GRUPPO ORSERO

2018 ANNUAL FINANCIAL REPORT

COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS

THE ITALIAN TEXT SHALL PREVAIL OVER THE ENGLISH VERSION.

TABLE OF CONTENTS

GRUPPO ORSERO

SUMMARY DATA

Thousands of Euro	31.12.2018	31.12.2017 Pro-forma	31.12.2017
Net Sales	952,756	937,830	819,124
Adjusted Ebitda*	32,857	31,337	26,255
% Adjusted Ebitda	3.45%	3.34%	3.21%
Adjusted Ebit	17,478	16,019	12,620
Operating Result (Ebit)	11,352	11,255	7,880
Effect "step acquisition" ex IFRS 3**	-	18,491	17,482
Net Profit from continuing operations	8,002	15,083	13,035
Net Profit of "Discontinued Operations"	-	-	-
Net Profit	8,002	15,083	13,035
Net Profit attributable to non-controlling interests	29	229	226
Net Profit attributable to Parent Company	7,974	14,854	12,809
Adjusted net profit	11,844	8,657	n.s.

*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 18,491 thousand at 31 December 2017 Pro-forma and euro 17,482 thousand at 31 dicembre 2017 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	31.12.2018	31.12.2017 Pro-forma	31.12.2017
Net Invested Capital	186,246	192,228	190,233
Capital and reserves attributable to Parent Company	149,704	144,657	142,662
Non-Controlling Interest	475	1,084	1,084
Total Shareholders' Equity	150,178	145,741	143,747
Net Financial Position	36,068	46,487	46,487
Group ROE ***	5.63%	11.44%	9.86%
ROI	9.38%	8.33%	6.63%
Net Financial Position/Total Shareholders' Equity	0.24	0.32	0.32
Net Financial Position/Adjusted Ebitda****	1.10	1.48	1.77

*** the high value of 2017 Group Roe is influenced by the amount of euro 17,482 thousand of "IFRS 3" for the data reported and the amount of euro 18,491 thousand of "IFRS 3" for the data Pro-forma.

The tables above provide initial preliminary details of the positive trend in Group business in 2018. As the data from December 31, 2017 include the income statement results 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 2017, effective from July 1, to provide a like-for-like comparison the relative pro-forma figures are presented, which were already provided in the last financial statements. The pro-forma data 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 for a better comparison with the actual figures as at December 31, 2018. In particular, the pro-forma figures as at December 31, 2017 including the effects of the line-by-line consolidation of the three companies since January 1 show with respect to the 2017 official financial statements an increase in net sales equal to Euro 118,706 thousand and an increase in Adjusted EBITDA equal to Euro 5,082 thousand.

In addition, the net profit from continuing operations in 2017 includes the effect of Euro 18,491 thousand deriving from the recognition of the business combination which took place in steps, in accordance with IFRS 3. Instead, note that the figures as at December 31, 2017 include the financial data of the Tuscan and Spanish companies starting from July 1, 2017.

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 websitewww.orserogroup.it
Issuer widely distributed as of January 1, 2019

COMPOSITION OF ORSERO S.P.A. CORPORATE BODIES

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

Board of Directors[1]:

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

Board of Auditors[3]:

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

Related Parties Committee:

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

Remuneration Committee:

Gino Lugli	Chairman
Vera Tagliaferri	Member
Armando Rodolfo de Sanna	Member

Independent Auditors:

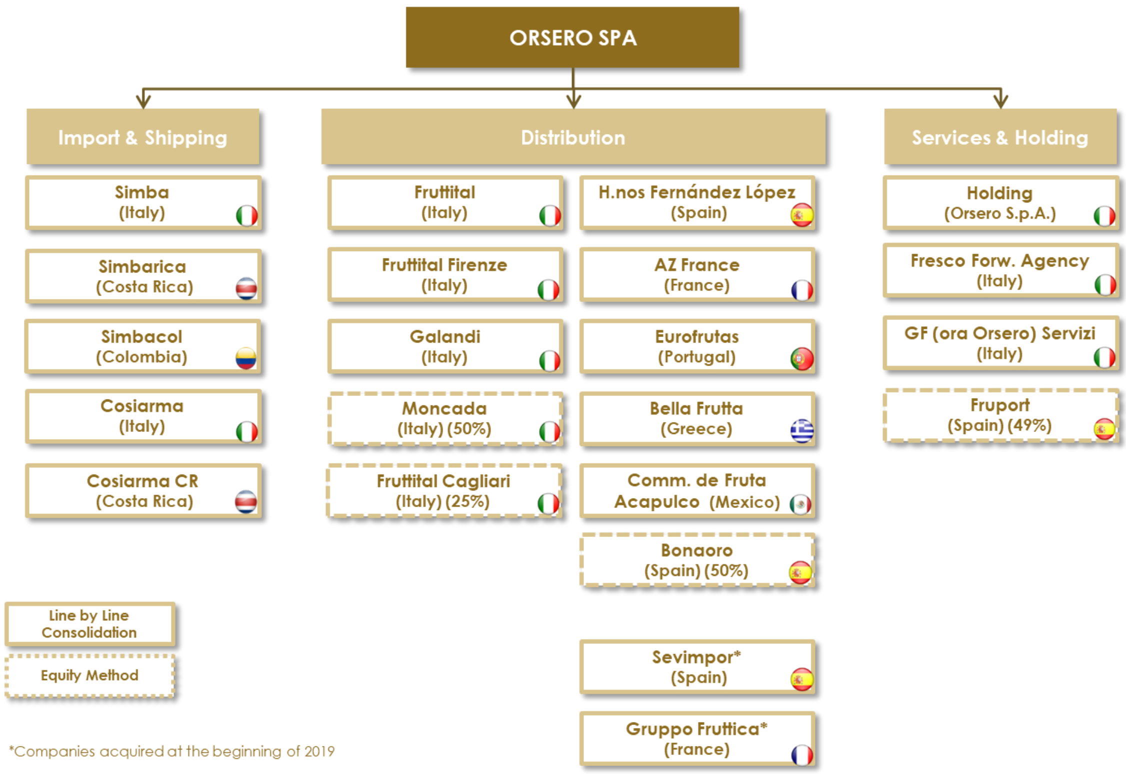
KPMG S.p.A.

(1) The Board of Directors, consisting of seven members, was appointed by the Shareholders’ Meeting on November 30, 2016 (then Glenalta Food S.p.A.) as of February 13, 2017 and shall remain in office until the date of approval of the financial statements as 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.

GROUP STRUCTURE



Summary representation of the Group

COMPOSITION OF THE GROUP

As at December 31, 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
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 (now Orsero) Servizi S.r.l.	Services and consultancy provider
GF Solventa S.L.	Service provider in Spain
GF Trasporti S.r.l.	Company in liquidation in Italy
Hermanos Fernández López S.A.	Distribution company in Spain
Isa Platanos S.A.	Manufacturing company in Spain
Kiwisol LDA	Distribution company in Portugal
M.A.P. Servizi Generali S.r.l.	Service provider in Italy
Simba S.p.A.	Fruit importing business in Europe
Vado Container Services S.r.l.	Port services provider in Italy

Americas:

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

ALTERNATIVE PERFORMANCE INDICATORS

In this annual 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 definitions of the alternative performance indicators used in the Annual Report are as follows:

Adjusted EBITDA: the Operating Result (EBIT) including depreciation, amortization, and provisions, however excluding non-recurring costs/income and costs related to the 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.

Adjusted Net Profit: provided for a comparison in terms of total consolidated result, represents the result for the year net of non-recurring income and expense, inclusive of the relative taxes. As such, this indicator provides useful and immediate information on the profit trends for the year without considering non-recurring components.

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

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

Other receivables and payables: the sum of the following items: tax receivables, receivables and other current assets, assets held for sale, other non-current liabilities, deferred tax provisions, provisions for risks and charges, employees benefits liabilities, tax payables and contributions, other current payables, and liabilities held for sale. Any fair value of hedging derivatives, as well as assets held for trading and assets available for sale included in the item "receivables and 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 algebraic sum of the following items: cash and cash equivalents, non-current/current financial payables, 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 "Receivables and other current assets".

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

Group ROE: calculated as the ratio between the result pertaining to the Group and Group shareholders' equity.

DIRECTOR'S REPORT ON OPERATIONS

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ORSERO

SIGNIFICANT EVENTS DURING THE YEAR

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

Significant events for the period

As detailed extensively in previous year's financial statements in the report on operations 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. The economic and financial effect of this disbursement on the accounts in 2018 was nil, given already fully reflected in the previous Orsero 2017 financial statements based on the prudent evaluation of the directors.

Then in October, in relation to the disposal to third parties of the Moño Azul S.A. equity investment by the related company Argentina S.r.l., the Group entered into a framework agreement with the purchaser, a leading Argentinian agribusiness operator, for the progressive disposal of its local assets, purchased over time from Moño Azul to protect campaign advances paid, as highlighted in more detail below in this report.

In 2018, 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. This disbursement also had no economic impact as it was fully provided for in previous years, while, as already noted, actions continue 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 the financial perspective, the Parent Company completed a medium/long-term debt refinancing transaction which entailed in particular:

- entering into a medium/long-term unsecured loan agreement (2018-2024) for Euro 60 million, with a pool of top European credit institutions consisting of Intesa Sanpaolo S.p.A., Banco BPM S.p.A., Crédit Agricole – Carispezia S.p.A., Caixa Bank S.A. and Banco Santander S.A., with a period of interest-only payments until december 31, 2018;
- the issue of Senior Unsecured Notes for Euro 30 million, maturing on October 4, 2028, privately placed with investment companies and funds belonging to PGIM Inc., a company which is part of The Prudential Insurance Company of America (Pricoa), subject to repayment in 6 annual installments starting from October 4, 2023.

This transaction, with a total value of Euro 90 million, enables the Group to reschedule the overall duration of its medium-term debt, extending it with respect to existing loans (which were extinguished for an outlay of roughly Euro 79 million), and also provides new financial resources to continue its growth process, concentrates financing with a limited group of national and international institutions with which the Group has strategic-long term relationships, diversifies sources of funds and stabilizes the cost of debt in the medium term.

Acquisitions and disposals during the year

Acquisition of Bonaoro S.L.U.

With respect to the changes that took place during the year, in line with the Group's mission to focus its strategy on its core business, the Spanish subsidiary Hermanos Fernández López S.A. purchased a 50% stake in the share capital of the company Bonaoro S.L.U., through a dedicated share capital increase for a total of Euro 689 thousand, of which Euro 400 thousand for share capital and Euro 289 thousand for the share premium reserve, with a view to strengthening its presence in the Canary Islands, where a type of banana particularly valued in Spain is produced. The company Bonaoro S.L.U., located in the Canary Islands, produces, stores, packages, markets, exports and imports the Canary banana.

Acquisition of Sevimpor Distribuidora De Frutas De Importacion S.L.

As per the press release dated September 20, 2018, the Spanish subsidiary Hermanos Fernández López S.A. entered into an agreement to acquire the entire share capital of the company Sevimpor Distribuidora De Frutas De Importacion S.L., which handles the wholesale distribution of fresh fruit and vegetables and is specialized in the ripening of bananas from the Canary Islands. The price of the transaction was Euro 1.65 million and the contract was executed in January 2019, using exclusively its own financial resources. This transaction is of significant strategic value for the Group as it strengthens its presence in the Spanish market, in which it has important growth outlooks, and will make it possible to develop commercial and logistical synergies that will allow for a more effective and efficient distribution of its products, also exploiting the proximity to the port of Algeciras.

Disposal of Cultifruit

On December 20, the Group sold its 66.66% equity investment held in Cultifruit to the related company Grupo Fernández S.A. for a price of Euro 700 thousand. This company was the vehicle used to hold the equity investment in an agricultural production operation in Portugal, managed along with other Spanish industry operators, which is no longer aligned with the "core business", as the Group's focus no longer includes investments in land except in specific cases such as avocado production in Mexico. This disposal resulted in a small capital gain and improved the net financial position by more than Euro 3 million overall, counting the debt of the company sold.

Acquisition of a 19% stake in Moño Azul S.A.

As mentioned, in October 2018 as part of a transaction aiming to protect the Group's interests, a guarantee of USD 4 million provided to Moño Azul was transformed into a 19% stake in the company, acquired by a leading Argentinian industry operator.
With this transaction, approved by the Related Parties Committee, along with the investment in the share capital, various disposal and lease agreements were entered into relating to assets held in Argentina to ensure their fair valuation, while also supporting the purchaser in developing the activities of Moño Azul, due to its strategic importance as a supplier of pears and apples of significant interest for the Group.

Liquidation of Tropical Frutas LDA and Solfrutas LDA, disposal of Natural Juice S.A.

Lastly, in a smaller scale, in 2018 the Portuguese company Eurofrutas S.A. liquidated the two investees Tropical Frutas LDA and Solfrutas LDA, both wholly owned, which are now not active given the transfer of their operations directly to the parent company. During 2018 there has been the end of liquidation phase of Siter Trasporti S.r.l. with the relative formation of the statement of allocation of assets, and also the disposal of the equity investment in the Argentinian company Natural Juice S.A., within the framework of disposals of Group operations in the South American country.

For a more detailed analysis of the transactions described above, please refer to the "Notes", in the "Scope of consolidation as at December 31, 2018 and changes that occurred subsequently" section.

Other significant events during the year

Stock Grant Plan

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

Euro 13.97. Note that these shares are already held by the Company, which allocated a portion of the shares owned, or 500,000 shares, specifically for the Stock Grant Plan. With respect to the implicit costs linked to the medium/long-term incentive plan for the management, a special reserve was created in shareholders' equity.
As explained in more detail in another part of this report, the 2018 objective was met, although not fully, triggering the assignment to beneficiaries of 153,335 shares for an equivalent value of Euro 2,142 thousand.

Buy-Back 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 number of shares with a maximum value 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. Subsequently, and in execution of the Board of Directors resolution of June 28, 2018, treasury shares were purchased for a total of 39,700 shares (Euro 297 thousand), augmenting the 712,687 shares held as at December 31, 2017, of which 320,002 assigned to the Group's top management based on achievement of the targets established for 2017 and 2018 in the medium/long-term incentive plan for management.

ANALYSIS OF THE ECONOMIC AND FINANCIAL SITUATION OF ORSERO GROUP

The separate financial statements for Orsero and the consolidated financial statements for Orsero Group as at December 31, 2018 were prepared in accordance with international accounting standards (IAS-IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, including all International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

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

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

The consolidated financial statements show profit of Euro 8,002 thousand (as at December 31, 2017: Euro 13,035 thousand; as at December 31, 2017 pro-forma: Euro 15,083 thousand), of which Euro 7,974 thousand attributable to the Group (as at December 31, 2017: Euro 12,809 thousand; as at December 31, 2017 pro-forma: Euro 14,854 thousand) after depreciation, amortization, and provisions for Euro 15,379 thousand (as at December 31, 2017: Euro 13,635 thousand; as at December 31, 2017 pro-forma: Euro 15,318 thousand), charges related to the medium/long-term incentive plan for the management for Euro 2,142 thousand, the pro-rata results of the companies consolidated at equity for Euro 1,187 thousand and other net non-recurring charges, inclusive of the result of asset management (excluding the pro-rata results mentioned above), for Euro 2,821 thousand.

The Orsero separate financial statements show profit of Euro 4,041 thousand (as at December 31, 2017: profit of Euro 2,386 thousand), after depreciation, amortization, and provisions for Euro 220 thousand (as at December 31, 2017: 189 thousand), and accounting for dividends from the subsidiaries totaling Euro 8,000 thousand, and net non-recurring charges of Euro 122 thousand (as at December 31, 2017: charges of Euro 9,921 thousand).

Below is a breakdown of the main income statement items, almost all identifiable in the financial statements with the exception of the "Adjusted EBITDA", which is the main performance indicator used by the Group, as further explained and identified below. The Adjusted EBITDA is determined as the operating result (EBIT) less depreciation, amortization and provisions, non-recurring costs/income, and costs linked to the medium/long-term incentive plan for the management. The parameter thus determined does not consider net financial expenses, taxes, income and charges originating from the statement of financial position, as well as pro-rata gains/losses arising from the application of the equity method for associated companies and joint ventures.

As already noted in the previous financial statements, to allow for a consistent data comparison, the data for the year 2017 are presented alongside pro-forma data simulating and indicating the results that would be obtained if the acquisitions of the companies Fruttital Firenze, Galandi and Hermanos Fernández López had taken place as of January 1 instead of July 1, as they actually took place and are thus reflected in the 2017 financial statements according to IAS-IFRS. This approach was also used to draft the analogous pro-forma data for the 2017 financial report, in order to highlight the income statement data, mainly revenues and Adjusted EBITDA, for the entire year, achieved by the Group in the current configuration after the acquisition of the aforesaid companies. The analysis of the differences identified between the data as at December 31, 2018 and the pro-forma data as at December 31, 2017 is shown in the following tables.

Thousands of Euro	31.12.2018	31.12.2017 Pro-forma	31.12.2017
Net Sales	952,756	937,830	819,124
Adjusted Ebitda	32,857	31,337	26,255
Adjusted Ebit	17,478	16,019	12,620
Operating Result (Ebit)	11,352	11,255	7,880
Effect "step acquisition" ex IFRS 3**	-	18,491	17,482
Net financial expenses	(2,461)	(2,658)	(2,579)
Net income (loss) from equity investments*	1,163	(8,464)	(8,007)
Share of Profit of JV and Associated company*	1,187	957	1,912
Profit before tax	11,241	19,582	16,689
Net Profit from continuing operations	8,002	15,083	13,035
Net Profit of "Discontinued Operations"	-	-	-
Net Profit	8,002	15,083	13,035
Adjusted Net Profit	11,844	8,657	n.s.

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

** Please note to the fact that the income of euro 18,491 thousand at 31 December 2017 Pro-forma and euro 17,482 thousand at 31 December 2017 represents a non-monetary and non-recurring effect of significant impact on net profit of the period and it's included in the "Net income (loss) from equity investments".

Economic trends were positive in 2018, marking an improvement with respect to the pro-forma data from the previous year in terms of turnover, up by 1.6%, as well as Adjusted EBITDA, up by 4.9%.

As in the previous year, the improvement was thanks to trends in the distribution sector, marking stable growth for several years now, which more than offset the decline in the Import & Shipping Sector, which continued to be impacted by low profit margins on bananas and pineapples, and a result from maritime operations penalized by the high cost of bunker and repeated logistical difficulties in Central American ports of embarkation.

The difference, in terms of net profit/loss, of Euro 7,080 thousand with respect to the pro-forma result as at December 31, 2017 and of Euro 5,032 thousand with respect to the reported result from 2017 is essentially 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"), totaling Euro 18,491 in the pro-forma results and Euro 17,482 thousand in the reported results, connected to the acquisitions mentioned multiple times above as well as the non-recurring item of Euro 8 million relating to the Intesa guarantee linked to the disposal in 2017 of the Moño Azul equity investment, net of which the improvement in the final net result of the period with respect to the pro-forma figure results from:

- the operational improvement (measured by the Adjusted EBITDA) amounting to Euro 1,520 thousand;

- higher amortization/depreciation and provisions of Euro 61 thousand;
- reduction in financial expenses and net exchange differences of Euro 197 thousand;
- improved pro-rata result of the companies measured at equity of Euro 230 thousand;
- lower net non-recurring expenses of Euro 264 thousand;
- lower taxes for Euro 1,260 thousand.

In addition, to provide a comparison with the 2017 pro-forma figures that is easier to read and at the same time easier to understand, the table below shows the improvement in terms of the Adjusted net profit net of non-recurring components inclusive of taxes.

Thousands of Euro	2018	2017 Pro-forma	Change
Net profit	**8,002**	**15,083**	**(7,080)**
Effect "step acquisition" ex IFRS 3	-	(18.492)	18,492
Effect guarantee Intesa Sanpaolo	-	8,000	(8,000)
Figurative cost of Stock Grant, net of tax	1,628	1,769	(141)
Other non-recurring profit/loss, net of tax	2,214	2,297	(83)
Adjusted Net Profit	**11,844**	**8,656**	**3,187**

The comparison is made at pro-forma level as the result of the companies consolidated at equity in the 2017 reported financial statements, reporting as a share of the result that of the Tuscan companies and Hermanos Fernández for the first half of 2017, would not be consistent and therefore would not be comparable.

The table below outlines the contributions to turnover from the different operating sectors: as outlined, the sales of the Distribution Sector were up. Revenues in the Import & Shipping sector fell due to lower banana and pineapple sale prices, despite stable volumes for bananas and a slight increase for pineapples, offset for the most part by higher revenues from maritime operations, up by 7% compared to the previous year, albeit penalized by an exchange rate with the US dollar - the currency in which freight fee values are typically denominated - which went from an average of 1.13 USD/Euro in 2017 to 1.18 USD/Euro in 2018, thanks to the rise in volumes transported.

Thousands of Euro	31.12.2018	31.12.2017 Pro-forma	31.12.2017
"Distribution" Segment	869,118	851,615	717,506
"Import & Shipping" Segment	210,631	217,983	217,983
"Services" Segment	14,002	13,363	13,363
Net Sales Inter-segment	(140,995)	(145,131)	(129,728)
Net Sales	**952,756**	**937,830**	**819,124**

The table below shows the results in terms of Adjusted EBITDA and highlights the positive and stable performance of the Distribution sector, whose profit margins are appreciably continuous over time, on which the Group bases its "mission" of growth and development. For the Import & Shipping Sector, the decline is essentially linked to maritime activity which was penalized, as already noted, by a level of freight fees which only in 2019 are starting to show signs of a possible recovery, and repeated problems at

Central American ports of embarkation, which indeed made it impossible to respect travel schedules throughout the year, evidently hindering efficient business management as well as requiring extraordinary freight contracts for additional ships at multiple times during the year to handle travel schedules that could not otherwise be managed.

Thousands of Euro	31.12.2018	31.12.2017 Pro-forma	31.12.2017
"Distribution" Segment	31,114	29,083	24,001
"Import & Shipping" Segment	5,710	7,060	7,060
"Services" Segment	(3,967)	(4,806)	(4,806)
Adjusted Ebitda	**32,857**	**31,337**	**26,255**

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

Thousands of Euro	31.12.2018	31.12.2017 Pro-forma	31.12.2017
Fixed Assets	165,453	161,252	159,290
Net Working Capital	32,447	43,002	43,002
Other current assets/(liabilities)	(11,654)	(12,026)	(12,058)
Net Invested Capital	186,426	192,228	190,233
Total Shareholders' Equity	150,178	145,741	143,747
Net Financial Position	36,068	46,487	46,487

The main changes in the financial structure with respect to December 31, 2017, summarized in the change in the net financial position from Euro 46,487 thousand to Euro 36,068 thousand, are linked to net investments made during the period in tangible and intangible assets, close to Euro 12.8 million, the payment of the Orsero dividend, and the decline in net working capital (considering that it benefitted from a favorable collection and payment situation around the date of December 31).

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

Financial Highlights	31.12.2018	31.12.2017 Pro-forma	31.12.2017
Net Financial Position/Total Shareholders' Equity	0.24	0.32	0.32
Net Financial Position/Adjusted Ebitda	1.10	1.48	1.77

Note that the Net financial position is calculated as the algebraic sum of the following items: cash and cash equivalents, non-current/current financial payables, 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 "Receivables and other current assets".

COMMENTARY ON PERFORMANCE OF THE BUSINESS SECTORS

In the course of 2018, the Group, from an operational perspective, focused on consolidating the results of the Distribution sector as well as on the transactions of the companies Fruttital Firenze, Galandi and Hermanos Fernández López acquired in the previous year, with a special focus on 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, particularly in the Italian market, 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.

The 2018 consolidated income statement, in its main indicators of turnover and Adjusted EBITDA, takes into account the economic performance of Orsero Group in its current perimeter, focused on the activities of the two sectors of "Distribution" and "Import & Shipping", true core business of the company.

As illustrated below, the year 2018 recorded, with respect to the previous year, a regular and constant trend in the Distribution sector, albeit with the normal variations from one country to another based on the performance of the different fruit and vegetable campaigns, and a weaker performance in Import & Shipping, affected primarily by an increase in the costs of bunker and logistical issues linked to ports of embarkation in Central America, against improving banana import trends.

The information required by IFRS 8 is provided below, broken down by "sector of activity". The operating areas identified by Orsero Group are defined as the sectors of activity that generate net sales and costs, the results of which are periodically reviewed by the highest decision-making level for assessment of performance and decisions regarding allocation of resources. As already outlined, for a better disclosure, the comparison with the consolidated income statement results as at December 31, 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 results of the 2017 consolidated financial statements and the 2017 pro-forma consolidated statements highlight the positive contribution of the acquired Tuscan and Spanish companies and, in terms of non-recurring results, the recognition in the income statement item "Equity/financial result", according to IFRS 3, of the higher fair value - equivalent to the acquisition value - of the 50% already held in said companies, expressed based on the respective pro-rata portion of shareholders' equity.

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

- Distribution Sector
- Import & Shipping Sector
- Services Sector

The table below provides a general overview of the performance of the different sectors in the two-year period 2017-18.

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

Thousands of euro	Distribution	Import&Shipping	Services	Orsero / eliminations	Total
Net Sales 31.12.2018	869,118	210,631	14,002	(140.995)	952,756
Net Sales pro-forma 31.12.2017	851,615	217,983	13,363	(145.131)	937,830
Net sales 31.12.2017	717,506	217,983	13,363	(129.728)	819,124
Change	17,503	(7,352)	639	4,136	14,926
Adjusted EBITDA 31.12.2018	31,114	5,710	(3,967)	-	32,857
Adjusted EBITDA pro-forma 31.12.2017	29,083	7,060	(4,806)	-	31,337
Adjusted EBITDA 31.12.2017	24,001	7,060	(4,806)	-	26,255
Change	2,031	(1,350)	839	-	1,520
NFP 31.12.2018	N.d.	N.d.	N.d.	N.d.	36,068
NFP 31.12.2017	N.d.	N.d.	N.d.	N.d.	46,487
Change					(10,419)

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

Distribution Sector

Thousands of Euro	31.12.2018	31.12.2017 Pro-forma	31.12.2017
Net Sales	869,118	851,615	717,506
Contribution margin	103,485	100,049	85,086
% Contribution margin	11.91%	11.75%	11.86%
Adjusted Ebitda	31,114	29,083	24,001
% Adjusted Ebitda	3.58%	3.42%	3.35%
Net Profit	15,467	12,626	10,632

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

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

The widespread presence in the regions, with specialized platforms in the processing and storage of fresh produce, allows the Company to serve both traditional wholesalers/markets and mass distribution (GDO), with different mixes in different countries depending on the higher (e.g. France) or lower (e.g. Spain) incidence of GDO on these markets. At global level, mass distribution sales accounted for around 61%, against 57% in the year 2017, through growth in sales to that segment which regarded all companies to a certain extent and which made significant progress in Spain, where new distribution channels were activated with some of the largest mass distribution chains.

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 sectors shown below in that it includes a specific indicator for the distribution sector, the "1st sales margin", also referred to as the contribution margin, which in distribution companies constitutes the main indicator used to monitor business activity. The "1st sales margin" represents the difference between net sales and the direct costs of the products sold (meaning the purchase costs of the goods, plus incoming and outgoing cargoes, customs duties and packaging costs) where it is considered that these costs represent most of the costs incurred by the company and therefore the positive or negative changes in the 1st margin tend to be reflected almost entirely on the profit or loss for the year. The growth in turnover compared to the previous year and the better margins achieved in sales constitute the "driver" of the increase in the contribution margin of Euro 3,436 thousand compared to 2017 pro-forma, and growth in percentage terms from 11.75% to 11.91%.

As concerns sales trends, the most significant increase compared to 2017 was in Spain, where revenue rose by nearly 18% thanks to higher volumes (+11% close to almost 200,000 tons sold) and average unit prices, made possible by the increased contribution of sales to mass distribution chains and the favorable performance of several product campaigns. Turnover in Italy was substantially stable, while instead it declined in France (linked to the performance of several campaigns) and Portugal, in this case due to the adoption of a different commercial strategy which led to a significant recovery in profitability.

In terms of profit margins, careful sales activities and increasingly more effective cost control allowed for a general improvement in profitability at both 1st sales margin level, up from 11.75% to 11.91% of turnover, and Adjusted EBITDA level, which went up from

3.42% to 3.58% of turnover. In this area, satisfactory performance was 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 at the basis of the improvement in the net result, up by Euro 2,841 thousand compared to December 31, 2017 (pro-forma) due to:

- the operational improvement (measured by the Adjusted EBITDA) amounting to Euro 2,031 thousand;
- lower amortization/depreciation and provisions for Euro 14 thousand;
- reduction in financial expenses and net exchange differences of Euro 855 thousand;
- higher net non-recurring expenses of Euro 358 thousand;
- lower taxes for Euro 300 thousand.

Import & Shipping Sector

Thousands of Euro	31.12.2018	31.12.2017 Pro-forma*	31.12.2017*
Net Sales	210,631	217,983	217,983
Adjusted Ebitda	5,710	7,060	7,060
% Adjusted Ebitda	2.71%	3.24%	3.24%
Net Profit	(3,989)	(455)	(455)

*Since the 2017 acquisition concerns companies belonging to the Distribution for the other segments there isn't a difference between the data of the 31.12.2017 Pro-forma and 31.12.2017 reported

The import and sale of bananas and pineapples is one of the Group's main activities as a whole because of the importance and weight of these items within the range of fruit and vegetables and the fact, not inconsiderable in terms of stability of the operational cycle, of their availability throughout the year. The Group supplies bananas and pineapples as a result of long-term relationships established with the most important producers based in the Central American countries and, for a portion of the banana product, in Africa. Bananas and pineapples 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 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 sector showed a decline with respect to the previous year, determined by a slight improvement 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, in a context of essentially stable volumes - bananas were -1.4% and pineapples +3.2% - note the significant growth of top of the line "Fratelli Orsero" bananas and pineapples, the percentage of which out of total boxes sold improved

considerably in both cases with respect to 2017. However, due to market conditions, the unit sale prices recorded over the year were generally lower than those of the previous year, resulting in the decrease in turnover, but due to the more normal trend in sales, profit margins measured by Adjusted EBITDA improved slightly overall.
As concerns maritime transport activities, traffic volumes were higher in 2018 in terms of pallets of fruit and "dry" containers, the latter transported on the west-bound route. In excess of 492 thousand pallets of fruit were transported, up by 10% compared to the previous year, for a load factor of 91%. The level of unit freight fees rose by 2% expressed in US dollars, but fell by 3% when expressed in euro due to the difference in the euro/US dollar exchange rate, which went from an average of 1.13 in 2017 to 1.18 in 2018, insufficient to cover the impact of bunker costs which rose year-on-year by nearly one-third, from USD 313/ton on average in 2017 to USD 414/ton on average in 2018, values which were offset only in part by hedges put into place by the Group. It should also be observed that two types of factors influenced the unsatisfactory results during the 2017-18 two-year period when compared with those of previous years: the first is represented by the competition of several navigation companies that started container ship transport services along the same route, and the second is the logistical difficulties arising from situations taking place at ports of fruit embarkation in Costa Rica and Colombia. For both, it seems that a solution is being reached, given the recovery in freight fees in this first part of 2019, and the upcoming completion of the new Moin terminal, which should put an end to the unloading/embarkation issues seen in the last two years. Indeed, from the logistical perspective, the repeated delays and waits required at ports of embarkation made it necessary for the ships to travel at full speed in the last few years, rather than at eco-speed, in an attempt to respect the 28-day round-trip travel schedule, which obviously increased bunker consumption as well as costs. Furthermore, in 2018, excessive delays meant that multiple times additional ships needed to be rented to handle schedule delays that could no longer be made up for, incurring Euro 1,884 thousand in non-recurring costs.

The reduced operating profitability impacted the net result, down by Euro 3,534 thousand compared to the previous year due to:

- lower operating performance measured by the Adjusted EBITDA amounting to Euro 1,350 thousand;
- higher amortization/depreciation and provisions of Euro 28 thousand;
- higher financial expenses and net exchange differences of Euro 630 thousand;
- higher net non-recurring expenses of Euro 1,988 thousand;
- lower taxes for Euro 463 thousand.

Services Sector

Thousands of Euro	31.12.2018	31.12.2017 Pro-forma*	31.12.2017*
Net Sales	14,002	13,363	13,363
Adjusted Ebitda	(3,967)	(4,806)	(4,806)
Net Profit	(7,925)	(5,342)	(5,342)

*Since the 2017 acquisition concerns companies belonging to the Distribution for the other segments there isn't a difference between the data of the 31.12.2017 Pro-forma and 31.12.2017 reported

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.

For this sector, the gross margin indicator is not significant as almost all of the costs are included in the overhead and administrative costs. The Adjusted EBITDA of the sector typically has a negative sign, because, in view of the Parent Company's nature as a holding company, the income and ultimately the profit or loss for the year are tied to the dividends received from Group companies. Compared to 2017, there were lower advertising costs of the Orsero brand, 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 are subject to a more effective match between the costs incurred and the results achieved.

Please note that the result for this sector does not appear to be very significant as it was impacted by components, such as intercompany dividends and impairment, that were eliminated on consolidation.

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

The Orsero separate financial statements as at December 31, 2018 show profit of Euro 4,041 thousand (as at December 31, 2017: profit of Euro 2,386 thousand), after depreciation, amortization, and provisions for Euro 220 thousand (as at December 31, 2017: Euro 189 thousand), dividends collected for Euro 8,000 thousand, and non-recurring charges recorded for Euro 122 thousand.

The following are details of the main income statement items:

Thousands of Euro	31.12.2018	31.12.2017
Net Sales	3,314	3,862
Adjusted Ebitda	(4,789)	(5,205)
Adjusted Ebit	(5,009)	(5,394)
Ebit	(7,272)	(17,644)
Non recurring income/(expenses)	(122)	(9,921)
Dividends*	8,000	24,850
Net income (loss) from equity investments*	1,717	(3,876)
Profit before tax	1,249	1,945
Net Profit from continuing operations	4,041	2,386
Net Profit of "Discontinued Operations"	-	-
Net Profit	4,041	2,386

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

In 2018-2017 Orsero S.p.A. posted positive results thanks to the contribution of dividends received from Group companies. There was a sharp decline in balance sheet and non-recurring components in 2018 compared to the previous year in which, as reported in the 2017 financial statements, higher dividends collected were offset by expenses of Euro 1,570 thousand linked to the “Significant Transaction” with Glenalta, as well as the write-off of the receivable due from Reefer Terminal Sète S.A. following its liquidation and the write-off of the Euro 8 million receivable due from the related company Argentina S.r.l. linked to the guarantee for an equal amount paid to Intesa San Paolo as part of the disposal of the Argentinian company Moño Azul S.A. Comparing the Orsero results as at December 31, 2018 with the corresponding data from 2017, it can be seen that the result of ordinary operations, net of dividends received, reflects especially the decrease in advertising costs associated with Orsero brand promotion due to a change in the communication strategy, which is now focused on digital products with less of an impact in terms of costs and the results of which are easier to assess. The company recognized Euro 2,142 thousand in costs related to the medium/long-term incentive plan, charges which were not included in the “Adjusted EBITDA” and “Adjusted EBIT” indicators. Orsero S.p.A. collected dividends amounting to Euro 8,000 thousand as at December 31, 2018.

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

Thousands of Euro	31.12.2018	31.12.2017
Fixed Assets	171,627	170,939
Net Working Capital	50,594	10,562
Net Invested Capital	222,221	181,501
Total Shareholders' Equity	161,742	158,258
Net Financial Position	60,479	23,242
Net Financial Position/Total Shareholders'Equity	0.37	0.15

The decrease in fixed assets was mainly due to the effect of amortization and depreciation for Euro 220 thousand, the liquidation of Siter Trasporti S.r.l. for Euro 566 thousand and the disposal of the company Cultifruit S.r.l. for Euro 140 thousand, partially offset by operating investments of Euro 386 thousand.

Net invested capital rose due to the increase in financial receivables relating to cash pooling current accounts managed centrally by the Parent Company, to a large extent linked to the increase in the net financial position due to the above-mentioned medium/long-term debt refinancing, which resulted in the transfer to Orsero S.p.A. of the loan previously held by the sub-holding company GF Distribuzione S.r.l.

The change in Shareholders' Equity between 2017 and 2018 is due to (1) the payment of the dividend for Euro 2,036 thousand, (2) the recognition in a dedicated reserve of the value of shares linked to the medium/long-term incentive plan, (3) the acquisition of treasury shares in 2018 according to the guidelines of the "buy-back" plan approved by the competent bodies, (4) the recognition of the "mark-to-market" of the hedging derivative on the outstanding loan of Euro 60 million and other minor changes.

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

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

Thousands of euro	Share capital and reserves at 31.12.2018	Net Profit 2018	Total Shareholders' equity at 31.12.2018
Orsero S.p.A. (Parent company)	**157,701**	**4,041**	**161,742**
Net profits and reserves of subsidiaries	(59,073)	8,529	**(50,544)**
Net profits and reserves of associates and joint ventures using equity method	(296)	1,187	**891**
Dividends distributed by consolidated companies to the Parent company	18,099	(18,099)	**-**
Consolidation differences	32,085	-	**32,085**
Elimination of capital gain and/or other transactions carried out by subsidiaries	(6,340)	12,344	**6,004**
Total shareholders' equity	**142,176**	**8,002**	**150,178**
Minorities	446	29	475
Group equity	**141,730**	**7,974**	**149,704**

RISK PROFILES OF THE BUSINESS, CONTROL SYSTEMS, ENVIRONMENT

The Orsero Group's business is focused on the import and distribution of fruit and vegetables, alongside the activities in the sectors of transport and services over time.

Risks associated with the external market

Risks associated with the macroeconomic performance

The economic results and the financial position of the Orsero Group as a company are influenced by various factors that reflect the macroeconomic trend, including consumption trends, labor costs, as well as the trend in interest rates and currency markets. As the core business of the Group is the sale of fresh fruit and vegetables, a sector tied to primary consumption and as such substantially stable and not sensitive to changes in the macroeconomic context, it is deemed that this risk profile is not significant, although the Group is constantly monitoring the international situation to be ready to possibly adapt its business strategies to consolidate its growth process.

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

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

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

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

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

Risks associated with the regulatory framework of reference

The Orsero Group is subject, in the various regions in which it operates, to legal provisions and technical standards applicable to the products sold. The issuance of new regulations or amendments to existing regulations could require Orsero Group to adopt stricter standards, which could involve the costs of adjusting procedures for carrying out the various activities or even temporarily limiting the operation of Orsero Group, with possible repercussions on the economic, financial and equity situation. The Group is currently carefully monitoring the situation concerning the introduction as of 2020 of new ship fuel with a lower sulfur content, which has been established as a mandatory requirement internationally in order to improve environmental protections. The issues linked to this new fuel basically relate to its availability and higher cost.

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

Strategic and operational risks

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

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

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

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

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

In order to manage the risk of cost fluctuations, linked to fluctuations in the price of oil, Orsero Group, in line with the practice of the shipping sector, stipulates, where possible and based on agreements reached with customers, transport contracts with the "bunker adjustment factor" (BAF) clause that allows an adjustment of the transport price depending on the increase or decrease of the bunker price.

It should also be noted that to reduce the risk of significant price fluctuations, the Orsero Group generally stipulates hedging contracts for part of its bunker consumption according to the best strategies identified.

Risks associated with dependence on distribution channels

The Orsero Group's turnover depends significantly on sales to both Mass Distribution (GDO) and traditional wholesalers. In particular, in 2018, Orsero Group's turnover from GDO was approximately 61% (57% in 2017) of turnover in the distribution sector, or 56% of the Group's total consolidated turnover. It should be noted that contracts with the GDO are governed by framework agreements, which regulate the main specific characteristics of the product being delivered. Except for specific cases, product volumes and prices are defined on a weekly basis, also in order to manage some factors not necessarily related to the product such as the Euro/Dollar exchange rate or the cost of oil that affects the transport cost.

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

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

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.

Risks associated with loan agreements

The Orsero Group has some short-term and medium-term loan agreements with some of the major banking institutions, which envisage in the coming years a repayment plan for its debt adjusted for expected revenue flows, together with a low interest rate. With the refinancing operation concluded in 2018, the Group was able to reschedule the overall duration of its medium-term debt, extending it with respect to existing loans and concentrating relationships with a more limited group of national and international institutions with which to engage in strategic, long-term relations.

Risks of default and "covenants" on the debt

The Group has lending agreements 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 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 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

Against the payment of the guarantee to Intesa Sanpaolo, already reported in the Financial Statements for 2017 and mentioned in other parts of this report, the guarantees provided in favor of the related companies K-air S.p.A. and Nuova Beni Immobiliari S.r.l. remain in place - also originating from the agreements reached to finalize the merger with Glenalta - equivalent to Euro 1,152 thousand and Euro 288 thousand, for which there is no significant risk profile at present, as there is the concrete possibility of recovering directly from these companies any amounts that may be disbursed by the Group against these guarantees.

Legal and compliance risks

Risks associated with potential environmental damages

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

Risks associated with the administrative liability of legal entities

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

Risks associated with the adequacy of the internal control system

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

OTHER INFORMATION

Financial disclosure and relations with Shareholders

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

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

Tax consolidation

All Italian subsidiaries participate in the "tax consolidation" system headed by Orsero, in accordance with arts. 117 et seq. of the TUIR Tax Code.

Workforce

The Notes provide an indication of the average staff employed by the Group in the years 2017 and 2018. 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 sector, with innovative economic/financial planning instruments necessary to meet some of the requirements for access to the MTA market within the current year.

Disclosure about "State aid"

In accordance with art. 1, paragraph 125 of the Law of August 4, 2017, paragraph 124 and with art. 3-quater, paragraph 2, of Legislative Decree no. 135 of December 14, 2018 it should be noted that some Italian companies of Group Orsero have received State aid that should be subject to disclosure requirement under the national register of State aid.

In addition, in compliance with the Law no. 124/2017, paragraph 125 of August 4, 2017 the detail of contributions cashed in 2018 broken down by project is provided.

Competent Agency	Laws of reference	Thousands of €
Istituto Nazionale Previdenza Sociale	Social contribution exemptions as per Laws 205/17	4
Istituto Nazionale Previdenza Sociale	Social contribution exemptions as per Laws 208/15	14
Istituto Nazionale Previdenza Sociale	Social contribution exemptions as per Laws 190/14	86
Gestore Servizi Energetici	D.lgs. 387/2003 - D.M. 19/02/2007 (II° Energy Account)	516
Gestore Servizi Energetici	D.lgs. 28/2011 - D.M. 05/05/2011 (IV° Energy Account)	112
Minitero dello Sviluppo Economico / Ministero dell' Economia e delle Finanze	D.L. 145/2013 - Tax credit for Research & Development activities	552
TOTAL STATE AID		**1,284**

Treasury shares

As at December 31, 2018, the Group held 752,387 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. It should be noted that the objective for 2018 set out in the medium/long-term incentive plan for management was achieved, although partially, determining the assignment to the various beneficiaries of 153,335 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 2,142 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.

As at December 31, 2018, the Group does not hold, directly or indirectly, shares in parent companies and it did not acquire or sell shares in parent companies during the year.

Transactions with related parties

In accordance with the provisions of the Regulation adopted by Consob with Resolution no. 17221 of 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.

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

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

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

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

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

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

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

Investments during the year

The Group's investments in intangible and tangible assets during the year totaled Euro 16,743 thousand and essentially involved the development, testing, and engineering of the new integrated ERP system, the acquisition and set-up of plants for the production of fresh cut products, the modernization of plants at the French and Spanish warehouses, and the acquisition of the orchard ("Chacra 23") as part of the "Argentina" operation mentioned a few times previously, in addition to the ordinary plant renovation as shown in the following table. It should be noted that a significant portion of investments, Euro 3.1

million, is represented by the conversion of pre-existing receivables which therefore did not entail any financial outlay.

Details of the investments made by the Group in 2018 in tangible and intangible assets, broken down by sector, are provided below.

INVESTMENTS				
Thousands of euro	**"Distribuzione" Segment**	**"Import&Shipping" Segment**	**"Services" Segment**	**Total**
Intellectual property rights	1,234	-	77	1,312
Concessions, licenses and trademarks	75	-	218	293
Assets in progress and advances	370	-	-	370
Other intangible assets	5	-	6	11
Total investments in intangible assets	**1.685**	**-**	**301**	**1,986**
Land and buildings	2,935	-	-	2,935
Plantations	2,068	-	-	2,068
Plant and machinery	6,515	42	-	6,557
Industrial and commercial equipments	227	-	-	227
Other tangible assets	1,394	140	520	2,053
Assets in progress and advances	917	-	-	917
Total investments in tangible assets	**14,056**	**181**	**520**	**14,757**
Total investments	**15,740**	**181**	**821**	**16,743**

Significant events after the 2018 closing

In the first months of the year, alongside the completion of the acquisition of Sevimpor in the opening days of January, announced with a press release issued last September 20, Fruttica was also acquired, as also disclosed to the market with the press release of March 12. The Fruttica Group is an important French business with turnover of roughly Euro 24 million, active in marketing an Italian produced grape as well as melons, pears and nationally produced vegetables. With this acquisition, the Group is hoping to expand its distribution activities by strengthening its presence in the French market while also expanding its "sourcing" diversification and the range of products marketed. In addition, the fact that key figures from Fruttica will remain within the Group will make it possible to ensure continuity of management within the newly acquired company and make a significant contribution to the Group's commercial organization in France.

Furthermore, as of January 1, 2019 the new IFRS 16 became effective, governing the accounting representation of rental agreements and operating leases in the same manner as finance leases, i.e., specifying the asset right of use in the assets against the corresponding financial commitment (payable). The Company has completed its project for the preliminary assessment of potential impacts of the application of the new standard at the transition date (January 1, 2019). In particular, with respect to lease agreements previously classified as operating leases, the Company will account for:

a) a financial liability, equal to the present value of residual future payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract, amounting to Euro 59,387 thousand;
b) a right of use equal to the value of the financial liability at the transition date for the same amount of Euro 59,387 thousand.

From the economic perspective, the replacement of expenses from rent and leases with the respective amortization and financial expenses will result in an expected improvement of Euro 8,619 thousand in Adjusted EBITDA (also see pages 66 et seq.).

Outlook for the Orsero Group

In recent 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 sector 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 acquisitions in the last year, and makes it possible to weigh up future acquisitions in areas in which the Group intends to grow in the short/medium-term, obviously remaining very attentive to ensure that what is requested by the sellers of potential target companies is correct and adequate to the risk profile of said activities. These potential operations are possible also thanks to an overall refinancing of medium/long-term debt carried out by the Parent Company in the course of 2018 as, by rescheduling repayment flows in the next 5 years, this will make it possible to obtain the proper cash flows necessary to that end.

In the period immediately ahead, while we will remain attentive to possible opportunities for growth through new acquisitions, we expect to continue to focus on achieving operating synergies and a progressively improving the efficiency of the structure, in order further to enhance the Company’s stability and value.

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018 OF ORSERO S.P.A. - PROPOSED RESOLUTION

Shareholders,

Following your review of the financial statements as at December 31, 2018, we propose:

1) approving the financial Statements as at December 31, 2018 of Orsero S.p.A.;
2) allocating the 2018 profit of Euro 4,041,242 as follows:

- a gross dividend to Shareholders of Euro 0.12 for each of the 16,930,113 ordinary shares (net of treasury shares) for a total of Euro 2,031,614;
- Euro 202,063 to the legal reserve;
- the remainder of Euro 1,807,565 to the extraordinary reserve.

On behalf of the Board of Directors
The Chairman
Paolo Prudenziati

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

GRUPPO ORSERO

Consolidated statement of financial position

Thousands of euro	NOTES	31/12/2018	31/12/2017
ASSETS			
Goodwill	1	32,975	33,103
Other intangible assets	2	5,057	7,956
Tangible assets	3	103,145	100,994
Financial investments	4	8,919	7,959
Other fixed assets	5	6,080	1,489
Deferred tax assets	6	9,277	7,788
NON-CURRENT ASSETS		**165,453**	**159,290**
Inventories	7	35,838	33,498
Trade receivables	8	109,360	112,898
Current tax receivables	9	17,210	15,564
Other current assets	10	9,014	8,970
Cash and cash equivalent	11	76,285	79,893
CURRENT ASSETS		**247,706**	**250,823**
Assets held for sale		-	-
TOTAL ASSETS		**413,160**	**410,113**
Share Capital		69,163	69,163
Reserves		72,567	60,690
Net profit		7,974	12,809
Group equity	**12**	**149,704**	**142,662**
Minorities	**13**	**475**	**1,084**
TOTAL SHAREHOLDERS' EQUITY		**150,178**	**143,747**
LIABILITIES			
Non-current financial liabilities	14	82,984	76,208
Other non-current liabilities	15	482	166
Deferred tax liabilities	16	5,451	5,527
Provisions for risks and charges	17	2,697	2,968
Employees benefits liabilities	18	8,559	8,785
NON-CURRENT LIABILITIES		**100,173**	**93,655**
Current financial liabilities	14	29,387	50,192
Trade payables	19	112,751	103,395
Current tax and social security contributions liabilities	20	7,316	6,201
Other current liabilities	21	13,354	12,923
CURRENT LIABILITIES		**162,808**	**172,712**
Liabilities held for sale		-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**413,160**	**410,113**

Consolidated income statement

Thousands of euro	NOTES	Year 2018	Year 2017
Net sales	22	952,756	819,124
Cost of goods sold	23	(874,801)	(750,663)
Gross profit		**77,956**	**68,461**
Overheads	24	(67,016)	(59,602)
Other income and expenses	25	412	(978)
Operating result (Ebit)		**11,352**	**7,880**
Net financial expenses	26	(2,461)	(2,579)
Net income (loss) from equity investments	27	2,350	11,387
Profit before tax		**11,241**	**16,689**
Tax expenses	28	(3,239)	(3,654)
Net profit from continuing operations		**8,002**	**13,035**
Net profit of "Discontinued operations"		-	-
Net profit		**8,002**	**13,035**
attributable to non-controlling interests		**29**	**226**
attributable to parent company		**7,974**	**12,809**
Earnings per share "base" in euro	29	**0,470**	**0,885**
Earning per share "Fully Diluted" in euro	29	**0,462**	**0,800**

Consolidated comprehensive income statement

Thousands of euro	Year 2018	Year 2017
Net profit	**8,002**	**13,035**
Items that may not be subsequently reclassified to net profit or loss	151	(300)
Items that may be subsequently reclassified to net profit or loss	(1,340)	(66)
Total comprehensive income	**6,813**	**12,669**
attributable to non-controlling interests	**29**	**226**
attributable to parent company	**6,785**	**12,443**

Consolidated cash flow statement

Thousands of euro	Notes	Year 2018	Year 2017
A. Net cash flows provided by (used for) operating activities			
Net profit		**8,002**	**13,035**
Income taxes	28	3,239	3,654
Net financial expenses	26	2,461	2,579
Dividends		-	-
(Earnings)/losses from disposal of assets		-	-
1. Net Profit before Tax, Interests, Dividends and (earnings)/losses from disposal of assets		**13,702**	**19,268**
Non-cash adjustments not related to working capital:			
Provisions	23-24	1,706	2,073
Depreciations and Amortizations	23-24	13,673	11,562
Impairment of assets		-	-
Other non-cash adjustments		-	-
2. Cash flows before working capital changes		**29,081**	**32,903**
Changes in Working Capital:			
Change in inventories	7	(2,340)	(1,764)
Change in trade receivables	8	1,833	414
Change in trade payables	19	9,356	(6,201)
Other working capital changes		(378)	(5,539)
3. Cash flows after working capital changes		**37,551**	**19,813**
Other non-cash adjustments:			
Net financial expenses	26	(2,461)	(2,579)
Income taxes	28	(3,239)	(3,654)
Dividends		-	-
Change in Funds		-	-
4. Cash flows after other changes		**31,851**	**13,580**
Net cash flows provided by (used for) operating activities (A)		**31,851**	**13,580**
B. Net cash flows provided by (used for) investing activities			
Tangible assets			
(Investment)	3	(14,957)	(15,747)
Disposals	3	491	5,226
Intangible assets			
(Investment)	1-2	(1,962)	(30,625)
Disposals		3,631	-
Financial Investments			
(Investment)	4	(4,604)	(875)
Disposals	4	203	37,629
Financial assets			
(Investment)			-
Disposals	5-6	(6,085)	702
Disposals / (acquisitions) of investments in controlled companies, net of cash		794	(20,927)
Net cash flows provided by (used for) investing activities (B)		**(22,489)**	**(24,617)**
C. Net cash flows provided by (used for) financing activities			
Financial loans			
Increase /(decrease) of short term financial debts	14	(6,996)	7,994
Change of consolidation scope	14	-	9,923
Drawdown of new loans	14	91,992	20,839
Pay back of loans	14	(96,396)	(46,919)
Equity			
Capital Increase / Equity-like Instruments	12-13	763	62,699
Disposal/ (aquisition) of own shares	12-13	(297)	(701)
Dividends paid		(2,036)	-
Net cash flows provided by (used for) financing activities(C)		**(12,971)**	**53,835**
Increase/ (decrease) of cash and cash equivalent (A ± B ± C)		**(3,608)**	**42,798**
Net cash and cash equivalents, at beginning of the year	**11**	**79,893**	**37,095**
Net cash and cash equivalents, at end of the year	**11**	**76,285**	**79,893**

GRUPPO ORSERO

Consolidated statement of changes in shareholders' equity

Thousands of euro	Share Capital*	Treasury shares*	Equity investments' cost reserve*	Legal reserve	Share premium reserve	Other reserves	Currency translation reserve	Participative financial instruments (SFP) reserve	Remeasurement of defined benefit plans	Cash Flow Hedge reserve	Long-term incentive plan reserve	Retained earnings/ (losses)	Net profit	Total Shareholders' equity	Minorities
December 31, 2016	**13,000**	**-**	**-**	**200**	**-**	**-**	**858**	**83,811**	**(169)**	**-**	**-**	**(47,942)**	**18,215**	**67,973**	**741**
Allocation of reserves	-	-	-	-	-	-	-	-	-	-	-	18,215	(18,215)	**-**	
Capital increase	4,663	-	(153)	-	8,556	-	-	-	-	-	-	-	-	**13,065**	-
Glenalta's operation	51,500	(6,406)	-	(200)	72,000	13,246	-	(83,811)	-	-	-	1,979	-	**48,308**	-
Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	
Effect IAS 19	-	-	-	-	-	-	-	-	(300)	-	-	-	-	**(300)**	-
Change in fair value of CFH derivatives (bunker)	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Change in fair value of CFH derivatives (interest)	-	-	-	-	-	-	-	-	-	(66)	-	-	-	**(66)**	-
Purchasing treasury shares	-	(702)	-	-	-	-	-	-	-	-	-	-	-	**(702)**	-
Long-term incentive plan	-	-	-	-	-	-	-	-	-	-	2,328	-	-	**2,328**	-
Change of consolidation scope	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	261
Other changes	-	-	-	-	-	(802)	(2,468)	-	(116)	-	-	2,633	-	**(754)**	(144)
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	12,809	**12,809**	226
December 31, 2017	**69,163**	**(7,108)**	**(153)**	**-**	**80,556**	**12,444**	**(1,610)**	**-**	**(586)**	**(66)**	**2,328**	**(25,115)**	**12,809**	**142,662**	**1,084**

Thousands of euro	Share Capital**	Treasury shares**	Equity investments' cost reserve**	Legal reserve	Share premium reserve	Other reserves	Currency translation reserve	Participative financial instruments (SFP) reserve	Remeasurement of defined benefit plans	Cash Flow Hedge reserve	Long-term incentive plan reserve	Retained earnings/ (losses)	Net profit	Total Shareholders' equity	Minorities
December 31, 2017	**69,163**	**(7,108)**	**(153)**	**-**	**80,556**	**12,444**	**(1,610)**	**-**	**(586)**	**(66)**	**2,328**	**(25,115)**	**12,809**	**142,662**	**1,084**
Allocation of reserves	-	-	-	119	-	230	-	-	-	-	-	10,423	(10,772)	**-**	-
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Loss allowance	-	-	-	-	-	(1,195)	-	-	-	-	-	1,195	-	**-**	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(2,036)	**(2,036)**	
Effect IAS 19	-	-	-	-	-	-	-	-	120	-	-	-	-	**120**	-
Change in fair value of CFH derivatives (bunker)	-	-	-	-	-	-	-	-	-	(1,061)	-	-	-	**(1,061)**	-
Change in fair value of CFH derivatives (interests)	-	-	-	-	-	-	-	-	-	(214)	-	-	-	**(214)**	-
Purchasing treasury shares	-	(297)	-	-	-	-	-	-	-	-	-	-	-	**(297)**	-
Long-term incentive plan	-	-	-	-	-	-	-	-	-	-	2,142	-	-	**2,142**	-
Change of consolidation scope	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(667)
Other changes	-	-	-	-	-	(55)	(18)	-	-	-	-	486	-	**413**	29
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	7,974	**7,974**	29
December 31, 2018	**69,163**	**(7,405)**	**(153)**	**119**	**80,556**	**11,424**	**(1,628)**	**-**	**(465)**	**(1,340)**	**4,470**	**13,011**	**7,974**	**149,704**	**475**

(*) Espression of the share capital according to IAS 32, net of treasury shares for €/000 7,108 and equity investments'costs for €/000 153

(**) Espression of the share capital according to IAS 32, net of treasury shares for €/000 7,405 and equity investments'costs for €/000 153

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

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

Group Structure

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

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

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

Statement of compliance and preparation criteria

The Group consolidated financial statements as at December 31, 2018 have been drawn up based on art. 3, paragraph 2 of Legislative Decree no. 38 of 28/02/2005, according to the International Accounting Standards issued by the International Accounting Standards Board (IASB) and approved by the European Commission, including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the previous Standing Interpretations Committee (SIC). The Group's consolidated financial statements as at December 31, 2018 were prepared in accordance with IAS/IFRS pursuant to Regulation (EC) 1606/2002 issued by the European Parliament and the European Council in July 2002.

It should be noted that the accounting standards applied are in line with those adopted in preparing the consolidated statement of financial position as at December 31, 2017, as well as the 2017 income statement, in accordance with IFRS.

Content and form of the consolidated financial statements

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

The Group has adopted the following consolidated financial statements:

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

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

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

On March 21, 2019, the Board of Directors of the Parent Company approved the separate and consolidated financial statements of Orsero S.p.A. To prepare the consolidated financial statements, the financial statements as at December 31, 2018 of the Parent Company Orsero S.p.A. and its subsidiaries and associated companies included in the scope of consolidation were used, as detailed below, approved by the respective Boards and/or Shareholders' Meetings.

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

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

The consolidated financial statements as at December 31, 2018 were audited by KPMG S.p.A.

Valuation criteria

Below are the main criteria adopted for the preparation of the consolidated financial statements as at December 31, 2018; the valuation criteria are applied uniformly to the Parent Company and to all consolidated companies.

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

Goodwill

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

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

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

Write-downs related to goodwill are not reversed.

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

Other intangible assets

Intangible assets are assets that are not physical, identifiable, controlled by the Group, and that can produce future economic benefits.

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

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

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

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

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

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

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

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

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

Tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Equity investments

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

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

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

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

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

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

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

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

Other fixed assets

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

Inventories

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

Biological assets

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

Financial assets

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.

Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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.

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 the 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.

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.

Disclosure

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

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

Treasury shares

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

Provisions for risks and charges

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

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

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

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

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

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

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

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

Employee benefits

Short-term benefits

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

Post-employment benefits

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

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

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

Share-based payments

With regard to the long-term incentive plan (Stock Grant plan) for directors and employees, the fair value of the shares assigned at the grant date was measured in accordance with the provisions of IFRS 2. This fair value is recognized in the income statement as a cost on the basis of the vesting period, with a counter-entry in a dedicated equity reserve.

Revenues and costs

Revenues are generated primarily by three "core" sectors such as the Distribution sector (activities dedicated to the distribution of fruit and vegetables), the Import & Shipping sector (dedicated to the importing, selection and maritime transport, primarily of bananas and pineapples), and the Services sector (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.

Contributions

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

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

Financial income and expenses

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

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

Dividends

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

Income taxes for the year

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

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

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

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

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

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

All Italian subsidiaries participate in the "tax consolidation" system headed by Orsero, in accordance with arts. 117 et seq. of the TUIR Tax Code.

Conversion criteria for foreign currency items

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

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

Earnings per share

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

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

Use of estimates, risks and uncertainties

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

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

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

Accounting 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 Programs", 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. The fundamental steps for the recognition of revenues according to the new model are:

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

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 products, 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 contains the results of the IASB project designed to replace IAS 39:

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

Based on the analyzes carried out, 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 transactions on interest rates (typically fixed versus variable) in place for the medium-term loan, or 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.

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

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 as at December 31, 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 Company has completed its project for the preliminary assessment of potential impacts of the application of the new standard at the transition date (January 1, 2019). This process is broken down into various

phases, including the complete mapping of contracts that could potentially contain a lease and the analysis of such contracts to decide whether the main clauses are relevant for the purposes of IFRS 16. In particular, with respect to lease agreements previously classified as operating leases, the Company will account for:

a) a financial liability, equal to the present value of residual future payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract;
b) a right of use equal to the value of the financial liability at the transition date.

- The impact in terms of the net financial position and Adjusted EBITDA is significant, given the existence of numerous warehouse and fruit and vegetable market point of sale concession and/or rental agreements, as well as operating leases on the fleet of reefer containers used by the maritime company, as represented in the table below, which reflects the opening balances as at January 1, 2019 and the expected impact on Adjusted EBITDA for the year 2019.

  It must be noted the effect on fiscal year 2019 from the adoption of this new accounting principle might be subject to changes along the course of the year in respect of different interpretations setting accepted guidelines for the application of such new principle until the filling of first consolidated financial statement.

Thousands of euro	Date of transition 01.01.19
IFRS 16's impact on intangible assets	
Rights of use of Lands and Buildings	51,306
Rights of use of Plant and Machinery	312
Rights of use of Industrial and Commercial Equipment	7,107
Rights of use of Other Tangible Assets	663
Total value of Rights of use	**59,387**
Relevant Net Financial Position	**59,387**
Expected effect on 2019 Adjusted Ebitda (improvement)	**8,619**

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 that instruments that provide for early repayment may comply with the "SPPI" test even if the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender. This change is applicable from 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 said amendments.

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

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 directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

Document "Annual Improvements to IFRSs: 2015-2017 Cycle", published on 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 directors do 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. For the moment, the IASB has suspended the application of this amendment.

On February 7, 2018, the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". It clarifies how an entity must record a change (i.e. a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset arising from the plan. The amendments also clarify that after the occurrence of that event, an entity should use updated assumptions to measure the current service cost and interest for the remainder of the reference period subsequent to the event. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

On October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". It provides some clarifications on the definition of a business to ensure the proper application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of a business, an integrated set of activities/processes and assets should include, as a minimum, an input and a substantive process which together significantly contribute to the capacity to generate output. To that end, the IASB replaced the phrase "ability to create outputs" with "ability to contribute to create outputs" to clarify that a business may exist even without the presence of all inputs and processes necessary to create outputs. The amendment also introduced a concentration test, which is optional for the entity, to determine whether a set of activities/processes and assets acquired is not a business. If the test provides a positive outcome, the set of activities/processes and assets acquired does not constitute a business and the standard does not require further verifications. If the test provides a negative outcome, the entity will need to conduct further analyses on the activities/processes and assets acquired to identify whether it is a business. To that end, the amendment added a number of illustrative examples to IFRS 3 to demonstrate the practical application of the new definition of business in specific cases. The amendments are applicable to all business combinations and acquisitions of assets starting from January 1, 2020. However, earlier application is permitted. Considering that this amendment will be applied on new acquisition transactions that will be concluded starting from January 1, 2020, any effects will be recognized in the consolidated financial statements closed subsequent to that date and the directors do not expect the adoption of this amendment to have effects on the Group's consolidated financial statements.

On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". It introduced an amendment to the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information, already present in the two standards being amended. The amendment clarifies that information is obscured if it has been described in such a manner so as to produce a similar effect for the primary readers of the financial statements to that produced if such information had been omitted or incorrect. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of this amendment.

On September 11, 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10. According to IAS 28, 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 share in the capital of the latter is limited to the share held in the joint venture or associate by the other investors not involved in the transaction. However, according to IFRS 10, the entire profit or loss should be recognized in the event of loss of control over a subsidiary company, even if the entity continues to hold a non-controlling stake in it, with this case also including the sale or transfer of a subsidiary to a joint venture or associate. The amendments introduced specify that in a sale/transfer of an asset or a subsidiary to a joint venture or associate, the extent of the profit or loss to be recognized in the financial statements of the seller/transferor depends on whether the assets or the subsidiary sold/transferred constitute a business, in accordance with the definition set forth in IFRS 3. If the assets or the subsidiary sold/transferred represent a business, the entity should recognize the profit or loss on the entire share previously held; otherwise, the share of profit or loss relating to the share still held by the entity should be eliminated. For the moment, the IASB has suspended the application of this amendment. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of said amendments.

Business combinations

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

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

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

- the consideration paid, the amount of any minority equity interests in the acquired company valued in compliance with the rules envisaged in IFRS 3 (fair value of the pro-rata amount of net assets attributable to minority interests) in a business combination carried out in several stages, the fair value at the acquisition date of the equity interests previously held by the acquiring company;
- the net value, at the acquisition date, of the identifiable assets acquired and the liabilities assumed, measured at fair value.

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

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

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

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

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

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

Impairment test

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

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

The Group tested the book value of net invested capital as at December 31, 2018, defining the individual companies operating in the "Import & Shipping" sector as cash-generating units, while the "Distribution" sector was aggregated based on the country in which the companies were located.

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

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

The values of the WACC thus determined are equal to:

- 8.60 % for Italian companies in the Distribution sector and Simba S.p.A.
- 7.14 % for Az France S.A.;
- 8.19 % for Eurofrutas S.A.;
- 9.86 % for Bella Frutta S.A.;
- 7.74% for Hermanos Fernández López S.A.;
- 7.55 % for Cosiarma S.p.A.

The terminal value is calculated with the perpetual annuity formula and determined as the ratio between the normalized flow (NOPAT) and the discount rate. In making this calculation, a 1.5% nominal growth rate ("g") was considered, in line with the growth outlook expected by management for the years beyond the industry plan horizon and the reference countries.

With reference to Cosiarma S.p.A., instead of the perpetual annuity, it was used a horizon consistent with the estimated useful life of ships.

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

Regarding figures as at December 31, 2018, the impairment had a neutral impact as all the values determined in the test were higher than the respective accounting equity including goodwill, where applicable.

Consolidation principles

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

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

Scope of consolidation

The consolidated financial statements comprise the line-by-line consolidation of the data of the Parent Company Orsero, and of the companies that operate in the following sectors: 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, December 31, 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 consolidated financial statements are indicated below:

a) Derecognition of investments in consolidated companies

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

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

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

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

- the share capital, legal reserve and share surplus, if any, of the Parent Company;
- the other specific reserves (i.e. Conversion reserve, Remeasurement of defined benefit plans, etc.) also at the level of the consolidated financial statements;

- profits and/or losses carried forward, representing the reserves of undivided profits and losses of the subsidiaries, modified where appropriate, to reflect consolidation adjustments.

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

(b) Derecognition of intra-group relations

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

- receivables and payables outstanding at the reporting date between the companies consolidated with the line-by-line method;
- income and expense deriving from the transactions carried out between Group companies consolidated using the line-by-line method;
- dividends received from companies consolidated with the line-by-line and equity method;
- write-downs of equity investments (consolidated) 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 all of the Italian subsidiaries, has adhered to the Group taxation scheme as provided by arts. 117 et seq. of the TUIR Tax Code.

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

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

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

The individual financial statements of each company belonging to the Group are prepared in the currency of the primary economic context in which it operates (functional currency). The conversion of the items of financial statements denominated in currencies other than the Euro is carried out applying current exchange rates at the end of the year. The income statement items are instead converted at average exchange rates of the year. Exchange rate conversion differences resulting from the comparison of the initial equity converted at current exchange rates and the same converted at historical exchange rates, are recognized under equity item "Currency translation reserve". For the financial statements of companies valued using the equity method expressed in a currency other than the presentation currency (Euro), the exchange rate at the end of the year was applied to the individual items of the balance sheet. Exchange rate differences arising from the conversion of the items of initial equity at current exchange rates at year-end, compared to those at the end of the previous year, are recognized directly in consolidated equity.

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

	31/12/2018	Year 2018	31/12/2017	Year 2017
US Dollar	1.14500	1.18100	1.19930	1.12930
Argentine Peso	43.1590	32.9090	22.9310	18.7260
Costa Rican Colon	694.775	681.444	682.845	640.871
Colombian Peso	3,721.81	3,486.74	3,580.19	3,333.84
Mexican Peso	22.4920	22.7050	23.6612	21.3278
Chilean Peso	794.370	756.940	737.290	732.190

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
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	€

Name	Head office	Investment percentage			Share capital	
		Direct	Indirect	Interest held by		
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		99.75%	Eurofrutas S.A.	523,738	€
M.a.p. Servizi Generali S.r.l.	Firenze (Italy) - Via S. Allende 19 G1		70.00%	Galandi S.p.A., Fruttital Firenze S.p.A.	50,000	€
Productores Aguacate Jalisco S.A.C.V.	Ciudad Guzman (Mexico) - Constitucion 501 Centro C.P. 49000		70.00%	Comercializadora de Frutas S.A.C.V.	12,646,666	pesos
R.O.S.T. Fruit S.A.	Buenos Aires (Argentina) - Corrientes 330 - 6° 612		100.00%	GF Distribuzione S.r.l., GF Produzione S.r.l.	24,096,320	pesos
Simba S.p.A.	Milano (Italy) - via Fantoli 6		100.00%	GF Distribuzione S.r.l.	3,100,000	€
Simbacol S.A.S.	Medellin (Colombia) - Carr. 434 n. 1-50 Torre 1 Of. 453 S.Fernando Pl.		100.00%	Simba S.p.A.	50,172,500	pesos
Simbarica S.r.l.	San Jose de Costa Rica - Oficientro Ejecutico La Sabana Edificio torre 1		100.00%	Simba S.p.A.	100,001,000	colones
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	€
Bonaoro S.L.	La Vera-La Orotava (Santa Cruz de Tenerife) - Ctra. General del		50.00%	Hermanos Fernández López S.A.	800,000	€
Moño Azul S.A.	Moño Azul s.a.c.i y A., Buenos Aires, Tucumàn 117, Piso 8°,		19.00%	Fruttital S.r.l.	367,921,764	pesos
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:

Name	Head office	Investment percentage			Share capital	
		Direct	Indirect	Interest held by		
Fruttital Sicilia Srl	Santa Maria di Licodia (Italy) - Strada Cavaliere Bosco 58		50.10%	GF Distribuzione S.r.l.	100,000	€
Irrigar S.A.	Buenos Aires (Argentina) - Tucuman 117		99.92%	ROST Fruit S.A.	12,000	pesos

Name	Head office	Investment percentage			Share capital	
		Direct	Indirect	Interest held by		
Citrumed S.A.	Bouargoub (Tunisia) Borj Hfaïedh - 8040		50.00%	AZ France S.A.	1,081,000	dinari
Decofruit Bcn S.L.	Barcellona (Spain) - Sicilia 410		40.00%	Hermanos Fernández L	20,000	€

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 December 31, 2018 and changes that occurred subsequently

With respect to the changes that took place during the year, in line with the Group's "mission" to focus its strategy on its core business, the Spanish subsidiary Hermanos Fernández López S.A. purchased a 50% stake in the share capital of the company Bonaoro S.L.U., through a share capital increase for a total of Euro 688,770.02, of which Euro 400,000 for share capital and Euro 288,770.02 for the share premium reserve, with a view to strengthening its presence in the Canary Islands. The company Bonaoro S.L.U., located in the Canary Islands, produces, stores, packages, markets, exports and imports fruit and vegetable products.

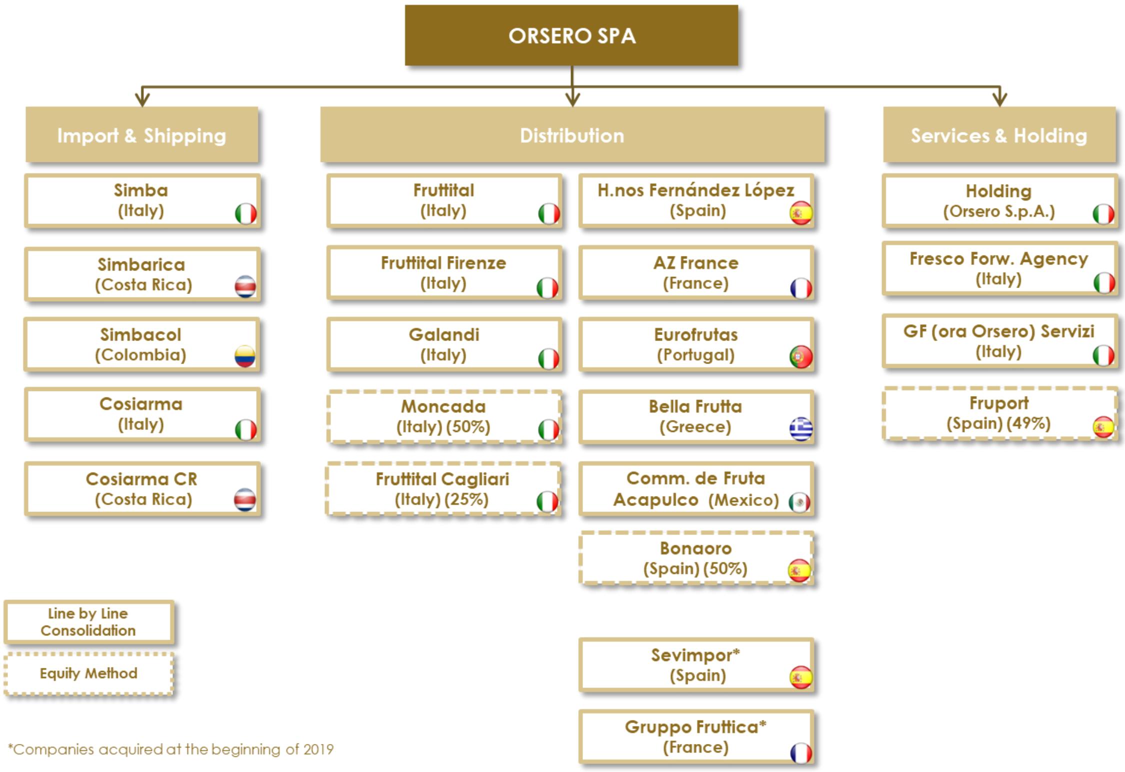
Furthermore, on September 20, the Spanish subsidiary Hermanos Fernández López S.A. entered into an agreement to acquire the entire share capital of the company Sevimpor Distribuidora De Frutas De Importacion S.L., which handles the wholesale distribution of fresh fruit and vegetables and is specialized in the ripening of bananas from the Canary Islands. The price of the transaction was Euro 1.65 million and the contract was executed in January 2019, using exclusively its own financial resources. This transaction is of significant strategic value for the Group as it strengthens its presence in the Spanish market, in which it has important growth outlooks, and will make it possible to develop commercial and logistical synergies that will allow for a more effective and efficient distribution of its products, also exploiting the proximity to the port of Algeciras.

In October 2018, 19% of the company Moño Azul was acquired for a price of USD 4 million as part of the transaction referred to previously. The equity investment is recognized for a value of Euro 3,515 thousand, equal to the stake in the shareholders' equity as at December 31, 2018, inclusive of goodwill.

On December 20, the Group sold its 66.66% equity investment held in Cultifruit to the company Grupo Fernández S.A. for a price of Euro 700 thousand, as part of the Group's strategy of focusing on its core business.

Lastly, in a smaller scale, in 2018 the two minor Portuguese companies Tropical Frutas LDA and Solfrutas LDA were liquidated, given the transfer of their operations to the parent company Eurofrutas S.A., and the equity investment in the Argentinian company Natural Juice S.A. was disposed of, within the framework of disposals of Group operations in that country.

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



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 32,975 thousand (Euro 33,103 thousand as at December 31, 2017).

Thousands of euro	Goodwill
Carrying amount at December 31, 2016	**3,834**
Change of year:	
Investments	29,270
Disposal	-
Reclassification	(1)
Impairment losses	-
Changes of consolidated companies	-
Translation differences	-
Reclassification IFRS 5	-
Carrying amount at December 31, 2017	**33,103**
Change of year:	
Investments	-
Disposal	(128)
Reclassification	-
Impairment losses	-
Changes of consolidated companies	-
Translation differences	-
Reclassification IFRS 5	-
Carrying amount at December 31, 2018	**32,975**

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, by analyzing the profitability of the acquired business units using impairment tests.

Goodwill as at December 31, 2018 refers:

- Euro 720 thousand for Nuova Banfrutta S.r.l. (company merged by incorporation in Fruttital S.r.l., effective January 1, 2017): specifically, this value derives mainly from the acquisition of Ferfrutta S.r.l.;
- Euro 171 thousand for Az France S.A.;
- 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 as 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 1,992 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.

The change of Euro 128 thousand basically refers to the write-off of goodwill recognized on the two minor Portuguese companies referred to above.

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

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

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

NOTE 2. Intangible assets

Thousands of euro	Intellectual property rights	Concessions, licenses and trademarks	Assets in progress and advances	Other intangible assets	Total
Carrying amount	1,196	8,242	212	1,193	10,843
Accumulated amortization	(699)	(2,804)	-	(1,132)	(4,635)
Carrying amount at December 31, 2016	**497**	**5,438**	**212**	**61**	**6,208**
Change of year:					
Investments	222	114	956	41	1,333
Disposal - Carrying amount	-	(61)	-	(525)	(586)
Disposal - accumulated amortization	-	61	-	525	586
Reclassification - carrying amount	-	477	(1)	(42)	434
Reclassification - accumulated amortization	-	(477)	-	38	(439)
Changes of consolidated companies - Carrying amount	1,546	3,205	186	-	4,937
Changes of consolidated companies - accumulated amortization	(1,405)	(2,128)	-	-	(3,533)
Amortization	(215)	(743)	-	(26)	(984)
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	1,312	293	370	11	1,986
Disposal - Carrying amount	-	(4,290)	-	-	(4,290)
Disposal - accumulated amortization	-	788	-	-	788
Reclassification - carrying amount	908	322	(1,042)	227	415
Reclassification - accumulated amortization	(52)	(125)	-	(221)	(398)
Changes of consolidated companies - Carrying amount	-	-	-	-	-
Changes of consolidated companies - accumulated amortization	-	-	-	-	-
Amortization	(635)	(736)	-	(28)	(1,399)
Carrying amount	5,185	8,302	681	904	15,072
Accumulated amortization	(3,006)	(6,164)	-	(845)	(10,015)
Carrying amount at December 31, 2018	**2,179**	**2,138**	**681**	**59**	**5,057**

In 2018, intangible assets declined by Euro 2,899 thousand primarily as a result of investments of Euro 1,986 thousand, disposals of assets for Euro 3,503 thousand and amortization of Euro 1,399 thousand. The most significant change is represented by the disposal of the "Moño Azul" trademark with respect to its use in global markets, offering a purchase option for its use in the Southern European countries in which the Group operates as well, which can be exercised upon full payment of the price, expected in ten years.

It should be noted that in the period in question, no changes in estimates were made in assessing the useful life of intangible assets or in the choice of the amortization method and no internal or external indicators of impairment of intangible assets were identified.

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

Intellectual property rights

This item includes costs incurred for software programs and licenses used by the Group; the change of Euro 1,533 thousand, inclusive of Euro 856 thousand reclassified from assets in progress at the end of 2017, is essentially due to the introduction of the new ERP program based on the Microsoft Dynamics platform, which the Group is expecting to considerably improve its management databases in terms of their comprehensiveness, speed and interconnection.

Amortization accrued during the year, equivalent to Euro 635 thousand, was calculated on average over a useful life of three years.

Concessions, licenses and trademarks

This line item essentially reflects the amount paid as concession for the exercise of commercial activities (warehouses and points of sale) 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, and commercial trademarks when acquired for valuable consideration.

The decline of Euro 3,748 thousand essentially reflects the above-mentioned disposal of the "Moño Azul" trademark, to the extent of the value referring to its use in global markets, while the part of the value relating to its use in the markets of Southern European countries in which the Group operates remains intact. The increase is instead clearly linked to use licensed software programs.

Assets in progress and advances

The item reflects investments made during the year and not yet operational at the end of the year. The change compared to last December 31 refers to the reclassification to "intellectual property rights" of the balance of the investment in the new integrated ERP system recognized in the 2017 financial statements.

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 change in which compared to 2017 is well represented in the table.

NOTE 3. Tangible assets

Thousands of euro	Lands and buildings	Plantations	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets in progress and advances	Total
Carrying amount	39,002	188	222,213	561	12,815	607	275,386
Accumulated depreciation	(22,145)	(27)	(156,136)	(527)	(10,669)	-	(189,505)
Balance at December 31, 2016	**16,857**	**161**	**66,076**	**34**	**2,146**	**607**	**85,881**
Change of year:							
Investments	1,798	-	3,033	202	1,368	896	7,297
Disposal - Carrying amount	(8)	-	(884)	(36)	(1,089)	-	(2,016)
Disposal - accumulated depreciation	8	-	808	35	924	-	1,776
Reclassification - carrying amount	(4,721)	-	553	53	275	(519)	(4,359)
Reclassification - accumulated depreciation	(47)	-	-	(4)	(274)	-	(324)
Changes of consolidated companies - Carrying amount	23,201	-	23,285	1,135	5,377	258	53,254
Changes of consolidated companies - accumulated depreciation	(5,700)	-	(18,424)	(991)	(4,480)	-	(29,595)
Translation differences - carrying amount	(133)	(15)	(271)	(4)	(88)	11	(501)
Translation differences - accumulated depreciation	35	3	62	4	55	-	159
Depreciation	(1,031)	(10)	(8,580)	(45)	(912)	-	(10,578)
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	2,935	2,068	6,557	227	2,053	917	14,757
Disposal - Carrying amount	(294)	-	(583)	(31)	(1,116)	-	(2,024)
Disposal - accumulated depreciation	189	-	566	31	747	-	1,533
Reclassification - carrying amount	(42)	-	(2,024)	(60)	(642)	(42)	(2,810)
Reclassification - accumulated depreciation	42	-	2,061	63	636	-	2,801
Changes of consolidated companies - Carrying amount	-	-	-	-	-	-	-
Changes of consolidated companies - accumulated	-	-	-	-	-	-	-
Translation differences - carrying amount	71	9	150	2	4	-	237
Translation differences - accumulated depreciation	(21)	(2)	(40)	(2)	(5)	-	(70)
Depreciation	(1,513)	(189)	(9,364)	(91)	(1,115)	-	(12,273)
Carrying amount	61,809	2,250	252,027	2,049	18,955	2,129	339,220
Accumulated depreciation	(30,183)	(225)	(189,048)	(1,526)	(15,093)	-	(236,075)
Balance at December 31, 2018	**31,627**	**2,025**	**62,979**	**523**	**3,863**	**2,129**	**103,145**

As at December 31, 2018, tangible assets totaled Euro 103,145 thousand, a net increase of Euro 2,151 thousand compared to the balance as at December 31, 2017 as a result of:

- investments of Euro 14,757 thousand, broken down as follows: "Distribution", Euro 14,056 thousand, "Import & Shipping", Euro 181 thousand, "Services", Euro 520 thousand;
- depreciation for the period, Euro 12,273 thousand;
- reclassifications for a net amount of Euro 9 thousand;
- disposals of assets for a net value of Euro 491 thousand, essentially represented by plants for their renewal, scrapping of electronic machines for renewal, and sales of company cars.
- increase due to exchange rate of Euro 167 thousand, essentially referring to the assets of the Mexico-based companies due to the Mexican Peso which went from 23.661 Pesos/Euro in December 2017 to 22.492 Pesos/Euro as at December 31, 2018.

Land and buildings

The change in the year showed a total net increase of Euro 1,367 thousand, primarily generated by investments for Euro 2,935 thousand, which was partially offset by the decrease due to depreciation of Euro 1,513 thousand and disposals of Euro 105 thousand.

Please note the increase of Euro 1,596 thousand for the acquisition of land relating to the share of the orchard ("Chacra 23") within the scope of the above-mentioned transaction with Moño Azul.

The value of land amounted to Euro 7,739 thousand, stated on the basis of the original sale and purchase deeds where existing or separated from the general purchase price of the building on the basis of percentages up to 20%.

These values, which are periodically verified, are considered to be aligned with those of the market.

Plantations

This item marked an increase of Euro 2,068 thousand for the acquisition of the orchard ("Chacra 23") as reported above and Euro 7 thousand due to the change in the exchange rate with respect to Mexican assets. The decline for the period of Euro 189 thousand is due entirely to the recognition of depreciation for the year.

Plant and machinery

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

Increases in the year, amounting to Euro 6,557 thousand, refer to investments made mainly in the Distribution sector in relation to normal equipment replacement as well as extraordinary work done to upgrade the machine room in France, and especially the fresh cut fruit investment. In particular, with respect to this last investment significant work was done in both Florence and Molfetta to create processing rooms dedicated to the production of fresh cut fruit already ready for use, equipped with the most advanced technologies for cutting the fruit to achieve maximum product quality, hygiene and safety standards while also maintaining the product's organoleptic qualities. In the near future, the Group plans to establish facilities for the production of fresh cut fruit, a high-quality product, in additional strategic areas that will allow it to provide rapid, widespread service throughout the country.

Furthermore, there were increases due to changes from exchange effects for a net Euro 110 thousand and reclassifications of Euro 9 thousand.

The decreases instead pertain to the depreciation accrued during the year, amounting to Euro 9,364 thousand, and to the disposals of assets amounting to Euro 17 thousand.

Please note that although there was a decline in the profitability of the ship business this year, the management has tested the values of the four Cale Rosse units for impairment based the foreseeable future performance of the business and did not identify any need to adjust the values of the ships.

Industrial and commercial equipment

In this sector, the change is essentially related to increases for the period of Euro 227 thousand, offset by depreciation in the period of Euro 91 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 in the year totaling Euro 562 thousand principally reflects investments for Euro 2,053 thousand, offset by depreciation of Euro 1,115 thousand, disposals for a net amount of Euro 369 thousand, reclassifications for a net amount of Euro 6 thousand and exchange rate differences for Euro 1 thousand.

Assets in progress and advances

The increase in this item was essentially due to the increase of Euro 876 thousand, primarily linked to further investments for the development of processing rooms for the production of fresh cut fruit in Verona and in the province of Cagliari, expected to begin being used in 2019.

As at December 31, 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	-	-	4,203	11	4,215
Divestments and disposals	-	-	(3,577)	(74)	(3,650)
Impairment losses/Using fund to cover losses	-	-	-		-
Dividends received	-	-	(783)	-	(783)
Valuation using the equity method	-	(6)	1,193	-	1,187
Other changes included foreign exchange movements	-	-	(8)	-	(8)
Balance at December 31, 2018	**-**	**153**	**8,266**	**500**	**8,919**

Disclosure on equity investments in other companies

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

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

Investments in subsidiaries

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

Any consequences resulting from the change in shareholdings, resulting or not resulting in a loss of control in 2018, have already been discussed in the section "*Scope of consolidation as at December 31,2018 and changes that occurred subsequently*".

Equity investments in associates and joint ventures

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

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

Any consequences resulting from the change in shareholdings, resulting or not resulting in a loss of control in 2018, have already been discussed in the section "*Scope of consolidation as at December 31,2018 and changes that occurred subsequently*".

As at December 31, 2018, dividends received from joint ventures and associated companies are as follows:

- Fruport Tarragona S.L.: Euro 783 thousand;

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

The following table summarizes the information related to these investments:

Thousands of euro	31.12.2018	31.12.2017	Change
Joint Venture	(6)	1,081	(1,087)
Associates	1,193	831	362

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

Thousands of euro	Associates	Joint Ventures	Change Year 2018					Associates	Joint Ventures
	Balance at December 31, 2017		*Net profit*	*Additional*	*Disposals*	*Dividend*	*Other Changes*	*Balance at December 31, 2018*	
Moncada Frutta S.r.l.	498	-	135	-	-	-	(9)	624	-
Fruttital Cagliari S.r.l.	729	-	107	-	-	-	13	849	-
Fruti Medi Societade Agricola LTDA	709	-	-	-	(709)	-	-	-	-
Herdade Dona Joana LTDA	2,737	-	-	-	(2,737)	-	-	-	-
Simba Spain S.L.	-	159	(6)	-	-	-	-	-	153
Moño Azul S.A.	-	-	-	3,515	-	-	-	3,515	-
Bonaoro S.L.U.	-	-	114	689	-	-	-	803	-
Fruport Tarragona S.L.	2,117	-	838	-	-	(783)	(12)	2,159	-
Total investments recorded using the equity method	**6,790**	**159**	**1,187**	**4,203**	**(3,446)**	**(783)**	**(8)**	**7,950**	**153**
Citrumed S.A.	300	-	-	-	-	-	-	300	-
Decofruit Bcn S.A.	16	-	-	-	-	-	-	16	
Natural Juice S.A.	131	-	-	-	(131)	-	-	-	-
Total investments recorded using the historical cost of purchase	**447**	**-**	**-**	**-**	**(131)**	**-**	**-**	**316**	**-**

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Equity investments totaled Euro 8,919 thousand as at December 31, 2018, with a net increase of Euro 960 thousand due to the changes detailed above.

The increase of Euro 1,187 thousand generated by the valuation of shareholders' equity is due to the results of the investees for the period. Please also note that there was an increase of Euro 4,203 thousand due to the acquisition of 50% of the share capital of Bonaoro and 19% of Moño Azul as described in the "Scope of consolidation as at December 31, 2018 and changes that occurred subsequently" section and a decrease of Euro 3,446 thousand due to the disposal of the equity investment in Cultifruit, with the resulting disposal of the equity investments held by that company.

The impairment testing conducted regularly on the main investees to check their recoverable values had a positive outcome, so it was not necessary to make any adjustments to the values recognized in the consolidated financial statements.

NOTE 5. Other fixed assets

Thousands of euro	31.12.2018	31.12.2017	Change
Other fixed assets	6,080	1,489	4,591

As at December 31, 2018, the item essentially shows security deposits and medium-term loans to third parties.

The item "Other fixed assets" includes Euro 1,255 thousand related to associated companies. For further details, reference is made to Note 33.

The increase with respect to 2017 is linked to the recovery of the write-down on the receivable due from Citrumed, in relation to the improvement in the company's financial position, and the recognition of receivables linked to the "Moño Azul" operation previously mentioned.

NOTE 6. Deferred tax assets

Thousands of euro	31.12.2018	31.12.2017	Change
Deferred tax assets	9,277	7,788	1,489

Deferred tax assets are recognized 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 December 31, 2018, amounting to Euro 9,277 thousand, are recognized in relation to the valuation of prior tax losses for both Italian and foreign companies, as well as cost and revenue taxability/deductibility time differences according to the respective tax regulations, for example increases in provisions for risks and write-downs on receivables, the cost of the medium/long-term management incentive plan for the share attributed to directors, as well as entries of transition to IAS-IFRS, such as the determination of the employee severance indemnity according to the actuarial methodology. For more information on the breakdown and changes in this item, please refer to the table below and Note 28 "Income Taxes".

Thousands of Euro	31.12.2018	31.12.2017
Previous tax losses	5,049	4,593
Effect IAS 19	688	767
Depreciation/Goodwill/trademarks	794	913
Indirect taxes	105	100
Reductions in value and provisions	1,411	772
Financial expenses/ACE/Exchange differences	137	149
Costs deductible in the future (Stock Grant)	730	380
Financial derivatives	142	-
Others	220	115
Deferred tax assets	**9,277**	**7,788**

NOTE 7. Inventories

Thousands of euro	31.12.2018	31.12.2017	Change
Raw materials, supplies and consumables	8,781	7,896	885
Biological Assets	-	-	-
Finished products and goods for resale	27,057	25,602	1,455
Inventories	**35,838**	**33,498**	**2,340**

Inventories of raw materials and consumables are represented by the packaging of the distribution companies and fuels, lubricants and spare parts of transport companies. This item does not include the value of the fruit ripening on the plant, recognized as "Biological Assets" by the Mexican company Productores Aguacate Jalisco S.A.C.V., as the fruit matures in the first half and then is sold in the second half of the year; therefore, as at December 31, 2018 the plants do not have any fruit in the ripening process.

As at December 31, 2018, the value of inventories rose by Euro 2,340 thousand compared to the previous year due, insofar as raw materials and consumables are concerned, to the higher valuation of closing bunker inventories on ships due to the appreciation in the US dollar at 31-12-2018 compared to 2017, and for finished products and goods due to the increase in turnover recorded by some distribution companies.

NOTE 8. Trade receivables

Thousands of euro	31.12.2018	31.12.2017	Change
Trade receivables from third parties	122,789	121,017	1,772
Receivables from subsidiaries and associates of the Group not fully consolidated	2,797	3,074	(277)
Receivables from related parties	326	4,902	(4,576)
Provision for bad debts	(16,552)	(16,094)	(457)
Trade receivables	**109,360**	**112,898**	**(3,539)**

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 associated and related Group companies mainly refers to normal supply receivables. It includes the decline, mentioned previously, in the receivable due from Moño Azul S.A. (a related company in the 2017 financial statements and an associated company in the 2018 financial statements) linked to the acquisition of assets. For more detailed information, reference is made to paragraph 33 on related parties.

As at December 31, 2018, the item "Trade receivables from third parties" increased by Euro 1,772 thousand. The turnover growth for 2018 did not entail an increase in the credit balance compared to the previous year as a result of a favorable collection situation around year-end.

The change in the bad debt provision is reported below, which the Group prepares based on a realistic view of the actual recoverability of the individual receivables, as 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	(1,270)
Utilizations	1,397
Others	(584)
Balance at December 31, 2018	**(16,552)**

The following is the breakdown of receivables by geographical area:

Thousands of euro	31.12.2018	31.12.2017	Change
Italy	56,324	59,111	(2,787)
EU countries	50,274	50,823	(549)
Non-Eu countries	2,761	2,964	(203)
Trade receivables	**109,360**	**112,898**	**(3,539)**

NOTE 9. Current tax receivables

Thousands of euro	31.12.2018	31.12.2017	Change
For value added tax	12,275	11,022	1,253
For income tax	1,732	830	902
For taxes claimed for reimbursement	1,311	1,296	14
Other receivables	1,891	2,415	(524)
Current tax receivables	**17,210**	**15,564**	**1,646**

As at December 31, 2018, tax receivables show an overall increase of Euro 1,646 thousand principally attributable, for Euro 1,253 thousand, to the higher VAT credit recognized and for Euro 901 thousand to the higher receivable for income taxes.

NOTE 10. Other current assets

Thousands of euro	31.12.2018	31.12.2017	Change
Advances to suppliers	4,197	3,062	1,135
Receivables from sales of investments	-	563	(563)
Other receivables	2,599	3,024	(424)
Accrued income and deferred expenses	2,198	2,300	(102)
Current financial assets	19	21	(2)
Other current assets	**9,014**	**8,970**	**44**

As at December 31, 2018, this item is substantially stable and overall records an increase of Euro 44 thousand due to the increase in the receivable for advances to suppliers of Euro 1,135 thousand, partially offset by the reduction of Euro 563 thousand in the item "Receivables for disposals of investees" following the collection of the escrow account set out in the contract for the transfer of Reefer Terminal S.p.A. to APM Maersk, which took place on February 8, 2018. Furthermore, please note the decline of Euro 424 thousand in other receivables and of Euro 102 thousand in the item accrued and deferred assets.

As already specified in the single report on operations, on January 9, 2018 Euro 1,564 thousand was paid to the Customs Agency as part of the dispute with the company REI, a sum recognized in "Other receivables", as it represents the customs duties and penalties paid on behalf of the customer, already fully written off in the 2017 financial statements.

As already outlined in the report to the 2017 financial statements, the balance of "Other receivables" 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 item "Accrued and deferred assets" refers to the normal allocations for the recognition and proper allocation of costs related to the following year, typically insurance expenses, leases, and interest.

NOTE 11. Cash and cash equivalents

Thousands of euro	31.12.2018	31.12.2017	Change
Cash and cash equivalent	76,285	79,893	(3,608)

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 as at December 31, 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 December 31, 2018 increased when compared to December 31, 2017 due essentially to the result achieved by the Group in 2018.

As at December 31, 2018, 752,387 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 7,405 thousand recognized as a direct reduction of the other net items as per the statement of changes in shareholders' equity as at December 31, 2018. Therefore, the amount of treasury shares recorded as a direct reduction of shareholders' equity amounts to Euro 7,405,098.

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. On June 28, 2018, the Board of Directors approved the launch of this program as it was considered a strategic investment opportunity, with a maximum value of Euro 5 million and a duration until October 20, 2019. This treasury share buy-back program is carried out in compliance with the equal treatment of shareholders and according to the limits and procedures set forth in art. 5 of EU Regulation 596/2014 (Market Abuse Regulation), art. 3 of EU Delegated Regulation 2016/1052, and applicable general and sector regulations. The purchases are made at a price that must not be greater than the highest price considering the last independent transaction and the highest current independent offer price in trading venues where the purchases are carried out. However, in any case, the unit price must not be more than 20% lower and 10% higher than the arithmetic average of the official prices of the Orsero S.p.A. share in the ten trading days prior to each individual purchase transaction. The daily volume must not be more than 25% of the share's average daily trading volume in the trading venue where the purchase is made. In 2018 the Group acquired 39,700 treasury shares at an average price of Euro 7.49 as part of this program, for a total of Euro 297 thousand.

It should be noted that, in relation to the medium/long-term incentive plan, the 2018 objective was achieved, although partially, resulting in the assignment to the individuals designated by said Plan of 153,335 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 2,142 thousand. This represents the fair value, in accordance with IFRS 2, at the assignment date, equal to a share 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.

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 December 31, 2017 and between December 31, 2017 and December 31, 2018, of the individual reserve items.

The cash flow hedging reserve, recognized for Euro 1,340 thousand, exposes the change relating to the adjustment to negative fair value as at December 31, 2018 net of the tax effect with indication thereof in the statement of comprehensive income of the derivative on the bunker, for Euro 1,061 thousand, and the derivative on interest rates for Euro 279 thousand, both accounted for with the cash flow hedging method.

The reconciliation as at December 31, 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 31.12.2018	Net Profit 2018	Total Shareholders' equity at 31.12.2018
Orsero S.p.A. (Parent company)	**157,701**	**4,041**	**161,742**
Net profits and reserves of subsidiaries	(59,073)	8,529	**(50,544)**
Net profits and reserves of associates and joint ventures using equity method	(296)	1,187	**891**
Dividends distributed by consolidated companies to the Parent company	18,099	(18,099)	**-**
Consolidation differences	32,085	-	**32,085**
Elimination of capital gain and/or other transactions carried out by subsidiaries	(6,340)	12,344	**6,004**
Total shareholders' equity	**142,176**	**8,002**	**150,178**
Minorities	446	29	475
Group equity	**141,730**	**7,974**	**149,704**

NOTE 13. Minorities' shareholders' equity

The change in Minorities' Shareholders' Equity is essentially linked to the disposal of Cultifruit and the liquidation of Siter Trasporti, of which minority shareholders held 33.33% and 15%, respectively. Following these disposals, the minority interests in the share capital of the consolidated companies is now limited, as shown in the tables in the previous section (Note 12.), to only the interests in the Tuscan service company and in the Mexican avocado growing agricultural operation.

NOTE 14. Financial liabilities

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

The financial exposure is as follows:

Thousands of euro	31.12.2018	31.12.2017	Change
Bond payables (over 12 months)	30,000	-	30,000
Non - current medium term bank loans (over 12 months)	51,704	74,995	(23,292)
Non - current other lenders (over 12 months)	670	904	(235)
Non current liabilities for derivative	367	66	302
Non current payables for price balance on acquisitions (over 12 months)	243	243	-
Non - current financial liabilities	**82,984**	**76,208**	**6,776**
Current medium term bank loans	13,281	16,248	(2,967)
Bank overdrafts	12,469	22,130	(9,660)
Current other lenders	685	527	158
Other current lenders short term	1,838	11,066	(9,228)
Current liabilities for the derivatives	1,114	-	1,114
Current payables for price balance on acquisitions (over 12 months)	-	223	(223)
Current financial liabilities	**29,387**	**50,192**	**(20,805)**

The change in 2018 of a total of Euro 14,030 thousand (between non-current and current) reflects the primary components, mostly related to medium-term loans, as detailed below:

- Refinancing transaction by Orsero for an amount of Euro 30,000 thousand (Bonds) and Euro 60,000 thousand (Euro 59,300 thousand net of transaction costs), used to pay off previous loans for a total value of Euro 78,970 thousand held by Orsero and the sub-holding company GF Distribuzione S.r.l. Please note that both new loans are subject to covenants calculated as the ratio between the net financial position and Adjusted EBITDA and the net financial position and shareholders' equity at the reporting date, which were fully respected. Please also note that Euro 78 thousand was accounted for as implicit interest deriving from the recognition of the item with the amortized cost method. In addition, an interest rate hedge was taken out on 60% of the Euro 60 million loan, which is added to the hedge previously activated on the GF Distribuzione S.r.l. loan, bringing the total hedge against interest rate risk to 80% as at December 31, 2018. At the reporting date, the mark to market of those hedges is equal to Euro 367 thousand (negative);
- the payment by the Parent Company of the installments at June 30, 2018 on the loans for Tranche A (later extinguished, see above) for an amount equal to Euro 4,702 thousand;

- the regular payment by the Parent Company of the half-yearly outstanding loan installments totaling Euro 476 thousand to Banca Popolare dell'Emilia Romagna (Biper) and Euro 436 thousand to Veneto Banca, paying them off in full as at December 31, 2018;
- the regular payment by the sub-holding company GF Distribuzione S.r.l. of the installment at June 30, 2018 equal to Euro 2,000 thousand (Euro 1,962 thousand valued at amortized cost);
- the payment by the company Fruttital S.r.l. of the amounts due for maturing loan installments of Euro 472 thousand;
- three new loans taken out by AZ France S.A. for a total of Euro 1,717 thousand and the regular payment of the relative installments for a total of Euro 207 thousand;
- the payment by GFB S.r.l. of the amounts due for maturing loan installments of Euro 34 thousand;
- new loans taken out by Hermanos Fernández López S.A. for Euro 500 thousand for the repayment of outstanding loans at maturity for a total of Euro 1,498 thousand;
- the payment of Euro 254 thousand by the Mexican company for maturing installments on outstanding loans;
- new finance leases taken out by Hermanos Fernández López S.A. amounting to Euro 353 thousand against payments on finance leases outstanding totaling Euro 556 thousand;
- new leases for the company Eurofrutas for Euro 121 thousand;
- the payment of Euro 223 thousand for the balance on the price ("earn-out") for the Galandi acquisition;
- the payment of the guarantee of Euro 8,000 thousand to Intesa Sanpaolo S.p.A. for the commitment on the loan granted to the related company Argentina S.r.l.

The schedule of medium-term debt to banks and other lenders as at December 31, 2017 and December 31, 2018 is detailed in the following table, organized in two columns (due in 2019 and due beyond December 31, 2019, in turn broken down by amounts due by December 31, 2023 and amount due after said date) to provide a better 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	2018	> 31.12.18		2019-2022	> 31.12.22
Medium term bank loans (Non - current/ current)	**91,243**	16,248	74,995	*as follows:*	*55,933*	*19,063*
Other lenders (Non - current/ current)	**1,431**	527	904	*as follows:*	*904*	*-*
Financial liabilities 31.12.2017	**92,674**	**16,774**	**75,900**		**56,837**	**19,063**

Thousands of euro	Total	2019	> 31.12.19		2020-2023	> 31.12.23
Bond payables (Non-current/current)	**30,000**	-	30,000		5,000	25,000
Medium term bank loans (Non - current/ current)	**64,985**	13,281	51,704	*as follows:*	*46,011*	*5,693*
Other lenders (Non - current/ current)	**1,354**	685	670	*as follows:*	*670*	*-*
Financial liabilities 31.12.2018	**96,339**	**13,966**	**82,374**		**51,681**	**30,693**

As at December 31, 2018, there was a hedge on part of the bunker consumption of the shipbuilding company, the mark to market of which is negative at the reporting date and equal to Euro 1,114 thousand. Its negative fair value of Euro 1,114 thousand was recognized under current financial payables with a counter-entry in a specific equity reserve ("Other comprehensive income").

As at December 31, 2018, there were loans of the Parent Company that required compliance with covenants, which is verified annually. Such covenants were respected in full at the reporting date.

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**	**Payments**	**Cash Flow**	**Derivatives**	**Changes of consolidation scope**	**Changes of exchange rate**	**31/12/18**
Bond payables (over 12 months)	**-**	30,000	-	-	-	-	-	**30,000**
Non-current medium term bank loans	**91,244**	61,517	(87,578)	-	-	-	(198)	**64,985**
Non-current other lenders (over 12 months)	**1,431**	475	(551)	-	-	-	-	**1,354**
Factor	**2,596**	-	-	(759)	-	-	-	**1,837**
Current other lenders short term	**8,469**	-	(8,044)	-	-	(425)	-	**-**
Current liabilities for the derivatives	**66**	-	-	-	1,416	-	-	**1,482**
Bank overdrafts	**22,130**	-	-	(7,458)	-	(2,203)	-	**12,469**
Payables for price balance on acquisitions (Non current-current)	**466**	-	(223)	-	-	-	-	**243**
Assets held for trading	**(21)**	-	-	2	-	-	-	**(19)**
Total	**126,381**	**91,992**	**(96,396)**	**(8,215)**	**1,416**	**(2,627)**	**(198)**	**112,352**

NOTE 15. Other non-current liabilities

Thousands of euro	31.12.2018	31.12.2017	Change
Other non - current liabilities	482	166	316

"Other non-current liabilities" amounted to Euro 482 thousand as at December 31, 2018, with an increase of Euro 316 thousand relative to December 31, 2017, due mainly to the increase of deferred income relating to investment contributions that will be recognized in the income statement in future years in correlation with the amortization calculated on such investments.

NOTE 16. Deferred taxes liabilities

Thousands of euro	31.12.2018	31.12.2017	Change
Deferred tax liabilities	5,451	5,527	(76)

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

As at December 31, 2018, the item decreased by Euro 76 thousand.

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

NOTE 17. Provisions for risks and charges

Thousands of euro	31.12.2018	31.12.2017	Change
Provisions for risks and charges	2,697	2,968	(271)

The item "Provisions for risks and charges" includes allocations made on the basis of ongoing litigation as at December 31, 2018 in various Group companies, as a result of accurate estimates by the directors; the changes linked to updates in estimates of contingent liabilities resulted in a result that was basically aligned with last December 31.

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.

As at December 31, 2018, the item "Provision for risks and charges", totaling Euro 2,697 thousand, declined by Euro 271 thousand primarily as a result of the increase in the provision for containers of the shipbuilding company, the result of provisions of Euro 451 thousand and releases of Euro 340 thousand, as well as the decrease of Euro 170 thousand linked to the elimination of the liquidation provision for Siter in Liquidazione S.r.l. when the liquidation was completed.

NOTE 18. Employees benefits liabilities

The changes of the Employees Benefit liabilities as at December 31, 2018 are provided herein.

Thousands of euro	Employees benefits liabilities
Balance at December 31, 2017	**8,785**
Change of year:	
Accruals	654
Benefits paid and transferred	(732)
Interest cost	(19)
Gain/(losses) resulting from changes in actuarial assumptions	(184)
Other changes	54
Balance at December 31, 2018	**8,559**

The Employees Benefit 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 as at December 31, net of advances paid to employees. In accordance with IAS 19, the Employees Benefit liabilities is remeasured with the actuarial valuation methodology, through the support of an external specialist, and adjusted in relation to the occurrence of events requiring updating. Below are the main financial and demographic assumptions used in determining the present value of the liability related to the Employees Benefit liabilities.

Discount rate	
Italy, France, Greece, Spain, Portugal	Curva Euro Composite AA al 31.12.2018
Mexico	Iboox GEMX Aggregate 10-15 9,14% e 7-10 _ 9,06% as of 31.12.18
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 2017
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, Spain, Portugal, Mexico, Greece, France	Minimum access requirements required by current legislation
Probability of termination	
Italy	7,00%
France	Cas général 7,00%, Cadres 9,00%, Agent de maîtrise 6,00%
Greece	White Collar 2,00%, Blue Collar 6,00%
Spain	Barcellona, Cox e Tarragona 2%, Lleida 3% e Madrid 5%
Portugal	8,80%
Mexico	3,80%

The equity adjustment for actuarial gains/losses includes an actuarial gain of Euro 234 thousand, including the tax effect of Euro 83 thousand. Actuarial gains and losses are recognized in shareholders' equity through the comprehensive income statement, while the provision for the year is recognized under a special item relating to "personnel costs".

NOTE 19. Trade payables

Thousands of euro	31.12.2018	31.12.2017	Change
Payables to suppliers	110,321	99,676	10,645
Payables to subsidiaries and associates of the Group not fully consolidated	1,201	854	347
Payables to related parties	1,229	2,865	(1,636)
Trade payables	**112,751**	**103,395**	**9,356**

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

As at December 31, 2018, there were no outstanding payables of a significant amount, nor did the Group receive injunction decrees for past due payables.

As at December 31, 2018, the net increase of the item amounted to Euro 9,356 thousand as a result of the increase of Euro 10,645 thousand in the value of payables to suppliers and Euro 347 thousand in payables to Group companies that are not consolidated, partially offset by the reduction of Euro 1,636 thousand in payables to related companies.

The change in payables to suppliers in 2018 compared to December 31, 2017 reflects normal payment trends around year-end.

The geographic breakdown of the payables is as follows:

Thousands of euro	31.12.2018	31.12.2017	Change
Italy	67,252	62,162	5,090
EU countries	43,071	38,781	4,290
Non-Eu countries	2,428	2,452	(24)
Trade payables	**112,751**	**103,395**	**9,356**

NOTE 20. Current tax and social security contributions liabilities

Thousands of euro	31.12.2018	31.12.2017	Change
For value added tax (VAT)	657	266	391
For income tax of the year	1,534	1,257	277
For withholding tax	1,077	1,042	35
For indirect taxes	686	450	236
Other payables	39	47	(8)
Social security contributions	3,324	3,139	185
Current tax and social security contributions liabilities	**7,316**	**6,201**	**1,115**

As at December 31, 2018, this item had a balance of Euro 7,316 thousand, up compared to the balance as at December 31, 2017 by a total of Euro 1,115 thousand, of which Euro 391 thousand for higher VAT payable, Euro 277 thousand for a higher payable for the income taxes for the year, Euro 35 thousand for withholding amounts to be paid, Euro 236 thousand for indirect taxes, and Euro 185 thousand for contributions. The positive change is partially offset by the decrease in the item "Other payables" for Euro 8 thousand.

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

NOTE 21. Other current liabilities

Thousands of euro	31.12.2018	31.12.2017	Change
Payables to personnel	7,118	6,156	962
Payables to Board of Directors and Statutory Auditors'fees	13	35	(22)
Payables relating to operations on behalf of third parties	1,280	1,347	(67)
Other current payables	3,714	4,138	(424)
Accrued expenses and deferred income	1,230	1,247	(17)
Other current liabilities	**13,354**	**12,923**	**431**

As at December 31, 2018, the item "Other current liabilities" shows an increase of Euro 431 thousand, mainly due to the increase in payables to personnel associated with the payment extension of part of the salaries to the beginning of January 2018, and the verification of year-end bonuses, partly offset by the decline in other items.

Payables to personnel relate to current items for December, as well as accrued and unused holidays, 13th and 14th month accruals, and year-end bonuses, inclusive of those due to the workforce of the French and Mexican companies on the basis of local regulations.

It should be noted that the item "Other current 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 "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	31.12.2018	31.12.2017	Change
Net sales	**952,756**	**819,124**	**133,632**
In addition			
Share of joint ventures net sales	-	55,171	(55,171)
Share of associates net sales	17,921	35,689	(17,768)
Total share of joint venture and associates net sales	**17,921**	**90,860**	**(72,939)**
Inter-segment	(6,618)	(13,189)	6,571
Net sales	**964,059**	**896,795**	**67,264**

As at December 31, 2018, turnover was Euro 952,756 thousand, an increase of Euro 133,632 thousand compared to December 31, 2017. For a detailed analysis of sales, please refer to the single Report on Operations, in the section "Commentary on performance of the business sectors".

The table above shows the share of net sales of joint ventures and associates considering the ownership stake as at December 31, 2018. Please also note that, as comparative data, the share of revenue of the joint ventures and associates includes the turnover for the first six months of the companies Fruttital Firenze S.p.A., Galandi S.p.A. and Hermanos Fernández López S.A., acquired subsequent to June 30, 2017, and therefore considered 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 Sector: this sector 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 Sector: this sector is a group of companies mainly engaged in the import, selection and maritime transport of bananas and pineapples;
- Services Sector: this sector 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 sectors 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, the income/(loss) from equity investments and pro-rata gains/losses arising from the application of the equity method for associated companies and joint ventures.

Thousands of euro	31.12.2018			
	Gross sales	Inter-segment net sales	Net sales to third parties	Adjusted Ebitda
"Distribution" Segment	895,476	(26,358)	869,118	31,114
"Import & Shipping" Segment	257,216	(46,585)	210,631	5,710
"Services" Segment	14,630	(628)	14,002	(3,967)
Inter-segment net adjustment	-	(140,995)	(140.995)	-
Total net sales to third parties and Adjusted Ebitda	**1,167,322**	**(214,566)**	**952,756**	**32,857**

Thousands of euro	31.12.2017			
	Gross sales	Inter-segment net sales	Net sales to third parties	Adjusted Ebitda
"Distribution" Segment	740,457	(22,951)	717,506	24,001
"Import & Shipping" Segment	250,455	(32,472)	217,983	7,060
"Services" Segment	14,141	(778)	13,363	(4,806)
Inter-segment net adjustment	-	(129,728)	(129,728)	-
Total net sales to third parties and Adjusted Ebitda	**1,005,052**	**(185,929)**	**819,124**	**26,255**

The above tables indicate, as at December 31, 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, recalling that the 31.12.2017 figure includes the results of the companies Fruttital Firenze, Galandi and Hermanos Fernández López only beginning from the second half of 2017.

Thousands of euro	31.12.2018	31.12.2017	Change
Adjusted Ebitda*	**32,857**	**26,255**	**6,602**
Amortization of intangible and depreciation tangible assets	(13,673)	(11,562)	(2,111)
Accruals of provision	(1,706)	(2,073)	367
Stock Grant	(2,142)	(2,328)	186
Non recurring income	279	654	(376)
Non recurring expenses	(4,263)	(3,065)	(1,198)
Operating Result (Ebit)	**11,352**	**7,880**	**3,471**

* 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 31.12.2018	Investments in Joint ventures and associates 31.12.2018	Total Assets 31.12.2018	Total Liabilities 31.12.2018	Aggregate Shareholders' equity 2018
"Distribution" Segment	248,223	4,934	253,157	169,925	83,232
"Import & Shipping" Segment	119,067	5	119,072	52,048	67,024
"Services" Segment	346,504	2,588	349,092	110,470	238,621
Total assets and liabilities	**713,794**	**7,528**	**721,321**	**332,443**	**388,878**

Thousands of euro	Total Assets without investments in joint ventures and associates 31.12.2017	Investments in Joint ventures and associates 31.12.2017	Total Assets 31.12.2017	Total Liabilities 31.12.2017	Aggregate Shareholders' equity 2017
"Distribution" Segment	232,809	731	233,540	156,525	77,016
"Import & Shipping" Segment	114,351	5	114,356	42,271	72,085
"Services" Segment	369,310	7,848	377,157	126,201	250,956
Total assets and liabilities	**716,470**	**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	31.12.2018	31.12.2017	Change
Corporate bodies fees	3,464	3,917	(452)
Costs for notary, tax, legal and other professional services	3,824	3,200	625
Commercial, advertising, promotional and representation expenses	1,520	2,177	(657)
Personnel costs	35,323	29,295	6,028
Depreciation and amortization	2,741	2,196	545
Accruals for provision	1,255	1,688	(434)
Costs for maintenance, external labor and various other services	7,596	6,928	668
Insurance expenses	1,472	1,465	7
Utilities	1,637	1,349	288
Travel expenses	1,297	1,124	173
Costs of company car fleet	981	749	232
Rental costs and various rentals	730	584	146
Charges for purchase and intercompany services to associates and related companies	839	961	(123)
Other costs	2,817	2,537	281
Acquisition costs of stationery and material of consumption	522	546	(24)
Fees, commissions, bank guarantees charges and factoring	997	885	112
Overheads	**67,016**	**59,602**	**7,414**

The table shows the increase in costs essentially influenced by the change in scope in 2017 with the entry of the companies Fruttital Firenze S.p.A., Galandi S.p.A. and Hermanos

Fernández López S.A. starting in the second half of the year. Precisely due to this circumstance, the increase in costs for the acquisition of goods, transport, maintenance and labor below is accompanied by a corresponding increase in consolidated turnover. Furthermore, there was an increase in bunker costs linked to a higher unit cost and fluctuations in the dollar/euro exchange rate compared to last year.

Note that the item "Raw material and finished goods costs" comprises Euro 3,923 thousand of costs due to associates, 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 3,807 thousand to associated companies of the Group; this balance is also included in the details provided in Note 33.

Instead, "rents and leases" comprises Euro 2,174 thousand to associated companies of the Group; this balance is also included in the details provided in Note 33.

"Other operating revenues and cost recoveries" comprises Euro 104 thousand in revenues from associates of the Group. For further details, reference is made to Note 33.

NOTE 24. Overhead and administrative costs

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

Thousands of euro	31.12.2018	31.12.2017	Change
Corporate bodies fees	3,464	3,917	(452)
Costs for notary, tax, legal and other professional services	3,824	3,20	625
Commercial, advertising, promotional and representation expenses	1,520	2,177	(657)
Personnel costs	35,323	29,295	6,028
Depreciation and amortization	2,741	2,196	545
Accruals for provision	1,255	1,688	(434)
Costs for maintenance, external labor and various other services	7,596	6,928	668
Insurance expenses	1,472	1,465	7
Utilities	1,637	1,349	288
Travel expenses	1,297	1,124	173
Costs of company car fleet	981	749	232
Rental costs and various rentals	730	584	146
Charges for purchase and intercompany services to associates and related companies	839	961	(123)
Other costs	2,817	2,537	281
Acquisition costs of stationery and material of consumption	522	546	(24)
Fees, commissions, bank guarantees charges and factoring	997	885	112
Overheads	**67,016**	**59,602**	**7,414**

The table especially shows the increase in labor costs essentially influenced by the change in scope in 2017, mentioned previously, with the entry of the companies Fruttital

Firenze S.p.A., Galandi S.p.A. and Hermanos Fernández López S.A. starting only in the second half of the year. Please also note that advertising and promotional expenses decreased due, as noted above, to the change in the Group's communications strategy.

It should be noted that labor costs of Euro 35,323 thousand and the compensation to corporate bodies of Euro 3,464 thousand include Euro 685 thousand and Euro 1,457 thousand, respectively, in implicit costs related to the medium/long-term management incentive plan.

"Charges for purchases and intercompany services to associates and related companies" comprises Euro 3 thousand to associated companies and Euro 836 thousand to related companies. For further details, reference is made to Note 33.

NOTE 25. Other income and expenses

Thousands of euro	31.12.2018	31.12.2017	Change
Other operating income	5,751	3,014	2,737
Other operating expenses	(5,339)	(3,992)	(1,347)
Total other income and expenses	**412**	**(978)**	**1,390**

Details of the items "Other operating income" and "Other operating expenses" for the years 2018 and 2017 are provided herein, with separate indication of ordinary positions with respect to non-recurring items.

Thousands of euro	31.12.2018	31.12.2017	Change
Revenues from recovery of costs and insurance reimbursements	499	697	(197)
Plusvalues and contingent revenues in ordinary course of business	3,115	765	2,350
Others	1,858	898	960
Other ordinary operating income	**5,472**	**2,360**	**3,113**
Gains on disposal of businesses or significant intangible assets and materials	-	7	(7)
Release of provisions previously set aside	172	59	113
Non-recurring reimbursements received	62	427	(365)
Others	45	161	(116)
Other non-recurring operating income	**279**	**654**	**(375)**

Other ordinary revenue, like the item other ordinary costs below, includes cost and revenue elements not already classified in the above sections of the income statement and elements such as contingent assets and liabilities of costs and revenues linked to previous years due to differences in estimates, which as such recur every year (for example, reversals of premiums received from and/or given to customers and suppliers, differences on insurance reimbursements collected compared to forecasts, etc.). They also include any contributions for operating expenses, capital gains and capital losses on current disposals of assets and the capitalization of costs linked to investment initiatives. In 2018, in particular, capitalization was recorded with reference to the progress status of the new ERP system implementation.

At non-recurring revenue level, in 2018 the provision for risks was released linked to disputes with personnel following outlays made that were lower than the amount set aside, while in 2017 the item essentially included income for insurance reimbursements following a fire that took place at the Milan warehouse of the Italian distribution company.

Note that revenues of Euro 193 thousand from associated companies represent primarily income for the use of the trademark by the company Moño Azul S.A.

Thousands of euro	31.12.2018	31.12.2017	Change
Penalities, sanctions and costs for damage to third parties	(89)	(76)	(13)
Minusvalues and contingent losses in ondinary course of business	(981)	(851)	(130)
Others	(6)	-	(6)
Other ordinary operating expenses	**(1.076)**	**(927)**	**(149)**
Glenalta transaction costs	-	(1,570)	1,570
Costs and extraordinary provisions with employees	(292)	(150)	(142)
Significant costs for civil, tax, customs litigations, etc.	(175)	-	(175)
Losses on disposal investments and non - current financial assets	(121)	(95)	(26)
Losses on disposal of businesses or significant intangible assets and materials	(744)	-	(744)
Others	(2,931)	(1,250)	(1,681)
Other non - recurring operating expenses	**(4,263)**	**(3,065)**	**(1,198)**

Given what is noted above with respect to the nature of the ordinary expenses shown in this table, there were no significant deviations in 2018 with respect to the previous year. On the other hand, as concerns non-recurring items, the most significant ones include costs incurred by the shipbuilding company to rent additional ships as commented on in the single report on operations for Euro 1,884 thousand and capital losses from the disposal of assets relating to the trademark for Euro 704 thousand.

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	31.12.2018	31.12.2017	Change
Financial income	186	226	(40)
Financial expenses	(2,507)	(2,461)	(46)
Exchange rate differences	(140)	(344)	204
Net financial expenses	**(2,461)**	**(2,579)**	**118**

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

Thousands of euro	31.12.2018	31.12.2017	Change
Interest income to third parties	132	122	11
Interest income to associates and joint ventures	34	89	(55)
Interest for IAS 19	19	15	4
Financial income	**186**	**226**	**(40)**

Thousands of euro	31.12.2018	31.12.2017	Change
Interest expenses from bank	(2,476)	(2,454)	(22)
Interest expenses to third parties	(1)	(6)	5
Losses on derivatives	(30)	(1)	(29)
Financial expenses	**(2,507)**	**(2,461)**	**(46)**

Thousands of euro	31.12.2018	31.12.2017	Change
Realized exchange rate differences	(477)	229	(706)
Unrealized exchange rate differences	337	(573)	909
Exchange rate differences	**(140)**	**(344)**	**204**

Compared to last year, financial expenses are basically unchanged, while there was a minor impact in terms of exchange differences.

NOTE 27. Net income (loss) from equity investments

Thousands of euro	31.12.2018	31.12.2017	Change
Dividends	11	10	1
Share of profit from companies consolidated at equity	1,187	1,912	(725)
Revaluations of securities and investments	889	17,482	(16,593)
Devaluations of securities and investments	(2)	(13)	11
Result of securities and investments negotiation	265	(3)	268
Non recurring devaluations entered in "Other current assets"	-	(8,000)	8,000
Net income (loss) from equity investments	**2,350**	**11,387**	**(9,037)**

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

The amount of the "Share of profit from companies consolidated at equity" is equal to Euro 1,187 thousand. This result decreased compared to 2017 as the figure for the previous year included the pro-rata share of the results of the acquired companies

Fruttital Firenze S.p.A., Galandi S.p.A., and Hermanos Fernández López S.A. through June 30, 2017, after which time they were fully consolidated in the Group's accounts.

Trading income essentially reflects the income arising from the disposals of Cultifruit and other minor companies in the course of the year.

NOTE 28. Taxes expenses

All Italian subsidiaries participate in the "tax consolidation" system headed by Orsero, in accordance with arts. 117 et seq. of the TUIR Tax Code.

The changes in taxes are summarized in the following table.

Thousands of euro	31.12.2018	31.12.2017	Change
Current taxes for the year	(6,569)	(5,905)	(664)
Previous financial year taxes (+/-)	(84)	9	(93)
Deferred taxes = from statutory tax consolidation	1,798	2,596	(797)
Deferred taxes incomes and liabilities	1,616	(354)	1,970
Tax expenses	**(3,239)**	**(3,654)**	**416**

The comparison with the previous year is negatively impacted by the fact that the 2017 taxes of Fruttital Firenze S.p.A., Galandi S.p.A. and Hermanos Fernández López S.A. related only to the second half of the year. The global decline takes into consideration the recognition of deferred tax assets of Orsero for Euro 1 million, expected to be recovered in the coming years.

	2018 -Rate 24%		2017 -Rate 24%	
Thousands of euro	**Taxable**	**Tax**	**Taxable**	**Tax**
Profit before tax	**11,241**		**16,689**	
Theoretical tax		**(2,698)**		**(4,005)**
Benefit "*step acquisition*" ex-IFRS 3	-	-	(17,482)	4,196
Guarantee in favour to Argentina S.r.l.	-	-	8,000	(1,920)
International register Cosiarma		(878)		(277)
Share of profit from companies consolidated at equity	(1,187)	285	(1,912)	459
Foreign companies for different tax rate		(709)		(583)
Taxed dividends from companies of Group	18,099	(217)	30,790	(369)
Prepaid taxes		1,000		-
Non imposable items/recoveries		799		-
Others		18		(97)
Effective tax		**(2.400)**		**(2,596)**
Irap/Cvae taxes		(839)		(1,059)
Taxes expenses in the consolidated financial statement		**(3,239)**		**(3,654)**
Effective rate		*28,8%*		*21,9%*

The table above details the reconciliation between the theoretical and actual taxes for the two years, highlighting the differences; in this respect, please note 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 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.

	Statement of financial position		Income statement		Comprehensive income statement	
Thousands of euro	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Previous tax losses	5,049	4,593	455	(937)	-	-
Effect IAS 19	688	767	(10)	(12)	(83)	108
Depreciation/Goodwill/trademarks	794	913	(66)	116	-	-
Indirect taxes	105	100	6	21	-	-
Reductions in value and provisions	1,411	772	625	91	-	-
Financial expenses/ACE/Exchange differences	137	149	(12)	12	-	-
Provisions for the return of the rended container feet	730	380	350	380	-	-
Costs deductible in the future (Stock Grant)	142	-	-	-	142	-
Other	222	115	121	(107)	-	-
Deferred tax assets	**9,277**	**7,788**	**1,469**	**(435)**	**58**	**108**

The table below shows the changes in the various deferred tax components by type.

	Statement of financial position		Income statement		Comprehensive income statement	
Thousands of euro	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Leasing	(1,396)	(1,316)	4	(5)	-	-
Warehouse revaluation	(230)	(232)	2	-	-	-
On J-entries FV Magazzini Fernández	(2,015)	(2,080)	65	33	-	-
Ships depreciation	(1,779)	(1,848)	69	50	-	-
Others	(31)	(52)	6	4	-	-
Deferred tax liabilities	**(5,451)**	**(5,527)**	**146**	**81**	**-**	**-**

As at December 31, 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. The "Fully Diluted" earnings per share are calculated dividing the net profit of the Group by the average number of outstanding shares including special shares and warrants, in both cases excluding treasury shares in the portfolio. The average number of outstanding shares used to calculate the "Fully Diluted" earnings per share includes the treasury shares assigned following the achievement of the 2017 and 2018 targets envisaged in the medium/long-term management incentive plan.

Euro	2018	2017
Net profit - Group share (in euro)	**7,973,589**	**12,808,708**
Average number of outstanding shares during the period	**16,955,428**	**14,478,956**
Base earnings per share - ordinary shares	**0.470**	**0.885**
Average number of outstanding shares during the period	16,955,428	14,478,956
Average number of special shares and warrant during the period	-	1,454,065
Average number of outstanding shares granted for " Stock Grant Plan" during the period	320,002	87,215
Diluted average number of outstanding shares during the period	**17,275,430**	**16,020,236**
Diluted earnings per share - ordinary shares	**0.462**	**0.800**

NOTE 30. Disclosures on financial instruments - additional disclosures

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

Thousands of euro	31.12.18	31.12.17	Change
Financial assets			
Cash and cash equivalent	76,285	79,893	(3,608)
Trade receivables	109,360	112,898	(3,539)
Current financial assets	19	21	(2)
Financial liabilities			
Bond payables (over 12 months)	(30,000)	-	(30,000)
Non - current medium term bank loans (over 12 months)	(51,704)	(74,995)	23,292
Current medium term bank loans	(13,281)	(16,248)	2,967
Bank overdrafts	(12,469)	(22,130)	9,660
Non - current other lenders (over 12 months)	(670)	(904)	235
Current other lenders	(685)	(527)	(158)
Other current lenders short term	(1,838)	(11,066)	9,228
Non current payables for price balance on acquisitions (over 12 months)	(243)	(243)	-
Current payables for price balance on acquisitions (over 12 months)	-	(223)	223
Hedging derivatives (over 12 months)	(367)	(66)	(302)
Hedging derivatives	(1,114)	-	(1,114)
Trade payables	(112,751)	(103,395)	(9,356)

Note that only current financial assets include securities, i.e. financial instruments that are valued at fair value with 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. In this regard, it is noted that the Group has derivative contracts outstanding as at December 31, 2018 related to interest rate hedges and the bunker hedge as reported in Note 14.

Indeed, as at December 31, 2018, there was a hedging instrument (swap) on the bunker that the shipbuilding company activated in order to reduce and control the risks associated with changes in the price of raw material. As at December 31, 2018, its negative fair value of Euro 1,114 thousand was recognized under current financial payables with counter-entry equity reserve specifically designated.

As at December 31, 2018, there is an interest rate hedge in place linked to the Euro 60 million loan, in addition to that initially activated by the sub-holding company GF Distribuzione S.r.l. on the Euro 20 million loan transferred to the Parent Company following the refinancing operation, whose negative fair value amounts to Euro 367 thousand, booked to the item "Non-current financial liabilities", with a specially designated shareholders' equity reserve 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. At the reporting date, interest rate and bunker hedging derivatives had been stipulated, as discussed above;
- the fair value of non-current financial liabilities is obtained by discounting all future cash flows at the period-end conditions. In the current situation, where for medium-term debt the cost of the loan is aligned with the market value, the nominal values of the debt are considered as fair values.

As regards trade and other receivables and 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.

Financial instruments

Derivatives, valued using techniques based on market data, are mainly swaps on bunkers 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 analyzes financial instruments measured at fair value based on three different levels of valuation.

Thousands of euro		31.12.18			31.12.17	
Financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Current financial assets	19	-	-	21	-	-
Financial liabilities						
Speculative derivatives	-	-		-	-	-
Hedging derivatives	-	(1,482)		-	(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 bunker and interest rates that are quoted in active or observable markets on official rate curves. The liability valued with Level 2 as at December 31, 2018 relates to the negative fair values of the derivatives on interest rates and the bunker.

Non-financial instruments

There are no non-financial instruments measured at fair value as at December 31, 2018, because the biological assets of the Mexican producer measured at fair value, i.e., market value net of sales costs, were equal to zero at the end of the year.

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

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

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

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

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

Risks associated with fluctuations in exchange rates

In view of its operations, the 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.

Risks associated with loan agreements

The Orsero Group has some short-term and medium-term loan agreements with some of the major banking institutions, which envisage in the coming years a repayment plan for its debt adjusted for expected revenue flows, together with a low interest rate. With the refinancing operation concluded in 2018, the Group was able to reschedule the overall duration of its medium-term debt, extending it with respect to existing loans and concentrating relationships with a more limited group of national and international institutions with which to engage in strategic, long-term relations.

Risks of default and covenants on the debt

The Group has lending agreements 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 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 seasonal product campaigns. Commercial credit risk is monitored based on formalized procedures for selecting and evaluating the customer portfolio, defining the limits of reliance, monitoring the expected income flows and any recovery actions, and in some cases, involves the stipulation of insurance policies with primary counterparties.

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

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

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

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

Thousands of euro	31.12.18	31.12.17	Change
Assets held for trading	19	21	(2)
Cash and cheques	575	382	193
Bank and deposit accounts	75,710	79,511	(3,801)
Bond payables	(30,000)	-	(30,000)
Non - current medium term bank loans (over 12 months)	(51,704)	(74,995)	23,292
Non - current other lenders (over 12 months)	(670)	(904)	235
Non current payables for price balance on acquisitions (over 12 months)	(243)	(243)	-
Non current Liabilities for derivative	(367)	(66)	(302)
Bank overdrafts	(12,469)	(22,130)	9,660
Current medium term bank loans	(13,281)	(16,248)	2,967
Current other lenders	(1,838)	(11,066)	9,228
Other current lenders short term	(685)	(527)	(158)
Current Liabilities for derivative	(1,114)	-	(1,114)
Current payables for price balance on acquisitions (over 12 months)	-	(223)	223
Net financial position	**(36,068)**	**(46,487)**	**10,419**

Thousands of euro	31.12.18	31.12.17	Change
Goodwill	32,975	32,085	890
Other intangible assets	5,057	8,974	(3,917)
Tangible assets	103,145	100,994	2,151
Financial investments	8,919	7,959	960
Other fixed assets	6,080	1,489	4,591
Deferred tax assets	9,277	7,788	1,489
NON-CURRENT ASSETS	**165,453**	**159,290**	**6,163**
Inventories	35,838	33,498	2,340
Trade receivables	109,360	112,898	(3,539)
Trade payables	(112,751)	(103,395)	(9,356)
NET WORKING CAPITAL	**32,447**	**43,002**	**(10,554)**
Other receivables	26,205	24,512	1,692
Deferred tax liabilities	(5,451)	(5,527)	76
Provisions for risks and charges	(2,697)	(2,968)	271
Employees benefits liabilities	(8,559)	(8,785)	227
Other liabilities	(21,152)	(19,290)	(1,862)
OTHER CURRENT ASSETS AND LIABILITIES	**(11,655)**	**(12,059)**	**404**
NET INVESTED CAPITAL	**186,246**	**190,233**	**(3,987)**

Risks associated with guarantees provided to third parties

Against the payment of the guarantee to Intesa SanPaolo, already reported in the Financial Statements for 2017 and mentioned in other parts of this report, the guarantees provided in favor of the related companies K-air S.p.A. and Nuova Beni Immobiliari S.r.l. remain in place - also originating from the agreements reached to finalize the merger with Glenalta - equivalent to Euro 1,152 thousand and Euro 288 thousand, for which there is no significant risk profile at present, as there is the concrete possibility of recovering directly from these companies any amounts that may be disbursed by the Group against these guarantees.

NOTE 33. Transactions with related parties

The Company and the Group have put in place a conduct procedure related to transactions with related parties, in order to monitor and trace the necessary information regarding transactions in which directors and executives have interests, as well as transactions with related parties for the purpose of their control and possible authorization. The procedure identifies the subjects required to report the above information, defines what transactions should become the subject of communication, and sets the deadlines to submit the information, specifying its content.

The main intra-group activities, regulated at market prices, are developed through contractual relations that specifically concerned:

- management of investments;
- regulation of financial flows through centralized treasury and intra-group loans;
- sharing of general, administrative and legal services;
- assistance related to IT services;

- trade agreements.

In addition, there is a fiscal relationship with the Parent Company Orsero, following the option exercised for the national tax consolidation regime, governed by articles 117 et seq. of the TUIR Tax Code, only for the Italian companies.

Receivables and payables arising from such tax relations are not interest-bearing. Transactions between the companies included in the scope of consolidation have been eliminated from the consolidated financial statements and have not been highlighted.

Below is a summary of the items in the statement of financial position and income statement for transactions between the Group and other related parties in 2018.

Relationships with the companies represented in the table are essentially commercial and related to the specific business sectors: production for Citrumed and Moño Azul, the real estate business for Nuova Beni Immobiliari, Business Aviation for GF Aviation and it subsidiarie, and distribution for the others.

Thousands of euro	Related parties at December 31, 2018						
	Financial receivables	Trade receivables	Other receivables[2]	Trade payables	Net sales	Financial income	Trade Expenses
Associates and Joint Ventures							
Moño Azul S.A.[3]	320	882	-	-	189	11	(2,821)
Frt Cagliari S.r.l.	-	306	-	(103)	4,519	-	(4)
Moncada S.r.l.	-	1,495	-	-	7,223	-	(21)
Citrumed S.A.	935	37	-	-	92	24	(1,079)
Simba Spain S.L.	-	5	-	-	20	-	(1)
Fruport S.A.	-	3	-	(1,098)	-	-	(3,807)
Total exposure to Associates and Joint ventures	**1,255**	**2,728**	**-**	**(1,201)**	**12,043**	**34**	**(7,733)**
Related companies							
Nuova Beni Immobiliari S.r.l.	-	178	-	(78)	227	-	(2,951)
Business Aviation[1-3]	-	81	-	(1,151)	95	-	(58)
Immobiliare Ranzi S.r.l.	-	58	-	-	32	-	-
Argentina S.r.l.	-	1	-	-	-	-	-
Fif Holding S.p.A.	-	2	-	-	-	-	-
Total exposure to related companies	**-**	**320**	**-**	**(1,229)**	**355**	**-**	**(3,010)**

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

[2] 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.

[3] Net to bad provisions.

Transactions with related parties are governed by specific contracts, the conditions of which are in line with those of the market.

With regard to relations with Argentina S.r.l., as detailed extensively in the report to the 2017 financial statements, please recall that 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. The economic and financial effect of this disbursement on the accounts in 2018 was nil, given already fully reflected in the previous Orsero 2017 financial statements based on the prudent evaluation of the directors.

NOTE 34. Share-based payments

As previously discussed, the Group has launched a long-term incentive plan based on ordinary shares of the Company, the "Orsero S.p.A. Stock Grant Plan", for Orsero's executive directors and certain key managers, linked to the achievement of the objectives progressively set in the three-year period 2017-2019. As the 2017 objective was achieved, resulting in the assignment to the aforementioned individuals of 166,667 shares, which will be delivered, free of charge, within and no later than 15 trading days from the approval of the 2019 financial statements, for a total amount of Euro 2,328 thousand, based on the relative fair value at the assignment date, as envisaged in IFRS 2, equivalent to the market price of Euro 13.97. Note that these shares are already held by the Company, which allocated a portion of treasury shares, equivalent to 500,000 shares, specifically for this Plan. As explained in more detail in another part of this report, the 2018 objective was met, although not fully, triggering the assignment to beneficiaries of 153,335 shares for an equivalent value of Euro 2,142 thousand.

NOTE 35. Employees

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

	31.12.2018	31.12.2017	Change
Distribution Segment			
Number of employees	1,192	1,103	89
Average number of employees	1,218	1,199	19
Import&Shipping Segment			
Number of employees	175	173	2
Average number of employees	173	173	-
Services Segment			
Number of employees	94	89	5
Average number of employees	94	90	4
Number of employees	**1,461**	**1,365**	**96**
Average number of employees	**1,485**	**1,462**	**23**

NOTE 36. Fees due to Directors, Board of Auditors, Independent Auditors

The following table details the remuneration for the members of the corporate bodies of Orsero S.p.A. in 2018.

Thousands of euro	2018
Board of Directors	2,063
Board of Auditors	105
Independent Auditors	280

The amount of the item "Directors Fees" includes remuneration from letters of appointment of Euro 525 thousand, committee remuneration of Euro 30 thousand, welfare and social security contributions of Euro 51 thousand and amounts from the medium/long-term management incentive plan of Euro 1,457 thousand.

NOTE 37. Guarantees provided, commitments and other contingent liabilities.

The guarantees provided by the Company are as follows:

Thousands of euro	31.12.2018	31.12.2017	Change
Guarantees issued in the interest of the Group	7,045	11,211	(4,166)
Guarantees issued to third parties	8,601	15,667	(7,066)
Guarantees issued to third parties in the interest of related parties	1,440	5,410	(3,970)
Total guarantees	**17,086**	**32,288**	**(15,202)**

The change compared to last December 31 is basically linked to the elimination of guarantees in favor of Moño Azul S.A. (which was transformed, as noted in the single report on operations, into an equity investment in the same company), the return of the guarantee linked to the Florence property and the decrease in the total guarantees in favor of the customs agency. To a lesser extent, guarantees given in favor of the related companies Nuova Beni Immobiliari and K-Air also decreased.

INDEPENDENT AUDITOR'S REPORT

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Orsero S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Orsero Group (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement and consolidated comprehensive income statement, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Orsero Group as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Orsero S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Orsero S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of Orsero S.p.A. are responsible for the preparation of the Group's directors' report at 31 December 2018 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Group's consolidated financial statements at 31 December 2018 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the consolidated financial statements of the Orsero Group at 31 December 2018 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 4 April 2019

KPMG S.p.A.

(signed on the original)

Matteo Pastore
Director of Audit

SEPARATE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

GRUPPO
ORSERO

Statement of Financial Position

Euro	Notes	31/12/2018	31/12/2017
ASSETS			
Other intangible assets	1	108,525	58,296
Tangible assets	2	729,093	772,330
Financial investments	3	168,776,264	169,482,942
Other fixed assets	4	25,014	24,864
Deferred tax assets	5	1,987,735	600,425
Non-Current Assets		**171,626,632**	**170,938,857**
Receivables	6	75,845,878	41,314,676
Current tax receivables	7	3,257,760	3,786,179
Other current assets	8	443,007	400,901
Cash and cash equivalent	9	29,564,505	53,591,711
Current Assets		**109,111,149**	**99,093,467**
Assets held for sale			
TOTAL ASSETS		**280,737,781**	**270,032,324**
Share Capital		69,163,340	69,163,340
Reserves		88,537,558	86,708,838
Net profit		4,041,242	2,386,083
Total Shareholders' Equity	**10**	**161,742,141**	**158,258,261**
LIABILITIES			
Non-current financial liabilities	11	79,047,627	56,426,000
Provisions for risks and charges	12	-	-
Employees benefits liabilities	13	1,507,218	1,470,299
Non-Current Liabilities		**80,554,845**	**57,896,299**
Current financial liabilities	11	11,011,301	20,423,830
Payables	14	25,302,850	31,462,771
Current tax and social security contributions liabiliti	15	315,057	423,427
Other current liabilities	16	1,811,587	1,567,736
Current Liabilities		**38,440,795**	**53,877,764**
Liabilities held for sale		**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**280,737,781**	**270,032,324**

Income Statement

Euro	NOTES	Esercizio 2018	Esercizio 2017
Net sales	17	3,314,379	3,862,457
Cost of goods sold		-	-
Gross profit		**3,314,379**	**3,862,457**
Overheads	18	(10,547,614)	(11,536,868)
Other income and expenses	19	(39,248)	(9,969,688)
Operating result (Ebit)		**(7,272,483)**	**(17,644,099)**
Net financial expenses	20	(1,196,124)	(1,385,113)
Net income (loss) from equity investments	21	9,717,144	20,973,888
Profit before tax		**1,248,536**	**1,944,676**
Tax expenses	22	2,792,706	441,407
Net profit from continuing operations		**4,041,242**	**2,386,083**
Net profit of "Discontinued operations"	23	-	-
Net profit		**4,041,242**	**2,386,083**

Comprehensive Income Statement

Euro	Esercizio 2018	Esercizio 2017
Net profit	**4,041,242**	**2,386,083**
Items that may not be subsequently reclassified to net profit or loss	(31,860)	(49,414)
Items that may be subsequently reclassified to net profit or loss	(279,206)	-
Total comprehensive income	**3,730,176**	**2,336,669**

Cash Flow Statement

Euro	Year 2018	Year 2017
A. Net cash flows provided by (used for) operating activities		
Net profit	**4,041,242**	**2,386,083**
Income taxes	(2,792,706)	441,407
Net financial expenses	1,196,124	(1,383,777)
(Dividends)	(8,000,000)	(24,850,000)
(Earnings)/losses from disposal of assets	-	-
1. Net Profit before Tax, Interests, Dividends and (earnings)/losses from disposal of assets	**(5,555,340)**	**(23,406,287)**
Non-cash adjustments not related to net working capital:		
Provisions	-	-
Depreciations and Amortizations	219,537	189,166
Impairment of assests	-	263,680
Other non-cash adjustments	-	-
2. Cash flows before net working capital changes	**(5,335,803)**	**(22,953,441)**
Changes in Net Working Capital:		
Change in trade receivables	-	-
Change in trade payables	38,645,555	4,133,302
Change in other receivables	(28,475,099)	(11,356,085)
Change in other payables	(50,202,866)	(8,269,143)
3. Cash flows after net working capital changes	**(45,368,213)**	**(38,445,367)**
Other non-cash adjustments:		
Net financial expenses	(1,196,124)	1,383,777
Income taxes	2,792,706	(441,407)
Dividends	8,000,000	24,850,000
Change in Funds	-	-
4. Cash flows after other changes	**(35,771,631)**	**(12,652,997)**
Net cash flows provided by (used for) operating activities (A)	**(35,771,631)**	**(12,652,997)**
B. Net cash flows provided by (used for) investing activities		
Tangible assets		
(investment)	(308,337)	(547,547)
Disposals	159,168	54,817
Intangible assets		
(investment)	(77,360)	(58,296)
Disposals	-	-
Financial Investments		
(Investment)	-	(13,241,671)
Disposals	706,678	10,467,153
Financial assets		
(Investment)	(1,387,461)	(202,414)
Disposals	-	52,499
Disposals / (acquisitions) of investments in controlled companies, net of cash	-	(171,697,743)
Net cash flows provided by (used for) investing activities (B)	**(907,312)**	**(175,173,202)**
C. Net cash flows provided by (used for) financing activities		
Financial loans		
Increase /(decrease) of short term financial debts	(1,426,635)	9,636,948
Drawdown of new loans	89,377,733	101,826,065
Pay back of loans	(74,742,000)	(34,613,183)
Equity		
Aumento di capitale a pagamento / SFP	1,775,799	110,551,699
Capital decrease	-	(25,000,000)
Disposal/ (aquisition) of own shares	(297,161)	(701,217)
Dividends paid	(2,036,000)	-
Net cash flows provided by (used for) financing activities(C)	**12,651,736**	**161,700,312**
Increase/ (decrease) of cash and cash equivalent (A ± B ± C)	**(24,027,207)**	**(26,125,887)**
Net cash and cash equivalents, at beginning of the year	**53,607,333**	**79,733,220**
Net cash and cash equivalents, at end of the year	**29,580,126**	**53,607,333**

Statement of Changes in Shareholders' Equity

	Share Capital*												
Thousands of euro	Share Capital*	Treasury Share*	Equity investments'costs reserve*	Legal reserve	Share premium reserve	Other reserves	Currency transation reserve	Cash Flow Hedge reserve	Remeasurement of defined benefit plans	Long-term incentive plan reserve	Retained earnings/ (losses)	Net profit	Total Shareholders' equity
December 31, 2016	**9,500**	**(523)**	**-**	**-**	**63,830**	**(753)**	**-**	**-**	**-**	**-**	**(8)**	**(1,026)**	**71,022**
Allocation of reserves	-	-	-	-	-	162	-	-	-	-	(1,187)	1,026	**-**
Costs of acquisition equity investments	-	-	(153)	-	-	-	-	-	-	-	-	-	**(153)**
Capital increase	4,663	-	-	-	8,556	-	-	-	-	-	-	-	**13,219**
Glenalta's operation	55,000	(5,884)	-	-	8,170	13,246	-	-	(114)	-	-	-	**70,418**
Purchasing treasury shares	-	(702)	-	-	-	-	-	-		-	-	-	**(702)**
Effect IAS 19	-	-	-	-	-	-	-	-	(49)	-	-	-	**(49)**
Change in fair value of cash flow hedge derivatives	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Long-term incentive plan	-	-	-	-	-	-	-	-	-	2,328	-	-	**2,328**
Other changes	-	-	-	-	-	(211)	-	-	-	-	-	-	**(211)**
Net profit	-	-	-	-	-		-	-	-	-	-	2,386	**2,386**
December 31, 2017	**69,163**	**(7,109)**	**(153)**	**-**	**80,556**	**12,444**	**-**	**-**	**(163)**	**2,328**	**(1,195)**	**2,386**	**158,258**

Thousands of euro	Share Capital*	Treasury Share*	Equity investments'costs reserve*	Legal reserve	Share premium reserve	Other reserves	Currency transation reserve	Cash Flow Hedge reserve	Remeasurement of defined benefit plans	Long-term incentive plan reserve	Retained earnings/ (losses)	Net profit	Total Shareholders' equity
December 31, 2017	**69,163**	**(7,109)**	**(153)**	**-**	**80,556**	**12,444**	**-**	**-**	**(163)**	**2,328**	**(1,195)**	**2,386**	**158,258**
Allocation of reserves	-	-	-	119	-	(965)	-	-	-	-	1,195	(349)	**-**
Costs of acquisition equity investments	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Glenalta's operation	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Purchasing treasury shares	-	(297)	-	-	-	-	-	-	-	-	-	-	**(297)**
Effect IAS 19	-	-	-	-	-	-	-	-	(32)	-	-	-	**(32)**
Change in fair value of cash flow hedge derivatives	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Dividends	-	-	-	-	-	-	-	-	-	-	-	(2,036)	**(2,036)**
Long-term incentive plan	-	-	-	-	-	-	-	-	-	2,142	-	-	**2,142**
Other changes	-	-	-	-	-	(55)	-	(279)	-	-	-	-	**(334)**
Net profit	-	-	-	-	-		-		-	-	-	4,041	**4,041**
December 31, 2018	**69,163**	**(7,406)**	**(153)**	**119**	**80,556**	**11,424**	**-**	**(279)**	**(195)**	**4,470**	**-**	**4,041**	**161,742**

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

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

Group Structure

Orsero S.p.A. (the "Parent Company" or the "Company") is a company organized under the laws of the Republic of Italy. The company represents the Parent Company of Orsero Group, whose activities have been extensively described in the pages above with regard to the single Report on Operations. The registered office of the Parent Company is via Fantoli 6/15, Milan, Italy.

Statement of compliance and preparation criteria

The separate financial statements of Orsero S.p.A. as at December 31, 2018 have been drawn up based on art. 4, paragraph 2 of Legislative Decree no. 38 of 28/02/2005, according to the International Accounting Standards issued by the International Accounting Standards Board (IASB) and approved by the European Commission, including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

The separate financial statements as at December 31, 2018 are the second full financial statements prepared in accordance with IAS/IFRS pursuant to Regulation (EC) 1606/2002 issued by the European Parliament and the European Council in July 2002.

Content and form of the separate financial statements

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

The Company has adopted the following financial statements:

- statement of financial position, which classifies assets and liabilities as current and non-current;
- income statement, in which costs are presented using the "allocation" classification, a structure considered more representative than presentation by type;
- comprehensive income statement, which reports revenue and cost items that are not recognized in profit (loss) for the year as required or permitted by IFRS;

- cash flow statement, presented using the "indirect method";
- statement of changes in equity reporting all changes during the year under review.

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

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

On March 21, 2019, the Parent Company's Board of Directors approved the separate and consolidated financial statements of Orsero.

The separate financial statements have been drawn up in accordance with the general historical cost principle, with the exception of current financial assets, derivative instruments measured at fair value, and on the going concern assumption.

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

The separate financial statements of Orsero as at December 31, 2018 were audited by KPMG S.p.A.

Management and coordination

The Company does not fulfill the requirements for being subject to management and coordination activities by the parent company FIF Holding S.p.A. pursuant to art. 2497 bis of the Italian Civil Code.

Valuation criteria

The separate financial statements used the same valuation criteria as the consolidated financial statements, more fully described above.

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

This chapter provides useful information to explain the most significant changes compared to the previous year in the items of the financial statements.

NOTE 1. Intangible assets

Thousands of euro	Intellectual property rights	Concessions, licenses and trademarks	Assets in progress and advances	Other intangible assets	Total
Carrying amount	125	-	58	-	183
Accumulated amortization	(125)	-	-	-	(125)
Carrying amount at December 31, 2017	**-**	**-**	**58**	**-**	**58**
Change of year:					
Investments	77	-	-	-	77
Disposal - Carrying amount	-	-	-	-	-
Disposal - accumulated amortization	-	-	-	-	-
Reclassification - carrying amount	58	-	(58)	-	-
Reclassification - accumulated amortization	-	-	-	-	-
Impairment losses	-	-	-	-	-
Translation differences - carrying amount	-	-	-	-	-
Translation differences - accumulated amortization	-	-	-	-	-
Amortization	(27)	-	-	-	(27)
Amortization "Discontinued Operations"	-	-	-	-	-
Carrying amount	261	-	-	-	261
Accumulated amortization	(152)	-	-	-	(152)
Carrying amount at December 31, 2018	**109**	**-**	**-**	**-**	**109**

Intangible assets increased by Euro 77 thousand due to costs incurred to complete the new information system that will optimize the management of the Group's workforce; this software became operational in 2018 (this resulted in the reclassification of investments made in 2017, originally included under intangible assets in progress).

The Company did not incur any expenses for research in 2018.

Intellectual property rights

The item includes costs incurred for the Company's software programs and licenses, amortized on a straight-line basis over 5 years or based on the duration of the related license, with a residual value of Euro 109 thousand (zero as at December 31, 2017). During the year, amortization of Euro 27 thousand was applied on the new software mentioned above.

NOTE 2. Tangible assets

Thousands of euro	Lands and buildings	Plantations	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets in progress and advances	Total
Carrying amount	70	-	-	-	1,677	-	1,748
Accumulated depreciation	(1)	-	-	-	(974)	-	(975)
Balance at December 31, 2017	**69**	**-**	**-**	**-**	**704**	**-**	**773**
Change of year:							
Investments	-	-	-	-	308	-	308
Disposal - Carrying amount	-	-	-	-	(315)	-	(315)
Disposal - accumulated depreciation	-	-	-	-	156	-	156
Reclassification - carrying amount	-	-	-	-	-	-	-
Reclassification - accumulated	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Translation differences - carrying amount	-	-	-	-	-	-	-
Translation differences - accumulated	-	-	-	-	-	-	-
Depreciation	(2)	-	-	-	(190)	-	(192)
Carrying amount	70	-	-	-	1,670	-	1,740
Accumulated depreciation	(3)	-	-	-	(1,008)	-	(1,011)
Balance at December 31, 2018	**67**	**-**	**-**	**-**	**662**	**-**	**729**

As at December 31, 2018, Tangible assets totaled Euro 729 thousand, marking a net decline of Euro 44 thousand compared to the previous year due to:

- investments for Euro 308 thousand, including vehicles for Euro 276 thousand, electronic equipment for Euro 17 thousand, furnishings for Euro 10 thousand and telephony for Euro 5 thousand,
- depreciation for the period, Euro 192 thousand;
- disposals of assets (at book value) for Euro 315 thousand (depreciated for Euro 156 thousand), fully represented by sales of company cars.

Land and buildings

This item includes buildings for Euro 70 thousand (Euro 70 thousand in 2017), depreciated at 3% and refers to the extraordinary maintenance work carried out at the Company's new headquarters in Milan.

Other tangible assets

The item mainly includes the following assets held by the Company:

- corporate cars for Euro 706 thousand (Euro 746 thousand in 2017) and depreciated at 25%;
- furniture and fixtures for Euro 513 thousand (Euro 503 thousand in 2017) and depreciated at 12%;
- office equipment for Euro 342 thousand (Euro 324 thousand in 2017) and depreciated at 20%;
- equipment for Euro 10 thousand (Euro 10 thousand in 2017) and depreciated at 12%;
- mobile telephones for Euro 27 thousand (Euro 22 thousand in 2017) and depreciated at 20%;
- small plants for Euro 40 thousand (Euro 40 thousand in 2017) and depreciated at 20%.

As at December 31, 2018, the Company verified there were no internal or external indicators of possible impairment for its tangible assets. Consequently, the value of tangible assets has not been subject to impairment testing.

NOTE 3. Investments

Thousands of euro	Investments in subsidiaries	Investments in Joint ventures	Investments in associates	Investments in other companies	Total
Carrying amount	**235,780**	**-**	**-**	**3,930**	**239,709**
Accumulated provision on investments	**(66,298)**	**-**	**-**	**(3,928)**	**(70,226)**
Balance at December 31, 2017	**169,482**	**-**	**-**	**1**	**169,483**
Change of year:					
Additional/Capital increase	-	-	-	-	-
Divestments and disposals-carrying amount	(1,566)	-	-	-	(1,566)
Divestments and disposals-accumulated provision on	860	-	-	-	860
Impairment losses/Using fund to cover losses	-	-	-	-	-
Repayments to Shareholders loan	-	-	-	-	-
Ripristini	-	-	-	-	-
Reclassification-carrying amount	-	-	-	-	-
Reclassification-accumulated provision on investments	-	-	-	-	-
Carrying amount	**234,213**	**-**	**-**	**3,930**	**238,143**
Accumulated provision on investments	**(65,438)**	**-**	**-**	**(3,929)**	**(69,367)**
Balance at December 31, 2018	**168,775**	**-**	**-**	**1**	**168,776**

Disclosure on equity investments in other companies

The separate financial statements must be prepared in accordance with IFRS 12 "Disclosure of Interests in Other Entities", which includes all disclosure provisions previously included in IAS 27, IAS 28, and IAS 31.

Companies defined as subsidiaries are entities in which Orsero has a majority of the exercisable votes and exercises a dominant influence in the ordinary Shareholders'

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

For further details, please refer to the section on Investments in the Notes to the consolidated financial statements.

Equity investments totaled Euro 168,776 thousand as at December 31, 2018, with a net decrease of Euro 707 thousand due to the changes reported in the table above and detailed below.

Please note the conclusion in the final days of December of the voluntary liquidation procedure of the company Siter in Liquidazione S.r.l., which had a positive impact on the income statement due to the difference between the book value of the equity investment (Euro 567 thousand) and the value resulting from the pro-rata allocation of the assets (Euro 2,074 thousand), recognized as a capital gain (of Euro 1,507 thousand).

In the course of the year, the equity investment in the subsidiary Cultifruit S.L., was also disposed of for a realizable value of Euro 350 thousand, while it was recognized in the financial statements at the time of disposal for Euro 140 thousand; this transaction generated an economic effect of Euro 210 thousand in the financial statements.

There were no further disposals/divestments in 2018.
There were no write-downs in 2018.
There were no revaluations in 2018.
There were no recapitalizations in 2018.

Impairment test of investments

For the purposes of IAS 36, the Company carried out impairment tests with respect to subsidiaries to verify the recoverability of the carrying amount of investments in order to ensure that the value recorded in the financial statements does not exceed the recoverable amount.

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

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

The WACC value thus determined is 8.6% for the major companies (with higher rates for Greek and Portuguese companies due to the country situation - see "Impairment Test" section in the Notes to the consolidated financial statements). The terminal value was determined with the perpetual annuity formula and determined as the ratio between the normalized flow (NOPAT) and the discount rate. In making this calculation, a 1.5% nominal growth rate ("g") was considered, in line with the growth outlook expected by management for the years beyond the industry plan horizon and the reference countries.

With reference to Cosiarma S.p.A., instead of the perpetual annuity, it was used a horizon consistent with the estimated useful life of ships.

The Company has verified the recoverability of the book value of the following equity investments as at December 31, 2018:

- GF Distribuzione S.r.l;
- GF Porterm S.r.l.;
- Cosiarma S.p.A.

Regarding figures as at December 31, 2018, the impairment had a neutral impact as all the values determined in the test were higher than the respective accounting equity including goodwill, where applicable.

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

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

NOTE 4. Other fixed assets

Thousands of euro	31.12.2018	31.12.2017	Change
Other fixed assets	25	25	-

The item in question includes amounts paid to suppliers as deposits.

NOTE 5. Deferred tax assets

Thousands of euro	31.12.2018	31.12.2017	Change
Deferred tax assets	1,988	600	1,388

Deferred tax assets are allocated, where their future recovery is probable, on temporary differences, subject to early taxation, between the value of assets and liabilities for statutory purposes and the value of the same for the purposes of taxation and on prior tax losses that can be carried forward.

Deferred tax assets as at December 31, 2018, amounting to Euro 1,988 thousand (Euro 600 thousand as at December 31, 2017), relate to IAS-IFRS transition entries, such as, for example, the liquidation of investments in intangible assets per IAS 38, or the determination of the employee severance indemnity according to the actuarial methodology, in addition to costs that are not deductible for the current year, but will be deductible in subsequent years, and future uses of prior losses as part of the tax consolidation scheme.

The increase of Euro 1,388 thousand in 2018 primarily relates to the recognition of taxes relating to the future realization of previous tax losses (Euro 1,000 thousand), the "mark to market" value of derivatives for Euro 88 thousand, taxes relating to the medium/long-term management incentive plan for directors of Euro 349 thousand the release linked to taxes on long-term costs eliminated pursuant to IAS 38 for Euro 51 thousand.

For more information on the breakdown of this item, please refer to the table below and Note 22 "Income Taxes".

NOTE 6. Receivables

Thousands of euro	31.12.2018	31.12.2017	Change
Trade receivables from third parties	18	25	(7)
Receivables from subsidiaries	75,707	40,761	34,946
Receivables from associates	-	10	(10)
Receivables from related parties	121	519	(398)
Provision for bad debts	-	-	-
Receivables	**75,846**	**41,315**	**34,531**

All receivables are due within one year and derive from normal sales conditions. Receivables are shown net of the provision for bad debts: this provision must be allocated in the presence of bad debts or doubtful debts that are still in the financial statements pending the conclusion of the related bankruptcy proceedings or out-of-court settlement attempts. There are no receivables due beyond five years.

The balance of receivables from subsidiaries as at December 31, 2018 refers mainly to receivables of a financial nature, due within one year, for Euro 71,411 thousand, consisting entirely of treasury current accounts. The balance also includes receivables from the national tax consolidation system for Euro 1,763 thousand. The remainder is almost entirely attributable to trade receivables.

Receivables from related parties relate to:

- Nuova Beni Immobiliari S.r.l. Euro 79 thousand, all trade;
- Business Aviation Sector Euro 39 thousand, of which Euro 35 thousand represented by invoices to be issued, all trade receivables;

- Argentina S.r.l. Euro 1 thousand, trade;
- FIF Holding S.p.A. Euro 2 thousand, trade.

As at December 31, 2018, the item decreased by Euro 398 thousand.

The following is the breakdown of receivables by geographical area:

Thousands of euro	31.12.2018	31.12.2017	Change
Italy	75,798	41,211	34,587
Eu countries	48	104	(56)
Non-Eu countries	-	-	-
Receivables	**75,846**	**41,315**	**34,531**

NOTE 7. Current tax receivables

Thousands of euro	31.12.2018	31.12.2017	Change
For value added tax	1,301	1,877	(576)
For tax advances paid in the current year	-	-	-
For taxes claimed for reimbursement	1,248	1,248	-
Other receivables	709	661	48
Current tax receivables	**3,258**	**3,786**	**(528)**

As at December 31, 2018, tax receivables show a decrease of Euro 528 thousand.

The item “Receivables for taxes claimed for reimbursement” includes Euro 104 thousand IRES reimbursement request for 2004-2005 pursuant to art. 6 of Decree Law 29/11/2008 and converted by the law of 28/01/2009 no. 2 presented as consolidating entity; Euro 1,028 thousand receivables arising from the submission of the reimbursement request pursuant to art. 2, paragraph 1-quater of Decree Law 201/2011 for the years 2007, 2009, 2010, 2011 as the Company was the consolidating entity. It should be noted that the same amount will have to be recognized to the companies that adhered to the national tax consolidation procedure at the time (payables to subsidiaries). This item also includes Euro 12 thousand for reimbursement requests for VAT-Auto for 2006, 2007, and 2008.

The items already requested for reimbursement for various purposes and described in the paragraph above remained unchanged with respect to the accounting situation in the previous year, while the items relating to advances paid in the current and previous years refer instead to receivables arising from the application of the national tax consolidation system.

NOTE 8. Other current assets

Thousands of euro	31.12.2018	31.12.2017	Change
Advances to suppliers	16	16	-
Receivables from sales of investments	-	-	-
Other receivables	49	64	(15)
Accrued income and deferred expenses	362	306	57
Current financial assets	16	16	-
Other current assets	**443**	**401**	**42**

As at December 31, 2018, the item showed an overall increase of Euro 42 thousand, mainly related to prepayments of Euro 347 thousand, mostly for insurance and consultancy costs for future periods. This item also includes advances to suppliers for Euro 16 thousand and accrued income of Euro 15 thousand referring to revenue for the year for insurance reimbursements and contributions relating to employee training courses; the difference relates almost entirely to the balance of prepaid credit cards used by employees.

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.

The item "Accrued income and deferred expenses" refers to normal allocations for the recognition and correct allocation of costs related to the following year, typically services, insurance and guarantee expenses, leases, interests.

NOTE 9. Cash and cash equivalents

Thousands of euro	31.12.2018	31.12.2017	Change
Cash and cash equivalent	29,565	53,592	(24,027)

The balance reflects the Company's current account balances.

The balance as at December 31, 2018 represents cash of Euro 9 thousand and the balance of ordinary bank accounts for Euro 29,556 thousand.

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

NOTE 10. Shareholders' Equity

The share capital as at December 31, 2018, fully paid-in, is composed of 17,682,500 ordinary shares with no par value, amounting to Euro 69,163,340.

As at December 31, 2018, the shareholders' equity of Orsero S.p.A. was Euro 161,742 thousand (Euro 158,258 thousand in 2017).

The Group adopted a long-term incentive plan based on the Company's ordinary shares, known as the "Orsero S.p.A. medium/long-term management incentive plan". This plan envisages the allocation to beneficiaries, free of charge, of the rights to receive from Orsero S.p.A., again free of charge, Orsero ordinary shares held by the Company (up to a maximum of 500,000 shares), subject to the achievement of pre-determined, measurable performance objectives, which will be set by the Board of Directors for each year of the Plan's three-year performance period (2017, 2018, and 2019). This Plan is reserved for executive directors of Orsero and certain executives who hold or perform strategically important roles or functions within the Company. The 2018 objective was achieved and resulted in the assignment to the aforementioned individuals of 153,335 shares, which will be delivered, free of charge, within and no later than 15 trading days from the approval by the Orsero Shareholders' Meeting of the financial statements as at

December 31, 2019, for a total amount of Euro 2,142 thousand. This represents the fair value, in accordance with IFRS 2, at the assignment date, equal to a share price of Euro 13.97. Note that these shares are already held by the Company, which allocated a portion of the shares owned, or 500,000 shares, specifically for the Stock Grant Plan. A special reserve was created in shareholders' equity as a contra-entry for costs related to the medium/long-term incentive plan for management.

Upon completion of the merger, 643,387 ordinary treasury shares remained available to Orsero, which became 752,387 as at December 31, 2018, of which 500,000 are in the service of the medium/long-term incentive plan for management, for a share value of Euro 7,405 thousand recognized as a direct reduction of the other net items as per the statement of changes in shareholders' equity as at December 31, 2018. The increase in the number of treasury shares held with respect to the amount acquired through the Merger is due to subsequent purchases made in accordance with the treasury share buyback program, as described below.

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 number of shares with a maximum value 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. Subsequently, and in execution of the Board of Directors resolution of June 28, 2018, treasury shares were purchased for a total of 39,700 shares (Euro 297 thousand), augmenting the 712,687 shares held as at December 31, 2017, of which 320,002 assigned to the Group's top management based on achievement of the targets established for 2017 and 2018 in the medium/long-term incentive plan for management.

Below is the table with the possibility of use of the various items of equity and the summary of uses in the last three years:

Thousands of euro	Amount	Possible utilizations	Portion available	Summary of utilizations in the three previous years:	
				For loss coverage	For other reasons
Share Capital**:	61,605				
- Share Capital	69,163				
- Treasury share reserve	(7,405)				
- Equity investments'costs reserve	(153)				
Capital reserves:					
Share premium reserve	80,556	A,B	80,556		
Merger surplus reserve*	12,051	A,B,C	12,051	1,195	
Revenue reserves:					
Legal reserve	119	B			
Extraordinary reserve*	230	A,B,C	230		
Cash flow hedge reserve	(279)				
Long term incentive plan reserve	4,470	B			
Others*	(1,052)	B			
Retained earning/(losses)	-				
Net profit	4,041	A,B,C	4,041		
Total Shareholders' equity	**161,742**		**96,879**	**1,195**	**-**
Non-distributable portion***	81,364				
Residual distributable portion	15,514				

* Included in the item "Other reserves". In the amount "Others" is included the "Remeasurement of defined benefit

** Expression of share capital, net of treasury shares for 7,405 thousands of euro and equity investments'costs for 153

***It includes the portion of net profit ex art. 2430 cc

The statement of changes in equity annexed to the financial statements illustrates the changes between the two years of the individual reserve items, with particular regard to changes in the share capital, share premium reserve, and treasury share reserve,

NOTE 11. Financial liabilities

In order to facilitate the understanding of the Company's financial exposure, making the information simpler and of better quality, the data was provided not following the non-current/current distinction, but based on the nature of the payable, within which the non-current/current components are specified.

The financial exposure is as follows:

Thousands of euro	31.12.2018	31.12.2017	Change
Non - current medium term bank loans (over 12 months)	48,680	56,426	(7,746)
Non - current other lenders (over 12 months)	367	-	367
Bond debts	30,000	-	30,000
Non - current financial liabilities	**79,047**	**56,426**	**22,621**
Current medium term bank loans	10,697	10,316	381
Bank overdrafts	314	2,108	(1,794)
Current other lenders	-	-	-
Other current lenders short term	-	8,000	(8,000)
Current liabilities for the derivatives	-	-	-
Current financial liabilities	**11,011**	**20,424**	**(9,413)**

The change in 2018 of a total of Euro 13,208 thousand (between non-current and current) reflects the primary components, mostly related to medium-term loans, as detailed below:

- Refinancing transaction for an amount of Euro 30,000 thousand (Bonds) and Euro 60,000 thousand (Euro 59,300 thousand net of transaction costs), used to pay off previous loans for a total value of Euro 78,970 thousand held by Orsero and the sub-holding company GF Distribuzione S.r.l. Please note that both new loans are subject to covenants calculated as the ratio between the net financial position and Adjusted EBITDA and the net financial position and shareholders' equity at the reporting date, which were fully respected. Please also note that Euro 78 thousand was accounted for as implicit interest deriving from the recognition of the item with the amortized cost method. In addition, an interest rate hedge was taken out on 60% of the Euro 60 million loan, which is added to the hedge previously activated on the GF Distribuzione S.r.l. loan, bringing the total hedge against interest rate risk to 80% as at December 31, 2018. At the reporting date, the mark to market of those hedges is equal to Euro 367 thousand (negative);
- the payment by the Parent Company of the installments at June 30, 2018 on the loans for Tranche A (later extinguished, see above) for an amount equal to Euro 4,702 thousand.
- the regular payment by the Parent Company of the half-yearly outstanding loan installments totaling Euro 476 thousand to Banca Popolare dell'Emilia Romagna (Biper) and Euro 436 thousand to Veneto Banca, paying them off in full as at December 31, 2018;

The schedule of medium-term debt to banks and other lenders as at December 31, 2017 and December 31, 2018 is detailed in the following table, organized in two columns (due in 2019 and due beyond December 31, 2019, in turn broken down by amounts due by

December 31, 2023 and amount due after said date) to provide a better 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	2018	> 31.12.18		2019-2022	> 31.12.2022
Medium term bank loans (Non - current/ current)	**66,742**	10,316	56,426	*as follows:*	*37,617*	*18,809*
Other lenders (Non - current/ current)	**-**	-	-	*as follows:*	*-*	*-*
Non - current financial liabilities 31.12.2017	**66,742**	**10,316**	**56,426**		**37,617**	**18,809**

Thousands of euro	Total	2019	> 31.12.19		2020-2023	> 31.12.2023
Medium term bank loans (Non - current/ current)	**59,378**	10,698	48,680	*as follows:*	*43,226*	*5,454*
Other lenders (Non - current/ current)	**30,000**	-	30,000	*as follows:*	*5,000*	*25,000*
Non - current financial liabilities 31.12.2018	**89,378**	**10,698**	**78,680**		**48,226**	**30,454**

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	Payments	Cash Flow	Derivatives	Changes of consolidation scope	Changes of exchange rate	31/12/18
Bonds payables (over 12 months)	-	30,000	-	-	-	-	-	30,000
Non-current medium term bank loans	66,742	59,378	(66,742)	-	-	-	-	59,378
Non-current other lenders (over 12 months)	-	-	-	-	-	-	-	-
Factor	-	-	-	-	-	-	-	-
Current other lenders short term	8,000	-	(8,000)	-	-	-	-	-
Current liabilities for the derivatives	-	-	-	-	367	-	-	367
Bank overdrafts	2,108	-	-	(1,794)	-	-	-	314
Total	**76,850**	**89,378**	**(74,742)**	**(1,794)**	**367**	**-**	**-**	**90,059**

NOTE 12. Provisions for risks and charges

Thousands of euro	31.12.2018	31.12.2017	Change
Provisions for risks and charges	-	-	-

As at December 31, 2018, there were no provisions for risks and charges.

NOTE 13. Employees benefits liabilities

Thousands of euro	Employees benefits liabilities
Balance at December 31, 2017	**1,470**
Change of year:	
Accruals	119
Revaluation	28
Benefits paid and transferred	(129)
Interest cost	(4)
Gain/(losses) resulting from changes in actuarial assumptions	28
Other changes	(4)
Balance at December 31, 2018	**1,507**

The Employees benefits liabilities, in accordance with national regulations, essentially includes the employee severance indemnity accrued by employees in service as at December 31, net of advances paid to employees. In accordance with IAS 19, the Employees benefits liabilities is measured using actuarial valuation methodology, through the support of an external specialist, and adjusted in relation to the occurrence of relevant events.

The main financial and demographic assumptions used in determining the present value of the employees benefits liabilities are described below.

Discount rate	Curva Euro Composite AA al 31.12.2018
Inflation rate	1.50%
Salary increases (included inflation)	1.00%
Mortality rate	ISTAT 2017
Access to retirement	Minimum access requirements required by current legislation (Monti-Fornero)
Probability of termination	7.00%

The changes of the employees benefits liabilities for 2018 are provided herein, calculated using actuarial valuation.

The equity adjustment for actuarial gains/losses includes an actuarial profit of Euro 89 thousand, including the tax effect of Euro 21 thousand, thus obtaining a net effect of Euro 68 thousand. The effect for the year 2018 is equal to an actuarial loss of Euro 28 thousand, including the tax effect of Euro 4 thousand, thus obtaining a net effect of Euro 32 thousand. Actuarial gains and losses are recognized in shareholders' equity through the comprehensive income statement.

NOTE 14. Payables

Thousands of euro	31.12.2018	31.12.2017	Change
Payables to suppliers	1,623	1,450	173
Payables to subsidiaries	22,529	28,007	(5,478)
Payables to associates	-	-	-
Payables to related parties	1,151	2,005	(854)
Payables	**25,303**	**31,463**	**(6,160)**

As at December 31, 2018, this item had a balance of Euro 25,303 thousand (Euro 31,463 thousand as at December 31, 2017); the decrease is Euro 6,160 thousand.

Furthermore, note that:

- payables to suppliers refer entirely to business relationships related to the Company's ordinary activities;
- payables to subsidiaries are mainly financial payables and include the effects of the application of Group VAT for Euro 17 thousand, treasury current accounts for Euro 21,202 thousand, payables for IRAP reimbursement request for Euro 738 thousand, payables for the tax consolidation system for Euro 358 thousand, and trade payables for Euro 213 thousand.

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

As at December 31, 2017 and December 31, 2018, there were no outstanding payables of significant amount, nor did the Company receive injunction decrees for past due payables.

Payables to related parties relate to:

- Business Aviation sector Euro 1,151 thousand, resulting from the sale of the sector in preparation for the conclusion of the Significant Transaction which took place in 2017, extinguished in part (Euro 446 thousand) during the year.

Thousands of euro	31.12.2018	31.12.2017	Change
Italy	25,278	31,455	(6,177)
EU countries	10	8	2
Non-Eu countries	15	-	15
Payables	**25,303**	**31,463**	**(6,160)**

NOTE 15. Current tax and social security contributions liabilities

Thousands of euro	31.12.2018	31.12.2017	Change
For value added tax (VAT)	-	-	-
For indirect taxes	144	153	(9)
Other payables	-	-	-
Social security contributions	171	271	(100)
Current tax and social security contributions liabilities	**315**	**423**	**(108)**

As at December 31, 2018, the item under review showed a change of Euro 108 thousand, a decrease compared to the previous year. The withholding amount of Euro 144 thousand consists of Euro 132 thousand for employees, Euro 11 thousand for professionals, and Euro 1 thousand for collaborators; all amounts are regularly paid. The item also includes Euro 171 thousand relating to payables to Public Pension Entities for portions of contributions paid by the Company and its employees to be paid in the month of January and relating to the month of December.

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

NOTE 16. Other current liabilities

Thousands of euro	31.12.2018	31.12.2017	Change
Payables to personnel	1,061	1,147	(85)
Payables to corporate bodies for emoluments	-	-	-
Payables linked to third party transactions	-	-	-
Other current payables	740	385	356
Accrued expenses and deferred income	10	36	(26)
Other current liabilities	**1,812**	**1,568**	**244**

As at December 31, 2018, the item "Other current liabilities" had a balance of Euro 1,812 thousand, an increase from the previous year.

Payables to personnel relate to current items for December for Euro 95 thousand, as well as accrued and unused holidays for Euro 468 thousand, 14th month accruals for Euro 114 thousand, and year-end bonuses for Euro 384 thousand. Amongst other payables, the largest change refers to the amount due from the Company as majority shareholder, to the other representatives of the shareholding structure of the subsidiary Siter Trasporti in Liquidazione S.r.l., for participation in the liquidation assets upon completion of the procedure (Euro 366 thousand).

In terms of the income statement, the result of the Parent Company is of limited relevance as the revenue side is essentially linked to the services provided to the Group and the collection of dividends, while on the cost side, personnel costs and promotional expenses of the brand are the most significant components, which result in a negative Adjusted EBITDA value; therefore, the discussion in relation to the consolidated income statement is much more relevant.

NOTE 17. Net sales

Thousands of euro	31.12.2018	31.12.2017	Change
Consulting services	1,176	613	563
Royalties	1,550	1,937	(387)
Cost recovery	588	1,313	(725)
Net sales	**3,314**	**3,862**	**(548)**

As at December 31, 2018, total net sales amounted to Euro 3,314 thousand, consisting of Euro 1,176 thousand for consultancy services, Euro 1,550 thousand for royalties received and Euro 588 thousand for cost recovery. Consulting services relate entirely to consulting provided by company personnel regarding administrative, fiscal, corporate and legal matters. Revenues from royalties refer to the total turnover for the subsidiaries Simba S.p.A. and Fruttital S.r.l. for the "F.lli Orsero" brand. The cost recovery item is closely related to costs that the Company regularly incurs in the name and on behalf of third parties, in order to implement economies of scale and control.

Thousands of euro	Total	Third parties	Subsidiaries	Related parties
Consulting services	1,176	-	1,063	113
Royalties	1,550	-	1,550	-
Cost recovery	588	1	586	1
Net sales	**3,314**	**1**	**3,199**	**114**

Consulting services to related parties consist of:

- Business Aviation sector: Euro 34 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 79 thousand.

NOTE 18. Overhead and administrative costs

Thousands of euro	31.12.2018	31.12.2017	Change
Personnel costs	4,669	4,970	(301)
External labor costs	189	75	113
Personnel training costs	23	-	23
Corporate bodies fees	2,029	2,122	(93)
Costs for notary, tax, legal and other professional services	523	391	132
Other professional services (including expenses) - wages, commercial consulting , technical	731	467	264
Commercial, advertising, promotional and representation expenses	750	1,648	(899)
Insurance expenses	126	170	(44)
Costs for services and assistance hw, sw, phone network	142	132	10
Costs for maintenance, external labor and various other services	41	195	(154)
Costs of company car fleet	249	195	54
Rental costs and various rentals	264	239	25
Travel expenses	221	244	(23)
Utilities	84	82	3
Indirect taxes and duties	14	30	(16)
Non-deductible VAT	-	18	(18)
Amortization of intangible assets	27	-	27
Depreciation of tangible assets	192	189	3
Acquisition costs of stationery and material of consumption	40	121	(82)
Membership fees and other minor costs	212	222	(10)
Fees, commissions, bank guarantees charges and factoring	21	26	(4)
Overheads	**10,548**	**11,537**	**(732)**

The balance as at December 31, 2018 of overhead and administrative costs consists mainly of personnel costs of Euro 4,669 thousand, as the holding company provides subsidiaries with a range of consulting services largely provided through direct professionals. The balance for the year also includes a portion of the medium/long-term management incentive plan recognized to key management for Euro 685 thousand. The item "Corporate bodies fees" includes the remaining portion of the medium/long-term management incentive plan for the year of Euro 1,457 thousand accrued by directors. Another significant component is advertising expenses, which amounts to Euro 719 thousand, in fact, the Company deals directly with all brand promotion activities, hence operational marketing as well as other types. The item "Consulting" also contains a rather significant balance, amounting to Euro 1,254 thousand, as the Parent Group centralizes the use of external consultants to obtain more control over the critical issues of subsidiaries and to benefit from economies of scale.

Thousands of euro	Total	Third parties	Subsidiaries	Related parties
Overheads	**10,548**	10,016	351	182

Overhead and administrative costs for related parties consist of:

- Business Aviation sector: Euro 43 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 139 thousand.

NOTE 19. Other income and expenses

Thousands of euro	31.12.2018	31.12.2017	Change
Other operating income	366	220	146
Other operating expenses	(405)	(10,190)	9,785
Total other operating income and expenses	**(39)**	**(9,970)**	**9,930**

Details of the items "Other operating income" and "Other operating expenses" for the years 2017 and 2018 are provided herein, with separate indication of ordinary positions and non-recurring items.

Thousands of euro	31.12.2018	31.12.2017	Change
Revenues from recovery of costs and insurance reimbursements	27	130	(103)
Plusvalues and contingent revenues in ordinary course of business	339	83	256
Others		8	(8)
Other ordinary operating income	**366**	**220**	**146**
Gains on sale of equity investments and non-current financial assets	-	-	-
Gains on disposal of businesses or significant intangible assets and materials	-	-	-
Release of provisions previously set aside	-	-	-
Others	-	-	-
Other non-recurring operating income	**-**	**-**	**-**

As at December 31, 2018 the item is mainly composed of: insurance reimbursements of Euro 16 thousand and contingent assets for incorrect estimates in the previous financial statements for Euro 319 thousand, and the balance of capital gains on the sale of vehicles for Euro 20 thousand.

Thousands of euro	31.12.2018	31.12.2017	Change
Penalities, sanctions and costs for damage to third parties	(1)	(6)	5
Minusvalues and contingent losses in ordinary course of business	(282)	(263)	(19)
Others	-	-	-
Other ordinary operating expenses	**(283)**	**(268)**	**(15)**
Glenalta transaction costs	-	(1,570)	1,570
Costs and extraordinary provisions with employees	-	-	-
Significant costs for litigation, civil, tax, customs etc.	-	-	-
Losses on disposal investments and non - current financial assets	-	-	-
Losses on disposal of businesses or significant intangible assets and materials	-	-	-
Integration provisions for extraordinary risks	-	(8,351)	8,351
Others	(122)	-	(122)
Other non - recurring operating expenses	**(122)**	**(9,921)**	**9,799**

As at December 31, 2018, the ordinary portion of other operating costs mainly consisted of tax and administrative penalties for Euro 1 thousand, contingent liabilities for incorrect estimates for Euro 200 thousand, non-deductible expenses of Euro 62 thousand, and charitable donations for Euro 18 thousand. On the same date, the non-recurring part of the same item mainly consisted of Euro 122 thousand relating to costs for a group event held in January 2018 and managed by the Parent Company.

NOTE 20. Net financial expenses

Thousands of euro	31.12.2018	31.12.2017	Change
Financial income	86	85	1
Financial expenses	(1,363)	(1,469)	106
Exchange rate differences	81	(1)	82
Net financial expenses	**(1,196)**	**(1,385)**	**189**

Thousands of euro	Total	Third parties	Subsidiaries	Related parties
Financial income	86	86	-	-
Financial expenses	(1,363)	(1,363)	-	-
Exchange rate differences	81	81	-	-
Net financial expenses	**(1,196)**	**(1,196)**	**-**	**-**

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

Thousands of euro	31.12.2018	31.12.2017	Change
Interest income to third parties	82	82	-
Interest income TFR	4	3	1
Financial income	**86**	**85**	**1**

As at December 31, 2018, financial income consisted of interest from deposits in bank accounts for Euro 81 thousand (Euro 80 thousand in 2017) and sundry income for Euro 1 thousand (Euro 2 thousand in 2017).

Thousands of euro	31.12.2018	31.12.2017	Change
Interest expenses from bank	(1,056)	(1,469)	413
Interest expenses to third parties	(271)	-	(271)
Losses on derivatives	(36)	-	(36)
Financial expenses	**(1,363)**	**(1,469)**	**106**

As at December 31, 2018, financial expenses were mainly attributable to the cost of debt for Euro 1,316 thousand (Euro 1,343 thousand in 2017) and banking surety fees for Euro 47 thousand (Euro 126 thousand in 2017).

Thousands of euro	31.12.2018	31.12.2017	Change
Realized exchange rate differences	81	(1)	82
Unrealized exchange rate differences	-	-	-
Exchange rate differences	**81**	**(1)**	**82**

NOTE 21. Net income (loss) from equity investments

Thousands of euro	31.12.2018	31.12.2017	Change
Dividends	8,000	24,850	(16,850)
Revaluations of securities and investments	-	4,391	(4,391)
Svalutazioni di titoli e partecipazioni Gruppo	-	(13)	13
Devaluations of securities and investments	-	(250)	250
Result of securities and investments negotiation	1,717	(3)	1,720
Non recurring devaluations entered in "Other current assets"	-	(8,000)	8,000
Net income (loss) from equity investments	**9,717**	**20,974**	**(11,257)**

As at December 31, 2018, this item consisted of dividends distributed by GF Distribuzione S.r.l. for Euro 7,316 thousand and by Hermanos Fernandez SA for Euro 684 thousand. The difference is entirely attributable to the disposal of the investee Cultifruit SA for Euro 210 thousand and the liquidation of the subsidiary Siter Trasporti in Liquidazione S.r.l. for Euro 1,507 thousand, events already thoroughly covered in the section concerning equity investments.

NOTE 22. Taxes expenses

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

The changes in taxes are summarized in the following table.

Thousands of euro	31.12.2018	31.12.2017	Change
Current taxes for the year	-	-	-
Previous financial year taxes (+/-)	-	(27)	27
Deferred taxes = from statutory tax consolidation	1,434	136	1,298
Deferred taxes incomes and liabilities	1,358	332	1,026
Tax expenses	**2,792**	**441**	**2,351**

Taxes for 2018 increased by Euro 2,351 thousand due to the income from tax consolidation, including in relation to previous years, recognized by the consolidated companies as well as the recognition of deferred tax assets (please see the table for detailed information).

The reconciliation between the tax charge recognized in the financial statements and the theoretical tax charge, calculated based on theoretical rates applicable in Italy, is as follows:

Thousands of euro	Taxable	Tax
EBT	1,249	
Theoretical tax rate		24%
Theoretical taxes		300
Temporary differences	2,493	598
Permanent differences	(9,611)	(2,307)
Income	(5,870)	
Actual tax charge		(1,408)
Actual tax rate		N/A

Theoretical income taxes have been determined by applying the current IRES tax rate of 24% to the income before tax.

As at December 31, 2018, there are no significant tax disputes.

For IRAP purposes, the net value of production is negative.

The table below shows the changes in the various deferred tax asset components by type. The amounts of current or deferred taxes charged directly to the comprehensive income statement refer to the effects of the revaluation of the severance indemnity fund.

Valori in migliaia €	Stato Patrimoniale		Conto Economico		Conto Economico complessivo	
	2018	2017	2018	2017	2018	2017
Previous tax losses	1,000	-	1,000	-	-	-
Effect IAS 19	37	41	-	-	(4)	16
Reductions in value and provisions	-	-	-	-	-	-
Depreciation	80	135	-	-	-	-
Indirect taxes	-	1	(1)	1	-	-
Trademarks	42	42	-	-	-	-
Costs deductible in the future (Stock Grant)	730	380	350	380	-	-
Financial derivatives	88	-	-	-	88	-
Others	9	-	9	(49)	-	-
Deferred tax assets	**1,988**	**600**	**1,358**	**332**	**84**	**16**

Deferred tax assets, including those arising from tax losses, are recognized to the extent to which on the basis of company plans the existence of future taxable income against which such assets may be used is deemed likely.

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

NOTE 23. Disclosures on financial instruments

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

Thousands of euro	31.12.18	31.12.17	Change
Financial assets			
Cash and cash equivalent	29,565	53,592	(24,027)
Trade receivables	75,846	41,315	34,531
Current financial assets	16	16	-
Financial liabilities			
Bond payables (over 12 months)	(30,000)	-	(30,000)
Non - current medium term bank loans (over 12 months)	(48,680)	(56,426)	7,746
Current medium term bank loans	(10,697)	(10,316)	(381)
Bank overdrafts	(314)	(2,108)	1,794
Non - current other lenders (over 12 months)	-	-	-
Current other lenders	-	-	-
Other current lenders short term	-	(8,000)	8,000
Hedging derivatives	(367)	-	(367)
Trade payables	(25,303)	(31,463)	6,160

It is noted that only current financial assets include securities, i.e. financial instruments that are valued at fair value with impact on the income statement. 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. In this regard, it is noted that the Parent Company has derivative contracts outstanding as at December 31, 2018 related to interest rate hedges as reported in Note 11.

As at December 31, 2018, there is an interest rate hedge in place linked to the Euro 60 million loan, in addition to that initially activated by the sub-holding company GF Distribuzione S.r.l. on the Euro 20 million loan transferred to the Parent Company following the refinancing operation, whose negative fair value amounts to Euro 367 thousand, booked to the item "Non-current financial payables", with a specially designated shareholders' equity reserve as contra-entry.

NOTE 24. Disclosures on financial instruments

Based on as required by IFRS 13 "Fair Value Measurement", the following disclosure is provided.

Fair value of financial instruments:

- for financial assets and liabilities that are liquid or have a very short maturity, the book amount is considered to approximate fair value; this hypothesis also applies to term deposits, disposable securities and floating rate financial instruments;
- for the measurement of the fair value of hedging instruments, valuation models based on market parameters are used. At the reporting date, no new derivative contracts had been stipulated;
- the fair value of non-current financial payables is obtained by discounting all future cash flows at the year-end conditions. In the current situation, where for medium-term debt the cost of the loan is aligned with the market value, the nominal values of the debt are considered as fair values.

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

Fair value of non-financial instruments: it should be noted that there are no non-financial instruments measured at fair value as at December 31, 2018.

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

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

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

Financial instruments

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

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

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

Thousands of euro	31.12.18			31.12.17		
Financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Current financial assets	16	-	-	16	-	-
Financial liabilities						
Speculative derivatives	-	-	-	-	-	-
Hedging derivatives	-	(367)	-	-	-	-

Level 1 valuation was used for non-significant securities.

Level 2 valuation, used for financial instruments measured at fair value, is based on parameters such as interest rates that are quoted in active or observable markets on official rate curves. The liability valued with Level 2 as at December 31, 2018 relates to the negative fair values of the derivatives on interest rates and the bunker.

Non-financial instruments

It should be noted that there are no non-financial instruments measured at fair value as at December 31, 2018.

NOTE 25. Nature and extent of risks deriving from financial instruments

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

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

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

The main financial risks to which the Company is exposed are those associated with the loan agreement, as well as credit risk and risk linked to the guarantees provided to third parties; below is a description of these risks and how they are managed.

Risks associated with loan agreement

Orsero has some medium-term loan agreements with some of the major banking institutions, which envisage in the coming years a repayment plan for its debt adjusted for expected revenue flows, together with a low interest rate. With the refinancing operation concluded in 2018, the overall duration of medium-term debt was rescheduled, extending it with respect to existing loans and concentrating relationships with a more limited group of national and international institutions with which to engage in strategic, long-term relations.

Risks associated with credit

Orsero is only exposed to credit risk deriving from business relationships, as most of the transactions are with Group companies.

The two tables below show the evidence of the net financial position, net working capital and invested capital. For financial debt maturities, please refer to Note 11 "Financial payables".

The company has non-current financial payables with fixed maturities in addition to short-term payables related to the current portion of medium-term loans.

Receivables and payables include loans, both as creditors and debtors, with subsidiaries, including through the cash pooling system, whose balances amount to Euro 34,940 thousand of receivables and Euro 24,344 thousand of payables as at December 31, 2017.

Thousands of euro	31.12.18	31.12.17	Change
Current financial assets	16	16	-
Cash and cheques	9	12	(3)
Bank and deposit accounts	29,556	53,580	(24,024)
Bond payables (over 12 months)	(30,000)	-	(30,000)
Non - current medium term bank loans (over 12 months)	(48,680)	(56,426)	7,746
Non - current other lenders (over 12 months)	-	-	-
Bank overdrafts	(314)	(2,108)	1,794
Current medium term bank loans	(10,697)	(10,316)	(381)
Current other lenders	-	(8,000)	8,000
Other current lenders short term	-	-	-
Current liabilities for the derivatives	(367)	-	(367)
Net financial position	**(60,479)**	**(23,242)**	**(37,236)**

Thousands of euro	31.12.18	31.12.17	Change
Other intangible assets	109	58	50
Tangible assets	729	772	(43)
Financial investments	168,776	169,483	(707)
Other fixed assets	25	25	-
Deferred tax assets	1,988	600	1,387
NON-CURRENT ASSETS	**171,627**	**170,939**	**688**
Receivables	75,846	41,315	34,531
Payables	(25,303)	(31,463)	6,160
NET WORKING CAPITAL	**50,543**	**9,852**	**40,691**
Other receivables	3,685	4,171	(486)
Provisions for risks and charges	-	-	-
Employees benefits liabilities	(1,507)	(1,470)	(37)
Other liabilities	(2,127)	(1,991)	(135)
OTHER CURRENT ASSETS AND LIABILITIES	**51**	**710**	**(659)**
NET INVESTED CAPITAL	**222,221**	**181,501**	**40,720**

Risks associated with guarantees provided to third parties

Against the payment of the guarantee to Intesa SanPaolo, already reported in the Financial Statements for 2017 and mentioned in other parts of this report, the guarantees provided in favor of the related companies K-air S.p.A. and Nuova Beni Immobiliari S.r.l. remain in place - also originating from the agreements reached to finalize the merger with Glenalta - equivalent to Euro 1,152 thousand and Euro 288 thousand, for which there is no significant risk profile at present, as there is the concrete possibility of recovering directly from these companies any amounts that may be disbursed by the Group against these guarantees.

NOTE 26. Transactions with related parties

The Company and the Group have put in place a conduct procedure related to transactions with related parties, in order to monitor and trace the necessary information regarding transactions in which directors and executives have interests, as well as transactions with related parties for the purpose of their control and possible authorization.

The procedure identifies the subjects required to report the above information, defines what transactions should become the subject of communication, and sets the deadlines to submit the information, specifying its content.

The main intra-group activities, regulated at market prices, are developed through contractual relations that specifically concerned:

- management of investments;
- regulation of financial flows through centralized treasury and intra-group loans;
- sharing of general, administrative and legal services;
- assistance related to IT services;
- trade agreements.

In addition, there is a fiscal relationship between the Parent Company and Italian subsidiaries regarding the national tax consolidation, governed by articles 117 et seq. of the TUIR Tax Code, mainly for the three-year period 2018-2020.

Receivables and payables arising from such tax relations are not interest-bearing.

Below is a summary of the items in the statement of financial position and income statement for transactions between the Company and other related parties in 2018. Note that there are no relationships with associated companies.

The table shows financial receivables and payables related to financing and/or cash pooling transactions with companies as well as trade and tax receivables and payables.

Thousands of euro	Related parties at December 31, 2018			
	Financial receivables	Trade receivables	Fiscal receivables	Other receivables
Subsidiaries				
Bella Frutta S.A.	-	48	-	-
Cosiarma S.p.A.	-	124	131	-
Fresco S.r.l.	-	11	173	-
Fruttital S.r.l.	4,418	881	1,037	-
Fruttital Firenze S.p.A.	-	-	293	-
Galandi S.p.A.	-	-	81	-
GFB S.r.l.	93	8	3	-
GF Distribuzione S.r.l.	45,350	11	20	1
GF Porterm S.r.l.	-	8	-	1
GF Produzione S.r.l.	-	8	-	-
GF Servizi S.r.l.	2,090	25	14	-
GF Trasporti S.r.l.	1	-	-	1
Simba S.p.A.	19,459	1,403	-	-
VCS S.r.l.	-	3	11	-
Total exposure to Subsidiaries	**71,411**	**2,530**	**1,763**	**3**
Related companies				
Nuova Beni immobiliari S.r.l.	-	79	-	-
Business Aviation*	-	39	-	-
Fif Holding S.p.A.	-	2	-	-
Argentina S.r.l. **	-	1	-	-
Total exposure to related companies	**-**	**121**	**-**	**-**

* Referred to the companies GF Aviation S.r.l., K-Air S.r.l.

** It should be noted that the item "Other current assets" includes euro 8,000 thousand of receivables due from Argentina S.r.l. entirely devalued.

Thousands of euro	Related parties at December 31, 2018			
	Financial payables	Trade payables	Fiscal payables	Other payables
Subsidiaries				
Cosiarma S.p.A.	7,322	-	6	8
Fresco S.r.l.	2,421	-	69	-
Fruttital S.r.l.	-	46	524	-
GF Distribuzione S.r.l.	-	7	-	-
GF Porterm S.r.l.	9,566	-	-	-
GF Produzione S.r.l.	1,271	-	359	-
GF Servizi S.r.l.	-	157	46	-
GF Trasporti S.r.l.	56	-	-	-
Simba S.p.A.	-	3	77	-
VCS S.r.l.	566	-	15	9
Total exposure to Subsidiaries	**21,202**	**213**	**1,096**	**17**
Related companies				
Business Aviation*	-	-	-	1,151
Total exposure to related companies	**-**	**-**	**-**	**1,151**

* Referred to the companies GF Aviation S.r.l., K-Air S.r.l.

Thousands of euro	Related parties at December 31, 2018			
	Net sales	Costs	Financial and fiscal incomes/expenses	Dividends received
Subsidiaries				
Az France S.A.	1	-	-	-
Bella Frutta S.A.	158	-	-	-
Cosiarma S.p.A.	251	-	-	-
Fresco S.r.l.	111	-	-	-
Fruttital S.r.l.	996	(35)	-	-
GFB S.r.l.	8	-	-	-
GF Distribuzione S.r.l.	11	-	-	7,316
GF Porterm S.r.l.	7	-	-	-
GF Produzione S.r.l.	7	-	-	-
GF Servizi S.r.l.	27	(316)	-	-
GF Trasporti S.r.l.	1	-	-	-
Hermans Fernandez S.A.	-	-	-	684
Simba S.p.A.	1,618	-	-	-
VCS S.r.l.	3	-	-	-
Total exposure to Subsidiaries	**3,199**	**(351)**	**-**	**8,000**
Related companies				
Nuova Beni immobiliari S.r.l.	79	(139)	-	-
Business Aviation*	35	(43)	-	-
Total exposure to related companies	**114**	**(182)**	**-**	**-**

* Referred to the companies GF Aviation S.r.l., K-Air S.r.l.

Receivables from related parties:

- Nuova Beni Immobiliari S.r.l.: Euro 79 thousand, all trade in nature and resulting from invoices to be issued;
- Business Aviation Sector Euro 39 thousand, trade receivables, of which Euro 35 thousand represented by invoices to be issued;
- FIF Holding S.p.A. Euro 2 thousand, trade;
- Argentina S.r.l. Euro 1 thousand, trade.

Payables to related parties:

- Business Aviation Sector Euro 1,151 thousand (Euro 1,597 thousand in 2017), resulting from the sale of the sector during the year 2017.

Revenues with respect to related parties consist of:

Recovery of costs with respect to related parties:

- Business Aviation: Euro 1 thousand.

Consulting services:

- Business Aviation: Euro 34 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 79 thousand.

Costs with respect to related parties consist of:

Ordinary operating costs:

- K-Air S.p.A.: Euro 43 thousand;
- Nuova Beni Immobiliari S.r.l.: Euro 139 thousand.

Transactions with related parties are governed by specific contracts, the conditions of which are in line with those of the market.

NOTE 27. Share-based payments

As previously discussed, the Company has launched a medium/long-term incentive plan for Orsero's executive directors and certain key managers, linked to the achievement of the objectives progressively set in the three-year period 2017-2019. As the 2018 objective was achieved, the aforementioned individuals were assigned 153,335 shares, with physical delivery, free of charge, within and no later than 15 trading days from the approval of the 2019 financial statements, for a total amount of Euro 2,142 thousand, based on the relative fair value at the assignment date, as envisaged in IFRS 2, equivalent to the share price.

Note that these shares are already held by the Company, which allocated a portion of treasury shares, equivalent to 500,000 shares, specifically for this medium/long-term management incentive plan.

NOTE 28. Employees

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

	31.12.2018	31.12.2017	Change
Number of employees	35	32	3
Average number of employees	34	33	1

NOTE 29. Fees due to Directors, Board of Auditors, Independent Auditors

The following table details the remuneration for the members of Orsero's corporate bodies for the year.

Thousands of euro	31.12.2018	31.12.2017	Change
Board of Directors	1,823	1,908	(85)
Board of Auditors	81	82	(1)
Independent Auditors	125	105	20

The amount of the item includes "Board of Directors Fees", remuneration of directors from letters of appointment of Euro 285 thousand, remuneration for specific offices of Euro 30 thousand, welfare and social security contributions relating to previous items for Euro 51 thousand and amounts from the medium/long-term management incentive plan of Euro 1,457 thousand.

NOTE 30. Guarantees provided, commitments and other contingent liabilities.

The guarantees provided by the Company are as follows:

Thousands of euro		2018	2017
Guarantees issued	**in favour of:**		
- To Intesa for guarantees given for Simba's loan	GF Distribuzione S.r.l.	-	20,000
- To Bre for guarantees given on credit lines facilities	Fruttital S.r.l	4,194	4,932
- To Carige for guarantees given on credit lines facilities	Fruttital S.r.l	8	8
- To BPM for guarantees given on credit lines facilities	Fruttital S.r.l	50	50
- To Carige for guarantees given to Ministry	Simba S.p.A.	2,145	6,000
- To Unicredit in favor of the Ministry	Simba S.p.A.	-	-
- To intesa France for guarantees given on credit lines facilities	Simba France S.A.	-	-
- To French Banks for guarantees given on credit lines facilities	Az France S.A.	-	-
- To Intesa for guarantees given on credit lines facilities	Eurofrutas S.A.	1,990	1,990
- To Intesa for guarantees given on credit lines facilities	Bella Frutta S.A.	822	340
- To Carige for guarantees given to Customs	Fresco S.r.l.	10	8,602
- To Ass.ni Generali for guarantees given on credit lines facilities	Fresco S.r.l.	1,115	1,000
- To AON for guarantees given on credit lines facilities	Fresco S.r.l.	5,500	-
- To Intesa for guarantees given on credit lines facilities B.co Patagonia	Moño Azul S.A.	-	3,333
- To Biper for guarantees Albaleasing	K-Air S.r.l.	1,152	1,559
- To CIC for guarantees given wharehouse Solgne	Nuova Beni Immobiliari S.r.l.	288	518
- To Banco Desio for guarantees to C.ie Frutiere	Simba S.p.A.	1,000	1,000
- To Microsoft	Fruttital S.r.l	200	-
- To Microsoft	Gf Servizi S.r.l.	220	-
Total guarantees		**18,694**	**49,332**

The table already provides details on the main changes compared to December 31 of last year, essentially linked to the refinancing of the medium-term debt formerly attributed to the sub-holding company GF Distribuzione, now held by Orsero, the elimination of the guarantee in favor of Moño Azul, converted into an equity investment in the same company, the decrease in the total guarantees in favor of the Customs Agency and, lastly, a reduction in drawdowns on bank lines of credit by Group companies.

INDEPENDENT AUDITOR'S REPORT

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Orsero S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Orsero S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2018, the income statement and comprehensive income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Orsero S.p.A. as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of Orsero S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Orsero S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

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

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

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of Orsero S.p.A. are responsible for the preparation of the Company's directors' report at 31 December 2018 and for the consistency of such report with the related separate financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Company's separate financial statements at 31 December 2018 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the separate financial statements of Orsero S.p.A. at 31 December 2018 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 4 April 2019

KPMG S.p.A.

(signed on the original)

Matteo Pastore
Director of Audit

BOARD OF STATUTORY AUDITORS' REPORT

GRUPPO
ORSERO

ORSERO S.P.A.

Registered office in Milan, at Via G. Fantoli 6

Share Capital Euro 69,163,340.00 fully paid-in

Register of Companies no. MI-2072677

VAT number 09160710969

BOARD OF STATUTORY AUDITORS' REPORT

TO THE SHAREHOLDERS' MEETING

IN ACCORDANCE WITH ART. 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

In accordance with Art. 2429, paragraph 2, of the Italian Civil Code, the Board of Auditors is called to report to the Shareholders' Meeting on the supervisory activities carried out in fulfilment of its duties, on the results of the corporate year and to make observations and proposals regarding the financial statements and their approval.

1. Supervisory activities pursuant to Art. 2403 ff of the Italian Civil Code

During Fiscal Year 2018, the Board of Auditors carried out the supervisory duties assigned to it by the law, based on provisions of law and the rules of conduct of the Board of Auditors, as recommended by the Consiglio nazionale dei Dottori commercialisti ed Esperti contabili (National Board of Chartered Accountants and Expert Tax Advisors).

We have been vigilant that company's operations were carried out in compliance with the law and the Articles of Association, as well as in respect of the principles of proper administration.

In order to acquire the information instrumental to the conduct of its supervisory duties, the Board of Auditors confirms:

- that it attended the one and only Shareholders' Meetings held in 2018;
- that it attended all 10 meetings held by the Board of Directors during the year, obtaining information on the general performance of operations and on the expected outlook, as well as on operations of greatest economic, financial and equity relevance carried out by the Company and its subsidiaries (and, based on

the information acquired, it has no particular observations to make);

- that it met and shared information with the auditing bodies of the most important subsidiaries (and that no significant data or information emerged that would require stating in this report);
- that it met and shared information with the Supervisory Body, whose composition is identical in the subsidiaries, where present (and that no significant data or information emerged that would require stating in this report);
- that it regularly met and shared information with independent auditor KPMG firm, appointed to perform the statutory audit (and that no significant data or information emerged that would require stating in this report);
- that it conducted 7 of its own meetings, with relative minutes drawn up.

Based on the aforementioned supervisory activities, we can reasonably state the following:

a) the operations resolved and implemented by the Directors are compliant with the law and the Articles of Association, and do not appear openly imprudent, hazardous, in potential conflict of interest or in contrast with the resolutions made by the Shareholders' Meeting or such as to compromise the integrity of the corporate assets. Your Directors described the methods and reasoning behind the most important operations made in 2018 in the Report on Operations and in the Notes;

b) we acquired information on and monitored, to the extent of our responsibility, the adequacy of the company's organizational structure and have no particular observations to make in this regard;

c) we assessed and monitored the adequacy of the internal control system and the administrative-accounting system, considering it reliable for correctly representing operating events;

d) we did not identify any transactions that, due to their nature or size, were atypical or could be defined as unusual, carried out by the company with third parties, with intragroup companies or with related parties; we identified the existence of transactions between group companies and with related parties of an ordinary nature, verifying the presence of and compliance with procedures that ensure the transactions in question are duly documented, settled at normal market conditions and carried out in the company's interests. All transactions are adequately described by the Directors in the financial statements, in the

Report on Operations and in the Notes to the consolidated financial statements, to which reference is made;

e) during the course of the supervisory activity carried out as described above, no further significant facts emerged that would require highlighting in this report, nor were any unresolved or undefined omissions and/or objectionable facts and/or irregularities detected that would require reporting to the Shareholders' Meeting or to the Court;

f) no complaints were received from shareholders pursuant to Art. 2408 of the Italian Civil Code, nor were any complaints received from third parties;

g) in the course of 2018 no opinion required by the Law was issued

h) finally, we inform you that in 2018 your company acknowledged that it had achieved the status of Issuers of financial instruments widely distributed among the public pursuant to Art. 2-bis of CONSOB Regulation n. 11971/1999 ("Issuer widely distributed"). Note that, in respect of the relevant regulation, Orsero will be considered a Issuer widely distributed starting with fiscal year 2019.

2. Observations and proposals regarding the financial statements and their approval

The draft financial statements, the consolidated financial statements as at 31 December 2018 and the Report on Operations were approved in the meeting of the Board of Directors held last 21 March. The financial statements record a profit of euro 4,041 thousand, whilst the consolidated financial statements record a profit of euro 8,002 thousand, of which euro 7,974 thousand attributable to the Group.

The financial statements, both separate and consolidated, were prepared in accordance with IAS/IFRS accounting principles.

As it is not responsible for the statutory auditing of the accounts, the Board of Auditors has monitored the general presentation of the financial statements and the consolidated financial statements and their compliance with the rules governing their formation and structure. The Board of Auditors has also verified that they are coherent with the events and information of which it has become aware in going about its duties. On this matter, the Board of Auditors has no specific observations of note.

As far as we are aware, the Directors, in drawing up the financial statements, have not deviated from the provisions of the law, under Art. 2423, paragraph 4, of the Italian Civil Code.

In the Report on Operations, the Directors describe the main risks to which the company is exposed: risks connected with the external market, strategic and operational risks, financial risks and legal and compliance risks. Guarantees given, commitments and other potential liabilities are instead considered in the Notes to the financial statements and consolidated financial statements.

The statutory auditing is assigned to the independent auditing firm KPMG S.p.A., which has prepared its reports pursuant to Art. 14 of Italian Legislative Decree no. 39 of 27 January 2010, reports that do not highlight any findings; the opinion issued is therefore positive.

Conclusions

On the basis of the above and to the extent of what has been brought to the attention of the Board of Auditors, it is deemed that there are no reasons preventing your approval of the draft financial statements for the year ended 31 December 2018, as drawn up and proposed by the Board of Directors.

* * *

Milan, 4 April 2018

For the Board of Auditors

Michele Paolillo - Chairman

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

The Italian text shall prevail over the English version.