.

For this segment, the gross margin indicator is not significant, as almost all of the costs are included in the overhead and administrative costs. The Adjusted EBITDA of the segment typically has a negative sign, because, in view of the Parent Company's nature as a holding company, the income and ultimately the profit or loss for the year are tied to the dividends received from Group companies. Compared to 2016, advertising costs incurred by the Orsero brand for Euro 742 thousand were lower due to the reduction in the advertising budget, which is currently being reviewed and reconfigured in new and more modern channels, including setting the objective to better measure the effectiveness of advertising initiatives.

The lower result in 2017 compared to the previous year is essentially attributable to the effect of "Discontinued Operations" recorded in 2016 for Euro 4,280 thousand, relating to the sale of Moño Azul S.A. and the Business Aviation sector, as part of the transactions in preparation of the Significant Transaction, the recognition in 2017 of the write-down of Euro 8,000 thousand due to a lack of certainty on the recovery of the receivable from Argentina S.r.l. following the payment of the guarantee to Intesa Sanpaolo S.p.A. for the same amount, as well as the accounting for the costs of Stock Grant for Euro 2,328 thousand. Moreover, note that lower non-recurring costs and advertising costs were incurred.

The increase in net working capital is mainly due to the reduction of trade payables of Euro 1,604 thousand and the increase in trade receivables of Euro 1,295 thousand.

The increase in fixed assets of Euro 6,335 thousand is primarily attributable to the acquisitions of the Tuscan and Spanish companies for Euro 33,843 thousand, the consolidation effect of the investments held by Cultifruit S.L. for Euro 5,129 thousand, and the recovery of the write-down in the investment in GF Porterm S.r.l. for Euro 4,391 thousand (with a neutral effect at the consolidated level), which are offset by the decrease for the sale of Acorsa S.A. for Euro 20,160 thousand, the reduction of the investment in GF Produzione S.r.l. that generated a reversal of Euro 14,858 thousand in the amount recognized in the equity item "Shareholder loan", and the write-down of the investment in Simba S.p.A. for Euro 3,000 thousand.

The main changes in the capital and financial structure with respect to 31 December 2016 are obviously tied to the merger with Glenalta, through which Shareholders' Equity increased by Euro 48,308 thousand and cash and cash equivalents within the Net Financial Position (NFP) of Euro 48,849 thousand, net of the Euro 25 million paid to banks to redeem the financial equity instruments previously held by them.

OTHER INFORMATION

Financial disclosure and relations with Shareholders

In order to maintain a constant dialogue with its shareholders, potential investors, and financial analysts, and in adherence with the Consob recommendation, Orsero S.p.A. has established the Investor Relator function. This role ensures continuous information between the Group and financial markets.

Economic and financial data, institutional presentations, official press releases, and real-time updates on the share price are available on the Group's website in the Investor Relations section.

Tax consolidation

Most Italian subsidiaries participate in the "tax consolidation" system headed by Orsero, in accordance with the option exercised by each company and confirmed by the Revenue Agency as a result of the submission of a specific request for ruling in accordance with art. 124, paragraph 5, of the TUIR Tax Code and with art. 13, paragraphs 1 and 2, of the Ministerial Decree of 9 June 2004.

Workforce

The Notes provide an indication of the average staff employed by the Group in the years 2016 and 2017. During the year, there were no accidents and serious injuries at work for personnel registered as employees of Group Companies.

Safety and protection of the health of workers

As regards the environment, the Group has always adopted policies that are conducive to food safety and hygiene, respect for and protection of the environment and safety at work. The numerous certifications (such as HACCP, ISO 9001 and 14001, BRC, IFS, OHSAS

18001) obtained by the Group attest to this, as do the significant investments made in recent years to install several photovoltaic plants that can satisfy a good portion of the energy needs of the relative operational sites.

It should be noted that an excellent result was achieved on injury reduction due to training, supervision and awareness-raising activities, thus raising the focus on the subject.

Research & Development

Given the nature of the businesses of the Orsero Group, there were no basic or applied research activities; however, as stated in the Notes to the 2016 Annual Report, the Group is continuing its activity on the projects for the development, testing and engineering of a new integrated information and management system not available on the market, implemented ad hoc to meet the specific needs of the distribution segment, with innovative economic/financial planning instruments necessary to meet some of the requirements for access to the MTA market in a short/medium term objective.

Treasury shares

As previously stated in this Report, upon completion of the merger, 643,387 ordinary treasury shares remained available to Orsero, which became 712,687 as at 31 December 2017, of which 500,000 are in service of the Stock Grant Plan implemented by Orsero to meet the requirements necessary for access to the MTA stock market.

Moreover, of the treasury shares held as at 31 December 2017, 69,300 were acquired following the treasury share buy-back program, which has been thoroughly described, at an average price of Euro 10.12.

As at 31 December 2017, the Group does not hold, directly or indirectly, shares in parent companies and it did not acquire or sell shares in parent companies during the year.

Transactions with related parties

In accordance with the provisions of the Regulation adopted by Consob with Resolution no. 17221 of 12 March 2010 and subsequent amendments, Orsero S.p.A. has adopted a Procedure for Transactions with Related Parties, approved by the Board of Directors on 13 February 2017, and available on the Group’s website.

The Related Party Procedure identifies the principles the Company follows in order to ensure transparency and substantive and procedural fairness of transactions with related parties carried out by the Parent Company, directly or through subsidiaries.

The Procedure defines “material transactions” that, together with the transactions not carried out under market conditions, are the exclusive responsibility of the Board of Directors with the reasoned and binding opinion of the Related Parties Committee, except for transactions concerning compensation to Directors and/or Key Managers, for which the responsibility has been assigned to the Company’s Remuneration Committee, and involve providing a public disclosure. In the event that the proposed resolution to be submitted to the Shareholders' Meeting is approved by the Board of Directors with the negative opinion of the committee, the transaction cannot be carried out unless it is approved by a favorable vote of the majority of non-related shareholders.

Other transactions, unless they fall under the category of residual transactions (less than Euro 250,000), are defined as "minor transactions" and may be implemented with the reasoned and non-binding opinion by the committee. Note that all decisions regarding transactions that are not carried out under market conditions, as well as decisions regarding "material transactions", are reserved for the Board of Directors.

The Procedure identifies cases that may be exempt from its application: ordinary transactions concluded at conditions equivalent to market or standard, transactions with or between subsidiaries and those with associated companies, provided that there are no significant interests of other related parties of the Company, and transactions of negligible amount.

The members of the Board of Statutory Auditors are invited to the meetings of the Related Parties Committee.

The transactions reserved for the Shareholders' Meeting must be authorized by said Meeting.

With reference to dealings with related parties, please refer to the details provided in the Notes. All transactions with related parties were at market conditions.

Investments during the year

The Group's investments in intangible and tangible assets during the year totaled Euro 8,630 thousand and essentially involved the development, testing, and engineering of the new integrated ERP system, the expansion of the warehouse at the Mexican company, the modernization of plants at the French and Spanish warehouses, in addition to the ordinary plant renovation as shown in the following table.

As has been explained in detail, the most significant investment for the year was the acquisition of the residual 50% of the capital of the companies Fruttital Firenze S.p.A., Galandi S.p.A. and Hermanos Fernández López S.A. for a total commitment of Euro 33,843 thousand and involved the recognition of goodwill equivalent to Euro 29,270 thousand, not included in the table below.

Details of the investments made by the Group in 2017 in tangible and intangible assets, broken down by segment, are provided below.

INVESTMENTS				
Thousands of euro	**"Distribuzione" Segment**	**"Import&Shipping" Segment**	**"Services" Segment**	**Total**
Intellectual property rights	222	-	-	222
Concessions, licenses and trademarks	10	4	100	114
Assets in progress and advances	898	-	58	956
Other intangible assets	4	-	36	41
Total investments in intangible assets	**1.134**	**4**	**194**	**1.333**
Land and buildings	1.528	198	72	1.798
Plantations	-	-	-	-
Plant and machinery	2.867	166	-	3.033
Industrial and commercial equipments	181	-	21	202
Other tangible assets	484	153	732	1.368
Assets in progress and advances	896	-	-	896
Total investments in tangible assets	**5.956**	**517**	**824**	**7.297**
Total investments	**7.090**	**521**	**1.019**	**8.630**

Significant events after the 2017 closing

On 10 April 2017, Fresco Ship's Agency & Forwarding S.r.l. received demand for payment no. 4603/2017, for customs duties due as a result of Court of Cassation judgments nos. 22433, 22435 and 22436 from 2014 with regard to the "REI" litigation with the Customs Agency, which has been fully described in the financial statements as at 31 December 2016. Against this demand for payment, the Company submitted an appeal for a binding ruling, with a simultaneous request for suspension, to the Provincial Tax Commission, which set the hearing for arguments on the suspension for 12 May 2017. Given the uncertain outcome of this procedure, the Company allocated Euro 1,600 thousand to provisions for risks and charges that was included in the financial statements as at 31 December 2016.

On 27 October 2017, the appeal submitted by the Company was rejected by the Provincial Tax Commission of Savona. Therefore, on 5 January 2018, the Customs Agency sent the demand for payment of Euro 1,564 thousand, of which Euro 902 thousand as customs duties and Euro 662 thousand as interest; this sum was paid on 9 January 2018.

In confirming the error, in our opinion, of the Customs Agency's claims, for the reasons indicated in the 2016 Annual Report and in the disclosure for the Significant Transaction (condition of the Court's decision based on the judgment of the Spanish Court then overturned by its final decision) the Group will promote, in every jurisdiction, all possible legal actions aimed at the recovery of the total Euro 2.1 million so far disbursed for this dispute.

Furthermore, note that, on 30 January 2018, following agreements reached with Banca Intesa Sanpaolo S.p.A., the Group paid the guarantee of Euro 8 million, provided by Orsero in the interest of Argentina S.r.l. in relation to the latter's loan that was due on 31 December 2017. The disbursement described above did not jeopardize the Group's operating activities, nor the continuation of its investment and development plans, but the most appropriate solutions to recover from Argentina S.r.l. the sum paid in relation to the enforcement of the aforementioned guarantee will, in any case, be assessed.

Outlook for Orsero Group

In the past three years, the Orsero Group has implemented a strategy of focusing on its core business: this strategy and the activities and operations carried out in accordance with it, have laid the foundation for the potential growth and expansion of the Group in a segment characterized by concentration in the main reference markets.

The strong competitive positioning and the sound financial structure, appropriate for the business as a result of the merger with Glenalta, have made possible the acquisitions of the Tuscan and Spanish companies, which represent an important step in the Group's growth strategy. In the period ahead, while we will remain attentive to opportunities for growth through new acquisitions, we expect to focus on achieving operating synergies and a progressively improving the efficiency of the structure, in order further to enhance the Company's stability and value.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 OF ORSERO S.P.A. - PROPOSED RESOLUTION

Dear Shareholders,

Following your review of the financial statements as at 31 December 2017, we propose:

1) approving the financial Statements as at 31 December 2017 of Orsero S.p.A.;
2) allocating the 2017 profit of Euro 2,386,083 as follows:

- a gross dividend to Shareholders of Euro 0.12 for each of the 16,969,813 ordinary shares for a total of Euro 2,036,378;
- a legal reserve Euro 119,304;
- the residual amount of Euro 230,401 to profit/loss carried forward.

On behalf of the Board of Directors
The Chairman
Paolo Prudenziati

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

GRUPPO ORSERO

Consolidated statement of financial position

Thousands of euro	NOTES	31/12/2017	31/12/2016
ASSETS			
Goodwill	1	33.103	3.834
Other intangible assets	2	7.956	6.208
Tangible assets	3	100.994	85.881
Financial investments	4	7.959	39.221
Other fixed assets	5	1.489	668
Deferred tax assets	6	7.788	7.291
NON-CURRENT ASSETS		**159.290**	**143.103**
Inventories	7	33.498	24.114
Trade receivables	8	112.898	80.528
Current tax receivables	9	15.564	13.918
Other current assets	10	8.970	10.037
Cash and cash equivalent	11	79.893	37.095
CURRENT ASSETS		**250.823**	**165.691**
Assets held for sale		**-**	**-**
TOTAL ASSETS		**410.113**	**308.794**
Share Capital		69.163	13.000
Reserves		60.690	36.758
Net profit		12.809	18.215
Group equity	**12**	**142.662**	**67.973**
Minorities	**13**	**1.084**	**741**
TOTAL SHAREHOLDERS' EQUITY		**143.747**	**68.714**
LIABILITIES			
Non-current financial liabilities	14	76.208	74.706
Other non-current liabilities	15	166	209
Deferred tax liabilities	16	5.527	2.771
Provisions for risks and charges	17	2.968	4.394
Employees benefits liabilities	18	8.785	5.741
NON-CURRENT LIABILITIES		**93.655**	**87.821**
Current financial liabilities	14	50.192	59.863
Trade payables	19	103.395	75.841
Current tax and social security contributions liabilities	20	6.201	4.874
Other current liabilities	21	12.923	11.680
CURRENT LIABILITIES		**172.712**	**152.259**
Liabilities held for sale		**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**410.113**	**308.794**

Consolidated income statement

Thousands of euro	NOTES	Year 2017	Year 2016
Net sales	22	819.124	684.970
Cost of goods sold	23	(750.663)	(612.317)
Gross profit		**68.461**	**72.653**
Overheads	24	(59.602)	(49.165)
Other incomes and expenses	25	(978)	(6.757)
Operating result (Ebit)		**7.880**	**16.731**
Net financial expenses	26	(2.579)	(2.144)
Net income (loss) from equity investments	27	11.387	4.912
Profit before tax		**16.689**	**19.499**
Tax expenses	28	(3.654)	(2.031)
Net profit from continuing operations		**13.035**	**17.468**
Net profit of "Discontinued operations"	29	-	844
Net profit		**13.035**	**18.312**
attributable to non-controlling interests		**226**	**97**
attributable to parent company		**12.809**	**18.215**
Earnings per share "base" in euro	30	**0,885**	**1,407**
Earning per share "Fully Diluted" in euro	30	**0,800**	**1,134**

Consolidated comprehensive income statement

Thousands of euro	Year 2017	Year 2016
Net profit	**13.035**	**18.312**
Items that may not be subsequently reclassified to net profit or loss	(300)	(213)
Items that may be subsequently reclassified to net profit or loss	(66)	4.003
Total comprehensive income	**12.669**	**22.101**
attributable to non-controlling interests	**226**	**97**
attributable to parent company	**12.443**	**22.004**

Consolidated cash flow statement

Thousands of euro	Notes	Year 2017	Year 2016
A. Net cash flows provided by (used for) operating activities			
Net profit		**13.035**	**18.312**
Income taxes	28	3.654	2.031
Net financial expenses	26	2.579	2.524
Dividends		-	-
(Earnings)/losses from disposal of assets		-	-
1. Net Profit before Tax, Interests, Dividends and (earnings)/losses from disposal of assets		**19.268**	**22.867**
Non-cash adjustments not related to working capital:			
Provisions	23-24	2.073	1.524
Depreciations and Amortizations	23-24	11.562	9.766
Impairment of assets		-	(83)
Other non-cash adjustments		-	12
2. Cash flows before working capital changes		**32.903**	**34.086**
Changes in Working Capital:			
Change in inventories	7	(1.764)	(3.908)
Change in trade receivables	8	414	(12.579)
Change in trade payables	19	(6.201)	5.177
Other working capital changes		(5.539)	(2.093)
3. Cash flows after working capital changes		**19.813**	**20.683**
Other non-cash adjustments:			
Net financial expenses	26	(2.579)	(2.524)
Income taxes	28	(3.654)	(2.031)
Dividends		-	-
Change in Funds		-	-
4. Cash flows after other changes		**13.580**	**16.128**
Net cash flows provided by (used for) operating activities (A)		**13.580**	**16.128**
B. Net cash flows provided by (used for) investing activities			
Tangible assets			
(Investment)	3	(15.747)	(7.772)
Disposals	3	5.226	744
Intangible assets			
(Investment)	1-2	(30.625)	(5.879)
Disposals		-	63
Financial Investments			
(Investment)	4	(875)	(6.416)
Disposals	4	37.629	3.891
Financial assets			
(Investment)		-	-
Disposals	5-6	702	4.126
Disposals / (acquisitions) of investments in controlled companies, net of cash		(20.927)	21.919
Net cash flows provided by (used for) investing activities (B)		**(24.617)**	**10.676**
C. Net cash flows provided by (used for) financing activities			
Financial loans			
Increase /(decrease) of short term financial debts	14	7.994	(26.857)
Change of consolidation scope	14	9.923	
Drawdown of new loans	14	20.839	-
Pay back of loans	14	(46.919)	-
Equity			
Capital Increase / Equity-like Instruments	12-13	62.699	(9.215)
Disposal/ (aquisition) of own shares	12-13	(701)	-
Dividends paid		-	-
Net cash flows provided by (used for) financing activities(C)		**53.835**	**(36.072)**
Increase/ (decrease) of cash and cash equivalent (A ± B ± C)		**42.798**	**(9.268)**
Net cash and cash equivalents, at beginning of the year	**11**	**37.095**	**46.363**
Net cash and cash equivalents, at end of the year	**11**	**79.893**	**37.095**

Consolidated statement of changes in shareholders' equity

Thousands of euro	Share Capital	Legal reserve	Share premium reserve	Other reserves	Currency translation reserve	Participative financial instruments (SFP) reserve	Remeasurement of defined benefit plans	Cash Flow Hedge reserve	Stock Grant reserve	Treasury shares	Retained earnings/ (losses)	Net profit	Total Shareholders' equity	Minorities
December 31, 2015	**11.650**	**-**	**-**	**1.350**	**(2.294)**	**83.811**	**46**	**(851)**	**-**	**-**	**(61.543)**	**13.565**	**45.734**	**1.082**
Allocation of reserves	-	200	-	-	-	-	-	-	-	-	13.365	(13.565)	**-**	
Capital increase	1.350	-	-	(1.350)	-	-	-	-	-	-	-	-	**-**	-
Injection of SFP/Conversion of that into equity instrument	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Effect IAS 19	-	-	-	-	-	-	(215)	-	-	-	-	-	**(215)**	-
Change in fair value of cash flow hedge derivatives (bunker)	-	-	-	-	-	-	-	851	-	-	-	-	**851**	-
Other changes	-	-	-	-	3.152	-	-	-	-	-	236	-	**3.388**	(438)
Net profit	-	-	-	-	-	-	-	-	-	-	-	18.215	**18.215**	97
December 31, 2016	**13.000**	**200**	**-**	**-**	**858**	**83.811**	**(169)**	**-**	**-**	**-**	**(47.942)**	**18.215**	**67.973**	**741**

Thousands of euro	Share Capital	Legal reserve	Share premium reserve	Other reserves	Currency translation reserve	Participative financial instruments (SFP) reserve	Remeasurement of defined benefit plans	Cash Flow Hedge reserve	Stock Grant reserve	Treasury shares	Retained earnings/ (losses)	Net profit	Total Shareholders' equity	Minorities
December 31, 2016	**13.000**	**200**	**-**	**-**	**858**	**83.811**	**(169)**	**-**	**-**	**-**	**(47.942)**	**18.215**	**67.973**	**741**
Allocation of reserves	-	-	-	-	-	-	-	-	-	-	18.215	(18.215)	**-**	-
Capital increase	4.663	-	8.556	(153)	-	-	-	-	-	-	-	-	**13.065**	-
Glenalta's operation	51.500	(200)	72.000	13.246	-	(83.811)	-	-	-	(6.406)	1.979	-	**48.308**	-
Effect IAS 19	-	-	-	-	-	-	(300)	-	-	-	-	-	**(300)**	-
Change in fair value of cash flow hedge derivatives (bunker)	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Change in fair value of cash flow hedge derivatives (interests)	-	-	-	-	-	-	-	(66)	-	-	-	-	**(66)**	-
Purchasing treasury shares	-	-	-	-	-	-	-	-	-	(702)	-	-	**(702)**	-
Stock Grant plan	-	-	-	-	-	-	-	-	2.328	-	-	-	**2.328**	-
Change of consolidation scope	-	-	-	-	-	-	-	-	-	-	-	-	**-**	261
Other changes	-	-	-	(802)	(2.468)	-	(116)	-	-	-	2.633	-	**(754)**	(144)
Net profit	-	-	-	-	-	-	-	-	-	-	-	12.809	**12.809**	226
December 31, 2017	**69.163**	**-**	**80.556**	**12.291**	**(1.610)**	**-**	**(586)**	**(66)**	**2.328**	**(7.108)**	**(25.115)**	**12.809**	**142.662**	**1.084**

CONSOLIDATION CRITERIA, VALUATION CRITERIA AND NOTES

Orsero refers to Orsero S.p.A. and the companies included in the consolidation.

Form and content of the consolidated financial statements and other general information

Group Structure

Orsero S.p.A. (the "Parent Company" or the "Company") is a company organized under the laws of the Republic of Italy. Orsero and its subsidiaries (the "Group" or the "Orsero Group") operate mainly in Europe.

The Group's business is focused on the import and distribution of fruit and vegetables, identifying three business units: Distribution, Import & Shipping, and Services. The registered office of the Parent Company and, thus, of the Group is via Fantoli 6, Milan, Italy.

The consolidated financial statements are filed together with the separate financial statements of the Parent Company Orsero S.p.A. A copy of the consolidated financial statements is also filed by the subsidiaries GF Distribuzione S.r.l., Fruttital S.r.l., Cosiarma S.p.A., and Simba S.p.A. which, referring to art. 27 paragraph 3 of Decree Law 127/91, have opted to not prepare the consolidated financial statements.

Statement of compliance and preparation criteria

The Group consolidated financial statements as at 31 December 2017 have been drawn up based on art. 3, paragraph 2 of Legislative Decree no. 38 of 28 February 2005, according to the International Accounting Standards issued by the International Accounting Standards Board (IASB) and approved by the European Commission, including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

The Group's consolidated financial statements as at 31 December 2017 were prepared in accordance with IAS/IFRS pursuant to Regulation (EC) 1606/2002 issued by the European Parliament and the European Council in July 2002.

It should be noted that the accounting standards applied are in line with those adopted in preparing the consolidated statement of financial position at 31 December 2016, as well as the 2016 income statement, in accordance with IFRS.

Content and form of the consolidated financial statements

The consolidated financial statements consist of the statement of financial position, income statement, comprehensive income statement, cash flow statement, statement of changes in equity and these Notes, applying the provisions of IAS 1 "Presentation of the financial statements".

The Group has adopted the following consolidated financial statements:

- statement of financial position, which classifies assets and liabilities as current and non-current;
- income statement, in which costs are presented using the "allocation" classification, a structure considered more representative than presentation by nature;
- comprehensive income statement, which reports revenue and cost items that are not recognized in profit (loss) for the year as required or permitted by IFRS;
- cash flow statement, presented using the "indirect method";
- statement of changes in equity reporting all changes during the half year under review.

The choice of these statements allows the Group's equity, economic and financial situation to be represented in a truthful, correct, reliable and more relevant manner. The form chosen is, in fact, consistent with internal reporting and management.

The Group's consolidated financial statements are presented in Euro, the functional currency in economies in which the Group mainly operates, and is compared with the consolidated financial statements of the previous year, drawn up in a homogeneous manner.

On 19 March 2018, the Board of Directors of the Parent Company approved the separate and consolidated financial statements of Orsero S.p.A. To prepare the consolidated financial statements, the financial statements as at 31 December 2017 of the Parent Company Orsero S.p.A. and its subsidiaries and associated companies included in the scope of consolidation were used, as detailed below, approved by the respective Boards and/or Shareholders' Meetings.

The consolidated financial statements have been drawn up in accordance with the general historical cost principle, with the exception of financial assets available for sale, financial assets held for trading, derivative instruments and inventories of fruit stock ripening, measured at fair value.

The directors have prepared the consolidated financial statements in accordance with paragraphs 25 and 26 of IAS 1 due to the strong competitive position, high profitability, and soundness of the equity and financial structure achieved.

The consolidated financial statements as at 31 December 2017 were audited by KPMG S.p.A.

Valuation criteria

Below are the main criteria adopted for the preparation of the consolidated financial statements at 31 December 2017; the valuation criteria are applied uniformly to the Parent Company and to all consolidated companies.

When, in relation to specific events or as a result of the development of accounting practice, a change is made in the accounting standards applied in a year, the Notes are intended to provide all the appropriate explanations to allow comparison with the previous year, if necessary by providing for the correction/re-alignment of the figures of the related financial statements.

Goodwill

Goodwill is the difference between the price paid and the book value of the investments and/or assets acquired; it is not subject to amortization and the recoverability of the recognized value is verified at least annually and in any case when events occur that may lead to an impairment, taking into account the criteria set out in IAS 36. Impairment is recognized in the income statement and is not subsequently reinstated.

For the purpose of impairment testing, goodwill acquired in a business combination transaction is allocated, at the acquisition date, to each cash-generating unit, or groups of cash-generating units, that the Group expects will benefit from aggregation synergies. A cash-generating unit to which goodwill has been allocated is audited annually for impairment, and whenever there is an indication that the unit may have been subject to impairment, comparing the unit's book value, which includes goodwill, with the recoverable value of the unit. If the unit's book value exceeds the recoverable amount, the Group recognizes the impairment as reduction of the book value of the assets that are part of the unit (or Group of units) in the following order: 1.) first to reduce the book value of any goodwill allocated to the cash-generating unit (or groups of units); and 2.) then, to the other assets of the unit (or groups of units) in proportion to the book value of each asset that is part of the unit.

In the event of disposal of a significant cash-generating unit with consequent loss of control, the goodwill attributable thereto is included in the calculation of gains or losses arising from disposal.

Write-downs related to goodwill are not reversed.

Goodwill, representing an intangible asset with indefinite useful life, is not amortized but is tested for impairment annually or more frequently whenever there is an indication that the asset may have been subject to impairment.

Other intangible assets

Intangible assets are assets that are not physical, identifiable, controlled by the Group, and that can produce future economic benefits. They also include goodwill when acquired on a fee-for-sale basis.

Intangible assets are recognized as assets in accordance with IAS 38 - Intangible Assets, when they are identifiable, it is likely that their use will generate future economic benefits and the cost can be reliably determined. These assets are stated at purchase or production cost, inclusive of all ancillary expenses incurred, and amortized on a straight-line basis over their useful lives. Intangible assets with definite useful life are amortized systematically from the time the asset is available for use for the period of their expected usefulness. The useful life is reviewed annually and any changes, where necessary, are made with prospective application.

The recoverability of their value is verified according to the criteria set forth in IAS 36.

Costs incurred internally for the development of new products and services (mainly software costs) are intangible assets generated internally, recognized as assets only if all of the following conditions are met: existence of technical feasibility and intention to complete the asset so as to make it available for use or sale, the Group’s ability to use or sell the asset, existence of a market for products and services resulting from the asset or its usefulness for internal purposes, existence of adequate technical and financial resources to complete the development and sale or internal use of the products and services that result from it, reliability of the cost recognition attributable to the asset during its development.

Capitalized development costs, where existing, include only expenses incurred that can be attributed directly to the development process and are amortized on a systematic basis from the beginning of production over the estimated product / service life.

Patents and intellectual property rights are mainly related to application software licenses, which are amortized on a straight-line basis over their contractual useful life.

Concessions, licenses and trademarks are essentially related to the fees paid for the exercise of commercial activities located within the general markets and amortized on the basis of the duration of the concession, as well as the costs of using licensed software programs, amortized on average over a three-year period. These expenses are recognized as assets in accordance with IAS 38 “Intangible Assets”, when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

Assets in progress and advances include the balance of investments in assets not yet in service at year-end and therefore not subject to amortization, but are subject to impairment testing, as required by IAS 36.

Other intangible assets purchased or produced internally are recognized as assets, if existing, in accordance with IAS 38 (Intangible Assets), when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

Other intangible assets recognized as a result of the acquisition of a company are recognized separately from goodwill if their current value can be determined reliably.

Tangible assets

Tangible assets are assets that are physical, identifiable, controlled by the Group, and that can produce future economic benefits. Tangible assets purchased or produced internally are recognized as assets in accordance with IAS 16 - Property, Plant and Equipment, when it is likely that their use will generate future economic benefits and when their cost can be reliably determined.

They are recorded at historical cost of purchase, production or transfer, including the ancillary expenses required to make the asset available for use deducted from the cumulative accumulated depreciation and any write-downs made to adjust their value to the expected lower future utility.

Depreciation is calculated on the basis of economic/technical rates related to the expected useful life of the assets, the most representative of which are:

Category	Useful life
Land	Not depreciated
Buildings	20 – 33 years
Ships	24/25 years
Plants	7 – 10 years
Vehicles	4 – 5 years

In the event there is an impairment, the asset is written down, regardless of the depreciation already recorded; in subsequent periods if the reasons for the write-down are no longer valid, it is restored to its original value, net of accumulated depreciation.

The recoverability of its value is verified according to the criteria set forth in IAS 36. The residual value and useful life of an asset and the accounting methods used are reviewed yearly and adjusted where necessary at the end of each financial year.

The costs of routine maintenance are fully recognized in the income statement while costs of an incremental nature are allocated to the assets to which they refer and are depreciated in proportion to their residual useful life.

If leasehold improvements meet the capitalization requirements, they are classified under tangible assets and depreciated on the basis of the duration of the lease contract.

In the presence of legal or implied obligations for the dismantling and removal of assets from sites, the carrying amount of the asset includes the estimated (discounted) costs to be incurred at the time of abandonment of the structures, recognized in counter-entry under a specific provision.

When tangible assets consist of several significant components with different useful lives, depreciation is calculated and carried out separately for each component. Costs relating to cyclical maintenance of ships are recorded as assets as separate component of the main asset in the year in which they are incurred and are included in the depreciation process, taking into account an appropriate useful life.

Land is not subject to depreciation, even if purchased in conjunction with a building.

Instrumental assets acquired through financial lease contracts have been accounted for in the consolidated financial statements in accordance with the International Accounting Standard IAS 17 which requires recognition under assets of the value of the asset at "fair value" or, if lower, at the present value of the fees due for purchase, determined using the implied lease rate and its amortization as well as recognition of the payable as liability to the leasing company. Any direct costs incurred when defining the lease contract (e.g. negotiating costs and finalization of the financial lease) are recorded as an increase in the value of the asset. Leased assets are systematically depreciated using the depreciation criterion for assets of the same type. If there is no reasonable certainty that the asset will be purchased at the end of the lease, it is fully depreciated in the shortest term between the lease contract and its useful life.

The periodic fee is divided into capital portions, charged as a reduction to debt, and interest, accrued to the consolidated income statement. Since Italian companies account for such contracts according to the "equity" method, i.e. by recording only the amount of the fee paid in the income statement, the necessary adjustments and additions have been made in the consolidated financial statements.

Operating lease payments are recognized in the income statement on a straight-line basis allocated over the term of the contract.

Impairment

At each reporting date, the Group reviews the book values of its intangible and tangible assets to determine whether there is any indication of impairment. If they are found to be impaired, the asset's recoverable value is estimated in order to determine the extent of the write-down. Should it be impossible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful life or not yet available for use are tested for impairment annually or more frequently, whenever there is an indication that the asset may have been subject to impairment.

The recoverable amount is the higher of the fair value net of selling expenses and the value in use. In calculating the value in use, estimated future cash flows are discounted to present value at a pre-tax rate that reflects current market valuations of the value of capital and the specific risks connected to the asset.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. The impairment is recognized in the income statement.

When it is no longer necessary to maintain an impairment, the carrying value of the asset (or cash-generating unit), with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable value, but not exceeding the net book value that the asset would have had if it had not been written down for impairment. The write-back is immediately recognized in the income statement.

Investments

Investments consist of equity investments in non-consolidated subsidiaries, associates and other companies.

They are recorded using either the equity method or historical cost of purchase or subscription, including any ancillary costs.

Investments in joint ventures represent companies on which the Group has joint control as defined in IFRS 11 – Joint Arrangements. The consolidated financial statements include the Group's portion of the results of joint ventures, accounted for using the equity method, from the date on which joint control commences until the time it ceases to exist. Should the portion attributable to the Group of any losses of the joint venture exceed the carrying value of the investment in the financial statements, the value of the investment is set to zero, and the excess share of the additional loss is not recognized, except and to the extent in which the Group is responsible.

Investments in associates are classified as non-current assets and are valued using the equity method, adjusted for any impairment.

An associated company is a company that the Group does not control or jointly control but over which it has a significant influence by participating in decisions relating to the company's financial and operating policies.

Under the equity method, investments in associated companies are recognized in the balance sheet at acquisition fair value, adjusted to consider changes following the acquisition of net assets of associated companies, net of any impairment of individual investments. Any losses of associates that exceed the Group's interest in the same are not recognized unless the Group has assumed an obligation to cover them.

If valuation at purchase or subscription cost results in impairment losses and there are no foreseeable profits in the near future that can absorb the losses incurred, this value is written down. If in future years the reasons for the impairment no longer apply, the original value is restored.

Investments in other companies not classified as held for sale are valued using the cost method, which is reduced for impairment. The original value is reinstated in subsequent years if the reasons for the write-down no longer apply.

Other fixed assets

This item includes other non-current financial assets: typically medium-term financial receivables, contributions to be received, security deposits and similar assets, all valued at nominal value that normally coincides with the realizable value.

Inventories

Inventories of raw and ancillary materials and consumables are valued at the lower of the purchase cost, determined according to the FIFO configuration, and the corresponding replacement cost. Inventories of goods are recorded at the lower of purchase cost, determined in accordance with the FIFO method, including direct ancillary charges, and the corresponding realizable value expected from the market trend at the end of the year. The write-down value is eventually adjusted for a specific provision to account for write-downs for obsolescence and slow turnover that may affect packaging materials.

Biological asset

The item “Biological Asset” includes fruits in its ripening stage on the plant (bananas, avocados, pears, apples, etc.) that the Group produces in its agricultural areas. IAS 41 is applied for biological assets, which provides that inventories of fruit on plants are measured at fair value less estimated sales costs unless fair value can be determined reliably. IAS 41 assumes that fair value can be reliably measured for most biological assets. However, if, at the time of initial recognition of the asset, a price is not available on an active market and if the measurement of alternative fair value is deemed to be clearly unreliable, then the asset is valued at cost, net of accumulated depreciation and impairment. However, the entity must evaluate all other biological assets at fair value, net of sales costs. If the circumstances change and the fair value becomes reliably measurable, it is necessary to transition to fair value net of the sales costs.

Financial assets

IAS 39 envisages the following types of financial instruments:

- financial assets at fair value with changes recognized in the income statement;
- loans and receivables;
- investments held to maturity;

- financial assets available for sale.

Initially, all financial assets are measured at fair value, increased in the case of assets other than those at fair value with changes in the income statement of ancillary charges.

The Group determines the classification of its financial assets after initial recognition and, where appropriate and permitted, reviews said classification at the close of each financial year.

The recoverability of their value is verified according to the criteria set forth in IAS 32 and described below.

At the time of subscription, it is considered whether a contract contains implicit derivatives. Implicit derivatives are separated from the host contract if this is not measured at fair value when the analysis shows that the economic characteristics and risks are not strictly related to those of the host contract.

The first category includes the assets held for trading and the assets designated at the time of the first recognition as "Financial asset at fair value with changes in the income statement".

The assets held for trading are all assets acquired for sale in the short term. Derivatives, including those separated, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. They are accounted for at "fair value" at the settlement date of the transaction; the gains or losses on assets held for trading are recognized in the income statement. If the fair value cannot be reliably determined, the financial asset is valued at cost, net of any impairment. The original value is reinstated in subsequent years if the reasons for the write-down no longer apply.

Loans and receivables, on the other hand, include financial assets other than derivative instruments with fixed or determinable payments that are not quoted on an active market. They are initially recognized at their "fair value" (including cost of purchase/issue) at the transaction date. After initial recognition, loans and receivables of a financial nature are valued according to the amortized cost method using the effective interest method, net of any provision for impairment. Gains and losses are recognized in the income statement when loans and receivables are accounted for or impaired.

Trade receivables are recorded at their fair value, corresponding to their nominal value, possibly reduced to align to the expected realizable value. Receivables due beyond one year that are either non-interest-bearing or have interest rates below market rates are discounted using market rates.

On the other hand, "Investments held to maturity" include financial assets other than derivative instruments, characterized by fixed or determinable maturity payments where the Group has the intention and ability to keep them in the portfolio up to maturity. They are recognized at cost, which approximates the "fair value" at the time of acquisition.

After initial recognition, financial investments held to maturity are measured at amortized cost, using the effective discount rate method. Gains and losses are recognized in the income statement at the time when the investment is accounted for or impaired, as well as through the amortization process.

At 31 December 2017, no financial asset was designated as "Investment held to maturity."

Financial assets available for sale include financial assets other than derivative instruments that have been designated as such or are not classified in any of the three previous categories. This item includes equity holdings not for trading and that do not qualify as controlling, associated and joint control. These assets are measured at fair value with recognition under equity ("other comprehensive income") of changes in value. When the fair value cannot be reliably determined, they are valued at cost, net of any impairment. When the reasons for the impairment no longer exist, they are revalued within the limits of the write-downs previously applied through recognition in the income statement.

IAS 39 envisages the following valuation methods: fair value and amortized cost method.

Fair value

In the case of securities widely traded on regulated markets, the fair value is determined with reference to bid prices at the end of trading at the closing date of the year.

For investments for which there is no active market, the fair value is determined by means of valuation techniques based on:

- prices of recent transactions between independent parties;
- the current market value of a substantially similar instrument;
- the analysis of discounted financial flows;
- appreciation models of options.

Amortized cost method

"Investments held to maturity" and "Loans and receivables" are valued at amortized cost, calculated using the effective discount method, net of any provision for impairment. This calculation includes any discount or purchase premium and includes commissions that are an integral part of the effective interest rate and transaction costs.

Impairment of financial assets

At least annually, the Group reviews the book values of its financial assets (individually or homogeneous groups) to determine whether there is any indication of impairment.

If there is an objective indication that a loan or receivable recorded at amortized cost has been impaired, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted to the original effective interest rate.

The book value of the asset is reduced through the use of an allocation provision. The amount of the loss is recognized in the income statement.

The Group assesses the existence of objective indications of impairment at individual level. If, at a later date, the amount of the impairment is reduced and the reduction can be objectively attributed to an event occurring after such recognition, the value previously reduced may be reversed. Any subsequent reversals of impairment are recognized in the income statement, to the extent that the carrying amount of the asset does not exceed the amortized cost at the date of the reversal.

With reference to trade receivables, a provision for impairment is made when there is objective indication (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to recover all amounts due under the original supply conditions. The book value of the receivable is reduced through the use of a specific provision. Receivables subject to impairment are reversed when it is determined that they are actually unrecoverable.

Cash and cash equivalents

Cash and cash equivalents are stated at their nominal value, normally coinciding with the fair value.

In accordance with IAS 7, cash equivalents include cash on hand, bank/postal current accounts (including assets and liabilities accrued at the reporting date), and short-term investments readily convertible into liquidity.

They also include short-term investments whose redemption value is predetermined at the date of initial purchase/subscription.

Non-current assets held for sale, disposal groups and discontinued operations

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered mainly through sale rather than continuous use are measured at the lower of their carrying amount and fair value less costs to sell.

A "disposal group" is a group of assets to be disposed of together as a group in a single transaction together with the liabilities directly associated with those assets that will be transferred in that transaction.

Discontinued operations, on the other hand, consist of a significant portion of the Group, such as an important independent business division representing an activity or geographical area of activity, or a subsidiary bought exclusively for the purpose of reselling it.

The figures for non-current assets held for sale, disposal groups and discontinued operations are shown on two specific lines in the balance sheet: non-current assets held for sale and liabilities directly associated with non-current assets held for sale. Non-current assets held for sale are not depreciated or amortized and are measured at the lower of carrying amount and fair value less costs to sell; any difference between carrying amount and fair value less costs to sell is recognized in the income statement as a write-down.

The net economic results arising from discontinued operations, and only discontinued operations, pending the disposal process, any gains or losses on disposal and the corresponding comparative figures for the previous year or period are recognized in a specific line of the income statement: "Result of discontinued operations".

On the other hand, any gains or losses recognized as the result of measuring non-current assets (or disposal groups), classified as "held for sale" in accordance with IFRS 5, at fair value less costs to sell are classified under "Equity income (loss) from equity investments".

Financial liabilities

IAS 39 envisages the classification of financial liabilities in the following categories:

- financial liabilities at fair value with changes recognized in the income statement (FVTPL): Fair value through profit or loss;
- other financial liabilities.

All loans are initially recognized at fair value of the amount received, less ancillary costs incurred in connection with the arrangement of the loan. After initial recognition, loans are measured at amortized cost, using the effective interest rate method. Any gain or loss is recognized in the income statement when the liability is extinguished, as well as through the amortization process. Loans are classified as current liabilities, unless the Group has the unconditional right to defer the termination of this liability at least 12 months after the reference date.

Conceptually, this item includes trade payables recognized at their nominal value.

Financial liabilities at fair value with changes recognized in the income statement include "Liabilities held for trading".

"Liabilities held for trading" are all those acquired for short-term sales and include derivative instruments, including separated derivatives, unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement. At 31 December 2017, no financial liabilities were designated at fair value with changes recognized in the income statement.

Derecognition of financial assets and liabilities

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

- the rights to receive cash flows from the asset no longer apply;
- the Group retains the right to receive the future cash flows of the assets but has assumed a contractual obligation to pass them on to a third party internally without material delay;
- the Group has transferred the right to receive the cash flows from the asset and (i) has transferred substantially all of the risks and rewards of ownership of the financial asset, or (ii) it has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of the asset.

In the cases in which the Group has transferred the rights to receive financial flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, it continues to recognize the asset in the financial statements of the Group to the extent of its continuing involvement in the asset.

A financial liability is derecognized from the financial statements when the underlying obligation is either discharged or cancelled or when it expires.

Derivative financial instruments and hedging operations

Derivative financial instruments are initially recognized at fair value on the date on which they are stipulated. Subsequently, said fair value is reviewed periodically. They are recognized as assets when the fair value is positive and as a liability when it is negative.

The Group carries out transactions with derivative instruments with a view to hedging the risk of fluctuations in the prices of raw materials.

Derivatives are classified, in accordance with IAS 39, as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge is high, this being checked in advance and periodically.

When derivatives hedge the risk of fluctuation in the fair value of the underlying hedged item (fair value hedges), they are measured at fair value through the income statement; in accordance with this, the hedged items are adjusted to reflect variations in the fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the cash flows of the underlying hedged item (cash flow hedge), the effective portion of changes in the fair value of the derivatives is initially recognized in equity ("other comprehensive income") and subsequently recognized in the income statement, consistent with the economic effects of the hedged transaction.

Changes in the fair value of derivatives that do not meet the formal requirements to be qualified as hedging for IAS/IFRS are recognized in the income statement.

Disclosure

IFRS 7 requires additional information to evaluate the significance of financial instruments in relation to the Group's economic performance and financial position. This accounting standard requires a description of the objectives, policies and procedures put in place by management for the various types of financial risk (liquidity, market and credit) to which the Group is exposed, including sensitivity analysis for each type of market risk (exchange rate, interest rate, equity, commodity) and disclosures about the concentration, as well as average, minimum, and maximum exposures to the various types of risk during the reporting period, if the exposure at the end of the period was not sufficiently representative.

IAS 1 governs, among other things, disclosures regarding the objectives, policies and capital management processes, specifying, if there are capital requirements imposed by third parties, the nature and manner of management and any consequences of non-compliance. For further details, reference is made to the Report on operations.

Treasury shares

Shares are recognized as a reduction in equity. Their original cost and any economic effects from any subsequent sale are equally recorded as changes in equity.

Provisions for risks and charges

Provisions for risks and charges (current and non-current) are set aside when:

- there is an actual, legal or implicit obligation with respect to third parties;
- it is likely that the use of Group resources will be necessary to fulfill the obligation;
- a reliable estimate of the amount of the obligation may be made.

The allocations reflect the best possible estimate based on the information available.

Changes in estimates are recorded in the income statement in the period in which the changes are made.

When the financial effect of time is significant and the payment dates of the obligations can be estimated, the provision is discounted using a rate that reflects the current valuation of the cost of money in relation to time. The increase in the provision related to the time elapsed is recorded in the income statement under "Net financial expenses".

When the liability relates to tangible assets (such as the dismantling and reclamation of sites), the provision is recognized as a counter-entry to the asset to which it refers and recorded in the income statement through the depreciation process.

The Notes to the financial statements provide information on significant contingent liabilities represented by:

- possible (but unlikely) obligations arising from past events whose existence will only be confirmed if one or more future events that are not entirely under the control of the company occur;
- current obligations arising from past events whose amount cannot be estimated reliably or whose fulfillment may not be onerous.

Employees benefits liabilities

Short-term benefits

Short-term employee benefits are accounted for in the income statement during the period in which they are employed.

Post-employment benefits

For Italian companies, with the introduction of Legislative Decree no. 252 of 5 December 2005, further supplemented and amended by Law no. 296 of 27 December 2006 ("2007 Financial Law"), which includes amendments to the employees benefits liabilities, each employee determines the allocation of accrued employees benefits liabilities, effective from 1 January 2007. In particular, for companies with more than 50 employees at the date the reform was introduced, the new provisions required that the employees benefits liabilities should be paid into the pension forms chosen by the employee or, if the employee opted to keep it at the company, to a treasury account at INPS. In fact, prior to this reform, the international accounting standards established the severance indemnity provision as "defined benefit plans"; instead now, the Parent Company and its domestic subsidiaries, based on information provided by the competent bodies must:

- continue to recognize the obligation for the portions accrued at 31 December 2006 in accordance with the rules of defined benefit plans defined in IAS 19; in particular, the obligation for benefits accrued by employees was assessed using actuarial assumptions at the reference date. It is recognized throughout the period the benefit accrues; the assessment of the liability is carried out by independent actuaries. All actuarial effects are recognized in equity and included in the comprehensive income statement;
- recognize the obligation for the portions maturing from 1 January 2007, due to the supplementary pension plan or the INPS Treasury fund, on the basis of the contributions due in each financial year. Contributions therefore represent the costs of the period in which they are due.

For foreign companies, similar calculations have been carried out by the actuary with reference to the laws in force in the respective countries.

Payments based on shares

In relation to stock gran plans in favor of directors and employees, a fair value measurement of the shares assigned at grant date, in accordance with IFRS 2, has been realized. The fair value is recognized in the income statements over the vesting period, as counterpart a special reserve is accounted in shareholders' equity.

Revenues and costs

Revenues are mainly generated by the three core-business in which the company operates; Distribution (activities related to the distribution of fruit and vegetables), Import & Shipping (dedicated to import, selection and maritime transport of bananas and pineapples) and the Service (assistance at customs, container maintenance, information technology, and holding coordination activities.)

Revenues from the sale of goods and services are recognized to the extent that the Group is likely to have economic benefits and their amount can be reliably determined. Revenues from sales and services are recognized upon the effective transfer of the risks and significant benefits deriving from the property, either at the time of delivery or on the basis of the various contractual specifications or the performance of the service. They are recognized net of discounts, rebates, returns and promotional fees as well as taxes directly related.

Revenue allocations for partially rendered services are recognized for the accrued amount, provided that it is possible to reliably determine the completion stage and there are no significant uncertainties about the amount and the existence of the revenue and the related costs; otherwise, they are recognized within the limits of the recoverable costs incurred.

Transactions between goods and services of a similar nature and value, as they are not representative of sales transactions, do not determine the recognition of revenues and costs.

According to IAS 18, all revenues should be valued at fair value, i.e. the current value of the amount that will be collected. Therefore, in all cases where extensions are granted to customers without interest or with interest lower than that of the market, the amount that will be collected will be discounted to obtain the actual value of the sale, whereas the difference between the current value and the amount collected is a financial income to be recognized on an accruals basis and deferred partially for extensions beyond the year.

Financial revenues are recognized on an accrual basis.

Income and expenses are recorded in accordance with the accrual principle, with the appropriate recognition, where necessary, of the related accruals and deferrals.

Contributions

Contributions are recognized when it is reasonably certain that they will be received and that all conditions for attaining them will be met. Contributions to "capital account" are recognized in the balance sheet as an adjustment to the recognition value of the asset to which they relate. Contributions in "operating account" are recognized as income and are distributed systematically in the various years as compensation of the related costs.

In order to ensure a correct economic representation, contributions are recognized in the income statement gradually, in relation to the dynamics of amortization relating to the investments made, for which the contributions are received. For the fixed assets covered by the loan, the correlation is respected each year between the cost represented by amortization and the portion of capital contribution recognized in the income statement in an amount equal to the amortization.

Financial income and expenses

Financial income includes interest on bank and postal deposits, exchange rate gains and differences and financial income deriving from the discounting of receivables related to sales deferred beyond the year. Interest income is recognized in the income statement at maturity, at the effective rate of return.

Financial expenses include interest expense on financial liabilities, calculated using the effective interest method, exchange rate losses and differences. They are also recognized in the income statement at maturity.

Dividends

Dividends received are recognized when, after the resolution of the Shareholders' Meeting is passed, the right to receive the payment is established, typically coinciding with the collection; dividends distributed by companies included in the scope of consolidation are reversed with counter-entry under "Profits/(Losses) carried forward".

Income taxes for the year

Current taxes are determined on the basis of the estimate of taxable income in accordance with the provisions in force, taking into account the applicable exemptions, tax receivables and the effects of adherence to the "tax consolidation" by the Italian companies of the Group.

Income taxes are recognized in the income statement, except when they pertain to items directly charged from or credited to an equity reserve, the tax effect of which is recognized directly as equity.

The consolidated financial statements include the allocation of deferred assets and liabilities related to temporary differences connected to the adjustments made to the financial statements of consolidated companies for adjustment to the Group's homogeneous accounting standards and to the temporary differences between the statutory results and the related taxable income.

In addition, they include deferred assets and liabilities, if any, arising from temporary deductible and taxable differences between the carrying amount of assets and liabilities and the resulting recognition for tax purposes, as well as consolidation adjustments.

Deferred tax assets are recognized in the financial statements, calculated on the basis of the tax rates applicable in the period when the deferral is realized only if their future recovery is probable.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

For Italian Companies, Law no. 208 of 28 December 2015 (2016 Stability Law) provided for the reduction of the IRES rate from 27.5% to 24% from 1 January 2017; therefore, the rate used for the calculation of deferred tax assets and liabilities is equal to the aforementioned nominal rate, plus, where applicable, the IRAP rate (3.9%).

Most Italian subsidiaries participate in the "tax consolidation" system headed by Orsero, in accordance with the option exercised by each company and confirmed by the Revenue Agency as a result of the submission of a specific request for ruling in accordance with art. 124, paragraph 5, of the TUIR Tax Code and with art. 13, paragraphs 1 and 2, of the Ministerial Decree of 9 June 2004.

Conversion criteria for foreign currency items

Costs and revenues denominated in currencies other than the Euro, as well as investments in technical fixed assets and financial investments, are accounted for using the historical changes at the dates of the related transactions.

Receivables and payables in foreign currency are initially recorded based on historical exchange rates of the related transactions, with the exchange rate differences realized at the time of collection or payment recorded in the income statement; receivables and payables in foreign currency outstanding at the end of the year are valued at 31 December. Related exchange rate gains and losses are recognized in the income statement.

Earnings per share

Earnings per share are calculated by dividing the Group's net profit for the period attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the reference period, excluding treasury shares.

To calculate diluted earnings per share, the weighted average number of outstanding shares is adjusted by assuming the conversion of all potential shares having a dilutive effect.

Use of estimates, risks and uncertainties

The preparation of the consolidated financial statements and related Notes in accordance with IAS-IFRS requires management to make estimates and assumptions that have an impact on the value of revenues, costs of assets and liabilities of the financial statements and on the disclosure of contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on experience, other relevant factors and the information available. Therefore, the actual results achieved may differ from said estimates. The estimates and assumptions may vary from one year to the next one and are therefore reviewed periodically; the effects of any changes made to them are reflected in the income statement in the period in which the estimate is reviewed if the review only concerns that period, or possibly in subsequent periods if the review concerns both the current and future periods.

The main estimates for which the use of subjective valuations by the management is most required were used, inter alia, for:

- allocations for credit risks and write-down of assets;
- the definition of the useful life of assets and related depreciation and amortization;
- allocations for provisions for environmental risks and for liabilities related to litigation of a legal and fiscal nature; in particular, the valuation processes relate both to determining the degree of probability of conditions that may entail a financial outlay and the quantification of the relevant amount;
- deferred tax assets, the recognition of which is supported by the Group's profitability prospects resulting from the expected profitability of the business plans and the forecast of composition of the "tax consolidation";
- the procedure for verifying the holding of value of intangible and tangible assets and other equity, described in the accounting standard implies - in the estimation of the value of use - the use of financial plans of the investees that are based on a set of assumptions and hypotheses about future events and actions of the administrative bodies of the investees, which will not necessarily occur. Similar estimating processes are required when reference is made to the presumable realizable value due to the uncertainty inherent in each trading.

Accounting treatment of merger the GF-Group S.p.A. – Glenalta Food S.p.A. (now Orsero S.p.A.)

As outlined in the Directors' Report, the merger of GF Group S.p.A into Glenalta Food S.p.A. (now Orsero S.p.A) took place on the13th February 2017.

The merger, although between two legal entities, does not represent for accounting purpose a "business combination" as per IFRS 3 as Glenalta Food S.p.A. ("incorporating company") was not an operating company and therefore did not represent an independent "business".

The merger, through which Glenalta Food S.p.A. incorporated GF Group S.p.A sought to accelerate the groups' growth through the listing and the injection of fresh financial resources into the company.

With the merger in fact, a share swap, by which the shareholders of GF Group S.p.A. returned their non-listed shares and received in exchange shares of the already listed Glenalta Food S.p.A., took place.

The merger of GF Group S.p.A into Glenalta Food S.p.A. was an operation through which GF Group S.p.A ("accounting acquirer") acquired from Glenalta Food S.p.A. ("accounting acquiree") its net assets and its status as a listed company.

In the consolidated financial statements, the identification of the accounting acquirer and the accounting acquiree was made on the basis of the IFRS 3 guidelines concerning reverse acquisitions. However, given that the accounting acquiree (Glenalta Food S.p.A.) is not defined as a business, the entire operation will be recognised by the accounting acquirer (GF Group S.p.A) not as a "business combination", but rather as a share-based payment, therefore IFRS 2 was applied rather than IFRS 3.

The merger has been recorded in accordance with IFRS 2 as a share-based payment operation through which through which GF Group S.p.A ("accounting acquirer") acquired, through the issue of capital instruments the net assets and the status of listed company of Glenalta Food S.p.A. (accounting acquiree).

For this reason, the consolidated financial statements are the financial statements of an "economic entity", while the separate financial statements are the financial statements of a "legal entity".

Therefore, although presented as the consolidated financial statements of the accounting acquiree (or legal parent), represents the continuation of the consolidated financial statements of the accounting acquirer (or the Orsero Group).

Consequently, the consolidated financial statements are the financial statements of an "economic entity", while the separate financial statements are the financial statements of a "legal entity".

Given the above, we underline that the comparison with 2016 is, at the consolidated level, with the financial statements of GF Group, while at a separate financial statements level, with SPAC Glenalta (now Orsero).

For details on the composition and the relative recognition value of the items concerned with the estimates, reference is made to the specifications in the Notes.

Accounting standards, amendments and IFRS interpretations applied from 1 January 2017

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group beginning 1 January 2017:

Amendment to IAS 7 "Disclosure Initiative" (published on 29 January 2016). The document aims to provide some clarification to improve disclosures on financial liabilities. In particular, the amendments require to provide an information that enables users of financial statements to understand the changes in liabilities arising from financing operations. The Group has adopted this principle by providing the related disclosure in Note 14 "Financial liabilities".

Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on 19 January 2016). The document aims to provide some clarification on the recognition of deferred tax on unrealized losses in measuring financial assets in the "available for sale" category, upon the occurrence of certain circumstances and on the estimate of taxable income for future years. The adoption of these amendments had no impact on the consolidated financial statements of the Group as the Group does not have this type of asset.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, whose application is not yet compulsory, and not adopted by the Group in advance at 31 December 2017.

On 28 May 2014 (with a supplement on 12 April 2016), the IASB published the standard IFRS 15 *"Revenue from Contracts with Customers"* which is destined to replace standards IAS 18 *"Revenue"* and IAS 11 "Construction Contracts", as well as the interpretations of IFRIC 13 *"Customer Loyalty Programmes"*, IFRIC 15 *"Agreements for the Construction of Real Estate"*, IFRIC 18 *"Transfers of Assets from Customers"* and SIC 31 *"Revenues-Barter Transactions Involving Advertising Services"*.

The standard establishes a new model of revenue recognition, which shall apply to all contracts with customers except those that fall within the scope of application of other IAS/IFRS principles such as leasing, insurance contracts and financial instruments. The fundamental steps for the recognition of revenues according to the new model are:

- identification of the contract and with the customer;

- identification of the performance obligations of the contract;
- determination of the price;
- allocation of the price to the performance obligations of the contract;
- criteria for recognition of revenues when the entity meets each performance obligation.

The standard is applicable starting from 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 “Revenue from Contracts with Customers”, were approved by the European Union on 6 November 2017. Based on the analyses performed, the directors expect that application of IFRS 15 will have an insignificant impact on the Group's business as it is focused on the sale of fruit and vegetables, which by their nature are quickly perishable. For this reason, revenue is recorded following delivery of the goods to the counterparty, with any returns quickly identified by the recipients so as to allow rapid “recognition” of revenues. Similarly, for revenues from shipping services, invoices and their related payments are very close to the time the service is rendered, thereby also in this case allowing the immediate “recognition” of revenues.

Final version of IFRS 9 “Financial Instruments” (published on 24 July 2014). The document contains the results of the IASB project designed to replace IAS 39:

- it introduces new criteria for classifying and measuring financial assets and liabilities (together with the measurement of non-substantial changes to financial liabilities);
- with reference to the impairment model, the new standard requires the estimate of losses on receivables to be made based on the model of expected losses (and not on the model of incurred losses in IAS 39) using supportable information, available without unreasonable effort or expense that include current and prospective historical data;
- It introduces a new hedge accounting model (more types of transactions eligible for hedge accounting, change in the recognition method for forward contracts and options when they are in a hedge accounting relationship, changes to the effectiveness test).

The new standard must be applied for financial statements beginning on or after 1 January 2018.

Based on the analyses performed, the adoption of this standard should not have a significant impact on the Group's accounts, and more specifically, depending on the different cases, note that:

- the new classification criteria will not have a significant effect on the recognition of trade receivables, which, as specified above, arise and are settled rather rapidly, as a rule over not more than 60 days, and for which the impairment procedures already provide for the allocation of a provision for bad debts based on the customer's effective risk, thus in line with the expected loss model indicated by the new standard.

- in terms of hedging, the Group uses simple swap transactions on interest rates (typically fixed versus variable) in place for the medium-term loan, or to hedge the USD exchange rate or, finally, to hedge the cost of bunker fuel. Given their nature, there is a perfect correlation between the hedge objective and its practical discounting, specifically aimed at setting the level of costs in advance at desired levels of profitability and margins.

IFRS 16 "Leases" (published on 13 January 2016), which is intended to replace IAS 17 "Leases", as well as the interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". It note that:

- the new standard provides a new definition for a lease and introduces a criterion based on control (right of use) of an asset to distinguish lease agreements from service agreements, identifying as determining factors: identification of the asset, the right to replace it, the right to obtain substantially all the economic benefit deriving from use of the asset, and the right to direct use of the asset underlying the agreement.
- the standard establishes a single model of recognition and evaluation of lease agreements for the lessee, which involves registration of the leased asset, also operational, in assets with financial debt counter-entry, while also providing the opportunity to not recognize as leases contracts concerning "low-value assets" and leases with a contract term equal to or less than 12 months. By contrast, the standard does not include significant changes for lessors.
- the standard is applicable as of 1 January 2019. However, earlier application is permitted only for companies that have already applied IFRS 15 "Revenue from Contracts with Customers". The directors expect that the application of IFRS 16 may have a significant impact on the amounts and the disclosure in the Group's consolidated financial statements as the standard will be applied to the numerous leasing contracts for warehouses and points of sale in fruit and vegetable markets, for which long-term leases of considerable amounts are in place. However, it is not possible to provide a reasonable estimate of the effect until the Group has completed a detailed analysis of the relevant contracts, also taking into consideration the renegotiation process with banks to recalculate the net financial position thresholds assumed in covenants.

Accounting standards, IFRS and IFRIC amendments and interpretations not yet endorsed by the European Union at 31 December 2017

At the date of reference of these notes, the EU competent authorities have not yet completed the standardization process required to adopt the accounting standards and amendments described below.

Amendment to IFRS 2 "Classification and measurement of share-based payment transactions" (published on 20 June 2016), which contains some clarifications in relation to the recognition of the effects of vesting conditions in the presence of cash-settled, share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of changes to the terms and conditions of a share-based payment, which alter their classification from cash-settled to equity-settled. The amendments are applicable starting from 1 January 2018. At the moment, directors expect that there will be no effect from this standard, since the current Stock Grant Plan, widely discussed in this report, provides for payment through the physical delivery of the Orsero shares upon completion of the 2017-2019 three-year period.

Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016 (including IFRS 1 "First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters", IAS 28 "Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice", and IFRS 12 "Disclosure of Interests in Other Entities – Clarification of the scope of the Standard") which partially integrate the pre-existing standards. Most of the amendments are applicable starting from 1 January 2018. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). The purpose of the interpretation is to provide guidelines for foreign currency transactions where non-monetary advances or prepayments are recognized in the financial statements prior to the recognition of the related asset, cost or revenue. This document provides indications on how an entity must determine the date of a transaction and, consequently, the spot rate to be used for foreign currency transactions in which payment is made or received in advance. IFRIC 22 is applicable starting from 1 January 2018. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

Amendment to IAS 40 "Transfers of Investment Property" (published on 8 December 2016). This amendment clarifies transfers of a property to or from property investment. In particular, an entity must reclassify a property to, or from, property investments only when there is evidence that there has been a change in the use of the property. This change must be attributed to a specific event that has occurred and therefore not be limited to a change of intent by an entity's management. The changes are applicable from 1 January 2018. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

On 7 June 2017, IASB published the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments". The document addresses the issue of uncertainties regarding the tax treatment to be adopted for income taxes. The document envisages that the uncertainties in determining liabilities or assets for taxes are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations, but emphasizes that the entity will have to establish whether it will be necessary to provide information on management's considerations related to the uncertainty inherent in tax accounting, in accordance with IAS 1. This new interpretation is applicable from 1 January 2019; however, earlier application is permitted. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of this interpretation.

Amendment to IFRS 9 "Prepayment Features with Negative Compensation" (published on 12 October 2017). This document specifies that instruments that provide for early repayment may comply with the "SPPI" test even if the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender. This change is applicable from 1 January 2019; however, earlier application is permitted. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017). This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associated companies and joint ventures for which the equity method is not applied. This change is applicable from 1 January 2019; however, earlier application is permitted. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

Document "Annual Improvements to IFRSs: 2015-2017 Cycle", published on 12 December 2017 (including IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements - Remeasurement of previously held interest in a joint operation", IAS 12 "Income Taxes - Income tax consequences of payments on financial instruments classified as equity", and IAS 23 "Borrowing Costs: Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation"), which implement the changes to certain standards as part of the annual improvement process. The changes are applicable from 1 January 2019; however, earlier application is permitted. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of these amendments.

Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on 11 September 2014). The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 related to the valuation of the profit or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in return for a portion in the capital of the latter. For the moment, the IASB has suspended the application of this amendment.

Consolidation principles

These consolidated financial statements include, in addition to the Parent Company's financial statements, the financial statements of the companies over which it exercises control (those financial statements approved by the respective Boards of Directors have been appropriately adjusted/reclassified in order to make them consistent with the drafting rules of the condensed annual financial statement of the Parent Company and consistent with IAS/IFRS International Accounting Standards).

Control exists when the Parent Company has the power to direct the company's significant activities and is exposed to the variability of the results obtained through the exercise of power.

Scope of consolidation

The consolidated financial statements comprise the line-by-line consolidation of the data of the Parent Company Orsero, and of the companies that operate in the following segments: Distribution, Import & Shipping, and Services. Subsidiaries are consolidated from the date on which the Group effectively acquires control and cease to be consolidated from the date on which control is transferred outside the Group.

The date of consolidation, 31 December, is that of the Parent Company Orsero and coincides with that of all the companies included in the scope of consolidation.

The scope of consolidation is specifically detailed and is accompanied by further information as required by legislation, in particular IFRS 10 and 12, in these notes.

Consolidation criteria

The consolidation method used is the line-by-line method, i.e. assets, liabilities, as well as the consolidated costs and net sales of the consolidated companies are included line by line.

The line-by-line consolidation method was used for all subsidiaries, i.e. those companies on which the Parent Company possesses the following three elements at the same time: (a) power over the company, (b) exposure, or rights, to variable returns deriving from involvement therewith, (c) ability to utilize the power to influence the amount of said variable returns.

Associates, over which Orsero exercises significant influence, or companies in which it exercises joint control over financial and operating policies, have been valued using the equity method. Profit or losses relating to the Group are recognized in the consolidated financial statements from the date on which the significant influence commences until the date on which it ends.

Any goodwill included in the value of the investment is subject to impairment testing.

If any of the Group's portion of the losses of the associate exceeds the book value of the investment in the financial statements, after the value of the investment has been canceled, the portion of the related losses is set aside to the extent that the Group has legal or implied obligations, in respect of the investee, to cover losses or, in any event, to make payments on its behalf or in relation to its scope of activity.

Companies for which the Group holds portions equal to or less than 20% of the capital, or for which no significant influence is exercised, have been recognized at the purchase or subscription cost.

The main consolidation criteria adopted when drafting the condensed consolidated half-yearly financial statements are indicated below:

a) Derecognition of investments in consolidated companies

With the use of the line-by-line consolidation method, the total amount of assets, liabilities and costs and net sales of the consolidated companies are included line by line, by allocating the equity attributable to minority shareholders that are recognized in a separate item of consolidated equity referred to as "minorities' capital and reserves", while the portion of the profit or loss for the year is recorded in the item "profit/(loss) attributable to minorities".

With the line-by-line consolidation, the book value of the equity investments held by the Parent Company and/or other companies of the Group is eliminated against the corresponding portion of shareholders' equity of the subsidiaries, assuming for the individual elements of assets and liabilities the current value at the date of acquisition of control.

The positive difference between the carrying amount of the consolidated equity investments and the corresponding equity is attributed to the asset item "goodwill"; if instead the difference is negative, it is recognized in the income statement as required by IFRS 3.

The residual difference is recognized in such a way that the consolidated financial statements present:

- the share capital, legal reserve and share surplus, if any, of the Parent Company;

- other specific reserves (i.e. conversion reserve, severance indemnity discounting reserve, etc.) also at the level of the consolidated financial statements;
- profits and/or losses carried forward, representing the reserves of undivided profits and losses of the subsidiaries, modified where appropriate, to reflect consolidation adjustments.

With the equity method, the carrying amount of the investment is adjusted yearly to the pro-rata value of the equity of the investee, modified for any consolidation adjustments, recording the positive and/or negative result achieved in the income statement.

(b) Derecognition of intra-group relations

Within the consolidation process, the following are systematically identified and eliminated:

- receivables and payables outstanding at the reporting date between the companies consolidated with the line-by-line method;
- income and expense deriving from the transactions carried out between Group companies consolidated using the line-by-line method;
- dividends received from companies consolidated with the line-by-line and equity method;
- write-downs of equity investments accounted for in the financial statements.

Gains arising from consolidated transactions, if significant, that have not been realized through transactions with third parties, are derecognized.

The elimination of inter-company items also includes any debits or credits of Italian consolidated subsidiaries with respect to the Parent Company as regards Corporate Income Tax (IRES). It should be noted that the Parent Company, together with most of the Italian companies, has adhered to the Group taxation scheme as provided by arts. 117-129 of the TUIR Tax Code. This option was confirmed by the Revenue Agency following the submission of a specific request for ruling in accordance with art. 124, paragraph 5, of the TUIR Tax Code and with art. 13, paragraphs 1 and 2, of the Ministerial Decree of 9 June 2004.

(c) Conversion of financial statements in currencies other than Euro

The consolidated financial statements of Orsero are prepared in Euro as it represents the functional currency of the Parent Company Orsero and of all the companies included in the scope of consolidation, with the exception of:

- the Argentina-based company Rost Fruit S.A.;
- the Costa Rica-based companies Simbarica S.r.l. and Cosiarma Costa Rica S.r.l.;
- the Colombia-based company Simbacol S.A.S.;
- the Chile-based company Hermanos Fernández Chile s.a.
- the Mexico-based companies Comercializadora de Frutas S.A.C.V. and Productores Aguacate Jalisco S.A.C.V.

The individual financial statements of each company belonging to the Group are prepared in the currency of the primary economic context in which it operates (functional currency). The conversion of the items of financial statements denominated in currencies other than the Euro is carried out applying current exchange rates at the end of the year. The income statement items are instead converted at average exchange rates of the year. Exchange rate conversion differences resulting from the comparison of the initial equity converted at current exchange rates and the same converted at historical exchange rates, are recognized under equity item "Conversion reserve".

For the financial statements of companies valued using the equity method expressed in a currency other than the presentation currency (Euro), the exchange rate at the end of the year was applied to the individual items of the balance sheet. Exchange rate differences arising from the conversion of the items of initial equity at current exchange rates at year-end, compared to those at the end of the previous year, are recognized directly in consolidated equity.

The exchange rates used for the conversion into Euro of the financial statements of foreign subsidiaries, prepared in local currency, are shown in the following table:

	31/12/2017	Year 2017	31/12/2016	Year 2016
US Dollar	1,1993	1,1293	1,05410	1,10690
Peso Argentina	22,931	18,7260	16,7488	16,3420
Colon Costa Rica	682,845	640,871	580,809	601,952
Peso Colombia	3.580,19	333,84	3.169,49	3.376,93
Peso Messico	737,29	732,19	21,7719	20,6673

List of Group companies

Below are the lists of companies consolidated using the line-by-line method, as they are directly or indirectly controlled, of those valued using the equity method and those valued at cost.

List of companies consolidated on a line-by-line basis

Name	Head office	Investment percentage			Share capital	
		Direct	Indirect	Interest held by		
AZ France S.A.	Cavaillon (France) - 56, Avenue JP Boitelet		100,00%	GF Distribuzione S.r.l.	3.360.000	€
Bella Frutta S.A.	Atene (Greece) - 6 Troizinias Street		99,82%	GF Distribuzione S.r.l.	1.756.800	€
Comercializadora de Frutas S.A.C.V.	Tinguindin (Mexico) - Carretera Zamora-Los Reyes km. 37,5		100,00%	AZ France S.A.	3.299.376	pesos
Cosiarma S.p.A.	Genova (Italy) - via Operai 20	100,00%			2.600.000	€
Cosiarma Costa Rica S.r.l.	San Jose de Costa Rica - Oficientro Ejecutico La Sabana Edificio torre 1		100,00%	Cosiarma S.p.A.	10.000	colones
Cultifruit S.A.	Barcelona (Spain) - MERCABARNA, Calle Longitudinal 7, 83		66,66%	Orsero S.p.A., Hermanos Fernández López S.A.	3.000.000	€
Eurofrutas S.A.	Alverca (Portugal) - Estrada principal Casal das Areias 205		100,00%	GF Distribuzione S.r.l.	217.000	€
Eurorticolas LDA	Gradil (Portugal) - Quinta dos Besteiros		100,00%	Eurofrutas S.A.	150.000	€
Fresco Ships' A&F S.r.l.	Bergeggi (Italy) - Banchina R. Orsero Porto Vado		100,00%	GF Porterm S.r.l.	258.000	€
Fruttital S.r.l.	Milano (Italy) - via C. Lombroso, 54		100,00%	GF Distribuzione S.r.l.	5.000.000	€
Fruttital Espana S.A.	Barcelona (Spain) - MERCABARNA, Calle Longitudinal		100,00%	Hermanos Fernández López S.A.	84.142	€
Fruttital Firenze S.p.A.	Firenze (Italy) - Via S. Allende 19 G1		100,00%	GF Distribuzione S.r.l.	300.000	€
Galandi S.p.A.	Firenze (Italy) - Via S. Allende 19 G1		100,00%	GF Distribuzione S.r.l.	500.000	€
GFB S.r.l.	Milano (Italy) - via Fantoli 6	100,00%			10.000	€
GF Distribuzione S.r.l.	Milano (Italy) - via Fantoli 6	100,00%			20.000.000	€
GF Porterm S.r.l.	Milano (Italy) - via Fantoli 6	100,00%			2.000.000	€
GF Produzione S.r.l.	Milano (Italy) - via Fantoli 6	100,00%			100.000	€
GF Servizi S.r.l.	Milano (Italy) - via Fantoli 6	100,00%			100.000	€
GF Solventa S.L.	Barcelona (Spain) - MERCABARNA, Calle Longitudinal		99,96%	Hermanos Fernández López S.A.	50.000	€
GF Trasporti S.r.l.	Milano (Italy) - via Fantoli 6	100,00%			100.000	€
Hermanos Fernández López S.A.	Barcelona (Spain) - MERCABARNA, Calle Longitudinal 7, 83		100,00%	GF Distribuzione S.r.l., Orsero S.p.A.	258.911	€
Hermanos Fernández Chile S.p.A.	Las Condes (Chile) - Avenida Vitacura 2909		100,00%	Hermanos Fernández López S.A.	108.000	€
Isa Platanos S.A.	Tenerife (Spain) - Carretera TF-217		100,00%	Hermanos Fernández López S.A.	641.430	€
Kiwisol LDA	Folgosa (Portugal) - Rua de Santo Ovidio 21		93,90%	Eurofrutas S.A.	523.738	€
M.a.p. Servizi Generali S.r.l.	Firenze (Italy) - Via S. Allende 19 G1		70,00%	Galandi S.p.A., Fruttital Firenze S.p.A.	50.000	€
Productores Aguacate Jalisco S.A.C.V.	Ciudad Guzman (Mexico) - Constitucion 501 Centro C.P. 49000		70,00%	Comercializadora de Frutas S.A.C.V.	12.646.666	pesos
R.O.S.T. Fruit S.A.	Buenos Aires (Argentina) - Corrientes 330 - 6° 612		100,00%	GF Distribuzione S.r.l., GF Produzione S.r.l.	24.096.320	pesos
Simba S.p.A.	Milano (Italy) - via Fantoli 6		100,00%	GF Distribuzione S.r.l.	3.100.000	€
Simbacol S.A.S.	Medellin (Colombia) - Carr. 434 n. 1-50 Torre 1 Of. 453 S.Fernando Pl.		100,00%	Simba S.p.A.	50.172.500	pesos
Simbarica S.r.l.	San Jose de Costa Rica - Oficientro Ejecutico La Sabana Edificio torre 1		100,00%	Simba S.p.A.	1.000	colones
Siter Trasporti S.r.l. (in liquidazione)	Milano (Italy) - via Fantoli 6	85,00%			260.000	€
Solfrutas LDA	Lisbona (Portugal) - MARL Lisboa, Pav. A05 , box 022		100,00%	Eurofrutas S.A.	339.182	€
Tropical Frutas LDA	Matosinhos (Portugal) - Rua D. Marcos da Cruz 1673		100,00%	Eurofrutas S.A.	250.000	€
Vado Container Services S.r.l.	Genova (Italy) - via Operai 20		100,00%	GF Porterm S.r.l.	10.000	€

List of companies consolidated using the equity method

Name	Head office	Investment percentage			Share capital	
		Direct	Indirect	Interest held by		
Fruport Tarragona S.L.	Muelle Reus Tarragona (Spain)		49,00%	GF Porterm S.r.l.	82.473	€
Moncada Frutta S.r.l.	Ispica (Italy) - Contrada Salmeci SN		50,00%	GF Distribuzione S.r.l.	100.000	€
Fruttital Cagliari S.r.l.	Sestu(Italy)-Strada provinciale 2KM Mercato agroalimentare della		25,00%	Galandi S.p.A.	39.000	€
Herdade Dona Joana LTDA	Lisbona (Portugal)- Rua Abranches Ferrao n.10-11 G		33,00%	Cultifruit S.A.	9.675.000	€
Fruti Medi Societade Agricola LTDA	Elvas (Portugal)-Avenida de Badajoz		33,33%	Cultifruit S.A.	1.910.000	€
Simba Spain S.L.	Barcelona (Spain) - Calle F 30-32 Sector C zona franca Mercabarna		50,00%	Simba S.p.A.	10.000	€

Note that the associates listed above are measured using the equity method.

List of companies consolidated with the cost method

List of companies consolidated with the cost method

Name	Head office	Investment percentage			Share capital	
		Direct	Indirect	Interest held by		
Fruttital Sicilia Srl	Santa Maria di Licodia (Italy) - Strada Cavaliere Bosco 58		50,10%	GF Distribuzione S.r.l.	100.000	€
Irrigar S.A.	Buenos Aires (Argentina) - Tucuman 117		99,92%	ROST Fruit S.A.	12.000	pesos

Name	Head office	Investment percentage			Share capital	
		Direct	Indirect	Interest held by		
Citrumed S.A.	Bouargoub (Tunisia) Borj Hfaïedh - 8040		50,00%	AZ France S.A.	1.081.000	dinari
Decofruit Bcn S.L.	Barcellona (Spain) - Sicilia 410		40,00%	Hermanos Fernández López S.A.	20.000	€
Natural Juice S.A.	Villa Regina (Argentina) Sarminto n° 183 PB		40,00%	ROST Fruit S.A.	8.000.000	pesos

The subsidiaries and associates in the table above are inactive or with strictly marginal levels of business activity in relation to the Group's size.

Scope of consolidation as at 31 December 2017 and changes that occurred subsequently

With regard to the changes that occurred during the year, note that after 30 June 2017 agreements were signed that gave the Group full ownership of the Tuscan companies Fruttital Firenze S.p.A. and Galandi S.p.A. and the Spanish company Hermanos Fernández López S.A., all of which had already been 50% owned since the early 2000s, with a total investment of Euro 33,843 thousand. As reported in the disclosure published at the time, a significant portion - Euro 13 million - of the price of the acquisition of the Spanish company was paid through the issue of 1,000,000 new Orsero S.p.A. shares, a concrete manifestation of the confidence placed in the Group's future by our Spanish partner.

In accordance with IAS-IFRS standards, according to which line-by-line consolidation of acquired companies begins only after control is obtained, thus from 1 July 2017, these companies are associates through 30 June 2017 and were consolidated using the equity method.

On 13 December 2017, FIF Holding S.p.A. exercised the option to purchase 50% of Desarollo Bananero Acorsa S.A., held by the Parent Company through its wholly owned subsidiary, GF Produzione S.r.l. The transfer of the investment was finalized with the payment of the Call Option amount by FIF Holding S.p.A. to the subholding, for an amount equal to the value of the Acorsa investment recognized in the financial statements of GF Produzione S.r.l., or Euro 20,160,284.

Finally, on 14 June 2017, the merger by incorporation of Nuova Banfrutta S.r.l. into Fruttital S.r.l. was concluded through the cancellation of the share capital of the absorbed company by the absorbing company. For accounting purposes, transactions carried out by the absorbed company Nuova Banfrutta S.r.l. are recognized in the financial statements of the absorbing company Fruttital S.r.l. as of 1 January 2017, and from the same date, the fiscal effects of the merger also apply. This transaction did not result in any changes to the scope of consolidation.

Business combinations

Business combinations are recognized in compliance with IFRS 3 according to the "acquisition method", which entail the recognition in the consolidated financial statements of assets and liabilities of the combined company as if they had been individually acquired. The consideration paid in a business combination is measured at fair value, determined as the sum of the fair values at the acquisition date, of the assets transferred by the acquiring company to the former shareholders of the acquired company, of the liabilities incurred by the acquiring company for these assets, and equity interests issued by the acquiring company. The costs related to the acquisition are recorded as expenses in the periods in which they are incurred.

In the event of business combinations that occur in stages, the investment previously held by the Group in the acquired company is restated at fair value on the date control is acquired, and any resulting profit or loss is recognized in the income statement.

Goodwill is recognized on date the Group assumes control of the acquired entity and is measured as the difference between the sum of:

- the consideration paid, the amount of any minority equity interests in the acquired company valued in compliance with the rules envisaged in IFRS 3 (fair value of the pro-rata amount of net assets attributable to minority interests) in a

business combination carried out in several stages, the fair value at the acquisition date of the equity interests previously held by the acquiring company;
- the net value, at the acquisition date, of the identifiable assets acquired and the liabilities assumed, measured at fair value.

If the fair value of the net identifiable asset acquired is greater than the consideration paid, the resulting difference is recognized in the income statement on the acquisition date, after verifying if the fair value of the acquired assets and liabilities is correct. The profit is attributed to the acquiring company.

If, at the end of the year in which the business combination took place, the initial recognition of a business combination is incomplete, it must be recognized using provisional values. Adjustments to the provisional values recorded at the acquisition date are recognized retroactively to reflect the new information obtained on the facts and circumstances at the acquisition date that, if known, would have affected the measurement of the amounts recognized on that date. The measurement period lasts for 12 months from the acquisition date.

After the initial recognition, goodwill is measured at cost net accumulated amortization and write-downs.

The methodological process used for the first line-by-line consolidation of the acquired companies as required by the reference accounting standards is provided below.

The acquisitions were recorded in compliance with IFRS 3 on the business combinations that envisage conformity in the phases provided for in applying the acquisition method:

- determination of the date control is acquired,
- determination of the total consideration for the acquisition,
- recognition and measurement of the identifiable assets acquired, liabilities assumed, and any non-controlling interests in the acquisition,
- recognition and measurement of goodwill and profit generated by an acquisition at favorable prices,
- definition of the cash-generating units and allocation of goodwill,
- definition of the measurement period, determination of elements included in the business combination transaction, including ancillary costs to the acquisition.

Acquisition of Fruttital Firenze S.p.A. and Galandi S.p.A.

At the beginning of July, the sub-holding GF Distribuzione S.r.l. acquired from Framafruit S.p.A. the remaining 50% of share capital of Fruttital Firenze S.p.A., and from Pi.Da S.p.A. the remaining 50% of share capital of Galandi S.p.A. Fruttital Firenze S.p.A. and Galandi S.p.A. are companies operating in the distribution of fruit and vegetable products and related business activities, and until 30 June 2017, were managed by their respective joint boards of directors of the two shareholders, according to which the management was the responsibility of the directors and managers of the selling companies, which were classified as associate investments.

Orsero Group has been a shareholder of Fruttital Firenze S.p.A. and Galandi S.p.A. since 2001, with a stake of 50%. Following the transaction described above, the companies are 100% owned by the Group and consolidated on a line-by-line basis, effective from 1 July. The two entities acquired represent a single business, from the economic and strategic point of view, as they are located in the same distribution center and are complementary in terms of operations: Fruttital Firenze S.p.A. is dedicated to banana ripening and the packaging and preparation of fresh fruit, with a specific focus on Mass Distribution (GDO). Galandi S.p.A. is a company that has been operating in Tuscany for 70 years and has a vast product portfolio, with a high proportion of vegetables and a focus on traditional retail.

Consideration paid

The following table summarizes the fair value at the acquisition date of the principal components of the consideration paid:

Thousands of euro	Fruttital Firenze S.p.A.	Galandi S.p.A.
Cash and cash equivalent	11.433	2.944
Contingent consideration	-	466
The consideration transferred	**11.433**	**3.410**

The consideration for the acquisition of Fruttital Firenze S.p.A. amounted to Euro 11,433 thousand, paid entirely with cash and cash equivalents.

The consideration for the acquisition of Galandi S.p.A. amounted to Euro 3,410 thousand, of which Euro 2,944 thousand was paid with cash and cash equivalents. The Group agreed to pay the former shareholders of Galandi S.p.A. a contingent consideration of Euro 466 thousand, related to, on one hand, the "earn-out" clause that provides for an additional payment of Euro 223 thousand linked to a series of factors including the achievement of a certain level of profitability, and on the other, Euro 243 thousand that must be paid to the former shareholders following the sale of land belonging to Galandi S.p.A. As at 31 December 2017, the fair value of the contingent consideration related to these assumptions is estimated at Euro 466 thousand.

Ancillary costs to the acquisition

Costs incurred to complete the acquisition of Fruttital Firenze S.p.A. and Galandi S.p.A. were Euro 33 thousand and Euro 9 thousand, respectively, and related to notary fees and indirect taxes. These costs have been included in the income statement for the current year under the item "Other incomes and expenses".

Identifiable acquired assets and assumed liabilities

The amounts recognized for the assets acquired and liabilities assumed at the acquisition date are summarized below:

Thousands of euro	Fruttital Firenze S.p.A.	Galandi S.p.A.
Other intangible assets	2	
Tangible assets	1.123	572
Financial investments	300	1.966
Other fixed assets	119	483
Deferred tax assets	110	180
Inventories	878	132
Trade receivables	5.904	4.473
Current tax receivables	1.236	210
Other current assets	526	36
Cash and cash equivalent	4.079	4.662
Provisions for risks and charges	(19)	(338)
Employees benefits liabilities	(802)	(650)
Financial liabilities	(174)	-
Trade payables	(7.423)	(6.408)
Current tax and social security contributions liabilities	(133)	(338)
Other current liabilities	(159)	(153)
The identifiable assets acquired and liabilities assumed	**5.565**	**4.827**

Fair value measurement of identifiable acquired assets and assumed liabilities

The measurement techniques used to determine the fair value of the principal assets acquired are described below.

In particular, for Fruttital Firenze S.p.A.:

Tangible assets

The value was determined based on the book value at the acquisition date, as it was considered to be representative of market prices of similar items, if available, and replacement costs, if appropriate. The estimate of amortized replacement costs reflects the adjustments for physical deterioration and economic and functional obsolescence. The tangible assets consist of refrigeration systems, photovoltaic plants, units for bananas, and production machinery.

Financial Investments

This item refers to an investment in an associated company, but mostly the classified minority interests in other companies whose fair value is approximated by cost.

Trade receivables

This item is related to the sale of fruit and vegetables, which include contractual amounts excluding any write-downs, for Euro 5,904 thousand.

Inventories

The fair value of inventories is calculated based on the estimated selling price under normal operating conditions, net of the estimated costs for completion as well as the estimated sales costs.

Current tax receivables

This item refers to receivables from tax authorities mainly linked to value-added tax.

Trade payables

This item relates to the purchase of fruit and vegetables.

In particular, for Galandi S.p.A.:

Tangible assets

The value was determined based on the book value at the acquisition date, as it was considered to be representative of market prices of similar items, if available, and replacement costs, if appropriate. The estimate of amortized replacement costs reflects the adjustments for physical deterioration and economic and functional obsolescence. Tangible assets consist of property, weighing plants, and equipment for carrying out the core business.

Financial investments

This item refers to two investments in associated companies, but mostly the classified minority interests in other companies whose fair value is approximated by cost. Note that the fair value of investments includes an adjustment to the book value at the acquisition date of Euro 314 thousand, relating to an upward adjustment of 25% for the value of Fruttital Cagliari S.r.l., recognized according to the equity method as at 1 July 2017.

Trade receivables

These were related to the sale of fruit and vegetables, which include contractual amounts excluding any write-downs, for Euro 4,473 thousand.

Inventories

The fair value of inventories is calculated based on the estimated selling price under normal operating conditions, net of the estimated costs for completion as well as the estimated sales costs.

Trade payables

This item relates to the purchase of fruit and vegetables.

Goodwill

The goodwill generated from the acquisition was recognized as shown in the following table:

Thousands of euro	Fruttital Firenze S.p.A.	Galandi S.p.A.
Total purchase price	11.433	3.410
Fair value of previous financial investments held	11.433	3.410
Fair value of t he identifiable assets acquired and liabilities assumed	(5.565)	(4.827)
Goodwill	**17.301**	**1.993**

The goodwill generated from the acquisition mainly refers to the technical and commercial skills and experience of the personnel and additional synergies expected to be obtained from integrating the companies acquired in the Orsero Group distribution segment. The goodwill recognized in financial statements is not deductible for income tax purposes.

The restatement at fair value of the 50% stake previously held by the Group in the two companies generated a net profit of Euro 9,671 thousand, equivalent to the difference between the fair value of the previous investment held in the two companies (Euro 14,843 thousand) and the book value of the investments recognized according to the equity method at the acquisition date (Euro 5,172 thousand). This amount was recorded under the item “Equity/financial result”.

In terms of net financial position, the acquisition of the two companies had a net effect on the consolidation of Euro 6,277 thousand, due to the difference between the cash outlay of Euro 14,843 thousand to purchase 50% of the shares of the two companies and the cash and cash equivalents balance of the companies for Euro 8,566 thousand.

Acquisition of Hermanos Fernández López S.A.

At the beginning of July, an agreement was signed between the Parent Company Orsero S.p.A. and Grupo Fernández López S.A. regarding the acquisition of the remaining 50% of the share capital of Hermanos Fernández López S.A. for a consideration of Euro 19,000 thousand.

Consideration paid

The following table summarizes the fair value at the acquisition date of the principal components of the consideration paid:

Thousands of euro	Hermanos Fernández López Group
Cash and cash equivalent	6.000
Equity instruments (n.1000 ordinary shares)	13.000
The consideration transferred	**19.000**

The transaction was structured as described below:

- the sub-holding GF Distribuzione S.r.l. purchased 1,360 shares from Grupo Fernández López S.A., representing 15.79% of the company's share capital for a cash consideration of Euro 6,000 thousand. Following this acquisition, the sub-holding owned 65.79% of the share capital of Hermanos Fernández López S.A.;
- contribution in kind to Orsero of 2,948 shares, representing 34.21% of share capital, against the issue of 1,000,000 new Orsero ordinary shares reserved in subscription to Grupo Fernández López S.A., pursuant to art. 2441, paragraph 4 of the Italian Civil Code, which represented 6.45% of the Company's share capital as a result of the transfer and 5.65% of the fully diluted share capital. The subscription price of each new Orsero ordinary share is Euro 13 resulting in a total amount of Euro 13,000 thousand.

Beginning from the early 2000s, Orsero Group has strengthened its partnership with Grupo Fernández López through the purchase of a 50% stake in Hermanos Fernández López S.A. through the sub-holding GF Distribuzione S.r.l. The associated company acquired was established in the 1960s in Barcelona, as a family-run group dedicated to the distribution of fruit and vegetables. Starting in 1980, the company began a process of considerable growth in the main Spanish wholesale markets. Currently it distributes an extensive portfolio of fruit and vegetable products through a commercial network comprised of 4 banana-ripening centers, 3 main logistics platforms (Barcelona, Madrid and Alicante) and 33 sale stands at 7 general wholesale markets. In the Spanish fruit and vegetable distribution market, Hermanos Fernández López S.A. is considered the second largest operator in terms of revenues.

Effective 1° July, Hermanos Fernández López S.A. and its subsidiaries became wholly owned subsidiaries of the Orsero Group and therefore have been fully consolidated on a line-by-line basis since that date.

Ancillary costs to the acquisition

The costs incurred to complete the transaction, equal to Euro 54 thousand, related to legal fees and notary fees, were excluded from the consideration transferred and were charged to the income statement for the current year under the item "Other incomes and expenses". Moreover, Euro 154 thousand of costs were incurred for the issue of new shares for Grupo Fernández López, treated as a direct reduction of equity.

Identifiable acquired assets and assumed liabilities

The amounts recognized for the assets acquired and liabilities assumed from Hermanos Fernández López Group at the acquisition date are summarized below:

Thousands of euro	Hermanos Fernández López Group
Other intangible assets	1.374
Tangible assets	21.926
Financial investments	401
Other fixed assets	550
Deferred tax assets	567
Inventories	6.965
Trade receivables	24.480
Current tax receivables	494
Other current assets	1.142
Cash and cash equivalent	2.294
Deferred tax liabilities	(2.112)
Provisions for risks and charges	(120)
Employees benefits liabilities	(994)
Financial liabilities	(7.295)
Trade payables	(18.392)
Current tax and social security contributions liabilities	(2.073)
Other current liabilities	(1.184)
The identifiable assets acquired and liabilities assumed	**28.022**

Fair value measurement of identifiable acquired assets and assumed liabilities

The measurement techniques used to determine the fair value of the principal assets acquired are described below.

Intangible assets

Intangible assets are composed primarily of patent rights and concessions for points of sale and warehouses in public markets, whose fair value is approximated by the book value at the acquisition date.

Tangible assets

The value of buildings was estimated based on market values of warehouses, while plants and other assets were estimated using the book value, as it was considered to be representative of market prices of similar items, if available, and replacement costs, if appropriate. The estimate of amortized replacement costs reflects the adjustments for physical deterioration and economic and functional obsolescence. Tangible assets consist of land, buildings in which the offices and inventories are located, refrigeration systems, and banana-ripening systems.

Investments

This item refers to an investment in an associated company, but mostly to the classified minority interests in other companies whose fair value is approximated by cost.

Trade receivables

These were related to the sale of fruit and vegetables, which include contractual amounts excluding any write-downs, for Euro 24,480 thousand.

Inventories

The fair value of inventories is calculated based on the estimated selling price under normal operating conditions, net of the estimated costs for completion as well as the estimated sales costs.

Provisions for risks and charges

This item is related mainly to provisions for ongoing disputes with personnel. The fair value of these liabilities was estimated by company management based on the possible outcomes of litigation.

Financial liabilities

This item refers to five outstanding loans, one of which expired on 15 October 2017, as well as finance leases and bank overdrafts whose fair value at the acquisition date is approximated by their nominal values.

Trade payables

This item relates to the purchase of fruit and vegetables.

Goodwill

The goodwill generated from the acquisition was recognized as shown in the following table:

Thousands of euro	**Hermanos Fernández López Group**
Total purchase price	19.000
Fair value of previous financial investment held	19.000
Fair value of the identifiable assets acquired and liabilities assumed	(28.022)
Goodwill	**9.978**

The goodwill generated from the acquisition mainly refers to the technical and commercial skills and experience of the personnel and additional synergies expected to be obtained from integrating the companies acquired in the Orsero Group distribution segment. The goodwill recognized in financial statements is not deductible for income tax purposes.

The restatement at fair value of the 50% stake previously held by the Group in the company generated a net profit of Euro 7,811 thousand, equivalent to the difference between the fair value of the previous investment in the company (Euro 19,000 thousand) and the book value of the investments recognized according to the equity method at the acquisition date (Euro 10,189 thousand), net of the recovery of the dividend resolved by Fernández and paid to the Group. This amount was recorded under the item "Equity/financial result".

In terms of net financial position, the acquisition in question had a net effect of Euro 12,000 thousand, due to the difference between the cash outlay of Euro 6,000 thousand to purchase 50% shares of the company, net of the subscription to the share capital increase in Orsero S.p.A. for Euro 13,000 thousand, and the net debt position of the company for Euro 6,000 thousand.

With regard to the information required by IFRS 3, in order to represent the situation in an easily understood manner, the Company prepared pro-forma consolidated financial statements, which were amply discussed in the single Report on Operations. The pro-forma consolidated financial statements incorporate the financial results of the acquired companies from 1 January 2017, which also provides the appropriate comparability with the data for 2018.

Following the above transaction, the corporate structure (in a summary version, but more representative) is more streamlined and direct as shown below:

Impairment test

IAS 36 specifies that at the end of each reporting period an entity shall assess whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. In assessing whether the aforesaid indication exists, the Group shall consider the presence of any "impairment indicators", as required by paragraph 12 of IAS 36. An impairment loss shall be recognized in the income statement when the book value of an asset or cash-generating unit exceeds its recoverable amount.

The book values of the Company's assets are in any case measured at the reference date of the annual financial statements. Intangible assets with an indefinite useful life are tested at least annually and every time there is an indication of a possible impairment to determine whether impairment exists.

The Group tested the book value of net invested capital at 31 December 2017, defining the individual companies operating in the "Import & Shipping" segment as cash-generating units, while the "Distribution" segment was aggregated based on the country in which the companies were located.

The recoverable amount of these cash-generating units is defined as the value of use, i.e. the sum of the discounted future cash flows and the terminal value that the individual companies will be able to generate according to management estimates, net of the net financial position.

For discounting, the post-tax WACC is used as the discount rate, which takes into account the specific risks of the asset and reflects current market valuations of the cost of money. It is based on weighting the cost of debt and the cost of equity, calculated based on the values of companies comparable to those belonging to the Group and subject to impairment as they operate in the same business segment.

The values of the WACC thus determined are equal to:

- 8.76% for Italian companies in the Distribution segment and Simba S.p.A.
- 7.73% for Az France S.A.;
- 9.58% for Eurofrutas S.A.;
- 11.80% for Bella Frutta S.A.;
- 8.35% for Hermanos Fernández López S.A.;
- 8.27% for Cosiarma S.p.A.

The terminal value is calculated with the perpetual annuity formula, and determined as the ratio between the normalized flow (NOPAT) and the discount rate. In making this calculation, a 1% nominal growth rate ("g") was considered, in line with the growth outlook expected by management for the years beyond the industry plan horizon and the reference countries.

With reference to Cosiarma S.p.A., instead of the perpetual annuity, a horizon through 2024 was used, in consideration of the useful life of ships.

Losses recognized in the income statement, with the exception of goodwill, are written back if there is a change in the valuations used to determine the recoverable value. A write-back is recognized in the income statement by adjusting the carrying amount of the asset to its recoverable value. The latter may not exceed the value that would have been determined net of amortisation and depreciation, if no impairment of the asset had been recognized in the previous years.

Regarding figures at 31 December 2017, impairment testing resulted in only one write-down of the investment in Simba S.p.A. for Euro 3,000 thousand in the statutory financial statements of the sub-holding GF Distribuzione S.r.l., while at consolidated level it had a neutral impact as all the values calculated in the test were higher than the respective accounting values of equity including goodwill, where applicable.

NOTES - DISCLOSURES ON THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT

This chapter provides useful information to explain the most significant changes compared to the previous year in the items of the financial statements, indicating any possible effects of changes in the scope of consolidation, where appropriate.

NOTE 1. Goodwill

Goodwill was recorded for Euro 33,103 thousand (Euro 3,834 thousand at 31 December 2016).

Thousands of euro	Goodwill
Carrying amount at December 31, 2015	**7.460**
Change of year:	
Investments	-
Disposal	-
Reclassification	-
Impairment losses	-
Changes of consolidated companies	(3.626)
Translation differences	-
Reclassification IFRS 5	-
Carrying amount at December 31, 2016	**3.834**
Change of year:	
Investments	29.270
Disposal	-
Reclassification	(1)
Impairment losses	-
Changes of consolidated companies	-
Translation differences	-
Reclassification IFRS 5	-
Carrying amount at December 31, 2017	**33.103**

The item shows the amount paid by the Group over the book value of the company's business units and/or equity of the companies acquired and subsequently incorporated. The residual value of the item in question is verified at least annually or if specific events or circumstances that may indicate an impairment occur, by analyzing the profitability of the acquired business units using impairment tests.

Goodwill at 31 December 2017 refers:

- Euro 720 thousand for Nuova Banfrutta S.r.l. (company merged by incorporation in Fruttital S.r.l., effective 1 January 2017): specifically, this value derives mainly from the acquisition of Ferfrutta S.r.l.;
- Euro 171 thousand for Az France S.A.;
- Euro 128 thousand for Eurofrutas S.A.: this value derives from the acquisition of Tropical Frutas in 2009;

- differences in consolidation for the acquisitions of Eurofrutas S.A. and Nuova Banfrutta S.r.l. (company merged by incorporation in Fruttital S.r.l. with notary deed dated 14 June 2017 but effective from 1 January 2017). The acquisition of the former refers to the 50% recorded in 2013 and with residual value at 31 December 2017 equal to Euro 1,440 thousand, while the latter was acquired in 2010 and has a residual value of Euro 1,375 thousand.
- Euro 9,978 thousand for Hermanos Fernández López S.A.: this value results from the acquisition of the remaining 50% which took place during the year, as described in detail in the section “Business Combinations”;
- Euro 1,993 thousand for Galandi S.p.A.: this value results from the acquisition of the remaining 50% which took place during the year, as described in detail in the section “Business Combinations”;
- Euro 17,300 thousand for Fruttital Firenze S.p.A.: this value results from the acquisition of the remaining 50% which took place during the year, as described in detail in the section “Business Combinations”.

Note that, as discussed in the section "Business Combinations”, the increase in Goodwill of Euro 29,270 thousand is associated with the higher price paid on the acquisitions compared to the fair value of the acquired assets and liabilities. The analyses performed verified that, with the exception of the inventories owned by the Fernandez S.A., the book values were sufficiently representative of the fair value of the assets and liabilities acquired and therefore the higher price paid reflects the profit potential of the acquired businesses as a whole. In fact, for commercial companies such as ours, which are essentially characterized by trading activities that do not require considerable investments in plants, it would appear difficult or even misleading to identify “intangible” values that met the requirement of transferability and/or a value in itself that is independent of the rest of the business as a whole. In the absence of identifiable and recognized brands, plant equipment and unique manufacturing processes, and a customer base that could somehow be qualified as “proprietary”, the higher price paid refers precisely to the income-generating capacity achievable by the company as a whole.

Pursuant to IAS 36, the result of the impairment testing, conducted using the information available to date and reasonable estimates of the evolution of the invested capital, demonstrated that the values of the main companies mentioned above were consistent with the respective book values, and consequently, with the accounting value of equity used in the consolidation, thus no write-downs in the consolidated financial statements were required.

The sensitivity analysis carried out based on the assumption of a reduction in value of Adjusted EBITDA of 10% did not give rise to any issues regarding the consistency of book values.

The above analyses confirm the sensitivity of valuations of recoverability of non-current assets to the change in the variables used; in this context, the directors will systematically monitor the trend of the variables used and not controllable for any adjustments to the recoverability estimates of the recognition values of non-current assets in the consolidated financial statements.

NOTE 2. Other intangible assets

Thousands of euro	Intellectual property rights	Concessions, licenses and trademarks	Assets in progress and advances	Other intangible assets	Total
Carrying amount	1.068	3.164	-	1.346	5.578
Accumulated amortization	(836)	(2.675)	-	(1.274)	(4.785)
Carrying amount at December 31, 2015	**232**	**489**	**212**	**72**	**793**
Change of year:					
Investments	415	5.223	212	29	5.879
Disposal - Carrying amount	-	(145)	-	-	(145)
Disposal - accumulated amortization	-	81	-	-	81
Reclassification - carrying amount	-	-	-	(182)	(182)
Reclassification - accumulated amortization	-	-	-	182	182
Impairment losses	-	-	-	-	-
Changes of consolidated companies - Carrying amount	(287)	-	-	-	(287)
Changes of consolidated companies - accumulated amortization	280	-	-	-	280
Translation differences - carrying amount	-	-	-	-	-
Translation differences - accumulated amortization	-	-	-	-	-
Amortization	(143)	(211)	-	(40)	(394)
Amortization "Discontinued Operations"	-	-	-	-	-
Carrying amount	1.196	8.242	212	1.193	10.843
Accumulated amortization	(699)	(2.804)	-	(1.132)	(4.635)
Carrying amount at December 31, 2016	**497**	**5.438**	**212**	**61**	**6.208**

Thousands of euro	Intellectual property rights	Concessions, licenses and trademarks	Assets in progress and advances	Other intangible assets	Total
Carrying amount	1.196	8.242	212	1.193	10.843
Accumulated amortization	(699)	(2.804)	-	(1.132)	(4.635)
Carrying amount at December 31, 2016	**497**	**5.438**	**212**	**61**	**6.208**
Change of year:					
Investments	222	114	956	41	1.333
Disposal - Carrying amount	-	(61)	-	(525)	(586)
Disposal - accumulated amortization	-	61	-	525	586
Reclassification - carrying amount	-	477	(1)	(42)	434
Reclassification - accumulated amortization	-	(477)	-	38	(439)
Impairment losses	-	-	-	-	-
Changes of consolidated companies - Carrying	1.546	3.205	186	-	4.937
Changes of consolidated companies - accumulated	(1.405)	(2.128)	-	-	(3.533)
Translation differences - carrying amount	-	-	-	-	-
Translation differences - accumulated amortization	-	-	-	-	-
Amortization	(215)	(743)	-	(26)	(984)
Amortization "Discontinued Operations"	-	-	-	-	-
Carrying amount	2.965	11.977	1.353	666	16.961
Accumulated amortization	(2.319)	(6.091)	-	(596)	(9.006)
Carrying amount at December 31, 2017	**646**	**5.886**	**1.353**	**71**	**7.956**

During 2017, intangible assets increased by Euro 1,748 thousand in relation to investments of Euro 1,333 thousand and changes in the scope of consolidation for the acquired companies in Tuscany and Spain for a net amount of Euro 1,404 thousand. However, the increase was partially offset by accrued amortization of Euro 984 thousand, disposals of assets of Euro 586 thousand, fully amortized, and reclassifications of Euro 5 thousand.

It should be noted that in the period in question, no changes in estimates were made in assessing the useful life of intangible assets in the choice of the amortization method.

There were no internal or external factors that would indicate that intangible assets have suffered impairment.

The Group has incurred advertising and promotional expenses recognized in the income statement for Euro 2,177 thousand, essentially linked to the promotion of the brand through major media.

No intangible assets were reclassified as "Assets held for sale".

Intellectual property rights

The item includes costs incurred in relation to the software and licensing programs of the Group; the change indicated above reflects both the increase in investments carried out during the year for Euro 222 thousand, as well as the change in the scope of consolidation that resulted in the recognition of assets for the acquired companies of Euro 141 thousand. Amortization accrued during the year, equivalent to Euro 215 thousand, was calculated on average over a useful life of three years.

Concessions, licenses and trademarks

This line item essentially reflects the amount paid as concession for the exercise of commercial activities located within general markets, amortized based on the duration of the concession, as well as the costs of using licensed software programs, amortized on average over a three-year period.

The increase of Euro 448 thousand reflects investments of Euro 114 thousand and increases due to the change in the scope of consolidation following the acquisitions made in 2017 of the Tuscan and Spanish companies for Euro 1,077 thousand, offset by amortization of Euro 743 thousand.

Assets in progress and advances

The item reflects the investments made during the year and not yet operational at the reporting date, essentially referring to the development, experimentation and engineering of the new integrated ERP system that will fully replace the current system and designed to meet the Group's ever-growing needs.

Other intangible assets

This line item essentially includes costs incurred for the development of internal software, amortized according to the respective periods of use.

The increase compared to 31 December 2016 was the result of increases in investments of Euro 41 thousand, as well as decreases of Euro 26 for related amortization and Euro 4 thousand for reclassifications.

NOTE 3. Tangible assets

Thousands of euro	Lands and buildings	Plantations	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets in progress and advances	Total
Carrying amount	35.966	11.801	253.153	2.160	15.000	512	318.592
Accumulated depreciation	(22.449)	(3.727)	(162.927)	(2.112)	(13.235)	-	(204.451)
Balance at December 31, 2015	**13.517**	**8.074**	**90.226**	**48**	**1.765**	**512**	**114.141**
Change of year:							
Investments	4.964	-	799	18	1.356	636	7.773
Disposal - Carrying amount	(76)	-	(3.218)	(24)	(2.294)	(2)	(5.614)
Disposal - accumulated depreciation	38	-	2.961	24	2.166	-	5.189
Reclassification - carrying amount	1	-	(242)	(8)	12	-	(237)
Reclassification - accumulated	(1)	-	242	6	(21)	-	226
Impairment losses	-	-	-	-	-	-	-
Changes of consolidated companies - Carrying amount	(1.739)	(11.585)	(27.974)	(1.578)	(1.241)	(510)	(44.627)
Changes of consolidated companies - accumulated	828	3.707	11.501	1.578	1.096	-	18.710
Translation differences - carrying amount	(114)	(28)	(305)	(7)	(18)	(29)	(501)
Translation differences - accumulated depreciation	56	3	111	7	16	-	193
Depreciation	(617)	(10)	(8.025)	(30)	(691)	-	(9.373)
Depreciation "Discontinued Operations"	-	-	-	-	-	-	-
Carrying amount	39.002	188	222.213	561	12.815	607	275.386
Accumulated depreciation	(22.145)	(27)	(156.137)	(527)	(10.669)	-	(189.505)
Balance at December 31, 2016	**16.857**	**161**	**66.076**	**34**	**2.146**	**607**	**85.881**

Thousands of euro	Lands and buildings	Plantations	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets in progress and advances	Total
Carrying amount	39.002	188	222.213	561	12.815	607	275.386
Accumulated depreciation	(22.145)	(27)	(156.137)	(527)	(10.669)	-	(189.505)
Balance at December 31, 2016	**16.857**	**161**	**66.076**	**34**	**2.146**	**607**	**85.881**
Change of year:							
Investments	1.798	-	3.033	202	1.368	896	7.297
Disposal - Carrying amount	(8)	-	(884)	(36)	(1.089)	-	(2.016)
Disposal - accumulated depreciation	8	-	808	35	924	-	1.776
Reclassification - carrying amount	(4.721)	-	553	53	275	(519)	(4.359)
Reclassification - accumulated depreciation	(47)	-	-	(4)	(274)	-	(324)
Impairment losses	-	-	-	-	-	-	-
Changes of consolidated companies - Carrying amount	23.201	-	23.285	1.135	5.377	258	53.254
Changes of consolidated companies - accumulated	(5.700)	-	(18.424)	(991)	(4.480)	-	(29.595)
Translation differences - carrying amount	(133)	(15)	(271)	(4)	(88)	11	(501)
Translation differences - accumulated depreciation	35	3	62	4	55	-	159
Depreciation	(1.031)	(10)	(8.580)	(45)	(912)	-	(10.578)
Depreciation "Discontinued Operations"	-	-	-	-	-	-	-
Carrying amount	59.139	173	247.928	1.911	18.656	1.253	329.061
Accumulated depreciation	(28.880)	(34)	(182.271)	(1.527)	(15.355)	-	(228.067)
Balance at December 31, 2017	**30.259**	**139**	**65.657**	**384**	**3.301**	**1.253**	**100.994**

At 31 December 2017, tangible assets totaled Euro 100,994 thousand, a net increase of Euro 15,113 thousand compared to the balance as at 31 December 2016 as a result of:

- investments of Euro 7,297 thousand, broken down as follows: Distribution, Euro 5,956 thousand, Import&Shipping, Euro 517 thousand, Services, Euro 824 thousand;
- depreciation for the period, Euro 10,578 thousand;
- reclassifications, Euro 4,683 thousand;
- increases for Euro 23,659 thousand due to the change in the scope of consolidation following the acquisitions of the Tuscan and Spanish companies during the year;

- disposals of assets for a net value of Euro 240 thousand, essentially represented by plants for their renewal, scrapping of electronic machines for renewal, and sales of company cars.
- decrease due to exchange rate effect for a net value of Euro 342 thousand, essentially referring to the assets of the Mexico-based companies due to the Mexican Peso which went from 21.7719 Pesos/Euro in December 2016 to 23.6612 Pesos/Euro as at 31 December 2017.

Land and buildings

The change in the year showed a total net increase of Euro 13,402 thousand, primarily generated by the change in the scope of consolidation for Euro 17,501 thousand and investments for Euro 1,798 thousand, which was partially offset by the decrease due to depreciation of Euro 1,031 thousand, reclassifications for Euro 4,768 thousand, and exchange rate differences for Euro 98 thousand.

Note the reclassification to inventories (within the "finished products and goods" category) of the refrigerated warehouse in Argentina, due to the changed address tied to the situation of the Argentina-based former investee.

The value of land amounted to Euro 6,176 thousand, stated on the basis of the original sale and purchase deeds where existing or separated from the general purchase price of the building on the basis of percentages up to 20%. These values, which are periodically verified, are considered to be aligned with those of the market.

Plantations

This item refers to the Mexican agricultural business that produces avocados, with the decrease for the period of Euro 22 thousand deriving from amortization of Euro 10 thousand and exchange differences for Euro 12 thousand.

Plant and machinery

This line item includes refrigerators, banana ripening rooms, plants for product calibration and packaging, fruit storage and packaging facilities (Distribution segment) and ships (Import & Shipping segment).

Increases in the year, amounting to Euro 3,033 thousand, refer to increases for investments made mainly in the Distribution segment in relation to normal renewals of equipment, while the most significant change, equivalent to Euro 4,861 thousand, is due to the change in the scope of consolidation following the acquisitions made in 2017. This item increased by Euro 553 thousand due to reclassifications. Instead, the decreases pertain to the depreciation accrued during the year, amounting to Euro 8,580 thousand, exchange rate effects for a net amount of Euro 209 thousand, and disposals of assets amounting to Euro 76 thousand.

It should be noted that despite the presence of a decline in the profitability of the Shipping business in the current year, the management verified the maintenance of the values of the four Cale Rosse units due to the foreseeable future trend of the business, thus not recognizing the need to impair the value of the ships themselves.

Industrial and commercial equipment

In this category, the change is essentially related to increases for the year of Euro 202 thousand and the positive effect of the change in the scope of consolidation for Euro 144 thousand, offset by accrued depreciation for the year of Euro 45 thousand.

Other tangible assets

The item includes the assets owned by the Group such as furniture and furnishings, computer and electronic equipment, car fleet, etc.

The increase of the year totaling Euro 1,155 thousand principally reflects the change in the scope of consolidation following the acquisitions made by the Group in 2017 for Euro 897 thousand and investments for Euro 1,368 thousand, offset by depreciation of Euro 912 thousand, disposals for a net amount of Euro 165 thousand, and exchange rate differences for Euro 33 thousand.

Assets in progress and advances

The increase in this item essentially reflects the increase of Euro 896 thousand mainly due to the modernization of the warehouse plants for some Group companies, in particular in France and in Spain. Note that the reclassifications for Euro 519 thousand relate to assets that became functional and were reclassified into the appropriate category.

At 31 December 2017, the Group verified that there were no internal or external indicators of possible impairment for its tangible assets. Consequently, the value of tangible assets has not been subject to impairment testing.

NOTE 4. Financial investments

Thousands of euro	Investments in unconsolidated subsidiaries	Investments in Joint ventures	Investments in associates	Investments in other companies	Total
Balance at December 31, 2016	**-**	**10.294**	**28.682**	**245**	**39.221**
Change of year:					
Additional/Capital increase	-	-	-	4	4
Divestments and disposals	-	-	(20.160)	-	(20.160)
Impairment losses/Using fund to cover losses	-	-	-	(13)	(13)
Dividends received	-	-	(693)	-	(693)
Valuation using the equity method	-	1.081	831	-	1.912
Other changes included foreign exchange movements	-	-	(45)	(11)	(56)
Changes from consolidatation scope	-	(11.215)	(1.378)	339	(12.255)
Balance at December 31, 2017	**-**	**159**	**7.237**	**562**	**7.959**

Disclosure on equity investments in other companies

The consolidated financial statements must be prepared in accordance with IFRS 12 "Disclosure of Interests in Other Entities", which includes all disclosure provisions previously included in IAS 27 related to the consolidated financial statements as well as all disclosures of IAS 31 and IAS 28 related to the equity investments of a company in subsidiaries, joint ventures, associates and structured vehicles and also provides for new disclosure cases. The purpose of the standard is to require an entity to disclose information that allows users of the financial statements to assess the nature and risks of its investments in other entities and the effects of such investments on the statement of financial position, on the economic result and on financial flows.

Companies defined as subsidiaries are entities in which Orsero Group has a majority of the exercisable votes and exercises a dominant influence in the ordinary Shareholders' Meeting. Companies designated as joint ventures are companies in which the Group has joint control as defined by IFRS 11 and IAS 28 "Investments in Associates and Joint Ventures". Associated companies are companies whose activities are subject to the exercise of significant influence by the Group in the ordinary Shareholders' Meeting as defined by IAS 28.

Investments in subsidiaries

Investments in subsidiaries have been detailed in the paragraph "List of Group Companies". In fact, all subsidiaries are consolidated on a line-by-line basis, the few residual companies carried at cost represent inactive businesses and/or those in liquidation, thus they have been completely written off from a long time.

Any consequences resulting from the change in shareholdings, resulting or not resulting in a loss of control in 2017, have already been discussed in the section "*Scope of consolidation at 31.12.2017 and changes*".

Equity investments in associates and joint ventures

Investments in associates and joint ventures are detailed in the paragraph "List of Group Companies".

There are currently no restrictions on the Group's ability to access or use assets and to settle liabilities.

Any consequences resulting from the change in shareholdings, resulting or not resulting in a loss of control in 2017, have already been discussed in the section "*Scope of consolidation at 31.12.2017 and changes*".

As at 31 December 2017, dividends received from joint ventures and associated companies are as follows:

- Hermanos Fernández López S.A.: Euro 1,000 thousand;

- Fruport Tarragona S.L.: Euro 587 thousand;
- Fruttital Cagliari S.r.l.: Euro 106 thousand.

Note that the dividend received from Hermanos Fernández López S.A. was part of the acquisition contract for the remaining 50%, as thoroughly described in the section "Business Combinations".

Figures are provided showing the proportional share of the Group's profits deriving from equity investments in joint ventures and associates valued using the equity method reflected in the consolidated income statement.

The following table summarizes the information related to these investments:

Thousands of euro	31.12.2017	31.12.2016	Change
Joint Venture	1.081	1.468	(387)
Associates	831	3.519	(2.688)

Concerning the recapitulation of joint ventures and associates, the details of the changes are provided in the following table:

Thousands of euro	Associates	Joint Ventures	Change Year 2017					Associates	Joint Ventures
	Balance at December 31, 2016		*Net profit*	*Additional*	*Disposals*	*Dividend*	*Other Change*	*Balance at December 31, 2017*	
Fruttital Firenze S.p.A.	2.871	-	(111)	-	(2.760)	-	-	-	-
Galandi S.p.A.	2.303	-	115	-	(2.418)	-	-	-	-
Moncada Frutta S.r.l.	344	-	150	-	-	-	3	498	-
Fruttital Cagliari S.r.l.	-	-	106	729	-	(106)	-	729	-
Fruti Medi Societade Agricola LTDA	-	-	94	615	-	-	-	709	-
Hermanos Fernadez Lopez S.A.	-	10.177	1.039	-	(11.216)	-	-	-	-
Herdade Dona Joana LTDA	-	-	67	2.669	-	-	-	2.737	-
Simba Spain S.L.	-	117	42	-	-	-	-	-	159
Cultifruit S.A.	235	-	(7)	-	(229)	-	-	-	-
Acorsa S.A.	20.160	-	-	-	(20.160)	-	-	-	-
Fruport Tarragona S.L.	2.289	-	415	-	-	(587)	-	2.117	-
Total investments recorded using the equity	**28.203**	**10.294**	**1.912**	**4.013**	**(36.783)**	**(693)**	**4**	**6.790**	**159**
Citrumed S.A.	300	-	-	-	-	-	-	300	-
Decofruit Bcn S.A.	-	-	-	16	-	-	-	16	
Natural Juice S.A.	179	-	-	-	-	-	(48)	131	-
Total investments recorded using the historical cost of purchase	**479**	**-**	**-**	**16**	**-**	**-**	**(48)**	**447**	**-**

As was stated several times in the Report on Operations, to which reference is made for further details, the Group completed the acquisitions of the additional 50% in the companies Fruttital Firenze S.p.A., Galandi S.p.A. and Hermanos Fernández López S.A. (of which 50% had already been owned since the early 2000s) after 30 June 2017. In accordance with IAS/IFRS standards, the line-by-line consolidation of these companies began only from 1 July 2017, the date on which the Group obtained substantial control. The acquisitions of the Tuscan and Spanish companies led to the recognition in equity of Fruttital Cagliari S.r.l., Fruti Medi Societade Agricola LTDA and Herdade Dona Joana LTDA.

It should be noted that the data at 31 December 2016 in the table above includes the figures for all joint ventures and associates valued using the equity method, except for the Acorsa S.A., valued at cost due to the outstanding call option, which was then exercised on 13 December 2017 by FIF Holding S.p.A., who purchased the investment at the cost value of Euro 20,160 thousand, improving the Group's net financial position by the equivalent amount.

Equity investments totaled Euro 7,959 thousand at 31 December 2017, with a net decrease of Euro 31,262 thousand due to the changes detailed above.

The increase of Euro 1,912 thousand generated by the valuation of shareholders' equity is due to the results of the investees for the period. The positive result refers primarily to the result as at 30 June 2017 of the Spanish company Hermanos Fernández López S.A., fully consolidated starting from 1 July 2017, and the result of the Spanish company Fruport Tarragona S.r.l.

The item "Investments in associates and joint ventures" shows a total decrease of Euro 31,580 thousand as a result of the change in the scope of consolidation for Euro 12,593 thousand, the sale of Acorsa S.A. for Euro 20,160 thousand to FIF Holding S.p.A., distribution of dividends for Euro 693 thousand, and other changes for Euro 45 thousand. This decrease is partially mitigated by the effect of the pro-rata accounting of the results for 2017 of Euro 1,912 thousand.

"Investments in other companies" increased by Euro 317 thousand due to the change in the scope of consolidation for Euro 339 thousand and increases during the year for Euro 4 thousand, partially offset by a write-down of Euro 13 thousand and other changes for Euro 11 thousand.

Impairment testing is regularly carried out to verify if values have remained unchanged, at both statutory and consolidated level, considering that the accounting value of consolidated equity is normally lower than the related book values. Regarding figures at 31 December 2017, impairment testing resulted in only one write-down of the investment in Simba S.p.A. for Euro 3,000 thousand in the statutory financial statements of the sub-holding GF Distribuzione S.r.l., while at consolidated level it had a neutral impact as all the values calculated in the test were higher than the respective accounting values of equity including goodwill, where applicable.

NOTE 5. Other fixed assets

Thousands of euro	31.12.2017	31.12.2016	Change
Other fixed assets	1.489	668	822

At 31 December 2017, the item essentially shows security deposits and medium-term loans to third parties. The increase is mainly due to the effect of the change in the scope of consolidation that led to the recognition of various fixed assets from the Tuscan and Spanish companies.

The item “Other fixed assets” includes Euro 23 thousand related to associated companies. For further details, reference is made to Note 34.

NOTE 6. Deferred tax assets

Thousands of euro	31.12.2017	31.12.2016	Change
Deferred tax assets	7.788	7.291	497

Deferred tax assets are allocated with a prudential criterion when their recovery by means of future taxable amounts is deemed to be reasonable and probable; they can derive from the temporary differences between the value of the assets and liabilities reflected in the financial statements relative to their value for tax purposes as well as from the tax losses that can be carried forward to the following years.

Deferred tax assets as at 31 December 2017, amounting to Euro 7,788 thousand are recognized mainly by effect of the valuation of the prior tax losses both for Italian and foreign companies, and to a lesser extent in relation to the entries of transition to IAS-IFRS, e.g. the liquidation of investments in intangible assets per IAS 38 or the determination of the employee severance indemnity according to the actuarial methodology.

For more information on the breakdown and changes in this item, please refer to the table below and Note 28 “Income Taxes”.

Thousands of Euro	31.12.2017	31.12.2016
Previous tax losses	4.593	5.530
Effect IAS 19	767	352
Depreciation/Goodwill/trademarks	913	518
Indirect taxes	100	79
Provisions for bad debts	456	181
Financial expenses/ACE/Exchange differences	149	137
Provisions for the return of the rended container feet	316	303
Costs deductible in the future (Stock Grant)	380	-
Other	115	191
Deferred tax assets	**7.788**	**7.291**

NOTE 7. Inventories

Thousands of euro	31.12.2017	31.12.2016	Change
Raw materials, supplies and consumables	7.896	7.233	663
Biological Assets	-	-	-
Finished products and goods for resale	25.602	16.881	8.721
Inventories	**33.498**	**24.114**	**9.385**

Inventories of raw materials and consumables are represented by the materials used in the agricultural cycle of producers and the fuels, lubricants and spare parts of transport companies. This item does not include the value of the fruit ripening on the plant, recognized as "Biological Assets" by the Mexican company Productores Aguacate Jalisco S.A.C.V., as the fruit matures in the first half and then is sold in the second half of the year; therefore, at 31 December 2017 the plants do not have any fruit in the ripening process.

At 31 December 2017, the value of inventories increased from the previous year by Euro 9,385 thousand, mainly due to the increase in finished products and goods associated with the increase in turnover following the improved performance recorded in the segment over the course of 2017 compared to the prior year, as a result of the acquisition of the Tuscan and Spanish companies during the year under review.
The item in question comprises the refrigerated warehouse located in Argentina for Euro 4,688 thousand reclassified therein due to the change of its utilization purpose.

NOTE 8. Trade receivables

Thousands of euro	31.12.2017	31.12.2016	Change
Trade receivables from third parties	121.017	80.684	40.333
Receivables from subsidiaries and associates of the Group not fully consolidated	3.074	5.190	(2.116)
Receivables from related parties	4.902	3.124	1.778
Provision for bad debts	(16.094)	(8.470)	(7.624)
Trade receivables	**112.898**	**80.528**	**32.370**

All trade receivables are due within one year and derive from normal sales conditions. It should be noted that receivables are shown net of the provision for write-downs allocated over the years to cover bad debts or doubtful debts that are still in the financial statements pending the conclusion of the related bankruptcy proceedings or out-of-court settlement attempts.

There are no receivables due beyond five years.

It is believed that the provision for bad debts is appropriate to cope with the risk of potential non-collection of past due receivables.

The balance of receivables from Group companies not fully consolidated mainly refers to normal supply receivables. For more detailed information, reference is made to paragraph 34 on related parties.

At 31 December 2017, the item increased by Euro 32,370 thousand mainly due to the increase in change in the scope of consolidation that occurred during the year under review, as has been noted several times, and the increase in receivables from distribution companies related to the increase in turnover recorded in 2017.

The change in the provision for bad debts is shown below:

Thousands of euro	Provision for bad debts
Balance at December 31, 2016	**(8.470)**
Change of year	
Accruals	(1.224)
Utilizations	648
Other	(7.049)
Balance at December 31, 2017	**(16.094)**

The following is the breakdown of receivables by geographical area:

Thousands of euro	31.12.2017	31.12.2016	Change
Italy	59.111	49.482	9.629
EU countries	50.823	27.915	22.908
Non-Eu countries	2.964	3.131	(167)
Trade receivables	**112.898**	**80.528**	**32.370**

NOTE 9. Current tax receivables

Thousands of euro	31.12.2017	31.12.2016	Change
For value added tax	11.022	9.399	1.623
For tax advances paid in the current year	830	1.021	(191)
For taxes claimed for reimbursement	1.296	1.282	14
Other receivables	2.415	2.216	199
Current tax receivables	**15.564**	**13.918**	**1.646**

At 31 December 2017, tax receivables show an overall increase of Euro 1,646 thousand principally attributable to the higher VAT credit for the companies acquired during 2017 for Euro 1,623 thousand.

NOTE 10. Other current assets

Thousands of euro	31.12.2017	31.12.2016	Change
Advances to suppliers	3.062	3.077	(15)
Receivables from sales of investments	563	2.225	(1.662)
Other receivables	3.024	2.273	751
Accrued income and deferred expenses	2.300	2.437	(137)
Assets held for trading	21	25	(4)
Other current assets	**8.970**	**10.037**	**(1.067)**

At 31 December 2017, the item recorded an overall decrease of Euro 1,067 thousand due mainly to the change in the item “Receivables from sales of investments” for Euro 1,662 thousand, referring to, first, the receivable collected on 7 November 2017 for Euro

1,225 thousand from the Port Authority of Savona, which originated as part of the sale of Interporto di Vado I.O. S.p.A. in 2015, as well as, the receivable for the 2016 earn-out on the sale of Reefer Terminal S.p.A. to APM Maersk for Euro 500 thousand collected on 31 March 2017. The receivable for Euro 563 thousand recorded in "Receivables from sales of investments" as at 31 December 2017 represents the amount of the escrow account set up in the Reefer Terminal S.p.A. sale contract and collected on 8 February 2018, while the 2017 earn-out was not recognized because the objectives set by the sale contract for the investment were not achieved.

As previously indicated in the single Report on Operation, on 27 October 2017, the appeal submitted by the Fresco Ship's Agency & Forwarding in relation to the "REI" litigation with the Customs Agency was rejected by the Provincial Tax Commission of Savona. Therefore, on 5 January 2018, the Customs Agency sent the demand for payment of Euro 1,564 thousand, of which Euro 902 thousand as customs duties and Euro 662 thousand as interest; this sum was paid on 9 January 2018. The amount of Euro 1,564 thousand was recognized in "Other receivables", as it represents the customs duties and penalties paid on behalf of the customer, but the amount was fully written off.

The balance was not affected by the outstanding receivable from the related party, Argentina S.r.l., for Euro 8,000 thousand, as it is entirely written off; for more detail on this receivable, please refer to the description in the section on financial liabilities (Note 14).

The item "Accrued income and deferred expenses" refers to the normal allocations for the recognition and proper allocation of costs related to the following year, typically insurance expenses, leases, and interest. It should be noted that the item includes Euro 590 thousand of deferred assets for insurance policies on the fleet of the shipbuilder, which was billed before the end of the year, but related to 2018.

NOTE 11. Cash and cash equivalents

Thousands of euro	31.12.2017	31.12.2016	Change
Cash and cash equivalent	79.893	37.095	42.798

The balance reflects the current account balances of Group companies.

The increase in cash and cash equivalents of Euro 42,798 thousand mainly reflects the increase of Euro 48,849 thousand, net of Euro 25 million paid to the banks to redeem the equity instruments previously held by them, resulting from the Significant Transaction with Glenalta, the collection of Euro 20,160 thousand for the sale of the investment in Acorsa S.A. to FIF Holding S.p.A., and the positive cash flow for 2017, all of which more than offset the cash outlays for the acquisitions of the Tuscan companies and Fernández.

The change in the item can be analyzed in detail in the cash flow statement.

NOTE 12. Group shareholders' equity

The share capital at 31 December 2017, fully paid in, consisted of 17,682,500 shares without par value for a value of Euro 69,163,340.00.

The shareholders' equity at 31 December 2017 increased significantly relative to 31 December 2016 as a result of the merger by absorption of GF Group S.p.A. into Orsero S.p.A. (formerly Glenalta Food S.p.A.), as defined based on the Framework Agreement stipulated on 26 October 2016.

As was pointed out in the 2016 financial statements, this transaction cannot be qualified as a business combination because, from a substantive point of view, the buyer is GF Group, which maintains control of the company resulting from the Merger, and therefore the transaction was recorded as a GF Group capital increase. In fact, in accordance with IFRS 2 "Share-based Payment", it was decided that the best estimate of the goods and services received from GF Group (mainly cash and the status of a company listed on AIM Italia/Alternative Investment Market) represents the fair value of the capital previously held by Orsero shareholders, measured on the date of the actual exchange of shares. With the Merger, Orsero purchased from the banks the Equity Financial Instruments issued, numbering 42,148,942, and to be issued, numbering 71,007,000 by GF Group, for a total fixed price of Euro 25,000 thousand.

Within the context of the Merger, Orsero (formerly Glenalta S.p.A.) carried out a share capital increase for Euro 55,000,000 with issue servicing the exchange of 5,590,000 new ordinary shares without par value and free of pledges, concurrently canceling the shares representing the share capital of GF Group. The new ordinary shares of Glenalta were attributed to FIF Holding S.p.A. according to the exchange ratio of 43 ordinary shares of Glenalta for every 50 ordinary shares of GF Group.

As has been thoroughly explained earlier in the report, in July 2017, the Group signed an agreement with Grupo Fernández S.A. and its controlling shareholder, Luis Fernández López, to acquire an investment equal to 50% of the share capital held by Grupo Fernández in Hermanos Fernández López S.A., a leader in the distribution of fresh fruits and vegetables in Spain. The remaining 50% of the latter's share capital was already held by GF Distribuzione S.r.l., a wholly owned subsidiary of Orsero. As reported in the disclosure published at the time, a significant portion - Euro 13 million - of the price of the acquisition of the Spanish company was paid through the issue of 1,000,000 new Orsero S.p.A. shares, a concrete manifestation of the confidence placed in the Group's future by our Spanish partner. The remaining 15.79% of share capital was acquired by the sub-holding GF Distribuzione S.r.l. for a cash consideration of Euro 6,000 thousand, thereby obtaining 65.79% of the share capital of Hermanos Fernández López S.A. Following this acquisition, the Parent Company Orsero S.p.A. owns a 34.21% stake in Hermanos Fernández López S.A., recognized as a subsidiary, given that the Parent Company exercises a significant influence over this investee.

On 25 September 2017, the share capital increase in exchange for payment reserved for Grupo Fernández S.A. for a total of Euro 13 million was carried out, through the issue of 1,000,000 new Orsero ordinary shares at a price of Euro 13 each, to be released through a contribution in kind of 2,948 ordinary shares amounting to Euro 4,444,090, as well as the share premium of Hermanos Fernández López S.A., equal to 34.21% of the share capital, held by Grupo Fernández S.A. The share capital increase of Euro 13 million is divided into Euro 4,444,090 in share capital and Euro 8,555,910 in the share premium reserve. The Company incurred consultancy and notary fees of Euro 153 thousand that were charged directly to shareholders' equity.

As a result of the subscription of the reserved share capital increase, Grupo Fernández S.A. owns a stake of 5.655% in the share capital of Orsero, amounting to Euro 69,163,367 and represented by 17,682,500 ordinary shares.

Upon completion of the merger, 643,387 ordinary treasury shares remained available to Orsero, which became 712,687 as at 31 December 2017, of which 500,000 are in service of the Stock Grant Plan for a total of Euro 7,108 thousand recognized as a direct reduction of other net items as shown in the statement of changes in equity as at 31 December 2017. Therefore, the amount of treasury shares recorded as a direct reduction of shareholders' equity amounts to Euro 7,107,937.

The increase in the number of treasury shares held with respect to the amount acquired through the Merger is due to subsequent purchases made in accordance with the treasury share buyback program, as described below.

On 16 October 2017, the Parent Company's Board of Directors approved the launch of a treasury share buy-back program as part of the authorization to purchase and dispose of treasury shares that was resolved by the Shareholders' Meeting of the former Glenalta Food S.p.A. on 30 November 2016, subject to the effective merger of Glenalta with GF Group S.p.A., which took place on 13 February 2017. Pursuant to art. 2357 of the Italian Civil Code, this program represents a strategic investment opportunity, with a maximum value of Euro 2 million and a duration of 18 months starting from 13 February 2017. This treasury share buy-back program is carried out in compliance with the equal treatment of shareholders and according to the limits and procedures set forth in art. 5 of EU Regulation 596/2014 (Market Abuse Regulation), art. 3 of EU Delegated Regulation 2016/1052, and applicable general and sector regulations. The shares are purchased at a price that must not be greater than the highest price considering the last independent transaction and the highest current independent offer price in trading venues where the purchases are carried out. However, in any case, the unit price must not be more than 20% lower and 10% higher than the arithmetic average of the official prices of the Orsero S.p.A. share in the ten trading days prior to each individual purchase transaction. The daily volume must not be more than 25% of the share's average daily trading volume in the trading venue where the purchase is made.

The Group has acquired 69,300 treasury shares at an average price of Euro 10.12 as part of this treasury share buy-back program.

Moreover, the Group adopted a long-term incentive plan based on the Company's ordinary shares, known as the "Orsero S.p.A. Stock Grant Plan". This plan envisages the allocation to beneficiaries, free of charge, of the rights to receive from Orsero S.p.A., again free of charge, Orsero ordinary shares held by the Company (up to a maximum of 500,000 shares), subject to the achievement of pre-determined, measurable performance objectives, which will be set by the Board of Directors for each year of the Plan's three-year performance period (2017, 2018, and 2019). This Plan is reserved for executive directors of Orsero and certain executives who hold or perform strategically important roles or functions within the Company. The 2017 objective was achieved and resulted in the assignment to the aforementioned individuals of 166,667 shares, which will be delivered, free of charge, within and no later than 15 trading days from the approval by the Orsero Shareholders' Meeting of the financial statements as at 31 December 2019, for a total amount of Euro 2,328 thousand. This represents the fair value, in accordance with IFRS 2, at the assignment date, equal to a share price of Euro 13.97. Note that these shares are already held by the Company, which allocated a portion of the shares owned, or 500,000 shares, specifically for the Stock Grant Plan. A specific reserve was created in shareholders' equity as a counter-entry for costs related to the Stock Grant Plan.

The consolidated statement of changes in equity, included in the consolidated financial statements to which reference is made, illustrates the changes between 31 December 2015 and 31 December 2016 and between 31 December 2016 and 31 December 2017, of the individual reserve items, with particular regard to changes in the share capital and the equity financial instruments reserve as a result of the Merger.

The cash flow hedging reserve, recognized for Euro 66 thousand, exposes the change relating to the adjustment to negative fair value as at 31 December 2017, with indication thereof in the comprehensive income statement of the interest rate derivative, accounted for with the cash flow hedging method.

The reconciliation as at 31 December 2017 between the shareholders' equity of the Parent Company and the shareholders' equity of the Group, and between the net profit of the Parent Company and the net profit of the Group, is presented below.

Thousands of euro	Share capital and reserves at 31.12.2017	Net Profit 2017	Total Shareholders' equity at 31.12.2017
Orsero S.p.A. (Parent company)	**155.872**	**2.386**	**158.258**
Net profits and reserv es of subsidiaries	(74.933)	22.768	**(52.164)**
Net profits and reserv es of associates and joint v entures using equity method	(1.452)	822	**(630)**
Net profits and reserv es of acquired associates and joint v entures using equity method at 30 June 2017	(1.036)	1.036	**-**
Div idends distributed by consolidated companies to the Parent company	29.043	(29.043)	**-**
Consolidation differences	21.297	17.482	**38.779**
Elimination of capital gain and/or other transactions carried out by subsidiaries	1.920	(2.416)	**(496)**
Total shareholders' equity	**130.711**	**13.035**	**143.747**
Minorities	858	226	1.084
Group equity	**129.853**	**12.809**	**142.662**

NOTE 13. Minorities' shareholders' equity

The change in Minorities' Shareholders' Equity is related to the results for the year and the change in the scope of consolidation for the companies Cultifruit S.L., formerly an associate, but as a result of the acquisition of Hermanos Fernández López S.A., it is currently a subsidiary at 66.67%, and MAP Servizi Generali S.r.L., 70% owned by the Tuscan companies acquired.

NOTE 14. Financial liabilities

The financial liabilities disclosure provided below is combined, including both the non-current and current portion of payables, in order to make it more immediately understandable.

The financial exposure is as follows:

Thousands of euro	31.12.2017	31.12.2016	Change
Non - current medium term bank loans (over 12 months)	74.995	73.348	1.647
Non - current other lenders (over 12 months)	904	1.358	(454)
Non current liabilities for derivative	66	-	66
Non current payables for price balance on acquisitions (over 12 months)	243	-	243
Non - current financial liabilities	**76.208**	**74.706**	**1.193**
Current medium term bank loans	16.248	37.005	(20.758)
Bank overdrafts	22.130	19.134	2.995
Current other lenders	527	2.400	(1.873)
Other current lenders short term	11.066	1.324	9.742
Current liabilities for the derivatives	-	-	-
Current payables for price balance on acquisitions (over 12 months)	223	-	223
Current financial liabilities	**50.192**	**59.863**	**(9.894)**

The change in 2017 of a total of Euro 8,701 thousand (between non-current and current) reflects the primary components, mostly related to medium-term loans, as detailed below:

- the repayment of the liability to banks of Euro 29,000 thousand, carried out at the Merger's effective date, as agreed in defining the Significant Transaction;
- the payment by the Parent Company of the installments due in 2017 for Tranche A to the pool of banks for an amount equal to Euro 4,702 thousand. Note that the outstanding loan of the Parent Company requires compliance with a covenant, calculated as the ratio of net financial position to Adjusted EBITDA, which affects on the interest spread;
- the payment by the Parent Company of the outstanding loan installments of Euro 476 thousand to Banca Popolare dell'Emilia Romagna (Biper) and Euro 436 thousand to Veneto Banca;
- the repayment by the sub-holding distribution company of the outstanding debt to Banca Carige and Intesa San Paolo for a residual amount of Euro 6,700 thousand following the signing of a new loan agreement with a pool of banks for a total amount of Euro 20,000 thousand. This new loan agreement, signed on 5 October 2017, has a five-year duration with installment payments every six months of Euro 2,000 thousand starting from 30 June 2018 and variable interest at Euribor 6M + spread. The Group incurred Euro 220 thousand in expenses tied to the opening of the loan and, therefore, recognized using the amortized cost method; the outstanding debt as at 31 December 2017 is equal to Euro 19,805 thousand, after recorded figurative interest of Euro 24 thousand. A hedging contract was stipulated on 75% of the loan, which entails the payment of a fixed rate of 0.245% plus spread. The contract described above also provides for compliance with covenants calculated on the ratio of net financial position to Adjusted EBITDA and on the ratio of net financial position to equity. Compliance with these financial parameters is necessary for the loan contract to remain in place;
- the payment by Società Fruttital S.r.l. of the amounts due for maturing loan installments, or Euro 472 thousand, and factoring of Euro 3,758 thousand for the extinction of the agreement therewith;
- the payment of outstanding installments due by AZ France S.A., amounting to Euro 211 thousand;
- the payment by GFB S.r.l. of the amounts due for maturing loan installments of Euro 33 thousand;
- the acquisition of 50% of Hermanos Fernández López S.A. resulted in its full consolidation from 1 July 2017, with consequent impact on outstanding loans and leases for Euro 5,045 thousand and short-term payables to banks for Euro 2,250 thousand. Moreover, with the acquisition described above, the Group obtained control of the investee Cultifruit S.A., which thus became fully consolidated

starting from 1 July 2017, and having a negative impact on short-term payables due to banks of Euro 2,453 thousand;

- the acquisition of 50% of Fruttital Firenze S.p.A. resulted in its full consolidation from 1 July 2017, with consequent impact on outstanding loans and leases for Euro 174 thousand. Following this acquisition, the Group also obtained control of the subsidiary Map Servizi Generali S.r.l., which thus became fully consolidated and having a negative impact on short-term payables due to banks of Euro 1 thousand;
- the stipulation of new finance lease contracts by Hermanos Fernández López S.A. amounting to Euro 527 thousand;
- the payment of installments due on outstanding loans by Hermanos Fernández López S.A. for Euro 803 thousand and outstanding finance lease for Euro 223 thousand;
- the payment of installments due on outstanding loans by Fruttital Firenze S.p.A. for Euro 130 thousand;
- the payable for the balance of the acquisition price of Euro 466 thousand (of which Euro 243 thousand in non-current financial payables and Euro 223 thousand in current financial payables) represents the contingent consideration that the Group agreed to pay to the former shareholders of Galandi S.p.A., related to, on one hand, the "earn-out" clause that provides for an additional payment of Euro 223 thousand linked to a series of factors including the achievement of a certain level of profitability, and on the other, Euro 243 thousand that must be paid to the former shareholders following the sale of land belonging to Galandi S.p.A. For further details, please refer to the section on Business Combinations.
- recognition in financial statements of the debt from the outstanding commitment of Orsero S.p.A. for Euro 8,000 thousand that originated from the surety on the residual balance on the loan granted by Intesa Sanpaolo S.p.A. This guarantee is linked to the credit line granted by the bank, expiring on 31 December 2017, for the repayment of the debt against the proceeds of the expected disposal of Moño Azul S.A. by Argentina S.r.l. In light of the Company's recent developments and agreements reached with Intesa Sanpaolo S.p.A., the guarantee amount of Euro 8 million was entirely allocated by the Parent Company as current financial debt, and therefore included in the calculation of net financial position, which was then settled on 30 January 2018, allowing the Group to evaluate on an ongoing basis the most appropriate solutions to recover the amount paid.

The schedule of medium-term debt to banks and other lenders at 31 December 2016 and 31 December 2017 is detailed in the following table, organized in two columns (due in 2018 and due beyond 31 December 2018, in turn broken down by amounts due by 31

December 2022 and amount due after said date) to provide a better comparison with the previous table.

The table below shows the breakdown of liabilities to banks for loans and payables to other lenders for medium to long-term financial liabilities for the current and non-current portions; the latter is further broken down by due within/beyond five years.

Thousands of euro	Total	2017	>31.12.17		2018-2021	> 31.12.21
Medium term bank loans (Non - current/ current)	**110.353**	37.005	73.348	*as follows:*	*44.840*	*28.508*
Other lenders (Non - current/ current)	**3.758**	2.400	1.358	*as follows:*	*1.358*	*-*
Financial liabilities 31.12.2016	**114.111**	**39.405**	**74.706**		**46.198**	**28.508**

Thousands of euro	Total	2018	> 31.12.18		2019-2022	> 31.12.22
Medium term bank loans (Non - current/ current)	**91.243**	16.248	74.995	*as follows:*	*55.933*	*19.063*
Other lenders (Non - current/ current)	**1.431**	527	904	*as follows:*	*904*	*-*
Financial liabilities 31.12.2017	**92.674**	**16.774**	**75.900**		**56.837**	**19.063**

As at 31 December 2017, there is only one derivative instrument outstanding, which was put in place by the distribution sub-holding to hedge the variable interest rate on 75% of the loan - disbursed for the acquisition of the Tuscan companies and Fernandez - by payment of a fixed rate of 0.245% plus spread. Its negative fair value of Euro 66 thousand was recognized under non-current financial payables with a counter-entry in a specific equity reserve ("Other comprehensive income").

At 31 December 2017, there were loans of both the Parent Company and the distribution sub-holding that required compliance with covenants, compliance of which is verified annually.

In terms of changes in liabilities as a result of financing activities, information that allows users of the financial statements to evaluate the changes that occurred in compliance with IAS 7 is provided.

Liabilities provided by financing activities	31/12/16	New loans	Payments	Cash Flow	Derivatives	Changes of consolidation scope	Changes of exchange rate	31/12/17
Non-current medium term bank loans	110.354	19.780	(42.809)	-	-	3.919	-	91.244
Non-current other lenders (over 12 months)	3.758	527	(3.981)	-	-	1.126	-	1.431
Factor	979	-	-	1.617	-	-	-	2.596
Current other lenders short term	344	-	(130)	8.081	-	174	-	8.469
Current liabilities for the derivatives	-	-	-	-	66	-	-	66
Bank overdrafts	19.134	-	-	(1.708)	-	4.704	-	22.130
Payables for price balance on acquisitions (Non current-current)	-	466	-	-	-	-	-	466
Assets held for trading	(25)	-	-	4	-	-	-	(21)
Total	**134.544**	**20.773**	**(46.920)**	**7.994**	**66**	**9.923**	**-**	**126.379**

NOTE 15. Other non-current liabilities

Thousands of euro	31.12.2017	31.12.2016	Change
Other non - current liabilities	166	209	(43)

"Other non-current liabilities" amounted to Euro 166 thousand as at 31 December 2017, with a decrease of Euro 43 thousand relative to 31 December 2016, due mainly to the reduction of deferred income for non-current contributions accruing after 12 months.

NOTE 16. Deferred taxes liabilities

Thousands of euro	31.12.2017	31.12.2016	Change
Deferred tax liabilities	5.527	2.771	2.756

Deferred tax liabilities are allocated on the basis of temporary differences, subject to deferred taxation, resulting from adjustments made to individual financial statements of consolidated companies in accordance with homogeneous Group accounting standards and on temporary differences between the value of assets and liabilities recorded in the consolidated financial statements and their value for tax purposes.

As at 31 December 2017, the item posted an increase of Euro 2,757 thousand due essentially to the change in the scope of consolidation; in particular, the recognition in the deferred tax liabilities of the higher fair value of the inventories of Hermanos Fernández López S.A. following the acquisition of the remaining 50% in 2017, as has been thoroughly explained.

For further details, reference is made to Note 28 "Income taxes".

NOTE 17. Provisions for risks and charges

Thousands of euro	31.12.2017	31.12.2016	Change
Provisions for risks and charges	2.968	4.394	(1.426)

The item "Provisions for risks and charges" includes allocations made on the basis of litigation pending as at 31 December 2017 in various Group companies, as a result of careful estimates by the directors; of note is the decrease during the year following a confirmation of a contingent liability recognized in 2016, partially offset by an increase after updating the estimates of contingent liabilities.

The allocations recognized in the provisions, which represent the estimate of future cash outflows prepared on based on historical experience, were not subject to actuarial valuation since the effect was considered negligible in the consolidated financial statements.

The item "Provision for risks and charges", with a balance of Euro 2,968 thousand as at 31 December 2017, decreased by Euro 1,426 thousand mainly due to:

- reclassification of Euro 1,564 from "Provision for risks and charges" to "Other current liabilities" (with excerpt from the residual fund equal Euro 36 thousand) for the payable to the Customs Agency connected with the "REI" litigation, which was paid on 9 January 2018 and for which, as previously stated, the Group intends to pursue all methods to enforce its rights against the unjust payment to which it has been subjected, which has been thoroughly clarified in the single Report on Operations for both this year and last year;
- increase of Euro 139 thousand due to the change in the scope of consolidation;
- increase of Euro 136 thousand due to the recognition of the provision for risks of Siter S.r.l. in liquidation linked to the status of the liquidation procedure;
- increase as a result of allocations of Euro 406 thousand, of which Euro 219 thousand for accrued provisions on the return costs of the container pool of the shipping company. As at 31 December 2017, the related recognized provision amounted to Euro 1,880 thousand. Note that during the year under review, the provision for the return of the container pool was utilized for Euro 352 thousand.

NOTE 18. Employees benefit liabilities

The changes of the Employees benefit liabilities (TFR) as at 31 December 2017 are provided herein.

Thousands of euro	Employees benefits liabilities
Balance at December 31, 2016	**5.741**
Change of year:	
Accruals	539
Benefits paid and transferred	(442)
Interest cost	(15)
Gain/(losses) resulting from changes in actuarial assumptions	409
Changes of consolidation scope	2.556
Other changes	(1)
Balance at December 31, 2017	**8.785**

The Employees benefit liabilities refers to the Italian and foreign companies of the Group, in accordance with the various national regulations, and essentially includes employees benefits liabilities accrued by employees in service at 31 December net of advances paid to employees.

In accordance with IAS 19, the TFR Liabilities is remeasured with the actuarial valuation methodology, through the support of an external specialist, and adjusted in relation to the occurrence of events requiring updating.

Below are the main financial and demographic assumptions used in determining the present value of the liability related to TFR.

Discount rate	
Italy, France, Greece, Spain, Portugal	Curva Euro Composite AA al 29.12.2017
Mexico	Iboox GEMX Aggregate 10-15 as of 29.12.2017_ 8,11%
Inflation rate	
Italy	1,50%
France, Greece, Spain, Portugal, Mexico	n.a.
Salary increases (included inflation)	
Italy, Portugal	1,00%
France	Cas général 5,0%, Cadres 5,5%, Agent de maîtrise 4,0%
Greece, Spain	2,00%
Mexico	n.a.
Mortality rate	
Italy	ISTAT 2016
Mexico	SPH 2008 - SPM 2008
Spain	INE 1991-2015
Portugal	INE 2013-2015
Greece	EAE 2012
France	TH-TF 2012-2014_INED
Access to retirement	
Italy	Minimum access requirements required by current legislation (Monti-Fornero)
Spain, Portugal, Mexico, Greece	Minimum access requirements required by current legislation
France	Minimum access requirements required by 2010 legislation
Probability of termination	
Italy	7,00%
France	Cas général 8,00%, Cadres 7,00%, Agent de maîtrise 4,00%
Greece	White Collar 2,00%, Blue Collar 6,00%
Spain	2,00%
Portugal	9,00%
Mexico	Acapulco 1,6%, Jalisco 8,0%

The equity adjustment for actuarial gains/losses includes an actuarial loss of Euro 409 thousand, including the tax effect of Euro 93 thousand. Actuarial gains and losses are recognized in shareholders' equity through the comprehensive income statement, while the provision for the year is recognized under a special item relating to "personnel costs" based on its intended use, i.e. within the first trading margin, gross margin or general and administrative expenses.

NOTE 19. Trade payables

Thousands of euro	31.12.2017	31.12.2016	Change
Payables to suppliers	99.676	70.882	28.794
Payables to subsidiaries and associates of the Group not fully consolidated	854	1.514	(660)
Payables to related parties	2.865	3.445	(580)
Trade payables	**103.395**	**75.841**	**27.554**

Trade payables with a residual maturity of more than 5 years are not included in the financial statements.

At 31 December 2017, there were no outstanding payables of significant amount, nor did the Group receive injunction decrees for past due payables.

At 31 December 2017, the net increase of the item amounted to Euro 27,554 thousand as a result of the increase of Euro 28,794 thousand in the value of payables to suppliers, partly offset by the reduction of Euro 660 thousand in payables to subsidiaries and associates of the Group, not fully consolidated, and Euro 580 thousand of payables to related parties.

It should be noted that the change in payables to suppliers in 2017 compared with 31 December 2016 is due to the change in the scope of consolidation following the acquisitions of the Tuscan and Spanish companies and the increase in turnover, in particular by distribution companies.

The geographic breakdown of the payables is as follows:

Thousands of euro	31.12.2017	31.12.2016	Change
Italy	62.162	52.460	9.702
EU countries	38.781	20.423	18.358
Non-Eu countries	2.452	2.958	(506)
Trade payables	**103.395**	**75.841**	**27.554**

NOTE 20. Current tax and social security contributions liabilities

Thousands of euro	31.12.2017	31.12.2016	Change
For value added tax (VAT)	266	82	184
For income tax of the year	1.257	798	459
For withholding tax	1.042	1.020	22
For indirect taxes	450	313	137
Other payables	47	124	(77)
Social security contributions	3.139	2.537	602
Current tax and social security contributions liabilities	**6.201**	**4.874**	**1.326**

At 31 December 2017, this item had a balance of Euro 6,201 thousand, up compared to the balance at 31 December 2016 by a total of Euro 1,326 thousand, of which Euro 184 thousand for higher VAT payable, Euro 459 thousand for a higher payable to the income taxes for the year, Euro 22 thousand for withholding amounts to be paid, Euro 137 thousand for indirect taxes, and Euro 602 thousand for contributions; these increases were essentially the result of the change in the scope of consolidation. The positive change is partially offset by the decrease in the item "other payables" for Euro 77 thousand.

The item "Liabilities for income tax of the year" is shown net of advances.

There are currently no past due amounts related to the item in question.

NOTE 21. Other current liabilities

Thousands of euro	31.12.2017	31.12.2016	Change
Payables to personnel	6.156	5.116	1.040
Payables to Board of Directors and Statutory Auditors'fees	35	44	(9)
Payables relating to operations on behalf of third parties	1.347	1.131	216
Other current payables	4.138	4.254	(116)
Accrued expenses and deferred income	1.247	1.135	112
Other current liabilities	**12.923**	**11.680**	**1.244**

As at 31 December 2017, the item "Other current liabilities" shows an increase of Euro 1,244 thousand, mainly due to the increase in payables to personnel associated with the change in the scope of consolidation, the payment extension of part of the salaries to the beginning of January 2018, and the verification of year-end bonuses. Furthermore, note the increase in payables relating to operations on behalf of third parties of Euro 216 thousand, which represents financial outlays to be incurred on behalf of customers of the investee Fresco Ship's Agency - Forwarding S.r.l. ("Services" B.U.) to the Customs Agency and/or suppliers. The increase in payables relating to operations on behalf of third parties is essentially due to the higher amounts for duties to be paid to Customs according to seasonality.

Payables to personnel relate to current items for December, as well as accrued and unused holidays, 13th and 14th month accruals, and year-end bonuses.

The item "Other current payables" includes Euro 1,564 thousand for the amount paid by Fresco Ship's Agency - Forwarding S.r.l. to the Customs Agency following the Provincial Tax Commission's rejection of the appeal in the matter of the "REI" litigation. As previously explained in detail, this amount was paid by the Group on 9 January 2018.

NOTE 22. Net sales and segment reporting

Thousands of euro	31.12.2017	31.12.2016	Change
Net sales	**819.124**	**684.970**	**134.154**
In addition			
Share of joint ventures net sales	55.171	93.500	(38.329)
Share of associates net sales	35.689	49.808	(14.119)
Total share of joint venture and associates net sales	**90.860**	**143.308**	**(52.448)**
Inter-segment	(13.189)	(24.911)	11.722
Net sales	**896.795**	**803.367**	**93.428**

At 31 December 2017, turnover was Euro 819,124 thousand, an increase of Euro 134,154 thousand compared to 31 December 2016. For a detailed analysis of sales, please refer to the single Report on Operations, in the section "Significant events in the year and commentary on performance of the business segments".

The table above shows the share of net sales of joint ventures and associates considering the ownership stake as at 31 December 2017 that includes the turnover of the acquired companies, Fruttital Firenze S.p.A., Galandi S.p.A. and Hermanos Fernández López S.A., till 30 June 2017, as they became fully consolidated in the financial statements beginning 1 July. For this reason, the pro-forma consolidated financial statements which incorporate the results as of 1 January 2017 are more relevant and easier to understand.

Segment reporting

Based on the current organizational structure of the Orsero Group, the information required by IFRS 8, broken down by business segment, is shown below. The operating areas identified by the Orsero Group are defined as the segments of activities that generate revenues and costs, the results of which are periodically reviewed by the highest decision-making level for assessment of performance and decisions regarding allocation of resources.

In accordance with IFRS 8, the Group's business is divided into three main segments based on the type of business carried out by the individual companies:

- Distribution Segment: this segment is a group of companies engaged in the distribution of fruit and vegetables in the territories of their competence. The Group's distributors are based and operate mainly in Italy, Portugal, France and Greece;

- Import & Shipping Segment: this segment is a group of companies mainly engaged in the import, selection and maritime transport of bananas and pineapples;
- Services Segment: this segment represents a residual sector that includes companies engaged in the provision of services related to customs, container maintenance, information technology, and holding coordination activities.

The performances and trend of the three segments in which the Group operates are monitored and valued on the basis of revenues and Adjusted EBITDA; this latter parameter, though not defined by international accounting standards, is the indicator that shows the Group's true business performance.

Adjusted EBITDA is calculated as the operating result (EBIT) less depreciation, amortization and provisions, non-recurring costs/income, and costs associated with the Stock Grant Plan. The parameter thus determined does not consider net financial expenses, taxes, and pro-rata gain/loss arising from the application of the equity method for associated companies and joint ventures.

Thousands of euro	**31.12.2017**			
	Gross sales	**Inter-segment net sales**	**Net sales to third parties**	**Adjusted Ebitda**
"Distribution" Segment	740.457	(22.951)	717.506	24.001
"Import & Shipping" Segment	250.455	(32.472)	217.983	7.060
"Services" Segment	14.141	(778)	13.363	(4.806)
Inter-segment net adjustment	-	(129.728)	(129.728)	-
Total net sales to third parties and Adjusted Ebitda	**1.005.053**	**(185.929)**	**819.124**	**26.255**

Thousands of euro	**31.12.2016**			
	Gross sales	**Inter-segment net sales**	**Net sales to third parties**	**Adjusted Ebitda**
"Distribution" Segment	584.384	(28.677)	555.707	15.745
"Import & Shipping" Segment	263.919	(30.154)	233.765	24.875
"Services" Segment	14.034	(569)	13.465	(5.132)
Inter-segment net adjustment	-	(117.967)	(117.967)	-
Total net sales to third parties and Adjusted Ebitda	**862.337**	**(177.367)**	**684.970**	**35.488**

The above tables indicate, at 31 December 2017 and 2016, revenues including intercompany turnover, broken down by segment, the value of turnover with respect to third parties and Adjusted EBITDA.

It should be noted that there are no revenues from transactions with a single external customer equal to or greater than 10% of the Group's total revenues.

Reconciliation of the Adjusted EBITDA with operating income (EBIT)

A reconciliation is provided of the Adjusted EBITDA used by the Group's management with the operating result (EBIT) presented in the income statement.

Thousands of euro	31.12.2017	31.12.2016	Change
Adjusted Ebitda*	**26.255**	**35.488**	**(9.233)**
Amortization of intangible and depreciation tangible assets	(11.562)	(9.770)	(1.792)
Accruals of provision	(2.073)	(1.524)	(549)
Stock Grant	(2.328)	-	(2.328)
Non recurring income	654	1.634	(980)
Non recurring expenses	(3.065)	(9.097)	6.032
Operating Result (Ebit)	**7.880**	**16.731**	**(8.851)**

* The results of which are periodically reviewed by the highest decision-making level for assessment of performance and decisions regarding allocation of resources.

Breakdown of assets and liabilities by segments

In accordance with IFRS 8, disclosures are provided regarding assets, liabilities, the amount of the investment in associates and joint ventures and, lastly, aggregate equity.

It is specified that the segment data indicated in the note should be read together with the performance indicators expressed in the single Report on Operations.

Thousands of euro	Total Assets without investments in joint ventures and associates 31.12.2017	Investments in Joint ventures and associates 31.12.2017	Total Assets 31.12.2017	Total Liabilities 31.12.2017	Aggregate Shareholders' equity 2017
"Distribution" Segment	232.809	731	233.540	156.525	77.016
"Import & Shipping" Segment	114.351	5	114.356	42.271	72.085
"Services" Segment	369.310	7.848	377.157	126.201	250.956
Total assets and liabilities	**716.471**	**8.584**	**725.054**	**324.998**	**400.056**

Thousands of euro	Total Assets without investments in joint ventures and associates 31.12.2016	Investments in Joint ventures and associates 31.12.2016	Total Assets 31.12.2016	Total Liabilities 31.12.2016	Aggregate Shareholders' equity 2016
"Distribution" Segment	146.432	479	146.911	112.326	34.585
"Import & Shipping" Segment	131.988	5	131.993	48.532	83.461
"Services" Segment	305.801	35.888	341.689	140.500	201.189
Total assets and liabilities	**584.221**	**36.372**	**620.593**	**301.358**	**319.235**

NOTE 23. Cost of goods sold

The following table shows the cost of goods sold by allocation and by nature.

Thousands of euro	31.12.2017	31.12.2016	Change
Raw materials and finished goods costs	548.449	436.069	112.380
Cost of commissions on purchases and sales	3.002	3.493	(491)
Transport and handlig costs	113.184	104.495	8.689
Personnel costs	22.659	18.391	4.268
Depreciation and amortization	9.366	8.367	999
Accruals of provision	385	722	(337)
External production and maintenance costs	14.978	9.323	5.655
Utilities	5.468	4.688	780
Bunker'cost	25.059	17.238	7.821
Rental costs for ships and containers	5.354	6.891	(1.537)
Containers costs	3.878	3.170	708
Leases and rentals	5.070	4.478	592
Other costs	778	750	28
Other operating revenues and cost recoveries	(6.969)	(5.758)	(1.211)
Cost of goods sold	**750.663**	**612.317**	**138.346**

The increase in the cost of goods sold is discussed in the single Report on Operations, to which reference is made; however, it is necessary to stress the significant impact of the increase in the cost of bunker caused by the rise in the price of fuel, from 216 USD/Ton on average in 2016 to 313 USD/Ton on average recorded for 2017. The increase in the purchase costs of commodities, packaging, pallets and goods amounting to Euro 112,380 thousand and in the transportation and handling costs by Euro 8,689 thousand is tied to the growth in turnover. The increase in labor costs of Euro 4,268 thousand is essentially due to the change in the scope of consolidation.

"Raw materials and finished goods costs" comprises Euro 744 thousand of costs due to associates and Euro 2,348 thousand to related parties, carried out a market value and included in the balances indicated in Note 34, to which reference is made.

Instead, "Transport and handling costs" comprises Euro 875 thousand to associated companies of the Group; this balance is also included in the details provided in Note 34.

"Other operating revenues and cost recoveries" comprises Euro 137 thousand in revenues from associates of the Group. For further details, reference is made to Note 34.

NOTE 24. General and administrative expenses (Overheads)

The table below details the overhead and administrative costs by allocation and by nature.

Thousands of euro	31.12.2017	31.12.2016	Change
Corporate bodies fees	3.917	1.511	2.406
Costs for notary, tax, legal and other professional services	3.200	4.363	(1.163)
Commercial, advertising, promotional and representation expenses	2.177	2.740	(563)
Personnel costs	29.295	23.814	5.481
Depreciation and amortization	2.196	1.404	792
Accruals for provision	1.688	802	886
Costs for maintenance, external labor and various other services	6.928	5.723	1.205
Insurance expenses	1.465	1.170	295
Utilities	1.349	1.271	78
Travel expenses	1.124	947	177
Costs of company car fleet	749	524	225
Rental costs and various rentals	584	363	221
Charges for purchase and intercompany services to associates and related companies	961	1.112	(151)
Other costs	2.537	2.231	306
Acquisition costs of stationery and material of consumption	546	445	101
Fees, commissions, bank guarantees charges and factoring	885	745	140
Overheads	**59.602**	**49.165**	**10.437**

The increase in overhead and administrative costs of Euro 10,437 thousand is the result of increases in compensation to the corporate bodies, in labor costs, and in costs for maintenance services and for collaborations, partly offset by decreases in the other categories as represented above.

It should be noted that labor costs of Euro 29,295 thousand include Euro 745 thousand in costs for the Stock Grant Plan and that the compensation to corporate bodies of Euro 3,917 thousand includes Euro 1,583 thousand in costs related to the Stock Grant Plan.

"Charges for purchases and intercompany services to associates and related companies" comprises Euro 7 thousand to associated companies and Euro 954 thousand to related companies. For further details, reference is made to Note 34.

NOTE 25. Other incomes and expenses

Thousands of euro	31.12.2017	31.12.2016	Change
Other operating incomes	3.014	3.158	(144)
Other operating expenses	(3.992)	(9.915)	5.923
Total other incomes and expenses	**(978)**	**(6.757)**	**5.779**

Details of the items "Other operating incomes" and "Other operating expenses" for the years 2017 and 2016 are provided herein, with separate indication of ordinary positions with respect to non-recurring items.

Thousands of euro	31.12.2017	31.12.2016	Change
Revenues from recovery of costs and insurance reimbursements	697	248	449
Plusvalues and contingent revenues in ordinary course of business	765	1.057	(292)
Others (*)	898	219	679
Other ordinary operating incomes	**2.360**	**1.524**	**836**
Gains on sale of equity investments and non - current financial assets	-	500	(500)
Gains on disposal of businesses or significant intangible assets and materials	7	463	(456)
Release of provisions previously set aside	59	57	2
Non-recurring reimbursements received	427	-	427
Others (*)	161	614	(453)
Other non-recurring operating incomes	**654**	**1.634**	**(980)**

(*) These are contingencies related to items set aside in previous years for which the obligation/payment has not been fulfilled

The increases compared to 2016 are essentially linked to income relating to the implementation status of the new ERP system recorded under "Others" in ordinary operating incomes, as well as higher recoveries and reimbursements of ordinary expenses. In 2017, the Company did not generate income from the sale of investments and only Euro 7 thousand in gains from the sale of intangible/tangible assets. In the item "Non-recurring reimbursements received", the Group recognized income for insurance reimbursements following a fire at the Milan warehouse of the Italian distribution company for Euro 234 thousand.

The reduction in non-recurring income, recorded under the item "Other" refers to fact that the 2017 earn-out was not recognized, due to failure to achieve the targets set by the sale agreement of the investee Reefer Terminal S.p.A. to APM Maersk for Euro 500 thousand.

The item "Other operating incomes" comprises Euro 26 thousand to associated companies and Euro 250 thousand to related companies. For further details, reference is made to Note 34.

Note that revenues of Euro 250 thousand from related companies represent income accrued by the Italian distribution company for the use of the trademark owned by the related company Moño Azul S.A.

Thousands of euro	31.12.2017	31.12.2016	Change
Penalities, sanctions and costs for damage to third parties	(76)	(114)	38
Minusvalues and contingent losses in ondinary course of business	(851)	(704)	(147)
Others (*)	-	-	-
Other ordinary operating expenses	**(927)**	**(818)**	**(109)**
Glenalta transaction costs	(1.570)	(1.153)	(417)
Costs and extraordinary provisions with employees	(150)	(1.483)	1.333
Significant costs for civil, tax, customs litigations, etc.	-	(2.469)	2.469
Losses on disposal investments and non - current financial assets	(95)	(470)	375
Losses on disposal of businesses or significant intangible assets and materials	-	(1.685)	1.685
Integration provisions for extraordinary risks	-	(1.000)	1.000
Others (*)	(1.250)	(836)	(414)
Other non - recurring operating expenses	**(3.065)**	**(9.096)**	**6.031**

(*) These are contingencies related to items set aside in previous years of which the right/recourse has ceased

In this section, the "non-recurring" expenses associated with the Glenalta Significant Transaction are particularly relevant. Of note is the reduction of labor costs associated with restructuring due to the positive performance of the Group's activities, especially the core business, and costs associated with losses on assets sold and write-downs as well as supplements to extraordinary provisions. The item "Legal, civil, tax and customs litigation" as at 31 December 2016 included the allocation of Euro 1,600 thousand for the "REI" dispute.

The item "Other operating expenses" does not include charges to associates or related companies. For further details, reference is made to Note 34.

NOTE 26. Net financial expenses

The breakdown of the item "Net financial expenses" is as follows:

Thousands of euro	31.12.2017	31.12.2016	Change
Financial income	226	170	56
Financial expenses	(2.461)	(2.694)	233
Exchange rate differences	(344)	380	(724)
Net financial expenses	**(2.579)**	**(2.144)**	**(435)**

For each item included in the item in question, details are provided below:

Thousands of euro	31.12.2017	31.12.2016	Change
Interest income to third parties	122	148	(26)
Interest income to associates and joint ventures	89	22	67
Interest for IAS 19	15	-	15
Gains on derivatives	-	-	-
Financial income	**226**	**170**	**56**

Thousands of euro	31.12.2017	31.12.2016	Change
Interest expenses from bank	(2.454)	(2.311)	(143)
Interest cost for IAS 19	-	(2)	2
Interest expenses to third parties	(6)	(380)	374
Losses on derivatives	(1)	(1)	-
Financial expenses	**(2.461)**	**(2.694)**	**233**

Thousands of euro	31.12.2017	31.12.2016	Change
Realized exchange rate differences	229	(173)	402
Unrealized exchange rate differences	(573)	553	(1.126)
Exchange rate differences	**(344)**	**380**	**(724)**

The decline in financial expenses reflects the Group's improved position as a result of the merger with Glenalta and the reduction in indebtedness after repayments.

NOTE 27. Net income (loss) from equity investments

Thousands of euro	31.12.2017	31.12.2016	Change
Dividends	10	8	2
Share of profit from companies consolidated at equity	1.912	4.987	(3.075)
Revaluations of securities and investments	17.482	-	17.482
Devaluations of securities and investments	(13)	(83)	70
Result of securities and investments negotiation	(3)	-	(3)
Non recurring devaluations entered in "Other current assets"	(8.000)	-	(8.000)
Net income (loss) from equity investments	**11.387**	**4.912**	**6.475**

The Net income (loss) from equity investments is essentially due to recognizing higher fair value on the 50% stake that was already held in the Tuscan and Spanish companies acquired, with respect to its valuation in the financial statements as at 30 June 2017, which had been expressed based on the pro-rata share of equity. The effect from this application generated income of Euro 17,482 thousand, in accordance with IFRS 3 for "step acquisitions". The item "Non-recurring devaluations entered in other current assets" includes Euro 8,000 thousand for the guarantee provided on the sale of Moño Azul S.A. to Argentina S.r.l., fully described in the single Report on Operations.

The amount of the "Share of profit from companies consolidated at equity" is equal to Euro 1,912 thousand. Solely in 2017, the pro-rata share of the results of the acquired companies Fruttital Firenze S.p.A., Galandi S.p.A., and Hermanos Fernández López S.A. were recognized through 30 June 2017, after which time they were fully consolidated in the Group's accounts. Additionally, the "Share of profit from companies consolidated at equity" as at 31 December 2016 included Euro 2,071 thousand for the pro-rata income of Acorsa S.A., which was sold by the Group on 13 December 2017 to the parent company FIF Holding S.p.A. During 2017, the investment in Acorsa S.A., following the call option held by FIF Holding S.p.A., previously discussed, was valued at the cost of Euro 20,160 thousand in the financial statements, without being allowed to register the pro-rata income (see table in Note 4).

NOTE 28. Income taxes

Most Italian subsidiaries participate in the "tax consolidation" system headed by Orsero, in accordance with the option exercised by each company and confirmed by the Revenue Agency as a result of the submission of a specific request for ruling in accordance with art. 124, paragraph 5, of the TUIR Tax Code and with art. 13, paragraphs 1 and 2, of the Ministerial Decree of 9 June 2004.

The changes in taxes are summarized in the following table.

Thousands of euro	31.12.2017	31.12.2016	Change
Current taxes for the year	(5.905)	(3.891)	(2.014)
Previous financial year taxes (+/-)	9	(179)	188
Deferred taxes = from statutory tax consolidation	2.596	3.421	(826)
Deferred taxes incomes and liabilities	(354)	(1.383)	1.029
Tax expenses	**(3.654)**	**(2.031)**	**(1.624)**

Taxes increased compared to 31 December 2016 principally due to the higher current taxes for the Distribution segment for Euro 5,222 thousand (Euro 2,187 thousand in 2016), partially mitigated by the lower taxable income, and therefore, relative current taxes for the Import & Shipping companies for Euro 508 thousand (Euro 1,480 thousand in 2016).

	2017 -Rate 24%		2016 -Rate 27,5%	
Thousands of euro	**Taxable**	**Tax**	**Taxable**	**Tax**
Profit before tax	**16.689**		**19.329**	
Theoretical tax		**(4.005)**		**(5.315)**
Benefit "*step acquisition*" ex-IFRS 3	(17.482)	4.196		
Guarantee in favour to Argentina S.r.l.	8.000	(1.920)		
International register Cosiarma		(277)		3.092
Share of profit from companies consolidated at equity	(1.912)	459	(4.987)	1.371
Foreign companies for different tax rate		(583)		(194)
Taxed dividends from companies of Group	30.790	(369)	9.745	(134)
Others		(97)		(67)
Effective tax		**(2.596)**		**(1.247)**
Irap/Cvae taxes		(1.059)		(784)
Taxes expenses in the consolidated financial statement		**(3.655)**		**(2.031)**
Effective rate		*21,9%*		*10,5%*

The table above presents the reconciliation between the theoretical and effective taxes, along with non-recurring movements in 2017 linked to the benefit from the "step acquisition" pursuant to IFRS 3, the allocation for the guarantee in favor of Argentina S.r.l. to Intesa Sanpaolo S.p.A., and the effect on the total effective tax base of the higher/lower profitability of the shipping business, whose enrolment in the international register entails a reduction of 80% in the taxable base. A separate line shows the Irap and Cvae (France) taxes calculated on a different tax base.

The table below shows the changes in the various deferred tax asset components by type. The amounts of current or deferred taxes charged directly to the comprehensive income statement refer to the effects of the revaluation of the severance indemnity fund and the fair value assessment of the bunker hedges carried out in 2016. The 2017 balance of Euro 7,788 thousand reflects the scope of consolidation effect from the merger with Glenalta and the acquisition of the Tuscan and Spanish companies.

	Statement of financial position		Income statement		Comprehensive income statement	
Thousands of euro	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Previous tax losses	4.593	5.530	(937)	(297)	-	-
Effect IAS 19	767	352	(12)	(24)	108	71
Depreciation/Goodwill/trademarks	913	518	116	(711)	-	-
Indirect taxes	100	79	21	3	-	-
Provisions for bad debts	456	181	78	(77)	-	-
Financial expenses/ACE/Exchange differences	149	137	12	30	-	-
Provisions for the return of the rended container feet	316	303	13	(8)	-	-
Costs deductible in the future (Stock Grant)	380	-	380	-	-	-
Other	115	191	(107)	(181)	-	(45)
Deferred tax assets	**7.788**	**7.291**	**(435)**	**(1.265)**	**108**	**26**

The table below shows the changes in the various deferred tax components by type. The 2017 balance of Euro 5,527 thousand reflects the scope of consolidation effect from the acquisition of the Tuscan and Spanish companies.

	Statement of financial position		Income statement		Comprehensive income statement	
Thousands of euro	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Leasing	(1.316)	(484)	(5)	3	-	-
Warehouse revaluation	(232)	(234)	-	-	-	-
On J-entries FV Magazzini Fernández	(2.080)	-	33	-	-	-
Ships depreciation	(1.848)	(1.957)	50	(118)	-	-
Others	(52)	(96)	4	(4)	-	-
Deferred tax liabilities	**(5.527)**	**(2.771)**	**81**	**(118)**	**-**	**-**

At 31 December 2017, there are no significant tax disputes.

There are no other significant amendments to the tax legislation between 2017 and 2016.

NOTE 29. Net profit of Discontinued Operations

At 31 December 2017, "Net profit of discontinued operations" was zero (2016: negative for Euro 844 thousand) as there were no sales transactions similar to those that had occurred in the prior year.

Thousands of euro	**31.12.2017**	**31.12.2016**	**Change**
Disposal Business Aviation	-	(2.833)	2.833
Disposal Moño Azul	-	3.677	(3.677)
Net profit of "Discontinued Operations"	**-**	**844**	**(844)**

The net negative result of Euro 844 thousand as at 31 December 2016 included the gain for the Argentine company, Moño Azul S.A., and the loss for the Business Aviation sector resulting from the sale, in preparation for the Significant Transaction. The net result of Euro 844 thousand included the results of the companies concerned until disposal and amounted to a profit of Euro 2,409 thousand for Moño Azul S.A. and a loss of Euro 1,076 thousand for Business Aviation.

NOTE 30. Earnings per share

The basic earnings per share are calculated, in accordance with IAS 33, dividing the Group's portion of the profit by the average number of shares outstanding during the period. The "Fully Diluted" earnings per share are calculated dividing the net profit of the Group by the average number of outstanding shares including special shares and warrants, in both cases excluding treasury shares in the portfolio. The average number of outstanding shares used to calculate the "Fully Diluted" earnings per share includes the treasury shares assigned following the achievement of the 2017 target envisaged in the Stock Grant Plan.

Euro	2016	2017
Net profit - Group share (in euro)	**18.214.846**	**12.808.708**
Average number of outstanding shares during the period	**12.946.613**	**14.478.956**
Base earnings per share - ordinary shares	**1,407**	**0,885**
Average number of outstanding shares during the period	12.946.613	14.478.956
Average number of special shares and warrant during the period	3.115.102	1.454.065
Average number of outstanding shares granted for " Stock Grant Plan" during the period	-	87.215
Diluted average number of outstanding shares during the period	**16.061.715**	**16.020.236**
Diluted earnings per share - ordinary shares	**1,134**	**0,800**

NOTE 31. Disclosures on financial instruments - additional disclosures

Pursuant to IFRS 7, the breakdown of financial instruments into the categories set out in IAS 39 is as follows:

Thousands of euro	31.12.17	31.12.16	Change
Financial assets			
Cash and cash equivalent	79.893	37.095	42.798
Trade receivables	112.898	80.528	32.371
Current financial assets	21	25	(4)
Financial liabilities			
Non - current medium term bank loans (over 12 months)	(74.995)	(73.348)	(1.647)
Current medium term bank loans	(16.248)	(37.005)	20.758
Bank overdrafts	(22.130)	(19.134)	(2.995)
Non - current other lenders (over 12 months)	(904)	(1.358)	454
Current other lenders	(527)	(2.400)	1.873
Other current lenders short term	(11.066)	(1.324)	(9.742)
Non current payables for price balance on acquisitions (over 12 months)	(243)	-	(243)
Current payables for price balance on acquisitions (over 12 months)	(223)	-	(223)
Hedging derivatives	(66)	-	(66)
Trade payables	(103.395)	(75.841)	(27.554)

It is noted that only current financial assets include securities, i.e. financial instruments that are valued at fair value with impact on the income statement. The other categories fall under the item "Loans and receivables" in accordance with IAS 39.

Among financial liabilities, trading derivatives fall within the category "Liabilities measured at fair value with impact on the income statement", while hedging derivatives are recorded at fair value, the related change is accounted for in an equity reserve that constitutes the comprehensive income statement. In this regard, it is noted that the Group has derivative contracts outstanding as at 31 December 2017 related to interest rate hedges.

As at 31 December 2017, an interest rate hedging derivative was in place, set up by the sub-holding GF Distribuzione S.r.l. on the new loan of Euro 20 million. The new loan contract that included the payment of variable interest equivalent to Euribor 6M + spread is 75% hedged with a contract that entails the payment of a fixed rate of 0.245% plus spread. At 31 December 2017, its negative fair value of Euro 66 thousand was recognized under non-current financial liabilities with a counter-entry in a specially designated equity reserve.

NOTE 32. Disclosures on assets and liabilities measured at fair value

Based on the requirements of IFRS 13 "Fair value measurement", the following disclosure is provided.

Fair value of financial instruments:

- for financial assets and liabilities that are liquid or have a very short maturity, the book amount is considered to approximate fair value; this hypothesis also applies to term deposits, disposable securities and floating rate financial instruments;
- for the measurement of the fair value of hedging instruments, valuation models based on market parameters are used. At the reporting date, interest rate hedging derivatives had been stipulated, as discussed above;
- the fair value of non-current financial liabilities is obtained by discounting all future cash flows at the period-end conditions. In the current situation, where for medium-term debt the cost of the loan is aligned with the market value, the nominal values of the debt are considered as fair values.

As regards trade and other receivables and liabilities, the fair value is equal to the book value.

Fair value of non-financial instruments:

- for long-term biological assets, the cost method was used net of accumulated depreciation for the determination of the carrying amount;
- for current biological assets (agricultural product on the plant) fair value is used, i.e. the market value net of transportation costs.

As regards property investments, they are valued at cost, which is believed to be a reliable approximation of the related fair value.

The following tables analyze the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation techniques used:

- Level 1: the valuation techniques use prices listed on an active market for the assets or liabilities subject to valuation;
- Level 2: the valuation techniques consider inputs other than the previous prices, but that can, however, be observed directly or indirectly on the market;
- Level 3: the techniques use inputs that are not based on observable market data.

Financial instruments

Derivatives, valued using techniques based on market data, are mainly IRSs on interest rates that have the purpose of hedging both the fair value of underlying instruments and cash flows.

The most frequently applied valuation techniques include "forward pricing" and "swap" models, which use the calculations of the present value.

The following table analyses financial instruments measured at fair value based on three different levels of valuation.

Thousands of euro	31.12.17			31.12.16		
Financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Current financial assets	21	-	-	25	-	-
Financial liabilities						
Speculative derivatives	-	-		-	-	-
Hedging derivatives	-	(66)		-	-	-

Level 1 valuation was used for non-significant securities.

Level 2 valuation, used for financial instruments measured at fair value, is based on parameters such as interest rates that are quoted in active or observable markets on official rate curves. The liability valued with Level 2 at 31 December 2017 relates to the negative fair value of the derivative on interest rates.

Non-financial instruments

There are no non-financial instruments measured at fair value as at 31 December 2017, because the biological assets of the Mexican producer measured at fair value, i.e., market value net of sales costs, were equal to zero at the end of the year.

NOTE 33. Nature and extent of risks deriving from financial instruments

The Company's main financial instruments include current accounts and short-term deposits, as well as financial liabilities to banks in the short and long term.

The purpose is to finance the Group's operating activities.

Additionally, the Company has trade receivables and payables from its business activities.

The main financial risks to which the Group is exposed are those of market (currency), credit, default and debt covenants, and risks associated with the loan agreement; below is a description of these risks and how they are managed.

Risks associated with fluctuations in exchange rates

In view of its operations, the Group, like other operators in the sector, is exposed to the risk of fluctuations in the exchange rates of currencies other than the one in which the commercial and financial transactions are expressed. In fact, part of the fruit supply (bananas and pineapples) is carried out by the Group in Central American countries at the price denominated in US dollars, resulting in the Group exposure to the USD/Euro exchange rate linked to the fact that sales of these products are denominated in Euro, as they are almost entirely on the markets of the EU countries.

In relation to this type of risk, it is emphasized that the historical observation of results shows that there is no direct automatic relationship between the dollar exchange rate and margins, mainly due to the pricing system, which being variable from week to week, allows most of the exchange rate effect to be "transferred" to the final market. In addition, part of the risk is offset by the maritime transport activity that has an opposite currency profile with a surplus of dollar-denominated revenues over costs, without prejudice to the net exposure in dollars at the level of the Group's currency balance.

Risks associated with loan agreements

The Group has some short-term and medium-term loan agreements with some of the major banking institutions, which foresee in the coming years a plan of reimbursement of its adjusted debt on revenue flows, together with a low interest rate.

Risks of default and covenants on the debt

The Group has lending agreements with certain major banks that prescribe compliance with financial covenants that depend on the performance of certain financial parameters at the consolidated Group level; upon the occurrence of given events, the counterparties could ask the debtor to repay the borrowed sum immediately, consequently generating a liquidity risk, or change the spread, which would affect the interest rates on payments. At the date of this Report, it should be noted that the covenants were respected.

Risks associated with credit

The Group is exposed to the credit risk arising from both commercial relations and liquidity use in the financing of some seasonal product campaigns. Commercial credit risk is monitored based on formalized procedures for selecting and evaluating the customer portfolio, defining the limits of reliance, monitoring the expected income flows and any recovery actions, and in some cases, involves the stipulation of insurance policies with primary counterparties.

The two tables below show the evidence of the net financial position, net working capital and invested capital. For financial debt maturities, reference is made to Note 14 "Financial liabilities".

The Group demonstrates a satisfactory ability to generate cash through its operating activities and therefore there is no problem in obtaining funds to settle its financial liabilities.

The Group has financial liabilities that, with the exception of non-current payables with fixed maturities, consist of short-term bank payables, other short-term payables to lenders, current and non-current payables for the balance of acquisition prices, and liabilities for derivative instruments.

It should be noted that, due to the cash generated by operating activities, the Group has sufficient resources to meet its financial commitments in the set deadlines.

Thousands of euro	31.12.17	31.12.16	Change
Assets held for trading	21	25	(4)
Cash and cheques	382	240	142
Bank and deposit accounts	79.511	36.855	42.656
Non - current medium term bank loans (over 12 months)	(74.995)	(73.348)	(1.647)
Non - current other lenders (over 12 months)	(904)	(1.358)	454
Non current payables for price balance on acquisitions (over 12 months)	(243)	-	(243)
Non current Liabilities for derivative	(66)	-	(66)
Bank overdrafts	(22.130)	(19.134)	(2.996)
Current medium term bank loans	(16.248)	(37.005)	20.758
Current other lenders	(11.066)	(1.324)	(9.742)
Other current lenders short term	(527)	(2.400)	1.873
Current payables for price balance on acquisitions (over 12 months)	(223)	-	(223)
Net financial position	**(46.487)**	**(97.450)**	**50.963**

Thousands of euro	31.12.17	31.12.16	Change
Goodwill	32.085	3.834	28.251
Other intangible assets	8.974	6.208	2.766
Tangible assets	100.994	85.881	15.113
Financial investments	7.959	39.221	(31.262)
Other fixed assets	1.489	668	821
Deferred tax assets	7.788	7.291	497
NON-CURRENT ASSETS	**159.290**	**143.103**	**16.187**
Inventories	33.498	24.114	9.385
Trade receivables	112.898	80.528	32.371
Trade payables	(103.395)	(75.841)	(27.554)
NET WORKING CAPITAL	**43.002**	**28.801**	**14.201**
Other receivables	24.512	23.930	583
Deferred tax liabilities	(5.527)	(2.771)	(2.757)
Provisions for risks and charges	(2.968)	(4.394)	1.426
Employees benefits liabilities	(8.785)	(5.741)	(3.044)
Other liabilities	(19.290)	(16.764)	(2.526)
OTHER CURRENT ASSETS AND LIABILITIES	**(12.059)**	**(5.740)**	**(6.319)**
NET INVESTED CAPITAL	**190.233**	**166.164**	**24.069**

Risks associated with guarantees provided to third parties

As indicated in the report, the guarantee provided to Argentina S.r.l. on the sale of Moño Azul S.A., equivalent to Euro 8 million, was entirely allocated by the Parent Company as current financial debt and therefore included in the calculation of net financial position, in light of the Company’s recent developments and agreements reached with Intesa

Sanpaolo S.p.A. At the reporting date, the payable had been fully settled. However, note that any actions depend entirely on the possibility that Argentina can sell the Moño Azul S.A. investment at a price exceeding the residual debt to Intesa of more than Euro 10 million, an assumption that is rather uncertain, given that the Group no longer has control over the Argentinian business activities, the increasingly problematic situation for the entire country-system in Argentina, and the negative performance of Moño Azul once again in 2017. For this reason, the directors have decided to set aside a provision for bad debts (within the "Equity/financial result" item) equal to 100% of the receivable due from the related party, Argentina S.r.l. (part of "Receivables and other current assets") for the recovery of the guarantee paid to Intesa, recognizing any amounts recovered in the future as contingent assets.

As stated in last year's Annual Report, there are additional guarantees issued in favor of the related companies Moño Azul, the Business Aviation sector, and Nuova Beni Immobiliari S.r.l. - also originating from the agreements reached to finalize the merger with Glenalta - equivalent to Euro 3,333 thousand (USD 4 million), Euro 1,559 thousand, and Euro 518 thousand, respectively, for which there is no significant risk profile at present, as there is the concrete possibility of recovering directly from these companies any amounts that may be disbursed by the Group against these guarantees.

NOTE 34. Transactions with related parties

The Company and the Group have put in place a conduct procedure related to transactions with related parties, in order to monitor and trace the necessary information regarding transactions in which directors and executives have interests, as well as transactions with related parties for the purpose of their control and possible authorization.

The procedure identifies the subjects required to report the above information, defines what transactions should become the subject of communication, and sets the deadlines to submit the information, specifying its content.

The main intra-group activities, regulated at market prices, are developed through contractual relations that specifically concerned:

- management of investments;
- regulation of financial flows through centralized treasury and intra-group loans;
- sharing of general, administrative and legal services;
- assistance related to IT services;
- trade agreements.

There is an existing fiscal relationship with the Parent Company Orsero, as a result of the option - confirmed by the Revenue Agency as a result of the submission of a specific request for ruling in accordance with art. 124, paragraph 5, of the TUIR Tax Code and with art. 13, paragraphs 1 and 2, of Ministerial Decree of 9 June 2004 - exercised for the national tax consolidation regime, regulated by art. 117 et seq. of the TUIR Tax Code, only for the Italian companies.

Receivables and payables arising from such tax relations are not interest-bearing.

Transactions between the companies included in the scope of consolidation have been eliminated from the consolidated financial statements and have not been highlighted.

Below is a summary of the items in the statement of financial position and income statement for transactions between the Group and other related parties in 2017. Relationships with the companies represented in the table are essentially commercial and related to the specific business sectors: production for Citrumed and Moño Azul, the real estate business for Nuova Beni Immobiliari, Business Aviation for GF Aviation and its subsidiaries, and distribution for the others.

Thousands of euro	**Related parties at December 31, 2017**						
	Financial receivables	**Trade receivables**	**Other receivables[6]**	**Trade payables**	**Net sales**	**Financial income**	**Trade Expenses**
Associates and Joint Ventures							
Fruttital Firenze S.r.l.[1]	-	-	-	-	10.433	-	-
Galandi S.r.l.[1]	-	-	-	-	602	-	-
Hermanos Fernàndez López S.A. [1]	-	-	-	-	1.352	-	-
Frt Cagliari S.r.l. [5]	-	595	-	(168)	5.004	-	-
Moncada S.r.l.	-	1.611	-	-	7.138	-	(1)
Citrumed S.A.	23	63	-	(50)	120	23	(743)
Simba Spain S.L.	-	798	-	(20)	12.245	-	(63)
Fruport S.A.	-	6	-	(617)	-	-	(3.190)
Total exposure to Associates and Joint ventures	**23**	**3.074**	**-**	**(854)**	**36.894**	**23**	**(3.998)**
Related companies							
Moño Azul S.A.[3-4]	-	3.179	74	-	250	67	(2.412)
Nuova Beni Immobiliari S.r.l.	-	890	-	(878)	269	-	(2.950)
Business Aviation[2]	-	509	-	(1.987)	113	-	(99)
Immobiliare Ranzi S.r.l.	-	50	-	-	30	-	-
Quires S.r.l.	-	199	-	-	34	-	-
Total exposure to related companies	**-**	**4.828**	**74**	**(2.865)**	**697**	**67**	**(5.462)**

[1] 50% of the companies were acquired by the Group with effect from 1° July 2017, therefore this table shows the net sales accrued during the first half of 2017

[2] Referred to the companies GF Aviation S.r.l., K-Air S.p.A., K-Fleet S.r.l.

[3] The euro 74 thousand indicated among the "Other receivables" in the above table are entered under the item "Trade receivables", more precisely "Receivables from related parties"

[4] The euro 250 thousand indicated among the "Net sales" in the above table are entered under the item "Other operating incomes", more precisely "Revenues from recovery of costs and insurance reimbursements"

[5] The euro 5.004 thousand indicated among the "Net sales" in the above table include euro 26 thousand entered under the item "Other operating incomes", more precisely "Revenues from recovery of costs and insurance reimbursements"

[6] It should be noted that the item "Other current assets" includes euro 8,000 thousand of receivables due from Argentina S.r.l. entirely devalued.

Transactions with related parties are governed by specific contracts, the conditions of which are in line with those of the market.

Regarding relationships with Argentina S.r.l., the Significant Transaction described in other parts of this document and associated with the first-demand guarantee granted to Intesa Sanpaolo S.p.A. involved the credit line granted by the bank with maturity on 31 December 2017 for the repayment of the debt to the proceeds of the expected disposal of Moño Azul S.A.

In light of the Company's recent developments and agreements reached with Intesa Sanpaolo S.p.A., the amount of this guarantee, equivalent to Euro 8 million, was entirely allocated by the Parent Company in the financial statements as current financial debt and therefore included in the calculation of net financial position. On 30 January 2018, this payable was settled in full.

NOTE 35. Share-based payments

As previously discussed, the Group has launched a Stock Grant Plan, for Orsero's executive directors and certain key managers, linked to the achievement of the objectives progressively set in the three-year period 2017-2019. As the 2017 objective was achieved, the aforementioned individuals were assigned 166,667 shares, which will be delivered, free of charge, within and no later than 15 trading days from the approval of the 2019 financial statements, for a total amount of Euro 2,328 thousand, based on the relative fair value at the assignment date, as envisaged in IFRS 2, equivalent to the share price. Note that these shares are already held by the Company, which allocated a portion of treasury shares, equivalent to 500,000 shares, specifically for the Stock Grant Plan.

NOTE 36. Employees

The following table shows the number of employees and the average number of employees as at 31 December 2017 and as at 31 December 2016.

	31.12.2017	31.12.2016	Change
Distribution Segment			
Number of employees	1.103	704	399
Average number of employees	1.199	762	437
Import&Shipping Segment			
Number of employees	173	171	2
Average number of employees	173	172	1
Services Segment			
Number of employees	89	95	(6)
Average number of employees	90	94	(4)
Number of employees	**1.365**	**970**	**395**
Average number of employees	**1.462**	**1.028**	**434**

NOTE 37. Fees due to Directors, Board of Auditors, Independent Auditors

The following table details the remuneration for the members of the corporate bodies of Orsero S.p.A. in 2017.

Thousands of euro	2017
Board of Directors	2.463
Board of Auditors	106
Independent Auditors	253

NOTE 38. Guarantees provided, commitments and other contingent liabilities.

The guarantees provided by the Company are as follows:

Thousands of euro	31.12.2017	31.12.2016	Change
Guarantees issued in the interest of the Group	11.211	7.960	3.251
Guarantees issued to third parties	15.667	9.763	5.904
Guarantees issued to third parties in the interest of related parties	5.410	6.052	(642)
Total guarantees	**32.288**	**23.775**	**8.513**

The increase in guarantees compared to the end of the previous year of Euro 8,513 thousand is mainly due to the scope of consolidation effect, and in particular to the guarantee of Euro 6,963 thousand provided by Fruttital Firenze to the Intesa Group leasing company on behalf of Tirreno Immobiliare, owner of the Florence warehouse. As a result of the acquisition of full ownership of Fruttital Florence, this guarantee is in the process of being replaced with one issued directly by the owners of Tirreno Immobiliare.

The residual change is mainly linked to the higher guarantee exposure with customs, partly offset by lower amounts for guarantees related to VAT refunds and with related parties for Euro 642 thousand. The latter reduction is due to the conversion into Euro of the Patagonia guarantee of USD 4 million in favor of Moño Azul S.A. and the reduction in the surety on the mortgage of the Solgne warehouse following the repayments made during the year.

As in previous years, the primary component of the aforementioned guarantees is essentially related to guarantees issued to Customs and/or VAT offices, for a total of Euro 18,140 thousand. Note that the guarantee of Euro 8 million granted to Intesa SanPaolo S.p.A. was recognized in financial payables as at 31 December 2017 and has already been fully paid.

INDIPENDENT AUDITOR’S REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
Piazza della Vittoria, 15 int. 11
16121 GENOVA GE
Telefono +39 010 564992
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Orsero S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Orsero Group (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement and consolidated comprehensive income statement, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Orsero Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed 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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Orsero S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to the disclosure provided by the directors in the "Accounting treatment of merger the GF Group S.p.A. – Glenalta Food S.p.A. (now Orsero S.p.A.)" section of the notes to the consolidated financial statements and in the "Significant events during the year" section of the directors' report about the merger of GF Group S.p.A. into Orsero S.p.A. (formerly Glenalta

Food S.p.A.). Specifically, the directors state that, as a result of the merger, the figures presented for comparative purposes are the corresponding figures of the prior year pre-merger consolidated financial statements of the GF Group.

Other matters

The Group's 2016 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 28 April 2017.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Orsero S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' 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 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 these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;

- obtain 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate 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;
- obtain 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.

We communicate with those charged with governance, identified at the appropriate level 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 identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of Orsero S.p.A. are responsible for the preparation of the Group's directors' report at 31 December 2017 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Group's consolidated financial statements at 31 December 2017 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the consolidated financial statements of the Orsero Group at 31 December 2017 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 3 April 2018

KPMG S.p.A.

(signed on the original)

Matteo Pastore
Director of Audit

SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

PARENT COMPANY FINANCIAL STATEMENTS

Statement of Financial Position

Euro	Notes	31/12/2017	31/12/2016
ASSETS			
Goodwill			-
Other intangible assets	1	58.296	-
Tangible assets	2	772.330	-
Financial investments	3	169.482.942	-
Other fixed assets	4	24.864	-
Deferred tax assets	5	600.425	186.556
Non-Current Assets		**170.938.857**	**186.556**
Inventories			-
Trade receivables	6	41.314.676	-
Current tax receivables	7	3.786.179	621.654
Other current assets	8	400.901	38.883
Cash and cash equivalent	9	53.591.711	79.733.220
Current Assets		**99.093.467**	**80.393.757**
Assets held for sale		**-**	**-**
TOTAL ASSETS		**270.032.324**	**80.580.313**
Share Capital		69.163.340	9.500.000
Reserves		86.708.838	62.547.317
Net profit		2.386.083	(1.025.621)
Total Shareholders' Equity	**10**	**158.258.261**	**71.021.696**
LIABILITIES			
Non-current financial liabilities	11	56.426.000	-
Other non-current liabilities			-
Deferred tax liabilities			-
Provisions for risks and charges	12	-	-
Employees benefits liabilities	13	1.470.299	-
Non-Current Liabilities		**57.896.299**	-
Current financial liabilities	11	20.423.830	-
Trade payables	14	31.462.771	1.358.116
Current tax and social security contributions liabiliti	15	423.427	28.742
Other current liabilities	16	1.567.736	8.171.759
Current Liabilities		**53.877.764**	**9.558.617**
Liabilities held for sale			-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**270.032.324**	**80.580.313**

Income Statement

Euro	NOTES	Esercizio 2017	Esercizio 2016
Net sales	17	3.862.457	-
Cost of goods sold		-	-
Gross profit		**3.862.457**	**-**
Overheads	18	(11.536.868)	(290.541)
Other incomes and expenses	19	(9.969.688)	(1.887.902)
Operating result (Ebit)		**(17.644.099)**	**(2.178.443)**
Net financial expenses	20	(1.385.113)	1.203.917
Net income (loss) from equity investments	21	20.973.888	-
Profit before tax		**1.944.676**	**(974.526)**
Tax expenses	22	441.407	(51.095)
Net profit from continuing operations		**2.386.083**	**(1.025.621)**
Net profit of "Discontinued operations"	23	-	-
Net profit		**2.386.083**	**(1.025.621)**

Comprehensive Income Statement

Euro	Esercizio 2017	Esercizio 2016
Net profit	**2.386.083**	**(1.025.621)**
Items that may not be subsequently reclassified to net profit or loss	(49.414)	-
Items that may be subsequently reclassified to net profit or loss	-	-
Total comprehensive income	**2.336.669**	**(1.025.621)**

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Cash Flow Statement

Euro	Notes	Year 2017	Year 2016
A. Net cash flows provided by (used for) operating activities			
Net profit		**2.386.083**	**(1.025.621)**
Income taxes	22	441.407	51.095
Net financial expenses	20	(1.383.777)	(1.203.917)
(Dividends)	21	(24.850.000)	-
(Earnings)/losses from disposal of assets		-	-
1. Net Profit before Tax, Interests, Dividends and (earnings)/losses from disposal of assets		**(23.406.287)**	**(2.178.443)**
Non-cash adjustments not related to net working capital:			
Provisions		-	-
Depreciations and Amortizations	18	189.166	-
Impairment of assests	3-21	263.680	-
Other non-cash adjustments		-	-
2. Cash flows before net working capital changes		**(22.953.441)**	**(2.178.443)**
Changes in Net Working Capital:			
Change in trade receivables		-	-
Change in trade payables	6	4.133.302	-
Change in other receivables	14	(11.356.085)	1.299.179
Change in other payables		(8.269.143)	7.813.013
3. Cash flows after net working capital changes		**(38.445.367)**	**6.933.749**
Other non-cash adjustments:			
Net financial expenses	20	1.383.777	1.203.917
Income taxes	22	(441.407)	(51.095)
Dividends	21	24.850.000	-
Change in Funds		-	-
4. Cash flows after other changes		**(12.652.997)**	**8.086.571**
Net cash flows provided by (used for) operating activities (A)		**(12.652.997)**	**8.086.571**
B. Net cash flows provided by (used for) investing activities			
Tangible assets			
(investment)	2	(547.547)	-
Disposals	2	54.817	-
Intangible assets			
(investment)	1	(58.296)	-
Disposals		-	-
Financial Investments			
(Investment)	3	(13.241.671)	-
Disposals	3	10.467.153	-
Financial assets			
(Investment)	4-5	(202.414)	-
Disposals	4-5	52.499	51.095
Disposals / (acquisitions) of investments in controlled companies, net of cash		(171.697.743)	-
Net cash flows provided by (used for) investing activities (B)		**(175.173.202)**	**51.095**
C. Net cash flows provided by (used for) financing activities			
Financial loans			
Increase /(decrease) of short term financial debts	11	9.630.948	-
Drawdown of new loans	11	101.804.065	-
Pay back of loans	11	(34.613.183)	-
Equity			
Aumento di capitale a pagamento / SFP	10	110.579.699	-
Capital decrease	10	(25.000.000)	(8.170.051)
Disposal/ (aquisition) of own shares	10	(701.217)	(522.500)
Dividends paid		-	-
Net cash flows provided by (used for) financing activities(C)		**161.700.312**	**(8.692.551)**
Increase/ (decrease) of cash and cash equivalent (A ± B ± C)		**(26.125.887)**	**(554.885)**
Net cash and cash equivalents, at beginning of the year		**79.733.220**	**80.288.105**
Net cash and cash equivalents, at end of the year		**53.607.333**	**79.733.220**

Statement of Changes in Shareholders’ Equity

Thousands of euro	Share Capital	Legal reserve	Share premium reserve	Other reserves	Participative financial instruments (SFP) reserve	Remeasurement of defined benefit plans	Reserve Stock-Grant	Treasury share reserve	Retained earnings/ (losses)	Net profit	Total Shareholder s'equity
December 31, 2015	**9.500**	**-**	**72.000**	**(809)**	**-**	**-**	**-**	**-**	**-**	**49**	**80.740**
Allocation of reserves	-	-	-	56	-	-	-	-	(8)	(49)	**-**
Capital increase	-	-	-	-	-	-	-	-	-	-	**-**
Capital decrease	-	-	(8.170)	-	-	-	-	-	-	-	**(8.170)**
Effetto TFR IAS 19	-	-	-	-	-	-	-	-	-	-	**-**
Change in fair value of cash flow hedge derivatives	-	-	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	-	(523)	-	-	**(523)**
Net profit	-	-	-	-	-	-	-	-	-	(1.026)	**(1.026)**
December 31, 2016	**9.500**	**-**	**63.830**	**(753)**	**-**	**-**	**-**	**(523)**	**(8)**	**(1.026)**	**71.022**

Thousands of euro	Share Capital	Legal reserve	Share premium reserve	Other reserves	Participative financial instruments (SFP) reserve	Remeasurement of defined benefit plans	Reserve Stock-Grant	Treasury share reserve	Retained earnings/ (losses)	Net profit	Total Shareholder s'equity
December 31, 2016	**9.500**	**-**	**63.830**	**(753)**	**-**	**-**	**-**	**(523)**	**(8)**	**(1.026)**	**71.022**
Allocation of reserves	-	-	-	162	-	-	-	-	(1.187)	1.026	**-**
Capital increase	4.663	-	8.556	(153)	-	-	-	-	-	-	**13.065**
Glenalta's operation	55.000	-	8.170	13.246	-	(114)	-	(5.884)	-	-	**70.418**
Effetto TFR IAS 19	-	-	-	-	-	(49)	-	-	-	-	**(49)**
Change in fair value of cash flow hedge	-	-	-	-	-	-	-	(702)	-	-	**(702)**
Other changes	-	-	-	(211)	-	-	2.328	-	-	-	**2.118**
Net profit	-	-	-	-	-	-	-	-	-	2.386	**2.386**
December 31, 2017	**69.163**	**-**	**80.556**	**12.291**	**-**	**(163)**	**2.328**	**(7.108)**	**(1.195)**	**2.386**	**158.258**

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Form and content of the separate financial statements and other general information.

Form and content of the separate financial statements and other general information

Group Structure

Orsero S.p.A. (the "Parent Company" or the "Company") is a company organized under the laws of the Republic of Italy. The company represents the Parent Company of Orsero Group, whose activities have been extensively described in the pages above with regard to the single Report on Operations. The registered office of the Parent Company is via Fantoli 6, Milan, Italy.

Statement of compliance and preparation criteria

The separate financial statements of Orsero S.p.A. at 31 December 2017 have been drawn up based on art. 4, paragraph 2 of Legislative Decree no. 38 of 28 February 2005, according to the International Accounting Standards issued by the International Accounting Standards Board (IASB) and approved by the European Commission, including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

The separate financial statements at 31 December 2017 are the first full financial statements prepared in accordance with IAS/IFRS pursuant to Regulation (EC) 1606/2002 issued by the European Parliament and the European Council in July 2002. The data in the Orsero (formerly Glenalta) financial statements as at 31 December 2016, prepared in accordance with Italian accounting principles and approved by the Shareholders' Meeting of 16 May 2016, have been restated to ensure compliance with international accounting standards. Thus, the accounting standards applied are in line with those adopted for the preparation of the opening statement of financial position in accordance with the IFRS, and restated according to IFRS and described in Note 31.

The items in the statement of financial position and income statement of Orsero S.p.A. as at 31 December 2017 reflect the balances of Glenalta and, especially, of GF Group, at the merger date. All changes with respect to the previous year are entirely insignificant as the 2016 figures refer to Glenalta SpA and the carry-over of the balances as a result of the merger with Orsero are all classified as changes for the year.

Content and form of the separate financial statements

The separate financial statements consist of the statement of financial position, income statement, comprehensive income statement, cash flow statement, statement of changes in equity and these Notes, applying the provisions of IAS 1 "Presentation of the financial statements".

The Company has adopted the following financial statements:

- statement of financial position, which classifies assets and liabilities as current and non-current;
- income statement, in which costs are presented using the "allocation" classification, a structure considered more representative than presentation by type;
- comprehensive income statement, which reports revenue and cost items that are not recognized in profit (loss) for the year as required or permitted by IFRS;
- cash flow statement, presented using the "indirect method";
- statement of changes in equity reporting all changes during the year under review.

The choice of these statements allows the Parent Company's equity, economic and financial situation to be represented in a truthful, correct, reliable and more relevant manner. The form chosen is, in fact, consistent with internal reporting and management.

Orsero's separate financial statements are presented in Euro, the functional currency in economies in which the Group mainly operates and is compared with the separate financial statements of the previous year, drawn up in a consistent manner.

On 19 March 2018, the Parent Company's Board of Directors approved the separate and consolidated financial statements of Orsero.

The separate financial statements have been drawn up in accordance with the general historical cost principle, with the exception of financial assets available for sale, financial assets held for trading, derivative instruments measured at fair value, and on the going concern assumption.

The directors have prepared the financial statements in accordance with paragraphs 25 and 26 of IAS 1, due to the strong competitive position, high profitability, and soundness of the equity and financial structure achieved.

The separate financial statements of Orsero as at 31 December 2017 were audited by KPMG S.p.A.

Management and control

The Company is not considered under the management and control of the parent FIF Holding S.p.A. in accordance with Article 2497-bis of the Civil Code.

Valuation criteria

The separate financial statements used the same valuation criteria as the consolidated financial statements, already fully described above.

NOTES - DISCLOSURES ON THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT

This chapter provides useful information to explain the most significant changes compared to the previous year in the items of the financial statements.

NOTE 1. Other intangible assets

Thousands of euro	Intellectual property rights	Concessions, licenses and trademarks	Assets in progress and advances	Other intangible assets	Total
Carrying amount	-	-	-	-	-
Accumulated amortization	-	-	-	-	-
Carrying amount at December 31, 2016	**-**	**-**	**-**	**-**	**-**
Change of year:					
Investments	-	-	58	-	58
Disposal - Carrying amount	-	-	-	-	-
Disposal - accumulated amortization	-	-	-	-	-
Reclassification - carrying amount	-	-	-	-	-
Reclassification - accumulated amortization	-	-	-	-	-
Impairment losses	-	-	-	-	-
Merger with GF Group - carrying amount	125	-	-	-	125
Merger with GF Group - accumulated amortization	(125)	-	-	-	(125)
Translation differences - carrying amount	-	-	-	-	-
Translation differences - accumulated amortization	-	-	-	-	-
Amortization	-	-	-	-	-
Amortization "Discontinued Operations"	-	-	-	-	-
Carrying amount	125	-	58	-	183
Accumulated amortization	(125)	-	-	-	(125)
Carrying amount at December 31, 2017	**-**	**-**	**58**	**-**	**58**

Intangible assets increased by Euro 58 thousand compared to 31 December 2016 due to costs incurred for a new information system that will optimize the management of the Group's workforce and will become operational in 2018.

The Company did not incur any expenses for research in 2017.

Intellectual property rights

The item includes costs incurred for the Company's software programs and licenses, amortized on a straight-line basis over 5 years or based on the duration of the related license, with a residual value of zero (zero at 31 December 2016).

NOTE 2. Tangible assets

Thousands of euro	Lands and buildings	Plantations	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets in progress and advances	Total
Carrying amount	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Balance at December 31, 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change of year:							
Investments	70	-	-	-	477	-	548
Disposal - Carrying amount	-	-	-	-	(151)	-	(151)
Disposal - accumulated depreciation	-	-	-	-	96	-	96
Reclassification - carrying amount	-	-	-	-	-	-	-
Reclassification - accumulated	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Merger with con GF Group - carrying amount	-	-	-	-	1.351	-	1.351
Merger with con GF Group - accumulated depreciation	-	-	-	-	(882)	-	(882)
Translation differences - carrying amount	-	-	-	-	-	-	-
Translation differences - accumulated	-	-	-	-	-	-	-
Depreciation	(1)	-	-	-	(188)	-	(189)
Depreciation "Discontinued Operations"	-	-	-	-	-	-	-
Carrying amount	70	-	-	-	1.677	-	1.748
Accumulated depreciation	(1)	-	-	-	(974)	-	(975)
Balance at December 31, 2017	**69**	**-**	**-**	**-**	**704**	**-**	**773**

At 31 December 2017, tangible assets totaled Euro 773 thousand, an increase of Euro 773 thousand compared to the previous year due to:

- investments for Euro 548 thousand, mainly relating to vehicles for Euro 282 thousand, buildings for Euro 70 thousand, electronic equipment for Euro 57 thousand, furnishings for Euro 98 thousand, telephony for Euro 5 thousand, and general plants for Euro 35 thousand.

- depreciation for the period, Euro 189 thousand;
- disposals of assets (at book value) for Euro 151 thousand (depreciated for Euro 96 thousand), essentially represented by sales of company cars.

Land and buildings

This item includes buildings for Euro 70 thousand (zero in 2016) and depreciated at 3%, referring to the extraordinary maintenance work carried out at the Company's new headquarters in Milan.

Other tangible assets

The item mainly includes the following assets held by the Company:

- company cars for Euro 746 thousand (zero in 2016) and depreciated at 25%;
- furniture and fixtures for Euro 503 thousand (zero in 2016) and depreciated at 12%;
- office equipment for Euro 324 thousand (zero in 2016) and depreciated at 20%;
- equipment for Euro 10 thousand (zero in 2016) and depreciated at 12%;
- mobile telephones for Euro 22 thousand (zero in 2016) and depreciated at 20%;
- small plants for Euro 40 thousand (zero in 2016) and depreciated at 20%.

The effects of the merger between Orsero (formerly Glenalta) and GF Group have been reported in the line items of the table above, i.e., "Merger with GF Group - historical cost" and "Merger with GF Group - accumulated depreciation".

At 31 December 2017, the Company verified there were no internal or external indicators of possible impairment for its tangible assets. Consequently, the value of tangible assets has not been subjected to impairment testing.

NOTE 3. Financial investments

Thousands of euro	Investments in subsidiaries	Investments in Joint ventures	Investments in associates	Investments in other companies	Total
Carrying amount	-	-	-	-	-
Accumulated provision on investments	-	-	-	-	-
Balance at December 31, 2016	-	-	-	-	-
Change of year:					
Additional/Capital increase	13.242	-	-	-	13.242
Divestments and disposals-carrying amount	-	-	-	-	-
Divestments and disposals-accumulated provision on	4.391				4.391
Impairment losses/Using fund to cover losses	(250)	-	-	(13)	(263)
Repayments to Shareholders loan	(14.858)	-	-	-	(14.858)
Ripristini	-	-	-	-	-
Reclassification-carrying amount	1.000		(1.000)	-	-
Reclassification-accumulated provision on investments	(860)		860	-	-
Merger with GF Group - carrying amount	236.396	-	1.000	3.930	241.326
Merger with GF Group - accumulated provision on investments	(69.578)	-	(860)	(3.915)	(74.353)
Carrying amount	**235.780**	**-**	**-**	**3.930**	**239.709**
Accumulated provision on investments	**(66.298)**	**-**	**-**	**(3.928)**	**(70.226)**
Balance at December 31, 2017	**169.482**	**-**	**-**	**1**	**169.483**

Disclosure on investments in other companies

The separate financial statements must be prepared in accordance with IFRS 12 "Disclosure of Interests in Other Entities", which includes all disclosure provisions previously included in IAS 27, IAS 28, and IAS 31.

Companies defined as subsidiaries are entities in which Orsero has a majority of the exercisable votes and exercises a dominant influence in the ordinary Shareholders' Meeting. Companies designated as joint ventures are companies in which the Company has joint control as defined by IFRS 11 and IAS 28 "Investments in Associates and Joint Ventures". Associated companies are companies whose activities are subject to the exercise of significant influence by Orsero Group in the ordinary Shareholders' Meeting as defined by IAS 28 "Investments in Associates and Joint Ventures".

For further details, please refer to the section on Investments in the Notes to the consolidated financial statements.

Equity investments totaled Euro 169,483 thousand at 31 December 2017, with a net increase of Euro 169,483 thousand due to the changes reported in the table above and detailed below.

Note that in the early days of July the acquisition of the remaining 50% of the Spanish company Hermanos Fernández López S.A. was formalized, for a consideration of Euro 19 million. As reported in the disclosure published at the time, a significant portion - Euro 13 million - of the price of the acquisition of the Spanish company was paid through the issue of 1,000,000 new Orsero S.p.A. shares, a concrete manifestation of the confidence placed in the Group's future by our Spanish partner. The remaining 15.79% of share capital was acquired by the sub-holding GF Distribuzione S.r.l. for a cash consideration of Euro 6,000 thousand, thereby obtaining 65.79% of the share capital of Hermanos Fernández López S.A. Following this acquisition, the Parent Company Orsero S.p.A. owns a 34.21% stake in Hermanos Fernández López S.A., recognized as a subsidiary, given that the Parent Company exercises a significant influence over this investee. The value of the investment increased by Euro 42 thousand following the capitalization of costs incurred as preparation for the acquisition of the investment.

For the acquisition of the Spanish company, note that the Parent Company also holds 33% of the share capital of Cultifruit S.L., in which the subsidiary Hermanos Fernández López S.A. also holds 33%, therefore, Orsero S.p.A. exercises a dominant influence on the investee. Given the exercise of a dominant influence on the investee Cultifruit S.L., the investment was reclassified among subsidiaries.

During the year, the following company was recapitalized to cover losses or for different needs:

- GF Servizi S.r.l. for Euro 200 thousand:

There were no disposals/divestments in 2017.

The impairment losses refer to:

- GF Trasporti S.r.l. for Euro 50 thousand;
- GF Servizi S.r.l. for Euro 200 thousand;
- Minor investments for Euro 13 thousand.

The revaluation, or more precisely, the recovery of write-downs recognized in previous years, refers to:

- GF Porterm S.r.l. for Euro 4,391 thousand.

The reduction for repayments refers to GF Produzione S.r.l., which generated a reversal of Euro 14,858 thousand in the amount recognized in the equity item "Shareholder loan".

Impairment test of investments

For the purposes of IAS 36, the Company carried out impairment tests with respect to subsidiaries to verify the recoverability of the carrying amount of investments in order to ensure that the value recorded in the financial statements does not exceed the recoverable amount.

The recoverable amount has been defined as the value of use: i.e. the sum of the discounted future cash flows and the terminal value that the individual companies will be able to generate according to management estimates, net of the net financial position.

For discounting, the post-tax WACC is used as the discount rate, which takes into account the specific risks of the asset and reflects current market valuations of the cost of money. It is based on weighting between the cost of debt and the cost of equity, calculated based on the values of companies comparable to the subsidiaries of Orsero S.p.A. and subject to impairment as they operate in the same business sector.

The WACC value thus determined is 8.5% for the major companies (with higher rates for Greek and Portuguese companies due to the country situation - see "Impairment Test" section in the Notes to the consolidated financial statements). The terminal value was determined with the perpetual annuity formula, and determined as the ratio between the normalized flow (NOPAT) and the discount rate. In making this calculation, a 1% nominal growth rate ("g") was considered, in line with the growth outlook expected by management for the years beyond the industry plan horizon and the reference countries.

This approach was not used only in the case of Cosiarma S.p.A., since it was not considered a perpetual annuity, instead a time horizon of 8 years used, with a value in line with historical performance. In calculating the terminal value, the level of amortization and investments was offset and, in addition, a change in working capital equal to zero was assumed.

The Company has verified the recoverability of the book value of the following equity investments at 31 December 2017:

- GF Distribuzione S.r.l;
- GF Porterm S.r.l.;
- Cosiarma S.p.A.

In light of the impairment tests carried out using the information available to date and reasonable estimates of the evolution of the invested capital, the following results have been determined:

- Recovery of the write-down for Euro 4,391 thousand for GF Porterm S.r.l. following the write-off of Reefer Terminal Sète, which involved the recovery of the provision of Euro 8,351 thousand, and of the higher intrinsic value of Fresco S.r.l., VCS S.r.l., and Fruport Tarragona S.L.

The sensitivity analysis carried out based on the assumption of a reduction in value of Adjusted EBITDA of 10% did not give rise to any issues regarding the consistency of the book values that were previously calculated.

The above analyses confirm the sensitivity of valuations of recoverability of non-current assets to the change in the variables used; in this context, the directors will systematically monitor the trend of the variables used and not controllable for any adjustments to the recoverability estimates of the recognition values of non-current assets in the financial statements.

NOTE 4. Other fixed assets

Thousands of euro	31.12.2017	31.12.2016	Change
Other fixed assets	25	-	25

The item in question includes amounts paid to suppliers as deposit.

NOTE 5. Deferred tax assets

Thousands of euro	31.12.2017	31.12.2016	Change
Deferred tax assets	600	187	414

Deferred tax assets are allocated, where their future recovery is probable, on temporary differences, subject to advance taxation, between the value of assets and liabilities for statutory purposes and their value for tax purposes and on tax losses that can be carried forward.

Deferred tax assets as at 31 December 2017, amounting to Euro 600 thousand (Euro 187 thousand at 31 December 2016), are recognized in relation to IAS-IFRS transition entries, such as, for example, the liquidation of investments in intangible assets per IAS 38, or the determination of the employee severance indemnity according to the actuarial methodology, or costs that are not deductible for the current year, but will be deductible in subsequent years.

The increase of Euro 414 thousand in 2017 represent the effect of the Significant Transaction with Glenalta that resulted in the recognition of the balance as at 31 December 2016 of the former GF Group for Euro 277 thousand, of the release for the tax benefit accrued in the year for Euro 245 thousand, and the provision for the year of Euro 381 thousand.

For more information on the breakdown of this item, please refer to the table below and Note 22 “Income Taxes”.

NOTE 6. Trade receivables

Thousands of euro	31.12.2017	31.12.2016	Change
Trade receivables from third parties	25	-	25
Receivables from subsidiaries	40.761	-	40.761
Receivables from associates	10	-	10
Receivables from related parties	519	-	519
Provision for bad debts	-	-	-
Trade receivables	**41.315**	**-**	**41.315**

All trade receivables are due within one year and derive from normal sales conditions. Receivables are shown net of the provision for bad debts: this provision must be allocated in the presence of bad debts or doubtful debts that are still in the financial statements pending the conclusion of the related bankruptcy proceedings or out-of-court settlement attempts. There are no receivables due beyond five years.

The balance of receivables from subsidiaries at 31 December 2017 refers mainly to receivables of a financial nature, due within one year, for Euro 34,940 thousand, consisting entirely of treasury current accounts. The balance also includes receivables from the national tax consolidation system for Euro 2,709 thousand. The remainder is entirely attributable to trade receivables.

The balance of receivables as at 31 December 2017 reflect the balances of Glenalta and, especially, of GF Group, at the merger date.

Note that Reefer Terminal Séte was put into liquidation, a procedure that was concluded in 2017, with the consequent write-off of receivables still outstanding from the company for Euro 8,351 thousand.

Receivables from related parties relate to:

- Nuova Beni Immobiliari S.r.l. Euro 64 thousand, all trade;
- Business Aviation sector Euro 363 thousand, of which Euro 49 thousand trade and Euro 42 thousand deriving from the application for the 2016 tax year of the national tax consolidation system, and Euro 272 thousand for 2017 Group VAT;
- Quires S.r.l. Euro 92 thousand, trade.

At 31 December 2017, the item increased by Euro 41,315 thousand.

The following is the breakdown of receivables by geographical area:

Thousands of euro	31.12.2017	31.12.2016	Change
Italy	41.211	-	41.211
Eu countries	104	-	104
Non-Eu countries	-	-	-
Trade receivables	**41.315**	**-**	**41.315**

NOTE 7. Current tax receivables

Thousands of euro	31.12.2017	31.12.2016	Change
For value added tax	1.877	261	1.617
For tax advances paid in the current year	-	48	(48)
For taxes claimed for reimbursement	1.248	-	1.248
Other receivables	661	313	348
Current tax receivables	**3.786**	**622**	**3.165**

As at 31 December 2016, current tax receivables represent the accounting balances of Glenalta from the financial statements approved by the Shareholders' Meeting on 16 May 2017 and converted according to international accounting standards. The balance includes Euro 261 thousand of VAT receivables, Euro 48 thousand of IRES receivables, and Euro 313 thousand of withholding receivables.

Tax receivables show an overall increase of Euro 3,165 thousand at 31 December 2017.

The item "Receivables for taxes claimed for reimbursement", resulting from the merger with GF Group, includes Euro 104 thousand for the IRES reimbursement request for 2004-2005 pursuant to art. 6 of Decree Law 29 November 2008 and implemented by Law no. 2 of 28 January 2009, submitted as consolidating entity, and Euro 1,028 thousand for receivables arising from the submission of the reimbursement request pursuant to art. 2, paragraph 1-quater of Decree Law 201/2011 for the years 2007, 2009, 2010, 2011 as the Company was the consolidating entity. It should be noted that the same amount will have to be recognized to the companies that adhered to the national tax consolidation procedure at the time (payables to subsidiaries). This item also includes Euro 104 thousand for reimbursement requests for VAT-Auto for 2006, 2007, and 2008.

The items already requested for reimbursement for various purposes and described in the paragraph above remained unchanged with respect to the accounting situation at the time of the merger, while the items relating to advances paid in the current and previous years refer instead to receivables arising from the application of the national tax consolidation system.

NOTE 8. Other current assets

Thousands of euro	31.12.2017	31.12.2016	Change
Advances to suppliers	16	-	16
Receivables from sales of investments	-	-	-
Other receivables	64	-	64
Accrued income and deferred expenses	306	39	267
Assets held for trading	16	-	16
Other current assets	**401**	**39**	**362**

As at 31 December 2016, the item reported Euro 39 thousand in accrued income and deferred expenses for Glenalta.

As at 31 December 2017, the item showed an overall increase of Euro 362 thousand, mainly related to prepayments of Euro 267 thousand, mostly for insurance and consultancy costs for future periods. This item also includes advances to suppliers for Euro 16 thousand and receivables for advances to employees for Euro 15 thousand, the latter recognized under "Other receivables".

The balance was not affected by the outstanding receivable from the related party Argentina S.r.l., for Euro 8,000 thousand, as it is entirely written off; for more detail on this receivable, please refer to the description in the section on financial liabilities (Note 11).

The item "Accrued income and deferred expenses" refers to normal allocations for the recognition and correct allocation of costs related to the following year, typically services, insurance and guarantee expenses, leases, interests.

NOTE 9. Cash and cash equivalents

Thousands of euro	31.12.2017	31.12.2016	Change
Cash and cash equivalent	53.592	79.733	(26.142)

The balance reflects the Company's current account balances.

The balance at 31 December 2017 represents cash of Euro 12 thousand and the balance of ordinary bank accounts for Euro 53,580 thousand.

The change in the item can be analyzed in detail in the cash flow statement.

NOTE 10. Shareholders' Equity

The share capital at 31 December 2017, fully paid-in, is composed of 17,682,500 ordinary shares with no par value, amounting to Euro 69,163,340.

As at 31 December 2016, shareholders' equity of Orsero S.p.A. (formerly Glenalta Food S.p.A.) was Euro 71,022 thousand.

The shareholders' equity at 31 December 2017 increased significantly relative to 31 December 2016 as a result of the merger by absorption of GF Group S.p.A. into Orsero S.p.A. (formerly Glenalta Food S.p.A.), as defined based on the Framework Agreement stipulated on 26 October 2016.

On 6 February 2017 and effective from 13 February, the Company concluded the merger by means of a share capital increase of Euro 55,000,000, through the issue of 5,590,000 thousand new ordinary shares with no par value and having the same characteristics as those outstanding at the time of issue, which were attributed to FIF Holding S.p.A. according to the exchange ratio of 43 Glenalta shares for every 50 ordinary shares of GF Group.

Starting from the effective date of the Merger, the Company's share capital amounted to a nominal value of Euro 64,500,000, divided into 13,590,000 ordinary shares, admitted to trading on AIM/Alternative Investment Market, and 150,000 special shares, with no par value. After the effective date, FIF Holding owned a stake in the Company's share capital of 41.1% of the ordinary share capital. Furthermore, at said date, the Company held 643,387 ordinary treasury shares.

As envisaged in the Merger agreements, the aforementioned shares assigned in exchange to FIF Holding S.p.A., as well as the FIF Holding shares held by its shareholders and corresponding to the entire share capital of FIF Holding, were subject to 36-month lock-up from the Merger's effective date.

Pursuant to the Company's Warrant Regulations, 1 warrant was assigned free of charge for every 2 ordinary shares held to all those who owned ordinary shares in Glenalta on the day before the Merger's effective date; therefore the total number of outstanding warrants amounted to 7,693,997. Furthermore, note that, also as a result of the Merger, 50,000 special shares were converted into ordinary shares, in the ratio of 6 ordinary shares for every 1 special share held, without changing the amount of share capital.

On 7 March and 18 April 2017, all conditions set forth in art. 6.4 of the Orsero By-laws for the automatic conversion of 100,000 special shares in the ratio of 6 ordinary shares for each 1 special share held were verified, without any change in the amount of share capital.

On 30 June 2017, in accordance with the "Regulation of the Orsero S.p.A. Warrants", the "Acceleration Condition" defined therein was met, with the resulting conclusion of subscription of the "Converted Shares" on 2 August 2017 with an Exercise Ratio of 0.2879. By 2 August 2017, the Company had received requests to exercise 7,531,496 warrants and therefore issued 2,168,297 ordinary shares to service this exercise, for a total value of Euro 216,829.70.

Following the conversion of the special shares into ordinary shares and the exercise of the warrant conversion following the triggering of the "Acceleration Condition", the share capital amounted to Euro 64,719,250 divided into 16,682,500 ordinary shares with no par value.

As has been thoroughly explained earlier in the report, in July 2017, the Group signed an agreement with Grupo Fernández S.A. and its controlling shareholder, Luis Fernández López, to acquire an investment equal to 50% of the share capital held by Grupo Fernández in Hermanos Fernández López S.A., a leader in the distribution of fresh fruits and vegetables in Spain. The remaining 50% of the latter's share capital was already held by GF Distribuzione S.r.l., a wholly owned subsidiary of Orsero. As reported in the disclosure published at the time, a significant portion - Euro 13 million - of the price of the acquisition of the Spanish company was paid through the issue of 1,000,000 new Orsero S.p.A. shares, a concrete manifestation of the confidence placed in the Group's future by our Spanish partner. The remaining 15.79% of share capital was acquired by the sub-holding GF Distribuzione S.r.l. for a cash consideration of Euro 6,000 thousand, thereby obtaining

65.79% of the share capital of Hermanos Fernández López S.A. Following this acquisition, the Parent Company Orsero S.p.A. owns a 34.21% stake in Hermanos Fernández López S.A., recognized as a subsidiary, given that the Parent Company exercises a significant influence over this investee.

On 25 September 2017, the share capital increase in exchange for payment reserved for Grupo Fernández S.A. for a total of Euro 13 million was carried out, through the issue of 1,000,000 new Orsero ordinary shares at a price of Euro 13 each, to be released through a contribution in kind of 2,948 ordinary shares amounting to Euro 4,444,090, as well as the share premium of Hermanos Fernández López S.A., equal to 34.21% of the share capital, held by Grupo Fernández S.A.

The share capital increase of Euro 13 million is divided into Euro 4,444,090 in share capital and Euro 8,555,910 in the share premium reserve. The Company incurred consultancy and notary fees of Euro 153 thousand that were charged directly to shareholders' equity, as they are strictly linked to the aforementioned capital increase and preliminary to the Hermanos Fernández López transaction.

As a result of the subscription of the reserved share capital increase, Grupo Fernández S.A. owns a stake of 5.655% in the share capital of Orsero, amounting to Euro 69,163,367 and represented by 17,682,500 ordinary shares.

Moreover, the Group adopted a long-term incentive plan based on the Company's ordinary shares, known as the "Orsero S.p.A. Stock Grant Plan". This plan envisages the allocation to beneficiaries, free of charge, of the rights to receive from Orsero S.p.A., again free of charge, Orsero ordinary shares held by the Company (up to a maximum of 500,000 shares), subject to the achievement of pre-determined, measurable performance objectives, which will be set by the Board of Directors for each year of the Plan's three-year performance period (2017, 2018, and 2019). This Plan is reserved for executive directors of Orsero and certain executives who hold or perform strategically important roles or functions within the Company. The 2017 objective was achieved and resulted in the assignment to the aforementioned individuals of 166,667 shares, which will be delivered, free of charge, within and no later than 15 trading days from the approval by the Orsero Shareholders' Meeting of the financial statements as at 31 December 2019, for a total amount of Euro 2,328 thousand. This represents the fair value, in accordance with IFRS 2, at the assignment date, equal to a share price of Euro 13.97. Note that these shares are already held by the Company, which allocated a portion of the shares owned, or 500,000 shares, specifically for the Stock Grant Plan. A specific reserve was created in shareholders' equity as a counter-entry for costs related to the Stock Grant Plan.

Upon completion of the merger, 643,387 ordinary treasury shares remained available to Orsero, which became 712,687 as at 31 December 2017, of which 500,000 are in service of the Stock Grant Plan, with a total value of the shares acquired in October 2017 of Euro 701,567 thousand, recognized as a direct reduction of other net items as shown in the statement of changes in equity as at 31 December 2017. Therefore, the amount of treasury shares recorded as a direct reduction of shareholders' equity is Euro 7,107,937.

The increase in the number of treasury shares held with respect to the amount acquired through the Merger is due to subsequent purchases made in accordance with the treasury share buyback program, as described below.

On 16 October 2017, the Parent Company’s Board of Directors approved the launch of a treasury share buy-back program, with a duration of 18 months starting from the effectiveness of the Merger, as it was considered a strategic investment opportunity. The purchases involved, or will involve, Orsero S.p.A. ordinary shares, with no par value, for a maximum value set at Euro 2,000,000. These purchases are carried out at a price that is not greater than the highest price considering the last independent transaction and the highest current independent offer price in trading venues where the purchases are carried out. However, in any case, the unit price cannot be more than 20% lower and 10% higher than the arithmetic average of the official prices of the Orsero S.p.A. share in the ten trading days prior to each individual purchase transaction. Purchase volumes must be not more than 25% of the average daily trading volume of the Orsero S.p.A. shares in the trading venue where the purchase is made.

Of the treasury shares held as at 31 December 2017, 69,300 were acquired following the treasury share buy-back program, which has been thoroughly described, at an average price of Euro 9.97.

Below is the table with the possibility of use of the various items of equity and the summary of uses in the last three years:

Thousands of euro	Amount	Possible utilizations	Portion available	Summary of utilizations in the three previous years:	
				For loss coverage	For other reasons
Share Capital	69.163.340				
Legal reserv e					
Statutory reserv e					
Other reserves:					
Riserv a Sov rapprezzo azioni	80.555.910	A,B	80.555.910		
Treasury share reserv e	(7.107.937)				
Adjustement IAS reserv e*	(801.850)				
Remeasurement of defined benefit plans	(163.433)				
Rerserv e Stock Grant	2.328.338				
Merger surplus reserv e*	13.246.266	A,B,C	13.246.266		
Cost of acquisition companies reserv e*	(153.461)				
Retained earning/(losses)	(1.194.994)				
Net profit	2.386.083	A,B,C	2.386.083		
Total Shareholders' equity	**158.258.261**		**96.188.259**	-	-
Non-distributable portion	81.083.124				
Residual distributable portion	15.155.124				

* Included in the item "Other reserv es"

Legend:

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

The statement of changes in equity annexed to the financial statements illustrates the changes between the two years of the individual reserve items, with particular regard to changes in the share capital, share premium reserve, and treasury share reserve,

NOTE 11. Financial liabilities

In order to facilitate the understanding of the Company's financial exposure, making the information simpler and of better quality, the data was provided not following the non-current/current distinction, but based on the nature of the liability, within which the non-current/current components are specified.

The financial exposure is as follows:

Thousands of euro	31.12.2017	31.12.2016	Change
Non - current medium term bank loans (over 12 months)	56.426	-	56.426
Non - current other lenders (over 12 months)	-	-	-
Non - current financial liabilities	**56.426**	**-**	**56.426**
Current medium term bank loans	10.316	-	10.316
Bank overdrafts	2.108	-	2.108
Current other lenders	-	-	-
Other current lenders short term	8.000	-	8.000
Current liabilities for the derivatives	-	-	-
Current financial liabilities	**20.424**	**-**	**20.424**

The change in 2017 of a total of Euro 76,850 thousand (between non-current and current) reflects the main components mostly related to medium-term loans as detailed below:

- the recognition of non-current financial liabilities of Euro 66,743 thousand and current payables of Euro 35,083 thousand, which refer to the values in the GF Group financial statements as at 31 December 2016, acquired following the merger as part of the Significant Transaction;
- the repayment of the payable to banks of Euro 29,000 thousand, carried out at the Merger's effective date, as agreed in defining the Significant Transaction;
- the payment of the installments due in 2017 for Tranche A to the pool of banks for an amount equal to Euro 4,702 thousand. Note that the outstanding loan requires compliance with a covenant, calculated as the ratio of net financial position to Adjusted EBITDA, which affects on the interest spread;
- the payment of the outstanding loan installments of Euro 476 thousand to Banca Popolare dell'Emilia Romagna (Biper) and Euro 436 thousand to Veneto Banca;

- the recognition in financial statements of the debt from the outstanding commitment of Orsero S.p.A. for Euro 8,000 thousand that originated from the surety on the residual balance on the loan granted by Intesa Sanpaolo S.p.A. This guarantee is linked to the credit line granted by the bank, expiring on 31 December 2017, for the repayment of the debt against the proceeds of the expected disposal of Moño Azul S.A. by Argentina S.r.l. In light of the Company's recent developments and agreements reached with Intesa Sanpaolo S.p.A., the guarantee amount of Euro 8 million was entirely allocated by the Company as current financial debt, and therefore included in the calculation of net financial position, which was then settled on 30 January 2018, allowing the Group to evaluate on an ongoing basis the most appropriate solutions to recover the amount paid. Note that other receivables and payables include, specifically in the item "Receivables and other current assets", the receivable from Argentina S.r.l. for Euro 8,000 thousand, fully written off. For further details, please refer to Note 21 "Net income (loss) from equity investments".

The schedule of medium-term debt to banks and other lenders at 31 December 2016 and 31 December 2017 is detailed in the following table, organized in two columns (due in 2018 and due beyond 31 December 2018, in turn broken down by amounts due by 31 December 2022 and amount due after said date) to provide a better comparison with the previous table.

The table below shows the breakdown of liabilities to banks for loans and payables to other lenders for medium to long-term financial liabilities for the current and non-current portions; the latter is further broken down by due within/beyond five years.

Thousands of euro	Total	2017	>31.12.17		2018-2021	> 31.12.21
Medium term bank loans (Non - current/ current)	-	-	-	*as follows:*	-	-
Other lenders (Non - current/ current)	-	-	-	*as follows:*	-	-
Non - current financial liabilities 31.12.2016	**-**	**-**	**-**		**-**	**-**

Thousands of euro	Total	2018	> 31.12.18		2019-2022	> 31.12.22
Medium term bank loans (Non - current/ current)	**66.742**	10.316	56.426	*as follows:*	*37.617*	*18.809*
Other lenders (Non - current/ current)	-	-	-	*as follows:*	-	-
Non - current financial liabilities 31.12.2017	**66.742**	**10.316**	**56.426**		**37.617**	**18.809**

As at 31 December 2017, there were outstanding loans that required compliance with covenants; specifically, the Company must comply with the covenant calculated as the ratio of net financial position to Adjusted EBITDA, which only affects the interest spread. Compliance with this parameter was verified as part of the drafting of the annual financial statements and, as a result, the spread will continue to be 1.5% for 2018.

In terms of changes in liabilities as a result of financing activities, information that allows users of the financial statements to evaluate the changes that occurred in compliance with IAS 7 is provided.

Liabilities provided by financing activities	31/12/16	New loans	Payments	Cash Flow	Derivatives	Changes of consolidation scope	Changes of exchange rate	31/12/17
Non-current medium term bank loans	-	-	(34.614)	-	-	101.356	-	66.742
Non-current other lenders (over 12 months)	-	-	-	-	-	-	-	-
Factor	-	-	-	-	-	-	-	-
Current other lenders short term	-	-	-	8.000	-	-	-	8.000
Current liabilities for the derivatives	-	-	-	-	-	-	-	-
Bank overdrafts	-	-		1.639	-	469	-	2.108
Total	**-**	**-**	**(34.614)**	**9.639**	**-**	**101.825**	**-**	**76.850**

NOTE 12. Provisions for risks and charges

Thousands of euro	31.12.2017	31.12.2016	Change
Provisions for risks and charges	-	-	-

As at 31 December 2017, the provision for risks and charges had a zero balance, since, based on available information, there are no liabilities deemed probable, including according to opinions received from legal advisers.

NOTE 13. Employees benefits liabilities

Thousands of euro	Employees benefits liabilities
Balance at December 31, 2016	**-**
Change of year:	
Accruals	80
Revaluation TFR	25
Benefits paid and transferred	(62)
Interest cost	(3)
Gain/(losses) resulting from changes in actuarial assumptions	65
Changes of consolidation scope	1.370
Other changes	(4)
Balance at December 31, 2017	**1.470**

The Employees benefit liabilities (TFR), in accordance with national regulations, essentially includes the employees benefits liabilities accrued by employees in service at 31 December, net of advances paid to employees.

In accordance with IAS 19, the TFR is measured using actuarial valuation methodology, through the support of an external specialist, and adjusted in relation to the occurrence of relevant events.

The main financial and demographic assumptions used in determining the present value of the employee severance indemnity are described below.

Discount rate	Curva Euro Composite AA al 29.12.2017
Inflation rate	1,50%
Salary increases (included inflation)	1,00%
Mortality rate	ISTAT 2016
Access to retirement	Minimum access requirements required by current legislation (Monti-Fornero)
Probability of termination	7,00%

The changes of the Employees benefits liabilities (TFR) for 2017 are provided herein, calculated using actuarial valuation. Note that the item "Merger effect Orsero (formerly Glenalta) and GF Group" includes the balance of Euro 1,370 thousand for the TFR provision of GF Group as at 31 December 2016 that was incorporated following the Significant Transaction with Glenalta.

The equity adjustment for actuarial gains/losses includes an actuarial profit of Euro 65 thousand, including the tax effect of Euro 16 thousand, thus obtaining a net negative effect of Euro 49 thousand.

Actuarial gains and losses are recognized in shareholders' equity through the comprehensive income statement.

NOTE 14. Trade payables

Thousands of euro	31.12.2017	31.12.2016	Change
Payables to suppliers	1.450	1.358	92
Payables to subsidiaries	28.007	-	28.007
Payables to associates	-	-	-
Payables to related parties	2.005	-	2.005
Trade payables	**31.463**	**1.358**	**30.105**

At 31 December 2017, this item had a balance of Euro 31,463 thousand, (Euro 1,358 thousand at 31 December 2016). The increase of Euro 30,105 thousand is mainly due to the Company's Merger with the GF Group, as indicated throughout the report. Furthermore, note that:

- payables to suppliers refer entirely to business relationships related to the Company's ordinary activities;
- payables to subsidiaries are mainly financial payables and include the effects of the application of Group VAT for Euro 17 thousand, treasury current accounts for Euro 24,344 thousand, payables for IRAP reimbursement request for Euro 833 thousand, payables for the tax consolidation system for Euro 2,603 thousand, and trade payables for Euro 211 thousand.

Trade payables with a residual maturity of more than 5 years are not included in the financial statements.

At 31 December 2016 and 31 December 2017, there were no outstanding payables of significant amount, nor did the Company receive injunction decrees for past due payables.

Payables to related parties relate to:

- Nuova Beni Immobiliari S.r.l. Euro 19 thousand, all trade;
- Business Aviation sector Euro 1,987 thousand, of which Euro 71 thousand for trade, Euro 318 thousand deriving from the application of Group VAT and the national tax consolidation system for tax years 2016 and 2017, and Euro 1,597 thousand resulting from the sale of the sector in preparation for the conclusion of the Significant Transaction.

Thousands of euro	31.12.2017	31.12.2016	Change
Italy	31.455	1.334	30.121
EU countries	8	24	(16)
Non-Eu countries	-	-	-
Trade payables	**31.463**	**1.358**	**30.105**

NOTE 15. Current tax and social security contributions liabilities

Thousands of euro	31.12.2017	31.12.2016	Change
For value added tax (VAT)	-	-	-
For indirect taxes	153	28	125
Other payables	-	1	(1)
Social security contributions	271	-	271
Current tax and social security contributions liabilities	**423**	**29**	**395**

At 31 December 2016, current tax and social security contributions liabilities were mainly attributable to withholding payables. At 31 December 2017, this item showed a change of Euro 395 thousand, an increase from the previous year, as it included the changes in GF Group that occurred during 2017. The withholding (for indirect taxes) amount of Euro 153 thousand consists of Euro 143 thousand for employees, Euro 8 thousand for professionals, and Euro 2 thousand for collaborators; all amounts are regularly paid. Moreover, the item includes Euro 271 thousand relating to Social security contributions for portions paid by the Company and its employees, to be paid in January and relative to the amounts due for December, as well as the contribution portion for year-end bonuses that are contractually related to the current year but will be paid within the legal deadline.

There are currently no past due amounts related to the item in question.

NOTE 16. Other current liabilities

Thousands of euro	31.12.2017	31.12.2016	Change
Payables to personnel	1.147	-	1.147
Other current payables	385	8.172	(7.787)
Accrued expenses and deferred income	36	-	36
Other current liabilities	**1.568**	**8.172**	**(6.604)**

Payables to personnel relate to current items for December for Euro 78 thousand, as well as accrued and unused holidays for Euro 532 thousand, 14th month accruals for Euro 117 thousand, and year-end bonuses for Euro 420 thousand.

The item "Other current liabilities" as at 31 December 2016 includes payables to shareholders who exercised their right of withdrawal and hold 817,005 ordinary shares of the Company, for Euro 8,170 thousand. Note that 228,618 shares were assigned as part of the option offer of the 817,005 ordinary shares, while the remaining 588,387 ordinary shares were liquidated at a value of Euro 10.00 per share, amounting to a total Euro 5,884 thousand.

At 31 December 2017, the item "Other current liabilities" had a balance of Euro 1,568 thousand, a decrease from the previous year.

In terms of the income statement, the result of the Parent Company is of limited relevance as the revenue side is essentially linked to the services provided to the Group and the collection of dividends, while on the cost side, personnel costs and promotional expenses of the brand are the most significant components, which result in a negative Adjusted EBITDA value; therefore, the discussion in relation to the consolidated income statement is much more relevant.

NOTE 17. Net sales

Thousands of euro	31.12.2017	31.12.2016	Change
Consulting services	613	-	613
Royalties	1.937	-	1.937
Cost recovery	1.313	-	1.313
Net sales	**3.862**	**-**	**3.862**

As at 31 December 2016, the Company, given its nature as an SPAC, did not recognize revenues.

As at 31 December 2017, total revenues amounted to Euro 3,862 thousand, consisting of Euro 613 thousand for consultancy services, Euro 1,937 thousand for royalties received and Euro 1,313 thousand for cost recovery, activities previously carried out by GF Group S.p.A., now merged into Orsero S.p.A.

Consulting services relate entirely to consulting provided by company personnel regarding administrative, fiscal, corporate and legal matters.

Revenues from royalties refer to the total turnover for the subsidiaries Simba S.p.A. and Fruttital S.r.l. for the "F.lli Orsero" brand.

The cost recovery item is closely related to costs that the Company regularly incurs in the name and on behalf of third parties, in order to implement economies of scale and control.

Thousands of euro	Total	Third parties	Subsidiaries	Related parties
Consulting services	613	300	222	91
Royalties	1.937	-	1.937	-
Cost recovery	1.313	-	1.302	11
Net sales	**3.862**	**300**	**3.461**	**102**

Consulting services to related parties consist of:

- Business Aviation sector: Euro 31 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 60 thousand.

Cost recovery to related parties instead consist of:

- Business Aviation sector: Euro 7 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 4 thousand.

NOTE 18. Overhead and administrative costs (Overheads)

Thousands of euro	31.12.2017	31.12.2016	Change
Personnel costs	4.970	-	4.970
Personnel training costs	75	-	75
Corporate bodies fees	2.122	77	2.045
Costs for notary, tax, legal and other professional services	391	102	289
Other professional services (including expenses) - wages, commercial consulting , technical consulting, others	467	56	412
Commercial, advertising, promotional and representation expenses	1.648	-	1.648
Insurance expenses	170	-	170
Costs for services and assistance hw, sw, phone network	132	3	129
Costs for maintenance, external labor and various other services	195	-	195
Costs of company car fleet	195	-	195
Rental costs and various rentals	239	1	239
Travel expenses	244	25	219
Utilities	82	-	82
Indirect taxes and duties	30	15	15
Non-deductible VAT	18	-	18
Amortization of intangible assets	-	-	-
Depreciation of tangible assets	189	-	189
Acquisition costs of stationery and material of consumption	121	1	121
Membership fees and other minor costs	222	4	218
Fees, commissions, bank guarantees charges and factoring	26	7	19
Overheads	**11.537**	**291**	**4.156**

The balance at 31 December 2016 of this item was mainly attributable to costs of Euro 102 thousand for legal, tax, and notarial consultancy and Euro 56 thousand for secretarial and administrative costs. Another important component is related to remuneration of corporate bodies for Euro 77 thousand.

The breakdown of the balance as at 31 December 2017 is substantially different from that of the previous year just described; the principal variations are related to the specific business activity of investment holding company, carried out first by GF Group in 2016 and then by Orsero in 2017, which differs from that of the SPAC activity of the former Glenalta. In particular, internal labor costs are significant, since the former Glenalta had no employees, and no costs for advertising, promotion, and representation expenses as GF Group previously, and now Orsero, must promote its brand using different sales channels. Additionally, there are higher consultancy fees, as the holding company centralizes the use of external consultants to obtain greater control over the critical issues of subsidiaries and to benefit from economies of scale.

The balance at 31 December 2017 of overhead and administrative costs consists mainly of personnel costs of Euro 4,970 thousand, as the holding company provides subsidiaries with a range of consulting services largely provided through direct professionals. The balance for the year also includes a portion of the Stock Grant recognized to key management for Euro 745 thousand. The item "Corporate bodies fees" includes the remaining portion of the Stock Grant for the year of Euro 1,583 thousand accrued by directors. Another significant component is advertising expenses, which amounts to Euro 1,648 thousand, in fact, the Company deals directly with all brand promotion activities, hence operational marketing as well as other types. The item "Consulting" also contains a rather significant balance, amounting to Euro 858 thousand, as the Parent Group centralizes the use of external consultants to obtain more control over the critical issues of subsidiaries and to benefit from economies of scale.

Thousands of euro	Total	Third parties	Subsidiaries	Related parties
Overheads	**11.537**	10.968	325	244

Overhead and administrative costs for related parties consist of:

- Business Aviation sector: Euro 69 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 175 thousand.

NOTE 19. Other incomes and expenses

Thousands of euro	31.12.2017	31.12.2016	Change
Other operating incomes	220	12	208
Other operating expenses	(10.190)	(1.900)	(8.290)
Total other operating incomes and expenses	**(9.970)**	**(1.888)**	**(8.082)**

Details of the items "Other operating incomes" and "Other operating expenses" for the years 2016 and 2017 are provided herein, with separate indication of ordinary positions and non-recurring items.

Thousands of euro	31.12.2017	31.12.2016	Change
Revenues from recovery of costs and insurance reimbursements	130	-	130
Plusvalues/contingent revenues in ordinary course of business	83	12	71
Others (*)	8	-	8
Other ordinary operating incomes	**220**	**12**	**208**
Gains on sale of equity investments and non - current financial assets	-	-	-
Gains on disposal of businesses or significant intangible assets and materials	-	-	-
Release of provisions previously set aside	-	-	-
Others (*)	-	-	-
Other non-recurring operating incomes	**-**	**-**	**-**

(*) These are contingencies related to items set aside in previous years for which the obligation/payment has not been

As at 31 December 2016, the item "Other ordinary operating incomes" consisted exclusively of ordinary contingencies for Euro 12 thousand.

As at 31 December 2017 the item is mainly composed of: recovery of costs for the restructuring of the Company's new headquarters in Milan for Euro 120 thousand incurred in the name and on behalf of the lessor, insurance reimbursements of Euro 10 thousand, contingent assets for incorrect revenue estimate for Euro 56 thousand, and gains on the sale of vehicles for Euro 18 thousand.

Thousands of euro	31.12.2017	31.12.2016	Change
Penalities, sanctions and costs for damage to third parties	(6)	-	(6)
Minusvalues and contingent losses in ordinary course of business	(263)	-	(263)
Others (*)	-	-	-
Other ordinary operating expenses	**(268)**	**-**	**(268)**
Glenalta transaction costs	(1.570)	(1.900)	330
Costs and extraordinary provisions with employees	-	-	-
Significant costs for litigation, civil, tax, customs etc.	-	-	-
Losses on disposal investments and non - current financial assets	-	-	-
Losses on disposal of businesses or significant intangible assets and materials	-	-	-
Integration provisions for extraordinary risks	(8.351)	-	(8.351)
Others (*)	-	-	-
Other non - recurring operating expenses	**(9.921)**	**(1.900)**	**(8.021)**

(*) These are contingencies related to items set aside in previous years of which the right/recourse has ceased

As at 31 December 2016, the item included non-recurring expenses for consultancy services provided to the Company to carry out the Significant Transaction.

As at 31 December 2017, the ordinary portion of other operating expenses mainly consisted of tax and administrative penalties for Euro 6 thousand, losses and contingent liabilities for incorrect estimates for Euro 144 thousand, non-deductible expenses of Euro 91 thousand, and charitable donations for Euro 10 thousand. At the same date, the non-recurring portion of the item mainly consisted of costs for the completion of the extraordinary transaction, amply described above, for Euro 1,570 thousand, and the write-off of the receivable from Reefer Terminal Séte for Euro 8,351 thousand (offset by a similar contingent asset generated by the release of the provision for risks set aside in previous years by the subsidiary GF Porterm S.r.l., resulting in a neutral impact for the consolidated financial statements), as the judicial liquidation of the company ended on 13 October 2017.

NOTE 20. Net financial expenses

Thousands of euro	31.12.2017	31.12.2016	Change
Financial income	85	1.204	(1.119)
Financial expenses	(1.469)	-	(1.469)
Exchange rate differences	(1)	-	(1)
Net financial expenses	**(1.385)**	**1.204**	**(2.589)**

Thousands of euro	Total	Third parties	Subsidiaries	Related parties
Financial income	85	85	-	-
Financial expenses	(1.469)	(1.469)	-	-
Exchange rate differences	(1)	(1)	-	-
Net financial expenses	**(1.385)**	**(1.385)**	**-**	**-**

For each item included in the item in question, details are provided below:

Thousands of euro	31.12.2017	31.12.2016	Change
Interest income to third parties	82	1.204	(1.122)
Interest income TFR	3	-	3
Interest income to subsidiaries	-	-	-
Gains on derivatives	-	-	-
Financial income	**85**	**1.204**	**(1.119)**

As at 31 December 2016, financial income consisted entirely of interest on the amounts deposited following the listing in November 2015.

As at 31 December 2017, financial income consisted of interest from deposits in bank accounts for Euro 80 thousand and sundry income for Euro 2 thousand.

Thousands of euro	31.12.2017	31.12.2016	Change
Interest expenses from bank	(1.469)	-	(1.469)
Interest cost TFR	-	-	-
Interest expenses to third parties	-	-	-
Losses on derivatives	-	-	-
Financial expenses	**(1.469)**	**-**	**(1.469)**

At 31 December 2017, financial expenses were mainly attributable to the cost of debt for Euro 1,343 thousand and banking surety fees for Euro 126 thousand.

Thousands of euro	31.12.2017	31.12.2016	Change
Realized exchange rate differences	(1)	-	(1)
Unrealized exchange rate differences	-	-	-
Exchange rate differences	**(1)**	**-**	**(1)**

NOTE 21. Net income (loss) from equity investments

Thousands of euro	31.12.2017	31.12.2016	Change
Dividends	24.850	-	24.850
Revaluations of securities and investments	4.391	-	4.391
Devaluations of Group's securities and investments	(13)	-	(13)
Devaluations of securities and investments	(250)	-	(250)
Result of securities and investments negotiation	(3)	-	(3)
Non recurring devaluations entered in "Other current assets"	(8.000)	-	(8.000)
Net income (loss) from equity investments	**20.974**	**-**	**20.974**

As at 31 December 2017, the item consisted of dividends distributed by Cosiarma S.p.A. for Euro 10,000 thousand, GF Distribuzione S.r.l. for Euro 7,500 thousand, and GF Porterm S.r.l. for Euro 7,350 thousand, as well as revaluations of GF Porterm S.r.l. for Euro 4,391 thousand, net of write-downs to cover losses and/or recapitalization of certain investees, already thoroughly discussed in the "Investments" section.

The write-down of Euro 8,000 thousand originated from the uncertainty regarding the effectiveness of actions taken to collect the receivable from Argentina S.r.l., which was fully reported in Note 11 "Financial Liabilities". However, any actions depend entirely on the possibility that Argentina can sell the Moño Azul S.A. investment at a price exceeding the residual debt to Intesa of more than Euro 10 million, an assumption that is rather uncertain, given that the Group no longer has control over the Argentinian business activities, the increasingly problematic situation for the entire country-system in Argentina, and the negative performance of Moño Azul once again in 2017. For this reason, the directors have decided to set aside a provision for bad debts equal to 100% of the receivable due from the related party, Argentina S.r.l. (part of "Other current assets") for the recovery of the guarantee paid to Intesa, recognizing any amounts recovered in the future as contingent assets.

NOTE 22. Income taxes

Recall that most Italian subsidiaries participate in the "tax consolidation" system headed by Orsero, in accordance with the option exercised by each company and confirmed by the Revenue Agency as a result of the submission of a specific request for ruling in accordance with art. 124, paragraph 5, of the TUIR Tax Code and with art. 13, paragraphs 1 and 2, of the Ministerial Decree of 9 June 2004.

The changes in taxes are summarized in the following table.

Thousands of euro	31.12.2017	31.12.2016	Change
Current taxes for the year	-	-	-
Previous financial year taxes (+/-)	(27)	-	(27)
Deferred taxes = from statutory tax consolidation	136	-	136
Deferred taxes incomes and liabilities	332	(51)	383
Tax expenses	**441**	**(51)**	**492**

Taxes for 2017 increased by Euro 492 thousand essentially due to the recognition of deferred tax assets, as well as the recognized income from tax consolidation.

The reconciliation between the tax charge recognized in the financial statements and the theoretical tax charge, calculated based on theoretical rates applicable in Italy, is as follows:

Thousands of euro	Taxable	Tax
EBT	1.945	
Theoretical tax rate		24%
Theoretical taxes		467
Permanent differences	(11.782)	(2.828)
Temporary differences	9.837	2.361
Income		-
Actual tax charge		-
Actual tax rate		0%

Theoretical income taxes have been determined by applying the current IRES tax rate of 24% to the income before tax.

At 31 December 2017, there are no significant tax disputes.

The table below shows the changes in the various deferred tax asset components by type. The amounts of current or deferred taxes charged directly to the comprehensive income statement refer to the effects of the revaluation of the severance indemnity fund. The 2017 balance of Euro 600 thousand reflects the scope of consolidation effect from the merger with GF Group S.p.A.

	Statement of financial position		Income Statement		Comprehensive income statement	
Thousands of euro	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Charges for listing on the AIM/Alternative Investment Market	135	187	-	(51)	-	-
Trademarks	42	-	-	-	-	-
TFR - FTA and Changes IAS/OIC	41	-	-	-	16	-
Indirect taxes	1		1		-	
Others	-	-	(49)	-	-	-
Stock Grant of Corporate bodies	380	-	380	-	-	-
Deferred tax assets	**600**	**187**	**332**	**(51)**	**16**	**-**

There are no other significant amendments to the tax legislation between 2017 and 2016.

NOTE 23. Disclosures on financial instruments

Pursuant to IFRS 7, the breakdown of financial instruments into the categories set out in IAS 39 is as follows:

Thousands of euro	31.12.17	31.12.16	Change
Financial assets			
Cash and cash equivalent	53.592	79.733	(26.142)
Trade receivables	41.315	-	-
Current financial assets	16	-	-
Financial liabilities			
Non - current medium term bank loans (over 12 months)	(56.426)	-	(56.426)
Current medium term bank loans	(10.316)	-	(10.316)
Bank overdrafts	(2.108)	-	(2.108)
Non - current other lenders (over 12 months)	-	-	-
Current other lenders	-	-	-
Other current lenders short term	(8.000)	-	(8.000)
Hedging derivatives	-	-	-
Trade payables	(31.463)	(1.358)	(30.105)

Note that only current financial assets include securities, i.e. financial instruments that are valued at fair value with impact on the income statement. The other categories fall under the item "Loans and receivables" in accordance with IAS 39.

Within financial liabilities, trading derivatives fall under the category "Liabilities measured at fair value with impact on the income statement", while hedging derivatives are recorded at fair value and the related change is recognized in an equity reserve included in the comprehensive income statement. In this regard, it is noted that the Group has no derivative contracts at 31 December 2017.

NOTE 24. Disclosures on financial instruments

Based on as required by IFRS 13 "Fair Value Measurement", the following disclosure is provided.

Fair value of financial instruments:

- for financial assets and liabilities that are liquid or have a very short maturity, the book amount is considered to approximate fair value; this hypothesis also applies to term deposits, disposable securities and floating rate financial instruments;
- for the measurement of the fair value of hedging instruments, valuation models based on market parameters are used. At the reporting date, no new derivative contracts had been stipulated;
- the fair value of non-current financial liabilities is obtained by discounting all future cash flows at the year-end conditions. In the current situation, where for medium-term debt the cost of the loan is aligned with the market value, the nominal values of the debt are considered as fair values.

As regards trade and other receivables and payables, the fair value is equal to the book value.

Fair value of non-financial instruments: it should be noted that there are no non-financial instruments measured at fair value at 31 December 2017.

Property investments are valued at cost, which is believed to be a reliable approximation of the related fair value.

The following tables analyze the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation techniques used:

- Level 1: the valuation techniques use prices listed on an active market for the assets or liabilities subject to valuation;
- Level 2: the valuation techniques consider inputs other than the previous prices, but that can, however, be observed directly or indirectly on the market;
- Level 3: the techniques use inputs that are not based on observable market data.

Financial instruments

Derivatives, valued using techniques based on market data, are mainly derivatives on interest rates that have the purpose of hedging both the fair value of underlying instruments and cash flows.

At 31 December 2017, there are no derivative financial instruments.

The most frequently applied valuation techniques include "forward pricing" models, which use the calculations of the present value.

The following table analyses financial instruments measured at fair value based on three different levels of valuation.

Thousands of euro	31.12.17			31.12.16		
Financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Current financial assets	16	-	-	-	-	-
Financial liabilities						
Speculative derivatives	-	-		-	-	-
Hedging derivatives	-	-		-	-	-

Level 1 valuation was used for non-significant securities.

Level 2 valuation, used for financial instruments measured at fair value, is based on parameters such as interest rates that are quoted in active or observable markets on official rate curves. There are no assets or liabilities valued at level 2 at 31 December 2017.

Non-financial instruments

It should be noted that there are no non-financial instruments measured at fair value at 31 December 2017.

NOTE 25. Nature and extent of risks deriving from financial instruments

Orsero's main financial instruments include current accounts and short-term deposits, as well as financial liabilities to banks in the short and long term.

The purpose is to finance all the Group's operating activities.

Additionally, Orsero has trade receivables and payables from its business activities.

The main financial risks to which the Company is exposed are those associated with the loan agreement, as well as credit risk and risk linked to the guarantees provided to third parties; below is a description of these risks and how they are managed.

Risks associated with loan agreement

The Company has some medium-term loan agreements with some of the major banking institutions, which envisage in the coming years a repayment plan for its debt adjusted for expected revenue flows, subject to a low interest rate. Note that there are financial covenants on the outstanding loan, which, if not respected, do not entail default, but rather affects the interest rate, in particular, the value of the spread. As at 31 December 2017, the covenant, Net Financial Position/Adjusted Ebitda < 2, was satisfied this led the spread to be maintained at 1.5%.

Risks associated with credit

Orsero is only exposed to credit risk deriving from business relationships, as most of the transactions are with Group companies.

The two tables below show the evidence of the net financial position, net working capital and invested capital. For financial debt maturities, please refer to Note 11 "Financial liabilities".

The Company has non-current financial liabilities with fixed maturities in addition to short-term payables related to the current portion of medium-term loans.

Trade receivables and payables include loans, both as creditors and debtors, with subsidiaries, including through the cash pooling system, whose balances amount to Euro 34,940 thousand of receivables and Euro 24,344 thousand of payables at 31 December 2017.

Thousands of euro	31.12.17	31.12.16	Change
Assets held for trading	16	-	16
Cash and cheques	12	-	12
Bank and deposit accounts	53.580	79.733	(26.153)
Non - current medium term bank loans (over 12 months)	(56.426)	-	(56.426)
Non - current other lenders (over 12 months)	-	-	-
Bank overdrafts	(2.108)	-	(2.108)
Current medium term bank loans	(10.316)	-	(10.316)
Current other lenders	(8.000)	-	(8.000)
Other current lenders short term	-	-	-
Current liabilities for the derivatives	-	-	-
Net financial position	**(23.242)**	**79.733**	**(102.976)**

Thousands of euro	31.12.17	31.12.16	Change
Goodwill	-	-	-
Other intangible assets	58	-	58
Tangible assets	772	-	772
Financial investments	169.483	-	169.483
Other fixed assets	25	-	25
Deferred tax assets	600	-	600
NON-CURRENT ASSETS	**170.939**	**-**	**170.939**
Inventories	-	-	-
Trade receivables	41.315	-	41.315
Trade payables	(31.463)	(1.358)	(30.105)
NET WORKING CAPITAL	**9.852**	**(1.358)**	**11.210**
Other receivables	4.171	601	3.571
Deferred tax liabilities	-	-	-
Provisions for risks and charges	-	-	-
Employees benefits liabilities	(1.470)	-	(1.470)
Other liabilities	(1.991)	(8.201)	6.209
OTHER CURRENT ASSETS AND LIABILITIES	**710**	**(7.600)**	**8.310**
NET INVESTED CAPITAL	**181.501**	**(8.958)**	**190.459**

Risks associated with guarantees provided to third parties

As indicated in the report, the guarantee provided to Argentina S.r.l. on the sale of Moño Azul S.A., equivalent to Euro 8 million, was entirely allocated by the Parent Company as current financial debt and therefore included in the calculation of net financial position, in light of the Company's recent developments and agreements reached with Intesa Sanpaolo S.p.A. At the reporting date, the payable had been fully settled. However, note that any actions depend entirely on the possibility that Argentina can sell the Moño Azul S.A. investment at a price exceeding the residual debt to Intesa of more than Euro 10 million, an assumption that is rather uncertain, given that the Group no longer has control over the Argentinian business activities, the increasingly problematic situation for the entire country-system in Argentina, and the negative performance of Moño Azul once again in 2017. For this reason, the directors have decided to set aside a provision for bad debts (within the "Equity/financial result" item) equal to 100% of the receivable due from the related party, Argentina S.r.l. (part of "Other current assets") for the recovery of the guarantee paid to Intesa, recognizing any amounts recovered in the future as contingent assets.

NOTE 26. Transactions with related parties

The Company and the Group have put in place a conduct procedure related to transactions with related parties, in order to monitor and trace the necessary information regarding transactions in which directors and executives have interests, as well as transactions with related parties for the purpose of their control and possible authorization.

The procedure identifies the subjects required to report the above information, defines what transactions should become the subject of communication, and sets the deadlines to submit the information, specifying its content.

The main intra-group activities, regulated at market prices, are developed through contractual relations that specifically concerned:

- management of investments;
- regulation of financial flows through centralized treasury and intra-group loans;
- sharing of general, administrative and legal services;
- assistance related to IT services;
- trade agreements.

In addition, there is a fiscal relationship between the Parent Company and Italian subsidiaries regarding the national tax consolidation, governed by articles 117 et seq. of the TUIR Tax Code, mainly for the three-year period 2015-2017.

The Group has adhered to the Group VAT regime, in accordance with art. 73, paragraph 3, of Presidential Decree 663/72, throughout January 2017 until the Significant Transaction was concluded.

Receivables and payables arising from such tax relations are not interest-bearing.

Below is a summary of the items in the statement of financial position and income statement for transactions between the Company and other related parties in 2017. Note that there are no relationships with associated companies.

The table shows financial receivables and liabilities related to financing and/or cash pooling transactions with companies as well as trade and tax receivables and payables.

Thousands of euro	Related parties at December 31, 2017			
	Financial receivables	Trade receivables	Fiscal receivables	Other receivables
Subsidiaries				
AZ France S.A.	-	57	-	-
Cosiarma S.p.A.	-	176	397	-
Eurofrutas S.A.	-	37	-	-
Fresco S.r.l.	-	8	75	-
Fruttital S.r.l.	-	753	2.171	-
GFB S.r.l.	88	7	1	-
GF Distribuzione S.r.l.	21.259	10	-	-
GF Porterm S.r.l.	-	9	-	-
GF Produzione S.r.l.	-	9	-	-
GF Servizi S.r.l.	2.532	23	11	-
GF Trasporti S.r.l.	-	2	-	-
Simba S.p.A.	11.061	2.021	-	-
Siter Trasporti in liquidazione S.r.l.	-	-	5	-
VCS S.r.l.	-	2	50	-
Total exposure to Subsidiaries	**34.940**	**3.113**	**2.709**	**-**
Associates				-
Simba SpainSA		10	-	-
Total exposure to Associates	**-**	**10**	**-**	**-**
Related companies				
Nuova Beni immobiliari S.r.l.	-	64	-	-
Business Aviation*	-	49	314	-
Argentina S.r.l. **	-	-	-	-
Quires S.r.l.	-	92	-	-
Total exposure to related companies	**-**	**205**	**314**	**-**

* Referred to the companies GF Aviation S.r.l., K-Air S.p.A., K-Fleet S.r.l.

** It should be noted that the item "Other current assets" includes euro 8,000 thousand of receivables due from Argentina S.r.l. entirely devalued.

Thousands of euro	Related parties at December 31, 2017			
	Financial payables	**Trade payables**	**Fiscal payables**	**Other payables**
Subsidiaries				
Bella Frutta S.A.	-	1	-	-
Cosiarma S.p.A.	3.767	-	14	-
Fresco S.r.l.	4.002	-	72	-
Fruttital S.r.l.	5.570	29	545	-
Fruttital Firenze S.p.A.	-	3	-	-
GFB S.r.l.	-	-	5	-
GF Distribuzione S.r.l.	-	-	639	-
GF Porterm S.r.l.	7.745	-	505	-
GF Produzione S.r.l.	363	-	925	-
GF Servizi S.r.l.	-	178	109	-
GF Solventa S.L.	-	-	-	-
GF Trasporti S.r.l.	23	-	34	-
Simba S.p.A.		1	311	-
Siter Trasporti in liquidazione S.r.l.	2.311	-	231	-
VCS S.r.l.	562	-	62	-
Total exposure to Subsidiaries	**24.344**	**211**	**3.452**	**-**
Related companies				
Nuova Beni immobiliari S.r.l.	-	-	19	-
Business Aviation*	-	71	318	1.597
Total exposure to related companies	**-**	**71**	**337**	**1.597**

* Referred to the companies GF Aviation S.r.l., K-Air S.p.A., K-Fleet S.r.l.

Thousands of euro	Related parties at December 31, 2017			
	Net sales	**Costs**	**Financial and fiscal incomes/expenses**	**Dividends received**
Subsidiaries				
Bella Frutta S.A.	138	-	-	-
Cosiarma S.p.A.	352	-	-	10.000
Fresco S.r.l.	109	-	-	-
Fruttital S.r.l.	695	(14)	-	-
GFB S.r.l.	7	-	-	-
GF Distribuzione S.r.l.	48	-	-	7.500
GF Porterm S.r.l.	9	-	-	7.350
GF Produzione S.r.l.	9	-	-	-
GF Servizi S.r.l.	20	(311)	-	-
GF Trasporti S.r.l.	2	-	-	-
Simba S.p.A.	2.068	-	-	-
Siter Trasporti in liquidazione S.r.l.	4	-	-	-
VCS S.r.l.	2	-	-	-
Total exposure to Subsidiaries	**3.461**	**(325)**	**-**	**24.850**
Related companies				
Nuova Beni immobiliari S.r.l.	64	(175)	-	-
Business Aviation*	38	(69)	-	-
Total exposure to related companies	**102**	**(244)**	**-**	**-**

* Referred to the companies GF Aviation S.r.l., K-Air S.p.A., K-Fleet S.r.l.

Receivables from related parties:

- Nuova Beni Immobiliari S.r.l. Euro 64 thousand, all trade;
- Business Aviation sector Euro 363 thousand, of which Euro 49 thousand trade and Euro 314 thousand deriving from the application for the 2017 tax year of the national tax consolidation system and Group VAT;
- Quires S.r.l. Euro 92 thousand, trade.

Payables to related parties:

- Nuova Beni Immobiliari S.r.l.: Euro 19 thousand, all fiscal;
- Business Aviation sector Euro 1,987 thousand, of which Euro 71 thousand for trade, Euro 318 thousand deriving from the application of the national tax consolidation system and Group VAT for years prior to 2017, and Euro 1,597 thousand resulting from the sale of the sector carried out during the year.

Net sales with respect to related parties consist of:

Recovery of costs with respect to related parties:

- K-Air S.r.l.: Euro 5 thousand;
- K-Fleet S.r.l.: Euro 2 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 4 thousand;
- GF Aviation S.r.l.: Euro 1 thousand.

Consulting services:

- K-Air S.r.l.: Euro 22 thousand;
- K-Fleet S.r.l.: Euro 7 thousand;
- GF Aviation S.r.l.: Euro 2 thousand.
- Nuova Beni Immobiliari S.r.l.: Euro 60 thousand.

Costs with respect to related parties consist of:

Ordinary operating costs:

- K-Air S.p.A.: Euro 69 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 175 thousand.

Transactions with related parties are governed by specific contracts, the conditions of which are in line with those of the market.

As indicated in the report, the guarantee provided to Argentina S.r.l. on the sale of Moño Azul S.A., equivalent to Euro 8 million, was entirely allocated by the Company as current financial debt and therefore included in the calculation of net financial position, in light of the Company’s recent developments and agreements reached with Intesa Sanpaolo S.p.A. At the reporting date, the payable had been fully settled.

NOTE 27. Share-based payments

As previously discussed, the Company has launched a Stock Grant Plan, for Orsero's executive directors and certain key managers, linked to the achievement of the objectives progressively set in the three-year period 2017-2019. As the 2017 objective was achieved, the aforementioned individuals were assigned 166,666 shares, with physical delivery, free of charge, within and no later than 15 trading days from the approval of the 2019 financial statements, for a total amount of Euro 2,328 thousand, based on the relative fair value at the assignment date, as envisaged in IFRS 2, equivalent to the share price. Note that these shares are already held by the Company, which allocated a portion of treasury shares, equivalent to 500,000 shares, specifically for the Stock Grant Plan.

NOTE 28. Employees

The following table shows the number of employees and the average number of employees as at 31 December 2017 and as at 31 December 2016.

	31.12.2017	31.12.2016	Change
Number of employees	32	-	32
Average number of employees	33	-	33

NOTE 29. Fees due to Directors, Board of Auditors, Independent Auditors

The following table details the remuneration for the members of Orsero's corporate bodies for the year.

Thousands of euro	31.12.2017
Board of Directors	1.908
Board of Auditors	82
Independent Auditors	105

NOTE 30. Guarantees provided, commitments and other contingent liabilities.

The guarantees provided by the Company are as follows:

Thousands of euro		2017	2016
Guarantees issued	**in favour of:**		
To Intesa for guarantees given for Simba's loan	GF Distribuzione S.r.l.	20.000	-
To Bre for guarantees given on credit lines facilities	Fruttital S.r.l	4.932	-
To Carige for guarantees given on credit lines facilities	Fruttital S.r.l	8	-
To BPM for guarantees given on credit lines facilities	Fruttital S.r.l	50	-
- To Carige for guarantees given to Ministry	Simba S.p.A.	6.000	-
- To Intesa for guarantees given on credit lines facilities	Eurofrutas S.A.	1.990	-
- To Intesa for guarantees given on credit lines facilities	Bella Frutta S.A.	340	-
- To Carige for guarantees given to Customs	Fresco S.r.l.	8.602	-
- To Ass.ni Generali for guarantees given on credit lines facilities	Fresco S.r.l.	1.000	-
- To Intesa for guarantees given on credit lines facilities B.co Patagonia	Moño Azul S.A.	3.333	-
- To Biper for guarantees Albaleasing	K-Fleet S.r.l.	1.559	-
- To CIC for guarantees given wharehouse Solgne	Nuova Beni Immobiliari S.r.l.	518	-
- To Banco Desio for guarantees to C.ie Frutiere	Simba S.p.A.	1.000	-
Total guarantees		**49.332**	**-**

The increase in guarantees compared to the end of the previous year of Euro 49,332 thousand is due entirely to the effect of the merger and therefore to the balances of Glenalta and, especially of GF Group, at the date of the merger.

Note that the guarantee of Euro 8 million granted to Intesa SanPaolo S.p.A. was recognized in financial liabilities as at 31 December 2017 and has already been fully paid.

NOTE 31. Effects of the transition to the International Accounting Standards on comparative data as at 31 December 2016

The results of the statutory financial statements as at 31 December 2016 were restated in accordance with IAS-IFRS standards to provide the necessary comparability with the results achieved as at 31 December 2017. The transition to the international accounting standards affected shareholders' equity as at 31 December 2015, with an impact on shareholders' equity at 31 December 2016 in the item "Profits and losses carried forward", within the "Reserves" item, and on the 2016 result. It is important to note that the income statement as at 31 December 2016 presented costs using the "allocation" classification, a structure considered more relevant than presentation by type, which was instead used to draft the annual financial statements according to Italian accounting standards.

Reconciliation OIC/IAS of Orsero's balance sheet at 31 December 2016

Thousands of euro	Notes	Italian accounting standards	Effects of transition to IAS/IFRS	International accounting standards
Goodwill		-	-	-
Other intangible assets	1	777	(777)	-
Tangible assets		-	-	-
Financial investments		-	-	-
Other fixed assets		-	-	-
Deferred tax assets	1	-	187	187
NON-CURRENT ASSETS		**777**	**(591)**	**187**
Inventories		-	-	-
Trade receivables		-	-	-
Current tax receivables		622	-	622
Other current assets		39	-	39
Cash and cash equivalent		79.733	-	79.733
CURRENT ASSETS		**80.394**	**-**	**80.394**
Assets held for sale		-	-	-
TOTAL ASSETS		**81.171**	**(591)**	**80.580**
Share Capital		9.500	-	9.500
Reserves	1	63.300	(753)	62.547
Net profit	1	(1.187)	162	(1.026)
SHAREHOLDERS' EQUITY		**71.612**	**(591)**	**71.022**
Non-current financial liabilities		-	-	-
Other non-current liabilities		-	-	-
Deferred tax liabilities		-	-	-
Provisions for risks and charges		-	-	-
Employees benefits liabilities		-	-	-
NON-CURRENT LIABILITIES		**-**	**-**	**-**
Current financial liabilities		-	-	-
Trade payables		1.358	-	1.358
Current tax and social security contributions lic		29	-	29
Other current liabilities		8.172	-	8.172
CURRENT LIABILITIES		**9.559**	-	**9.559**
Liabilities held for sale		-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**81.171**	**(591)**	**80.580**

Thousands of euro	Notes	31/12/2016 IAS/IFRS	31/12/2016 OIC	Change
Net sales		-	-	-
Cost of good sold		-	-	-
Gross profit		**-**	**-**	**-**
Overheads	2	(291)	(676)	386
Other incomes and expenses	2	(1.888)	(1.711)	(177)
Operating result (Ebit)	2	(2.178)	(2.387)	209
Net financial expenses	2	1.204	1.200	(4)
Net income (loss) from equity investments		-	-	-
Profit before tax	2	**(975)**	**(1.187)**	**(213)**
Net profit from continuing operations 31.12.16	**2**	**(1.026)**	**(1.187)**	**(162)**
Discontinued Operations		-	-	-
Net profit 31.12.16	**2**	**(1.026)**	**(1.187)**	**(162)**

The main differences are highlighted and commented below.

Note 1 Other intangible assets

There was no change in the item "Other intangible assets", as the start-up and expansion costs as well as charges for listing on the AIM/Alternative Investment Market and the related amortization have been reversed because they do not meet capitalization requirements according to IAS-IFRS standards.

Detail of adjustments IFRS on intangible assets at 31.12.2015 and at 31.12.2016

Thousands of euro	Net book value [OIC] at 31.12.15	Adjustment IFRS	Net book value [IAS] at 31.12.15
Start-up costs and expansion costs	23	(23)	-
Other intangible fixed assets (*)	968	(968)	-
Balance at 31.12.2015	**990**	**(990)**	**-**

Thousands of euro	Net book value [OIC] at 31.12.16	Adjustment IFRS	Net book value [IAS] at 31.12.16
Start-up costs and expansion costs	18	(18)	-
Other intangible fixed assets (*)	760	(760)	-
Balance at 31.12.2016	**777**	**(777)**	**-**

(*) The amount includes market placement costs inplacement charges in the AIM market / Alternative Capital Market

Effect of transition to IAS-IFRS at 31.12.15	(990)	With impact on Profit/(Losses) carried forward
Effect of transition to IAS-IFRS at 31.12.16 (depreciati	213	With impact on Net Profit/(Loss) for the year
Total Effects of transition to IAS-IFRS at 31.12.16	**(777)**	

The write-off of charges for listing on the AIM/Alternative Investment Market and the related amortization because they do not meet capitalization requirements according to IAS-IFRS standards resulted in the recognition of deferred tax assets of Euro 187 thousand.

Note 2 Effects on the income statement of the IAS-IFRS adjustments

The positive change in the "Overheads" of Euro 386 thousand derives from the reversal of amortization of intangible assets that did not meet capitalization requirements for Euro 213 thousand and IAS-IFRS reclassifications to other income statement items for Euro 173 thousand.

Thousands of euro

Overheads 31.12.2016 [OIC]	**(676)**
Write-off "Start-up costs and expansion costs" amortization in compliance with IAS 38	5
Write-off "Other intangible fixed assets" amortization in compliance with IAS 38	208
Reclassification from "Net financial expenses" to "Other incomes and expenses"	(4)
Reclassification from "Other incomes and expenses" to "Net financial expenses"	177
Overheads 31.12.2016 [IAS-IFRS]	**(291)**

The reversal of amortization related to start-up and expansion costs and AIM/Alternative Investment Market costs without the capitalization requirement resulted in the recognition of the release of deferred tax assets for Euro 51 thousand.

INDEPENDENT AUDITOR'S REPORT

GRUPPO ORSERO

KPMG S.p.A.
Revisione e organizzazione contabile
Piazza della Vittoria, 15 int. 11
16121 GENOVA GE
Telefono +39 010 564992
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Orsero S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Orsero S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and comprehensive income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Orsero S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed 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 "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of Orsero S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The separate financial statements present the prior year corresponding figures prepared under the International Financial Reporting Standards, which have been derived from the separate financial statements at 31 December 2016 prepared in accordance with the Italian regulations governing their preparation. Note 31 shows the effects of the first-time adoption of the International Financial Reporting Standards endorsed by the European Union and includes information on the reconciliation schedules required by IFRS 1.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Orsero S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 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 these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;

- obtain 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the separate 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level 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 identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of Orsero S.p.A. are responsible for the preparation of the Company's directors' report at 31 December 2017 and for the consistency of such report with the related separate financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Company's separate financial statements at 31 December 2017 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the separate financial statements of Orsero S.p.A. at 31 December 2017 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 3 April 2018

KPMG S.p.A.

(signed on the original)

Matteo Pastore
Director of Audit

BOARD OF STATUTORY AUDITORS' REPORT

ORSERO S.P.A.

Registered office in Milan, at Via G. Fantoli 6

Share Capital Euro 69,163,340.00 fully paid-in

Register of Companies no. MI-2072677

VAT number 09160710969

BOARD OF STATUTORY AUDITORS' REPORT

TO THE SHAREHOLDERS' MEETING

IN ACCORDANCE WITH ART. 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

In accordance with Art. 2429, paragraph 2, of the Italian Civil Code, the Board of Auditors is called to report to the Shareholders' Meeting on the supervisory activities carried out in fulfilment of its duties, on the results of the corporate year and to make observations and proposals regarding the financial statements and their approval.

1. Supervisory activities pursuant to Art. 2403 ff of the Italian Civil Code

During Fiscal Year 2017, the Board of Auditors carried out the supervisory duties assigned it by the law, based on provisions of law and the rules of conduct of the Board of Auditors, as recommended by the Consiglio nazionale dei Dottori commercialisti ed Esperti contabili (National Board of Chartered Accountants and Expert Tax Advisors).

In order to acquire the information instrumental to the conduct of its normal supervisory duties, the Board of Auditors confirms:

- that it attended the 2 Shareholders' Meetings held in 2017;
- that it attended all 9 meetings held by the Board of Directors during the year, obtaining information on the general performance of operations and on the expected outlook, as well as on operations of greatest economic, financial and equity relevance carried out by the Company and its subsidiaries (and, based on the information acquired, it has no particular observations to make);

- that it also participated in the only meeting of the Related Parties Committee and in the 2 meetings of the Remuneration and Appointments Committee (and that no significant data or information emerged that would require stating in this report);
- that it met and shared information with the auditing bodies of the most important subsidiaries (and that no significant data or information emerged that would require stating in this report);
- that it met and shared information with the Supervisory Body, whose composition is identical in the subsidiaries, where present (and that no significant data or information emerged that would require stating in this report);
- that it regularly met and shared information with independent auditor KPMG firm, appointed to perform the statutory audit (and that no significant data or information emerged that would require stating in this report);
- that it conducted 8 of its own meetings, with relative minutes drawn up.

Based on the aforementioned supervisory activities, we can reasonably state the following:

a) the operations resolved and implemented by the Directors are compliant with the law and the Articles of Association, and do not appear openly imprudent, hazardous, in potential conflict of interest or in contrast with the resolutions made by the Shareholders' Meeting or such as to compromise the integrity of the corporate assets. In this respect, we highlight the following for their relevance and strategic importance:

- the merger by incorporation, effective 13 February 2017, of GF Group S.p.A. into Glenalta Food S.p.A. (now Orsero S.p.A.), listed on the AIM Italia stock market;
- acquisition of 100% of the shares in Spanish company Hermanos Fernández S.A. and in the Tuscan companies Fruttital Firenze S.p.A. and Galandi S.p.A., all of

which are already 50% owned. Particular mention goes to how the purchase of 50% of the Spanish company partly took place through a contribution transaction with simultaneous increase in the share capital of Orsero, with the exclusion of option rights;

- sale of the financial investment in the company Acorsa S.A., following exercising of the purchase option by FIF Holding S.p.A.

  Your Directors described the methods and reasoning behind these transactions in detail in the Report on Operations and in the Notes;

b) we acquired information on and monitored, to the extent of our responsibility, the adequacy of the company's organizational structure and compliance with the principles of proper administration, and we have no particular observations to make in this regard;

c) we assessed and monitored the adequacy of the internal control system and the administrative-accounting system, considering it reliable for correctly representing operating events;

d) we did not identify any transactions that, due to their nature or size, were atypical or could be defined as unusual, carried out by the company with third parties, with intragroup companies or with related parties; we identified the existence of transactions between group companies and with related parties of an ordinary nature, verifying the presence of and compliance with procedures that ensure the transactions in question are duly documented, settled at normal market conditions and carried out in the company's interests. All transactions are adequately described by the directors in the financial statements, in the Report on Operations and in the Notes to the consolidated financial statements, to which reference is made;

e) during the course of the supervisory activity carried out as described above, no further significant facts emerged that would require highlighting in this report, nor were any unresolved or undefined omissions and/or objectionable facts and/or irregularities detected that would require reporting to the Shareholders' Meeting or to the Court;

f) no complaints were received from shareholders pursuant to Art. 2408 of the Italian Civil Code, nor were any complaints received from third parties;

g) during the year, a fairness opinion was issued pursuant to Art. 2441, paragraph 6, of the Italian Civil Code on the share capital increase, with the exclusion of option rights, approved by the Shareholders' Meeting of 15 September 2017.

2. Observations and proposals regarding the financial statements and their approval

The draft financial statements, the consolidated financial statements as at 31 December 2017 and the Report on Operations were approved in the meeting of the Board of Directors held last 19 March. The financial statements record a loss of €/thousand 2,386, whilst the consolidated financial statements record a profit of €/thousand 13,035, of which €/thousand 12,809 attributable to the Group.

The financial statements, both separate and consolidated, were prepared in accordance with the IAS/IFRS.

As it is not responsible for the statutory auditing of the accounts, the Board of Auditors has monitored the general presentation of the financial statements and the consolidated financial statements and their compliance with the rules governing their formation and structure. The Board of Auditors has also verified that they are coherent with the events and information of which it has become aware in going about its duties. On this matter, the Board of Auditors has no specific observations of note.

As far as we are aware, the Directors, in drawing up the financial statements, have not deviated from the provisions of the law, under Art. 2423, paragraph 4, of the Italian Civil Code.

In the Report on Operations, the Directors describe the main risks to which the company is exposed: risks connected with the external market, strategic and operational risks, financial risks and legal and compliance risks. Guarantees given, commitments and other potential liabilities are instead considered in the Notes to the financial statements and consolidated financial statements.

The statutory auditing is assigned to the independent auditing firm KPMG S.p.A., which has prepared its reports pursuant to Art. 14 of Italian Legislative Decree no. 39 of 27 January 2010, reports that do not highlight any findings; the opinion issued is therefore positive.

Conclusions

On the basis of the above and to the extent of what has been brought to the attention of the Board of Auditors, it is deemed that there are no reasons preventing your approval of the draft financial statements for the year ended 31 December 2017, as drawn up and proposed by the Board of Directors.

* * *

Milan, 3 April 2018

For the Board of Auditors

Michele Paolillo - Chairman

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