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Oggetto	:	The BoCFT S.p.A. BoD approved the Interim Financial Report as at 30 June 2019

Testo del comunicato

Vedi allegato.

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THE BOARD OF DIRECTORS APPROVES THE FINANCIAL RESULTS AS AT 30 JUNE 2019 GROUP GROWTH TREND CONTINUES

INVESTMENT FOR THE DEVELOPMENT OF ROBOTICS, FOOD TREATMENT AND SORTING TECHNOLOGY PLATFORMS IN SUPPORT OF THE CORE BUSINESS

2019 OUTLOOK: REVENUE EXPECTED TO INCREASE TO EURO 250-260 MILLION ADJUSTED EBITDA EXPECTED TO BE ≈ 7% OF REVENUE

Key results as at 30 June 2019 in accordance with international accounting standards (IAS/IFRS):

- ✓ **Revenue** of Euro 120.8 million, +21% with respect to the corresponding period of the previous year (Euro 99.6 million in 1H 2018). **Organically generated sales revenue**, (i.e. net of the M&A effect), amounted to Euro 117.6 million, a slightly negative difference with respect to the pro forma[1] figure for the first half of 2018 (Euro 124.6 million). Such decrease was mainly due to the higher concentration of Processing division revenue in the second half of the year. Revenue in the Packaging division increased;

- ✓ **Adjusted EBITDA**[2] of Euro 7.8 million, a decrease with respect to the first half of 2018 (Euro 8.4 million). Organically generated EBITDA (i.e. net of the M&A effect) amounted to Euro 7.4 million, a decrease with respect to the pro forma figure for the corresponding period of the previous year amounting to Euro 11.1 million. Such reduction was mainly due to a change in the sales mix between the Processing and Packaging divisions in the first half of the year, a temporary slowdown in the beer business and investment in the construction of a solid industrial robotics technology platform to support the Group's core business;

- ✓ **Net profit** attributable to the Group of Euro 1.3 million, as compared to Euro 1.5 million in the first half of 2018;

- ✓ **Net financial Position** of Euro 16.2 million (including the effect of IFRS 16 amounting to Euro 13.9 million) compared to Euro 14.2 million at 31 December 2018; the increase was mainly due to investments

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1 Pro forma figures have been prepared to enable a better comparison between economic and financial data, and are based on full consolidation of the companies acquired during 2018 as if the related acquisitions had taken place on 1 January 2018.

2 The adjustment of Gross Operating Margin (EBITDA) at 30 June 2019 related to non-recurring operating costs amounting to Euro 0.9 million, mainly relating to consultancies linked to the M&A transactions that took place during 2019, non-monetary costs relating to the share incentive plan and extraordinary prototype related costs on R&D projects.

in the first half of the year, including the acquisition of SIAPI, and the operating cash flow generated during the period;

- ✓ **2019 Outlook:** Revenue expected to increase to Euro 250-260 million and Adjusted EBITDA expected to be ≈ 7% of revenue;

- ✓ Treasury share acquisition plan to support growth and the reacquisition of minority shareholdings expected to be launched in October 2019 up to Euro 10 million in the next 18 months.

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Alessandro Merusi, CEO of CFT Group, stated: *"The half year results reflect the ongoing efforts to integrate the companies acquired during 2018 and during the early part of 2019, as well as investments aimed at strengthening the organization, in particular from a commercial and industrial viewpoint, in support of growth and the achievement of the targets communicated to the market in the plan for the period to 2022. Independently of current trends in the underlying markets specifically the tomato business, which has remained at the same level as the previous year, and the temporary slowdown of the beer business on the one hand, and the growth of the applications in the milk and dairy business on the other, 2019 is an important transitional year for the Group in which, thanks to the acquisitions made to date, we are both strengthening our commercial platforms in the Food, Beverage and Milk & Dairy segments to provide our customers with comprehensive solutions and also investing financial and operational resources in the construction of high growth potential independent technology platforms, such as the industrial robotics, food treatment & sorting applications in support of the development of our core business".*

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Parma, 27 September 2019 – The Board of Directors of CFT S.p.A. ("CFT" or the "Company") met today and approved the Interim Financial Report as at 30 June 2019 prepared in accordance with international accounting standards (IAS/IFRS).

<u>Analysis of results for the first six months of 2019 – CFT Group</u>

Brief details are provided below in relation to certain key financial measures recognised by IFRS or derived from IFRS. In order to enable a better comparison between financial data relating to the first half of 2019 and the first half of 2018, the comments below mainly relate: in the case of 2018 figures, to (6 month basis) pro forma consolidated CFT group balances; and in the case of 2019 figures, to consolidated balances for the same group.

CFT generated revenues of Euro 120.8 million in the first half of 2019, an increase of 21% with respect to the corresponding period of the previous year, of which Euro 117.6 million net of the M&A effect, a decrease of 5.6% with respect to the pro forma[3] figure for the first half of 2018 (Euro 124.6 million). In terms of geographical area, in the first half of the year more than 80% of group revenues were generated overseas.

Processing division revenue (42.9% of total revenue) registered a reduction of around Euro 11.8 million, from Euro 63.6 million in the first half of 2018 to Euro 51.8 million in the first half of 2019. Such decrease was mainly due to a higher concentration in the second half of the year of invoicing of orders compared to the first half of 2019.

The volumes related to tomato market cyclicity which impacted 2018 results are expected to be in line in 2019 with the previous year.

The Packaging division (representing around 46,6% of total revenue) achieved strong growth, with revenue increasing by 18% from Euro 47.7 million in the first half of 2018 to Euro 56.3 million in the first half of 2019; it is expected that such growth may be somewhat mitigated in the second half of the year.

The Sorting division (representing around 10.5% of total revenue) saw revenue decrease by around 4.4% from Euro 13.3 million in the first half of 2018 to Euro 12.7 million in the first half of 2019, mainly as a result of the slowdown in international markets which was not fully offset by growth in the domestic market.

Adjusted EBITDA amounted to Euro 7.8 million, a reduction of around Euro 0.6 million with respect to the corresponding period of the previous year. Organically generated EBITDA (i.e. net of the M&A effect) amounted to Euro 7.4 million, a decrease of Euro 3.7 million with respect to the pro forma[3] figure for the corresponding period of the previous year (Euro 11.1 million). Such difference was mainly due to:

- the change in the sales mix between the Processing and Packaging divisions, between the first and second halves of the year;
- the reduction in the beer business in the first half of the year linked to a known temporary market contraction;
- the significant operational investments made in the new Spanish acquisition Packaging del Sur S.L. ("PKS"), the reference point of the group's end of line platform, in support of its expected significant growth.

The adjustment of Gross Operating Margin (EBITDA) at 30 June 2019 related to non-recurring operating costs amounting to Euro 0.9 million, mainly relating to consultancies linked to the M&A transactions that took place during 2019, non-monetary costs relating to the share incentive plan and extraordinary prototype-related costs on R&D projects.

Net profit amounted to Euro 1.7 million as compared to Euro 2.1 million in the first half of 2018. Profit attributable to minorities amounted to Euro 0.4 million, registering a decrease with respect to Euro 0.7 million in the first half of 2018.

[3] Pro forma figures have been prepared to enable a better comparison between economic and financial data, and are based on full consolidation of the companies acquired during 2018 as if the related acquisitions had taken place on 1 January 2018.

The company is currently developing a plan to reacquire minority shareholdings, specifically those relating to the subsidiaries Rolec and Levati Food Tech S.r.l., and it is reasonably expected that this will be achieved by the end of 2019.

Net Financial Position amounted to Euro 16.2 million (including the effect of IFRS 16, amounting to Euro 13.9 million), an increase with respect to Euro 14.2 million (including the effect of IFRS 16, amounting to Euro 13.7 million) at 31 December 2018. The increase was mainly due to:

- operating cash flow (including financial expenses) generated, amounting to Euro 4.5 million;
- the Euro 9.4 million positive cash effect relating to changes in working capital;
- additions to property, plant and equipment and intangible assets totalling Euro 11.9 million, mainly relating to the development of Robotics, Product Treatment and Sorting technology platforms;
- the acquisition of Siapi S.r.l. for Euro 4 million.

During the second half of the year, investment activity will continue in support of the development and completion of the Sorting (Raytec Vision S.p.A.) and End of Line (PKS) industrial platforms, with an estimated spend of around Euro 10.5 million.

Shareholders' equity amounted to Euro 69.4 million, an increase with respect to Euro 67.7 million at 31 December 2018.

Significant events during the period ended 30 June 2019

In approving the interim financial report as at 30 June 2019, certain key events involving the Company during the period are briefly described below:

- On 9 May 2019, CFT S.p.A. acquired 100% of the share capital of Siapi S.r.l., a company based in Conegliano (TV) Italy, specialised in the design, production and sale of technological solutions for blowing machines for bottles and other containers in PET, PP, PLA and other environmentally-friendly resins, in particular high-quality two-stage linear stretch blow-molding machines;

- On 10 May 2019, the extraordinary shareholders' meeting of CFT S.p.A. approved the voluntary reduction of the company's share capital to Euro 10 million, allocating the balance to a discretionary reserve with a view to creating a better configured and more flexible equity structure;

- On 12 June 2019, the Company was informed of the notification of an order of search and seizure of documentation ("provvedimento di perquisizione e sequestro di documenti") at Company's offices, issued by the Public Prosecutor of Parma, with respect to the investigation into the alleged offences (i) under articles 81, paragraph 1, of the Italian Criminal Code and 2621 of the Italian Civil Code, with reference to 2013-2016 financial years, and under article 2 of the Legislative Decree no. 74/2000, with reference to 2015- 2016 financial years, towards the chief executive officer of the Company and (ii) under articles 81, paragraph 1, of the Italian Criminal Code and 2621 of the Italian Civil Code, with

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reference to 2013-2016 financial years, towards the chairman of the Board of Directors. At present the judicial investigation has not yet completed its course, but the company trusts that the outcome of the investigation itself will find the correctness of its actions. It should also be reported that, to date, there is no registration for the company pursuant to Legislative Decree no. 231/2001.

- On 20 June 2019, CFT entered into a partnership agreement with Naddeo Technologies S.r.l ("**Naddeo**") in relation to the sale and distribution of machinery and/or plant for the processing of fresh products for end-users (so-called "fourth range"). Naddeo, an Italian company with over thirty years history in the vegetable processing sector, designs and manufactures innovative and customized solutions for producers operating in the fresh vegetables sector. Naddeo's portfolio includes a wide range of machinery and systems with high standards of hygiene, providing the best quality of the final product and its longer shelf-life. This partnership will allow CFT and Naddeo to work together to offer machines for the selection, chopping, washing and drying of fresh vegetables on the fourth range market. The agreement with Naddeo is an integral part of CFT's strategy aimed at strengthening the group's competitive position in the fresh products processing market.

- On 25 June 2019, the Tax Police served the Company with a tax audit report (Processo Verbale di Constatazione – "PVC"), in which, based on the results of a tax review, claims are made in relation to fiscal years 2014 – 2015 – 2016 regarding alleged IRES and IRAP related tax infringements involving a total taxable amount of around Euro 1.45 million. In addition, with specific regard to fiscal year 2016, the report also includes a finding of a formal nature regarding VAT without any related claim of higher tax due. The Company has appointed a leading firm of Italian tax specialists to assist it in dealing with such claims. Based on a detailed review of the matter and also considering the results of the analysis performed by the aforementioned tax specialists, the Company believes it has valid defensive arguments in support of its position and, therefore, no provision in respect of the potential risk of incurring liabilities associated with the claims made in the tax audit report has been included in the balances as at 30 June 2019.

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ALTERNATIVE PERFORMANCE MEASURES

In addition to references to recognised IFRS financial measures, this document also makes reference to certain non-GAAP measures, which although derived from IFRS are not defined under IFRS.

Such measures are presented to aid understanding of the Group's financial performance and should not be considered as alternatives to recognised IFRS measures. Specifically, the non-GAAP measures used are the following:

EBITDA: defined as profit (or loss) for the year adjusted for: (i) Income taxes; (ii) Finance income and expenses; (iii) Depreciation and amortization; (iv) Impairment of financial assets; (v) Provisions; (vi) Non-monetary costs; (vii) Investment acquisition transaction costs; (viii) Income and expenses that by their nature are not reasonably expected to re-occur in future periods.

Net Financial Debt (NFD): defined as the sum of the following: (-) Cash and cash equivalents; (+) Current and non-current loans; (-/+) Financial receivables/payables; () Current and non-current lease liabilities.

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DOCUMENT STORAGE

Copies of CFT Group's interim financial report will be made available to the public at CFT's registered office in Parma, via Paradigna 94/A, as well as in the "Investor Relations/Financial Documents" section of the corporate website www.cftgroup.com and on the authorised eMarket Storage mechanism (www.emarketstorage.com).

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CFT is the operational holding company of the CFT Group, active in Italy and abroad in the design, development and production of 'turnkey' machines and installations intended mainly for the Food & Beverage sector.

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DISCLAIMER

This press release contains forward-looking statements, based on current expectations and projections of CTF Group regarding future events: therefore, these statements, by their very nature, are subject to an intrinsic element of uncertainty. They are statements relating to events, and depending on circumstances, that may or may not happen or come about in the future and, as such, should not be relied upon excessively. The effective results could differ from those contained in these statements due to a wide range of factors, including volatility and deterioration of the markets, variation in raw material prices, changes in macroeconomic conditions, growth rates and other business conditions, changes in legislative and institutional context (both in Italy and abroad) and various other factors totally beyond the Group's control. The content of this press release may not in any way be meant as a guarantee or an indication of the actual economic, financial and equity future results of the Company; therefore, to the extent permitted by applicable law, the Company and the relevant Company representatives, managers, employees and consultants do not issue any statement, offer no guarantee, assume no obligation, nor assume any responsibility concerning such expected results.

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This press release is available on the CFT website: www.cft-group.com in the Investor relations/Press Release SDIR section.

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Annex A: Consolidated financial statements

Consolidated balance sheet

(Euro thousands)	At June 30 2019	At December 31 2018
ASSETS		
Non-current assets:		
Right-of-use assets	15,655	13,490
Property, plant & equipment	26,036	20,639
Intangible assets	50,297	44,609
Associates measured under the equity method	217	426
Deferred tax assets	4,816	4,117
Non-current financial assets	1,907	1,791
Other non-current assets	-	-
Total non-current assets	**98,928**	**85,072**
Current assets:		
Inventories	100,544	88,039
Assets for derivative financial instruments	-	97
Trade receivables	62,521	61,737
Current tax assets	2,303	2,834
Cash and cash equivalents	51,417	41,798
Other current assets	12,727	11,085
Total current assets	**229,512**	**205,590**
TOTAL ASSETS	**328,440**	**290,662**
SHAREHOLDERS' EQUITY		
Share capital	10,000	98,300
Legal reserve	151	71
Share premium reserve	(8,300)	(8,300)
Other reserves	42,527	(47,311)
Retained earnings	2,778	2,952
Shareholders' equity attributable to owners of the parent	**47,156**	**45,712**
Shareholders' equity attributable to minority interests	22,252	22,026
TOTAL SHAREHOLDERS' EQUITY	**69,408**	**67,738**
LIABILITIES		
Non-current liabilities:		
Non-current bank payables	49,632	40,236
Non-current liabilities for rights-of-use and leasing	10,948	10,151
Non-current payables for put options	28,774	28,603
Personnel provisions	5,526	4,799
Non-current trade receivables	876	1,151
Provisions for risks and charges	2,288	1,375
Other non-current liabilities	3,918	1,548
Total non-current liabilities	**101,962**	**87,863**
Current liabilities:		
Current bank payables	2,022	489
Current liabilities for rights-of-use and leasing	2,984	3,512
Current payables for put options	1,400	2,848
Liabilities for derivative financial instruments	93	120
Current trade payables	75,867	75,966
Other current liabilities	74,704	52,126
Total current liabilities	**157,070**	**135,061**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**328,440**	**290,662**

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Consolidated income statement

(Euro thousands)	H1	
	2019	**2018**
Revenue from contracts with customers	120,839	99,582
Other revenues and income	2,775	1,173
Total revenues	123,614	**100,755**
Service costs	(34,180)	(35,392)
Finished products, raw materials and consumables	(53,152)	(36,814)
Personnel costs	(27,838)	(19,487)
Other costs and operating charges	(1,540)	(777)
Amortisation, depreciation and write-downs	(4,605)	(4,220)
Impairment of assets	(181)	840
Other net provisions	(233)	-
EBIT	1,885	**4,905**
Financial income	1,470	11
Financial charges	(933)	(646)
Income/(charges) from investments carried at equity	(101)	-
Exchange gains/(losses)	(160)	(1,009)
Profit before taxes	**2,161**	**3,261**
Income taxes	(452)	(1,123)
Net profit for the period	**1,709**	**2,138**
Minority interest net profit	397	675
Group net profit	1,312	**1,463**
Basic earnings per share	0.07	0,15**
Diluted earnings per share	0.07	0,15**

Comprehensive consolidated income statement

(Euro thousands)	H1	
	2019	**2018**
Net profit for the period	**1,709**	**2,138**
Actuarial gains/(losses) defined benefit plans	83	83
Tax effect	(20)	(20)
Other income items not to be reversed to income statement in subsequent periods	**63**	**63**
Profits/(losses) from conversion of accounts of overseas companies	102	173
Other income items to be reversed to income statement in subsequent periods	**102**	**173**
Comprehensive income for the period	**1,874**	**2,374**
Minority interest net profit	397	2,253
Group comprehensive income for the period	**1,477**	**121**

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Calculation of EBITDA

	H1	
Euro thousands	**2019**	**2018**
Net profit for the period	1,709	2,138
Income taxes	452	1,123
Exchange gains/(losses)	160	1,009
Income/(Charges) from investments in other companies measured at equity	101	-
Financial charges	933	646
Financial income	(1,470)	(11)
Impairment of assets	181	(840)
Other net provisions	233	-
Amortisation, depreciation and write-downs	4,605	4,220
Other non-monetary costs	162	-
Accessory costs for investment purchases	174	108
Non-recurring income and charges	536	-
EBITDA	**7,776**	**8,393**

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Consolidated Cash Flow Statement

(Euro thousands)	H1 2019	H1 2018
Profit before taxes	**2,161**	**3,261**
Adjustments for:		
Amortisation, depreciation and write-downs	4,605	4,220
Write-downs of financial assets & other net provisions	339	(840)
Income/(charges) from investments carried at equity	101	
Net financial charges & exchange gains/(losses)	(299)	1,644
Other non-cash changes	(1,471)	(2,405)
Cash flow generated from operating activities before working capital changes	**5,436**	**6,240**
Change in working capital:		
- Inventories	(9,471)	(8,446)
- Trade receivables	1,105	2,796
- Trade payables	(3,552)	(4,386)
- Other changes in working capital	20,667	6,314
Cash flow from changes in working capital	**8,748**	**(3,722)**
Income taxes paid	-	-
Personnel provisions & risk provisions	671	(2,588)
Cash flow generated from operating activities	**14,856**	**(70)**
Cash flow absorbed by investing activities		
Investments and divestments in		
- intangible and tangible assets	(9,430)	(7,002)
- right-of-use assets	(2,109)	(2,383)
- equity investments	(2)	(348)
Change in current and non-current financial assets	(40)	465
Acquisitions net of liquidity acquired	(339)	(4,891)
Cash flow from investing activities	**(11,920)**	**(14,159)**
Cash flow from financing activities		
Draw-down/(repayment) current bank loans	(600)	-
Draw-down/(repayment) non-current bank loans	9,913	-
Change in bank payables	(379)	21,356
Change in lease liabilities	(1,187)	(2,047)
Net paid financial charges	(889)	(1,627)
Dividends paid	(174)	(150)
Other	-	803
Cash flow from financing activities	**6,684**	**18,335**
Net cash flow in the period	**9,619**	**4,106**
Opening cash and cash equivalents	41,798	15,873
Closing cash and cash equivalents	51,417	19,979

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