



**GRUPPO  
ORSERO**

**CONSOLIDATED HALF-YEARLY FINANCIAL REPORT  
AS AT JUNE 30, 2019**

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## SUMMARY DATA

Thousands of Euro	30.06.2019	30.06.2019	
		Pro-forma without effect IFRS 16	30.06.2018
Net Sales	492,895	492,895	469,723
Adjusted Ebitda*	19,259	14,781	16,806
% Adjusted Ebitda	3.91%	3.00%	3.58%
Adjusted Ebit	7,673	7,273	9,539
Operating Result (Ebit)	4,662	4,261	9,297
Net Profit from continuing operations	1,111	1,146	5,545
Net Profit of "Discontinued Operations"	-	-	-
Net Profit	1,111	1,146	5,545
Net Profit attributable to non-controlling interests	198	198	171
Net Profit attributable to Parent Company	913	948	5,375
Adjusted net profit	3,999	4,034	5,718

\* 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.

Thousands of Euro	30.06.2019	30.06.2019	
		Pro-forma without effect IFRS 16	31.12.18
Net Invested Capital	284,072	222,872	186,246
Capital and reserves attributable to Parent Company	149,414	149,449	149,704
Non-Controlling Interest	714	714	475
Total Shareholders' Equity	150,128	150,163	150,178
Net Financial Position	133,944	72,709	36,068
Group ROE **	2.41%	2.43%	5.63%
ROI	5.50%	6.83%	9.38%
Net Financial Position/Total Shareholders' Equity	0.89	0.48	0.24
Net Financial Position/Adjusted Ebitda***	3.79	2.36	1.10

\*\* The 2019 Group ROE includes the Net profit "rolling" from 1° July 2018 to 30 June 2019.

\*\*\* Please note the Adjusted Ebitda of the half-year is determined "rolling", that is to say, considering the terminal figure from 1° July to 30 June 2019. For the figure at 30.06.19 reported it should be noted that in the face of NFP that includes the effect of IFRS 16 is divided the Adjusted Ebitda that only for 6 months removes the rental costs/operating leasing.

The table above provides initial preliminary details of the trend in the 1st half of 2019, fully described later on in the dedicated sections of this report.

Please note that, in accordance with IFRS 16 which entered into force on January 1, for the first time the results of the half-yearly financial statements reflect the "right of use" value of the rental and operating lease agreements entered into by the Group companies. In compliance with this standard, a gross value of the right of use assets is recognized in tangible assets, equal to the value of the financial liabilities assumed at the transition date of January 1, 2019, or on a subsequent date for rental and/or operating lease agreements entered into in 2019, financial liabilities which are determined on the basis of the value of the future contractual payments discounted using an appropriate rate ("borrowing rate") based on the temporal duration of the rental and/or operating lease agreement, the creditworthiness of the various companies and the currency.

The adoption of this standard has effects on the main economic indicator used by the Group, the Adjusted EBITDA (increasing it by Euro 4,478 thousand, due to the replacement of the cost of payments with depreciation and financial expenses), as well as the extent of Net Invested Capital and the Net Financial Position, raising them both by Euro 61,199 and Euro 61,235 thousand, respectively, based on the values attributed to those assets, with a negative effect on the result of Euro 35 thousand.

Given the relevance of these numbers, financial statements at June 30, 2019 were prepared and named "Pro-forma without effect of IFRS 16", which, neutralizing the effects of the adoption of this standard, allow for a consistent and understandable comparison with the figures from the previous year and at the same time provide NFP/EBITDA and NFP/SE ratios also in line with the previous year. All covenants in existing loan agreements are contractually to be calculated without applying the new accounting standard IFRS 16.

## ORSERO S.P.A. CORPORATE INFORMATION

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### 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 R.E.A. no. 2072677

Company website [www.orserogroup.it](http://www.orserogroup.it)

Country-wide Issuer as of January 1, 2019

## COMPOSITION OF ORSERO S.P.A. CORPORATE BODIES

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

### Board of Directors:

Paolo Prudenziati	Chairman and Managing Director
Raffaella Orsero	Deputy Chairman and Managing Director
Matteo Colombini	Managing Director
Vera Tagliaferri <sup>1</sup>	Director
Armando Rodolfo de Sanna <sup>1</sup>	Director
Gino Lugli	Director
Luca Fabio Giacometti	Director
Carlos Fernández Ruiz	Director
Alessandro Piccardo	Director

### Board of Auditors:

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

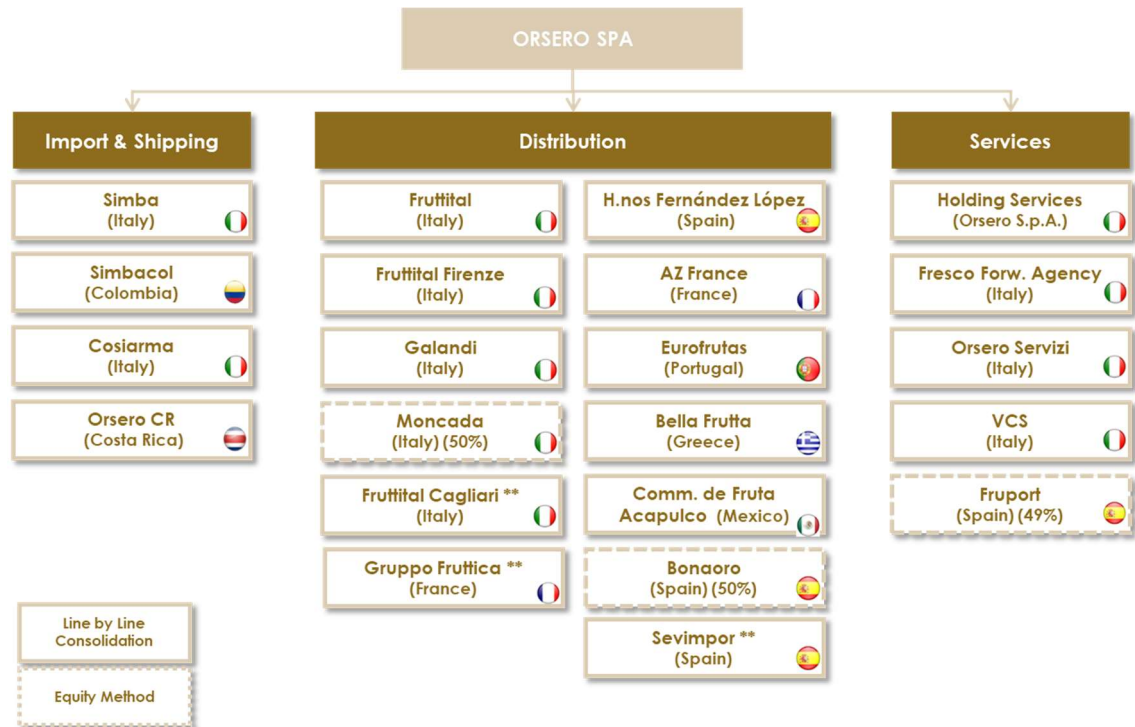
### Independent Auditors:

KPMG S.p.A.

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(1) Directors in possession of the independence requirements in accordance with the current By-laws of Orsero S.p.A.

## GROUP STRUCTURE



\*\* Companies acquired at the beginning of 2019

Summary representation of the Group

## COMPOSITION OF THE GROUP

At June 30, 2019, 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.S.

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

Eurorticolos L.D.A.

Company in liquidation in Portugal

Fresco Ship's A&F S.r.l.

Loading/port agent in Italy

Fruttica S.A.S

Distribution company in France

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 company 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 Solventa S.L.	Service provider in Spain
GP Frutta S.r.l.	Service provider in Italy
Hermanos Fernández López S.A.	Distribution company in Spain
Isa Platanos S.L.	Manufacturing company in Spain
Kiwisol L.D.A.	Distribution company in Portugal
M.A.P. Servizi Generali S.r.l.	Service provider in Italy
Orsero Servizi S.r.l.	Services and consultancy provider
Postifruits S.A.S.	Distribution company in France
Sevimpor S.L.	Distribution company in Spain
Simba S.p.A.	Fruit importing company in Europe
Vado Container Services S.r.l.	Port services provider in Italy

#### Americas:

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



## ALTERNATIVE PERFORMANCE INDICATORS

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In this half-yearly financial report, certain financial indicators that are not defined as accounting measures by IAS-IFRS, but which make it possible to discuss the Group's business are presented and analyzed. These figures, explained below, are used to comment on the performance of the Group's business in the sections "Summary Data", "Directors' report on operations" and in the "Notes", in compliance with the provisions of the Consob Communication of 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 that determined by these other groups.

The definition of the alternative performance indicators used by the Group in its periodic annual and half-year financial reports is provided below:

**Adjusted EBITDA:** the Operating Result (EBIT) excluding depreciation, amortization, provisions, 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.

**Current result for the year:** provided for a comparison in terms of total consolidated result, it 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 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, provision for severance indemnities, tax payables and contributions, other current payables, and liabilities held for sale. Any fair value of hedging derivatives and current financial assets 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 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 and, as of January 1, 2019, the financial liabilities originating from the adoption of IFRS 16, 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. For the half-yearly financial statements, the Adjusted EBIT is determined on a "rolling" basis, that is, by adding to the half just closed the second half of the previous year.

**Group ROE:** calculated as the ratio between the result pertaining to the Group and Group Shareholders' Equity. For the half-yearly financial statements, the result pertaining to the Group is determined on a "rolling" basis, that is, by adding to the half just closed the second half of the previous year.



## DIRECTOR'S REPORT ON OPERATIONS

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## SIGNIFICANT EVENTS DURING THE YEAR

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This section describes the most significant events that occurred in the first half of 2019, other than the operating performance commented on in another part of these notes.

### Acquisitions and disposals during the year

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

On January 2, 2019, the acquisition of the Spanish company Sevimpor was formalized and announced through SDIR (system for the dissemination of regulated information) notice of September 20, 2018. The company is active in the marketing of fruit and vegetables and in particular bananas from the Canary Islands. The transaction, with a value of Euro 1.65 million, was financed in full with the Group's own resources.

#### Acquisition of the Fruttica Group

The main transaction in the first half of 2019 regarded the acquisition of the Fruttica Group (announced with SDIR notice of March 12, 2019), for an equivalent value of Euro 10.4 million, of which Euro 8 million already paid when the deed was entered into, Euro 2 million in two equal tranches payable 12 and 24 months from the date of the deed and Euro 0.4 million for the earn-out payable when specific targets are reached in 2020 and 2021. The purchase deed was entered into in early May and the company was consolidated as of April 1, 2019. The transaction was financed in full through the use of resources pertaining to the Orsero Group. The Fruttica Group is specialized in the import and wholesale distribution of fruit and vegetables, with a specific focus on the distribution of Italian grapes in France (approximately 50% of the volume), along with melons, pears and vegetables. It is based in Cavaillon, Provence, where the Orsero Group already has a logistics platform. The Fruttica Group distributes more than 20,000 tons of fruit and vegetables every year to customers mainly belonging to large-scale distribution, with an annual turnover of Euro 24 million and an Adjusted EBITDA of Euro 2.5 million.

#### Acquisition of Fruttital Cagliari S.r.l.

In June an agreement was reached for the acquisition, completed in the early days of July and therefore effective as of July 1, 2019, of the remaining 75% of the share capital of the company Fruttital Cagliari, specialized in the wholesale distribution of fruit and vegetables in the Sardinian territory and of which the Orsero Group had already held the remaining 25% of the share capital for a number of years. The agreed consideration is Euro 5.1 million, of which Euro 4.05 million paid when the deed was entered into and the remaining amount of Euro 1.05 million within one year of that date. The transaction is financed in full through the use of financial resources pertaining to the Orsero Group.

Fruttital Cagliari is specialized in the wholesale distribution of fresh fruit and vegetables and, from the perspective of procurement flows, it is already integrated within the Group, particularly as regards bananas and pineapples. In the 2017-2018 two-year period, it earned average revenues of around Euro 16 million, with an average Adjusted EBITDA of roughly Euro 1.2 million. Please also note that the Orsero Group recently opened its fourth fresh-cut fruit processing center in Cagliari; this activity is highly complementary with the company acquired, due to the possibility of developing significant commercial synergies.

## Other significant events during the year

### Investments during the period

In the first half of 2019, investments were made in tangible and intangible assets for a total of Euro 15,603 thousand, inclusive of Euro 4,365 thousand for “rights of use” pursuant to IFRS 16 and net of the goodwill recognized on the Sevimpor and Fruttica acquisitions, analyzed in the dedicated chapter below in this report.

### Marketing campaign at the central railway station in Milan

Particularly worthy of mention is the advertising campaign for the “F.lli Orsero” fresh-cut line launched with a temporary store at Milan’s central railway station, which has met with consistent success amongst the general public, as demonstrated by the more than 35 thousand receipts issued, for a daily average of more than 350 purchasers who thus expressed their interest in the products in our new range of fresh-cut fruit ready for consumption.

### Other events

Amongst the other significant events in the first half of 2019, please take note of the unfavorable outcome of the dispute dating back to 2001, described in the Information Document of November 11, 2016 (see par. 3.2.17, first sub-paragraph), also reported in the SDIR notice of last July 10. Despite the positive outcomes of the previous rulings, the Venice Court of Appeals handed down a ruling requiring the payment to the Ministry of Economy and Finance (MEF) and the Customs Agency of a provisional amount of Euro 1,580,950.15 jointly and severally with a third party, plus interest at the legal rate and reimbursement for the costs of the proceedings, which have not yet been defined. The quantification of the relative damages in favor of the MEF, the Customs Agency and the Commission of the European Union will possibly need to be settled following separate civil proceedings. In July 2019, an appeal was already lodged before the Court of Cassation and immediately following a petition for the suspension of the provisional amount to be paid imposed by the Venice Court of Appeals. In the financial statements at June 30, 2019, a provision of Euro 1.6 million was temporarily recognized for that purpose, equal to the amount demanded in the ruling mentioned above.

Furthermore, in relation to the nearly complete settlement of the liquidation process of the related company K-air S.p.A., the Parent Company Orsero S.p.A. settled its debt of Euro 1.1 million with respect to this company by making a partial payment such so as to offset the expected outlay on enforcement of the guarantee provided previously in favor of K-air, with a basically neutral effect - as mentioned in the reports to the financial statements of previous years - on the consolidated income statement.

Lastly, in the first half of 2019 activities continued for the preparation of the documentation required to transfer the Orsero securities from the AIM to the STAR segment of the Milan Stock Exchange's MTA Market, which is expected to take place by the end of this year.

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

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The present Consolidated half-yearly financial report at June 30, 2019 was prepared in condensed form in accordance with IAS 34 - Interim Financial Reporting and, with respect to the recognition and measurement criteria, according to the international accounting standards (IAS-IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, including all the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC). The 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 and on the operations of the Orsero Group, as a whole and in the various sectors in which it operates.

For the reasons mentioned above of comparability with the figures for the year 2018, note that in this report the "Pro-forma without the effect of IFRS 16" financial statement data will be used for the comparison of the income statement data, while reference will be made to the normal financial statements for the comparison of financial position data, to which all the necessary specifications will in any event be added when necessary. The consolidated condensed half-yearly financial statements posted a profit of Euro 1,111 thousand (as at June 30, 2019 "Pro-forma without the effect of IFRS 16": Euro 1,146 thousand and as at June 30, 2018: Euro 5,545 thousand), after having recorded amortization, depreciation and provisions of Euro 11,586 thousand (as at June 30, 2019 "Pro-forma without the effect of IFRS 16": Euro 7,509 thousand and as at June 30, 2018: Euro 7,267 thousand) and net non-recurring expenses of Euro 3,010 thousand. The result for the period is heavily impacted by non-recurring expenses.

Details of the main income statement items are provided below, almost all of which can be identified in the financial statements, with the exception of "Adjusted EBITDA", the main performance indicator used by the Group, determined as Ebit excluding amortization, depreciation and provisions, non-recurring costs and income as well as

costs linked to the medium/long-term incentive Plan for management. The parameter thus determined does not consider net financial expenses, dividends and the result of asset management, including the pro-rata gain/loss arising from consolidation using the equity method for associated companies and joint ventures as well as taxes.

As noted, to allow for a consistent comparison with the results from June 30, 2018, the financial statements as at June 30, 2019 have been prepared "Pro-forma without the effect of IFRS 16", eliminating the effects on the income statement and balance sheet of the adoption of IFRS 16.

Thousands of Euro	30.06.2019		
	30.06.2019	Pro-forma without effect IFRS 16	30.06.2018
Net Sales	492,895	492,895	469,723
Adjusted Ebit da	19,259	14,781	16,806
Adjusted Ebit	7,673	7,273	9,539
Operating Result (Ebit)	4,662	4,261	9,297
Net financial expenses	( 2,097)	( 1,661)	( 1,274)
Net income (loss) from equity investments*	1	1	4
Share of Profit of JV and Associated company*	32	32	186
Profit before tax	2,599	2,634	8,212
Net Profit from continuing operations	1,111	1,146	5,545
Net Profit of "Discontinued Operations"	-	-	-
Net Profit	1,111	1,146	5,545
Net Profit attributable to non-controlling interests	198	198	171
Net Profit attributable to Parent Company	913	948	5,375
Adjusted net profit	3,999	4,034	5,718

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

In the first half of 2019, the Group's performance was below expectations on the whole, essentially because of the negative performance of the operations of AZ France, due to a combination of mostly non-recurring events, as described in more detail below in this report, which deteriorated by Euro (3,752) thousand compared to June 30, 2018 in terms of Adjusted EBITDA and by Euro (2,772) thousand in terms of the net profit, with the further factor of climatology in May and June in Italy which was not particularly favorable for fruit consumption, an unprofitable level of banana prices and significant non-recurring expenses which more than offset the good improvement in shipping activities.

Adjusted EBITDA "Pro-forma without the effect of IFRS 16", totaling Euro 14,781 thousand, inclusive of the contribution of Euro 821 thousand by the newly acquired companies, marked a decline of Euro 2,025 thousand compared to last June 30, and the profit for the year of Euro 1,146 thousand decreased by Euro 4,399 thousand.

Moreover, observing the comparison in terms of the "current result for the year" shown in the table below, it is clear that net of net non-recurring expenses the result for the year would be Euro 4,034 thousand, significantly reducing the negative spread with respect to June 30, 2018.

This difference then becomes positive by Euro 879 thousand taking into account the decrease contributed by the company AZ France, whose current result deteriorated by Euro 2,563 thousand compared to that recorded at June 30, 2018, meaning that net of the specific event impacting French operations, the "structural" level of Group profitability has remained stable over time.

Thousands of Euro	30.06.2019	30.06.2019 Pro-forma without effect IFRS 16	30.06.2018
<b>Net profit</b>	<b>1,111</b>	<b>1,146</b>	<b>5,545</b>
Simba's fiscal litigation, net of tax	1,600	1,600	-
Ancillary costs to acquisition financial investments, net of tax	217	217	-
Other non-recurring profit/loss, net of tax	1,071	1,071	173
<b>Adjusted Net Profit</b>	<b>3,999</b>	<b>4,034</b>	<b>5,718</b>

In terms of turnover, the overall increase in revenues came to Euro 23,172 thousand (+4.9%) compared to June 2018, only in part - Euro 7,258 thousand - due to the companies acquired in the first half of the year. The main changes were, on the positive side, in the Italian and Spanish companies in the distribution sector and maritime transport operations, which more than offset the decline in revenues of the French company.

With respect to Italy, revenues of Euro 1,255 thousand were recorded by the fresh-cut channel in relation to the gradual entry into operation of the commercial facilities and processing rooms built in the centers of Verona and Bari and, in Cagliari, in an external warehouse, which are additional to the sales made by the structure already in place at the Florence warehouse, equal to Euro 2,821 thousand. The results achieved to date are satisfactory, especially in terms of the constant progress made in sales, while the contribution to the result is still impacted by the typical project start-up phase.

Thousands of Euro	30.06.2019	30.06.2019 Pro-forma without effect IFRS 16	30.06.2018
"Distribution" Segment	448,206	448,206	427,002
"Import & Shipping" Segment	118,919	118,919	111,292
"Services" Segment	6,321	6,321	6,334
Net Sales Inter-segment	(80,551)	(80,551)	(74,905)
<b>Net sales</b>	<b>492,895</b>	<b>492,895</b>	<b>469,723</b>

The table below describes the sector results in terms of Adjusted EBITDA, highlighting, net of the above-mentioned effects of AZ France and the contribution of the newly acquired companies, a slight decline in the performance of the other companies in the "Distribution" sector, which in Italy was certainly influenced by sub-optimal weather trends in May and June, along with an increase in warehouse and overhead costs, also linked to the fresh-cut launch phase in the Italian warehouses, as well as the improvement recorded in the "import and distribution" sector, thanks in particular to the good performance of the maritime transport business, resulting from a higher load factor and the transition from a 4-week to a 5-week travel schedule, which has allowed for fuel



savings and boosted the efficiency of loading activities at Central American ports, so much so that it offset the costs for the fifth ship freight contract.

As specified in more detail in the notes, the spread between the financial statements and the financial statements "Pro-forma without the effect of IFRS 16" is essentially linked to the recovery in warehouse and point of sale rents for Distribution sector companies (Euro 2,837 thousand) and freight contracts on the fleet of reefer containers for the shipbuilding company (Euro 1,481 thousand), costs which are moreover discounted in their entirety in the form of higher depreciation and financial expenses, so that at final result level there is a loss of marginal relevance of Euro 35 thousand.

Thousands of Euro	30.06.2019	30.06.2019	
		Pro-forma without effect IFRS 16	30.06.2018
"Distribution" Segment	14,676	11,839	15,583
"Import & Shipping" Segment	6,988	5,507	3,314
"Services" Segment	(2,405)	(2,565)	(2,090)
<b>Adjusted Ebitda</b>	<b>19,259</b>	<b>14,781</b>	<b>16,806</b>

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. As noted in the beginning of this report, the adoption of IFRS 16 entailed the recognition of significant amounts in terms of Invested Capital and Net Financial Position, in relation to which the pro-forma statements offer an understandable comparison between the two years and help to recalculate the covenant ratios for the financial institutions, as set forth in the contract.

Thousands of Euro	30.06.2019	30.06.2019	
		Pro-forma without effect IFRS 16	31.12.2018
Non current assets	243,789	182,589	165,453
Net Working Capital	50,287	50,287	32,447
Other current assets/(liabilities)	(10,004)	(10,004)	(11,655)
Net Invested Capital	284,072	222,872	186,246
Total Shareholders' Equity	150,128	150,163	150,178
Net Financial Position	133,944	72,709	36,068

The main changes in the financial structure at June 30 compared to December 31, 2018, which will be extensively analyzed in the notes to the financial statements, are primarily linked to:

- The increase in non-current assets of Euro 78,336 thousand, with Euro 65,276 thousand linked to rights of use pursuant to IFRS 16 (of which Euro 60,675 thousand from the initial recognition at January 1, Euro 236 thousand from the effect of the change in scope, Euro 4,365 thousand from contracts, or investments, entered into during the half), Euro 11,494 thousand for intangible assets inclusive of goodwill counted on acquisitions for the period and Euro 10,425 thousand for tangible assets, all values gross of amortization and depreciation for the period;

- Increase in commercial Net Working Capital of Euro 17,840 thousand, with an insignificant component from the effect of the change in scope, resulting as reported previously from a particularly favorable collection and payment situation around December 31, 2018 and the fact that for the distribution companies the period ending at June 30 is typically that with the highest working capital requirements;
- Increase in the Net Financial Position of Euro 97,876 thousand due for Euro 65,276 thousand to accounting in accordance with IFRS 16, for Euro 11,238 thousand to investments in tangible and intangible assets, for Euro 12,050 thousand to the Sevimpor and Fruttica Group acquisitions, with the difference of Euro 9,311 thousand used to finance working capital requirements and the payment of the Orsero dividend, net of the cash flow deriving from operations.

The summary representation of the condensed consolidated half-yearly financial statements through the main indicators highlights the soundness of the Group's capital and financial structure, also within an "IFRS 16 compliant" context.

Financial Highlights	30.06.2019	30.06.2019	
		Pro-forma without effect IFRS 16	31.12.2018
Net Financial Position/Total Shareholders' Equity	0.89	0.48	0.24
Net Financial Position/Adjusted Ebitda*	3.79	2.36	1.10

\* Please note the Adjusted Ebitda of the half-year is determined "Rolling", that is to say, considering the terminal figure from 1° July 2018 to 30 June 2019. For the figure at 30.06.19 reported it should be noted that in the face of NFP that includes the effect of IFRS 16 is divided the Adjusted Ebitda that only for 6 months removes the rental costs/operating leasing.

Note that the Net Financial Position is calculated as the sum of the following items: cash and cash equivalents, non-current/current financial payables, which starting this year also include payables associated with rental and operating lease agreements pursuant to IFRS 16 as well as 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 first half of the year, from the operating perspective, the Group focused its attention on growth in the Distribution sector, both internally, particularly through the development of the fresh-cut fruit business in Italy with the set-up of three processing rooms located, as previously mentioned, in the Verona and Molfetta warehouses and, in Cagliari, in the rented structure, as well as externally, with the acquisitions made in Spain, France and Italy, commented on previously.

This section provides information on the group's performance as a whole and in its various sectors by analyzing the main indicators represented by turnover and Adjusted EBITDA.

As already mentioned, performance in the first half of the year reached the levels recorded in the previous year if the French operations are excluded, albeit with the usual changes from year to year between the various Group companies. The information required by IFRS 8 is provided below, broken down by "sector of activity". The operating areas identified by the Orsero Group are identified in the sectors of activities 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.

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

- Distribution Sector
- Import & Shipping Sector
- Services Sector

The table below provides an initial general overview of the performance of the different sectors in the first half of 2018 and of 2019. Note that the sector tables below illustrate the results only of fully consolidated companies, whereas the performance of the associated companies is described later on in the Notes.

Thousands of euro	Distribution	Import & Shipping	Services	Eliminations	Total
Net sales 30.06.2019	448,206	118,919	6,321	( 80,551)	492,895
Net sales 30.06.2019 Pro-forma without effect IFRS 16 [A]	448,206	118,919	6,321	( 80,551)	492,895
Net sales 30.06.2018 [B]	427,002	111,292	6,334	( 74,905)	469,723
Change Net sales [A] - [B]	21,204	7,627	( 13)	( 5,646)	23,172
Adj. EBITDA 30.06.2019	14,676	6,988	( 2,405)	-	19,259
Adj. EBITDA 30.06.2019 Pro-forma without effect IFRS 16 [A]	11,839	5,507	( 2,565)	-	14,781
Adj. EBITDA 30.06.2018 [B]	15,583	3,314	( 2,090)	-	16,806
Change Adj. Ebitda [A] - [B]	( 3,744)	2,194	( 475)	-	( 2,025)
NFP 30.06.2019	n.d.	n.d.	n.d.	n.d.	133,944
NFP 30.06.2019 Pro-forma without effect IFRS 16 [A]	n.d.	n.d.	n.d.	n.d.	72,709
NFP 31.12.2018 [B]	n.d.	n.d.	n.d.	n.d.	36,068
Change NFP [A]-[B]					36,641

We would now like to comment on the trends of the individual operating sectors, referring to the Notes for all the 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 the International Accounting Standards and Group standards and, for that reason, they may be different from those that may be deduced from the individual statutory financial statements drafted by the single companies.

## Distribution Sector

Thousands of Euro	30.06.2019	30.06.2019	
		Pro-forma without effect IFRS 16	30.06.2018
Net Sales	448,206	448,206	427,002
Contribution margin	50,226	50,224	50,886
Incidence %	11.21%	11.21%	11.92%
Gross Profit	30,189	29,987	32,064
Adjusted Ebitda	14,676	11,839	15,583
% Adjusted Ebitda	3.27%	2.64%	3.65%
Net Profit	4,552	4,546	8,400

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, in addition to the companies located in Mexico dedicated to the production and export of avocados.

The distribution sector 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 products, 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. Overall, GDO sales historically account for around 55% of the aggregate value of sales in the Distribution sector.

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 for the presence of a specific indicator of the distribution sector, such as the "1st sales margin", also called the contribution margin, which in distribution companies constitutes the main indicator used to monitor business activity. The "1st sales margin" actually represents the difference between net sales and the direct costs of the products sold (meaning the purchase costs of the goods, plus incoming and outgoing cargoes, customs duties and packaging costs) where it is considered that these costs represent most of the costs incurred by the company and therefore the positive or negative changes in the 1st margin tend to be reflected almost entirely on the profit or loss for the period.

The increase in revenues of Euro 21,204 thousand includes for Euro 7,258 thousand the contribution of the newly acquired companies (Sevimpor for the entire half, the Fruttica

Group only starting from April 1) and the higher turnovers of the companies operating in Italy, Spain and Mexico, offset by the decline in sales in France by the company AZ France. With respect to this matter, the negative contribution to the results, in absolute terms and in terms of the difference compared to the previous year, linked to a specific series of particular events, has already been mentioned: the very negative performance of the fruit campaigns in the first half year, a fire in the Rungis warehouse which resulted in damages to the goods and impacted the more general running of the company's business, which were only covered in part by the insurance reimbursement, the change in the top management during the acquisition of the Fruttica Group, a high turnover in various high level positions, especially in the sales department. Due to these circumstances, performance, especially in the second quarter, was exceptionally negative, so as to reduce the Adjusted EBITDA level for the half to -1.9% of turnover (while it was 2.6% in the first half of 2018). Based on the monitoring activated and the sales structure reinforcement actions undertaken, the Group believes that the company's business in the second half of the year may be more aligned with that of previous years, although aware that the difference in the result accrued in the first half of the year could be difficult to make up for in its entirety in the second part of the year.

With respect to the other companies, please note that there was a slight decline in terms of Adjusted EBITDA compared to June 2018 due to the negative weather trends already described and the increase in warehouse and overhead costs, linked in part to the costs of launching fresh-cut fruit activities in Italy and to a more general strengthening of the sales structure.

While noting that overall the effect of IFRS 16 on the net result is not very significant (a positive Euro 5 thousand) the change in the net result in the Distribution sector in the first half of 2019 "Pro-forma without the effect of IFRS 16" shows a negative change of Euro 3,854 thousand (of which Euro 2,772 thousand attributable to AZ France alone) originating from:

- the reduction of Adjusted EBITDA by Euro 3,744 thousand;
- higher amortization/depreciation and provisions for Euro 581 thousand;
- growth in net financial expenses of Euro 115 thousand;
- higher net non-recurring expenses of Euro 784 thousand;

partially offset by lower taxes of Euro 1,371 thousand.

## Import & Shipping Sector

Thousands of Euro	30.06.2019		
	30.06.2019	Pro-forma without effect IFRS 16	30.06.2018
Net Sales	118,919	118,919	111,292
Gross Profit	6,165	6,059	3,719
Adjusted Ebitda	6,988	5,507	3,314
% Adjusted Ebitda	5.88%	4.63%	2.98%
Net Profit	(308)	(264)	(1,174)

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

Maritime transport of bananas and pineapples of Central American production is carried out mainly with owned ships, until the end of 2018 by the four reefer units "Cala Rosse" which were joined by a fifth ship under a freight contract in 2019, which connect, on the basis of a 28-day travel schedule, which is now of 35 days, Central America with the Mediterranean, thereby allowing punctual arrival of fresh fruit in European markets on a weekly basis.

The performance of profits in the sector compared to the first half of 2018 marked a net improvement in terms of Adjusted EBITDA, Euro 2,340 million, equal to 62.9%, made possible by the recovery to modest levels of profit margins from shipping activities and only in part negatively impacted by the decline recorded in banana imports. With respect to the latter, we are pleased to mention, purely in terms of the brand, the continuous growth in "F.lli Orsero" bananas and pineapples brand (45% for bananas against 35% in the first half of 2018 on stable volumes of roughly 5.55 million boxes, 57% for pineapples compared to 48% on volumes up from 2.56 to 2.65 million boxes), while in terms of profits, against good profitability for pineapples, bananas sale prices continued to be unprofitable again in 2019, as the prices have turned out to be insufficient to adequately cover acquisition costs and guarantee an even minimal contribution margin. On the other hand, in shipping activities there was a good recovery in profitability compared to the previous year, with an Adjusted EBITDA of 14.5% of turnover, thanks to the higher volumes transported, +6.8% compared to the previous year, bringing the load factor from roughly 90% to 97%, along with the change in the travel schedule from 28 to 35 days, which provided enough savings to more than offset the cost for the freight contract on the additional fifth ship. Extending the schedule timing ensured that the ships can travel in "eco speed" mode with benefits in terms of lower consumption as well as

less stress for the boat, in addition to providing extra time to manage the continuing traffic and delay problems at the ports of embarkation in Central America.

The improved operating profitability positively impacted the net result, up by Euro 910 thousand compared to the 1st half of 2018 due to:

- a recovery in operating performance as measured by the Adjusted EBITDA amounting to Euro 2,194 thousand;
- lower amortization/depreciation and provisions of Euro 328 thousand;
- lower financial expenses and exchange differences of Euro 88 thousand;
- higher net non-recurring expenses of Euro 1,853 thousand, essentially linked to the Simba penalty of Euro 1,600 thousand, already mentioned previously;
- lower taxes for Euro 153 thousand.

### “Services” Sector

Thousands of Euro	30.06.2019	30.06.2019	
		Pro-forma without effect IFRS 16	30.06.2018
Net Sales	6,321	6,321	6,334
Adjusted Ebitda	(2,405)	(2,565)	(2,090)
Net Profit	(2,676)	(2,679)	( 1,623)

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

The Adjusted EBITDA of the sector typically has a negative sign, because, in view of the Parent Company's nature of a holding company, the income and ultimately the profit or loss for the year are linked to the proceeds from dividends received from Group companies. With respect to the first half of 2018, the decline in Adjusted EBITDA of Euro 475 thousand results primarily from a lower level of chargebacks by the holding company to the subsidiaries for royalties and fees.

## **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 linked 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) as well as 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 the 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 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.

The Orsero Group, through dedicated offices, undertakes all the 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, damages 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 whole 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, the 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, the 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 consumptions 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 the 2016-2018 three-year period, GDO sales accounted for around 55% of aggregate sales in the Distribution sector. 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, the 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 realized 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, primarily based on product availability, allows "transferring" most of the exchange rate effect to the final market. In addition, part of the risk is offset by the maritime transport activity that has an opposite currency profile with a surplus of dollar-denominated net sales over costs, without prejudice to the net exposure in dollars at the level of the Group's currency balance.

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

#### Risks associated with loan agreements

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

#### Risks of default and covenants on the debt

The Group has medium-term loan agreements in place with some of the major European banks, that require compliance with financial covenants that depend on the performance of certain standard parameters at the consolidated Group level; upon the occurrence of given events, the counterparties could ask the debtor to repay the borrowed sum immediately, consequently generating a liquidity risk. The Group's management constantly monitors the trend in financial parameters in order to verify compliance with the covenants.

#### Risks associated with credit

The Orsero Group is exposed to credit risk arising from both commercial relations and liquidity use in the financing of some 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, involving the stipulation of insurance policies with primary counterparties.

## Risks associated with guarantees provided to third parties

Guarantees are in place as at June 30, 2019, issued in favor of the related companies K-Air S.r.l. and Nuova Beni Immobiliari S.r.l., deriving from the agreements reached in due course for the finalization of the Merger with Glenalta Food. As regards the former, already mentioned in another part of this report, the estimated outlay of Euro 517 thousand offsets the reduction in debt agreed upon with K-air, so as to determine a substantially neutral impact on the income statement, as anticipated in the reports of previous years. Instead, for the latter, linked to the financing of the Solgne warehouse rented to the company AZ France, the reduced extent of the residual debt of Euro 173 thousand and the regular debt servicing observed to date by the French subsidiary makes it possible to identify an extremely limited risk profile on this guarantee.

## Risk on disputes

Another part of this report provides information on the unfavorable outcome of the dispute dating back to 2001, described in the Information Document of November 11, 2016 (see par. 3.2.17, first sub-paragraph), also reported in the SDIR notice of last July 10. Despite the positive outcomes of the previous rulings, the Venice Court of Appeals handed down a ruling requiring the payment to the Ministry of Economy and Finance (MEF) and the Customs Agency of a provisional amount of Euro 1,580,950.15 jointly and severally with a third party, plus interest at the legal rate and reimbursement for the costs of the proceedings, which have not yet been defined. In July an appeal was already lodged before the Court of Cassation and immediately following a petition for the suspension of the provisional amount to be paid ordered by the Venice Court of Appeals. In the financial statements at June 30, 2019, a provision of Euro 1.6 million was temporarily recognized for that purpose, equal to the amount demanded in the ruling mentioned above.

At the date of this Report, several other disputes are also under way, essentially relating to the recovery of customs duties and VAT concerning Simba and Fresco Ship's Agency & Forwarding, jointly and severally liable, of which one dispute for roughly Euro 4.6 million in which to date the claims of those companies have been upheld in all instances, and one dispute for around Euro 0.3 million, the decision in which was unfavorable for Simba, which in any event will take up the case again to have its claims upheld before the Regional Tax Court of Liguria after the Court of Cassation remanded the case. As in the annual financial statements, the resulting liabilities were not deemed probable, also in light of the opinions received from legal advisors, considering the status of the proceedings outstanding, and for this reason dedicated provisions for risks relating to those disputes were not recognized in the financial statements at June 30, 2019.

## 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, damages 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, 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 the Orsero Group is appropriate to oversee and prevent the risks to which all business activities are inevitably exposed.

## OTHER INFORMATION

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### 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 first half of 2019 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 previous Reports to the 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.

## **Treasury shares**

At June 30, 2019, 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. Please note that as the targets established for the years 2017 and 2018 were met, 320,002 shares were assigned in total, although the physical delivery of the securities is planned for after the approval of the 2019 financial statements.

No treasury shares were acquired in the first half of 2019.

As at June 30, 2019, the Group does not hold, directly or indirectly, shares in parent companies and it did not acquire and/or sell shares in parent companies during the first half of 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 the 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 the 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 ones, 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 the transactions with related parties were at market conditions.

## Investments made in the period

Group operating investments in intangible and tangible assets in the period totaled Euro 15,603 thousand, of which Euro 9,621 thousand relating to the Distribution sector, Euro 5,576 thousand relating to the Import & Shipping sector and Euro 407 thousand for the Services sector. The main investments essentially regarded:

- Euro 4,053 thousand for the increase in rights of use pursuant to IFRS 16 on refrigerated containers rented from the shipbuilding company;
- Euro 1,397 thousand as a result of the completion of a periodic maintenance cycle on the dock, or "Dry Docking", for the Cala Pino cargo ship of the shipbuilding company;
- Euro 1,663 thousand for the construction of new fresh-cut fruit preparation centers at the Verona logistics center and the new rented space in Cagliari;
- Euro 886 thousand for the expansion of the Verona warehouse;
- Euro 1,037 thousand for the installation of new ripening chambers at the Rungis warehouse (Paris);
- Euro 536 thousand for the new machine room of the French warehouse cooling system in Tours, to complete the work started in the previous year;
- Euro 396 thousand for the maintenance work on the Rungis warehouse building (Paris);
- Euro 978 thousand to set up the new "dos hermanas" warehouse and ripening center in Seville (Spain).

Details of the investments made by the Group in 2019 in tangible and intangible assets, broken down by sector, are provided below.

INVESTMENTS				
Thousands of euro	"Distribution" Segment	"Import&Shipping" Segment	"Services" Segment	Total
Intellectual property rights	30	-	-	30
Concessions, licenses and trademarks	12	-	120	133
Assets in progress and advances	601	-	47	648
Other intangible assets	2	-	1	3
<b>Total investments in intangible assets</b>	<b>645</b>	<b>-</b>	<b>168</b>	<b>814</b>
Land and buildings	1,093	-	-	1,093
Plantations	-	-	-	-
Plant and machinery	2,652	1,397	-	4,050
Industrial and commercial equipments	50	4,053	-	4,103
Other tangible assets	958	125	238	1,322
Assets in progress and advances	4,223	-	-	4,223
<b>Total investments in tangible assets</b>	<b>8,975</b>	<b>5,576</b>	<b>238</b>	<b>14,789</b>
<b>Total investments</b>	<b>9,621</b>	<b>5,576</b>	<b>407</b>	<b>15,603</b>



## Significant events after the first half of 2019

As already mentioned earlier in this Report, in the initial days of July 75% of the company Fruttital Cagliari was purchased, of which the Group had already held the remaining 25% for some time; thus it obtained full control over that company. Fruttital Cagliari operates in the distribution of fruit and vegetable products in Sardinia, with a turnover exceeding Euro 16 million per year and an Adjusted EBITDA of roughly EUR 1.2 million. This acquisition is part of the Group's expansion strategy, alongside the transactions concluded in the first half of the year relating to Sevimpor (Spain) and the Fruttica Group (France).

From the corporate perspective, in July the planned incorporation into Orsero of the two sub-holding companies GF Distribuzione and GF Porterm S.r.l. was initiated, so as to simplify and more efficiently streamline the Group's structure; this will have a neutral effect in terms of the consolidated financial statements.

## Outlook for the Orsero Group

In the past three years, the Orsero Group has implemented a strategy of focusing on its core business; this strategy and the activities and operations carried out in accordance with it, have laid the foundation for a potential growth and expansion of the Group in a sector characterized by concentration phenomena in the main reference markets. The strong competitive positioning and a solid financial structure which is adequate for the business made it possible to complete significant acquisitions in the last two years, and make it possible to weigh up acquisitions in areas in which the Group intends to grow in the short/medium-term (processed fruit, dry fruit, ...), obviously keeping a close eye on the price requested from the sellers of potential target companies to ensure it is correct and adequate to the risk profile of said activities.

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



## CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

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GRUPPO  
ORSERO

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated statement of financial position <sup>(1)</sup> <sup>(2)</sup>

Thousands of euro	NOTES	30/06/2019	31/12/2018
<b>ASSETS</b>			
Goodwill	1	43,655	32,975
Other intangible assets	2	5,266	5,057
Tangible assets	3	170,376	103,145
Financial investments	4	8,195	8,919
Other fixed assets	5	6,448	6,080
Deferred tax assets	6	9,849	9,277
<b>NON-CURRENT ASSETS</b>		<b>243,789</b>	<b>165,453</b>
Inventories	7	37,454	35,838
Trade receivables	8	136,964	109,360
Current tax receivables	9	19,655	17,210
Other current assets	10	11,686	9,014
Cash and cash equivalent	11	51,110	76,285
<b>CURRENT ASSETS</b>		<b>256,869</b>	<b>247,706</b>
<b>Assets held for sale</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>500,658</b>	<b>413,160</b>
Share capital		69,163	69,163
Reserves		79,338	72,567
Net profit		913	7,974
<b>Group equity</b>	<b>12</b>	<b>149,414</b>	<b>149,704</b>
<b>Minorities</b>	<b>13</b>	<b>714</b>	<b>475</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>150,128</b>	<b>150,178</b>
<b>LIABILITIES</b>			
Non-current financial liabilities	14	133,962	82,984
Other non-current liabilities	15	414	482
Deferred tax liabilities	16	5,273	5,451
Provisions for risks and charges	17	4,909	2,697
Employees benefits liabilities	18	8,774	8,559
<b>NON-CURRENT LIABILITIES</b>		<b>153,333</b>	<b>100,173</b>
Current financial liabilities	14	51,192	29,387
Trade payables	19	124,131	112,751
Current tax and social security contributions liabilities	20	8,223	7,316
Other current liabilities	21	13,652	13,354
<b>CURRENT LIABILITIES</b>		<b>197,197</b>	<b>162,808</b>
<b>Liabilities held for sale</b>		<b>-</b>	<b>-</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>500,658</b>	<b>413,160</b>

(1) the notes commenting on the individual items are an integral part of these Condensed Consolidated Half-Yearly Financial Statements.

(2) the Group adopted IFRS 16 for the first time on January 1, 2019, using the modified retrospective approach, therefore without restating the comparative data from previous years. For more details, refer to the Accounting standards, amendments and IFRS interpretations section applied from January 1, 2019.

## Consolidated income statement <sup>(1)</sup> <sup>(2)</sup>

Thousands of euro	NOTES	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018
Net sales	22	492,895	469,723
Cost of good sold	23	( 453,353)	( 430,152)
<b>Gross profit</b>		<b>39,542</b>	<b>39,572</b>
Overheads	24	( 33,526)	( 31,400)
Other income and expenses	25	( 1,354)	1,126
<b>Operating result (EBIT)</b>		<b>4,662</b>	<b>9,297</b>
Net financial expenses	26	( 2,097)	( 1,274)
Net income (loss) from equity investments	27	34	190
<b>Profit before tax</b>		<b>2,599</b>	<b>8,212</b>
Tax expenses	28	( 1,488)	( 2,667)
<b>Net profit from continuing operations</b>		<b>1,111</b>	<b>5,545</b>
Net profit of "Discontinued operations"		-	-
<b>Net profit</b>		<b>1,111</b>	<b>5,545</b>
<b>attributable to non-controlling interests</b>		<b>198</b>	<b>171</b>
<b>attributable to parent company</b>		<b>913</b>	<b>5,375</b>
<b>Earnings per share "base" in euro</b>	29	<b>0.054</b>	<b>0.317</b>
<b>Earnings per share "Fully diluted" in euro</b>	29	<b>0.053</b>	<b>0.314</b>

(1) the notes commenting on the individual items are an integral part of these Condensed Consolidated Half-Yearly Financial Statements.

(2) the Group adopted IFRS 16 for the first time on January 1, 2019, using the modified retrospective approach, therefore without restating the comparative data from previous years. For more details, refer to the Accounting standards, amendments and IFRS interpretations section applied from January 1, 2019.

## Consolidated comprehensive income statement

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018
<b>Net profit</b>	<b>1,111</b>	<b>5,545</b>
Items that may not be subsequently reclassified to net profit or loss	-	-
Items that may not be subsequently reclassified to net profit or loss	889	2,258
<b>Total comprehensive income</b>	<b>2,000</b>	<b>7,803</b>
<b>attributable to non-controlling interests</b>	<b>198</b>	<b>171</b>
<b>attributable to parent company</b>	<b>1,802</b>	<b>7,633</b>

As outlined at the start of the Report on operations, while the comparison at operational level is carried out also with reference to the "Pro-forma without the effect of IFRS 16" data as at June 30, 2019, in this section relating to the notes to the financial statements, the comparison is made with reference to the "reported" data of the financial statements as at June 30, 2019 compared to December 31, 2018 (balance sheet) and June 30, 2018 (income statement).

## Consolidated cash flow statement

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018
<b>A. Net cash flows provided by (used for) operating activities</b>		
<b>Net profit</b>	<b>1,111</b>	<b>5,545</b>
Income taxes	1,488	2,667
Net financial expenses	2,095	1,044
Dividends	-	-
(Earnings)/losses from disposal of assets	-	-
<b>1. Net profit before Tax, Interests, Dividends and (earnings)/losses from disposal of assets</b>	<b>4,694</b>	<b>9,257</b>
<b>Non-cash adjustments non related to working capital</b>		
Provisions	902	887
Depreciation and Amortizations	10,683	6,380
Impairment of assets	-	-
Other non-cash adjustments	-	99
<b>2. Cash flows before working capital changes</b>	<b>16,279</b>	<b>16,623</b>
<b>Changes in working capital:</b>		
Change in inventories	(1,440)	(10,398)
Change in trade receivables	(26,455)	(21,859)
Change in trade payables	8,400	19,402
Other working capital changes	(1,704)	1,873
<b>3. Cash flows after working capital changes</b>	<b>(4,920)</b>	<b>5,640</b>
<b>Other non-cash adjustments</b>		
Net financial expenses	(2,095)	(1,044)
Income taxes	(1,488)	(2,667)
Dividends	-	-
Change in funds	-	-
<b>4. Cash flows after other changes</b>	<b>(8,503)</b>	<b>1,929</b>
<b>Net cash flows provided by (used for) operating activities (A)</b>	<b>(8,503)</b>	<b>1,929</b>
<b>B. Net cash flows provided by (used for) investing activities</b>		
Tangible assets		
(Investment)	(15,012)	(8,419)
Disposals	322	-
Intangible assets		
(Investment)	(11,369)	(731)
Disposals	-	-
Financial investments		
(Investment)	(32)	(186)
Disposals	756	331
Financial assets		
(Investment)	(919)	-
Disposals	-	208
Disposals/(acquisition) of investments in controlled companies, net of cash	(1,284)	-
<b>Net cash flows provided by (used for) investing activities (B)</b>	<b>(27,538)</b>	<b>(8,797)</b>
<b>C. Net cash flows provided by (used for) financing activities</b>		
Financial loans		
Increase/(decrease) of short term financial debts	5,721	(8,757)
Change of consolidation scope	5,036	-
Drawdown of new loans	12,515	1,415
Pay back of loans	(11,247)	(8,449)
Equity		
Capital increase/Equity-like instruments	871	2,728
Disposal/(acquisition) of own shares	-	-
Dividends paid	(2,031)	(2,036)
<b>Net cash flows provided by (used for) financing activities ©</b>	<b>10,866</b>	<b>(15,099)</b>
<b>Increase/(decrease) of cash and cash equivalent (A ± B ± C)</b>	<b>(25,175)</b>	<b>(21,967)</b>
<b>Net cash and cash equivalents at the beginning of the year</b>	<b>76,285</b>	<b>79,893</b>
<b>Net cash and cash equivalents at the end of the year</b>	<b>51,110</b>	<b>57,926</b>

## Consolidated statement of changes in shareholders' equity

Thousands of euro	Participative										Total Shareholders' equity	Minorities			
	Share capital*	Treasury shares*	equity investments' cost/reserve*	Legal reserve	Share premium reserve	Other reserves	Currency translation reserve	Participative financial instruments (SFP) reserve	Remeasured of defined benefit plans	Cash Flow Hedge reserve			Long-term incentive plan reserve	Retained earnings/(losses)	Net profit
<b>December 31, 2017</b>	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	-	-	-	-	-	12,459	(12,809)	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of CFH derivatives (interest)	-	-	-	-	-	-	-	-	-	(47)	-	-	-	(47)	-
Change in fair value of CFH derivatives (exchange rate)	-	-	-	-	-	-	-	-	-	49	-	-	-	49	-
Change in fair value of CFH derivatives (bunker)	-	-	-	-	-	-	-	-	-	2,295	-	-	-	2,295	-
Purchasing treasury shares	-	-	-	-	-	-	-	-	-	-	-	(2,036)	-	(2,036)	-
Effect IAS 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	26	-	-	-	-	370	-	396	34
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	5,375	5,375	171
<b>June 30, 2018</b>	69,163	(7,108)	(153)	119	80,556	12,674	(1,584)	-	(586)	2,231	2,328	(14,321)	5,375	148,694	1,289

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

Thousands of euro	Participative										Total Shareholders' equity	Minorities			
	Share capital**	Treasury shares**	Equity investments' cost/reserve**	Legal reserve	Share premium reserve	Other reserves	Currency translation reserve	Participative financial instruments (SFP) reserve	Remeasured of defined benefit plans	Cash Flow Hedge reserve			Long-term incentive plan reserve	Retained earnings/(losses)	Net profit
<b>December 31, 2018</b>	69,163	(7,405)	(153)	119	80,556	11,424	(1,628)	-	(465)	(1,340)	4,470	(13,011)	7,974	149,704	475
Reserves' allocation	-	-	-	202	-	7,772	-	-	-	-	-	-	(7,974)	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of CFH derivatives (interest)	-	-	-	-	-	-	-	-	-	(249)	-	-	-	(249)	-
Change in fair value of CFH derivatives (exchange rate)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of CFH derivatives (bunker)	-	-	-	-	-	-	-	-	-	1,138	-	-	-	1,138	-
Purchasing treasury shares	-	-	-	-	-	(2,031)	-	-	-	-	-	-	-	(2,031)	-
Effect IAS 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	159	-	-	-	-	(220)	-	(61)	42-
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	913	913	198
<b>June 30, 2019</b>	69,163	(7,405)	(153)	321	80,556	17,165	(1,469)	-	(465)	(451)	4,470	(13,231)	913	149,414	714

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

## **CONSOLIDATION CRITERIA, VALUATION CRITERIA AND NOTES**

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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.

#### Statement of compliance and preparation criteria

The Group Condensed consolidated half-yearly financial statements at June 30, 2019 have been drawn up on the basis of art. 3, paragraph 2 of Legislative Decree no. 38 of February 28, 2005, according to the International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

The Group Condensed consolidated half-yearly financial statements at June 30, 2019 were prepared in summary form in accordance with IAS 34 "Interim Financial Reporting". The values shown in the following notes are expressed in thousands of euros when not specified otherwise.

In accordance with IAS 34 the Condensed consolidated half-yearly financial statements do not include all the supplementary information required for the Annual financial statements for which, therefore, reference is made to the Group Financial Statements as at December 31, 2018.

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

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

The Group has adopted the following condensed half-yearly financial statements:

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

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

The Group's Condensed consolidated half-yearly financial statements are presented in Euro, the functional currency in the economies in which the Group mainly operates, and they are compared to the condensed consolidated half-yearly financial statements of the corresponding period of previous year, prepared with consistent criteria with regard to the income statement data and with the consolidated financial statements as at December 31 of the immediately preceding year for the statement of financial position, with the exception of the application of the new IFRS 16.

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

To prepare the consolidated financial statements, the financial statements as at June 30, 2019 of the Parent Company Orsero S.p.A. and its subsidiaries as approved by the respective Boards were used.

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

The Condensed consolidated half-yearly financial statements at June 30, 2019 were audited by KPMG S.p.A. and approved by the Board of Directors on September 9, 2019.



## Valuation criteria

In the preparation of the Condensed consolidated half-yearly financial statements as at June 30, 2019, with the exception of tangible "right of use" assets pursuant to the new standard IFRS 16, the same consolidation principles and the same measurement criteria were applied as were used for the preparation of the Consolidated financial statements as at December 31, 2018, to which reference is made for the sake of completeness.

## Leases

The Group has a number of rental, lease and operating lease agreements in place for the use of warehouses, offices, vehicles, containers, machinery and other minor assets owned by third parties. The contracts are typically entered into for from 3 to 20 years, but they may have an extension option. The contractual terms are individually negotiated and contain a broad array of different terms and conditions.

Starting from January 1, 2019, following the initial application of IFRS 16, the Group has recognized for all of those lease agreements, with the exception of short-term ones (i.e., lease agreements with a duration of 12 months or less which do not contain a purchase option) and those concerning low-value assets (i.e., with a unit value of lower than USD 5 thousand), a right of use at the start date of the lease, corresponding to the date on which the underlying asset is available for use. Lease payments relating to short-term and low-value contracts are recognized in the income statement as costs on a straight-line basis throughout the term of the lease.

Rights of use are valued at cost net of depreciation; the value assigned to the rights of use corresponds to the amount of the lease liabilities recognized, plus initial direct costs incurred, the lease payments settled at the contract start date or previously, recovery costs, net of any lease incentives received. Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the term of the lease, rights of use are depreciated on a straight-line basis throughout the term of the agreement.

The financial liability for the lease is recognized at the date on which the agreement begins for a total value equal to the present value of the lease payments to be made over the term of the agreement, determined by using an appropriate interest rate (borrowing rate - "IBR") based on the financial market conditions at the moment, the term of the lease, the currency and the company's standing.

After the start date, the amount of liabilities for lease agreements increases to reflect the interests accrued and decreases to reflect the payments made. Each lease payment is broken down between the repayment of the principal on the liability and the financial cost. The financial cost is recognized in the income statement throughout the term of the agreement to reflect a constant interest rate on the residual debt of the liability for each period. The rules laid out in IFRS 16 - Leases apply to sub-leases and lease agreement amendments.

IFRS 16 requires the management to develop estimates and assumptions that may influence the valuation of the right of use and the financial liability for the lease, including by determining:

- contracts falling within the scope of application of the new rules for measuring assets/liabilities with the financial method;
- the terms of the agreement;
- the interest rate used to discount future lease payments.

Contracts are included in or excluded from the application of the standard on the basis of detailed analyses carried out at individual agreement level and in line with the rules set forth in the IFRSs. The term of the lease is calculated considering the non-cancellable period of the lease as well as the periods covered by the agreement extension option if it is reasonably certain that it will be exercised, or any period covered by an option for the termination of the lease agreement, if it is reasonably certain that it will not be exercised. The Group evaluates if it is reasonably certain that it will or will not exercise the extension or termination options taking into account all the relevant factors that generate an economic incentive with respect to such decisions. The initial valuation is reviewed if a significant event takes place or there is a change in characteristics influencing the valuation itself which are under the control of the Group.

The marginal interest rates defined by the Group are revised on a recurring basis and applied to all contracts with similar characteristics, which were considered as a single portfolio of contracts. The rates are determined based on the average effective rate of debt of the Parent Company, adjusted appropriately on the basis of the requirements of the new accounting rules to simulate a theoretical marginal interest rate consistent with the contracts being assessed. The most significant elements considered in adjusting the rate are the credit-risk spread of each country observable in the market and the different term of the lease agreements. Interest rates set forth within the lease agreements are rare. Incentives for leases received by no later than the date on which the agreement begins are allocated as a direct reduction from the value of the right of use; the corresponding value reflects the money already received net of the receivable to be collected. Lease incentives agreed upon during the term of the contract are considered amendments of the original agreement measured at the amendment date, with a resulting impact of an equal value on the value of the right of use as well as the lease liability.

### Use of estimates, risks and uncertainties

The preparation of the condensed consolidated half-yearly financial statements and the related notes in accordance with IAS-IFRS requires Management to make estimates and assumptions that have an impact on the value of net sales, costs of assets and liabilities of the financial statements and on the disclosure of contingent assets and liabilities at the reporting date. The estimates and assumptions used are based on experience, other

relevant factors and the information available. Therefore, the actual results achieved may differ from said estimates. The estimates and assumptions may vary from one year to the next and they are therefore reviewed periodically; the effects of any changes made to them are reflected in the income statement in the period in which the estimate is reviewed if the review only concerns that period, or possibly in subsequent periods if the review concerns both the current and future periods.

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

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

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

### **Accounting standards, amendments and IFRS interpretations applied from January 1, 2019**

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group starting from January 1, 2019:

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 benefits 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. 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 Group accounted 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.

Before January 1, 2019, the Group, in line with the previous IAS 17 - Leases, classified each agreement for the use of third-party assets (as the lessee) as a finance lease or an operating lease at the start date. The agreement was classified as a finance lease if it substantially transferred all the risks and benefits deriving from ownership of the leased asset to the Group; otherwise, the agreement was classified as an operating lease. Finance leases were represented as investments at the start of the contract, for a value equal to the fair value of the leased asset or, if lower, equal to the present value of the minimum contractual payments.

For operating leases, the leased asset was not capitalized as an investment and the lease payments were recognized as costs in the income statement on a straight-line basis throughout the term of the agreement.

For the first time adoption of this standard, the Group decided to adopt the modified retrospective approach. Therefore, the data from the comparative period were not restated and some simplifications and practical expedients were applied as permitted by the reference standard. The adoption of IFRS 16 had no effect on the opening shareholders' equity at January 1, 2019. The key assumptions used for the first time adoption of IFRS 16 are summarized below:

- all the agreements in force at January 1, 2019 relating to the use of third-party assets were analyzed in light of the new definition of a lease included in the new standard;
- as part of the analyses it carried out, the Group also considered the presence of agreements not structured as a lease from the legal perspective, but which could

in any event contain a lease on the basis of the new definition set forth in IFRS 16. The Group therefore decided not to take advantage of the practical expedient allowing the identification of leases on the basis of the analyses already performed in accordance with IAS 17 and IFRIC 4 - Determining Whether an Arrangement Contains a Lease;

- lease agreements for low-value assets (i.e., with a unit value below USD 5 thousand) and those with a short duration (less than 12 months) were managed separately. The costs relating to those contracts, which primarily regard certain containers, IT equipment and motor vehicles, will continue to be recognized in the income statement as separately identified operating expenses;
- for lease agreements falling within the scope of application of the new standard, right of use assets were recognized in an amount equal to the estimated financial liability for leases, adjusted by the amount of any early payments or payments already recorded in the financial statements, as well as any incentives received from the lessor prior to January 1, 2019;
- no impact on the opening balances at January 1, 2019 for lease agreements in which the Group acts as lessee and which were classified as finance leases on the basis of IAS 17 was recognized, as those assets continue to be classified under tangible assets and the previous values of the assets and financial liabilities were retained;
- lastly, no onerous agreements were identified.

Other practical expedients were applied at the transition date:

- initial direct costs (including "key money") were excluded from the valuation of the right of use at the initial application date;
- the term of the lease was determined using all available information if the contract contained options to extend or terminate the lease;
- right of use assets and liabilities were not recognized for leases with a residual term of less than 12 months.

#### Impact of initial application

##### Rights of use

As mentioned previously, the Group applied IFRS 16 at the initial application date (i.e., January 1, 2019) using the modified retrospective approach. Therefore, the cumulative effect of the adoption of IFRS 16 was recognized as an adjustment to the opening balance at January 1, 2019, without any restatement of comparative information.

Thousands of euro	Lands and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Total
Carrying amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
<b>Balance at December 31, 2018</b>	-	-	-	-	-
Change of year:					
Reclassification at January 1, 2019	52,589	312	7,108	667-	60,675
Changes of consolidated	237	-	-	-	237
1 <sup>st</sup> semester 2019 increases	293	-	4,053	19	4,365
Depreciations	( 2,648)	( 41)	( 1,256)	( 132)	( 4,077)
Carrying amount	<b>53,118</b>	<b>312</b>	<b>11,161</b>	<b>686</b>	<b>65,276</b>
Accumulated depreciation	<b>( 2,648)</b>	<b>( 41)</b>	<b>( 1,256)</b>	<b>( 132)</b>	<b>( 4,077)</b>
<b>Balance at June 30, 2019</b>	<b>50,470</b>	<b>271</b>	<b>9,905</b>	<b>553</b>	<b>61,199</b>

At the date of initial application, the lease liabilities were calculated at the present value of the residual payments discounted using the marginal interest rate of the Group at January 1, 2019 as reported below.

At January 1, 2019 (transition date), the Group, as lessee, therefore recognized new liabilities (Euro 61 million) for operating leases and higher assets for right of use assets (Euro 61 million), primarily relating to the use of warehouses and the container fleet.

#### Financial liabilities for leases

Thousands of euro	Within 12 months	Between 12 and 60 months	Over 60 months
<b>Lease's financial liabilities</b>	<b>( 8,136)</b>	<b>( 23,001)</b>	<b>( 30,098)</b>

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. Indeed, there was an improvement of Euro 4,478 thousand in Adjusted EBITDA at June 30, 2019.

#### Discounting rate

The main key assumptions regarding the definition of the marginal interest rate (or incremental borrowing rate - IBR) at the date of initial application of the new standard, and in a similar manner for the redetermination of contracts entered into subsequently, were the following:

- a method was defined for estimating the IBR to be applied to all contracts with similar characteristics, which were considered as a single portfolio of contracts. Therefore, we opted for the adoption of the practical simplification expedient in defining this parameter, as permitted by the new standard;
- the starting point for the definition of the IBR at the date of initial and/or subsequent application of the new standard is the average effective rate of the existing loan at the reference date (January 1, 2019 and subsequent contractual dates), with an expiry similar to the average of the agreements subject to

remeasurement. This rate was adjusted appropriately on the basis of the requirements of the new accounting rules to simulate a theoretical marginal borrowing rate consistent with the contracts being assessed. In estimating the IBR, some of the characteristics considered in separating the agreements outstanding at January 1, 2019 and subsequent ones are: average residual term, amount of the financial liability, country in which the leased asset is located, currency of the agreement.

The IBRs applied to discount the lease payments at January 1, 2019 are reported below.

Contractual period	0-3 years	3-5 years	5-10 years	10-20 years	20-30 years	Over 30 years
- Italy - (euro)	1.00	1.00	1.21	1.55	1.76	1.76
- France - (euro)	0.75	0.75	0.96	1.30	1.51	1.51
- Spain - (euro)	1.00	1.00	1.21	1.55	1.76	1.76
- Portugal - (euro)	1.50	1.50	1.71	2.05	2.26	2.26
- Greece - (euro)	2.00	2.00	2.21	2.55	2.76	2.76
- Mexico (usd)	3.33	3.34	3.79	3.74	3.77	3.77
- Cosiarma (usd)	2.83	2.84	3.29	3.24	3.27	3.27

The provisional impact shown in the financial statements at December 31, 2018 has experienced some immaterial changes. Note that the actual effects of the adoption of the above-mentioned standard could change until the presentation of the first consolidated financial statements of the Group for the year (December 31, 2019) which includes the first-time adoption date.

Aside from IFRS 16, the following standards, interpretations and amendments to the existing standards became applicable at January 1, 2019, with no significant effects for the Group.

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 and this application had no impacts on the remeasurement of the tax burden.

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. The amendment applies as of January 1, 2019 and the adoption of said amendment had no impact on the consolidated financial statements of the Group.

Document "Annual Improvements to IFRSs: 2015-2017 Cycle", published on December 12, 2017 (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 amendments apply as of January 1, 2019 and the adoption of said amendments had no impact on the consolidated financial statements of the Group.

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 amendments apply as of January 1, 2019 and the adoption of said amendments had no impact on the consolidated financial statements of the Group.

### **Accounting standards, IFRS and IFRIC amendments and interpretations not yet endorsed by the European Union at June 30, 2019**

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

On May 18, 2017 the IASB published the standard IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The goal of the new standard is to guarantee that an entity provides pertinent information that faithfully represents the rights and obligations deriving from insurance contracts issued. The IASB developed this standard to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single, principle-based framework to take into account all types of insurance contracts, including the reinsurance contracts held by an insurer. The new standard also establishes presentation and disclosure requirements to improve comparability between entities belonging to this sector. The new standard measures an insurance contract on the basis of a General Model or a simplified version of that model, called the Premium Allocation Approach ("PAA"). The main features of the General Model are:

- the estimates and assumptions of future cash flows are always current ones;
- the measurement reflects the time value of money;
- the estimates call for extensive use of information observable in the market;



- there is a current and explicit measurement of the risk;
- the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and,
- the expected profit is recognized in the period of contractual coverage taking into account the adjustments deriving from changes in assumptions concerning cash flows relating to each group of contracts.

The PAA approach requires the measurement of the liability for the remaining coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications deriving from the application of the PAA method do not apply to the valuation of liabilities for existing claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance will be paid or collected within one year of the date on which the claim took place. The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard is applicable as of January 1, 2021. However, earlier application is permitted only for companies that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The directors do not expect a significant impact on the Group's consolidated financial statements from the adoption of this standard.

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 the 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 the 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 the 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.

For the financial statements at June 30, 2019 the Group performed an assessment regarding the newly acquired companies and, on the basis of the same methodology used for the yearly verification and for checking estimated prospective data, identified no impairment.

### **Consolidation principles**

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

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

### Scope of consolidation

The Condensed consolidated half-yearly financial statements comprise the line-by-line consolidation of the data of the Parent Company Orsero, and of the companies that operate in the following 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, June 30, 2019 is that of the Parent Company Orsero and coincides with that of all the companies included in the scope of consolidation.

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

### Consolidation criteria

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

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

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

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

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

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

a) Derecognition of investments in consolidated companies

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

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

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

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

- the Share capital, Legal reserve and Share surplus, if any, of the Parent Company;
- the other specific reserves (i.e. Conversion reserve, TFR discounting reserve, etc.) also at the level of the condensed consolidated half-yearly financial statements;
- profits and/or losses carried forward, representing the reserves of undivided profits and losses of the subsidiaries, modified where appropriate, to reflect consolidation adjustments.

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

(b) Derecognition of intra-group relations

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

- receivables and payables outstanding at the reporting date between the companies consolidated with the line-by-line method;
- income and expense deriving from the transactions carried out between Group companies consolidated using the line-by-line method;

- dividends received from companies consolidated with the line-by-line and equity method;
- write-downs of equity investments accounted for in the financial statements.

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

The elimination of inter-company items also includes any debits or credits of Italian consolidated subsidiaries with respect to the Parent Company as regards Corporate Income Tax (IRES). It should be noted that the Parent Company, together with 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 (now Orsero) Costa Rica S.r.l.;
- the Colombia-based company Simbacol S.A.S.;
- the Chile-based company Hermanos Fernández Chile S.A.;
- the Mexico-based companies Comercializadora de Frutas S.A.C.V. and Productores Aguacate Jalisco S.A.C.V.

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

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

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

	30/06/2019	1 <sup>st</sup> semester 2019	31/12/2018	1 <sup>st</sup> semester 2018
US Dollar	1.13800	1.12978	1.14500	1.21083
Argentine Peso	48.5678	46.8002	43.1593	26.0251
Costa Rican Colon	663.101	677.634	694.775	687.794
Colombian Peso	3,638.99	3,602.82	3,721.81	3,449.15
Chilean Peso	773.850	763.387	794.370	740.172
Mexican Peso	21.8200	21.6540	22.4921	23.0803

## 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 (Francia) - 56, Avenue JP Boitelet		100.00%	GF Distribuzione S.r.l.	3,360,000	€
Bella Frutta S.A.	Atene (Grecia) - 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 (Italia) - via Operai 20	100.00%			2,600,000	€
Cosiarma (ora Orsero) Costa Rica S.r.l.	San Jose de Costa Rica - Oficentro Ejecutivo La Sabana Edificio torre 1		100.00%	Cosiarma S.p.A.	10,000	colones
Eurofrutas S.A.	Alverca (Portogallo) - Estrada principal Casal das Areias 205		100.00%	GF Distribuzione S.r.l.	217,000	€
Eurorticolos LDA	Gradil (Portogallo) - Quinta dos Besteiros		100.00%	Eurofrutas S.A.	150,000	€
Fresco Ships' A&F S.r.l.	Bergeggi (Italia) - Banchina R. Orsero Porto Vado		100.00%	GF Porterm S.r.l.	258,000	€
Fruttica S.A.S.	89, Chemin du vieux Taillades, Cavaillon (Francia)		100.00%	Postifruits S.A.S.	100,000	€
Fruttital S.r.l.	Milano (Italia) - via C. Lombroso, 54		100.00%	GF Distribuzione S.r.l.	5,000,000	€
Fruttital Espana S.A.	Barcelona (Spagna) - MERCABARNA, Calle Longitudinal 7, 83		100.00%	Hermanos Fernández López S.A.	84,142	€
Fruttital Firenze S.p.A.	Firenze (Italia) - Via S. Allende 19 G1		100.00%	GF Distribuzione S.r.l.	300,000	€
Galandi S.p.A.	Firenze (Italia) - Via S. Allende 19 G1		100.00%	GF Distribuzione S.r.l.	500,000	€
GFB S.r.l.	Milano (Italia) - via Fantoli 6	100.00%			10,000	€
GF Distribuzione S.r.l.	Milano (Italia) - via Fantoli 6	100.00%			20,000,000	€
GF Porterm S.r.l.	Milano (Italia) - via Fantoli 6	100.00%			2,000,000	€
GF Produzione S.r.l.	Milano (Italia) - via Fantoli 6	100.00%			100,000	€



Name	Head office	Investment percentage			Share capital	
		Direct	Indirect	Interest held by		
GF Solventa S.L.	Barcelona (Spagna) - MERCABARNA, Calle Longitudinal 7, 83		99.96%	Hermanos Fernández López S.A.	50,000	€
GP Frutta S.r.l.	via Sen. Sammartiono 37, Canicattì (AG)		100.00%	Postifruits S.A.S.	10,000	€
Hermanos Fernández López S.A.	Barcelona (Spagna) - 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 (Spagna) - Carretera TF-217		100.00%	Hermanos Fernández López S.A.	641,430	€
Kiwisol LDA	Folgosa (Portogallo) - Rua de Santo Ovidio 21		99.75%	Eurofrutas S.A.	523,738	€
M.a.p. Servizi Generali S.r.l.	Firenze (Italia) - Via S. Allende 19 G1		70.00%	Galandi S.p.A., Fruttital Firenze S.p.A.	50,000	€
Orsero Servizi S.r.l.	Milano (Italia) - via Fantoli 6	100.00%			100,000	€
Postifruits S.A.S.	89, Chemin du vieux Taillades, Cavaillon (Francia)		100.00%	AZ France S.A.	7,775	€
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
Sevimpor S.A.	MercaSevilla, Sevilla (Spagna)		100.00%	Hermanos Fernández López S.A.	200,000	€
Simba S.p.A.	Milano (Italia) - 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 - Oficentro Ejecutivo La Sabana Edificio torre 1		100.00%	Simba S.p.A.	100,001,000	colones
Vado Container Services S.r.l.	Genova (Italia) - 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 (Spagna)		49.00%	GF Porterm S.r.l.	82,473	€
Moncada Frutta S.r.l.	Ispica (Italia) - Contrada Salmeci SN		50.00%	GF Distribuzione S.r.l.	100,000	€
Fruttital Cagliari S.r.l.	Sestu (Italia) - Strada provinciale 2KM Mercato groalimentare della Sardegna		25.00%	Galandi S.p.A.	39,000	€
Bonaoro S.L.	La Vera-La Orotava (Santa Cruz de Tenerife) - Ctra. General del Norte.23		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°, Argentina.		19.20%	Fruttital S.r.l.	367,921,764	pesos
Simba Spain S.L.	Barcelona (Spagna) - 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 (Italia) - 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 (Spagna) - Sicilia 410		40.00%	Hermanos Fernández López S.A.	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 June 30, 2019 and changes that occurred subsequently

With respect to the situation in the 2018 financial statements, the Spanish company Sevimpor and the French and Italian companies making up the Fruttica Group have now been consolidated within the group, as described extensively in this report. After June 30, the remaining 75% of Fruttital Cagliari was acquired, the results of which will therefore be fully consolidated in the consolidated financial statements only in the second half of 2019.

### Acquisition of Sevimpor S.L.

On January 2, 2019, the subsidiary Hermanos Fernández S.A. acquired 100% of the shares of the company Sevimpor S.A., which markets fruit and vegetable products, particularly bananas from the Canary Islands, in the region of Seville (Spain). On the same date, the Group took over control of the operations of Sevimpor, whose income results were therefore included in their entirety in the consolidated income statement of the Orsero Group at June 30, 2019.

### Consideration paid

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

Thousands of euro	Sevimpor S.L.
Cash and cash equivalent	1,000
Two tranches payments, 12 and 24 months	650
Contingent consideration	-
<b>The consideration transferred</b>	<b>1,650</b>

The consideration for the acquisition of Sevimpor was paid through the transfer of cash and cash equivalents totaling Euro 1 million when the acquisition took place, with the remaining Euro 650 thousand payable in two tranches of Euro 350 thousand in January 2020 and Euro 300 thousand in January 2021.

### Identifiable acquired assets and assumed liabilities

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

Thousands of euro	Sevimpor S.L.
Other intangible assets	8
Tangible assets	1,037
Financial investments	-
Other fixed assets	15
Deferred tax assets	-
Inventories	41
Trade receivables	1,298
Current tax receivables	114
Other current receivables	-
Cash and cash equivalent	158
Deferred taxes liabilities	-
Provisions for risks and charges	-
Employees' benefits liabilities	-
Financial liabilities	( 705)
Trade payables	( 1,412)
Current tax and social security contributions liabilities	( 25)
Other current liabilities	( 264)
<b>The identifiable assets acquired and liabilities assumed</b>	<b>264</b>

#### Fair value measurement of identifiable acquired assets and assumed liabilities

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

#### *Tangible and intangible assets*

The value is Euro 1,045 thousand and was determined based on the book value at the acquisition date, as it is considered to be representative of market prices of similar items, if available, and replacement costs, if appropriate. The estimate of amortized replacement costs reflects the adjustments for physical deterioration and economic and functional obsolescence. The tangible assets consist of refrigeration systems, ripening units for bananas, and production machinery.

#### *Other assets*

This item, of an insignificant amount, refers to security deposits.

#### *Trade receivables*

This item is related to the sale of fruit and vegetables, and includes amounts excluding any write-downs, for a total of Euro 1,298 thousand.

#### *Inventories*

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

### Tax receivables

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

### Trade payables

This item relates to the purchase of fruit and vegetables.

### Goodwill

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

Thousands of euro	Sevimpor S.L.
Total purchase price	1,650
Fair value of previous financial investment held	-
Fair value of the identifiable assets acquired and liabilities assumed	( 264)
<b>Goodwill</b>	<b>1,386</b>

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

In terms of net financial position, the acquisition had a net effect on the consolidation of Euro 2,197 thousand, due to the difference between the outlay of Euro 1,650 thousand relating to purchase and the negative Net Financial Position of the company acquired, equal to Euro 547 thousand, made up of cash and cash equivalents of Euro 158 thousand and financial payables to banks and other lenders of Euro 705 thousand.

### Acquisition of the Fruttica Group

After March 31, 100% of the Fruttica Group was purchased in early May through the French company AZ France. The group consists of the companies Postifruits S.A.S. (group holding company), Fruttica S.A.S. and GP Frutta S.r.l., active in the import and distribution of fruit and vegetable products in the French market, with an aggregate turnover of roughly Euro 24 million. The Group operates and is headquartered in Cavaillon (France), close to the headquarters of AZ France.

The results of the Fruttica Group were consolidated within the Group's accounts as of April 1, 2019. Please note that at March 31, 2019 the Fruttica Group, on the basis of a half-yearly duration of the financial year, realized revenues of Euro 8,342 thousand and Adjusted EBITDA of Euro 1,105 thousand.

## Consideration paid

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

Thousands of euro	Fruttica Group
Cash and cash equivalent	8,000
Two tranches payments, 12 and 24 months	2,000
Contingent consideration	400
<b>The consideration transferred</b>	<b>10,400</b>

The consideration for the acquisition was paid through the transfer of cash and cash equivalents totaling Euro 8 million when the acquisition took place, with the remaining Euro 2 million in two tranches of Euro 1 million each payable in May 2020 and 2021, plus Euro 400 thousand by way of the earn-out payable following the positive achievement of specific objectives in the upcoming years 2020 and 2021.

## Ancillary costs to the acquisition

The costs incurred to complete the acquisition transaction amounted to a total of Euro 315 thousand, essentially linked to consulting services, notary expenses and indirect taxes, charged directly to the income statement for the year in the section "Other revenues and expenses".

## Identifiable acquired assets and assumed liabilities

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

Thousands of euro	Fruttica Group
Other intangible assets	3
Tangible assets	786
Financial investments	-
Other fixed assets	6
Deferred tax assets	-
Inventories	136
Trade receivables	754
Current tax receivables	189
Other current receivables	474
Cash and cash equivalent	4,963
Deferred taxes liabilities	-
Provisions for risks and charges	(21)
Employees' benefits liabilities	-
Financial liabilities	(4,095)
Trade payables	(1,568)
Current tax and social security contributions liabilities	(307)
Other current liabilities	(216)
<b>The identifiable assets acquired and liabilities assumed</b>	<b>1,106</b>

### Fair value measurement of identifiable acquired assets and assumed liabilities

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

#### *Tangible assets*

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

#### *Trade receivables*

This item is related to the sale of fruit and vegetables, which include contractual amounts excluding any write-downs, for Euro 754 thousand.

#### *Inventories*

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

#### *Trade payables*

This item relates to the purchase of fruit and vegetables.

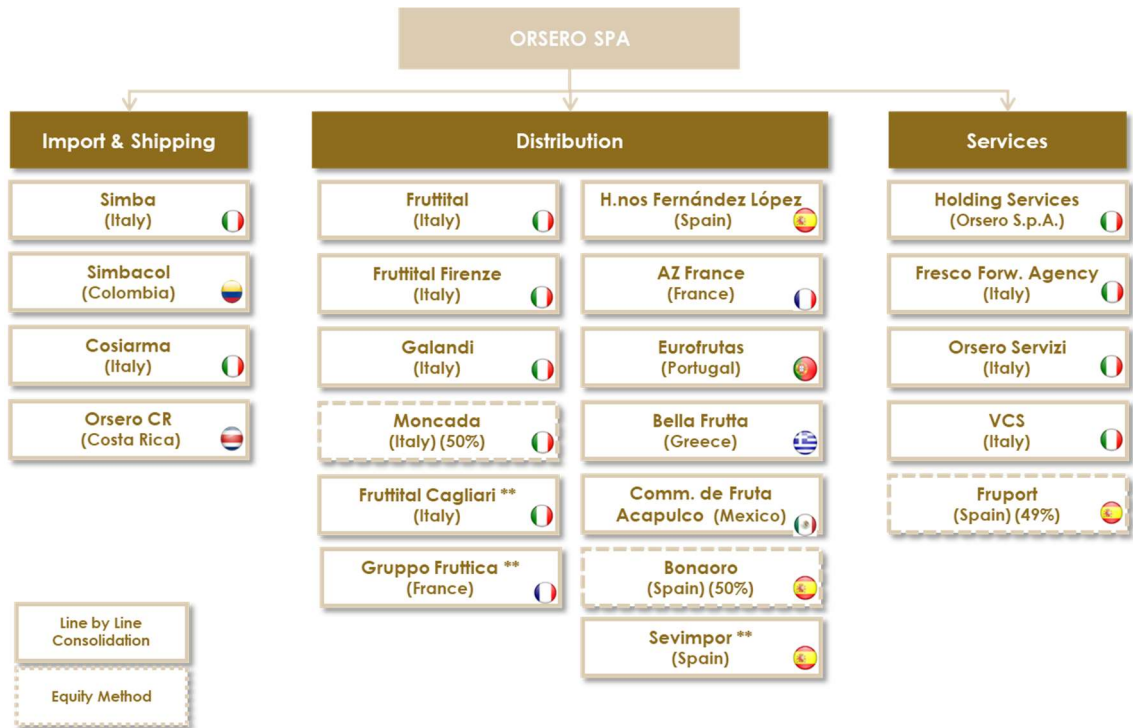
#### Goodwill

The goodwill generated from the acquisition was recognized as shown below:

Thousands of euro	Fruttica Group
Total purchase price	10,400
Fair value of previous financial investment held	-
Fair value of the identifiable assets acquired and liabilities assumed	( 1,106)
<b>Goodwill</b>	<b>9,294</b>

The goodwill generated from the acquisition mainly refers to the technical and commercial skills and experience of the personnel and additional synergies expected to be obtained from integrating the companies acquired in the Orsero Group distribution sector. The goodwill recognized in financial statements is not deductible for income tax purposes. In terms of net financial position, the acquisition had a net effect of Euro 9,532 thousand, equal to the difference between the price of Euro 10,400 thousand and the positive net financial position of the Fruttica Group at the acquisition date of Euro 868 thousand.

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



\*\* Companies acquired at the beginning of 2019

## 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, where appropriate, any possible effects of changes in the scope of consolidation.

As noted earlier in this report, the results at June 30, 2019 reflect the adoption of IFRS 16, as of January 1, 2019, relating to rights of use linked to rental and/or operating lease agreements entered into by the Group companies, the effect of which is extremely significant on the consolidated accounts and as a result on the variance with respect to December 31 as well as June 30, 2018. Therefore, these notes will provide all of the necessary information to understand the changes that took place, complementing and supplementing the comments and comparisons already shown above with the support of the pro-forma data from June 30, 2019. In addition, given the limited impact on the accounts of the acquisitions made in the first half of the year, it was not considered necessary to draft pro-forma statements. Instead, the component relating to such acquisitions is mentioned within the comments on the changes in the financial statement items.

### NOTE 1. Goodwill

Goodwill was recorded for Euro 43,655 thousand (Euro 32,975 thousand at December 31, 2018).

Thousands of euro	Goodwill
<b>Carrying amount at December 31, 2018</b>	<b>32,975</b>
Change of year:	
Investments	10,680
Disposal	-
Reclassification	-
Impairment losses	-
Changes of consolidated companies	-
Translation differences	-
Reclassification IFRS 5	-
<b>Carrying amount at June 30, 2019</b>	<b>43,655</b>

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

The item at June 30, 2019, which rose due to the goodwill calculated on the acquisitions of Sevimpor and the Fruttica Group, as shown above, refers:



- for Euro 720 thousand to Ferfrutta S.r.l., acquired in due course from Nuova Banfrutta S.r.l., a company merged in Fruttital S.r.l. in 2017;
- for Euro 171 thousand to Az France S.A.;
- to differences in consolidation for the acquisitions of Eurofrutas S.A. and Nuova Banfrutta S.r.l. (company merged by incorporation into Fruttital S.r.l. in 2017) for Euro 1,440 and Euro 1,375 thousand, respectively, in accordance with the values existing at the date of transition to IAS on January 1, 2015;
- for Euro 9,978 thousand to Hermanos Fernández López S.A.: this value derives from the acquisition of the residual 50% which took place in 2017, also including the amount recorded pursuant to IFRS 3 for the 50% stake acquired previously;
- for Euro 1,993 thousand to Galandi S.p.A.: this value derives from the acquisition of the residual 50% which took place in 2017, also including the amount recorded pursuant to IFRS 3 for the 50% stake acquired previously;
- for Euro 17,300 thousand to Fruttital Firenze S.p.A.: this value derives from the acquisition of the residual 50% which took place in 2017, also including the amount recorded pursuant to IFRS 3 for the 50% stake acquired previously;
- for Euro 1,386 thousand relating to the 2019 acquisition of Sevimpor S.L.;
- for Euro 9,294 thousand relating to the 2019 acquisition of the Fruttica Group.

In accordance with IAS 36, this item is not subject to amortization, but to impairment test on annual basis, or more frequently, if specific events and circumstances occur which may indicate impairment (Impairment Testing). As also already referred to above, with reference to the two acquisitions made in the first half of the year, the impairment test was performed on the operations in Spain and France, confirming the full stability of those values.

## 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	5,185	8,302	681	904	15,072
Accumulated amortization	( 3,006)	( 6,164)	-	( 845)	( 10,015)
<b>Carrying amount at December 31, 2018</b>	<b>2,179</b>	<b>2,138</b>	<b>681</b>	<b>59</b>	<b>5,057</b>
Change of year					
Investments	30	133	648	3	814
Reclassification - Carrying amount	-	-	( 126)	4	( 121)
Reclassification- accumulated amortization	-	-	-	( 4)	( 4)
Changes of consolidated companies - Carrying amount	6	27	-	-	33
Changes of consolidated companies - accumulated amortization	-	( 22)	-	-	( 22)
Amortizations	( 318)	( 162)	-	( 10)	( 491)
Carrying amount	5,221	8,462	1,203	912	15,798
Accumulated amortization	( 3,324)	( 6,348)	-	( 859)	( 10,532)
<b>Carrying amount at June 30, 2019</b>	<b>1,896</b>	<b>2,113</b>	<b>1,203</b>	<b>53</b>	<b>5,266</b>

During the half year, intangible assets increased by Euro 209 thousand in relation to investments of Euro 814 thousand, changes in the scope of consolidation of Euro 11 thousand partially offset by reclassifications of Euro 125 thousand and accrued amortization of Euro 491 thousand.

It should be noted that in the period in question, no changes in estimates were made in assessing the useful life of intangible assets in the choice of the amortization method. No internal and external indicators were identified that would make us deem it necessary to carry out the impairment test on the other intangible assets.

#### *Intellectual property rights*

This item shows costs incurred in connection with the software programs and the licenses the Group has obtained; the change indicated above mainly reflects increases of Euro 30 thousand and the amortization accrued during the half year, amounting to Euro 318 thousand, calculated on average on the basis of a useful life of three years.

#### *Concessions, licenses and trademarks*

This line item essentially reflects the amount paid as concession for the exercise of commercial activities located within general markets, amortized based on the duration of the concession, as well as the costs of using licensed software programs, amortized on average over a three-year period, as well as the use of commercial trademarks, amortized over 10 years.

The decrease by Euro 24 thousand reflects investments of Euro 133 thousand and net increases due to the change in scope of Euro 5 thousand, more than offset by amortization of Euro 162 thousand.

#### *Assets in progress and advances*

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

#### *Other intangible assets*

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

The decrease compared to December 31, 2018 is the result of increases in investments of Euro 3 thousand and decreases of Euro 10 thousand for the related amortization.

### NOTE 3. Tangible assets

Thousands of euro	Lands and buildings	Plantations	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets in progress and advances	Total
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)
<b>Balance at December 31, 2018</b>	<b>31,627</b>	<b>2,025</b>	<b>62,979</b>	<b>523</b>	<b>3,863</b>	<b>2,129</b>	<b>103,145</b>
Change of year:							
IFRS 16 effect opening	52,589	-	312	7,108	667	-	60,675
Investments	1,093	-	4,050	4,103	1,322	4,223	14,789
Disposal - Carrying amount	(2)	-	(200)	(1)	(782)	-	(985)
Disposal - accumulated depreciation	2	-	197	1	463	-	663
Reclassification - carrying amount	126	(10)	512	-	61	(573)	116
Reclassification - accumulated depreciation	-	-	-	-	(4)	-	(4)
Changes of consolidated companies - Carrying amount	1,114	-	2,148	-	159	-	3,420
Changes of consolidated companies - accumulated depreciation	(216)	-	(1,042)	-	(102)	-	(1,361)
Translation differences - Carrying amount	44	6	96	1	22	-	170
Translation differences - accumulated depreciation	(15)	(1)	(29)	(1)	(12)	-	(59)
Depreciation	(3,438)	(95)	(4,603)	(1,307)	(751)	-	(10,194)
Carrying amount	116,772	2,247	258,945	13,260	20,403	5,778	417,405
Accumulated depreciation	(33,849)	(321)	(194,525)	(2,834)	(15,499)	-	(247,029)
<b>Balance at June 30, 2019</b>	<b>82,923</b>	<b>1,926</b>	<b>64,419</b>	<b>10,426</b>	<b>4,904</b>	<b>5,778</b>	<b>170,376</b>

At June 30, 2019, tangible assets totaled Euro 170,376 thousand, a net increase of Euro 67,231 thousand compared to the balance as at December 31, 2018 as a result of:

- the adoption of the new standard IFRS 16 for Euro 60,675 thousand, which starting from January 1, 2019 requires the indication of the value of the "right of use" for assets that are leased and/or under operating lease agreements within the individual applicable categories;
- investments of Euro 14,789 thousand, broken down as follows: "Distribution", Euro 8975 thousand, "Import & Shipping", Euro 5,576 thousand, "Services", Euro 238 thousand;
- depreciation for the period for Euro 6,117 thousand;
- increases of Euro 1,822 thousand due to the change in the scope of consolidation;
- reclassifications, Euro 112 thousand;
- disposals of assets (at book value), Euro 322 thousand, essentially represented by plants for their renewal;
- increase due to exchange rate of Euro 111 thousand, essentially referring to the assets of the Mexico-based companies due to the Mexican Peso which went from 22.49 Pesos/Euro in December 2018 to 21.82 Pesos/Euro as at June 30, 2019.

### *Land and buildings*

The change in the period showed a total net increase of Euro 51,296 thousand, generated by the effect of the application of IFRS at the opening date for Euro 52,589 thousand, originating from investments for Euro 1,093 thousand, the change in the scope of consolidation for Euro 898 thousand, reclassifications for Euro 126 thousand and exchange rate differences for Euro 29 thousand, partially offset by depreciation of Euro 3,438 thousand.

The value of land amounted to Euro 8,382 thousand, stated on the basis of the original sale and purchase deeds where existing or separated from the general purchase price of the building on the basis of percentages up to 20%.

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

### *Plantations*

The change in the period saw a total decrease of Euro 99 thousand, linked primarily to depreciation of Euro 95 thousand.

### *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 6,046 thousand, refer to the effect of the application of IFRS at the opening date for Euro 312 thousand, increases for investments of Euro 2,652 thousand made in the Distribution sector (completion of the "fresh-cut" processing room) and Euro 1,397 thousand in the Import & Shipping sector (Cala Pino dry-docking in May) in addition to normal upgrades of equipment, the change in the scope of consolidation for Euro 1,106 thousand (following the acquisitions of Sevimpor and the Fruttica Group), net reclassifications of Euro 512 thousand and net foreign exchange changes of Euro 67 thousand.

The decreases instead pertain to the depreciation accrued during the year, amounting to Euro 4,603 thousand, and to the disposals of assets amounting to Euro 2 thousand, still not totally depreciated.

### *Industrial and commercial equipment*

In this sector, the change is essentially related to the effect of the application of IFRS at the opening date, for Euro 7,108 thousand, increases for investments of Euro 4,103, partially offset by depreciation for the period of Euro 1,307 thousand.

### *Other tangible assets*

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

The increase of Euro 1,042 thousand in the period reflects the effect of the application of IFRS at the opening date for Euro 667 thousand, investments of Euro 1,322 thousand, changes in the scope of consolidation for Euro 56 thousand, reclassifications for Euro 58 thousand and exchange rate differences for Euro 9 thousand, partially offset by depreciation of Euro 751 thousand and net disposals of Euro 319 thousand.

### *Assets in progress and advances*

The increase in this item for a net Euro 3,649 thousand mainly reflects the increase of Euro 4,223 thousand, primarily linked to the modernization of plants and machinery at the Verona warehouse and in the French and Spanish sites.

At June 30, 2019, 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. Investments

Thousands of euro	Investments in unconsolidated subsidiaries	Investments in Joint ventures	Investments in associates	Investments in other companies	Total
<b>Balance at December 31, 2018</b>	-	153	8,266	500	8,919
Change of year:					
Additional/Capital increases	-	-	-	-	-
Divestments and disposals	-	-	-	-	-
Dividends received	-	-	( 490)	-	( 490)
Valuation using the equity method	-	-	32	-	32
Other changes included foreign exchange movements	-	-	( 267)	-	( 267)
<b>Balance at June 30, 2019</b>	-	153	7,541	500	8,195

Equity investments totaled Euro 8,195 thousand at June 30, 2019, with a net decrease of Euro 725 thousand due to the changes detailed above.

The increase of Euro 32 thousand generated by the valuation of shareholders' equity is due to the results of the investees for the period. The positive result refers to the associates Fruttital Cagliari S.r.l. (Euro 24 thousand) and Fruport Tarragona S.L. (Euro 61 thousand), partially offset by the loss of Euro 53 thousand of Bonaoro S.L.U. in the first half of the year.

### *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 the disclosure provisions previously included in IAS 27 related to the consolidated financial statements as well as all the 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 the Orsero Group has the majority of the exercisable votes and thus exercises a dominant influence in the ordinary Shareholders' Meeting. Associated companies are companies subject to the exercise of significant influence by the Orsero 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, whereas the few residual companies carried at cost represent minor inactive businesses and/or those in liquidation, thus they have been completely written off for some time now.

Any consequences deriving from the change in shareholdings, resulting or not resulting in a loss of control, which took place during the half year have already been defined in the paragraph "Scope of consolidation as at 30.06.2019 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". The equity investment in joint ventures is residual in nature, as the company has been inactive for some time now and will be liquidated by the end of this year.

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

Any consequences deriving from the change in shareholdings, resulting or not resulting in a loss of control, which took place during the half year have already been defined in the paragraph "Scope of consolidation as at 30.06.2019 and changes that occurred subsequently".

As at June 30, 2019, the dividends received from associates amounted to Euro 490 thousand, paid by the associate Fruport Tarragona S.L.

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

The following table summarizes the information related to these investments:

Thousands of euro	30.06.2019	31.12.2018	Change
Joint Ventures	-	( 6)	6
Associates	32	1,193	( 1,161)

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 1 <sup>st</sup> semester 2019		Associates	Joint Ventures
	<i>Balance at December 31, 2018</i>		<i>Net profit</i>	<i>Other changes</i>	<i>Balance at June 30, 2019</i>	
Fruttital Cagliari S.r.l.	849	-	24	-	873	-
Moncada Frutta S.r.l.	624	-	-	( 10)	614	-
Moño Azul S.A.	3,515	-	-	( 234)	3,281	-
Bonaoro S.L.U.	803	-	( 53)	-	750	-
Simba Spain S.L.	-	153	-	-	-	153
Fruport Tarragona S.L.	2,159	-	61	( 513)	1,707	-
<b>Total investments recorded using the equity method</b>	<b>7,950</b>	<b>153</b>	<b>32</b>	<b>( 757)</b>	<b>7,225</b>	<b>153</b>
Citrumed S.A.	300	-	-	-	300	-
Decofruit Bcn S.A.	16	-	-	-	16	-
<b>Total investment recorded using the historical cost of purchase</b>	<b>316</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316</b>	<b>-</b>

The decline for Mono Azul is linked to the depreciation in the Argentinian peso, while that of Fruport is essentially due to the payment of a dividend of Euro 490 thousand during the period.

As already noted, as of July 1 the company Fruttital Cagliari became wholly owned by the Group and as such will be consolidated line-by-line in the consolidated financial statements in the second half of 2019.

#### NOTE 5. Other fixed assets

Thousands of euro	30.06.2019	31.12.2018	Change
Other fixed assets	6,448	6,080	368

At June 30, 2019, the item essentially shows security deposits and medium-term loans to associates, of Euro 1,267 thousand, and third parties.

#### NOTE 6. Receivables for deferred tax assets

Thousands of euro	30.06.2019	31.12.2018	Change
Deferred tax assets	9,849	9,277	572

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

Deferred tax assets as at June 30, 2019, amounting to Euro 9,849 thousand are recognized mainly by effect of the valuation of the prior tax losses both for Italian and foreign companies, and to a lesser extent in relation to the entries of transition to IAS-IFRS, e.g. the liquidation of investments in intangible assets per IAS 38 or the determination of the employee severance indemnity according to the actuarial methodology.

The increase compared to December 31 mainly reflects, as shown in the table, the recognition of the receivable relating to the tax losses of the French company due to its result for the half-year.

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

Thousands of euro	30.06.2019	31.12.2018
Previous tax losses	5,811	5,049
Effect IAS 19	670	688
Depreciation/Goodwill/Trademarks	823	794
Indirect taxes	97	105
Reductions in value and provisions	1,211	1,411
Financial expenses/ACE/Exchange differences	138	137
Cost deductible in the future (Incentivisation plan for management)	730	730
Financial derivatives	167	142
Others	202	220
<b>Deferred tax assets</b>	<b>9,849</b>	<b>9,277</b>

#### NOTE 7. Inventories

Thousands of euro	30.06.2019	31.12.2018	Change
Raw materials, supplies and consumables	7,539	8,781	( 1,242)
Biological Assets	839	-	839
Finished products and goods for resale	29,076	27,057	2,019
<b>Inventories</b>	<b>37,454</b>	<b>35,838</b>	<b>1,615</b>

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

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

At June 30, 2019, the value of inventories increased compared to the previous year by Euro 1,615 thousand and this is due mainly to the increase in finished products and goods linked to the normal dynamics of the business, which typically sees on June 30 the point of greater demand in terms of working capital (inventory plus trade receivables minus trade payable).

At June 30, the component linked to the companies acquired in the first half of the year amounts to Euro 195 thousand.



## NOTE 8. Trade receivables

Thousands of euro	30.06.2019	31.12.2018	Change
Trade receivables from third parties	149,507	122,789	26,718
Receivables from subsidiaries and associates of the Group not fully consolidated	3,900	2,797	1,102
Receivables from related parties	331	326	5
Provision for bad debts	( 16,773)	( 16,552)	( 222)
<b>Trade receivables</b>	<b>136,964</b>	<b>109,360</b>	<b>27,605</b>

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 or doubtful debts that are still in the financial statements pending the conclusion of the related bankruptcy proceedings or out-of-court settlement attempts.

There are no receivables due beyond five years.

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

The balance of receivables from Group companies not fully consolidated mainly refers to normal supply receivables. For more detailed information, reference is made to paragraph 33 on related parties.

At June 30, 2019, the item increased by Euro 27,605 thousand linked especially to the increase in the receivables of the distributor companies connected with the normal dynamics of the business which sees June 30 as the time of greatest increase of the working capital.

At June 30, the component linked to the companies acquired in the first half of the year amounts to Euro 1,457 thousand.

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

Thousands of euro	Provision for bad debts
<b>Balance at December 31, 2018</b>	<b>( 16,552)</b>
Change of the period	
Accruals	( 602)
Change of consolidation	( 122)
Utilizations	508
Others	( 6)
<b>Balance at June 30, 2019</b>	<b>( 16,773)</b>

The following is the breakdown of the receivables by geographical area:

Thousands of euro	30.06.2019	31.12.2018	Change
Italy	74,125	56,324	17,801
EU countries	58,392	50,274	8,117
Non-EU countries	4,447	2,761	1,686
<b>Trade receivables</b>	<b>136,964</b>	<b>109,360</b>	<b>27,605</b>

#### NOTE 9. Tax receivables

Thousands of euro	30.06.2019	31.12.2018	Change
For value added tax	14,326	12,275	2,051
For income tax	2,020	1,732	288
For taxes claimed for reimbursement	1,312	1,311	1
Other receivables	1,997	1,891	106
<b>Current tax receivables</b>	<b>19,655</b>	<b>17,210</b>	<b>2,445</b>

At June 30, 2019, tax receivables show an overall increase of Euro 2,445 thousand principally attributable to the higher VAT credit for Euro 2,051 thousand.

#### NOTE 10. Other receivables and other current assets

Thousands of euro	30.06.2019	31.12.2018	Change
Advances to suppliers	4,867	4,197	670
Receivables from sales of investments	3,725	2,599	1,125
Other receivables	2,994	2,198	796
Accrued income and deferred expenses	81	-	81
Current financial assets	19	19	-
<b>Other current assets</b>	<b>11,686</b>	<b>9,014</b>	<b>2,672</b>

At June 30, 2019, the item increased overall by Euro 2,672 thousand, due to:

- the increase in advances to suppliers of Euro 670 thousand,
- the increase in other receivables of Euro 1,125 primarily as a result of receivables for insurance reimbursements to be received, which rose from Euro 163 thousand in December 2018 to Euro 954 thousand at June 30, 2019,
- the increase in accrued and deferred assets of Euro 796 thousand,
- the recognition of the positive fair value of Euro 81 thousand for the hedging instrument (swap) on the bunker that the shipbuilding company has activated in order to reduce and control the risks associated with changes in the price of raw materials. It should be noted that the contra-item of the positive fair value is the appropriately designated shareholders' equity reserve (accounted for through "other comprehensive income").

As already mentioned in the previous reports, the balance was not affected by the receivable from the related party, Argentina S.r.l., for Euro 8,000 thousand, as it has been entirely written off.

The item "Accrued and deferred assets" refers to the normal allocations for the recognition and proper allocation of costs related to following periods, typically insurance expenses, leases, and utilities.

#### NOTE 11. Cash and cash equivalents

Thousands of euro	30.06.2019	31.12.2018	Change
Cash and cash equivalent	51,110	76,285	( 25,175)

The balance reflects the current account balances of Group companies.

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

#### NOTE 12. Group shareholders' equity

The share capital at June 30, 2019, fully paid in, consisted of 17,682,500 shares without par value for a value of Euro 69,163,340.

The shareholders' equity as at June 30, 2019 increased when compared to December 31, 2018 due essentially to the result achieved by the Group in the first half of 2019, net of the dividend paid.

As at June 30, 2019, 752,387 ordinary treasury shares remained available to Orsero, unchanged compared to December 31, 2018, 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 June 30, 2019. Note that at June 30, 2019 there is a treasury share buy-back program in place, approved by the Board of Directors on June 28, 2018 - in execution of a previous authorization by the Shareholders' Meeting of April 20, 2018 - for up to a maximum outlay of Euro 5 million and with a duration until October 20, 2019, in relation to which in 2018 39,700 treasury shares were purchased for an equivalent value of Euro 297 thousand.

This 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.

With respect to the medium/long-term incentive plan for the management, in relation to the full and/or partial achievement of the targets set for the years 2017 and 2018 currently

166,667 + 153,335 = 320,002 shares have already been assigned, 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. The equivalent value of such shares is Euro 4,470 thousand, equal to the fair value as expressed by the stock exchange listing of Euro 13.97 per share at the assignment date, in compliance with IFRS 2.

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, 2017 and December 31, 2018 and between December 31, 2018 and June 30, 2019, of the individual reserve items.

Note that the improvement of Euro 889 thousand in the Cash Flow Hedging Reserve, which declined from Euro 1,340 thousand to a negative Euro 451 thousand, reflects the appreciation in the mark-to-market of the derivative on the bunker between December 2018 and June 30, 2019 of Euro 1,138 thousand, net of the tax effect, offset in part by the decline in the value of the MTM on the interest rate hedging derivative, which declined by Euro 249 thousand, also net of the tax effect. This movement is accounted for in the comprehensive income statement.

The reconciliation as at June 30, 2019 between the Shareholders' Equity of the Parent Company and the Shareholders' Equity of the Group, and between the Net Profit of the Parent Company and the Net Profit of the Group, is presented below.

Thousands of euro	Share capital and reserves at 30.06.2019	Net Profit at 30.06.2019	Total shareholders' equity at 30.06.2019
<b>Orsero S.p.A. (Parent company)</b>	<b>159,420</b>	<b>( 3,336)</b>	<b>156,084</b>
Net profits and reserves of subsidiaries	( 60,354)	4,809	<b>( 55,545)</b>
Net profits and reserves of associates and joint ventures using equity method	135	32	<b>167</b>
Dividends distributed by consolidated companies to Parent company	489	( 489)	-
Consolidation differences	48,811	( 103)	<b>48,708</b>
<b>Total Shareholders' equity</b>	<b>148,501</b>	<b>913</b>	<b>149,414</b>
Minorities	517	198	714
<b>Group equity</b>	<b>149,018</b>	<b>1,111</b>	<b>150,128</b>

#### NOTE 13. Minorities' shareholders' equity

The change in Minorities' Shareholders' Equity is mainly the consequence of their portion of the profits.

#### NOTE 14. Financial payables

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

The financial exposure is as follows:

Thousands of eurp	30.06.2019	31.12.2018	Change
Bond payables (over 12 months)	30,000	30,000	-
Non-current bank loans (over 12 months)	47,622	51,704	( 4,082)
Non-current other lenders (over 12 months)	603	670	( 67)
Non-current other lenders (over 12 months) ex IFRS 16	53,099	-	53,099
Non current liabilities for derivative	695	367	328
Non current payables for price balance on acquisitions (over 12 months)	1,943	243	1,700
<b>Non-current financial liabilities</b>	<b>133,962</b>	<b>82,984</b>	<b>50,978</b>
Current medium term bank loans	13,520	13,281	239
Bank overdrafts	19,279	12,469	6,810
Non current other lenders (current)	627	685	( 58)
Non current other lenders (current) ex IFRS 16	8,136	-	8,136
Other current lenders short term	8,280	1,838	6,442
Current liabilities for derivative	-	1,114	( 1,114)
Current payables for price balance on acquisitions (over 12 months)	1,350	-	1,350
<b>Current financial liabilities</b>	<b>51,192</b>	<b>29,387</b>	<b>21,805</b>

The change in the half year by a total of Euro 72,783 thousand (between non-current and current) reflects first and foremost the debt deriving from the adoption as of January 1, 2019 of IFRS 16 (included in the item "payables to other lenders") and duly detailed further on, as well as normal changes in components related to medium-term loans as detailed below:

- the payment by the Parent Company of the June 30 instalment of Euro 5,455 thousand on the Euro 60 million pool loan, along with Euro 86 thousand accounted for as implicit interest deriving from the recognition of the item with the amortized cost method. Please recall that at June 30 a hedge is in place on 79% of that loan against interest rate fluctuations;
- the disbursement to the company Fruttital of a 4-year unsecured loan of Euro 2,000 thousand and the regular repayment of loan instalments falling due for Euro 236 thousand;
- the disbursement to the company AZ France S.A. of the final tranche of the Banque Populaire loan of Euro 562 thousand and on the other hand the regular repayment of loan instalments falling due for a total of Euro 224 thousand;
- the regular repayment of instalments on loans falling due by Hermanos Fernández of Euro 750 thousand and finance leases of Euro 323 thousand, against new disbursements on lease agreements of Euro 92 thousand;
- the medium-term borrowings of Sevimpor at the moment of its consolidation on January 1, 2019, equal to Euro 427 thousand and Euro 58 thousand, respectively, relating to medium-term loans and lease agreements, repaid during the half for a total of Euro 106 and 20 thousand;
- within the item other financial payables, the IFRS 16 component equal respectively to Euro 65,276 thousand, of which Euro 60,675 thousand deriving from

the initial determination of liabilities in accordance with the situation at January 1, 2019, Euro 236 thousand linked to the change in the scope of consolidation and Euro 4,365 thousand due to the new contracts entered into in 2019 net of payments in the first half of the year of Euro 4,042 thousand;

- other financial payables also include the changes of Euro 787 thousand in the mark-to-markets of the hedging derivatives on interest rates (negative mark-to-market equal to Euro 695 thousand) and the bunker (positive mark-to-market of Euro 81 thousand);
- the recognition of Euro 2,400 thousand (Euro 1,000 thousand current and Euro 1,400 thousand non-current) of the residual debt for the acquisition of the Fruttica Group, also inclusive of the earn-out;
- the recognition of Euro 650 thousand (Euro 350 thousand current and Euro 300 thousand non-current) of the residual debt for the recognition of the acquisition of Sevimpor;
- and lastly the higher exposure on the short-term lines originating from the typical working capital requirement on June 30.

The due dates of the medium-term payables to banks and other lenders as at June 30, 2019 are detailed in the following table, arranged in two columns maturing by June 30, 2020 and after June 30, 2020, in turn broken down between maturing no later than June 30, 2024 rather than beyond that date in order to provide for an easier comparison with the previous table.

Thousands of euro	Total	31.12.2019	> 31.12.2019		2020-2023	> 31.12.2023
Bond payables	30,000	-	30,000		5,000	25,000
Medium/long term bank loans (current/non-current)	64,985	13,281	51,704	so divided:	46,011	5,693
Medium/long term other lenders (current/non-current)	1,354	685	670	so divided:	670	-
Medium/long term other lenders (current/non-current) ex IFRS 16	-	-	-		-	-
<b>Financial liabilities at December 31, 2018</b>	<b>96,340</b>	<b>13,966</b>	<b>82,374</b>		<b>51,681</b>	<b>30,693</b>

Thousands of euro	Total	30.06.2020	> 30.06.2020		30.06.2020- 30.06.2024	> 30.06.2024
Bond payables	30,000	-	30,000		5,000	25,000
Medium/long term bank loans (current/non-current)	61,142	13,520	47,622	so divided:	47,437	185
Medium/long term other lenders (current/non-current)	1,230	627	603	so divided:	603	-
Medium/long term other lenders (current/non-current) ex IFRS 16	61,235	8,136	53,099		23,001	30,098
<b>Financial liabilities at June 30, 2019</b>	<b>153,607</b>	<b>22,282</b>	<b>131,324</b>		<b>76,041</b>	<b>55,283</b>

At June 30, 2019, there was a hedging instrument (swap) on part of the bunker consumption that the shipbuilding company has activated in order to reduce and control the risks associated with changes in the price of raw materials. At June 30, 2019, its positive fair value of Euro 81 thousand was recognized under the item "Receivables and other current assets" and had a contra-entry in the form of a specially designated

shareholders' equity reserve (accounted for through "Other comprehensive income"), net of the tax effect. In addition, there is an interest rate hedge on the Euro 60 million loan to an extent equal to 79% of the nominal residual debt of Euro 54,545 thousand. At the reporting date, the mark to market of those hedges is equal to Euro 695 thousand (negative).

As indicated above, at June 30, 2019, there were loans of the Parent Company which require respect for financial parameters (covenants) correlated with the common NFP/Adjusted EBITDA, NFP/Equity, Adjusted EBITDA/net financial expense ratios, verified when the annual financial statements are prepared and, limited to bonds, also on a half-yearly basis. As already mentioned, the half-yearly financial statements at June 30 show that all covenants set forth have been fully respected.

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	31/12/18	New loans	Payments	IFRS 16 Effect	Cash Flow	Derivatives	Changes of consolidation scope	Changes of exchange rate	30/06/19
Bond payables (over 12 months)	30,000	-	-	-	-	-	-	-	30,000
Non-current medium term bank loans	64,985	2,562	( 6,835)	-	-	-	427	4	61,142
Non-current other lenders (over 12 months)	1,354	191	( 374)	-	-	-	58	-	1,230
IFRS 16 effect	-	4,365	( 4,042)	60,675	-	-	237	-	61,235
Factor*	1,837	2,347	-	-	-	-	-	-	4,185
Current other lenders short term*	-	-	-	-	-	-	4,095	-	4,095
Current liabilities for the derivatives	1,482	-	-	-	-	( 787)	-	-	695
Bank overdrafts	12,469	-	-	-	6,591	-	219	-	19,279
Payables for price balance on acquisitions (non-current/current)	243	3,050	-	-	-	-	-	-	3,293
Current assets for the derivatives	-	-	-	-	-	( 81)	-	-	( 81)
Assets held for trading	( 19)	-	-	-	-	-	-	-	( 19)
<b>Total</b>	<b>112,352</b>	<b>12,515</b>	<b>( 11,251)</b>	<b>60,675</b>	<b>6,591</b>	<b>( 868)</b>	<b>5,036</b>	<b>4</b>	<b>185,054</b>

\* Included in the "Other current lenders short term"

#### NOTE 15. Other non-current liabilities

Thousands of euro	30.06.2019	31.12.2018	Change
Other non-current liabilities	414	482	( 68)

"Other non-current liabilities" amounted to Euro 414 thousand as at June 30, 2019, with a decrease of Euro 68 thousand relative to December 31, 2018, due mainly to the reduction of deferred income for non-current contributions accruing after 12 months.

#### NOTE 16. Deferred taxes provision

Thousands of euro	30.06.2019	31.12.2018	Change
Deferred tax liabilities	5,273	5,451	( 178)

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

At June 30, 2019, the item decreased by Euro 178 thousand.

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

#### NOTE 17. Provisions for risks and charges

Thousands of euro	30.06.2019	31.12.2018	Change
Provisions for risks and charges	4,909	2,697	2,212

The item "Provisions for risks and charges" includes the allocations made on the basis of litigation at June 30, 2019 in various Group companies, as a result of accurate estimates by the Directors; of note is an increase during the half year following an update of the estimates of potential liabilities, in this case essentially represented by the allocation relating to the amount requested of the Italian importing company and the provision for the period for the return of containers. The allocations recognized in the provisions, which represent the estimate of future cash outflows prepared also based on historical experience, were not subject to actuarial valuation since the effect was considered negligible in the consolidated financial statements.

The item "Provision for risks and charges", with a balance of Euro 4,909 thousand as at June 30, 2019, increased by Euro 2,212 thousand. Please note that following the unfavorable outcome of the dispute dating back to 2001, despite the positive outcomes of the previous rulings, the Italian fruit importing company was ordered by the Venice Court of Appeals to pay to the Ministry of Economy and Finance (MEF) and the Customs Agency a provisional amount of Euro 1,581 thousand jointly and severally with a third party, plus interest at the legal rate and reimbursement for the costs of the proceedings, which have not yet been defined. In July 2019 an appeal was already lodged before the Court of Cassation and immediately following a petition for the suspension of the provisional amount to be paid ordered by the Venice Court of Appeals. In the financial statements at June 30, 2019, a provision of Euro 1,600 thousand was temporarily recognized for that purpose, equal to the amount demanded in the ruling mentioned above. Please also note the recognition of Euro 517 thousand by the Parent Company Orsero S.p.A. based on the estimate of the assumed outlay for the enforcement of the guarantee provided in the past in favor of K-Air.



It should be noted that the Group recognized Euro 2,291 thousand to the provision for the return of containers of the shipbuilding company, with an allocation of Euro 300 thousand recorded in the first half of 2019.

As already reported, no provisions for risks were recognized relating to other outstanding litigation as a negative outcome was not deemed likely, also in light of the opinions received from legal advisors, considering the status of the proceedings outstanding.

#### NOTE 18. Employee defined benefit plans

A statement of changes in the item Employee defined benefit plans at June 30, 2019 is attached.

Thousands of euro	Employees' benefits liabilities
<b>Balance at December 31, 2018</b>	<b>8,559</b>
<i>Change of year:</i>	
Accruals	359
Benefits paid and transferred	( 282)
Interest cost	( 10)
Gain/(losses) resulting from changes in actuarial assumptions	-
Other changes	148
<b>Balance at June 30, 2019</b>	<b>8,774</b>

The item Employee defined benefit plans refers to the Italian and foreign companies of the Group, in accordance with the various national regulations, and essentially includes employee severance indemnities accrued by employees in service at June 30, net of advances paid to employees.

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

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

The main financial and demographic assumptions utilized in determining the present value of the liability relating to the employee severance indemnity are described below; for the preparation of the consolidated half-yearly financial statement, the financial and demographic assumptions used for the financial statements as at December 31, 2018 were deemed adequate and therefore utilized.

<b>Discount rate</b>	
Italy, France, Greece, Spain, Portugal	Curva Euro Composite AA al 31.12.2018
Mexico	Ibcox GEMX Aggregate 10-15 9,14% e 7-10 _ 9,06% as of 31.12.18
<b>Inflation rate</b>	
Italy	1.50%
France, Greece, Spain, Portugal, Mexico	n.a.
<b>Salary increases (included inflation)</b>	
Italy, Portugal	1.00%
France	Cas général 5,0%, Cadres 5,5%, Agent de maîtrise 4,0%
Greece, Spain	2.00%
Mexico	n.a.
<b>Mortality rate</b>	
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
<b>Access to retirement</b>	
Italy, Spain, Portugal, Mexico, Greece, France	Minimum access requirements required by current legislation
<b>Probability of termination</b>	
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	Barcelona, Cox e Tarragona 2%, Lleida 3% e Madrid 5%
Portugal	8.80%
Mexico	3.80%

## NOTE 19. Trade payables

Thousands of euro	30.06.2019	31.12.2018	Change
Payables to suppliers	122,231	110,321	11,910
Payables to subsidiaries and associates of the Group not fully consolidated	949	1,201	( 252)
Payables to related parties	951	1,229	( 278)
<b>Trade payables</b>	<b>124,131</b>	<b>112,751</b>	<b>11,380</b>

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

At June 30, 2019, there were no outstanding payables of a significant amount, nor did the Group receive injunction decrees for past due payables.

At June 30, 2019, the net increase of the item amounted to Euro 11,380 thousand as a result of the increase of Euro 11,910 thousand in the value of payables to suppliers, partly offset by the reduction of Euro 252 thousand in payables to subsidiaries and associates of the Group not fully consolidated and Euro 278 thousand to related parties.

The change in payables to suppliers in the first half of 2019 compared to December 31, 2018 is linked to the normal dynamics of the business, which typically sees June 30 as the point of greatest demand in terms of working capital.

The geographic breakdown of the payables is as follows:

Thousands of euro	30.06.2019	31.12.2018	Change
Italy	74,770	67,252	7,518
EU countries	45,468	43,071	2,397
Non-EU countries	3,893	2,428	1,466
<b>Trade payables</b>	<b>124,131</b>	<b>112,751</b>	<b>11,380</b>

#### NOTE 20. Tax payables and contributions

Thousands of euro	30.06.2019	31.12.2018	Change
For value added tax (VAT)	626	657	( 31)
for income tax of the year	2,523	1,534	989
For withholding tax	952	1,077	( 125)
For indirect taxes	664	686	( 21)
Other payables	22	39	( 17)
Social security contributions	3,435	3,324	112
<b>Current tax and social security contributions liabilities</b>	<b>8,223</b>	<b>7,316</b>	<b>907</b>

At June 30, 2019, this item had a balance of Euro 8,223 thousand, up compared to the balance at December 31, 2018 by a total of Euro 907 thousand, of which Euro 989 thousand for higher income tax payable for the period and Euro 112 thousand relating to social security payables, offset by the reduction in all the other items of tax and contribution payables.

The change in the item "Payables for the provision for income taxes for the year" reflects the taxes accrued in the year, calculated on the results of the first half of 2019.

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

#### NOTE 21. Other current payables

Thousands of euro	30.06.2019	31.12.2018	Change
Payables to personnel	7,561	7,118	443
Payables to Board of Directors and Statutory Auditors' fees	216	13	203
Payable related to operations on behalf of third parties	1,667	1,280	387
Other current payables	2,264	3,714	( 1,450)
Accrued expenses and deferred income	1,943	1,230	713
<b>Other current liabilities</b>	<b>13,652</b>	<b>13,354</b>	<b>297</b>

At June 30, 2019, the item "Other current payables" increased by Euro 297 thousand, mainly due to the increase in accrued expenses and deferred income of Euro 713 thousand and the increase in payables related to transactions on behalf of third parties of Euro 387 thousand, representing financial payments that will be incurred in the name and on behalf of the customers of the investee Fresco Ship's Agency - Forwarding S.r.l. ("Services" b.u.) in favor of Customs and/or suppliers on behalf of agency. The increase is essentially due to the higher amounts for customs duties to be paid to Customs according to seasonality.

The increase in other current payables is also due to items relating to payables to personnel and to the corporate bodies for remuneration. The decline in the item "other payables" reflects the lower volume between December and June of revenues for transport services invoiced by the shipbuilding company on travel in subsequent periods not relating to the year.

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

## NOTE 22. Net sales and segment reporting

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
<b>Net sales</b>	<b>492,895</b>	<b>469,723</b>	<b>23,172</b>
<i>In addition</i>			
Share of joint ventures net sales	-	-	0
Share of associates net sales	5,596	2,659	2,937
<b>Total share of joint ventures and associates net sales</b>	<b>5,596</b>	<b>2,659</b>	<b>2,937</b>
Inter-segment	( 1,746)	( 655)	( 1,091)
<b>Net sales</b>	<b>496,745</b>	<b>471,727</b>	<b>25,018</b>

For a detailed analysis of sales, please refer to the half-yearly report on operations, in the section "Significant events in the year and commentary on performance of the business sectors".

The table above shows, as comparative data, the share of net sales of joint ventures and associates considering the ownership stake as at June 30, 2019.

### *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 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, and pro-rata gains/losses arising from the application of the equity method for associated companies and joint ventures.

Thousands of euro	1 <sup>st</sup> semester 2019			
	Gross sales	Inter-segment sales	Net sales to third parties	Adjusted Ebitda
"Distribution" Segment	459,993	( 11,787)	448,206	14,676
"Import & Shipping" Segment	145,384	( 26,465)	118,919	6,988
"Services" Segment	6,640	( 319)	6,321	( 2,405)
Inter-segment net adjustment	-	( 80,551)	( 80,551)	-
<b>Total net sales to third parties and Adjusted Ebitda</b>	<b>612,017</b>	<b>( 119,122)</b>	<b>492,895</b>	<b>19,259</b>

Thousands of euro	1 <sup>st</sup> semester 2018			
	Gross sales	Inter-segment sales	Net sales to third parties	Adjusted Ebitda
"Distribution" Segment	439,583	( 12,581)	427,002	15,583
"Import & Shipping" Segment	126,429	( 15,137)	111,292	3,314
"Services" Segment	6,572	( 238)	6,334	( 2,090)
Inter-segment net adjustment	-	( 74,905)	( 74,905)	-
<b>Total net sales to third parties and Adjusted Ebitda</b>	<b>572,584</b>	<b>( 102,861)</b>	<b>469,723</b>	<b>16,806</b>

The above tables indicate, at June 30, 2019 and 2018, 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 the 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 30.06.2019 figure includes the effect of the application as of January 1, 2019 of IFRS 16.

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
<b>Adjusted Ebitda*</b>	<b>19,259</b>	<b>16,806</b>	<b>2,453</b>
Amortization of intangible and depreciation tangible assets	( 10,683)	( 6,380)	( 4,304)
Accruals of provision	( 902)	( 887)	( 15)
Stock Grant	-	-	-
Non recurring income	558	233	325
Non recurring expenses	( 3,570)	( 475)	( 3,095)
<b>Operating result (Ebit)</b>	<b>4,662</b>	<b>9,297</b>	<b>( 4,635)</b>

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

### Breakdown of assets and liabilities by sector segments

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

It is specified that the sector data indicated in the notes should be read together with the performance indicators expressed in the single report on operations.

Thousands of euro	Total Assets without investments in Joint ventures and associates 30.06.2019	Investments in Joint ventures and associates 30.06.2019	Total Assets 30.06.2019	Total Liabilities 30.06.2019	Aggregate Shareholders' equity
"Distribuion" Segment	341,782	4,934	346,716	257,279	89,438
"Import & Shipping" Segment	143,669	5	143,674	75,811	67,863
"Services" Segment	346,347	2,588	348,936	115,376	233,560
<b>Total assets and liabilities</b>	<b>831,798</b>	<b>7,528</b>	<b>839,325</b>	<b>448,465</b>	<b>390,860</b>

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
"Distribuion" 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
<b>Total assets and liabilities</b>	<b>713,794</b>	<b>7,528</b>	<b>721,321</b>	<b>332,443</b>	<b>388,878</b>

## NOTE 23. Cost of goods sold

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

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Raw materials and finished goods costs	332,313	317,777	14,536
Cost of commissions on purchases and sales	964	1,684	( 720)
Transport and handling costs	67,119	60,834	6,285
Personnel costs	13,213	12,818	396
Depreciation and amortization	8,964	4,881	4,084
Accruals of provision	300	300	-
External production and maintenance costs	11,928	9,768	2,160
Utilities	3,250	2,998	252
Bunker's cost	13,363	13,418	( 55)
Rental costs for ships and containers	4,044	5,566	( 1,522)
Leases and rentals	684	3,065	( 2,380)
Other costs	389	528	( 139)
Other operating costs and cost recoveries	( 3,178)	( 3,483)	305
<b>Cost of goods sold</b>	<b>453,353</b>	<b>430,152</b>	<b>23,201</b>

The increase in the cost of goods sold is commented on in the half-year report on operations, to which reference is made; please note in particular the increase in costs in the operations in Spain and Mexico which was less than proportionate to the increase in turnover, unlike what took place in the Italian operations due to the above-mentioned negative climate trends and the increase in warehouse costs linked to the launch of fresh-cut activities. Please also note the increase in costs following the contribution of the newly acquired companies for Euro 6,264 thousand (Sevimpor for the entire half, the Fruttica Group only starting from April 1) and the negative contribution of the company AZ France already described extensively in the half-yearly report, to which reference is made. Aside from this, there is a stable bunker cost with respect to the corresponding half of the previous year. Please note that the application as of January 1, 2019 of the new IFRS 16 entailed a reduction in costs for rentals and operating leases within the cost of goods sold by Euro 3,989 thousand offset by depreciation of Euro 3,680 thousand. Note that the item "Raw material and finished goods costs" comprises Euro 2,612 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, the item "Transport and handling costs" comprises Euro 2,105 thousand to associated companies of the Group; this balance is also included in the details provided in Note 33.

The item "Other operating revenues and cost recoveries" comprises Euro 83 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	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Corporate bodies fees	950	979	( 29)
Costs for notary, tax, legal and other professional services	2,137	1,898	239
Commercial, advertising, promotional and representation costs	825	855	( 30)
Personnel costs	18,921	16,531	2,390
Depreciation and amortization	1,719	1,499	220
Accruals for provision	602	587	15
Costs for maintenance, external labor and various other services	3,196	3,725	( 529)
Insurance expenses	801	752	49
Utilities	840	761	80
Travel expenses	787	669	118
Costs of company's car fleet	511	466	45
Rental costs and various rentals	307	369	( 62)
Charges for purchase and intercompany services to associates and related companies	10	321	( 311)
Other costs	1,195	1,206	( 12)
Acquisition costs of stationery and material of consumption	269	291	( 22)
Fees, commissions, bank guarantees and factoring	458	492	( 34)
<b>Overheads</b>	<b>33,526</b>	<b>31,400</b>	<b>2,126</b>

The table especially shows the increase in labor costs essentially influenced by the change in scope in 2018, mentioned previously, with the entry of Sevimpor and the Fruttica Group as well as the strengthening of the sales structure. Please note that the change in depreciation was mainly due to the increase of Euro 397 thousand due to the application of IFRS 16 starting from January 1, 2019 which entailed, also in the item "Overhead and administrative costs" a reduction of costs with related parties by Euro 377 thousand, a reduction of lease and rental costs of Euro 118 thousand and an increase of the cost of the car fleet of Euro 6 thousand.

The item "Charges for purchases and intercompany services to associates and related companies" comprises Euro 10 thousand to associated companies. For further details, reference is made to Note 33.

## NOTE 25. Other revenues and costs

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Other operating income	2,871	2,215	656
Other operating expenses	( 4,225)	( 1,090)	( 3,135)
<b>Total other income and expenses</b>	<b>( 1,354)</b>	<b>1,126</b>	<b>( 2,479)</b>



Annexed are details of the items "Other operating income" and "Other operating expenses" for the first half of 2019 and 2018 with separate indication of ordinary items with respect to "non-recurring" ones.

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Revenues from recovery costs and insurance reimbursements	188	275	( 87)
Plus values and contingent revenues in ordinary course of business	1,145	1,121	24
Others	980	587	393
<b>Other ordinary operating income</b>	<b>2,313</b>	<b>1,983</b>	<b>330</b>
Gains on disposal of business or significant intangible assets and materials	-	46	( 46)
Others	558	186	372
<b>Others non-recurring operating income</b>	<b>558</b>	<b>233</b>	<b>325</b>

Other ordinary revenue, like the item other non-recurring 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 the first half of 2019, in particular, capitalization was recorded with reference to the progress status of the new ERP system implementation for Euro 327 thousand. In terms of non-recurring revenue for the first half of 2019, following the nearly complete settlement of the liquidation process of the related company K-Air, the Parent Company Orsero S.p.A. settled its debt of Euro 1.1 million with respect to this company by making a partial payment such so as to offset the expected outlay on enforcement of the guarantee provided previously in favor of K-air, with a basically neutral effect - as mentioned in the reports to the financial statements of previous years - on the consolidated income statement, recognizing a write-off for the remaining amount.

Note that the item "Other operating revenue" comprises Euro 18 thousand to investee associated companies of AZ France and Hermanos Fernandez.

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Penalties, sanctions and costs for damage to third parties	( 34)	( 40)	7
Minus values and contingent losses in ordinary course of business	( 621)	( 574)	( 47)
Others	-	-	-
<b>Other ordinary operating expenses</b>	<b>( 655)</b>	<b>( 615)</b>	<b>( 40)</b>
Significant costs for civil, tax, custom litigations, etc.	( 1,761)	( 14)	( 1,747)
Others	( 1,809)	( 461)	( 1,348)
<b>Other non-recurring operating expenses</b>	<b>( 3,570)</b>	<b>( 475)</b>	<b>( 3,095)</b>

Given what is noted above with respect to the nature of the ordinary operating costs shown in this table, there were no significant deviations in the first half of 2019 with respect to the same period of the previous year.

Instead, as regards the non-recurring components, a provision of Euro 1,600 thousand was recognized by Simba, noted above, against the ruling issued by the Venice Court of Appeals relating to the payment to MEF of the Customs Agency of a provisional amount of Euro 1,580,950.15. Furthermore, please note the recognition of Euro 517 thousand by the Parent Company Orsero S.p.A., based on the estimate of the presumed outlay for the enforcement of the guarantee provided in the past in favor of K-Air, to an extent equal to the contingent asset deriving from the lower outlay to pay off the balance of the payable to the same company, so as to determine a neutral effect on the consolidated income statement. Please note again the costs already mentioned relating to the expenses incurred for the acquisition of the Fruttica Group as well as those linked to the transition of the Orsero share to the Italian Stock Exchange's STAR market.

The item "Other operating costs" 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	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Financial income	153	51	102
Financial expenses	( 1,818)	( 1,095)	( 723)
Exchange rate differences	( 432)	( 230)	( 201)
<b>Net financial expenses</b>	<b>( 2,097)</b>	<b>( 1,274)</b>	<b>( 822)</b>

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

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Interest income to third parties	126	43	83
Interest income to associates and joint ventures	17	-	17
Interest cost Employees benefits liabilities	10	8	2
<b>Financial income</b>	<b>153</b>	<b>51</b>	<b>102</b>

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Interest expenses from bank	( 1,382)	( 1,093)	( 289)
Interest expenses to third parties	( 436)	( 1)	( 435)
Losses on derivatives	-	( 1)	1
<b>Financial expenses</b>	<b>( 1,818)</b>	<b>( 1,095)</b>	<b>( 723)</b>

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Realized exchange rate differences	( 410)	( 450)	39
Unrealized exchange rate differences	( 21)	219	( 241)
<b>Exchange rate differences</b>	<b>( 432)</b>	<b>( 230)</b>	<b>( 201)</b>

Compared to the previous year, Euro 436 thousand has been recognized in interest expense to third parties due to the application of IFRS 16 as of January 1, 2019.

#### NOTE 27. Equity/financial result

Thousands of euro	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Dividends	1	4	( 2)
Share of profit from consolidated at equity companies	32	186	( 154)
<b>Net income (loss) from equity investments</b>	<b>34</b>	<b>190</b>	<b>( 156)</b>

The change in the amount of the Equity/financial result is essentially related to the pro-quota recognition of the results of associated companies and joint ventures consolidated using the equity method. This result declined compared to the same period of the previous year due to the reduction in the result of the investees in the first half of the year.

#### NOTE 28. Income taxes

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	1 <sup>st</sup> semester 2019	1 <sup>st</sup> semester 2018	Change
Current taxes for the year	( 3,402)	( 3,555)	153
Deferred tax = from statutory tax consolidation	1,191	1,405	( 214)
Deferred tax incomes and expenses	723	( 516)	1,240
<b>Tax expenses</b>	<b>( 1,488)</b>	<b>( 2,667)</b>	<b>1,180</b>

The comparison with the previous year shows an increase in the item "Deferred tax assets and liabilities" linked primarily to the recognition by the French company of taxes on the tax loss.

	30.06.2019 -Tax rate 24%		30.06.2018 -Tax rate 24%	
Thousands of euro			Taxable	Tax
<b>Profit before tax</b>	<b>2,599</b>		<b>8,212</b>	
<b>Theoretical tax</b>	<b>( 624)</b>		<b>( 1,971)</b>	
International register Cosiarma		244		( 543)
Share of profit from companies consolidated at equity	31	8	( 186)	45
Foreign companies for different tax rate		( 135)		( 279)
Taxed dividends from companies of Group	490	( 6)	245	( 3)
risk provision Simba	1,600	( 384)		
Others		( 206)		648
<b>Effective tax</b>	<b>( 1,103)</b>		<b>( 2,103)</b>	
Irap/Cvae taxes		( 385)		( 564)
<b>Taxes expenses in the consolidated financial statement</b>	<b>( 1,488)</b>		<b>( 2,667)</b>	
Effective rate		57.3%		32.5%

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.

Thousands of euro	Statement of financial position		Income statement	Comprehensive income statement
	30.06.2019	31.12.2018	30.06.2019	30.06.2019
Previous tax losses	5,811	5,049	762	-
Effect IAS 19	670	687	( 17)	-
Depreciation/Goodwill/Trademarks	822	794	32	-
Indirect taxes	98	105	( 8)	-
Reductions in value and provisions	1,211	1,411	( 200)	-
Financial expenses/ACE/Exchange differences	138	137	1	-
Cost deductible in the future*	730	730	-	-
Financial derivatives	167	142	-	25
Others	203	222	( 22)	-
<b>Deferred tax assets</b>	<b>9,849</b>	<b>9,277</b>	<b>548</b>	<b>25</b>

\* Related to medium/long term incentivisation plan for management

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

Thousands of euro	Statement of financial position		Income statement	Comprehensive income statement
	30.06.2019	31.12.2018	30.06.2019	30.06.2019
Leasing	( 1,363)	( 1,396)	33	-
Warehouse revaluation	( 230)	( 230)	( 1)	-
On J-entries FV Magazzini Fernández	( 1,982)	( 2,015)	33	-
Ships depreciation	( 1,652)	( 1,779)	127	-
Others	( 46)	( 31)	( 16)	( 4)
<b>Deferred tax liabilities</b>	<b>( 5,273)</b>	<b>( 5,451)</b>	<b>176</b>	<b>( 4)</b>

At June 30, 2019 in other paragraphs of the financial report the tax disputes outstanding for the importing company Simba S.p.A. have already been described.

There are no other significant amendments to the tax legislation between the first half of 2019 and the same period of 2018, with the exception of the reduction of the tax rate in France, which declined from 33.3% to 31% starting on January 1, 2019.

#### 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	30.06.2019	30.06.2018
<b>Net profit -Group share (in Euro)</b>	<b>912,864</b>	<b>5,374,557</b>
<b>Average number of outstanding shares during the period</b>	<b>16,930,113</b>	<b>16,969,813</b>
<b>Base earning per share - ordinary shares</b>	<b>0.054</b>	<b>0.317</b>
Average number of outstanding shares during the period	16,930,113	16,969,813
Average number of special shares and warrant during the period	-	-
Average number of outstanding shares granted for "medium/long term incentivisation plan for management" during the period	320,002	166,667
<b>Diluted average number of outstanding shares during the period</b>	<b>17,250,115</b>	<b>17,136,480</b>
<b>Diluted earnings per share - ordinary shares</b>	<b>0.053</b>	<b>0.314</b>

## 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	30.06.19	31.12.18	Change
<b>Financial assets</b>			
Cash and cash equivalent	51,110	76,285	( 25,175)
Trade receivables	136,964	109,360	27,605
Hedging derivatives	81	-	81
Current financial assets	19	19	-
<b>Financial liabilities</b>			
Bond payables	( 30,000)	( 30,000)	-
Non-current medium term bank loans (over 12 months)	( 47,622)	( 51,704)	4,082
Current medium term bank loans	( 13,520)	( 13,281)	( 239)
Bank overdrafts	( 19,279)	( 12,469)	( 6,810)
Non-current other lenders (over 12 months)	( 603)	( 670)	67
Non-current other lenders (current)	( 627)	( 685)	58
Non-current other lenders (over 12 months) ex IFRS 16	( 53,099)	-	( 53,099)
Non-current other lenders (current) ex IFRS 16	( 8,136)	-	( 8,136)
Current other lenders short term	( 8,280)	( 1,838)	( 6,442)
Non-current payables for price balance on acquisitions (over 12 months)	( 1,943)	( 243)	( 1,700)
Current payables for price balance on acquisitions (over 12 months)	( 1,350)	-	( 1,350)
Hedging derivatives (over 12 months)	( 695)	( 367)	( 328)
Hedging derivatives	-	( 1,114)	1,114
Trade payables	( 124,131)	( 112,751)	( 11,380)

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 June 30, 2019 related to interest rate hedges and the bunker hedge as reported in Note 14.

Indeed, at June 30, 2019, 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. At June 30, 2019, its positive fair value of Euro 81 thousand was recognized under the item "Receivables and other current assets", with the specially designated shareholders' equity reserve as contra-entry.

As at June 30, 2019, 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 695 thousand, booked to the item "Non-current financial payables", 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 payables is obtained by discounting all future cash flows at the period-end conditions. In the current situation, where for medium-term debt the cost of the loan is aligned with the market value, the nominal values of the debt are considered as fair values.

As regards trade and other receivables and payables, the fair value is equal to the book value, based on the consideration of their close expiry.

Fair value of non-financial instruments:

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

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

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

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

- level 1: the valuation techniques use prices listed on an active market for the assets or liabilities subject to valuation;
- level 2: the valuation techniques consider inputs other than the previous prices, but that can, however, be observed directly or indirectly on the market;

- level 3: the techniques use inputs that are not based on observable market data.

### *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	30.06.19			31.12.18		
	Livello 1	Livello 2	Livello 3	Livello 1	Livello 2	Livello 3
<b>Financial assets</b>						
Current financial assets	19	-	-	19	-	-
Hedging derivatives	-	81	-	-	-	-
<b>Financial liabilities</b>						
Speculative derivatives	-	-	-	-	-	-
Hedging derivatives	-	( 695)	-	-	( 1,482)	-

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 listed in active or observable markets on official rate curves. The liability valued with Level 2 at June 30, 2019 relates to the negative fair value of the derivative on interest rates and the asset valued with Level 2 at June 30, 2019 relates to the positive fair value on the bunker.

### *Non-financial instruments*

There are non-financial instruments measured at fair value as at June 30, 2019, because the biological assets of the Mexican producer company are measured at fair value, i.e. market value minus costs of sale.

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

The 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, primarily based on product availability, allows "transferring" most of the exchange rate effect to the final market. In addition, part of the risk is offset by the maritime transport activity that has an opposite currency profile with a surplus of dollar-denominated net sales over costs, without prejudice to the net exposure in dollars at the level of the Group's currency balance. For this reason, the trend in exchange rates is monitored regularly by the central treasury service, also in order to stipulate currency hedges, where the conditions are met.

### *Risks associated with loan agreements*

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

### *Risks of default and covenants on the debt*

The Group has medium-term loan agreements in place with some of the major European banks, that require compliance with financial covenants that depend on the performance of certain standard parameters at the consolidated Group level; upon the occurrence of given events, the counterparties could ask the debtor to repay the borrowed sum immediately, consequently generating a liquidity risk. The Group's management constantly monitors the trend in financial parameters in order to verify compliance with the covenants.

### *Risks associated with credit*

The Orsero Group is exposed to credit risk arising from both commercial relations and liquidity use in the financing of some 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, involving the stipulation of insurance policies with primary counterparties.

Thousands of euro	30.06.19	31.12.18	Change
Assets for trading	19	19	-
Cash and cheques	734	575	160
Bank and deposit accounts	50,376	75,710	( 25,334)
Current assets for derivative	81	-	81
Bond payables	( 30,000)	( 30,000)	-
Non-current medium term bank loans (over 12 months)	( 47,622)	( 51,704)	4,082
Non-current other lenders(over 12 months)	( 603)	( 670)	67
Non-current other lenders(over 12 months) ex IFRS 16	( 53,099)	-	( 53,099)
Non-current payables for price balance on acquisitions (over 12 months)	( 1,943)	( 243)	( 1,700)
Non-current liabilities for derivative	( 695)	( 367)	( 328)
Bank overdrafts	( 19,279)	( 12,469)	( 6,810)
Current medium term bank loans	( 13,520)	( 13,281)	( 239)
Current other lenders	( 8,280)	( 1,838)	( 6,442)
Non current other lenders (current)	( 627)	( 685)	58
Non current other lenders (current) ex IFRS 16	( 8,136)	-	( 8,136)
Current liabilities for derivative	-	( 1,114)	1,114
Current payables for price balance on acquisitions (over 12 months)	( 1,350)	-	( 1,350)
<b>Net financial position</b>	<b>( 133,944)</b>	<b>( 36,068)</b>	<b>( 97,876)</b>

Thousands of euro	30.06.19	31.12.18	Change
Goodwill	43,655	32,975	10,680
Other intangible assets	5,266	5,057	209
Tangible assets	170,376	103,145	67,231
Financial investments	8,195	8,919	( 725)
Other fixed assets	6,448	6,080	368
Deferred tax assets	9,849	9,277	572
<b>NON-CURRENT ASSETS</b>	<b>243,789</b>	<b>165,453</b>	<b>78,335</b>
Inventories	37,454	35,838	1,615
Trade receivables	136,964	109,360	27,605
Trade payables	( 124,131)	( 112,751)	( 11,380)
<b>NET WORKING CAPITAL</b>	<b>50,287</b>	<b>32,447</b>	<b>17,840</b>
Other receivables	31,241	26,205	5,036
Deferred tax liabilities	( 5,273)	( 5,451)	178
Provisions for risks and charges	( 4,909)	( 2,697)	( 2,212)
Employees' benefits liabilities	( 8,774)	( 8,559)	( 215)
Other liabilities	( 22,288)	( 21,152)	( 1,136)
<b>OTHER CURRENT ASSETS AND LIABILITIES</b>	<b>( 10,004)</b>	<b>( 11,655)</b>	<b>1,650</b>
<b>NET INVESTED CAPITAL</b>	<b>284,072</b>	<b>186,246</b>	<b>97,826</b>

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

Guarantees are in place as at June 30, 2019, issued in favor of the related companies K-Air S.r.l. and Nuova Beni Immobiliari S.r.l., deriving from the agreements reached in due course for the finalization of the Merger with Glenalta Food.

As regards the former, already mentioned in another part of this report, the estimated outlay of Euro 517 thousand offsets the reduction in debt agreed upon with K-air, so as to determine a substantially neutral impact on the income statement, as anticipated in the

reports of the previous years. Instead, for the latter, linked to the financing of the Solgne warehouse rented to the company AZ France, the reduced extent of the residual debt of Euro 173 thousand and the regular debt servicing observed to date by the French subsidiary makes it possible to identify an extremely limited risk profile on this guarantee.

#### *Risk on disputes*

Another part of this report provides information on the unfavorable outcome of the dispute dating back to 2001, described in the Information Document of November 11, 2016 (see par. 3.2.17, first sub-paragraph), also reported in the SDIR notice of last July 10. Despite the positive outcomes of the previous rulings, the Venice Court of Appeals handed down a ruling requiring the payment to the Ministry of Economy and Finance (MEF) and the Customs Agency of a provisional amount of Euro 1,580,950.15 jointly and severally with a third party, plus interest at the legal rate and reimbursement for the costs of the proceedings, which have not yet been defined. In July an appeal was already lodged before the Court of Cassation and immediately following a petition for the suspension of the provisional amount to be paid ordered by the Venice Court of Appeals. In the financial statements at June 30, a provision of Euro 1,600 thousand was temporarily recognized for that purpose, equal to the amount demanded in the ruling mentioned above.

At the date of this Report, several other disputes are also under way, essentially relating to the recovery of customs duties and VAT concerning Simba and Fresco Ship's Agency & Forwarding, jointly and severally liable, of which one dispute for roughly Euro 4.6 million in which to date the claims of those companies have been upheld in all instances, and one dispute for around Euro 0.3 million, the decision in which was unfavorable for Simba, which in any event will take up the case again to have its claims upheld before the Regional Tax Court of Liguria after the Court of Cassation remanded the case. As in the annual financial statements, the resulting liabilities were not deemed probable, also in light of the opinions received from legal advisors, considering the status of the proceedings outstanding, and for this reason dedicated provisions for risks relating to those disputes were not recognized in the financial statements at June 30, 2019.

#### **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 the transactions between the Group and other related parties in the first half of 2019. Relationships with the companies represented in the table are essentially commercial and related to the specific business sectors: production for Citrumed and Moño Azul, the real estate business for Nuova Beni Immobiliari, Business Aviation for GF Aviation and its subsidiary, and distribution for the others.

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

Note that with respect to the related party Nuova Beni Immobiliari S.r.l., a total of Euro 1,487 thousand was incurred in costs for rentals, which do not appear in the table above as they were reclassified in full pursuant to the new standard IFRS 16.

Thousands of euro	Related parties at June 30, 2019						
	Non current receivables	Trade receivables	Other receivables <sup>2</sup>	Trade payables	Net sales	Financial income	Trade expenses
<i>Associates and Joint Ventures</i>							
Moño Azul S.A. <sup>3</sup>	320	319	-	( 190)	-	5	( 1,815)
Frt Cagliari S.r.l.	-	1,096	-	( 65)	2,418	-	( 14)
Moncada S.r.l.	-	2,350	-	( 1)	3,877	-	( 1)
Citrumed S.A.	949	-	-	( 29)	78	12	( 763)
Simba Spain S.L.	-	( 1)	-	-	-	-	-
Bonaoro S.L.	-	59	-	( 39)	294	-	( 291)
Decofruit S.L.	-	2	-	( 25)	13	-	( 125)
Fruport S.A.	-	7	-	( 601)	7	-	( 1,719)
<b>Total exposure to Associates and Joint Ventures</b>	<b>1,269</b>	<b>3,831</b>	<b>-</b>	<b>( 949)</b>	<b>6,686</b>	<b>17</b>	<b>( 4,728)</b>
<i>Related companies</i>							
Nuova Beni Immobiliari S.r.l.	-	233	-	( 891)	113	-	-
Business Aviation <sup>1</sup>	-	87	-	( 60)	5	-	-
Immobiliare Ranzi S.r.l.	-	-	-	-	-	-	-
Argentina S.r.l.	-	1	-	-	-	-	-
Fif Holding S.p.A.	-	4	-	-	1	-	-
<b>Totale xposure to related companies</b>	<b>-</b>	<b>326</b>	<b>-</b>	<b>( 951)</b>	<b>119</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Referred to the companies GF Aviation S.r.l., K-Air S.p.A., K-Fleet S.r.l.

<sup>2</sup> 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.

<sup>3</sup> Net to bad provisions.

#### NOTE 34. Share-based payments

At June 30, 2019, there are stock incentive plans in place for Group Directors and top-level employees to help reach the objectives set forth by the Board of Directors. For the years 2017 and 2018 these objectives were reached, in full and in part, respectively, resulting in the assignment of a total of 321,002 shares, which will be delivered to the beneficiaries after the approval of the 2019 financial statements, as established by the relative regulation. In the accounts at June 30, 2019, no benefit was calculated for this purpose in favor of the assignees, as this valuation is deferred to the annual financial statements as has already been done previously at the end of other half-years.

#### NOTE 35. Employees

The following table shows the number of employees and the average number of employees as at June 30, 2019 and as at December 31, 2018.

Thousands of euro	30.06.2019	31.12.2018	Change
<b>Distribution Segment</b>			
Number of employees	1,323	1,192	131
Average number of employees	1,238	1,218	20
<b>Import &amp; Shipping Segment</b>			
Number of employees	174	175	( 1)
Average number of employees	176	173	3
<b>Services Segment</b>			
Number of employees	97	94	3
Average number of employees	97	94	3
<b>Number of employees</b>	<b>1,594</b>	<b>1,461</b>	<b>133</b>
<b>Average number of employees</b>	<b>1,511</b>	<b>1,485</b>	<b>26</b>

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

The guarantees provided by the Company are as follows:

Thousands of euro	1 <sup>st</sup> semester 2019	31.12.2018	Change
Guarantees issued in the interest of the Group	7,068	7,045	23
Guarantees issued to third parties	8,557	8,601	( 44)
Guarantees issued to third parties in the interest of related parties	173	1,440	( 1,267)
<b>Total guarantees</b>	<b>15,798</b>	<b>17,086</b>	<b>( 1,288)</b>

Relative to the closing of the previous year, of note is the reduction of the guarantees by Euro 1,288 thousand, essentially due to the elimination of the "K-AIR" guarantee, replaced by the recognition of a provision for risks, as mentioned previously.

As in previous years, the guarantees outstanding at June 30, 2019 are essentially related to guarantees issued to Customs and/or VAT offices (for a total of Euro 15,197 thousand) in respect of the business of Group companies. There are also guarantees with respect to Microsoft for Euro 420 thousand returned at the end of July and to banks for loans granted to related companies for the difference.



## INDEPENDENT AUDITOR'S REPORT

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GRUPPO  
ORSERO



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

## Independent auditors' report

To the Board of Directors of  
Orsero S.p.A.

### Report on the audit of the condensed interim consolidated financial statements

#### Opinion

We have audited the condensed interim consolidated financial statements of the Orsero Group (the "Group"), which comprise the consolidated statement of financial position as at 30 June 2019, the consolidated income statement and consolidated comprehensive income statement, consolidated statement of changes in shareholders' equity and consolidated cash flow statement as at and for the six months ended 30 June 2019 and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the condensed interim consolidated financial statements of the Orsero Group as at 30 June 2019 have been prepared, in all material aspects, in accordance with the international Financial Reporting Standards applicable to Interim financial reporting (IAS 34) 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 condensed interim 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.

#### Comparative information

We have reviewed the condensed interim consolidated financial statements of the Orsero Group as at and for the six months ended 30 June 2018.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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

The directors are responsible for the preparation of the condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union 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 condensed interim consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether condensed interim 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 condensed interim 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 condensed interim 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;



**Orsero Group**  
*Independent auditors' report*  
30 June 2019

- 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;
- 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.

Genoa, 9 September 2019

KPMG S.p.A.

(signed on the original)

Matteo Pastore  
Director of Audit