

# LEADERS

# INNOVATORS

## Condensed Interim Financial Report

30 June 2020

CFT Group

Courtesy translation for the convenience of international readers.



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## 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](http://www.cft-group.com)

## CFT S.p.A Corporate Bodies

### Board of Directors<sup>1</sup>

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 <sup>2</sup>	Director
Daniele Raynaud <sup>2</sup>	Director

### Board of Statutory Auditors<sup>3</sup>

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

<sup>1</sup> The Board of Directors was appointed by a resolution of the shareholders' meeting of the then Glenalta S.p.A on 19<sup>th</sup> 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.

<sup>2</sup> Independent Director pursuant to the provisions of Article 174 of the Consolidated Law on Finance (TUF)

<sup>3</sup> 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<sup>4</sup>

PricewaterhouseCoopers S.p.A.

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<sup>4</sup> The external auditor was appointed for the period 2018/2020

## CFT Group Summary Information

<i>(Thousands of Euros)</i>	30.06.2020	31.12.2019	30.06.2019
Revenue	101,748	251,323	120,839
Ebitda	6,014	17,518	7,776
Ebitda %	5.91%	6.97%	6.44%
Profit	(2,588)	5,930	1,709
NFD	56,779	43,354	16,187
Group Equity	49,257	51,912	47,156

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 period adjusted for:

- (i) Income taxes;
- (ii) Finance income and expenses;
- (iii) Depreciation and amortization
- (iv) Impairment of 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 right of use and lease liabilities

During the first half of 2020, CFT Group had to deal with the effects of the Covid-19 emergency, for details of which see the note on “Significant events during the period” included in the Interim Report on Operations below.

Consolidated revenue in the first six months of 2020 amounted to Euro 101,748 thousand, a decrease of approximately Euro 19 million (-15.80%) with respect to the corresponding period of the previous year.

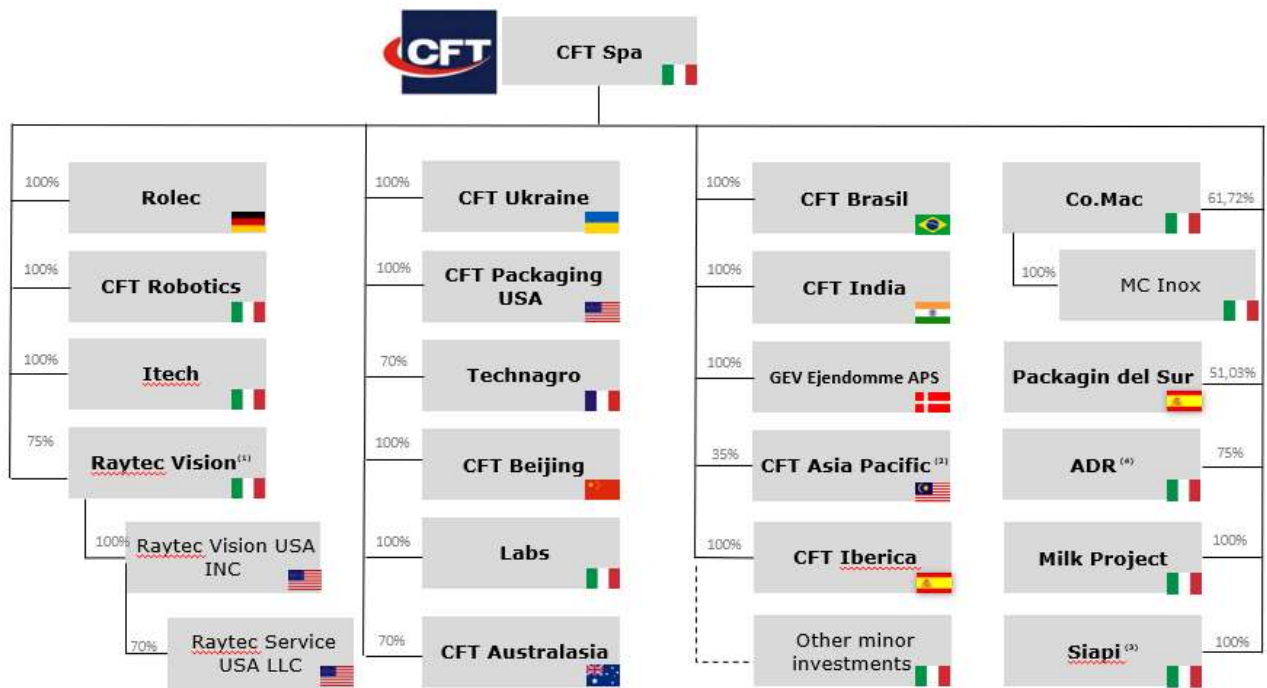
EBITDA, as defined above, for the six months ended 30 June 2020, amounted to Euro 6,014 thousand, as compared to Euro 7,776 thousand for the corresponding period of the previous year.

The result for the period was a loss of Euro 2,588 thousand, as compared to the profit of Euro 1,709 thousand recorded in the corresponding period of the previous year; Net Financial Debt amounted to Euro 56,779 thousand at 30 June 2020 and Group Equity at the same date amounted to Euro 49,257 thousand.



## CFT Group Structure

As at 30 June 2020, CFT Group included CFT S.p.A. (the Parent), its consolidated subsidiaries in which it held the majority of voting shares 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; 4) 100% from 23/07/2020





# INTERIM REPORT ON OPERATIONS

This document presents the interim financial report 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.

During 2018, a reverse takeover transaction pursuant to Article 14 of the AIM Italia Issuers’ Regulation was completed and, with effect from 30 July 2018, CFT S.p.A. was merged by incorporation into the Special Purpose Acquisition Company (SPAC), Glenalta S.p.A., which at the same time changed its name to CFT S.p.A and established its registered offices in Parma.

Completion of the Significant Transaction resulted in CFT S.p.A. shares being traded on the AIM Italia/Alternative Investment Market organised and managed by Borsa Italiana S.p.A.

The Financial Report as at 30 June 2020, as well as comparatives as at 31 December 2019 (balance sheet) and for the six months ended 30 June 2019 (profit and Loss) have been prepared in accordance with international financial reporting standards as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, pursuant to Regulation No. 1606/2002 of the European Parliament and of the Council and adopted by Legislative Decree No. 38/2005.

## Significant events during the period

Key events during the first six months of 2020 included the following:

- On 5 February 2020, CFT S.p.A. acquired 20% of the share capital of Levati Food Tech S.r.l., thereby increasing its total shareholding to 100% of the company’s share capital;
- On 11 March 2020, Levati Food Tech S.r.l. completed the spin-off and transfer to CFT S.p.A. of its “Autoclave” business (which deals with the production of plant and machinery for the wrapping, conservation and packaging of food products);
- On 27 May, Levati Food Tech S.r.l. submitted a project regarding the spin-off and transfer to CFT Elettrica S.r.l. in the following July of its “Tools” business (which operates in the machining sector). On the same date, Levati Food Tech S.r.l.

changed its name to “CFT Robotics S.r.l.”, reflecting its core business in the robotics sector;

- On 28 May 2020, CFT S.p.A. acquired 40% of the share capital of Milk Project S.r.l., thereby increasing its total shareholding to 100% of the company’s share capital.

## Impact of the Covid-19 pandemic on the condensed consolidated interim financial report as at 30 June 2020

During the month of February 2020, CFT Group found itself having to deal with what was initially identified as a public health emergency and subsequently declared by the WHO to be the Covid-19 pandemic. As soon as details of the emergency became known, parent company management established a “Health emergency committee” to deal with the imminent danger. Containment measures were introduced in all group companies to ensure the ongoing operation of production activities while fully respecting all health and safety regulations and almost all clerical staff were encouraged to adopt smart-working arrangements supported by appropriate technology to limit access to company premises.

It is noted that during the first phase of the pandemic, CFT S.p.A. was able to carry out its secondary activity “Manufacture of automatic dosing, wrapping and packaging machines”, as a result of the inclusion of such activity in the list of economic activity codes (Ateco codes) authorised by the Ministry of Economic development Decree of 25 March 2020. The company was able to carry out its primary activity “Manufacture of machinery for food, beverage and tobacco processing” based on a communication sent on 26 March 2020 to the Parma Prefect, informing that such activity was considered necessary to ensure the continuation of the food process supply chain.

Following official declaration of the end of the emergency phase, production activities returned to full capacity albeit conditioned by limits and uncertainties related to the ongoing nature of the pandemic. Smart-working arrangements are still in place for all clerical staff.

In this regard, CFT S.p.A. and group company management stand ready to take any corrective action required by the spread of the virus in the coming months to ensure the health and safety of employees.

Specifically, with regard to CFT Group operations, specific measures have been put in place to control personnel costs, indirect costs and direct costs, while limiting non-essential activities with a view to reducing both costs and investments in line with the reduction in activity levels. In the case of CFT S.p.A. and certain group companies located in Italy, in agreement with the relevant trade union organisations, Covid-19 layoff payment arrangements have been put in place for a small number of employees.

In addition, steps have been taken where possible to insource certain production phases with a view to reducing the related direct costs.

In the case of indirect costs, all expenditure considered to be of a non-strategic or lower priority nature has been deferred to next year. As explained in more detail below in the section on “Review of Group results”, the global economic context had a significant impact on Group results in the first six months of the year: Group revenue for the period amounted to Euro 101,748 thousand, a decrease of 15.8% with respect to the corresponding period of the previous year, while EBITDA for the six months ended 30 June 2020, amounted to Euro 6,014 thousand (or 5.91% of revenue), as compared to Euro 7,776 thousand (or 6.44% of revenue) for the corresponding period of the previous year.

The reduction in sales volumes also had a negative impact on cash flows, in part mitigated by management actions aimed at cost reduction. Net financial debt at 30 June 2020 amounted to Euro 56,779 thousand (Euro 43,354 thousand at 31 December 2019) of which Euro 16,779 thousand related to the application of IFRS 16 – Leases.

In light of the above, on 20 April 2020 the Parent company sent the lending banks a Forbearance Request, as provided for in Article 9.4 of the Loan Agreement, with specific regard to the financial covenants as calculated based on the Financial Report as at 30 June 2020; such request was accepted by the banks on 24 June 2020.

Based on analysis of the short/medium-term outlook and the significant liquidity available to the Group as at 30 June 2020, CFT S.p.A. management believes the Group’s going concern status to be certain, both in terms of its financial stability and its capacity to pursue its corporate objectives. Management will continue to evaluate the impact of the pandemic on the Group’s financial results and put in place any further measures, in addition to those already taken, to maintain the Group’s ongoing profitability and financial position and respond to the continuously evolving situation as quickly as possible. In any event, based on the information currently available regarding performance in the second half of the year and forecasts regarding the foreseeable future (while recognising that such forecasts could vary based on future developments), the results of the impairment test carried out as at 30 June 2020 (see the relevant explanatory notes) did not raise any issues in relation to the measurement of assets or liabilities.

## Macroeconomic context

The first six months of 2020 saw an unprecedented economic contraction as a result of the unfolding economic effects of the health emergency and the related containment measures adopted. The current economic situation is one of deep global recession with falling levels of consumption and the IMF's World Economic Outlook has forecast a downturn in Italian GDP of around -12.8%, as compared to a global forecast downturn of around 4.9 percentage points. The Covid-19 pandemic has resulted in a deep downturn in all advanced and developing economies and a contraction in global demand due in part to the lockdown policies adopted: an economic downturn of more than 8% is foreseen in the United States while GDP in India and Brazil is expected to contract by -4.5% and -9% respectively. The current climate of uncertainty and variable scenarios is compounded by growing trade and geopolitical tensions, as well as the difficulties associated with Brexit.

In response to the above, however, expansionary national fiscal policies are being considered with a view to increasing current expenditure. The European Union has approved a significant recovery package, of which Italy is at present the main beneficiary. In view of the above, key macroeconomic forecasts foresee a slow but possible recovery in the 2021/2022 biennium.

## 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 period adjusted for: (i) Income taxes; (ii) Finance income and expenses; (iii) Depreciation and amortization; (iv) Impairment of 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 and right of use liabilities.

The following table shows a breakdown of how Ebitda is calculated:

	<b>As at June 30</b>	
<i>(Thousands of Euros)</i>	<b>2020</b>	<b>2019</b>
Profit for the period	(2,588)	1,709
Income Taxes	117	452
Profit/(Loss) from foreign exchange	253	160
Profit/(Loss) from investments accounted for using the equity method	153	101
Financial Expenses	1,264	933
Financial Income	(526)	(1,470)
Depreciation of financial assets	396	181
Other net provisions	-	233
Depreciation and amortization of property, plant and equipment, intangibles assets	5,840	4,605
Other non-monetary movements	162	162
Other costs for equity investments	68	174
Non-recurrent income or expenses	875	536
<b>EBITDA</b>	<b>6,014</b>	<b>7,776</b>

## 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**").

<i>(Thousands of Euros)</i>	<i>30.06.2020</i>				<i>30.06.2019</i>			
	<i>Processing &amp; Packaging</i>	<i>Sorting</i>	<i>Elimination</i>	<i>Total</i>	<i>Processing &amp; Packaging</i>	<i>Sorting</i>	<i>Elimination</i>	<i>Total</i>
Revenue towards third parties	91,871	9,877	0	101,748	108,112	12,727	0	120,839
Revenue between segment	812	58	(871)	0	771	95	(866)	0
<b>Total Revenue</b>	<b>92,683</b>	<b>9,936</b>	<b>(871)</b>	<b>101,748</b>	<b>108,883</b>	<b>12,822</b>	<b>(866)</b>	<b>120,839</b>
EBITDA	4,801	1,193	20	6,014	5,494	2,282	0	7,776

The first six months of 2020 saw sales volumes in the "Processing & Packaging" segment account for a larger share of total volumes. Revenue in the "Processing & Packaging" segment amounted to Euro 91,871 thousand, while revenue in the "Sorting" segment amounted to Euro 9,877 thousand.



## Review of Group results

CFT Group consolidated sales revenue in the first six months of 2020 amounted to Euro 101,748 thousand, compared to Euro 120,839 thousand in the corresponding period of the previous year, a decrease of around 16 percentage points.

CFT Group consolidated EBITDA for the first six months of 2020 amounted to Euro 6,014 thousand, compared to Euro 7,776 thousand for the corresponding period of the previous year.

<i>(Thousands of Euros)</i>	30.06.2020	30.06.2019
Revenue	101,748	120,839
Other Revenue	1,335	2,775
<b>Total Revenue</b>	<b>103,083</b>	<b>123,614</b>
Cost of services	(24,612)	(34,180)
Cost of raw material, ancillary and goods for resale	(43,743)	(53,152)
Personnel Costs	(28,637)	(27,838)
Other operating costs	(1,182)	(1,540)
Depreciation and amortization of property, plant and equipment, intangibles assets	(5,840)	(4,605)
Depreciation of financial assets	(396)	(181)
Other net provisions	0	(233)
<b>Operating profit</b>	<b>(1,327)</b>	<b>1,885</b>
Financial Income	526	1,470
Financial Expenses	(1,264)	(933)
Profit/(Loss) from investments accounted for using the equity method	(153)	(101)
Profit/(Loss) from foreign exchange	(253)	(160)
<b>Profit before tax</b>	<b>(2,471)</b>	<b>2,161</b>
Income taxes	(117)	(452)
<b>Profit for the year</b>	<b>(2,588)</b>	<b>1,709</b>
Profit for the year attributable to non-controlling interests	(266)	397
<b>Profit for the year attributable to equity holders of the Parent</b>	<b>(2,322)</b>	<b>1,312</b>

## Group statement of financial position

The following table shows the Group's reclassified statement of financial position as at 30 June 2020 and 31 December 2019.

<i>(Thousands of Euros)</i>	30.06.2020	31.12.2019	Change
Trade and other receivables	53,626	56,104	(2,478)
Inventories	102,366	92,709	9,657
Trade and other payables	(60,993)	(70,599)	9,606
Income tax receivables	3,034	5,321	(2,287)
Other current assets	10,415	9,995	420
Other current liabilities (excluding Put Option)	(61,545)	(54,548)	(6,997)
<b>Net working capital</b>	<b>46,903</b>	<b>38,982</b>	<b>7,921</b>
Property, plant and equipment	56,893	54,037	2,856
Intangibles Assets	49,156	50,659	(1,503)
Financial Assets	6,996	7,267	(271)
<b>Total non-current assets</b>	<b>113,045</b>	<b>111,962</b>	<b>1,083</b>
Employee funds	(4,261)	(4,538)	277
Current and non-current Put Option debt	(22,782)	(22,646)	(136)
Other assets/(liabilities)	(5,843)	(6,731)	888
<b>NET CAPITAL EMPLOYED</b>	<b>127,062</b>	<b>117,029</b>	<b>10,033</b>
Cash and cash equivalent	61,546	36,027	25,519
Current bank borrowings	(1,018)	(2,129)	1,111
Non-current bank borrowings	(99,277)	(59,306)	(39,971)
<b>NET FINANCIAL BANK INDEBTEDNESS</b>	<b>(38,749)</b>	<b>(25,408)</b>	<b>(13,341)</b>
Financial receivables	0	0	0
Current lease liabilities	(3,873)	(3,874)	1
Non current lease liabilities	(12,906)	(12,839)	(67)
Financial Payables	(1,251)	(1,233)	(18)
<b>NET FINANCIAL INDEBTEDNESS</b>	<b>(56,779)</b>	<b>(43,354)</b>	<b>(13,425)</b>
Group Equity	(49,257)	(51,912)	2,655
Third parties Equity	(21,026)	(21,763)	737
<b>Total Equity</b>	<b>(70,283)</b>	<b>(73,675)</b>	<b>3,392</b>
<b>TOTAL CASH FLOW</b>	<b>(127,062)</b>	<b>(117,029)</b>	<b>(10,033)</b>

Net working capital amounted to Euro 46,493 thousand at 30 June 2020, as compared to Euro 38,982 thousand at 31 December 2019. Inventories amounted to Euro 102,366 thousand and Euro 92,709 thousand at 30 June 2020 and 31 December 2019 respectively and current liabilities amounted to Euro 61,545 thousand and Euro 54,548 thousand.

Net financial debt amounted to Euro 56,779 thousand at 30 June 2020 and Euro 43,354 thousand at 31 December 2019, including lease liabilities; see the statement of cash flows for further details.

## 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 indicators.

<i>(Thousands of Euros)</i>	30.06.2020	31.12.2019	30.06.2019
Ebitda	6,014	17,518	7,776
Ebitda/Revenue	5.91%	6.97%	6.44%
NFD/Ebitda*	3.60	2.47	0.99
NFD/Group Equity	1.15	0.84	0.34

\* Ebitda for the six months ended 30 June 2020 is calculated on a "last 12 months" basis, using actuals for the period from 1 July 2019 to 30 June 2020.

## 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](http://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 the prior period, an accident that resulted in the death of an employee occurred at a production plant owned by Co.Mac. S.r.l. while maintenance work was being carried out by an external company; criminal proceedings have been initiated by the Bergamo Public Prosecutor's Office. Co.Mac. S.r.l., however, 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.

## Environment

During the period 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

CFT Group continued its research and development activities during the first six months of 2020, 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 Note 9 “Notes to the consolidated statement of comprehensive income”

## Treasury shares

As at 30 June 2020, the Company held 1,018,253 treasury shares, of which:

- 868,065 obtained through the Business Combination;
- 150,188 obtained through the Buy Back agreement entered into on 23 September 2019 with Intermonte SIM S.p.A., approved by the shareholders’ meeting of 10 May 2019 and renewed on 30 March 2020.

## Risk factors

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

The duration of the pandemic and its consequences for the global economy continue to represent significant uncertainties for the entire business sector in which the Group operates. As it has done since the beginning of the Covid-19 epidemiological emergency, the Company will continue to monitor the situation as it evolves and take whatever action is necessary to safeguard the health of its employees, partners and customers in line with the guidance issued by the relevant competent authorities.

In addition, the Group will continue to evaluate the impact of the pandemic on the Group's financial results and put in place any further measures, in addition to those already taken, to maintain the Group's ongoing profitability and financial position and respond to the continuously evolving situation as quickly as possible.

In any event, based on the information currently available regarding performance in the second half of the year and forecasts regarding the foreseeable future (while recognising that such forecasts could vary based on future developments), the results of the impairment test carried out (see Note 8.3 "Intangible assets") did not raise any issues in relation to the measurement of assets or liabilities.

With regard to potential liquidity risks, Group management believes that, even considering the current uncertain economic context and financial environment, the approximately Euro 60 million available to the Group as at 30 June 2020, the short term financial forecasts and the Group's capitalisation guarantee the Group's going concern status, both in terms of its financial stability as well as its capacity to pursue its corporate objectives.

Accordingly, the condensed consolidated interim financial statements as at 30 June 2020 have been prepared on a going concern basis.

### **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 the technical assistance and spare parts business.

### **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.

As explained in previous reports, 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 Directors' Report on Operations 12 CFT GROUP – Annual Financial Report 2019 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. While at the current date the investigation has not yet been concluded, 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.

## Significant events occurring after the reporting period

The following significant transactions were completed subsequent to the reporting date of 30 June 2020:

- On 1 July 2020, CFT Robotics S.r.l. (previously Levati Food Tech S.r.l.) completed the spin-off and transfer to Itech S.r.l. (previously CFT Elettrica S.r.l.) of its Tools business;
- On 23 July 2020, CFT S.p.A. acquired 25% of the share capital of ADR S.r.l., thereby increasing its total shareholding to 100% of the company's share capital.

## Outlook

CFT Group is focused on achieving continuous growth through the strengthening of its global commercial presence and broadening of its product offering. As noted above, it should be recalled that CFT Group has been impacted by the financial and economic effects of the Covid-19 pandemic. For however long the aforementioned uncertainty lasts, management will take steps as appropriate to contain any further negative impacts.

Chairman of the Board of Directors

Roberto Catelli

Parma, 29 September 2020



# CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 30 JUNE 2020



## Consolidated Statement of Financial Position

<i>(Thousands of Euros)</i>	<i>Note</i>	As of June 30 2020	As of December 31 2019
<b>ASSETS</b>			
<i>Non-current assets:</i>			
Right of use assets	8.1	18,114	16,675
Property, plant and equipment	8.2	38,779	37,362
Intangible assets	8.3	49,156	50,659
Investments accounted for using the equity method	8.4	87	233
Deferred tax assets	8.5	5,372	5,141
Non-current financial assets	8.6	1,537	1,893
<b>Total non-current assets</b>		<b>113,045</b>	<b>111,962</b>
<i>Current assets:</i>			
Inventory	8.7	102,366	92,709
Trade and other receivables	8.8	53,626	56,104
Income tax receivables	8.9	3,034	5,321
Cash and cash equivalents	8.10	61,546	36,027
Other current assets	8.11	10,415	9,995
<b>Total current assets</b>		<b>230,987</b>	<b>200,156</b>
<b>TOTAL ASSETS</b>		<b>344,032</b>	<b>312,118</b>
<b>EQUITY</b>			
Share Capital	8.12	10,000	10,000
Statutory reserve	8.12	151	151
Other reserves	8.12	34,534	35,642
Retained earnings	8.12	4,572	6,119
<b>Equity attributable to equity holders of the Parent</b>		<b>49,257</b>	<b>51,912</b>
Non-controlling interests	8.12	21,026	21,763
<b>TOTAL EQUITY</b>		<b>70,283</b>	<b>73,675</b>
<b>LIABILITIES</b>			
<i>Non-current liabilities:</i>			
Non-current bank borrowings	8.13	99,277	59,306
Non-current lease liabilities	8.1	12,906	12,839
Non-current put option liabilities	8.14	22,782	22,646
Employee defined benefit payables	8.15	4,261	4,538
Non-current trade payables	8.16	588	906
Provisions for risks and charges	8.18	2,578	2,839
Other non-current liabilities	8.19	3,831	4,113
<b>Total non-current liabilities</b>		<b>146,223</b>	<b>107,187</b>
<i>Current liabilities:</i>			
Current bank borrowings	8.13	1,018	2,129
Current lease liabilities	8.1	3,873	3,874
Current tax liabilities		-	78
Derivative financial instruments	8.17	97	106
Current trade payables	8.16	60,993	70,599
Other current liabilities	8.19	61,545	54,470
<b>Total current liabilities</b>		<b>127,526</b>	<b>131,257</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>344,032</b>	<b>312,118</b>

## Consolidated Statement of Profit or Loss

<i>(Thousands of Euros)</i>	<i>Note</i>	<i>For the period ended June 30,</i>	
		<b>2020</b>	<b>2019</b>
Revenue	9.1	101,748	120,839
Other revenue	9.2	1,335	2,775
<b>Total revenue</b>		<b>103,083</b>	<b>123,614</b>
Cost of services	9.3	(24,612)	(34,180)
Cost of raw material, ancillary and goods for resale	9.4	(43,743)	(53,152)
Personnel costs	9.5	(28,637)	(27,838)
Other operating costs	9.6	(1,182)	(1,540)
Depreciation and amortization of property, plant and equipment, intangibles assets	9.7	(5,840)	(4,605)
Depreciation of financial assets	9.8	(396)	(181)
Other net provisions	9.8	-	(233)
<b>Operating profit</b>		<b>(1,327)</b>	<b>1,885</b>
Financial income	9.9	526	1,470
Financial expenses	9.9	(1,264)	(933)
Profit/(Loss) from investments accounted for using the equity method	9.10	(153)	(101)
Profit/(Loss) from foreign exchange	9.9	(253)	(160)
<b>Profit before tax</b>		<b>(2,471)</b>	<b>2,161</b>
Income taxes	9.11	(117)	(452)
<b>Profit for the year</b>		<b>(2,588)</b>	<b>1,709</b>
Profit for the year attributable to non-controlling interests		(266)	397
<b>Profit for the year attributable to equity holders of the Parent</b>		<b>(2,322)</b>	<b>1,312</b>
Earnings per share	9.12	(0.13)	0.07
Diluted earnings per share	9.12	(0.13)	0.07

## Consolidated Statement of Comprehensive Income

<i>(Thousands of Euros)</i>	<i>Note</i>	<i>For the period ended June 30,</i>	
		<b>2020</b>	<b>2019</b>
<b>Profit for the year</b>		<b>(2,588)</b>	<b>1,709</b>
Actuarial gains/(losses) on post-employment benefit obligations	8.15	156	83
Tax effect	8.15	(2)	(20)
<b>Net other comprehensive income not being reclassified to profit or loss in subsequent year</b>		<b>154</b>	<b>63</b>
Exchange rate gains/(losses) on the translation of foreign currency financial statements	8.12	(330)	102
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent year</b>		<b>(330)</b>	<b>102</b>
<b>Total comprehensive income</b>		<b>(2,764)</b>	<b>1,874</b>
Total comprehensive income attributable to non-controlling interest		266	397
<b>Total comprehensive income attributable to the equity holders of the Parent</b>		<b>(2,498)</b>	<b>1,477</b>

## Consolidated Statement of Changes in Equity

<i>(Thousands of Euros)</i>	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
<b>Balance at of 1 January 2019</b>	<b>98,300</b>	<b>71</b>	<b>(8,300)</b>	<b>(47,311)</b>	<b>2,952</b>	<b>45,712</b>	<b>22,026</b>	<b>67,738</b>
<i>Total comprehensive income:</i>								
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)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259</b>	<b>4,697</b>	<b>4,956</b>	<b>1,233</b>	<b>6,189</b>
<i>Transaction with shareholders:</i>								
Allocation earnings for the prior year	-	80	-	1,516	(1,596)	-	-	-
Dividends	-	-	-	-	-	-	(174)	(174)
Derivatives	-	-	-	16	-	16	28	45
Purchase of Treasury Share	-	-	-	(425)	-	(425)	-	(425)
Dividends	-	-	-	-	-	-	-	-
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	-	-	8,300	(8,400)	66	(34)	-	(34)
<b>Balance as at 31 December 2019</b>	<b>10,000</b>	<b>151</b>	<b>-</b>	<b>(35,642)</b>	<b>6,119</b>	<b>51,912</b>	<b>21,763</b>	<b>73,675</b>
<b>Balance at of 1 January 2020</b>	<b>10,000</b>	<b>151</b>	<b>-</b>	<b>(35,642)</b>	<b>6,119</b>	<b>51,912</b>	<b>21,763</b>	<b>73,675</b>
<i>Total comprehensive income:</i>								
Allocation of earnings	-	-	-	-	(2,322)	(2,322)	(266)	(2,588)
Changes of the translation reserve	-	-	-	(330)	-	(330)	(1)	(331)
Actuarial gains on post-employment benefit obligations	-	-	-	(5)	-	(5)	-	(5)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(335)</b>	<b>(2,322)</b>	<b>(2,657)</b>	<b>(267)</b>	<b>(2,924)</b>
<i>Transaction with shareholders:</i>								
Allocation earnings for the prior year	-	-	-	(775)	775	-	-	-
Dividends	-	-	-	-	-	-	(150)	(150)
Derivatives	-	-	-	-	-	-	-	-
Purchase of Treasury Share	-	-	-	(314)	-	(314)	-	(314)
Stock Grant	-	-	-	162	-	162	-	162
Change in consolidation scope	-	-	-	(186)	-	(186)	(314)	(500)
Changes in equity	-	-	-	-	-	-	-	-
Other movements and adjustments	-	-	-	339	-	339	(6)	333
<b>Balance as at 30 June 2020</b>	<b>10,000</b>	<b>151</b>	<b>-</b>	<b>34,533</b>	<b>4,572</b>	<b>49,257</b>	<b>21,026</b>	<b>70,283</b>

For further details, see Note 8.12 "Equity"

## Consolidated Statement of Cash Flows

<i>(Thousands of Euros)</i>	<i>Note</i>	<b>For the period ended June 30,</b>	
		<b>2020</b>	<b>2019</b>
<b>Profit before tax</b>		<b>(2,471)</b>	<b>2,161</b>
<i>Adjustments:</i>			
Depreciation and amortization of property, plant and equipment, intangibles assets	9.7	5,840	4,605
Depreciation of financial assets and other net provisions	9.8	396	339
Profit/(Loss) from investments accounted for using the equity method	9.10	153	101
Net financial expenses and Profit/(Loss) on foreign exchange	9.9	991	(299)
Profit/(Loss) from financial activities	9.9	(300)	-
Other non-monetary movements		(397)	(1,471)
<b>Cash flow from operating activities before changes in net working capital</b>		<b>4,212</b>	<b>5,436</b>
<i>Changes in net working capital:</i>			
- Inventory	8.7	(9,666)	(9,471)
- Trade Receivables	8.8	1,751	1,105
- Trade Payables	8.16	(9,924)	(3,552)
- Other changes in net working capital	8.12	9,238	20,667
<b>Net cash flow from changes in net working capital</b>		<b>(8,601)</b>	<b>8,748</b>
Income tax paid	8.9 - 9.11	(117)	-
Employee defined benefit payables and provisions for risks and charges	8.15 - 8.18	(538)	671
<b>Net cash flow provided by/(used in) operating activities</b>		<b>(5,044)</b>	<b>14,856</b>
<i>Net cash flow provided by/(used in) investment activities:</i>			
Investments in:			
-Intangible assets and Property, plant and equipment	8.2- 8.3	(3,811)	(9,430)
-Right of use	8.1	(1,439)	(2,109)
-Equity investments	8.6	(7)	(2)
Changes in current and non-current financial assets	8.6	356	(40)
Net assets acquired	7	(260)	(339)
<b>Net cash flow provided by/(used in) investing activities</b>		<b>(5,161)</b>	<b>(11,920)</b>
<i>Net cash flow provided by/(used in) financing activities:</i>			
Current bank borrowings	8.13	-	(600)
Non-current bank borrowings	8.13	40,000	9,913
Changes of bank borrowings liabilities	8.13	(1,215)	(379)
Changes of lease liabilities	8.1	(1,877)	(1,187)
Net financial expenses paid	9.9	(780)	(889)
Purchase Treasury Share		(314)	
Dividends paid	8.12	(150)	(174)
Other		61	-
<b>Net cash flow provided by/(used in) financing activities</b>		<b>35,725</b>	<b>6,684</b>
<b>Total cash flow provided/(used) in the year</b>		<b>25,519</b>	<b>9,619</b>
Cash and cash equivalents at the beginning of the period	8.10	36,027	41,798
Cash and cash equivalents at the end of the period	8.10	61,546	51,417

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 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 whose shares are listed on the AIM Italia/Alternative Investment Market organised and managed by Borsa Italiana S.p.A. It is the result of a business combination, in the form of the merger by incorporation on 30 July 2018 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 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 59.70% 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 General principles applied

The Consolidated interim financial report of CFT Group as at 30 June 2020 has been prepared in accordance with the requirements of Article 154-ter, Paragraph C2 of Legislative Decree No. 58/98 - Consolidated Law on Finance (TUF), as subsequently supplemented and amended, and comprises:

- a consolidated statement of financial position, with assets and liabilities classified in terms of whether they are current or non-current;
- a consolidated statement of profit or loss with costs classified according to their nature;
- a consolidated statement of comprehensive income;
- a consolidated statement of cash flows prepared using the indirect method;
- a consolidated statement of changes in equity;
- explanatory notes to the interim financial report.

The statements included in the Consolidated Interim Financial Report have been prepared in accordance with IAS 34; specifically, comparative figures in the consolidated statement of financial position are those as at 31 December 2019, while comparative figures in the consolidated statement of profit or loss and consolidated statement of comprehensive income are those relating to the period ended 30 June 2019.

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

### 2.2 Declaration of conformity with international accounting standards

The Interim Financial Report of CFT Group as at 30 June 2020 has been prepared in accordance with the International Accounting Standards adopted by the European Commission in Regulation (EC) No. 1606/2002 and in force at the end of the period. 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").

Specifically, the Interim Financial Report has been prepared in accordance with IAS 34 "Interim Financial Reporting" and, as a result, the explanatory notes are presented in "condensed" form and do not include all of the information required when preparing annual financial statements as they relate solely to those financial statement components or changes necessary to gain an understanding of the company's results and financial position as at 30 June 2020. The present document should therefore be read together with

the financial statements for the year ended 31 December 2019, available on the corporate website [www.cft-group.com](http://www.cft-group.com).

Other than as explained below in Note 3 “Recently issued accounting standards”, the accounting policies adopted in preparing the Interim Financial Report are the same as those adopted in preparing the Consolidated Financial Statements as at 31 December 2019.

This document was approved by the Company’s Board of Directors on 29 September 2020 and has been reviewed by PricewaterhouseCoopers S.p.A., the Company’s independent auditors.

### 2.3 Basis and principles of consolidation

The Interim Financial Report includes details of the results and financial position of the Company and its subsidiaries, prepared based on the accounting records of the individual companies, adjusted as necessary to align them with EU-IFRS.

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	% Shareholding	Consolidation method	As at June 30 2020	As at December 31 2019	As at June 30 2019
<i>Parent Company</i>							
CFT S.p.A.	Parma	10,000	n.a.	n.a.	x	x	x
<i>Subsidiaries</i>							
Raytec Vision S.p.A.	Italy	1,000	75	Full consolidation	x	x	x
GEV Ejedomme A.p.s.	Denmark	731	100	Full consolidation	x	x	x
CFT Ukraine L.L.C.	Ukraine	4,874	100	Full consolidation	x	x	x
Catelli Food Technology Limited (CFT India)	India	81	100	Full consolidation	x	x	x
CFT Technology Co. L.t.d. (CFT Beijing)	China	1,296	100	Full consolidation	x	x	x
CFT Brasile	Brasil	230	99.86	Full consolidation	x	x	x
CFT Packaging USA Inc.	Usa	101	100	Full consolidation	x	x	x
Labs S.r.l.	Italy	188	100	Full consolidation	x	x	x
Rolec Prozess GMBH	Germany	50	100	Full consolidation	x	x	x
CFT Robotics S.r.l.	Italy	800	100	Full consolidation	x	x	x
Techn'Agro Sas	France	350	70	Full consolidation	x	x	x
Itech S.r.l.	Italy	50	100	Full consolidation	x	x	x
Packaging Del Sur S.L.	Spain	3	51.03	Full consolidation	x	x	x
ADR S.r.l.	Italy	119	75	Full consolidation	x	x	x
Catelli Food Technology Iberica S.L.	Spain	100	99.90	Full consolidation	x	x	x
Co.Mac S.r.l.	Italy	1,000	61.72	Full consolidation	x	x	x
Mc Inox S.r.l.	Italy	50	61.72	Full consolidation	x	x	x
CFT Australasia Pty Ltd	Australia	31	70	Full consolidation	x	x	x
Siapi S.r.l.	Italy	2,000	100	Full consolidation	x	x	x
Siapi America Inc. (**)	USA	88	100	Not Consolidated			
Milk Project S.r.l. (*)	Italy	102	100	Full consolidation	x	x	x
Raytec Vision Usa	USA	136	75	Full consolidation	x		
Raytec Service Inc.	USA	136	52	Full consolidation	x		
<i>Associates</i>							
PE Labellers & CFT Asia Pacific Sdn	Malaysia	89	35	Equity method	x	x	x
Gemini S.r.l.	Italy	300	37	Equity method	x	x	x

(\*) The Group's percentage shareholding at 31 December 2019 was 40%

(\*\*) Not consolidated as the company is not active and the balances are not materially significant

There were no associates included within the scope of consolidation at 30 June 2020.

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 first six months of 2020:

- In January 2020 Raytec Vision S.p.A. established Raytec Vision Usa LLC, a wholly owned subsidiary incorporated in California (USA), which holds 75% of the share capital of Raytec Service Inc;
- On 5 February 2020, CFT S.p.A. acquired 20% of the share capital of Levati Food Tech S.r.l., thereby increasing its total shareholding to 100% of the company's share capital, and on 28 May 2020 Levati Food Tech S.r.l. changed its name to "CFT Robotics S.r.l.";



- On 28 May 2020, CFT S.p.A. acquired 20% of the share capital of Milk Project S.r.l., thereby increasing its total shareholding to 100% of the company's share capital.

It is recalled that the income statement for the six months ended 30 June 2019 includes amounts relating to Siapi S.r.l., which was acquired during May 2019.

\*\*\*

The criteria followed to define the scope of consolidation and the related consolidation principles adopted in preparing the Interim Financial Report are the same as those used in preparing the Consolidated Financial Statements as at 31 December 2019. This section describes the criteria followed to define the scope of consolidation and the related consolidation principles adopted.

### 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/period;
- 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/period-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.

Currency	Exchange rate		Average exchange rate for the period ended			
	As at June 30, 2020	As at December 31, 2019	As at June 30, 2019	As at June 30, 2020	As at December 31, 2019	As at June 30, 2019
US Dollar	1.1198	1.1234	1.1380	1.1020	1.1195	1.1298
Brazilian Real	6.1118	4.5157	4.3511	5.4104	4.4134	4.3417
Indian Rupee	84.6235	80.1870	78.5240	81.7046	78.8361	79.1240
Chinese Yuan	7.9219	7.8205	7.8185	7.7509	7.7355	7.6678
Ukrainian Hryvnia	29.8985	26.7195	29.7654	28.6252	28.9220	30.4227
Danish Krone	7.4526	7.4715	7.4636	7.4648	7.4661	7.4651
Australian Dollar	1.6344	1.5995	1.6244	1.6775	1.6109	1.6063

### 3. Recently issued accounting standards

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

As at the date of approving this Interim Financial Report, the following standards and amendments had not yet been endorsed by the EU.

Standard/amendment	Approved by EU	Effective date
<i>IFRS 17 Insurance Contracts</i>	NO	Years beginning on or after 1 January 2023
<i>Amendments to IAS 1 and IAS 8: Definition of Material</i>	NO	Years beginning on or after 1 January 2020
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	NO	Years beginning on or after 1 January 2020
<i>Amendment to IFRS 3 Business Combinations</i>	NO	Years beginning on or after 1 January 2023
<i>Amendment to IFRS 16 Covid 19</i>	NO	1 June 2020
<i>Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	NO	Effective date to be confirmed

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

As at the date of approving this Interim Financial Report, the following standards and amendments had been endorsed by the EU, but not yet adopted by the Group:

Standard/amendment	Description	Effective date
<i>Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures</i>	<p>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.</p> <p>The Group does not expect there to be any financial impact as a result of the entry into force of such standard</p>	Years beginning on or after 1 January 2019
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i>	<p>On 7 June 2017, the IASB published IFRIC 23 "Uncertainty over Income Tax Treatments".</p> <p>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.</p> <p>The Group does not expect there to be any financial impact as a result of the entry into force of such standard</p>	Years beginning on or after 1 January 2019
<i>Amendments to IFRS 9: Prepayment Features with Negative Compensation</i>	<p>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.</p> <p>The Group does not expect there to be any financial impact as a result of the entry into force of such standard</p>	Years beginning on or after 1 January 2019
<i>Annual Improvements 2015-2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23)</i>	<p>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:</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- 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 <i>generally</i> when calculating the capitalisation rate on general borrowings.</li> </ul> <p>The Group does not expect there to be any financial impact as</p>	Years beginning on or after 1 January 2019

	a result of the entry into force of such standard.	
<i>Amendments to IAS 19: Plan Amendment, curtailment or settlement</i>	<p>On 13 March 2019, the European Commission issued Commission Regulation (EU) n. 2019/412, which adopted certain limited amendments to IAS 19 - Employee Benefits. The changes relate to accounting for defined benefit plan amendments, curtailments and settlements.</p> <p>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.</p> <p>The Group does not expect there to be any financial impact as a result of the entry into force of such standard.</p>	Years beginning on or after 1 January 2019

On 28 May 2020, the IASB published an amendment to IFRS 16, "Covid-19-Related Rent Concessions", which introduces a practical expedient to the section on "Lease modifications", the objective of which is to neutralise changes in lease payments resulting from agreements between parties to recognise the negative effects of Covid-19.

The amendment in question allows the lessee to account for any change in lease payments during 2020 resulting from Covid-19-Related Rent Concessions in the same way it would account for the change if the change were not a lease modification. Based on the amendment, such concessions may be accounted for as variable lease payments with a positive income statement impact without considering lease modification requirements.

The amendment is applicable only if all of the following conditions are met:

- the rent concession is a direct consequence of the COVID-19 pandemic;
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments affects only payments originally due on or before 30 June 2021;
- there is no substantive change to other terms and conditions of the lease.

While the amendments to IFRS 16 have not yet been endorsed by the European Union, they are effective from 1 June 2020 and earlier application is permitted.

#### 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 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.

It is noted that, in light of the changes to the global economic context caused by the Covid-19 pandemic, management has updated estimates and assumptions with respect to those made in preparing the financial statements for the year ended 31 December 2019, mainly in relation to the recoverable value of goodwill, the allowance for doubtful receivables, the obsolescence allowance on inventories and the measurement of right of use assets and related lease liabilities.

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. With specific regard to the correct identification of indicators of impairment, it is noted that the Covid-19 pandemic and resulting worsening of global economic conditions constitute indicators of impairment as they had a significant impact on Group performance during the first six months of 2020. Accordingly, in line with recent Consob and ESMA guidance, in preparing the condensed consolidated interim financial statements as at 30 June 2020, management carried out impairment tests, the results of which are reported in Note 8.3 "Intangible assets" below.

- 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, including technological changes and any impacts resulting from the Covid-19 pandemic. An asset's actual useful life may, therefore, differ from its estimated useful life. For further details in this regard, see the information provided below in Note 8.3 "Intangible assets" in relation to the impairment tests carried out by the Company as at 30 June 2020.
- 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 losses 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 down 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 rate between the Euro and other currencies in which the Group operates and changes in 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.

### *Interest rate risk*

The Group makes use of external debt 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.

## 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.

## 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 leading 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.



As described in more detail in Note 8.13 “Current and non-current bank borrowings”, on 20 April 2020, in light of the macroeconomic scenario and spread of the Covid-19 pandemic, the company sent the lending banks a Forbearance Request, as provided for in Article 9.4 of the Loan Agreement, with specific regard to the financial covenants as calculated based on the Financial Report as at 30 June 2020; on 24 June 2020, the lending banks confirmed their acceptance of the request in a related Consent Letter.

## 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, develop the business and 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

### Fair value

For assets and liabilities recognised in the statement of financial position at fair value, 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 quoted prices (unadjusted) 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 at commonly quoted intervals, implied volatilities, credit spreads and market-corroborated inputs.

- **Level 3:** fair value is calculated using valuation techniques based on unobservable market inputs.

## 5.6 Changes in liabilities arising from financing activities

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

<i>(Thousands of Euros)</i>	Balance as at December 31, 2019	Changes in Cash flow	Other non- monetary changes	Balance as at June 30, 2020
Current bank borrowings	2,129	(1,150)	39	1,018
Non-current bank borrowings	59,306	40,000	(29)	99,277

## 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 period 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 amortization (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 six-month periods ended 30 June 2020 and 30 June 2019.

<i>(Thousands of Euros)</i>	<i>30.06.2020</i>				<i>30.06.2019</i>			
	<i>Processing &amp; Packaging</i>	<i>Sorting</i>	<i>Elimination</i>	<i>Total</i>	<i>Processing &amp; Packaging</i>	<i>Sorting</i>	<i>Elimination</i>	<i>Total</i>
Revenues from third parties	91,871	9,877	0	101,748	108,112	12,727	0	120,839
Intra-segment revenues	812	58	(871)	0	771	95	(866)	0
<b>Total Revenues</b>	<b>92,683</b>	<b>9,936</b>	<b>(871)</b>	<b>101,748</b>	<b>108,883</b>	<b>12,822</b>	<b>(866)</b>	<b>120,839</b>
<b>EBITDA</b>	<b>4,801</b>	<b>1,193</b>	<b>20</b>	<b>6,014</b>	<b>5,494</b>	<b>2,282</b>	<b>0</b>	<b>7,776</b>
Non-operating costs				(1,105)				(872)
Depreciation and amortization of property, plant and equipment and intangible assets				(5,840)				(4,605)
Depreciation of financial assets				(396)				(181)
Other net provisions				-				(233)
Finance income				526				1,470
Finance expenses				(1,264)				(933)
Profit / (loss) from investments accounted for using the equity method				(153)				(101)
Profit / (loss) from foreign exchange				(253)				(160)
<b>Profit before taxes</b>				<b>(2,471)</b>				<b>2,161</b>
Income taxes				(117)				(452)
<b>Profit for the year</b>				<b>(2,588)</b>				<b>1,709</b>
Profit for the year attributable to non-controlling interests				(266)				397
<b>Profit for the year attributable to the Group</b>				<b>(2,322)</b>				<b>1,312</b>

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".

<i>(Thousands of Euros)</i>	<i>As at</i>	
	<i>June 30 2020</i>	<i>December 31 2019</i>
<i>Property, plant and equipment:</i>		
Italy	27,230	27,526
Overseas	11,549	9,835
<b>Total property, plant and equipment</b>	<b>38,779</b>	<b>37,362</b>

*Intangible assets:*

Italy	11,560	12,208
Overseas	1,051	692
Non-allocated	36,545	37,759
<b>Total intangible assets</b>	<b>49,156</b>	<b>50,659</b>

## 7. Business combinations

The parent company was not involved in any new business combinations during the first six months of 2020; for further information, reference is made to the financial statements for previous years.

The parent company did, however, complete the acquisition of certain minority interests, namely:

- the acquisition of a further 20% of the share capital of Levati Food Tech S.r.l.; and
- the acquisition of a further 40% of the share capital of Milk Project S.r.l.

In accordance with international accounting standards, the aforementioned transactions had no impact on the amounts included in either the statement of financial position or statement of profit and loss as the companies in question were already included in CFT S.p.A.'s consolidated financial statements in previous periods, however, the related minority interests included in the equity of the Parent company amounted to a total of Euro 186 thousand.

## 8. Notes to the consolidated statement of financial position

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

"Right of use assets", amounting to Euro 18,114 thousand as at 30 June 2020 (Euro 16,675 thousand as at 31 December 2019), relates to the assets underlying the lease contracts.

The following table shows movements in "Right of use assets" during the six months ended 30 June 2020:

<i>(Thousands of Euros)</i>	Cost	Accumulated depreciation	Impairment	Net book value
<b>Balance as at December 31, 2019</b>	<b>21,558</b>	<b>(4,883)</b>	-	<b>16,675</b>
Increase	4,006	(1,943)	-	2,063
Decrease*	(1,531)	907	-	(624)
Change in consolidation scope	-	-	-	-
Currency difference	-	-	-	-
<b>Balance as at June 30, 2020</b>	<b>24,032</b>	<b>(5,918)</b>	-	<b>18,114</b>

\*Decrease relates to contracts ending or terminated in advance during the period

As at 30 June 2020, 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 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	Within 1 year	1 – 5 years	Over 5 years	Total contractual value	Book value
Lease liabilities as at June 30, 2020	4,141	11,734	1,735	17,610	16,779
Lease liabilities as at December 31, 2019	4,139	11,137	2,322	17,599	16,713

With regard to the lease contracts held by the Group at 30 June 2020, mainly in the role of lessee: right of use assets amounted to Euro 18,114 thousand; lease liabilities amounted to Euro 16,779 thousand; amortization of right of use assets amounted to Euro 1,943 thousand; finance lease expenses amounted to Euro 148 thousand; and costs amounted to Euro 2,019 thousand.

As explained above in Note 3 - "Recently issued accounting standards", as a result of the amendment to IFRS 16 approved on 28 May 2020 by the International Accounting Standards Board (IASB), modifications to lease agreements as a consequence of the COVID-19 pandemic that involve a reduction in lease payments due on or before 30 June 2021 shall not be considered lease modifications and may be accounted for as variable lease payments with a positive income statement impact.

As the amendment has not yet been endorsed by the EU, CFT S.p.A. has opted, in accordance with IFRS 9, to account for the positive impact of the aforementioned lease agreement modifications agreed by the Parent, as a derecognition of a liability; as a result, the positive effect, amounting to Euro 210 thousand, has been accounted for under financial income and as a reduction in lease liabilities.

Right of use assets included Euro 1,350 thousand of non-amortized assets, relating to assets under construction that will become operative during the second half of 2020.

## 8.2 Property, plant and equipment

The following table provides a breakdown of property, plant and equipment as at 30 June 2020 and 31 December 2019 and movements during the period:

<i>(Thousands of Euros)</i>	Land and buildings	Plant and machineries	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
<b>Balance as at December 31, 2019</b>	<b>13,302</b>	<b>8,028</b>	<b>1,615</b>	<b>2,675</b>	<b>11,741</b>	<b>37,362</b>
Increase	864	795	358	971	514	3,503
Business combinations	—	—	—	—	—	—
Decrease	—	(54)	(23)	(82)	(80)	(240)
Transfers	10,375	1,046	—	—	(11,421)	—
Lease carve-out	—	—	—	—	—	—
Amortizations	(229)	(739)	(322)	(387)	—	(1,677)
Currency difference	(82)	(81)	—	—	—	(162)
Reclassifications	—	—	—	(6)	—	(6)
<b>Balance as at June 30, 2020</b>	<b>24,230</b>	<b>8,995</b>	<b>1,629</b>	<b>3,171</b>	<b>754</b>	<b>38,779</b>

Additions to property, plant and equipment during the six months ended 30 June 2020 totalled Euro 3,505 thousand and mainly related to:

- additions to “Land and buildings” totalling Euro 864 thousand, of which Euro 356 thousand related to the new production site of the Spanish subsidiary Packaging del Sur and Euro 485 thousand to improvements to the new Raytec production plant. The transfer from “Assets under construction and advances” to “Land and buildings” amounting to Euro 10,375 thousand also related to this latter site;
- additions to “Other assets” and “Plant and machinery” totalling Euro 971 thousand and Euro 795 thousand respectively, include investments in the new Raytec production plant (Euro 280 thousand in “Other assets” and Euro 140 thousand “Plant and machinery”).

No indicators of impairment of “Property, plant and equipment” were identified during the period under review.

### 8.3 Intangible assets

The following table provides a breakdown of intangible assets as at 30 June 2020 and 31 December 2019 and movements during the period:

<i>(Thousands of Euros)</i>	Start Up and expansion costs	Development costs	Patents and intellectual property rights	Concessions, licences, trademarks and similar	Goodwill	Assets under construction and advances	Other intangible assets	Total
<b>Balance as at December 31, 2019</b>	–	6,757	953	875	36,766	3,539	1,770	50,659
Increase	–	988	254	423	–	904	296	2,865
Business combinations	–	–	–	–	–	–	–	–
Decrease	–	(33)	(1)	–	–	(750)	(15)	(801)
Transfers	–	605	–	56	–	(605)	(56)	–
Lease carve-out	–	–	–	–	–	–	–	–
Amortizations	–	(1,508)	(366)	(229)	–	–	(126)	(2,220)
Currency difference	–	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	(1,350)	–	(1,350)
<b>Balance as at June 30, 2020</b>	–	6,818	840	1,125	36,766	1,738	1,869	49,156

Additions to intangible assets during the six months ended 30 June 2020 totalled Euro 2,865 thousand.

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

The increase in “Concessions, licences, trademarks and similar” related in the amount of Euro 250 thousand to CFT S.p.A. (specifically, its purchase of the “Mec Parma” trademark).

The increase in “Assets under construction and advances” mainly related to Co.Mac., with Euro 364 thousand representing costs incurred in relation to the restructuring of one of the

production plants and Euro 220 thousand relating to the implementation of the new management system.

No indicators of impairment of “Intangible assets” were identified during the period under review.

### *Impairment of goodwill*

The Covid-19 pandemic and resulting worsening of global economic conditions constituted indicators of impairment as they had a significant impact on both Group performance and the performance of individual CGUs during the first six months of 2020. Accordingly, in line with recent Consob and ESMA guidance, management carried out impairment tests in the context of preparing the condensed consolidated interim financial statements as at 30 June 2020.

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

At 30 June 2020, goodwill was allocated as follows:

Description	Amount
Rolec Prozess goodwill	2,661
ADR goodwill	381
PKS goodwill	4,094
Co.Mac goodwill	25,602
Siapi goodwill	4,028
<b>Balance as at June 30, 2020</b>	<b>36,766</b>

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. Specifically, as a result of the significant level of uncertainty associated with the current macroeconomic context and the resulting difficulty in preparing reliable updated plans in a constantly evolving scenario, tests were performed based on forecasts of expected performance in the second half of 2020 and, with regard to the medium term (a further period of three years), on the basis of estimates regarding CGU performance in the current pandemic influenced context, bearing in mind expectations regarding the recovery periods of the Italian and global economies as well as the expected benefits of the cost containment measures introduced by management to mitigate the negative effects of the pandemic on Group results.

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) based on the latest available forecast data and excluding cash flows linked to any extraordinary interventions, 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%	7.73%
ADR goodwill	1.8%	10.42%
PKS goodwill	1.8%	9.71%
Siapi goodwill	1.8%	10.13%
Co.Mac goodwill	1.8%	8.43%

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*

As noted above, the impact of the Covid-19 pandemic on the Group's economic and financial performance constituted a trigger event and, as a result, in line with the recent Consob and ESMA guidance, management carried out impairment tests in preparing the condensed consolidated interim financial statements as at 30 June 2020.

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. Specifically, as a result of the significant level of uncertainty associated with the current macroeconomic context and the resulting difficulty in preparing reliable updated plans in a constantly evolving scenario, tests were performed based on forecasts of expected performance in the second half of 2020 and, with regard to the medium term (a further period of three years), on the basis of estimates regarding CGU performance in the current pandemic influenced context, bearing in mind expectations regarding the recovery periods of the Italian and global economies as well as the expected benefits of the cost containment measures introduced by management to mitigate the negative effects of the pandemic on Group results.

Terminal value was calculated based on an estimate of future cash flows (using the perpetuity growth model) based on the latest available forecast data and excluding cash flows linked to any extraordinary interventions, 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 10.15% (9.65% as at 31 December 2019).

Based on the results of the impairment test, 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. To achieve a break-even point, at which the recoverable amount is equal to the related book value, the following individual changes in variables would be required with all other variables remaining the same:

- a) an increase in WACC to 10.29%;
- b) a decrease in the growth rate to 1.6%.

It is noted that the results of the impairment test confirm CFT Group's strong balance sheet position, albeit market capitalisation values have on average been lower in 2020.

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 29 September 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 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
PE Labellers & CFT Asia Pacific Sdn Bhd	177	256
Gemini S.r.l.	(90)	(23)
<b>Total Investments accounted for using the equity method</b>	<b>87</b>	<b>233</b>

#### 8.5 Deferred tax assets and deferred tax liabilities

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

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Deferred tax assets	6,430	6,118
Deferred tax liabilities	(1,058)	(977)
<b>Total</b>	<b>5,372</b>	<b>5,141</b>

Movements in “Deferred tax assets” were as follows:

<i>(Thousands of Euros)</i>	As at December 31, 2019	Net provisions to income statement	Net provisions to comprehensive income	Other changes	As at June 30, 2020
Allowance for doubtful receivables	761	0	—	—	761
Guarantee provision	261	--	—	—	261
Depreciation of deferred deductions	65	(7)	—	—	(58)
Obsolescence allowance on inventories	2,185	118	—	—	2,303
Employee benefit provision	23	(35)	(32)	--	20
Allowance for disputes	283	--	—	—	225
Contract liabilities	1,772	98	—	—	1,870
Amortization of intangible assets	388	(30)	--	--	358
Fiscal losses	6	---	—	—	6
Others	374	(136)	—	—	510
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>6,118</b>	<b>280</b>	<b>(32)</b>	<b>--</b>	<b>6,430</b>
Intangible assets	(94)	--	—	—	(94)
Trademark (business combinations)	(125)	15	—	—	(110)
Capital gain	(349)	(5)	—	—	(344)
Other	(409)	(101)	--	--	(510)
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>(977)</b>	<b>(81)</b>	<b>—</b>	<b>—</b>	<b>(1,058)</b>
<b>TOTAL NET DEFERRED TAX ASSETS</b>	<b>5,141</b>	<b>199</b>	<b>(32)</b>	<b>--</b>	<b>5,372</b>

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

Based on information currently available regarding expected future performance, management expects that the Group will return to generating taxable profits against which deferred tax assets can be utilized.

## 8.6 Non-current financial assets

The following table provides a breakdown of “Non-current financial assets” as at 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Investments in other companies	691	698
Investments in subsidiaries not consolidated	-	-
Non-current other trade receivables	802	1,167
Others	44	28
<b>Total non-current financial assets</b>	<b>1,537</b>	<b>1,893</b>

Investments in non-consolidated subsidiaries related to the subsidiary company Siapi America Inc., which is valued at a fair value of zero as a result of having been fully written down; for further details, see Note 2.3 “Basis and principles of consolidation”.

The following table provides a breakdown of investments in other companies as at 30 June 2020:

<i>(Thousands of Euros)</i>	As at June 30, 2020
Emiliana Conserve	487
Xnext S.r.l.	56
Banca di Parma	49
Banca Credito Cooperativo	30
Dna Phone	20
Iren Spa	15
Parma partecipazioni calcistiche	10
Tomato News	10
So. Ge. A.P. Spa	9
Altre partecipazioni minori	11
<b>Total Investments in other companies</b>	<b>691</b>

## 8.7 Inventories

The following table provides a breakdown of “Inventories” as at 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Raw, ancillary and consumable materials	26,079	22,484
Work in progress and semi-finished goods	61,063	49,024
Finished products and goods for resale	13,185	19,138
Advances	2,039	2,063
<b>Total Inventories</b>	<b>102,366</b>	<b>92,709</b>

“Inventories” are stated net of an “Obsolescence allowance on inventories”, in respect of obsolete or slow-moving items, amounting to Euro 8,333 thousand and Euro 7,102 thousand as at 30 June 2020 and 31 December 2019 respectively.

## 8.8 Trade and other receivables

The following table provides a breakdown of “Trade and other receivables” as at 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Trade receivables from customers	53,240	55,805
Trade receivables from associates	386	298
<b>Total Trade and other receivables</b>	<b>53,626</b>	<b>56,104</b>

“Trade and other receivables” includes an “Allowance for doubtful receivables” amounting to Euro 3,999 thousand and Euro 3,617 thousand as at 30 June 2020 and 31 December 2019 respectively.

Movements in the “Allowance for doubtful receivables” during the six months ended 30 June 2020 are shown in the following table:

<i>(Thousands of Euros)</i>	Taxed	Ordinary	Total
<b>Balance as at December 31, 2019</b>	<b>2,991</b>	<b>625</b>	<b>3,617</b>
Net Increase	57	339	396
Change in consolidation scope	-	-	-
Decrease	(14)	(-)	(14)
<b>Balance as at June 30, 2020</b>	<b>3,034</b>	<b>964</b>	<b>3,999</b>

## 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 30 June 2020 and 31 December 2019:

<i>(Thousands of Euro)</i>	As at June 30, 2020	As at December 31, 2019
Post office and bank accounts	61,517	36,002
Cheques and cash	29	25
<b>Total Cash and cash equivalents</b>	<b>61,546</b>	<b>36,027</b>

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 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Tax receivables	7,201	6,880
Other receivables	1,548	2,138
Accrued and deferred income	1,666	977
<b>Total Other current assets</b>	<b>10,415</b>	<b>9,995</b>

## 8.12 Shareholders' equity

The following table provides a breakdown of “Equity” as at 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Share capital	10,000	10,000
Statutory reserve	151	151
Other reserves	34,534	35,642
- <i>First-time-adoption reserve</i>	(1,000)	(937)
- <i>Capital increase costs reserve</i>	(5,177)	(5,177)
- <i>Translation reserve</i>	(842)	(512)
- <i>Company own shares reserve</i>	(8,625)	(9,106)
- <i>Others</i>	50,178	51,374
Retained earnings	4,572	6,119
<b>Equity attributable to the Group</b>	<b>49,257</b>	<b>51,912</b>
Equity attributable to non-controlling interests	21,026	21,763
<b>Total Equity</b>	<b>70,283</b>	<b>73,675</b>

### Share capital

As at 30 June 2020, the fully paid up share capital of CFT S.p.A. amounted to Euro 10,000 thousand and comprised n. 16,026,357 ordinary shares traded on the AIM Italia market, n. 3,000,000 multiple voting shares and n. 133,334 special shares, all with no par value.

The following table provides a breakdown of CFT's fully subscribed and paid up "Share capital" as at 30 June 2020:

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
<b>Total</b>	<b>19,159,691</b>	<b>100.00%</b>	

The following table shows details of significant shareholdings:

Shareholder	Number of shares	% of share capital with voting right	% of voting rights
RPC S.r.l.	2,692,578	14.15%	17.95%
A.E.A. S.r.l.	2,665,558	14.01%	17.84%
Ma.Li S.r.l.	2,674,508	14.06%	17.88%
F&B Capital Investment	907,967	4.77%	6.03%

It is noted that the Company holds 1,018,253 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 30 June 2020, there were 4,739,577 warrants in circulation.

### Statutory reserve

As at 30 June 2020, the statutory reserve amounted to Euro 151 thousand.

### Other reserves

As at 30 June 2020, "Other reserves" totalled Euro 34,534 thousand and mainly included:

#### a) First time adoption (FTA) reserve

As at 30 June 2020, the "First time adoption (FTA) reserve" amounted to Euro 1,000 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 30 June 2020, the “Capital increase costs reserve” amounted to 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 e 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 8,625 thousand and related to the purchase of treasury shares following the exercise of the right of withdrawal by Glenalta shareholders.

*Retained earnings*

As at 30 June 2020, “Retained earnings” amounted to Euro 4,572 thousand and related to earnings brought forward by CFT Group.

### 8.13 Current and non-current bank borrowings

Bank borrowings totalled Euro 100,295 thousand and Euro 61,435 thousand as at 30 June 2020 and 31 December 2019 respectively.

During 2018, the Parent entered into a new medium/long-term loan agreement (the “**Loan Agreement**”) for a total amount of Euro 100 million, of which Euro 40 million was received during the first half of 2020, 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 also provides the Group with the financial stability required to deal with foreseeable future scenarios.

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)<sup>5</sup>.

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 1.75x) 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.

On 20 April 2020, in light of the macroeconomic scenario and spread of the Covid-19 pandemic, the company sent the lending banks a Forbearance Request, as provided for in Article 9.4 of the Loan Agreement, with specific regard to the financial covenants as calculated based on the Financial Report as at 30 June 2020; on 24 April 2020, the lending banks confirmed their acceptance of the request in a related Consent Letter.

As at the reporting date, the leverage ratio was greater than 1.75x and therefore the spread applied was 150 bps.

#### 8.14 Current and non-current put option liabilities

"Current and non-current put option liabilities" amounted to Euro 22,782 thousand as at 30 June 2020 and Euro 22,646 thousand as at 31 December 2019. The increase during the period was due to the accrual of interest.

#### 8.15 Employee benefit liabilities

The following table provides details of movements in "Employee benefit liabilities" during the period ended 30 June 2020:

<i>(Thousands of Euros)</i>	<b>Total</b>
<b>Balance as at January 1, 2020</b>	<b>4,538</b>
Service cost	197
Financial charges	15
Advances and benefit paid out during the year	(378)
Changes in the scope of consolidation	0
Actuarial gains / (losses) due to experience	(122)
Actuarial gains (losses) due to demographic assumptions	0
Actuarial gains / (losses) due to changes in financial assumptions	11
<b>Balance as at June 30, 2020</b>	<b>4,261</b>

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

“Employee benefit liabilities” relate mainly to the employee severance indemnity (“TFR”) due to employees of the Group’s Italian companies.

The value of the severance and end of 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 30 June 2020 and 31 December 2019 are described below:

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

Financial assumption	30/06/2020	31/12/2019
	TFR	TFR
Discount rate	0.74%	0.77%
Inflation rate	1.20%	1.20%
Annual rate of growth of employee benefit provision	2.40%	2.40%
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	30/06/2020	31/12/2019
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 30 June 2020, 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%	4,141
Turnover rate -1.00%	4,221
Inflation rate +0.25%	4,247
Inflation rate -0.25%	4,111
Discount rate +0.25%	4,082
Discount rate -0.25%	4,279

*(Thousands of Euros)*

Service cost and Duration	TFR
Service cost and annual pro futuro	315
Duration	16



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

<i>(Thousands of Euros)</i>	
Expected future disbursements	TFR
Years	
1	477
2	220
3	286
4	238
5	313

## 8.16 Current and non-current trade payables

The following table provides a breakdown of “Current and non-current trade payables” as at 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Trade payables to suppliers	61,535	71,463
Payables due to associates	46	42
<b>Total Trade payables</b>	<b>61,581</b>	<b>71,505</b>

## 8.17 Derivative financial instruments

“Derivative financial instruments” amounted to Euro 97 thousand as at 30 June 2020 and Euro 106 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 Group.

## 8.18 Provisions for risks and charges

The following table provides a breakdown of “Provisions for risks and charges” as at 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Guarantee provision	975	1,023
Other provisions	1,603	1,816
<b>Total Provisions for risks and charges</b>	<b>2,578</b>	<b>2,839</b>

The “Guarantee provision” amounted to Euro 975 thousand as at 30 June 2020 and related to guarantees given regarding plant sold.

“Other provisions” amounted to Euro 1,603 thousand as at 30 June 2020 (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 six months ended 30 June 2020:

<i>(Thousands of Euros)</i>	Guarantee provision	Other provisions	Total
<b>Balance as at December 31, 2019</b>	<b>1,023</b>	<b>1,816</b>	<b>2,839</b>
Net increase	—	—	—
Decrease	(48)	(213)	(261)
Changes in the scope of consolidations	—	—	—
Reclassifications	—	—	—
<b>Balance as at June 30, 2020</b>	<b>975</b>	<b>1,603</b>	<b>2,578</b>

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 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 Irpef 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 legal 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 30 June 2020 and 31 December 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at December 31, 2019
Advances	35,884	30,761
Contract liabilities	8,464	8,188
Tax payables	3,243	3,411
Payables due to social security institutes	2,552	3,224
Other payables	12,097	10,877
Accruals and deferred income	3,136	2,124
<b>Total</b>	<b>65,376</b>	<b>58,585</b>

"Advances" amounted to Euro 35,884 thousand as at 30 June 2020 and Euro 30,761 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 3,243 thousand as at 30 June 2020 (Euro 3,411 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 2,552 thousand as at 30 June 2020 and Euro 3,224 thousand as at 31 December 2019 and related to amounts due to Inps, Inail, Previndai, Cometa and Enasarco.

“Other current and non-current payables” amounted to Euro 12,097 thousand as at 30 June 2020 and Euro 10,877 thousand as at 31 December 2019. In addition to current and deferred remuneration due to employees, the item included the earn-out related payable in respect of the Siapi acquisition (Euro 2,580 thousand) and the loan from the minority shareholders of PKS (Euro 1,251 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 for the six-month periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	As at June 30, 2020	As at June 30, 2019
Processing & Packaging	91,871	108,112
Sorting	9,877	12,727
<b>Total Revenues</b>	<b>101,748</b>	<b>120,839</b>

The following table provides a breakdown of “Revenue” by product line for the six-month periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	2019
Machinery and production lines	74,517	95,903
After Sales	26,451	24,560
Other revenues	780	377
<b>Total Revenues</b>	<b>101,748</b>	<b>120,839</b>

The following table provides a breakdown of “Machinery and production lines” by geographical area for the six-month periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	2019
Italy	11,312	18,297
Overseas	63,205	77,606
<b>Total Revenues from machinery and production lines</b>	<b>74,517</b>	<b>95,903</b>

### 9.2 Other revenue

“Other revenue” amounted to Euro 1,335 thousand and Euro 2,775 thousand for the six-month periods ended 30 June 2020 and 30 June 2019 respectively and related for the main part to the relevant share of capital grants and other income.

### 9.3 Cost of services

“Cost of services” for the six-month periods ended 30 June 2020 and 30 June 2019 amounted to Euro 24,612 thousand and Euro 34,180 thousand respectively.

## 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 six-month periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	2019
Raw materials	(53,439)	(63,104)
Changes in inventory, work in progress, semi-finished and finished goods	5,139	4,028
Changes in inventory of raw, ancillary, consumables and goods for resale	4,557	5,924
<b>Total Cost of raw material, ancillary and goods for resale</b>	<b>(43,743)</b>	<b>(53,152)</b>

## 9.5 Personnel costs

The following table provides a breakdown of “Personnel costs” for the six-month periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	2019
Wages and salaries	(20,965)	(20,461)
Social security contributions	(5,959)	(5,699)
Other personnel costs	(1,713)	(1,678)
<b>Total Personnel costs</b>	<b>(28,637)</b>	<b>(27,838)</b>

The following table shows the average number of Group’s employees by category for the periods ended 30 June 2020 and 31 December 2019:

Category	Number as at		Average Number as at	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Managers	39	41	41	42
Office workers	571	557	572	550
Production workers	370	356	367	339
<b>Total</b>	<b>980</b>	<b>954</b>	<b>980</b>	<b>931</b>

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 assignment (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 162 thousand being recognised in Personnel costs in the six months ended 30 June 2020, with the corresponding entry being recognised in Equity.

As at 30 June 2020, none of the options had been exercised.

## 9.6 Other operating costs

“Other operating costs” for the six-month periods ended 30 June 2020 and 30 June 2019 amounted to Euro 1,182 thousand and Euro 1,540 thousand respectively.

## 9.7 Depreciation and amortization of Tangibles and Intangibles Asset

The following table provides a breakdown of “Depreciation and amortization” for the six-month periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	2019
Amortization of intangible assets	(2,220)	(1,991)
Amortization of property, plant and equipment	(1,677)	(1,106)
Amortization of right of use asset	(1,943)	(1,508)
<b>Total Depreciation and amortization of Tangibles and Intangibles Asset</b>	<b>(5,840)</b>	<b>(4,605)</b>

## 9.8 Impairment of assets and other net provisions

The following table provides a breakdown of “Impairment of assets and other net provisions” for the periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	2019
Provisions for risks and charges	-	(233)
Allowance for doubtful receivables	(396)	(181)
<b>Total Impairment of financial assets and other net provisions</b>	<b>(396)</b>	<b>(414)</b>

Detailed breakdowns of the composition of and movements in “Provisions for risks and charges” and the “Allowance for doubtful receivables” for the periods ended 30 June 2020 and 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 six-month periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	2019
Other financial income	526	1,470
<b>Total Financial income</b>	<b>526</b>	<b>1,470</b>
Interest expenses and other financial expenses	(1,264)	(933)
<b>Total Financial expenses</b>	<b>(1,264)</b>	<b>(933)</b>
<b>Total Profit / (loss) from foreign exchange</b>	<b>(253)</b>	<b>(160)</b>
<b>Total Financial management</b>	<b>(991)</b>	<b>377</b>

“Other financial income” includes adjustment of the earn-out related payable in respect of the Siapi acquisition, amounting to Euro 300 thousand.

As explained above in Note 3 - “Recently issued accounting standards”, as a result of the amendment to IFRS 16 approved on 28 May 2020 by the International Accounting Standards Board (IASB), modifications to lease agreements as a consequence of the COVID-19 pandemic that involve a reduction in lease payments due on or before 30 June 2021 shall not be considered lease modifications and may be accounted for as variable lease payments with a positive income statement impact.

As the amendment has not yet been endorsed by the EU, CFT S.p.A. has opted, in accordance with IFRS 9, to account for the positive impact of the aforementioned lease agreement modifications agreed by the Parent, as a derecognition of a liability; as a result, the positive effect, amounting to Euro 210 thousand, has been accounted for under financial income and as a reduction in lease liabilities.

“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 also 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 and costs relating to the discounting of the put-related payables.

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 153 thousand in the six-month period ended 30 June 2020 and Euro 101 thousand in the six-month period ended 30 June 2019.

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 six-month periods ended 30 June 2020 and 2019:

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	2019
Taxes for the period	(160)	(385)
Prior year taxes	(11)	152
Net deferred tax assets and liabilities	54	(219)
<b>Total Income taxes</b>	<b>(117)</b>	<b>(452)</b>

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

<i>(Thousands of Euros)</i>	For the period ended as at June 30,	
	2020	%
Profit before taxes	(2,471)	
Theoretical IRES	0	24,0%
IRAP	(159)	
Other changes	42	
<b>Total income tax</b>	<b>(117)</b>	<b>4.7%</b>
<b>Result for the Period</b>	<b>(2,588)</b>	

## 9.12 Earnings per share

	30.06.2020	30.06.2019
Profit for the year attributable to equity holder of the Parent <i>(Thousands of Euros)</i>	(2,322)	1,312
Weighted average of number of outstanding shares	18,165,694	18,291,626
<b>Earnings per share (in Euro)</b>	<b>(0.13)</b>	<b>0.07</b>

Diluted earnings per share is 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:

<i>(Thousands of Euros)</i>	As at June 30, 2020				As at December 31, 2019			
	Commercial Receivables	Financial Receivables	Commercial Payables	Financial Payables	Commercial Receivables	Financial Receivables	Commercial Payables	Financial Payables
<i>Companies under common control:</i>								
Newco Immobiliare 1 S.r.l.	3	—	—	—	12	—	—	—
Newco Immobiliare 2 S.p.A.	—	—	91	—	73	—	46	—
Newco Immobiliare 4 S.r.l.	—	—	—	—	—	—	43	—
Alfa Immobiliare S.r.l.	—	—	—	—	—	—	—	—
RAL Immobiliare S.r.l.	—	—	14	—	—	—	11	—
<b>Total</b>	<b>3</b>	<b>—</b>	<b>105</b>	<b>—</b>	<b>85</b>	<b>—</b>	<b>100</b>	<b>—</b>
<i>Subsidiaries:</i>								
Minority shareholders PKS	—	—	—	1,251	—	—	—	1,233
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,251</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,233</b>
<i>Associates:</i>								
CFT ASIA	254	—	46	—	134	—	46	—
The Packaging Company Ltd	14	—	—	—	—	—	—	—
Gemini	150	—	—	—	—	300	—	—
Dna Phone	11	—	—	—	—	—	—	—
TCC	—	—	9	—	—	—	—	—
Immobiliare As Productos del Futuro	—	—	165	—	—	—	165	—
<b>Total</b>	<b>429</b>	<b>—</b>	<b>220</b>	<b>—</b>	<b>134</b>	<b>300</b>	<b>211</b>	<b>—</b>
<b>Total related parties</b>	<b>432</b>	<b>—</b>	<b>325</b>	<b>1,251</b>	<b>219</b>	<b>300</b>	<b>311</b>	<b>1,233</b>

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

<i>(Thousands of Euros)</i>	As at June 30, 2020		As at June 30, 2019	
	Commercial Costs	Commercial Revenues	Commercial Costs	Commercial Revenues
<i>Companies under common control:</i>				
Newco Immobiliare 1 S.r.l.	12	—	—	—
Newco Immobiliare 2 S.p.A.	225	1	—	—
Newco Immobiliare 3 S.r.l.	—	—	—	—
Newco Immobiliare 4 S.r.l.	130	—	260	—
Alfa Immobiliare S.r.l.	162	—	243	—
RAL Immobiliare S.r.l.	48	—	72	—
<b>Total</b>	<b>577</b>	<b>1</b>	<b>575</b>	<b>—</b>
<i>Subsidiaries:</i>				
Siapi America	—	—	3	—
Minority shareholders PKS	18	—	18	—
<b>Total</b>	<b>18</b>	<b>—</b>	<b>21</b>	<b>—</b>
<i>Associates:</i>				
CFT ASIA	3	124	93	62
The Packaging Company Ltd	5	—	98	—
Gemini	—	—	—	1
Dna Phone	—	—	24	—
TCC Immobiliare	161	—	—	—
<b>Total</b>	<b>169</b>	<b>124</b>	<b>216</b>	<b>63</b>
<b>Total Related Parties:</b>	<b>764</b>	<b>125</b>	<b>812</b>	<b>63</b>



## 11. Commitments and risks

### *Guarantees granted in favour of third parties*

It is noted that as at 30 June 2020, the Group had granted bank guarantees amounting to Euro 11,185 thousand, in respect of trading commitments.

## 12. Compensation due to directors and statutory auditors

For each of the six-month periods ended 30 June 2020 and 30 June 2019, compensation due to directors and statutory auditors respectively amounted to Euro 786 thousand and Euro 1,125 thousand.

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

## 13. Fees due to independent auditors

Fees due to independent auditors for the six-month periods ended 30 June 2020 and 30 June 2019 amounted to Euro 124 thousand and Euro 136 thousand respectively.

## 14. Significant events occurring after the reporting period

The following significant transactions were completed subsequent to the reporting date of 30 June 2020:

- On 1 July 2020, CFT Robotics S.r.l. (previously Levati Food Tech S.r.l.) completed the spin-off and transfer to Itech S.r.l. (previously CFT Elettrica S.r.l.) of its Tools business;
- On 23 July 2020, CFT S.p.A. acquired 25% of the share capital of ADR S.r.l., thereby increasing its total shareholding to 100% of the company's share capital.



# INDEPENDENT AUDITOR'S REPORT



**REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENT**

**CFT SPA**



## REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENT

To the Shareholders of  
CFT SpA

### Foreword

We have reviewed the accompanying consolidated interim financial statements of CFT SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "CFT Group"), which comprise the balance sheet as of 30 June 2020, the income statement, the statement of comprehensive income, the statement of changes in equity, cashflow statement for the six-month period then ended and related explanatory notes. The directors of CFT SpA are responsible for the preparation of the consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of CFT Group do not give a true and fair view of the financial position of CFT Group as of 30 June 2020 and of its financial performance and cash

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flows for the six-month period then ended in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Parma, 29 September 2020

PricewaterhouseCoopers SpA

Nicola Madureri  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers.*