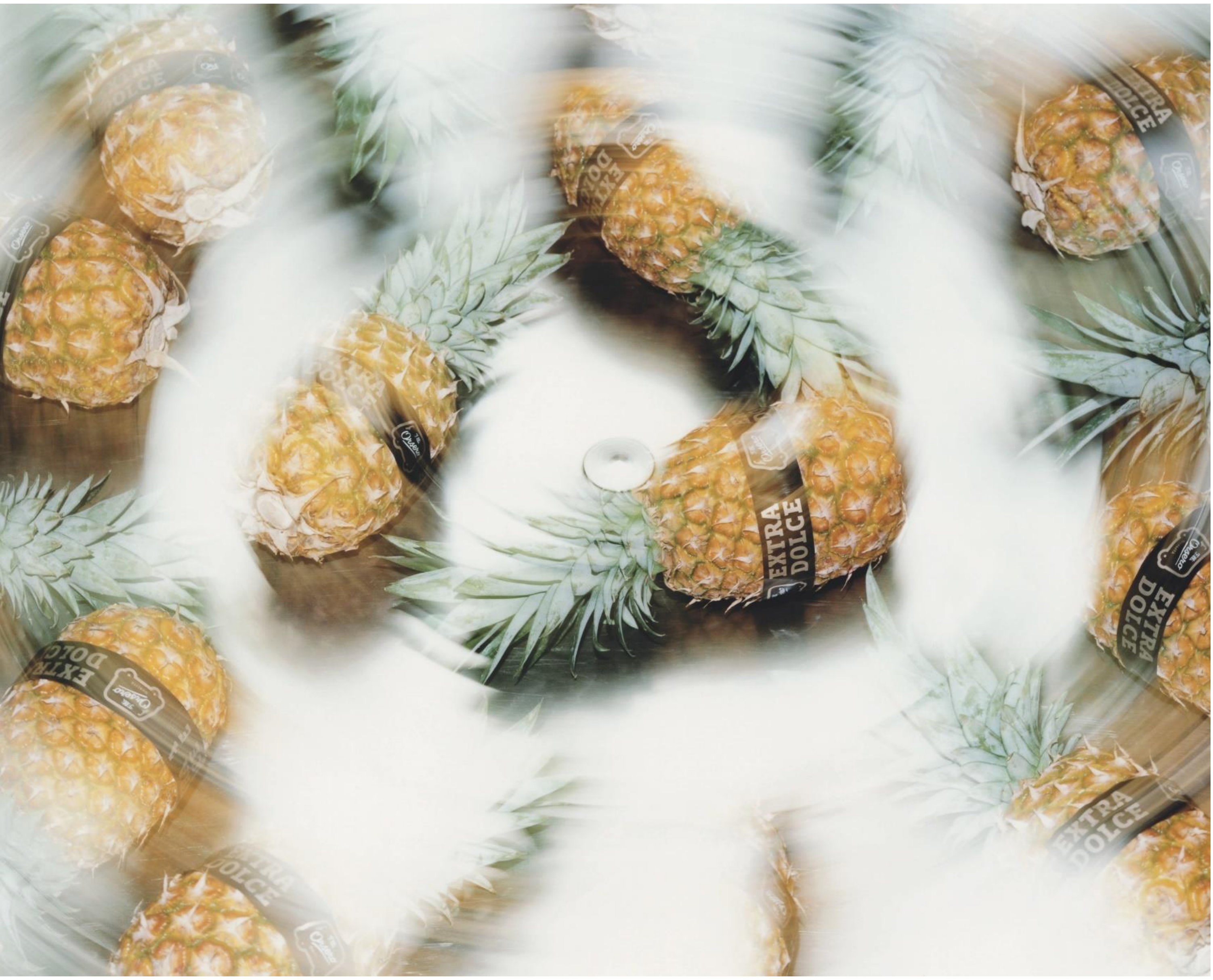


GRUPPO ORSERO

# CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AS AT JUNE 30, 2018

*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 | 30.06.2018 | 30.06.2017 Pro-forma | 30.06.2017 |
|---|---|---|---|
| Net Sales | 469.723 | 473.439 | 355.081 |
| Gross Profit | 39.572 | 38.094 | 28.720 |
| Adjusted Ebitda* | 16.806 | 15.594 | 10.604 |
| % Adjusted Ebitda | 3,58% | 3,29% | 2,99% |
| Adjusted Ebit | 9.539 | 8.377 | 4.927 |
| Operating Result (Ebit) | 9.297 | 6.206 | 3.008 |
| Effect "step acquisition" ex IFRS 3** | - | 18.026 | - |
| Net Profit from continuing operations | 5.545 | 20.029 | 870 |
| Net Profit of "Discontinued Operations" | - | - | - |
| Net Profit | 5.545 | 20.029 | 870 |
| Net Profit attributable to non-controlling interests | 171 | 197 | 197 |
| Net Profit attributable to Parent Company | 5.375 | 19.832 | 673 |

*Adjusted Ebitda: the Operating Result (EBIT) including depreciation, amortization, and provisions, however excluding non-recurring costs/income and costs related to the medium/long-term incentive plan for management.

** Please note to the fact that the income of euro 18,026 thousand represents a non-monetary and non-recurring effect of significant impact on net profit of the period. This amount differs from the "IFRS 3" income counted in the reported 2017 financial statements as it determined wit effect from 1° January instead of 1° July 2017.

| Thousands of Euro | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Net Invested Capital | 202.646 | 190.233 |
| Capital and reserves attributable to Parent Company | 148.694 | 142.662 |
| Non-Controlling Interest | 1.289 | 1.084 |
| Total Shareholders' Equity | 149.983 | 143.747 |
| Net Financial Position | 52.663 | 46.487 |
| Group ROE *** | 6,27% | 9,86% |
| ROI | 8,50% | 6,63% |
| Net Financial Position/Total Shareholders' Equity | 0,35 | 0,32 |
| Net Financial Position/Adjusted Ebitda**** | 1,62 | 1,77 |

*** The 2018 Group Roe includes the Net profit "rolling" from 1° July 2017 to 30 June 2018 with an allocation of 50% of the 2017 "IFRS 3" income. The high value of 2017 Group Roe is influenced by the amount of € 17,482 thousand of "IFRS 3"

**** Please note the Adjusted Ebitda of the half-year is determined "Rolling", that is to say, considering the terminal figure from 1° July 2017 to 30 June 2018

The table above provides initial preliminary details of the positive trend in Group business in the 1st half of 2018. For the purpose of providing a homogeneous comparison, together with the data as at June 30, 2017, the pro-forma data drafted on a like-for-like basis are also presented, therefore including the Tuscan companies Fruttital Firenze S.p.A. and Galandi S.p.A. and the Spanish company Hermanos Fernández López S.A., acquired in 2017, effective from July 1. The pro-forma data therefore aim to represent the income statement and balance sheet effects that would have been generated if the aforementioned transaction had taken place effective from January 1, 2017, therefore allowing a better comparison with the actual figures as at June 30, 2018. In particular, the data of the pro-forma financial statements, including the line-by-line consolidation of the three companies, highlight, with respect to the official financial statements as at June 30, 2017, a higher volume of revenues of Euro 139,710 thousand, a higher gross margin of

Euro 9,378 thousand and Adjusted Ebitda of Euro 4,975 thousand, in addition to including, in terms of profit in the period from continuing operations, Euro 18,026 as the effect of the accounting of the business combination which took place in phases according to the provisions of IFRS 3.

## 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

## 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 |

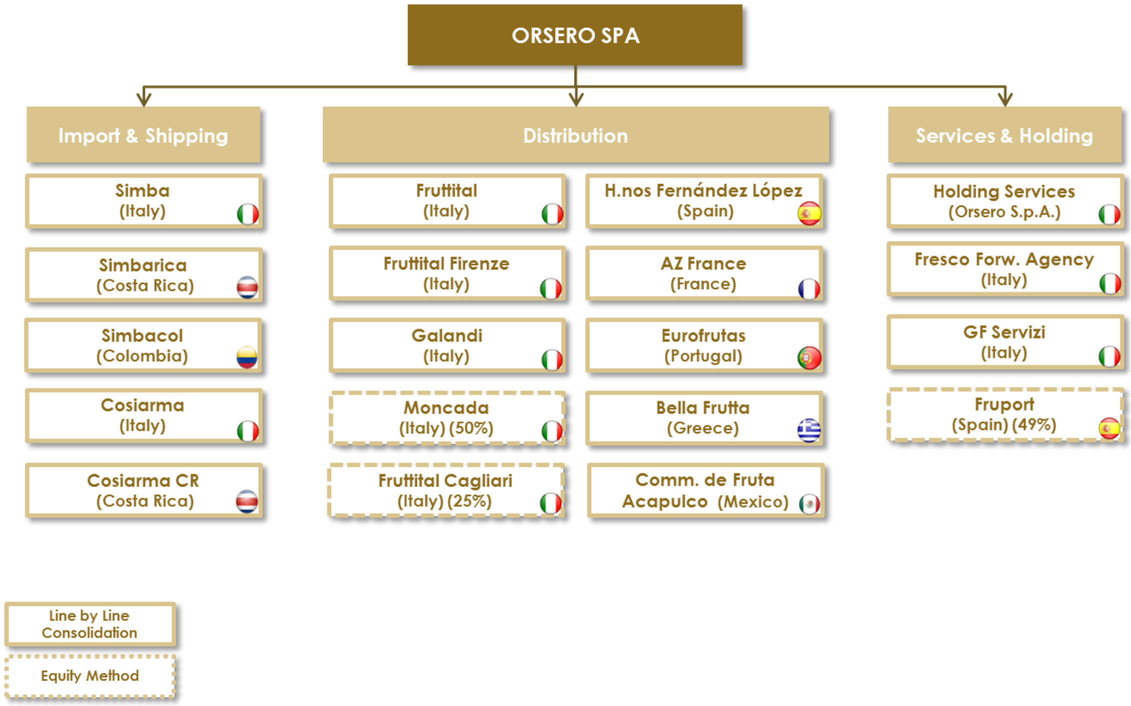
### Independent Auditors:

KPMG S.p.A.

(1) The Board of Directors, consisting of seven members, was appointed by the Shareholders' Meeting on November 30, 2016 (then Glenalta Food S.p.A.) and shall remain in office until the date of approval of the financial statements at December 31, 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 September 15, 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 November 30, 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.

# DIRECTOR'S REPORT ON OPERATIONS

## GROUP STRUCTURE




Summary representation of the Group (100% where the percentage is not indicated).

## COMPOSITION OF THE GROUP

At June 30, 2018, 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.L. | Manufacturing company in Spain |
| Kiwisol L.D.A. | 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 L.D.A. | Distribution company in Portugal |
| Tropical Frutas L.D.A. | Distribution company in Portugal |
| Vado Container Services S.r.l. | Port services provider in Italy |

## Americas:

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

## ALTERNATIVE PERFORMANCE INDICATORS

In this half-yearly financial report, certain financial indicators are presented and analyzed that are not defined as accounting measures by IAS-IFRS, but which make it possible to discuss the Group's business. 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 July 28, 2006 (DEM 6064293) and subsequent amendments and supplements (Consob Communication no. 0092543 of December 3, 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 financial 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 definition of the alternative performance indicators used by the Group in its periodic annual and half-year financial reports is provided below:

***Adjusted Ebitda***: the Operating Result (Ebit) excluding depreciation, amortization, and provisions, however excluding non-recurring costs/income and costs related to the medium/long-term incentive plan for management, which have been thoroughly analyzed in this report.

***Adjusted Ebit***: the Operating Result (Ebit) excluding non-recurring costs/income and costs related to the medium/long-term incentive plan for management.

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

***Fixed assets***: calculated as the algebraic sum of the following items: goodwill, other intangible assets, tangible assets, financial investments, other fixed assets, and receivables for deferred tax assets. Any fair value of hedging derivatives, as well as non current financial assets included in the item "other fixed assets", should be excluded from these items.

***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 payables and social security contributions liabilities, other current liabilities, and liabilities held for sale. Any fair value of hedging derivatives, as well as current financial assets 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 current financial included in the item "Other current assets".

***ROI***: calculated as the ratio between Adjusted EBIT and Net invested capital. The Adjusted Ebit of the half-year is determined on a "Rolling" base, that is to say, considering the terminal figure from 1° July 2017 to 30 June 2018.

***Group ROE:*** calculated as the ratio between the net profit pertaining to the Group and Group shareholders' equity. The Net Profit of the half-year is determined on a "Rolling" base, that is to say, considering the reporting period from 1° July 2017 to 30 June 2018.

## SIGNIFICANT EVENTS DURING THE PERIOD

We report below the most significant events that occurred in the first half of 2018, other than the operating performance commented on in another part of these notes.

As detailed extensively in the report to the previous year's financial statements, on January 30, 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 expired on December 31, 2017. We consider it appropriate to point out that the transfer of the investment in the company Moño Azul S.A. and the assumption of the relevant existing loan with Banca Intesa, originate from the disposals carried out by the GF Group prior to the implementation of the "Significant Transaction", i.e. the merger with Glenalta carried out in February 2017. The economic and financial effect of this disbursement on the accounts in 2018 was nil, because it was given fully reflected in the Orsero 2017 financial statements based on the prudent evaluation of the directors.

In the first half, Euro 1,564 thousand was paid to the Customs Agency within the framework of the "REI" dispute, which was detailed in full in the previous reports to the 2016 and 2017 financial statements. Given that the disbursement had no economic impact as it was fully provided for in previous years, the Group can only renew its commitment in these notes to promoting all possible legal actions to protect its interests and attempt to recover a total of Euro 2.1 million paid out over time in relation to this dispute.

From a financial perspective, the Parent Company is working towards the overall refinancing of its medium/long-term debt, in order to rationalize the number of lenders, reconfigure the flow of repayments over the next 5 years and obtain the necessary cash flow reserves to adequately finance the Group's growth/investment plan.

The Shareholders' Meeting of April 20, 2018 resolved to authorize the Board of Directors to purchase and dispose of ordinary treasury shares pursuant to articles 2357 and 2357-ter of the Italian Civil Code, based on prior revocation of the authorization conferred by the Ordinary Shareholders' Meeting of Glenalta Food S.p.A. (now Orsero) on November 30, 2016. The objective of this Buy-Back Plan is to provide the Group with a useful strategic investment opportunity for all purposes permitted by the applicable provisions, including therein the purposes set out in art. 5 of Regulation (EU) no. 596/2014 (Market Abuse Regulation, "Mar"), and in the practices permitted by law under art. 13 of the Mar. The authorization was granted for the maximum period allowed, equal to 18 months, for the purchase, including in several tranches, of a maximum number of shares which, taking account of the ordinary shares of the company held in the portfolio from time to time, does not, on the whole, exceed a maximum of Euro 5 million. Purchases can be made at a unit consideration of no lower than a minimum of 20% and no higher than a maximum of 10% of the arithmetic mean of the official prices recorded by Orsero shares on AIM Italia in the 10 open stock market days prior to the individual transaction.

Lastly, on June 28, the Board of Directors resolved to start the process for the listing of the company's shares on the MTA (screen-based equities market), STAR segment, that Orsero proposes to carry out, where the conditions are satisfied, including market conditions, by the first half of 2019.

## ANALYSIS OF THE ECONOMIC AND FINANCIAL SITUATION OF ORSERO GROUP

The present consolidated half-yearly financial report at June 30, 2018 was prepared in condensed form in accordance with IAS 34 - Interim Financial Reporting and, with respect to the recognition and measurement criteria, according to the 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 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.

The consolidated condensed half-yearly financial statements posted a net profit of Euro 5,545 thousand (as at June 30, 2017: Euro 870 thousand, as at June 30, 2017, pro-forma: Euro 20,029 thousand, however inclusive of Euro 18,026 thousand due to the effect of former IFRS 3 "step-acquisition", to be considered non-recurring and non-monetary), after having recorded amortization, depreciation and provisions of Euro 7,267 thousand (as at June 30, 2017: Euro 5,676 thousand, as at June 30, 2017, pro-forma: Euro 7,217 thousand) and net non-recurring expenses of Euro 242 thousand.

Details of the main income statement items are provided below, almost all of which can be identified in the financial statements, with the exception of "Adjusted Ebitda", the main performance indicator used by the Group, determined as Ebit excluding amortization, depreciation and provisions, non-recurring costs and income as well as costs linked to the medium/long-term incentive plan for management. The parameter thus determined does not consider net financial expenses, taxes, and the pro-rata gain/loss arising from consolidation using the equity method for associated companies and joint ventures.

The line-by-line consolidation of the Tuscan companies Fruttital Firenze S.p.A. and Galandi S.p.A. and the Spanish company Hermanos Fernández López S.A. acquired in the previous year took effect from July 1, 2017. For a better comparison of the results achieved in the 1st half of 2018, the pro-forma financial statements for the 1st half of 2017 are reported, which show what the income statement results would have been if the effects of these acquisitions had materialized from January 1. The analysis of the deviations identified between the data as at June 30, 2018 and the pro-forma data as at June 30, 2017 is shown in the following pages.

| Thousands of Euro | 30.06.2018 | 30.06.2017 Pro-forma | 30.06.2017 |
|---|---|---|---|
| Net Sales | 469.723 | 473.439 | 355.081 |
| Gross Profit | 39.572 | 38.094 | 28.720 |
| Adjusted Ebitda | 16.806 | 15.594 | 10.604 |
| Adjusted Ebit | 9.539 | 8.377 | 4.927 |
| Operating Result (Ebit) | 9.297 | 6.206 | 3.008 |
| Effect "step acquisition" ex IFRS 3** | - | 18.026 | - |
| Net financial expenses | ( 1.274) | ( 1.578) | ( 1.498) |
| Net income (loss) from equity investments* | 4 | 12 | 9 |
| Share of Profit of JV and Associated company* | 186 | 196 | 1.312 |
| Profit before tax | 8.212 | 22.862 | 2.831 |
| Net Profit from continuing operations | 5.545 | 20.029 | 870 |
| Net Profit of "Discontinued Operations" | - | - | - |
| Net Profit | 5.545 | 20.029 | 870 |

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

** Please note to the fact that the income of euro 18,026 thousand represents a non-monetary and non-recurring effect of significant impact on net profit of the period.

The economic performance in the first half of 2018 reflects, with respect to the pro-forma period in the previous year, the weaker performance of the Import & Shipping sector connected to maritime transport activities, thanks to an increase in the cost of fuel and the decrease in freight income, only partly offset by a better performance by banana sales. By contrast, the profit margins of the Distribution sector, the Group's real "core" business, recorded an increase. Note should be taken, in particular, of the positive trend in activities in Spain and Greece, both in terms of the growth in revenues and margins, and the significant recovery in the profitability of activities in Portugal, despite the presence of lower turnover.

The marked difference, in terms of net profit/loss, with respect to the pro-forma result at June 30, 2017 is a consequence, as detailed in the table, of the loss of non-recurring income, accounted for in compliance with IFRS 3 (business combinations completed in several phases - "step acquisition") connected to the acquisitions mentioned above totaling Euro 18,026 thousand, net of which the improvement in the final net result of the half comes to around Euro 3,542 thousand, deriving from:

- the operational improvement (measured by the Adjusted Ebitda) amounting to Euro 1,212 thousand;
- reduction in net financial expenses of Euro 303 thousand;
- lower net non-recurring expenses of Euro 1,911 thousand, and
- lower taxes of Euro 166 thousand;

partly offset by higher amortization/depreciation and provisions of Euro 50 thousand.

The table below outlines the contributions to turnover from the different operating segments: as outlined, the sales of the Distribution Segment were substantially stable. Revenues in the Import & Shipping segment fell, due to lower prices of sale of bananas and pineapples, in the presence of stable volumes for bananas and a slight increase for pineapples, as well as lower revenues from maritime freight fees expressed in Euros, due to a depreciation in the dollar from an average of 1.08 USD/Euro in the 1st half of 2017 to an average of 1.21 USD/Euro in the 1st half of 2018 where, in fact, said revenues expressed in USD recorded an increase from 33.9 million to 35.0 million dollars.

| Thousands of Euro | 30.06.2018 | 30.06.2017 Pro-forma | 30.06.2017 |
|---|---|---|---|
| "Distribution" Segment | 427.002 | 427.507 | 293.652 |
| "Import & Shipping" Segment | 111.292 | 120.457 | 120.457 |
| "Services" Segment | 6.334 | 6.613 | 6.613 |
| Net Sales Inter-segment | (74.905) | (81.138) | (65.641) |
| **Net sales** | **469.723** | **473.439** | **355.081** |

The table below shows the results in terms of Adjusted Ebitda and highlights the positive and stable performance of the Distribution segment, whose profit margins are appreciably continuous over time, on which the Group bases its "mission" of growth and development.

| Thousands of Euro | 30.06.2018 | 30.06.2017 Pro-forma | 30.06.2017 |
|---|---|---|---|
| "Distribution" Segment | 15.583 | 12.975 | 8.000 |
| "Import & Shipping" Segment | 3.314 | 4.878 | 4.878 |
| "Services" Segment | (2.090) | (2.259) | (2.274) |
| **Adjusted Ebitda** | **16.806** | **15.594** | **10.604** |

As regards the statement of financial position, in order to provide an adequate summary to represent the Group's situation, 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 | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Fixed Assets | 161.708 | 159.290 |
| Net Working Capital | 54.968 | 43.002 |
| Other current assets/(liabilities) | (14.031) | (12.058) |
| Net Invested Capital | 202.646 | 190.233 |
| Total Shareholders' Equity | 149.983 | 143.747 |
| Net Financial Position | 52.663 | 46.487 |

The main changes in the equity-financial structure with respect to December 31, 2017, encapsulated by the variation in the net financial position from Euro 46,487 to Euro 52,663 thousand, are connected to the investments made in the period, the positive valuation of the MTM on bunker / currency hedges and the dividend payment. By contrast, the increase in working capital concerns the normal trend in business which typically sees peak requirements, in terms of operating working capital, on June 30, linked to sales spikes in May and June, as well as to advances and the supply of seasonal fruits to be distributed in subsequent summer months. It is reported that almost all of investments is made by the companies in the Distribution segment.

The net financial position, in relation to the pro-forma position as at June 30, 2017 amounting to Euro 76.8 million, highlighted an improvement of Euro 24.1 million, the result of the cash flow generation by the Group's operations for Euro 14,1 million (gross of the dividend of Euro 2 million distributed by Orsero S.p.A. based on the 2017 result) and the net effects deriving from extraordinary and "non-recurring" transactions for Euro 12 million, net (sale of Acorsa S.A. investment for Euro 20 million less the payment of the Intesa Sanpaolo guarantee relating to Argentina srl for Euro 8 million).

The summary representation of the aforesaid condensed consolidated half-yearly 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.

| Financial Highlights | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Net Financial Position/Total Shareholders' Equity | 0,35 | 0,32 |
| Net Financial Position/Adjusted Ebitda* | 1,62 | 1,77 |

* Please note the Adjusted Ebitda of the half-year is determined "Rolling", that is to say, considering the terminal figure from 1° July 2017 to 30 June 2018

Note that the Net financial position is calculated as the algebraic 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" and current financial assets included in the item "Other current assets".

## COMMENTARY ON THE PERFORMANCE OF THE BUSINESS SEGMENTS

In the 1st half, the Group, from an operational perspective, focused on consolidating the results of the Distribution segment as well as on the transactions of the companies Fruttital Firenze, Galandi and Fernandez acquired in the previous year, with special attention to the activities developed by Fruttital Firenze in the "fresh cut" sector, an area in which the Group sees real possibilities for increasing turnover and profit margins in the different countries in which it operates, also by taking advantage of clear synergies with the strategic positioning of its warehouses. In this regard, the Group is working on a plan of expansion which makes provision for the opening of another three production centers in 2019 within the main Italian warehouses.

As illustrated below, the first half of 2018 recorded, with respect to the corresponding period in the previous year, a regular and constant trend in the Distribution segment, albeit with the normal variations from one country to another based on the performances of the different fruit and vegetable campaigns, and a trend less performancing in Import & Shipping, affected primarily by an increase in the costs of fuel and lower freight income from naval operations with respect to the fair performance of banana imports.

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 segments 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. As already outlined, for a better disclosure, the comparison with the income statement results of June 2017 is made by also indicating the consolidated pro-forma financial statements, to whose values the figures of the deviations refer. By contrast, at balance sheet level, the comparison is made with the results as at December 31, 2017.

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

- Distribution Segment
- Import & Shipping Segment
- Services Segment

The table below provides an initial general overview of the performance of the different segments in the first half of 2017 and first half of 2018.

| Thousands of euro | Distribution | Import& Shipping | Services | Eliminations | Total |
|---|---|---|---|---|---|
| Net sales 30.06.2018 [A] | 427.002 | 111.292 | 6.334 | ( 74.905) | 469.723 |
| Net sales pro-forma 30.06.2017 [B] | 427.507 | 120.457 | 6.613 | ( 81.138) | 473.439 |
| Net sales 30.06.2017 | 293.652 | 120.457 | 6.613 | ( 65.641) | 355.081 |
| Change Net sales [A]-[B] | ( 505) | ( 9.165) | ( 279) | 6.233 | (3.716) |
| Adjusted EBITDA 30.06.2018 [A] | 15.583 | 3.314 | ( 2.090) | - | 16.806 |
| Adjusted EBITDA pro-forma 30.06.2017 [B] | 12.975 | 4.878 | ( 2.259) | - | 15.594 |
| Adjusted EBITDA 30.06.2017 | 8.000 | 4.878 | ( 2.274) | - | 10.604 |
| Change Adj. Ebitda [A]-[B] | 2.608 | ( 1.564) | 169 | - | 1.212 |
| NFP 30.06.2018 | n.d. | n.d. | n.d. | n.d. | 52.663 |
| NFP 31.12.2017 | n.d. | n.d. | n.d. | n.d. | 46.487 |
| Change | | | | | 6.176 |

We would now like to comment on the trends of the individual operating segments, 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 drafted by the single companies.

## Distribution Segment

| Thousands of Euro | 30.06.2018 | 30.06.2017 Pro-forma | 30.06.2017 |
|---|---|---|---|
| Net Sales | 427.002 | 427.507 | 293.652 |
| Contribution margin | 50.886 | 46.424 | 32.043 |
| Incidence % | 11,92% | 10,86% | 10,91% |
| Gross Profit | 32.064 | 28.773 | 19.397 |
| Adjusted Ebitda | 15.583 | 12.975 | 8.000 |
| % Adjusted Ebitda | 3,65% | 3,03% | 2,72% |
| Net Profit | 8.400 | 5.718 | 3.250 |

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

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 56%, 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" actually 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 period. Owing to the consistency of the turnover with respect to the previous year, the better profit margins realized on sales form the basis of the growth of Euro 4,462 thousand in the 2018 contribution margin.

As regards the trend in sales, the substantially unchanged revenues is the result of the growth in turnover realized in some countries, particularly Spain, +10% thanks to the increased volumes and unit prices, which contrast with a decrease in other areas, primarily due to lower volumes, caused by different, weaker performances of some campaigns (Italy, France) and also the strategic decisions to reposition on products that have not guaranteed adequate margins (Portugal).

By contrast, in terms of profit margins, careful sales activities and increasingly more effective cost control allowed a general improvement in profitability at both 1st sales margin level, up from 10.9% to 11.9% of turnover, and Adjusted Ebitda level, which went up from 3.04% to 3.65% of turnover. In this area, satisfactory performances were registered by the Spanish company, in which growth in turnover and profit margins was recorded, and by the Portuguese company, which finally appears to have started to return to adequate profit margins again.

The better operating profitability is reflected almost entirely in the net profit, up by Euro 2,683 thousand compared to June 30, 2017 (pro-forma) due to:

- the operational improvement (measured by the Adjusted Ebitda) amounting to Euro 2,608 thousand;
- reduction in net financial expenses of Euro 679 thousand;
- lower net non-recurring expenses of Euro 109 thousand.

partly offset by higher amortization/depreciation and provisions of Euro 122 thousand and higher taxes of Euro 591 thousand.

## Import & Shipping Segment

| Thousands of Euro | 30.06.2018 | 30.06.2017 Pro-forma* | 30.06.2017* |
|---|---|---|---|
| Net Sales | - | 120.457 | 120.457 |
| Gross Profit | 30.06.2018 | 5.795 | 5.795 |
| Adjusted Ebitda | 111.292 | 4.878 | 4.878 |
| % Adjusted Ebitda | 371945,70% | 4,05% | 4,05% |
| Net Profit | 3.314 | 754 | 754 |

*There isn't difference between the data of the 30.06.2017 Pro-forma column and 30.06.2017 since, the first data includes the impact of the acquisition of Tuscan and Spanish companies belonging to the Distribution segment.

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 thanks to long-term relationships established with the most important producers based in the Central American countries and, as regard a portion of bananas, 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 the 1st half showed a negative change with respect to the corresponding period in the previous year, determined by a more regular trend in the half in sales of bananas and pineapples, not enough to offset the decrease registered by maritime transport activities. As regards the sale of bananas and pineapples, note should be taken, in a context of essentially stable volumes, bananas +0.3% and pineapples +0.4%, of the greater incidence of top of the line "Fratelli Orsero" bananas and pineapples, up respectively from 1.5 million to 1.9 million boxes (+26%) and from 1.0 million to 1.2 million boxes (+17%). The unit sale prices were generally lower than those of the 1st half of 2017, resulting in the decrease in turnover, but due to the more normal trend in sales, profit margins measured by Adjusted Ebitda improved considerably. By contrast, maritime transport activities recorded a decrease in the volume of revenues, down from Euro 37.6 million to Euro 34.6 million, due to the above-mentioned variation in the USD/Euro exchange rate. The lower profitability, in terms of Adjusted Ebitda, with respect to the 1st half of 2017 almost equally reflects the currency component - based on the fact that 100% of the revenues is denominated in dollars, compared to 65%-70% of the costs - and a further reduction in the unit freight fees applied to customers combined with a higher incidence of the cost of fuel, up from an average of USD 314/ton in the 1st half of 2017 to the current USD 367/ton, which could only be partially offset with the increase in volumes transported (almost 12 thousand pallets, +5%) for a "load factor" of 90%, higher than that of 2017, but nonetheless lower than the levels of the years 2015-2016, in which said indicator was around 92-93%, due to the non-recurring difficulties connected with adverse weather conditions in the Central American production areas and the persistent goods loading problems in the Caribbean ports.

The reduced operating profitability impacted the net profit, down by Euro 1,927 thousand compared to the 1st half of 2017 due to:

- the worsening in the operating performance (measured by the Adjusted Ebitda) amounting to Euro 1,565 thousand;
- higher expenses from exchange differences for Euro 529 thousand;
- lower net non-recurring expenses for Euro 27 thousand;

partly offset by lower amortization/depreciation and provisions of Euro 120 thousand and lower taxes of Euro 73 thousand.

### Services Segment

| Thousands of Euro | 30.06.2018 | 30.06.2017 Pro-forma | 30.06.2017 |
|---|---|---|---|
| Net Sales | 6.334 | 6.613 | 6.613 |
| Adjusted Ebitda | (2.090) | (2.259) | (2.333) |
| Net Profit | (1.623) | (4.435) | (4.445) |

This sector 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. 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. A decrease of around Euro 645 thousand was recorded in the advertising costs of the Orsero brand compared to the first half of 2017, linked to a change of Group communication strategy which, after the initial phase of television airings, is now targeted at "digital" tools which have less of an impact in terms of cost, and subject to a more effective match between the costs incurred and the results achieved.

## RISK PROFILES OF THE BUSINESS

### Financial risks

#### Risks associated with fluctuations in exchange rates

In view of its operations, the Orsero 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 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. For this reason, the trend in exchange rates is monitored regularly by the central treasury service, also in order to stipulate currency hedges, where the conditions are met.

### Risks associated with loan agreements

The Orsero Group has some medium-term loan agreements in place 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 market interest rate.

### Risks of default and covenants on the debt

The Group has medium-term loan agreements in place with some major European banks, that require compliance with financial covenants that depend on the performance of certain standard 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 Group's management constantly monitors the trend in financial parameters in order to verify compliance with the covenants.

### 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 off-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

Guarantees are in place as at June 30, 2018, issued in favor of the related companies Moño Azul S.A., K-Air S.r.l. and Nuova Beni Immobiliari S.r.l., deriving from the agreements reached in due course for the finalization of the Merger with Glenalta, amounting respectively to Euro 3,431 thousand (USD 4 million), Euro 1,152 thousand and Euro 403 thousand, for which a limited risk profile appears to be noticeable owing to the possibility of directly recovering from said companies the amounts paid out by the Group for said guarantees.

## OTHER INFORMATION

### Financial disclosure and relations with Shareholders

In order to maintain 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 June 9, 2004.

## Workforce

The notes provide an indication of the average staff employed by the Group in the first half of 2018 and as at December 31, 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 already indicated in the Reports to both the 2016 and 2017 financial statements, 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

At June 30, 2018, the Group held 712,687 treasury shares of which 500,000 are in the service of the medium/long-term incentive plan for management implemented by Orsero to meet the requirements necessary for access to the MTA electronic stock market. It should be noted that the objective for 2017 set out in the medium/long-term incentive plan for management was achieved, determining the assignment to the various beneficiaries of 166,667 treasury shares which will be delivered free of charge no later than 15 open stock market days after Orsero's approval of the 2019 financial statements, for a value of Euro 2,328 thousand, calculated with reference to the market price of the shares applicable on the day of signing of the medium/long-term incentive plan for management amounting to Euro 13.97.

## Transactions with related parties

In accordance with the provisions of the Regulation adopted by Consob with Resolution no. 17221 of March 12, 2010 and subsequent amendments, Orsero S.p.A. has adopted a Procedure for Transactions with Related Parties, approved by the Board of Directors on February 13, 2017, and available on the Group's website http://www.orserogroup.it/governance/procedure-societarie/, Governance section.

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

## Significant events after the first half of 2018

After June 30, Banco Patagonia enforced a guarantee of USD 4 million against Banca Intesa Sanpaolo S.p.A., given by the latter to the related company Moño Azul S.A., a guarantee the Group readily repaid to said Banca Intesa. The recovery of this outlay falls under the negotiations, still at the preliminary phase, launched with a leading Argentinian company in the agricultural sector, in relation to the transfer of the assets held by the Group in Argentina (including the trademark and production areas mentioned above) which is expected to be concluded before December 31, 2018.

Subsequently, and in execution of the BoD resolution of June 28, 2018, the purchases of treasury shares were also reclaimed, for a total of 24,700 shares (Euro 187 thousand) at the date of drafting of these notes, augmenting the 712,687 shares in place at June 30, 2018, of which 166,667 assigned to the Group's top management based on achievement of the target established for 2017 in the medium/long-term incentive plan for management.

In line with the Group's mission to focus the own strategy on its core business, on September 20, 2018 its Spanish subsidiary Hermanos Fernández López has signed a framework agreement for the purchase of the entire capital of the company Sevimpor Distribuidora De Frutas De Importacion S.L., the latter dedicated to wholesale of fresh fruit and vegetables and specialized in the ripening of bananas from Canary Islands. The Transaction price settled is Euro 1.65 million and the contract's execution will be in January 2019, with own financial resources. This operation has a great strategic value for the Group which will strenghthen its presence in the Spanish market, on which there are important growth prospects and will enable to develop commercial and logistic synergies that will allow the distribution of the own products in a more effective and efficient manner, taking advantage the proximity with the port of Algeciras.

## Outlook for the 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 a solid financial structure which is adequate for the business made it possible to complete significant acquisitions during last year, and makes it possible to weigh up acquisitions in areas in which the Group intends to grow in the short/medium-term (processed fruit, dry fruit, ...), obviously keeping a close eye on the price requested from the sellers of potential target companies to ensure it is correct and adequate to the risk profile of said activities.

From a financial perspective, the Parent Company is working towards the overall refinancing of its medium/long-term debt, in order to rationalize the number of lenders, reconfigure the flow of repayments over the next 5 years and obtain the necessary cash flow reserves to adequately finance the Group's growth/investment plan.

In the immediate future, while we will remain attentive to opportunities for growth through new acquisitions, we expect to continue to focus on achieving operating synergies and an increasingly more efficient structure, in order to further enhance the Company's stability and hence its value.

# CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

## Consolidated statement of financial position

| Thousands of euro | NOTES | 30/06/2018 | 31/12/2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill | 1 | 33.103 | 33.103 |
| Other intangible assets | 2 | 8.163 | 7.956 |
| Tangible assets | 3 | 103.558 | 100.994 |
| Financial investments | 4 | 7.814 | 7.959 |
| Other fixed assets | 5 | 1.625 | 1.489 |
| Deferred tax assets | 6 | 7.445 | 7.788 |
| **NON-CURRENT ASSETS** | | **161.708** | **159.290** |
| Inventories | 7 | 43.896 | 33.498 |
| Trade receivables | 8 | 133.869 | 112.898 |
| Current tax receivables | 9 | 16.153 | 15.564 |
| Other current assets | 10 | 11.874 | 8.970 |
| Cash and cash equivalent | 11 | 57.926 | 79.893 |
| **CURRENT ASSETS** | | **263.717** | **250.823** |
| **Assets held for sale** | | - | - |
| **TOTAL ASSETS** | | **425.426** | **410.113** |
| Share Capital | | 69.163 | 69.163 |
| Reserves | | 74.156 | 60.690 |
| Net profit | | 5.375 | 12.809 |
| **Capital and reserves attributable to Parent Company** | **12** | **148.694** | **142.662** |
| **Non-Controlling Interests** | **13** | **1.289** | **1.084** |
| **Total Shareholders' Equity** | | **149.983** | **143.747** |
| **LIABILITIES** | | | |
| Non-current financial liabilities | 14 | 69.999 | 76.208 |
| Other non-current liabilities | 15 | 149 | 166 |
| Deferred tax liabilities | 16 | 5.612 | 5.527 |
| Provisions for risks and charges | 17 | 3.010 | 2.968 |
| Employees benefits liabilities | 18 | 8.758 | 8.785 |
| **NON-CURRENT LIABILITIES** | | **87.528** | **93.655** |
| Current financial liabilities | 14 | 43.087 | 50.192 |
| Trade payables | 19 | 122.797 | 103.395 |
| Current tax and social security contributions liabiliti | 20 | 8.227 | 6.201 |
| Other current liabilities | 21 | 13.804 | 12.923 |
| **CURRENT LIABILITIES** | | **187.915** | **172.712** |
| **Liabilities held for sale** | | - | - |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **425.426** | **410.113** |

## Consolidated income statement

| Thousands of euro | NOTES | Half-year 2018 | Half-year 2017 |
|---|---|---|---|
| Net sales | 22 | 469.723 | 355.081 |
| Cost of goods sold | 23 | ( 430.152) | ( 326.361) |
| **Gross profit** | | **39.572** | **28.720** |
| Overheads | 24 | ( 31.400) | ( 24.910) |
| Other income and expenses | 25 | 1.126 | ( 802) |
| **Operating result (Ebit)** | | **9.297** | **3.008** |
| Net financial expenses | 26 | ( 1.274) | ( 1.498) |
| Net income (loss) from equity investments | 27 | 190 | 1.321 |
| **Profit before tax** | | **8.212** | **2.831** |
| Tax expenses | 28 | ( 2.667) | ( 1.961) |
| **Net profit from continuing operations** | | **5.545** | **870** |
| Net profit of "Discontinued operations" | | - | - |
| **Net profit** | | **5.545** | **870** |
| **attributable to Non-controlling interests** | | **171** | **197** |
| **attributable to Parent Company** | | **5.375** | **673** |
| **Earnings per share "base" in euro** | 29 | **0,317** | **0,055** |
| **Earning per share "Fully Diluted" in euro** | 29 | **0,314** | **0,045** |

## Consolidated comprehensive income statement

| Thousands of euro | Half-year 2018 | Half-year 2017 |
|---|---|---|
| **Net profit** | **5.545** | **870** |
| Items that may not be subsequently reclassified to net profit or loss | - | - |
| Items that may be subsequently reclassified to net profit or loss | 2.258 | ( 491) |
| **Total comprehensive income** | **7.803** | **379** |
| **attributable to non-controlling interests** | **171** | **197** |
| **attributable to parent company** | **7.633** | **182** |

As outlined at the start of the Report on Operations, while the comparison at operational level is carried out with the pro-forma data as at June 30, 2017, in this section relating to the notes to the financial statements, the comparison is made with reference to the "reported" data of the financial statements as at June 30, 2017 (and December 2017).

## Consolidated cash flow statement

| Thousands of euro | Half-year 2018 | Half-year 2017 |
|---|---|---|
| **A. Net cash flows provided by (used for) operating activities** | | |
| **Net profit** | **5.545** | **870** |
| Income taxes | 2.667 | ( 1.961) |
| Net financial expenses | 1.044 | 1.498 |
| Dividends | - | - |
| (Earnings)/losses from disposal of assets | - | - |
| **1. Net Profit before Tax, Interests, Dividends and (earnings)/losses from disposal of assets** | **9.257** | **407** |
| **Non-cash adjustments not related to working capital:** | | |
| Provisions | 887 | 633 |
| Depreciations and Amortizations | 6.380 | 5.043 |
| Impairment of assets | - | - |
| Other non-cash adjustments | 99 | 353 |
| **2. Cash flows before working capital changes** | **16.623** | **6.436** |
| **Changes in Working Capital:** | | |
| Change in inventories | ( 10.398) | ( 3.051) |
| Change in trade receivables | ( 21.859) | ( 18.230) |
| Change in trade payables | 19.402 | 8.385 |
| Other changes | 1.873 | ( 1.070) |
| **3. Cash flows after working capital changes** | **5.640** | **( 7.530)** |
| **Other non-cash adjustments:** | | |
| Net financial expenses | ( 1.044) | ( 1.498) |
| Income taxes | ( 2.667) | 1.961 |
| Dividends | - | - |
| Change in Funds | - | - |
| **4. Cash flows after other changes** | **1.929** | **( 7.067)** |
| **Net cash flows provided by (used for) operating activities (A)** | **1.929** | **( 7.067)** |
| **B. Net cash flows provided by (used for) investing activities** | | |
| Tangible assets | | |
| (Investments) | ( 8.419) | ( 2.894) |
| Disposals | - | 114 |
| Intangible assets | | |
| (Investments) | ( 731) | ( 578) |
| Disposals | - | - |
| Financial Investments | | |
| (Investments) | ( 186) | ( 1.315) |
| Disposals | 331 | 53 |
| Financial assets | | |
| (Investments) | - | - |
| Disposals | 208 | 1.168 |
| Disposals / (acquisitions) of investments in controlled companies, net of cash | - | - |
| **Net cash flows provided by (used for) investing activities (B)** | **( 8.797)** | **( 3.452)** |
| **C. Net cash flows provided by (used for) financing activities** | | |
| Financial loans | | |
| Increase /(decrease) of short term financial debts | ( 8.757) | 5.953 |
| Drawdown of new loans | 1.415 | - |
| Pay back of loans | ( 8.449) | ( 34.420) |
| Equity | | |
| Capital Increase / Equity-like Instruments | 2.728 | 47.756 |
| Disposal/ (aquisition) of own shares | - | - |
| Dividends paid | ( 2.036) | - |
| **Net cash flows provided by (used for) financing activities(C)** | **( 15.099)** | **19.289** |
| **Increase/ (decrease) of cash and cash equivalent (A ± B ± C)** | **( 21.967)** | **8.770** |
| **Net cash and cash equivalents, at beginning of the year** | **79.893** | **37.095** |
| **Net cash and cash equivalents, at end of the year** | **57.926** | **45.865** |

# 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 share | Retained earnings/ (losses) | Net profit | Total Shareholders'equity | Non-Controlling Interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **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 | - | - | - | - | - | - | - | - | - | - | - | - | **-** | - |
| Glenalta's operation | 51.500 | ( 200) | 72.000 | 13.132 | - | ( 83.811) | - | - | - | ( 6.406) | 1.894 | - | **48.108** | - |
| Effect IAS 19 | - | - | - | - | - | - | - | - | - | - | - | - | **-** | - |
| Change in fair value of cash flow hedge derivatives | - | - | - | - | - | - | - | ( 491) | - | - | - | - | **( 491)** | - |
| Other changes | - | - | - | - | ( 106) | - | - | - | - | - | 248 | - | **142** | ( 5) |
| Net profit | - | - | - | - | - | - | - | - | - | - | - | 673 | **673** | 197 |
| **June 30, 2017** | **64.500** | **-** | **72.000** | **13.132** | **752** | **-** | **( 169)** | **( 491)** | **-** | **( 6.406)** | **( 27.585)** | **673** | **116.406** | **933** |

| 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 share | Retained earnings/ (losses) | Net profit | Total Shareholders'equity | Non-Controlling Interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **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** |
| Allocation of reserves | - | 119 | - | 230 | - | - | - | - | - | - | 12.459 | ( 12.809) | **-** | - |
| Capital increase | - | - | - | - | - | - | - | - | - | - | - | - | **-** | - |
| Change in fair value of cash flow hedge derivatives-interest rate | - | - | - | - | - | - | - | ( 47) | - | - | - | - | **( 47)** | - |
| Change in fair value of cash flow hedge derivatives-exchange rate | - | - | - | - | - | - | - | 49 | - | - | - | - | **49** | - |
| Change in fair value of cash flow hedge derivatives-bunker | - | - | - | - | - | - | - | 2.295 | - | - | - | - | **2.295** | - |
| Dividends distribution | - | - | - | - | - | - | - | - | - | - | ( 2.036) | - | **( 2.036)** | - |
| Effect IAS 19 | - | - | - | - | - | - | - | - | - | - | - | - | **-** | - |
| Other changes | - | - | - | - | 26 | - | - | - | - | - | 370 | - | **396** | 34 |
| Net profit | - | - | - | - | - | - | - | - | - | - | - | 5.375 | **5.375** | 171 |
| **June 30, 2018** | **69.163** | **119** | **80.556** | **12.521** | **( 1.584)** | **-** | **( 586)** | **2.231** | **2.328** | **( 7.108)** | **( 14.321)** | **5.375** | **148.694** | **1.289** |

GRUPPO ORSERO

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

## Form and content of the consolidated half-yearly 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.

### Statement of compliance and preparation criteria

The Group condensed consolidated half-yearly financial statements at June 30, 2018 have been drawn up on the basis of art. 3, paragraph 2 of Legislative Decree no. 38 of February 28, 2005, according to the International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed 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 condensed consolidated half-yearly financial statements at June 30, 2018 were prepared in summary form in accordance with IAS 34 "Interim Financial Reporting".

In accordance with IAS 34 the condensed consolidated half-yearly financial statements do not include all the supplementary information required for the annual financial statements for which, therefore, reference is made to the Group Financial Statements as at December 31, 2017.

### Content and form of the condensed consolidated financial statements

The condensed consolidated half-yearly 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 condensed half-yearly 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 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 condensed consolidated half-yearly financial statements are presented in Euro, the functional currency in the economies in which the Group mainly operates, and they are compared to the condensed consolidated half-yearly financial statements of the corresponding period of previous year, prepared with consistent criteria with regard to the income statement data and with the consolidated financial statements as at December 31 of the immediately preceding year for the statement of financial position, with the exception of the application of the new IFRS 9 and IFRS 15.

The condensed consolidated half-yearly financial statements have been drawn up in accordance with the general historical cost principle, with the exception of financial assets, derivative instruments and inventories of fruit stock ripening, measured at fair value.

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

The condensed consolidated half-yearly financial statements at June 30, 2018 were subjected to a limited audit by KPMG S.p.A. and approved by the Board of Directors on September 26, 2018.

## Valuation criteria

In the preparation of the condensed consolidated half-yearly financial statements as at June 30, 2018 the same consolidation principles and the same measurement criteria were applied as were used for the preparation of the consolidated financial statements as at December 31, 2017, to which reference is made for the sake of completeness.

## Financial assets

All financial assets must be recognized only when the Group becomes party to the contractual clauses of the instrument and must be classified on the basis of the business model of the Group that holds them and considering the cash flows of these assets. IFRS 9 envisages the following types of financial instruments:

- financial assets measured at amortized cost;
- financial assets at fair value with changes recognized in the income statement;
- financial assets at fair value with changes recognized in the comprehensive income statement.

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. It should be noted that fair value means the value of the price of the instrument in an active market; in the absence of the latter, it is determined by using a valuation technique that establishes which price the transaction would have had at the valuation date in a free exchange based on normal commercial considerations.

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 IFRS 9 and described below.

At the time of subscription, it is considered whether a contract contains implicit derivatives. Derivatives embedded in contracts where the primary element is a financial asset that falls under the field of application of IFRS 9 must never be segregated.

The financial assets measured at amortized cost are those financial assets held within the framework of a business model whose objective is the ownership of financial assets targeted at the collection of contractual cash flows and whose contractual terms envisage, at given maturity dates, cash flows represented solely by payments of principal and interest on the amount of principal to be returned. The measurement of financial assets at amortized cost involves the application of the effective interest rate method net of any provision for impairment, taking into consideration foreseeable future losses. This calculation includes any discount or purchase premium and includes commissions that are an integral part of the effective interest rate and transaction costs. Therefore, interest is calculated in relation to the cash value over time and the credit risk associated to the instrument during that particular period of time.

The financial assets at fair value with changes booked to the statement of comprehensive income are those financial assets held within the framework of a business model whose objective is achieved through both the ownership of financial assets targeted at the collection of contractual cash flows and through the sale of financial assets and whose contractual terms envisage, at given maturity dates, cash flows represented solely by payments of principal and interest on the amount of principal to be returned.

The financial assets that are not measured at amortized cost and that are not designated at fair value with changes booked to the statement of comprehensive income are measured at fair value, but with changes booked to profit/(loss).

It should be noted that, at the moment of initial recognition, the entity can irrevocably designate the financial asset as measured at fair value booked to profit (loss) for the year.

It should be noted that equity instruments must always be measured at fair value, given that as they are not characterized by secure and constant cash flows, they are not compatible with the amortized cost method. The financial instrument which represents principal and which is held for strategic reasons and not for trading purposes is therefore measured at fair value, whose variations are booked to the statement of comprehensive income. The dividends relating to said instruments are booked to the income statement, while changes booked to the comprehensive income statement cannot be reclassified to the income statement.

## Impairment of financial assets

The Group must recognize a provision to cover losses for expected credit losses regarding financial assets measured at amortized cost or at fair value through comprehensive income/loss, receivables implicit in leases, assets deriving from contracts or commitments to disburse loans and financial guarantee contracts. For assets measured at fair value through comprehensive income/loss, the provision to cover losses must be booked to other comprehensive income and must not reduce the book value of the financial asset in the statement of financial position.

At each reporting date, the Group must value the provision to cover losses relating to the financial instrument at an amount equal to the expected losses over the entire life of the receivable, if the credit risk of the financial asset has increased significantly following initial recognition, taking into consideration all reasonable and demonstrable information, including the information indicative of expected developments. If, at the reporting date, the credit risk relating to a financial instrument has not increased significantly (low credit risk) following initial recognition, the Group must value the provision to cover losses for the financial instrument at an amount equal to the expected credit losses in the 12 subsequent months. At the time of the valuation, the entity must use the change in the risk of default over the expected life of the financial instrument rather than the change in the amount of expected credit losses. In order to carry out this valuation, the entity must compare the risk of default relating to the financial instrument at the reporting date with the risk of default relating to the financial instrument at the date of the initial recognition and consider reasonable and demonstrable information, that is available without excessive costs or efforts, indicative of significant increases in credit risk that are verified after initial recognition. Under IFRS 9, it is presumed that the credit risk of the financial asset has increased significantly after the initial recognition when the contractual payments have expired by more than 30 days. The credit risk must be revalued at the reporting date also for those financial assets whose cash flows have been renegotiated or modified.

At each reporting date, the Group must recognize in the income statement as profit or loss due to impairment the accumulated changes in expected losses over the entire life of the receivable. This valuation must be made for trade receivables or assets deriving from contracts as defined by IFRS 15, for receivables implicit in leases. The expected credit losses of the financial instrument must reflect a target or weighted amount, the time value of money and the reasonable and demonstrable information available.

## 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 contractual rights to the cash flows deriving from financial assets expire;
- The Group transfers the contractual rights to receive the cash flows from the financial asset and has transferred substantially all of the risks and rewards of ownership of the financial asset, or it has not transferred the contractual rights to receive the cash flows, but has transferred control of the asset;
- The Group retains the contractual rights to receive the cash flows of the financial asset but assumed a contractual obligation to pay the cash flows to one or more beneficiaries.

In cases in which the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor substantially transferred 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, cancelled or when it expires.

## Financial liabilities

IFRS 9 envisages the classification of financial liabilities in the following categories:

- financial liabilities measured at amortized cost;

- financial liabilities at fair value with changes recognized in the income statement. Each liability, including derivatives that are liabilities can subsequently be measured at fair value;
- financial liabilities that arise when a financial asset is not qualified for derecognition or when continuing involvement is applied;
- financial guarantee contracts. Following initial measurement, the issuer can subsequently value the liability at the higher of:
  - ✓ the amount of the provision to cover losses determined in compliance with section 5.5 of IFRS 9, and
  - ✓ the amount recognized initially, less, where appropriate, the accumulated amount of income recorded in compliance with IFRS 15;
- the commitments to disburse a loan at an interest rate below the market rate. Following initial measurement, the issuer can subsequently value the liability at the higher of:
  - ✓ the amount of the provision to cover losses determined in compliance with section 5.5 of IFRS 9, and
  - ✓ the amount recognized initially, less, where appropriate, the accumulated amount of income recorded in compliance with IFRS 15.

## Derivative financial instruments and hedging

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, exchange rates and interest rates.

Derivatives are classified, consistently with IFRS 9, as hedging instruments when:

- the hedging relationship consists solely of admissible hedging instruments and admissible hedged elements;
- at the inception of the hedging relationship there is a designation and formal documentation of the hedging relationship, the Group's risk management objectives and the hedging strategy;
- the hedging relationship satisfies all the requirements of effectiveness (existence of an economic relationship between the hedged element and the hedging instrument, credit risk that does not dominate the value changes that result from that economic relationship, the hedging relationship is the same as that determined by the quantity of the hedged element that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge said quantity of hedged element).

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;

consistent 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 (accounted through "other comprehensive income") and subsequently recognized in the income statement, consistently with the economic effects of the hedged transaction.

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

## Revenues and costs

Revenues are generated primarily by three "core" segments such as the Distribution sector (activities dedicated to the distribution of fruit and vegetables), the Import & Shipping segment (dedicated to the importing, selection and maritime transport, primarily of bananas and pineapples), and the Services segment (provision of services in the customs area, container maintenance, the IT sector and holding coordination activities).

The Group must account for revenues from the sale of products and services if all the following criteria are met:

- 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;
- the contract has commercial substance;
- it is likely that the Group will receive the consideration to which it is entitled in exchange for the goods and services that will be transferred to the customer.

The Group must recognize revenues when (or gradually as) it fulfils the performance obligation by transferring the promised good or service to the customer. The asset is transferred when (or gradually as) the customer acquires control of it (capacity to decide the use of the asset and derive substantially all remaining benefits from it).

Revenues are accounted for over time when the customer simultaneously receives and uses the rewards deriving from the service of the Group as the latter gradually provides it or the service of the Group creates or improves the asset which the customer gradually controls as the asset is created or improved or the service of the Group does not create an asset that presents an alternative use and the Group has an enforceable right to the payment of the service completed until the date considered.

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 IFRS 15, the Group must recognize as revenue the price of the transaction assigned to the performance obligation, considering all the terms of the contract and its commercial procedures. The price of the transaction is the amount of the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods and services to the customer, excluding the amounts collected on behalf of third parties. The consideration may include fixed or variable amounts or both.

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.

The costs incurred in non-homogeneous or linear manner during the year are anticipated and/or deferred at the end of the half year only to the extent to which their anticipation and/or deferral complies with the accounting standards for the preparation of the annual financial statements.

## Use of estimates, risks and uncertainties

The preparation of the condensed consolidated half-yearly 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 net sales, 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.

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 January 1, 2018

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group beginning January 1, 2018.

On May 28, 2014 (with a supplement on April 12, 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 principals such as leasing, insurance contracts and financial instruments. This new revenue recognition model is based on the identification of the different performance obligations contained in each individual sale agreement and on the recognition of the revenues on the basis of whether the individual contractual obligations are met (for more in-depth information please see the measurement criteria for "Revenues and costs").

The Group has adopted this standard, by conducting a detailed analysis of the contracts with customers and this led to an insignificant impact on the Group business focused on the sale of fruit and vegetable, 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.

On July 24, 2014, the IASB published the final version of IFRS 9 "Financial instruments". The document includes the results of the phases relating to classification and measurement, impairment, and hedge accounting, of the IASB project targeted at replacing IAS 39.

The standard introduces new criteria for classifying and measuring financial assets and liabilities. In particular, for financial assets the new standard uses a single approach based on the methods of management of financial instruments and on the characteristics of the contractual cash flows of the financial assets themselves in order to determine their measurement criteria, replacing the different rules set forth in IAS 39. By contrast, for financial liabilities, the main change to have occurred concerns the accounting of fair value changes of a financial liability designated as a financial liability measured at fair value through profit and loss, in the event in which these changes are due to a change in the creditworthiness of the issuer of the liability itself. According to the new standard, these amendments must be recognized in the statement of "Other comprehensive income", and no longer in the income statement.

With reference to the impairment, the new standard requires the estimate of losses on receivables to be made on the basis of the model of expected losses (and not on the model of incurred losses used by IAS 39) using supportable information, available without unreasonable effort or expense that include current and prospective historical data. The standard requires that the impairment model apply to all financial instruments, i.e. financial assets measured at amortized cost, those measured at fair value through other comprehensive income, receivables arising from lease agreements and trade receivables.

Finally, the standard introduces a new model of hedge accounting in order to adapt the requirements of the current IAS 39 that sometimes were considered too stringent and unsuitable to reflect the risk management policies of the company.

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

- the new classification criteria did 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.

Amendment to IFRS 2 "Classification and measurement of share-based payment transactions" (published on June 20, 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 January 1, 2018. The Group analyzed this amendment which did not have any effects given that the applicable medium/long-term incentive plan for management, detailed in full in this report, makes provision for payment through the physical delivery of the Orsero shares on completion of the 2017-2019 three-year period.

Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on December 8, 2016 and approved on February 7, 2018 (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 January 1, 2018. The Group analyzed the effects of these amendments on the business and believes that there are no impacts on the Group's consolidated financial statements.

Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on December 8, 2016 and approved on March 28, 2018). 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 January 1, 2018. The Group analyzed said interpretation and did not identify any significant effects on the Group's consolidated financial statements.

Amendment to IAS 40 "Transfers of Investment Property" (published on December 8, 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 January 1, 2018. The Group analyzed said interpretation and did not identify any significant effects on the Group's consolidated financial statements.

## 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 June 30, 2018.

IFRS 16 "Leases" (published on January 13, 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". 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 January 1, 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. The Group is conducting a detailed analysis of the relative contracts, in order to reach a quantification as quickly as possible of the values in question, also taking into account the necessary reconciliation with the banks in order to adjust/recalculate the new measurement of the net financial position calculated in the parameters of covenants.

## Accounting standards, IFRS and IFRIC amendments and interpretations not yet endorsed by the European Union at June 30, 2018

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.

On June 7, 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 January 1, 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 October 12, 2017). This document specifies a debt instrument that envisages an early repayment option may respect the characteristics of the contractual flows ("SPPI" test) and, consequently, may be evaluated based on the amortized cost method or at fair value through other comprehensive income, also in the event in which the "reasonable additional compensation" to be paid in the case of early repayment is a "negative compensation" for the lender. This change is applicable from January 1, 2019; however, earlier application is permitted. The Group does not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

Amendment to IAS 19 "Plant amendment curtailment or settlement" published on February 7, 2018, which clarifies how an entity must record a change (i.e. a curtailment or a settlement) of a defined benefit plan. The changes are applicable from January 1, 2019; however, earlier application is permitted. The Group does not expect any significant impact on the Group's consolidated financial statements from the adoption of said amendment.

Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on October 12, 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 January 1, 2019; however, earlier application is permitted. The Group does 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 December 12, 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 capitalization"), which implement the changes to certain standards as part of the annual improvement process. The changes are applicable from January 1, 2019; however, earlier application is permitted. The Group does not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on September 11, 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. No significant effects on the Group are expected in this regard.

## Consolidation principles

These condensed consolidated half-yearly financial statements comprise, in addition to the condensed half-yearly financial statements of the Parent Company, the condensed half-yearly financial statements of the companies on which it exercises control (these condensed half-yearly financial statements approved by the respective Boards of Directors were appropriately adjusted/reclassified to make them consistent with the standards of preparation of the condensed half-yearly financial statements of the Parent Company and compliant with the international accounting principles IAS/IFRS).

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 condensed consolidated half-yearly 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, June 30, 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 cancelled, 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 condensed consolidated half-yearly financial statements present:

- the share capital, legal reserve and share surplus, if any, of the Parent Company;
- the other specific reserves (i.e. Conversion reserve, TFR discounting reserve, etc.) also at the level of the condensed consolidated half-yearly 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-quota 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 subsidiaries, 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 June 9, 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 first half-year. The income statement items are instead converted at average exchange rates of the half-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:

| | 30/06/2018 | 1st half 2018 | 31/12/2017 | 1st half 2017 |
|---|---|---|---|---|
| Us Dollar | 1,16580 | 1,21083 | 1,19930 | 1,08253 |
| Argentine Peso | 32,7048 | 26,0251 | 22,9310 | 21,0280 |
| Colon Costa Rica | 661,650 | 687,794 | 682,845 | 608,932 |
| Colombian Peso | 3.437,56 | 3.449,15 | 3.580,19 | 3.162,05 |
| Chilean Peso | 757,260 | 740,172 | 737,290 | N.d. |
| Mexican Peso | 22,8817 | 23,0803 | 23,6612 | 21,0280 |

## 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 | | 100,00% | 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. | 70.000.000 | pesos |
| 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 | € |

| Name | Head office | Investment percentage | | | Share capital | |
|---|---|---|---|---|---|---|
| | | Direct | Indirect | Interest held by | | |
| 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 groalimentare 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 subsidiaries 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 |

***List of associates consolidated with the cost method***

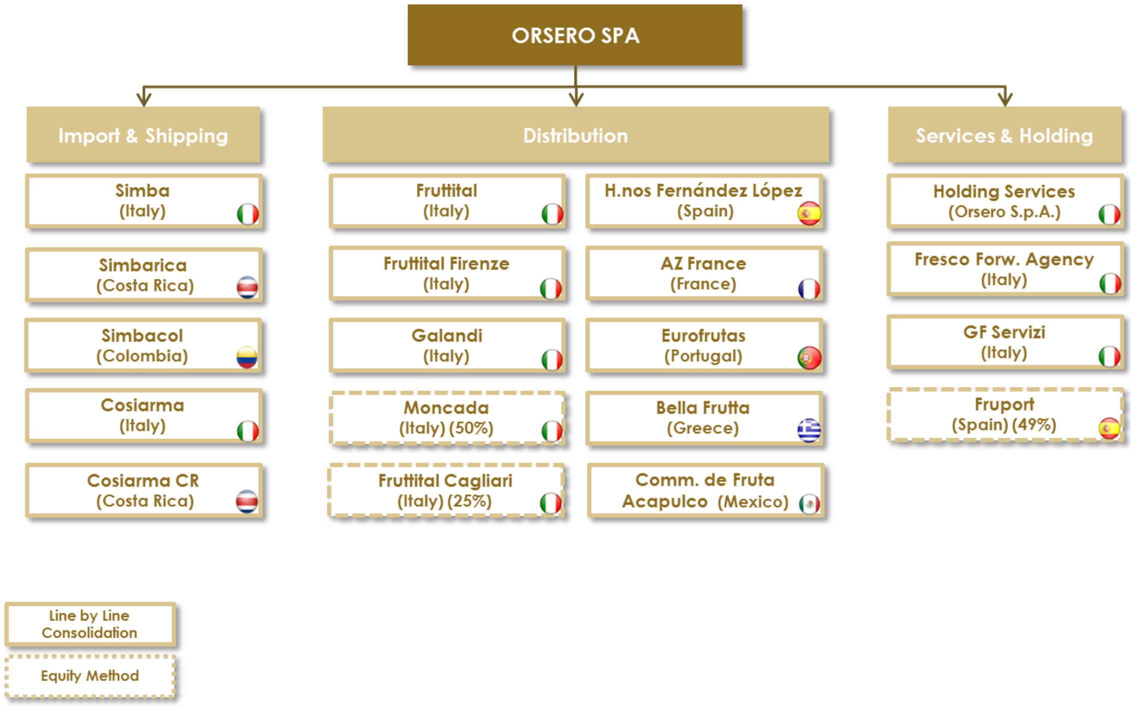
| Name | Head office | Investment percentage | | | Share capital | |
|---|---|---|---|---|---|---|
| | | Direct | Indirect | Interest held by | | |
| Citrumed S.A. | Bouargoub (Tunisia) Borj Hfaïedh - 8040 | | 50,00% | AZ France S.A. | 1.081.000 | dinari |
| Decofruit Bcn S.L. | Barcellona (Spain) - 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 June 30, 2018 and changes that occurred subsequently

With respect to the situation in the 2017 financial statements, there were no changes to the scope of consolidation in the first half of 2018, nor afterwards.

A summary representation of the Group is presented below:




Summary representation of the Group (100% where the percentage is not indicated).

## 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 verifies the book value of net invested capital, defining the individual companies operating in the "Import & Shipping" segment as cash-generating units, while companies in the "Distribution" segment were 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 sector.

The terminal value is calculated with the perpetual annuity formula and determined as the ratio between the normalized flow (NOPAT) and the discount rate.

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 amortization and depreciation, if no impairment of the asset had been recognized in the previous years.

## 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 33,103 thousand at December 31, 2017).

| Thousands of euro | Goodwill |
|---|---|
| **Carrying amount at December 31, 2017** | **33.103** |
| Change of year: | |
| Investments | - |
| Disposal | - |
| Reclassification | - |
| Impairment losses | - |
| Changes of consolidated companies | - |
| Translation differences | - |
| Reclassification IFRS 5 | - |
| **Carrying amount at June 30, 2018** | **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 occur that may indicate an impairment, through the profitability analysis of the acquired business units, through impairment tests.

The item "Goodwill" as at June 30, 2018, unchanged with respect to the 2017 financial statements, relates:

- for Euro 720 thousand to Ferfrutta S.r.l., acquired in due course from Nuova Banfrutta S.r.l., a company merged in Fruttital S.r.l. In 2017;
- for Euro 171 thousand to Az France S.A.;
- for Euro 128 thousand to Eurofrutas S.A.: this value derives from the acquisition of Tropical Frutas L.D.A. in 2009;
- to 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 June 14, 2017 but effective from January 1, 2017). The acquisition of the former refers to the 50% recorded in 2013 and with residual value at December 31, 2017 equal to Euro 1,440 thousand, while the latter was acquired in 2010 and has a residual value of Euro 1,375 thousand.

- for Euro 9,978 thousand to Hermanos Fernández López S.A.: this value derives from the acquisition of the residual 50% which took place in 2017, also including the amount recorded pursuant to IFRS 3 for the 50% stake acquired previously;
- for Euro 1,993 thousand to Galandi S.p.A.: this value derives from the acquisition of the residual 50% which took place in 2017, also including the amount recorded pursuant to IFRS 3 for the 50% stake acquired previously;
- for Euro 17,300 thousand to Fruttital Firenze S.p.A.: this value derives from the acquisition of the residual 50% which took place in 2017, also including the amount recorded pursuant to IFRS 3 for the 50% stake acquired previously.

In accordance with IAS 36, this item is not subject to amortization, but to impairment test on annual basis, or more frequently, if specific events and circumstances which may indicate impairment occur (Impairment Testing). No impairment indicators were identified in the first half of 2018. Consequently, as at June 30, 2018, there was no need to perform the impairment test.

## NOTE 2. Intangible assets

| Thousands of euro | Intellectual property rights | Concessions, licenses and trademarks | Assets in progress and advances | Other intangible assets | Total |
|---|---|---|---|---|---|
| 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** |
| Change of year: | | | | | |
| Investments | 66 | 49 | 611 | 5 | 731 |
| Disposal - Carrying amount | - | ( 2) | - | - | ( 2) |
| Disposal - amortization | - | 2 | - | - | 2 |
| Reclassification - carrying | 50 | ( 173) | - | - | ( 123) |
| Reclassification - amortization | ( 50) | 173 | - | - | 123 |
| Impairment losses | - | - | - | - | - |
| Amortization | ( 114) | ( 397) | - | ( 13) | ( 523) |
| Carrying amount | 3.080 | 11.852 | 1.964 | 671 | 17.567 |
| Accumulated amortization | ( 2.483) | ( 6.313) | - | ( 608) | ( 9.404) |
| **Carrying amount at June 30, 2018** | **597** | **5.539** | **1.964** | **63** | **8.163** |

During the half year, intangible assets increased by Euro 207 thousand in relation to investments of Euro 731 thousand, accrued amortization of Euro 523 thousand, disposals of assets of Euro 2 thousand, fully amortized.

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. No internal and external indicators were identified that would make us deem it necessary to carry out the impairment test on the other intangible assets.

The Group incurred total advertising and promotional costs, not capitalized under IAS 38, and therefore recognized in the income statement, amounting to Euro 855 thousand.

*Intellectual property rights*

This item shows costs incurred in connection with the software programs and the licenses the Group has obtained; the change indicated above reflects increases of Euro 66 thousand and the amortization accrued during the half year, amounting to Euro 114 thousand, calculated on average on the basis of 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, as well as the use of commercial trademarks, amortized over 10 years.

The decrease by Euro 347 thousand reflects investments of Euro 49 thousand, offset by amortization of Euro 397 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 decrease compared to December 31, 2017 is the result of increases in investments of Euro 5 thousand and decreases of Euro 13 thousand for the related amortization.

## 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 | Total |
|---|---|---|---|---|---|---|---|
| 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** |
| Change of year: | | | | | | | |
| Investments | 574 | 4.117 | 1.599 | 61 | 946 | 1.122 | 8.419 |
| Disposal - Carrying | ( 42) | - | ( 120) | ( 21) | ( 546) | - | ( 729) |
| Disposal - depreciation | 42 | - | 107 | 18 | 446 | - | 613 |
| Reclassification - carrying | - | - | 91 | - | ( 656) | ( 17) | ( 582) |
| Reclassification - depreciation | - | ( 4) | ( 58) | - | 643 | - | 581 |
| Impairment losses | - | - | - | - | - | - | - |
| Translation differences - carrying | 46 | 6 | 99 | 1 | 18 | - | 170 |
| Translation differences - depreciation | ( 14) | ( 1) | ( 25) | ( 1) | ( 11) | - | ( 53) |
| Depreciation | ( 727) | - | ( 4.516) | ( 37) | ( 576) | - | ( 5.856) |
| Carrying amount | 59.717 | 4.296 | 249.597 | 1.953 | 18.418 | 2.359 | 336.340 |
| Accumulated depreciation | ( 29.579) | ( 40) | ( 186.762) | ( 1.547) | ( 14.854) | - | ( 232.782) |
| **Balance at June 30, 2018** | **30.139** | **4.256** | **62.834** | **406** | **3.564** | **2.359** | **103.558** |

At June 30, 2018, tangible assets totaled Euro 103,558 thousand, a net increase of Euro 2,564 thousand compared to the balance as at December 31, 2017 as a result of:

- investments of Euro 8,419 thousand, broken down as follows: Distribution, Euro 8,172 thousand, Import & Shipping, Euro 9 thousand, Services, Euro 237 thousand;
- depreciation for the period, Euro 5,856 thousand;
- disposals of assets (at book value), Euro 116 thousand, essentially represented by plants for their renewal;
- increase due to exchange rate of Euro 117 thousand, essentially referring to the assets of the Mexico-based companies due to the Mexican Peso which went from 23.6612 Pesos/Euro in December 2017 to 22.8817 Pesos/Euro as at June 30, 2018.

### *Land and buildings*

The change in the period saw a total net decrease of Euro 120 thousand, resulting from investments of Euro 574 thousand, depreciation of Euro 727 thousand and exchange rate differences of Euro 32 thousand.

The value of land amounted to Euro 6,177 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*

The change in the period saw a total increase of Euro 4,117 thousand, related entirely to the aforementioned acquisition of agricultural production assets carried out by tha company Fruttital S.r.l. that to protect its credit position, equal to Euro 3,163 thousand, for the related party Moño Azul S.A., compensated the same with this acquisition. These assets will be managed/leased to said Argentinian company or used directly in the future.

### *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 1,706 thousand, refer to increases for investments, amounting to Euro 1,599 thousand, made in particular in the Distribution segment (completion of the "fresh-cut" processing room and expansion of the Mexican warehouse) in addition to the normal upgrades of equipment, net reclassifications of Euro 33 thousand and net foreign exchange changes of Euro 74 thousand.

The decreases instead pertain to the depreciation accrued during the year, amounting to Euro 4,516 thousand, and to the disposals of assets amounting to Euro 13 thousand, still not totally depreciated.

### *Industrial and commercial equipment*

In this sector, the change is essentially related to the depreciation for the period of Euro 37 thousand, offset by increases in the period of Euro 61 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 Euro 263 thousand for the year mainly reflects investments of Euro 946 thousand, depreciation of Euro 576 thousand, reclassifications of Euro 13 thousand and net disposals of Euro 100 thousand.

### *Assets in progress and advances*

The increase in this item for a net Euro 1,106 thousand mainly reflects the increase of Euro 1,122 thousand, primarily linked to the modernization of plants and machinery in the French and Spanish sites.

At June 30, 2018, 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, 2017** | **-** | **159** | **7.237** | **562** | **7.959** |
| Change of year: | | | | | |
| Additional/Capital increase | - | - | - | - | - |
| Divestments and disposals | - | - | - | ( 44) | ( 44) |
| Dividends received | - | - | ( 245) | - | ( 245) |
| Valuation using the equity method | - | ( 5) | 191 | - | 186 |
| Other changes included foreign exchange movements | - | - | ( 34) | ( 9) | ( 42) |
| **Balance at June 30, 2018** | **-** | **154** | **7.150** | **510** | **7.814** |

### *Disclosure on financial 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.

### *Financial investments in subsidiaries*

Financial investments in subsidiaries have been 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 deriving from the change in shareholdings, resulting or not resulting in a loss of control, which took place during the half year have already been defined in the paragraph "Scope of consolidation as at June 30, 2018 and changes that occurred subsequently".

### *Financial investments in associates and joint ventures*

Financial 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 deriving from the change in shareholdings, resulting or not resulting in a loss of control, which took place during the half year have already been defined in the paragraph "Scope of consolidation as at June 30, 2018 and changes that occurred subsequently".

As at June 30, 2018, the dividends received from the joint venture and associates amounted to Euro 245 thousand, paid by the associate Fruport Tarragona S.L.

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 | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Joint Venture | ( 5) | 1.081 | ( 1.086) |
| Collegate | 191 | 831 | ( 640) |

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

| Thousands of euro | Associates | Joint Venture | Change First half of 2018 | | Associates | Joint Venture |
|---|---|---|---|---|---|---|
| | *Balance at December 31, 2017* | | *Net profit* | *Other change* | *Balance at June 30, 2018* | |
| Fruttital Cagliari S.r.l. | 729 | - | 60 | 2 | 791 | - |
| Fruti medi Societade Agricola LTDA | 709 | - | - | - | 709 | - |
| Moncada Frutta S.r.l. | 498 | - | - | ( 9) | 489 | - |
| Herdade Dona Joana LTDA | 2.737 | - | - | 25 | 2.762 | - |
| Simba Spain S.L. | - | 159 | ( 5) | - | - | 154 |
| Fruport Tarragona S.L. | 2.117 | - | 131 | ( 257) | 1.991 | - |
| **Total investments recorded using the equity method** | **6.790** | **159** | **186** | **( 239)** | **6.742** | **154** |
| Citrumed S.A. | 300 | - | - | - | 300 | - |
| Decofruit Bcn S.A. | 16 | - | - | - | 16 | - |
| Natural Juice S.A. | 131 | - | - | ( 39) | 92 | - |
| **Total investments recorded using the historical cost of purchase** | **447** | **-** | **-** | **( 39)** | **408** | **-** |

As already reported, there were no changes to the scope of consolidation in 2018.

Equity investments totaled Euro 7,814 thousand at June 30, 2018, with a net decrease of Euro 145 thousand due to the changes detailed above.

The increase of Euro 186 thousand generated by the valuation of shareholders' equity is due to the results of the investees for the period. The positive result refers mainly to the associates Fruttital Cagliari S.r.l. (Euro 60 thousand) and Fruport Tarragona S.L. (Euro 131 thousand).

## NOTE 5. Other fixed assets

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Other fixed assets | 1.625 | 1.489 | 136 |

At June 30, 2018, the item essentially shows security deposits and medium-term loans to third parties.

## NOTE 6. Deferred tax assets

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Deferred tax assets | 7.445 | 7.788 | ( 343) |

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 June 30, 2018, amounting to Euro 7,445 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.

The decrease compared to December 31 mainly reflects, as shown in the table below, the partial recovery of the tax losses of previous years of the French and Portuguese companies.

For more information on the breakdown of this item, please refer to the table below and Note 28 "Tax expenses".

| Thousands of Euro | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Previous tax losses | 4.051 | 4.593 |
| Effect IAS 19 | 752 | 767 |
| Depreciation/Goodwill/trademarks | 876 | 913 |
| Indirect taxes | 100 | 100 |
| Prov isions for bad debts | 456 | 456 |
| Financial expenses/ACE/Exchange differences | 149 | 149 |
| Prov isions for the return of the rended container feet | 316 | 316 |
| Costs deductible in the future (Stock Grant) | 380 | 380 |
| Other | 365 | 115 |
| **Deferred tax assets** | **7.445** | **7.788** |

## NOTE 7. Inventories

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Raw materials, supplies and consumables | 9.006 | 7.896 | 1.110 |
| Biological Assets | 1.202 | - | 1.202 |
| Finished products and goods for resale | 33.688 | 25.602 | 8.086 |
| **Inventories** | **43.896** | **33.498** | **10.398** |

Inventories of raw materials and consumables are represented essentially by the packaging materials used by the distribution companies and fuels, lubricants and spare parts of transport companies.

Biological assets are composed of the value of fruit ripening on the plant relating to the Mexican company Productores Aguacate Jalisco S.A.C.V. while finished products and goods are those of the distribution companies, valued at the market price.

At June 30, 2018, the value of inventories increased compared to the previous year by Euro 10,398 thousand and this is due mainly to the increase in finished products and goods tied to the normal dynamics of the business, which typically sees on June 30 the point of greater demand in terms of working capital (inventory plus trade receivables minus trade payable).

## NOTE 8. Trade receivables

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Trade receivables from third parties | 145.441 | 121.017 | 24.424 |
| Receivables from subsidiaries and associates of the Group not fully consolidated | 3.101 | 3.074 | 27 |
| Receivables from related parties | 1.636 | 4.902 | ( 3.266) |
| Provision for bad debts | ( 16.310) | ( 16.094) | ( 215) |
| **Trade receivables** | **133.869** | **112.898** | **20.971** |

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 33 on related parties. In this regard, note the significant decrease in the position vis-à-vis the related company Moño Azul S.A. from Euro 3,179 thousand to Euro 457 thousand, made possible by the prudential acquisition of the production assets already mentioned.

At June 30, 2018, the item increased by Euro 20,971 thousand tied especially to the increase in the receivables of the distributor companies connected with the normal dynamics of the business which sees June 30 as the time of greatest increase of the working capital.

The change in the bad debt provision is reported below, which the Group has always draw up based on a realistic view of the actual recoverability of the individual receivables, now governed by IFRS 9 "Expected losses" and which is also inclusive of an amount of Euro 50 thousand relating to the more generic risk of non-collection of all financial assets posted to the financial statements:

| Thousands of euro | Provision for bad debts |
|---|---|
| **Balance at December 31, 2017** | **( 16.094)** |
| Change of year | |
| Accruals | ( 587) |
| Utilizations | 899 |
| Other | ( 528) |
| **Balance at June 30, 2018** | **( 16.310)** |

The following is the breakdown of receivables by geographical area:

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Italia | 69.435 | 59.111 | 10.324 |
| EU countries | 61.840 | 50.823 | 11.017 |
| Non-Eu countries | 2.593 | 2.964 | ( 371) |
| **Trade receivables** | **133.869** | **112.898** | **20.971** |

## NOTE 9. Fiscal and tax receivables

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| For value added tax | 10.814 | 11.022 | ( 208) |
| For tax advances paid in the current year | 1.520 | 830 | 690 |
| For taxes claimed for reimbursement | 1.308 | 1.296 | 12 |
| Other receivables | 2.511 | 2.415 | 96 |
| **Current tax receivables** | **16.153** | **15.564** | **589** |

As at June 30, 2018, tax receivables recorded a total increase of Euro 589 thousand, due primarily, for Euro 690 thousand, to the higher receivable for "tax payments on account" made during the year, partially offset for Euro 208 thousand by the lower VAT credit.

## NOTE 10. Other receivables and other current assets

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Advances to suppliers | 4.092 | 3.062 | 1.030 |
| Receivables from sales of investments | - | 563 | ( 563) |
| Other receivables | 3.803 | 3.024 | 779 |
| Accrued income and deferred expenses | 1.482 | 2.300 | ( 818) |
| Hedging derivatives instruments | 2.476 | - | 2.476 |
| Assets held for trading | 21 | 21 | - |
| **Other current assets** | **11.874** | **8.970** | **2.904** |

As at June 30, 2018, the item recorded a total increase of Euro 2,904 thousand due, for Euro 1,030 thousand, to the increase in advances to suppliers, for Euro 779 thousand to the increase in other receivables, the accounting of Euro 2,411 thousand of the positive fair value of the hedging instrument (swap) on the bunker that the shipbuilding company stipulated to reduce and control the risks connected to changes in the price of the raw material and, for Euro 65 thousand, the positive fair value of the currency hedging instrument. It should be noted that the contra-item of the positive fair value is the appropriately designated shareholders' equity reserve (accounted for through "other comprehensive income"). The increase described above is partially mitigated by the reduction of Euro 818 thousand in the item "Accrued income and deferred expenses" and, for Euro 563 thousand, the collection of the escrow account set out in the contract for the transfer of Reefer Terminal S.p.A. to APM Maerks, which took place on February 8, 2018.

As previously indicated in the single Report on Operations, on October 27, 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 January 5, 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 January 9, 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 prudentially fully written off.

As already outlined in the report to the 2017 financial statements, 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 payables (Note 14).

The reduction in accrued income and deferred expenses essentially derives from the lower refund of costs accrued in future years recorded by Cosiarma S.p.A. at June 30 relative to that of the 2017 financial statements.

## NOTE 11. Cash and cash equivalents

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Cash and cash equivalent | 57.926 | 79.893 | ( 21.967) |

The balance reflects the current account balances of Group companies.

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

## NOTE 12. Group shareholders' equity

The share capital at June 30, 2018, fully paid in, consisted of 17,682,500 shares without par value for a value of Euro 69,163,340.00.

The shareholders' equity as at June 30, 2018 increased when compared to December 31, 2017 due essentially to the result achieved by the Group in the first half of 2018.

As at June 30, 2018, 712,687 ordinary treasury shares remained available to Orsero, of which 500,000 are in the service of the medium/long-term incentive plan for management, for a value of Euro 7,108 thousand recognized as a direct reduction of the other net items as per the statement of changes in shareholders' equity as at June 30, 2018. It should be noted that the 2017 objective was achieved and resulted in the assignment to the individuals designated by said Plan of 166,667 shares, which will be delivered, free of charge, no later than 15 stock market trading days from the approval by the Orsero Shareholders' Meeting of the financial statements as at December 31, 2019, for a total amount of Euro 2,328 thousand. This represents, as already indicated in the financial statements as at December 31, 2017, the fair value, in accordance with IFRS 2, at the assignment date, equal to a stock market price of Euro 13.97. A special reserve was created in shareholders' equity as a contra-entry for costs related to the medium/long-term incentive plan for management. At the time of the preparation of the 2018 financial statements, the Boards of Directors, taken note of the results of the year and of their potential consistency in terms of the objectives in the medium/long-term incentive plan for management, will define any figurative cost to be entered.

In the first half of 2018, the Group did not purchase any treasury shares.

The consolidated statement of changes in shareholders' equity, included in the consolidated financial statements to which reference is made, illustrates the changes between December 31, 2016 and June 30, 2017 and between December 31, 2017 and June 30, 2018, of the individual reserve items.

It should be noted that the Cash Flow Hedging Reserve, recorded for an amount of Euro 2,231 thousand, shows the variation in relation to the adjustment to the positive fair value, as at June 30, 2018, net of the tax effect, with an indication of said item in the comprehensive income statement, of the bunker derivative for Euro 2,295 thousand and of the currency derivative for Euro 49 thousand as well as the negative fair value of the interest rate derivative relating to the loan stipulated by the sub-holding GF Distribuzione S.r.l. for Euro 113 thousand, both accounted for using the cash flow hedging method.

The reconciliation as at June 30, 2018 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 30.06.2018 | Net profit at 30.06.2018 | Total Shareholders' equity at 30.06.2018 |
|---|---|---|---|
| **Orsero S.p.A. (Parent Company)** | **156.181** | **( 1.813)** | **154.368** |
| Net profits and reserves of subsidiaries | ( 50.551) | 7.344 | **( 43.207)** |
| Net profits and reserves of associates and joint ventures using equity method | ( 880) | 186 | **( 694)** |
| Dividends distributed by consolidated companies to the Parent company | 245 | ( 245) | **-** |
| Consolidation differences | 38.326 | ( 98) | **38.228** |
| **Group equity** | **143.319** | **5.375** | **148.694** |
| Minorities | 1.118 | 171 | 1.289 |
| **Total shareholders' equity** | **144.437** | **5.545** | **149.983** |

## NOTE 13. Minorities' shareholders' equity

The change in minorities' shareholders' equity is mainly the consequence of their portion of the profits.

## NOTE 14. Financial liabilities

The financial payables 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 | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Non - current medium term bank loans (over 12 months) | 68.865 | 74.995 | ( 6.131) |
| Non - current other lenders (over 12 months) | 778 | 904 | ( 127) |
| Non - current liabilities for the derivatives | 113 | 66 | 48 |
| Non - current payables for price balance on acquisitions (over 12 months) | 243 | 243 | - |
| **Non - current financial liabilities** | **69.999** | **76.208** | **( 6.210)** |
| Current medium term bank loans | 18.036 | 16.248 | 1.788 |
| Bank overdrafts | 18.943 | 22.130 | ( 3.187) |
| Current other lenders | 602 | 527 | 76 |
| Other current lenders short term | 5.507 | 11.066 | ( 5.559) |
| Current liabilities for the derivatives | - | - | - |
| Current payables for price balance on acquisitions | - | 223 | ( 223) |
| **Current financial liabilities** | **43.087** | **50.192** | **( 7.105)** |

The change in the half year by a total of Euro 13,315 thousand (between non-current and current) reflects the main components mostly related to medium-term loans as detailed below:

- the payment by the Parent Company of the installments due in the half 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 two covenants, the first calculated as the ratio of net financial position to Adjusted

Ebitda and the second the ratio of the net financial position to consolidated shareholders' equity. Non-compliance with these parameters constitutes cause for withdrawal from the agreement; it should also be noted that the fluctuation in the ratio of financial debt to Adjusted Ebitda from under 2 to over 4 impacted the spread applied by the lenders for the next year;

- the payment by the Parent Company of the outstanding loan installments of Euro 238 thousand to Banca Popolare dell'Emilia Romagna (Biper) and Euro 218 thousand to Veneto Banca;
- the repayment by the distribution sub-holding of the installments of the loan for Euro 2,000 thousand. Note that, in 2017, the Group incurred Euro 220 thousand in expenses strictly related to the obtainment of the loan and that, therefore, in accounting for said payable using the amortized cost method, it recorded figurative interest of Euro 38 thousand. It should also be noted that a hedging contract was stipulated on 75% of the loan which envisages the payment of a fixed interest rate of 0.245% plus spread and covenants are also in place, calculated as the ratio between the net financial position and Adjusted Ebitda and as the ratio of the net financial position to shareholders' equity, whose compliance is necessary to maintain the loan agreement in place;
- the payment by the company Fruttital S.r.l. of the amounts due for maturing loan installments of Euro 236 thousand;
- the stipulation of two new loans by AZ France S.A. totaling Euro 1,415 thousand, in particular, Euro 415 thousand with the institution Banque Populaire Mediterranee for a term of 5 years with payment of a fixed interest rate of 1.10% in relation to initiatives at the Cavaillon machine room, and Euro 1,000 thousand with the bank Credit Lyonnais (LCL) for a term of 5 years and with the payment of a fixed interest rate of 1.10% in relation to initiatives in the Rungis machine room. The first loan makes provision for the payment of monthly installments, the second quarterly installments. We point out the payment of the amount due for the installments of mortgages maturing for € 70 thousand;
- the payment of installments due on outstanding loans by Hermanos Fernández López S.A. for Euro 749 thousand and outstanding finance lease for Euro 263 thousand;
- the payment of installments due on the redemption of finance leases in place by Fruttital Firenze S.p.A.;
- the payment of Euro 223 thousand of the balance of the price of acquisitions as the potential consideration that the Group agreed to pay to the previous shareholders of Galandi S.p.A., as earn-out clause for the achievement of the expected results in 2017;
- the payment of the guarantee of Euro 8 million to Intesa Sanpaolo S.p.A. by the Parent Company on January 30, 2018, relating to the existing commitment on the loan granted by the bank to Argentina S.r.l.

The due dates of the medium-term payables to banks and other lenders as at June 30, 2018 are detailed in the following table, arranged in two columns (maturing as at June 30, 2019 and maturing after June 30, 2019, in turn broken down between maturing no later than June 30, 2023 rather than beyond that date) in order to provide for an easier comparison with the previous table.

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

| Thousands of euro | Total | 2.018 | > 31.12.2018 | | 2019-2022 | > 31.12.2022 |
|---|---|---|---|---|---|---|
| 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** |

| Thousands of euro | Total | 30.06.2019 | > 30.06.2019 | | 30.06.2019-30.06.2023 | > 30.06.2023 |
|---|---|---|---|---|---|---|
| Medium term bank loans (Non - current/ current) | **86.901** | 18.036 | 68.865 | *as follows:* | *54.526* | *14.339* |
| Other lenders (Non - current/ current) | **1.380** | 602 | 778 | *as follows:* | *778* | - |
| **Financial liabilities 30.06.2018** | **88.281** | **18.638** | **69.642** | | **55.304** | **14.339** |

At June 30, 2018, there was a hedging instrument (swap) on the bunker that the shipbuilding company has activated in order to reduce and control the risks associated with changes in the price of raw material. At June 30, 2018, its positive fair value of Euro 2,411 thousand was recognized under "Other current assets" and has a contra-entry in the form of a specially designated shareholders' equity reserve (accounted for through "other comprehensive income").

At June 30, 2018, there was a currency hedging instrument that the banana import company stipulated in order to reduce and control the risks associated with changes in the USD exchange rate. At June 30, 2018, its positive fair value of Euro 65 thousand was recognized under the item "Other current assets" and had a contra-entry in the form of a specially designated shareholders' equity reserve (accounted for through "Other comprehensive income").

As at June 30, 2018, there was a 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 acquisitions of the Tuscan and Spanish companies in 2017 - through the payment of a fixed interest rate of 0.245% plus spread. The negative fair value of Euro 113 thousand was recognized under non-current financial liabilities with a contra-entry in a specially designated shareholders' equity reserve (accounted for through "Other comprehensive income").

As indicated above, at June 30, 2018, there were loans of both the Parent Company and the distribution sub-holding that required compliance with financial parameters (covenants), which is verified annually.

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

| **Liabilities provided by financing activities** | **31/12/17** | **New loans** | **Refund** | **Reclas.tion** | **Cash Flow** | **Derivatives** | **Changes consolidation scope** | **Changes exchange rate** | **30/06/18** |
|---|---|---|---|---|---|---|---|---|---|
| Non-current medium term bank loans | 91.244 | 1.415 | ( 8.449) | 2.691 | - | - | - | - | 86.901 |
| Non-current other lenders | 1.431 | 226 | ( 276) | - | - | - | - | - | 1.380 |
| Factor | 2.596 | 2.214 | - | - | - | - | - | - | 4.810 |
| Current other lenders short term | 8.469 | 271 | ( 8.044) | - | - | - | - | - | 696 |
| Current liabilities for the derivatives | 66 | - | - | - | - | 48 | - | - | 113 |
| Bank overdrafts | 22.130 | - | - | ( 2.691) | ( 496) | - | - | - | 18.943 |
| Payables for price balance on acquisitions (Non current-current) | 466 | - | ( 223) | - | - | - | - | - | 243 |
| Hedging derivatives instruments | - | - | - | - | - | ( 2.476) | - | - | ( 2.476) |
| Assets held for trading | ( 21) | - | - | - | - | - | - | - | ( 21) |
| **Total** | **126.379** | **4.126** | **( 16.992)** | - | **( 496)** | **( 2.428)** | - | - | **110.589** |

## NOTE 15. Other non-current liabilities

| **Thousands of euro** | **30.06.2018** | **31.12.2017** | **Change** |
|---|---|---|---|
| Other non - current liabilities | 149 | 166 | ( 17) |

"Other non-current liabilities" amounted to Euro 149 thousand as at June 30, 2018, with a decrease of Euro 17 thousand relative to December 31, 2017, due mainly to the reduction of deferred income for non-current contributions accruing after 12 months.

## NOTE 16. Deferred taxes liabilities

| **Thousands of euro** | **30.06.2018** | **31.12.2017** | **Change** |
|---|---|---|---|
| Deferred tax liabilities | 5.612 | 5.527 | 85 |

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.

At June 30, 2018, the item increased by Euro 85 thousand.

For further details, reference is made to Note 28 "Tax expenses".

## NOTE 17. Provisions for risks and charges

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Provisions for risks and charges | 3.010 | 2.968 | 42 |

The item "Provisions for risks and charges" includes allocations made on the basis of litigation at June 30, 2018 in various Group companies, as a result of accurate estimates by the directors; of note is an increase during the half year following an update of the estimates of potential liabilities, in this case essentially represented by the allocation for the year to the provision for the return of containers.

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 3,010 thousand as at June 30, 2018, increased by Euro 42 thousand.

It should be noted that the Group recognized Euro 2,180 thousand to the provision for the return of containers of the shipbuilding company, with an allocation of Euro 300 thousand recorded in the first half of 2018. The increase described above was partially offset, for Euro 258 thousand, by the release of the provisions for risks and charges following a decrease in risks accurately assessed by the Group.

## NOTE 18. Employees benefits liabilities

The changes of the Employee Severance Indemnity Provision (TFR) as at June 30, 2018 are provided herein.

| Thousands of euro | Employees benefits provision |
|---|---|
| **Balance at December 31, 2017** | **8.785** |
| *Change of year:* | |
| Accruals | 312 |
| Benefits paid and transferred | ( 339) |
| Interest cost | ( 8) |
| Gain/(losses) resulting from changes in actuarial assumptions | - |
| Changes of consolidation scope | - |
| Other changes | 7 |
| **Balance at June 30, 2018** | **8.758** |

The Employees benefits liabilities refers to the Italian and foreign companies of the Group, in accordance with the various national regulations, and essentially includes employee severance indemnity accrued by employees in service at June 30, net of advances paid to employees.

In accordance with IAS 19, the TFR is measured using the actuarial valuation methodology, through the support of an external specialist, and adjusted in relation to the occurrence of relevant events.

The actuarial gains and losses are booked to shareholders' equity while the provision for the year is recorded in an appropriate item relating to "personnel costs".

The main financial and demographic assumptions utilized in determining the present value of the liability relating to the employee severance indemnity are described below; for the preparation of the consolidated half-yearly financial statement, the financial and demographic assumptions used for the financial statements as at December 31, 2017 were deemed adequate and therefore utilized.

| | |
|---|---|
| ***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% |

## NOTE 19. Trade payables

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Payables to suppliers | 119.321 | 99.676 | 19.644 |
| Payables to subsidiaries and associates of the Group not fully consolidated | 331 | 854 | ( 523) |
| Payables to related parties | 3.145 | 2.865 | 280 |
| **Trade payables** | **122.797** | **103.395** | **19.401** |

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

At June 30, 2018, there were no outstanding payables of a significant amount, nor did the Group receive injunction decrees for past due payables.

At June 30, 2018, the net increase of the item amounted to Euro 19,401 thousand as a result of the increase by Euro 19,644 thousand of the value of payables to suppliers, Euro 280 thousand of payables to related parties, partly offset by the reduction by Euro 523 thousand of payables to subsidiaries and associates of the Group, not consolidated line-by-line.

The change in payables to suppliers in the first half of 2018 compared to December 31, 2017 is tied to the normal dynamics of the business, which typically sees June 30 as the point of greatest demand in terms of working capital.

The geographic breakdown of the payables is as follows:

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Italy | 74.445 | 62.162 | 12.283 |
| EU countries | 45.019 | 38.781 | 6.238 |
| Non-Eu countries | 3.333 | 2.452 | 881 |
| **Trade payables** | **122.797** | **103.395** | **19.402** |

## NOTE 20. Current tax and social security contributions liabilities

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| For value added tax (VAT) | 701 | 266 | 434 |
| Fox income tax of the year | 3.035 | 1.257 | 1.778 |
| For withholding tax | 779 | 1.042 | ( 263) |
| For indirect taxes | 671 | 450 | 222 |
| Other payables | 85 | 47 | 38 |
| Social security contributions | 2.955 | 3.139 | ( 184) |
| **Current tax and social security contributions liabilities** | **8.227** | **6.201** | **2.026** |

At June 30, 2018, this item had a balance of Euro 8,227 thousand, increasing if compared to the balance at December 31, 2017 by a total of Euro 2,026 thousand, of which Euro 434 thousand for higher VAT payable, almost entirely offset by the change in the other items of tax and contribution payables.

The change in the item "Liabilities for income tax of the year" reflects the taxes accrued in the year, calculated on the results of the first half of 2018.

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

## NOTE 21. Other current liabilities

| Thousands of euro | 30.06.2018 | 31.12.2017 | Change |
|---|---|---|---|
| Payables to personnel | 6.181 | 6.156 | 25 |
| Payables to Board of Directors and Statutory Auditors'fees | 318 | 35 | 283 |
| Payables relating to operations on behalf of third parties | 1.852 | 1.347 | 505 |
| Other current payables | 2.525 | 4.138 | ( 1.614) |
| Accrued expenses and deferred income | 2.928 | 1.247 | 1.681 |
| **Other current liabilities** | **13.804** | **12.923** | **881** |

At June 30, 2018, the item "Other current liabilities" increased by Euro 881 thousand, mainly due to the increase in accrued expenses and deferred income of Euro 1,681 thousand and the increase in payables related to transactions on behalf of third parties of Euro 505 thousand, representing financial payments that will be incurred in the name and on behalf of the customers of the investee Fresco Ship's Agency - Forwarding S.r.l. ("Services b.u.") in favor of Customs and/or suppliers on behalf of agency. The increase is essentially due to the higher amounts for customs duties to be paid to Customs according to seasonality.

Payables to personnel relate to current items for June, as well as accrued and unused holidays and 13th month accruals.

It should be noted that the item "Other payables" as at December 31, 2017 included Euro 1,564 thousand of the amount paid by the company Fresco Ship's Agency – Forwarding S.r.l. to the Customs Agency as a result of the Provincial Tax Commission's rejection of the appeal relating to the "REI" dispute, paid by the Group on January 9, 2018, a dispute detailed comprehensively in the reports to the previous financial statements to which reference should be made.

## NOTE 22. Net sales and segment reporting

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| **Net sales** | **469.723** | **355.081** | **114.642** |
| *In addition:* | | | |
| Share of joint ventures net sales | - | 52.220 | ( 52.220) |
| Share of associates net sales | 2.659 | 22.015 | ( 19.356) |
| **Total share of joint venture and associates net sales** | **2.659** | **74.235** | **( 71.576)** |
| Inter-segment | ( 655) | ( 13.271) | 12.616 |
| **Net sales** | **471.727** | **416.045** | **55.682** |

The table shows the comparison with the half-yearly financial statements as at June 30, 2017 which, as reported extensively, did not include the results of the Tuscan and Spanish companies acquired: for said reason, the comparison may not be as clear as that shown previously in the Report on Operations, with reference to the pro-forma position as at June 30, 2017.

At June 30, 2018, turnover was Euro 469,723 thousand, an increase of Euro 114,642 thousand compared to June 30, 2017. For a detailed analysis of sales, please refer to the half-yearly Report on Operations, in the section "Significant events in the year and commentary on performance of the business sectors".

The above table shows, as comparative data, the share of net sales of the joint ventures and of the associates considering the share held at June 30, 2017, and, therefore, the revenues of the companies acquired after June 30, 2017, Fruttital Firenze S.p.A., Galandi S.p.A. and Hermanos Fernández López S.A. were at 50%.

### *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 sectors 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, Greece and Spain;
- 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.

The Adjusted Ebitda is determined as the operating result (Ebit) less depreciation, amortization and provisions, non-recurring costs/income, and costs associated with the medium/long-term incentive plan for management. The parameter thus determined does not consider net financial expenses, taxes, and pro-rata gains/losses arising from the application of the equity method for associated companies and joint ventures.

| Thousands of euro | 1st half 2018 | | | |
|---|---|---|---|---|
| | Gross sales | Inter-segment net sales | Net sales to third parties | Adjusted Ebitda |
| "Distribution" Segment | 439.583 | ( 12.581) | 427.002 | 15.583 |
| "Import & Shipping" Segment | 126.429 | ( 15.137) | 111.292 | 3.314 |
| "Services" Segment | 6.572 | ( 238) | 6.334 | ( 2.090) |
| Inter-segment net adjustment | - | ( 74.905) | ( 74.905) | - |
| **Total net sales to third parties and Adjusted Ebitda** | **572.584** | **( 102.861)** | **469.723** | **16.806** |

| Thousands of euro | 1st half 2017 | | | |
|---|---|---|---|---|
| | Gross sales | Inter-segment net sales | Net sales to third parties | Adjusted Ebitda |
| "Distribution" Segment | 306.044 | ( 12.392) | 293.652 | 8.000 |
| "Import & Shipping" Segment | 137.875 | ( 17.418) | 120.457 | 4.878 |
| "Services" Segment | 6.933 | ( 320) | 6.613 | ( 2.274) |
| Inter-segment net adjustment | - | ( 65.641) | ( 65.641) | - |
| **Total net sales to third parties and Adjusted Ebitda** | **450.852** | **( 95.771)** | **355.081** | **10.604** |

The above tables indicate, at June 30, 2018 and 2017, revenues including intercompany turnover, broken down by sector, 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 | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| **Adjusted Ebitda*** | **16.806** | **10.604** | **6.202** |
| Amortization of intangible and depreciation tangible assets | ( 6.380) | ( 5.043) | ( 1.336) |
| Accruals of provision | ( 887) | ( 633) | ( 254) |
| Stock Grant | - | - | - |
| Non recurring income | 233 | 512 | ( 279) |
| Non recurring expenses | ( 475) | ( 2.431) | 1.956 |
| **Operating Result (Ebit)** | **9.297** | **3.008** | **6.289** |

* The results of which are periodically rev iewed by the highest decision-making lev el for assessment of performance and decisions regarding allocation of resources.

*Breakdown of assets and liabilities by sector 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 shareholders' equity.

It is specified that the sector data indicated in the notes 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 30.06.2018 | Investments in Joint ventures and associates 30.06.2018 | Total Assets 30.06.2018 | Total liabilities 30.06.2018 | Aggregate shareholders' equity 30.06.2018 |
|---|---|---|---|---|---|
| "Distribution" Segment | 274.585 | 737 | 275.323 | 189.467 | 85.856 |
| "Import & Shipping" Segment | 123.915 | 5 | 123.920 | 50.653 | 73.268 |
| "Services" Segment | 349.868 | 7.809 | 357.677 | 110.580 | 247.097 |
| **Total assets and liabilities** | **748.369** | **8.551** | **756.920** | **350.699** | **406.220** |

| 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 31.12.2017 |
|---|---|---|---|---|---|
| "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 | 377.158 | 126.201 | 250.956 |
| **Total assets and liabilities** | **716.470** | **8.584** | **725.054** | **324.998** | **400.056** |

## NOTE 23. Cost of goods sold

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

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Raw materials and finished goods costs | 317.777 | 232.958 | 84.819 |
| Cost of commissions on purchases and sales | 1.684 | 1.721 | ( 37) |
| Transport and handlig costs | 60.834 | 52.618 | 8.215 |
| Personnel costs | 12.818 | 9.533 | 3.285 |
| Depreciation and amortization | 4.881 | 4.106 | 775 |
| Accruals of provision | 300 | 300 | - |
| External production and maintenance costs | 9.768 | 5.419 | 4.349 |
| Utilities | 2.998 | 2.194 | 804 |
| Bunker'cost | 13.418 | 14.247 | ( 829) |
| Rental costs for ships and containers | 5.566 | 4.191 | 1.375 |
| Leases and rentals | 3.065 | 2.019 | 1.046 |
| Other costs | 528 | 338 | 190 |
| Other operating revenues and costs recovery | ( 3.483) | ( 3.283) | ( 200) |
| **Cost of goods sold** | **430.152** | **326.361** | **103.791** |

The increase in the cost of sales is commented on in the half-yearly Report on Operations, to which reference should be made, always in consideration of the fact that the majority of the variation of Euro 103,791 thousand is connected to the 2017 acquisitions already referred to repeatedly, and in relation to which the 2017 half-yearly pro-forma financial statements allow a more consistent comparison. The rise of Euro 84,819 thousand in the costs of the purchase of raw materials, packaging, pallets and goods and the increase of Euro 8,215 thousand in transport and handling costs is connected, in particular, to the line-by-line consolidation of the Tuscan and Spanish companies in the first half of 2018, instead valued at equity in the first half of 2017.

The decrease in the bunker cost is the result of various factors, first and foremost due to having made one less journey in this half (25 journeys as opposed to the normal 26), in addition to the devaluation of the dollar and the reduction in average consumption per journey, in contrast to the increase in the bunker cost from USD 314/ton in the 1st half of 2017 to USD 367/ton in 2018.

Note that the item “Raw material and finished goods costs” comprises Euro 1,083 thousand of costs due to associates and Euro 2,834 thousand to related parties, valued at market value and included in the balances indicated in Note 33, to which reference is made.

Instead, “Transport and handling costs” comprises Euro 404 thousand to associated companies of the Group; this balance is also included in the details provided in Note 33.

“Other operating revenues and costs recovery” comprises Euro 66 thousand in revenues from associates of the Group. For further details, reference is made to Note 33.

## NOTE 24. General and administrative expenses (Overheads)

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

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Corporate bodies fees | 979 | 1.051 | ( 72) |
| Costs for notary, tax, legal and other professional services | 1.898 | 1.382 | 516 |
| Commercial, advertising, promotional and representation expenses | 855 | 1.381 | ( 526) |
| Personnel costs | 16.531 | 12.220 | 4.311 |
| Depreciation and amortization | 1.499 | 937 | 562 |
| Accruals for provision | 587 | 333 | 254 |
| Costs for maintenance, external labor and various other services | 3.725 | 3.176 | 549 |
| Insurance expenses | 752 | 649 | 102 |
| Utilities | 761 | 439 | 321 |
| Travel expenses | 669 | 540 | 129 |
| Costs of company car fleet | 466 | 264 | 201 |
| Rental costs and various rentals | 369 | 243 | 125 |
| Charges for purchase and intercompany services to associates and related companies | 321 | 459 | ( 138) |
| Other costs | 1.206 | 1.209 | ( 3) |
| Acquisition costs of stationery and material of consumption | 291 | 230 | 61 |
| Fees, commissions, bank guarantees charges and factoring | 492 | 395 | 97 |
| **Overheads** | **31.400** | **24.910** | **6.490** |

The increase in general overheads and administrative costs of Euro 6,490 thousand is primarily the result of the increase in the costs of labor, costs for collaborations, the costs of professional, legal, tax and notary advisory services, partly offset by the reduction in the fees paid to corporate bodies, the reduction in promotional expenses related to the brand and the decrease in the other categories as represented above. Also in this case, the increase is tied mainly to the change in the scope with the line-by-line consolidation of the Tuscan and Spanish companies, valat equity in the first half of 2017.

The item "Charges for purchases and intercompany services to associates and related companies" comprises Euro 321 thousand to related companies. For further details, reference is made to Note 33.

## NOTE 25. Other operating income and expenses

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Other operating income | 2.215 | 2.087 | 128 |
| Other operating expenses | ( 1.090) | ( 2.889) | 1.799 |
| **Total other operating income and expenses** | **1.126** | **( 802)** | **1.928** |

Annexed are details of the items "Other operating income" and "Other operating expenses" for the first half of 2018 and 2017 with separate indication of ordinary items with respect to "non-recurring" ones.

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Revenues from recovery of costs and insurance reimbursements | 275 | 361 | ( 86) |
| Plusvalues and contingent revenues in ordinary course of business | 1.121 | 464 | 657 |
| Others (*) | 587 | 750 | ( 163) |
| **Other ordinary operating income** | **1.983** | **1.575** | **408** |
| Gains on sale of equity investments and non - current financial assets | 46 | - | 46 |
| Gains on disposal of businesses or significant intangible assets and materials | - | - | - |
| Release of provisions previously set aside | - | 99 | ( 99) |
| Others (*) | 186 | 413 | ( 227) |
| **Other non-recurring operating income** | **233** | **512** | **( 279)** |

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

Increases compared to the first half of 2017 are essentially tied to higher non-recurring items and ordinary gains realized by the companies of the Group as a whole.

The item "Other operating revenues" includes Euro 129 thousand related to associated companies. For further details, reference is made to Note 33.

Note that revenues of Euro 124 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 | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Penalities, sanctions and costs for damage to third parties | ( 40) | ( 62) | 22 |
| Minusvalues and contingent losses in ordinary course of business | ( 574) | ( 396) | ( 178) |
| Others (*) | - | - | - |
| **Other ordinary operating expenses** | **( 615)** | **( 458)** | **( 156)** |
| Glenalta transaction costs | - | ( 1.530) | 1.530 |
| Costs and extraordinary provisions with employees | ( 21) | ( 125) | 104 |
| Significant costs for litigation, civil, tax, customs etc. | ( 14) | ( 128) | 114 |
| Integration provisions for extraordinary risks | - | - | - |
| Others (*) | ( 439) | ( 648) | 209 |
| **Other non - recurring operating expenses** | **( 475)** | **( 2.431)** | **1.956** |

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

The change in "non-recurring" expenses compared to the first half of 2017 reflects the elimination of costs that were incurred as part of the Glenalta Significant Transaction. Of note is the reduction of labor costs tied to restructuring thanks to the positive performance of the activities of the Group, especially core business activities.

The item "Other operating expenses" does not include charges to associates or related companies. For further details, reference is made to Note 33.

## NOTE 26. Net financial expenses

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

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Financial income | 51 | 37 | 14 |
| Financial expenses | ( 1.095) | ( 1.352) | 257 |
| Exchange rate differences | ( 230) | ( 183) | ( 47) |
| **Net financial expenses** | **( 1.274)** | **( 1.498)** | **223** |

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

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Interest income to third parties | 43 | 37 | 6 |
| Interest income to associates and joint ventures | - | - | - |
| Gains on derivatives | 8 | - | 8 |
| **Financial income** | **51** | **37** | **14** |

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Interest expenses from bank | ( 1.093) | ( 1.280) | 187 |
| Interest cost for IAS 19 | - | ( 1) | 1 |
| Interest expenses to third parties | ( 1) | ( 70) | 69 |
| Losses on derivatives | ( 1) | ( 1) | - |
| **Financial expenses** | **( 1.095)** | **( 1.352)** | **257** |

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Realized exchange rate differences | ( 450) | 251 | ( 701) |
| Unrealized exchange rate differences | 219 | ( 434) | 653 |
| **Exchange rate differences** | **( 230)** | **( 183)** | **( 47)** |

The decline in financial expenses reflects the Group's improved position.

## NOTE 27 Net income (loss) from equity investments

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Dividends | 4 | 1 | 3 |
| Share of profit from companies consolidated at equity | 186 | 1.312 | ( 1.126) |
| Result of securities and investments negotiation | - | 8 | ( 8) |
| **Net income (loss) from equity investments** | **190** | **1.321** | **( 1.131)** |

The statement of financial position is essentially related to the pro-quota recognition of the results of associated companies and joint ventures consolidated using the equity method. This result registered a net decrease compared to the corresponding period in the previous year given that the figure in the first half of 2017 included the pro-rata share of results of the Tuscan and Spanish companies amounting to Euro 1,191 thousand, consolidated on a line-by-line basis in the first half of 2018 (see table pursuant to Note 4).

## NOTE 28. Tax expenses

All 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 June 9, 2004.

The changes in taxes are summarized in the following table.

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Current taxes for the year | ( 3.555) | ( 1.616) | ( 1.939) |
| Deferred taxes = from statutory tax consolidation | 1.405 | ( 1) | 1.406 |
| Deferred taxes incomes and expenses | ( 516) | ( 344) | ( 172) |
| **Tax expenses** | **( 2.667)** | **( 1.961)** | **( 706)** |

Taxes increased with respect to June 30, 2017, mainly due to both higher taxable amounts and, therefore, of the associated taxes for the year registered by companies in the Distribution segment and the tax effect of the Tuscan and Spanish companies acquired, whose taxable amounts were not included in the figure relating to the first half of 2017, for a total of Euro 1,459 thousand.

| | **30.06.2018 -Rate 24%** | |
|---|---|---|
| **Thousands of euro** | **Taxable** | **Tax** |
| **Profit before tax** | **8.212** | |
| **Theoretical tax** | | **( 1.971)** |
| International register Cosiarma | | ( 543) |
| Share of profit from companies consolidated at equity | ( 186) | 45 |
| Foreign companies for different tax rate | | ( 279) |
| Taxed dividends from companies of Group | 245 | ( 3) |
| Non deductible costs | | ( 163) |
| Others | | 811 |
| **Effective tax** | | **( 2.103)** |
| Irap/Cvae taxes | | ( 564) |
| **Taxes expenses in the consolidated financial statement** | | **( 2.667)** |
| Effective rate | | *32,5%* |

The table above details the reconciliation between the theoretical and actual taxes, highlighting the incidence on total actual taxes of the higher/lower profitability from naval activities, for which the enrolment in the international register envisages a reduction of 80% in the taxable amount. A separate line shows the Irap (regional business tax) 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.

| Thousands of euro | Statement of financial position | Income statement | Comprehensive income statement |
|---|---|---|---|
| Previous tax losses | 4.051 | ( 542) | - |
| Effect IAS 19 | 752 | ( 15) | - |
| Depreciation/Goodwill/trademarks | 876 | ( 1) | - |
| Indirect taxes | 100 | - | - |
| Provisions for bad debts | 456 | - | - |
| Financial expenses/ACE/Exchange differences | 149 | - | - |
| Provisions for the return of the rended container feet | 316 | - | - |
| Costs deductible in the future (Stock Grant) | 380 | - | - |
| Other | 365 | - | - |
| **Deferred tax assets** | **7.445** | **( 558)** | **-** |

The table below shows the changes in the various deferred tax components by type. The amounts of current or deferred taxes charged directly to the comprehensive income statement refer to the effects of the valuation at fair value of the bunker hedges carried out in 2018.

| Thousands of euro | Statement of financial position | Income statement | Comprehensive income statement |
|---|---|---|---|
| Leasing | ( 1.318) | ( 2) | - |
| Warehouse revaluation | ( 232) | - | - |
| On J-entries FV Magazzini Fernández | ( 2.047) | 33 | - |
| Ships depreciation | ( 1.375) | 9 | - |
| Others | ( 510) | 2 | - |
| Derivatives | ( 131) | - | ( 131) |
| **Deferred tax liabilities** | **( 5.597)** | **41** | **( 131)** |

At June 30, 2018, there are no significant tax disputes.

There are no other significant amendments to the tax legislation between 2018 and 2017.

## NOTE 29. 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. "Fully Diluted" earnings per share in 2018 are calculated by dividing the net result pertaining to the Group by the average number of shares outstanding, excluding treasury shares in the portfolio, and adding treasury shares assigned following the achievement of the 2017 objective set out in the medium/long-term incentive plan for management.

| Thousands of euro | 30.06.2018 | 30.06.2017 |
|---|---|---|
| **Net profit - Group share (in euro)** | **5.374.557** | **673.238** |
| **Average number of oustanding shares during the period** | **16.969.813** | **12.286.606** |
| **Base earnings per share - ordinary shares** | **0,317** | **0,055** |
| Average number of oustanding shares during the period | 16.969.813 | 12.286.606 |
| Average number of special shares and warrant during the period | - | 2.558.516 |
| Average number of outstanding shares granted for "Stock Grant Plan" during the period | 166.667 | - |
| **Diluted average number of outstanding shares during the period** | **17.136.480** | **14.845.122** |
| **Diluted earnings per share - ordinary shares** | **0,314** | **0,045** |

## NOTE 30. Disclosures on financial instruments - additional disclosures

Pursuant to IFRS 7, the breakdown of financial instruments into the categories set out in IAS 9 is as follows:

| Thousands of euro | 30.06.18 | 31.12.17 | Change |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalent | 57.926 | 79.893 | ( 21.967) |
| Trade receivables | 133.869 | 112.898 | 20.970 |
| Hedging derivatives | 2.476 | - | 2.476 |
| Current financial assets | 21 | 21 | - |
| **Financial liabilities** | | | |
| Non - current medium term bank loans (over 12 months) | ( 68.865) | ( 74.995) | 6.131 |
| Current medium term bank loans | ( 18.036) | ( 16.248) | ( 1.788) |
| Bank overdrafts | ( 18.943) | ( 22.130) | 3.187 |
| Non - current other lenders (over 12 months) | ( 778) | ( 904) | 127 |
| Current other lenders | ( 602) | ( 527) | ( 76) |
| Other current lenders short term | ( 5.507) | ( 11.066) | 5.559 |
| Non current payables for price balance on acquisitions (over 12 months) | ( 243) | ( 243) | - |
| Current payables for price balance on acquisitions | - | ( 223) | 223 |
| Hedging derivatives | ( 113) | ( 66) | ( 48) |
| Trade payables | ( 122.797) | ( 103.395) | ( 19.402) |

It is noted that only current financial assets include securities, i.e. financial instruments that are valued at fair value, whose changes have an impact on the income statement. Trade receivables are measured at the nominal value that, considering the speed of collection, coincides with the value determined by the application of amortized cost, in compliance with IFRS 9.

Among financial liabilities, trading derivatives fall within the category "Liabilities measured at fair value", while hedging derivatives are recorded at fair value; the related change is accounted for in a shareholders' equity reserve that constitutes the comprehensive income statement. Note that, in this regard, the Group has derivative contracts outstanding as at June 30, 2018, as already reported in Note 14.

At June 30, 2018, there was a hedging instrument (swap) on the bunker that the shipbuilding company has activated in order to reduce and control the risks associated with changes in the price of raw material. At June 30, 2018, its positive fair value of Euro 2,411 thousand was recognized under the item "Other current assets", with the specially designated shareholders' equity reserve as contra-entry.

At June 30, 2018, there was a currency hedging instrument that the banana import company stipulated in order to reduce and control the risks associated with changes in the USD exchange rate. At June 30, 2018, its positive fair value of Euro 65 thousand was recognized under the item "Other current assets" and had a contra-entry in the form of a specially designated shareholders' equity reserve (accounted for through "Other comprehensive income").

As at June 30, 2018, the Group has an interest rate hedge in place, activated by the sub-holding GF Distribuzione S.r.l. on the loan of Euro 20 million stipulated in 2017, whose negative fair value amounts to Euro 113 thousand, booked to the item "Non-current financial liabilities", with a specially designated shareholders' equity as contra-entry.

## NOTE 31. 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. As already reported on June 30, derivative contracts are in place;
- the fair value of non-current financial payables 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 payables, the fair value is equal to the book value, based on the consideration of their close expiry.

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.

It should be noted that, when third party information is used to determine the fair value, such as the prices of brokers or pricing services, the Group evaluates and documents the information obtained from third parties to support the fact that these evaluations comply with the provisions of IFRS, including the fair value hierarchy level in which to reclassify the associated valuation.

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.

If the input data used to measure the fair value of an asset or liability can be classified into different fair value hierarchy levels, the entire valuation is included in the same input hierarchy level at a lower level which is significant for the entire valuation. The Group records transfers between the different levels of the fair value hierarchy at the end of the period in which the transfer took place.

*Financial instruments*

Derivatives, valued using techniques based on market data, are mainly swaps on bunkers, on exchange rates and IRSs on interest rates whose purpose is to hedge 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** | | **30.06.18** | | | **31.12.17** | |
|---|---|---|---|---|---|---|
| **Financial assets** | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Current financial assets | 21 | - | - | 21 | - | - |
| Hedging derivatives | - | 2.476 | - | - | - | - |
| **Financial liabilities** | | | | | | |
| Speculative derivatives | - | - | - | - | - | - |
| Hedging derivatives | - | ( 113) | - | - | ( 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 bunkers, exchange rates and interest rates that are quoted in active or observable markets on official rate curves. The asset valued with level 2 at June 30, 2018 relates to the positive fair values of the derivative on the bunker amounting to Euro 2,411 thousand and the currency derivative for Euro 65 thousand, while the liability of Euro 113 thousand relates to the negative fair value of the interest rate derivative.

*Non-financial instruments*

There are non-financial instruments measured at fair value as at June 30, 2018, because the biological assets of the Mexican producer company are measured at fair value, i.e. market value minus costs of sale.

## NOTE 32. Nature and extent of risks deriving from financial instruments

The main financial instruments of the Group include current accounts and short-term deposits, financial liabilities to banks in the short and long term and finance leases.

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

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

The main financial risks to which the Group is exposed are those of market (currency), credit and the 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.

For this reason, the trend in exchange rates is monitored regularly by the central treasury service, also in order to stipulate currency hedges, where the conditions are met.

*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 some major banks that require 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.

*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.

Note that, the Group has always prepared the bad debt provision based on a realistic view of the actual recoverability of the individual receivables, now governed by IFRS 9 "Expected losses", and which is also inclusive of an amount relating to the more generic risk of non-collection of all financial assets posted to the financial statements.

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 liabilities, payables to other short-term lenders 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 | 30.06.18 | 31.12.17 | Change |
|---|---|---|---|
| Assets held for trading | 21 | 21 | - |
| Cash and cheques | 865 | 382 | 482 |
| Bank and deposit accounts | 57.061 | 79.511 | ( 22.450) |
| Derivative hedging instruments | 2.476 | - | 2.476 |
| Non - current medium term bank loans (over 12 months) | ( 68.865) | ( 74.995) | 6.130 |
| Non - current other lenders (over 12 months) | ( 778) | ( 904) | 126 |
| Non current payables for price balance on acquisitions (over 12 months) | ( 243) | ( 243) | - |
| Non current Liabilities for derivative | ( 113) | ( 66) | ( 47) |
| Bank overdrafts | ( 18.943) | ( 22.130) | 3.187 |
| Current medium term bank loans | ( 18.036) | ( 16.248) | ( 1.788) |
| Current other lenders | ( 5.507) | ( 11.066) | 5.559 |
| Other current lenders short term | ( 602) | ( 527) | ( 75) |
| Current payables for price balance on acquisitions (over 12 months) | - | ( 223) | 223 |
| **Net financial position** | **( 52.663)** | **( 46.487)** | **( 6.176)** |

| Thousands of euro | 30.06.17 | 31.12.16 | Change |
|---|---|---|---|
| Goodwill | 33.103 | 32.085 | 1.018 |
| Other intangible assets | 8.163 | 8.974 | ( 811) |
| Tangible assets | 103.558 | 100.994 | 2.564 |
| Financial investments | 7.814 | 7.959 | ( 145) |
| Other fixed assets | 1.625 | 1.489 | 136 |
| Deferred tax assets | 7.445 | 7.788 | ( 343) |
| **NON-CURRENT ASSETS** | **161.708** | **159.290** | **2.419** |
| Inventories | 43.896 | 33.498 | 10.398 |
| Trade receivables | 133.869 | 112.898 | 20.970 |
| Trade payables | ( 122.797) | ( 103.395) | ( 19.402) |
| **WORKING CAPITAL** | **54.968** | **43.002** | **11.966** |
| Other receivables | 25.530 | 24.512 | 1.018 |
| Deferred tax liabilities | ( 5.612) | ( 5.527) | ( 85) |
| Provisions for risks and charges | ( 3.010) | ( 2.968) | ( 41) |
| Employees benefits liabilities | ( 8.758) | ( 8.785) | 27 |
| Other liabilities | ( 22.180) | ( 19.290) | ( 2.890) |
| **OTHER CURRENT ASSETS AND LIABILITIES** | **( 14.031)** | **( 12.059)** | **( 1.972)** |
| **NET WORKING CAPITAL** | **202.646** | **190.233** | **12.413** |

### *Risks associated with guarantees provided to third parties*

Guarantees are in place as at June 30, 2018, issued in favor of the related companies Moño Azul S.A., K-Air S.r.l. and Nuova Beni Immobiliari S.r.l., deriving from the agreements reached for the finalisation of the Merger with Glenalta, amounting respectively to Euro 3,431 thousand (USD 4 million), Euro 1,152 thousand and Euro 403 thousand, for which a limited risk profile appears to be noticeable owing to the possibility of directly recovering from said companies the amounts paid out by the Group for said guarantees.

## NOTE 33. Transactions with associates and 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.

A tax relationship is also in place with the Parent Company Orsero, as a result of the option - confirmed by the Agency Revenue, following the presentation of the appropriate appeal pursuant to art. 124, paragraph 5, of the TUIR Tax Code and with art. 13, paragraphs 1 and 2, of the Ministerial Decree of June 9, 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 condensed consolidated half-yearly 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 the first half of 2018. Relationships with the companies represented in the table, with the exception of the purchase of the production assets commented on previously, 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 K-Air and distribution for the others.

| Thousands of euro | Related parties at June 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Financial receivables | Trade receivables | Other receivables[4] | Trade payables | Net sales | Financial income | Trade Expenses |
| *Associates and Joint Ventures* | | | | | | | |
| Frt Cagliari S.r.l. | - | 919 | - | - | 2.590 | - | ( 4) |
| Moncada S.r.l. | - | 2.171 | - | - | 4.084 | - | - |
| Citrumed S.A. | 23 | - | - | 81 | 56 | - | ( 1.079) |
| Simba Spain S.L. | - | - | - | - | 14 | - | - |
| Fruport S.A. | - | 12 | - | 250 | - | - | ( 1.529) |
| **Total exposure to Associates and Joint ventures** | **23** | **3.101** | **-** | **331** | **6.745** | **-** | **( 2.613)** |
| *Related companies* | | | | | | | |
| Moño Azul S.A.[2-3] | - | 457 | 46 | - | 124 | - | ( 2.837) |
| Nuova Beni Immobiliari S.r.l. | - | 1.015 | - | 1.510 | 96 | - | ( 1.393) |
| Business Aviation[1] | - | 44 | - | 1.635 | 48 | - | ( 15) |
| Immobiliare Ranzi S.r.l. | - | 71 | - | - | - | - | - |
| Fif Holding S.p.A. | - | 2 | - | - | - | - | - |
| Argentina S.r.l. | - | 1 | - | - | - | - | - |
| Quires S.r.l. | - | - | - | - | - | - | - |
| **Total exposure to related companies** | - | **1.590** | **46** | **3.145** | **269** | **-** | **( 4.244)** |

[1] Referred to the companies GF Aviation S.r.l. and K-Air S.p.A.

[2] The euro 46 thousand indicated among the "Other receivables" in the above table are entered under the item "Trade receivables", more precisely "Receivables from related parties"

[3] The euro 124 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"

[4] 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 December 31, 2017 for the repayment of the debt relating to the proceeds of the expected disposal of Moño Azul S.A. The amount of this guarantee of Euro 8 million was allocated to the financial statements of the Parent Company as at December 31, 2017 as a current financial payable and paid to the bank on January 30, 2018. In relation to this amount paid, the Group recorded a receivable for the same amount due from Argentina S.r.l., already fully written down in the 2017 financial statements.

## NOTE 34. Share-based payments

At June 30, 2018, stock incentive plans are in place in favor of directors and employees of the Group in relation to which, according to the measured result as at June 30, 2018 with respect to the parameter set for the related right, the valuation is postponed to the annual financial statements. It should also be noted that the 2017 objective was reached and this involved the assignment of 166,667 shares to recipients of the medium/long-term incentive plan for management, whose delivery, however, was deferred with approval of the 2019 financial statements.

## NOTE 35. Employees

The following table shows the number of employees and the average number of employees as at June 30, 2018 and as at December 31, 2017.

| Thousands of euro | 30.06.2018 | 31.12.17 | Change |
|---|---|---|---|
| **Distribution Segment** | | | |
| Number of employees | 1.252 | 1.103 | 149 |
| Average number of employees | 1.171 | 1.199 | ( 28) |
| **Import&Shipping Segment** | | | |
| Number of employees | 171 | 173 | ( 2) |
| Average number of employees | 171 | 173 | ( 2) |
| **Services Segment** | | | |
| Number of employees | 93 | 89 | 4 |
| Average number of employees | 92 | 90 | 2 |
| **Number of employees** | **1.516** | **1.365** | **151** |
| **Average number of employees** | **1.434** | **1.462** | **( 28)** |

## NOTE 36. Guarantees provided, commitments and other contingent liabilities.

The guarantees provided by the Company are as follows:

| Thousands of euro | 1st half 2018 | 1st half 2017 | Change |
|---|---|---|---|
| Guarantees issued in the interest of the Group | 6.670 | 11.211 | ( 4.541) |
| Guarantees issued to third parties | 15.372 | 15.667 | ( 295) |
| Guarantees issued to third parties in the interest of related parties | 4.986 | 5.410 | ( 424) |
| **Total guarantees** | **27.028** | **32.288** | **( 5.260)** |

Relative to the closing of the previous year, of note is the reduction of the guarantees by Euro 5,260 thousand, essentially due to the decrease of customs guarantees.

As in previous years, the guarantees outstanding at June 30, 2018 are essentially related to guarantees issued to Customs and/or VAT offices (for a total of Euro 15,131 thousand) in respect of the business of Group companies. There are also guarantees to banks for loans granted to related companies.

# INDEPENDENT AUDITOR'S REPORTS

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**(Translation from the Italian original which remains the definitive version)**

# Report on review of condensed interim consolidated financial statements

To the shareholders of
Orsero S.p.A.

## Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Orsero Group (the "group"), comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2018. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

**Conclusions**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Orsero Group as at and for the six months ended 30 June 2018 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Genoa, 26 September 2018

KPMG S.p.A.

(signed on the original)

Matteo Pastore
Director of Audit