Annual Financial Report 2019

CFT Group

Courtesy translation for the convenience of international readers.

The Italian text shall prevail over the English version.

SUMMARY

CFT S.p.a. Company Details

Registered and administrative office

CFT S.p.A

Via Paradigna 94/A

43122 Parma

Legal information

Share capital: Euro 10,000,000

No. of ordinary shares with no par value: 16,026,357

No. of multiple voting right shares with no par value: 3,000,000

No. of special shares with no par value: 133,334

Tax code and companies register no. 09935170960

Parma C.C.I.A.A economic administrative register no. 274277

SDI code IVV78YO

Corporate website: www.cft-group.com

CFT S.p.A Corporate Bodies

Board of Directors[1]

Roberto Catelli	Chairman of the Board of Directors
Alessandro Merusi	Chief Executive Officer
Livia Catelli	Director
Adele Catelli	Director
Niccolò Querci	Director
Gino Lugli	Director
Stefano Malagoli	Director
Stefano Rossi[2]	Director
Daniele Raynaud[2]	Director

Board of Statutory Auditors[3]

Guido Riccardi	Chairman of the Board of Statutory Auditors
Andrea Foschi	Statutory Auditor
Angelo Anedda	Statutory Auditor
Giovanni Tedeschi	Alternate Auditor
Cesare Giunipero	Alternate Auditor

[1] The Board of Directors was appointed by a resolution of the shareholders' meeting of the then Glenalta S.p.A on 19th April 2018, effective from the date of the merger on 30 July 2018, and will remain in office until approval of the financial statements as at 31 December 2020.
[2] Independent Director pursuant to the provisions of Article 174 of the Consolidated Law on Finance (TUF)
[3] The Board of Statutory Auditors will remain in office until approval of the financial statements as at 31 December 2020.

Related Parties Committee

Gino Lugli	Chairman
Daniele Raynaud	Member
Stefano Rossi	Member

Remuneration Committee

Stefano Malagoli	Chairman
Daniele Raynaud	Member
Stefano Rossi	Member

Extraordinary Transactions Committee

Alessandro Merusi	Chairman
Daniele Raynaud	Member
Stefano Malagoli	Member

Independent External Auditor[4]

PricewaterhouseCoopers S.p.A.

[4] The external auditor was appointed for the period 2018/2020

CFT Group Summary Information

(Thousands of Euros)	31.12.2019	31.12.2018
Revenue	251,323	223,759
Ebitda	17,518	17,016
Ebitda %	6.97%	7.60%
Profit	5,930	3,195
NFD	43,354	14,238
Group Equity	51,912	45,712

CFT Group makes use of certain alternative performance measures that, while not recognised or defined as accounting measures under IAS/IFRS, enable a better assessment of the Group's performance. Such measures are used to comment on performance in accordance with the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by Consob Communication no. 9543 of December 3, 2015. The alternative performance measures used are described below:

EBITDA: defined as net profit (or loss) for the year adjusted for:

(i) Income taxes;
(ii) Finance income and expenses;
(iii) Depreciation and amortisation
(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
(+) Financial payables
(+) Current and non-current lease liabilities

CFT Group increased its product offering during 2019, through the acquisition of Siapi S.r.l., a company 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.

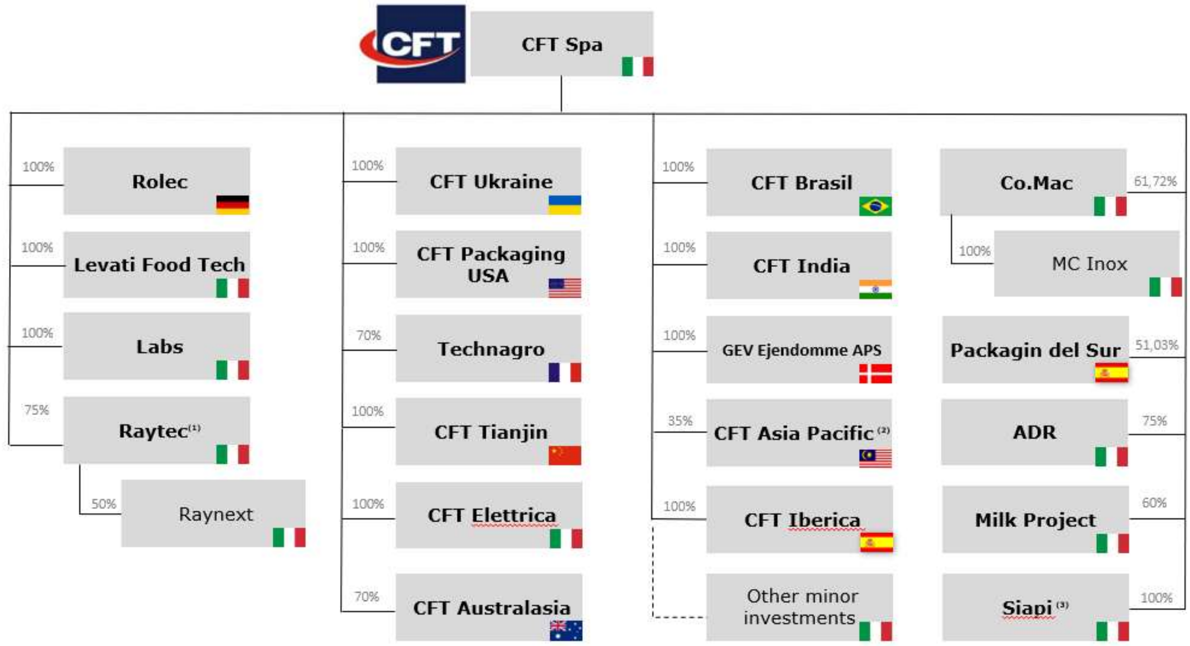
CFT Group consolidated revenues for the year ended 31 December 2019 amounted to Euro 251,323 thousand, an increase of 12.3% with respect to the previous year (an increase of 1% with respect to 2018 pro forma consolidated revenues of Euro 248,589 thousand).

EBITDA for the year ended 31 December 2019 amounted to Euro 17,518 thousand, an increase of 3 percentage points with respect to the previous year (a decrease of 16 percentage points with respect to the 2018 pro forma consolidated EBITDA of Euro 20,854 thousand), while profit for the year ended 31 December 2019 amounted to Euro 5,930 thousand.

Group net financial debt and equity at 31 December 2019 amounted to Euro 43,354 thousand and Euro 51,912 thousand respectively.

CFT Group Structure

As at 31 December 2019, the CFT Group included CFT S.p.A. (the Parent), its subsidiaries (consolidated on a line by line basis) and its associates.



1)Raytec also holds 49% of Gemini, 5% of DNA Phone and 1,08% of Xnext; 2) CFT Asia Pacific holds 60% of CFT Vietnam; 3) Siapi holds 100% of Siapi America Inc

DIRECTORS' REPORT ON OPERATIONS

Dear Shareholders

We hereby submit the separate financial statements of CFT S.p.A. and the consolidated financial statements of CFT Group (hereafter ''**CFT**'', the ''**Company**'' or the ''**Parent**'' and together with its subsidiaries and associates the ''**Group**'' or the "**CFT Group**"), a company incorporated and domiciled in Italy, with registered offices in Parma (PR), Via Paradigna 94/A, organised under the laws of the Republic of Italy.

Introduction

As permitted by Legislative Decree 32/2007 regarding companies required to prepare consolidated financial statements, the Parent company CFT S.p.A. has opted to present a single Directors' Report on Operations to accompany both its annual financial statements and consolidated financial statements and, therefore, this Report on operations provides details regarding the entire consolidation.

Significant events during the year

Key events during the year included the following:

- On 9 May 2019, CFT S.p.A. acquired 100% of the share capital of Siapi S.r.l., a company based in Conegliano - 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 2 October 2019, CFT S.p.A. exercised the option to acquire 40% of the share capital of Rolec, thereby increasing its shareholding in the company from 60% to 100%.

As explained in the interim report, on 12 June 2019 notification was received of a search and seizure order involving documentation held by the Company, issued by the Parma Public Prosecutor in relation to an investigation into alleged offences pursuant to: i) Article 81 of the Italian Penal Code and Article 2621 of the Italian Civil Code, regarding fiscal years 2013 to 2016, and Article 2 of Legislative Decree 74/2000, regarding fiscal years 2015 and 2016, involving the Company's Chief Executive Officer; and ii) Article 81 of the

Italian Penal Code and Article 2621 of the Italian Civil Code regarding fiscal years 2013 to 2016, involving the Chairman of the Board of Directors. At the current date, the investigation has not yet been concluded, however, the company trusts that the results of the investigation will demonstrate the propriety of its actions. It is also noted that, to date, the company has not been included in any investigation pursuant to the terms of Legislative Decree n. 231/2001.

On 25 June 2019, CFT was served with a tax audit assessment report (Processo Verbale di Constatazione – "PVC"), in which the Tax Police made claims regarding alleged tax infringements relating to fiscal years 2014, 2015 and 2016. Assisted by its tax advisers, the Company initiated proceedings against the competent office of the Tax Authorities (the "**Office**"), restating the propriety of its actions and reaffirming its arguments, supported by documentation in this regard in the form of depositions and related attachments provided to the office.

In light of the representations and documentary evidence provided by CFT during the related proceedings, on 11 November 2019 the DRE Office drafted a proposal regarding settlement of the claims made in the tax audit assessment report (the "**Tax Settlement Proposal**"); the total cost to CFT, including taxes, penalties and late payment interest amounted to approximately Euro 455 thousand, as compared to a potential liability based on the claims made in the tax audit assessment report of Euro 1.2 – 1.7 million, representing estimated taxes, penalties and late payment interest as at 31 December 2019.

Without prejudice to the propriety of its actions and the existence of valid defensive arguments in support thereof, as reiterated during the related proceedings with the Office, the Company considered it appropriate to consider all aspects of the Tax Settlement Proposal including: (i) the risk associated with any tax litigation, especially litigation involving claims relating to a case in which reconstruction of the facts of the matter is complex; and (ii) the related economic convenience, based on a comparison between the cost to CFT set out in the Tax Settlement Proposal, amounting to Euro 455 thousand, and the cost based on the assessments issued by the Office in the event of non-acceptance of the settlement; namely, around Euro 460 thousand in higher taxes and late payment interest up to 31 December 2019 of Euro 50 thousand, for a total amount of Euro 510 thousand, plus penalties ranging from Euro 525 thousand (applying the minimum amounts prescribed by law for the violations covered by the tax audit assessment) to Euro 1.2 million (applying the maximum amounts prescribed by law).

Based on the above, the saving resulting from acceptance of the Tax Settlement Proposal as compared to the potential exposure resulting from litigation ranged between 66% (i.e. Euro 455 thousand v Euro 1.35 million) and 79% (i.e. Euro 455 thousand v Euro 1.7 million)

In view of the above, the Company accepted the Tax Settlement Proposal and on 22 November 2019 the acceptance note setting out the terms of the Office's Proposal and CFT's agreement thereto was prepared; the acceptance note also included a statement in which the Company again contested the validity of the claims made against it, restated the propriety of its actions and the fact that it had provided the Office with related supporting documentation and explained that it had decided to accept the Tax Settlement Proposal solely for reasons of economic convenience and in order to avoid litigation and the associated costs and time demands. On the same date, the parties also signed the settlement agreement to close the proceedings.

The company completed the tax settlement procedure by paying the amounts due in two tranches, totalling Euro 458 thousand, in November and December 2019,

Macroeconomic context

The International Monetary Fund (IMF) reports a general slowdown in the global economy, with growth estimates stuck at around 3%; the slowdown is explained by an increase in trade barriers, ongoing geopolitical tensions and reduced productivity growth. The IMF forecasts a downward correction for the developing economies, notably India and Latin America, with GDP in the USA remaining stable in 2019 at 2.4%.

The forecasts made at the end of 2019, however, with regard to the Euro area and in particular Italy, will need to be revised to take into account the Covid-19 emergency, which will have significant repercussions on growth not only in the Italian economy but also in the economies of most other European nations.

The dramatic evolution of the public health crisis in Europe, especially in Italy, will result in a significant reduction in consumption, with recent estimates predicting a GDP contraction of around 3 percentage points.

Alternative performance measures

In addition to references to recognised IFRS financial measures, this report 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 amortisation; (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.

The following table shows how Ebitda is calculated:

	As at December 31	
(Thousands of Euros)	2019	2018
Profit for the period	5,930	3,195
Income Taxes	917	1,687
Profit/(Loss) from foreign exchange	351	1,414
Profit/(Loss) from investments accounted for using the equity method	296	(80)
Financial Expenses	2,255	1,718
Financial Income	(7,800)	(183)
Depreciation of financial assets	316	800
Other net provisions	707	(1,019)
Depreciation and amortization of property, plant and equipment, intangibles assets	12,110	8,582
Other non-monetary movements	324	134
Other costs for equity investments	211	768
Non-recurrent income or expenses	1,900	-
EBITDA	17,518	17,016

The following table shows the calculation of earnings before tax adjusted to exclude extraordinary income and expenditure during the year (ADJUSTED EBT).

	As at December 31
	2019
Profit for the period	5,930
Income Taxes	917
EBT	6,847
Other non-monetary movements	324
Other costs for equity investments	211
Non-recurrent income or expenses	1,900
Income from put option and Earn Out	(7,268)
Impairment Test Goodwill	1,500
Financial expenses from put option	343
EBT ADJUSTED	**3,858**

Operating segments

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses; ii) whose operating results are regularly reviewed by the entity's chief operating decision maker; and iii) for which discrete financial information is available.

The Company's operating segments are reflected in the internal reporting used by the Board of Directors to make decisions about strategy and resource allocation and assess performance.

For the purposes of IFRS 8, the Group organises and manages its business activities in terms of the following operating segments:

- the design, planning and production of turnkey solutions, including both individual machines and complete lines, for the transformation and processing of a wide range of food products, including the transformation of raw materials into semi-finished and/or finished products and the design and realisation of innovative solutions for the bottling and packaging of food and non-food products (lube oil) ("**Processing & Packaging**");
- development of a wide range of quality control and optical selection and inspection systems for fruit and vegetables ("**Sorting**").

(Thousands of Euros)	*31 December 2019*				*31 December 2018*			
	Processing & Packaging	*Sorting*	*Elimination*	*Total*	*Processing & Packaging*	*Sorting*	*Elimination*	*Totale*
Revenues towards third parties	225,979	25,344	0	251,323	198,605	25,154	0	223,759
Revenues between segment	1,154	326	(1,480)	0	623	686	(1,309)	0
Total Revenues	227,132	25,670	(1,480)	251,323	199,228	25,840	(1,309)	223,759
EBITDA	14,241	3,237	20	17,518	12,783	4,233	0	17,016

Third-party revenue in the Processing & Packaging segment amounted to Euro 225,979 thousand in 2019, continuing a year on year growth trend aided by the acquisitions made by the company during the previous year.

Results in the "Sorting" segment were in line with the previous year, with revenues of Euro 25,344 thousand

Review of Group results

CFT Group consolidated revenues amounted to Euro 251 million in 2019 as compared to Euro 223 million in the previous year, an increase of 12.3%. Operating profit for the year amounted to Euro 1,950 thousand as compared to Euro 7,751 thousand for the year ended 31 December 2018 as a result of a decrease in operating profitability.

(Thousands of Euros)	31.12.2019	31.12.2018
Revenue	251,323	223,759
Other Revenue	3,079	2,569
Total Revenue	**254,402**	**226,328**
Cost of services	(68,344)	(65,842)
Cost of raw material, ancillary and goods for resale	(113,437)	(97,772)
Personnel Costs	(54,566)	(44,402)
Other operating costs	(2,973)	(2,198)
Depreciation and amortization of property, plant and equipment, intangibles assets	(12,110)	(8,582)
Depreciation of financial assets	(316)	(800)
Other net provisions	(707)	1,019
Operating profit	**1,950**	**7,751**
Financial Income	7,800	183
Financial Expenses	(2,255)	(1,718)
Profit/(Loss) from investments accounted for using the equity method	(295)	80
Profit/(Loss) from foreign exchange	(351)	(1,414)
Profit before tax	**6,847**	**4,882**
Income taxes	(917)	(1,687)
Profit for the year	**5,930**	**3,195**
Profit for the year attributable to non-controlling interests	1,233	2,238
Profit for the year attributable to equity holders of the Parent	**4,697**	**957**

Group statement of financial position

The following table shows the Group's reclassified statement of financial position as at 31 December 2019 and 31 December 2018.

(Thousands of Euros)	31.12.2019	31.12.2018	Change
Trade and other receivables	56,104	61,737	(5,633)
Inventories	92,709	88,039	4,670
Trade and other payables	(70,599)	(75,966)	5,367
Income tax receivables	5,321	2,834	2,487
Other current assets	9,995	11,085	(1,090)
Other current liabilities (excluding Put Option)	(54,548)	(52,026)	(2,524)
Net working capital	**38,980**	**35,703**	**3,277**
Property, plant and equipment	54,037	34,129	20,051
Intangibles Assets	50,659	44,609	5,909
Financial Assets	7,267	6,334	933
Total non-current assets	**111,962**	**85,072**	**26,892**
Employee funds	(4,538)	(4,799)	261
Current and non-current Put Option debt	(22,646)	(31,451)	8,805
Other assets/(liabilities)	(6,731)	(2,549)	(4,182)
NET CAPITAL EMPLOYED	117,029	81,976	35,053
Cash and cash equivalent	36,027	41,798	(5,771)
Current bank borrowings	(2,129)	(489)	(1,640)
Non-current bank borrowings	(59,306)	(40,236)	(19,070)
NET FINANCIAL BANK INDEBTEDNESS	(25,408)	1,073	(26,481)
Financial receivables	0	0	0
Current lease liabilities	(3,874)	(3,512)	(362)
Non current lease liabilities	(12,839)	(10,151)	(2,688)
Financial Payables	(1,233)	(1,648)	415
NET FINANCIAL INDEBTEDNESS	(43,354)	(14,238)	(29,116)
Group Equity	(51,912)	(45,712)	(6,200)
Third parties Equity	(21,763)	(22,026)	263
Total Equity	**(73,675)**	**(67,738)**	**(5,937)**
TOTAL CASH FLOW	(117,029)	(81,976)	(35,053)

Net working capital amounted to Euro 38,980 thousand compared to Euro 35,703 thousand at the prior year end.

Fixed assets increased from Euro 85,072 thousand at 31 December 2018 to Euro 111,962 thousand at 31 December 2019 as a result of significant additions to both property, plant and equipment and intangible assets during the year.

Net financial debt as at 31 December 2019 amounted to Euro 43,354 thousand, an increase of Euro 29 million with respect to the previous year end; for further details see the consolidated statement of cash flows.

Key financial indicators

Further information on the Group's results and financial position is shown in the following table, which provides details of certain key financial indices.

(In Euro migliaia)	31.12.2019	31.12.2018
Ebitda	17,518	17,016
Ebitda/Revenue	6.97%	7,60%
NFD/Ebitda	2.47	0.84
NFD/Group Equity	0.84	0.31

Related party transactions

As required by the AIM Italia Issuers' Regulation, the Company has a procedure governing related party transactions, the "Related Parties Procedure", which is published in the "Investor Relations" section of the corporate website www.cft-group.com.

In accordance with Article 2428 of the Italian Civil Code, details of receivables and payables and income and expenditure with subsidiaries, associates, controlling entities and entities under the control of the latter are disclosed in the information on related party transactions in the Notes to the Consolidated Financial Statements.

Human resources

During 2019, an accident resulting in the death of an employee occurred at one of production plants owned by Co.Mac. Srl. while maintenance work was being carried out by an external company.

Criminal proceedings relating to the accident are currently pending completion of the preliminary examination stage and the prosecution has appointed a consultant to reconstruct the facts of the matter.

Co.Mac. Srl is covered by an adequate insurance policy and has in place an appropriate Organisation Management and Control Model in accordance with Legislative Decree 231/01. Co.Mac. is not under investigation in this regard.

No charges were reported during the period in respect of occupational illness, regarding employees or ex-employees, or mobbing for which the company has been found to be liable.

Reference is made to the note on "Significant events occurring after the reporting period" for details regarding the policies put in place to deal with Covid-19 emergency.

Environment

During the year under review, no sanctions or penalties were imposed on the Parent company or its subsidiaries for environmental offences or damages and there are no pending lawsuits in this respect.

Research and development

During 2019, all CFT Group companies continued their research and development activities, employing both internal and external resources in the realisation of projects aimed at the modernisation of machinery with a view to achieving performance optimisation and technological improvement. CFT Group considers research and development to be fundamental to its being competitive and able to customise and improve the various products offered. For further details see the explanatory note in the "Notes to the consolidated statement of comprehensive income"

Treasury shares

As at 31 December 2019, the Company held 1,001,683 treasury shares, of which:

- 868,065 obtained through the Business Combination; and
- 133,618 obtained through the Buy Back agreement entered into on 23 September 2019 with Intermonte SIM Spa and approved by the shareholders' meeting of 10 May 2019.

Risk factors

In conducting its business, CFT Group is exposed to the following risks that may have an impact on its financial position and operations:

Risks related to general market conditions

Market risk is linked to trends for processed products in the reference market segment. Such risk is mitigated through diversification of the product portfolio and the importance of technical assistance and original spare parts support. Market risk is also impacted by potential emergencies and in this regard reference is made to the Note on "Significant events occurring after the reporting period".

Credit risk

The Group is exposed to risks related to delays in receiving customer payments and more generally to difficulties in cashing receivables. The Group manages such risk by monitoring receivables on an ongoing basis and applying various levels of follow up action, depending on the specific knowledge held regarding individual customers and the length of time that payment is overdue. In view of the measures in place to monitor such risk, the allowance for doubtful receivables is considered to be adequate with respect to existing credit risk.

Liquidity risk with respect to financial requirements

The Group manages liquidity risk with respect to its financial requirements through financial planning based on the monitoring of liquidity and both short and medium-term cash flows.

Risks related to fluctuations in exchange rates and interest rates

In order to mitigate risks linked to exchange rate fluctuations, the Group enters into currency hedge transactions when customer orders are accepted. The Parent company is also exposed to the risk associated with translating the financial statements of certain Group companies that are prepared in currencies other than the Euro.

Reconciliation between Parent company shareholders' equity and net profit (loss) for the year and equivalent Group figures as at December 31, 2019

The following table shows details of the reconciliation between Parent company shareholders' equity and the related consolidated financial statement Group balances as at 31 December 2019.

(Thousands of Euro)	Shareholder's Equity 31.12.2019	Net profit (loss) for the year 31.12.2019
Parent Company Shareholders' Equity and net profit (loss)	76,098	(2,422)
- subsidiary company put option liabilities	(22,646)	7,405
- effect of IAS 19 on employee severance indemnity	(188)	58
- profit / (loss) from investments accounted for using the equity method	89	(41)
- other differences	(1,440)	(303)
Group Shareholders' Equity and net profit (loss) at 31.12.2019	51,913	4,697
Equity and net profit (loss) attributable to Minority Interests	21,763	1,233
Total consolidated Shareholders' Equity and net profit (loss) at 31.12.2019	73,676	5,930

Significant events occurring after the reporting period

During the second half of February 2020, certain Group companies, including the Parent, found themselves having to deal with the COVID-19 emergency. Faced with such a sudden and unexpected emergency, the company established a committee charged with monitoring the situation on an ongoing basis and taking all necessary decisions to manage the emergency. Specifically, to ensure the ongoing functioning of the entire organization and minimise the impacts of the emergency situation, smart-working arrangements have been introduced for all clerical staff and restrictive measures, regarding both health and hygiene matters and physical access to production plants, have been introduced to protect the health of all staff employed in production areas.

It is undeniable, however, that the aforementioned COVID-19 pandemic has generated a climate of great uncertainty and, while it is still not yet possible to calculate the effects of the pandemic on current year results, the Group has initiated a review aimed at limiting negative effects on results, including through the introduction of certain cost containment measures. The Group's equity and financial structure, however, will ensure it has the financial autonomy to forge ahead with operations and implementation of its business development strategies.

Nevertheless, while there are no significant matters to highlight at present, management cannot rule out the possibility that there will be an impact on order levels in the coming months or delays in the delivery and installation of completed orders expected to be despatched in the first six months of the year.

Notwithstanding the fact that the Decree of the Ministry of Economic Development of 25 March 2020 restricted the list of economic activity codes (Ateco codes) included in the Decree of the President of the Council of Ministers (DCPM) approved on 22 March 2020, the following point is noted: operations are continuing under the "Manufacture of automatic dosing, wrapping and packaging machines" Ateco code, which is among those permitted following the aforementioned restriction and is listed as a secondary activity of CFT S.p.A. in the Register of Companies.

With regard to the "Manufacture of machinery for food, beverage and tobacco processing", CFT S.p.A.'s primary activity per the Register of Companies, it is noted that the Parma Prefect was informed on 26 March 2020 of the specific companies that benefit from the products and services provided by the Company and that based on such communication operations are ongoing as they are considered necessary to ensure the continuation of the food process supply chain.

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On 5 February 2020, CFT S.p.A. acquired 20% of the share capital of its subsidiary Levati Food Tech S.r.l., increasing its total shareholding from 80% to 100% of the company's shares. The consideration for the acquisition was Euro 500,000.00, paid partly in cash and partly through the transfer of CFT ordinary shares.

Outlook

CFT Group expects to continue on its growth path, by strengthening its position in the global marketplace and searching for new business opportunities at an international level.

Proposed allocation of the Parent company's profit for the year

Dear Shareholders,

Following your review of the financial statements for the year ended 31 December 2019, it is proposed that you:

- approve CFT S.p.A's annual financial statements as at and for the year ended 31 December 2019; and
- offset the loss of Euro 2,422,322 against available reserves.

Chairman of the Board of Directors

Roberto Catelli

Parma, 30 March 2020

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Financial Position

(Thousands of Euros)	*Note*	As at December 31,	
		2019	2018
ASSETS			
Non-current assets:			
Right of use assets	8.1	16,675	13,490
Property, plant and equipment	8.2	37,362	20,639
Intangible assets	8.3	50,659	44,609
Investments accounted for using the equity method	8.4	233	426
Deferred tax assets	8.5	5,141	4,117
Non-current financial assets	8.6	1,893	1,791
Total non-current assets		111,962	85,072
Current assets:			
Inventory	8.7	92,709	88,039
Derivative financial instruments		-	97
Trade and other receivables	8.8	56,104	61,737
Income tax receivables	8.9	5,321	2,834
Cash and cash equivalents	8.10	36,027	41,798
Current financial assets	8.11	9,995	11,085
Total current assets		200,156	205,590
TOTAL ASSETS		312,118	290,662
EQUITY			
Share capital	8.12	10,000	98,300
Statutory reserve	8.12	151	71
Share premium reserve	8.12	-	(8,300)
Other reserves	8.12	35,642	(47,311)
Retained earnings	8.12	6,119	2,952
Equity attributable to equity holders of the Parent		51,912	45,712
Non-controlling interests	8.12	21,763	22,026
TOTAL EQUITY		73,675	67,738
LABILITIES			
Non-current liabilities			
Non-current bank borrowings	8.13	59,306	40,236
Non-current lease liabilities	8.1	12,839	10,151
Non-current put option liabilities	8.14	22,646	28,603
Employee defined benefit payables	8.15	4,538	4,799
Non-current trade payables	8.16	906	1,151
Provisions for risks and charges	8.18	2,839	1,375
Other non-current liabilities	8.19	4,113	1,548
Total non-current liabilities		107,187	87,863
Current liabilities:			
Current bank borrowings	8.13	2,129	489
Current lease liabilities	8.1	3,874	3,512
Current put option liabilities	8.14	-	2,848
Income tax payables	8.9	78	-
Derivative financial instruments	8.17	106	120
Current trade payables	8.16	70,599	75,966
Other current liabilities	8.19	54,470	52,126
Total current liabilities		131,257	135,061
TOTAL EQUITY AND LIABILITIES		312,118	290,662

Consolidated Statement of Profit or Loss

(Thousands of Euros)	*Note*	For the year ended December 31, 2019	2018
Revenue	9.1	251,323	223,759
Other revenue	9.2	3,079	2,569
Total revenue		**254,402**	**226,328**
Cost of services	9.3	(68,344)	(65,842)
Cost of raw material, ancillary and goods for resale	9.4	(113,437)	(97,772)
Personnel costs	9.5	(54,566)	(44,402)
Other operating costs	9.6	(2,973)	(2,198)
Depreciation and amortization of property, plant and equipment and intangible assets	9.7	(12,110)	(8,582)
Depreciation of financial assets	9.8	(316)	(800)
Other net provisions	9.8	(707)	1,019
Operating profit		**1,950**	**7,751**
Financial income	9.9	7,800	183
Financial expenses	9.9	(2,255)	(1,718)
Profit / (loss) from investments accounted for using the equity method	9.10	(296)	80
Profit / (loss) from foreign exchange	9.9	(351)	(1,414)
Profit before tax		**6,847**	**4,882**
Income taxes	9.11	(917)	(1,687)
Profit for the year		5,930	**3,195**
Profit for the year attributable to non-controlling interests		1,233	2,238
Profit for the year attributable to equity holders of the Parent		**4,697**	**957**
Earnings per share	9.12	0.26	0.07
Diluted earnings per share	9.12	0.26	0.07

Consolidated Statement of Comprehensive Income

(Thousands of Euros)	*Note*	For the year ended December 31, 2019	2018
Profit for the year		5,930	3,195
Actuarial gains / (losses) on post-employment benefit obligations	8.15	(135)	86
Tax effect	8.15	32	(21)
Net other comprehensive income not being reclassified to profit or loss in subsequent year		(103)	65
Exchange rate gains / (losses) on the translation of foreign currency financial statements	8.12	429	173
Net other comprehensive income to be reclassified to profit or loss in subsequent year		429	173
Total comprehensive income		6,256	3,433
Total comprehensive income attributable to non-controlling interest		1,233	2,238
Total comprehensive income attributable to the equity holders of the Parent		5,023	1,195

Consolidated Statement of Changes in Equity

(Thousands of Euros)	Share Capital	Statutory reserve	Share premium reserve	Other reserves	Retained earnings	Total Equity attributable to the equity holders of the Parent	Total Equity attributable to non-controlling interests	Total Equity
Balance at of 1 January 2018	11,800	388	-	1,857	(152)	13,893	3,953	17,846
Transactions with shareholders:								
Allocation of earnings	-	-	-	-	957	957	2,238	3,195
Changes of the translation reserve	-	-	-	173	-	173	-	173
Actuarial gains on post-employment benefit obligations	-	-	-	-	65	65	-	65
Total comprehensive income	-	-	-	173	1,022	1,195	2,238	3,433
Transaction with shareholders:								
Allocation earnings for the prior year	-	237	-	4,419	(4,652)	-		-
Lease carve-out	-	-	-	(19,034)	1,109	(17,925)		(17,925)
Glenalta contribution	86,500	(550)	(8,300)	1,759	981	80,390		80,390
Put Option	-	-	-	(28,432)	-	(28,432)		(28,432)
Business combinations	-	-	-	-	-	-	15,985	15,985
Dividends	-	-	-	-	-	-	(150)	(150)
Other movements								
Stock Grant	-	-	-	134	-	134		134
CFT IPO's costs	-	-	-	(3,253)	-	(3,253)		(3,253)
Balance as at 31 December 2018	98,300	71	(8,300)	(47,311)	2,952	45,712	22,026	67,738
Balance at of 1 January 2019	98,300	71	(8,300)	(47,311)	2,952	45,712	22,026	67,738
Total comprehensive income:								
Allocation of earnings	-	-	-	-	4,697	4,697	1,233	5,930
Changes of the translation reserve	-	-	-	429	-	429	-	429
Actuarial gains on post-employment benefit obligations	-	-	-	(170)	-	(170)	-	(170)
Total comprehensive income	-	-	-	259	4,697	4,956	1,233	6,189
Transaction with shareholders:								
Allocation earnings for the prior year	-	80	-	1,516	(1,596)	-	-	-
Dividends	-	-	-	-	-	-	(174)	(174)
Derivatives	-	-	-	16	-	16	28	45
Purchase of treasury shares	-	-	-	(425)		(425)	-	(425)
Stock Grant	-	-	-	323	-	323	-	323
Change in consolidation scope	-	-	-	1,364	-	1,364	(1,350)	14
Changes in equity	(88,300)	-	-	88,300	-	-	-	-
Other movements and adjustments	-	-	-	(8,400)	66	(34)	-	(34)
Balance as at 3 1 December 2019	10,000	151	(8,300)	(35,642)	6,119	51,912	21,763	73,765

For further details, see Note 8.12 "Equity"

Consolidated Statement of Cash Flows

(Thousands of Euros)	*Note*	For the year ended December 31, 2019	2018
Profit before tax		6,847	4,882
Adjustments:			
Depreciation and amortization of property, plant and equipment and intangible assets	9.7	12,110	8,582
Depreciation of financial assets and other net provisions	9.8	1,023	(219)
Profit / (loss) from investments accounted for using the equity method	9.10	296	(80)
Net financial expenses and Profit / (loss) on foreign exchange	9.9	(5,194)	2,949
Capital gain / (loss) from disposal of assets		-	-
Other non-monetary movements		(3,411)	247
Cash flow from operating activities before changes in net working capital		**11,671**	**16,361**
Changes in net working capital:			
- Inventory	8.7	(1,623)	(4,212)
- Trade receivables	8.8	7,714	(1,493)
- Trade payables	8.16 8.11	(8,790)	4,261
- Other changes in net working capital	8.19	(278)	(10,486)
Net cash flow from changes in net working capital		(2,977)	(11,930)
Income tax paid	9.11	1,902	(3,614)
Employee defined benefit payables and provisions for risks and charges	8.15	(191)	853
Net cash flow provided by / (used in) operating activities (A)		10,406	530
Net cash flow provided by / (used in) financing activities:			
Investments in:			
-Intangible assets and Property, plant and equipment	8.2	(26,803)	(12,289)
- Right of use	8.6	(3,185)	(2,383)
-Equity investments		(213)	(284)
Changes in current and non-current financial assets	8.6	26	(499)
Deferred price of equity investments	8.19	-	(100)
Net assets acquired	7	(839)	(19,338)
Net cash flow provided by / (used in) investing activities (B)		(31,006)	(35,003)
Net cash flow provided by / (used in) financing activities:			
Current bank borrowings	8.13	-	(18,943)
Non-current bank borrowings	8.13	20,000	6,206
Financing from shareholders	8.19	-	1,548
Changes of bank borrowings liabilities		(1,358)	
Changes of lease liabilities	8.1	(34)	(2,579)
Change of Put Option liabilities	8.14	(1,400)	
Net financial expenses paid		(1,719)	(2,479)
Dividends paid		(174)	(150)
Purchase of treasury shares	8.12	(425)	(4,840)
Glenalta Contribution and CFT IPO's costs paid		-	76,782
Other		-	13
Net cash flow provided by / (used in) financing activities (C)		14,890	60,398
Total cash flow provided / (used) in the year (A+B+C)		(5,771)	25,925
Cash and cash equivalents at the beginning of the period	8.10	41,798	15,873
Cash and cash equivalents at the end of the period	8.10	36,027	41,798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

1. General information

1.1 Introduction

CFT S.p.A. (hereafter ''**CFT**'', the ''**Company**'' or the ''**Parent**'' and together with its subsidiaries and associates ''**CFT Group**'' or the "**Group**") is a company with shares listed on the AIM Italia/Alternative Investment Market organised and managed by Borsa Italiana S.p.A. since 30 July 2018; the company is the result of the merger by incorporation of CFT S.p.A. into Glenalta S.p.A., a company established on 22 May 2017 under Italian law, as a Special Purpose Acquisition Company (SPAC), and admitted to trading on the AIM Italia/Alternative Investment Market organised and managed by Borsa Italiana S.p.A., on 17 July 2017.

CFT S.p.A. is a company incorporated and domiciled in Italy, with registered offices in Parma (PR), Via Paradigna 94/A, organised under the laws of the Republic of Italy. The Company is jointly controlled by RPC S.r.l., A.E.A. S.r.l., Ma.Li. S.r.l. and F&B Capital Investments S.r.l., which together hold 62.39% of the voting share capital.

CFT Group operates internationally in the design and installation of plant and machinery, mainly for the food industry: it designs, manufactures and sells turnkey plant, both individual machines and complete lines, for the processing of food products, for the packaging of food and non-food (e.g. lube oil) products and for quality control and inspection purposes. Operations are carried out by the Parent CFT, together with a network of subsidiaries and associates, both in Italy and overseas, involved in both commercial and production activities.
The Group operates mainly in the following areas:

- the design, planning and production of turnkey solutions, including both individual machines and complete lines, for the transformation and processing of a wide range of food products, including the transformation of raw materials into semi-finished and/or finished products and the design and realisation of innovative solutions for the bottling and packaging of food and non-food products ("**Processing & Packaging**");
- development of a wide range of quality control and optical selection and inspection systems for fruit and vegetables **("Sorting")**.

2. Summary of significant accounting policies

2.1 Basis of preparation

As permitted by Legislative Decree No. 38 of February 28, 2005 as subsequently modified by Law Decree 91 of June 24, 2014, which regulates the exercise of options foreseen by Article 5 of Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, the Company has voluntarily adopted to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("International Accounting Standards").

The most significant accounting policies and measurement criteria used in the preparation of the Consolidated Financial Statements are described below.

2.2 Declaration of conformity with international accounting standards

CFT Group's Consolidated Financial Statements as at 31 December 2019 have been prepared in accordance with the International Accounting Standards adopted by the European Union, in force as at 31 December 2019. The designation ''EU-IFRS'' includes all "International Financial Reporting Standards", all "International Accounting Standards" ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (''IFRIC''), formerly the Standing Interpretations Committee (''SIC'').

The Consolidated Financial Statements were approved by the Company's Board of Directors on 30 March 2020 and have been audited by PricewaterhouseCoopers S.p.A., the Company's independent auditors.

2.3 General principles applied

In accordance with IAS 1, the Consolidated Financial Statements comprise a statement of financial position, a statement of profit or loss and other comprehensive income; a statement of changes in equity and a statement of cash flows, as well as explanatory notes; they are presented together with the Directors' Report on Operations.

The Group has elected to present the income statement with costs and revenues classified according to their nature, while assets and liabilities included in the statement of financial position are classified in terms of whether they are current or non-current. The statement of cash flows is prepared using the indirect method. The formats used are those considered to provide the best representation of the Group's results and financial position.

An asset is classified as current when:

- it is expected that it will be realised, or it is held for sale or consumption, during the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected that the asset will be realised within twelve months after the reporting period; or
- the asset is cash or a cash equivalent (unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period).

All other assets are classified as non-current. Specifically, IAS 1 uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature.

A liability is classified as current when:

- it is expected that it will be settled during normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there exists no unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

The Consolidated Financial Statements are prepared in Euro, the Company's functional currency. Financial amounts, explanatory notes and tables are presented in thousands of Euro.

The Consolidated Financial Statements have been prepared

- on the basis of existing EU-IFRS. Potential future developments and updates in interpretations will be reflected in future years, in accordance with guidance provided on a case by case basis by the relevant accounting standards;
- on a going concern basis, using the accrual basis of accounting, respecting the principle of materiality and significance, ensuring the prevalence of substance over form and with a view to facilitating consistency with future financial statements. Neither assets and liabilities nor income and expenses are offset, unless required or permitted by an IFRS;
- on a historical cost basis, except in relation to the measurement of financial assets and liabilities that under IFRS must be recognised at fair value.

2.4 Basis and principles of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its subsidiaries as approved by the respective boards of directors and prepared based on the accounting records of the individual companies, adjusted as necessary to align them with EU-IFRS.

The closing date of consolidated entities is aligned with that of the Parent company; where this is not the case, the companies in question prepare dedicated statements for use by the controlling entity.

The following table provides, for each of the subsidiaries and associates, a summary of the company name, location of registered office, percentage share capital held directly or indirectly by the Company and consolidation method used.

	Registered Office	Share Capital in € Thousands	% Sharehold in	Consolidation Method	As at 31 December 2019	As at 31 December 2018
Parent Company						
CFT S.p.A.	Parma	10,000	n.a.	n.a.	x	x
Subsidiaries						
Raytec Vision Spa	Italy	1,000	75	Full Consolidation	x	x
GEV Ejendomme A.p.s.	Denmark	731	100	Full Consolidation	x	x
CFT Ukraine L.L.C.	Ukraine	4,673	100	Full Consolidation	x	x
Catelli Food Technology Limited (CFT India)	India	81	100	Full Consolidation	x	x
CFT Food Equipment Co. L.t.d. (CFT Tianjin)	China	1,296	100	Full Consolidation	x	x
CFT Brasile	Brasil	230	99.86	Full Consolidation	x	x
CFT Packaging USA Inc	Usa	101	100	Full Consolidation	x	x
Labs Srl	Italy	188	100	Full Consolidation	x	x
Rolec Prozess GMBH	Germany	50	100	Full Consolidation	x	x
Levati Food Tech Srl	Italy	222	80	Full Consolidation	x	x
Techn'Agro Sas	France	350	70	Full Consolidation	x	x
CFT Elettrica Srl	Italy	50	100	Full Consolidation	x	x
Raynext Srl (*)	Italy	50	38.25	Full Consolidation	x	x
Packaging Del Sur S.L.	Spain	3	51.03	Full Consolidation	x	x
ADR S.r.l.	Italy	119	75	Full Consolidation	x	x
Catelli Food Technology Iberica S.L	Spain	100	99.90	Full Consolidation	x	x
Co.Mac S.r.l.	Italy	1,000	61.72	Full Consolidation	x	x
Mc Inox S.r.l.	Italy	50	61.72	Full Consolidation	x	x
CFT Australasia Pty Ltd	Australia	31	70	Full Consolidation	x	
Siapi Srl	Italy	2,000	100	Full Consolidation	x	
Siapi America Inc (***)	USA	88	100	Not Consolidated		
Milk Project S.r.l.(**)	Italy	102	60	Full Consolidation	x	
Associates						
PE Labellers & CFT Asia Pacific Sdn	Malaysia	89	35	Equity Method	x	x
Gemini S.r.l.	Italy	300	37	Equity Method	x	x

(*) 51% held directly by Raytec Vision S.p.a.
(**) At 31 December 2018, 40% of the compay's shares were held
(***) Not consolidated as the company is dormant and has immaterial balances

The reporting date for companies included within the scope of the consolidation is 31 December, the same as the reporting date of the Parent Company.

There were no associates included within the scope of consolidation at 31 December 2019.

The main changes in the scope of consolidation are briefly described below (for details of the accounting effects, see Note 7 – Business combinations).

The following transactions took place during the year ended 31 December 2019:

- the incorporation on 28 March 2019 of CFT Australasia Pty Ltd, a trading company active operating in Australia and New Zealand, in which the Group holds a 70% interest;

- the acquisition on 16 April 2019 of a further 20% of the share capital of Milk Project S.r.l., a company operating in the design and sale of machinery and equipment for the dairy industry;

- the acquisition on 9 May 2019 of 100% of the share capital of Siapi S.r.l., a company 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;

- the Acquisition on 2 September 2019 of 40% of the share capital of Rolec Prozess through exercise of the put option.

***

The criteria followed to define the scope of consolidation and the related consolidation principles adopted in preparing the Financial Report are the same as those used in preparing the Consolidated Financial Statements as at 31 December 2018. This section describes the criteria followed to define the scope of consolidation and the related consolidation principles adopted.

Subsidiaries

An investor controls an investee when: i) it is exposed, or has rights, to variable returns from its involvement with the investee; and ii) it has the ability to affect those returns through its control over the investee. The existence of control is verified each time that facts or circumstances indicate a change in one of the aforementioned control criteria. Subsidiaries are consolidated using the line-by-line method, from the date that control is obtained until the date that such control ceases when it is transferred to third parties. The principles adopted for line-by-line consolidation are as follows:

- the assets, liabilities, revenues and expenses of the subsidiaries are consolidated on a line-by-line basis, attributing to the minority interests, where applicable, their share of equity and profit or loss for the year which are shown separately in equity and in the consolidated statement of comprehensive income;

- gains and losses including any tax effects resulting from transactions between fully consolidated Group companies, which have not been realised with third parties at the end of the reporting period, are eliminated, other than losses that result from transactions involving a reduction in value of the asset transferred. Receivables and payables, costs and revenues and finance income and expenses between companies included in the scope of consolidation are also eliminated;

- if the Parent increases its shareholding in a subsidiary subsequent to assuming control, any difference between the acquisition cost and the corresponding share of equity acquired is recognised in equity attributable to owners of the parent. In the same way, if the Parent reduces its shareholding in a subsidiary without a loss of control of the subsidiary, the effects are recognised in equity. If, on the other hand, as a result of the sale of shares in a subsidiary the Parent loses control, the following are recognised in profit or loss:

  (i) any gains/losses, calculated as the difference between the consideration received and the corresponding share of net equity sold;
  (ii) the effects of remeasuring any remaining investment to its fair value;
  (iii) all amounts previously recognised in other comprehensive income in relation to the subsidiary over which control was lost. If, however, it is not foreseen that such amounts would be subsequently reclassified to the income statement, they are reclassified to "Retained earnings".

The new book value of any remaining investment is the fair value at the date of loss of control and this becomes the reference value for future measurement of the investment in accordance with relevant accounting standards.

Business combinations in which all the combining entities or businesses are ultimately controlled by the same party or parties, both before and after the transaction, are known as business combinations under common control. Such combinations are not governed by IFRS 3 nor by any other EU-IFRS. In the absence of an applicable accounting standard, an accounting policy meeting the requirements of IAS 8 regarding the provision of relevant and reliable information must be applied. Moreover, the accounting policy chosen to represent combinations under common control must reflect the economic substance of the arrangement independently of its legal form. Economic substance, therefore, is the key driver in choosing the most appropriate method to account for such combinations. Economic substance must be considered in terms of the generation of added value and significant variations in cash flows relating to the net assets transferred. It is also important to consider existing interpretations and guidance and reference is made to the Preliminary Guidance on IFRS of the Association of Italian Auditors (OPI 1 - Revised) in relation to how to account for business combination of entities under common control in separate and consolidated financial statements.

The net assets transferred must, therefore, be recognised at the same values as their carrying amounts in the financial statements of the acquired companies or, if available, at the values reported in the consolidated financial statements of the common controlling company. In this regard, in such cases, the Company has chosen to refer to carrying amounts in the financial statements of the acquired companies.

Transactions with minority shareholders

Transactions between minority shareholders are accounted for as equity transactions. Accordingly, in the event of the acquisition or disposal of further shareholdings once control has been obtained, the difference between the acquisition cost and the carrying value of the minority shares acquired is recognised in equity attributable to the Group.

Associates

Associates are those companies over which the Group exercises significant influence, which is presumed to exist when the Group holds between 20% and 50% of the voting rights. Associates are accounted for using the equity method and are initially recorded at cost. The equity method is described as follows:

- the carrying amount of such investments is aligned to the adjusted equity, where necessary, to reflect the application of EU IFRS and includes recognition of the higher values attributed to the assets and liabilities and goodwill, if any, identified at the date of acquisition, following a process similar to that previously described for business combinations;
- the Group's share of the investee's profit or loss is recorded starting from the date that significant control commences until the date that control ceases. If, as a result of losses, the investee shows negative equity, the carrying amount of the investment is reduced to zero and any additional losses are provided for and a liability is recognised only to the extent that the Group has legal or constructive obligations or is otherwise required to

settle the losses. Changes unrelated to profit or loss in the equity of investees valued using the equity method are recognised directly in the consolidated statement of comprehensive income;
- unrealised gains and losses, generated on transactions between the Company/its subsidiaries and the investee valued using the equity method are eliminated to the extent of the Group's investment in the investee, except for losses, in the case in which they represent impairment of the underlying asset, and dividends, which are eliminated in full.

When indicators of impairment exist, recoverability is considered by comparing the book value of investments with their related recoverable value calculated in accordance with the criteria indicated at "Impairment of goodwill and tangible, intangible and investment property assets". If the reasons for the impairment cease to exist, the value of the investments is reinstated up to the amount that would have been recognised had no impairment occurred, with the effect being reflected in the income statement.

The partial disposal of investments that result in loss of control or loss of significant influence over the investee are reflected in the consolidated statement of comprehensive income by:

- any gains/losses, calculated as the difference between the consideration received and the corresponding share of net equity sold;
- the effect of realigning the remaining investment to its fair value;
- any amounts previously recognised in other comprehensive income in relation to the investment to be reclassified to the income statement.

The fair value of any remaining investment, as of the date of loss of control or loss of significant influence, becomes the new book value and therefore the reference for subsequent measurement in accordance with applicable criteria.

If an investment, or share of investment, accounted for using the equity method is classified as available for sale, such investment or share of investment is no longer measured using the equity method.

Translation of financial statements expressed in foreign currencies

The financial statements of subsidiaries are prepared in the currency of the country in which the respective registered office is located. The rules for the translation of financial statements expressed in currencies other than the Euro are as follows:

- assets and liabilities are translated at the exchange rate in force on the reporting date;
- income statement items are translated at the average exchange rate for the year;
- exchange differences generated by the translation of balances at exchange rates other than those in force at the reporting date, as well as differences reflecting the translation of opening equity at rates other than year-end exchange rates, are taken to "Exchange

rate gains / (losses) on the translation of foreign currency financial statements" included in other comprehensive income;
- goodwill and fair value adjustments relating to the acquisition of overseas entities are recognised as assets and liabilities of the overseas entity and translated at the year-end exchange rate.

The following table shows the exchange rates used for the respective periods to translate the financial statement balances of companies expressed in currencies other than the Euro.

	Exchange Rate		Average Exchange Rate	
Valuta	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Dollaro Statunitense	1.1234	1.1450	1.1195	1.1810
Real Brailiano	4.5157	4.4440	4.4134	4.3085
Rupia Indiana	80.1870	79.7298	78.8361	80.7332
Yuan Cinese	7.8205	7.8751	7.7355	7.8081
Grivnia Ucraina	26.7195	31.7362	28.9220	31.1091
Corona Danese	7.4715	7.4673	7.4661	7.4532
Dollaro Australiano	1.5995	-	1.6109	-

Translation of foreign currency balances

Transactions in foreign currencies are recorded at the current exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in force on the reporting date. Foreign exchange differences are shown in the income statement under "Exchange rate gains/(losses)".

Treatment of put options on the shares of subsidiaries

The Group has issued put options to minorities that give such minorities the right to sell their shares to the Group at a future date.

The treatment of put options granted to minorities is not fully governed by EU IFRS. Indeed, while the issuance of a put option gives rise to a liability, the corresponding entry is not defined. In this regard, in accordance with Paragraph 23 of IAS 32, a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability. Such financial liability is recognised initially at the present value of the redemption amount. Subsequent adjustments to the financial liability are recognised in the statement of comprehensive income.

In order to determine the corresponding entry to reflect the aforementioned financial liability, it is first necessary to consider whether, as part of the conditions regarding exercise of the puttable financial instrument, the risks and benefits deriving from ownership of the minority interest are transferred to the controlling company or remain with the owners of the minority interest, as this will determine whether the minority interests subject to the put option are required to be reported. If the risks and benefits are not transferred to the controlling company by the puttable option, the minority interests subject to the put option require reporting: if, on the other hand, such risks and benefits are transferred, the minority interests need not be recognised in the consolidated financial statements.

Given the above:

- if the minority interests do not need to be recognised in the financial statements as the related risks and benefits have transferred to the controlling company, the liability relating to the put option will be reflected:
  - (i) against goodwill, if the put option was granted to the seller in the context of a business combination; or
  - (ii) against equity attributable to the minorities, in the case in which the contract was entered into outside such context; on the other hand
- if the risks and benefits have not transferred, the corresponding entry will be to equity attributable to the owners of the Parent.

2.5 Accounting policies and measurement criteria

The following paragraphs describe the criteria adopted regarding the classification, recognition, measurement and derecognition of assets and liabilities as well as the criteria used to recognise income statement items.

Property, plant and equipment

Items of property, plant and equipment are capitalised and accounted for as tangible fixed assets only when both of the following conditions are satisfied:

- it is likely that the future economic benefits generated by the asset will be enjoyed by the company; and
- the cost of the asset can be determined reliably.

Items of property, plant and equipment are initially recorded at cost, defined as the monetary amount or equivalent consideration paid or the fair value of other consideration paid to acquire an asset on the date of its purchase or substitution. Subsequently. property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes amounts directly attributable to enabling the asset to be used as well as any expected costs of dismantling and removing the asset and restoring it to its original condition if a contractual obligation exists.

Expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalisation of costs inherent to the expansion, modernization or improvement of facilities owned or used by third parties is recorded solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the individual assets.

The estimated useful life by class of property, plant and equipment is as follows:

	Expected useful life
Buildings	33 years
Plant and machinery	10 years
Automatic machinery	6 years
Industrial and commercial equipment	4 years
Company canteen equipment	8 years
Furniture	8 years
Computers and other electronic machineries	5 years
Commercial vehicles	4 years
Vehicles	5 years
Modules and molds	4 years

At the end of each year, the company determines whether there have been any significant changes in the expected economic benefits to be derived from capitalised property, plant and equipment and, in such case, makes appropriate changes to the relevant depreciation rate, which is considered a change in accounting estimate as described in IAS 8.

Property, plant and equipment is derecognised when it is sold or otherwise disposed of or when it is expected that no economic benefit can be derived from its sale.

Capital grants are recognised when there is reasonable certainty that they will be received and that all of the conditions relating to them have been satisfied. Grants are therefore accounted for as liabilities and credited to the income statement over the useful economic lives of the related assets.

Intangible assets

An intangible asset is an asset that meets the following conditions:

- it can be identified;
- it is non-monetary;
- it is without physical substance;
- it is under the control of the company that prepares the financial statements; and
- it is expected to produce future economic benefits for the company.

If an asset does not meet all of the above requirements to be considered an intangible asset, the amount incurred to acquire or produce the item internally, is expensed when it is incurred.

Intangible assets are initially recognised at cost. The cost of assets acquired externally includes both the purchase price and any cost that may be directly attributed.

Internally generated goodwill is not recognised as an asset, nor are intangible assets recognised in relation to research (or the research phase of an internal project).

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits: among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are measured using the cost model, one of the two methods (the cost model and the revaluation model) permitted by IAS 38. The cost model provides that after initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and impairment losses.

The estimated useful life for the various classes of intangible assets is as follows:

	Expected useful life
Development costs	5 years
Industrial patents	10 years
Intellectual property rights	3 years
Concessions and licences	3 years
Trademarks	5 years

The most significant intangible assets held by the Group are as follows:

(a) Goodwill

Goodwill is recognised as an intangible asset with an indefinite useful life. It is initially measured at cost, as previously described, and subsequently tested for impairment at least annually to identify if goodwill is impaired (see the following paragraph "Impairment of goodwill and tangible, intangible and right of use assets"). Impairment losses recognised for goodwill may not be reversed in subsequent periods.

(b) Intangible assets with a finite useful life

Intangible assets with a finite useful life are recognised at cost, net of accumulated amortisation and impairment losses, if any.

Amortisation starts when the asset is available for use and is charged systematically over the residual estimated useful life; for details regarding amounts to be amortised and the recoverability of the recognised values of such assets, see the paragraphs on "Property, plant and equipment" and "Impairment of goodwill and tangible, intangible and right of use assets" respectively.

Right of use assets and lease liabilities

In transitioning to IFRS, the company elected for early adoption of the new accounting standard IFRS 16 "Leases", which replaces IAS 17 "Leasing" and its related interpretations.

In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The contract is then reassessed to determine whether it is, or contains, a lease only if the terms and conditions of the contract are changed.

For a contract that is, or contains, a lease, each lease component within the contract is accounted for as a lease separately from non-lease components of the contract, unless the Group applies the practical expedient in paragraph 15 of IFRS 16. Under such practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The lease term is the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The lessee shall revise the lease term if there is a change in the non-cancellable period of a lease.

At the commencement date, the Group recognises a right-of-use asset and a lease liability.

At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises:

a) the amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the lessee;
d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, less any lease incentives receivable;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable by the lessee under residual value guarantees;
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments are discounted to their present value using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate (the rate of interest it would have to pay to borrow a similar sum over a similar term as the lease contract).

Following initial recognition, the right-of-use asset is measured applying a cost model:

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability.

Following initial recognition, the lease liability is measured by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications , or to reflect revised in-substance fixed lease payments.

For a lease modification that is not accounted for as a separate lease, the right of use asset is remeasured (up or down) in line with the change in the lease liability at the modification date. The lease liability is remeasured based on the new contract conditions, using the discount date at the effective date of the modification.

The Group has elected to exploit two exceptions permitted by IFRS 16, regarding short-term leases (leases that, at the commencement date, have lease terms of 12 months or less) and leases for which the underlying asset is of low value (leases for which the underlying asset value, when new, is less than USD 5,000). In such cases the right of use assets and related lease liabilities are not recognised and lease payments are charged directly to the income statement.

Impairment of goodwill and tangible, intangible and right of use assets

(a) Goodwill

As noted above, goodwill is tested for impairment annually or more frequently, whenever events or changes in circumstances indicate that goodwill may be impaired, in accordance with IAS 36 (Impairment of assets). Impairment tests are normally performed at each year end and therefore the reference date for such tests is the financial reporting date.

Impairment tests are carried out for each cash-generating unit (''CGU'') to which goodwill has been allocated. An impairment loss on goodwill is recognised when the CGU's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value in use, being the present value of estimated future cash flows; in calculating the value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate, that reflects current market assessments of the time value of money and the risks specific to the asset. If the impairment loss is higher than the carrying amount of goodwill allocated to the CGU, the excess is applied to the other assets of the CGU in proportion to their carrying amount. The carrying amount of an asset should not be reduced below the highest of:

- the fair value of the assets less costs of disposal;
- the value in use;
- zero.

Impairment losses recognised for goodwill may not be reversed in subsequent periods even if the conditions that gave rise to such impairment loss cease to exist.

(b) Tangible, intangible and right of use assets with a finite useful life and equity investments

At each reporting date, the Group assesses whether there are any indications of impairment of tangible, intangible and/or investment property assets with a finite useful life. Both internal and external sources of information are used for this purpose. Considerations based on the former (internal sources of information) include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. Considerations based on the latter (external sources of information) include the market value of the asset, changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments

When indicators of impairment exist, the recoverable amount is estimated and the carrying amount of the asset reduced accordingly, with the impairment loss being charged to the statement of comprehensive income. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, where value in use is determined by discounting the asset's estimated future cash flows including, if materially significant and reasonably certain, those relating to disposal of the asset at the end of its useful economic life, less any costs of disposal. In calculating the value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

If the carrying amount of an asset or the CGU to which it belongs exceeds the recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Such impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to other assets of the unit in proportion to their carrying amounts, while respecting their relative recoverable amounts. If the conditions that gave rise to an impairment loss no longer exist, the asset is revalued to the revised estimate of its recoverable amount, up to the value that would have been recorded, net of amortisation, had no impairment loss been recognised, with the increase being recognised in the income statement.

Financial assets

On initial recognition, financial assets are classified in one of the three categories described below based on:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets are derecognised when, and only when, disposal involves the substantial transfer of all the risks and rewards of ownership of the financial asset. If, on the other hand, the company retains substantially all the risks and rewards of ownership of the financial asset, it must continue to recognise the financial asset, even if legal ownership has effectively been transferred.

a) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a "Hold to collect" business model, the objective of which is to hold financial assets in order to collect contractual cash; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the SPPI test).

At initial recognition, such assets are measured at fair value including directly attributable transaction costs or income. Subsequent to initial recognition, such financial assets are measured at amortised cost, calculated using the effective interest method. The amortised cost method is not used for those assets (measured at historical cost) whose short-term nature means there is no requirement to discount to present value, assets with no set maturity date or revocable credit lines.

b) Financial assets measured at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a "Hold to collect and sell" business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the SPPI test).

This category includes equity instruments (other than investments in subsidiaries, associates or joint ventures) not held for sale, for which the option has been exercised to designate the asset at fair value through other comprehensive income.

At initial recognition, such assets are measured at fair value including directly attributable transaction costs or income. Subsequent to initial recognition, equity interests (other than investments in subsidiaries, associates or joint ventures) are measured at fair value, with the offsetting amounts recognised in equity (Statement of comprehensive income) and not subsequently reclassified to profit or loss, even in the event of sale. Related dividends represent the only relevant component recognised in the income statement.

For securities included in this category not quoted in an active market, cost is used as an estimate for fair value under certain limited circumstances, such as when recent information to measure fair value is insufficient or there exists a broad range of possible measures of fair value and cost is considered to be the best estimate of these.

c) Financial assets measured at fair value through profit or loss

This category includes all financial assets other than those measured at amortised cost or at fair value through other comprehensive income.

It includes financial assets available for sale and derivatives not classified as hedges (which are recognised as assets if the fair value is positive and liabilities if fair value is negative).

At initial recognition, financial assets measured at fair value through profit or loss are measured at fair value, excluding transaction costs or income that are directly attributable to the instrument in question. Subsequently, they are measured at fair value with related gains and losses being recognised in the income statement.

Derivative financial instruments and hedging relationships

Derivative financial instruments are accounted for in accordance with IFRS 9.

At the inception of the contract, derivative instruments are initially recognised at fair value as financial assets at fair value through profit or loss when the fair value is positive, or financial liabilities at fair value through profit or loss when the fair value is negative.

If the financial instruments are not designated as hedging instruments, any changes in fair value after initial recognition are treated as components of profit or loss for the year. If the derivative instruments meet the requirements to qualify as hedging instruments, subsequent changes in fair value are recognised according to the specific criteria described below.

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the hedging strategy and the methods that will be used to verify perspective and retrospective effectiveness. The effectiveness of each hedge is assessed both at the inception of the contract and during its life, specifically at each year-end and interim reporting date. A hedge is considered to be highly effective if at the start of the hedge and during subsequent periods, changes in the fair value (in the case of a fair value hedge) or expected future cash flows (in the case of a cash flow hedge) of the hedged item are substantially offset by changes in the fair value of the hedging instrument.

IFRS 9 provides for the following three types of hedging relationship:

a) fair value hedge: when the hedge relates to exposure to changes in the fair value of a recognised asset or liability, changes in the fair value of the hedging instrument as well as changes in the fair value of the hedged item are recognised in profit or loss.
b) cash flow hedge: in the case of hedges intended to neutralise exposure to variability in cash flows attributable to future execution of commitments in place as at the reporting date, changes in the fair value of the hedging instrument relating to the portion determined to be an effective hedge are recognised in other comprehensive income, and therefore in an equity reserve. When the economic effects of the hedged item crystallise, the amounts recognised in other comprehensive income are then reclassified to profit or loss. Changes in the fair value of the hedging instrument relating to the portion not determined to be an effective hedge are recognised immediately in profit or loss.
c) hedge of a net investment in a foreign operation (net investment hedge)

If the checks do not confirm the effectiveness of the hedge, the hedge accounting is interrupted with immediate effect and the hedging derivative reclassified as a financial asset at fair value through profit or loss, or financial liability at fair value through profit or loss. Moreover, the hedging relationship shall cease when:

- the derivative matures, is sold, rescinded or exercised;
- the hedged item is sold, expires or is refunded;
- it is no longer highly probable that the future hedged transaction will take place.

Trade receivables

In accordance with IFRS 15, trade receivables for the transfer of goods and provision of services are recognised based on the terms of the relevant customer contract and classified according to the nature of the counterparty and/or the due date of the receivable (such definition includes invoices still to be issued for services already provided).

As trade receivables are typically short-term in nature and do not involve payment of interest, amortised cost is not calculated and they are accounted for at the nominal value stated on the invoice or in the customer contract: such arrangement is followed even for those receivables due after more than 12 months, so long as the effect is not greatly significant. This is due to the fact that the value of short-term receivables is very similar whether the historical cost method or amortised cost method is adopted, and the impact of discounting is insignificant.

Trade receivables are tested for impairment in accordance with the requirements of IFRS 9. For measurement purposes, trade receivables are categorised by due date. Performing receivables are measured collectively, grouping individual exposures based on similar credit risk. The measurement process involves reviewing losses suffered on assets with similar credit risk based on past experience and considers expected losses.

Inventories

Inventories are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are recognised and measured at the lower of cost and net realisable value.

The cost of inventories includes all purchase costs, transformation costs, and other costs incurred to bring the inventories to their current location and condition; inventory costs do not include exchange rate differences in the case of inventories invoiced in foreign currency. In compliance with the provisions of IAS 2, the cost of inventories is calculated using the weighted average cost method.

If net realisable value is lower than cost, the difference is immediately recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are recognised, depending on their nature, at nominal value or at amortised cost. Other cash equivalents represent highly liquid short-term financial assets that can be easily converted to known cash amounts and are subject to negligible risk of change in their value, and which have an original maturity, on purchase, of less than three months.

Payables

Trade payables and other payables are initially recognised at fair value and subsequently measured using the amortised cost method.

Payables to banks and other lenders are initially recognised at fair value, net of directly attributable accessory costs, and later are measured at amortised cost, using the effective interest rate method. If there is a change in the estimate of the expected cash flows, the value of the liability is recalculated to reflect such change based on the present value of the new expected cash flows and the internal effective interest rate as calculated initially. Payables to banks and other lenders are classified as current liabilities, unless the Group has an unconditional right to postpone payment for at least twelve months after the reference date.

Payables are derecognised when settled and when the Group has transferred all risks and the charges related to the instrument.

Employee benefits

Employee benefits are benefits granted to employees or their dependants, settled through cash payments (or through the supply of goods and services) directly to the employees, their spouses, children or other dependants, or to third parties, such as insurance companies. They include short-term benefits, benefits due to employees on termination of their employment contract and post-employment benefit plans.

Short-term employee benefits include incentive schemes such as annual bonuses, the MBO and the one-off renewals of the national collective labour agreements and are recognised as liabilities (accrued expenses) after deducting any advances paid, and costs, unless a given IFRS requires or allows the inclusion of such benefits in the cost of a capitalised asset (such as, for example, staff costs relating to the development of internally generated intangible assets).

Benefits relating to the termination of employment include voluntary redundancy incentive schemes, which in the case of voluntary redundancy provide for the employee or group of employees taking part in trade union agreements involving the use of so-called solidarity funds, and (non-voluntary) redundancy arrangements, which apply in the case of termination of employment as a result of a unilateral decision by the company. The company recognises the cost of such benefits as a liability due as at the earlier between the date the company can no longer withdraw the offer of such benefits and the time when the company recognises the costs of a corporate restructuring exercise that falls within the provisions of IAS 37. The provisions for voluntary redundancies are reviewed at least every six months.

Post-employment benefit plans may be split into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans mainly include:

- complementary pension funds that involve a defined contribution being made by the company;

- the share of the employee severance indemnity fund accruing since 1 January 2007, for companies with more than 50 employees, whatever the allocation option chosen by the employee;
- the share of the employee severance indemnity fund accruing since 1 January 2007 allocated to complementary pension funds, in the case of companies with less than 50 employees;
- complementary healthcare plans.

Defined-benefit plans on the other hand include:

- the employee severance indemnity accrued until 31 December 2006 for all companies, as well as the share accrued since 1 January 2007 and not allocated to complementary pension funds, for companies with less than 50 employees;
- complementary pension funds, which provide for the payment a defined benefit to members;
- seniority payments, which provide for a one-off payment to employees who reach a given seniority level.

With defined-contribution plans, the company's obligation is calculated based on the contributions due for the year in question and, therefore, the valuation of the obligation does not require actuarial assumptions and there are no actuarial profits or losses.

The accounting for defined-benefit schemes involves the use of actuarial assumptions to calculate the value of the obligation. Measurement of the obligation is performed by an independent actuary on an annual basis. The projected unit credit method is used to calculate the present value of future cash flows, based on historical/statistical analyses, demographic assumptions and the discounting of such cash flows at a market interest rate. In accordance with IAS 19, actuarial gains and losses are recognised in equity (under "Actuarial gains/(losses) on post-employment benefit obligations").

Provisions for risks and charges, contingent assets and liabilities

Contingent assets and liabilities may be split into different categories according to their nature and accounting implications. Specifically:

- provisions are effective obligations of uncertain amount and timing arising from past events and for which it is likely that there will be an outlay of financial resources and a reliable estimate of the amount is possible;
- contingent liabilities are possible obligations for which the likelihood of an outlay of financial resources is not remote;
- remote liabilities are those for which the outlay of financial resources is not likely;
- contingent assets are assets that do not meet the certainty requirement and as a result are not recognised in financial statements;

- an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.
- a restructuring is a programme that is planned and controlled by management, and materially changes either the scope of a business undertaken by an entity or the manner in which that business is conducted.

For cost recognition purposes, provisions are recognised when there is uncertainty about the timing or amount of the future expenditure required to settle the obligation or other liabilities, and in particular trade payables or accruals.

Provisions differ from other liabilities because there is uncertainty about the timing or amount of the future expenditure required in settlement. Given their different nature, provisions are shown separately from trade payables and accruals.

A liability or provision is recognised when:

- there is a current legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions require the use of estimates. In extremely rare cases, when a reliable estimate cannot be made, this results in a liability that cannot be reliably estimated and is therefore considered a contingent liability.

The allocation to the provisions for risks and charges is made for an amount that represents the best estimate of the expenditure required to settle the obligation existing at the reporting date and takes into account the risk and uncertainty that inevitably surround many events and circumstances. The amount of the provision reflects the potential future events that may affect the amount required to settle an obligation if there is a sufficient objective evidence that these will take place.

Once the best estimate of the expenditure required to settle the existing obligation has been determined, the present value of the provision is calculated in the case in which the time value of money is material.

Treasury shares

Treasury shares are recognised at cost and recorded as a negative reserve in equity. The effects of any subsequent sale of treasury shares are recognised in equity.

Warrants

The company has issued warrants, which are financial instruments that grant the holder the right to buy (warrant call) a given number of ordinary shares (underlying securities) at a pre-determined strike price within a given timeframe. The terms and conditions of such financial instruments may differ, as a result of which they may be treated: (i) like financial assets and measured at fair value on issue with subsequent changes being recognised directly in profit or loss in accordance with IFRS 9; or (ii) like equity instruments and, therefore, classified in a dedicated equity reserve from which they are released only when exercised or on expiration, in accordance with IAS 32. The warrants issued by the company are treated like equity instruments as they may be exercised at a pre-determined strike price, in turn based on a pre-determined formula. For further details regarding such instruments, see Note 8.12 on equity.

Share based payments

With regard to the company's stock grant plans in favour of directors and employees, as required by IFRS 2, the fair value of equity instruments granted is measured at the grant date. Such fair value amount is recognised as a cost in the income statement during the vesting period, together with a corresponding increase in a dedicated equity reserve. For further details regarding such instruments, see Note 8.12 on equity.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when the following conditions are met:

- the contract with a customer has been identified;
- the performance obligations in the contract have been identified;
- the transaction price has been determined;
- the transaction price has been allocated to the performance obligations in the contract; and
- when the related performance obligation contained in the contract is satisfied.

The Group recognises revenue from contracts with customers when (or as) it satisfies its performance obligations, by transferring the promised goods or services (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, it is satisfied at a point in time. In such case, the Group recognises revenue at the moment the customer acquires control of the promised asset.

The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. If the consideration promised in a contract includes a variable amount (e.g. discounts, price concessions, incentives, penalties or other similar items), the Group estimates the amount of consideration to which it is entitled in exchange for transferring the promised goods or services to a customer. The Group includes a variable consideration in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Incremental costs of obtaining a contract with a customer are recognised as assets and, to the extent the Group expects to recover them, amortised over the duration of the underlying contract. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group recognises an asset in respect of the costs incurred to fulfil a contract with a customer only if the costs incurred in fulfilling such contract are not within the scope of another Standard (for example, IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment or IAS 38 – Intangible Assets) and if such costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Cost recognition

Costs are recognised in the income statement on an accruals basis.

Dividends

Dividend income is recognised in the income statement on an accruals basis, when the right to receive such dividends is created following approval of the dividend distribution resolution of the relevant investee company shareholders' meeting.

Dividends distributed are recorded as movements in equity in the year in which they are approved by the company's shareholders' meeting.

Income tax

Current income taxes are calculated based on taxable income for the year, applying tax rates in force at the reporting date. Taxes due for the current year and for previous years, to the extent as yet unpaid, are recognised as liabilities. Current tax assets and liabilities, for the current and previous years, represent the amounts that are likely to be recovered from/paid to the tax authorities, applying the tax rates and the tax laws in force, or effectively issued, at the reporting date.

Deferred taxes include:

- deferred tax liabilities: these represent income taxes due in the future years in respect of the tax effects of temporary differences;
- deferred tax assets: these represent income taxes amounts that may be recovered in future years in respect of deductible temporary differences, carry forward of unused tax losses, and carry forward of unused tax credits.

To calculate deferred tax liabilities and assets, the tax rate is applied to the temporary differences identified, whether taxable or deductible, unused tax losses or unused tax credits.

At each reporting date, both unrecognised and recognised deferred tax assets are remeasured to confirm the likelihood of recovery of such deferred tax assets.

Earnings per share

Basic earnings per share is calculated by dividing the result for the year attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

Diluted earnings per share is calculated by dividing the result for the year attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. For the purposes of the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming that rights having potential dilutive effects are exercised by all the grantees of such rights, and the result attributable to the owners of the parent is adjusted to take into account the effects, if any, net of tax, of the exercise of those rights.

Options and warrants have no diluting effect in the case in which the average market price of the company's ordinary shares during the year remains below the option and warrant strike prices.

3. Recently issued accounting standards

Accounting standards not yet applicable as not yet endorsed by the European Union

As at the date of approving these Consolidated Financial Statements, the following standards and amendments had not yet been endorsed by the EU.

Standard/amendment	Approved by EU	Effective date
IFRS 17 Insurance Contracts	NO	Years beginning on or after 1 January 2021
Amendments to IAS 1 and IAS 8: Definition of Material	NO	Years beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	NO	Years beginning on or after 1 January 2020
Amendment to IFRS 3 Business Combinations	NO	Years beginning on or after 1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	*NO*	Years beginning on or after 1 January 2020
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	NO	Effective date to be confirmed

Accounting standards, amendments and interpretations endorsed by the European Union but not adopted by the Group

As at the date of approving these Consolidated Financial Statements, the following standards and amendments had been endorsed by the EU, but not adopted by the Group as they would have no material impact on the consolidated results or financial position of the Group:

Standard/amendment	Description	Effective date
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	On 12 October 2017, the IASB published the amendment to IAS 28 to clarify that an entity applies IFRS 9 " Financial Instruments" to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group does not expect there to be any financial impact as a result of the entry into force of such standard	Years beginning on or after 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	On 7 June 2017, the IASB published IFRC 23 "*Uncertainty over Income Tax Treatments*". The interpretation clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. In such case an entity should recognise and measure deferred and current income tax assets and liabilities by applying the IAS 12 requirements based on taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect there to be any financial impact as a result of the entry into force of such standard	Years beginning on or after 1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	On 12 October 2017, the IASB published the amendment to IFRS 9 to address concerns relating to financial assets involving prepayment features with negative compensation. The Group does not expect there to be any financial impact as a result of the entry into force of such standard	Years beginning on or after 1 January 2019
Annual Improvements 2015-2017 (IFRS 3, IFRS11, IAS 12 and IAS 23)	On 14 March 2019, the European Commission issued Commission Regulation (EU) n. 2019/412, which adopted certain improvements as part of the 2015-2017 Annual Improvements Cycle. Specifically, it adopted: - amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. - amendments to IAS 12 Income Taxes: the amendments clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend. - amendments to IAS 23 Borrowing Costs: The amendments clarify that if any specific borrowing remains outstanding after	Years beginning on or after 1 January 2019

	the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings. The Group does not expect there to be any financial impact as a result of the entry into force of such standard.	
Amendments to IAS 19: Plan Amendment , curtailment or settlement	On 13 March 2019, the European Commission issued Commission Regulation (EU) n. 2019/402, which adopted certain limited amendments to IAS 19 - Employee Benefits. The changes relate to accounting for defined benefit plan amendments, curtailments and settlements. The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. The Group does not expect there to be any financial impact as a result of the entry into force of such standard.	Years beginning on or after 1 January 2019

4. Estimates and assumptions

The preparation of financial statements in conformity with relevant accounting standards and methods in certain cases requires management to make estimates and assumptions based on difficult and subjective judgments, in turn based on past experience and hypotheses considered reasonable and realistic, given the information known at the time.

Such estimates have an effect on the amounts reported in the financial statements, including the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows and the related notes to the financial statements. Actual results may then differ, even significantly, from those reported in the consolidated financial statements due to changes in the factors considered in determining the estimates, given the uncertainties that characterise the assumptions and conditions on which estimates are based.

The accounting estimates that more than others involve a high degree of subjectivity and judgement on the part of management, and where a change in the conditions underlying the assumptions could have a significant effect on the Group's financial results, are detailed below:

a) *Impairment of assets:* goodwill and tangible, intangible and right of use assets with a finite useful life are tested for impairment when indicators of impairment are identified that suggest the full asset value may not be recovered through use. The recoverable amount is estimated and the carrying amount of the asset is reduced accordingly. Identification of the existence of such indicators of impairment requires management to exercise judgement based on experience and information available both within the Group and in the broader marketplace. If impairment indicators are identified, management employs what it considers to be the most appropriate measurement techniques to estimate such impairment. Both the correct identification of the indicators of impairment of tangible, intangible and right of use assets and the related estimates of the extent of such impairment depend upon factors that may change over time, thereby influencing measurements and management estimates.
b) *Allowance for doubtful receivables*: such allowance reflects management estimates regarding the historical and expected recoverability of such receivables.
c) *Provisions for risks and charges*: identification of the existence of a current (legal or constructive) obligation is in certain circumstances not a simple matter. Management reviews such matters on a case by case basis, together with estimates of the outflow of resources required to satisfy the obligation. When managers believe the likelihood of a liability occurring to be only possible, the relevant risks are disclosed in the note on risks and charges, but no provision is made.
d) *Useful economic life of property, plant and equipment and intangible assets*: useful economic life is determined when the asset is first recognised in the financial statements. Considerations regarding an asset's useful life are based on historical experience, market conditions and expected future events that may affect them, such as

technological changes. An asset's actual useful life may, therefore, differ from its estimated useful life.

e) *Deferred tax assets*: deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which temporary differences or tax loses can be utilised.

f) *Inventories*: Inventories of finished products that show signs of obsolescence or are slow moving are tested for impairment and written down in the case in which their recoverable value is lower than their book value. Such write downs are based on management estimates and assumptions, in turn based on their experience and past results.

g) *Contract work*: application of the cost to cost method requires the prior estimation of total costs for each project and related updates of such cost estimates at each reporting date based on management assumptions. These assumptions may be influenced by many factors such as, for example, the multi-year timeframe over which certain projects are to be completed, the high technological level and innovative content of projects, changes in contract terms and price revisions, guarantees regarding the performance of machinery, as well as contractual risks, where applicable. Such factors and circumstances make it difficult to estimate the total costs of projects and also, therefore, estimates of the value of contract work in progress at the reporting date.

5. Management of financial risks

In terms of business-related risks faced, the main risks identified, monitored and, as described below, actively managed by the Group as noted in the report on operations, are the following:

- market risk, relating to changes in the exchange rates between the Euro and other currencies in which the Group operates and interest rates; credit risk, relating to the risk of default on the part of a counterpart; and
- liquidity risk, relating to a lack of financial resources to meet financial obligations.

The Group's objective is to maintain a balanced approach to managing its financial exposure by matching assets and liabilities and achieving operational flexibility through the use of liquidity generated by current operating activities and bank loans.

The Group's ability to generate liquidity from operations together with its borrowing capacity enable it to satisfy its operational requirements to fund working capital, invest and meet its financial obligations.

Treasury and financial risk management are centralised within the Group. Specifically, the central finance function is responsible for evaluating and approving forecast financial requirements, monitoring trends and taking corrective action as necessary.

The following paragraphs provide qualitative and quantitative information relating to the Group's exposure to the aforementioned risks.

5.1 Market risk

Currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates to those of its business activities conducted in currencies other than the Euro. Revenues and costs denominated in other currencies may be influenced by changes in foreign exchange rates, resulting in an impact on margins (economic risk), just as trade and financial receivables and payables denominated in other currencies may be affected by the exchange rates used, resulting in an impact on results (transaction risk). Finally, exchange rate fluctuations also impact on the Group's consolidated results and equity, as the financial statements of certain Group companies are prepared and presented in currencies other than the Euro and then translated (translation risk).

The main foreign exchange rates to which the Group is exposed are:

-Euro/USD, relating to transactions entered into in US Dollars;
-Euro/GBP, relating to transactions entered into in Sterling;

The Group does not adopt any specific policies to hedge against changes in foreign exchange rates. It is noted, however, that in order to mitigate currency risk, the Group does engage in hedge transactions, as required, when customer orders are received.

Currency risk sensitivity analysis

In order to perform sensitivity analysis on exchange rates, balance sheet items (financial assets and liabilities) as at 31 December 2019 denominated in currencies other than the functional currencies of each Group company were identified. Group inter-company receivables and payables denominated in currencies other than functional currencies were also considered in measuring the potential effects of exchange rate movements.

Two scenarios were considered, involving an increase and decrease respectively of 10% in the nominal exchange rate between the currency in which the item was denominated and the relevant functional currency.

The following table shows the results of the analysis:

(Thousands of Euros)

Sensitivity analysis	As at December 31, 201 9							
	USD		GBP		Altre valute		Totale	
	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
Trade receivables	878	(719)	150	(122)	18	(15	1,046	(856)
Trade payables	(128)	105	(15)	12	(113)	93	(256)	209
Financing	-	-	-	-	-	-	-	-
Cash and cash equivalents	90	(74)	-	-	1	(1)	91	(75)
Total	840	(688)	135	(110)	(94)	77	882	(721)

Note: a positive sign indicates higher profit and an increase in equity; a negative sign indicates lower profit and a reduction in equity.

Interest rate risk

The Group makes use of external debt resources and invests available liquidity in market instruments. Changes in interest rates influence both the cost of borrowing and returns on investments and therefore have an impact on consolidated net finance expenses. Group policy in this regard is aimed at limiting the risk of changes in interest rates by entering into long-term fixed-rate or variable-rate loan agreements; there are no hedging operations in place involving derivative financial instruments.

Interest rate risk sensitivity analysis

Sensitivity analysis was performed regarding interest rate risk, to determine the effects on consolidated income and equity of hypothetical positive and negative 100 bps variations to current effective interest rates.

The analysis performed related mainly to the following items:

- cash and cash equivalents;
- short-term and medium/long-term bank borrowings.

In the case of cash and cash equivalents, reference was made to the average balance and the average interest rate thereon for the year, while for short-term and medium/long-term debt the effect was calculated at the reporting date.

The following table shows the results of the analysis:

Sensitivity analysis	As at December 31,2019	
	PL/Equity Effect	
	-100 bps	+100 bps
Financial Income	(33)	389
Financial Expenses on short and long terms financing	124	(498)
	91	(109)

5.2 Credit risk

The Group manages its exposure to the credit risk inherent in the possibility of default and/or worsening of creditworthiness on the part of its customers, through ongoing review of each counterpart by a dedicated organizational unit, equipped with appropriate tools to perform ongoing daily monitoring of the behaviour and creditworthiness of its customers.

The Group optimises working capital and minimises credit risk by monitoring receivables on an ongoing basis and applying various levels of follow up action, depending on the specific knowledge held regarding individual customers and the length of time that payment is overdue.

As at 31 December 2019, the Group's top ten customers accounted for around 18% of its total trade receivables.

The following table provides a breakdown of trade receivables by due date, net of the allowance for doubtful receivables, as at 31 December 2019.

(Thousands of Euros)	As at December 31, 2019	Non-overdue	Overdue from 0 to 30 days	Overdue from 31 to 90 days	Overdue from 91 to 360 days	Overdue since more than 360 days
Gross trade receivables	59,721	30,760	10,516	4,341	7,143	6,961
Allowance for doubtful receivables	(3,617)					
Net amount	56,104	-	-	-	-	-

5.3 Liquidity risk

Liquidity risk is the risk that, owing to an inability to access new funds or sell assets, the Group is unable to meet its payment obligations, leading to a negative impact on results if it is then obliged to incur additional costs to meet its obligations or deal with insolvency.

The liquidity risk to which the Group may be subject is the inability to find adequate funds to finance its operations and develop its business and commercial activities. The two key factors that determine the Group's liquidity position are, on the one hand, cash generated or used by operating and investing activities and, on the other hand, the nature of debt maturity and renewal terms and financial investment liquidity, as well as market conditions.

The Group has immediately available liquidity as well as significant access to credit lines granted by a range of primary banking institutions. Management believes that currently available funds and credit lines, together with funds that will be generated by operating and financing activities will enable the Group to fund its investing activities, meet its working capital requirements and repay its debts as they fall due.

The following table provides an analysis of cash disbursements by due date based on contractual repayment obligations, as at 31 December 2019.

(Thousands of Euros)	Balance as at December 31, 2019	Within 1 year	1-5 years	Over 5 years	Total
Current and non-current bank borrowings	61,435	2,129	59,306	-	61,435
Other current and non-current liabilities	58,585	54,472	4,113	-	58,585
Current and non-current trade payables	71,505	70,599	906	-	71,505
Current and non-current put option liabilities	22,645	-	22,646	-	22,646
Current and non-current lease liabilities	16,713	3,874	10,569	2,270	16,713
Liabilities for derivative financial instruments	106	106	-	-	106

The figures in the table above represent future (non-discounted) capital and interest cash flows based on contractual maturity dates. The Group expects to meet such contractual obligations through cash flows from operating activities and, if required though new additional medium-term financial transactions. Bank borrowings relates to a loan drawn down in the amount of Euro 60 million with maturity dates ranging between 2022 and 2024.

5.4 Capital management

The Group's capital management is aimed at guaranteeing solid credit ratings and adequate capital indicators to support its investment plans, while meeting contractual obligations with lenders.

The Group ensures it has sufficient capital to finance its business development needs and meet operating requirements; to guarantee a balanced financial structure and minimise the total cost of capital, finances are sourced through a mix of risk capital and debt to the benefit of all stakeholders.

Returns on capital are monitored by reviewing market trends and business performance, net of other commitments, including borrowing costs. In order to ensure the Group's going concern status, to develop the business and to provide an adequate return on capital, Management monitors the Group's debt to equity ratio and also monitors debt levels in relation to business trends and expected future cash flows in the medium/long term.

5.5 Financial assets and liabilities by category and fair value

Financial assets and liabilities by category

The following tables show financial assets and liabilities as at 31 December 2019 and 31 December 2018 in accordance with IFRS 9:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
FINANCIAL ASSETS		
Financial assets valued at amortized cost:		
Non-current financial assets	1,894	883
Other non-current assets	—	—
Trade receivables	56,104	61,737
Cash and cash equivalents	36,027	41,798
Current financial assets	—	—
Other current assets	9,995	11,085
Total	104,020	115,503
Financial assets at *fair value* through comprehensive profit and loss:		
Investments in other companies	698	908
Total	698	908
Hedging financial instruments:		
Foreign exchange derivative assets	-	97
Total	-	97
TOTAL FINANCIAL ASSETS	104,718	116,508

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
FINANCIAL LIABILITIES		
Financial liabilities valued at amortized cost:		
Other non-current liabilities	4,113	1,548
Trade payables	70,599	75,966
Non-current trade payables	906	1,151
Other current liabilities	54,472	52,126
Total	130,090	130,791
Hedging financial instruments:		
Foreign exchange derivative liabilities	106	120
Total	106	120
TOTAL FINANCIAL LIABILITIES	130,196	130,911

As seen in the table, most of the financial assets and liabilities at the year-end represented short-term positions and, in view of their nature, their carrying amounts are deemed to be reasonable approximations of their fair values.

Non-current financial assets and liabilities are settled or measured at market rates and, consequently, their fair values are deemed to be substantially in line with their carrying amounts.

Fair value

For assets and liabilities recognised at fair value in the statement of financial position, IFRS 13 requires that such values be classified according to a hierarchy of levels that reflects the significance of the inputs used in the calculation of fair value. The fair value hierarchy classifies the inputs to valuation techniques used to measure fair value as follows:

- Level 1: fair value is calculated with reference to (unadjusted) quoted prices in active markets for identical financial instruments. Accordingly, the emphasis within Level 1 is on determining both of the following: (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and (b) whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.
- Level 2: fair value is calculated using valuation techniques based on observable inputs in active markets. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active; (c) inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable commonly quoted intervals, implied volatilities and credit spreads; and (d) market-corroborated inputs.
- Level 3: fair value is calculated using valuation techniques based on unobservable market inputs.

The following table shows financial assets and liabilities at fair value, split by fair value hierarchy level.

(Thousands of Euros)	As at December 31, 2019			As at December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities for derivative financial instruments	-	(106)	-	-	(120)	-
Assets for derivatives financial instruments	-	-	-	-	97	-
Investments in other companies	-	-	698	-	-	908
Total	-	(106)	698	–	(23)	908

There were no transfers between the various levels of the fair value hierarchy during the periods under review.

5.6 Changes in liabilities arising from financing activities

In accordance with the requirements of IAS 7, the following table shows changes to payables due to banks arising as a result of cash flows generated by and/or used by financing activities as well as non-cash changes.

(Thousands of Euros)	Balance as at December 31, 2018	Changes in cash flow	Other non-monetary changes	Balance as at December 31, 2019
Current bank borrowings	489	1,700	-	2,129
Non-current bank borrowings	40,236	18,910	160	59,306

6. Operating segments

The following disclosure regarding operating segments is provided in accordance with IFRS 8 "Operating segments" (hereafter "IFRS 8"), which requires that such disclosure reflects the manner in which management manages the business and makes operational decisions. Accordingly, the operating segments and related disclosures are based on internal reporting used by management to make decisions about resources to be allocated to the various operating segments and assess performance.

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.

The Group organises and manages its business activities in terms of the following operating segments: (i) Processing & Packaging and (ii) Sorting. Operating segments are monitored based on: i) Total Revenues; and ii) EBITDA, where EBITDA is defined as profit (or loss) for the year adjusted for: (i) Income taxes; (ii) Finance expenses; (iii) Finance income; (iv) Share of (profit)/loss of investments accounted for using the equity method; (v) Exchange rate gains/(losses); (vi) Impairment of financial assets; (vii) Other net provisions; (viii) Depreciation and amortisation (ix) Non-monetary costs; (x) Investment acquisition transaction costs; and (xi) Income and expenses that by their nature are not reasonably expected to re-occur in future periods.

The following table shows details of the Group's operating segments for the years ended 31 December 2019 and 31 December 2018.

(Thousands of Euros)	For the year ended							
	December 31, 2019				December 31, 2018			
	Processing & Packaging	*Sorting*	*Eliminations*	*Total*	*Processing & Packaging*	*Sorting*	*Eliminations*	*Total*
Revenues from third parties	225,979	25,344	-	251,323	198,605	25,154	0	223,759
Intra-segment revenues	1,154	326	1,480	0	623	686	(1,309)	0
Revenues	**227,132**	**25,670**	**(1,480)**	**251,323**	**199,228**	**25,840**	**(1,309)**	**223,759**
EBITDA	14,261	3,237	20	17,518	12,783	4,233	0	17,016
Non-operating costs				(2,435)				(902)
Depreciation and amortization of property, plant and equipment and intangible assets				(12,110)				(8,582)

Depreciation of financial assets	(316)	(800)
Other net provisions	(707)	1,019
Finance income	7,800	183
Finance expenses	(2,255)	(1,718)
Profit / (loss) from investments accounted for using the equity method	80	41
Profit / (loss) from foreign exchange	(351)	(1,414)
Profit before taxes	**6,848**	**4,882**
Income taxes	(917)	(1,687)
Profit for the year	**5,931**	**3,195**
Profit for the year attributable to non-controlling interests	1,233	2,238
Profit for the year attributable to the Group	**4,698**	**957**

Details of revenues by category and geographic area are provided in Note 9.1, to which reference is made.

Management believes that the aforementioned indicators provide a good indication of the performance of the operating segments identified. Given the range of services and products sold by the Group, there are no significant concentrations of revenues with individual customers. From a balance sheet viewpoint, management does not monitor assets by segment.

In accordance with the requirements of paragraph 33 of IFRS 8, the following table provides a breakdown of property, plant and equipment and intangible assets by geographical area. The assets have been allocated based on the location in which they generate revenues, with the exception of goodwill which is identified as being "Non-allocated".

(Thousands of Euros)	As at December 31	
	2019	2018
Property, plant and equipment:		
Italy	27,526	13,870
Overseas	9,835	6,769
Total property, plant and equipment	**37, 362**	**20,639**
Intangible assets:		
Italy	12,208	10,332
Overseas	692	39
Non-allocated	37,759	34,238
Total intangible assets	**50,659**	**44,609**

7. Business combinations

This note describes the business combinations, as defined in IFRS 3 – "Business Combinations", entered into by the Group during the year ended 31 December 2019.

7.1 Acquisition of SIAPI S.r.l.

On 9 May 2019, the Group acquired 100% of the share capital of Siapi S.r.l. ("SIAPI"), a company 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.

The date of first consolidation is considered to have been 1 May 2019 as no significant transactions took place between 1 May 2019 and 9 May 2019.

The total consideration for the transaction amounted to Euro 5,400 thousand, including the agreed earn-out amount of Euro 2,400 thousand. Based on a subsequent agreement entered into on 9 December 2019, the earn-out was increased to Euro 2,880 thousand, with the negative difference being recognised in the results of financial management in the income statement.

Costs relating to the transaction were fully recognised in the income statement during the period.

The acquisition of SIAPI resulted in increased revenue of Euro 6.2 million during the period between the acquisition date and 31 December 2019. If the acquisition had taken place on January 1, 2019, SIAPI would have contributed a further Euro 2.7 million in increased revenues. Such amounts have been calculated based on SIAPI's accounting records, adjusted as necessary to align them with Group accounting policies.

The assets acquired and liabilities assumed were recognized at fair value, together with goodwill amounting to Euro 4,026 thousand, calculated as shown in the table below:

(Thousands of Euros)	Fair Value
Net identifi cable assets acquired	1,374
(+) Goodwill	4,026
Net assets acquired (Price)	5,400

The fair values of the assets acquired and liabilities assumed are provisional as of the reporting date, as is the value attributed to goodwill. In accordance with IFRS 3, such amounts may be retrospectively adjusted during the twelve-month measurement period following the acquisition to recognize their fair value at the acquisition date, with any such adjustment involving the recalculation of goodwill.

Net cash flows relating to the acquisition are shown in the following table:

(Thousands of Euros)	
Price paid at acquisition date	(2,500)
Cash and cash equivalents at acquisition date	2,205
Net cash flow from the acquisition	(295)

7.2 Acquisition of Milk Project S.r.l.

On 16 April 2019, the Group acquired 20% of the share capital of Milk Project S.r.l. ("**MILK**"). As a result of the transaction, the Group increased its shareholding in the then associate from 40% to 60%, including it within the scope of consolidation from 1 May 2019. The consideration for the transaction amounted to Euro 40 thousand.

The assets acquired and liabilities assumed were recognised at fair value.

Net cash flows relating to the acquisition are shown in the following table:

(Thousands of Euros)	
Price paid at acquisition date	(40)
Cash and cash equivalents at acquisition date	36
Net cash flow from the acquisition	(4)

In accordance with IFRS 3, the transaction has been accounted for as a step-up acquisition, resulting in recognition of a loss amounting to Euro 79 thousand.

8. Notes to the consolidated statement of financial position

8.1 Current and non-current right of use assets and lease liabilities

In preparing the Consolidated Financial Statements, the Group elected for early adoption of IFRS 16. "Right of use assets", amounting to Euro 16,675 thousand as at 31 December 2019 (Euro 13,490 thousand as at 31 December 2018) relates to the assets underlying the lease contracts.

The following table shows movements in "Right of use assets" during the year ended 31 December 2019:

(Thousands of Euros)	Cost	Accumulated depreciation	Impairment	Net book value
Balance as at December 31, 2018	18,544	(5,054)	-	13,490
Increase	4,214	(3,328)	-	886
Decrease	(2,661)	3,498	-	837
Change in consolidation scope	1,462	-	-	1,462
Currency difference	-	-	-	-
Balance as at Decembre 31, 2019	21,558	(4,883)	-	16,675

Additions totalling Euro 4,214 thousand included Euro 2,552 thousand relating to the contract entered into by CFT S.p.a. for the lease of the new building and Euro 653 thousand relating to the contract entered into by Rolec Prozess GmbH for the lease of the new offices.

As at 31 December 2019, the Group had not identified any indicators of impairment of right to use assets.

The following table provides details of the Group's undiscounted lease liabilities as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	Within 1 year	1 – 5 years	Over 5 years	Total contractual value	Book value
Lease liabilities as at December 31, 2019	4,139	11,137	2,322	17,599	16,713
Lease liabilities as at December 31, 2018	3,385	8,018	2,677	14,080	13,663

The following table provides details of lease contracts held by the Group, mainly in the role of lessee:

(Thousands of Euros)	As at and for the year ended December 31,	
	2019	2018
Net book value of right of use asset (buildings)	15,120	12,066
Net book value of right of use asset (cars)	1,262	989
Net book value of right of use asset (machineries)	293	435
Total right of use asset	**16,675**	**13,490**
Current lease liabilities	3,874	3,512
Non-current lease liabilities	12,839	10,151
Total current and non-current lease liabilities	**16,713**	**13,663**
Amortization of right of use asset (buildings)	2,602	1,702
Amortization of right of use asset (cars)	575	494
Amortization of right of use asset (machineries)	151	226
Total amortization of right of use asset	**3,328**	**2,422**
Finance lease expenses	**244**	**233**
Cost of short term leasing	253	767
Cost of low value leasing	165	139
Variable payments not included in lease liabilities	1,234	30
Total Other operating cost and revenues	1,653	936
Total cash flow	34	2,579

8.2 Property, plant and equipment

The following table provides a breakdown of property, plant and equipment as at 31 December 2019 and 31 December 2018 and movements during the year:

(Thousands of Euros)	Land and buildings	Plant and machineries	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at December 31, 2018	9,861	5,455	616	1,801	2,906	20,639
Increase	3,479	2,069	1,347	1,787	10,363	19,045
Business combinations	–	268	13	109	49	439
Decrease	(8)	(128)	(1)	(231)	–	(368)
Transfers	–	1,577	–	–	(1,577)	–
Lease carve-out	–	–	–	–	–	–
Amortizations	(156)	(1,297)	(360)	(799)	–	(2,613)
Currency difference	126	84	–	10	–	220
Reclassifications	–	–	–	–	–	–
Balance as at December 31, 2019	13,302	8,028	1,615	2,675	11,741	37,362

Additions to property, plant and equipment during the year ended 31 December 2019 totalled Euro 19,045 thousand and mainly related to:

- additions to "Land and buildings" totalling Euro 3,479 thousand, of which Euro 2,294 thousand related to the new production site of the Spanish subsidiary Packaging del Sur and Euro 1,100 thousand to the purchase of land by ADR Srl.
- additions to "Plant and machinery" totalling Euro 2,096 thousand, mainly relating to ADR Srl's investment in laser cutting machinery amounting to Euro 1,238 thousand and modernisation work carried out by other group companies;
- additions to "Assets under construction and advances" totalling Euro 10,363 thousand, of which Euro 8,392 thousand relating to costs incurred for the

construction of Raytec's new production plant and Euro 842 thousand to ongoing investment in Packaging del Sur's new production plant;

– additions to "Other assets" totalling Euro 1,787 thousand and additions to "Industrial and commercial equipment", mainly on the part of CFT and Raytec, totalling Euro 1,347 thousand .

No indicators of impairment of "Property, plant and equipment" were identified during the year under review.

8.3 Intangible assets

The following table provides a breakdown of intangible assets as at 31 December 2019 and movements during the year:

(Thousands of Euros)	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar	Goodwill	Assets under construction and advances	Other intangible assets	Total
Balance as at December 31, 2018	6,115	999	382	34,238	984	1,891	44,610
Increase	2,455	745	881	4,026	3,908	280	12,296
Business combinations	—	113	—	—	—	12	125
Decrease	(2)	—	(20)	—	(147)	(34)	(203)
Transfers	1,199	1	7	—	(1,207)	—	—
Lease carve-out	—	—	—	(1,500)	—	—	(1,500)
Amortizations	(3,010)	(906)	(375)	—	—	(385)	(4,670)
Currency difference	—	1	—	1	—	—	2
Balance as at June 30, 2019	6,757	953	875	36,766	3,539	1,770	50,659

Additions to intangible assets during the year ended 31 December 2019 totalled Euro 12,296 thousand.

The increase in "Development costs" related to capitalisation of development expenditure during the period.

Additions to "Assets under construction and advances" included Euro 261 thousand incurred in relation to the implementation of the new management system in Comac and Mc Inox and Euro 2,141 thousand relating to the extension of the Co.Mac. sites.

The increase in "Patents and intellectual property rights" included Euro 651 thousand relating to management software acquired by CFT.

Additions to "Concessions, licences, trademarks and similar" included Euro 334 thousand relating to acquisition of the Levati trademark and know how

Other than as described below under the heading "Impairment of goodwill", no indicators of impairment of "Intangible assets" were identified during the period under review.

Impairment of goodwill

Each cash-generating unit (CGU) to which goodwill is allocated, representing the level at which it is monitored by Company management, corresponds with the legal entity associated with each company acquired by the Group.

Specifically, as at 31 December 2019, goodwill was allocated as follows:

Description	Amount
Rolec Prozess Goodwill	2,661
ADR Goodwill	381
PKS Goodwill	4,094
Siapi Goodwill	4,026
Co.Mac Goodwill	25,602
Balance as at December 31, 2019	**36,766**

In accordance with the applicable accounting standards, impairment tests were performed at the reporting date to identify any evidence of impairment of goodwill. Impairment tests compare the book value of goodwill with the value in use of the group of CGU to which it relates (for a description of the methodology followed for the impairment test, please refer to Note 2.5 - Accounting policies and measurement criteria, regarding the accounting treatment of Goodwill).

Based on the result of the impairment test, goodwill relating to Rolec Prozess was decreased by Euro 1,500 thousand as at 31 December 2019.

Value in use was determined to be the present value (calculated using the DCF method) of the cash flows expected to be derived from each cash-generating unit during the 4-year period subsequent to the reporting date. Forecast data for each group of CGUs were estimated based on past and expected future growth in turnover, EBITDA, cash flows and economic performance.

The terminal value of each CGU group was calculated based on an estimate of the CGU group's future cash flows (using the perpetuity growth model) and the latest available forecast data, assuming a growth rate and weighted average cost of capital (WACC), representing the weighted average of the cost of own capital and the after-tax cost of borrowing, as shown below:

Description	Growth rate	WACC
Rolec Prozess goodwill	1.8%	8.2%
ADR goodwill	1.8%	10.11%
PKS goodwill	1.8%	9.6%
Siapi goodwill	1.8%	9.92%
Co.Mac goodwill	1.8%	8.6%

In line with the currency in which forecast data were prepared, the long term growth rate "G" applied in calculating the terminal value was determined based on expected long-term inflation in the Euro area and the discount rate was calculated for each individual CGU.

Based on the impairment tests performed, the estimated recoverable amounts for all CGU groups exceeded their related book values at the reporting date. Sensitivity analyses were also conducted to check the effects of a change in certain significant parameters on the impairment test results. Specifically, reasonable individual changes in the major variables involved, with all other factors remaining the same, resulted in the recoverable amount of each CGU group not being less than the carrying amount.

CFT Group impairment test

In accordance with the applicable accounting standards, and with reference to the company's average stock market capitalisation during 2019 and during the first three months of 2020 (respectively higher and lower than the consolidated net equity of CFT Group as at 31 December 2019), impairment tests were performed at the reporting date to identify any evidence of impairment of the value of the company's operations. The impairment test was carried out by comparing the book value of net invested capital with the value in use of the entire CFT Group (for a description of the methodology followed for the impairment test, please refer to Note 2.5 - Accounting policies and measurement criteria, regarding the accounting treatment of Goodwill and measurement of impairment).

Value in use was determined to be the present value (calculated using the DCF method) of the cash flows expected to be derived from the Group during the 4-year period subsequent to the reporting date. Forecast data were estimated based on past and expected future growth in turnover, EBITDA, cash flows and economic performance, considering information currently available to management.

The terminal value was calculated based on an estimate of future cash flows (using the perpetuity growth model) and the latest available forecast data, assuming a growth rate of 1.8% and weighted average cost of capital (WACC), representing the weighted average of the cost of own capital and the after-tax cost of borrowing, of 9.65%.

Based on the impairment test performed, the estimated recoverable amount exceeded the related book value at the reporting date. Sensitivity analyses were also conducted to check the effects of a change in certain significant parameters on the impairment test results, with no significant effects being recorded in relation to the most likely scenarios.

The results of the aforementioned impairment tests carried out in relation to the individual CGUs and CFT Group were approved by the Board of Directors on 30 March 2020.

8.4 Investments accounted for using the equity method

The following table provides a breakdown of "Investments accounted for using the equity method" as at 31 December 2019:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
PE Labellers & CFT Asia Pacific Sdn Bhd	256	198
Gemini Srl	(23)	119
Milk Project S.r.l. (*)	–	109
Total Investments accounted for using the equity method	233	426

(*) Included within the scope of consolidation from May 2019

During 2019 the Group increased its shareholding in Milk Project S.r.l from 40% to 60%, including it within the scope of consolidation from 1 May 2019. For further details, see Note 2.4 – "Basis and principles of consolidation" – and Note 7 "Business combinations".

8.5 Deferred tax assets and deferred tax liabilities

The following table provides a breakdown of "Deferred tax assets" :

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Deferred tax assets	6,118	5,028
Deferred tax liabilities	(977)	(911)
Total	5,141	4,117

Movements in "Deferred tax assets" during the periods under review were as follows:

(Thousands of Euros)	As at December 31, 2018	Net provisions to income statement	Net provisions to comprehensive income	Other changes	As at December 31, 2019
Allowance for doubtful receivables	495	55	-	211	761
Guarantee provision	220	41	-	-	261
Depreciation of deferred deductions	81	(16)	-	-	65
Obsolescence allowance on inventories	1410	639	-	136	2185
Employee benefit provision	15	(24)	32	-	23
Allowance for disputes	91	192	-	-	283
Contract liabilities	1107	665	-	-	1772
Depreciation of Intangibles assets	339	49	-	-	388
Fiscal Losses	925	(925)	-	6	6
Others	345	(1)	-	30	374
TOTAL DEFERRED TAX ASSETS	5,028	675	32	383	6,118
Intangible assets	(94)	0	-	-	(94)
Trademark (business combinations)	(155)	30	-	-	(125)
Capital gain	(358)	9	-	-	(349)
Others	(304)	(105)	-	-	(409)
TOTAL DEFERRED TAX LIABILITIES	(911)	(66)	-	-	(977)
TOTAL NET DEFERRED TAX ASSETS	4,117	609	32	383	5,141

Temporary differences reported above reverse during the following year and subsequent years.

8.6 Non-current financial assets

The following table provides a breakdown of "Non-current financial assets" as at 31 December 2019:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Investments in other companies	679	908
Investments in non-consolidated subsidiaries	-	-
Non-current other trade receivables	1,167	879
Others	28	4
Total non-current financial assets	1,893	1,791

The following table provides a breakdown of investments in other companies as at 31 December 2019:

(Thousands of Euros)	As at December 31, 2019
Emiliana Conserve	487
Xnext S.r.l.	56
Banca di Parma	49
Banca Credito Cooperativo	30
Iren Spa	15
Dna Phone	11
Parma partecipazioni calcistiche	10
Tomato News	10
So. Ge. A.P. Spa	9
Other	2
Totale Partecipazioni in altre imprese	679

8.7 Inventories

The following table provides a breakdown of "Inventories" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Raw, ancillary and consumable materials	22,484	20,381
Work in progress and semi-finished goods	49,024	52,884
Finished products and goods for resale	19,138	12,436
Advances	2,063	2,338
Total Inventories	92,709	88,039

"Inventories" are stated net of an "Obsolescence allowance", in respect of obsolete or slow-moving items, amounting to Euro 7,102 thousand and Euro 4,959 thousand as at 31 December 2019 and 31 December 2018 respectively, as well as amounts totalling Euro 1.3 million relating to future losses on contracts.

8.8 Trade and other receivables

The following table provides a breakdown of "Trade and other receivables" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Trade receivables from customers	55,805	60,927
Trade receivables from associates	298	810
Total Trade and other receivables	56,104	61,737

"Trade and other receivables" includes an "Allowance for doubtful receivables" amounting to Euro 3,617 thousand and Euro 3,283 thousand as at 31 December 2019 and 31 December 2018 respectively

Movements in the "Allowance for doubtful receivables" during the year are shown in the following table:

(Thousands of Euros)	Taxed	Ordinary	Total
Balance as at December 31, 2018	2,639	644	3,283
Net increase	193	123	316
Change in consolidation scope	978	23	1,001
Decrease	(819)	(165)	(984)
Balance as at December 31, 2019	2,991	625	3,617

8.9 Income tax receivables

Income tax receivables relate to amounts due from the tax authorities in relation to IRES and IRAP current taxes, net of related amounts payable.

8.10 Cash and cash equivalents

The following table provides a breakdown of "Cash and cash equivalents" as at 31 December 2019 and 31 December 2018:

(Thousands of Euro)	As at December 31, 2019	As at December 31, 2018
Post office and bank accounts	36,002	41,766
Cheques and cash	25	32
Total Cash and cash equivalents	36,027	41,798

Cash and cash equivalents were not subject to any constraints or restrictions. For details regarding movements in "Cash and cash equivalents", reference is made to the statement of cash flows.

8.11 Other current assets

The following table provides a breakdown of "Other current assets" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Tax receivables	6,880	5,431
Other receivables	2,138	4,560
Accrued and deferred income	977	1,094
Total Other current assets	**9,995**	**11,085**

8.12 Shareholders' equity

The following table provides a breakdown of "Equity" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Share capital	10,000	98,300
Statutory reserve	151	71
Share premium reserve	0	(8,300)
Other reserves	35,642	(47,311)
- First-time-adoption reserve	(937)	(3,832)
- Capital increase costs reserve	(5,177)	(5,177)
- Translation reserve	(512)	(941)
- Company own shares reserve	(9,106)	(8,681)
- Others	46,197	(28,680)
Retained earnings	6,120	2,952
Equity attributable to the Group	**51,913**	**45,712**
Equity attributable to non-controlling interests	21,763	22,026
Total Equity	**73,676**	**67,738**

Share capital

As at 31 December 2019, the fully paid up share capital of CFT S.p.A. amounted to Euro 10,000 thousand and comprised 16,026,357 ordinary shares traded on the AIM Italia market, 3,000,000 multiple voting shares and 133,334 special shares, all with no par value. On 10 May 2019, the extraordinary shareholders' meeting of CFT S.p.A. approved the reduction of the company's share capital from Euro 98,300 thousand to its current level of Euro 10,000 thousand, allocating the balance of Euro 88,300 thousand to an available capital reserve.

The following table provides a breakdown of CFT's fully subscribed and paid up "Share capital" as at 31 December 2019:

Category	n. shares	% on share capital	Listed
Ordinary shares	16,026,357	83.65%	AIM Italia
Special shares	133,334	0.70%	Non-listed
Multiple voting shares	3,000,000	15.66%	Non-listed
Total	19,159,691	100.00%	

The following table shows details of significant shareholdings as at March 2020:

Shareholder	Number of shares	% of share capital with voting right	% of voting right
RPC S.r.l.	2,689,578	14.81%	18.75%
A.E.A. S.r.l.	2,665,558	14.68%	18.65%
Ma.Li S.r.l.	2,674,508	14.73%	18.69%
F&B Capital Investment	907,917	5.00%	6.30%

It is noted that the Company holds 1,001,683 treasury shares, the voting rights of which are suspended. It is further noted that the Company has issued warrants that may be exercised in accordance with the terms and conditions set out in the warrant regulation (hereafter, the "**Regulation**") at any time after the third day of trading of the second calendar month following the effective date (5 September 2018) and before expiry of the exercise rights, which becomes effective on the earlier of the following dates: (i) the fifth anniversary of their effective date (i.e. 31 July 2023); and (ii) the sixtieth day following the communication of acceleration (as defined in the Regulation), except in the event of suspension as provided for in Article 3.7 of the Regulation. As at 31 December 2019, there were 4,739,577 warrants in circulation.

Statutory reserve

As at 31 December 2019, the statutory reserve amounted to Euro 151 thousand.

Share premium reserve

As at 31 December 2019, in accordance with the relevant shareholders' resolution of 10 May 2019, the "Share premium reserve" was wholly allocated to the Available capital reserve.

Other reserves

As at 31 December 2019, "Other reserves" had a negative balance of Euro 35,642 thousand and mainly included:

a) First time adoption (FTA) reserve

As at 31 December 2019, the "First time adoption (FTA) reserve" amounted to Euro 937 thousand and represented the effects of the transition from Italian GAAP to EU-IFRS. Such effects relate to the process of transition from Italian GAAP to EU-IFRS in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), followed by CFT Group, with effect from 1 January 2017, the date of first-time adoption.

b) Capital increase cost reserve

As at 31 December 2019, the "Capital increase costs reserve" had a negative balance of Euro 5,177 thousand. The amount reflects costs incurred by Glenalta and CFT directly related to the share capital increase which, in accordance with IAS 32 – "Financial Instruments" are recognised, not in profit and loss but rather as a deduction from equity. Specifically, Euro 1,014 thousand related to costs incurred by Glenalta in relation to its prior listing on AIM Italia and Euro 4,163 thousand related to the costs incurred by CFT and Glenalta for the subsequent merger and share capital increase transactions.

c) Translation reserve

The "translation reserve" includes differences arising on the translation into Euro of financial statements expressed in foreign currencies of subsidiaries included within the scope of consolidation.

d) Treasury shares reserve

The "Treasury shares reserve" had a negative balance of Euro 9,106 thousand and related to the purchase of treasury shares to service the right of withdrawal as well as the purchase of treasury shares in the context of the share buy-back scheme.

Retained earnings

As at 31 December 2019, "Retained earnings" amounted to Euro 6,120 thousand, of which Euro 1,422 thousand related to the prior year.

8.13 Current and non-current bank borrowings

Bank borrowings totalled Euro 61,435 thousand and Euro 40,725 thousand as at 31 December 2019 and 31 December 2018 respectively, of which Euro 2,129 thousand and Euro 489 thousand representing the current portions.

During 2018, the Parent entered into a new medium/long-term loan agreement (the "**Loan Agreement**") for a total amount of Euro 100 million, to be utilised over a period of 36 months, to support the growth of CFT group, as well as refinance current bank indebtedness, at better terms and conditions.

The Loan Agreement was entered into with a syndicate of seven banks, including Crédit Agricole Cariparma in the role of agent and lead arranger and HSBC, BNL, Banco BPM, Intesa San Paolo, BMPS and Unicredit as other lending banks.

The main terms of the Loan Agreement are as follows:

- 6 years' maturity, expiring in November 2024;
- available for utilization over 36 months;
- annual interest rate of 6m EURIBOR (with a 0% floor) plus a spread of 100 bps (basis points)[5]

In line with normal market practice in such cases, the terms and conditions of the Loan Agreement require compliance with a series of financial covenants (leverage ratio not greater than 2.50x) as well as a series of obligations on completion of certain transactions, non-compliance with which could result in mandatory early reimbursement of the loan. As at 31 December 2019, all such covenants and obligations had been complied with, while the re-pricing limit (leverage ratio equal to 1.75x) had been exceeded, as a result of which the spread will be increased to 150 bps.

8.14 Current and non-current put option liabilities

"Current and non-current put option liabilities" amounted to Euro 22,646 thousand as at 31 December 2019 (Euro 31,451 thousand as at 31 December 2018). The amount represents the best estimate of the disbursement required, discounted as appropriate, in relation to the put options granted by the Group to the minority shareholders of Co.Mac. The put options granted to the minority shareholders of Co.Mac were exercised during 2019 resulting in a positive income statement effect of Euro 1,448 thousand, reclassified to finance expenses, and an increase in group equity of Euro 1,361 thousand.

8.15 Employee defined benefit payables

The following table provides details of "Employee defined benefit payables" as at 31 December 2019:

(Thousands of Euros)	Total
Balance as at December 31, 2018	**4,799**
Service cost	(313)
Financial charges	51
Advances and benefit paid out during the year	(436)
Changes in the scope of consolidation	183
Actuarial gains / (losses) due to experience	44
Actuarial gains (losses) due to demographic assumptions	(5)
Actuarial gains / (losses) due to changes in financial assumptions	215
Balance as at December 31, 2019	**4,538**

[5] In the event the Leverage Ratio (Net Financial Debt/EBITDA) is greater than 1.75x, the spread is increased to 150 bps.

"Employee defined benefit payables" relate mainly to the employee severance indemnity ("TFR") due to employees of the Group's Italian companies.

The value of the severance and mandate indemnities, both of which meet the defined benefit plan criteria defined by IAS 19, is calculated on an actuarial basis. The assumptions adopted in determining the liabilities as at 31 December 2019 and 31 December 2018 are described below.

The following table details the main financial and demographic assumptions adopted in the actuarial calculations:

Financial assumption	31/12/2019	
	TFR	TFR
Discount rate	0.77%	1.57%
Inflation rate	1.20%	1.50%
Annual rate of growth of employee benefit provision	2.40%	2.625%
Annual rate of growth of wages	1.00%	1.00%

Demographic assumptions	
Death	Mortality table RG48 published by Ragioneria Centrale dello Stato
Disability	Tables provided by INPS by age and gender
Retirement	100% at achievement of AGO requirements

Turnover and employee benefit provision advances annual frequency	31/12/2019	31/12/2018
Advances frequency	1.00%	1.00%
Turnover frequency	3.50%	3.50%

The following table shows the results of sensitivity analyses performed for each actuarial assumption as at 31 December 2019, highlighting the effects (in absolute terms) that would have occurred upon reasonable possible changes in actuarial assumptions:

(Thousands of Euros)

Changes in the assumptions	TFR
Turnover rate +1,00%	4,437
Turnover rate -1,00%	4,522
Inflation rate +0,25%	4,547
Inflation rate -0,25%	4,409
Discount rate +0,25%	4,380
Discount rate -0,25%	4,578

(Thousands of Euros)

Service cost e Duration	TFR
Service cost and annual pro futuro	249
Duration	15

The following table provides a summary overview of expected plan disbursements:

(Thousands of Euros)	
Expected future disbursements	TFR
Years	
1	644
2	456
3	227
4	282
5	203

8.16 Current and non-current trade payables

The following table provides a breakdown of "Current and non-current trade payables" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Trade payables to suppliers	71,463	77,041
Payables due to associates	42	76
Total Trade payables	71,505	77,117

8.17 Derivative financial instruments

"Derivative financial instruments" amounted to Euro 106 thousand as at 31 December 2019 (Euro 120 thousand as at 31 December 2018) and related mainly to contracts entered into to hedge foreign exchange risk in respect of sales contracts involving the Group.

8.18 Provisions for risks and charges

The following table provides a breakdown of "Provisions for risks and charges" as at 31 December 2019:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Guarantee provision	1,023	873
Other provisions	1,816	502
Total Provisions for risks and charges	2,839	1,375

The "Guarantee provision" amounted to Euro 1,023 thousand as at 31 December 2019 (Euro 873 thousand as at 31 December 2018) and related to guarantees given regarding plant sold.

"Other provisions" amounted to Euro 1,816 thousand as at 31 December 2019 and mainly related to provisions for costs considered likely in respect of contract-related actions brought against the Group, as well as other likely future expenditures.

The following table shows movements in provisions for risks and charges during the year ended 31 December 2019.

(Thousands of Euros)	Guarantee provision	Other provisions	Total
Balance as at December 31, 2018	873	502	1,375
Net increase	150	557	707
Decrease	–	(223)	(223)
Changes in the scope of consolidations	–	724	724
Reclassifications	–	256	256
Balance as at December 31, 2019	1,023	1,816	2,839

For details of disputes involving CFT Spa, reference is made to the report on operations.

During 2019 the Tax Police conducted an assessment of Levati Food Tech Srl, as a result of which, on 5 December 2019, the company was served with a tax audit assessment report. The assessment, which commenced on 11 October 2019, covered direct taxes, VAT and other taxes and related to tax years 2017, 2018 and 2019. Overall, the report identified allegedly non-deductible VAT of around Euro 880 thousand and higher Irap tax due of Euro 180 thousand.

Based on ongoing review of the significant amount of documentation gathered to date, management believes it will be possible to successfully defend the Group's position. Given the above, the consolidated financial statements prudently include a total provision of Euro 300,000, considered sufficient to cover both current and future estimated costs relating to the dispute.

8.19 Other current and non-current liabilities

The following table provides a breakdown of "Other current and non-current liabilities" as at 31 December 2019:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Advances	30,761	31,928
Contract liabilities	8,188	4,612
Tax payables	3,411	2,708
Payables due to social security institutes	3,224	2,938
Other payables	10,877	7,741
Accruals and deferred income	2,124	3,747
Total	58,585	53,674

"Advances" amounted to Euro 30,761 thousand as at 31 December 2019 (Euro 31,928 thousand as at 31 December 2018) and related to customer payments on account in respect of goods and services not yet transferred.

"Contracts liabilities" includes the liability relating to the Company's obligation to provide services to customers in respect of which the company has received payment (or for which payment is due).

"Tax payables" amounted to Euro 3,411 thousand as at 31 December 2019 (Euro 2,708 thousand as at 31 December 2018) and mainly related to Irpef payables regarding employees, self-employed staff, directors and other staff.

"Payables due to social security institutes" amounted to Euro 3,224 thousand as at 31 December 2019 (Euro 2,938 thousand as at 31 December 2018) and related to amounts due to Inps, Inail, Previndai, Cometa and Enasarco.

"Non-current payables" at 31 December 2019, is mainly related to the loan from the shareholders of PKS (Euro 1,233 thousand) and the Earn Out payable relating to the Siapi acquisition (Euro 2,880 thousand).

9. Notes to the consolidated statement of comprehensive income

9.1 Revenue

The following table provides a breakdown of "Revenue" by operating segment for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Processing & Packaging	225,979	198,605
Sorting	25,344	25,154
Total Revenues	**251,323**	**223,759**

The following table provides a breakdown of "Revenue" by product line for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Machinery and production lines	204,353	181,951
After Sales	45,925	40,937
Other revenues	1,045	871
Total Revenues	**251,323**	**223,759**

The following table provides a breakdown of "Machinery and production lines" by geographical area for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Italy	47,951	28,679
Overseas	156,402	153,272
Total Revenues from machinery and production lines	**204,353**	**181,951**

9.2 Other revenue

"Other revenue" amounted to Euro 3,079 thousand and related for the main part to the annual share of capital grants and other income.

Capital grants received related to research and development tax credits amounting to Euro 1,019 thousand and other sundry grants totalling Euro 142 thousand.

9.3 Cost of services

The following table provides a breakdown of "Cost of services" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Technical services, maintenance and repair	(28,046)	(30,520)
Commercial services	(18,551)	(14,636)
General and administrative	(20,075)	(19,167)
Operative lease costs	(1,671)	(1,519)
Total Cost of services	(68,344)	(65,842)

9.4 Cost of raw material, ancillary and goods for resale

The following table provides a breakdown of "Cost of raw material, ancillary and goods for resale" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Raw materials	(115,104)	(101,020)
Changes in inventory, work in progress, semi-finished and finished goods	500	1,873
Changes in inventory of raw, ancillary, consumables and goods for resale	1,168	1,375
Total Cost of raw material, ancillary and goods for resale	(113,436)	(97,772)

9.5 Personnel costs

The following table provides a breakdown of "Personnel costs" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Wages and salaries	(39,501)	(32,933)
Social security contributions	(11,994)	(9,822)
Other personnel costs	(3,071)	(1,647)
Total Personnel costs	(54,566)	(44,402)

The following table shows the average number of Group employees by category for the years ended 31 December 2019 and 31 December 2018:

Category	Number as at December 31,		Average number for the year ended December 31,	
	2019	2018	2019	2018
Managers	41	33	42	33
Office workers	557	507	550	474
Production workers	356	285	339	278
Total	954	825	931	785

Average employee numbers are influenced by changes in the scope of consolidation, as a result of which Siapi employees were included in 2019 figures for 7 months, while Comac e Mc Inox employees were included in 2018 figures for 5 months. As at 31 December 2019, there were 52 Siapi employees, 139 Comac employees and 16 Mc Inox employees.

During 2018, the Group adopted the "CFT S.p.A Stock Grant Plan" (hereafter, the "**Plan**"), a multi-year incentive plan involving the Company's ordinary shares. The Plan provides for the granting to beneficiaries of the right to receive CFT S.p.A. ordinary shares (up to a maximum of 5% of the number of post-merger shares) free of charge, on achieving certain pre-determined measurable performance objectives, by the date the financial statements for the year ended 31 December 2022 are approved.

The Plan is restricted to the Company's executive directors and key management personnel.

In accordance with IFRS 2, the assigned options were measured at fair value at the time of their assignation (3 August 2018). Such measurement, which was determined using a Monte Carlo simulation model based on the performance components included in the Plan, was carried out by an independent external expert. The fair value so calculated, amounting to Euro 1,430 thousand, was recognised in the income statement based on a vesting period with expiry in 2022. Such estimate resulted in Euro 323 thousand being recognised in Personnel costs in 2019, with the corresponding entry being recognised in Equity.

As at 31 December 2019, none of the options had been exercised.

9.6 Other operating costs

The following table provides a breakdown of "Other operating costs" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Company canteen	(541)	(425)
Membership fees	(224)	(208)
Property tax and other taxes	(313)	(429)
Penalties and charges	(359)	(291)
Losses and underaccruals	(906)	(624)
Other operating expenses	(630)	(221)
Total Other operating costs	**(2,973)**	**(2,198)**

9.7 Depreciation and amortisation of tangible and intangible fixed assets

The following table provides a breakdown of "Depreciation and amortisation" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Amortization of intangible assets	(6,170)	(4,284)
Amortization of property, plant and equipment	(2,613)	(1,876)
Amortization of right of use asset	(3,328)	(2,422)
Total Depreciation and amortization of Tangibles and Intangibles Asset	**(12,110)**	**(8,582)**

The amount relating to intangible assets includes Euro 1,500 thousand reflecting the write-down of goodwill in relation to Rolec Prozess as a result of the impairment test performed.

9.8 Impairment of financial assets and other net provisions

The following table provides a breakdown of "Impairment of financial assets and other net provisions" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Provisions for risks and charges	(707)	1,019
Allowance for doubtful receivables	(316)	(800)
Total Impairment of financial assets and other net provisions	1,023	219

Detailed breakdowns of the composition of and movements in "Provisions for risks and charges" and the "Allowance for doubtful receivables" for the year ended 31 December 2019 are included in Note 8.18 – "Provision for risks and charges" and Note 8.8 – "Trade receivables".

9.9 Financial management

The following table provides a breakdown of the results of financial management for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Other financial income	7,800	183
Total Financial income	7,800	183
Interest expenses and other financial expenses	(2,255)	(1,718)
Total Financial expenses	(2,255)	(1,718)
Total Profit / (loss) from foreign exchange	(351)	(1,414)
Total Financial management	5,194	(2,949)

"Other financial income" included Euro 6,300 thousand reflecting the write-back of the payable relating to the put options granted by the Group to the minority shareholders of Co.Mac and the income from exercise of the put option relating to the subsidiary company Rolec, amounting to Euro 1,448 thousand.

"Interest expense and other financial expenses" for the main part related to medium and long-term bank borrowing and in part to short-term bank loans at market rates. The item included bank costs and, to a lesser extent, employee benefit-related finance expenses resulting from the measurement of defined benefit plans in accordance with IAS 19, as well as the cost of discounting the Comac put option and the loss on Earn Out due to the previous shareholders of Siapi.

Exchange rate gains/(losses) related to the Group's overseas non-Euro denominated sales operations.

9.10 Profit / (loss) from investments accounted for using the equity method

"Profit / (loss) from investments accounted for using the equity method" amounted to Euro 295 thousand.

See Note 8.4 – "Investments accounted for using the equity method" for a breakdown of investments accounted for using the equity method.

9.11 Income taxes

The following table provides a breakdown of "Income taxes" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Taxes for the period	(1,230)	(3,129)
Prior year taxes	183	–
Net deferred tax assets and liabilities	130	1,442
Total Income taxes	(917)	(1,687)

The following table shows the reconciliation between the theoretical tax charge and the reported tax expense for the period:

	For the year ended December 31,	
(Thousands of Euros)	2019	%
Profit before taxes	6,847	
Theoretical IRES	(747)	24.0%
IRAP	(170)	
Other adjustments		
Total Income tax	(917)	34.6%

9.12 Earnings per share

	2019	2018
Profit for the year attributable to equity holder of the Parent	4,697	957
Weighted average of number of outstanding shares	18,270,503	13,285,985
Earnings per share (in Euro)	0.26	0.07

CFT Shares at 01/10/2019	18,291,626
CFT Shares at 31/10/2019	18,261,376
CFT Shares at 30/11/2019	18,202,021
CFT Shares at 31/12/2019	18,158,008
Average Shares Number	18,270,503

Diluted earnings per share was equal to basic earnings per share as no financial instruments having potential dilutive effects had been issued.

10. Related party transactions

Details of related party transactions are provided below. The companies mentioned are considered to be related parties because they are directly or indirectly related to the shareholders of the Group.

The following table shows Group receivables and payables due from/to related parties:

(Thousands of Euros)	As at December 31, 2019				As at December 31, 2018			
	Commercial Receivables	Financial Receivables	Commercial Payables	Financial Payables	Commercial Receivables	Financial Receivables	Commercial Payables	Financial Payables
Companies under common control:								
Newco Immobiliare 1 S.r.l.	12	–	–	–	3	–	–	–
Newco Immobiliare 2 S.p.A.	73	–	46	–	–	–	–	–
Newco Immobiliare 4 S.r.l.	–	–	43	–	–	–	53	–
Alfa Immobiliare S.r.l.	–	–	–	–	–	–	52	–
RAL Immobiliare S.r.l.	–	–	11	–	–	–	81	–
Total	85	–	100	–	3	–	186	–
Subsidiaries:								
Minority shareholders PKS	–	–	–	1,233	–	–	–	1,500
Total	–	–	–	1,233	–	–	–	1,500
Associates:								
CFT ASIA	134	–	46	–	655	–	66	–
Gemini	–	300	–	–	155	300	–	–
As Productos del Futuro	–	–	165	–	–	–	–	–
Total	134	300	211	–	810	300	66	–
Total Related Parties	219	300	311	1,233	813	300	252	1,500

The following table shows details of Group transactions with related parties:

(Thousands of Euros)	As at December 31, 2019		As at December 31, 2018	
	Commercial Costs	Commercial Revenues	Commercial Costs	Commercial Revenues
Companies under common control:				
Newco Immobiliare 1 S.r.l.	–	9	–	3
Newco Immobiliare 2 S.p.A.	38	59		
Newco Immobiliare 3 S.r.l.	–	1	31	–
Newco Immobiliare 4 S.r.l.	563	–	217	–
Alfa Immobiliare S.r.l.	487	–	480	44
RAL Immobiliare S.r.l.	129	–	164	–
Total	1.217	69	892	47
Associates:				
CFT ASIA	136	114	186	645
As Productos del Futuro	234	–	–	–
TCC Immobiliare	274	–	–	–
Total	644	114	186	645
Total related Parties	1,861	183	1,078	692

11. Commitments and risks

Guarantees granted in favour of third parties

It is noted that as at 31 December 2019, the Group had granted credit institution guarantees amounting to Euro 12,494 thousand in relation to trading commitments.

Contingent liabilities

Management is not aware of any disputes or legal actions that could reasonably have significant repercussions on the Group's operating results, financial position or cash flows.

12. Compensation due to directors, statutory auditors and key management personnel

Compensation due to directors and statutory auditors for the years ended 31 December 2019 and 31 December 2018 amounted to Euro 2,047 thousand and Euro 2,290 thousand respectively.

Total compensation due to key management personnel for the years ended 31 December 2019 and 31 December 2018, amounted to Euro 1,207 thousand and Euro 1,265 thousand respectively.

No loans or advances were granted to directors or shareholders during the year.

13. Fees due to independent auditors

Fees due to independent auditors for statutory audit services for the years ended 31 December 2019 and 31 December 2018 amounted to Euro 239 thousand and Euro 255 thousand respectively. The following table provides a breakdown of fees for all services provided by PricewaterhouseCoopers S.p.a. in 2019.

(Thousands of Euros)	Year 2019
Fee for Legal Audit service	239
Others advisors fee	155
TOTAL	394

14. Significant events occurring after the reporting period

On 5 February 2020, CFT S.p.A. acquired 20% of the share capital of its subsidiary Levati Food Tech S.r.l., increasing its total shareholding from 80% to 100% of the company's shares. The consideration for the acquisition was Euro 500,000.00, paid partly in cash and partly through the transfer of CFT ordinary shares.

For information regarding the policies put in place by the Group to deal with the Covid-19 emergency, reference is made to the note on "Significant events occurring after the reporting period" in the Report on Operations.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Financial Position

(In Euro)	Note	As at December 31, 2019	As at December 31, 2018
ASSETS			
Non-current assets:			
Right of use assets	6.1	8,635,204	7,485,511
Property, plant and equipment	6.2	5,921,209	5,050,257
Intangible assets	6.3	6,392,924	6,694,742
Investments accounted for using the equity method	6.4	63,233,414	54,649,675
Deferred tax assets	6.5	4,215,566	4,334,010
Non-current financial assets	6.6	23,984,443	5,653,167
Total non-current assets		112,382,760	83,867,362
Current assets:			
Inventory	6.7	60,936,232	62,806,803
Derivative financial instruments	6.8	27,786	96,789
Trade and other receivables	6.9	33,781,300	36,962,826
Income tax receivables	6.10	3,355,635	3,055,635
Cash and cash equivalents	6.11	22,252,023	23,125,282
Other current assets	6.12	5,026,174	6,583,465
Total current assets		125,379,150	132,630,800
TOTAL ASSETS		237,761,910	216,498,162
EQUITY			
Share capital	6.13	10,000,000	98,300,000
Statutory reserve	6.13	151,030	71,214
Share premium reserve	6.13	-	(8,300,000)
Other reserves	6.13	67,159,331	(14,673,773)
Retained earnings	6.13	(1,211,926)	2,806,702
TOTAL EQUITY		76,098,435	78,204,143
Non-current liabilities			
Non-current bank borrowings	6.14	59,305,795	39,168,991
Non-current lease liabilities	6.1	6,804,751	5,921,739
Employee defined benefit payables	6.15	2,717,976	2,883,938
Provisions for risks and charges	6.17	1,960,208	1,583,274
Other non-current liabilities		2,880,000	-
Total non-current liabilities		73,668,730	49,557,942
Current liabilities:			
Current bank borrowings	6.14	250,843	189,398
Current lease liabilities	6.1	2,201,500	2,203,580
Derivative financial instruments	6.8	31,999	72,126
Current trade payables	6.16	54,363,655	60,006,472
Other current liabilities	6.18	31,146,748	26,264,501
Total current liabilities		87,994,745	88,736,077
TOTAL EQUITY AND LIABILITIES		237,761,910	216,498,162

Statement of Profit or Loss

(In Euro)	Note	For the year ended December 31, 2019	2018
Revenue	7.1	160,095,410	55,044,300
Other revenue	7.2	4,183,246	836,505
Total revenue		164,278,656	**55,880,805**
Cost of services	7.3	(47,429,874)	(18,969,152)
Cost of raw material, ancillary and goods for resale	7.4	(81,182,867)	(25,940,259)
Personnel costs	7.5	(28,940,143)	(10,430,891)
Other operating costs	7.6	(1,292,909)	(602,959)
Depreciation and amortization of property, plant and equipment and intangible assets	7.7	(5,825,875)	(2,632,479)
Depreciation of financial assets	7.8	(226,800)	(361,098)
Other net provisions	7.8	(280,000)	50,513
Operating profit		**(899,813)**	**(3,005,520)**
Financial income	7.9	208,843	747,893
Financial expenses	7.9	(1,522,022)	(916,515)
Profit / (loss) from investments accounted for using the equity method	7.10	(470,945)	2,759,866
Profit / (loss) from foreign exchange	7.9	(201,139)	(292,153)
Profit before tax		(2,885,076)	**(706,429)**
Income taxes	7.11	462,754	2,302,735
Profit for the year		(2,422,322)	1,596,306

Statement of Comprehensive Income

(In Euro)	Note	For the year ended December 31, 2019	2018
Profit for the year		(2,422,322)	1,596,306
Actuarial gains / (losses) on post-employment benefit obligations	6.15	41,796	106,540
Tax effect	6.17	(10,031)	(25,570)
Net other comprehensive income not being reclassified to profit or loss in subsequent year		31,765	80,970
Gains / Losses form Translation of Financial Statement in foreign currencies		514,280	172,677
Net other comprehensive income not being reclassified to profit or loss in subsequent year		514,280	172,677
Total comprehensive income		(1,876,277)	1,849,953

Statement of Changes in Equity

(In Euro)	Share Capital	Statutory Reserve	Share premium reserve	IPO costs reserve	Other	Total Other reserves	Total Equity
Balance as at January 1,2018	11,800,000	-	88,200,000	(1,012,630)	-	304,258	99,291,628
Total comprehensive income for the period:							
Net profit for the period	-	-	-	-	-	1,596,306	1,596,306
Actuarial gains/losses on post-employment benefit obligations	-	-	-	-	-	80,970	80,970
Total comprehensive income	-	-	-	-	-	1,677,276	1,677,276
Transactions with shareholders:							
Purchase of own shares	-	-	-	-	(8,680,650)	-	(8,680,650)
Pre-merger equity investment in CFT	-	-	(10,000,000)	-	-	-	(10,000,000)
CFT Contribution	-	-	-	(2,386,778)	(929,631)	872,729	(2,443,680)
Other movements:	-	-	-	-	-	-	-
Glenalta IPO's costs	-	-	-	(910,897)	-	-	(910,897)
CFT IPO's costs	-	-	-	(866,222)	-	-	(866,222)
Stock Grant	-	-	-	-	134,000	-	134,000
Other movements and adjustments	86,500,000	71,214	(86,500,000)	-	(20,965)	(47,561)	2,688
Balance as at December 31, 2018	98,300,000	71,214	(8,300,000)	(5,176,527)	(9,497,246)	2,806,702	78,204,143
Balance as at January 1,2019	98,300,000	71,214	(8,300,000)	(5,176,527)	(9,497,246)	2,806,702	78,204,143
Total comprehensive income for the period:							
Net profit for the period	-	-	-	-	-	(2,422,322)	(2,422,322)
Actuarial gains/losses on post-employment benefit obligations	-	-	-	-	-		-
Total comprehensive income	-	-	-	-	-	(2,422,322)	(2,422,322)
Transactions with shareholders:							
Retained results of previous year	-	79,816			1,516,490	(1,596,306)	-
Purchase of own shares	-	-	-	-	(425,302)	-	(425,302)
Equity changes	(88,300,000)	-	-	-	88,300,000	-	-
Other movements:	-	-	-	-	-	-	-
Stock grant	-	-	-	-	246,684	-	246,684
Other movements and adjustments	-	-	8,300,000	5,176,527	(12,981,295)	-	495,232
Balance as at December 31, 2019	10,000,000	151,030	-	-	67,159,331	(1,211,926)	76,098,435

Statement of Cash Flows

(In Euro)	Note	For the year ended December 31, 2019	2018
Profit before tax		(2,885,076)	(706,429)
Adjustments:			
Depreciation and amortization of property, plant and equipment and intangible assets	7.7	5,825,875	2,632,479
Depreciation of financial assets and other net provisions	7.8	506,800	310,585
Profit / (loss) from investments accounted for using the equity method	7.10	470,945	(2,759,866)
Net financial expenses and Profit / (loss) on foreign exchange	7.9	1,514,318	460,775
Other non-monetary movements		2,004,079	1,579,746
Cash flow from operating activities before changes in net working capital		**7,436,941**	**1,517,290**
Changes in net working capital:			
- Inventory	6.7	1,830,444	(4,340,616)
- Trade receivables	6.9	2,954,726	2,680,197
- Trade payables	6.16	(5,642,817)	7,862,473
- Other changes in net working capital	6-1–6.18	5,039,658	(6,989,252)
Net cash flow from changes in net working capital		**4,182,011**	**(787,198)**
Income tax paid		-	(2,330,000)
Employee defined benefit payables and provisions for risks and charges	6.1–6.17	(178,608)	(281,908)
Net cash flow provided by / (used in) operating activities (A)		**11,440,343**	**(1,881,816)**
Net cash flow provided by / (used in) financing activities:			
Investments in non-current assets:		(4,647,861)	(3,455,610)
-intangible assets	6.3	(2,953,767)	(1,728,104)
-property, plant and equipment	6.2	(1,694,094)	(1,727,506)
Changes in non-current financial assets	6.6	(18,262,273)	(60,030)
Equity investments		(6,110,855)	(25,326,228)
Net cash flow provided by / (used in) investing activities (B)		**(29,020,990)**	**(28,841,868)**
Net cash flow provided by / (used in) financing activities:			
Current bank borrowings	6.14	-	(39,094,409)
Non-current bank borrowings	6.14	20,000,000	11,847,853
Changes of lease liabilities	6.1	(2,191,596)	(606,224)
Net financial expenses paid	7.9	(713,336)	(305,208)
Purchase of CFT shares	6.13	(425,302)	(18,680,650)
CFT contribution (CFT cash and cash equivalents at the merger date)		-	3,307,360
CFT IPO's cost paid	6.13	-	(1,777,119)
Other		-	2,688
Net cash flow provided by / (used in) financing activities (C)		**16,707,388**	**(45,305,709)**
Total cash flow provided / (used) in the year (A+B+C)		**(873,259)**	**(76,029,393)**
Cash and cash equivalents at the beginning of the period	6.11	**23,125,282**	99,154,675
Cash and cash equivalents at the end of the period	6.11	**22,252,023**	23,125,282

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

1. General information

1.1 Introduction

CFT S.p.A. (hereafter ''**CFT**'', the ''**Company**'' or the ''**Parent**") is the company resulting from the merger by incorporation of CFT S.p.A. into Glenalta S.p.A., a company established on 22 May 2017 under Italian law as a Special Purpose Acquisition Company (S.P.A.C.) and admitted to trading on the AIM Italia/Alternative Investment Market organised and managed by Borsa Italiana S.p.A., on 17 July 2017. The merger became effective on 30 July 2018, following which Glenalta S.p.A. changed its name to CFT S.p.A.

CFT S.p.A. is a company incorporated and domiciled in Italy, with registered offices in Parma (PR), Via Paradigna 94/A, organised under the laws of the Republic of Italy. The Company is jointly controlled by RPC S.r.l., A.E.A. S.r.l., Ma.Li. S.r.l. and F&B Capital Investments S.r.l., which together hold 62.39% of the voting share capital.

The Company operates internationally in the design and installation of food industry plant and machinery, through the design and manufacture of individual machines and complete lines for the production, processing and packaging of food products. The range of products offered comes with after sales technical assistance and original spare parts support.

1.2 Merger by incorporation of CFT S.p.A. into Glenalta S.p.A. during 2018

During 2018 CFT was merged by incorporation into Glenalta S.p.A. (hereafter "**Glenalta**"), whose shares were traded on the AIM Italia/Alternative Investment Market organised and managed by Borsa Italiana S.p.A (hereafter, the "**Significant Transaction**"). The merger became effective on 30 July 2018 and at the same time Glenalta S.p.A. changed its name to CFT S.p.A and established its registered offices in Parma (PR), Via Paradigna 94/A.

Following the merger by incorporation of CFT (an unlisted operating company) into Glenalta (a listed holding company), the pre-merger majority shareholders of CFT became the post-merger majority shareholders of Glenalta, now CFT S.p.A.

While the merger was a transaction between two legal entities, from an accounting viewpoint it did not constitute a business combination as defined in IFRS 3, as Glenalta (the "incorporating company") was not an operating company and did not therefore autonomously constitute a business. Indeed, the merger transaction, involving Glenalta's incorporation of CFT, was carried out for the purpose of accelerating the group's growth through the listing of CFT and the contribution of additional financial resources to the company. The merger therefore involved an exchange of shares through which the pre-merger shareholders of CFT gave up their unlisted shares in exchange for listed shares in Glenalta, based on a pre-determined share exchange rate.

From an accounting and financial statement preparation viewpoint, the merger by incorporation of CFT into Glenalta was a transaction as a result of which CFT (the "acquirer") acquired from Glenalta (the "acquiree") its net assets and its status as a listed company. Given that the acquiree (Glenalta) could not be considered a business for the reasons explained above, the whole transaction was recognised in the separate financial statements of the acquirer (CFT) not as a business combination, but rather as a share-based purchase and, therefore, IFRS 2 (Share-based Payment) rather than IFRS 3 (Business Combinations) was applied.

The merger was therefore accounted for in accordance with IFRS 2, in both the Group's consolidated financial statements and in CFT S.p.A.'s (previously Glenalta S.p.A.'s) separate financial statements as at and for the year ended 31 December 2018; however, the accounting representation of the transaction as at the effective merger date differed between the two sets of financial statements as:

(i) the consolidated financial statements represented the activities of an *economic entity,* which from an accounting viewpoint was consistent before and after the merger date and, therefore, the acquirer was deemed to be CFT S.p.A., (i.e. the company that was incorporated); as a result, in terms of the temporal and economic scope of consolidation (i.e. 12 months), the consolidated financial statements were prepared on a consistent basis with respect to the consolidated financial statements of the CFT Group as at and for the year ended 31 December 2017;

(ii) the separate financial statements represented the activities of the *legal entity*, which from a legal, and therefore accounting viewpoint, was deemed to be Glenalta S.p.A. (now CFT S.p.A.) both before and after the merger.

Accordingly, the separate financial statements of CFT S.p.A. as at 31 December 2018 included the income statement of the ex-Glenalta S.p.A., plus the results of the ex-CFT S.p.A., from the effective merger date (30 July 2018) until the end of the year.

Given the above, in order to facilitate comparison between the 2018 income statement figures and those for 2019 (which relate to CFT S.p.A. operations for 12 months), the following table shows pro forma 2018 income statement figures (which include 12 month figures for ex-Glenalta and 12 month figures for CFT S.p.A).

(Thousands of Euros)	Statement of Profit and Loss of CFT S.p.A. IFRS at July 29, 2018	Statement of Profit and Loss of CFT S.p.A. IFRS at December 31, 2018	Statement of Profit and Loss of CFT S.p.A. IFRS at December 31, 2018 Pro-Forma	Statement of Profit and Loss of CFT S.p.A. IFRS at December 31, 2019
Revenue	89,133,834	55,044,300	144,178,134	160,095,410
Other revenue	5,131,092	836,505	5,967,597	4,183,246
Total revenue	**94,264,926**	**55,880,805**	**150,145,731**	**164,278,656**
Cost of services	(30,758,410)	(18,969,152)	(49,727,562)	(47,429,874)
Cost of raw material, ancillary and goods for resale	(42,868,258)	(25,940,259)	(68,808,517)	(81,182,867)
Personnel costs	(17,045,080)	(10,430,891)	(27,475,971)	(28,940,143)
Other operating costs	(688,957)	(602,959)	(1,291,916)	(1,292,909)
Depreciation and amortization of property, plant and equipment and intangible assets	(2,964,141)	(2,632,479)	(5,596,620)	(5,825,875)
Depreciation of financial assets	(111,094)	(361,098)	(472,192)	(226,800)
Other net provisions	1,035,000	50,513	1,085,513	(280,000)
Operating profit	**863,986**	**(3,005,520)**	**(2,141,534)**	**(899,813)**
Financial income	10,321	747,893	758,214	208,843
Financial expenses	(418,664)	(916,515)	(1,335,179)	(1.522,022)
Profit / (loss) from investments accounted for using the equity method	2,478,967	2,759,866	5,238,833	(470,945)
Profit / (loss) from foreign exchange	(1,033,509)	(292,153)	(1,325,662)	(201,139)
Profit before tax	**1,901,101**	**(706,429)**	**1,194,672**	**(2,885,076)**
Income taxes	(1,028,372)	2,302,735	1,274,363	462,754
Profit for the period	**872,729**	**1,596,306**	**2,469,035**	**(2,422,322)**

2. Summary of significant accounting policies

2.1 Basis of preparation

As permitted by Legislative Decree No. 38 of February 28, 2005 as subsequently modified by Law Decree 91 of 24 June 2014, which regulates the exercise of options foreseen by Article 5 of Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards, the Company has voluntarily adopted to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("**International Accounting Standards**").

The most significant accounting policies and measurement criteria used in the preparation of the Separated Financial Statements as at 31 December 2019 are described below.

It is recalled that the separate financial statements of CFT S.p.A. as at 31 December 2018 include the income statement of the ex-Glenalta S.p.A., plus the results of the ex-CFT S.p.A. from the effective merger date (30 July 2018) until the end of the year.

2.2 Declaration of conformity with international accounting standards

The Company's separate financial statements as at 31 December 2019 (hereafter also the "**Annual financial statements** ") have been prepared in accordance with the International Accounting Standards adopted by the European Union, in force as at 31 December 2019. The designation ''EU-IFRS'' includes all "International Financial Reporting Standards", all "International Accounting Standards" ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (''IFRIC''), formerly the Standing Interpretations Committee (''SIC'').

In preparing these Annual Financial Statements, the Company has opted to adopt IFRS 16 - Leases in advance of its effective date of 1 January 2019, adopting the "modified retrospective approach". IFRS 16 replaces IAS 17 – Leases as well as IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC15 - Operating Leases-Incentives and SIC27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

These Annual financial statements were approved by the Company's Board of Directors on 30 March 2020 and have been audited by PricewaterhouseCoopers S.p.A., the Company's independent auditors.

2.3 General principles applied

In accordance with IAS 1, the Annual financial statements comprise a statement of financial position, a statement of profit or loss and other comprehensive income; a statement of changes in equity and a statement of cash flows, as well as explanatory notes. As permitted by Legislative Decree 32/2007 regarding companies required to prepare consolidated financial statements, the Company has opted to present a single Directors' Report on Operations to accompany both its annual financial statements and consolidated financial statements.

The Company has elected to present the income statement with costs and revenues classified according to their nature, while assets and liabilities included in the statement of financial position are classified in terms of whether they are current or non-current. The statement of cash flows is prepared using the indirect method. The formats used are those considered to provide the best representation of the Company's results and financial position.

An asset is classified as current when:

- it is expected that it will be realised, or it is held for sale or consumption, during the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected that the asset will be realised within twelve months after the reporting period; or
- the asset is cash or a cash equivalent (unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period).

All other assets are classified as non-current. Specifically, IAS 1 uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature.

A liability is classified as current when:

- it is expected that it will be settled during normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there exists no unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

The Annual financial statements are presented in Euro, the Company's functional currency. Financial amounts, explanatory notes and tables are expressed in thousands of Euro.

The Annual financial statements have been prepared:

- on the basis of existing EU-IFRS. Potential future developments and updates in interpretations will be reflected in future years, in accordance with guidance provided on a case by case basis by the relevant accounting standards;
- on a going concern basis, using the accrual basis of accounting, respecting the principle of materiality and significance, ensuring the prevalence of substance over form and with a view to facilitating consistency with future financial statements. Neither assets and liabilities nor income and expenses are offset, unless required or permitted by an IFRS;
- on a historical cost basis, except in relation to the measurement of financial assets and liabilities that under IFRS must be recognised at fair value.

2.4 Accounting policies and measurement criteria

The following paragraphs describe the criteria adopted regarding the classification, recognition, measurement and derecognition of assets and liabilities as well as the criteria used to recognise income statement items.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for using the equity method as permitted by IAS 27 and required by IAS 28 – "Investments in Associates and Joint Ventures".

Investments in subsidiaries, associates and joint ventures are recognised in the Annual financial statements from the date on which control, significant influence or joint control commences until such control or influence ceases. The financial statements of subsidiaries, associates and joint ventures are adjusted or reclassified as necessary to align them with international accounting standards and classification criteria adopted within the CFT group.

Under the equity method, on initial recognition the investment in a subsidiary, an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The share of the investee's profit or loss is recognised in the investor's separate profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investee's other comprehensive income (such as, for example, changes from foreign exchange translation differences). The investor's share of those changes is recognised in the investor's other comprehensive income.

If an entity's share of the losses of a subsidiary, an associate or a joint venture equals or exceeds its interest in the subsidiary, associate or joint venture, the entity discontinues recognising its share of further losses. After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the subsidiary, associate or joint venture. If the subsidiary, associate or joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. If there exists objective evidence that the investor's net investment in the subsidiary, associate or joint venture is impaired, an impairment test is performed, as described in the paragraph below on "Impairment of tangible, intangible and right of use assets and equity investments", to which reference is made.

Finally, it is recalled that separate financial statements are prepared in the currency of the main economic area in which the subsidiary, associate or joint venture operates (i.e. its functional currency). In applying the equity method, the financial statements of each overseas entity are expressed in Euro, the Company's functional currency and the currency in which these separate financial statements are presented. All assets and liabilities of overseas companies expressed in currencies other than the Euro are translated applying the exchange rates in place on the reporting date (current exchange rate method). Exchange rate differences arising on application of this method, as well as exchange rate differences arising on the translation of opening balances at current and historic exchange rates are recognised in the statement of comprehensive income and recorded in a dedicated equity reserve, where they remain until sale of the investment.

The following table shows the exchange rates used for the respective periods to convert the financial statements of companies expressed in currencies other than the Euro.

	Exchange rate as at		Average exchange rate as at	
Currency	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Dollaro Statunitense	1.1234	1.1450	1.1195	1.1810
Real Brailiano	4.5157	4.4440	4.4134	4.3085
Rupia Indiana	80.1870	79.7298	78.8361	80.7332
Yuan Cinese	7.8205	7.8751	7.7355	7.8081
Grivnia Ucraina	26.7195	31.7362	28.9220	31.1091
Corona Danese	7.4715	7.4673	7.4661	7.4532
Dollaro Australiano	1.5995	-	1.6109	-

Transactions in foreign currencies are recorded at the current exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in force on the reporting date. Foreign exchange differences are shown in the income statement under "Exchange rate gains/(losses)".

Property, plant and equipment

Items of property, plant and equipment are capitalised and accounted for as tangible fixed assets only when both of the following conditions are satisfied:

- it is likely that the future economic benefits generated by the asset will be enjoyed by the company; and
- the cost of the asset can be determined reliably.

Items of property, plant and equipment are initially recorded at cost, defined as the monetary amount or equivalent consideration paid or the fair value of other consideration paid to acquire an asset on the date of its purchase or substitution. Subsequently property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes amounts directly attributable to enabling the asset to be used as well as any expected costs of dismantling and removing the asset and restoring it to its original condition if a contractual obligation exists.

Expenses incurred for ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year incurred. The capitalisation of costs inherent to the expansion, modernisation or improvement of facilities owned or used by third parties is recorded solely to the extent that they meet the conditions for being classified separately as an asset or part of an asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the individual assets.

The estimated useful life by class of property, plant and equipment is as follows:

	Expected useful life
Buildings	33 years
Plant and machinery	10 years
Automatic machinery	6 years
Industrial and commercial equipment	4 years
Company canteen equipment	8 years
Furniture	8 years
Computers and other electronic machineries	5 years
Commercial vehicles	4 years
Vehicles	5 years
Modules and molds	4 years

At the end of each year, the company determines whether there have been any significant changes in the expected economic benefits to be derived from capitalised property, plant and equipment and, in such case, makes appropriate changes to the relevant depreciation rate, which is considered a change in accounting estimate as described in IAS 8.

Property, plant and equipment is derecognised when it is sold or otherwise disposed of or when it is expected that no economic benefit can be derived from its sale.

Capital grants are recognised when there is reasonable certainty that they will be received and that all of the conditions relating to them have been satisfied. Grants are therefore accounted for as liabilities and credited to the income statement over the useful economic lives of the related assets.

Intangible assets

An intangible asset is an asset that meets the following conditions:

- it can be identified;
- it is non-monetary;
- it is without physical substance;
- it is under the control of the company that prepares the financial statements; and
- it is expected to produce future economic benefits for the company.

If an asset does not meet all of the above requirements to be considered an intangible asset, the amount incurred to acquire or produce the item internally, is expensed when it is incurred.

Intangible assets are initially recognised at cost. The cost of assets acquired externally includes both the purchase price and any cost that may be directly attributed.

Internally generated goodwill is not recognised as an asset, nor are intangible assets recognised in relation to research (or the research phase of an internal project).

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits: among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are measured using the cost model, one of the two methods (the cost model and the revaluation model) permitted by IAS 38. The cost model provides that after initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and impairment losses.

The estimated useful life for the various classes of intangible assets is as follows:

	Expected useful life
Development costs	5 years
Industrial patents	10 years
Intellectual property rights	3 years
Concessions and licences	3 years
Trademarks	5 years

Intangible assets with a finite useful life are recognised at cost, net of accumulated amortisation and impairment losses, if any.

Amortisation starts when the asset is available for use and is charged systematically over the residual estimated useful life; for details regarding amounts to be amortised and the recoverability of the recognised values of such assets, see the paragraphs on "Property, plant and equipment" and "Impairment of tangible, intangible and right of use assets" respectively.

Right of use assets and lease liabilities

The company has elected for early adoption of the new accounting standard IFRS 16 "Leases", which replaces IAS 17 "Leasing" and its related interpretations.

In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The contract is then reassessed to determine whether it is, or contains, a lease only if the terms and conditions of the contract are changed.

For a contract that is, or contains, a lease, each lease component within the contract is accounted for as a lease separately from non-lease components of the contract, unless the Company applies the practical expedient in paragraph 15 of IFRS 16. Under such practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The lease term is the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The lessee shall revise the lease term if there is a change in the non-cancellable period of a lease.

At the commencement date, the Company recognises a right-of-use asset and a lease liability.

At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises:

a) the amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the lessee;
d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, less any lease incentives receivable;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable by the lessee under residual value guarantees;
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments are discounted to their present value using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate (the rate of interest it would have to pay to borrow a similar sum over a similar term as the lease contract).

Following initial recognition, the right-of-use asset is measured applying a cost model:

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability.

Following initial recognition, the lease liability is measured by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications , or to reflect revised in-substance fixed lease payments.

For a lease modification that is not accounted for as a separate lease, the right of use asset is remeasured (up or down) in line with the change in the lease liability at the modification date. The lease liability is remeasured based on the new contract conditions, using the discount date at the effective date of the modification.

The Company has elected to exploit two exceptions permitted by IFRS 16, regarding short-term leases (leases that, at the commencement date, have lease terms of 12 months or less) and leases for which the underlying asset is of low value (leases for which the underlying asset value, when new, is less than USD 5,000). In such cases the right of use assets and related lease liabilities are not recognised and lease payments are charged directly to the income statement.

Impairment of tangible, intangible and right of use assets and equity investments

Tangible, intangible and right of use assets with a finite useful life and equity investments

At each reporting date, the Company assesses whether there are any indications of impairment of tangible, intangible and/or investment property assets with a finite useful life. Both internal and external sources of information are used for this purpose. Considerations based on the former (internal sources of information) include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. Considerations based on the latter (external sources of information) include the market value of the asset, changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the recoverable amount is estimated and the carrying amount of the asset reduced accordingly, with the impairment loss being charged to the statement of comprehensive income. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, where value in use is determined by discounting the asset's estimated future cash flows including, if materially significant and reasonably certain, those relating to disposal of the asset at the end of its useful economic life, less any costs of disposal. In calculating the value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

If the carrying amount of an asset or the CGU to which it belongs exceeds the recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Such impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to other assets of the unit in proportion to their carrying amounts, while respecting their relative recoverable amounts.

If the conditions that gave rise to an impairment loss no longer exist, the asset is revalued to the revised estimate of its recoverable amount, up to the value that would have been recorded, net of amortisation, had no impairment loss been recognised, with the increase being recognised in the income statement.

Financial assets

On initial recognition, financial assets are classified in one of the three categories described below based on:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets are derecognised when, and only when, disposal involves the substantial transfer of all the risks and rewards of ownership of the financial asset. If, on the other hand, the company retains substantially all the risks and rewards of ownership of the financial asset, it must continue to recognise the financial asset, even if legal ownership has effectively been transferred.

a) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a "Hold to collect" business model, the objective of which is to hold financial assets in order to collect contractual cash; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the SPPI test).

At initial recognition, such assets are measured at fair value including directly attributable transaction costs or income. Subsequent to initial recognition, such financial assets are measured at amortised cost, calculated using the effective interest method. The amortised cost method is not used for those assets (measured at historical cost) whose short-term nature means there is no requirement to discount to present value, assets with no set maturity date or revocable credit lines.

b) <u>Financial assets measured at fair value through other comprehensive income</u>

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a "Hold to collect and sell" business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the SPPI test).

This category includes equity instruments (other than investments in subsidiaries, associates or joint ventures) not held for sale, for which the option has been exercised to designate the asset at fair value through other comprehensive income.

At initial recognition, such assets are measured at fair value including directly attributable transaction costs or income. Subsequent to initial recognition, equity interests (other than investments in subsidiaries, associates or joint ventures) are measured at fair value, with the offsetting amounts recognised in equity (Statement of comprehensive income) and not subsequently reclassified to profit or loss, even in the event of sale. Related dividends represent the only relevant component recognised in the income statement.

For securities included in this category not quoted in an active market, cost is used as an estimate for fair value under certain limited circumstances, such as when recent information to measure fair value is insufficient or there exists a broad range of possible measures of fair value and cost is considered to be the best estimate of these.

c) <u>Financial assets measured at fair value through profit or loss</u>

This category includes all financial assets other than those measured at amortised cost or at fair value through other comprehensive income.

It includes financial assets available for sale and derivatives not classified as hedges (which are recognised as assets if the fair value is positive and liabilities if fair value is negative).

At initial recognition, financial assets measured at fair value through profit or loss are measured at fair value, excluding transaction costs or income that are directly attributable to the instrument in question. Subsequently, they are measured at fair value with related gains and losses being recognised in the income statement.

Derivative financial instruments and hedging relationships

Derivative financial instruments are accounted for in accordance with IFRS 9.

At the inception of the contract, derivative instruments are initially recognised at fair value as financial assets at fair value through profit or loss when the fair value is positive, or financial liabilities at fair value through profit or loss when the fair value is negative.

If the financial instruments are not designated as hedging instruments, any changes in fair value after initial recognition are treated as components of profit or loss for the year. If the derivative instruments meet the requirements to qualify as hedging instruments, subsequent changes in fair value are recognised according to the specific criteria described below.

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the hedging strategy and the methods that will be used to verify perspective and retrospective effectiveness. The effectiveness of each hedge is assessed both at the inception of the contract and during its life, specifically at each year-end and interim reporting date. A hedge is considered to be highly effective if at the start of the hedge and during subsequent periods, changes in the fair value (in the case of a fair value hedge) or expected future cash flows (in the case of a cash flow hedge) of the hedged item are substantially offset by changes in the fair value of the hedging instrument.

IFRS 9 provides for the following three types of hedging relationship:

d) fair value hedge: when the hedge relates to exposure to changes in the fair value of a recognised asset or liability, changes in the fair value of the hedging instrument as well as changes in the fair value of the hedged item are recognised in profit or loss.
e) cash flow hedge: in the case of hedges intended to neutralise exposure to variability in cash flows attributable to future execution of commitments in place as at the reporting date, changes in the fair value of the hedging instrument relating to the portion determined to be an effective hedge are recognised in other comprehensive income, and therefore in an equity reserve. When the economic effects of the hedged item crystallise, the amounts recognised in other comprehensive income are then reclassified to profit or loss. Changes in the fair value of the hedging instrument relating to the portion not determined to be an effective hedge are recognised immediately in profit or loss.
f) hedge of a net investment in a foreign operation (net investment hedge)

If the checks do not confirm the effectiveness of the hedge, the hedge accounting is interrupted with immediate effect and the hedging derivative reclassified as a financial asset at fair value through profit or loss, or financial liability at fair value through profit or loss. Moreover, the hedging relationship shall cease when:

- the derivative matures, is sold, rescinded or exercised;
- the hedged item is sold, expires or is refunded;
- it is no longer highly probable that the future hedged transaction will take place.

Trade receivables

In accordance with IFRS 15, trade receivables for the transfer of goods and provision of services are recognised based on the terms of the relevant customer contract and classified according to the nature of the counterparty and/or the due date of the receivable (such definition includes invoices still to be issued for services already provided).

As trade receivables are typically short-term in nature and do not involve payment of interest, amortised cost is not calculated and they are accounted for at the nominal value stated on the invoice or in the customer contract: such arrangement is followed even for those receivables due after more than 12 months, so long as the effect is not greatly significant. This is due to the fact that the value of short-term receivables is very similar whether the historical cost method or amortised cost method is adopted, and the impact of discounting is insignificant.

Trade receivables are tested for impairment in accordance with the requirements of IFRS 9. For measurement purposes, trade receivables are categorised by due date. Performing receivables are measured collectively, grouping individual exposures based on similar credit risk. The measurement process involves reviewing losses suffered on assets with similar credit risk based on past experience and considers expected losses.

Inventories

Inventories are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are recognised and measured at the lower of cost and net realisable value.

The cost of inventories includes all purchase costs, transformation costs, and other costs incurred to bring the inventories to their current location and condition; inventory costs do not include exchange rate differences in the case of inventories invoiced in foreign currency. In compliance with the provisions of IAS 2, the cost of inventories is calculated using the weighted average cost method.

If net realisable value is lower than cost, the difference is immediately recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are recognised, depending on their nature, at nominal value or at amortised cost. Other cash equivalents represent highly liquid short-term financial assets that can be easily converted to known cash amounts and are subject to negligible risk of change in their value, and which have an original maturity, on purchase, of less than three months.

Payables

Trade payables and other payables are initially recognised at fair value and subsequently measured using the amortised cost method.

Payables to banks and other lenders are initially recognised at fair value, net of directly attributable accessory costs, and later are measured at amortised cost, using the effective interest rate method. If there is a change in the estimate of the expected cash flows, the value of the liability is recalculated to reflect such change based on the present value of the new expected cash flows and the internal effective interest rate as calculated initially. Payables to banks and other lenders are classified as current liabilities, unless the Company has an unconditional right to postpone payment for at least twelve months after the reference date.

Payables are derecognised when settled and when the Company has transferred all risks and the charges related to the instrument.

Employee benefits

Employee benefits are benefits granted to employees or their dependants, settled through cash payments (or through the supply of goods and services) directly to the employees, their spouses, children or other dependants, or to third parties, such as insurance companies. They include short-term benefits, benefits due to employees on termination of their employment contract and post-employment benefit plans.

Short-term employee benefits include incentive schemes such as annual bonuses, the MBO and the one-off renewals of the national collective labour agreements and are recognised as liabilities (accrued expenses) after deducting any advances paid, and costs, unless a given IFRS requires or allows the inclusion of such benefits in the cost of a capitalised asset (such as, for example, staff costs relating to the development of internally generated intangible assets).

Benefits relating to the termination of employment include voluntary redundancy incentive schemes, which in the case of voluntary redundancy provide for the employee or group of employees taking part in trade union agreements involving the use of so-called solidarity funds, and (non-voluntary) redundancy arrangements, which apply in the case of termination of employment as a result of a unilateral decision by the company. The company recognises the cost of such benefits as a liability due as at the earlier between the date the company can no longer withdraw the offer of such benefits and the time when the company recognises the costs of a corporate restructuring exercise that falls within the provisions of IAS 37. The provisions for voluntary redundancies are reviewed at least every six months.

Post-employment benefit plans may be split into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans mainly include:

- complementary pension funds that involve a defined contribution being made by the company;
- the share of the employee severance indemnity fund accruing since 1 January 2007, for companies with more than 50 employees, whatever the allocation option chosen by the employee;
- the share of the employee severance indemnity fund accruing since 1 January 2007 allocated to complementary pension funds, in the case of companies with less than 50 employees;
- complementary healthcare plans.

Defined-benefit plans on the other hand include:

- the employee severance indemnity accrued until 31 December 2006 for all companies, as well as the share accrued since 1 January 2007 and not allocated to complementary pension funds, for companies with less than 50 employees;
- complementary pension funds, which provide for the payment a defined benefit to members;
- seniority payments, which provide for a one-off payment to employees who reach a given seniority level.

With defined-contribution plans, the company's obligation is calculated based on the contributions due for the year in question and, therefore, the valuation of the obligation does not require actuarial assumptions and there are no actuarial profits or losses.

The accounting for defined-benefit schemes involves the use of actuarial assumptions to calculate the value of the obligation. Measurement of the obligation is performed by an independent actuary on an annual basis. The projected unit credit method is used to calculate the present value of future cash flows, based on historical/statistical analyses, demographic assumptions and the discounting of such cash flows at a market interest rate. In accordance with IAS 19, actuarial gains and losses are recognised in equity (under "Actuarial gains/(losses) on post-employment benefit obligations").

Provisions for risks and charges, contingent assets and liabilities

Contingent assets and liabilities may be split into different categories according to their nature and accounting implications. Specifically:

- provisions are effective obligations of uncertain amount and timing arising from past events and for which it is likely that there will be an outlay of financial resources and a reliable estimate of the amount is possible;
- contingent liabilities are possible obligations for which the likelihood of an outlay of financial resources is not remote;
- remote liabilities are those for which the outlay of financial resources is not likely;
- contingent assets are assets that do not meet the certainty requirement and as a result are not recognised in financial statements;
- an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.
- a restructuring is a programme that is planned and controlled by management, and materially changes either the scope of a business undertaken by an entity or the manner in which that business is conducted.

For cost recognition purposes, provisions are recognised when there is uncertainty about the timing or amount of the future expenditure required to settle the obligation or other liabilities, and in particular trade payables or accruals.

Provisions differ from other liabilities because there is uncertainty about the timing or amount of the future expenditure required in settlement. Given their different nature, provisions are shown separately from trade payables and accruals.

A liability or provision is recognised when:

- there is a current legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions require the use of estimates. In extremely rare cases, when a reliable estimate cannot be made, this results in a liability that cannot be reliably estimated and is therefore considered a contingent liability.

The allocation to the provisions for risks and charges is made for an amount that represents the best estimate of the expenditure required to settle the obligation existing at the reporting date and takes into account the risk and uncertainty that inevitably surround many events and circumstances. The amount of the provision reflects the potential future events that may affect the amount required to settle an obligation if there is a sufficient objective evidence that these will take place.

Once the best estimate of the expenditure required to settle the existing obligation has been determined, the present value of the provision is calculated in the case in which the time value of money is material.

Treasury shares

Treasury shares are recognised at cost and recorded as a negative reserve in equity. The effects of any subsequent sale of treasury shares are recognised in equity.

Warrants

The company has issued warrants, which are financial instruments that grant the holder the right to buy (warrant call) a given number of ordinary shares (underlying securities) at a pre-determined strike price within a given timeframe. The terms and conditions of such financial instruments may differ, as a result of which they may be treated: (i) like financial assets and measured at fair value on issue with subsequent changes being recognised directly in profit or loss in accordance with IFRS 9; or (ii) like equity instruments and, therefore, classified in a dedicated equity reserve from which they are released only when exercised or on expiration, in accordance with IAS 32. The warrants issued by the company are treated like equity instruments as they may be exercised at a pre-determined strike price, in turn based on a pre-determined formula. For further details regarding such instruments, see Note 6.13 on equity.

Share based payments

With regard to the company's stock grant plans in favour of directors and employees, as required by IFRS 2, the fair value of equity instruments granted is measured at the grant date. Such fair value amount is recognised as a cost in the income statement during the vesting period, together with a corresponding increase in a dedicated equity reserve. For further details regarding such instruments, see Note 6.13 on equity.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when the following conditions are met:

- the contract with a customer has been identified;
- the performance obligations in the contract have been identified;
- the transaction price has been determined;
- the transaction price has been allocated to the performance obligations in the contract; and
- when the related performance obligation contained in the contract is satisfied

The Company recognises revenue from contracts with customers when (or as) it satisfies its performance obligations, by transferring the promised goods or services (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs;
- the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, it is satisfied at a point in time. In such case, the Company recognises revenue at the moment the customer acquires control of the promised asset.

The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. If the consideration promised in a contract includes a variable amount (e.g. discounts, price concessions, incentives, penalties or other similar items), the Company estimates the amount of consideration to which it is entitled in exchange for transferring the promised goods or services to a customer. The Company includes a variable consideration in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Incremental costs of obtaining a contract with a customer are recognised as assets and, to the extent the Company expects to recover them, amortised over the duration of the underlying contract. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company recognises an asset in respect of the costs incurred to fulfil a contract with a customer only if the costs incurred in fulfilling such contract are not within the scope of another Standard (for example, IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment or IAS 38 – Intangible Assets), and if such costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Cost recognition

Costs are recognised in the income statement on an accruals basis.

Dividends

Dividend income is recognised in the income statement on an accruals basis, when the right to receive such dividends is created following approval of the dividend distribution resolution of the relevant investee company shareholders' meeting.

Dividends distributed are recorded as movements in equity in the year in which they are approved by the company's shareholders' meeting.

Income tax

Current income taxes are calculated based on taxable income for the year, applying tax rates in force at the reporting date. Taxes due for the current year and for previous years, to the extent as yet unpaid, are recognised as liabilities. Current tax assets and liabilities, for the current and previous years, represent the amounts that are likely to be recovered from/paid to the tax authorities, applying the tax rates and the tax laws in force, or effectively issued, at the reporting date.

Deferred taxes include:

- deferred tax liabilities: these represent income taxes due in the future years in respect of the tax effects of temporary differences;
- deferred tax assets: these represent income taxes amounts that may be recovered in future years in respect of deductible temporary differences, carry forward of unused tax losses, and carry forward of unused tax credits.

To calculate deferred tax liabilities and assets, the tax rate is applied to the temporary differences identified, whether taxable or deductible, unused tax losses or unused tax credits.

At each reporting date, both unrecognised and recognised deferred tax assets are remeasured to confirm the likelihood of recovery of such deferred tax assets.

3. Recently issued accounting standards

Accounting standards not yet applicable as not yet endorsed by the European Union

As at the date of approving these Annual Financial Statements, the following standards and amendments had not yet been endorsed by the EU.

Standard/amendment	Approved by EU	Effective date
IFRS 17 Insurance Contracts	NO	Years beginning on or after 1 January 2021
Amendments to IAS 1 and IAS 8: Definition of Material	NO	Years beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	NO	Years beginning on or after 1 January 2020
Amendment to IFRS 3 Business Combinations	NO	Years beginning on or after 1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	*NO*	*Esercizi che iniziano a partire dal 1 gennaio 2020*
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	NO	Effective date to be confirmed

Accounting standards, amendments and interpretations endorsed by the European Union but not adopted by the Company

As at the date of approving these Annual Financial Statements, the following standards and amendments had been endorsed by the EU, but not adopted by the Company as they would have no material impact on the Company's results or financial position:

Standard/amendment	Description	Effective date
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	On 12 October 2017, the IASB published the amendment to IAS 28 to clarify that an entity applies IFRS 9 " Financial Instruments" to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group does not expect there to be any financial impact as a result of the entry into force of such standard	Years beginning on or after 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	On 7 June 2017, the IASB published IFRC 23 "*Uncertainty over Income Tax Treatments*". The interpretation clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. In such case an entity should recognise and measure deferred and current income tax assets and liabilities by applying the IAS 12 requirements based on taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect there to be any financial impact as a result of the entry into force of such standard	Years beginning on or after 1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	On 12 October 2017, the IASB published the amendment to IFRS 9 to address concerns relating to financial assets involving prepayment features with negative compensation. The Group does not expect there to be any financial impact as a result of the entry into force of such standard	Years beginning on or after 1 January 2019
Annual Improvements 2015-2017 (IFRS 3, IFRS11, IAS 12 and IAS 23)	On 14 March 2019, the European Commission issued Commission Regulation (EU) n. 2019/412, which adopted certain improvements as part of the 2015-2017 Annual Improvements Cycle. Specifically, it adopted: - amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. - amendments to IAS 12 Income Taxes: the amendments clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend. - amendments to IAS 23 Borrowing Costs: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings. The Group does not expect there to be any financial impact as	Years beginning on or after 1 January 2019

	a result of the entry into force of such standard.	
Amendments to IAS 19: Plan Amendment , curtailment or settlement	On 13 March 2019, the European Commission issued Commission Regulation (EU) n. 2019/402, which adopted certain limited amendments to IAS 19 - Employee Benefits. The changes relate to accounting for defined benefit plan amendments, curtailments and settlements. The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. The Group does not expect there to be any financial impact as a result of the entry into force of such standard.	Years beginning on or after 1 January 2019

4. Estimates and assumptions

The preparation of financial statements in conformity with relevant accounting standards and methods in certain cases requires management to make estimates and assumptions based on difficult and subjective judgments, in turn based on past experience and hypotheses considered reasonable and realistic, given the information known at the time.

Such estimates have an effect on the amounts reported in the financial statements, including the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows and the related notes to the financial statements. Actual results may then differ, even significantly, from those reported in the consolidated financial statements due to changes in the factors considered in determining the estimates, given the uncertainties that characterise the assumptions and conditions on which estimates are based.

The accounting estimates that more than others involve a high degree of subjectivity and judgement on the part of management, and where a change in the conditions underlying the assumptions could have a significant effect on the Company's financial results, are detailed below:

a) *Impairment of Assets:* tangible, intangible and right of use assets with a finite useful life are tested for impairment when indicators of impairment are identified that suggest the full asset value may not be recovered through use. The recoverable amount is estimated and the carrying amount of the asset is reduced accordingly. Identification of the existence of such indicators of impairment requires management to exercise judgement based on experience and information available both within the Company and in the broader marketplace. If impairment indicators are identified, management employs what it considers to be the most appropriate measurement techniques to estimate such impairment. Both the correct identification of the indicators of impairment of tangible, intangible and right of use assets and the related estimates of the extent of such impairment depend upon factors that may change over time, thereby influencing measurements and management estimates.

b) *Allowance for doubtful receivables*: such allowance reflects management estimates regarding the historical and expected recoverability of such receivables.
c) *Provisions for risks and charges*: identification of the existence of a current (legal or constructive) obligation is in certain circumstances not a simple matter. Management reviews such matters on a case by case basis, together with estimates of the outflow of resources required to satisfy the obligation. When managers believe the likelihood of a liability occurring to be only possible, the relevant risks are disclosed in the note on risks and charges, but no provision is made.
d) *Useful economic life of property, plant and equipment and intangible assets*: useful economic life is determined when the asset is first recognised in the financial statements. Considerations regarding an asset's useful life are based on historical experience, market conditions and expected future events that may affect them, such as technological changes. An asset's actual useful life may, therefore, differ from its estimated useful life.
e) *Deferred tax assets*: deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which temporary differences or tax loses can be utilised.
f) *Inventories*: Inventories of finished products that show signs of obsolescence or are slow moving are tested for impairment and written down in the case in which their recoverable value is lower than their book value. Such write downs are based on management estimates and assumptions, in turn based on their experience and past results.
g) *Contract work*: application of the cost to cost method requires the prior estimation of total costs for each project and related updates of such cost estimates at each reporting date based on management assumptions. These assumptions may be influenced by many factors such as, for example, the multi-year timeframe over which certain projects are to be completed, the high technological level and innovative content of projects, changes in contract terms and price revisions, guarantees regarding the performance of machinery, as well as contractual risks, where applicable. Such factors and circumstances make it difficult to estimate the total costs of projects and also, therefore, estimates of the value of contract work in progress at the reporting date.

5. Management of financial risks

In terms of business-related risks faced, the main risks identified, monitored and, as described below, actively managed by the Company as noted in the report on operations, are the following:

- market risk, relating to changes in the exchange rates between the Euro and other currencies in which the Company operates and interest rates; credit risk, relating to the risk of default on the part of a counterpart; and

- liquidity risk, relating to a lack of financial resources to meet financial obligations.

The Company's objective is to maintain a balanced approach to managing its financial exposure by matching assets and liabilities and achieving operational flexibility through the use of liquidity generated by current operating activities and bank loans.

The Company's ability to generate liquidity from operations together with its borrowing capacity enable it to satisfy its operational requirements to fund working capital, invest and meet its financial obligations.

Treasury and financial risk management are centralised within the Company. Specifically, the central finance function is responsible for evaluating and approving forecast financial requirements, monitoring trends and taking corrective action as necessary.

The following paragraphs provide qualitative and quantitative information relating to the Company's exposure to the aforementioned risks.

5.1 Market risk

Currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates to those of its business activities conducted in currencies other than the Euro. Revenues and costs denominated in other currencies may be influenced by changes in foreign exchange rates, resulting in an impact on margins (economic risk), just as trade and financial receivables and payables denominated in other currencies may be affected by the exchange rates used, resulting in an impact on results (transaction risk). Finally, exchange rate fluctuations also impact on the Group's consolidated results and equity.

The main foreign exchange rates to which the Company is exposed are:

-Euro/USD, relating to transactions entered into in US Dollars;
-Euro/GBP, relating to transactions entered into in Sterling;

The Company does not adopt any specific policies to hedge against changes in foreign exchange rates. It is noted, however, that in order to mitigate currency risk, the Company does engage in hedge transactions, as required, when customer orders are received.

Currency risk sensitivity analysis

In order to perform sensitivity analysis on exchange rates, balance sheet items (financial assets and liabilities) as at 31 December 2019 denominated in currencies other than the Company's functional currency were identified.

Two scenarios were considered, involving an increase and decrease respectively of 10% in the nominal exchange rate between the currency in which the item was denominated and the Company's functional currency.

The following table shows the results of the analysis:

(Thousands of Euros)

Sensitivity analysis	As at December 31, 201 9							
	USD		GBP		OTHERS		Total	
	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
Trade receivables	327	(268)	-	-	-	-	**327**	**(268)**
Trade payables	(50)	41	(15)	12	(7)	6	**(71)**	**58**
Financing	-	-	-	-	-	-	**-**	**-**
Cash and cash equivalents	54	(44)	0	(0)	-	-	**54**	**(44)**
Total	**332**	**(271)**	**(15)**	**12**	**(7)**	**6**	**310**	**(254)**

Note: a positive sign indicates higher profit and an increase in equity; a negative sign indicates lower profit and a reduction in equity.

Interest rate risk

The Company makes use of external debt resources and invests available liquidity in market instruments. Changes in interest rates influence both the cost of borrowing and returns on investments and therefore have an impact on consolidated net finance expenses. Company policy in this regard is aimed at limiting the risk of changes in interest rates by entering into long-term fixed-rate or variable-rate loan agreements; there are no hedging operations in place involving derivative financial instruments.

Interest rate risk sensitivity analysis

Sensitivity analysis was performed regarding interest rate risk, to determine the effects on consolidated income and equity of hypothetical positive and negative 100 bps variations to current effective interest rates.

The analysis performed related mainly to the following items:

- cash and cash equivalents;
- short-term and medium/long-term debt
- intragroup cash pooling.

In the case of cash and cash equivalents, including cash pooling, reference was made to the average balance and the average interest rate thereon for the year, while for short-term and medium/long-term debt the effect was calculated at the reporting date.

The following table shows the results of the analysis:

Sensitivity analysis	As at December 31,2019	
	PL/Equity Effect	
	-100 bps	+100 bps
Financial Income	(33)	227
Financial Expenses on short and long terms financing	124	(502)
Cash Pooling Interests	(50)	50
	41	**(224)**

5.2 Credit risk

The Company manages its exposure to the credit risk inherent in the possibility of default or worsening of creditworthiness on the part of its customers, through ongoing review of each counterpart by a dedicated organisational unit, equipped with appropriate tools to perform ongoing daily monitoring of the behaviour and creditworthiness of its customers.

The Company optimises working capital and minimises credit risk by monitoring receivables on an ongoing basis and applying various levels of follow up action, depending on the specific knowledge held regarding individual customers and the length of time that payment is overdue.

The following table provides a breakdown of trade receivables by due date, net of the allowance for doubtful receivables, as at 31 December 2019.

(Thousands of Euros)	As at December 31, 2019	Non-overdue	Overdue from 0 to 30 days	Overdue from 31 to 90 days	Overdue from 91 to 360 days	Overdue since more than 360 days
Gross trade receivables	35,438	20,030	3,829	3,034	3,822	4,723
Allowance for doubtful receivables	(1,657)					
Net book value	33,781	-	-	-	-	-

5.3 Liquidity risk

Liquidity risk is the risk that, owing to an inability to access new funds or sell assets, the Company is unable to meet its payment obligations, leading to a negative impact on results if it is then obliged to incur additional costs to meet its obligations or deal with insolvency.

The liquidity risk to which the Company may be subject is the inability to find adequate funds to finance its operations and develop its business and commercial activities. The two key factors that determine the Company's liquidity position are, on the one hand, cash generated or used by operating and investing activities and, on the other hand, the nature of debt maturity and renewal terms and financial investment liquidity, as well as market conditions.

The Company has immediately available liquidity as well as significant access to credit lines granted by a range of primary banking institutions. Management believes that currently available funds and credit lines, together with funds that will be generated by operating and financing activities will enable the Company to fund its investing activities, meet its working capital requirements and repay its debts as they fall due.

The following table provides an analysis of cash disbursements by due date based on contractual repayment obligations, as at 31 December 2019.

(Thousands of Euros)	Balance as at December 31, 2019	Within 1 year	More than 1 year and within 5 years	Over 5 years	Total
Current and non-current bank borrowings	59,557	251	59,306	-	59,557
Other current and non-current liabilities	34,027	31,147	2,880	—	34,027
Current and non-current trade payables	54,364	54,364	—	—	54,364
Current and non-current lease liabilities	9,006	2,201	5,761	1,044	9,006
Liabilities for derivative financial instruments	32	32	—	—	32

The figures in the tables above represent future (non-discounted) capital and interest cash flows based on contractual maturity dates. The Company expects to meet such contractual obligations through cash flows from operating activities and, if required, though new additional medium-term financial transactions.

5.4 Capital management

The Company's capital management is aimed at guaranteeing solid credit ratings and adequate capital indicators to support its investment plans, while meeting contractual obligations with lenders.

The Company ensures it has sufficient capital to finance its business development needs and meet operating requirements; to guarantee a balanced financial structure and minimise the total cost of capital, finances are sourced through a mix of risk capital and debt to the benefit of all stakeholders.

Returns on capital are monitored by reviewing market trends and business performance, net of other commitments, including borrowing costs. In order to ensure the Company's going concern status, to develop the business and to provide an adequate return on capital, Management monitors the Company's debt to equity ratio and also monitors debt levels in relation to business trends and expected future cash flows in the medium/long term.

5.5 Financial assets and liabilities by category and fair value

Financial assets and liabilities by category

The following tables show financial assets and liabilities as at 31 December 2019 and 31 December 2018, in accordance with IFRS 9:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
FINANCIAL ASSETS		
Financial assets valued at amortized cost:		
Non-current financial assets	23,984	5,653
Other non-current assets	—	—
Trade receivables	33,781	36,963
Cash and cash equivalents	22,252	23,125
Current financial assets	—	-—
Other current assets	8,382	6,583
Total	88,399	72,324
Financial assets at *fair value* through comprehensive profit and loss:		
Investments in other companies	584	584
Total	584	584
Hedging financial instruments:		
Foreign exchange derivative assets	28	97
Total	28	97
TOTAL FINANCIAL ASSETS	89,011	73,005

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
FINANCIAL LIABILITIES		
Financial liabilities valued at amortized cost:		
Other non-current liabilities	2,880	—
Trade payables	54,364	60,006
Non-current trade payables	—	—
Other current liabilities	31,147	26,265
Total	88,391	86,271
Hedging financial instruments:		
Foreign exchange derivative liabilities	32	72
Total	32	72
TOTAL FINANCIAL LIABILITIES	88,423	86,343

As seen in the table, most of the financial assets and liabilities at the year-end represented short-term positions and, in view of their nature, their carrying amounts are deemed to be reasonable approximations of their fair values.

Non-current financial assets and liabilities are settled or measured at market rates and, consequently, their fair values are deemed to be substantially in line with their carrying amounts.

Fair value

For assets and liabilities recognised at fair value in the statement of financial position, IFRS 13 requires that such values be classified according to a hierarchy of levels that reflects the significance of the inputs used in the calculation of fair value. The fair value hierarchy classifies the inputs to valuation techniques used to measure fair value as follows:

- **Level 1** : fair value is calculated with reference to (unadjusted) quoted prices in active markets for identical financial instruments. Accordingly, the emphasis within Level 1 is on determining both of the following: (a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and (b) whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.
- **Level 2**: fair value is calculated using valuation techniques based on observable inputs in active markets. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active; (c) inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable commonly quoted intervals, implied volatilities and credit spreads; and (d) market-corroborated inputs.
- **Level 3**: fair value is calculated using valuation techniques based on unobservable market inputs.

The following table shows financial assets and liabilities at fair value, split by fair value hierarchy level.

(Thousands of Euros)	As at December 31, 201 9			As at December 31, 201 8		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities for derivative financial instruments	–	(32)	–	–	(72)	–
Assets for derivatives financial instruments	–	28	–	–	97	–
Investments in other companies	–	–	584	–	–	584
Total	–	(4)	584	–	25	584

5.6 Changes in liabilities arising from financing activities

In accordance with the requirements of IAS 7, the following table shows changes to payables due to banks arising as a result of cash flows generated by and/or used by financing activities as well as non-cash changes.

(Thousands of Euros)	Balance as at December 31, 2018	Changes in cash flow	Other non-monetary changes	Balance as at December 31, 2019
Current bank borrowings	189	62	-	251
Non-current bank borrowings	39,169	19,957	160	59,306

6. Notes to the statement of financial position

6.1 Current and non-current right of use assets and lease liabilities

"Right of use assets", amounting to Euro 8,635 thousand and Euro 7,486 thousand as at 31 December 2019 and 31 December 2018 respectively, relates to the assets underlying the lease contracts.

The following table shows movements in "Right of use assets" during the year ended 31 December 2019:

(Thousands of Euros)	Net book value
Balance as at December 31, 2018	7,486
Increase	2,906
Decrease	(10)
Amortization	(1,747)
Balance as at December 31, 2019	8,635

As at 31 December 2019, the Company had not identified any indicators of impairment of right to use assets.

The following table provides details of the Company's undiscounted lease contract liabilities as at 31 December 2019:

(In Thousands of Euros)	Within 1 year	1 – 5 years	Over 5 years	Total contractual value	Book value
Lease liabilities as at December 31, 2019	2,348	6,042	1,054	9,444	9,006
Lease liabilities as at December 31, 2018	2,363	4,809	1,423	8,595	8,125

The following table provides details of lease contracts held by the Company, mainly in the role of lessee:

(Thousands of Euros)	As at and for the year ended December 31,	
	2019	2018
Net book value of right of use asset (buildings)	8,049	6,497
Net book value of right of use asset (cars)	586	919
Net book value of right of use asset (machineries)	-	70
Total right of use asset	8,635	7,486
Current lease liabilities	2,202	2,204
Non-current lease liabilities	6,805	5,921
Total current and non-current lease liabilities	9,006	8,125
Amortization of right of use asset (buildings)	1,375	560
Amortization of right of use asset (cars)	372	185
Amortization of right of use asset (machineries)	-	22
Total amortization of right of use asset	1,747	767
Finance lease expenses	127	56
Cost of short term leasing	29	204
Cost of low value leasing	71	-
Variable payments not included in lease liabilities	429	-
Total Other operating cost and revenues	529	204
Total cash flow	2,192	606

6.2 Property, plant and equipment

The following table provides a breakdown of property, plant and equipment as at 31 December 2019 and movements during the year:

(Thousands of Euros)	Land and buildings	Plant and machineries	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at December 31, 2018	1,460	2,377	250	898	66	5,051
Increase	53	577	624	544	14	1,798
Decrease	–	–	–	(38)	(80)	–
Transfers	–	–	–	–	–	–
Amortization	(16)	(349)	(203)	(255)	–	(823)
Reclassifications	–	–	–	–	–	–
Balance as at December 31, 2019	1,497	2,605	671	1,149	–	5,922

Additions to property, plant and equipment during the year ended 31 December 2019 totalled Euro 1,798 thousand and mainly related to plant modernisation:

No indicators of impairment of "Property, plant and equipment" were identified during the years under review.

6.3 Intangible assets

The following table provides a breakdown of intangible assets as at 31 December 2019 and movements during the year:

(Thousands of Euros)	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar	Goodwill	Assets under construction and advances	Other intangible assets	Total
Balance as at December 31, 21018	4,772	808	–	–	967	148	6,695
Increase	1,578	650	–	–	680	204	3,111
Decrease	–	–	–	–	(140)	(17)	(157)
Transfers	1,199	–	–	–	(1,199)	–	–
Amortizations	(2,468)	(745)	–	–	–	(43)	(3,256)
Balance as at December 31, 2019	5,081	713	–	–	308	292	6,393

Additions to intangible assets during the year ended 31 December 2019 totalled Euro 3,111 thousand of which Euro 2,249 thousand related to capitalisation of development expenditure and Euro 650 thousand to software.

No indicators of impairment of "Intangible assets" were identified during the years under review.

6.4 Investments accounted for using the equity method

The following table provides a breakdown of "Investments accounted for using the equity method" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Investments in subsidiaries	63,197	54,453
Investments in associates	37	197
Total Investments accounted for using the equity method	63,233	54,650

The following table provides details regarding "Investments in subsidiaries" in the year ended 31 December 2019:

(Thousands of Euros)	Registered Office	Share capital in € Thousands	% Shareholding	Net Equity	Profit/Loss for the period ended December 31, 2019	Share of Net equity attributable to CFT
Raytec Vision Spa	Italy	1,000	75	12,294	1,466	9,246
GEV Enjedomme A.p.s.	Danmark	731	100	451	(31)	1,352
CFT Ukraine L.L.C.	Ukraine	4,673	100	2,564	(460)	2,474
Catelli Food Technology Limited (CFT India)	India	81	100	11	(11)	11
CFT Food Equipment Co. L.t.d. (CFT Tianjin)	China	1,296	100	(794)	(286)	(804)
CFT Brasile	Brasil	230	99.86	190	45	190
CFT Packaging USA Inc	Usa	101	100	1,994	378	1,969
Labs Srl	Italy	188	100	(52)	(156)	113
Rolec Prozess GMBH	Germany	50	100	3,153	(210)	5,802
Levati Food Tech Srl	Italy	222	80	1,726	340	1,502
Techn'Agro Sas	France	350	70	948	(36)	642
CFT Elettrica Srl	Italy	50	100	17	(34)	21
Raynext Srl *	Italy	50	38.25	(10)	(3)	(4)
Packaging Del Sur S.L.	Spain	3	51.03	(98)	(376)	3,987
ADR S.r.l.	Italy	119	75	2,572	145	2,261
Catelli Food Technology Iberica S.L.	Spain	100	99.9	233	30	232
Co.Mac S.r.l.	Italy	1,000	61.72	20,324	1,446	27,873
Mc Inox S.r.l.	Italy	50	61.72	473	319	285
CFT Australasia Pty Ltd	Australia	31	70	60	28	42
Siapi Srl	Italy	2,000	100	1,050	(324)	5,071
Milk Project S.r.l.(**)	Italy	102	60	(25)	(30)	79

*The investment in Raynext S.r.l. is held at 51% by Raytec Vision S.p.A.
(**) As at 31 December 2018 the investment was held at 40%

The following table provides details regarding "Investments in associates" in the year ended 31 December 2019:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
PE Labellers & CFT Asia Pacific Sdn Bhd	*37*	*37*
Milk Project S.r.l	-	*160*
Total Investments accounted for using the equity method	*37*	*197*

During 2019 CFT S.p.A. acquired a further 20% shareholding in Milk Project S.r.l and the investment is therefore included among investments in subsidiaries.

As required by IAS 36, the Company performed a review to determine whether there existed any indications of impairment or long-term loss of value of subsidiaries or whether the reasons that had given rise to any such impairment loss in past periods no longer existed. To this end, the Company measured the recoverable value of its investments in subsidiaries to ensure that the carrying value of such investments did not exceed their recoverable value.

The Company identified the CGUs (i.e. the smallest identifiable group of assets that generates cash inflows) as being the legal entities and management estimated recoverable amount based on value in use, in turn based on discounted future cash flows. The assumptions used to calculate recoverable amount were as follows:

- Terminal value calculated based on an estimate of future cash flows (calculated using the perpetuity growth model and long-term growth rate g) and the latest available forecast data.
- Growth rate g: a range from 1.7% - 2.0%.
- Weighted average cost of capital (WACC): a range from 9.0% - 11.4%.

Based on the impairment tests performed as at 31 December 2019 and considering also the results of sensitivity analysis, the estimated recoverable amounts confirmed the respective carrying values.

6.5 Deferred tax assets

Movements in “Deferred tax assets” during the year ended 31 December 2019 were as follows:

(Thousands of Euros)	As at December 31, 2018	Net provisions to statement of profit and loss	Reclassifications	Other changes	As at December 31, 2019
Allowance for doubtful receivables	397	15	–	–	412
Guarantee provision	145	41	–	–	186
Depreciation of deferred deductions	81	(16)	–	–	65
Obsolescence allowance on inventories	1,283	233	–	–	1516
Employee benefit provision	15	8	–	–	23
Allowance for disputes	91	33	–	–	124
Contract liabilities	1,044	404	–	–	1,448
Amortization of intangible assets	339	49	–	–	388
Fiscal losses	925	(925)	–	–	0
Others	14	39	–	–	53
Total Deferred tax assets	4,334	(119)	–	–	4,215

The temporary differences reported above will reverse during the following year and subsequent years.

6.6 Non-current financial assets

The following table provides a breakdown of "Non-current financial assets" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Investments in other companies	583	584
Receivables from associates and subsidiaries	23,140	4,550
Other non-current receivables	261	519
Total non-current financial assets	23,985	5,653

The following table provides a breakdown of "Equity investments" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Emiliana Conserve	488	488
Banca di Parma	49	49
Iren Spa	15	15
Parma partecipazioni calcistiche	10	10
Tomato News	10	10
So. Ge. A.P. Spa	9	9
Altre Minori	2	3
Total Investments in other companies	583	584

"Receivables from associates and subsidiaries" included the medium/long-term loan to the associate PKS as well as cash pooling related receivables due from subsidiaries.

6.7 Inventories

The following table provides a breakdown of "Inventories" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Raw, ancillary and consumable materials	9,302	11,041
Work in progress and semi-finished goods	36,085	41,082
Finished products and goods for resale	14,801	9,307
Advances	747	1,377
Total Inventories	60,936	62,807

"Inventories" are stated net of an "Obsolescence allowance" in respect of obsolete or slow-moving items, amounting to Euro 5,434 thousand as at 31 December 2019, as well as amounts totalling Euro 1.3 million relating to future losses on contracts.

6.8 Derivative financial instruments

"Derivative financial instruments" (net balance of assets and liabilities) amounted to Euro 28 thousand as at 31 December 2019 and related mainly to contracts entered into to hedge foreign exchange risk in respect of sales contracts involving the Company.

6.9 Trade and other receivables

The following table provides a breakdown of "Trade and other receivables" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Trade receivables from customers	27,504	30,929
Trade receivables from associates	6,278	6,034
Total Trade and other receivables	33,782	39,963

"Trade and other receivables" included an "Allowance for doubtful receivables" amounting to 1,657 thousand.

Movements in the "Allowance for doubtful receivables" during the year ended 31 December 2019 are shown in the following table:

(Thousands of Euros)	Taxed	Ordinary	Total
Balance as at December 31, 201 8	2,023	189	2,212
Increase	62	164	226
Decrease	(718)	(63)	(781)
Balance as at December 31, 201 9	1,368	290	1,657

6.10 Income tax receivables

Income tax receivables relate to amounts due from the tax authorities in relation to IRES and IRAP current taxes, net of related amounts payable.

6.11 Cash and cash equivalents

The following table provides a breakdown of "Cash and cash equivalents" as at 31 December 2019 and 31 December 2018:

(Thousands of Euro)	As at December 31, 2019	As at December 31, 2018
Post office and bank accounts	22,248	23,117
Cheques and cash	4	8
Total Cash and cash equivalents	22,252	23,125

Cash and cash equivalents as at 31 December 2019 were not subject to any constraints or restrictions.

For details regarding movements in "Cash and cash equivalents", reference is made to the statement of cash flows.

6.12 Other current assets

The following table provides a breakdown of "Other current assets" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 201 9	As at December 31, 201 8
Tax receivables	3,267	2,188
Other receivables	1,439	3,975
Accrued and deferred income	320	420
Total other current assets	**5,026**	**6,583**

6.13 Shareholders' equity

The following table provides a breakdown of "Equity" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Share capital	10,000	98,300
Statutory reserve	151	71
Share premium reserve	-	(8,300)
Other reserves	67,159	(14,674)
Retained earnings	(1,212)	2,807
Total equity	**76,098**	**78,204**

Share capital

As at 31 December 2019, the fully paid up share capital of CFT S.p.A. amounted to Euro 10,000 thousand and comprised 16,026,357 ordinary shares traded on the AIM Italia market, 3,000,000 multiple voting shares and 133,334 special shares, all with no par value.

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

The following table provides a breakdown of CFT's fully subscribed and paid up "Share capital" as at 31 December 2019:

Category	n. shares	% on share capital	Listed
Ordinary shares	16,026,357	83.65%	AIM Italia
Special shares	133,334	0.70%	Non-listed
Multiple voting shares	3,000,000	15.66%	Non-listed
Total	**19,159,691**	**100.00%**	

The following table shows details of significant shareholdings as at March 2020:

Shareholder	Number of shares	% of share capital with voting right	% of voting rights
RPC S.r.l.	2,689,578	14.81%	18.75%
A.E.A. S.r.l.	2,665,558	14.68%	18.65%
Ma.Li S.r.l.	2,674,508	14.73%	18.69%
F&B Capital Investment	907,917	5.00%	6.30%

It is noted that the Company holds 1,001,683 treasury shares, the voting rights of which are suspended. It is further noted that the Company has issued warrants that may be exercised in accordance with the terms and conditions set out in the warrant regulation (hereafter, the "**Regulation**") at any time after the third day of trading of the second calendar month following the effective date (5 September 2018) and before expiry of the exercise rights, which becomes effective on the earlier of the following dates: (i) the fifth anniversary of their effective date (i.e. 31 July 2023); and (ii) the sixtieth day following the communication of acceleration (as defined in the Regulation), except in the event of suspension as provided for in Article 3.7 of the Regulation.

Statutory reserve

As at 31 December 2019, the statutory reserve amounted to Euro 151 thousand.

Share premium reserve

As at 31 December 2019, the "Share premium reserve" had been wholly allocated to an available capital reserve.

Other reserves

As at 31 December 2019, "Other reserves" totalled Euro 67,159 thousand and mainly included:

a) Listing costs reserve

As at 31 December 2019, the "Listing costs reserve" had a negative balance of Euro 5,177 thousand. The amount reflects costs incurred by Glenalta and CFT directly related to the share capital increase which, in accordance with IAS 32 – "Financial Instruments" are recognised, not in profit and loss but rather as a deduction from equity. Specifically, Euro 1,013 thousand related to costs incurred by Glenalta in relation to its prior listing on AIM Italia and Euro 3,253 thousand and Euro 911 thousand related to the costs incurred by CFT e Glenalta respectively for the subsequent merger and share capital increase transactions.

b) Treasury shares reserve

The "Treasury shares reserve" had a negative balance of Euro 9,106 thousand and related to the purchase of treasury shares to service the right of withdrawal as well as the purchase of treasury shares in the context of the share buy-back scheme.

c) Available capital reserve

The shareholders' resolution approving the voluntary capital reduction allocated the remaining Euro 88,300 thousand in excess of the company's share capital to an available capital reserve, to which the share premium reserve was also transferred.

Retained earnings

As at 31 December 2019, "Retained earnings" amounted to Euro (1,212) thousand and represented results achieved in prior periods.

The following table provides a breakdown of reserves, with indication of their utilisation and whether or not they are distributable.

(Thousands of Euros)	As at December 31, 201 9	Possible use	MDA
Share premium reserve	0	A; B; C	–
Statutory reserve	151	B	–
IPO's costs reserve	(5,177)	n.a.	
Other reserves	72,185	A; B; C	
Total Reserves	67,159		–

Legend:

A - increase share capital
B - cover losses
C - distribution to shareholders

6.14 Current and non-current bank borrowings

On 19 November 2018, the Company entered into a new medium/long-term loan agreement (the "**Loan Agreement**") for a total amount of Euro 100 million, to be utilised over a period of 36 months, to support the growth of CFT group, as well as refinance current bank indebtedness, at better terms and conditions. As noted above, the Company reimbursed the Euro 30 million nominal sum syndicated loan in advance. As a result of such advance reimbursement, costs totalling Euro 450 thousand, relating to the amortised cost valuation, were recognised under finance income and expenses in the income statement.

The Loan Agreement was entered into with a syndicate of seven banks, including Crédit Agricole Cariparma in the role of agent and lead arranger and HSBC, BNL, Banco BPM, Intesa San Paolo, BMPS and Unicredit as other lending banks.

The main terms of the Loan Agreement are as follows:

- 6 years' maturity, expiring in November 2024;
- available for utilisation over 36 months;
- annual interest rate of 6m EURIBOR (with a 0% floor) plus a spread of 100 bps (basis points).[6]

In line with normal market practice in such cases, the terms and conditions of the Loan Agreement require compliance with a series of financial covenants (leverage ratio not greater than 2.50x) as well as a series of obligations on completion of certain transactions, non-compliance with which could result in mandatory early reimbursement of the loan. As at 31 December 2019, all such covenants and obligations had been complied with, while the re-pricing limit (leverage ratio equal to 1.75x) had been exceeded, as a result of which the spread will be increased to 150 bps.

6.15 Employee benefit liabilities

The following table provides details of "Employee benefit liabilities" as at 31 December 2019, and movements during the period then ended:

(Thousands of Euros)	Total
Balance as at December 31, 201 8	**2,884**
Service cost	64
Financial charges	33
Advances and benefit paid out during the year	(352)
Actuarial gains / (losses) due to experience	(25)
Actuarial gains (losses) due to demographic assumptions	(4)
Actuarial gains / (losses) due to changes in financial assumptions	118
Balance as at December 31, 201 9	**2,718**

"Employee benefit liabilities" relate mainly to the employee severance indemnity due to Company employees.

The size of the severance indemnity, which meets the criteria of a defined benefit plan in accordance with IAS 19, is calculated on an actuarial basis. The assumptions adopted in determining the liabilities as at 31 December 2019 are described below. The following table details the main financial and demographic assumptions adopted in the actuarial calculations:

Financial assumption	31/12/201 9
Discount rate	0.77%
Inflation rate	1.20%
Annual rate of growth of employee benefit provision	2.40%
Annual rate of growth of wages	1.00%

[6] In the event the Leverage Ratio (Net Financial Debt/EBITDA) is greater than 1.75x, the spread is increased to 150 bps.

Demographic assumptions	
Death	Mortality table RG48 published by Ragioneria Centrale dello Stato
Disability	Tables provided by INPS by age and gender
Retirement	100% at achievement of AGO requirements

Turnover and employee benefit provision advances annual frequency	31/12/2019
Advances frequency	1.00%
Turnover frequency	3.50%

The following table shows the results of sensitivity analyses performed for each actuarial assumption as at 31 December 2019, highlighting the effects (in absolute terms) that would have occurred upon reasonable possible changes in actuarial assumptions:

(Thousands of Euros)

Changes in the assumptions	Balance
Turnover rate +1.00%	2,642
Turnover rate -1.00%	2,666
Inflation rate +0.25%	2,680
Inflation rate -0.25%	2,626
Discount rate +0.25%	2,610
Discount rate -0.25%	2,697

(Thousands of Euros)

Service cost and Duration	
Service cost	0.00
Duration	7.2

The average financial duration of the obligation as at 31 December 2019 was 7.2 years. The following table provides a summary overview of expected plan disbursements:

(Thousands of Euros)

Expected future disbursements	
Years	Balance
1	519
2	297
3	130
4	178
5	81

6.16 Trade payables

The following table provides a breakdown of "Trade payables" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Trade payables to suppliers	41,500	48,615
Payables due to subsidiaries	12,821	11,305
Payables due to associates	42	86
Total trade payables	**54,363**	**60,006**

6.17 Provisions for risks and charges

The following table provides a breakdown of "Provisions for risks and charges" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 201 9	As at December 31, 201 8
Guarantee provision	670	520
Provision for excess impairment of investments	804	707
Other provisions	486	356
Total Provisions for risks and charges	1,960	1,583

The following table shows movements in provisions for risks and charges during the year ended 31 December 2019:

(Thousands of Euros)	Guarantee provision	Provision for excess impairment of investments	Other provisions	Total
Balance as at December 31, 201 8	520	707	356	1,583
Net increase	150	97	130	377
Decrease	–	–	–	–
Reclassifications	–	–	–	–
Balance as at December 31, 201 9	670	804	486	1,960

The "Guarantee provision" related to guarantees given regarding plant sold.

The "Provision for excess impairment of investments" represents the amount considered appropriate to cover (the Company's share of) losses remaining after having reduced the carrying value of the investment in CFT Tianjin to zero.

"Other provisions" mainly related to provisions for costs considered likely in respect of contract-related actions brought against the Company, as well as other likely future expenditures.

6.18 Other current liabilities

The following table provides a breakdown of "Other current liabilities" as at 31 December 2019 and 31 December 2018:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Advances	16,379	12,960
Contract liabilities	6,032	4,351
Tax payables	2,186	1,596
Payables due to social security institutes	1,878	2,010
Other payables	3,297	3,813
Accruals and deferred income	1,375	1,535
Total	31,147	26,265

"Advances" amounted to Euro 16,379 thousand as at 31 December 2019 and related to customer payments on account in respect of goods and services not yet transferred.

"Contract liabilities" includes the liability relating to the Company's obligation to provide services to customers in respect of which the company has received payment or for which payment is due).

"Tax payables" amounted to Euro 2,186 thousand as at 31 December 2019 and mainly related to Irpef payables regarding employees, self-employed staff, directors and other staff.

"Payables due to social security institutes" amounted to Euro 1,878 thousand as at 31 December 2019 and related to amounts due to Inps, Inail, Previndai, Cometa and Enasarco.

The following table provides a breakdown of "Other payables" as at 31 December 2019:

(Thousands of Euros)	As at December 31, 2019	As at December 31, 2018
Directors', Statutory Auditors' and contractors' fees	17	17
Payables to auditors and board of statutory auditors	180	112
Payables due to employees for wages and provisions	2,700	2,412
Payables due to professional organizations	23	25
Payables for deposits	334	1,035
Payables in respect of acquisitions	-	100
Other payables	40	112
Total Other current payables	3,294	3,813

7. Notes to the statement of comprehensive income

7.1 Revenue from contracts with customers

The following table provides a breakdown of "Revenue from contracts with customers" by category of activity for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Sale of plants	132,960	43,709
Sale of spare parts	21,471	7,463
Repair services	695	1,203
Technical assistance	3,632	1,883
Other revenues	5,521	1,623
Total Revenues from contracts with costumers	164,279	55,881

The following table provides a breakdown of "Revenue from sale of plants" by geographical area for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Italy	30,305	5,652
Overseas	102,654	38,057
Total Revenues from plant and machineries	132,960	43,709

7.2 Other revenue

"Other revenue" amounted to Euro 4,183 thousand for the year ended 31 December 2019 and related for the main part to the annual share of capital grants and other income.

Capital grants received included the Fondirigenti contributions amounting to Euro 82 thousand; in addition, in accordance with Paragraph 125 of Law 124/2017, it is noted that CFT recognised a research and development related tax credit amounting to Euro 719 thousand.

7.3 Cost of services

The following table provides a breakdown of "Cost of services" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Technical services, maintenance and repair	(26,884)	(10,454)
Commercial services	(9,896)	(3,146)
General and administrative	(9,610)	(5,013)
Operative lease costs	(1,041)	(356)
Total Cost of services	(47,430)	(18,969)

7.4 Cost of raw material, ancillary and goods for resale

The following table provides a breakdown of "Cost of raw material, ancillary and goods for resale" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Raw materials	(79,913)	(29,297)
Changes in inventory, work in progress, semi-finished and finished goods	468	2,373
Changes in inventory of raw, ancillary, consumables and goods for resale	(1,738)	984
Total Cost of raw material, ancillary and goods for resale	(81,183)	(25,940)

7.5 Personnel costs

The following table provides a breakdown of "Personnel costs" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Wages and salaries	(21,494)	(7,060)
Social security contributions	(6,432)	(2,536)
Other personnel costs	(1,014)	(835)
Total Personnel costs	(28,940)	(10,431)

The following table shows the Company's average employee numbers by category for the years ended 31 December 2019 and 31 December 2018:

Category	Number as at December 31,		Average number for the year ended December 31,	
	2019	2018	2019	2018
Managers	22	20	21	17
Office workers	280	261	274	247
Production workers	95	95	94	94
Total	397	376	389	358

During 2018, the Company adopted the "CFT S.p.A Stock Grant Plan" (hereafter, the "**Plan**"), a multi-year incentive plan involving the Company's ordinary shares. The Plan provides for the granting to beneficiaries of the right to receive CFT S.p.A. ordinary shares (up to a maximum of 5% of the number of post-merger shares) free of charge, on achieving certain pre-determined measurable performance objectives, by the date the financial statements for the year ended 31 December 2022 are approved. The Plan is restricted to the Company's executive directors and key management personnel.

In accordance with IFRS 2, the assigned options were measured at fair value at the time of their assignation (3 August 2018). Such measurement, which was determined using a

Monte Carlo simulation model based on the performance components included in the Plan, was carried out by an independent external expert.

The fair value so calculated, amounting to Euro 1,430 thousand, was recognised in the income statement based on a vesting period with expiry in 2022. Such estimate resulted in Euro 323 thousand being recognised in Personnel costs in 2019, with the corresponding entry being recognised in Equity.

As at 31 December 2019, none of the options had been exercised.

7.6 Other operating costs

The following table provides a breakdown of "Other operating costs" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Company canteen	(281)	(117)
Membership fees	(163)	(31)
Property tax and other taxes	(103)	(56)
Penalties and charges	(244)	(139)
Capital losses on disposal of assets	(384)	(195)
Other operating expenses	(117)	(65)
Total Other operating costs	(1,293)	(603)

7.7 Depreciation and amortisation of tangible and intangible fixed assets

The following table provides a breakdown of "Depreciation and amortisation" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Amortization of intangible assets	(3,256)	(1,569)
Amortization of property, plant and equipment	(823)	(297)
Amortization of right of use asset	(1,747)	(767)
Total Depreciation and amortization of Tangibles and Intangibles Assets	(5,825)	(2,632)

7.8 Impairment of financial assets and other net provisions

The following table provides a breakdown of "Impairment of financial assets and other net provisions" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Provisions for risks and charges	(280)	51
Allowance for doubtful receivables	(227)	(362)
Other provisions	—	—
Total impairment of financial assets and other net provisions	(507)	(311)

Detailed breakdowns of the composition of and movements in "Provisions for risks and charges" and the "Allowance for doubtful receivables" for the year ended 31 December 2019 are included in Note 6.17 – "Provision for risks and charges" and Note 6.9 – "Trade receivables".

7.9 Financial management

The following table provides a breakdown of the results of financial management for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Other financial income	209	748
Total Financial income	**209**	**748**
Interest expenses and other financial expenses	(1,522)	(917)
Total financial expenses	**(1,522)**	**(917)**
Total profit / (loss) from foreign exchange	**(201)**	**(292)**
Total financial management	**(1,514)**	**(461)**

7.10 Profit / (loss) from investments accounted for using the equity method

"Profit / (loss) from investments accounted for using the equity method" amounted to Euro (471) thousand in the year ended 31 December 2019.

See Note 6.4 – "Investments accounted for using the equity method" for a breakdown of investments accounted for using the equity method.

7.11 Income taxes

The following table provides a breakdown of "Income taxes" for the years ended 31 December 2019 and 31 December 2018:

(Thousands of Euros)	For the year ended December 31,	
	2019	2018
Taxes for the period	(806)	–
Taxes for previous period	(328)	–
Deferred taxes	(173)	1,326
Income / (expenses) from consolidations	1,771	977
Total Income taxes	**463**	**2,303**

8. Related party transactions

Details of related party transactions are provided below. The companies mentioned are considered to be related parties because they are directly or indirectly related to the Company's shareholders.
The following table shows Company receivables and payables due from/to related parties:

(Thousand of Euros)	As at December 31, 2019			As at December 31, 2018		
	Commercial Receivables	Financial Receivables	Commercial Payables	Commercial Receivables	Financial Receivables	Commercial Payables
Companies under common control:						
Newco Immobiliare 1 S.r.l.	12	–	–	3	–	–
Newco Immobiliare 2 S.p.a.	73	–	46	–	–	–
Newco Immobiliare 4 S.r.l.	–	–	43	–	–	53
Alfa Immobiliare S.r.l.	–	–	–	–	–	52
RAL Immobiliare S.r.l.	–	–	11	–	–	61
Total	85	–	100	3	–	166
Subsidiaries:						
Labs S.r.l.	185	–	7	117	–	–
Rolec Prozess G.m.b.h.	72	–	154	502	–	3,222
Raytec Vision S.p.A.	6,822	–	72	1,429	–	278
CFT Do Brasil LTDA	1	200	–	–	–	–
CFT Ukraine LLC	4	–	77	326	–	–
GEV Ejedomme A.p.s.	120	–	–	112	–	–
CFT Tianjin	1,040	–	18	953	–	62
CFT Packaging USA Inc.	806	–	1,968	804	–	3,385
Levati FoodTech S.r.l.	4,012	–	2,197	962	–	1,551
CFT Elettrica S.r.l.	160	–	1,187	23	–	133
Techn'Agro S.a.s.	380	–	91	418	–	122
ADR S.r.l.	2,777	–	2,681	28	–	2,183
Co.Mac S.r.l.	868	–	2,414	5	–	281
Mc Inox S.r.l.	56	–	755	–	–	–
Catelli Food Technology Iberica S.L.	–	–	53	–	50	11
Milk Project S.r.l.	–	100	–	–	–	–
Packaging Del Sur S.L.	5,066	6,200	1,095	72	4,500	77
CFT Australasia	–	–	54	–	–	–
Siapi S.r.l.	547	–	–	–	–	–
Total	22,918	6,500	12,822	5,751	4,550	11,305
Associates:						
CFT ASIA	134	–	46	655	–	66
CFT Vietnam	14		–			
Total	148	–	46	655	–	66
Total related parties	23,150	6,500	12,968	6,409	4,550	11,537

The following table shows details of Company transactions with related parties:

(Thousands of Euros)	As at December 31, 2019				As at December 31, 2018		
	Commercial Costs	Financial Costs	Commercial Revenues	Financial Revenues	Commercial Costs	Financial Costs	Commercial Revenues
Companies under common control:							
Newco Immobiliare 1 S.r.l.	–	–	9	–	–	–	3
Newco Immobiliare 2 S.p.a.	(38)	–	59	–	–	–	–
Newco Immobiliare 3 S.r.l.	–	–	1	–	(31)	–	–
Newco Immobiliare 4 S.r.l.	(563)	–	–	–	(217)	–	–
Alfa Immobiliare S.r.l.	(487)	–	–	–	(480)	–	44
RAL Immobiliare S.r.l.	(129)	–	–	–	(68)	–	–
Total	(1,217)	–	70	–	(796)	–	47
Subsidiaries:							
Labs S.r.l.	(6)	–	142	–	–	–	297
Rolec Prozess G.m.b.h.	(23)	(6)	129	1	(1,018)	(37)	528
Raytec Vision S.p.A.	(213)	–	1,303	11	(354)	–	588
CFT do Brasil LTDA	(49)	–	–	1	–	–	–
CFT Ukraine l.l.c.	(1,421)	–	43	–	(1,261)	–	24
GEV Ejedomme A.p.s.	–	–	–	1	–	–	1
CFT Tianjin	(93)	–	88	–	(90)	–	11,476
CFT Packaging USA Inc.	(84)	(6)	11,351	–	(148)	–	109
Levati FoodTech S.r.l.	(8,279)	–	1,561	17	(7,890)	–	–
CFT Elettrica S.r.l.	(3,457)	–	310	–	(722)	–	23
Techn'Agro S.a.s.	(134)	(1)	695	–	(180)	–	719
ADR S.r.l.	(4,035)	–	96	4	(1,951)	–	15
Co.Mac S.r.l.	(1,650)	(4)	2,855	–	(268)	–	26
Mc Inox S.r.l.	–	(3)	103	–	–	–	–
Catelli Food Technology Iberica S.L.	(82)	–	–	–	(11)	–	–
Milk Project S.r.l.	(24)	–	–	–	–	–	–
Packaging Del Sur S.L.	(2,046)	–	652	160	(316)	–	–
CFT Australasia	(88)	–	–	–	–	–	–
SIAPI S.r.l.	–		38	–			
Total	(21,683)	(20)	19,365	196	(14,209)	(37)	13,806
Associates:							
PE Labellers & CFT Asia	(136)	–	114	–	(58)	–	618
CFT Vietnam	–	–	–	–	(128)	–	27
Total	(136)	–	114	–	(186)	(37)	645
Total related parties	(23,037)	(20)	19,548	196	(15,191)	(37)	14,498

9. Commitments and risks

Guarantees granted in favour of third parties

It is noted that as at 31 December 2019, the Company had granted credit institution guarantees amounting to Euro 9,864 thousand in relation to trading commitments.

Contingent liabilities

Management is not aware of any disputes or legal actions that could reasonably have significant repercussions on the Company's operating results, financial position or cash flows.

10. Compensation due to directors, statutory auditors and key management personnel

Compensation due to directors and statutory auditors for the year ended 31 December 2019 amounted to Euro 454 thousand and Euro 75 thousand respectively.

Total compensation due to key management personnel for the year ended 31 December 2019, amounted to Euro 1,207 thousand.

No loans or advances were granted to directors or shareholders during the year.

11. Fees due to independent auditors

Fees due to independent auditors for the year ended 31 December 2019 amounted to Euro 240 thousand, including Euro 120 thousand for Other Services.

12. Significant events occurring after the reporting period

With regard to the Covid-19 emergency, reference is made to the note on "Significant events occurring after the reporting period" in the Report on Operations.

On 11 March 2020, Levati Food Tech Srl sold a business unit to CFT SpA for a consideration of around Euro 1,322 thousand. The sale involved both property, plant and equipment and intangible assets including trademarks and know how, as well as inventories and personnel. The sale is part of CFT Group's production and management reorganisation process aimed at exploiting industrial and commercial synergies through the reallocation of competencies among group companies. As a result of the transaction, Levati Food Tech Srl will now focus on CFT Robotics business related development and production.

INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

CFT SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of
CFT SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CFT SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "CFT Group"), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the CFT Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of CFT SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

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

PricewaterhouseCoopers SpA

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The directors of CFT SpA are responsible for assessing the CFT Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate CFT SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the CFT Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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 CFT Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded 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 CFT 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 auditor's 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 auditor's report. However, future events or conditions may cause the CFT Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the CFT 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 on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of CFT SpA are responsible for preparing a report on operations of the CFT Group as of 31 December 2019, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the CFT Group as of 31 December 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of CFT Group as of 31 December 2019 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Parma, 10 April 2020

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

INDEPENDENT AUDITOR'S REPORT SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

CFT SPA

SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of
CFT SpA

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of CFT SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2019, the statement of profit and loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to the paragraph 1.2 "Merger by incorporation of CFT S.p.A. into Glenalta SpA" of the illustrative notes to the separate financial statements, where the directors report that during the year 2018 it has been performed the merger by incorporation of CFT SpA into

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the Special Purpose Acquisition Company (SPAC) called Glenalta SpA already admitted to trading on the Alternative Investment Market (AIM Italia).
The merger became effective on 30 July 2018, following which Glenalta SpA changed its name to CFT SpA. For comparability purposes of profit and loss figures related to the previous year, we draw attention that in the above-mentioned paragraph and in the illustrative notes are disclosed the main effects on the separate financial statements as at 31 December 2018 resulting from the aforementioned merger.

Responsibilities of the Directors and the Board of Statutory Auditors for the Separate Financial Statements

The directors of CFT SpA are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by 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 of CFT SpA are responsible for assessing the Company's ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 the separate financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

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- We identified and assessed the risks of material misstatement of the separate financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of CFT SpA are responsible for preparing a report on operations of CFT SpA as of 31 December 2019, including its consistency with the relevant separate financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the separate financial statements of CFT SpA as of 31 December 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the separate financial statements of CFT SpA as of 31 December 2019 and is prepared in compliance with the law.
With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Parma, 10 April 2020

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

BOARD OF STATUTORY AUDITOR'S REPORT SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CFT S.P.A.

Sede legale in Parma, Via Paradigna 94/A

Capitale Sociale Euro 98.300.000,00 i.v.

REA Parma n. MI-2122705

Registro Imprese, Codice Fiscale e Partita IVA n. 09935170960

RELAZIONE DEL COLLEGIO SINDACALE

ALL'ASSEMBLEA DEGLI AZIONISTI

AI SENSI DELL'ART. 2429 DEL CODICE CIVILE

Signori Azionisti,

il Collegio Sindacale, ai sensi dell'art. 2429, comma 2, del codice civile, è chiamato a riferire all'Assemblea degli azionisti sull'attività di vigilanza svolta in adempimento dei propri doveri, sui risultati dell'esercizio sociale e fare le osservazioni e le proposte in ordine al bilancio e alla sua approvazione.

1. Attività di vigilanza ai sensi dell'art. 2403 e ss., codice civile

Nel corso dell'esercizio 2019 il Collegio sindacale ha svolto le funzioni di vigilanza che gli sono attribuite dalla legge, ispirandosi alle norme di legge ed alle norme di comportamento del Collegio sindacale raccomandate dal Consiglio nazionale dei Dottori commercialisti ed Esperti contabili.

Abbiamo vigilato sull'osservanza della legge e dello statuto e sul rispetto dei principi di corretta amministrazione.

Al fine di acquisire le informazioni strumentali allo svolgimento dei propri compiti di vigilanza, il Collegio sindacale:

- ha partecipato alle n. 1 assemblea dei soci tenutasi nell'anno 2019;
- ha partecipato alle n. 9 riunioni tenute dal Consiglio di Amministrazione nell'anno, ottenendo informazioni sul generale andamento della gestione e sulla

sua prevedibile evoluzione, nonché sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla società e dalle sue controllate (e, in base alle informazioni acquisite, non ha osservazioni particolari da riferire);

- ha sistematicamente incontrato e scambiato informazioni con la società di revisione Price Waterhouse Coopers S.p.A. incaricata della revisione legale (e non sono emersi dati ed informazioni rilevanti che debbano essere evidenziati nella presente relazione);
- ha effettuato n. 6 proprie riunioni con relativa verbalizzazione.

Sulla base dell'attività di vigilanza come sopra indicata, possiamo ragionevolmente attestare quanto segue:

a) le operazioni deliberate e poste in essere dagli Amministratori sono conformi alla legge e allo statuto sociale e non appaiono manifestamente imprudenti, azzardate, in potenziale conflitto di interessi o in contrasto con le delibere assunte dall'Assemblea dei soci o tali da compromettere l'integrità del patrimonio sociale. Sulle operazioni di maggiore rilevanza effettuate nel periodo rinviamo alla Relazione sulla gestione e alla Nota illustrativa ove i vostri Amministratori ne hanno illustrato in dettaglio le modalità e le motivazioni;

b) abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza della struttura organizzativa della società, non avendo a tale riguardo particolari osservazioni da riferire;

c) abbiamo valutato e vigilato sull'adeguatezza del sistema di controllo interno e del sistema amministrativo-contabile, ritenendolo affidabile a rappresentare correttamente i fatti di gestione;

d) non abbiamo rilevato l'esistenza di operazioni che, per natura o dimensione, assumessero carattere di atipicità o potessero definirsi inusuali, effettuate dalla società, con terzi, con società infragruppo o con parti correlate; abbiamo rilevato l'esistenza di operazioni infragruppo e con parti correlate di natura ordinaria, verificando l'esistenza ed il rispetto di procedure idonee a garantire che operazioni in oggetto siano debitamente documentate, regolate secondo normali condizioni di mercato e rispondano all'interesse sociale. Tali operazioni sono adeguatamente illustrate dagli amministratori nel Bilancio, nella Relazione sulla Gestione e nelle Note del Bilancio Consolidato, cui si rimanda;

e) nel corso dell'attività di vigilanza svolta, come sopra descritta, non sono emersi ulteriori fatti significativi tali da richiederne la segnalazione nella presente relazione, né sono state rilevate omissioni e/o fatti censurabili e/o irregolarità rimaste insanate, o non ancora definite, tali da essere oggetto di informazione all'Assemblea o di denuncia al Tribunale;

f) non sono pervenute denunce dei soci ex articolo 2408 del Codice Civile, né sono pervenuti esposti da parte di terzi;

g) nel corso dell'esercizio il Collegio Sindacale non ha rilasciato pareri.

2. Osservazioni e proposte in ordine al bilancio ed alla sua approvazione

Il progetto di Bilancio d'esercizio, il Bilancio consolidato al 31 dicembre 2019 e la Relazione sulla gestione sono strati approvati nella riunione del Consiglio di Amministrazione tenutasi il 30 marzo u.s. Il Bilancio di esercizio presenta una perdita dell'esercizio di €/migliaia 1.876, mentre il Bilancio consolidato evidenzia un utile di €/migliaia 5.930, di cui €/migliaia 4.697 di competenza del Gruppo.

Il Bilancio, di esercizio e consolidato, è redatto secondo i principi contabili IAS/IFRS.

Non avendo la responsabilità della revisione legale dei conti, il Collegio sindacale ha vigilato sull'impostazione generale del Bilancio d'esercizio e del Bilancio consolidato e sulla loro conformità alle norme che ne disciplinano la formazione e la struttura.

Il Collegio sindacale ha altresì verificato la loro rispondenza ai fatti e alle informazioni di cui è venuto a conoscenza a seguito dell'espletamento dei propri doveri. A tale riguardo il collegio sindacale non ha osservazioni particolari da riferire.

Per quanto a nostra conoscenza, gli Amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, comma quattro del Codice Civile.

Gli Amministratori nella relazione sulla gestione descrivono i principali rischi cui la società è esposta: rischi connessi alle condizioni generali di mercato, rischi di credito commerciale, rischi finanziari e rischi legati alla fluttuazione dei tassi di cambio e dei tassi di interesse. Garanzie prestate, impegni ed altre passività potenziali sono invece considerate nelle Note illustrative al Bilancio di esercizio e al Bilancio consolidato.

La revisione legale è affidata alla società di revisione Price Waterhouse Coopers S.p.A. che ha predisposto in data odierna le proprie relazioni ex art. 14 D.Lgs. 27 gennaio 2010, n. 39, relazioni che non evidenziano rilievi e pertanto il giudizio rilasciato è positivo; la relazione sul bilancio separato contiene un richiamo di informativa sull'operazione straordinaria di fusione di CFT SpA in Glenalta SpA avvenuta nel corso dell'esercizio al 31 dicembre 2018.

Conclusioni

Sulla base di quanto sopra esposto e per quanto è stato portato a conoscenza del collegio sindacale, si ritiene che non sussistono ragioni ostative all'approvazione da parte Vostra del progetto di bilancio per l'esercizio chiuso al 31 dicembre 2019 così come è stato redatto e Vi è stato proposto dal Consiglio di Amministrazione.

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Milano 10 aprile 2020

Il Collegio Sindacale

Dr. Guido Riccardi - Presidente

Dr. Angelo Anedda

Dr. Andrea Foschi