Annual Report

as at December 31, 2018

MARR S.p.A.
Via Spagna, 20 – 47921 Rimini – Italy
Capital stock € 33.262.560 fully paid up
Tax code and Trade Register of Rimini 01836980365
R.E.A. Ufficio di Rimini n. 276618
Subject to the management and coordination of Cremonini S.p.A. – Castelvetro (MO)

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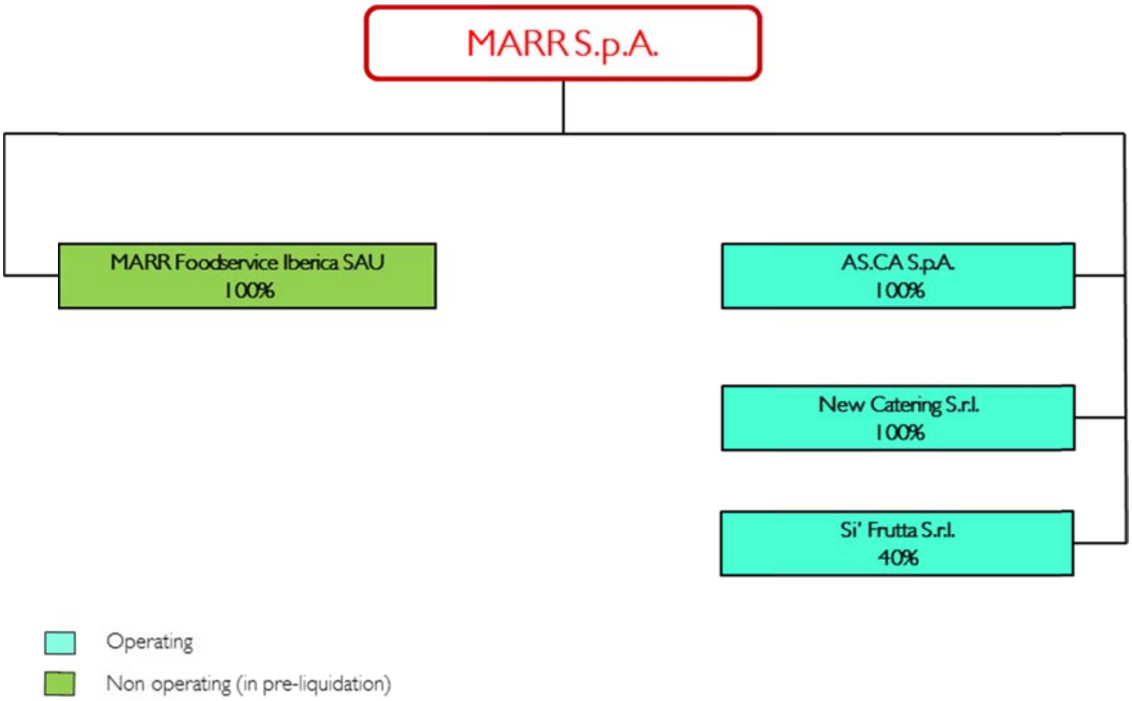
MARR GROUP ORGANISATION

as at 31 December 2018



As at 31 December 2018 the structure of the Group differs from that at 31 December 2017, due to to the following operations:

- on 27 February 2018 the subsidiary DE.AL. S.r.l. Depositi Alimentari purchased the remaining 50% of the share capital of Griglia Doc. S.r.l., which subsequently has been merged by incorporation in DE.AL., with legal effects that came into force on 25 June 2018;
- on 31 May 2018 the Parent Company bought the 40% of the share capital of Si'Frutta S.r.l., a company operating in the supply of fresh fruit and vegetable products to hotels, restaurants, canteens and chains operators and in industrial transformation activities;
- on 3 August, with the aim of achieving the rationalisation of the economic, financial and administrative management, the Board of Directors of MARR S.p.A. approved the merger by incorporation into MARR S.p.A. of the subsidiaries DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l., companies the activity of which was limited to the lease of going concerns to the Parent Company. The operation was legally effective from 1 December and fiscally effective from 1 January 2018.

The MARR Group's activities are entirely dedicated to the foodservice distribution and are listed in the following table:

Company	Activity
MARR S.p.A. Via Spagna n. 20 – Rimini	Marketing and distribution of fresh, dried and frozen food products for Foodservice operators.
AS.CA S.p.A. Via dell'Acero n. 1/A - Santarcangelo di Romagna (RN)	Marketing and distribution of fresh, dried and frozen food products for Foodservice operators.
New Catering S.r.l. Via dell'Acero n.1/A - Santarcangelo di Romagna (RN)	Marketing and distribution of foodstuff products to bars and fast food outlets.

MARR Foodservice Iberica S.A.U. Calle Lagasca n. 106 1° centro - Madrid (Spagna)	Non-operating company (in pre – liquidation).
Si'Frutta S.r.l. Via Lesina n. 25 – Cervia (RA)	Supply of fresh fruit and vegetable products to hotels, restaurants, canteens and chains operators and in industrial transformation activities.

All the controlled companies are consolidated on a line – by – line basis.
Related companies are evaluated by equity method.

CORPORATE BODIES

Chairman	Paolo Ferrari
Chief Executive Office	Francesco Ospitali
Directors	Claudia Cremonini
	Vincenzo Cremonini
	Pierpaolo Rossi
Independent Directors	Marinella Monterumisi (1)(2)
	Alessandra Nova (2)
	Ugo Ravanelli (1)(2)
	Rossella Schiavini (1)

(1) Member of Control and Risk Committee

(2) Members of the Remuneration and Nomination committee

Board of Statutory Auditors

Chairman	Massimo Gatto
Auditors	Paola Simonelli
	Simona Muratori
Alternate Auditors	Alvise Deganello
Independent Auditors	PricewaterhouseCoopers S.p.A.
Manager responsible for the drafting of corporate accounting documents	Pierpaolo Rossi

DIRECTORS' REPORT

Group performance and analysis of the results for the business year 2018

As provided by Legislative Decree 38 dated 28 February 2005, in accordance with regulation no. 1606/2002 approved by the European Parliament, MARR has adopted the International Accounting Standards for the consolidated and MARR S.p.A. financial statements.

The 2018 business year closed with total consolidated revenues amounting to 1,667.4 million Euros, compared to 1,624.6 million in 2017.

The operating profits also increased, with EBITDA of 119.3 million Euros (116.0 in 2017) and EBIT of 99.2 million (97.0 in 2017).

Sales of the MARR Group in 2018 amounted to 1,643.1 million Euros, compared to 1,599.5 million in 2017.

As regards the sector of activity represented by "Distribution of food products to the Foodservice", the sales can be analysed in terms of client categories as follows.

In particular, the sales to customers in the Street Market and National Account categories reached 1,394.1 million Euros (1,335.5 million in 2017).

Sales in the main Street Market category (restaurants and hotels not belonging to Groups or Chains) reached 1,093.2 million Euros compared to 1,048.7 million in 2017.

As regards the trend of the reference end market of customers in the Street Market segment, on the basis of the most recent survey by the Confcommercio Studies Office ("Congiuntura" Confcommercio no. 2, February 2019) the item "Hotels, meals and out of home consumption" recorded an increase in consumption (by quantity) in 2018 of +1.4%.

Sales to clients in the National Account category (operators of Chains and Groups and Canteens) amounted to 300.9 million Euros (286.8 in 2017).

Sales to customers in the Wholesale category reached 249.0 million Euros, compared to 264.0 million in 2017.

In the following table we provide the reconciliation between the revenues from sales by category and the revenues from sales and services indicated in the consolidated financial statements:

	MARR Consolidated (€thousand)	*31.12.18*	*31.12.17*
	Revenues from sales and services by customer category		
	Street market	1,093,176	1,048,710
	National Account	300,946	286,778
	Wholesale	248,983	264,055
	Total revenues form sales in Foodservice	1,643,105	1,599,543
(1)	Discount and final year bonus to the customers	(18,196)	(16,719)
(2)	Other services	2,554	2,403
(3)	Other	419	555
	Revenues from sales and services	1,627,882	1,585,782

Note
(1) Discount and final year bonus not attributable to any specific customer category
(2) Revenues for services (mainly transport) not referring to any specific customer category
(3) Other revenues for goods or services/adjustments to revenues not referring to any specific customer category

Organisation and logistics

The organisational structure and logistics of the MARR Group as at 31 December 2018, indicating the availability of properties, is as follows

Offices, Branches, Distribution Centres and Subsidiaries

Offices, Branches, Distribution Centres		
Management Offices	Santarcangelo di Romagna (RN)	Property
Marr Battistini and Marr Polo Ittico	Rimini	Leasehold by parent company Cremonini S.p.A.
Marr Adriatico	Elice (PE)	Leasehold by third party
Marr Arco	Arco (TN)	Leasehold by third party
Marr Battistini	Cesenatico (FC)	Leasehold by third party
Marr Bologna	Anzola dell'Emilia (BO) & Costermano (Vr)	Leasehold by third party
Marr Calabria	Spezzano Albanese (CS)	Property
Marr Urbe	Roma	Leasehold by third party
Marr Dolomiti	Pieve di Cadore (BL)	Leasehold by third party
Marr Elba	Portoferraio (LI)	Property and leasehold by third party
Marr Genova	Carasco (GE)	Leasehold by third party
Marr Milano	Opera (MI)	Property
Marr Napoli	Casoria (NA)	Leasehold by third party
Marr Puglia	Monopoli (BA)	Leasehold by third party
Marr Roma	Capena (Roma)	Leasehold by third party
Marr Romagna	San Vito di Rimini	Leasehold by a company where Marr S.p.A. is stakeholder
Marr Sanremo	Taggia (IM)	Leasehold by third party
Marr Sardegna	Uta (CA)	Property
Marr Scapa	Marzano (PV)	Leasehold by third party
Marr Scapa	Pomezia (RM)	Leasehold by third party
Marr Sfera	Riccione (RN)	Leasehold by third party
Marr Sicilia	Cinisi (PA)	Leasehold by third party
Marr Lago Maggiore	Baveno	Leasehold by third party
Marr Supercash&carry	Rimini	Leasehold by third party
Marr Torino	Torino	Leasehold by third party
Marr Toscana	Bottegone (PT)	Property
Marr Valdagno (1)	Valdagno (VI)	Leasehold by third party
Marr Venezia	S. Michele al Tagliamento (VE)	Property
Carnemilia (Meat-processing branch catering)	Bologna	Surface ownership
Emiliani (Fish and Seafood products branch)	Santarcangelo di R. (RN)	Property
Subsidiaries		
AS.CA S.p.A.	Castenaso (BO)	Property
New Catering S.r.l.	Zola Predosa (BO), Forlì (FC), Perugia and Rimini (RN)	Leasehold by third party

(1) MARR Valdagno stopped its activity on 31 January 2019, the building is going to return to the owner by contractual terms.

Below are the figures re-classified according to current financial analysis procedures, with the income statement, the statement of financial position and the net financial position for 2018, compared to the previous year.

Analysis of the re-classified Income Statement

MARR Consolidated (€thousand)	*31.12.18*	*%*	*31.12.17*	*%*	*% Change*
Revenues from sales and services	1,627,882	*97.6%*	1,585,782	*97.6%*	*2.7*
Other earnings and proceeds	39,547	*2.4%*	38,776	*2.4%*	*2.0*
Total revenues	**1,667,429**	***100.0%***	**1,624,558**	***100.0%***	***2.6***
Cost of raw materials, consumables and goods for resale	(1,324,931)	*-79.5%*	(1,284,279)	*-79.0%*	*3.2*
Change in inventories	11,326	*0.7%*	4,576	*0.3%*	*147.5*
Services	(185,220)	*-11.1%*	(179,974)	*-11.1%*	*2.9*
Leases and rentals	(9,778)	*-0.6%*	(9,737)	*-0.6%*	*0.4*
Other operating costs	(1,804)	*-0.1%*	(1,592)	*-0.1%*	*13.3*
Value added	**157,022**	***9.4%***	**153,552**	***9.5%***	***2.3***
Personnel costs	(37,717)	*-2.2%*	(37,512)	*-2.4%*	*0.5*
Gross Operating result	**119,305**	***7.2%***	**116,040**	***7.1%***	***2.8***
Amortization and depreciation	(7,191)	*-0.4%*	(6,554)	*-0.4%*	*9.7*
Provisions and write-downs	(12,869)	*-0.8%*	(12,436)	*-0.7%*	*3.5*
Operating result	**99,245**	***6.0%***	**97,050**	***6.0%***	***2.3***
Financial income	(4,346)	*-0.3%*	(4,811)	*-0.3%*	*(9.7)*
Foreign exchange gains and losses	1	*0.0%*	(138)	*0.0%*	*(100.7)*
Value adjustments to financial assets	0	*0.0%*	(156)	*0.0%*	*(100.0)*
Result from recurrent activities	**94,900**	***5.7%***	**91,945**	***5.7%***	***3.2***
Non-recurring income	1,075	*0.0%*	0	*0.0%*	*100.0*
Non-recurring charges	(222)	*0.0%*	0	*0.0%*	*(100.0)*
Profit before taxes	**95,753**	***5.7%***	**91,945**	***5.7%***	***4.1***
Income taxes	(27,271)	*-1.6%*	(26,443)	*-1.7%*	*3.1*
Taxes relating previous years	23	*0.0%*	2	*0.0%*	*1,050.0*
Total net profit	**68,505**	***4.1%***	**65,504**	***4.0%***	***4.6***

As at 31 December 2018 the consolidated operating economic results were as follows: total revenues of 1,667.4 million Euros (1,624.6 million Euros in 2017); Gross Operating Result (EBITDA[1]) of 119.3 million Euros (116.0 million Euros in 2017); Operating Result (EBIT) of 99.2 million Euros (97.0 million Euros in 2017).

The trend in Revenues from sales and services (+2.7% compared to 2017) is a consequence of the performance of sales in the individual client categories, as analysed previously.

The percentage incidence of the Gross margin (Total Revenues, net of Cost of goods sold plus change in inventories), on total revenue stained in line with the previous year.

The item "Other earnings and proceeds" is mainly represented by contributions from suppliers on purchases and includes logistics payments which MARR charges to suppliers (as in the previous years); on the other side, following the centralisation of deliveries from suppliers on logistical platforms, MARR undertakes the costs for the internal distribution to the distribution centres.

[1] The EBITDA (Gross Operating Margin) is an economic indicator not defined by the IFRS adopted by MARR for the financial statements from 31 December 2005. The EBITDA is a measure used by the company's management to monitor and assess its operational performance. The management believes that the EBITDA is an important parameter for measuring the Group's performance as it is not affected by the volatility due to the effects of various types of criteria for determining taxable items, the amount and characteristics of the capital used and the relevant amortization policies. Today (following the subsequent detailing of the development of the accounting procedures) the EBITDA (Earnings before interests, taxes, depreciation and amortization) is defined as the business year Profits/Losses gross of amortizations and depreciations, write downs and financial income and charges and income tax.

It should be noted that since the previous year part of the bonuses from suppliers have been included in reduction to the cost of purchasing materials following the reformulation of the contracts for the recognition of end-of-year bonuses.

As regard operating costs it is highlighted that the percentage incidence on the total revenues was in line with the 2017; despite an higher costs of transport, handling and processing of goods mainly by the effect of the different sales mix, as already highlighted in the Interim Report as at 30 September 2018.

As concern the "Personnel costs", it should be noted that, despite an increase of employees mainly due to new recruitments for the development of some business functions and also for the start of new projects, the incidence in percentage of the personnel cost on total revenues also for the fiscal year 2018 shows a decrease compared to that of the year before. This is thanks to the continuation of a process of outsourcing certain operating activities (which has enabled among other things the better management of seasonal workforce) started on 2017 and by a careful management of the time off and the overtime.

The increase in absolute value of depreciations is mainly due to the investments plan implemented in the last three years for the expansion and modernisation of some of MARR's distribution centres.

The item "provisions" and "write-downs" amounted to 12.9 million Euros (12.4 million in 2017) and is composed for 12.5 million Euros by the provisions for bad debts and by 0.4 million Euros for the provision for client severance indemnity. The incidence in percentage on total revenue is substantially in line with that of last year.

The financial management shows a reduction of the net financial charges (-0.5 million Euros compared 2017) related both to the trends in interest rates and to the re-negotiation of some medium and long-term loans starting from the latter part of 2017, in addition to a positive effect generated by the management of the balances in foreign currency, mainly related to the performance of the Euro compared to the US dollar.

The result of recurrent activities at 2018 has reached 94.9 million Euros, an increase compared to 91.9 million in 2017.

The result before taxes reached 95.8 million Euros compared to 91.9 million in 2017 and it takes an advantages from non-recurrent profits for 853 thousand Euros.

The non-recurring income, which comprises items of a fiscal nature only, includes mainly 981 thousand Euros for interest recognised to MARR with regard to the definitive settlement, during the course of 2018, of the fiscal dispute that arose in 2000 following an inspection by the Guardia di Finanza, Group IV – Sections of San Lazzaro di Savena (BO). As a result of that ordered in the sentence by the Emilia Romagna Regional Tax Commission, no. 1155/18 dated 17/11/2017, the Inland Revenue Service reimbursed to MARR the amounts paid in advance while settlement was pending, for a total amount of 6,996 thousand Euros, inclusive of the above interest, which is included in the non-recurring income. It should be noted that as at 31 December 2017, the capital portion, amounting to 6,009 thousand Euros, was classified under the tax receivables.

In addition, it must be pointed out that the non-recurring expenses include personnel costs amounting to 174 thousand Euros, mainly relating to the closure of the MARR Valdagno distribution centre, which ceased activities on 31 January 2019.

The tax rate of the period is 28.5% (28.8% in 2017).

As at 31 December 2018 the net result amounted to 68.5 million Euros, an increase of about 3.0 million Euros compared to the previous year.

Analysis of the re-classified statement of financial position

MARR Consolidated (€thousand)	31.12.18	31.12.17
Net intangible assets	152,097	151,695
Net tangible assets	68,168	70,149
Equity investments evaluated using the Net Equity method	516	735
Equity investments in other companies	304	315
Other fixed assets	25,516	26,176
Total fixed assets (A)	246,601	249,070
Net trade receivables from customers	378,489	376,690
Inventories	158,878	147,552
Suppliers	(323,227)	(328,860)
Trade net working capital (B)	214,140	195,382
Other current assets	61,468	58,972
Other current liabilities	(23,678)	(24,261)
Total current assets/liabilities (C)	37,790	34,711
Net working capital (D) = (B+C)	251,930	230,093
Other non current liabilities (E)	(1,116)	(1,045)
Staff Severance Provision (F)	(8,418)	(9,264)
Provisions for risks and charges (G)	(8,069)	(6,525)
Net invested capital (H) = (A+D+E+F+G)	480,928	462,329
Shareholders' equity attributable to the Group	(324,272)	(304,726)
Consolidated shareholders' equity (I)	(324,272)	(304,726)
(Net short-term financial debt)/Cash	61,701	38,092
(Net medium/long-term financial debt)	(218,357)	(195,695)
Net financial debt (L)	(156,656)	(157,603)
Net equity and net financial debt (M) = (I+L)	(480,928)	(462,329)

Analysis of the Net Financial Position[II]

The following represents the trend in Net Financial Position.

	MARR Consolidated (€thousand)	31.12.18	31.12.17
A.	Cash	9,345	9,133
	Cheques	0	0
	Bank accounts	168,804	147,044
	Postal accounts	261	108
B.	Cash equivalent	169,065	147,152
C.	Liquidity (A) + (B)	178,410	156,285
	Current financial receivable due to Parent Company	1,956	1,259
	Current financial receivable due to Related Companies	0	0
	Others financial receivable	923	716
D.	Current financial receivable	2,879	1,975
E.	Current Bank debt	(41,043)	(63,745)
F.	Current portion of non current debt	(77,196)	(44,868)
	Financial debt due to Parent Company	0	0
	Financial debt due to Related Companies	0	0
	Other financial debt	(1,349)	(11,555)
G.	Other current financial debt	(1,349)	(11,555)
H.	Current financial debt (E) + (F) + (G)	(119,588)	(120,168)
I.	Net current financial indebtedness (H) + (D) + (C)	61,701	38,092
J.	Non current bank loans	(180,707)	(159,583)
K.	Other non current loans	(37,650)	(36,112)
L.	Non current financial indebtedness (J) + (K)	(218,357)	(195,695)
M.	Net financial indebtedness (I) + (L)	(156,656)	(157,603)

As at 31 December 2018, the net financial indebtedness amounted to 156.7 million Euros, compared to 157.6 million Euros of the previous year with a ratio of net financial position on EBITDA amounting to 1.3, improving respect the previous year (equal to 1.4) and in line with the internal management parameters and less than the financial covenants, as stated in the Explanatory Notes.

For what concern the mainly financial movements of 2018, in addition to the ordinary operating management and to the cash out related to the investments for the distribution centres of the Parent Company, better specified in the subsequent paragraph "Investments" we point out that:

- dividends amounting to a total of 49.2 million Euros (46.6 million Euros in 2017) have been paid out in the second quarter of the year;

[II] The Net Financial Position used as a financial indicator of debts is represented by the total of the following positive and negative components of the Statement of financial position:
Positive short term components: cash and equivalents; items of net working capital collectables; financial assets.
Negative short and long term components: payables to banks; payables to other financiers, payables to leasing companies and factoring companies; payables to shareholders for loans.

- in February the company DE.AL S.r.l. Depositi Alimentari paid the instalment for the purchase of the remaining 50% of the share capital of Griglia Doc S.r.l., amounting to 0.2 million Euros;
- in May, 0.2 million Euros were paid by the Parent Company as the initial instalment of the purchase price of the holdings in Si'Frutta S.r.l., the overall impact of which on the financial position of the Group amounted to 0.5 million Euros.
- In the months of August and October, the total amount of 6,996 thousand Euros was collected as reimbursement of the sums paid out in the previous years while the final judgement was pending with reference to the legal dispute with the Guardia di Finanza for presumed breaches concerning direct taxes for the 1993-1999 fiscal years and VAT for the 1998 and 1999 fiscal years. It should be recalled that the proceeding ended on 20 April 2018 with sentence of Romagna Tax Commission (CTR) that endorsed MARR's defence, ordering the annulment of the ascertainment notifications issued, with the obligation for the Inland Revenue to reimburse the amounts.

As regards the structure of the sources of financing, it must be highlighted that in 2018 the Parent Company extinguished in advance, for an amount of 34.6 million Euros, the outstanding loans with Cassa di Risparmio di Ravenna, Unicredit Banca, UBI Banca and Banca Intesa San Paolo; at 31 December 2017 the total amount of this ones was for 42 million Euros, of which 19.2 million included in long term financial debts.

As a result of that explained above, for optimize the cost of debt, have been finalized the following transactions:

- with regard to the ongoing loans outstanding with ICCREA BancaImpresa and BNP Paribas, in January additional financing tranches were granted for a total value of 40.9 million Euros;
- on 14 February a new loan in Pool with Cassa Centrale Banca (as agent bank) and BCC Malatestiana, was granted for 10 million Euros and with amortization plan ending in December 2020;
- on 11 April a new loan with UniCredit, granted for 25 million Euros and with amortization plan expiring in April 2022 was signed;
- On 18 July 2018 a new loan with Credito Emiliano, granted for 7.5 million Euros with amortization plan ending in July 2021, was signed;
- On 19 July 2018 a new loan with Ubi Banca was granted for 10 million Euros with amortization plan ending in July 2021;
- On 4 October 2018 a new loan with Banca Intesa San Paolo was granted for 20 million Euros with amortization plan ending in October 2021;
- On 31 October 2018 a new loan with Credito Valtellinese (Creval S.p.A.) was granted for 10 million Euros with amortization plan ending in January 2023;

Lastly, it should be noted that during 2018, was paid the last instalment of the purchase price of DE.AL Depositi Alimentari S.r.l. (9 million Euros) and one instalment related to Speca Alimentari S.r.l.'s purchase price (0.2 million Euros).

The net financial position as at 31 December 2018 remains in line with the company objective.

Analysis of the Trade net working Capital

MARR Consolidated (€thousand)	*31.12.18*	*31.12.17*
Net trade receivables from customers	378,489	376,690
Inventories	158,878	147,552
Suppliers	(323,227)	(328,860)
Trade net working capital	214,140	195,382

As at 31 December 2018 the trade net working capital amounted to 214.1 million Euros, increasing of 18.7 million Euros if compared to 195.4 million Euros as at 31 December 2017.

That is mainly the effect of the following:

- an increase of 1.8 million Euros in trade receivables, while the total consolidated revenues increased of about 42.9 million; those was possible thanks to a continuous attention of the entire Organization to the credit management;

- inventories showed an increase for some 11.3 million Euros compared with the same period of the previous year, mainly related to a specific supply policies mainly related to frozen seafood products;
- decrease for 5.6 million Euros in payables to suppliers.

At the end of the business year the trade net working capital remains in line with the company objectives.

Re-classified cash-flow statement

MARR Consolidated (€thousand)	31.12.18	31.12.17
Net profit before minority interests	68,505	65,504
Amortization and depreciation	7,191	6,554
Change in Staff Severance Provision	(846)	(1,357)
Operating cash-flow	74,850	70,701
(Increase) decrease in receivables from customers	(1,799)	(1,040)
(Increase) decrease in inventories	(11,326)	(5,216)
Increase (decrease) in payables to suppliers	(5,633)	16,766
(Increase) decrease in other items of the working capital	(3,079)	(5,910)
Change in working capital	(21,837)	4,600
Net (investments) in intangible assets	(789)	(7,545)
Net (investments) in tangible assets	(4,828)	(4,746)
Net change in financial assets and other fixed assets	890	2,668
Net change in other non current liabilities	1,615	528
Investments in other fixed assets and other change in non current items	(3,112)	(9,095)
Free - cash flow before dividends	49,901	66,206
Distribution of dividends	(49,229)	(46,568)
Other changes, including those of minority interests	275	232
Cash-flow from (for) change in shareholders' equity	(48,954)	(46,336)
FREE - CASH FLOW	947	19,870
Opening net financial debt	(157,603)	(177,473)
Cash-flow for the period	947	19,870
Closing net financial debt	(156,656)	(157,603)

The Cash Flow for the period is the result of the changes in Net Financial Position, Net Working Capital and Investments, as commented in the relevant paragraphs.

In the following table we provide reconciliation between the "free-cash flow" above showed and the "increase/decrease in cash flow" reported in the cash flow statement (indirect method):

MARR Consolidated (€thousand)	31.12.18	31.12.17
Free - cash flow	947	19,870
Increase in current financial receivables	(904)	1,874
Decrease in non-current net financial debt	22,662	1,696
Increase in current financial debt	(580)	18,685
Increase (decrease) in cash-flow	22,125	42,125

Investments

As concern the investments, it should be highlighted that the increase in intangible assets was related - in addition to the acquisition of new software, some of which is still being implemented - also to the inclusion in the Group of the value of the Griglia Doc patent following its merger by incorporation into DE.AL S.r.l. Depositi Alimentari subsequently to the purchase by the latter of the totality of the holdings.

Regarding the investments in Land and buildings, Plant and machinery and Industrial and business equipment it should be recalled the continuation of the expansion and modernisation works in some distribution centres of the Parent Company mainly referred to MARR Adriatico and distributions centres and industrial plants located in Romagna Area.

As regard the "fixed asset under development and advances" it should be noted that the construction work for the new headquarters' building located in Santarcangelo di Romagna was started for a total amount of 2.1 million Euros at 31 December 2018.

In relations to the investment in "Other assets", the increase is mainly related to the purchase of electronic machine (for 512 thousand Euro) and also for cars and industrial vehicles (for some 133 thousand Euros).

The following is a summary of the net investments made in 2018:

(€thousand)	*31.12.18*
Intangible assets	
Patents and intellectual property rights	514
Fixed assets under development and advances	275
Goodwill	0
Total intangible assets	789
Tangible assets	
Land and buildings	395
Plant and machinery	1,133
Industrial and business equipment	334
Other assets	757
Fixed assets under development and advances	2,209
Total tangible assets	4,828
Total	5,617

Research and development activities

The main research and development activities concerned the expansion of the private labels product line.

Transactions with subsidiary, associated, holding and affiliated companies

In addition to that already reported in the "Group Structure" section, the following is a summary of the principal data concerning subsidiary and associated companies:

(€ thousand)	*Annual report*	*Value of production*	*Cost of production*	*Profit (loss) for the year*	*Net Investments*	*Employees (number)*	*Net Equity*
Foodservice Companies							
AS.CA S.p.A.	31/12/2018	51,107	48,826	1,552	(31)	32	6,686
New Catering S.r.l.	31/12/2018	33,915	30,927	2,116	191	29	7,033
Marr Foodservice Ibérica S.A.U.	31/12/2018	0	9	(5)	0	0	396
Associated Companies							
Si Frutta S.r.l.	31/12/2018	5,780	5,413	241	45	34	1,515

It is pointed out that the value of MARR's consolidated purchase and sales of goods by transactions with Cremonini S.p.A. and affiliated companies (as in the following table) represented approximately 6.8% of the total consolidated purchases and the 3.9% of the total revenue of goods and service of the Group.

The economic and financial data for the 2018 business year is showed in the following table, classified by nature and by company:

COMPANY	FINANCIAL RELATIONS						ECONOMIC RELATIONS								
	RECEIVEBLES			PAYABLES			REVENUES				COSTS				
	Trade	Other	Financial	Trade	Other	Financial	Sale of goods	Performance of services	Other revenues	Financial Income	Purchase of goods	Services	Leases and rental	Other operating charges	Financial charges
From Parent Companies:															
Cremonini S.p.A. (*)	2,740	109	1,957	3			6			1		1,241			
Total	2,740	109	1,957	3	0	0	6	0	0	1	0	1,241	0	0	0
From unconsolidated subsidiaries:															
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
From Associeted Companies:															
Si' Frutta S.r.l.	43			24				13			55				
Total	43	0	0	24	0	0	0	13	0	0	55	0	0	0	0
From Affiliated Companies (**)															
Cremonini Group															
Avirail Italia S.p.a.															
Chef Express S.p.A.	2,586	9		4	40		10,185					38			
Fiorani & C. S.p.a.	1	205		744			26		236		8,994				
Ges.Car. S.r.l.															
Global Service S.r.l.				336								1,075			
Guardamiglio S.r.l.				2											
Inalca Algerie S.a.r.l.															
Inalca Brazzaville S.a.r.l.															
Inalca Food and Beverage S.r.l.	942			18	52		9,864	309			156	2		1	
Inalca Kinshasa S.p.r.l.															
Inalca S.p.a.	23	162		7,278			359		314		76,919	20			
Inter Inalca Angola Ltda	7														
Interjet S.r.l.															
Italia Alimentari S.p.a.	6	57		419			6		114		4,446				
Marr Russia Ll.c.															
Realbeef S.r.l.															
Roadhouse S.p.A.	8,844				51		38,945	27				1			
Roadhouse Grill Roma S.r.l.	902						3,766								
Tecno-Star Due S.r.l.				1								1			
From Affiliated Companies															
Farmservice S.r.l.	7				1		47								
Le Cupole S.r.l.													668		
Time Vending S.r.l.		24							24						
Total	13,318	457	0	8,802	144	0	63,198	336	688	0	90,515	1,137	668	1	0

(*) The items in the Other Receivables columns relate to the IRES balance for the year and to the residual receivables for requests of reimbursement regarding to the personel cost not deducted to Irap in the years 2007-2011, transferred to the Parent Company within the scope of of the National Consolidated tax base. Trade receivables and payables include the net amount of VAT transferred to Cremonini within the scope of the Group VAT liquidation.

(**) The total amount of trade receivables and payables are reclassified under "Receivables from customer" and "Suppliers" respectively.

Other Information

The Company neither holds nor has ever held shares or quotas of parent companies, even through third party persons and/or companies; consequently during the year 2018 the company never purchased or sold the above-mentioned shares and/or quotas.
As at 31 December 2018 the Company no longer owns own shares.
During the year, the Group did not carry out atypical or unusual operations.
As regards to the report on the reconciliation between the result for the period and the net Equity of the group, and the same values for the parent company, refer to Appendix 3 of the consolidated financial statements.

Report on corporate governance and the ownership structure

As regards the information required by art. 123 bis of the Legislative Decree 58/198 (Testo Unico della Finanza), see that contained in the "Report on Corporate Governance and the Ownership Structure", drawn up in compliance with the regulations in force and filed together with this report on the website www.marr.it, Corporate Governance section and also available at the Company headquarters.

It must also be pointed out that MARR S.p.A. adheres to and abides by the Code of Self-Governance for companies on the stock exchange approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Significant events during 2018

On 20 February 2018, the Board of Directors appointed Mr Loris Piscaglia as Manager of the Internal Auditing Department, who become responsible for the auditing activities, both on a continuous basis and in relation to specific needs and in respect of the international standards, concerning operations and the suitability of the internal audit and risk management system.

On 27 February 2018, with agreement certified by the Notary Grazia Buta form Pescara, DE.AL – S.r.l. Depositi Alimentari purchased the 50% of the associated Company Griglia Doc's share capital for an amount of 190 thousand Euros.
Following this operation the company DE.AL. – S.r.l. Depositi Alimentari become the sole shareholder of Griglia Doc S.r.l..
Subsequently, on 23 April 2018 (following up that deliberated during the meeting of the Board of Directors on 20 February 2018), the extraordinary shareholders' meetings of the companies Griglia Doc S.r.l. and DE.AL S.r.l. – Depositi Alimentari were held, which resolved on the merger by incorporation of Griglia Doc into DE.AL..
On 8 June 2018, by deed with the signatures authenticated by the Notary Stefania Di Mauro, DE.AL. – S.r.l. Depositi Alimentari thus incorporated the subsidiary company Griglia Doc S.r.l.; the legal effects of the merger came into force on 25 June 2018, while the accounting and tax effects did so on 1 January 2018.

On 28 April 2018 the Shareholders' meeting approved the financial statement as at 31 December 2017 and the distribution to the Shareholders of a gross dividend per share of 0.74 Euros (0.70 Euros the previous year) with "ex-coupon" (no. 14) on 28 May 2018 (record date on 29 May 2018) in accordance with the Italian Stock Exchange.

In May MARR has obtained MSC (Marine Stewardship Council) certification according to MSC Standards for its Fishing Chain. The products boasting this certification originate from fishing zones managed by advanced management programmes. The MSC brand is the most common and renowned system guaranteeing sustainable fishing at an international level.
This new certification complements the sustainable fishing policy adopted by MARR, which includes its own management discipline for the process of controlling the "Sustainable fishing chain" certified (www.marr.it/en/sustainable-fishing)

MARR has also adopted an animal welfare policy (www.marr.it/en/sostenibilita/benessere-animale) through which the commitments in the fishing sector are extended to fish farming. Another salient point of the policy concerns eggs and egg-based products. For MARR, the Animal Welfare criteria are an integral part of its supply requirements, in order to ensure the respect in the production lines of the laws in force in Italy and in the EU concerning animal welfare and the five freedoms envisaged by the "Farm Animal Welfare Council of 1979".

On 31 May 2018, the Parent Company finalized, for an overall cost of 0.5 million Euros (to which the eventual adjustment to be defined on the closing date could be added), the purchase (covered by specific contractual protection clauses in favour of the MARR holding) of 40% of the holdings in the company Si'Frutta S.r.l., a company based in Cervia (RA) and operating in the supply of fresh fruit and vegetables to customers in the segment of hotels, restaurants, canteens and industrial processing activities.

On 3 August the Board of Directors, pursuant to art. 2505 second paragraph of the Italian Civil Code and to the By Laws, approved the planned merger by incorporation into MARR S,p.A. of the fully owned companies DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l.. On the same date the Shareholder's meetings of DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. also approved the said merger.

The operation, aimed at achieving the rationalisation of the economic, financial and administrative management, given that the activities of DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. were limited to leasing going concerns to the Parent Company MARR S.p.A., was finalised on 15 October 2018 by deed of the Notary Stefania di Mauro.
The operation was effective in legal terms from 1 December 2018 and in accounting and fiscal terms retroactively from 1 January 2018.

Subsequent Events after the closing of the year

On 1st March last the Alternate Statutory Auditor Simona Muratori, pursuant to art. 23 paragraph 9 of the By Laws of MARR S.p.A, replaced the Statutory Auditor Ezio Maria Simonelli, who notified his resignation for limits to the cumulation of offices, according to the limits provided by Article 144 terdecies of the Issuers' Regulation.

Outlook

Within the framework of a generally uncertain economic environment, the market of out-of-home food consumption ("foodservice") in Italy is expected to confirm its structural characteristics of resilience. On the other hand, the MARR Group continues to pursue the strengthening of its market leadership through the specialisation of its commercial offer.

This market approach is being pursued together with the objective of maintaining the levels of profitability achieved and keeping the absorption of the working capital under control.

Main risks and uncertainties

In carrying out its activities, the Company is affected by risks of a financial nature, as described in more details in the Explanatory notes to the financial statement, these risks being intended as: market risks (as a combination of the risk concerning foreign currencies for purchases abroad, the exchange rate risk and price risk), credit risks and liquidity risks.
It should also be considered that although the company operates in the food distribution sector, which is characterised by its mainly stable nature, it is affected by the general state of the economy and is therefore exposed to the uncertainty of the current macro-economic scenario, albeit to a lesser extent than other sectors.

The difficulties in accessing credit by clients – also continued in 2018 – have led the management team to keep a strong focus on credit management. The policies of cost containment aimed at maintaining the trade margin were also confirmed.
As regards the development of the financial situation of the Group, this depends upon numerous conditions, including the performance of the banking and monetary segments, which are also affected by the current economic situation, in addition to the achievement of the pre-established objectives in terms of management of the trade net working capital.
As regards the specific risks and uncertainties involved in the activities of MARR and the Group, please refer to what described in detail in the paragraph entitled "provision for non-current risks and charges" in the Explanatory notes to the financial statements.

Human Resources

At the end of December 2018, there were 828 employees of the MARR Group (8 Executives, 34 Managers, 553 Employees and 233 Workers), an increase compared to the end of 2017 (816 employees), as a result of the hiring of new resources to enhance some of the corporate departments, such as, principally, Quality Assurance and Control, Research and Development and Marketing, and also the start of a new method of customer assistance and sales, known as "Customer Service", in the MARR Milan and MARR Urbe branches and the Branches in Romagna.
The newly hired employees have therefore determined on the workforce an increase that is numerically more significant than the decrease that had been caused by the progress being made on the outsourcing of the operating activities in the Units.
The average number of employees during the course of 2018 (846) was substantially in line with the average for 2017 (847) and higher than the figure in December 2018, as a result of both that described above and the dynamics consequent to the hiring (aimed at dealing with peaks in activity) of workers with contracts for a seasonal period only. Employment for this period had in any event a lesser impact compared to the previous year because of the increasingly careful management of resources, in addition to the progress being made in the outsourcing of the operating activities in the Units.
In addition to dependent personnel, the Group also employs about 850 sales agents and a network of transporters with about 750 vehicles..

As regarding the information related to "training and safety in workplace", we refer to the "health and safety at work" and "human resources" paragraphs in the Consolidated non-financial statement at 31 December 2018 attached at this report.

Cost of employment
Also as a result of the confirmed policy of careful management of resources, also in terms of the use being made of seasonal employment, leave being taken and recourse to overtime work, in 2018, despite the enhancements made, the cost of employment for the MARR Group showed a reduction of 0.41% compared to 2017.

Environmental information

As regards damage caused to the environment there are no pending legal procedures ongoing for the Group.
In this regard, it should be pointed out that the quality of waste water discharged through the sewers or on the surface is monitored through periodical analyses conducted under self-control to verify the respect of the limits provided by the Law and that our operating units are in possession of discharge authorisations or unique environmental authorization ("AUA") as provided by the law on the subject.
The waste produced by our activities - constituted by leftover packaging such as paper, plastic and glass, and sub-products of animal origin deriving from the processing carried out in some local units - is disposed off in compliance with the dispositions of the Law concerning environmental and sanitary matters, almost totally through public utilities and partly through private disposal firms.
More details are exposed in the "Environment" paragraph of the Consolidated non-financial statement at 31 December 2018, attached at this Report.

Fulfilments ex art. 37 of Regulation 16191/2007 (Market Regulation)

The Board of Directors certifies that the conditions inhibiting flotation on the stock market pursuant to art. 37 of Market Regulation 16191/2007 concerning companies subject to the management and coordination of others are not applicable.

Fulfilments ex Legislative Decree 254/2016: Non-financial statement

As regards the information required by Legislative Decree 254/2016, see the Consolidated Non-Financial Statement as at 31 December 2018, which is annexed to this Report and is an integral part thereof.

MARR S.p.A. – Parent Company

Below are the results of the Parent Company MARR S.p.A. drawn up according to the International Accounting Standards IAS.

Re-classified income Statement of the Parent Company MARR S.P.A.

MARR S.p.A. (€thousand)	31.12.18	%	31.12.17	%	% Change
Revenues from sales and services	1,548,853	97.6%	1,506,154	97.6%	2.8
Other earnings and proceeds	37,921	2.4%	36,906	2.4%	2.8
Total revenues	1,586,774	100.0%	1,543,060	100.0%	2.8
Raw and secondary materials, consumables and goods for resale	(1,264,134)	-79.7%	(1,224,575)	-79.4%	3.2
Change in inventories	9,933	0.6%	5,141	0.3%	93.2
Services	(173,598)	-10.9%	(168,287)	-10.9%	3.2
Leases and rentals	(9,388)	-0.6%	(13,333)	-0.8%	(29.6)
Other operating costs	(1,716)	-0.1%	(1,422)	-0.1%	20.7
Value added	147,871	9.3%	140,584	9.1%	5.2
Personnel costs	(35,110)	-2.2%	(34,872)	-2.2%	0.7
Gross Operating result	112,761	7.1%	105,712	6.9%	6.7
Amortization and depreciation	(6,805)	-0.4%	(6,010)	-0.4%	13.2
Provisions and write-downs	(12,115)	-0.8%	(11,542)	-0.8%	5.0
Operating result	93,841	5.9%	88,160	5.7%	6.4
Financial income	(4,279)	-0.3%	(767)	0.0%	457.9
Foreign exchange gains and losses	(8)	0.0%	(149)	0.0%	(94.6)
Value adjustments to financial assets	(5)	0.0%	(6)	0.0%	(16.7)
Result from recurrent activities	89,549	5.6%	87,238	5.7%	2.6
Non-recurring income	1,075	0.1%	0	0.0%	100.0
Non-recurring charges	(222)	0.0%	0	0.0%	(100.0)
Profit before taxes	90,402	5.7%	87,238	5.7%	3.6
Income taxes	(25,778)	-1.6%	(24,011)	-1.6%	7.4
Taxes relating previous years	25	0.0%	0	0.0%	100.0
Total net profit	64,649	4.1%	63,227	4.1%	2.2

Re-classified Balance Sheet of the Parent Company MARR S.P.A.

MARR S.p.A. (€thousand)	*31.12.18*	*31.12.17*
Net intangible assets	139,168	95,988
Net tangible assets	63,222	64,744
Equity investments in other companies	22,342	66,275
Other fixed assets	25,339	25,885
Total fixed assets (A)	250,071	252,892
Net trade receivables from customers	365,964	360,922
Inventories	149,831	139,898
Suppliers	(309,757)	(314,008)
Trade net working capital (B)	206,038	186,812
Other current assets	59,320	55,374
Other current liabilities	(21,888)	(22,247)
Total current assets/liabilities (C)	37,432	33,127
Net working capital (D) = (B+C)	243,470	219,939
Other non current liabilities (E)	(1,116)	(1,045)
Staff Severance Provision (F)	(7,157)	(8,038)
Provisions for risks and charges (G)	(6,494)	(5,887)
Net invested capital (H) = (A+D+E+F+G)	478,774	457,861
Shareholders' equity	(318,097)	(297,494)
Shareholders' equity (I)	(318,097)	(297,494)
(Net short-term financial debt)/Cash	57,680	35,327
(Net medium/long-term financial debt)	(218,357)	(195,694)
Net financial debt (L)	(160,677)	(160,367)
Net equity and net financial debt (M) = (I+L)	(478,774)	(457,861)

Net financial position of the Parent Company MARR S.p.A.

	(€thousand)	*31.12.18*	*31.12.17*
A.	Cash	9,217	8,996
	Bank accounts	160,248	137,683
	Postal accounts	261	108
B.	Cash equivalent	160,509	137,791
C.	Liquidity (A) + (B)	169,726	146,787
	Current financial receivable due to Subsidiaries	5,252	4,418
	Current financial receivable due to Parent Company	1,956	1,259
	Others financial receivable	918	709
D.	Current financial receivable	8,126	6,386
E.	Current Bank debt	(39,220)	(59,018)
F.	Current portion of non current debt	(77,196)	(44,793)
	Financial debt due to Parent Company	0	0
	Financial debt due to Subsidiaries	(2,406)	(2,486)
	Financial debt due to Related Companies	0	0
	Other financial debt	(1,350)	(11,548)
G	Other current financial debt	(3,756)	(14,034)
H.	Current financial debt (E) + (F) + (G)	(120,172)	(117,845)
I.	Net current financial indebtedness (H) + (D) + (C)	57,680	35,328
J.	Non current bank loans	(180,707)	(159,583)
K.	Other non current loans	(37,650)	(36,112)
L.	Non current financial indebtedness (J) + (K)	(218,357)	(195,695)
M.	Net financial indebtedness (I) + (L)	(160,677)	(160,367)

Re-classified Cash Flows Statement of the Parent Company MARR S.p.A.

MARR S.p.A. (€thousand)	*31.12.18*	*31.12.17*
Net profit before minority interests	64,649	63,227
Amortization and depreciation	6,805	6,010
Change in Staff Severance Provision	(881)	(1,395)
Operating cash-flow	70,573	67,842
(Increase) decrease in receivables from customers	(5,042)	(4,079)
(Increase) decrease in inventories	(9,933)	(5,141)
Increase (decrease) in payables to suppliers	(4,251)	18,312
(Increase) decrease in other items of the working capital	(4,305)	(1,878)
Change in working capital	(23,531)	7,214
Net (investments) in intangible assets	(43,563)	(894)
Net (investments) in tangible assets	(4,906)	(4,652)
Net change in financial assets and other fixed assets	44,479	(5,914)
Net change in other non current liabilities	678	334
Investments in other fixed assets and other change in non current items	(3,312)	(11,126)
Free - cash flow before dividends	43,730	63,930
Distribution of dividends	(49,229)	(46,568)
Capital increase	4,953	0
Other changes, including those of minority interests	236	218
Cash-flow from (for) change in shareholders' equity	(44,040)	(46,350)
FREE - CASH FLOW	(310)	17,580
Opening net financial debt	(160,367)	(177,947)
Cash-flow for the period	(310)	17,580
Closing net financial debt	(160,677)	(160,367)

Nature of proxies conferred on Directors

With reference to the Self-Regulatory Code and Consob Recommendation dated 20 February 1997, the proxies conferred on individual Directors are detailed below:

- the Chairman has powers of legal representation as per art. 20 of the by Laws,
- the Executive Officer, in addition to the powers of legal representation as per art. 20 of the By Laws, have been conferred the necessary powers for the completion of the deeds concerning business activities, to be exercised in the framework of the proxies attributed by deliberation of the Board of Directors on 28 April 2017.

In the current structure of the Corporate Bodies there is no Executive Committee.

During the course of the business year, the Director who filled the role of Executive Officer used the powers attributed to him solely for the everyday management of business activities, while the significant transactions in terms of type, quality and value were submitted for examination by the Board of Directors.

Transactions with subsidiary, associated, parent and affiliated companies

As regards the relations with subsidiary, associated, parent and affiliated companies, for which refer to the analyses contained in the note to the financial statements, as required by Civil Code art. 2497-bis, the following is a list of the types of ongoing relations:

Companies	Nature of Transactions
Subsidiaries	Trade and General Services
Parent Companies - Cremonini SpA	Trade and General Services
Associated Companies	General Services
Associated companies - Cremonini Group's companies	Trade and General Services

It must be pointed out that the value of the purchase and sales of goods of MARR S.p.A. by transactions with Cremonini S.p.A. and affiliated companies (as in the following table) represented 7.0% of the total purchases and 4.4% of the total sales made by MARR itself. All the commercial transactions and supply of services, etc. occurred at market value.

The following table reports economical and financial data of the 2018 business year, classified by nature and by company:

COMPANY	FINANCIAL RELATION						ECONOMIC RELATIONS								
	RECEIVABLES			PAYABLES			REVENUES				COSTS				
	Trade	Other*	Financial	Trade	Other*	Financial	Sale of goods	Performance of services	Other revenues	Financial Income	Purchase of goods	Services	Leases and rental	Other operating charges	Financial charges
From Parent Companies:															
Cremonini Spa (*)	2,661	38	1,956				6			1		1,235			
Total	2,661	38	1,956	0	0	0	6	0	0	1	0	1,235	0	0	0
From unconsolidated subsidiaries:															
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
From Associeted Companies:															
Si' Frutta S.r.l.	43			24				13			55				
Total	43	0	0	24	0	0	0	13	0	0	55	0	0	0	0
From Affiliated Companies(**)															
Cremonini Group															
Avirail Italia S.p.a.															
Chef Express S.p.A.	2,586	9		4	40		10,185					38			
Fiorani & C. S.p.a.		206		724			26		235		8,914				
Ges.Car. S.r.l.															
Global Service S.r.l.				336								1,075			
Guardamiglio S.r.l.															
Inalca Algerie S.a.r.l.															
Inalca Brazzaville S.a.r.l.															
Inalca Food and Beverage S.r.l.	942			18	52		9,864	309			156	2		1	
Inalca Kinshasa S.p.r.l.															
Inalca S.p.a.	23	161		7,051			359		314		75,153	20			
Inter Inalca Angola Ltda	7														
Interjet S.r.l.															
Italia Alimentari S.p.a.		57		385			5		111		4,213				
Marr Russia Ll.c.															
Realbeef S.r.l.															
Roadhouse S.p.A.	8,844				51		38,945	27				1			
Roadhouse Grill Roma S.r.l.	902						3,766								
Tecno-Star Due S.r.l.				1								1			
From not Affiliated Companies															
Farmservice S.r.l.	7				1		47								
Le Cupole S.r.l.													668		
Time Vending S.r.l.		24							24						
Total	13,311	457	0	8,519	144	0	63,197	336	684	0	88,437	1,137	668	1	0

(*) The items in the Other Receivables columns relate to the IRES balance for the year and to the residual receivables for requests of reimbursement regarding to the personel cost not deducted to Irap in the years 2007-2011, transferred to the Parent Company w ithin the scope of of the National Consolidated tax base. Trade receivables and payables include the net amount of VAT transferred to Cremonini w ithin the scope of the Group VAT liquidation.

(**) The total amount of trade receivables and payables are reclassified under "Receivables from customer" and "Suppliers" respectively.

From Affiliated Companies															
Asca S.p.a.	1,231		5,252	16			2,548	314	5	92	453	3			
Marr Foodservice Iberica S.a.U.				114		281									5
New Catering S.r.l.	318			14		2,125	851	237	7	1	17	6			17
Total	1,549	0	5,252	144	0	2,406	3,399	551	12	93	470	9	0	0	22

Proposal for the distribution of the 2018 profits and distribution of dividends

Dear Shareholders,

before concluding and deciding on this matter, we would like to confirm that the draft financial statements closed on 31 December 2018 submitted for your examination and approval in this meeting, have been drafted in respect of the legislation in force.

In submitting the 2018 financial statements for approval, we propose to:

a) distribute the profits amounting to 64,648,684 Euros as follows:

- to dividend of 0.78 Euros for each ordinary share with rights,

- allocation of the remaining amount to the extraordinary reserve.

b) to pay the dividend on 29 May 2019 with ex coupon (No. 15) on 27 May 2019 (record date on 28 May 2019), in accordance with the Italian Stock Exchange regulations.

The Board of Directors would like to express its sincere thanks to all employees and collaborators who contributed in 2018 to the achievement of the Company's objectives through their commitment.

Rimini, 12 March 2019

The Chairman of the Board of Directors
Paolo Ferrari

MARR
Consolidated Non-Financial Statement
as at 31 December 2018
in accordance with Legislative Decree 254/2016

Contents

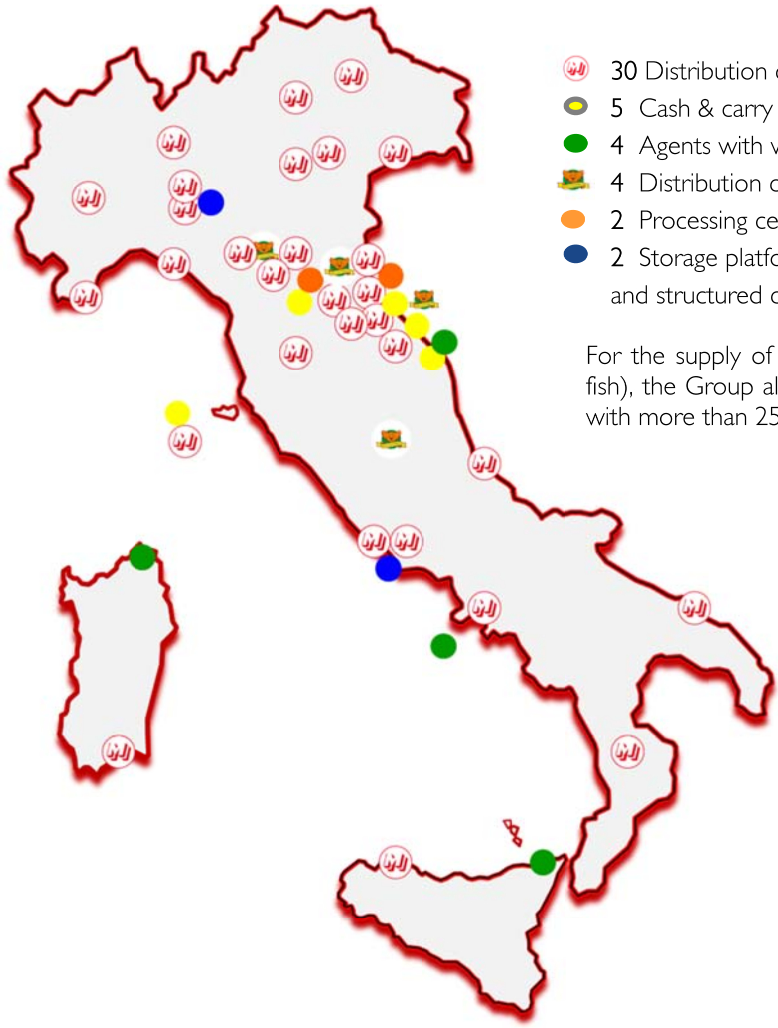
The Company Identity

MARR operates in a reference market of which features opportunities induced both by the development of restaurant and catering services (foodservice) and by the growing request for a complete and organized distribution service.

Within the foodservice in Italy, MARR is an intermediary between foodstuffs producers and processors and the commercial catering and canteens operators.

Founded in 1972 and listed in the STAR segment of the Italian Stock Exchange since June 2005, with an organization comprising a sales staff of over 850 people, considering both sales technicians personnel and sales managers, MARR serves over 45,000 customers composed of "Street Market" operators (restaurants and hotels not belonging to groups or chains), "National Account" operators (structured commercial catering operators - groups and chains - and canteens) and "Wholesale" operators. The range of product offered includes over 15,000 food products, including fish, meat, varied foodstuffs and fruit and vegetables, at the different conservation temperatures, and 8,000 instrumental articles (including equipment, kitchenware and table linen).

With over 45 years of experience, MARR is a point of reference for foodservice operators who can consider it a sole supplier at national level of a wide range of products: the Group procures its products from selected suppliers (over 2,200) throughout the world, and it operates throughout the country by means of a logistics-distribution network comprising over 30 distribution centers, 5 cash & carry stores and 4 agents with storage facilities, and it takes avail of over 750 delivery vehicles of third-party carriers.

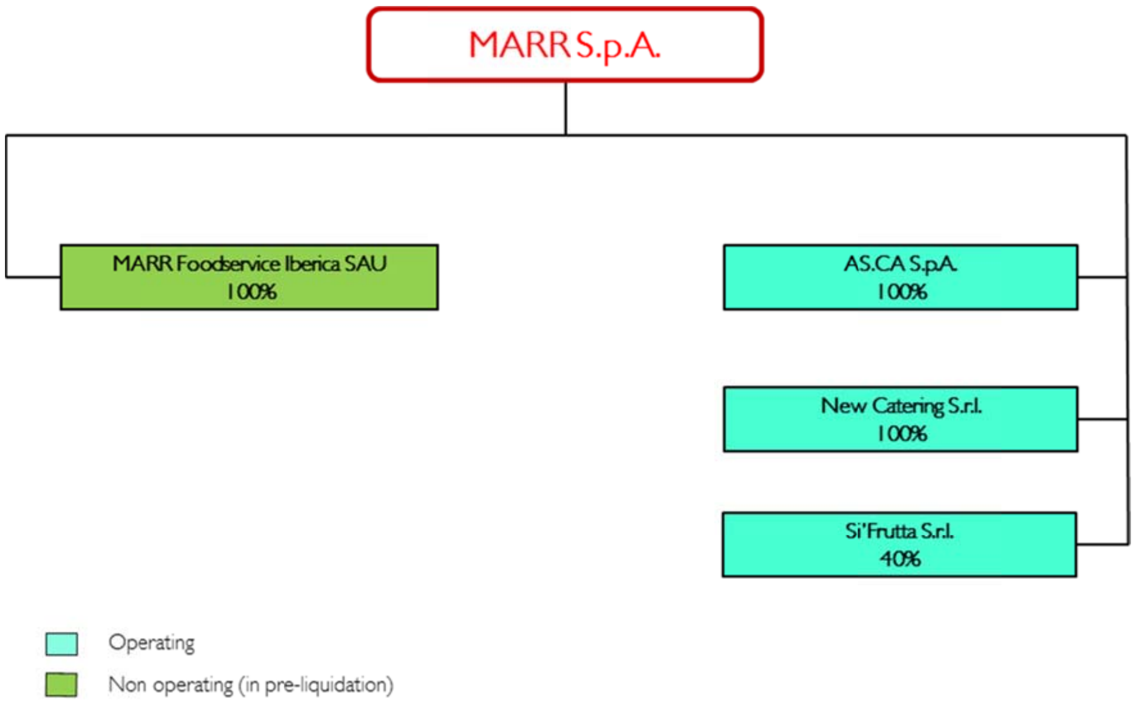


- 30 Distribution centres for commercial catering customers
- 5 Cash & carry stores
- 4 Agents with warehousing
- 4 Distribution centres specifically for QSB&R
- 2 Processing centres (meat – Bologna, and fish - Rimini)
- 2 Storage platforms and distribution centres specifically for collective and structured commercial catering

For the supply of fresh products (fruit and vegetables *in primis* and fish), the Group also takes avail of distribution agreements stipulated with more than 25 such counterparties in Italy.

The main features that represent the bases for MARR's competitive advantage are: a wide assortment, the competence of the sales structure, the efficiency of the logistics system and it marketing innovation capacity.

The structure of the MARR Group (hereinafter "the Group") can be defined as follows:



To this regard, we point out that:

- AS.CA S.p.A. sells and distributes fresh, non-perishable and frozen foodstuffs to the foodservice mainly in the Bologna area;
- New Catering S.p.A. sells and distributes products to bars and fast food restaurants.

The comparison with the report for last year highlights that the subsidiaries DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari (which since 1 October 2016 and 1 January 2017 respectively had leased their own going concerns to the Parent Company, which managed them through the MARR Adriatico and MARR Lago Maggiore distribution centres) were merged into MARR, with legal and accounting effects as of 1 December 2018 (fiscal effects retroactive to 1 January 2018).

In addition, it's point out that, at 31 May 2018 the Parent Company bought the 40% of the share capital of Si'Frutta S.r.l., a company operating in the supply of fresh fruit and vegetable products to hotels, restaurants, canteens and chains operators and in industrial transformation activities.

The Group's stakeholders are represented by the following subjects:

- Customers: with over 30 structures including both operational units and storage facilities, spread over the entire country, the Group assures its customers immediate and precise service to answer the various, changing needs that are typical of the segment of customers served, with customized, fast service and constant attention paid to respecting the qualitative standards requested by consumers. In addition, thanks to its experience gained over the many years of collaboration with both small and large customers, the Company has in-depth knowledge of the needs of the diverse types of customers. In particular, thanks to its specialists whose main duty is to assist the customers that are national chains and other important public and private customers, the Company can identify ad-hoc marketing solutions to satisfy special needs, in order to offer an extremely efficient all-round service.

- Employees and collaborators: the Group has over 800 employees and a sales staff of over 800; special training courses are organized every year in new sales techniques, health and safety at work and food safety, as well as specific training meetings for branch managers, sales managers, sales technicians, operating managers, sector specialists and local credit managers. The Company's employees are also aware of its main values thanks to the fact that the Code of Ethics is distributed to each one. MARR has also created the *MARR Academy*, a Company "workshop" conceived to foster the development of knowledge - knowledge of what to do and of how to get it done - addressed to everyone that collaborates with the Company, to invest in talent and skills and to increase the value of the organization. Lastly, a *house organ* is periodically circulated to all collaborators to inform them of the Company's trend, its results, national and local initiatives and the life of the Company in general.
- Suppliers of products and services: the Company promotes the creation of stable, long-term relationships with its suppliers in order to always ensure that the entire supply chain respects the Company's principles. The suppliers are selected, assessed and qualified according to methods and criteria defined by specific Company procedures and they are directly involved in quality control and the sustainability of their products. This involvement is also achieved by the use of tools such as the online catalogue and by encouraging them to obtain specific certifications, as described in more detail in the successive paragraphs.
- Control institutions and bodies: the Group is subject to many controls on the part of the official control institutions and bodies. Said controls involve the official analysis of samples of the products distributed and inspections carried out by the veterinary authorities and the food hygiene and nutrition control services of the competent local National Health departments. Controls and inspections are also carried out by other bodies, such as the Anti-Adulteration and Health Protection Police Corps, the Forestry Police Corps and the Coast Guards, as well as bodies appointed to control the measures adopted for the protection of workers and their health. MARR strictly respects the legislation applicable to its sector and collaborates with the authorities appointed to perform the controls when inspections are carried out. As a listed company, MARR is also subject to the control of the supervisory body (the Italian Securities and Exchange Commission - CONSOB) and it must respect the reporting obligations imposed by the segment of reference.
- Category associations: the Company fosters open dialogue with the category associations, paying attention to the requests put forward. Said associations are also a tool used by MARR for keeping updated and for complying with the law, considering the activity that they perform by advising their member companies in real time of new provisions that discipline the activities of the sector.
- Shareholders and the financial community: MARR, listed in the STAR segment (*"Segmento Titoli ad Alti Requisiti"*) of the Italian stock exchange since June 2005, has a capitalization of about Euro 1,528 million (annual average of 2018) and about 4 thousand shareholders (who cashed in the 14th dividend coupon on 28 May 2018). Over 40% of its capital is held by institutional investment funds, 90% of which are based abroad. The Company entrusts to its Investor Relations department the management of prompt and transparent reporting to the financial community, in line with the provisions of the legislation in force.
- Local community: the local community plays an important role inasmuch as linked to the activities of other stakeholders, such as the customers, the suppliers, the employees and the collaborators. Proximity to the community is not only indispensable but also strategic for the Company and is expressed, on one hand, by the dialogue with the local bodies and, on the other, by participation in social and cultural events held on the territory.

MARR's non-financial reporting focuses on the importance or material nature of the various aspects relative to its activities. For this purpose, the Company has implemented a materiality analysis, carried out according to the sustainability reporting guidelines issued by the GRI (Global Reporting Initiative), aimed at identifying the topics that could have a considerable influence on the Company's capacity to create value in the short, medium and long term, and which have more relevance for the Company and for its stakeholders. Reference is made to such subjects in this document since, in view of their relevance, they can influence the stakeholders' decisions and reflect the economic, environmental and social impact of the Company.

The materiality analysis process is structured as follows:

Identification of relevant topics

- Research and analysis of internal sources (policies, procedures, etc.) and of external sources (analysis of the publications of standard-setters and the benchmarks of the main competitors);
- The development of a long list of potentially relevant topics;
- Review and approval of the long list and the selection of the most important to produce a short list.

Assessment of the relevant topics

- The organization of meetings with the front-line people to assess the importance of every topic on the short list, from the Company's and the stakeholders' viewpoints;
- Consolidation of the results of the assessment and development of the relative materiality matrix.

Approval and review

- Approval of the short list of topics identified and assessed in the previous steps;
- Review and verification of the Materiality Matrix deriving from the assessment of the various topics;
- Overall approval of the materiality analysis.

The results of the materiality analysis are illustrated in the materiality matrix presented below. The materiality matrix consists of a graphic representation of the importance attributed to each of the topics from the viewpoint of the Management (the X axis) and of the stakeholders (the Y axis); the higher and the more to the right the topic is situated on the graph, the greater its relevance for both parties. The material topics that result during the analysis conducted are considered key elements to guide the Company in terms of its constantly increasing commitment towards non-financial matters. In fact, this non-financial statement focuses on the topics that are relevant for the Company and its stakeholders. In addition, the "Industrial Relations" topic, although not considered particularly material for MARR, will be included in the topics of this document inasmuch as it is considered relative as regards compliance with Legislative Decree 254/2016; we therefore invite you to refer to the contents reported under the "Human Resources" paragraph.

High
Low
4.500
3.500
2.500
1.500
0.500
Importance for the Stakeholders
Legal compliance
Ethical and sustainable procurement
The fight against corruption
Product quality and safety
Respect for Human rights
Upgrading the value of local and typical products
Product labelling and information from consumers
Human resources management
Protection of diversity
Employees' health and safety
Social commitment / cooperation
Emissions
Wastes
Personnel training
Anti-competition practice
Impact / integration with the territory and the local community
Impact of logistics
Economic impact and value generated
Electricity and fuel consuption
Use of raw material
Management of packaging
Water consuption
Industrial relations
0.500
1.500
2.500
3.500
4.500
Importance for MARR S.p.A.
Low
High

MARR's governance structure is described in the Rules of self-discipline and its activities are represented in the Corporate Governance Report. More specifically, the Rules of self-discipline explains that the Company's Board of Directors defines the nature and level of risk that is compatible with the Company's strategic aims, including in its assessments all the risks that can have relevance as regards the sustainability of the activity performed in the medium-long term. No single subject has yet been placed in charge of sustainability governance, since this responsibility has been divided according to the responsibilities of the following managements and their respective responsibilities: Quality Assurance and Control, the Product Divisions, the Human Resources Management, Legal and Corporate Affairs, Investor Relations and Internal Auditing-Management Control; all subjects involved in the process are coordinated by the Chief Executive Officer.

The Company, to assure the correctness and transparency of Company transactions, has deemed it opportune to adopt an Organisational, Management and Control Model, in accordance with Legislative Decree 231/01. The purpose of said Model is to create a structured and organic system of procedures and control activities, aimed at preventing the various types of offence contemplated by said Legislative Decree from being committed. The Board of Directors periodically updates and integrates said Model in order to adapt the content to the provisions of law introduced after the adoption of the Model.

The Board of Directors of MARR S.p.A., on 14 November 2014, appointed a Collegial Supervisory Board, composed of the lawyer Mr Marcello Elia, Chairman and external member, Mr Ezio Maria Simonelli, external member, and the lawyer Mr Cristiano Cambria, internal member who also acts as secretary, replacing the previous body composed of a single member.

During 2018, the Board of Directors of MARR S.p.A., on proposal by the Supervisory Board, approved the updating of the Organizational Model, specifically by: (a) the inclusion of the new criminal circumstance (employment of nationals of other countries who are in the country illegally – dispositions against clandestine immigration – crimes relating to racism and xenophobia), (b) modifications to the disciplinary system, (c) identification and term of office of the members of the Supervisory Board, (d) review of the general and special parts of the document.

Fight against corruption

Risks and opportunities

The company in the context of the anti-corruption policy, adopted its own Code of Ethics form 2005, last revised on 14 May 2018, available to all the (internal and external) stakeholders interested at MARR's website and also circulated to all Company departments. The document defines professional practices and the behavior to which all employees and collaborators must adhere. Furthermore the cases of risk to which the Company is exposed (the so-called predicate offences) are identified in the 231/01 Organizational Model.

Their assessment and the identification of the relative preventive protocols are described in the Organizational Model's Special Part. As well as in the internal document "mapping of risks areas".

With regard to the risks of corruption deriving from the supply chain, MARR has adopted a series of preventive procedures for the approval and qualification of suppliers and management of product non-compliances.

Considering the corporate framework, the main sphere in which the risk of corruption could exist MARR's participation in public tender procedures, disciplined by a specific procedure of the Quality Management System entitled "Contract Review" and entrusted to a special office at the Company's registered office (the Public Bodies and Contracts Office).

Within this sphere, it must be noted that should the offence of corruption be committed by a director and/or Company representative, the Company, under Art. 80 of Legislative Decree no. 50/2016 (the so-called Public Contracts Code), could be excluded from participating in tender procedures.

The risk of corruption is considered as recurrent inasmuch as linked to the Company's ordinary activity; the relative impact could regard the Company's reputation and/or it could be of an economic nature (ban on participating in tender procedures of the sector with loss of the earnings related to said sale channel).

Policies implemented by MARR

The Code of Ethics aims to assure that the Company's governance system attains increasingly higher levels of transparency and efficiency. In fact, it includes the rules of conduct and the principles of legality, transparency and correctness to be applied in relations both within and outside the Company. MARR itself circulates the Code of Ethics to the stakeholders and, in the case of recruitment, to new employees. The observance and adequacy of said document are verified annually by the Risk Control Committee to which the Supervisory Board reports. MARR has also adopted a reporting mechanism both through specific e-mail box and through a specific telephone number (which management is reserved to the Secretary of the Supervisory Board) by which employees can contribute to the application of the Code of Ethics and the 231/01 Organisational Modal. Only the Supervisory Board can consult said e-mail box.

In 2018 no cases occurred in MARR which would have rendered legal action necessary for anti-competitive, anti-trust and monopolistic behavior; however, as a precaution the Company adopts a series of procedures for greater control over the activities relative to which there could be a risk of corruption. The following procedures have been formalised:

- the "Credit Procedure" which disciplines the aspects relative to the collection of the sums from customers for supplies;
- the "Public Tender Procedure" which disciplines the correct management and participation of tender contract procedures to assure compliance with the obligations to be assumed in the case of the award of the contract.

In a case of corruption, disciplinary measures will be taken and possibly other ad-hoc measures defined at the moment when such deviation from the rules of the control system occurs.

Non-financial performance

The Company has not registered any cases of corruption during the year and it has not programmed anti-corruption training activities for its employees.

To this regard, however, of the positions/divisions monitored in respect of the risk of corruption, that exposed to major risk is the department involved in public tender procedures; said risk, however, is monitored and managed as indicated in the section "Management of the fight against corruption - Risks and opportunities".

With regard to the risk of corruption in relations with suppliers and customers, the Company, as a preventive measure, provides for constant reminders of the Code of Ethics and implements the supplier assessment and qualification procedure carried out by the Divisions and the Quality Control department, as well as the Credit procedure in relations with customers.

Environment

Risks and opportunities

For MARR, protection of the environment is a topic of considerable relevance. In fact, the manner in which the Company operates on the territory pursues a balance between its activities and the surrounding environment, without harming the same and minimising the use of the resources but favoring the use of sustainable products. To this latter regard, see also the contents of the next paragraph, *"Supply Chain – Ethical and sustainable procurement and the promotion of local products"*.

In the practice of its business, the Group takes avail of about 190 carriers which, using over 750 vehicles, renders necessary the adoption of suitable procedures for the optimization of the logistics processes, aimed at reducing emissions into the atmosphere.

It also sells a wide range of products subject to various types of conservation (frozen, fresh, non-perishable) with impact not only in terms of the use of energy resources and waste production but also, especially for fish products, in terms of sustainable fishing.

The potential risks linked to the Group's activities are: excessive consumption of water and/or energy with consequences on carbon dioxide emissions, the emission of noxious substances caused by the carriers of which the Group takes avail for the distribution of the products, the emission of polluting substances deriving from the water or gas discharged from the refrigerating systems, as well as risks linked to the impoverishment of marine resources subsequent to unregulated provisioning.

MARR assesses such recurrent risks inasmuch as inherent to the Group's core business and, to promote environmental (as well as social) sustainability, seeks to direct the internal stakeholders towards programmes for water and energy saving and for the reduction of emissions into the atmosphere, as well as constructing stable relationships with suppliers that guarantee adherence to MARR's principles.

Policies implemented by MARR

With reference to environmental aspects, MARR adopts the Quality System procedure entitled "Control and Management of Environmental Aspects", which describes the methods for the management of operations and activities linked to environmental aspects deemed important, including the activities for the supervision and management of environment emergencies. MARR also promotes the prevention of pollution and a minimum use of the available resources, adopting preventive measures. In particular, with reference to the specific question of waste, it makes all efforts in order:

- to reduce the quantities of packaging, using recycled materials when possible;
- to promote the use of packaging and materials of certified cellulose from sources managed in a responsible manner ("FSC");
- to improve the differentiated collection of waste and the management of special wastes and of the by-products of animal origin such as, for example, the waste produced by the processing of meats and fish products.

MARR also pays attention to other aspects linked to consumption and the consequent emission of substances that are noxious for the environment. More specifically, it spares no efforts in order:

- to reduce the number of vehicles on the road that have a strong environmental impact. To this regard, all Euro 2 standard vehicles were decommissioned in 2016, and all those of Euro 3 standard were decommissioned in 2017. It requires all new vehicles that are used to be at least Euro 5 standard; ; in 2018, the first entirely electrical vehicle was given to the MARR Urbe (Rome) Branch for supplies to the historical centre of Rome, as part of a project which is to be expanded in coming years;
- to reduce the environmental impact of production processes, promoting the prevention of environmental pollution also by monitoring the quality of the waste waters by means of laboratory analyses to check that they conform to the provisions of Legislative Decree 152/06;
- to reduce the consumption of electricity (especially by correct management of the cold chain), potable water and gas;
- to limit the destruction of food products when this represents a waste of food and of Company resources and, indirectly, environmental resources;
- to rationalise the consumption of detergents and disinfectants which have a direct impact on the waste water discharged, scrupulously respecting the methods and concentrations indicated in the sanitisation procedures;
- to optimise the procedures for the management of deliveries to customers and the logistics for the transfer of the products between the Group's various platforms, maximising loads as far as compatible with the limits imposed by the Highway Code;
- to promote behavior that respects the environment and the correct use of the natural resources, involving the suppliers of fish products and requesting them to adhere to the standards of ethical, social and environmental responsibility defined in the contractual agreements;
- to accurately manage the products, the rotations and the stocks in order to decrease waste and the destruction of stocks, avoiding the waste of food products and of Company resources.

The environmental aspects also include the control activities implemented on the process of supplying the seafood products chain, with "Certification of the MARR Service for Controlling the sustainable Fishing Chain" being obtained in March 2018, issued by an internationally recognised control authority. In the framework of sustainable fishing, MARR was also awarded the MSC certification for the chain of custody.

Non-financial performance

The Group's energy consumptions are illustrated below. The indices in bold type are deemed explanatory of the result of the policies mentioned in the preceding paragraph and, taking into account the Group's growth over the years analyzed, they show the constant commitment on the part of the Management to efficient energy consumption, mainly in the goods conservation, storage and handling processes which are the Group's core business.

The results confirm an improving trend notwithstanding the increase in the volumes handled.

Direct energy consumption

Energy consumption	UM	2018	2017	2016
Methane gas for heating	m3	316,527.00	279,397.58	277,362.37
Diesel oil for heating offices and for processing	l	124,399.00	120,000.00	126,386.00
Petrol for generators	l	30.00	30.00	60.00
Diesel oil for generators and sundry services	l	7,225.00	6,228.00	7,189.00
Electricity from the mains supply	KWh	58,916,697.00	58,011,181.00	56,410,366.26
In-house produced electricity	KWh	373,869.00	389,014.00	374,610.00

Energy consumptions expressed in GJ	UM	2018	2017	2016
Total consumptions	GJ	229,280.26	224,545.30	218,921.62
of which:				
Methane gas for heating	GJ	11,120.86	9,784.42	9,711.57
Diesel oil for heating offices and for processing	GJ	4,453.77	4,296.28	4,524.91
Petrol for generators	GJ	0.92	0.92	1.85
Diesel oil for generators and sundry services	GJ	258.67	222.98	257.38
Electricity from the mains supply	GJ	212,100.11	208,840.25	203,077.32
In-house produced electricity	GJ	1,345.93	1,400.45	1,348.60

Electricity consumption	UM	2018	2017	2016
Total electricity consumption	KWh	59,290,566.00	58,400,195.00	56,784,976.26
of which:				
from renewable sources	KWh	373,869.00	389,014.00	374,610.00
from non-renewable sources	KWh	58,916,697.00	58,011,181.00	56,410,366.26

We point out that the energy consumption from renewable sources indicated in the table regards only the photovoltaic systems of the MARR branches in Sicily and Bologna, since the figure representing the quantity of energy provided by the supplier which is from non-renewable sources is not available for the years referred to by the report.

Considering all the above energy consumption data, it is worth noting the relative unit indices deemed most significant, which are indicated below.

- Electricity consumption: the total consumption of electricity acquired from the mains supply is given as a ratio to the tons of fresh and frozen product handled[1] (and therefore conserved) by MARR and its subsidiaries inasmuch as mainly used for the cooling and freezing systems.

	UM	2018	2017	2016
Electricity consumption (from the mains supply)	GJ	212,100.11	208,840.25	203,077.32
Tons of fresh and frozen product handled	t	281,677.62	246,728.69	240,910.88
Unit index of energy consumption	GJ/t	0.75	0.85	0.84

- Consumption of diesel oil for heating offices and for processing: total consumption of diesel oil is shown in relation to the tons of fresh and frozen product handled[1-2] (and therefore conserved) at the branches which use said energy resources (MARR Turin, MARR Venice, MARR Dolomites and Carnemilia) considering that a prevalent part of the diesel oil used is linked to the production of the hot water necessary for meat processing.

[1] To identify the kg of product handled, reference is made to the kg of product that leaves the Group's storage structures (sold and transferred from the platforms to the branches and by these to the customers, except in the case of goods delivered to our customers directly by the suppliers).

[2] The use of diesel oil is limited to the branches of Turin, Venice, the Dolomites and the Carnemilia platform, where it is used for both heating the offices and product processing (mainly for the production of hot water required for the meat processing activities).

	UM	2018	2017	2016
Diesel oil consumption	GJ	4,453.77	4,296.28	4,524.91
Tons of fresh and frozen product handled	t	29,922.76	29,958.79	30,954.11
Unit index of diesel oil consumption	GJ/t	0.15	0.14	0.15

Use of water resources [3]

Water withdrawal per source	UM	2018	2017	2016
Total volume, of which:	m3	226,334.00	209,163.80	213,969.94
- from aqueducts (for civil and industrial use)	m3	146,727.00	132,285.96	141,325.94
- from wells (industrial use)	m3	79,607.00	76,877.84	72,644.00

Water discharged	UM	2018	2017	2016
Total volume, of which:	m3	222,886.00	209,163.80	213,969.94
- discharged into sewer systems	m3	162,749.00	151,512.60	148,186.21
- discharged into surface waters	m3	60,137.00	57,651.20	65,783.73

Considering the use of the water resources, which are used both for processing and handling and for the maintenance and management of the premises being in line with the necessary standards of hygiene, we maintain that the ratio of water consumption to the total tons of product handled per year is reasonable.

	UM	2018	2017	2016
Total volume of water withdrawal	m3	226,334.00	209,163.80	213,969.94
Tons of product handled	t	492,853.84	448,499.97	428,797.34
Index of the use of water resources	m3/t	0.46	0.47	0.50

Emissions of GHG and of polluting substances into the atmosphere

- Direct Emissions coming from sources owned and controlled by the Company [4]:

Direct emissions – Scope 1	UM	2018	2017	2016
Total emissions	t CO2e	968.42	878.92	894.35
of which:				
Methane gas	t CO2e	621.62	546.33	542.30
Diesel oil for heating	t CO2e	327.70	316.11	332.97
Petrol	t CO2e	0.07	0.07	0.14
Diesel oil for generators and sundry services	t CO2e	19.03	16.41	18.94

- Indirect emissions not materially produced by the Company and not directly under its control[4]:

Emissions – Scope 2	UM	2018	2017	2016
Total emissions	t CO2e	21,151.09	20,826.01	20,251.32
Electricity from the mains supply	t CO2e	21,151.09	20,826.01	20,251.32

[3] As concern the years 2016 and 2017 there were no devices that measure the water discharged, however it is estimated that the quantity is equal to the volume of water withdrawal; however a part of the water is discharged by "evaporation" from the refrigeration systems fitted with evaporation towers, therefore it is deemed that the values indicated for the water discharged are, in fact, higher than the amount actually discharged. It must be noted that in 2018, discharge measurement system installed in 2017 on the evaporation tower of the MARR Milan branch became operational, and the difference highlighted in 2018 between volumes withdrawn and volumes discharged represents the amount of water discharged by "evaporation" at said branch. In consideration of the above, the Company and the Group are taking steps to be able to monitor said dispersion in the forthcoming years.

[4] The source of the coefficients used for the conversion into tCO_2e is the ISPRA 2017 figure (for 2018), ISPRA 2016 (for 2017) and the ISPRA 2015 figure (for 2016).

- Indirect emissions consequent to the Group's activity, from sources that are not controlled sources or owned by the Company:[5]

Emissions – Scope 3	UM	2018	2017	2016
Total emissions	t CO2e	23,401.44	21,779.07	21,049.81
Road transport by logistics suppliers	t CO2e	23,401.44	21,779.07	21,049.81

The indirect emissions of Scope 3 taken into consideration are the emissions generated by the carriers, the service companies of which MARR takes avail for the distribution of its products and do not include the AS.CA and New Catering data. We specify that the impact indicated above is relative to the km covered by the carriers both for the transport from the centralized storage structures to the large customers and the MARR branches and from the latter to their own customers[6].

- Ozone damaging substances:[7]

Ozone damaging substances	UM	2018	2017	2016
HFC - HFC/HFO	Kg.	4,956.50	7,673.40	8,350.00

The emissions of ozone damaging substances derive from anomalies in the functioning of plant and the relative repairs to maintain the cold chain for the conservation of the foodstuffs.

It's recalled that a long-term investment plan has been approved for the conversion of refrigerating gases in accordance with the European environmental standards, and in recent years investments have been made in technologies and specific technical choices aimed at preventing and limiting the damage deriving from possible plant malfunctioning, subsequent to which repairs are carried out with greater immediacy.

For a best understanding please see the following index:[8]

Intensity of the greenhouse gas emissions	UM	2018	2017	2016
Emissions of ozone damaging substances (HFC-HFC/CFO)	t CO2e	18,351.68	30,101.12	31,583.46
Tons of fresh and frozen product handled	t	227,370.26	201,412.25	191,913.41
Unit index of greenhouse gas emissions	t CO2e/t	0.08	0.15	0.16

The improvement in the unit index of greenhouse gas emissions is represented by the reduction in quantities of gas dispersed into the environment and the increase in the tonnage handled.

- Wastes produced (hazardous - non-hazardous) destined for recovery and for disposal

Wastes produced (Kg)	2018	2017	2016
Total wastes produced	3,298,981.10	2,307,050.00	1,971,528.70
- of which, hazardous	78,128.60	24,934.00	33,667.00
- of which, non-hazardous	3,220,852.50	2,282,116.00	1,937,861.70

Wastes destined for recovery (Kg)	2018	2017	2016
Total wastes produced	2,480,273.60	2,013,931.00	1,897,987.00
- of which, hazardous	75,488.60	21,703.00	33,667.00
- of which, non-hazardous	2,404,785.00	1,992,228.00	1,864,320.00

[5] Emissions were estimated taking as a reference point a standard journey with an average mileage and average weight transported for the year in question, multiplied by the total number of journeys made. The source of the coefficients used for conversion into tCO_2 is the GHG Protocol (2015) .

[6] Stretches by sea for the branches on the islands, the kilometers covered by the carriers of our agents with warehouses and transfers between branches have not been taken into account.

[7] Annual data communicated within the month of May by ISPRA (National Institute for Environmental Protection and Research).

[8] As an indicator for calculating the carbon intensity, we have deemed it reasonable to consider the tons of fresh and frozen product handled[2] (and therefore conserved) by the MARR branches and by the subsidiary New Catering, excluding the systems of the subsidiary AS.CA and of the three MARR branches inasmuch as they use ammoniac systems that do not produce CO2e.

Wastes destined for disposal (Kg)	2018	2017	2016
Total wastes produced	818,707.50	293,119.00	73,541.70
- of which, hazardous	2,640.00	3,231.00	-
- of which, non-hazardous	816,067.50	289,888.00	73,541.70

As already described in the previous year, it is maintained that the increase trend of wastes produced is directly linked to the increased turnover and the quantities of product handled by the Group in the three-year period.

Therefore the following index comparison is shown:

	UM	2018	2017	2016
Total wastes produced	t	3,298.98	2,307.05	1,971.53
Tons of product handled	t	492,853.84	448,499.97	428,797.34
Waste per ton of product handled	t/t	0.007	0.005	0.005

Performance in the triennium shows a slight increase in 2018, partly due to extraordinary events, such as the refurbishment of the warehouse in Santarcangelo (which involved the disposal of non-reusable material and iron cages) and the use of a service for disposal of waste water through cisterns at the MARR Calabria branch due to the temporary impossibility of using the purifier.

Materials used by weight and volumes	UM	2018	2017	2016
Total packaging, of which:	t	2,405.54	2,281.91	1,937.53
Paper and cardboard	t	1,855.00	1,812.21	1,521.54
Plastic and polystyrene	t	497.38	469.70	415.99
Labels	t	53.16	n.d.	n.d.

The packaging used mainly comprises wrappings and is recyclable.

For the calculation of Labels[9] tons (value not available for the previous years) please note that we considered a conventional weight as 1 gram for each label.

Furthermore, the increase, as mentioned above in reference to waste, is strictly linked to the increased turnover and quantities of product handled by the Group in the two years. For greater details, see the unit[10] consumption index given below:

	UM	2018	2017	2016
Total packaging consumed	t	2,405.54	2,281.91	1,937.53
Tons of product handled	t	492,853.84	448,500.00	428,797.00
Packaging per ton of product handled	t/t	0.005	0.005	0.005

We lastly represent below the information relative to the chemical[11] substances used by the Company for the functioning and management of the refrigeration systems. We point out that the data of the subsidiaries are not available; however, it is maintained that their impact on the total is not significant.

Chemical substances	UM	2018	2017	2016
Ammonia for refrigeration	Kg	300	740	400
"Antifreeze" chemical products for the refrigeration circuits	Kg	660	942	2,000
Chemical products for water treatment	Kg	21,661	22,428	20,040

The Group has no operating sites within or near protected areas or areas of high value for biodiversity.

During the year there were not any reports of cases of non-compliance with environmental standards that triggered off proceedings for harm caused to the environment.

[9] It' should be noted that the figures only included MARR S.pa. as AS.CA. and New Catering data were not available.
[10] The unit consumption index has been calculated by including the tonnage of labels, which was not available for 2016 and 2017; in this regard, given that this type of product is insignificant compared to other packaging, the impact on the unit index recorded is insignificant.
[11] Please note that for the year 2018 the figures also included AS.CA and New Catering, not available for the years 2016 and 2017.

A short key of the units of measurement used in this chapter is given below.

Unit of Measurement	Symbol
Cubic metre	m3
Litre	l
Kilowatt per hour	KWh
Gigajoule	Gj
Carbon dioxide equivalent	CO2e
Kilogram	Kg
Ton	t

Food health and safety

Risks and opportunities

The many food emergencies and the growing attention to people's health and well-being have placed in the limelight the safety and quality of the products sold by MARR, as fundamental aspects. MARR's activity is not limited to the distribution of foodstuffs, nor can it be considered solely in terms of economy, profit and earnings, inasmuch as the Company is also inspired by ethics and duty in the practice of its business and therefore adopts precise policies for safety and quality. Food safety must not be understood only as respect for a pre-requisite of the product which testifies to its suitability for consumption, but it must be considered from a wider and more modern viewpoint which involves many additional factors such as origin, traceability, the exclusion of organisms and substances considered suspect, and correct information given to the consumer on the label and by other communication means.

The risk factors with a potential effect on the community and the consumer mainly regard the hygiene and safety of the products. These vary according to the category of merchandise considered, but they are substantially represented by contaminants that can accidentally end up in the foodstuffs subsequent to the production processes or subsequent to environmental contamination. Contaminants can be divided into two types: those from natural sources and those resulting from the action of man.

The occurrence of any one of the above-indicted risks can harm the Company's reputation and lead to a loss of confidence on the part of consumers, with a negative impact on MARR's economic results.

Policies implemented by MARR

To guarantee food safety in the production and distribution processes, MARR has introduced the analysis of the dangers and risks linked to the various categories of merchandise, as well as the production processes that are carried out at its own operating units. The danger analyses and risk assessments are carried out on the basis of the experience of the organisation's HACCP Team, a multi-disciplinary group with specific knowledge and skills vested with the authority necessary to intervene in the Company's processes. The risk assessment is carried out according to the HACCP (Hazard Analysis and Critical Control Points) criteria, with specific procedures defined to control critical points.

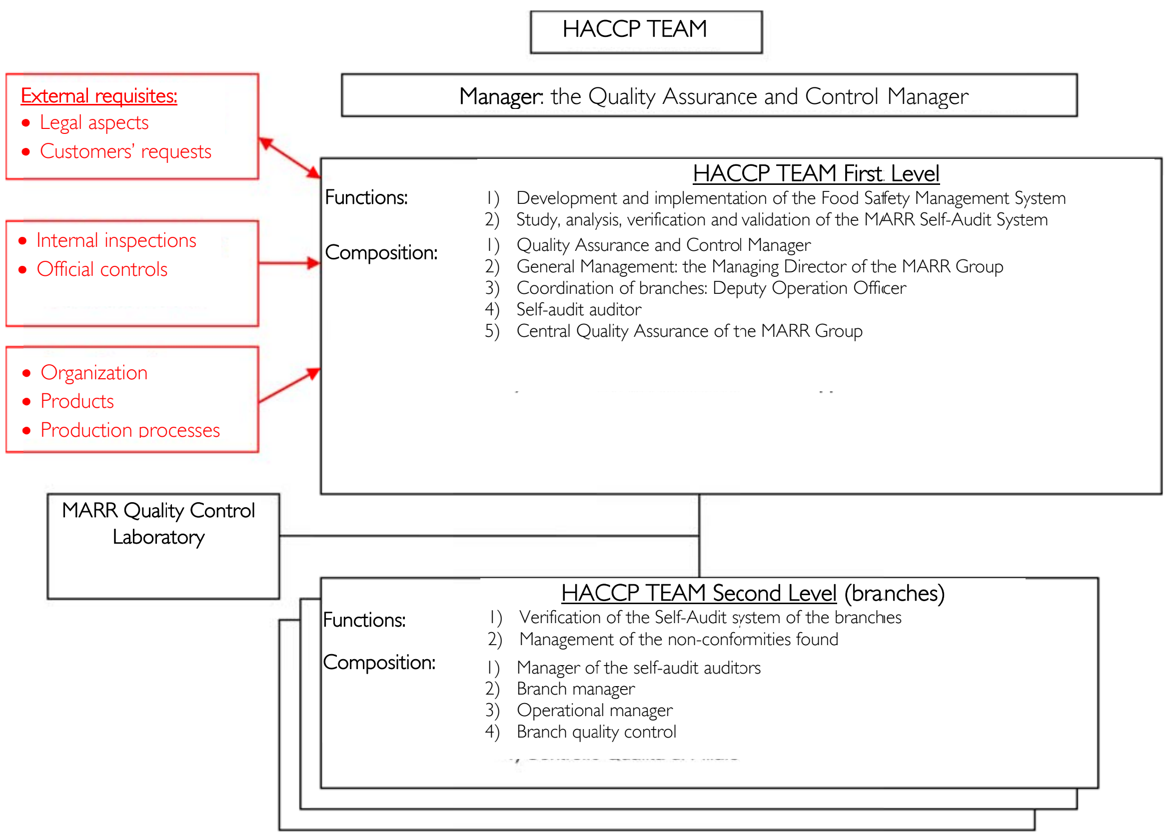
The analysis of the risk factors is carried out according to the information obtained on the products distributed and processed, especially taking into consideration the features of the products, their origin and the national and Community reference standards. The Company also analyses past data on the control and verification activity carried out by MARR's Quality Assurance and Control Management, as well as information circulated by the category associations and by the EFSA (European Food Safety Authority).

The Self-Audit System is structured according to the HACCP method, in accordance with the Codex Alimentarius and the imperative laws and regulations. The HACCP system, with UNI 10854 and ISO 22000 certification, is carried out as an integral and complementary part of the Quality System, with ISO 9001 certification, and it has been drawn up and validated by the Group's own multi-disciplinary team (the first level HACCP Team), with specific knowledge and skills of the processes and the hazards associated with the activity. The implementation and verification of the trend of the HACCP plan at every single MARR structure involves the branches' managements and the Self-Audit and Quality System auditors (the second level HACCP Team), who are members of the Central Quality Assurance and Control staff and who all have degrees in Alimentary

Sciences and Technologies and/or Biological Sciences. To control the risks linked to food quality and safety, process management procedures have been developed and control programmes have been started up which include both analytical tests on samples of the products distributed and inspections of the Group's premises and platforms. The analyses carried out on products are performed by the main accredited external laboratories of reference and by the MARR Quality Control Laboratory, whereas the inspections are carried out by qualified internal auditors or external personnel of companies specialised in controlling operators of the food sector. MARR has also set up a <u>Food Safety Committee</u>, an internal team appointed to manage crises, which intervenes in the case of an accidental event or any situation which could imply non-observance of product safety or serious non-compliance with the provisions of law and/or the internal provisions on quality. The main duties performed by the Committee are the following:

- to immediately put into practice the procedures for the withdrawal and/or recall of a product when necessary;
- to inform the competent health authorities;
- to inform consumers of the reason for the withdrawal, when contemplated and necessary;
- to transmit to the competent authorities all information useful for tracing the product;
- to collaborate with the authorities and with other operators of the food supply chain to prevent, mitigate and/or eliminate the risks.

The Company's Management System for guaranteeing product traceability, certified according to the requisites of the ISO 22005 standard, contributes to reinforcing and guaranteeing food safety throughout the entire supply chain.



Within the sphere of the Food Safety Management System, the management promotes:

- process control, from the procurement, logistics and service provision processes to the sale processes, monitoring specific indicators (non-conformity, returned goods, complaints and destruction of goods) and intervening in the case of discrepancies in pursuit of continuous improvement;

- the layout of the structures and periodic action to maintain the structural features necessary to ensure respect for the safety requisites;
- the procurement, through the product divisions, of genuine, good quality products that can guarantee high safety standards;
- continuous training at all levels, promoting the initiatives aimed and increasing a pro-food safety mentality;
- the application of self-audit procedures at the Group's operating units, in respect of the applicable requisites.

The main system and product certifications obtained by MARR are reported below:

System Certifications and Product Certifications	Certifying body	Accreditation[12]
ISO 9001: *Quality Management System*	ISO 9001 BUREAU VERITAS Certification	ACCREDIA
UNI 10854: *Guidelines for planning and creating a self-audit system based on the HACCP method*	HACCP - UNI 10854 BUREAU VERITAS Certification	The standard does not contemplate accreditation
ISO 22000: *Food Safety Management System*	ISO 22000 BUREAU VERITAS Certification	ACCREDIA
ISO 22005: *Traceability System in Agro-Alimentary Companies*	ISO 22005 BUREAU VERITAS Certification	ACCREDIA
ISO 14001: *Environment Management System*	ISO 14001 BUREAU VERITAS Certification	UKAS MANAGEMENT SYSTEMS
CCPB Certification: *Certification of conformity to the prescriptions of EC Reg. 834/2007 regarding the "Reception and storage of BIO foodstuffs destined for the preparation of meals"*	ccpb	ACCREDIA
Agro-alimentary product certification: *Traceability of bovine meats in accordance with EC Reg. 1760/00 and optional labelling in accordance with EU Reg. 653/2014 and Italian Ministerial Decree no. 876 of 16/01/2015*	BUREAU VERITAS 1828	(Accreditation not contemplated)

[12] The accreditation testifies to the control of the certifying body and consequently to the validity and credibility of the certifications obtained by MARR S.p.A..

Discipline and optional labelling of bovine meats filed at MIPAAF IT 124 ET		
Sustainable seafood certified by MSC *chain of custody*		
Certification of the process of controlling the sustainable fishing chain		(Accreditation not contemplated)

With regard to the social impact of the articles sold, the information on the features of the products is given to the operators by means of the labelling, the packaging, the technical information sheets and the communications drawn up by the Marketing department. The labelling of the products sold under suppliers' trademarks is subjected to sample controls, during the goods reception phase, according to a specific Quality System procedure[13]. For products imported from third countries and MARR trademark products[14] the information on the labels and any claims (regarding health and nutrition) must be approved by the Quality Control department. The technical information sheets, which contain the main information on the products, are checked before publication and can be consulted at the "MARR Multimedia Catalogue" at the organisation's website. The advertising and promotional communications prepared by the Marketing Management, which contain information on the features of the products, must be checked and approved by Quality Control before being published.

The "Quality, Safety and Environment Policy", among other things, defines specific objectives of the period regarding:

- the maintenance of the certifications obtained by the Organisation, the extension to new sites and the attainment of possible new schemes of interest;
- the application of Self-Regulation according to the HACCP system at the operating sites and platforms, on the basis of specific performance indicators, for the purpose of assessing the conformity of the structures and equipment, the management of the goods and the behavior of the personnel;
- the analysis, management and containment of returns from customers, as an important activity to protect the quality perceived;
- the management of the products, the rotations and the stocks in order to decrease waste and the destruction of stocks, avoiding the waste of food products and of Company resources;
- the functioning and effectiveness of the Company's traceability system[15], to guarantee the traceability of the products at every step of the process;
- the level of skill and training of the personnel, promoting training courses to guarantee the correct application of the Quality, Safety and Environment Management System procedures and to increase each person's awareness of his/her role to guarantee effective answers to customers and the institutions.

Non-financial performance[16]

Controls and analyses	2018	2017	2016
Total analyses	7,873	7,126	6,692
of which:			
Internal laboratory analyses	1,528	1,468	1,605
External analyses	6,345	5,658	5,087

[13] The Quality System procedure is drawn up according to the provisions of EU Reg. 1169/2011 and they comply with the Community provisions that discipline the indication of the origin and the traceability of specific categories of goods (such as, for example, bovine meats, pork meats, fish products, dairy products, etc.).
[14] For which the Company is responsible under the afore-mentioned EU Reg. 1169/2011.
[15] In accordance with EC Reg. 178/2002.
[16] The data of total analyses refers to the number of matrices selected and including several analyses.

Self-Regulation Inspections	2018	2017	2016
Total self-regulation inspections	112	111	109

Comparing the data during the three-years period, the data show an increase in verifications, especially those carried out under outsourcing agreements by external laboratories. As described in the Consolidated Non-Financial Statement of the previous year, follow the reorganization of the storage facilities with a concentration of about 45% of products at the storage platforms the incidence of the total verification carried out by the MARR's internal laboratories on the total registered a decrease.

Health and Safety at Work

Risks and opportunities

The workers' safety

The Company considers the mental and physical health of its employees a primary objective and therefore it undertakes to guarantee work environments that respect the applicable standards in force and which are as healthy and safe as possible, simultaneously fostering a responsible approach to safety on the part of its collaborators.

The potential risks to which the Company's and Group's workers are exposed in the performance of their activities are the following: i) work-connected stress; ii) noise, vibrations, chemicals, explosive atmospheres and micro-climates; iii) manual handling of loads and repetitive movements; iv) video-terminal risks.

These potential risks are identified by periodic inspections of the Prevention and Protection Service Manager of every unit, and they are formalised in the Risk Assessment Document of each operating unit, in accordance with Legislative Decree 81/08 as successively amended. Each of the specific above-mentioned risks is assessed by specialised technicians who collaborate with Servizi Industriali S.r.l. of the Confindustria chapter of the Romagna Region which MARR has mandated to provide advisory services in the field of safety at work.

MARR considers such risks to be recurrent; the existence of one of the above-identified risk factors can involve complications of a legal nature and in relations with the appointed supervisory authorities, with impact not only of an economic nature but also on its reputation.

Policies implemented by MARR

The workers' safety

In addition to specific, targeted assessments of the risks referred to in the preceding paragraph, the Company, for all the operating units and the companies of the Group, also provides for the drafting of a "Workers' Health and Safety Risk Assessment Document" and for its updating on the part of the Prevention and Protection Service Manager.

To guarantee constant monitoring and immediate action in all the Company's structures, the authority to take action has been vested on the managers of the MARR branches and the managers of certain specific areas, aimed at fostering involvement and the assumption of responsibility for matters of safety.

Obligatory medical check-ups are carried out periodically to verify that workers appointed to perform duties involving particular risks (e.g. elevator truck drivers and heavy lorry drivers) are not addicted to alcohol or drugs, and alcohol tests are carried out on workers who perform transport activities with company cars and light lorries; these are in addition to the periodic checks on all workers, carried out according to the protocols indicated by the Company's physician.

Considerable investments are also constantly made in the training of personnel with specific duties, in matters of: i) the safety of elevator truck drivers; ii) fire prevention/fighting; iii) first aid; iv) training in the use of raised vertical platforms; v) suitability and registration of the maintenance staff and operators of refrigeration and cooling systems. The above are in addition to the general training for all workers and managers (pursuant to Art. 37, paragraph 2, of Legislative Decree 81/08) carried out according to the criteria of the State-Regions Agreement of 21 December 2011.

With reference to the services outsourced to third companies, with which potential interference with the Group's activities may be generated (e.g. logistics and handling services, and processes carried out within the units), specific agreements are drawn up (and updated) to define the parties' duties, obligations and responsibilities relative to the outsourced activities, as well as the "Interference Risk Assessment Document".

However, in the case of the performance of "on-call" services or, in any case, access on the part of third parties to branch/unit premises, specific ad-hoc procedures are drawn up.

It is lastly worth noting that activities are in progress in order to obtain SA 8000 certification.

Legal non-conformities regarding workers' health and safety

With regard to non-compliance with law within the Company, MARR carries out a series of specific checks on the safety of the workplaces, analysing the following areas:

- work contracts for goods handling in the storage facilities of the MARR units, with the drafting and verification of an Interference Risk Assessment Document;
- routine and non-routine maintenance of the buildings owned or rented;
- procedures relative to damages caused at branches by service companies;
- the updating of standards;
- relations with the Prevention and Protection Service Manager and with the Company's physician.

The appointment of the Prevention and Protection Service Manager is entrusted to an external consultant, who also has the task of pointing out possible improvements in the management of health and safety at work. The following departments liaise with the Prevention and Protection Service Manager: Human Resources (training, relations with the Company's physician, disputes accidents at work), Legal Affairs (assistance regarding laws and documents) and the Technical Services (structural aspects). The position of Company Physician is entrusted to doctors coordinated by the San Gaudenzo hospital.

Non-financial performance

Accidents	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total accidents	3	6	9	5	8	13	4	8	12
of which:									
accidents while travelling	0	2	2	4	2	6	4	3	7
serious accidents	0	0	0	0	0	0	0	0	0

With regard to the 2017 figures (exposed consistently with that indicated in the consolidated non-financial declaration as at 31 December 2017), it should be noted that an injury initially considered in 2017 as an illness was recognised by INAIL on request by INPS, and the total injuries in 2017 therefore amounted to 14.

The following indices are shown:[17]

Accident indices	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Frequency index	7.191	3.671	4.646	2.520	5.358	4.616	0	4.499	3.337
Severity index	0.350	0.528	0.478	0.015	0.110	0.085	0	0.151	0.112

The increase of Severity Index in 2018 is linked to some 2017 accidents extending also in the current year.

No fatal accidents occurred in the three-year period.

In addition to full respect for the provisions established by the National Collective Labour Agreement of reference relative to health and safety, information on the Company's attention to safety at work is also communicated to the local Trade Unions with which the Company liaises as well as the complementary agreement in force for employees of the Cesenatico branch under which the Parties, among other things, agree on the need to continue to guarantee the present level of safety and to maintain high attention on this subject.

[17] Said indices are calculated as follows:
Severity index = (number of accident days x 1,000) / (number of hours worked in the year)
Frequency index = (number of accidents x 1,000,000) / (number of hours worked in the year)
For the calculation of the indices, accidents while travelling are not considered; however, the total number of accident days of periods off work due to accident that start in one year and end in another are entirely included in the year in which the actual accident occurred.
Lastly, the calculation of the severity index takes into account calendar days, not working days.

Hours of training on Health and Safety at Work, at 31 December	2018			2017			2016		
Breakdown by gender and category	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	0	0	0	16	0	16	0	0	0
Middle managers	23	82	105	16	86	102	0	33	33
White collars	955	1660	2615	446	1213	1659	176	545	721
Blue collars	89	1543	1632	24	966	990	12	596	608
Total	1067	3285	4352	502	2265	2767	188	1174	1362

The hours of training on HSW in 2018 confirm the increase compared to the previous year, which is correlated to the triennial refresher training on fire prevention, in addition to the completion of the compulsory five-yearly refresher training previously carried out in the biennium 2012-2013, as already highlighted in the report for the last business year.

Human resources

Risks and opportunities

MARR is strongly convinced of the importance of human resources for the Company's development: collaborators adequately trained, strongly motivated and involved in the Company's “spirit” are a necessary condition for reaching the Company's objectives and, at the same time, to increase the value of the Organisation and of the People who belong to the same represents one of the Company's main aims.

The management of human resources focuses on professional growth, guided only by the criterion of merit, aimed at developing both the professional attitude and ambition of each collaborator. In fact, the Company promotes wise management of its personnel aimed at preventing any discrimination whatsoever on the basis of the gender, race, religion, civil status, sexual orientation, age, disability or political convictions of its collaborators. Decisions on the assignment of duties, roles or promotion are taken solely on the basis of the professional profile and the effective skills of each single employee and his/her capacity to contribute to attaining the Company's objectives.

Therefore, the Company, adhering to criteria of equity and impartiality, wishes to guarantee adequate professional training for its employees, and for this reason MARR has established its own Academy (the “MARR Academy”) which is a virtual and physical environment for learning, for training and for attaining both technical and transversal skills, with distance training alternated with formal “classroom” training, involving the sharing of knowledge, skills and values, to increase the worth and worthiness of the Organisation.

Lastly, the Company also plans to launch initiatives in order to enter into contact with a high number of potential candidates and to favor the search for candidates now and in the future (thanks to a more widespread knowledge of the Company), facilitating recruitment activities and reducing the time required, as soon as coherent needs arise, by participation in events which allow for candidates and the Company to meet (e.g. Career Days) and also by reviewing and updating the “Work with us” section of the Company's website.

All the above-mentioned activities will also reduce the potential risk of personnel redundancies and favor the Group's capacity to attract suitable candidates to cover the various roles, as well as having adequately trained and motivated personnel.

Policies implemented by MARR

Within its Code of Ethics, MARR confirms its awareness of the fundamental importance of its human resources and, in addition to guaranteeing compliance with the laws in force on labour, it also pursues a policy for the development and appreciation of its employees based on the following rules:

Selection of personnel: carried out only on the basis of the profiles of the candidates in relation to the Company's needs, with maximum transparency and respect for the principles of equal opportunity, avoiding any form whatsoever of favoritism.

Impartiality: respect for this principle not only in the selection and recruitment phase, but also throughout the relationship with the company, for example in the assignment of duties and roles, promotion and transfers, determined solely on the basis of the professional profile, the effective skills and the capacities of the individual. Personnel management aims to prevent any form of discrimination or abuse relative to race, gender, religion, political convictions, sexual orientation, civil status, age or disability.

Professional growth: always adhering to criteria of equity and impartiality, MARR guarantees adequate professional training for its employees, taking into account their professional aptitudes and character.
For that matter, the Company maintains that such conditions are fundamental to guarantee *gender equity*. To this regard, we point out that the Board of Directors of MARR S.p.A. is composed of 9 members, of which 3 are women and 6 are men; in 2015 the Marisa Bellisario Foundation awarded the Company the "Mela Rosa" prize for giving value to feminine talent in the top management.

The policies adopted which tend to respect and give value to human resources also include the following.

Measures to assure respect for human rights: since 2009 the Company has had an e-mail box for reporting any behavior contrary to the Code of Ethics adopted by MARR. Only the Supervisory Board can consult said e-mail box.

National Collective Labour Agreement: MARR applies the National Collective Labour Agreement for the Third Sector, the Distribution and Services field (Commerce). In some units (Capena and Cesenatico), for "historic" reasons, a local collective agreement is also applied. Under the National Collective Labour Agreement the companies and the trade unions meet, normally within the first four months of each year, for the communication of information on relevant processes of reorganization, outsourcing, restructuring, etc. With the trade unions of the province of Rimini, where the Company has its registered office, an agreement has been in force since 2017 according to which, in the case of operational changes that involve the outsourcing of activities, MARR must inform the workers with 30 day's advance notice.

Training: in MARR the programmers linked to personnel upgrading and performance assessment are mainly managed by the top management. Said programmers, mainly addressed to managerial and/or sales personnel, are developed according to practice, since no specific procedure for the purpose exists at present.

A specific project entitled "Let's take care of our own future" was also started, and is aimed at enhancing motivation and a sense of belonging and identifying the resources with potential and adequate background (educational and professional) to take increasing responsibilities, also with the support of specific development courses.

Trainees and apprentices: MARR remunerates trainees and apprentices according to the limits established by the collective labour agreements. To a limited extent the Group organizes traineeships in collaboration with the universities, involving undergraduates and new fellows, and it also collaborates with Bologna University which indicates possible candidates for traineeships available in the Company.

A training project was also started during participation in the *Beer Attraction* event held in Rimini in February 2019, with the involvement of twenty students of the "Sigismondo Malatesta" Institute for Food and Wine Services and Hotel Hospitality and Catering in Rimini, which saw them operate in the catering sector of the MARR stand, with the possibility of serving tables and interacting with a major professional operator.

Welfare: the Company has put into practice the measures contemplated by the collective labour agreement regarding welfare within the Company. In addition, in the case of requests for changing the work timetable submitted by employees in the "post maternity" period, the Company carefully seeks organisational solutions to grant such requests as far as possible.

In the three-years period 2016 - 2018 the Group received requests for part-time work on the part of thirteen female employees (three in 2016 and six in 2017, four in 2018), in some cases for family reasons and in others linked to the "post maternity" period. With a view to favoring equal opportunities, the Company has managed to create the organizational conditions necessary for a positive response to the request made in twelve cases.

The Company has not defined objectives or targets to be reached with reference to the human resources aspects.

Non-financial performance

The following tables gives numeric information on the composition of the Group's human resources.

The figures highlighted show an increase in units in 2018 compared to 2017 as a result of hiring new staff to enhance some of the corporate departments, such as Quality Assurance and Control, Research and Development and Marketing principally, and also the start-up of a new method of customer assistance and sales called "Customer Service", which was started in the MARR Milan, MARR Urbe and Romagna Area Branches. The new staff therefore had an impact on the workforce in numerical terms which was more consistent than the reduction determined by the progress being made in the outsourcing of operating activities within the Units. This is proven by the increase in the number of white collar staff employed and the decrease in the number of blue collar staff employed. The maintenance of a workforce with more than 50% of employees under the age of 50 has been confirmed again.

Consistency of personnel at 31 December	2018			2017			2016		
Breakdown by gender and age	Women	Men	Total	Women	Men	Total	Women	Men	Total
<= 29 years of age	21	42	63	13	37	50	15	33	48
30 - 50 years of age	140	283	423	131	289	420	137	317	454
>= 51 years of age	91	251	342	89	257	346	84	259	343
Total	252	576	828	233	583	816	236	609	845

Consistenza del personale al 31.12	2018			2017			2016		
Breakdown by gender, age and category	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers									
<= 29 years of age	0	0	0	0	0	0	0	0	0
30 - 50 years of age	0	2	2	0	3	3	0	3	3
>= 51 years of age	1	5	6	1	4	5	1	4	5
Total managers	1	7	8	1	7	8	1	7	8
Middle managers									
<= 29 years of age	0	0	0	0	0	0	0	0	0
30 - 50 years of age	2	10	12	1	9	10	1	10	11
>= 51 years of age	3	19	22	3	19	22	4	19	23
Total middle managers	5	29	34	4	28	32	5	29	34
White collars									
<= 29 years of age	20	22	42	13	21	34	15	20	35
30 - 50 years of age	132	194	326	126	179	305	129	174	303
>= 51 years of age	78	107	185	77	102	179	72	101	173
Total white collars	230	323	553	216	302	518	216	295	511
Blue collars									
<= 29 years of age	1	20	21	0	16	16	0	13	13
30 - 50 years of age	6	77	83	4	98	102	7	130	137
>= 51 years of age	9	120	129	8	132	140	7	135	142
Total blue collars	16	217	233	12	246	258	14	278	292
Total	252	576	828	233	583	816	236	609	845

Recruitments	2018			2017			2016		
Breakdown by gender and age	Women	Men	Total	Women	Men	Total	Women	Men	Total
<= 29 years of age	19	34	53	8	28	36	10	36	46
30 - 50 years of age	37	58	95	39	51	90	33	75	108
>= 51 years of age	13	8	21	12	28	40	9	38	47
Total	69	100	169	59	107	166	52	149	201

Outgoing personnel	2018			2017			2016		
Breakdown by gender and age	Women	Men	Total	Women	Men	Total	Women	Men	Total
<= 29 years of age	10	21	31	6	19	25	8	18	26
30 - 50 years of age	26	57	83	37	47	84	23	59	82
>= 51 years of age	17	32	49	18	65	83	8	45	53
Total	53	110	163	61	131	192	39	122	161
Reason for leaving the Company:									
Voluntary resignation (excluding retirement)	12	38	50	16	45	61	4	39	43
Retirement	0	0	0	0	3	3	1	2	3
Dismissal	2	13	15	7	33	40	4	27	31
Other	39	59	98	38	50	88	30	54	84

The movements exposed in the previous table generated the following turnover [18]:

Turnover	2018			2017			2016		
%	Women	Men	Total	Women	Men	Total	Women	Men	Total
Turnover rate	16.3%	14.9%	15.3%	26.2%	22.5%	23.5%	16.5%	20.0%	19.1%

After the increase in turnover recorded in 2017 which, it should be noted was mainly the result of the activities for the reorganisation of the MARR Adriatico branch (ex DE.AL. structure) and the Romagna area and the process of outsourcing some activities, the rate in 2018 decreased in line with the values recorded in 2016.

The turnover is strongly influenced by recruitments and employment terminations during the year to deal with peaks in activity (during highly seasonal periods) and recruitment for limited periods aimed at replacing absent workers.

Maternity/parental leave	2018			2017			2016		
Return to work rate	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees who have taken avail of the leave	2	0	2	2	2	4	5	1	6
Number of employees who have returned to work after taking avail of the leave	0	0	0	2	1	3	5	1	6
Number of employees in service in MARR 12 months after having taken avail of the leave	0	0	0	1	1	2	4	1	5
Return rate after maternity/parental leave	n.a.	n.a.	n.a.	100%	50%	75%	100%	100%	100%
Rate of maintenance of work position after maternity/parental leave	n.a.	n.a.	n.a.	n.a.	100%	n.a.	80%	100%	83%

The table shows the leave trend, including both the early, obligatory and optional maternity leave and parental leave. The data relative to employees that return after the leave and the number of employees in service after 12 months are indicated in the year in which the period of leave began. It should therefore be noted that 2 female employees returned to work in 2018 whose period of leave started in 2016 in one case and 2017 in the other (the figures for previous years were thus updated); similarly, the figures for previous years were updated to take into account the number of employees still in service twelve months after returning from a period of leave

It must be noted that the employees that have not returned from the leave are those for whom the period of leave has not yet terminated, whereas, for several of those who have returned, twelve months have not yet passed since the date of their return to work; therefore the return to work rate after the leave cannot be accurately determined although we point out that all employees that have returned are currently working within the Group.

Seniority of service	2018			2017			2016		
Breakdown by gender and category	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	32.91	15.64	17.8	31.91	20.75	22.14	30.91	19.75	21.14
Middle managers	16.67	14.9	15.16	15.47	15.16	15.2	11.6	15.74	15.14
White collars	11.8	11.45	11.6	12.45	11.72	12.03	12.35	11.74	12
Blue collars	7.83	13.03	12.67	9.26	12.89	12.72	9.69	13.14	12.99

Breakdown by term of contract	2018			2017			2016		
Breakdown by gender	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent contract	210	505	715	210	525	735	216	562	778
Temporary contract	42	71	113	23	58	81	19	48	67

Breakdown by part-time/full-time work	2018			2017			2016		
Breakdown by gender	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of full time employees	199	570	769	184	579	763	185	605	790
Number of part-time employees	53	6	59	49	4	53	50	5	55

[18] It should be noted that to calculate the index, the terminations does not include employees with fixed-term contracts who were re-employed under continuing contracts. These employees are included among the figures in the respective tables "Recruitments" and "Outgoing personnel".

Breakdown by academic qualification	2018			2017			2016		
Breakdown by gender	Women	Men	Total	Women	Men	Total	Women	Men	Total
University degree	38	71	109	27	61	88	26	58	84
High school diploma	169	247	416	155	243	398	154	242	396
Junior high school diploma	23	213	236	22	220	242	23	232	255
Other	22	45	67	29	59	88	33	77	110

Breakdown of governance bodies	2018			2017			2016		
Breakdown by gender and age	Women	Men	Total	Women	Men	Total	Women	Men	Total
<= 29 years of age	0	0	0	0	0	0	0	0	0
30 - 50 years of age	0	1	1	0	1	1	0	2	2
>= 51 years of age	3	5	8	3	5	8	3	6	9
Total members of the governance bodies	3	6	9	3	6	9	3	8	11

The number of members of the governance bodies includes only the members of the Board of Directors of the parent company MARR S.p.A.. The position of sole director of As.ca. S.p.A. and of New Catering S.r.l. is covered by the Chief Executive Officer of MARR

Breakdown of personnel at 31 December	2018			2017			2016		
Breakdown by gender and category	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	1	7	8	1	7	8	1	7	8
Middle managers	5	29	34	4	28	32	5	29	34
White collars	230	323	553	216	302	518	216	295	511
Blue collars	16	217	233	12	246	258	14	278	292
Total	252	576	828	233	583	816	236	609	845

The ratio between the basic salaries (according to the National Collective Labour Agreement) and the total remuneration of women / men is given below. For managers, the salaries of Chief Executive Officers have not been taken into account (for this calculation).

Ratio between women's / men's basic salaries	2018	2017	2016
Breakdown by category			
Managers	100.0%	100.0%	100.0%
Middle managers	100.0%	100.0%	100.0%
White collars	92.5%	92.7%	92.0%
Blue collars	95.0%	93.0%	94.4%

Ratio between women's / men's remuneration	2018	2017	2016
Breakdown by category			
Managers	81.0%	79.7%	85.2%
Middle managers	84.1%	84.2%	83.5%
White collars	82.3%	83.1%	82.9%
Blue collars	95.3%	90.9%	93.9%

As contemplated by the National Collective Labour Agreement of reference, the Company meets the Trade Unions of reference normally within the first four months of the year, to communicate relevant information on possible reorganisations, outsourcing, restructuring, etc. A company transfer involving more than fifteen workers must be communicated to the trade union representatives in writing at least twenty-five days in advance.

In addition to National Collective Labour Agreement for the distribution and services sector applied to all MARR employees (100%), for the facilities in Capena and Cesenatico, two complementary agreements are in force for some employees, as indicated in the following table:

Employees covered by local complementary agreements	2018	2017	2016
% of employees covered by complementary agreements	4.47%	4.78%	5.44%

The details relative to the total hours of training (professional training and training on health and safety at work) provided in the two-year term are given below.

Training (hours) at 31 December	2018			2017			2016		
Breakdown by gender and category	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	3	194	197	32	4	36	0	0	0
Middle managers	122	734	856	23	173	196	0	95	95
White collars	1,262	2,843	4,105	925	2648	3573	452	914	1366
Blue collars	111	2,054	2,165	68	2316	2384	53	1411	1464
Total	1,498	5,825	7,323	1048	5141	6189	505	2420	2925

Average hours of training at 31 December	2018			2017			2016		
Breakdown by gender and category	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	3.0	27.7	24.6	32.0	0.6	4.5	-	-	-
Middle managers	24.4	25.3	25.2	5.8	6.2	6.1	-	3.3	2.8
White collars	5.5	8.8	7.4	4.3	8.8	6.9	2.1	3.1	2.7
Blue collars	6.9	9.5	9.3	5.7	9.4	9.2	3.8	5.1	5.0
Total	5.9	10.1	8.8	4.5	8.8	7.6	2.1	4.0	3.5

During the current year, the Company has invested in training, with an increase of the training hours for job security and alimentary security. Details of only professional training are given below:

Professional training (hours) at 31 December	2018			2017			2016		
Breakdown by gender and category	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	3	194	197	16	4	20	-	-	-
Middle managers	99	652	751	7	287	294	-	62	62
White collars	307	1,183	1,490	479	1,435	1,914	276	369	645
Blue collars	22	511	533	44	1,350	1,394	41	815	856
Total	431	2,540	2,971	546	3,076	3,622	317	1,246	1,563

It should also be noted that the above figures concern training carried out in the "traditional" manner in hall and that, in addition to this, two very varied training courses have been started using e-learning methods have been realised (also in collaboration with the University of Bologna) and implemented, called "Master Meat" and "Master Seafood", aimed at further increasing product awareness and specialisation in the commercial organization, and that about seventy training opportunities using e-learning has been started in total on product topics, each of them made available for about one thousand people within the commercial organization.

The Group's absenteeism[19] data are given below

Absenteeism indices	2018			2017			2016		
Breakdown by gender	Women	Men	Total	Women	Men	Total	Women	Men	Total
Absences	4.53	3.20	3.58	4.90	2.98	3.51	5.61	2.53	3.37
Illness	2.16	1.84	1.93	2.43	1.98	2.10	2.79	1.86	2.11

It should be noted that during 2018 the total number of absences days[20] amounted to 6,512 (2,009 for women and 4,503 for men); of which, 681 days due to accidents at work or professional illness.

The Company does not contemplate specific benefits for the workers in general apart from what is provided by the contractual welfare defined by the applicable National Collective Labour Agreement. In this sphere, subscription to the complementary health assistance (Fondo Est) is reserved to employees with a permanent contract.

Within the Company and the Group, there have been no incidents based on discrimination.

[19] These indices are calculated as follows:
total hours of absence / maximum hours that could have been worked
total hours of absence for illness / maximum hours that could have been worked
The total number of absences is calculated taking into account all the hours of absence excluding holidays and leave.
[20] The absence from work of a worker is intended as being due to incapacity of any nature and not only related to illness or injury in the workplace. Authorised permits and leave due to maternity/paternity and for family reasons are excluded.

Supply chain

Risks and opportunities

The Group purchases products from over 2,200 suppliers throughout the world, in order to guarantee its customers a complete assortment of food products and equipment.

The Company has decided to undertake action aimed at an increasingly more accurate and aware control of respect for its own principles, in addition to the law, also on the part of the entire supply chain.

For this reason, suppliers are subjected to accurate vetting, to guarantee respect for the safety and quality features required of the products, both those of MARR's own trademarks and those of third parties' trademarks.

MARR is a leading company in the sale of fresh and frozen fish products, with procurement channels involving suppliers operating in various countries of the world. The fish segment is subject to risks linked to illegal fishing practices (illegal, undeclared and unregulated fishing) and, in some countries, the risk of the violation of human rights and failure to respect dignified labour conditions for the workers. In this context MARR has developed its own management regulations to control the "Sustainable Fish Supply Chain". The control system adopted on a voluntary basis aims to mitigate the direct and indirect risks linked to procurement from suppliers operating in this sector. Intervening at the supply chain level, in terms of the selection and monitoring of the suppliers, the Management System for controlling the "Sustainable Fish Supply Chain" pursues the promotion of the sustainable development of the fish sector, respect for the human rights of the people involved in the countries of origin and the procurement of fish products that can satisfy the quality, safety and labelling requisites according to the applicable laws and regulations. As indicated in the paragraph on "Environment", on March 2018 the control system adopted by MARR obtained certification by a third-party organisation recognised at international level and the MSC Certification for the Chain Custody.

The implementation of the Quality, Safety and Environment Management System adopted by MARR requires continuous and accurate planning of the activities and the involvement of all the personnel that operate within the organization. In terms of impact, with reference to the end consumer, the communication of information on the foodstuffs is also managed according to specific internal rules and involves various Managements of the Company, in the same way as food safety.

With specific reference to the fish sector, the Company has procurement channels that involve suppliers operating in third countries that can be disadvantaged for the social-economic conditions and that can present a higher risk level as regards respect for human rights. In this context MARR expressly requests its suppliers to respect the laws of each country and to conform to the international guidelines intended to guarantee respect for human rights and labour (the "Universal Declaration of Human Rights" and the "International Labour Organization Convention"). Said suppliers are required to sign specific supply agreements that include respect for said requisites. To check on suppliers' observance of the requisites of the supply agreements, MARR carries out programmed inspections at the production establishments located in third countries. Said inspections are carried out by MARR's internal auditors and by external inspectors of private certification bodies, and they are defined in specific control plans.

Policies implemented by MARR

The product suppliers of the MARR procurement chain and the service providers are selected, assessed and qualified according to methods and criteria defined in specific procedures of the Quality System, in accordance with the ISO 9001 standard. The Company has decided to take action aimed at increasingly more efficient control of respect for its own principles, as well as the law, also on the part of the entire supply chain.

The "Suppliers Assessment and Qualification" procedure of MARR's Quality System includes verification of system and product certifications held by suppliers, including the SA 8000 certificate regarding the Social Responsibility sphere. The SA 8000 standard integrates the aspects of the protection of workers' rights with those regarding safety at work and respect for rights, and it extends to the entire supply chain. Within the supply agreements, suppliers are also required to sign a specific "Declaration of Commitment to Social Responsibility" under which the supplier guarantees respect for all the principles of the SA 8000 standard, and in particular:

- not to use or sustain the use of child labour;
- not to use or sustain the use of forced labour;

- to guarantee a safe and healthy workplace, to adopt adequate measures to prevent accidents and damage to health by minimising the causes of danger ascribable to the work environment, and to respect everything contemplated by the laws in force on Health and Safety at Work;
- to respect laws and regulations on freedom of association and on the right to collective contracting;
- not to adopt or sustain discrimination in recruitment, remuneration, access to training, promotion, dismissal and retirement, based on race, class, national origin, religion, invalidity, gender, sexual orientation, trade union membership or political affiliation;
- not to use or sustain or tolerate the use of physical punishment, mental or physical coercion or verbal abuse;
- to conform to the work timetable contemplated by the laws in force and by the collective contracting of the category;
- to respect the National Collective Labour Agreement of reference also as regards the salaries paid.

The suppliers' performances are periodically assessed, in order to verify that the requested quality and service standards are maintained. Many elements are considered for said assessment, including: direct checks on the products purchased, data regarding the correct and regular delivery of the goods, and reports of customers' complaints and returns ascribable to the suppliers. During the supply period, the products purchased are checked on arrival and during processing/storage at the MARR establishments and platforms. The controls on arrival are carried out by skilled personnel trained in the test procedures and the specific control plans for the execution of the verifications. The main controls involve:

1) visual inspection to verify the state of conservation, the packaging of the product and the hygienic state of the vehicle;
2) labelling checks carried out on samples of packaged products to verify the presence of the information required for the consumer;
3) temperature controls on perishable and frozen products; the temperatures of reference and the tolerance limits are indicated in specific self-regulatory instructions;
4) check on conformity to the order and on the correctness of the accompanying documents;
5) analytical, microbiological and chemical checks on the basis of specific samples for each type of product.

The complete assessment of the suppliers also includes the analysis of reports of any complaints and/or returns from customers, in order to understand the causes of the non-conformities found and to identify the responsibilities.

The data of the "Suppliers' Assessment Questionnaires", the non-conformities of supplies and the reports of customers are used to draft the "List of Qualified MARR Suppliers". Said list is periodically updated. Any suppliers that obtain a less than completely positive assessment are requested by MARR to adopt provisions and corrective action to remedy the shortcomings found. If seriously critical situations occur relative to supplies, the appointed departments take immediate action towards the supplier (letters of warning, audits at the production establishments, sampling and analytic testing of the products, up to the suspension of the purchases), in order to eliminate the problems that have been discovered and to ensure the conformity of the products purchased.

Ethical and sustainable procurement, recognising the value of local products

Within the sphere of its activity of the distribution of foodstuffs and non-food to restaurants and catering establishments, MARR has put into practice several methods to guarantee its customers an extremely wide range of products conforming to minimum environmental criteria, as contemplated by Annex 1 of the Italian Ministerial Decree of 25 July 2011 (NAP GPP - "Minimum environmental criteria for the service of collective catering and the supply of food commodities"). MARR has a products portfolio of over 15,000 food articles including organic products, PGI and DPO products, traditional agro-food products, certified biologically grown products and fair trade products. To promote environmental and social sustainability, MARR, with adequate programming, can also supply products with special production features, such as, for example: short chain products (Km 0) and fruit and vegetable products of green care farming. These products allow the collective catering operators (refectories, schools, hospitals) to adopt a Green Public Procurement policy consistent with the National Action Plan on GPP (NAP GPP) and they allow the professionals of commercial catering (restaurants, hotels, tourist resorts) to promote ecological catering measures and sustainable tourism.

Green Product Categories	
GPP conforming products	Products which allow for implementing a Green Public Procurement policy, consistent with the National Action Plan on GPP (NAP GPP) and which satisfy one or more environmental sustainability requisites contemplated by Annex I of the Ministerial Decree of 25 July 2011.
DPO products	The Denomination of Protected Origin (DPO) mark indicates the legal protection attributed by the European Union to agricultural products and foodstuffs whose production process is carried out in a limited geographic area and which conforms to certain production rules. The entire production, the transformation and the processing of such products must take place within the limited area. The features of DPO products are essentially or exclusively due to the geographic environment, including natural and human factors.
PGI products	The Protected Geographic Indication (PGI) mark indicates the legal protection attributed by the European Union to agricultural products and foodstuffs that are native to a region or country whose qualities, reputation and features depend on the geographic origin, and of which at least one step of the production, transformation and processing takes place within the limited area.
Organic products	Organic agriculture is a type of agriculture which considers the entire agricultural ecosystem, exploits the natural fertility of the soil favoring this with limited action, promotes the biodiversity of the environment in which it is practised and excludes the use of synthetic products (except those specifically allowed by Community regulations) and genetically modified organisms. The European organic agriculture mark gives consumers the assurance of the origin and quality of what they eat and drink. The presence of the mark on the products guarantees conformity to the EU regulation on ecological farming. The European ecological mark is placed on packaged and labelled food products of which at least 95% of the ingredients come from ecological farming.
Fair Trade products	Fair Trade products are a concrete and sustainable alternative to international trade and represent a tangible economy carried out by people for people, in which work offers dignity and a future for millions of workers, especially in the southern countries of the world. Fair Trade is a primary objective for re-balancing relations with the economically less developed countries, improving their access to the market through fair earnings and dignified work conditions. In this way, the producers receive a fair and stable remuneration and an additional margin to invest in the growth of the community.
Ecological aqua-culture products	Ecological aqua-culture promotes fresh and salt water fish farming, including shrimps and other molluscs, clams, oysters and also algae, by means of certified ecological techniques. The fundamental aspects of ecological aqua-culture are: to guarantee that the organism completes its entire life cycle in the breeding plant, to maintain breeding stress equal to or near zero also thanks to the reduced impact of man on the animal's life, and to refrain from administering hormonal additives to the fish or fish feed based on fish oils or flours or GMOs.

Sustainable fishing products	Sustainable fishing products answer certain environment sustainability criteria; the fishing areas are, in fact, managed in a manner that guarantees respect for the existing fish resources, considering their reproductive capacity and the biodiversity. The products that are awarded this certification (such as, for example, the MSC – Marine Stewardship Council - certification) come from fishing areas governed by advanced management programmes. The MSC mark is the most common and internationally well-known system that guarantees sustainable fishing.
Non-food (detergents, ecological paper, table napkins, table cloths, etc.)	
Ecolabel product	The EU Ecolabel (EC Regulation no. 66/2010) is the European Union mark of ecological quality awarded to the best products from an environmental viewpoint, which can thus be distinguished from those of the competitors on the market, and which, in any case, maintain high performance standards. In fact, the label testifies to the fact that the product has reduced environmental impact throughout its entire life cycle.
Sustainable forest management FSC and PEFC Products	The purpose of the FSC (Forest Stewardship Council) and PEFC (Pan-European Forest Certification Project) certifications, two of the internationally most common certification schemes, is to identify the management of ecosystems based on sustainability principles. Wood-based products (paper, packaging, etc.) bearing these marks are certified independently and come from forests managed in a manner that respects the social, economic and environmental needs of today's generations and those of the future. In this way the management and traceability of products derived from wood processing are certified, with the aim of protecting the biodiversity of the forests and woods, respecting their normal rhythm of growth.

We lastly point out that, consistently with its business methodology, animal welfare is also an area of interest for MARR, in line with the growing sensitivity of consumers towards this subject. Attention in this sense is directed towards the goal of making available, in the MARR assortment, of products of animal origin which come from production chains that respect the dignity and well-being of the animals. In this context, MARR has prepared its own policy which describes the medium-term objectives and commitments (http://www.marr.it/substainability/animalwelfare).

Non-financial performance

The total number of suppliers with which the Company has operated in the years of reference is given below, with indication of those selected according to social and/or environmental criteria, i.e. suppliers that deal in certified products as indicated in the table attached to the preceding paragraph or suppliers with ISO14001 and/or SA8000 certification:

Selected suppliers that satisfy social/environmental criteria	2018	2017	2016
Total Suppliers	2,211	2,498	2,274
- of which, selected according to social/environmental criteria	357	267	252
% of the total	16%	11%	11%

Of the above-indicated suppliers, with characteristics that answer social/environmental criteria, with which MARR has worked in 2018, 5 new suppliers were included during the year (no. 2 in the year 2017).

We point out that the data indicated in the table regard only MARR S.p.A. inasmuch as the subsidiaries, did not have a reporting system which monitored this aspect; in the future, the Group will organise itself in order to create a consolidated reporting system.

In support of the national socio-economic framework and support of the local communities where the Group carried out its main activities (approximately 94% of the Group returns are realised within Italian territory), the 2018 figures confirm the trend in the triennium, highlighted by a value of purchases[21] made by MARR S.p.A. from local suppliers (Italy) amounting to 60% of the total supplies.

Local suppliers (€ thousand)	2018	2017	2016
Total expenditure for procurement	1,325,825	1,211,291	1,118,346
- of which, from national suppliers	795,258	725,713	673,360
% of the total	60%	60%	60%

[21] The figure for total procurement expenditure represents the cost for the purchase of merchandise without taking into account connected charges or other purchase adjustments, therefore it does not actually coincide with the cost for the purchase of merchandise indicated in the Notes to the Accounts of the MARR financial statements for the period.

Methodological Note

MARR's Consolidated Non-Financial Statement has been drawn up pursuant to Legislative Decree no. 254 of 30 December 2016, taking as reference the "Sustainability Reporting Standards" published in October 2016 by the GRI (Global Reporting Initiative) and adopting the "GRI-Referenced" approach. The list of the selected indicators is given in the annex of this document, in the "Table of relationship with Legislative Decree 254/16". In accordance with the GRI standards, the Statement contains information relative to the aspects that are deemed material and which indicates the impacts that have significance for the Organisation from the economic, environmental and social viewpoints and which can substantially influence the stakeholders' assessments and decisions.

The data and information acquisition process, for the drafting of this Statement, was managed in collaboration with the various Company departments, in order to clearly and precisely communicate the information deemed significant for the stakeholders according to the principles of balance, comparability, accuracy, timeliness, clarity and reliability expressed by the GRI standards. The process involved the preparation of a Reporting Package containing the disclosure elements identified, together with the Key Users, within the Group. The information acquired has been checked and consolidated by the Head Office, specifically by the department responsible.

Unless otherwise stated, the figures and information in this Declaration refer to the MARR Group, this being considered as all of the operating companies entirely consolidated within the scope of the Annual Financial Report as at 31 December 2018. Therefore, the perimeter of recording the figures reported excludes MARR Foodservice Iberica, a non-operating company, and Si'Frutta S.r.l., an associated by not consolidated company. That previously described in the paragraph "The corporate identity" (which see for more details in this regard) must be noted, that the subsidiaries DE.AL. S.r.l. – Depositi Alimentari and Speca Alimentari S.r.l. were merged into MARR. Lastly, it should be noted that, as all of the companies operate in the distribution of food products to operators in out of home catering, the risks and opportunities with regard to the activities of MARR S.p.A. are the same as those for the entire Group.

For the assessment of the trend of the Group's activities and for purposes of comparison, the data relative to the 2018 financial period also show the data relative to the previous two financial periods.

Lastly, any estimates used for the quantitative information represented in this document have been opportunely pointed out in the various chapters.

Table of relationship with Legislative Decree 254/16

Legislative Decree 254/2016 topic	Material topic	Identified risks	Policies practised and risk management method		Specific standard/disclosure of the topic		Chapter/Paragraph of reference	Scope of the report	Notes
Environment	Electricity and fuel consumption	Chap. Environment	The Group refers to the “Quality, Safety and Environment Policy”. In addition to the above, it adheres to the polices adopted expressly referred to in the Code of Ethics and the ISO 14001 Management Model, as also explained on the MARR website in the section “Sustainability - Environment Protection” (http://www.marr.it/sostenibilita-ambientale/tutela-ambiente). For the risk management method please refert to the pharagraph "Enviroment - Policies implemented by MARR".	102-15 Risks, impacts and opportunities 2016 103 Management approach 2016	302-1 2016	Energy consumption within the Group	Chap. Environment	The Marr Group, all the consolidated companies as defined in the Methodological Note	
					302-3 2016	Energy intensity		The Marr Group, all the consolidated companies as defined in the Methodological Note	
	Water consumption	Chap. Environment			303-1 2016	Water withdrawal per source	Chap. Environment	The MARR Group, all the consolidated companies as defined in the Methodological Note except, only for the year 2016, New Catering (whose impact is insignificant on the total of the Group). However, the Group undertakes to cover the entire perimeter for the year 2019.	
					306-1 2016	Water discharged			The Company cannot precisely calculate the volume of water discharged; since there are no devices to measure the quantity of water discharged, the volume of water withdrawal has been considered assuming that the volume of water reported will be greater than the actual volume of water discharged. The only exemption was relatef to MARR Milano Distribution Centre where, during 2018, has been started a flow meter, in that case it was possible evaluate the correctly quantity of water discharge through evaporation. The Group will consider whether it is possible to adopt technical solutions in order to measure said quantity or to make a reasonable estimate of the total consumption and report it in the future years.
	Use of raw materials Management of packaging	Chap. Environment			301-1 2016	Materials used by weight and volume	Chap. Environment	The MARR Group, all the consolidated companies as defined in the Methodological Note. except AS.CA and New Catering only as regards the figure relative to chemical substances. However, the Group undertakes to cover the entire perimeter for the year 2019.	
	Legal compliance	Chap. Environment			307-1 2016	Non-compliance with laws and environmental regulations	Chap. Environment	The Marr Group, all the consolidated companies as defined in the Methodological Note	
	Wastes	Chap. Environment			306-2 2016	Wastes by type and disposal method	Chap. Environment	The Marr Group, all the consolidated companies as defined in the Methodological Note	In respect of the laws on wastes and the municipal regulations applicable in the territory of competence of the single units/branches, the Group transfers part of the wastes to the service companies appointed by the individual town councils, in respect of the law and with payment of the relative Waste Collection Fee. With this method, evidence of the quantities transferred to the service companies indicated by the town councils is not available and therefore the figure represents the amount of wastes disposed of by the companies of the Group through private waste disposal companies in respect of Legislative Decree 152/06.
	Ethical and sustainable procurement	Chap. Environment	The Group refers to the “Quality, Safety and Environment Policy”. In addition, the policies that it practices refer expressly to the contents of the Code of Ethics and the supply agreements. For the risk management method please refert to the pharagraph "Enviroment - Policies implemented by MARR".		308-1 2016	New suppliers selected according to environmental criteria	Chap. Environment	The MARR Group, all the consolidated companies as defined in the Methodological Note except AS.CA and New Catering.	
	Emissions	Chap. Environment	The Group refers to the “Quality, Safety and Environment Policy”. In addition to the above, it adheres to the polices adopted expressly referred to in the Code of Ethics, as also explained on the MARR website in the section "Sustainability - Environment Protection" (http://www.marr.it/sostenibilita-ambientale/tutela-ambiente). For the risk management method please refert to the pharagraph "Enviroment - Policies implemented by MARR".		305-4 2016	Intensity of greenhouse gas emissions	Chap. Environment	The Marr Group, all the consolidated companies as defined in the Methodological Note	
		Chap. Environment			304-1 2016	Operating sites owned, rented or managed within or near protected areas or areas of high value for biodiversity	Chap. Environment	The Marr Group, all the consolidated companies as defined in the Methodological Note	
		Chap. Environment			305-1 2016	Direct GHG emissions (Scope 1)	Chap. Environment	The Marr Group, all the consolidated companies as defined in the Methodological Note	
		Chap. Environment			305-2 2016	Indirect GHG emissions from energy sources (Scope 2)	Chap. Environment	The Marr Group, all the consolidated companies as defined in the Methodological Note	
	Emissions Impact of logistics	Chap. Environment			305-3 2016	Indirect GHG emissions from other sources (Scope 3)	Chap. Environment	The MARR Group, all the consolidated companies as defined in the Methodological Note except AS.CA and New Catering.	The Group includes within Scope 3 only the emissions due to fuel for road transport provided by third parties, excluding the Agents with storage facilities and transport between branches. The Group undertakes to asses the implementation of a reporting system that guarantees the completeness and accuracy of the information relative to goods transport and which will be given within 2020.

Table of relationship with Legislative Decree 254/16

Legislative Decree 254/2016 topic	Material topic	Identified risks	Policies practised and risk management method		Specific standard/disclosure of the topic		Chapter/Paragraph of reference	Scope of the report	Notes
Social	Upgrading of the value of local products	Chap. Supply chain	The Group refers to the "Quality, Safety and Environment Policy" and the "Animal Welfare Policy". In addition, the policies that it practices refer expressly to the contents of the following documents: - Code of Ethics; - Supply agreements. See also what is indicated on the Company's website in the sections on "Quality" (http://www.marr.it/gruppo/qualità), "Sustainability - Green products" ("http://www.marr.it/prodotti-verdi") and "Sustainability - Sustainable fishing ("http://www.marr.it/sostenibilita/pesca-sostenibile"). For the risk management method please refert to the pharagraph "Supply chain - Policies implemented by MARR".	102-15 Risks, impacts and opportunities 2016 103 Management approach 2016	204-1 2016	Percentage of expenditure concentrated on local suppliers	Chap. Supply chain	The MARR Group, all the consolidated companies as defined in the Methodological Note except AS.CA and New Catering. However, the Group undertakes to cover the entire perimeter for the year 2019.	
	Social/cooperation commitment	Chap. Supply chain			414-2 2016	Negative social impact in the supply chain and the action undertaken	Chap. Supply chain	The MARR Group, all the consolidated companies as defined in the Methodological Note except AS.CA and New Catering.	Although the Group does not give specific indicators on this topic it is considered material and the Group intends to implement a monitoring system for the year 2019 which will allow for formalising what is already practised and for obtaining confirmation of the information.
	Product quality and safety	Chap. Food health and safety			416-1 2016	Assessment of the categories of products and services with impact on health and safety	Chap. Food health and safety	The Marr Group, all the consolidated companies as defined in the Methodological Note	The Group considers this subject to be material; inasmuch as regarding sensitive information, it prefers a qualitative and not quantitative disclosure.
	Product labelling and information for consumers				417-1 2016	Type of information necessary on product labels and for services		The Marr Group, all the consolidated companies as defined in the Methodological Note	Since our suppliers (producers) must provide for the activities or compliance with labelling rules, the Group does not report this figure inasmuch as it only carries out conformity checks and quality verifications on the products, reporting any anomaly to the relative supplier. See the chapter on "Food health and safety".
	Impact on/integration with the territory and the local community	Chap. Supply chain			414-1 2016	New suppliers selected according to social/environmental criteria	Chap. Human resources	The MARR Group, all the consolidated companies as defined in the Methodological Note except AS.CA and New Catering. However, the Group undertakes to cover the entire perimeter for the year 2019.	
Relative to personnel	Human resources management	Chap. Human resources	The Group has not drawn up a formalised policy, however the policies that it practises refer to the contents of the procedures of the Human Resources Management and the Code of Ethics. The Group undertakes to issue/define a policy on this matter for 2019. For the risk management method please refert to the pharagraph "Human Resources - Policies implemented by MARR".	102-15 Risks, impacts and opportunities 2016 103 Management approach 2016	401-1 2016	Total number and turnover rate by age group, gender and region	Chap. Human resources	The Marr Group, all the consolidated companies as defined in the Methodological Note	
					401-2 2016	Benefits for permanent workers not offered to temporary and part-time workers			
					401-3 2016	Parental leave			
					102-8 2016	Information on personnel			
	Industrial relations				402-1 2016	Minimum period of notice in the case of organisational changes	In accordance with the National Collective Labour Agreement, the Company meets the Trade Unions, normally within the first four months of every year, to inform them of relevant processes of reorganisation, outsourcing, restructuring, etc. In the case of the transfer of a Company with more than fifteen workers (in accordance with Article 2112 of the Civil Code), the trade union representatives are advised in writing with advance notice of at least twenty-five days.		
					102-41 2016	Existence of collective labour agreements	Chap. Human resources		
	Protection of diversity				405-1 2016	Diversity within the governance bodies and within the personnel			In consideration of the composition of the governance bodies, the Group has chosen to report the number of the members instead of the percentage incidence of the same, as requested by the GRI
					405-2 2016	Ratio between basic salary and men's and women's remuneration by category and by operational qualification			
	Personnel training				404-1 2016	Average hours of training per employee per year			
					412-2 2016	Personnel training on policies and procedures relative to human rights			
	Employees' health and safety	Chap. Health and Safety at Work			403-2 2016	Accidents and accident indices, occupational diseases, days lost, absenteeism and the number of non-fatal accidents linked to work	Chap. Health and Safety at Work		The indices are calculated using, as a denominator, the number of hours worked instead of the number of hours that could have been worked as requested by the GRI, for the sake of consistency with the data communicated in other reports.

Table of relationship with Legislative Decree 254/16

Legislative Decree 254/2016 topic	Material topic	Identified risks	Policies practised and risk management method		Specific standard/disclosure of the topic		Chapter/Paragraph of reference	Scope of the report	Notes
Respect for human rights	Respect for human rights	Chap. Human resources	The Group refers to the “Quality, Safety and Environment Policy”. In addition, the policies that it practices refer expressly to the contents of the Code of Ehhics and the supply agreements. For the risk management method please refert to the pharagraph "Human Resources - Policies implemented by MARR".	102-15 Risks, impacts and opportunities 2016 103 Management approach 2016	406-1 2016	Incidents based on discrimination and the action undertaken	Chap. Human resources	The Marr Group, all the consolidated companies as defined in the Methodological Note	
					412-1 2016	Total number of activities subject to review or assessment of impact on human rights	During the year, the Company has not reviewed or assessed the impact on human rights of any activity.		
Fight against corruption	Fight against corruption	Chap. Fight against corruption	The Group does not have a formalised policy, however the policies that it practises refer to the contents of the Organisational Model, the Self-Regulatory Code and the Code of Ethics. The Group undertakes to issue/define a policy on this matter for 2019. For the risk management method please refert to the pharagraph "Fight against corruption - Policies implemented by MARR".	102-15 Risks, impacts and opportunities 2016 103 Management approach 2016	205-1 2016	Activities subject to the risk of corruption	Chap. Fight against corruption	The Marr Group, all the consolidated companies as defined in the Methodological Note	The Group, subsequent to the risk assessment activity, identifies the activities of greater risk, but it is not able to report a specific number. The Group will implement a monitoring system in 2019, which will allow for formalising what is already practised and which will confirm the number of activities subject to the risk of corruption.
					205-2 2016	Communications and training on anti-corruption policies and procedures			
					205-3 2016	Confirmed incidents of corruption and relative measures adopted			
	Legal compliance				419-1 2016	Non-compliance with law in the economic and social sphere	During the year no cases of legal non-compliance were registered		
	Anti-competition practices				206-1 2016	Legal action for anti-competitive, anti-trust and monopolistic behaviour	Chap. Fight against corruption		

MARR SPA

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND ART. 5 OF CONSOB REGULATION NO. 20267 OF JANUARY 2018

YEAR ENDED 31 DECEMBER 2018

pwc

Independent Auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Marr SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of Marr SpA and its subsidiaries (hereafter the "Group" or "Marr Group") for the year ended 31 December 2018, in accordance with article 4 of the Decree, included in specific section of Management report and approved by the Board of Directors on 12 March 2019 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the GRI-"Sustainability Reporting Standards ", defined in 2016 by the GRI-Global Reporting Initiative (hereafter "GRI Standards"), as laid down in paragraph "Methodological Note" of the NFS, identified by them as the reporting standard, with reference to a selection of GRI Standards therein contained.

Directors are responsible, in the terms prescribed by law, for such internal control they deem to be necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, performance, results and related impacts.

Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. understanding of the following matters:
   - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below.

4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Marr SpA, and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

   Moreover, for material information, considering the activities and characteristics of the Group:

   - at a group level,
     a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
     b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
   - for Marr SpA, which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out site visits and walk through procedures during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Marr Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to a selection of GRI Standards therein contained.

Bologna, 27 March 2019

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers. We have not performed any verification procedures on the English translation of the NFS of Marr Group as of 31 December 2018.

MARR GROUP

Consolidated Financial Statements

as at December 31, 2018

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(€thousand)	Notes	31.12.18	31.12.17
ASSETS			
Non-current assets			
Tangible assets	1	68,168	70,149
Goodwill	2	149,921	149,921
Other intangible assets	3	2,176	1,774
Investments valued at equity	4	516	735
Investments in other companies		304	315
Non-current financial receivables	5	723	1,171
Non current derivative/financial	6	2,513	586
Deferred tax assets	19	0	0
Other non-current assets	7	30,880	31,357
Total non-current assets		255,201	256,008
Current assets			
Inventories	8	158,878	147,552
Financial receivables	9	2,878	1,964
relating to related parties		*1,957*	*1,259*
Financial instruments / derivative	10	1	11
Trade receivables	11	369,889	369,752
relating to related parties		*16,101*	*14,020*
Tax assets	12	3,312	9,323
relating to related parties		*109*	*1,224*
Cash and cash equivalents	13	178,410	156,285
Other current assets	14	58,156	49,649
relating to related parties		*457*	*304*
Total current assets		771,524	734,536
TOTAL ASSETS		*1,026,725*	*990,544*
LIABILITIES			
Shareholders' Equity			
Shareholders' Equity attributable to the Group	15	324,272	304,726
Share capital		*33,263*	*33,263*
Reserves		*207,868*	*193,600*
Retained Earnings		*0*	*0*
Profit for the period attributable to the Group		*83,141*	*77,863*
Total Shareholders' Equity		324,272	304,726
Non-current liabilities			
Non-current financial payables	16	218,357	195,695
Non current derivative/financial instruments		0	0
Employee benefits	17	8,418	9,264
Provisions for risks and costs	18	5,981	6,001
Deferred tax liabilities	19	2,088	524
Other non-current liabilities	20	1,116	1,045
Total non-current liabilities		235,960	212,529
Current liabilities			
Current financial payables	21	119,578	120,161
relating to related parties		*0*	*0*
Current derivative/financial instruments	22	10	7
Current tax liabilities	23	1,953	1,654
relating to related parties		*0*	*0*
Current trade liabilities	24	323,227	328,860
relating to related parties		*8,829*	*9,011*
Other current liabilities	25	21,725	22,607
relating to related parties		*144*	*250*
Total current liabilities		466,493	473,289
TOTAL LIABILITIES		*1,026,725*	*990,544*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€thousand)	*Notes*	31.12.18	31.12.17
Revenues	26	1,627,882	1,585,782
relating to related parties		*63,557*	*55,558*
Other revenues	27	39,641	38,776
relating to related parties		*688*	*466*
Changes in inventories	8	11,326	4,576
Purchase of goods for resale and consumables	28	(1,324,931)	(1,284,279)
relating to related parties		*(90,570)*	*(75,911)*
Personnel costs	29	(37,890)	(37,512)
Amortization, depreciation and write-downs	30	(20,060)	(18,990)
Other operating costs	31	(196,851)	(191,303)
relating to related parties		*(3,047)*	*(3,021)*
Financial income and charges	32	(3,364)	(4,949)
relating to related parties		*1*	*11*
Revenues/(Losses) form investments evaluated using the Net Equity method		0	(156)
Pre-tax profits		95,753	91,945
Taxes	33	(27,248)	(26,441)
Profits for the period		68,505	65,504
Atributable to:			
Shareholders of the parent company		68,505	65,504
Minority interests		0	0
		68,505	*65,504*
basic Earnings Per Share (euro)	34	1.03	0.98
diluted Earnings Per Share (euro)	34	1.03	0.98

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(€thousand)	*Notes*	31.12.18	31.12.17
Profits for the period (A)		68,505	65,504
Items to be reclassified to profit or loss in subsequent periods:			
Efficacious part of profits/(losses) on cash flow hedge instruments, net of taxation effect		162	161
Items not to be reclassified to profit or loss in subsequent			
Actuarial (losses)/gains concerning defined benefit plans, net of taxation effect		114	68
Total Other Profits/Losses, net of taxes (B)	*35*	276	229
Comprehensive Income (A + B)		68,781	65,733
Atributable to:			
Shareholders of the parent company		68,781	65,733
Minority interests		0	0
		68,781	*65,733*

CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
(Note n. 15)

Description	Share Capital	Other Reserves											Profits carried over from consolidated	Total Group net equity
		Share premium reserve	Legal reserve	Revaluation reserve	Shareholders contributions on capital account	Extraordinary reserve	Reserve for exercised stock options	Reserve for transition to the Ias/Ifrs	Cash -flow hedge reserve	Reserve ex art. 55 (DPR 597-917)	Reserve IAS 19	Total reserves		
Balance at 1st January 2017	33,263	63,348	6,652	13	36,496	70,119	1,475	7,290	(1,901)	1,474	(826)	184,141	68,161	285,565
Allocation of 2016 profit						9,235						9,235	(9,235)	
Distribution of subsidiaries company dividends													(46,568)	(46,568)
Other minor variations										(6)		(5)	1	(4)
Consolidated comprehensive income 2017:														
- Profit for the period													65,504	65,504
- Other Profits/Losses, net of taxes									161		68	229		229
Balance at 31 December 2017	33,263	63,348	6,652	13	36,496	79,354	1,475	7,290	(1,740)	1,468	(758)	193,600	77,863	304,726
Allocation of 2017 profit						13,998						13,998	(13,998)	
Distribution of subsidiaries company dividends													(49,229)	(49,229)
Effect of the trading of own shares														
Other minor variations										(6)		(6)		(6)
Consolidated comprehensive income 2018:														
- Profit for the period													68,505	68,505
- Other Profits/Losses, net of taxes									162		114	276		276
Balance at 31 December 2018	33,263	63,348	6,652	13	36,496	93,352	1,475	7,290	(1,578)	1,463	(644)	207,868	83,141	324,272

CONSOLIDATED CASH FLOWS STATEMENT (INDIRECT METHOD)

Consolidated (€thousand)	31.12.18	31.12.17
Profit for the Period	68,505	65,504
Adjustment:		
Amortization / Depreciation	7,197	6,561
Change in deffered tax	1,639	211
Allocation of provison for bad debts	12,484	11,951
Provision for supplementary clientele severance indemnity	385	484
Write-downs of investments non consolidated on a line – by – line basis	0	156
Capital profit/losses on disposal of assets	101	(6)
relating to related parties	*0*	*0*
Financial (income) charges net of foreign exchange gains and losses	3,366	4,811
relating to related parties	*(1)*	*(11)*
Foreign exchange evaluated (gains)/losses	(101)	(39)
Total	25,071	24,129
Net change in Staff Severance Provision	(845)	(1,563)
(Increase) decrease in trade receivables	(12,359)	(13,717)
relating to related parties	*(2,081)*	*(1,936)*
(Increase) decrease in inventories	(11,326)	(4,576)
Increase (decrease) in trade payables	(5,713)	15,730
relating to related parties	*(182)*	*2,069*
(Increase) decrease in other assets	(8,030)	(10,980)
relating to related parties	*(153)*	*(132)*
Increase (decrease) in other liabilities	(1,216)	(1,552)
relating to related parties	*(106)*	*220*
Net change in tax assets / liabilities	31,201	26,716
relating to related parties	*20,735*	*22,011*
Interest paid	(5,526)	(6,090)
relating to related parties	*0*	*0*
Interest received	2,160	1,279
relating to related parties	*1*	*11*
Foreign exchange evaluated gains	101	39
Income tax paid	(24,842)	(28,306)
relating to related parties	*(19,620)*	*(22,224)*
Cash-flow from operating activities	57,181	66,613
(Investments) in other intangible assets	(422)	(903)
(Investments) in tangible assets	(5,769)	(5,169)
Net disposal of tangible assets	838	643
Net (investments) non consolidated on a line – by – line basis	(516)	0
Net (investments) in equity investments in other companies	11	4
Outgoing for acquisition of subsidiaries or going concerns during the year (net of the cash acquired)	(10,661)	(11,775)
Cash-flow from investment activities	(16,519)	(17,200)
Distribution of dividends	(49,229)	(46,568)
Other changes, including those of third parties	266	224
Net change in financial payables (excluding the new non-current loans received)	(20,612)	5,380
relating to related parties	*0*	*0*
New non-current loans received	123,394	115,000
relating to related parties	*0*	*0*
Repayment of other long - term debt	(69,973)	(88,994)
relating to related parties	*0*	*0*
Net change in current financial receivables	(904)	1,874
relating to related parties	*(698)*	*1,671*
Net change in non-current financial receivables	(1,479)	5,797
relating to related parties	*0*	*0*
Cash-flow from financing activities	(18,537)	(7,287)
Increase (decrease) in cash-flow	22,125	42,125
Opening cash and equivalents	156,285	114,160
Closing cash and equivalents	178,410	156,285

For the reconciliation between the opening figures and closing figures with the relevant movements of the financial liabilities deriving from financing activities (as required by paragraph 44A of IAS 7), see Appendix 9 to the following explanatory notes.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Corporate information

MARR Group operates entirely in the commercialisation and distribution of food products to the Foodservice sector.

In particular, the parent company MARR S.p.A., with headquarters in Via Spagna 20, Rimini, operates in the commercialisation and distribution of fresh, dried and frozen food products to the Foodservice.

The consolidated financial statements for the business year closing as at 31 December 2018 were authorised for publication by the Board of Directors on 12 March 2019.

Structure and contents of the consolidated financial statements

The consolidated financial statements as at 31 December 2018 have been prepared in accordance with the accounting policies and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedures in art. 6 of (EC) Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002 as acknowledged by Legislative Decree 38 dated 28 February 2005 and subsequent CONSOB amendments, communications and decisions.

Reference to the international accounting standards, adopted in the preparation of the consolidated financial statements as at 31 December 2018, is indicated in the "Accounting policies" section.

For the purposes of the application of IFRS 8 it is noted that the Group operates in the "Distribution of food products to the Foodservice" sector only; as regards performance levels in 2018, see that described in the Directors' Report on management performance.

The consolidated financial statements as at 31 December 2018 include, for comparative purposes, the figures for the year ended on 31 December 2017.

The following classifications have been used:

- "Statement of financial position" by current/non-current items
- "Statement of profit or loss" by nature
- "Cash flows statement" (indirect method)

These classifications are deemed to provide information which is better suited to represent the economic and financial situation of the Group.

Appendix 2 contains the Statement of financial position, the Statement of Profit or Loss, the Statement of Other Comprehensive Income, Cash Flows Statement and the Statement of changes in the shareholders' equity of MARR S.p.A.. This report omits the explanatory notes concerning the accounting situation of the Parent Company, as this does not contain significant additional information compared to that contained in the MARR Group Consolidated Financial Statements, as highlighted in the table below, illustrating the impact of the parent company MARR S.p.A. on the Group consolidated data.

(€thousand)	*31.12.18 MARR Consolidated*	*31.12.18 MARR S.p.A.*	*Impact %*
Revenues from sales and services	1,627,882	1,548,853	95.1%
Total Asset	1,026,725	1,003,039	97.7%
Net profit for the period	68,505	64,649	94.4%

All amounts are shown in Euros.

The statements and tables contained in this consolidated financial statements are shown in thousands Euros.

These financial statements have been prepared using the principles and accounting policies illustrated below:

Consolidation method

Consolidation is made by using the line-by-line method, which consists in recognizing all the items in the assets and liabilities in their entirety. The main consolidation criteria adopted to apply this method are the following:

- Subsidiaries have been consolidated as from the date when control was actually transferred to the Group, and are no longer consolidated as from the date when control was transferred outside the Group.
- Assets and liabilities, charges and income of the companies consolidated on a line-by-line basis, have been fully entered in the consolidated financial statements; the book value of equity investments has been written off against the corresponding portion of shareholders' equity of the related concerns, by assigning to each single item of the statement of financial position's assets and liabilities, the current value as at the date of acquisition of control (purchase method as defined by IFRS 3, "Business combinations"). Any residual difference, if positive, is entered under "Goodwill" in the assets; if negative, in the income statement.
- Mutual debt and credit, costs and revenues relationships, between consolidated companies, and the effects of all significant transactions between these companies, have been written off.
- The portions of shareholders' equity and of the results for the period of minority shareholders have been shown separately in the consolidated shareholders' equity and income statement: this holding is determined on the basis of the percentage held in the fair value of the assets and liabilities recorded at the date of original takeover and in the changes in shareholders' equity after this date.
- Subsequently, the profits and losses are attributed to the minority shareholders on the basis of the percentage they hold and the losses are attributed to minorities even if this implies that the minority holdings have a negative balance.
- Changes in the shareholding of the parent company in a subsidiary which do not imply loss of control are accounted as equity transactions.
- If the parent company loses control over a subsidiary, it:
  - derecognises the assets (including any goodwill) and liabilities of the subsidiary,
  - derecognises the carrying amount of any non-controlling interest,
  - derecognises the cumulative translation differences recorded in equity,
  - recognises the fair value of the consideration received,
  - recognises the fair value of any investment retained,
  - recognises any surplus or deficit in the profit and loss,
  - re-classifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

Scope of consolidation

The consolidated financial statements as at 31 December 2018 include the financial statements of the Parent Company MARR S.p.A. and those of the companies it either directly or indirectly controls.
Control is achieved when the Group is exposed or has the right to variable performance levels, deriving from its own relations with the entity involved in the investment and, simultaneously, has the capacity to affect these performance levels by exercising its power over the entity. Specifically, the Group controls a subsidiary if, and only if, the Group has:

- the power over the entity involved in the investment (or has valid rights conferring upon it the current capacity to manage the significant activities of the entity being invested in);
- exposure or the right to variable performance levels deriving from relations with the entity being invested in;
- the capacity to exercise its own power over the entity being invested in terms of affecting the amount deriving from its performance.

There is a general assumption that the majority of voting rights implies control. In support of this assumption and when the Group possesses less than the majority of the voting (or similar) rights, the Group considers all the significant facts and circumstances to establish whether it controls the entity being invested in, including:

- contractual agreements with other owners of voting rights;
- rights deriving from contractual agreements;
- voting rights and potential voting rights of the Group.

The Group reconsiders whether it has control over a subsidiary or not if the facts and circumstances indicate that there have been changes in one or more of the significant elements defining control.
The complete list of subsidiaries included in the scope of consolidation as at 31 December 2018, with an indication of the method of consolidation, are attached in Appendix 1.

The consolidated financial statements have been prepared on the basis of the financial statements as at 31 December 2018 prepared by the subsidiaries included in the scope of consolidation and adjusted, if necessary, in order to align them to the accounting Group policies and classification criteria, in accordance with IFRS.

As at 31 December 2018 the scope of consolidation differs from that at 31 December 2017, due to the purchase of the remaining 50% of Griglia Doc S.r.l.'s share capital finalized by the subsidiary DE.AL – Depositi Alimentari on 27 February 2018. Griglia Doc was later merged by incorporation in DE.AL. S.r.l., with legal effects that came into force on 25 June 2018 and tax effect that came from 1st January 2018.
It must be noted that the company Griglia Doc S.r.l. was incorporated on 4 April 2016, with a 50% holding of the subsidiary DE.AL. – S.r.l. Depositi Alimentari. The holding in Griglia Doc was therefore valued at net equity until 31 December 2017.
As of the date of takeover of control, the overall cost of the holding amounted to a net value of 930 thousand Euros; the operation did not generate the recording of any value in the assets in the balance sheet as goodwill and, net of the cash out of 190 thousand Euros, it generated an overall impact on the new financial position amounting to a positive value of 67 thousand Euros. As regards the impacts on the Consolidated Income Statement as at 31 December 2018, see specifically the paragraph entitled Investments in the Directors' Report and the following paragraphs in the Explanatory Notes.

Compared to December 31, 2017 it should be recalled that on 3 August, with the aim to achieve rationalization in terms of economic, financial and administrative management, the Board of Directors of MARR S.p.A. approved the planned merger by incorporation into MARR S.p.A. of the fully owned companies DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l., companies whose activities were limited to the lease of the going concerns to the Parent Company.
The transaction had legal effects from 1 December and tax effects from 1 January 2018.

Accounting policies

The most significant Accounting policies adopted for the preparation of the consolidated financial statements as at 31 December 2018 are indicated below:

Tangible assets

Tangible assets are entered at their purchase cost or production cost, inclusive of directly allocated additional charges required to make the assets available for use. As permitted by IFRS 1, in the context of the first time adoption of the International Accounting Standards, the Company has measured certain land and buildings owned at fair value, and has adopted such fair value as the new cost subject to depreciation.
No revaluations are permitted, even if pursuant to specific laws. Assets subject to capital lease are entered under tangible assets against a financial payable to the lessor, and depreciated in accordance with the criteria below.
Tangible assets are systematically depreciated on a straight-line basis over their expected useful life, based on the estimate of the period over which the assets will be used by the Company. When the tangible asset is made up of a number of significant components, each with a different useful life, depreciation is made for each single component. The depreciation value is represented by the book value minus the presumable net transfer value at the end of its useful life, if material and reasonably determinable. Land is not depreciated, even if purchased together with a building, and neither are tangible assets held for sale, measured at the lower between the book value and fair value after transfer charges.
Costs for improvement, upgrading and transformation increasing tangible assets are entered in the statement of financial position, in compliance with the requirements of the IAS 16.
The recoverability of the book value of tangible assets is determined by adopting the criteria indicated in the section "Impairment of non-financial assets".
The rates (not changed compared with the period before) applied are the following:

-Buildings	2.65% - 4% - 3%
-Plant and machinery	7.50%-15%
-Industrial and business equipment	15%- 20%
Other assets:	
-Electronic office equipment	20%
-Office furniture and fittings	12%
-Motor vehicles and means of internal transport	20%
-Cars	25%

-Other minor assets 10%-30% / contract term

The remaining accounting value, useful lifetime and amortization criteria are reviewed on closure of each business year and the tables adjusted if required.

An asset is removed from the financial statements when it is sold or when there are no longer any future economic benefits expected from its use or disposal. Any losses or profits (calculated as the difference between the net income from its sale and its accounting value) are included in the profit and loss account when it is removed.

Goodwill and other intangible assets

Intangible assets are assets that lack physical substance, controlled by the Company and capable of generating future economic benefits, as well as goodwill, whenever purchased for a financial consideration.

Intangible assets are entered at cost, measured in accordance with the criteria established for tangible assets while those bought through business combinations are accounted by the fair value at the acquisition date. No revaluations are permitted, even if pursuant to specific laws.

Intangible assets with a definite useful life are systematically amortized over their useful life, based on the estimate of the period over which the assets will be used by the Company; the recoverability of their book value is determined by adopting the criteria indicated in the section "Impairment of non-financial assets".

Goodwill and other intangible assets, if any, with an indefinite useful life are not subject to amortization; the recoverability of their book value is determined at least each year and, in any case, whenever in the presence of events implying a loss of value. As far as goodwill is concerned, verification is made on the smallest aggregate upon which Management, either directly or indirectly, assesses the return on the investment, including the goodwill itself (cash generating unit). Write-downs are not subject to value restoration.

Other intangible assets have been amortized by adopting the following criteria:

- Patents and intellectual property rights	5 years
- Concessions, licenses, trademarks and similar rights	5 years / 20 years
- Other assets	5 years / contract term

The period of amortization and amortization criteria for intangible assets with a definite lifetime are reviewed at least on closure of each business year and adjusted if necessary.

Investments in related companies and other companies

A related company is a company over which the Group exercises significant influence. Significant influence is intended as the power to participate in the determination of financial and management policies of the related party without having control or joint control.

Investments in related companies are evaluated using the Net Equity method and the shareholdings in other companies are measured at fair value method, as indicated in Appendix I and the following explanatory notes.

In the net equity method, the participation in a related company is initially recorded at cost. The accountable value of the holding is increased or decreased in order to record the quota of pertinence of the holder in the profits and losses of the related party achieved after the date of acquisition. The goodwill concerning the related party is included in the accountable value of the holding and is not subjected to amortization, or to an individual evaluation of loss of value (impairment).

The consolidated statement of profits or loss reflects the quota of pertinence of the Group of the business year result of the related company. All changes to the other components in the overall profits and loss account concerning these related parties are presented as part of the overall income statement of the Group. Also, in the case of a related company recording a change directly attributable to the net equity, the Group records the quota of pertinence, when applicable, in the statement of changes in the net equity. The unrealised profits and losses deriving from transactions between the Group and related companies or joint ventures are eliminated in proportion to the quota of the holding in the related companies or joint ventures.

The recoverable nature of their recorded value is verified adopting the criteria described in the point "Losses in value of non-financial assets" as regards the holdings in related parties and the point "Losses in value of financial assets" as regards the holdings in other companies.

Whenever significant influence over a related company or joint control over a joint venture ceases, the Group assesses and records the remaining holding at fair value. The difference between the recorded value of the holding on the date of the termination of significant influence or joint control and the fair value of the remaining holding and the incoming payments received is recorded in the income statement

Inventories

These are entered at the lower of purchase or production cost, calculated by the FIFO method and the presumed realizable value in consideration of the market trend.

Receivables and other current assets

The trade receivables and other short-term receivables are initially recorded at their nominal value, which represents their fair value, and subsequently evaluated at their amortized cost, net of any depreciations. When they are recorded, the nominal value of the receivables is representative of their fair value on said date. By virtue of the high rotation of receivables, the application of the amortized cost does not have any significant effect. The Provision for write-down of receivables represents the difference between the recorded value of receivables and the reasonable forecast of financial flows expected from their cashing-in.

Financial assets

In accordance with the IFRS 9 the financial assets are initially recorded at their amortized cost or fair value plus transaction costs directly attributable to their purchase, except in the case of financial assets recorded at fair value in the profit or loss. The Group's financial assets include cash and short-term deposits, trade and other short-term receivables, loans, non-listed financial instruments and derivatives financial instruments.

The subsequent measurement of the financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that have not been floated on the stock exchange. After initial measurement, such financial assets are subsequently measured at their amortized cost using the effective interest rate criterion (EIR), less impairment. The amortized cost is calculated by recording any discounts, purchase premiums, fees or costs that are an integral part of the effective interest rate. The amortization of the effective interest rate is included in financial income in the income statement. The losses arising from any impairment are recognised in the income statement as financial costs.

Derivatives

Subsequently to their initial recording, the derivatives are evaluated again at fair value and are accounted as financial assets should the fair value be positive. Eventual profits or losses deriving from changes in the fair value of the derivatives are recorded directly in the income statement, except for the effective part of the hedging of cash flows, which is recorded among the components of other comprehensive income and subsequently reclassified in the statement of profit or loss if the hedging instrument influences the profits or losses.

As regards the instruments classified as cash flow hedges and which are classified as such, the variations in fair value are recorded, solely as regards the effective part, in a specific equity reserve defined as "cash flow hedge reserve", included in the statement of comprehensive income. This reserve is subsequently overturned to the income statement as soon as the economic effects of the scope of the hedging operation manifest themselves. The variation in fair value referring to the ineffective portion is immediately recorded in the period income statement. Should the occurrence of the underlying operation no longer be considered highly probable, or the hedging relation no longer be demonstrable, the corresponding portion of the "cash flow hedge reserve" is immediately overturned to the income statement.

A financial asset (or, if applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

- the right to receive cash flows from the asset have expired;

- the Group has transferred the right to receive cash flows from the asset or has assumed an obligation to pay them fully and without delay to a third party and either (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor substantially withheld all the risks and rewards of the asset but has transferred control of it.

In cases in which the Group has transferred the right to receive cash flows from an asset and has not either transferred or substantially withheld all the risks and rewards or has not lost control of it, the asset is recorded in the financial statements of the Group in the remainder measure in which is involved in the asset in question. In this case, the Group also recognises an associated liability. The asset transferred and the associated liabilities are measured on a basis to reflect the rights and obligations that the Group has retained.

Losses in value of financial assets

At each reporting date, the Group assesses whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as result of one ore more events that have occurred after the initial recognition of the asset (when a "loss event" occurs) and this loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets in question that can be reliably estimated. Evidence of impairment may be represented by indicators such as financial difficulties, the incapacity to deal with the obligations undertaken, insolvency in the payment of interest or significant payments that are affecting the debtors or a group of debtors; the probability that it will enter bankruptcy or other form of financial reorganisation, and where observable data indicate that there is a measurable decrease in expected future cash flows, such as changes in context or in the economic conditions related to the obligations undertaken.

As regards the financial assets carried at amortized cost, the Group firstly assesses whether objective evidence of impairment exists for each financial asset that is individually significant, or collectively in the case of financial assets that are not individually significant. If the Group determines that there is no evidence of impairment for a financial asset evaluated individually, whether significant or not, then the asset in question is included in a group of financial assets with similar credit risk characteristics and these are assessed collectively for impairment. The assets that are evaluated individually in terms of impairment and for which a loss in value has been recorded or continues to be recorded are not included in any collective assessments of impairment.

If there is objective evidence of an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet incurred). The present value of the cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for the measurement of any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced directly and the amount of the loss will be recognised in the income statement. The interest income continues to be accrued on the reduced carrying amount and is accrued using the interest rate used to discount the future cash flows to measures the impairment loss. The interest income is recorded as part of the financial income in the income statement. Loans and their relevant allowance are written off when there is no realistic prospect of their future recovery and all the collateral have been realised or transferred to the Group. If during a subsequent business year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced and the allowance account is adjusted. If a future write-off is subsequently recovered, the value recovered is credited to finance costs in the income statement.

For available-for-sale financial assets, the Group assesses whether there is objective evidence that an asset or group of assets is impaired at each reporting date.

In the case of equity investments classified as available for sale, the objective evidence would include a significant or prolonged reduction in the fair value of the investment

below its cost. The "Significance" is evaluated with respect to the original cost of the instrument and "prolonged effect" with respect to the (duration of the) period in which the fair value has been below the original cost. Should there be evidence of impairment, the cumulative losses – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from the other comprehensive income and recognised in the income statement.
Any losses due to impairment of instruments representative of capital may not be reversed with the effects recorded in the profit and loss account; any increases in their fair value subsequent to an impairment loss are recorded directly in the other comprehensive income.

Losses in value of non-financial assets

When events occur that would lead to assume a reduction in the value of asset, its recoverability is assessed by comparing the recorded value with the relevant recoverable value, represented by the greater of the fair value, net of the discharge costs, and its value in use.
In the absence of a binding sales agreement, the fair value is estimated on the basis of the values expressed by an active market, by recent transactions or on the basis of the best information available to reflect the amount that the business would receive by selling the asset.
The value in use is determined by actualising the expected cash flows deriving from the use of the asset and, if significant and reasonably determinable, from its sale at the end of its useful lifetime. The cash flows are determined on the basis of reasonable and documented assumptions representative of the best estimate of the future economic conditions that may occur during the remaining lifetime of the asset, giving more importance to indications from outside. Actualisation is carried out at a rate which takes into account the market assessments of the current value of cash and specific risks of the asset, in addition to the inherent risk to the sector of business in question.
Assessment is conducted on each individual asset or the smallest identifiable group of assets which generates autonomous incoming cash flows deriving from continuous use (so-called *cash generating unit*). When the reasons for the depreciations made are no longer in place, the assets, except for goodwill, are revalued and the adjustment attributed to the profit and loss account as readjustment (restoration of value). Readjustment is carried out at the lesser of the recoverable value and recorded value gross of depreciations carried out previously and reduced by the amortization quotas that would have been allocated had impairment not been carried out.
Goodwill is tested for impairment at least once every year (on the date of the financial statements, 31 December) and more frequently should circumstances indicate that the carrying value may be impaired.

Impairment of goodwill is assessed by evaluating the recoverable amount of each cash generating unit (or the group of cash generating units) to which the goodwill relates. Should the recoverable amount of the cash generating unit be less than the carrying amount of the cash generating unit for which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating goodwill cannot be reversed in future business years.

Employee benefits

The Employee Severance Fund is included in the context of what IAS 19 defines as definite benefits plans in the framework of benefits after employment. The accounting treatment provided for these forma of remuneration requires an actuarial calculation which enables the future projection of the Employee Severance Fund amount already accrued and to actualise it to take into account the time that will elapse before effective payment. The actuarial calculation takes certain variables into consideration, such as the average employment time of employees, inflation rates and expected interest rates. The assessment of this liability is performed by an independent actuary. Following the changes to IAS 19, effective for business years starting on 1 January 2013 and subsequent, the profits and losses deriving from the actuarial calculation for the definitive benefits plans are included in the statement of other comprehensive income for the period they refer to. These actuarial profits and losses are immediately classified under the profits carried over and are not reclassified in the profit and loss accounts for subsequent periods. The social security cost for past service (past service cost) is recorded on the most recent of the following dates:

- the date on which the plan is changed or reduced; and
- the date on which the Group records the related restructuring costs.

The Group records the changes in the net debentures for definitive benefits in the statement of profit or loss.

The assets or liabilities concerning definitive benefits include the current value of the definitive benefits debentures, minus the fair value of the assets involved in the plan.
Following the recent revision of the pertinent national regulations, for companies with more than 50 employees, the Staff Severance Provision accrued from 1st January 2007 onwards is classified as a defined contributions plan, the payments relative to which are entered directly in the income statement, as expenses, when recorded The Staff Severance Provision accrued up to 31.12.2006 continues to be a defined benefits plan, but without the future contributions. Accordingly, it is now valued by the independent actuaries solely on the basis of the expected average residual working life of the employees, without further consideration of the remuneration received by them over a predetermined employment period. The Staff Severance Provision "accrued" before 1st January 2007 thus undergoes a change in calculation, due to the elimination of the previously foreseen actuarial hypotheses linked to pay increments. In particular, the liability relative to "accrued Staff Severance Provision" is actuarially valued as at 1st January 2007 without applying the pro-rata (years already worked/total years worked), as the employees' benefits relating to the entire period up to 31st December 2006 can be considered almost entirely accrued (with the sole exception of revaluation) in application of paragraph 67 (b) of IAS 19. Therefore for the purposes of this calculation, the "current service costs" relating to the future services of employees are to be considered null insofar as represented by the contribution payments into the supplementary pension scheme fund or the INPS Treasury Fund.

Provisions for risks and charges

Provisions for risks and charges involve specific costs and charges, considered definite or probable, for which the amount or due date could not yet be determined at the end of the year. Provisions are recognized when: (i) the existence of a current, legal or implied obligation is probable, arising from a previous event; (ii) the discharge of the obligation may likely involve charges; (iii) the amount of the obligation may be reliably estimated. Provisions are entered at the value representing the best estimate of the amount the Company would reasonably pay to redeem the obligation or to transfer it to third parties at the end of the period. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted back; the increase in the provision associated with the passage of time, is entered in the income statement under "Financial income (charges)". The supplementary clientele severance indemnity, as all other provisions for risks and charges, has been appropriated, based on a reasonable estimate of probable future liabilities, and taking the elements available into consideration.

Financial liabilities

The financial liabilities are initially valued at their fair value, which is the same as the payment received on the date on which they are received, to which the transaction costs directly attributable to them are to be added in the case of debts and loans. Subsequently, the non-derivative financial liabilities are measured by the criterion of amortized cost using the effective interest rate method

The financial liabilities of the Group include trade payables and other payables, loans and derivative financial instruments.

The financial liabilities within the scope of application of IFRS 9 are classified as payables and loans, or as derivatives designated as hedging instruments, according to the case in question. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recorded at their fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The profits and losses are accounted in the income statement when the liability is extinguished, as well as through the amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

In cases in which an existing financial liability is replaced by another from the same lender, on substantially different conditions, or the terms of an existing liability are substantially modified, this swap or modification is treated as the de-recognition of the original liability and the recording of the new liability, with any differences between the respective carrying amounts recognised in the income statement.

Derivatives

After their initial recording, derivatives are valued again at fair value and are accounted for as financial liabilities when the fair value is negative. Any profits or losses deriving from variations in fair value of the derivatives are recorded directly in the income statement, except for the effective part of the cash flow hedges, which are recorded among the components of the statement of comprehensive income and subsequently reclassified in the business year profits/(losses) when the hedging instrument has an effect on the profits or losses.

As regards the instruments classified as cash flow hedges and which are classified as such, the variations in fair value are recorded, solely as regards the effective part, in a specific equity reserve defined as "Reserve from cash flow hedges", included in the statement of comprehensive income. This reserve is subsequently overturned to the income statement as soon as the economic effects of the scope of the hedging operation manifest themselves. The variation in fair value referring to the ineffective portion is immediately recorded in the period income statement. Should the occurrence of the underlying operation no longer be considered highly probable, or the hedging relation no longer be demonstrable, the corresponding portion of the "cash flow hedge reserve" is immediately overturned to the income statement.

Income taxes

Current income taxes are calculated on the basis of the estimated taxable income. Tax assets and liabilities for current taxes are recognized at the value expected to be paid/recovered to/from the Tax Authorities, by applying the rates and tax regulations in force or basically approved as at the end of the period, and considering the involvement of some companies to the national consolidated tax base.
Deferred tax liabilities and assets are calculated on the temporary differences between the values of the assets and liabilities recorded in the financial statements and the corresponding values recognised for fiscal purposes.
Deferred taxes are recorded on all the taxable temporary differences, with the following exceptions:

- the deferred tax liabilities deriving from the initial recording of the start-up of either an asset or a liability in a transaction which does not represent a corporate aggregation and, at the time of the transaction itself, does not influence either the result in the financial statements or the fiscal result;
- the repayment of the taxable temporary differences associated to holdings in subsidiaries, related companies and joint ventures can be controlled, and it is probable that this will not occur in the foreseeable future.

Deferred tax assets are recorded for all the deductible temporary differences, fiscal receivables and losses not used and brought forward, in the measure in which it is probable that sufficient future fiscal taxable will be available which may enable the use of the deductible temporary differences and fiscal receivables and losses brought forward, except in cases in which:

- the deferred tax related to the deductible temporary differences derives from the initial recording of an asset or liability in a transaction which does not represent a corporate aggregation and, at the time of the transaction itself, does not influence either the result in the financial statements or the fiscal result ;
- in the case of deductible temporary differences associated to holdings in subsidiaries,

related companies and joint ventures, the active deferred taxes are only recorded in the measure in which it is probable they will be brought forward in the foreseeable future and that there will be sufficient fiscal taxable to enable the recovery of these temporary differences.

Deferred tax assets are recorded when their recovery is probable. Deferred tax assets and liabilities for deferred taxes are classified under non-current assets and liabilities and are offset if referring to taxes which may themselves be offset. The offsetting balance, if an asset, is entered under "deferred tax assets"; if a liability, it is entered under "Liabilities for deferred taxes". When the results of the operations are directly recognized in the shareholders' equity, current taxes, assets for prepaid taxes and liabilities for deferred taxes are also recorded in the shareholders' equity.

Deferred tax assets and deferred taxes are calculated on the basis of the tax rates expected to be applied in the year said assets will realize or said liabilities will extinguish.

Criteria for conversion of items in foreign currency

Transactions in foreign currency are initially recorded in the functional currency, applying the currency spot rate the transaction first qualifies for recognition. The monetary assets and liabilities denominated in foreign currency are retranslated at the functional currency spot rate at the reporting date.

Any differences are recorded in the income statement.

Business combinations

The business combinations occurred prior to 1 January 2010 are accounted through the application of the so-called *purchase method* (purchase methods defined by IFRS 3 as "Business combinations"). The purchase method requires that, after having identified the buyer involved in the business combination and having determined the purchase cost all the assets and liabilities purchased (including the so-called contingent liabilities) must be valued at fair value. For this purpose, the company is required to value any intangible assets purchased in specifically. Any goodwill is to be calculated in a residual manner, as the difference between the cost of the business combination (including additional charges and any contingent considerations) and the share pertaining to the company of the difference between the assets and liabilities purchased, valued at their fair value.

The business combinations occurred subsequently to 1 January 2010 are accounted for using the acquisition method (IFRS 3R). The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value acquisition date and the amount of any non-controlling interest in the acquired. For each business combination, the acquirer measures the no controlling interest in the acquired either at fair value or at the proportionate share of the acquired identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If business combinations are achieved in stages, the fair value of the shareholding previously held is re-measured to fair value at the acquisition date, recording any resulting profits or losses in the profit and loss account.

Each contingent consideration to be transferred to the acquirer will be recognised by the acquired at the fair value at the acquisition date. Changes to the fair value of the contingent consideration classified as a financial asset or liability will be recorded in accordance with IAS 39 either in the profit and loss or as a change to comprehensive income. If it does not fall within the scope of IAS 39, it will be recognised in accordance with IAS 37 or the most appropriate IFRS.

If the contingent consideration is classified as equity, it should not re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recording, goodwill is measured at the cost less any accumulated impairment losses in value. For the purpose of the impairment testing, the goodwill acquired in a business combination must, from the acquisition date, be allocated to each Group's cash generating unit which is expected to benefit from the combination synergy, independently of the fact that other assets or liabilities of the entity acquired are assigned to such units.

If goodwill has been allocated to a cash generating unit and the entity disuses part of the assets of this unit, the goodwill associated to the disused asset must be included in the accounting value of the asset should any profits or losses derive from its disuse. The goodwill associated to the disused asset must be measured on the basis of the relative values of the disused asset and the portion of the cash-generating unit retained.

Revenue and cost recognition

Revenues from sales of goods and services are recognized upon transfer of control of goods and services to a customers. The control of goods was usually identified upon consignment or delivery of the goods.
The revenues from services are recognized in accordance with the contractual terms and when the obligation to do have been satisfied.
Financial incomes are recognized on an accrual basis.
Costs are recognized when related to goods and services acquired and/or received over the period to which they refer.

Accounting treatment of financial assets/instruments

The Group uses derivative financial instruments to hedge its exposure to foreign currency risks on purchases and loans in currency other than the functional one.
These derivative financial instruments are initially recognised at their fair value on stipulation; subsequently, this fair value is re-measured periodically; they are carried as assets when the fair value is positive and liabilities when the fair value is negative.
Fair value is the price that would be received for the sale of an asset, or would be paid for the transfer of a liability, in a standard transaction between market operators on the date of valuation.
The fair value of the derivative financial instruments used is determined on the basis of market value when it is possible to identify the market to which they actively belong. However, if the market value of a financial instrument is not easily calculable, but its components or those of a similar instrument are calculable, the market value is determined through the evaluation of the individual components of the instrument or of the similar instrument. Furthermore, for those instruments for which an active market is not easily identifiable, the evaluation is carried out by using the value resulting from generally accepted evaluation models and techniques which ensure a reasonable approximation of the market value. All the assets and liabilities for which the fair value is valued or recorded in the financial statements are categorised on the basis of the fair value hierarchy, as described below:
Level 1 – the quoted (not adjusted) prices on active markets for identical assets and liabilities which the entity may access on the date of valuation;
Level 2 – Input other than the quoted prices included in Level 1, observable directly or indirectly for the asset or liability in question;
Level 3 – valuation techniques for which the input data is not observable for the asset or liability in question.

Derivatives are classified as coverage instruments when the relation between the derivative and the object of the coverage is formally documented and the coverage, assessed periodically, is highly effective. If derivatives cover a risk concerning the cash flow variations of the instruments covered (cash flow hedge; for example coverage of cash flow variability of assets/liabilities by effect of oscillations in exchange rates), the variations in the fair value of derivatives are initially recorded at net equity and subsequently attributed to the income statement coherently with the economic effect produced by the operation covered. Should the derivatives cover the fair value risk, the change in fair value of the covering derivatives is recorded in the statement of profit or loss among the financial costs. The change in fair value of the element covered attributable to the risk covered is recorded as part of the load value of the element covered and is also recorded in the statement of profit or loss among the financial costs.
The variations in fair value of the derivatives which do not satisfy the conditions required in order to be classified as coverage are recorded in the income statement for the business year.

Own shares

The own shares of the company are registered in the net equity. The original cost of own shares and the income deriving from subsequent sale are recorded as changes in net equity.

Main estimates adopted by management and discretional assessments

The preparation of the Group financial statements requires that the directors carry out discretional assessments, estimates and hypotheses that influence the value of revenues, costs, assets and liabilities, and the indication of potential liabilities at the time of the financial statements. However, uncertainty as to these hypotheses and estimates may lead to outcomes that will require future significant adjustments on the accounting value of these assets and/or liabilities.

Estimates and hypotheses used

Below is an outline of the key hypotheses concerning the future and other significant sources of uncertainty in estimates at the date of closure of the financial statements that could be the cause of significant adjustment to the value of assets and liabilities in coming business years. The results achieved could differ from these estimates. The estimates and assumptions made are periodically revised and the effects of all changes are immediately reflected in the profit and loss account.

- Estimates adopted to evaluate the impairment of non-financial assets

In order to measure any impairment of goodwill entered in the financial statements, the Group has adopted the method previously illustrated in the section on "Losses in value of non-financial assets".
The recoverable value has been determined on the value in use basis.

For the years 2019, 2020 and 2021 cash-flows generating units attributable to each goodwill/consolidation derive from the Business Plan approved by the Board of Directors; an extremely prudent conduct was maintained for the subsequent years, estimating an increase of 1% in terms of revenues for 2022 and for the calculation of the terminal value.
The Weighted Average Cost of Capital (WACC) has been adopted as the discount rate, which is 4.72% (4.51% in the previous year) calculated punctually in coherence with previous years and with a strong focus on the risk and uncertainty factors of the current market. Sensitivity analyses have also been conducted on this rate, consequently to the variation manly of interest rates and of the other financial parameters used and the sustainability of the goodwill value recorded in the financial statements has been verified with WACC values more prudential and, as in the past years, with a comparison with those used by financial analysts. Lastly, we would point out that there has been specific focus on the expected growth factors for years after plan which may be considered as mainly prudential in relation to the results achieved and the specific market context.
The measurement of any impairment of assets (Goodwill) - for the results of which refer to the paragraph 2 "*Goodwill*" - was made by referring to the situation as at 31 December 2018.

- Estimates adopted in the actuarial calculation in order to determine the benefit plans defined in the context of post-employment obligations:
    - The expected inflation rate is equal to 1,5%;
    - The discounting rate [III] used is equal to 1.13% for the companies MARR and AS.CA while is equal to 1.57% for the company New Catering;
    - The annual rate of increase of the severance plan is expected to be equal to 2,625%;
    - A 6.5% turnover of employees is expected.

- Estimates adopted in the actuarial calculation in order to determine the provision for supplementary clientele severance indemnity
    - The rate of voluntary turnover is expected to be 13% for MARR S.p.A., 7% for AS.CA S.p.A., 5% for New Catering S.r.l.;
    - The rate of corporate turnover is expected to be 2% for MARR. S.p.A., 10% for AS.CA S.p.A., 7% for New Catering S.r.l.
    - The discounting rate used is 0.77%[IV].

- Estimates used in calculating deferred taxes

  A significant discretional assessment is required by the directors in order to determine the total amount of deferred tax assets to be accounted. They must estimate the probable occurrence in time and the total value of future fiscally chargeable profits.

  Other

  Other elements in the financial statements that were the object of estimate and assumptions by Management are inventory write-down, the determination of amortizations and evaluation of receivables and other assets.

[III] Average performance curve deriving from the IBOXX Eurozone Corporates AA (duration "7-10 years" for MARR and AS.CA e "+10 years" for New Catering).
[IV] Average performance curve deriving from the IBOXX Eurozone Corporates AA referred to the duration of collective.

These estimates, although supported by well-defined corporate procedures, require hypotheses to be made mainly concerning the future realisable nature of the value of inventories, the probability of collecting in receivables and the solvency of creditors as well as the remaining useful lifetime of assets that may be influenced by both market performance and the information available to Management.

Accounting principles, amendments and interpretations applicable as at 1 January 2018

The criteria for assessment used for drafting the consolidated accounts for the year 2018 do not differ from those used for the drafting of the consolidated financial statements as at 31 December 2017, with the exception of the accounting principles, amendments and interpretations applicable as at from 1st January 2018, listed below, that in any case are not affecting in the consolidation financial statement of the Group:

- IFRS 9 - Financial instruments. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all the phases of the project concerning financial instruments and replaces IAS 39, Financial Instruments: Recording and assessment, and all previous versions of IFRS 9. The principle introduces new requirements for classification, assessment, loss of value and hedge accounting. As described above, the application of the new standard has not had a significant impact on the consolidated equity, economic and financial situations. It must be noted that the Group, consistently with the possibility offered by the new IFRS9 (paragraph 7.2.21 concerning "Transitory dispositions on the accounting of hedging operations"), has opted to continue to apply the dispositions concerning the accounting of hedging operations contained in IAS 39 to this type of operation.

- IFRS 15 (and subsequent clarifications issued on 12 April 2016) – Revenues from contracts with clients. This standard was issued in May 2014 and introduces the new five-phase model which is applicable to revenues deriving from contracts with clients. IFRS 15 provides for the inclusion of revenues for an amount reflecting the payment that the entity believes it has the right to in exchange for the transfer of goods or services to the client. The standard provides a more structured approach for the inclusion and evaluation of revenues, replacing all of the current requirements in the other IFRS concerning the recognition of revenues. The Group mainly carried out activities involving the sale of food products, ending with the delivery of the products to the client. Almost the totality of the transactions are carried out on the basis of specific orders; any trade agreements are mainly linked to the definition of the qualitative characteristics of the supplies ordered. Given the nature of such transactions, the change made to the standard has not had any significant impact on the financial statements of the Group.

- Changes to IFRS 2 – Clarifications of classification and measurement of share based payment transactions. This amendment deals with the following matters identified by the IFRS Interpretations Committee: i) the accounting of a share based payment plan with defined benefits including the achievement of targets; ii) a share based payment in which the method of settlement is correlated to future events; iii) share based payments settled net of fiscal withholdings; iv) transfer from a cash based payment method to a share based payment method.

- Changes to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. This amendment deals with worries that arose during the application of IFRS 9 on financial instruments before the introduction of the new insurance contract standards. Two options are given for companies subscribing insurance contracts with regard to IFRS 4: i) an option that enables the company to reclassify some revenues or costs originating from specific financial assets from the income statement to the statement of comprehensive income; ii) a temporary exemption from the application of IFRS 9, the main activity of which is the subscription of contracts as described in IFRS 4.

- IFRIC 22 — *Foreign Currency Transactions and Advance Consideration*. The interpretation deals with transactions in foreign currency in the event that an entity recognises a non-cash asset or liability originating from the payment or receipt of an advance payment before the entity recognises the relevant asset, cost or revenue. That defined therein is not applicable to taxes, insurance contracts or re-insurance contracts.

- Changes to IAS 40 regarding transfers of investment property. The amendment provides that: i) paragraph 57 of IAS 40 be modified, providing that an entity must transfer a property from, or to, the category of investment property only when there is evidence of its change of use; ii) the list of examples included in the paragraph 57 (a) – (d) be redefined as a non-exhaustive list of examples.

- Improvements to the International Financial Reporting Standards (2014-2016). These are part of the annual improvement plan for the standards and will come into force from 1 January 2018. The changes concern:

- IFRS 1: the short-term exemptions provided in paragraph E3-E7 are deleted, given that the reasons for including them are no longer in place;
- IFRS 12: the scope of the standard is clarified, specifying that the disclosure requirements, except for those in paragraphs B10-B16, are applicable to the interests of an entity listed in paragraph 5, which are classified as held for sale, distribution of as a discontinued operations ex IFRS 5;
- IAS 28: it is clarified that the decision to measure an investment in a subsidiary or joint venture held by a venture capital company at fair value through the income statement is possible for all investments in subsidiaries or joint ventures as of their initial recording.
- Changes to IAS 28 - Long-term Interests in Associates and Joint Ventures. The changes specify that IFRS 9 must be applied to the long-term receivables from an associate company or a joint venture which, in substance, is part of the investment in the associate company or joint venture;

Accounting principles, amendments and interpretations applicable in the future years

The accounting principles and interpretation which, as of the date of the preparation of the Consolidated financial statements, were already issued but not yet in force are illustrated below.

- IFRS 16 – Leases. Standard published by the IASB on 13 January 2016, destined to replace standard IAS 17 – Leasing, and also the interpretations of IFRIC 4 – Determining whether an agreement involves leasing, SIC 15 – Operating leasing – Incentives and SIC 27 – The evaluation of the substance of operations in the legal form of leasing. The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to manage the use of the asset underlying the contract. Its application is provided as of 1 January 2019. Advance application is allowed for entities applying IFRS 15.
  The Group is evaluating the impacts of this new standard on its consolidated financial statements; for its initial application, it has elected to apply a modified retrospective approach which does not require that the comparative data be restated. It has therefore been estimated that its application will imply the following effects on the consolidated equity, financial and economic situations: worsening of the net financial position as at 1 January 2019 by between 58 and 60 million Euros and increase in the fixed assets by the same amount. Considering the lease contracts ongoing as of the date of closure of these financial statements, it has been estimated that the application of this standard will have the following effects on 2019: an improvement in the EBITDA estimated at about 9 million Euros and the EBIT for an estimated amount of between 0.5 and 1.0 million Euros. The impact on the result before tax has been estimated in profit reduced by between 0.5 and 1.0 million Euros.

- IFRIC 23 - Uncertainty over Income Tax Treatments. This interpretation provides indications on how to reflect in the accounting of income tax the uncertainties of the fiscal treatment of a specific phenomenon. IFRIC 23 will come into force on 1 January 2019. The future application has been consider by Group not significant in relation to the economic and financial position.

- Changes to IFRS 9 - *Financial Instruments*. The changes, published in October 2017, concern the "Prepayment Features with Negative Compensation" which enable the application of the amortized cost or fair value through other comprehensive income (OCI) for the financial assets with the option of advance extinction ("negative compensation").

- Changes to IAS 28 "Long-term Interests in Associates and Joint Ventures". On 12 October 2017, the IASB emanated these changes to clarify the application of IFRS 9 "Financial Instruments" as regards the long-term interest in subsidiary companies or joint ventures, for which the net equity method is not applicable. These changes will be applicable to business years which start on 1 January 2019 or subsequently

The following is a list of the Accounting Standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union. These standards will be applicable from subsequent business years. From an initial examination, the Group believes that they will have significant impacts on the consolidated equity, financial and economic situations.

- IFRS 17 - "*Insurance Contracts*". This standard, issued on 18 May 2017, establishes the standards for the recognition, measurement, presentation and representation of insurance contracts included in the standard. The objective of IFRS 17 is to guarantee that an entity provides relevant information which truthfully represents such contracts in order to represent a basis for evaluation by the reader of the financial statements of the effects of such contracts on the equity and financial situation, on the economic results and on the cash flows of the entity. On 21 June 2018, the IASB decided to issue clarifications concerning IFRS 17 "*Insurance Contracts*", in order to ensure that the interpretation of the standard reflects the decisions taken by the Board, with specific reference to certain points in the contracts subject to variable fees and aspects correlated to IFRS 3 "*Business combination*". The dispositions of IFRS 17 will be effective as of business years starting from 1 January 2021 or subsequently.

- IFRS 14 - "Regulatory deferral accounts". The standard, published by the IASB on 30 January 2014, enables only those who are adopting the IFRS for the first time to continue to record the amounts concerning the rate regulation according to the accounting standards previously adopted.

- Changes to IAS 19, "*Employee benefits'- Plan amendment, curtailment or settlement*". This amendment, issued by the IASB on 7 February 2018, clarifies how pension costs are to be determined when changes are made to the defined benefits plan. These changes will be applicable for business years starting on 1 January 2019 or subsequently.

- Improvements to the International Financial Reporting Standards (2015-2017). The changes, published in December 2017, mainly concern the following IFRS: a) IAS 12 "*Income Taxes*". The proposed changes clarify that an entity should recognise all of the fiscal effects to the distribution of the dividends; b) IAS 23 "*Borrowing Costs*": the proposed changes clarify that, in the event that the specific finances required for the purchase and/or construction of an asset remain ongoing even after the asset in question is ready for use or sale, such loans shall cease to be considered as specific, and are therefore included in the general loans of the entity, in order for the rate of capitalisation of the loans to be determined; c) IAS 28 "*Investments in Associates and joint ventures – Long-term interests in an associate or joint venture*". The proposed changes clarify that standard IFRS 9 "*Financial Instruments*", including the impairment requirements, is also applicable to other financial instruments held in the long-term issued for an associate company or joint venture. Such changes will be effective from 1 January 2019 and can be applied retroactively.
- Changes to IAS 1 and to IAS 8. These changes, published by the IASB on 31 October 2018, provide a different definition of "material", in other words: "*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".* These changes will be applicable for business years starting on 1 January 2020 or subsequently. Advance application is allowed.
- Changes to IFRS 10 and to IAS 28: this change, published on 11 September 2014, provided the 1st January 2016 as the date of entry into force; application was subsequently postponed to an unspecified date. These amendments were issued because of the conflict between the requirements of IAS 28 and IFRS 10. The IASB and the committee for interpretations determined that a complete gain or loss must be recognised on the loss of control of a business, independently of the whether the business is part of a subsidiary or not.
- Changes to IFRS3 "*Business Combination*". These changes, issued by the IASB on 22 October 2018, are aimed at resolving the difficulties that arise when an entity determines whether it has purchased a business or group of assets. The changes are effective for business combinations for which the date of acquisition is in force on or subsequent to 1 January 2020. Advance application is allowed.

Lastly, it must be noted that on 29 March 2018, the IASB published the reviewed version of the Conceptual Framework for Financial Reporting. The main changes compared to the 2010 version concern: i) a new chapter concerning evaluation; ii) better definitions and guidance, especially with regard to the definition of liabilities; iii) clarifications concerning important concepts, such as stewardship, prudence and uncertainty in evaluations. The amendments, where they are effective updates, will be applicable for business years starting on 1 January 2020 or subsequently.

Capital management policy

As regards the management of capital, the Group's priority is to maintain an appropriate level of its equity in relation to debts accrued (Net debt/Equity or "gearing" ratio), so as to guarantee solidity in terms of equity and its adequacy to the management of cash flows.

Taking into account the fact that the financial requirements, because of the characteristics of the Company's core business, are calculated in terms of trade net working capital, the main indicator for cash flow management is summarily represented by the performance of the ratio between trade net working capital and revenues ("Trade NWC on total Revenues").
Still in relation to the seasonal nature characterising its business, the Company also monitors the performance of the single components of trade net working capital (trade receivables and payables and inventories) in terms of both absolute value and days of outstanding.
The management of capital is also measured in terms of the principal indicators of best financial practice such as: ROS, ROCE, ROE, Net debt / Equity and Net debt / EBITDA.

Financial Risks Management

The financial risks to which the Group is exposed in the performance of its business activities are as follows:
- market risk (including currency risk, interest rate risk and price risk);
- credit risk;
- liquidity risk.

The Group employs derivative financial instruments solely for the purpose of covering some non-functional currency exposures and part of the financial exposure with variable rates.

Market risk

(i) Currency risk: the currency risk arises when reported assets and liabilities are expressed in a currency other than the enterprise's functional currency (the Euro). The Group operates at an international level and is consequently exposed to currency risk above all with regard to trade transactions denominated in US dollars. The manner of handling this risk in the Group is to enter into forward contracts to purchase/sell the foreign currency, specifically designed to hedge the individual trade transactions, if the forward rate is favourable compared to the rate at the date of the operation.
In addition to the trade relations, it should be noted that in 2013, the Parent Company finalized a bond private placement in US dollars. To cover this transaction, the Company stipulated cross currency swap contracts specifically destined to hedge the financial flows deriving from the payment of the coupons and reimbursement of capital on expiry.

As at 31 December 2018, a 5% appreciation in the exchange rate in relation to the US dollar and to other currencies, all else being equal, would have given rise to an decrease in pre-tax profit of 156 thousand Euros (+70 thousand Euros in 2017), due to exchange rate gains (losses) on trade payables and receivables denominated in foreign currency, mainly dollars (because of the change in the fair value of current assets and liabilities).
The other equity items would have shown a decrease of about 219 thousand Euros (80 thousand Euros as at 31 December 2017) ascribable to variation in the amount of the cash flow hedge fund (due to the variation in the fair value of forward contracts on exchange rates).
On the other hand, at the same date, a 5% drop in the exchange rate in relation to the US dollar and to the other currencies, all else being equal, would have been reflected by a pre-tax profit increase of 173 thousand Euros (-75 thousand Euros in 2017).
The other equity items would have shown an upward variation of 200 thousand Euros (62 thousand Euros as at 31 December 2017) ascribable to variation in the amount of the cash flow hedge fund (due to the variation in the fair value of forward contracts on exchange rates).

(ii) Interest rate risks: risks concerning changes to interest rates affect loans. Almost of the long terms loans from banks are floating and variable rate financing exposes the Group to the risk of cash flow variations due to interest rates. To cover this risk, the Parent Company has historically stipulated Interest Rate Swap contracts specifically related to the partial or total hedging of certain loans (at 31 December 2018 the Company have not in being any Interest Rate Swap contract). Fixed rate financing exposes the Group to the risk of changes to the fair value of the finances themselves.

In 2018 business year, a hypothetical upward or downward fluctuation of 10% in the interest rate, all else being equal, would have produced a pre-tax cost increase or decrease (with corresponding equity variation) of approximately 208 thousand Euros on a yearly basis (273 thousand Euros as at 31 December 2017).

As regards the use of the other short-term credit lines, management is focusing on safeguarding and consolidating relations with the credit institutes in order to stabilise the spread applied to Euribor as much as possible.

(iii) Price risks: the Group makes purchases and sales worldwide and is therefore exposed to the normal risk of price oscillations typical of the sector.

Credit Risk

The Group deals only with known and reliable customers. It is a matter of Group policy to subject customers who request deferred terms of payment to creditworthiness ascertainment procedures. In addition, credit balance monitoring is performed during the year to ensure that the amount of the overdue is not significant.

The credit quality of non-overdue financial assets that have not undergone impairments of value can be evaluated with reference to the internal credit management procedures.

The customer monitoring process consists essentially of a preliminary phase in which data and information is collected on new customers, and a post-activation phase featuring the granting of a credit line and supervision of the customer's credit position.
The preliminary phase consists of acquiring the essential administrative/fiscal data necessary to be able to carry out a complete and accurate assessment of the risks entailed by the new customer. Activation of the customer is dependent on the completeness of the aforementioned data and approval, possibly following more detailed investigations, by the Customers Office.
Every new customer is given a credit line: its granting depends on some additional items of information (years in business, terms of payment, reputation) that are indispensable so as to be able to assess the customer's solvency level. Once the overall picture has been put together, the documentation on the potential customer is submitted for approval to the various organizational levels.

Overdue management is differentiated on the basis of length of time overdue (overdue bands).
For overdue bands up to 60 days, reminder procedures are activated at branch level or directly by the Customers Office; for accounts that are over 15 days overdue or that have exceeded the amount of the credit line granted, an IT control blocks the supply to the non-performing customer. For credits in the "over 90 days" band, legal actions are taken when necessary.

Receivables comprised in the "not yet due" band, which total 222,741 thousand Euros as at 31 December 2018, represent about 60.22% of the receivable accounts reported in the financial statements.

This procedure defines the operating rules and mechanisms that are guaranteed to generate a cash flow by assuring the Company of the customer's solvency and the profitability of the commercial relationship.

At the reference date of the financial statements, the maximum exposure to credit risk for each of the following categories of receivables was as shown below:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Current trade receivables	369,889	369,752
Other non-current receivables	30,880	31,357
Other current receivables	58,156	49,649
Total	458,925	450,758

For the comments on the various categories, please refer to note 7 on "Other non-current receivables", note 11 on "Trade receivables" and note 14 on "Other current receivables".

The fair value of the above categories is not shown, as the book value constitutes a reasonable approximation of the former. The value of the trade receivables, the other non-current receivables and the other current receivables are classifiable as "Level 3" financial receivables, in other words those for which the input is not based on observable market data.

As at 31 December 2018, overdue trade receivables, net of bad debt provision, amounted to 147,148 thousand Euros (151,710 thousand Euros in 2017). The breakdown of these receivables by due date is as follows:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Overdue:		
Less than 30 days	44,133	53,149
betweeen 31 and 60 days	25,240	23,955
betweeen 61 and 90 days	21,187	20,255
Over 90 days	56,588	54,351
Total overdue trade receivables	147,148	151,710

The amounts shown above refer to overdue debts calculated on the basis of the nominal terms agreed[V] with the customer at the time of first assessment. This table also includes the "overdue" exposure of the particularly important customers most closely loyal to the Group, with whom special terms of payment are agreed. As at 31 December 2018, this particular category of customers accounted for 21,683 thousand Euros in the "Over 90 days" band (18,268 thousand Euros at 31 December 2017).

At 31 December 2018, the nominal amount of the disputed trade receivables (all classified in the category of expired "over 90 days"), which had undergone a write-down, amounted to 33,016 thousand Euros (35,299 thousand Euros in 2017). Those receivables were mainly related to clients in economic difficulties.
The quota of these receivables that is not recoverable is specifically covered by the bad debt reserve, which amounts to a total of 33,930 thousand Euros (38,587 thousand Euros in 2017).

Liquidity risk

The Group manages liquidity risk with a view to maintaining a liquidity level sufficient for its operational management. Its management of this risk is based mainly on constant central treasury monitoring of the collection and payment flows of all the member companies. This makes it possible, in particular, to monitor the resource flows generated and absorbed by its normal business activity.
Given the dynamic nature of the sector concerned, to meet the requirements of the business's routine management and seasonal trends preference is given to funding requirements by availing adequate lines of credit.

For the management of resources absorbed by investment activities, preference is generally given to funding through specific long-term loans.

The following table shows the breakdown of financial liabilities and derivative financial liabilities on the basis of contractual expiry dates at the reference date of the financial statements. It is noted that the amounts shown do not reflect the book values in as much as they consider the future expected cash flows. Given the high volatility of the reference rates, the financial flows of variable rate loans have been estimated consistently with that already done in previous years, using a rate determined by the IRS at five years increased by the average spread applied to our medium and long-term loans. In this regard, it should be recalled that after the trend of reduction in interest rates recorded in the last years, during 2018 the rates remained substantially stable, with a forecast of a slow recovery, which is reflected in the IRS in five years, which is the basis of calculation.

[V] Except for the expiry dates defined in paragraph 3 of art. 62 of Decree Law 1 dated 24/1/2012 which, as of 24 October 2012, has established that the payment of perishable food products be made within 30 days of the last day of the month of receipt of the invoice and that for non-perishable food products within 60 days of the last day of the month of receipt of the invoice.

(€ thousand)

At 31 december 2018	Less than 1 year	between 1 and 2 years	between 2 and 5 years	Over 5 years
Borrowings	122,163	175,377	45,884	0
Payables for the purchase of quotas or shares	361	0	0	0
Derivative financial instruments	10	0	0	0
Trade and other payables	323,227	0	0	0
	445,761	175,377	45,884	0
At 31 december 2017				
Borrowings	114,092	63,850	112,595	26,514
Payables for the purchase of quotas or shares	10,574	0	0	0
Derivative financial instruments	0	0	0	0
Trade and other payables	328,860	0	0	0
	453,526	63,850	112,595	26,514

As regards the changes to the long-term quota, see that already described in the Director's Report and on paragraph 16 "Non-current financial debts" in the explanatory notes.

Classes of financial instruments

The following elements are recorded in the accounts in compliance with the accounting principles for financial instruments:

(€thousand)	31 December 2018			
Assets as per balance sheet	Amortized Cost	Fair value through other comprehensive income (FVOCI)	Fair value through profit or loss (FVTPL)	Total
Non current derivative/financial instruments	0	2,513	0	2,513
Non Current financial receivables	723	0	0	723
Other non-current assets	30,880	0	0	30,880
Current financial receivables	2,878	0	0	2,878
Current derivative/financial instruments	0	1	0	1
Current trade receivables	369,889	0	0	369,889
Cash and cash equivalents	178,410	0	0	178,410
Other current receivables	58,156	0	0	58,156
Total	640,936	2,514	0	643,450
Liabilities as per balance sheet	Amortized Cost	Fair value through other comprehensive income (FVOCI)	Fair value through profit or loss (FVTPL)	Total
Non Current financial payables	218,357	0	0	218,357
Non current derivative/financial instruments	0	0	0	0
Current financial payables	119,578	0	0	119,578
Current derivative financial instruments	0	10	0	10
Total	337,935	10	0	337,945

(€thousand)	31 December 2017			
Assets as per balance sheet	Amortized Cost	Fair value through other comprehensive income (FVOCI)	Fair value through profit or loss (FVTPL)	Total
Non current derivative/financial instruments	0	568	0	568
Non Current financial receivables	1,171	0	0	1,171
Other non-current assets	31,357	0	0	31,357
Current financial receivables	1,964	0	0	1,964
Current derivative/financial instruments	0	11	0	11
Current trade receivables	369,752	0	0	369,752
Cash and cash equivalents	156,285	0	0	156,285
Other current receivables	49,649	0	0	49,649
Total	610,178	579	0	610,757
Liabilities as per balance sheet	Amortized Cost	Fair value through other comprehensive income (FVOCI)	Fair value through profit or loss (FVTPL)	Total
Non Current financial payables	195,695	0	0	195,695
Non current derivative/financial instruments	0	0	0	0
Current financial payables	120,161	0	0	120,161
Current derivative financial instruments	0	7	0	7
Total	315,856	7	0	315,863

In compliance with that required by IFRS 13, we would point out that the derived financial instruments, constituted by contracts for the coverage of exchanges and interest rates, are classifiable as "Level 2" financial assets, in as much as the inputs which have a significant effect on the fair value registered are market figures observable directly (exchange and interest rate market).[VI] Similarly, as regards the non-current financial debts, the recording at fair value of which is indicated in paragraph 16 of these explanatory notes, are also classifiable as "Level 2" financial assets, in as much as the inputs influencing their fair value are market data which is directly observable.
As regards the other noncurrent and current assets, see that stated in paragraphs 7 and 14 of these explanatory notes.

[VI] The Group identifies as "Level 1" financial assets and liabilities those for which the input which has a significant effect on the fair value registered are represented by prices listed on an active market for similar assets or liabilities and as "Level 3" financial assets and liabilities those for which the input is not based on observable market figures.

Comments on the main items of the consolidated statement of financial position

ASSETS

Non-current assets

1. Tangible assets

The movements in the item in the year 2018 and in the period before are the following:

(€thousand)	Balance at 31.12.17	Purchases / other movements	SPECA Acquisition	Net decreases for divestments	Depreciation/ Write down	Balance at 31.12.16
Land and buildings	55,770	830	0	0	(2,225)	57,165
Plant and machinery	8,403	1,967	8	(1)	(2,404)	8,833
Industrial and business equipment	1,763	398	107	(92)	(376)	1,726
Other assets	3,941	1,711	99	(544)	(1,321)	3,996
Fixed assets under development and advances	272	263	0	0	0	9
Total tangible assets	70,149	5,169	214	(637)	(6,326)	71,729

The changes exposed in the column "Purchases/other movements" mainly represent the investments related to the plan for the expansion and modernisation plan started in the year 2014, which involved investments in the items "Land and buildings", "Plant and machinery" and "industrial and business equipment" at some distribution centres of the Parent Company.

In particular, as regards buildings, it should be noted that the expansion works at the MARR Adriatico distribution centre in Elice, for a total of 297 thousand Euros, which had not been completed as at 31 December 2018 and are also partially included among the Fixed assets under development (189 thousand Euros).

As concern the items "Plant and machinery" and "Industrial and business equipment" the increase - in addition to the investments of the subsidiary New Catering for 114 thousand Euros - was mainly referred to the following distribution centres of the Parent Company:

- 150 thousand Euros at the distribution centre "Marr Adriatico";
- 162 thousand Euros at the distribution centre "Marr Romagna";
- 193 thousand Euros for the plants of Emiliani;
- 117 thousand Euros for the distribution centre "Marr Puglia",

For what concern the increases in the item "Other assets", we point out that they mainly refer to the purchase of industrial vehicles (for total 807 thousand Euros) and to the purchase of electronic machines (for 541 thousand Euros);
The decreases, amounting to 941 thousand Euros, refers almost totally to the sales of vehicles.

Finally, as regard "fixed asset under development and advances" it should be noted that the construction work for the new headquarters' building located in Santarcangelo di Romagna was started, for a total amount of 2.1 million Euros at 31 December 2018.

As indicated subsequently, in the commentary on the item current and non-current financial payables, mortgage is due for a total of 10,000 thousand Euros in favour of Cassa di Risparmio di Pistoia registered to hedge the mortgage granted on the property Bottegone (PT) – Via Francesco Toni 285 and 297(the value of which in the item Land and Buildings totally amounts to 4.4 million Euros as at December 31, 2018).

For details of the changes in tangible assets please refer to the information provided in Appendix 5.

The following table shows the effects of revaluations of land and buildings at the date of transition to the international accounting standards (1st January 2004).

1st January 2004	FINANCIAL STATEMENTS	APPRAISAL	DIFFERENCE
(€thousands)			Total
Land located at Via Emilia Vecchia 75-San Vito (RN) c/o CAAR	3,396	7,066	3,670
Property located at Via Cesare Pavese-Opera (MI); (under lease-back in 2004 - at which the property was transferred to the leasing company)	5,561	7,000	1,439
Property located at Macchiareddu-Uta (CA) Industrial Zone	4,564	5,401	837
Property located at Via del Carpino 4-Santarcangelo di Romagna (RN)	925	2,724	1,799
Property located at Via dell'Acero 2 and 4- Santarcangelo di Romagna (RN)	4,557	7,252	2,695
Property located in Loc. Antiche Saline -Portoferraio (LI)	601	2,430	1,829
Property located at Via Plerote 6-San Michele al Tagliamento (VE)	3,650	4,500	850
Total	23,254	36,374	13,120

As highlighted above, application of the fair value to the item Land and Buildings compared to the values in the MARR S.p.A. Financial Statements as at 1 January 2004 (gross of taxation) implies a difference of 13,120 thousand Euros.

Management started a process of evaluation regarding the possibility to sell some non – operating assets.

We refer at the Appendix 10 for the detail of land and buildings owned by the Group at the date of 31 December 2018.

Tangible Asset Finance Leases:

Below are the summary details at 31 December 2018 of the operation concerning the purchase of an hardware infrastructure for the Group ERP, as it is deemed to be the most significant:

- Start of the financial lease: 1 March 2016.
- Duration of the contract: 5 years.
- Number of instalments: 20.
- Value of the asset financed: 1.1 million Euros.
- Amount of the quarterly instalments: 60 thousand Euros.
- Annual periodical rate: 3.35%.
- Redemption price: 11 thousand Euros (plus VAT).
- Total of the instalments paid during the year 2018: 238 thousand Euros.
- Net book value of the asset at 31 December 2018: 481 thousand Euros.
- Remainder of leases at 31 December 2018: 476 thousand Euros.

2. Goodwill

Below is the detail of the item "Goodwill":

(€thousand)	Balance at 31.12.18	Purchases	Reclassification / other movements	Balance at 31.12.17
MARR S.p.A.	136,205	0	42,825	93,380
AS.CA S.p.a.	8,634	0	0	8,634
New Catering S.r.l.	5,082	0	0	5,082
DE.AL. S.r.l. Depositi Alimentari	0	0	(36,184)	36,184
Speca Alimentari S.r.l.	0	0	(6,641)	6,641
Total Goodwill	149,921	0	0	149,921

The item did not change compared to 31 December 2017. The movements showed in the column "reclassification / other movements" was the effect of merger for incorporation in MARR S.p.A. of the company fully owned DE.AL – Depositi Alimentari and Speca Alimentari S.r.l. finalized on 15 October 2018.
Being a upstream merger with a 100% quota owned by the incorporating company in both of the incorporated companies, the operation did not have any impact on the value of the goodwill in the consolidated financial statements as at 31 December 2018.

Goodwill is not subject to amortization; the recoverability of its book value is determined at least each year and, in any case, whenever in the presence of events implying an impairment.

As indicated in the notes to the financial statements of the previous years, we point out that the management considers MARR S.p.A. and the individual subsidiaries as the smallest aggregates on the basis of which Management has evaluated the return of the investment, including goodwill (Cash Generating Unit).

We would highlight that on the basis of the impairment test conducted according to the principles and hypotheses described analytically in the section "Principal estimates made by management and discretional assessments", the goodwill items listed above, with a total value of 149,921 thousand Euros, are completely recoverable.
As regards this evaluation, management believes that, also given the prudential viewpoint used in the definition of the key hypotheses used, is not be reasonable to expect to be changes in them such as to determine a recoverable value in unit terms less than their accounting value.

Business combinations closed during the year

On 27 February 2018, the subsidiary company DE.AL – S.r.l. Depositi Alimentari (which we would remind you was merged with MARR by deed dated 15 October 2018 and with accounting and fiscal effects from 1 January 2018) purchased for about 0.2 million Euros 50% of Griglia Doc S.r.l., thereby obtaining the totalitarian ownership of the company.
Subsequently, on 8 June 2018, by deed with the signatures authenticated by the Notary Stefania Di Mauro, the company DE.AL. – S.r.l. Depositi Alimentari incorporated the subsidiary company Griglia Doc S.r.l. with accounting and fiscal effects as of 1 January 2018.

It should be noted that on the date of the takeover of control, the total cost of the holding in DE.AL. S.r.l. amounted to a net value of 930 thousand Euros; the operation did not lead to the inclusion of any values in the balance sheet assets as goodwill.
The impacts on the Equity Situation of the Group are analytically described in the following paragraphs in the Explanatory Notes.

Business combinations realised after the closing of the year

There was not any new Business Combination closed after the year end.

3. Other intangible assets

Below there are the movements of the item in 2018 and in the previous year:

(€thousand)	Balance at 31.12.17	Purchases / other	SPECA acquisition	Net decreases	Depreciation	Balance at 31.12.16
Patents	715	366	1	0	(233)	581
Concessions, licenses, trademarks and similar rights	16	0	0	0	(2)	18
Intangible assets under development and advances	1,043	537	0	0	0	506
Other intangible assets	0	0	0	0	0	0
Total Other Intangible Assets	1,774	903	1	0	(235)	1,105

(€thousand)	Balance at 31.12.18	Purchases / other	GRIGLIA acquisition	Net decreases	Depreciation	Balance at 31.12.17
Patents	1,245	554	362	0	(386)	715
Concessions, licenses, trademarks and similar rights	15	0	0	0	(1)	16
Intangible assets under development and advances	916	(127)	0	0	0	1,043
Other intangible assets	0	0	0	0	0	0
Total Other Intangible Assets	2,176	427	362	0	(387)	1,774

As regards the item "Industrial patent rights", in addition to the increase partly linked to the entry into operation with the Parent Company of an application for optimising stock orders (the implementation of which had already started as at 31 December 2017) and the purchase of new software, the increase of 362 thousand Euros, correlated to the consolidation of the company Griglia Doc, in which DE.AL. S.r.l. Depositi Alimentari acquired the remaining 50% holding in February, should be noted.

For details of the changes in intangible assets please refer to the information provided in Appendix 4.

4. Equity investments evaluated using the Net Equity Method

As at 31 December 2018, this item amounted to 516 thousand Euros and represents the evaluation of the holding of the company Si'Frutta S.r.l., which operates in the supply of fresh fruit and vegetables to clients in the hotels, restaurants, organised catering and industrial transformation segments. As highlighted in the Directors' Report, the acquisition of 40% of the holdings in the company was finalised by the Parent company on 31 May 2018.

In comparing this figure with the previous year, it must be noted that as at 31 December 2017, this item amounted to 735 thousand Euros and represented 50% of the holdings of the company DE.AL. – S.r.l. Depositi Alimentari in Griglia Doc S.r.l.. Subsequently, on 27 February 2018, DE.AL acquired the remaining 50% holding, and incorporated the subsidiary Griglia Doc S.r.l. by merger on 8 June 2018.

5. Non-current financial receivables

As at 31 December 2018, this item amounted to 723 thousand Euros (1,171 thousand Euros as at 31 December 2017) and includes 356 thousand Euros for the quota beyond the year of interest-bearing financial receivables from Adria Market and other trade partners and the quota beyond the year (totalling 367 thousand Euros) of receivables from transporters for the sale of the transport vehicles used to move MARR goods.

6. Financial instruments / derivatives

The amount as at 31 December 2018, amounting to 2,513 thousand Euros (586 thousand Euros as at 31 December 2017), represents the positive fair value of the Cross Currency Swap contracts stipulated by the Parent Company to hedge the risk of changes to the Dollar-Euro exchange rate, with reference to the bond private placement in US dollars finalized in July 2013.
It should be noted that, consistently with the possibility offered by the new IFRS9 (paragraph 7.2.21 on "Transitory dispositions concerning the accounting of hedging operations"), the Group has opted to continue to apply the dispositions concerning the accounting of hedging operations of which in IAS 39 to this type of operations.

The change compared to the end of the previous business year is linked to the performance during the period of the US dollar-Euro exchange rate. There are not any contracts whit expiry date over 5 years.

7. Other non-current assets

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Non-current trade receivables	8,600	6,938
Accrued income and prepaid expenses	4,847	1,992
Other non-current receivables	17,433	22,427
Total Other non-current assets	30,880	31,357

The "Non-current trade receivables", amounting to 8,600 thousand Euros (of which 3,260 thousand Euros was with an expiry date of over 5 years) mainly concerns agreements and delays in payment defined with the customers.
The prepaid expenses are mainly linked to promotional contributions with clients of a multi-annual nature (the amount whit expiry date over 5 years is assess for some 900 thousand Euros).
The item "Other non-current receivables" includes, in addition to receivables from State coffers for loss of clients of 6,277 thousand Euros, receivables from suppliers for 10,727 thousand Euros (14,612 thousand Euros as at 31 December 2017) with expiry date within 5 years.

Current assets

8. Inventories

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Finished goods and goods for resale		
Foodstuff	37,366	38,462
Meat	13,729	14,075
Seafood	96,283	84,255
Fruit and vegetables	26	29
Hotel equipment	2,434	2,263
	149,838	139,084
provision for write-down of inventories	(630)	(630)
Goods in transit	7,520	7,210
Packaging	2,150	1,888
Total Inventories	158,878	147,552

The inventories are not conditioned by obligations or other property rights restrictions.
As explained in the Directors' Report, the increase in inventories compared to 31 December 2017 is the effect of stocking policies aimed at making the most of specific trade opportunities in the market of frozen seafood products.

The changes in the year, as detailed below

(€thousand)	Balance at 31.12.18	Change of the year	Consolidation change	Balance at 31.12.17
Finished goods and goods for resale	149,838	10,754	0	139,084
Goods in transit	7,520	310	0	7,210
Packaging	2,150	262	0	1,888
	159,508	11,326	0	148,182
Provision for write-down of inventories	(630)	0	0	(630)
Total Inventories	158,878	11,326	0	147,552

9. Current financial receivables

The item "Current financial receivables" is composed of:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Financial receivables from Parent companies	1,956	1,259
Receivables from loans granted to third parties	922	705
Total Current financial receivables	2,878	1,964

The Receivables for loans granted to third parties, all of which are interest-bearing, refer to receivables towards truck drivers (amounting to 811 thousand Euros) consequent to the sale to the latter of the trucks used by them to transport MARR products and service-supplying partners (65 thousand Euros).
It must be noted that the receivables from parent companies are interest-bearing (at rates in line with market rates).

10. Financial instruments / derivatives

The total as at 31 December 2018, amounting to 1 thousand Euros, concerns term exchange purchase transactions undertaken by the Subsidiary Company As.Ca S.p.A.. These operations were record in the accounts as the hedging of financial flows.

11. Current trade receivables

This item is composed of:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Trade receivables from customers	401,079	407,901
Trade receivables from Parent companies	2,740	438
Total current receivables	403,819	408,339
Provision for write-down of receivables from customers	(33,930)	(38,587)
Total current net receivables	369,889	369,752

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Trade receivables from customers	387,718	394,319
Receivables from Associated Companies	43	0
Receivables from Associated Companies Consolidated by the Cremonini Group	13,311	13,580
Receivables from Associated Companies not Consolidated by the Cremonini Group	7	2
Total current trade receivables from customers	401,079	407,901

The receivables from customers due within the year, deriving in part from normal sales operations and in part from the supply of services, have been valued on the basis of that indicated above. Receivables are shown net of bad debt provision of 33,930 thousand Euros, as highlighted in the table below.

The receivables "from associated companies consolidated by the Cremonini Group" (13,311 thousand Euros), "from associated companies not consolidated by the Cremonini Group" (7 thousand Euros) and "from Associated Companies" (43 Thousand Euros), are analytically outlined, together with the corresponding payable items, in the Appendix 8 of the these Explanatory Notes. These receivables are all of a commercial nature.

Receivables in foreign currencies have been adjusted to the exchange rate valid on 31 December 2018.

In 2018, the provision for the write-down of receivables recorded the following movements, and the determination of the period allocation reflects the exposure of the receivables – net of the write-down provision – at their presumable realisation value.

(€thousand)	Balance at 31.12.18	Increases	Other movements	Drecreases	Balance at 31.12.17
- Tax-deductible provision	2,159	2,158	0	(2,087)	2,088
- Taxed provision	31,641	9,826	35	(13,965)	35,745
- Provision for interest for late payments	130	0	0	(624)	754
Total Provision for write-down of Receivables from customers	33,930	11,984	35	(16,676)	38,587

12. Tax Receivables

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Ires/Irap tax advances /withholdings on interest	73	45
VAT carried forward	1,046	162
Irpeg litigation	25	6,040
Ires transferred to the Parent Company	754	1,592
Receivable for Irap	6	153
Other	1,408	1,331
Total Tax assets	3,312	9,323

The decrease in this item is mainly correlated to the reimbursement of that paid by the Parent Company in past years, with regard to the legal dispute with the Guardia di Finanza, Group IV of the San Lazzaro di Savena Sections in Bologna (for presumed violations concerning direct taxes in the fiscal years 1993 to 1999 and VAT in the fiscal years 1998 and 1999, finalised in June 2000). As already highlighted in the 2018 Half-Year Financial Report, on 22 March last, the fiscal dispute was discussed before the Emilia Romagna Taxation Commission (CTR) and the judges in the proceedings filed sentence no. 1155/18 on 20 April 2018, in which the CTR accepted the reasons put forward by MARR and ordered the annulment of the assessment notices.
In August and October 2018, the total amount of 6,996 thousand Euros, inclusive of interest amounting to 981 thousand Euros, was thus received.

The Items "Ires transferred to Parent Company", amounting to 754 thousand Euros, is mainly composed as follows:
- 97 thousand Euros represents the net Ires receivables for 2018 transferred by the Group to the parent company as a result of adhesion to the national consolidated fiscal system;
- 646 thousand Euros represents the balance of the Ires advance for 2018 paid by DE.AL and Speca Alimentari, subsequently the merger in the Parent Company and not included in the national consolidated fiscal system.

Lastly, it should be noted that the item "Other" is almost entirely represented (1,059 thousand Euros as at 31 December 2018) by VAT receivables accrued abroad (Spain), which the competent authority has been asked to reimburse; in addition, the item includes the VAT balance receivable deriving from DE.AL. – S.r.l. Depositi Alimentari (amounting to about 239 thousand Euros), not part of the Group VAT.
The amount "VAT carried forward" represents deferred VAT receivables, partly from Spain (661 thousand Euros) and partly correlated to the deductibility of VAT on customs tariffs accounted by the closure of the business year (amounting to 384 thousand Euros).

13. Cash and cash equivalents

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Cash and Cheques	9,345	9,133
Bank and postal accounts	169,065	147,152
Total Cash and cash equivalents	178,410	156,285

The balance represents the liquid assets available and the existence of ready cash and values on closure of the period.

In relation to the changes of the net financial position, refer to the cash flows statement of 2018, and for its composition, refer to the comments in the paragraph "Analysis of the Net Financial Position" in Directors' Report have to be done.

14. Other current assets

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Accrued income and prepaid expenses	717	620
Other receivables	57,439	49,029
Total Other current assets	58,156	49,649

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Other accrued income (from loans)	0	4
Prepaid expenses		
Leases on buildings and other assets	303	221
Maintenance fees	291	239
Insurance costs/Administration services	52	31
Other prepaid expenses	71	125
	717	616
Totale Current accrued income and prepaid expenses	717	620

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Guarantee deposits	130	139
Other sundry receivables	1,398	1,420
Provision for write-down of receivables from others	(4,691)	(5,249)
Receivables from social security institutions	222	198
Receivables from agents	1,797	3,125
Receivables from employees	70	33
Receivables from insurance companies	259	293
Advances and deposits	41	49
Advances to suppliers and supplier credit balances	57,756	48,715
Advances to suppliers and supplier credit balances from Associates	457	306
Total Other current receivables	57,439	49,029

The item *Advances to suppliers and supplier credit balances* includes, in addition to payments made to foreign suppliers (non-EU) for the purchase of goods with "f.o.b. clause" or advance payment on next fishing campaigns (for 25,716 thousand Euros, 23,772 thousand Euros in 2017), also receivables for contributions to be received from suppliers totalling 27,428 thousand Euros (see the comments made in paragraph 27 "Other revenues").
Receivables from foreign suppliers in foreign currencies have been adjusted, if necessary, to the exchange rate valid on 31 December 2018.

The "Provision for write-down of receivables from others" refers to receivables relates to agents for 1,100 thousand Euros and for the remaining to suppliers. During the business year it shown the following changes:

(€thousand)	Balance at 31.12.18	Increases	Decreases	Consolidation change	Balance at 31.12.17
- Provision for Receivables from Others	4,691	500	(1,023)	(35)	5,249
Total Provision for write-down of Receivables from Others	4,691	500	(1,023)	(35)	5,249

Breakdown of receivables by geographical area

The breakdown of receivables by geographical area is as follows:

(€thousand)	Italy	EU	Extra-EU	Total
Non-current financial receivables	723	0	0	723
Non current derivative/financial instruments	2,513	0	0	2,513
Deferred tax assets	0	0	0	0
Other non-current assets	20,153	2,895	7,832	30,880
Financial receivables	2,878	0	0	2,878
Current derivative/financial instruments	1	0	0	1
Trade receivables	345,558	21,524	2,807	369,889
Tax assets	1,591	1,721	0	3,312
Other current assets	29,353	6,703	22,100	58,156
Total receivables by geographical area	402,770	32,843	32,739	468,352

LIABILITIES

15. Shareholders' Equity

As regards the changes within the Shareholders' Equity, refer to the statement of changes in the shareholders' equity.

Share Capital
The Share Capital as at 31 December 2018, amounting to 33,263 thousand Euros, is unchanged compared to the previous business year and is represented by 66,525,120 MARR S.p.A. ordinary shares, entirely subscribed and paid up, with regular benefit, of a nominal value of 0.50 Euros.

Share premium reserve
As at 31 December 2018 this reserve amounts to 63,348 thousand Euros and does not appear to have changed since 31 December 2017.

Legal reserve
This Reserve amounts to 6,652 thousand Euros and does not appear to have changed since 31 December 2017.

Shareholders' contributions on account of capital
This Reserve did not change in 2018 and amounts to 36,496 thousand Euros.

Reserve for transition to IAS/IFRS
This is the reserve (amounting to 7,290 thousand Euros) set up following the first time adoption of the international accounting standards.

Extraordinary Reserve
As at 31 December 2018, the increase of 13,998 thousand Euros, is attributable to the allocation of part of the profits for the year closed on 31 December 2017, as per shareholder meeting's decision made on 28 April 2018.

Cash flow hedge reserve
As at 31 December 2018, this item amounted to a negative value of 1,578 thousand Euros and is linked to the stipulation of hedging contracts for interest and exchange rates undertaken for the specific hedging of certain loans, with variable rates and in foreign currency respectively.
As regards the movements in this reserve and the other profits/losses in the Statement of Comprehensive Income, see that described in the Consolidated Statement of Changes in the Shareholders' Equity and in paragraph 35 "Other profits/losses" in these explanatory notes.

Reserve for exercised stock option
This reserve has not changed during the course of the year, as the plan was concluded in April 2007 and amounted to 1,475 thousand Euros.

Reserve IAS19
As at 31 December 2018, this reserve amounts to a negative value of 644 thousand Euros and is composed of the value, net of the theoretical tax effect, of actuarial losses and gains regarding the evaluation of Staff Severance Provision as required by amendments to IAS principle 19 "Employee Benefits", effective for the business years starting on 1st January 2013. According to the IFRS these profits/losses have been entered in the net equity and their variation is highlighted (according to IAS 1 revised, in force from 1st January 2009) in the consolidated comprehensive income statement.

Whit regard to the reserves in taxation suspension (ex. Art. 55 DPR 917/86 and 597/73 reserve), amounting to 1,463 thousand Euros as at 31 December 2018, the relevant deferred tax liabilities have been accounted for.

On 28 April 2018 the Shareholders' meeting approved the MARR S.p.A. financial statements as at 31 December 2017 and consequently decided upon allocation of the business year profits, and the approval of a dividend of 0.74 Euros for each ordinary share with the right to vote.

Non-current liabilities

16. Non-current financial payables

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Payables to banks - non-current portion	180,707	159,583
Payables to other financial institutions - non-current portion	37,650	36,112
Total non-current financial payables	218,357	195,695

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Payables to banks (1-5 years)	180,707	159,583
Payables to banks (over 5 years)	0	0
Total payables to banks - non-current portion	180,707	159,583

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Payables to other financial institutions (1-5 years)	37,650	8,624
Payables to other financisl institutions (over 5 years)	0	27,488
Total payables to other financial institutions - Non current portion	37,650	36,112

The variation in non-current payables to banks is the effect, net of the payment of the overdue instalment and of the classification of the expiring instalments among the current payables, of some new transactions finalized by the Group as follows.

During the year the Parent Company extinguished in advance, for an amount of 34.6 million Euros, the outstanding loans with Cassa di Risparmio di Ravenna, Unicredit Banca, UBI Banca and Banca Intesa San Paolo, at 31 December 2017 the total amount of this ones was for 42,0 million Euros, of which 19.2 million recorded in long term financial debts.
As a result of that explained above, for optimize the cost of debt, the follow new loans have been finalized:

- with regard to the ongoing loans outstanding with ICCREA BancaImpresa and BNP Paribas, in January additional financing tranches were granted for a total value of 40.9 million Euros;
- a new loan in Pool with Cassa Centrale Banca (as agent bank) and BCC Malatestiana, signed on 14 February, granted for 10 million Euros and with amortization plan ending in December 2020;
- a new loan with UniCredit, signed on 11 April, granted for 25 million Euros and with amortization plan expiring in April 2022;
- a new loan with Credito Emiliano, signed on 18 July 2018, granted for 7.5 million Euros and with amortization plan ending in July 2021;
- a new loan with Ubi Banca, signed on 19 July, granted for 10 million Euros and with amortization plan ending in July 2021;
- a new loan with Banca Intesa San Paolo, signed on 4 October 2018, granted for 20 million Euros and with amortization plan ending in October 2021;
- a new loan with Credito Valtellinese (Creval S.p.A.), signed on 31 October 2018, granted for 10 million Euros and with amortization plan ending in January 2023.

Lastly, it should be noted that as at 31 December 2018, there were no derivative contracts ongoing to hedge the interest rate risk.

The value of the payables to other financial institutions is represented for 37,367 thousand Euros (35,603 thousand Euros as at 31 December 2017) by the bond private placement in US dollars, finalized in July 2013. The bond placement amounts to 43 million dollars (originally 30.6 million Euros), involves an average coupon of about 5.1% and for 10 million dollars expires in 2020 and for the remaining 33 million dollars in 2023 so there are not any amount with expiry date over 5 years.
The increase in its value is attributable to variations in the Dollar/Euro exchange rate.

It is recalled that, to hedge the risk of oscillations in the Euro-Dollar exchange rate, specific Cross Currency Swap contracts are ongoing, for the effects of which see paragraph 6 "Financial instruments / derivatives".

Finally, it should be noted that, as at 31 December 2018, the item includes also, for 283 thousand Euros, the payable accounted due to the ongoing financial leasing contract for hardware infrastructure for the Group ERP, finalized in 2016 (for more details concerning this contract, see that described in paragraph 1 "Tangible fixed assets" of these Notes).

Below is the breakdown of the medium and long-term portion of the payables to banks, including the interest rates applied:

Credit institutes	Interest rate	Expiry	Portion from 2 to 5 years	Portion beyond 5 years	Balance at 31.12.18
Banca Intesa San Paolo	Euribor 6m +0,75%	30/06/2022	3,741	0	3,741
Ubi Banca	Euribor 3m +0,85%	29/06/2020	2,999	0	2,999
Pool BNP Paribas	Euribor 6m +0,85%	30/06/2022	46,313	0	46,313
Credit Agricole Cariparma	Euribor 3m +0,75%	19/05/2021	3,774	0	3,774
Bnl	Fixed 0,70%	30/09/2020	29,993	0	29,993
Iccrea in pool	Euribor 3m +0,55%	21/12/2020	22,558	0	22,558
Bper	Euribor 6m +0,40%	21/12/2021	6,664	0	6,664
Cassa di Risparmio di Pistoia	Euribor 6m +0,48%	31/01/2020	261	0	261
Credem	Euribor 3m +0,65%	18/07/2021	4,384	0	4,384
Ubi Banca	Euribor 6m +0,85%	19/07/2021	7,778	0	7,778
Unicredit	Euribor 6m +0,55%	11/04/2022	20,814	0	20,814
Cassa Centale Banca	Euribor 3m +0,50%	31/12/2020	6,673	0	6,673
Credito Valtellinese	Euribor 6m +0,75%	05/01/2023	8,761	0	8,761
Banca Intesa San Paolo	Euribor 6m +0,65%	04/10/2021	15,994	0	15,994
			180,707	0	180,707

The following is the breakdown of the mortgage guarantees on the real estate properties of the Group:

Credit institutes	Guarantee	Amount	Property
Cassa di Risparmio di Pescia e Pistoia	mortgage	10,000	Via Francesco Toni 285/297 - Bottegone (PT)
Total		10,000	

Finally, it must be pointed out that the loan contracts ongoing require the maintenance of financial indices identified as described below and that these covenants have been respected as at 31 December 2018.

- The ongoing financing with BNP Paribas (as revised at December 2017) provides the following financial ratios:
  NET DEBT / EBITDA < 3.5
  NET DEBT / EQUITY <2
  EBITDA / Net financial charges > 4
  Those ratios are verified with reference to 31 December and 30 June each year

- The ongoing loan with BNL (signed in March 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.0
  EBITDA / Net financial charges >= 4.0

- The ongoing loan with Crèdit Agricole Cariparma (signed in May 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY < 2.0
  NET DEBT / EBITDA < 4.0

- The ongoing loan with Intesa Sanpaolo (signed in May 2017), provides the following covenants to be verified as at 30 June and at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.5
  EBITDA / Net financial charges >= 4.0

- The ongoing loan with Ubi Banca (signed in June 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 1.5
  NET DEBT / EBITDA =< 3.0

- The ongoing loan in pool with Iccrea BancaImpresa as agent Bank (signed in December 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.0

- The ongoing loan with BPER Banca (signed in December 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.0

- The *bond private placement* (finalized in July 2013) provides the following financial ratios:
  NET DEBT / EBITDA < 3.5
  NET DEBT / EQUITY < 2
  EBITDA / Net financial charges > 4
  Those ratios are verified with reference to the consolidated data as at 31 December and 30 June each year.

- The ongoing loan with Unicredit S.p.a. (signed in April 2018), provides the following covenant, to be verified as 31 December and as 30 June of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.0
  EBITDA / Net financial charges >=4.0

- The ongoing loan with Credem (signed in July 2018), provides the following covenant, to be verified as 31 December of each year with reference to the MARR data.
  NET DEBT / EBITDA =< 3.15
  EBITDA / Net financial charges >= 14.5
  Should one of these ratios not be respected, the bank has the right to apply an increase in interest rate with respect to the spread in force; should the above indices reach the threshold of 4.90 and 16.20 respectively, the bank has the right to terminate the contract.

- The ongoing loan with UBI Banca (signed in July 2018), provides the following covenant, to be verified as 31 December of each year with reference to the MARR Group data.
  NET DEBT / EQUITY =< 1.5
  NET DEBT / EBITDA =< 3.0

- The ongoing loan with Creval S.p.A. (signed in October 2018), provides the following covenant, to be verified as 31 December of each year to the MARR Group data.
  NET DEBT / EQUITY =< 2.0;
  NET DEBT / EBITDA =< 3.5;

- The ongoing loans with Intesa SanPaolo S.p.A. (signed in October 2018), provides the following covenant, to be verified as 31 December and as 30 June of every years with reference to the MARR Group Data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.5
  EBITDA / Net financial charges >= 4.0

The comparison of the book values and related fair values of the non-current financial payables is as follows:

(€thousand)	Book Value		Fair Value	
	2018	2017	2018	2017
Payables to banks - non-current portion	180,707	159,583	179,511	158,771
Payables to other financial institutions - non-current portion*	37,650	36,112	32,180	32,458
	218,357	195,695	211,691	191,229

The difference between the fair value and the book value lies in the fact that the fair value is obtained by discounting back future cash flows, while the book value is determined by the amortised cost method.

17. Employee benefits

This item includes the Staff Severance plan, for which changes during the period are reported:

(€thousand)	
Opening balance at 31.12.17	*9,264*
payments of the period	(923)
provision for the period	236
other changes	(159)
Closing balance at 31.12.18	8,418

The movement of the year was entirely relate to the revaluation accrued expected by law and also from the period decreases.
It should be noted that the Company Griglia Doc S.r.l. had not any employees as at 31 December 2017.

It must be highlighted that the allocation for the period includes actuarial gains totalling 150 thousand Euros recorded in the accounts, net of the theoretical fiscal effect, in the relevant net equity reserve as provided by IAS 19 (see that described as regards the movement of the Net Equity and in paragraph 15 of these Explanatory Notes).

The applicable employment contract is that for companies operating in the "Tertiary, Distribution and Services" sector.

With reference to the significant actuarial hypotheses (as described in the paragraph entitled "Main estimates adopted by management and discretional assessments"), the table below shows the effects on the final liabilities of the Group due to possible changes to them.

(€thousand)	Turnover +1 %	Turnover -1 %	Inflation rate + 0.25%	Inflation Rate - 0.25%	Discounting rate + 0.25%	Discounting rate - 0.25%
Effect on the final liability	(32)	35	88	(87)	(135)	139

It should also be noted that the contribution expected for the following business year is about 139 thousand Euros; future payments expected in the next five years can be estimated as totalling 4.0 million Euros.

18. Provisions for non-current risks and charges

(€thousand)	Balance at 31.12.18	Provisions/Other movements	Decreases	Balance at 31.12.17
Provision for supplementary clients severance indemnity	4,898	385	(3)	4,516
Provision for specific risks	1,083	0	(402)	1,485
Total Provisions for non-current risks and charges	5,981	385	(405)	6,001

The provision for supplementary clients severance indemnity has been allocated in compliance with IAS 37 on the basis of a reasonable estimate of probable future liabilities, considering the available elements. It should be highlighted that Griglia Doc S.r.l. hadn't any agent at 31 December 2017.

The *Provision for specific risks* was allocated mainly to hedge probable liabilities linked to certain ongoing legal disputes and its decrease is linked to the definitions of some ongoing legal disputes.

In relation to the legal dispute ongoing with the Guardia di Finanza Group IV of San Lazzaro di Savena Sections in Bologna (for presumed violations concerning direct taxes for the fiscal years 1993 to 1999 and VAT for the fiscal years 1998 and 1999; assessment completed in June 2000, with the main report being known as "CRC") highlighted in the financial statements as at 31 December 2017, it should be noted that the dispute was definitively settled with the sentence emanated by the Emilia Romagna Regional Tax Commission, no. 1155/18 dated 17/11/2017, which accepted the Company's request entirely, ordering the annulment of the assessment notices issued, the Inland Revenue Service thereby being bound to reimburse the amounts paid by MARR Spa in execution of the sentences in this regard, plus expenses.
The aforementioned sentence was not impugned by the counterparty, thereby becoming definitive.
On the basis of the aforementioned sentence no. 1155/18, the Inland Revenue Service reimbursed to MARR the amounts paid in advance while settlement was pending, for a total amount of 6,996 thousand Euros, inclusive of interest amounting to 981 thousand Euros. We would point out that the capital portion, amounting to 6,009 thousand Euros, was classified under tax receivables as at 31 December 2017.

In addition as explain before, it should be remembered that, during the course of 2007, several disputes arose with the Customs Authorities concerning the payment of preferential customs duties on certain imports of fish products. With reference to the most significant of these disputes, involving import duties amounting to approximately 250 thousand Euros concerning the purchase of certain goods from Mauritania, it must be pointed out that the judges in the first phase of proceedings rejected the recourses presented by the Company in May 2008, but in any case accepted the fact that the company was entirely extraneous to the claimed irregularities, as they were attributable exclusively to its suppliers, from whom, as already formally notified to them, all expenses and costs inherent and/or consequent to the aforementioned dispute will be reclaimed.
The appeal made by the Company against the first grade sentence has not been accepted by the Regional Tax Commission of Florence.
It should be noted that the Company appealed to the Supreme Court of Cassation in May 2013.

Lastly, it must be pointed out that on 29 June 2017, the Taxation Unit of the Guardia di Finanza (Finance Police) in Rimini started a tax inspection of a general nature (IRES, IRAP, VAT and other taxes) with MARR concerning the 2015 and subsequent fiscal years. The inspection ended and a Final Report was drawn up in which it was claimed that there had only been one presumed irregularity committed by MARR during the years involved. Specifically, this was the reduction, made pursuant to art. 87, paragraph 1 of Legislative Decree 917/86, amounting to 95% of the capital gains accrued during the 2015 business year, concerning the sale of the 55% holding in the share capital of the company Alisea Società Consortile a r.l., which was deemed to be improper. Considering the opinion expressed by our consultants, we believe that this presumed irregularity is unfounded, given that the Company acted correctly in determining the business profits. Because of this, on 20 December 2017, we filed with the Inland Revenue Service – Emilia Romagna Regional office and with the Inland Revenue Service – Rimini Provincial Office illustrative memorandums in which the reasons for the unfoundedness of the claim made were described analytically. As yet, we are still waiting to receive the notification setting the date for the first meeting, in which cross examination will begin aimed at verifying the foundations of the reasons given by each of the parties for the circumstances described in the Final Report. Considering the opinion of the legal advisors who are assisting the Company in the proceedings, we deem it reasonable to believe that the case will in all probability conclude with a fully satisfactory outcome in favour of MARR.

19. Deferred tax assets and deferred tax liabilities

As at 31 December 2018, this item amounted to 2,088 thousand Euros. The table below shows the details of the items.

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
On taxed provisions	9,587	10,827
On costs deductible in cash	134	61
On costs deductible in subsequent years	1,091	845
On other changes	0	8
Deferred tax assets	10,812	11,741
On goodwill amortisation reversal	(8,392)	(7,739)
On funds subject to suspended taxation	(408)	(409)
On leasing recalculation as per IAS 17	(449)	(446)
On actuarial calc. of severance provision fund	167	220
On fair value revaluation of land and buildings	(3,500)	(3,513)
On allocation of acquired companies' goodwill	(687)	(694)
On cash flow hedge	498	548
Others	(129)	(232)
Deferred tax liabilities	(12,900)	(12,265)
Deferred tax assets / (liabilities)	(2,088)	(524)

20. Other non-current payables

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Other non current liabilities	35	38
Other non-current accrued expenses and deferred income	1,081	1,007
Total other non-current payables	1,116	1,045

This item "Other non-current accrued expenses and deferred income" represents the quota over the year for deferred financial income from customers.
The item "other liabilities" instead is represented by security deposits paid by transporters.
There is no accrued income and prepaid expenses or other liabilities with expiry date over 5 years.

Current liabilities

21. Current financial payables

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Payables to banks	118,240	108,613
Payables to other financial institutions	977	974
Payables for the purchase of quotas / shares / going concern	361	10,574
Total Current financial payables	119,578	120,161

Current payables to banks:

(€thousand)		Balance at 31.12.18		Balance at 31.12.17
Current accounts		0		311
Loans/Advances		41,043		63,434
Loans:				
- Cassa di Risp.di Pescia e Pistoia	521		519	
- Banca Intesa San Paolo	0		8,005	
- Banca Carige	5,030		9,998	
- Unicredit	0		8,962	
- Cassa di Risparmio di Ravenna	0		3,026	
- Banca Intesa San Paolo	1,492		2,991	
- Banca Intesa San Paolo	3,993		0	
- Cariparma	2,493		2,475	
- Ubi Banca	5,994		5,990	
- Ubi Banca	0		2,827	
- Banca Popolare di Novara	25		75	
- Unicredit	4,149		0	
- Cassa Centrale Banca	3,321		0	
- Credito Valtellinese	1,239		0	
- Bper	3,330		0	
- Ubi Banca	2,222		0	
- Iccrea	22,422		0	
- Bnp Paribas	18,472		0	
- Credem	2,494		0	
		77,197		44,868
		118,240		108,613

For more details regarding the variation of current payable to the bank, see that outlined in the paragraph 16 "Non current financial payables".

It should be noted that the item "Loans/Advances" includes, in addition to 6,500 thousand Euros for "hot money" loans and 13,352 thousand Euros for sbf advances, the 20,304 thousand Euros payables to Banca IMI due to the securitization operation started in the business year 2014 by the Parent Company.

The balance of payables to other financiers mainly includes:

- the payables for interest accrued concerning the bond private placement operation finalized in July 2013, amounting to 749 thousand Euros,
- the current quota of the payables for the ongoing financial leasing contracts (as detailed in the paragraphs 1 and 16 of these Explanatory Notes), amounting to total 226 thousand Euros.

As regard the item "payables for the purchase of quotas or shares", it should be recalled that in 2018 the Parent Company paid the expiring last instalments of DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l.'s purchase price for a total amount of 10,574 thousand Euros; the balance at 31 December 2018, amounting to 361 thousand Euros, is related to the last instalment of the purchase price of Si'Frutta S.r.l..

The book value of the short-term loans is the same as the fair value, as the impact of discounting back is not significant.

22. Financial instruments / derivatives

The amount as at 31 December 2018, equal to 10 thousand Euros, concerns forward transactions in foreign currency to hedge the underlying transactions for the purchase of goods undertaken by the Parent Company. These transactions are accounted as hedging financial flows.

23. Current tax liabilities

The breakdown of this item is as follows:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Other taxes payables	191	193
Irpef for employees	1,255	1,250
Irpef for external assistants	507	211
Total current tributary payables	1,953	1,654

This item relates to taxes payable of a determined and certain amount.

As regards MARR S.p.A., the 2014 and following business years can still be verifiable by the fiscal authorities, by reason of the ordinary verification deadlines and excluding currently pending fiscal litigations.

24. Current trade liabilities

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Payables to suppliers	314,398	319,849
Trade payables to Parent Company	3	147
Payables to Associated companies consolidated by the Cremonini Group	8,802	8,792
Payables to Associated companies	24	25
Payables to other correlated companies	0	47
Total current trade liabilities	323,227	328,860

The liabilities mainly referred to payables for the purchase of goods for sale and payables to Sales Agents. They also include "Payables to Associated Companies consolidated by the Cremonini Group" for 8,802 thousand Euros, "Payables to Parent Companies" for 3 thousand Euros and "Payables to Associated Companies" for 24 thousand Euros the details and analysis of which are reported in the Appendix 8 of these Explanatory Notes.

25. Other current liabilities

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Current accrued income and prepaid expenses	1,206	1,256
Other payables	20,519	21,351
Total other current liabilities	21,725	22,607

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Other accrued expenses	50	63
Amounts due for remuneration of employees/directors	1,069	1,065
Other deferred income	4	3
Deferred income for interest from clients	83	125
Total current accrued expenses and deferred income	1,206	1,256

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Inps/Inail and other social security institutes	1,749	1,818
Enasarco/ FIRR	938	885
Payables to personnel for emoluments	4,932	4,821
Advances from customers, customers credit balances	11,333	12,030
Advances from customers, customers credit balances - Associeted Company	144	240
Payables to insurance companies	0	165
Other sundry payables	1,423	1,392
Total other payables	20,519	21,351

The item "Payables to personnel for emolument" and "Accrual for remuneration of employees/directors" includes current salaries not yet paid as at 31 December 2018 and allocations for leave accrued but not taken, with relevant charges.

The item "*Advances from customers, customers credit balances"* includes the credit notes to be issued to customers for end of year premiums and contributions.

Breakdown of payables by geographical area

The breakdown of payables by geographical area is as follows:

(€thousand)	Italy	EU	Extra-EU	Total
Non-current financial payables	162,944	17,857	37,555	218,357
Non current derivative/financial instruments	0	0	0	0
Employee benefits	8,418	0	0	8,418
Provisions for risks and charges	5,981	0	0	5,981
Deferred tax liabilities	2,088	0	0	2,088
Other non-current liabilities	1,116	0	0	1,116
Current financial payables	111,621	7,143	814	119,578
Current derivative/financial instruments	10	0	0	10
Current tax liabilities	1,917	0	36	1,953
Current trade liabilities	270,139	45,978	7,110	323,227
Other current liabilities	21,634	58	34	21,725
Total payables by geographic area	585,868	71,036	45,549	702,453

Guarantees, securities and commitments

These are guarantees granted by both third parties and our companies for debts and other obligations.

Guarantees (totalling 18,572 thousand Euros).
These refer to:

- guarantees issued on behalf of MARR S.p.A. in favour of third parties (amounting to 12,972 thousand Euros) and are guarantees granted on our request by credit institutions to guarantee the correct and punctual execution of tender and other contracts of a duration of either within the year or over the year;
- guarantees issued by MARR in favour of financial institutes in the interest of subsidiary companies. This item amounted to a total of 5,600 thousand Euros as at 31 December 2018 and refers to credit lines granted to subsidiaries.

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Guarantees		
AS.CA S.p.A.	5,600	5,600
DE.AL. S.r.l.	0	400
Total Guarantees	5,600	6,000

Collaterals
Collaterals in favour of third parties refer mainly to mortgages on properties owned and are analysed in detail in the comment on the items "Non-current financial payables" and "Tangible Assets".

Other risks and commitments
This item, amounting to 11,525 thousand Euros, refers to credit letters issued by certain credit institutes to guarantee obligations undertaken by the Parent Company and by AS.CA with certain foreign suppliers.

Comments on the main items of the consolidated statement of profit or loss

26. Revenues

Revenues are composed by:

(€thousand)	31.12.2018	31.12.2017
Revenues from sales - Goods	1,624,907	1,582,873
Revenues from Services	293	277
Other revenues from sales	0	68
Advisory services to third parties	320	301
Manufacturing on behalf of third parties	54	31
Rent income (typical management)	47	107
Other services	2,261	2,125
Total revenues	1,627,882	1,585,782

See that described in the Directors' Report with regard to comments on the performance of revenues.

The breakdown of the revenues from goods sales and from services by geographical area is as follows:

(€thousand)	31.12.2018	31.12.2017
Italy	1,529,274	1,475,660
European Union	64,579	66,307
Extra-EU countries	34,029	43,815
Total	1,627,882	1,585,782

27. Other revenues

The Other revenues are broken down as follows

(€thousand)	31.12.2018	31.12.2017
Contributions from suppliers and others	35,943	34,290
Other Sundry earnings and proceeds	2,137	2,660
Reimbursement for damages suffered	728	906
Reimbursement of expenses incurred	657	787
Recovery of legal taxes	41	51
Capital gains on disposal of assets	135	82
Total other revenues	39,641	38,776

The "Contributions from suppliers and others" consist mainly of contributions obtained from suppliers for the commercial promotion of their products with our customers.
Their increase is strictly related to the trend of revenues; it should be recalled that from the previous year a part of the contribution from suppliers has been included to reduce the cost of purchasing materials following the reformulation of some of the contracts for the recognition of end-of-year bonuses.

28. Purchase of goods for resale and consumables

This item is composed of:

(€thousand)	31.12.2018	31.12.2017
Purchase of goods	1,318,220	1,277,372
Purchase of packages and packing material	4,970	4,782
Purchase of stationery and printed paper	767	802
Purchase of promotional and sales materials and catalogues	198	343
Purchase of various materials	489	670
Fuel for industrial motor vehicles and cars	287	310
Total purchase of goods for resale and consumables	1,324,931	1,284,279

As regards the performance of the purchase cost of goods destined for commercialisation, see the Directors' Report and the relevant comments on the gross margin.

As highlighted in the previous paragraph, the item "Purchases of goods" benefits for some 7,810 thousand Euros (5,513 thousand Euros at 31 December 2017), of the part of contribution from suppliers identifiable as end-of year bonuses.

29. Personnel costs

This item includes all expenses for employed personnel, including holiday and additional monthly salaries as well as related social security charges, in addition to the severance provision and other costs provided contractually.

(€thousand)	31.12.2018	31.12.2017
Salaries and wages	27,357	27,311
Social security contributions	8,289	8,123
Staff Severance Provision	2,007	1,982
Other Costs	237	96
Total personnel costs	37,890	37,512

With regard to this item, it should be noted that, with an increase in employees determined mainly by the hiring of new resources to enhance some of the corporate Departments and the beginning of new projects (as described in more detail in the paragraph entitled "Human Resources" in the Directors' Report), the average number of employees reached 846.1 units in 2018, compared to 847.3 in 2017, also thanks to the progress being made in the outsourcing of operating activities within the Units.
By effect of the above, and thanks to the continuing careful policy of managing resources, with specific regard to the management of leave and permits and hours of overtime work, the cost of employment, net of non-recurring costs amounting to 174 thousand Euros included in the item "Other costs" and mainly correlated to the closure of the MARR Valdagno distribution centre, which ceased activities on 31 January 2019, is mainly in line with that for the previous year.

Breakdown of employees by category is as follows:

	Workers	Employees	Managers	Total
Employees at 31.12.17	258	550	8	816
Net increases and decreases	*(25)*	*37*	*0*	*12*
Employees at 31.12.18	233	587	8	828
Average employees at 31.12.18	260.6	577.5	8.0	846.1

30. Amortizations and write-downs

(€thousand)	31.12.2018	31.12.2017
Depreciation of tangible assets	6.804	6.320
Amortization of intangible assets	387	235
Provisions and write-downs	12.869	12.435
Total amortization and depreciation	20.060	18.990

(€thousand)	31.12.2018	31.12.2017
Allocation of taxable provisions for bad debts	10,326	9,865
Allocation of non-taxable provisions for bad debts	2,158	2,086
Provision for supplementary clientele severance indemnity	385	484
Total provisions and write-downs	12,869	12,435

The increase in depreciation is related to the plan of investment for expansion and modernization works carried out in the last three-years period in some Parent Company's distribution centers.

For more details on provisions, reference is made to the relevant movements highlighted in notes 11 "Current trade receivables" and 18 "Provisions for non-current risks and charges", in addition to that commented in the paragraph "Credit risk".

31. Other operating costs

(€thousand)	31.12.2018	31.12.2017
Operating costs for services	185,220	179,974
Operating costs for leases and rentals	9,779	9,737
Operating costs for other operating charges	1,852	1,592
Total other operating costs	196,851	191,303

(€thousand)	31.12.2018	31.12.2017
Sale expenses, distribution and logistic costs for our products	150,097	147,394
Energy consumption and utilities	11,026	10,242
Third-party production	4,313	3,738
Maintenance costs	4,855	4,912
Porterage and movement of goods	5,397	4,743
Advertising, promotion, exhibitions, sales (sundry items)	496	553
Directors' and statutory auditors' fees	906	873
Insurance costs	955	978
Reimbursement of expenses, travel costs and sundry personnel costs	446	451
General and other services	6,729	6,090
Total operating costs for services	185,220	179,974

As regards the service costs, it should be noted that the increase is mainly correlated to the costs for the "sale, handling and distribution" which, net of the lesser impact of the net trade costs correlated to the sales costs, are due to the effect of a different sales mix, as well as the increase in revenues.

For more details, refer to what expose related Operating Cost in the Directors' Report.

(€thousand)	31.12.2018	31.12.2017
Lease of industrial buildings	9,234	9,251
Lease of processors and other personal property	163	161
Lease of industrial vehicles	165	113
Lease of cars	10	2
Lease of plants, machinery and equipment	83	77
Rent fees and other charges paid on other personal property	124	133
Total operating costs for leases and rentals	9,779	9,737

Finally it should be pointed out that the rental fees for industrial buildings include the fees of 668 thousand Euros paid to the associate companies Le Cupole S.r.l. in Castelvetro (MO) for the rental of the properties located in St. Spagna 20 – Rimini.

(€thousand)	31.12.2018	31.12.2017
Other indirect taxes, duties and similar charges	717	675
Expenses for recovery of debts	345	284
Other sundry charges	207	156
Capital losses on disposal of assets	236	76
IMU	290	345
Contributions and membership fees	57	56
Total operating costs for other operating charges	1,852	1,592

The item "other indirect taxes, duties and similar charges" mainly includes: tax and register duties, local duties and taxes and car and vehicle ownership tax.
It should be noted that as at 31 December 2018 this item includes non-recurring costs amounting to 48 thousand Euros due to the settlement of a tax dispute concerning the register fees paid for the purchase of the company Sfera S.p.A. (merged into MARR in 2016).

32. Financial income and charges

(€thousand)	31.12.2018	31.12.2017
Financial charges	5,525	6,090
Financial income	(2,160)	(1,279)
Foreign exchange (gains)/losses	(1)	138
Total financial (income) and charges	3,364	4,949

The net effect of foreign exchange balances mainly reflects the performance of the Euro compared to the US dollar, which is the currency for imports from non-EU countries.

The detail of financial charges and income is as follows:

(€thousand)	31.12.2018	31.12.2017
Interest paid on other loans, bills discount, hot money, imports	3,132	3,393
Interest payable on loans	1	83
Interest payable on discounted bills, advances, exports	394	426
Other financial interest and charges	1,998	2,187
Interest and Other financial charges for Consolidated Parent Companies	0	1
Total financial charges	5,525	6,090

As also highlighted in the Directors' Report, the decrease in financial charges has benefited from a reduction in the cost of money related, in addition to the trend of interest rates, to the renegotiation of some long term debt finalized from the end of the 2017.

(€thousand)	31.12.2018	31.12.2017
Other sundry financial income (interest from customers, etc.)	892	1,098
Interest from the State	990	34
Interests and financial income from Parent Companies	1	11
Positive interest from bank accounts	277	136
Total Financial Income	2,160	1,279

The other sundry financial income concerns the interests due from customers for payment delays; the decrease compared to the previous period is mainly due to the ending of some repayment plans.
The item "Interest from the State" includes almost entirely the interest recognised to MARR with regard to the definitive settlement in 2018 of the fiscal dispute that arose in 2000 following the assessment by the Guardia di Finanza, Group IV – Sections of San Lazzaro di Savena (BO). This amount was received in October 2018, together with the reimbursement of the amounts paid out in past years while settlement was pending. For further details, see that described in the Directors' Report and paragraph 18 "Provision for non-current risks and charges".

33. Taxes

(€thousand)	31.12.2018	31.12.2017
Ires-Ires charge transferred to Parent Company	20,967	21,595
Irap	4,665	4,637
Net provision for deferred tax liabilities	1,639	211
Previous years tax	(23)	(2)
Total taxes	27,248	26,441

The fiscal year's tax rate is for 28.5% (28.8% at 2017).

Reconciliation between theoretical and effective fiscal charges

(€thousand)	*Year 2018*		*Year 2017*	
	Taxable amount	*Tax*	*Taxable amount*	*Tax*
I.R.E.S.				
Profit before taxation	95,602		95,926	
Taxation rate	24%		24%	
Theoretical tax burden		22,944		23,022
Permanent differences				
Non-deductible depreciation	843		580	
Write-down of financial assets	5		6	
Other	983		960	
	1,831		1,546	
Deductible depreciation	(2,946)		(2,807)	
Dividends from Italian companies (95%)	0		(3,789)	
Income from subsidiaries disposal (95%)	0		0	
Personel cost not deducted to Irap	(255)		(163)	
Other	(2,434)		(1,741)	
	(5,635)		(8,500)	
Temporary differences deductible in future years				
Allocation of taxed provision for bad debts	10,326		10,018	
Maintenance costs excess 5%	0		0	
Other	506		679	
Deductible entertainment expenses	0		0	
	10,832		10,697	
Reversal of temporary differences from previous years				
Surplus value deductible in future years	0		0	
	0		0	
Use of taxed provision for bad debts	(14,523)		(7,723)	
Use of others taxed provisions	(492)		(401)	
Amount deductible entertainment expenses	0		0	
Amount of Write-down of financial assets	0		0	
Amount of maintenance cost excess 5%	(15)		(9)	
Other	(293)		(967)	
	(15,323)		(9,100)	
Taxable income	87,307		90,570	
Taxation rate	24.00%		24.00%	
Actual tax burden		20,954		21,737
Balance of IRES for past business years and roundings		1		(142)
Actual Tax burden of Period		20,955		21,595
I.R.A.P.				
Profit before taxation	95,602		95,926	
Cost not relevant for I.R.A.P.				
Income and expense from investments	0		(3,830)	
Financial income and expense	3,364		4,997	
Personnel costs	37,890		37,688	
Theorical taxable	136,856		134,782	
Taxation rate	3.95%		3.95%	
theoretical tax burden		5,408		5,318
Other	(21,072)		(20,032)	
Taxable income	115,784		114,750	
Taxation rate	4.03%		4.02%	
Actual tax burden		4,662		4,609
Balance of IRAP for past business years and roundings		(8)		28
Actual Tax burden of Period		4,654		4,637

34. Earnings per share

The following table is the calculation of the basic and diluted Earnings

(in Euro)	2018	2017
EPS base	1.03	0.98
EPS diluted	1.03	0.98

It is pointed out that the calculation is based on the following data:

Earnings:

(€thousand)	31.12.2018	31.12.2017
Profit for the period	68,505	65,504
Minority interests	0	0
Profit used to determine basic and diluted earnings per share	68,505	65,504

Number of shares:

(number of shares)	31.12.2018	31.12.2017
Weighted average number of ordinary shares used to determine basic earning per share	66,525,120	66,525,120
Adjustments for share options	0	0
Weighted average number of ordinary shares used to determine diluted earning per share	66,525,120	66,525,120

35. Other profits/losses

The other profits/losses accounted for in the consolidated statement of other comprehensive income consist of the effects produced and reflected in the period with reference to the following items:
- effective part of the operations for: hedging exchange risk rate related to the bond in US dollars signed with an operation of private placement in July 2013; effective part of the exchange purchase transactions to hedge the purchases of goods. The value indicated amounted to a total profit of 162 thousand Euros (+161 thousand Euros in the year 2017) and is shown net of the taxation effect (that amounts to approximately -51 thousand Euros as at 31 December 2018).
- actuarial profits regarding the evaluation of Staff Severance Provision as required by amendments to IAS principle 19 "Employee Benefits"; the value indicated, amounting to a total profit of 114 thousand Euros (+68 thousand Euros in 2017), is shown net of the taxation effect (that amount to about 36 thousand Euros as at 31 December 2018).

According to the IFRS these profits/losses have been entered in the net equity and highlighted (according to IAS 1 revised, in force from 1st January 2009) in the consolidated statement of other comprehensive income.

Net financial position

As regards the details of the components of the net financial position and indication of the payables and receivables to and from correlated parties, refer to that outlined in the Directors' report on management performance.

	MARR Consolidated (€thousand)	*31.12.18*	*31.12.17*
A.	Cash	9,345	9,133
	Cheques	0	0
	Bank accounts	168,804	147,044
	Postal accounts	261	108
B.	Cash equivalent	169,065	147,152
C.	Liquidity (A) + (B)	178,410	156,285
	Current financial receivable due to Parent Company	1,956	1,259
	Current financial receivable due to Related Companies	0	0
	Others financial receivable	923	716
D.	Current financial receivable	2,879	1,975
E.	Current Bank debt	(41,043)	(63,745)
F.	Current portion of non current debt	(77,196)	(44,868)
	Financial debt due to Parent Company	0	0
	Financial debt due to Related Companies	0	0
	Other financial debt	(1,349)	(11,555)
G.	Other current financial debt	(1,349)	(11,555)
H.	Current financial debt (E) + (F) + (G)	(119,588)	(120,168)
I.	Net current financial indebtedness (H) + (D) + (C)	61,701	38,092
J.	Non current bank loans	(180,707)	(159,583)
K.	Other non current loans	(37,650)	(36,112)
L.	Non current financial indebtedness (J) + (K)	(218,357)	(195,695)
M.	Net financial indebtedness (I) + (L)	(156,656)	(157,603)

Events after the closing of the year

With regard to the events subsequent to the yearend closing, refer to the Directors' report on management performance.

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Rimini, 12 March 2019

The Chairman of the Board of Directors

Paolo Ferrari

Appendices

These appendices contain additional information compared to that reported in the Notes, of which they constitute an integral part.

- Appendix 1 – List of equity investments, including those falling within the scope of consolidation as at 31 December 2018.
- Appendix 2 – Statement of financial position , statement of profit or loss , statement of other comprehensive income, statement of changes in the shareholders, cash flows statement of the Parent Company MARR S.p.A. as at 31 December 2018.
- Appendix 3 – Table showing reconciliation as at 31 December 2018 between the Parent Company's Net Equity and the consolidated Net Equity.
- Appendix 4 – Table showing variations in Intangible Assets for the year ending 31 December 2018.
- Appendix 5 – Table showing variations in Tangible Assets for the year ending 31 December 2018.
- Appendix 6 – Table showing the essential data from Cremonini S.p.A. and consolidated financial statements as at 31 December 2017.
- Appendix 7 – Information as per art. 149-duodecies of the Consob Issuers Regulations.
- Appendix 8 – Table summarising the relations with parent companies, subsidiaries, related parties and associates.
- Appendix 9 – Reconciliation of liabilities deriving from financing activities as at 31 December 2018.
- Appendix 10 – Detail of lands and buildings owned by the Group.

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MARR GROUP
LIST OF EQUITY INVESTMENTS INCLUDING THOSE FALLING WITHIN
THE SCOPE OF CONSOLIDATION AT 31 DECEMBER 2018

Company	Headquarters	Share capital (€thousand)	Direct control Marr SpA	Indirect control	
				Company	Share held
COMPANY CONSOLIDATED ON A LINE-BY-LINE BASIS					
- Parent Company:					
MARR S.p.A.	Rimini	33,263			
- Subsidiaries:					
AS.CA. S.p.A.	Santarcangelo di R. (RN)	518	100.0%		
Marr Foodservice Iberica S.A.u	Madrid (Spagna)	600	100.0%		
New Catering S.r.l.	Santarcangelo di R. (RN)	34	100.0%		
INVESTMENTS EVALUATED USING THE NET EQUITY METHOD					
SìFrutta S.r.l.	Cervia (RA)	210	40.0%		
INVESTMENTS VALUED AT FAIR VALUE:					
- Other Company:					
Centro Agro-Alimentare Riminese S.p.A.	Rimini	11,798	1.66%		

MARR S.p.A. STATEMENT OF FINANCIAL POSITION

(€)	31.12.18	31.12.17
ASSETS		
Non-current assets		
Tangible assets	63,222,321	64,744,269
Goodwill	137,085,675	94,260,786
Other intangible assets	2,082,789	1,727,090
Investments in subsidiaries and associated companies	22,041,891	65,975,023
Investments in other companies	299,822	299,812
Non-current financial receivables	723,252	1,171,291
Non current derivative/financial instruments	2,512,879	585,619
Deferred tax assets	0	0
Other non-current assets	30,702,663	31,066,336
Total non-current Assets	258,671,292	259,830,226
Current assets		
Inventories	149,831,638	139,898,260
Financial receivables	8,125,778	6,375,065
relating to related parties	*7,208,251*	*5,677,148*
Current derivative/financial instruments	0	10,879
Trade receivables	357,364,020	353,983,822
relating to related parties	*17,564,892*	*14,923,508*
Tax assets	3,237,491	8,215,154
relating to related parties	*38,349*	*764,617*
Cash and cash equivalents	169,725,986	146,786,491
Other current assets	56,082,642	47,159,096
relating to related parties	*457,160*	*303,683*
Total current Assets	744,367,555	702,428,767
TOTAL ASSETS	*1,003,038,847*	*962,258,993*
LIABILITIES		
Shareholders' Equity	318,097,166	297,493,923
Share capital	*33,262,560*	*33,262,560*
Reserves	*217,729,154*	*198,547,629*
Retained Earnings	*0*	*0*
Profit for the period	*67,105,452*	*65,683,734*
Total Shareholders' Equity	318,097,166	297,493,923
Non-current liabilities		
Non-current financial payables	218,356,979	195,694,505
Non current derivative/financial instruments	0	0
Employee benefits	7,157,289	8,037,667
Provisions for risks and charges	4,910,230	4,921,612
Deferred tax liabilities	1,584,152	965,869
Other non-current liabilities	1,116,662	1,045,672
Total non-current Liabilities	233,125,312	210,665,325
Current liabilities		
Current financial payables	120,160,932	117,845,033
relating to related parties	*2,406,365*	*2,486,202*
Current derivative/financial instruments	10,488	0
Current tax liabilities	1,822,405	1,511,898
relating to related parties	*0*	*0*
Current trade liabilities	309,757,020	314,008,266
relating to related parties	*8,687,398*	*8,792,860*
Other current liabilities	20,065,524	20,734,548
relating to related parties	*143,815*	*249,778*
Total current Liabilities	451,816,369	454,099,745
TOTAL LIABILITIES	*1,003,038,847*	*962,258,993*

MARR S.p.A. STATEMENT OF PROFIT OR LOSS

(€)	***31.12.2018***	*31.12.2017*
Revenues	1,548,853,379	1,506,153,833
relating related parties	*67,506,237*	*57,940,504*
Other revenues	38,014,193	36,906,109
relating to related parties	*695,483*	*501,809*
Changes in inventories	9,933,377	5,140,720
Purchase of goods for resale and consumables	(1,264,133,683)	(1,224,575,395)
relating to related parties	*(88,962,053)*	*(76,018,295)*
Personnel costs	(35,283,525)	(34,871,759)
relating to related parties	*0*	*0*
Amortization, depreciation and write-downs	(18,920,261)	(17,551,897)
Other operating costs	(184,750,322)	(183,042,039)
relating to related parties	*(3,049,427)*	*(7,132,276)*
Financial income and charges	(3,307,126)	(4,903,892)
relating to related parties	*71,991*	*61,854*
Income (charge) from associated companies	(4,532)	3,982,539
Profit before taxes	***90,401,500***	***87,238,219***
Taxes	(25,752,816)	(24,011,253)
Profit for the period	***64,648,684***	***63,226,966***

EPS base (euros)	0.97	0.95
EPS diluted (euros)	0.97	0.95

MARR S.p.A. STATEMENT OF OTHER COMPREHENSIVE INCOME

(€)	***31.12.2018***	*31.12.2017*
Profits for the period (A)	*64,648,684*	*63,226,966*
Items to be reclassified to profit or loss in subsequent periods:		
Efficacious part of profits/(losses) on cash flow hedge instruments, net of taxation effect	156,223	167,909
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial (losses)/gains concerning defined benefit plans, net of taxation effect	79,924	49,438
Total Other Profits/Losses, net of taxes (B)	*236,147*	*217,347*
Comprehensive Income (A + B)	*64,884,831*	*63,444,313*

CASH FLOWS STATEMENT (INDIRECT METHOD)

MARR S.p.A. *(€thousand)*	*31.12.18*	*31.12.17*
Profit for the Period	64,649	63,227
Adjustment:		
Amortization / Depreciation	6,811	6,016
Change in deffered tax	1,603	0
Allocation of provison for bad debts	11,790	11,200
Allocation of provision for investments in subsidiaries	5	5
Provision for supplementary clientele severance indemnity	325	342
Capital profit/losses on disposal of assets	184	4
relating to related parties	*0*	*0*
Financial (income) charges net of foreign exchange gains and losses	3,298	4,755
relating to related parties	*(72)*	*(36)*
Foreign exchange evaluated (gains)/losses	(100)	(41)
Dividends Received	0	(3,988)
Total	23,916	18,293
Net change in Staff Severance Provision	(881)	(1,395)
(Increase) decrease in trade receivables	(13,274)	(18,041)
relating to related parties	*(2,641)*	*(2,044)*
(Increase) decrease in inventories	(9,934)	(5,140)
Increase (decrease) in trade payables	(4,652)	18,312
relating to related parties	*(106)*	*676*
(Increase) decrease in other assets	(8,158)	(1,530)
relating to related parties	*(153)*	*1,703*
Increase (decrease) in other liabilities	(1,067)	(1,251)
relating to related parties	*(106)*	*219*
Net change in tax assets / liabilities	29,740	24,803
relating to related parties	*19,726*	*20,710*
Interest paid	(5,544)	(6,084)
relating to related parties	*(22)*	*(26)*
Interest received	2,246	1,329
relating to related parties	*94*	*62*
Foreign exchange evaluated gains	100	41
Income tax paid	(23,540)	(24,415)
relating to related parties	*(19,000)*	*(20,281)*
Cash-flow from operating activities	53,601	68,149
(Investments) in other intangible assets	(346)	(893)
(Investments) in tangible assets	(5,579)	(5,103)
Net disposal of tangible assets	678	446
Net (investments) in equity investments (subsidiaries and associated)	(507)	(8,444)
Outgoing for acquisition of subsidiaries or going concerns during the year (net of cash acquired)	(10,534)	(12,155)
Dividends Received	0	3,983
Cash-flow from investment activities	(16,288)	(22,166)
Distribution of dividends	(49,229)	(46,568)
Other changes, including those of third parties	233	212
Net change in financial payables (excluding the new non-current loans received)	(17,935)	6,959
relating to related parties	*(80)*	*723*
New non-current loans received	123,548	115,000
relating to related parties	*0*	*0*
Repayment of other long - term debt	(69,973)	(88,542)
relating to related parties	*0*	*0*
Net change in current financial receivables	(1,364)	1,439
relating to related parties	*(1,531)*	*1,231*
Net change in non-current financial receivables	347	5,797
Cash-flow from financing activities	(14,373)	(5,703)
Increase (decrease) in cash-flow	22,940	40,280
Opening cash and equivalents	146,786	106,506
Closing cash and equivalents	169,726	146,786

For the reconciliation between the opening figures and closing figures with the relevant movements of the financial liabilities deriving from financing activities (as required by paragraph 44A of IAS 7), see Appendix 8 to the following Explanatory Notes as at 31 December 2018.

MARR S.p.A. STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

Description	Share Capital	Other Reserves												Profits carried over	Total net equity
		Share premium reserve	Legal reserve	Revaluation reserve	Shareholders contributions on capital account	Extraordinary reserve	Reserve for exercised stock options	Reserve for transition to the Ias/Ifrs	Cash -flow hedge reserve	Reserve ex art. 55 (DPR 597-917)	Surplus for mergers	Reserve IAS 19	Total reserves		
Balance at 1st January 2017	33,263	63,348	6,652	12	36,496	70,119	1,475	7,516	(1,902)	1,473	4,602	(690)	189,101	58,259	280,623
Allocation of 2016 profit						9,235							9,235	(9,235)	
Distribution dividends MARR S.p.A.														(46,568)	(46,568)
Other minor variations										(6)			(6)	1	(5)
Consolidated comprehensive income 2017:															
- Profit for the period														63,227	63,227
- Other Profits/Losses, net of taxes									168			49	217		217
Balance at 31 December 2017	33,263	63,348	6,652	12	36,496	79,354	1,475	7,516	(1,734)	1,467	4,602	(641)	198,548	65,684	297,494
Allocation of 2017 profit						13,998							13,998	(13,998)	
Distribution dividends MARR S.p.A.														(49,229)	(49,229)
Merger of DEAL Depositi Alimentari S.r.l. and Speca Alimentari S.r.l.											4,953		4,953		4,953
Other minor variations				1						(6)			(6)	(1)	(6)
Consolidated comprehensive income 2018:															
- Profit for the period														64,649	64,649
- Other Profits/Losses, net of taxes									156			80	236		236
Balance at 31 December 2018	33,263	63,348	6,652	13	36,496	93,352	1,475	7,516	(1,578)	1,461	9,555	(561)	217,729	67,105	318,097

Reconciliation between the Parent Company's Net Equity and the consolidated Net Equity as at 31 December 2018

	Increase/(Decrease)	
	Shareholders' Equity	of which Net Profit for the period
Parent Company's shareholders' equity and profit/(loss) for the year	318,097	64,649
Effect of the consolidation on a line-by-line basis:		
-- Difference between the book value of the consolidated subsidiaries and the relevant portion of shareholders' equity	(11,074)	0
-- Allocation of the surplus of the purchase price paid for the acquisition of equity investments consolidated on a line-by-line basis, to lands, buildings and consolidation difference	13,932	(18)
-- Pro rata subsidiary profits (losses)	3,663	3,663
Allocation of the consolidation differences caused by the company amalgamations	2,718	0
Write-off of the goodwill caused by company merged	(2,053)	0
Effect of the elimination of profits not yet realised from transactions between Group companies, net of the applicable tax effect	(1,576)	1
Adjustments to adapt the financial statements of some consolidated companies to Group Accounting Standards	565	210
Group's share of net equity and profit/(loss)	324,272	68,505

Intangible fixed assets (in thousand of Euros)	OPENING BALANCE			MOVEMENTS DURING THE YEAR				CLOSING BALANCE		
	Original Cost	Provision for amortization	Balance 01/01/2018	Purchases/ reclassification	Consolidation Change	Net decreases	Amortization	Original Cost	Provision for amortization	Balance 31/12/2018
Start-Up and expansion costs										
Cost of research, development and advertising										
Cost of industrial patents and rights for the use of intellectual property	6,323	(5,608)	715	558	358		(386)	7,239	(5,994)	1,245
Concessions, licences, brand names, and similar rights	176	(160)	16				(1)	176	(161)	15
Goodw ill	149,921		149,921					149,921		149,921
Intangible fixed assets under development and advances	1,043		1,043	(127)				916		916
Other intangible fixed assets	436	(436)						436	(436)	
Total	**157,899**	**(6,204)**	**151,695**	**431**	**358**		**(387)**	**158,688**	**(6,591)**	**152,097**

Appendix 5

Tangible fixed assets	Opening balance			Movements during the year								Closing balance		
(in thousand of Euros)	Original Cost	Provision for amortization	Balance 01/01/2018	Purchases/ other movements	GRIGLIA DOC. Acquisition Original cost	GRIGLIA DOC. Acquisition Prov. for am.	Decreases Original cost	Decreases Prov. for am.	Reclassification Original cost	Reclassification Prov. for am.	Amortization/ write down	Original Cost	Provision for amortization	Balance 31/12/2018
Land and buildings	83,508	(27,738)	55,770	395					10		(2,505)	83,913	(30,243)	53,670
Plant and machinery	36,773	(28,370)	8,403	1,488			(516)	297			(2,431)	37,745	(30,504)	7,241
Industrial and commercial equipment	7,187	(5,424)	1,763	205			(26)	18			(342)	7,366	(5,748)	1,618
Other tangible assets	16,898	(12,956)	3,941	1,473			(1,622)	908	50		(1,532)	16,799	(13,581)	3,217
Tangible fixed assets under development and advances	272		272	2,209					(60)			2,421		2,421
Total	**144,638**	**(74,488)**	**70,149**	**5,770**			**(2,164)**	**1,223**			**(6,810)**	**148,244**	**(80,076)**	**68,168**

Main figures' Statement of the last Cremonini S.p.A. financial statements and consolidated financial statements - MARR S.p.A. parent company -				
Financial Statements as of December 31, 2017				
Cremonini S.p.A.		in thousands of Euros		Consolidated
		BALANCE SHEET		
		ASSETS		
82,913		Tangible assets		977,975
5		Goodwill and other intangible assets		228,076
256,782		Investments		15,920
45		Non-current assets		76,339
339,745		*Total non-current assets*		*1,298,310*
0		Inventories		441,755
18,687		Receivables and other current assets		683,937
182		Cash and cash equivalents		269,593
18,869		*Total current assets*		*1,395,285*
358,614		**Total assets**		**2,693,595**
		LIABILITIES		
251,473		Shareholders' equity:		*835,613*
	67,074	Share capital	67,074	
	165,242	Reserves	409,424	
	19,157	Net profit (loss)	45,394	
	0	Minority interest	313,721	
26,615		Non-current financial payables		572,879
350		Employee benefits		25,947
152		Provisions for risks and charges		14,737
3,918		Other non-current liabilities		50,242
31,035		*Total non-current liabilities*		*663,805*
67,347		Current financial payables		414,655
8,759		Current liabilities		779,522
76,106		*Total current liabilities*		*1,194,177*
358,614		**Total Liabilities**		**2,693,595**
		INCOME STATEMENT		
6,597		Revenues		3,961,439
1,150		Other revenues		69,806
0		Changes in inventories		(6,655)
0		Internal works performed		7,107
(57)		Purchase of goods		(2,753,604)
(5,379)		Other operating costs		(609,681)
(2,459)		Personnel costs		(397,384)
(2,565)		Amortization		(81,143)
0		Depreciation and Allocations		(28,849)
22,800		Income from investments		545
(1,397)		Financial income and charges		(28,579)
0		Profit from business aggregations		0
18,690		*Profit before taxes*		*133,002*
467		Taxes		(48,498)
19,157		Net profit (loss) before consolidation		84,504
0		Minority interest's profit (loss)		(39,110)
19,157		**Consolidated Net profit (loss)**		**45,394**

The essential data for the parent company Cremonini S.p.A. contained in the summary report required by Civil Code article 2497-bis have been extracted from the relevant financial statements for the business year closed on 31 December 2017. For an adequate and full understanding of the Cremonini S.p.A. financial situation as at 31 December 2017, and the economic result achieved by the company during the business year closed on that date, refer to the financial statements which, supplemented by the audit company's report, is available in the forms and methods provided by the law.

Appendix 7

The following table, drawn up in accordance with art. 149-duodecies of the Consob Issuers Regulations, shows the fees pertinent to business year 2018 for services rendered to the Group companies by Auditing Firms or entities belonging to the auditing firms' network

(€thousand)	Service Company	Client	Fees pertinent to business year 2018
Auditing	PricewaterhouseCoopers S.p.A.	MARR S.p.A.	159
	PricewaterhouseCoopers S.p.A.	As.Ca S.p.a.	20
Certification service			0
Other services *	PricewaterhouseCoopers S.p.A.	MARR S.p.A.	16
Total			195

* It should be noted that the amount indicated in the items "Other services" is referred to the compliance and assessment activities related to Legislative Decree 254/2016.

COMPANY	FINANCIAL RELATIONS						ECONOMIC RELATIONS								
	RECEIVEBLES			PAYABLES			REVENUES				COSTS				
	Trade	Other	Financial	Trade	Other	Financial	Sale of goods	Performance of services	Other revenues	Financial Income	Purchase of goods	Services	Leases and rental	Other operating charges	Financial charges
From Parent Companies:															
Cremonini S.p.A. (*)	2,740	109	1,957	3			6			1		1,241			
Total	2,740	109	1,957	3	0	0	6	0	0	1	0	1,241	0	0	0
From unconsolidated subsidiaries:															
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
From Associeted Companies:															
Si' Frutta S.r.l.	43			24				13			55				
Total	43	0	0	24	0	0	0	13	0	0	55	0	0	0	0
From Affiliated Companies (**)															
Cremonini Group															
Avirail Italia S.p.a.															
Chef Express S.p.A.	2,586	9		4	40		10,185					38			
Fiorani & C. S.p.a.	1	205		744			26		236		8,994				
Ges.Car. S.r.l.															
Global Service S.r.l.				336								1,075			
Guardamiglio S.r.l.				2											
Inalca Algerie S.a.r.l.															
Inalca Brazzaville S.a.r.l.															
Inalca Food and Beverage S.r.l.	942			18	52		9,864	309			156	2		1	
Inalca Kinshasa S.p.r.l.															
Inalca S.p.a.	23	162		7,278			359		314		76,919	20			
Inter Inalca Angola Ltda	7														
Interjet S.r.l.															
Italia Alimentari S.p.a.	6	57		419			6		114		4,446				
Marr Russia Ll.c.															
Realbeef S.r.l.															
Roadhouse S.p.A.	8,844				51		38,945	27				1			
Roadhouse Grill Roma S.r.l.	902						3,766								
Tecno-Star Due S.r.l.				1								1			
From Affiliated Companies															
Farmservice S.r.l.	7				1		47								
Le Cupole S.r.l.													668		
Time Vending S.r.l.		24							24						
Total	13,318	457	0	8,802	144	0	63,198	336	688	0	90,515	1,137	668	1	0

(*) The items in the Other Receivables columns relate to the IRES balance for the year and to the residual receivables for requests of reimbursement regarding to the personel cost not deducted to Irap in the years 2007-2011, transferred to the Parent Company w ithin the scope of of the National Consolidated tax base. Trade receivables and payables include the net amount of VAT transferred to Cremonini w ithin the scope of the Group VAT liquidation.

(**) The total amount of trade receivables and payables are reclassified under "Receivables from customer" and "Suppliers" respectively.

RECONCILIATION OF LIABILITIES DERIVING FROM FINANCING ACTIVITIES AS AT 31 DECEMBER 2018 AND 31 DECEMBRE 2017

	31 December 2018	Cash flows	Purchases	Non-financial changes Other changes/ reclassifications	Exchange rates variations	Fair value variation	31 December 2017
Current payables to bank	41,043	(22,702)	0	0	0	0	63,745
Current portion of non current debt	77,196	6,072	0	26,256	0	0	44,868
Current financial payables for bond private placement in US dollars	752	(755)	0	752	0	0	755
Current financial payables for leasing contracts	226	(219)	0	226	0	0	219
Current financial payables for purchase of quotas or shares	361	(10,729)	516	0	0	0	10,574
Total current financial payables	119,578	(28,333)	516	27,234	0	0	120,161
Current payables/(receivables) for hedging financial instruments	10	3	0	0	0	0	7
Total current financial instruments	10	3	0	0	0	0	7
Non-current payables to bank	180,707	47,382	0	(26,258)	0	0	159,583
Non-current financial payables for bond private placement in US dollars	37,367	0	0	64	1,700	0	35,603
Non-current financial payables for leasing contracts	283	0	0	(226)	0	0	509
Non-current financial payables for purchase of quotas or shares	0	0	0	0	0	0	0
Total non-current financial payables	218,357	47,382	0	(26,420)	1,700	0	195,695
Non-current payables/(receivables) for hedging financial instruments	0	0	0	0	0	0	0
Total non-current financial instruments	0	0	0	0	0	0	0
Total liabilities arising from financial activities	337,945	19,052	516	814	1,700	0	315,863

Reconciliation of variations with Cash Flows Statement (Indirect Method)	
Cash flows (net of outgoing for acquisition of subsidiaries)	30,295
Other changes/ reclassifications, included the acquisition	814
Exchange rates variations	1,700
Fair value variation	0
Total detailed variations in the table	32,809
Other changes in financial liabilities	(20,612)
New non-current loans received	123,394
Non current loans repayment	(69,973)
Total changes shown between financing activities in the Cash Flows Statement	32,809

	31 December 2017	Cash flows	Purchases	Non-financial changes Other changes/ reclassifications	Exchange rates variations	Fair value variation	31 December 2016
Current payables to bank	63,745	10,569	1	(105)	0	0	53,280
Current portion of non current debt	44,868	(42,090)	125	33,947	0	0	52,887
Current financial payables for bond private placement in US dollars	755	(803)	0	755	0	0	803
Current financial payables for leasing contracts	219	(351)	47	311	0	0	212
Current financial payables for purchase of quotas or shares	10,574	(12,240)	1,054	10,470	0	0	11,290
Total current financial payables	120,161	(44,915)	1,227	45,378	0	0	118,472
Current payables/(receivables) for hedging financial instruments	7	7	0	0	0	0	0
Total current financial instruments	7	7	0	0	0	0	0
Non-current payables to bank	159,583	68,270	0	(33,839)	0	0	125,153
Non-current financial payables for bond private placement in US dollars	35,603	0	0	62	(4,939)	0	40,480
Non-current financial payables for leasing contracts	509	(8)	8	(311)	0	0	820
Non-current financial payables for purchase of quotas or shares	0	0	0	(10,470)	0	0	10,470
Total non-current financial payables	195,695	68,262	8	(44,558)	(4,939)	0	176,923
Non-current payables/(receivables) for hedging financial instruments	0	(87)	0	0	0	0	87
Total non-current financial instruments	0	(87)	0	0	0	0	87
Total liabilities arising from financial activities	315,863	23,267	1,235	820	(4,939)	0	295,482

Reconciliation of variations with Cash Flows Statement (Indirect Method)	
Cash flows (net of outgoing for acquisition of subsidiaries)	35,504
Other changes/ reclassifications, included the acquisition	820
Exchange rates variations	(4,939)
Fair value variation	0
Total detailed variations in the table	31,385
Other changes in financial liabilities	5,379
New non-current loans received	115,000
Non current loans repayment	(88,994)
Total changes shown between financing activities in the Cash Flows Statement	31,385

Appendix 10

Detail of Lands and building owned by the Group as at 31 December 2018*

(Values in thousand Euros)

	Original Cost	Prov. For Am.	Net Book Value
Building in Spezzano Albanese - St.Prov.le 19	1,805	747	1,058
Land in Spezzano Albanese close to the building	125	0	125
Building in Pistoia - St F.Toni loc.Bottegone	5,305	1,887	3,418
Land of Building in Pistoia	1,000	0	1,000
Building in Santarcangelo of Romagna (RN) - St. dell'Acero 1/a	3,620	1,701	1,919
Land of Building St. dell'Acero 1/a	954	0	954
Building in Santarcangelo of Romagna (RN)- St. dell'acero 2-4	5,265	2,352	2,913
Land of Building St. acero 2-4	2,422	0	2,422
Building in Opera (MI) - St. Cesare Pavese, 10	4,429	2,151	2,278
Land of Building Opera	2,800	0	2,800
Building in San Michele al Tagl.to (VE) - St. Plerote, 6	3,981	1,867	2,114
Land of Building San Michele	1,100	0	1,100
Building in Uta (CA) - Zona ind.le Macchiareddu	4,045	1,710	2,335
Land of Building Uta	1,531	0	1,531
Building in Portoferraio (LI) - Località Antiche Saline	1,502	728	774
Land of Building Portoferraio	990	0	990
Surface ownership Building in Bologna - St. Fantoni, 31	11,857	1,733	10,124
Land in Rimini loc.SAN VITO - St. Emilia Vecchia, 75	7,078	0	7,078
Building in Villanova di Castenaso (BO) - St. Trattati di Roma, 64	3,466	1,612	1,854
Land of Building in Villanova of Castenaso	2,292	0	2,292
TOTAL	65,567	16,488	49,079

*The value given in the table represents only the land and buildings owned and does not consider the values of the enhancements to the buildings leased and minor construction, both classified under "Land and buildings".

STATEMENT OF CONSOLIDATED FINANCIAL STATEMENT PURSUANT TO ART. 154-BIS PARAGRAPH 2 OF LEGISLATIVE DECREE 58 DATED 24 FEBRUARY 1998

1. The undersigned Francesco Ospitali in the quality of Chief Executive Officer, and Pierpaolo Rossi, in the quality of Manager responsible for the drafting of the corporate accounting documents of MARR S.p.A., hereby certify, also taking into account that provided by art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 dated 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the management and accounting procedures for the drafting of the interim condensed consolidated financial statement, during the year 2018.

2. The assessment of the adequacy of the management and accounting procedures for the drafting of the consolidated financial statement as at 31 December 2018 was based on a process defined by MARR S.p.A. in coherence with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is an internationally accepted general reference framework.

3. It is also certified that:

   3.1 The consolidated financial statements:
      a. are drafted in conformity with the internationally applicable accounting principles recognised in the European Community pursuant to regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
      b. correspond to the findings in the accounts books and documents;
      c. are suited to providing a truthful and correct representation of the equity, economic and financial situation of the author and the group of companies included in the scope of consolidation.

   3.2 The Directors' report on management includes a reliable analysis of performance levels and the management result, and also on the situation of the issuer and the group of companies included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Rimini, 12 March 2019

Francesco Ospitali	Pierpaolo Rossi
Chief Executive Officer	Manager responsible for the drafting of corporate accounts documents

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
MARR SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of MARR Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in Shareholders' equity, consolidated cash flows statement for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of MARR SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*

Goodwill

Note 2 to the consolidated financial statements

The consolidated financial statements of MARR SpA include indefinite useful life intangible assets that are not amortised but tested for impairment at least once a year. These comprise goodwill for about Euro 149.9 million (representing 15% of total consolidated assets). During the year 2018, there were no movements in the balance of goodwill.
We specify that the merger, during the financial year 2018, of the fully owned subsidiaries De.Al Srl e Speca Alimentari Srl, had no impact on the value of goodwill in the consolidated financial statements of MARR SpA.
Management considers MARR S.p.A. and the individual subsidiaries as the smallest groups of assets based on which management valued the return on the investment which includes the goodwill (the cash generating unit, "CGU").

Total goodwill is analysed as follows:

Goodwill:	Value in thousands of Euro
Marr SpA	136.205
As.Ca SpA	8.634
New Catering Srl	5.082

To determine the recoverable value management used the discounted cash flow (DCF) method, under which the enterprise value of an entity or CGU is equal to the sum of the present value of the estimated cash flows for the years of the explicit forecast period and, at the end of that period, of the terminal value.

As part of the statutory audit of the consolidated financial statements as of 31 December 2018, we focused on this financial statements area in

Auditing procedures performed

As part of our auditing activities on the consolidated financial statements as of 31 December 2018 we performed the following procedures.

We obtained the impairment tests prepared by management and approved by the board of directors of MARR SpA on 12 March 2019.

We verified that the Group had made no changes to definition of the CGUs identified in the past.
We verified the mathematical accuracy of the calculations underlying the tests and the values of the net invested capital of the CGUs identified as of 31 December 2018 and used for comparison with the corresponding recoverable value.

With reference to the future cash flows used in the impairment test model, we verified their consistency with the projections in the underlying business plans (approved by the board of directors) and the reasonableness of the assumptions used, in light of the past performance of the individual CGUs and of the Group.

The business plans were discussed with management.

We verified that the method applied was consistent with IAS 36 as adopted by the European Union and with common valuation practice.

Moreover, the key valuation parameters adopted were analysed for reasonableness. With specific reference to the method of calculation of the discount rates applied (weighted average cost of

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
consideration of the magnitude of the balances and the fact that the recoverability of the carrying amounts was verified by management based on estimates and assumptions that require a high degree of judgment with reference to both future cash flows and discount rates.	capital, "WACC"), we analysed whether they had been determined in accordance with common best practice and based on market data. Similarly, we also assessed the calculation of the medium-/long-term growth rates ("g") against the indications of IFRS as adopted by the European Union. Finally, we analysed the completeness and accuracy of the disclosures provided by management on the results of the impairment test.
Inventories *Note 8 to the consolidated financial statements* The consolidated financial statements of MARR SpA show inventories of Euro 158.9 million as of 31 December 2018 (representing 15% of total consolidated assets). Inventories are carried at the lower of purchase or production cost, determined under the FIFO (First In First Out) method, and estimated realisable value derived from the market. The Group operates throughout the Italian territory, through 31 branches. As part of the statutory audit of the consolidated financial statements as of 31 December 2018, we focused on this financial statements area in consideration of the magnitude of the amounts and the presence of estimates and assumptions requiring a high degree of judgement by management about the future recoverability of the value of inventories.	**Auditing procedures performed** As part of our auditing activities on the consolidated financial statements as of 31 December 2018 we performed the following procedures. We understood and evaluated the controls implemented by the Company (mainly the automated procedure for measuring consolidated inventories at FIFO, the monitoring of goods in transit, the periodical reconciliation of sales recorded and the value of goods withdrawn from inventory) in order to assess the correctness of management and valuation of the inventories. In the course of our work we also selected a sample of product codes in stock as of 31 December 2018 and re-performed the calculation of the related values. In order to obtain suitable evidence supporting the existence of the balance reported, we selected four of the Group's branches, on a test basis, and observed the physical stocktakings, and we verified the correct recognition of the quantities in stock at the date of the count, also

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	on a test basis; during our inspections we also discussed with the warehouse managers the procedures applied to identify and manage any damaged or obsolete goods. We selected a sample of purchases and goods booked in or out of inventory during December 2018 and January 2019 and we verified the correct cut-off. Finally, we analysed and tested the procedure applied to identify any product codes sold at a loss and we verified their correct recognition. We also performed an analysis, on a test basis, to evaluate the existence of other product codes sold at a loss and the related accounting treatment.
Trade receivables *Note 11 to the consolidated financial statements* The consolidated financial statements of MARR SpA include trade receivables per Euro 369.9 million (representing 36% of total consolidated assets). Management measured those receivables at nominal value (representing fair value) less any write-downs. Due to the high receivables turnover, the application of the amortised cost method does not generate a significant impact. The bad debt reserve recognised is the difference between the value at which the receivables were initially recognised and a reasonable estimate of the cash flows expected from their collection. As part of the statutory audit of the consolidated financial statements as of 31 December 2018, we focused on this financial statements area in consideration of the magnitude of the amounts and the fact that the recoverable amount is an estimate by management.	**Auditing procedures performed** We understood and evaluated the internal procedures adopted by the Group to measure trade receivables; we also performed sample tests (extraction and monthly monitoring of the receivables report with evidence of overdue positions and accounts not yet due, periodical submission of the status of the receivables to the Audit and Risk Committee, monthly definition of accounts to be turned over for legal action) in order to verify their effectiveness. We understood and evaluated the procedures in place for monitoring receivables and verified the effectiveness of the main internal controls. We analysed accounts receivable and payments received after the year end to identify any accounts that were potentially not recoverable. We selected a sample of trade receivables and sent confirmation letters for the balances as of 31 December 2018. We then compared and reconciled replies received to the amounts in the

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	consolidated financial statements, and where no replies were received we examined supporting evidence. Moreover, we obtained the ageing list of receivables to identify any significant positions; we then isolated the largest balances and significant overdue amounts, and we discussed and analysed critically those amounts with credit management to obtain supporting evidence for the estimated provisions for bad debts. We sent inquiries to all legal counsels who deal with disputed receivables and we obtained documentary evidence supporting the valuation of the receivables. We then compared the valuations performed by external professionals with the amounts in the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate MARR SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 20 April 2016, the shareholders of MARR SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of MARR SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the MARR Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the MARR

Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of MARR SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 27 March 2019

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

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

MARR S.p.A.

Financial Statements as at December 31, 2018

STATEMENT OF FINANCIAL POSITION

(€)	Notes	31.12.18	31.12.17
ASSETS			
Non-current assets			
Tangible assets	1	63,222,321	64,744,269
Goodwill	2	137,085,675	94,260,786
Other intangible assets	3	2,082,789	1,727,090
Investments in subsidiaries and associated companies	4	22,041,891	65,975,023
Investments in other companies	5	299,822	299,812
Non-current financial receivables	6	723,252	1,171,291
Non current derivative/financial instruments	7	2,512,879	585,619
Deferred tax assets	19	0	0
Other non-current assets	8	30,702,663	31,066,336
Total non-current Assets		258,671,292	259,830,226
Current assets			
Inventories	9	149,831,638	139,898,260
Financial receivables	10	8,125,778	6,375,065
relating to related parties		*7,208,251*	*5,677,148*
Current derivative/financial instruments		0	10,879
Trade receivables	11	357,364,020	353,983,822
relating to related parties		*17,564,892*	*14,923,508*
Tax assets	12	3,237,491	8,215,154
relating to related parties		*38,349*	*764,617*
Cash and cash equivalents	13	169,725,986	146,786,491
Other current assets	14	56,082,642	47,159,096
relating to related parties		*457,160*	*303,683*
Total current Assets		744,367,555	702,428,767
TOTAL ASSETS		*1,003,038,847*	*962,258,993*
LIABILITIES			
Shareholders' Equity	15	318,097,166	297,493,923
Share capital		*33,262,560*	*33,262,560*
Reserves		*217,729,154*	*198,547,629*
Retained Earnings		*0*	*0*
Profit for the period		*67,105,452*	*65,683,734*
Total Shareholders' Equity		318,097,166	297,493,923
Non-current liabilities			
Non-current financial payables	16	218,356,979	195,694,505
Non current derivative/financial instruments		0	0
Employee benefits	17	7,157,289	8,037,667
Provisions for risks and charges	18	4,910,230	4,921,612
Deferred tax liabilities	19	1,584,152	965,869
Other non-current liabilities	20	1,116,662	1,045,672
Total non-current Liabilities		233,125,312	210,665,325
Current liabilities			
Current financial payables	21	120,160,932	117,845,033
relating to related parties		*2,406,365*	*2,486,202*
Current derivative/financial instruments	22	10,488	0
Current tax liabilities	23	1,822,405	1,511,898
relating to related parties		*0*	*0*
Current trade liabilities	24	309,757,020	314,008,266
relating to related parties		*8,687,398*	*8,792,860*
Other current liabilities	25	20,065,524	20,734,548
relating to related parties		*143,815*	*249,778*
Total current Liabilities		451,816,369	454,099,745
TOTAL LIABILITIES		*1,003,038,847*	*962,258,993*

STATEMENT OF PROFIT OR LOSS

(€)	*Notes*	*31.12.2018*	*31.12.2017*
Revenues	26	1,548,853,379	1,506,153,833
relating related parties		*67,506,237*	*57,940,504*
Other revenues	27	38,014,193	36,906,109
relating to related parties		*695,483*	*501,809*
Changes in inventories	9	9,933,377	5,140,720
Purchase of goods for resale and consumables	28	(1,264,133,683)	(1,224,575,395)
relating to related parties		*(88,962,053)*	*(76,018,295)*
Personnel costs	29	(35,283,525)	(34,871,759)
relating to related parties		*0*	*0*
Amortization, depreciation and write-downs	30	(18,920,261)	(17,551,897)
Other operating costs	31	(184,750,322)	(183,042,039)
relating to related parties		*(3,049,427)*	*(7,132,276)*
Financial income and charges	32	(3,307,126)	(4,903,892)
relating to related parties		*71,991*	*61,854*
Income (charge) from associated companies	33	(4,532)	3,982,539
Profit before taxes		*90,401,500*	*87,238,219*
Taxes	34	(25,752,816)	(24,011,253)
Profit for the period		*64,648,684*	*63,226,966*
EPS base (euros)	35	0.97	0.95
EPS diluted (euros)	35	0.97	0.95

STATEMENT OF OTHER COMPREHENSIVE INCOME

(€)	*Notes*	*31.12.2018*	*31.12.2017*
Profits for the period (A)		*64,648,684*	*63,226,966*
Items to be reclassified to profit or loss in subsequent periods:			
Efficacious part of profits/(losses) on cash flow hedge instruments, net of taxation effect		156,223	167,909
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial (losses)/gains concerning defined benefit plans, net of taxation effect		79,924	49,438
Total Other Profits/Losses, net of taxes (B)	36	*236,147*	*217,347*
Comprehensive Income (A + B)		*64,884,831*	*63,444,313*

STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
(note 15)

Description	Share Capital	Other Reserves												Profits	Total
		Share premium reserve	Legal reserve	Revaluation reserve	Shareholders contributions on capital account	Extraordinary reserve	Reserve for exercised stock options	Reserve for transition to the Ias/Ifrs	Cash -flow hedge reserve	Reserve ex art. 55 (DPR 597-917)	Surplus for mergers	Reserve IAS 19	Total reserves	carried over	net equity
Balance at 1st January 2017	33,263	63,348	6,652	12	36,496	70,119	1,475	7,516	(1,902)	1,473	4,602	(690)	189,101	58,259	280,623
Allocation of 2016 profit						9,235							9,235	(9,235)	
Distribution dividends MARR S.p.A.														(46,568)	(46,568)
Other minor variations										(6)			(6)	1	(5)
Consolidated comprehensive income 2017:															
- Profit for the period														63,227	63,227
- Other Profits/Losses, net of taxes									168			49	217		217
Balance at 31 December 2017	33,263	63,348	6,652	12	36,496	79,354	1,475	7,516	(1,734)	1,467	4,602	(641)	198,548	65,684	297,494
Allocation of 2017 profit						13,998							13,998	(13,998)	
Distribution dividends MARR S.p.A.														(49,229)	(49,229)
Merger of DEAL Depositi Alimentari S.r.l. and Speca Alimentari S.r.l.											4,953		4,953		4,953
Other minor variations				1						(6)			(6)	(1)	(6)
Consolidated comprehensive income 2018:															
- Profit for the period														64,649	64,649
- Other Profits/Losses, net of taxes									156			80	236		236
Balance at 31 December 2018	33,263	63,348	6,652	13	36,496	93,352	1,475	7,516	(1,578)	1,461	9,555	(561)	217,729	67,105	318,097

CONSOLIDATED CASH FLOWS STATEMENT (INDIRECT METHOD)

MARR S.p.A. *(€thousand)*	*31.12.18*	*31.12.17*
Profit for the Period	64,649	63,227
Adjustment:		
Amortization / Depreciation	6,811	6,016
Change in deffered tax	1,603	0
Allocation of provison for bad debts	11,790	11,200
Allocation of provision for investments in subsidiaries	5	5
Provision for supplementary clientele severance indemnity	325	342
Capital profit/losses on disposal of assets	184	4
relating to related parties	*0*	*0*
Financial (income) charges net of foreign exchange gains and losses	3,298	4,755
relating to related parties	*(72)*	*(36)*
Foreign exchange evaluated (gains)/losses	(100)	(41)
Dividends Received	0	(3,988)
Total	23,916	18,293
Net change in Staff Severance Provision	(881)	(1,395)
(Increase) decrease in trade receivables	(13,274)	(18,041)
relating to related parties	*(2,641)*	*(2,044)*
(Increase) decrease in inventories	(9,934)	(5,140)
Increase (decrease) in trade payables	(4,652)	18,312
relating to related parties	*(106)*	*676*
(Increase) decrease in other assets	(8,158)	(1,530)
relating to related parties	*(153)*	*1,703*
Increase (decrease) in other liabilities	(1,067)	(1,251)
relating to related parties	*(106)*	*219*
Net change in tax assets / liabilities	29,740	24,803
relating to related parties	*19,726*	*20,710*
Interest paid	(5,544)	(6,084)
relating to related parties	*(22)*	*(26)*
Interest received	2,246	1,329
relating to related parties	*94*	*62*
Foreign exchange evaluated gains	100	41
Income tax paid	(23,540)	(24,415)
relating to related parties	*(19,000)*	*(20,281)*
Cash-flow from operating activities	53,601	68,149
(Investments) in other intangible assets	(346)	(893)
(Investments) / Adjustment in goodwill	0	0
(Investments) in tangible assets	(5,579)	(5,103)
Net disposal of tangible assets	678	446
Net (investments) in equity investments (subsidiaries and associated)	(507)	(8,444)
Outgoing for acquisition of subsidiaries or going concerns during the year (net of cash acquired)	(10,534)	(12,155)
Dividends Received	0	3,983
Cash-flow from investment activities	(16,288)	(22,166)
Distribution of dividends	(49,229)	(46,568)
Other changes, including those of third parties	233	212
Net change in financial payables (excluding the new non-current loans received)	(17,935)	6,959
relating to related parties	*(80)*	*723*
New non-current loans received	123,548	115,000
relating to related parties	*0*	*0*
Repayment of other long - term debt	(69,973)	(88,542)
relating to related parties	*0*	*0*
Net change in current financial receivables	(1,364)	1,439
relating to related parties	*(1,531)*	*1,231*
Net change in non-current financial receivables	347	5,797
Cash-flow from financing activities	(14,373)	(5,703)
Increase (decrease) in cash-flow	22,940	40,280
Opening cash and equivalents	146,786	106,506
Closing cash and equivalents	169,726	146,786

For the reconciliation between the opening figures and closing figures with the relevant movements of the financial liabilities deriving from financing activities (as required by paragraph 44A of IAS 7), see Appendix 8 to the following Explanatory Notes.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Corporate information

The Company, with headquarters in Via Spagna 20, Rimini, operates in the commercialisation and distribution of fresh, dried and frozen food products to the foodservice.

The financial statements for the business year closing as at 31 December 2018 were authorised for publication by the Board of Directors on 12 March 2019.

Structure and contents of the financial statements

The financial statements as at 31 December 2018 have been prepared in accordance with the accounting policies and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedures in art. 6 of (EC) Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002 as acknowledged by Legislative Decree 38 dated 28 February 2005 and subsequent amendments and CONSOB communications and decisions.

The financial statements have been prepared on the basis of the historical cost principal, except for the derivative financial instruments, recorded at fair value.

Reference to the international accounting standards, adopted in the preparation of MARR S.p.A. financial statements as at 31 December 2018, is indicated in the "Accounting policies" section.

For the purposes of the application of IFRS 8 it is noted that the Company operates in the "Distribution of food products to the Foodservice" sector only; as regards the performance levels in 2018, see that described in the Directors' Report on management performance.

MARR S.p.A. financial statements as at 31 December 2018 include, for comparative purposes, the figures for the year ended on 31 December 2017.

In this regard, it must be noted that, as described in the Directors' Report, on 15 October 2018, the operation for the merger by incorporation of the entirely owned companies DE.AL – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l into MARR was completed. The merger realised is aimed at achieving the rationalisation of the economic, financial and administrative management, given that the activities of the subsidiaries were limited to the lease of the respective going concerns to the Parent Company.
It must also be noted that on 8 June 2018, the incorporated company DE.AL – S.r.l. Depositi Alimentari had in turn incorporated by merger the company Griglia Doc S.r.l., after acquiring the remaining 50% of the holding on 27 February 2018.
The accounting and fiscal effects of these operations were retroactive to 1 January 2018 and were accounted consistently with that established by the OPI (Assirevi Preliminary Guidelines on the IFRS) no. 2R (October 2016). The impacts of the operation on the equity and financial situation at the start of the year and on the economic situation of MARR S.p.A. are described in the following paragraphs in the Explanatory Notes and summarised in Appendix 10.

The following classifications have been used:
"Statement of financial position" by current/non-current items
"Statement of profit or loss" for nature
"Cash flows statement" (indirect method)
It is believed that these classifications provide information which better represent the economic and financial situation of the company.

All amounts are indicated in Euros.

As regards the data contained in these financial statements, the Statement of Financial Position, the Statement of Profit or Loss and the Statement of Other Comprehensive Income are shown simply in Euros whereas the Statement of Changes in Shareholders' Equity and the Cash Flows Statement are shown in thousands Euros.
Tables are shown in thousands Euros.

These financial statements have been prepared using the principles and accounting policies illustrated below.

Accounting policies

The most significant Accounting policies adopted for the preparation of the MARR S.p.A. financial statements as at 31 December 2018 are indicated below:

Tangible assets

Tangible assets are entered at their purchase cost or production cost, inclusive of directly allocated additional charges required to make the assets available for use. As permitted by IFRS 1, in the context of the first time adoption of the International Accounting Standards, the Company has measured certain land and buildings owned at fair value, and has adopted such fair value as the new cost subject to depreciation.
No revaluations are permitted, even if pursuant to specific laws. Assets subject to capital lease are entered under tangible assets against a financial payable to the lessor, and depreciated in accordance with the criteria below.
Tangible assets are systematically depreciated on a straight-line basis over their expected useful life, based on the estimate of the period over which the assets will be used by the Company. When the tangible asset is made up of a number of significant components, each with a different useful life, depreciation is made for each single component. The depreciation value is represented by the book value minus the presumable net transfer value at the end of its useful life, if material and reasonably determinable. Land is not depreciated, even if purchased together with a building, and neither are tangible assets held for sale, measured at the lower between the book value and fair value after transfer charges.
Costs for improvement, upgrading and transformation increasing tangible assets are entered in the statement of financial position, in compliance with the requirements of the IAS 16.

The recoverability of the book value of tangible assets is determined by adopting the criteria indicated in the section "Impairment of non-financial assets".
The rates (not changed compared with the period before) applied are the following:

- Buildings	2.65% - 4% - 3%
- Plant and machinery	7.50%-15%
- Industrial and business equipment	15%- 20%
Other assets:	
- Electronic office equipment	20%
- Office furniture and fittings	12%
- Motor vehicles and means of internal transport	20%
- Cars	25%
- Other minor assets	10%-30% / contract term

The remaining accounting value, useful lifetime and amortization criteria are reviewed on closure of each business year and the tables adjusted if required.
An asset is removed from the financial statements when it is sold or when there are no longer any future economic benefits expected from its use or disposal. Any losses or profits (calculated as the difference between the net income from its sale and its accounting value) are included in the profit and loss account when it is removed.

Goodwill and other intangible assets

Intangible assets are assets that lack physical substance, controlled by the Company and capable of generating future economic benefits, as well as goodwill, whenever purchased for a financial consideration.
Intangible assets are entered at cost, measured in accordance with the criteria established for tangible assets while those bought through business combinations are accounted by the fair value at the acquisition date No revaluations are permitted, even if pursuant to specific laws.
Intangible assets with a definite useful life are systematically amortized over their useful life, based on the estimate of the period over which the assets will be used by the Company; the recoverability of their book value is determined by adopting the criteria indicated in the section "Impairment of non-financial assets".
Goodwill and other intangible assets, if any, with an indefinite useful life are not subject to amortization; the recoverability of their book value is determined at least each year and, in any case, whenever in the presence of events implying a loss of value. As far as goodwill is concerned, verification is made on the smallest aggregate upon which

Management, either directly or indirectly, assesses the return on the investment, including the goodwill itself (cash generating unit). Write-downs are not subject to value restoration.
Other intangible assets have been amortized by adopting the following criteria:

- Patents and intellectual property rights	5 years
- Concessions, licenses, trademarks and similar rights	5 years / 20 years
- Other assets	5 years / contract term

The period of amortization and amortization criteria for intangible assets with a definite lifetime are reviewed at least on closure of each business year and adjusted if necessary.

Investments in subsidiaries, associated and other companies

Investments in subsidiaries, associated are evaluated as the purchase, subscription or conferment cost, as indicated in Appendix I and the following explanatory notes. The investments in other companies are evaluated at Fair value.The recoverability of their recorded value is verified by adopting the criteria indicated in the subsection "Losses of value of non-financial assets" as regards investments in associated companies and in the subsection "losses in value of financial assets" as regards investments in other companies.

Inventories

These are entered at the lower of purchase or production cost, calculated by the FIFO method and the presumed realizable value in consideration of the market trend.

Receivables and other current assets

The trade receivables and other short-term receivables are initially recorded at their nominal value, which represents their fair value, and subsequently evaluated at their amortized cost, net of any depreciations. When they are recorded, the nominal value of the receivables is representative of their fair value on said date. By virtue of the high rotation of receivables, the application of the amortized cost does not have any significant effect. The Provision for write-down of receivables represents the difference between the recorded value of receivables and the reasonable forecast of financial flows expected from their cashing-in.

Financial assets

In accordance with the IFRS 9, the financial assets are initially recorded at their amortized cost or fair value plus transaction costs directly attributable to their purchase, except in the case of financial assets recorded at fair value in the profit or loss. The Company's financial assets include cash and short-term deposits, trade and other short-term receivables, loans, non-listed financial instruments and derivatives financial instruments.

The subsequent measurement of the financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that have not been floated on the stock exchange. After initial measurement, such financial assets are subsequently measured at their amortized cost using the effective interest rate criterion (EIR), less impairment. The amortized cost is calculated by recording any discounts, purchase premiums, fees or costs that are an integral part of the effective interest rate. The amortization of the effective interest rate is included in financial income in the income statement. The losses arising from any impairment are recognised in the income statement as financial costs.

Derivatives

After their initial recording, derivatives are valued again at fair value and are accounted for as financial assets when the fair value is positive. Any profits or losses deriving from variations in fair value of the derivatives are recorded directly in the income statement, except for the effective part of the cash flow hedges, which are recorded among the components of the statement of comprehensive income and subsequently reclassified in the business year profits/(losses) when the hedging instrument has an effect on the profits or losses.

As regards the instruments classified as cash flow hedges and which are classified as such, the variations in fair value are recorded, solely as regards the effective part, in a specific equity reserve defined as "cash flow hedge reserve", included in the statement of comprehensive income. This reserve is subsequently overturned to the income statement as soon as the economic effects of the scope of the hedging operation manifest themselves. The variation in fair value referring to the ineffective portion is immediately recorded in the period income statement. Should the occurrence of the underlying operation no longer be considered highly probable, or the hedging relation no longer be demonstrable, the corresponding portion of the "cash flow hedge reserve" is immediately overturned to the income statement.

A financial asset (or, if applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

- the right to receive cash flows from the asset have expired;
- the Company has transferred the right to receive cash flows from the asset or has assumed an obligation to pay them fully and without delay to a third party and either (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor substantially withheld all the risks and rewards of the asset but has transferred control of it.

In cases in which the Company has transferred the right to receive cash flows from an asset and has not either transferred or substantially withheld all the risks and rewards or has not lost control of it, the asset is recorded in the financial statements of the Company in the remainder measure in which is involved in the asset in question. In this case, the Company also recognises an associated liability. The asset transferred and the associated liabilities are measured on a basis to reflect the rights and obligations that the Company has retained.

Losses in value of financial assets

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as result of one or more events that have occurred after the initial recognition of the asset (when a "loss event" occurs) and this loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets in question that can be reliably estimated. Evidence of impairment may be represented by indicators such as financial difficulties, the incapacity to deal with the obligations undertaken, insolvency in the payment of interest or significant payments that are affecting the debtors or a group of debtors; the probability that it will enter bankruptcy or other form of financial reorganisation, and where observable data indicate that there is a measurable decrease in expected future cash flows, such as changes in context or in the economic conditions related to the obligations undertaken.

As regards the financial assets carried at amortized cost, the Company firstly assesses whether objective evidence of impairment exists for each financial asset that is individually significant, or collectively in the case of financial assets that are not individually significant. If the Company determines that there is no evidence of impairment for a financial asset evaluated individually, whether significant or not, then the asset in question is included in a group of financial assets with similar credit risk characteristics and these are assessed collectively for impairment. The assets that are evaluated individually in terms of impairment and for which a loss in value has been recorded or continues to be recorded are not included in any collective assessments of impairment.

If there is objective evidence of an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet incurred). The present value of the cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for the measurement of any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced directly and the amount of the loss will be recognised in the income statement. The interest income continues to be accrued on the reduced carrying amount and is accrued using the interest rate used to discount the future cash flows to measures the impairment loss. The interest income is recorded as part of the financial income in the income statement. Loans and their relevant allowance are written off when there is no realistic prospect of their future recovery and all the collateral have been realised or transferred to the Company. If during a subsequent business year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced and the allowance account is adjusted. If a future write-off is subsequently recovered, the value recovered is credited to finance costs in the income statement.

For available-for-sale financial assets, the Company assesses whether there is objective evidence that an asset or group of assets is impaired at each reporting date.

In the case of equity investments classified as available for sale, the objective evidence would include a significant or prolonged reduction in the fair value of the investment below its cost. The "Significance" is evaluated with respect to the original cost of the instrument and "prolonged effect" with respect to the (duration of the) period in which the fair value has been below the original cost. Should there be evidence of impairment, the cumulative losses – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from the other comprehensive income and recognised in the income statement.

Any losses due to impairment of instruments representative of capital may not be reversed with the effects recorded in the profit and loss account; any increases in their fair value subsequent to an impairment loss are recorded directly in the other comprehensive income.

Losses in value of non-financial assets

When events occur that would lead to assume a reduction in the value of asset, its recoverability is assessed by comparing the recorded value with the relevant recoverable value, represented by the greater of the fair value, net of the discharge costs, and its value in use.

In the absence of a binding sales agreement, the fair value is estimated on the basis of the values expressed by an active market, by recent transactions or on the basis of the best information available to reflect the amount that the business would receive by selling the asset.

The value in use is determined by actualising the expected cash flows deriving from the use of the asset and, if significant and reasonably determinable, from its sale at the end of its useful lifetime. The cash flows are determined on the basis of reasonable and documented assumptions representative of the best estimate of the future economic conditions that may occur during the remaining lifetime of the asset, giving more importance to indications from outside. Actualisation is carried out at a rate which takes into account the market assessments of the current value of cash and specific risks of the asset, in addition to the inherent risk to the sector of business in question.

Assessment is conducted on each individual asset or the smallest identifiable group of assets which generates autonomous incoming cash flows deriving from continuous use (so-called *cash generating unit*). When the reasons for the depreciations made are no longer in place, the assets, except for goodwill, are revalued and the adjustment attributed to the profit and loss account as readjustment (restoration of value). Readjustment is carried out at the lesser of the recoverable value and recorded value gross of depreciations carried out previously and reduced by the amortization quotas that would have been allocated had impairment not been carried out.

Goodwill is tested for impairment at least once every year (on the date of the financial statements, 31 December) and more frequently should circumstances indicate that the carrying value may be impaired.

Impairment of goodwill is assessed by evaluating the recoverable amount of each cash generating unit (or the group of cash generating units) to which the goodwill relates. Should the recoverable amount of the cash generating unit be less than the carrying amount of the cash generating unit for which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating goodwill cannot be reversed in future business years.

Employee benefits

The Employee Severance Fund is included in the context of what IAS 19 defines as definite benefits plans in the framework of benefits after employment. The accounting treatment provided for these forma of remuneration requires an actuarial calculation which enables the future projection of the Employee Severance Fund amount already accrued and to actualise it to take into account the time that will elapse before effective payment. The actuarial calculation takes certain variables into consideration, such as the average employment time of employees, inflation rates and expected interest rates. The assessment of this liability is performed by an independent actuary. Following the changes to IAS 19, effective for business years starting on 1 January 2013 and subsequent, the profits and losses deriving from the actuarial calculation for the definitive benefits plans are included in the statement of other comprehensive income for the period they refer to. These actuarial profits and losses are immediately classified under the profits carried over and are not reclassified in the profit and loss accounts for subsequent periods. The social security cost for past service (past service cost) is recorded on the most recent of the following dates:

- the date on which the plan is changed or reduced; and
- the date on which the Company records the related restructuring costs.

The Company records the changes in the net debentures for definitive benefits in the statement of profit or loss.
The assets or liabilities concerning definitive benefits include the current value of the definitive benefits debentures, minus the fair value of the assets involved in the plan.

Following the recent revision of the pertinent national regulations, for companies with more than 50 employees, the Staff Severance Provision accrued from 1st January 2007 onwards is classified as a defined contributions plan, the payments relative to which are entered directly in the income statement, as expenses, when recorded The Staff Severance Provision accrued up to 31.12.2006 continues to be a defined benefits plan, but without the future contributions. Accordingly, it is now valued by the independent actuaries solely on the basis of the expected average residual working life of the employees, without further consideration of the remuneration received by them over a predetermined employment period. The Staff Severance Provision "accrued" before 1st January 2007 thus undergoes a change in calculation, due to the elimination of the previously foreseen actuarial hypotheses linked to pay increments. In particular, the liability relative to "accrued Staff Severance Provision" is actuarially valued as at 1st January 2007 without applying the pro-rata (years already worked/total years worked), as the employees' benefits relating to the entire period up to 31st December 2006 can be considered almost entirely accrued (with the sole exception of revaluation) in application of paragraph 67 (b) of IAS 19. Therefore for the purposes of this calculation, the "current service costs" relating to the future services of employees are to be considered null insofar as represented by the contribution payments into the supplementary pension scheme fund or the INPS Treasury Fund.

Provisions for risks and charges

Provisions for risks and charges involve specific costs and charges, considered definite or probable, for which the amount or due date could not yet be determined at the end of the year. Provisions are recognized when: (i) the existence of a current, legal or implied obligation is probable, arising from a previous event; (ii) the discharge of the obligation may likely involve charges; (iii) the amount of the obligation may be reliably estimated. Provisions are entered at the value representing the best estimate of the amount the Company would reasonably pay to redeem the obligation or to transfer it to third parties at the end of the period. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted back; the increase in the provision associated with the passage of time, is entered in the income statement under "Financial income (charges)". The supplementary clientele severance indemnity, as all other provisions for risks and charges, has been appropriated, based on a reasonable estimate of probable future liabilities, and taking the elements available into consideration.

Financial liabilities

The financial liabilities are initially valued at their fair value, which is the same as the payment received on the date on which they are received, to which the transaction costs directly attributable to them are to be added in the case of debts and loans. Subsequently, the non-derivative financial liabilities are measured by the criterion of amortized cost using the effective interest rate method
The financial liabilities of the Company include trade payables and other payables, loans and derivative financial instruments.
The financial liabilities within the scope of application of IFRS 9 are classified as payables and loans, or as derivatives designated as hedging instruments, according to the case in question. The Company determines the classification of its financial liabilities at initial

recognition.
All financial liabilities are initially recorded at their fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The profits and losses are accounted in the income statement when the liability is extinguished, as well as through the amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

In cases in which an existing financial liability is replaced by another from the same lender, on substantially different conditions, or the terms of an existing liability are substantially modified, this swap or modification is treated as the derecognition of the original liability and the recording of the new liability, with any differences between the respective carrying amounts recognised in the income statement.

Derivatives
Subsequently to their initial recording, derivatives are valued again at their fair value and are accounted as financial liabilities when their fair value is negative. Eventual profits or losses deriving from changes in the fair value of the derivatives are recorded directly in the income statement, except for the effective part of the hedging of cash flows, which is recorded among the components of other comprehensive income and subsequently reclassified in the statement of profit or loss if the hedging instrument influences the profits or losses.
As regards the instruments classified as cash flow hedges and which are classified as such, the variations in fair value are recorded, solely as regards the effective part, in a specific equity reserve defined as "cash flow hedge reserve", included in the statement of comprehensive income. This reserve is subsequently overturned to the income statement as soon as the economic effects of the scope of the hedging operation manifest themselves. The variation in fair value referring to the ineffective portion is immediately recorded in the period income statement. Should the occurrence of the underlying operation no longer be considered highly probable, or the hedging relation no longer be demonstrable, the corresponding portion of the "cash flow hedge reserve" is immediately overturned to the income statement.

Income taxes

Current income taxes are calculated on the basis of the estimated taxable income. Tax assets and liabilities for current taxes are recognized at the value expected to be paid/recovered to/from the Tax Authorities, by applying the rates and tax regulations in force or basically approved as at the end of the period, and considering the involvement of some companies to the national consolidated tax base.
Deferred tax liabilities and assets are calculated on the temporary differences between the values of the assets and liabilities recorded in the financial statements and the corresponding values recognised for fiscal purposes.
Deferred taxes are recorded on all the taxable temporary differences, with the following exceptions:

- the deferred tax liabilities deriving from the initial recording of the start-up of either an asset or a liability in a transaction which does not represent a corporate aggregation and, at the time of the transaction itself, does not influence either the result in the financial statements or the fiscal result;
- the repayment of the taxable temporary differences associated to holdings in subsidiaries, related companies and joint ventures can be controlled, and it is probable that this will not occur in the foreseeable future.

Deferred tax assets are recorded for all the deductible temporary differences, fiscal receivables and losses not used and brought forward, in the measure in which it is probable that sufficient future fiscal taxables will be available which may enable the use of the deductible temporary differences and fiscal receivables and losses brought forward, except in cases in which:

- the deferred tax related to the deductible temporary differences derives from the initial recording of an asset or liability in a transaction which does not represent a corporate aggregation and, at the time of the transaction itself, does not influence either the result in the financial statements or the fiscal result ;

- in the case of deductible temporary differences associated to holdings in subsidiaries, related companies and joint ventures, the active deferred taxes are only recorded in the measure in which it is probable they will be brought forward in the foreseeable future and that there will be sufficient fiscal taxables to enable the recovery of these temporary differences.

Deferred tax assets are recorded when their recovery is probable. Deferred tax assets and liabilities for deferred taxes are classified under non-current assets and liabilities and are offset if referring to taxes which may themselves be offset. The offsetting balance, if an asset, is entered under "deferred tax assets"; if a liability, it is entered under "Liabilities for deferred taxes". When the results of the operations are directly recognized in the shareholders' equity, current taxes, assets for prepaid taxes and liabilities for deferred taxes are also recorded in the shareholders' equity.
Deferred tax assets and deferred taxes are calculated on the basis of the tax rates expected to be applied in the year said assets will realize or said liabilities will extinguish.

Criteria for conversion of items in foreign currency

Transactions in foreign currency are initially recorded in the functional currency, applying the currency spot rate the transaction first qualifies for recognition. The monetary assets and liabilities denominated in foreign currency are retranslated at the functional currency spot rate at the reporting date.
Any differences are recorded in the income statement.

Business combinations

The business combinations occurred prior to 1 January 2010 are accounted through the application of the so-called purchase method (purchase methods defined by IFRS 3 as "Business combinations"). The purchase method requires that, after having identified the buyer involved in the business combination and having determined the purchase cost all the assets and liabilities purchased (including the so-called contingent liabilities) must be valued at fair value. For this purpose, the company is required to value any intangible assets purchased in specifically. Any goodwill is to be calculated in a residual manner, as the difference between the cost of the business combination (including additional charges and any contingent considerations) and the share pertaining to the company of the difference between the assets and liabilities purchased, valued at their fair value.
The business combinations occurred subsequently to 1 January 2010 are accounted for using the acquisition method (IFRS 3R). The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value acquisition date and the amount of any non-controlling interest in the acquired. For each business combination, the acquirer measures the no controlling interest in the acquired either at fair value or at the proportionate share of the acquired identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.
If business combinations are achieved in stages, the fair value of the shareholding previously held is remeasured to fair value at the acquisition date, recording any resulting profits or losses in the profit and loss account.
Each contingent consideration to be transferred to the acquirer will be recognised by the acquired at the fair value at the acquisition date. Changes to the fair value of the contingent consideration classified as a financial asset or liability will be recorded in accordance with IAS 39 either in the profit and loss or as a change to comprehensive income. If it does not fall within the scope of IAS 39, it will be recognised in accordance with IAS 37 or the most appropriate IFRS.
If the contingent consideration is classified as equity, it should not remeasured until it is finally settled within equity.
Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.
If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.
After initial recording, goodwill is measured at the cost less any accumulated impairment losses in value. For the purpose of the impairment testing, the goodwill acquired in a business combination must, from the acquisition date, be allocated to each Company's cash generating unit which is expected to benefit from the combination synergy, independently of the fact that other assets or liabilities of the entity acquired are assigned

to such units.
If goodwill has been allocated to a cash generating unit and the entity disuses part of the assets of this unit, the goodwill associated to the disused asset must be included in the accounting value of the asset should any profits or losses derive from its disuse. The goodwill associated to the disused asset must be measured on the basis of the relative values of the disused asset and the portion of the cash-generating unit retained.

Revenue and cost recognition

Revenues from sales of goods and services are recognized upon transfer of control of goods and services to customers. The control of goods was usually identified upon consignment or delivery of the goods.
The revenues from services are recognized in accordance with the contractual terms and when the obligation to do have been satisfied.
Financial incomes are recognized on an accrual basis.
Costs are recognized when related to goods and services acquired and/or received over the period to which they refer.

Accounting treatment of financial assets/instruments

MARR S.p.A. uses derivative financial instruments to hedge its exposure to foreign currency risks on purchases and loans in currency other than the functional one in addition to its exposure to rate interest risk on certain variable rate loans.

These derivative financial instruments are initially recognised at their fair value on stipulation; subsequently, this fair value is re-measured periodically; they are carried as assets when the fair value is positive and liabilities when the fair value is negative.
Fair value is the price that would be received for the sale of an asset, or would be paid for the transfer of a liability, in a standard transaction between market operators on the date of valuation.

The fair value of the derivative financial instruments used is determined on the basis of market value when it is possible to identify the market to which they actively belong. However, if the market value of a financial instrument is not easily calculable, but its components or those of a similar instrument are calculable, the market value is determined through the evaluation of the individual components of the instrument or of the similar instrument. Furthermore, for those instruments for which an active market is not easily identifiable, the evaluation is carried out by using the value resulting from generally accepted evaluation models and techniques which ensure a reasonable approximation of the market value. All the assets and liabilities for which the fair value is valued or recorded in the financial statements are categorised on the basis of the fair value hierarchy, as described below:

- Level 1 – the quoted (not adjusted) prices on active markets for identical assets and liabilities which the entity may access on the date of valuation;
- Level 2 – Input other than the quoted prices included in Level 1, observable directly or indirectly for the asset or liability in question;
- Level 3 – valuation techniques for which the input data is not observable for the asset or liability in question.

Derivatives are classified as coverage instruments when the relation between the derivative and the object of the coverage is formally documented and the coverage, assessed periodically, is highly effective. If derivatives cover a risk concerning the cash flow variations of the instruments covered (cash flow hedge; for example coverage of cash flow variability of assets/liabilities by effect of oscillations in exchange rates), the variations in the fair value of derivatives are initially recorded at net equity and subsequently attributed to the income statement coherently with the economic effect produced by the operation covered. Should the derivatives cover the fair value risk, the change in fair value of the covering derivatives is recorded in the statement of profit or loss among the financial costs. The change in fair value of the element covered attributable to the risk covered is recorded as part of the load value of the element covered and is also recorded in the statement of profit or loss among the financial costs.
The variations in fair value of the derivatives which do not satisfy the conditions required in order to be classified as coverage are recorded in the income statement for the business year.

Own shares — The own shares of the company are registered in the net equity. The original cost of own shares and the income deriving from subsequent sale are recorded as changes in net equity.

Main estimates adopted by management and discretional assessments

The preparation of the Company financial statements requires that the directors carry out discretional assessments, estimates and hypotheses that influence the value of revenues, costs, assets and liabilities, and the indication of potential liabilities at the time of the financial statements. However, uncertainty as to these hypotheses and estimates may lead to outcomes that will require future significant adjustments on the accounting value of these assets and/or liabilities.

Estimates and hypotheses used

Below is an outline of the key hypotheses concerning the future and other significant sources of uncertainty in estimates at the date of closure of the financial statements that could be the cause of significant adjustment to the value of assets and liabilities in coming business years. The results achieved could differ from these estimates. The estimates and assumptions made are periodically revised and the effects of all changes are immediately reflected in the profit and loss account.

- Estimates adopted to evaluate the impairment of non-financial assets

In order to measure any impairment of goodwill entered in the financial statements, the Company has adopted the method previously illustrated in the section on "Losses in value of non-financial assets".
The recoverable value has been determined on the value in use basis.
For the years 2019, 2020 and 2021 cash-flows generating units attributable to each goodwill derive from the Business Plan approved by the Board of Directors; an extremely prudent conduct was maintained for subsequent years, estimating an increase of 1% in terms of revenues for 2022 and for the calculation of the terminal value. The Weighted Average Cost of Capital (WACC) has been adopted as the discount rate, which is 4.72% (4.51% in the previous year) calculated punctually in coherence with previous years and with significant focus on the risk and uncertainty factors of the current market. Sensitivity analyses have also been conducted on this rate, consequently to the variation manly of interest rates and of the other financial parameters used and the sustainability of the goodwill value recorded in the financial statements has been verified with WACC values more prudential and, as in the past years, with a comparison with those used by financial analysts. Lastly, we would point out that specific focus has also been given to the growth factors expected in years after plan, which can be considered as mainly prudential in relation to the results achieved and the specific market context.
The measurement of any impairment of assets (Goodwill), for the results of which refer to the paragraph 2 "*Goodwill*", was made by referring to the situation as at 31 December 2018.

- Estimates adopted in the actuarial calculation in order to determine the benefit plans defined in the context of post-employment obligations:

  - The expected inflation rate is equal to 1.5%;
  - The discounting rate used is equal to 1.13%[VII];
  - The annual rate of increase of the severance plan is expected to be equal to 2.625%;
  - A 6.5% turnover of employees is expected.

- Estimates adopted in the actuarial calculation in order to determine the provision for supplementary clientele severance indemnity:

  - The rate of voluntary turnover is expected to be 13%;
  - The rate of corporate turnover is expected to be 2%;
  - The discounting rate used is 0.77%[VIII].

- Estimates used in calculating deferred taxes

A significant discretional assessment is required by the directors in order to determine the total amount of deferred tax assets to be accounted. They must estimate the probable occurrence in time and the total value of future fiscally chargeable profits.

[VII] Average performance curve deriving from the IBOXX Eurozone Corporates AA (7 – 10 years).
[VIII] Average performance curve deriving from the IBOXX Eurozone Corporates AA referred to the duration of collective.

- Other

Other elements in the financial statements that were the object of estimate and assumptions by Management are inventory write-down, the determination of amortizations and evaluation of receivables and other assets.
These estimates, although supported by well defined corporate procedures, require hypotheses to be made mainly concerning the future realisable nature of the value of inventories, the probability of collecting in receivables and the solvency of creditors as well as the remaining useful lifetime of assets that may be influenced by both market performance and the information available to Management.

Accounting principles, amendments and interpretations applicable as at 1 January 2018

The criteria for assessment used for drafting the consolidated accounts for the year 2018 do not differ from those used for the drafting of the consolidated financial statements as at 31 December 2017, with the exception of the accounting principles, amendments and interpretations applicable as at from 1st January 2018, listed below, that in any case are not affecting in the consolidation financial statement of the Company:

- IFRS 9 - Financial instruments. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all the phases of the project concerning financial instruments and replaces IAS 39, Financial Instruments: Recording and assessment, and all previous versions of IFRS 9. The principle introduces new requirements for classification, assessment, loss of value and hedge accounting. . As described above, the application of the new standard has not had a significant impact on the current equity, economic and financial situations of the Company. It must be noted that the Company, consistently with the possibility offered by the new IFRS9 (paragraph 7.2.21 concerning "Transitory dispositions on the accounting of hedging operations"), has opted to continue to apply the dispositions concerning the accounting of hedging operations contained in IAS 39 to this type of operation.

- IFRS 15 (and subsequent clarifications issued on 12 April 2016) – Revenues from contracts with clients. This standard was issued in May 2014 and introduces the new five-phase model which is applicable to revenues deriving from contracts with clients. IFRS 15 provides for the inclusion of revenues for an amount reflecting the payment that the entity believes it has the right to in exchange for the transfer of goods or services to the client. The standard provides a more structured approach for the inclusion and evaluation of revenues, replacing all of the current requirements in the other IFRS concerning the recognition of revenues. The Company mainly carried out activities involving the sale of food products, ending with the delivery of the products to the client. Almost the totality of the transactions are carried out on the basis of specific orders; any trade agreements are mainly linked to the definition of the qualitative characteristics of the supplies ordered. Given the nature of such transactions, the change made to the standard has not had any significant impact on the financial statements of the Company.

- Changes to IFRS 2 – Clarifications of classification and measurement of share based payment transactions. This amendment deals with the following matters identified by the IFRS Interpretations Committee: i) the accounting of a share based payment plan with defined benefits including the achievement of targets; ii) a share based payment in which the method of settlement is correlated to future events; iii) share based payments settled net of fiscal withholdings; iv) transfer from a cash based payment method to a share based payment method.

- Changes to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. This amendment deals with worries that arose during the application of IFRS 9 on financial instruments before the introduction of the new insurance contract standards. Two options are given for companies subscribing insurance contracts with regard to IFRS 4: i) an option that enables the company to reclassify some revenues or costs originating from specific financial assets from the income statement to the statement of comprehensive income; ii) a temporary exemption from the application of IFRS 9, the main activity of which is the subscription of contracts as described in IFRS 4.

- IFRIC 22 — *Foreign Currency Transactions and Advance Consideration*. The interpretation deals with transactions in foreign currency in the event that an entity recognises a non-cash asset or liability originating from the payment or receipt of an advance payment before the entity recognises the relevant asset, cost or revenue. That defined therein is not applicable to taxes, insurance contracts or re-insurance contracts.

- Changes to IAS 40 regarding transfers of investment property. The amendment provides that: i) paragraph 57 of IAS 40 be modified, providing that an entity must transfer a property from, or to, the category of investment property only when there is evidence of its change of use; ii) the list of examples included in the paragraph 57 (a) – (d) be redefined as a non-exhaustive list of examples.

- Improvements to the International Financial Reporting Standards (2014-2016). These are part of the annual improvement plan for the standards and will come into force from 1 January 2018. The changes concern:
  - IFRS 1: the short-term exemptions provided in paragraph E3-E7 are deleted, given that the reasons for including them are no longer in place;
  - IFRS 12: the scope of the standard is clarified, specifying that the disclosure requirements, except for those in paragraphs B10-B16, are applicable to the interests of an entity listed in paragraph 5, which are classified as held for sale, distribution of as a discontinued operations ex IFRS 5;
  - IAS 28: it is clarified that the decision to measure an investment in a subsidiary or joint venture held by a venture capital company at fair value through the income statement is possible for all investments in subsidiaries or joint ventures as of their initial recording.
  - Changes to IAS 28 - Long-term Interests in Associates and Joint Ventures. The changes specify that IFRS 9 must be applied to the long-term receivables from an associate company or a joint venture which, in substance, is part of the investment in the associate company or joint venture.

Accounting principles, amendments and interpretations applicable in the future years

The accounting principles and interpretation which, as of the date of the preparation of the Company financial statements, were already issued but not yet in force are illustrated below.

-IFRS 16 – Leases. Standard published by the IASB on 13 January 2016, destined to replace standard IAS 17 – Leasing, and also the interpretations of IFRIC 4 – Determining whether an agreement involves leasing, SIC 15 – Operating leasing – Incentives and SIC 27 – The evaluation of the substance of operations in the legal form of leasing. The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to manage the use of the asset underlying the contract. Its application is provided as of 1 January 2019. Advance application is allowed for entities applying IFRS 15.
The Group is evaluating the impacts of this new standard on its consolidated financial statements; for its initial application, it has elected to apply a modified retrospective approach which does not require that the comparative data be restated. It has therefore been estimated that its application will imply the following effects on the equity, financial and economic situations: worsening of the net financial position as at 1 January 2019 by between 55 and 58 million Euros and increase in the fixed assets by the same amount. Considering the lease contracts ongoing as of the date of closure of these financial statements, it has been estimated that the application of this standard will have the following effects on 2019: an improvement in the EBITDA estimated at about 9 million Euros and the EBIT for an estimated amount of between 0.5 and 1.0 million Euros. The impact on the result before tax has been estimated in profit reduced by between 0.5 and 1.0 million Euros.

- IFRIC 23 - Uncertainty over Income Tax Treatments. This interpretation provides indications on how to reflect in the accounting of income tax the uncertainties of the fiscal treatment of a specific phenomenon. IFRIC 23 will come into force on 1 January 2019.

-Changes to IFRS 9 - *Financial Instruments*. The changes, published in October 2017, concern the "Prepayment Features with Negative Compensation" which enable the application of the amortized cost or fair value through other comprehensive income (OCI) for the financial assets with the option of advance extinction ("negative compensation").

- Changes to IAS 28 "*Long-term Interests in Associates and Joint Ventures*". On 12 October 2017, the IASB emanated these changes to clarify the application of IFRS 9 "Financial Instruments" as regards the long-term interest in subsidiary companies or joint ventures, for which the net equity method is not applicable. These changes will be applicable to business years which start on 1 January 2019 or subsequently.

The following is a list of the Accounting Standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union. These standards will be applicable from subsequent business years. From an initial examination, the Group believes that they will have significant impacts on the consolidated equity, financial and economic situations.

- IFRS 17 - "*Insurance Contracts*". This standard, issued on 18 May 2017, establishes the standards for the recognition, measurement, presentation and representation of insurance contracts included in the standard. The objective of IFRS 17 is to guarantee that an entity provides relevant information which truthfully represents such contracts in order to represent a basis for evaluation by the reader of the financial statements of the effects of such contracts on the equity and financial situation, on the economic results and on the cash flows of the entity. On 21 June 2018, the IASB decided to issue clarifications concerning IFRS 17 "*Insurance Contracts*", in order to ensure that the interpretation of the standard reflects the decisions taken by the Board, with specific reference to certain points in the contracts subject to variable fees and aspects correlated to IFRS 3 "*Business combination*". The dispositions of IFRS 17 will be effective as of business years starting from 1 January 2021 or subsequently.

- IFRS 14 - "Regulatory deferral accounts". The standard, published by the IASB on 30 January 2014, enables only those who are adopting the IFRS for the first time to continue to record the amounts concerning the rate regulation according to the accounting standards previously adopted.

- Changes to IAS 19, "*Employee benefits*'- *Plan amendment, curtailment or settlement*". This amendment, issued by the IASB on 7 February 2018, clarifies how pension costs are to be determined when changes are made to the defined benefits plan. These changes will be applicable for business years starting on 1 January 2019 or subsequently.

- Improvements to the International Financial Reporting Standards (2015-2017). The changes, published in December 2017, mainly concern the following IFRS: a) IAS 12 "*Income Taxes*". The proposed changes clarify that an entity should recognise all of the fiscal effects to the distribution of the dividends; b) IAS 23 "*Borrowing Costs*": the proposed changes clarify that, in the event that the specific finances required for the purchase and/or construction of an asset remain ongoing even after the asset in question is ready for use or sale, such loans shall cease to be considered as specific, and are therefore included in the general loans of the entity, in order for the rate of capitalisation of the loans to be determined; c) IAS 28 "*Investments in Associates and joint ventures – Long-term interests in an associate or joint venture*". The proposed changes clarify that standard IFRS 9 "*Financial Instruments*", including the impairment requirements, is also applicable to other financial instruments held in the long-term issued for an associate company or joint venture. Such changes will be effective from 1 January 2019 and can be applied retroactively.

- Changes to IAS 1 and to IAS 8. These changes, published by the IASB on 31 October 2018, provide a different definition of "material", in other words: "*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity*". These changes will be applicable for business years starting on 1 January 2020 or subsequently. Advance application is allowed.

- Changes to IFRS 10 and to IAS 28: this change, published on 11 September 2014, provided 1st January 2016 as the date of entry into force; application was subsequently postponed to an unspecified date. These amendments were issued because of the conflict between the requirements of IAS 28 and IFRS 10. The IASB and the committee for interpretations determined that a complete gain or loss must be recognised on the loss of control of a business, independently of the whether the business is part of a subsidiary or not.

- Changes to IFRS3 "*Business Combination*". These changes, issued by the IASB on 22 October 2018, are aimed at resolving the difficulties that arise when an entity determines whether it has purchased a business ot group of assets. The changes are effective for business combinations for which the date of acquisition is in force on or subsequent to 1 January 2020. Advance application is allowed.

Lastly, it must be noted that on 29 March 2018, the IASB published the reviewed version of the *Conceptual Framework for Financial Reporting*. The main changes compared to the 2010 version concern: i) a new chapter concerning evaluation; ii) better definitions and guidance, especially with regard to the definition of liabilities; iii) clarifications concerning important concepts, such as stewardship, prudence and uncertainty in evaluations. The amendments, where they are effective updates, will be applicable for business years starting on 1 January 2020 or subsequently.

Capital management policy

As regards the management of capital, the Company's priority is to maintain an appropriate level of its equity in relation to debts accrued (Net debt/Equity or "gearing" ratio), so as to guarantee solidity in terms of equity and its adequacy to the management of cash flows.

Taking into account the fact that the financial requirements, because of the characteristics of the Company's core business, are calculated in terms of trade net working capital, the main indicator for cash flow management is summarily represented by the performance of the ratio between trade net working capital and revenues ("Trade NWC on total Revenues").
Still in relation to the seasonal nature characterising its business, the Company also monitors the performance of the single components of trade net working capital (trade receivables and payables and inventories) in terms of both absolute value and days of outstanding.
The management of capital is also measured in terms of the principal indicators of best financial practice, such as: ROS, ROCE, ROE, Net debt / Equity and Net debt / EBITDA.

Financial Risks Management

The financial risks to which the Company is exposed in the performance of its business activities are as follows:

- market risk (including currency risk, interest rate risk and price risk);
- credit risk;
- liquidity risk.

MARR employs derivative financial instruments solely for the purpose of covering some non-functional currency exposures and part of the financial exposure with variable rates.

Market risk

(i) Currency risk: The currency risk arises when reported assets and liabilities are expressed in a currency other than the enterprise's functional currency. MARR operates at an international level and is consequently exposed to currency risk above all with regard to trade transactions denominated in US dollars. The manner of handling this risk in the Company is to enter into forward contracts to purchase/sell the foreign currency, specifically designed to hedge the individual trade transactions, if the forward rate is favourable compared to the rate at the date of the operation. In addition to the trade relations, it should be noted that in 2013, the Company finalized a bond private placement in US dollars. To cover this transaction, the Company stipulated Cross Currency Swap contracts specifically destined to hedge the financial flows deriving from the payment of the coupons and reimbursement of capital on expiry.

As at 31 December 2018, a 5% appreciation in the exchange rate in relation to the US dollar and to other currencies, all else being equal, would have given rise to decrease in pre-tax profit of 156 thousand Euros (+57 thousand Euros in 2017), due to exchange rate gains (losses) on trade payables and receivables denominated in dollars (because of the change in the fair value of current assets and liabilities).
The other equity items would have shown a downward variation of 195 thousand Euros (92 thousand Euros as at 31 December 2017) ascribable to variation in the amount of the *cash flow hedge* fund (due to the variation in the fair value of forward contracts on exchange rates).
On the other hand, at the same date, a 5% drop in the exchange rate in relation to the US dollar and to other currencies, all else being equal, would have been reflected by a pre-tax profit increase of 173 thousand Euros (-59 thousand Euros in 2017).
The other equity items would have shown an upward variation of 157 thousand Euros (75 thousand Euros as at 31 December 2017) ascribable to variation in the amount of the *cash flow hedge* fund, due to the variation in the fair value of forward contracts on exchange rates).

(ii) Interest rate risks: risks concerning changes to interest rates affect loans. Almost of the long term loans from banks are floating and variable rate financing exposes the Company to the risk of cash flow variations due to interest rates. To cover this risk, the Company has historically stipulated Interest Rate Swap contracts specifically related to the partial or total hedging of certain loans (at 31 December 2018 the Company have not in being any Interest Rate Swap contract) Fixed rate financing exposes the MARR to the risk of changes to the fair value of the finances themselves.

In 2018 business year, a hypothetical upward or downward fluctuation of 10% in the interest rate, all else being equal, would have produced a pre-tax cost increase or decrease (with corresponding equity variation) of approximately 213 thousand Euros on an yearly basis (274 thousand Euros as at 31 December 2017).

As regards the use of the other short-term credit lines, management is focusing on safeguarding and consolidating relations with the credit institutes in order to stabilise the spread applied to Euribor as much as possible.

(iii) Price risks: MARR makes purchases and sales worldwide and is therefore exposed to the normal risk of price oscillations typical of the sector.

Credit risk

MARR only deals with known and reliable clients. It is the Company's policy that clients who request delayed payment conditions are subject to verification procedures for their class of client. Furthermore, the credit collection is monitored during the course of the year so that the impact of overdue is not significant.

The credit quality of non-overdue financial that have not undergone value impairments can be assessed with reference to the internal credit management process.

The customer monitoring process consists essentially of a preliminary phase in which data and information is collected on new customers, and a post-activation phase featuring the granting of a credit line and supervision of the customer's credit position.
The preliminary phase consists of acquiring the essential administrative/fiscal data necessary to be able to carry out a complete and accurate assessment of the risks entailed by the new customer. Activation of the customer is dependent on the completeness of the aforementioned data and approval, possibly following more detailed investigations, by the Customers Office.
Every new customer is given a credit line: its granting depends on some additional items of information (years in business, terms of payment, reputation) that are indispensable so as to be able to assess the customer's solvency level. Once the overall picture has been put together, the documentation on the potential customer is submitted for approval to the various organizational levels.

Overdue management is differentiated on the basis of length of time overdue (overdue bands).
For the overdue bands up to 60 days, reminder procedures are activated at branch level or directly by the Customers Office; for accounts that are over 15 days overdue or that have exceeded the amount of the credit line granted a personal IT control blocks the supply to non-performing customer. For debts in the "over 90 days" band, legal actions is taken when necessary.
Receivables comprised in the "not yet due" band, which total 214,559 thousand Euros as at 31 December 2018, represent 60.04 % of the receivables reported in the financial statements.

This procedure defines the operating rules and mechanisms that are guaranteed to generate a cash flow by assuring the Company of the customer's solvency and the profitability of the commercial relationship.

At the reference date of the financial statements, the maximum exposure to credit risk for each of the following categories of receivables was as shown below:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Current trade receivables	357,364	353,984
Other non-current receivables	30,703	31,066
Other current receivables	56,083	47,159
Total	444,150	432,209

For the comments on the various categories, please refer to note 8 on "Other non-current receivables", note 11 on "Trade receivables" and note 14 on "Other current receivables". The value of the trade receivables, the other non-current receivables and the other current receivables are classifiable as "Level 3" financial receivables, in other words those for which the input is not based on observable market data.
The fair value of the above categories is not shown, as the book value constitutes a reasonable approximation of the same.

As at 31 December 2018, overdue trade receivables, net of bad debt reserve, amounted to 142,805 thousand Euros (144,862 thousand Euros in 2017). The breakdown of these receivables by due date is as follows:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Overdue:		
Less than 30 days	42,094	50,640
betweeen 31 and 60 days	24,359	23,246
betweeen 61 and 90 days	20,969	20,011
Over 90 days	55,383	50,965
Total overdue trade receivables	142,805	144,862

The amounts shown above refer to overdue debts calculated on the basis of the nominal terms agreed[IX] with the customer at the time of first assessment. This table also includes the "overdue" exposure of the particularly important customers most closely loyal to the Company, with whom special terms of payment are agreed. As at 31 December 2018, this particular category of customers has been accounted for 21,683 thousand Euros in the "Over 90 days" band (18,268 thousand Euros as at 31 December 2017).

As at 31 December 2018, the nominal amount of the disputed trade receivables (all classified in the category of expired "over 90 days"), which had undergone a write-down, amounted to 32,609 thousand Euros (29,893 thousand Euros in 2017). Those receivables were mainly related to clients in economic difficulties. The quota of these receivables that is not recoverable is specifically covered by the bad debt reserve, which amounts to a total of 33,046 thousand Euros (34,484 thousand Euros in 2017).

Liquidity risk

Marr manages liquidity risk with a view to maintaining a liquidity level sufficient for its operational management.
Given the dynamic nature of the sector concerned, to meet the requirements of the business's routine management and seasonal trends preference is given to funding requirements by availing adequate lines of credit.

For the management of resources absorbed by investment activities, preference is generally given to funding through specific long-term loans.

The following table shows the breakdown of financial liabilities and derivative financial liabilities on the basis of contractual expiry dates at the reference date of the financial statements. It should be noted that the amounts shown do not reflect the book values in as much as they consider the future expected cash flows. Given the high volatility of the reference rates, the financial flows of variable rate loans have been estimated consistently with that already done in previous years, using a rate determined by the IRS at five years increased by the average spread applied to our medium and long-term loans.
In this regard, it should be recalled that after the trend of reduction in interest rates recorded in the last years, during 2018 the rates remained substantially stable, with a forecast of a slow recovery, which is reflected in the IRS in five years, which is the basis of calculation.

[IX] Except for the expiry dates defined in paragraph 3 of art. 62 of Decree Law 1 dated 24/1/2012 which, as of 24 October 2012, has established that the payment of perishable food products be made within 30 days of the last day of the month of receipt of the invoice and that for non-perishable food products within 60 days of the last day of the month of receipt of the invoice.

At 31 december 2018 (€ thousand)	Less than 1 year	between 1 and 2 years	between 2 and 5 years	Over 5 years
Borrowings	122,747	175,377	45,884	0
Payables for the purchase of quotas or shares	361	0	0	0
Derivative financial instruments	10	0	0	0
Trade and other payables	309,757	0	0	0
	432,875	175,377	45,884	0
At 31 december 2017				
Borrowings	111,776	63,850	112,595	26,514
Payables for the purchase of quotas or shares	10,574	0	0	0
Derivative financial instruments	0	0	0	0
Trade and other payables	314,008	0	0	0
	436,358	63,850	112,595	26,514

As regards the changes to the long-term quota, see that already described in the Director's Report and on paragraph 16 "Non current financial debts" in the Explanatory Notes.

Classes of financial instruments

The following items are reported in keeping with the accounting rules relative to financial instruments:

(€thousands)	31 December 2018			
Assets as per balance sheet	**Amortized Cost**	**Fair value through other comprehensive income (FVOCI)**	**Fair value through profit or loss (FVTPL)**	**Total**
Non current derivative/financial instruments	0	2,513	0	2,513
Non Current financial receivables	723	0	0	723
Other non-current assets	30,703	0	0	30,703
Current financial receivables	8,126	0	0	8,126
Current derivative/financial instruments	0	0	0	0
Current trade receivables	357,364	0	0	357,364
Cash and cash equivalents	169,726	0	0	169,726
Other current receivables	56,083	0	0	56,083
Total	622,725	2,513	0	625,238
Liabilities as per balance sheet	**Amortized Cost**	**Fair value through other comprehensive income (FVOCI)**	**Fair value through profit or loss (FVTPL)**	**Total**
Non Current financial payables	218,357	0	0	218,357
Non current derivative/financial instruments	0	0	0	0
Current financial payables	120,161	0	0	120,161
Current derivative financial instruments	10	0	0	10
Total	338,528	0	0	338,528

(€thousands)	31 December 2017			
Assets as per balance sheet	**Amortized Cost**	**Fair value through other comprehensive income (FVOCI)**	**Fair value through profit or loss (FVTPL)**	**Total**
Non current derivative/financial instruments	0	586	0	586
Non Current financial receivables	1,171	0	0	1,171
Other non-current assets	31,066	0	0	31,066
Current financial receivables	6,375	0	0	6,375
Current derivative/financial instruments	0	11	0	11
Current trade receivables	353,984	0	0	353,984
Cash and cash equivalents	146,786	0	0	146,786
Other current receivables	47,159	0	0	47,159
Total	586,541	597	0	587,138
Liabilities as per balance sheet	**Amortized Cost**	**Fair value through other comprehensive income (FVOCI)**	**Fair value through profit or loss (FVTPL)**	**Total**
Non Current financial payables	195,695	0	0	195,695
Non current derivative/financial instruments	0	0	0	0
Current financial payables	117,845	0	0	117,845
Current derivative financial instruments	0	0	0	0
Total	313,540	0	0	313,540

In compliance with that required by the modifications introduced to IFRS 13, we would point out that the derived financial instruments, constituted by contracts for the coverage of exchanges and interest rates, are classifiable as "Level 2" financial assets, in as much as the inputs which have a significant effect on the fair value registered are market figures observable directly (exchange and interest rate market).[X] Similarly, as regards the non-current financial debts, the recording at fair value of which is indicated in paragraph 16 of these explanatory notes, are also classifiable as "Level 2" financial assets, in as much as the inputs influencing their fair value are market data which is directly observable.
As regards the other non-current and current assets items, see that stated in paragraphs 8 and 14 of these explanatory notes.

[X] The Group identifies as "Level 1" financial assets and liabilities those for which the input which has a significant effect on the fair value registered are represented by prices listed on an active market for similar assets or liabilities and as "Level 3" financial assets and liabilities those for which the input is not based on observable market figures.

Comments to the main items included in the statement of financial position of MARR S.p.A.

ASSETS

Non-current assets

1. Tangible assets

The changes in this item in 2018 and previous year is as follows:

(€thousand)	Balance at 31.12.17	Purchases / other movements	Net decreases for divestments	Depreciation	Balance at 31.12.16
Land and buildings	51,338	820	0	(2,061)	52,579
Plant and machinery	8,198	1,960	0	(2,358)	8,596
Industrial and business equipment	1,071	258	(1)	(169)	983
Other assets	3,865	1,802	(449)	(1,220)	3,732
Fixed assets under development and advances	272	263	0	0	9
Total tangible assets	64,744	5,103	(450)	(5,808)	65,899

(€thousand)	Balance at 31.12.18	Purchases / other movements	Net decreases for divestments	Depreciation	Variation for merger	Balance at 31.12.17
Land and buildings	49,391	394	0	(2,341)	0	51,338
Plant and machinery	7,132	1,339	(154)	(2,397)	146	8,198
Industrial and business equipment	1,106	214	0	(186)	7	1,071
Other assets	3,172	1,482	(708)	(1,504)	37	3,865
Fixed assets under development and advances	2,421	2,149	0	0	0	272
Total tangible assets	63,222	5,578	(862)	(6,428)	190	64,744

With regard to the movements during the year, it should be noted that the column "Variation for merger" includes the values as at 31 December 2017 (IAS restated according to OPI no. 2R) of the tangible fixed assets of DE.AL – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l., which merged into MARR S.p.A. by effect of the merger by incorporation completed on 15 October 2018.

The changes exposed in the column "Purchases/other movements" mainly represent the investments related to the plan for the expansion and modernisation plan started in the year 2014, which involved investments in the items "Land and buildings", "Plant and machinery" and "Industrial and business equipment" at various distribution centres.

In particular, as regards buildings, it should be noted that the expansion works at the MARR Adriatico distribution centre in Elice, for a total of 297 thousand Euros, which had not been completed as at 31 December 2018 and are also partially included among the Fixed assets under development (189 thousand Euros).

As concern the items "Plant and machinery" and "Industrial and business equipment" the increase is mainly referred to the following distribution centres:
- 150 thousand Euros at the distribution centre "Marr Adriatico";
- 162 thousand Euros at the distribution centre "Marr Romagna";
- 193 thousand Euros for the plants of Emiliani;
- 117 thousand Euros for the distribution centre "Marr Puglia",

For what concern the increases in the item "Other assets", we point out that they mainly refer to the purchase of industrial vehicles (for total 801 thousand Euros) and to the purchase of electronic machines (for 540 thousand Euros);

The decreases, amounting to 862 thousand Euros, refers almost totally to the sales of vehicles.

Finally, as regard "fixed asset under development and advances" it should be noted that the construction works for the new headquarters' building located in Santarcangelo di Romagna were started, for a total amount of 2.1 million Euros at 31 December 2018.

As indicated subsequently, in the commentary on the item current and non-current financial payables, mortgage is due for a total of 10,000 thousand Euros in favour of Cassa di Risparmio di Pistoia registered to hedge the mortgage granted on the property Bottegone (PT) – Via Francesco Toni 285 and 297(the value of which in the item Land and Buildings totally amounts to 4.4 million Euros as at 31 December 2018).

For details of the changes in tangible assets please refer to the information provided in Appendix 3.

The following table shows the effects of revaluations of land and buildings at the date of transition to the international accounting standards (1st January 2004).

1st January 2004	FINANCIAL STATEMENTS	APPRAISAL	DIFFERENCE
(€thousands)			Total
Land located at Via Emilia Vecchia 75-San Vito (RN) c/o CAAR	3,396	7,066	3,670
Property located at Via Cesare Pavese-Opera (MI); (under lease-back in 2004 - at which the property was transferred to the leasing company)	5,561	7,000	1,439
Property located at Macchiareddu-Uta (CA) Industrial Zone	4,564	5,401	837
Property located at Via del Carpino 4-Santarcangelo di Romagna (RN)	925	2,724	1,799
Property located at Via dell'Acero 2 and 4- Santarcangelo di Romagna (RN)	4,557	7,252	2,695
Property located in Loc. Antiche Saline -Portoferraio (LI)	601	2,430	1,829
Property located at Via Plerote 6-San Michele al Tagliamento (VE)	3,650	4,500	850
Total	23,254	36,374	13,120

As highlighted above, application of the fair value to the item Land and Buildings compared to the values in the MARR S.p.A. Financial Statements as at 1 January 2004 (gross of taxation) implies a difference of 13,120 thousand Euros.

Management started a process of evaluation regarding the possibility to sell some non – operating assets.

We refer at the Appendix 9 for the detail of land and buildings owned by the Group at the date of 31 December 2018.

Tangible Asset Finance Leases:

Below are the summary details at 31 December 2018 of the operation concerning the purchase of an hardware infrastructure for the Group ERP, as it is deemed to be the most significant:

- Start of the financial lease: 1 March 2016.
- Duration of the contract: 5 years.
- Number of instalments: 20.
- Value of the asset financed: 1.1 million Euros.
- Amount of the quarterly instalments: 60 thousand Euros.
- Annual periodical rate: 3.35%.
- Redemption price: 11 thousand Euros (plus VAT).
- Total of the instalments paid during the year 2018: 238 thousand Euros.
- Net book value of the asset at 31 December 2018: 481 thousand Euros.
- Remainder of leases at 31 December 2018: 476 thousand Euros.

2. Goodwill

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Goodwill	137,086	94,261
Total Goodwill	137,086	94,261

The increase during the year of 42,825 thousand Euros is exclusively due to the operation for the merger of the subsidiaries DE.AL – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. into MARR S.p.A.. The operation was accounted consistently with that indicated by OPI no. 2R (October 2016) of Assirevi and – being a upstream merger with a 100% quota owned by the incorporating company in both of the incorporated companies – involved the allocation of the original purchase cost at the current values of the assets and liabilities of the incorporated companied and goodwill, as determined in the consolidated financial statements of the MARR Group as at 31 December 2017.

As indicated in the notes to the financial statements of the previous years, we point out that the management considers MARR S.p.A. as the smallest aggregates on the basis of which Management has evaluated the return of the investment, including goodwill (Cash Generating Unit).

We would highlight that on the basis of the impairment test conducted according to the principles and hypotheses described analytically in the section "Principal estimates made by management and discretional assessments", the goodwill amounting to 137,086 thousand Euros, is completely recoverable.
As regards this evaluation, management believes that, also given the prudential viewpoint used in the definition of the key hypotheses used, is not be reasonable to expect to be changes in them such as to determine a recoverable value in unit terms less than their accounting value.

Business combinations closed during the year

On 27 February 2018, the subsidiary company DE.AL – S.r.l. Depositi Alimentari (which we would remind you was merger with MARR by deed dated 15 October 2018 and with accounting and fiscal effects from 1 January 2018) purchased for about 0.2 million Euros 50% of Griglia Doc S.r.l., thereby obtaining the totalitarian ownership of the company.
Subsequently, on 8 June 2018, by deed with the signatures authenticated by the Notary Stefania Di Mauro, the company DE.AL. – S.r.l. Depositi Alimentari incorporated the subsidiary company Griglia Doc S.r.l. with accounting and fiscal effects as of 1 January 2018.
The impacts of the new acquisition are thus reflected in MARR.
It should be noted that on the date of the takeover of control, the total cost of the holding in DE.AL. S.r.l. amounted to a net value of 930 thousand Euros; the operation did not lead to the inclusion of any values in the balance sheet assets as goodwill.

The impacts on the Equity Situation of MARR are analytically described in the following paragraphs in the Explanatory Notes.

Business combinations realised after the closing of the year

There wasn't any new Business Combination closed after the year end.

3. Other intangible assets

The following are the movements in this item in 2018 and the previous year:

(€thousand)	Balance at 31.12.17	Purchases/ other movements	Net decreases	Depreciation	Balance at 31.12.16
Patents	678	366	0	(207)	519
Concessions, licenses, trademarks and similar rights	15	(1)	0	(1)	17
Intangible assets under development and advances	1,034	528	0	0	506
Other intangible assets	0	0	0	0	0
Total Other intangible assets	1,727	893	0	(208)	1,042

(€thousand)	Balance at 31.12.18	Purchases/ other movements	Net decreases	Depreciation	Variation for merger	Balance at 31.12.17
Patents	1,234	546	0	(382)	392	678
Concessions, licenses, trademarks and similar rights	14	0	0	(1)	0	15
Intangible assets under development and advances	835	(199)	0	0	0	1,034
Other intangible assets	0	0	0	0	0	0
Total Other intangible assets	2,083	347	0	(383)	392	1,727

As regards the item "Industrial patent rights", the increase linked to the entry into operation of an application for optimising stock order, the implementation of which had already started as at 31 December 2017, and the purchase of new software. The item "Variation for merger" is constituted mainly by the value (determined consistently with that established by OPI no. 2R) of the patent of the company Griglia Doc S.r.l., incorporated into DE.AL – S.r.l. Depositi Alimentari, subsequently merged into MARR.
The balance of Intangible asset under development is relate to advance for the purchase of new software not yet in use.

4. Investments in subsidiaries and associated companies

(€thousand)		Balance at 31.12.18	Balance at 31.12.17
- *Investment in subsidiaries*			
Marr Foodservice Ibérica S.A.U.		396	400
As.ca S.p.A.		13,691	13,691
New Catering S.r.l.		7,439	7,439
De.Al. S.r.l. Depositi Alimentari		0	36,000
Speca Alimentari S.r.l.		0	8,445
	Total	21,526	65,975
- *Investment in associated companies*			
Si Frutta S.r.l.		516	0
	Total	516	0
Total Investments in subsidiaries and associated companies		22,042	65,975

With regard of this item it should be highlighted that the variation of Investment in Subsidiaries is linked to the merger operation of the companies Deal – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. in MARR S.p.a. finalized on 15 October 2018.

It should be noted that the incorporated companies had leased their going concerns to the Parent Company, which manages them through the MARR Adriatico (since 1 October 2016) and MARR Lago Maggiore (since 1 January 2017) distribution centres respectively.

Finally the shareholding depreciation fund of the subsidiary Marr Foodservice Iberica S.A.U. has been adjusted.

The increase in Investments in associated companies is attributable to the purchase, completed on 31 May 2018, of 40% of the holdings in the company Si'Frutta S.r.l., which operates in the supply of fresh fruit and vegetables to clients in the hotels, restaurants, organised catering and industrial transformation segments.

A suitable list has been prepared (Appendix 5), indicating the information required by point 5 of Civil Code art. 2427 for each subsidiary and associated company. This list also indicates the differences resulting between the book value in the statement of financial position and the corresponding fraction of the Shareholders' Equity resulting from the last financial statements or draft financial statements of the controlled company. We would explain that the positive differences are attributable to the future profit estimates, as follows:

- 7,005 thousand Euros attributable to the subsidiary company AS.CA S.p.A., as MARR, on acquiring the company, strengthened its own presence in the Bologna area, in coherence with a strategy aimed at increasing its presence in the major Italian cities.
- 406 thousand Euros attributable to the subsidiary company New Catering S.r.l. and partly deriving from the company Emigel, incorporated during the course of 2014. As mentioned above, in 2015, was finalized the merger by incorporation of Sama S.r.l. into New Catering (a company acquired by the subsidiary itself during the year), which enabled MARR to strengthen its offer in the bar and quick restaurants segment.

5. Investments in other companies

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
- *Other companies*		
Centro Agro-Al. Riminese S.p.A.	280	280
Conai - Cons. Naz. Imball. - Roma	1	1
Idroenergia Scrl	1	1
Banca Malatestiana Cr.Coop.vo	2	2
Consorzio Assindustria Energia	1	1
Caf dell'Industria dell'Em. Romagna S.p.A.	2	2
Veneto Banca S.c.ar.l.	8	8
Banca Popolare di Bari S.p.A.	4	4
Total Other companies	300	300

6. Non-current financial receivables

As at 31 December 2018, this item amounted to 723 thousand Euros (1,171 thousand Euros as at 31 December 2017) and includes 356 thousand Euros for the quota beyond the year of interest-bearing financial receivables from Adria Market and other trade partners and the quota beyond the year (totalling 367 thousand Euros) of receivables from transporters for the sale of the transport vehicles used to move MARR goods.

7. Financial instruments / derivatives

The amount as at 31 December 2018, amounting to 2,513 thousand Euros (586 thousand Euros as at 31 December 2017), represents the positive fair value of the Cross Currency Swap contracts stipulated by the Company to hedge the

risk of changes to the Dollar-Euro exchange rate, with reference to the bond private placement in US dollars finalized in July 2013.
It should be noted that, consistently with the possibility offered by the new IFRS9 (paragraph 7.2.21 on "Transitory dispositions concerning the accounting of hedging operations"), the Company has opted to continue to apply the dispositions concerning the accounting of hedging operations of which in IAS 39 to this type of operations.
The change compared to the end of the previous business year is linked to the performance during the period of the US dollar-Euro exchange rate. There are no contracts with expiry date over 5 years.

8. Other non-current assets

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Non-current trade receivables	8,600	6,938
Accrued income and prepaid expenses	4,847	1,992
Other non-current receivables	17,256	22,136
Total Other non-current assets	30,703	31,066

The "Non-current trade receivables", amounting to 8,600 thousand Euros (of which 3,260 thousand Euros was with an expiry date of over 5 years) mainly concerns agreements and delays in payment defined with the customers.
The prepaid expenses are mainly linked to promotional contributions with clients of a multi-annual nature (the amount whit expiry date over 5 years is assess for some 900 thousand Euros).
The item "Other non-current receivables" includes, in addition to receivables from State coffers for loss of clients of 6,100 thousand Euros, receivables from suppliers for 10,727 thousand Euros (14,612 thousand Euros as at 31 December 2017) with expiry date within 5 years.

Current assets

9. Inventories

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Finished goods and goods for resale		
Foodstuffs	35,098	36,257
Meat	12,179	12,984
Fish products	91,079	79,905
Fruit and vegetable products	26	29
Hotel equipment	2,420	2,250
	140,802	131,425
provision for write-down of inventories: to be deducted	(618)	(618)
Goods in transit	7,520	7,210
Packing	2,128	1,881
Total Inventories	149,832	139,898

The inventories are not conditioned by obligations or other property rights restrictions.
As commented in the Directors' Report, the increase in inventories compared to 31 December 2017 is the mainly linked to a stocking policies aimed at benefitting from specific trade opportunities on the market of frozen seafood products.

With regard to the changes in the year shown below, it should be noted that the incorporated companies DE.AL and Speca did not carry out operating activities, leasing their own going concerns to the parent company, and had no inventories as at 31 December 2017.

(€thousand)	Balance at 31.12.18	Change of the year	Balance at 31.12.17
Finished goods and goods for resale	140,802	9,377	131,425
Goods in transit	7,520	310	7,210
Packing	2,128	247	1,881
	150,450	9,934	140,516
Provision for write-down of inventories	(618)	0	(618)
Total Inventories	149,832	9,934	139,898

10. Current financial receivables

The item "Current financial receivables" is composed of:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Financial receivables from Parent companies	1,956	1,259
Financial receivables from Subsidiaries	5,252	4,418
Receivables from loans granted to third parties	918	698
Total Current financial receivables	8,126	6,375

As regards the items "Financial receivables from subsidiaries" and "Financial receivables from Parent companies" (all of which interest bearing and with interest rates aligned to the market), the detailed analysis is indicated in the Appendix 7 of these Explanatory Notes.

The Receivables for loans granted to third parties, all of which are interest-bearing, refer to receivables towards truck drivers (amounting to 811 thousand Euros) consequent to the sale to the latter of the trucks used by them to transport MARR products and service-supplying partners (65 thousand Euros).

11. Current trade receivables

This item is composed of:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Trade receivables from customers	386,199	387,116
Trade receivables from Subsidiaries	1,550	1,005
Trade receivables from Parent companies	2,661	347
Total Current trade receivables	390,410	388,468
Provision for write-down of receivables from customers	(33,046)	(34,484)
Total current net receivables	357,364	353,984

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Trade receivables from customers	372,845	373,543
Receivables from Associated companies	43	0
Receivables from Associated companies consolidated by the Cremonini Group	13,304	13,571
Receivables from Associated companies not consolidated by the Cremonini Group	7	2
Total current trade receivables from customers	386,199	387,116

The receivables from customers due within the year, deriving in part from normal sales operations and in part from the supply of services, have been valued on the basis of that indicated above. Receivables are shown net of bad debt provision of 33,046 thousand Euros, as highlighted in the table below.

The receivables "from subsidiaries" (1,550 thousand Euros), "from parent companies" (2,661 thousand Euros), "from associated companies consolidated by the Cremonini Group" (13,304 thousand Euros) and "from associated companies not consolidated by the Cremonini Group" (7 thousand Euros) and "from associated companies" (43 thousand Euros) are analytically outlined, together with the corresponding payable items, in the Appendix 7 of the these Explanatory Notes. These receivables are all of a commercial nature.

Receivables in foreign currencies have been adjusted to the exchange rate valid on 31 December 2018.

In 2018, the provision for the write-down of receivables recorded the following movements and the determination of the period allocation reflects the exposure of the receivables – net of the write-down provision – at their presumable realisation value.

(€thousand)	Balance at 31.12.18	Increases	Decreases	Other movements	Variation for merger	Balance at 31.12.17
- Tax-deductible provision	2,080	2,080	(2,021)	0	21	2,000
- Taxed provision	30,836	9,210	(13,038)	36	2,898	31,730
- Provision for default interest	130	0	(624)	0	0	754
Total Provision for write-down of Receivables from customers	33,046	11,290	(15,683)	36	2,919	34,484

12. Tax assets

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Ires/Irap tax advances /withholdings on interest	72	43
VAT carried forward	1,045	146
Irpeg litigation	25	6,040
Ires transferred to the Parent Company	38	765
Receivable for Ires	646	0
Receivable for Irap	3	0
Other	1,408	1,221
Total Tax assets	3,237	8,215

The decrease in this item is mainly correlated to the reimbursement of that paid by MARR S.p.A. in past years, with regard to the legal dispute with the Guardia di Finanza, Group IV of the San Lazzaro di Savena Sections in Bologna (for presumed violations concerning direct taxes in the fiscal years 1993 to 1999 and VAT in the fiscal years 1998 and 1999, finalised in June 2000). As already highlighted in the 2018 Interim Report, on 22 March last, the fiscal dispute was discussed before the Emilia Romagna Taxation Commission (CTR) and the judges in the proceedings filed sentence no. 1155/18 on 20 April 2018, in which the CTR accepted the reasons put forward by MARR and ordered the annulment of the assessment notices.
In August and October 2018, the total amount of 6,996 thousand Euros, inclusive of interest amounting to 981 thousand Euros, was thus received.

The decrease in Ires transferred to the Parent Company is correlated to the closure of the Ires 2017 balance; as at 31 December 2018, the Company had as tax due for the year receivables amounting to 27 thousand Euros. The item "Receivable for Ires", amounting to 646 thousand Euros, represents the balance of the Ires deposits for 2018 paid by DE.AL and Speca Alimentari, which then merged into the Parent Company and are not included in the scope of national fiscal consolidation.

Finally, it should be noted that the item "Other" is represented almost entirely (1,059 thousand Euros as at 31 December 2018) by VAT receivables accrued abroad (Spain) and to be repaid by the competent authority; in addition the item includes the receivable balance for VAT of the Company DE.AL. – S.r.l. Depositi Alimentari (for 239 thousand Euros) not included in the Group VAT area.

The amount "VAT carried forward" represents deferred VAT receivables, partly from Spain (661 thousand Euros) and partly correlated to the deductibility of VAT on customs tariffs accounted by the closure of the business year (amounting to 384 thousand Euros).

13. Cash and cash equivalents

The balance represents the liquid assets available and the existence of ready cash and values on closure of the period.

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Cash and Cheques	9,217	8,996
Bank and postal accounts	160,509	137,791
Total Cash and cash equivalents	169,726	146,787

In regard to the changes of the net financial position, refer to the cash flows statement of 2018.

14. Other current assets

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Accrued income and prepaid expenses	706	604
Other receivables	55,377	46,555
Total Other current assets	56,083	47,159

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Prepaid expenses		
Leases on buildings and other assets	303	221
Maintenance fees	291	239
Insurance costs/Administration services	16	0
Other prepaid expenses	96	144
Total Current accrued income and prepaid expenses	706	604

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Guarantee deposits	116	109
Other sundry receivables	1,378	1,163
Provision for write-down of receivables from others	(4,691)	(4,406)
Receivables from social security institutions	185	162
Receivables from agents	1,600	2,115
Receivables from employees	70	33
Receivables from insurance companies	259	293
Advances and deposits	41	49
Advances to suppliers and supplier credit balances	55,962	46,733
Advances to suppliers and supplier credit balances from Associates	457	304
Total Other current receivables	55,377	46,555

The item *Advances to suppliers and supplier credit balances* includes, in addition to payments made to foreign suppliers (non-EU) for the purchase of goods with "f.o.b. clause" or advance payment on next fishing campaigns (for 25,716

thousand Euros; 23,772 thousand Euros in 2017), also receivables for contributions to be received from suppliers totalling 25,826 thousand Euros (see the comments in paragraph 27 "Other revenues").
Receivables from foreign suppliers in foreign currencies have been adjusted, if necessary, to the exchange rate valid on 31 December 2018.

The "Provision for write-down of receivables from others" refers to receivables relates to agents for 1,100 thousand Euros and for the remaining to suppliers. During the business year it shown the following changes:

(€thousand)	Balance at 31.12.18	Increases	Decreases	Other movements	Variation for merger	Balance at 31.12.17
- Provision for Receivables from Others	4,691	500	(1,023)	(35)	843	4,406
Total Provision for write-down of Receivables from others	4,691	500	(1,023)	(35)	843	4,406

Breakdown of receivables by geographical area

The breakdown of receivables by geographical area is as follows:

(€thousand)	Italy	EU	Extra-EU	Total
Non-current financial receivables	723	0	0	723
Non current derivative financial instruments	2,513	0	0	2,513
Deferred tax assets	0	0	0	0
Other non-current assets	19,976	2,895	7,832	30,703
Financial receivables	8,126	0	0	8,126
Current derivative financial instruments	0	0	0	0
Trade receivables	333,100	21,523	2,741	357,364
Tax assets	1,518	1,719	0	3,237
Other current assets	27,569	6,488	22,026	56,083
Total receivables by geographical area	393,525	32,625	32,599	458,749

LIABILITIES

15. Shareholders' Equity

As regards the changes within the Shareholders' Equity, refer to the statement of changes in the shareholders' equity.

Share Capital
The Share Capital as at 31 December 2018, amounting to 33,263 thousand Euros, is unchanged compared to the previous business year and is represented by 66,525,120 MARR S.p.A. ordinary shares, entirely subscribed and paid up, with regular benefit, of a nominal value of 0.50 Euros.

Share premium reserve
As at 31 December 2018 this reserve amounts to 63,348 thousand Euros and does not appear to have changed since 31 December 2017.

Legal reserve
This Reserve amounts to 6,652 thousand Euros and does not appear to have changed since 31 December 2017.

Shareholders' contributions on account of capital
This Reserve did not change in 2018 and amounts to 36,496 thousand Euros.

Reserve for transition to IAS/IFRS
This is the reserve (amounting to 7,516 thousand Euros) set up following the first time adoption of the international accounting standards.

Extraordinary Reserve
As at 31 December 2018, the increase of 13,998 thousand Euros, is attributable to the allocation of part of the profits for the year closed on 31 December 2017, as per shareholder meeting's decision made on 28 April 2018.

Reserve for surplus for mergers
The increase of 4,953 thousand Euros as at 31 December 2018 is attributable to the merger by incorporation, completed during the course of the year, of the fully owned companies DE.AL – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. into MARR. The accounting of the operation and valorisation of the relevant reserve were carried out consistently with that indicated by OPI no. 2R (October 2016) of Assirevi.

Cash flow hedge reserve
As at 31 December 2018, this item amounted to a negative value of 1,578 thousand Euros and is linked to the stipulation of hedging contracts for interest and exchange rates undertaken for the specific hedging of certain loans, with variable rates and in foreign currency respectively.
As regards the movements in this reserve and the other profits/losses in the Statement of Comprehensive Income, see that described in the Consolidated Statement of Changes in the Shareholders' Equity and in paragraph 36 "Other profits/losses" in these explanatory notes.

Reserve for exercised stock option
This reserve has not changed during the course of the year, as the plan was concluded in April 2007 and amounted to 1,475 thousand Euros.

Reserve IAS19
As at 31 December 2018, this reserve amounts to a negative value of 561 thousand Euros and is composed of the value, net of the theoretical tax effect, of actuarial losses and gains regarding the evaluation of Staff Severance Provision as required by amendments to IAS principle 19 "Employee Benefits", effective for the business years starting on 1st January 2013. According to the IFRS these profits/losses have been entered in the net equity and their variation is highlighted (according to IAS 1 revised, in force from 1st January 2009) in the consolidated comprehensive income statement.

Whit regard to the reserves in taxation suspension (ex. Art. 55 DPR 917/86 and 597/73 reserve), amounting to 1,461 thousand Euros as at 31 December 2018, the relevant deferred tax liabilities have been accounted for.

On 28 April 2018 the Shareholders' meeting approved the MARR S.p.A. financial statements as at 31 December 2017 and consequently decided upon allocation of the business year profits, and the approval of a dividend of 0.74 Euros for each ordinary share with the right to vote.

In addition of the commentary on the items in the Net Equity, it should be pointed out:

(€thousands)	*at 31 December 2018*	Possible utilization	Available quota
Share Capital	33,263		
Reserves:			
Share premium reserve	63,348	A,B,C	63,348
Legal reserve	6,652	B	
Revaluation reserve	13	A,B,C	13
Shareholders contributions or capital account	36,496	A,B,C	36,496
Extraordinary reserve	93,352	A,B,C	93,352
Reserve for exercised stock options	1,475	-	
Cash-flow hedge reserve	(1,578)	-	
Reserve for transition to the Ias/Ifrs	7,516	-	
Reserve ex art. 55 (DPR 597-917)	1,461	A,B,C	1,461
Surplus for mergers	9,555	A,B,C	9,555
Reserve IAS19	(561)	-	
Total Reserves	217,729		
Profits carried over	2,456	A,B,C	

Notes:
A: for increase of share capital
B: for covering losses
C: for distribution to shareholders

Non-current liabilities

16. Non-current financial payables

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Payables to banks - non-current portion	180,707	159,583
Payables to other financial institutions - non-current portion	37,650	36,112
Total non-current financial payables	218,357	195,695

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Payables to banks (1-5 years)	180,707	159,583
Payables to banks (over 5 years)	0	0
Total payables to banks - non-current portion	180,707	159,583

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Payables to other financial institutions (1-5 years)	37,650	8,624
Payables to other financisl institutions (over 5 years)	0	27,488
Total payables to other financial institutions - Non current portion	37,650	36,112

The variation in non-current payables to banks is the effect, net of the payment of the overdue instalment and of the classification of the expiring instalments among the current payables, of some new transactions finalized by the Company as follows.

During the year the Company extinguished in advance, for an amount of 34.6 million Euros, the outstanding loans with Cassa di Risparmio di Ravenna, Unicredit Banca, UBI Banca and Banca Intesa San Paolo; at 31 December 2017 the total amount of this ones was for 42 million Euros, of which 19.2 million recorded in long term financial debts.
As a result of that explained above, for optimize the cost of debt, have been finalizing the follow new loans:

- with regard to the ongoing loans outstanding with ICCREA BancaImpresa and BNP Paribas, in January additional financing tranches were granted for a total value of 40.9 million Euros;
- a new loan in Pool with Cassa Centrale Banca (as agent bank) and BCC Malatestiana, signed on 14 February, granted for 10 million Euros and with amortization plan ending in December 2020;
- a new loan with UniCredit, signed on 11 April, granted for 25 million Euros and with amortization plan expiring in April 2022;
- a new loan with Credito Emiliano, signed on 18 July 2018, granted for 7.5 million Euros and with amortization plan ending in July 2021;
- a new loan with Ubi Banca, signed on 19 July, granted for 10 million Euros and with amortization plan ending in July 2021;
- a new loan with Banca Intesa San Paolo, signed on 4 October 2018, granted for 20 million Euros and with amortization plan ending in October 2021;
- a new loan with Credito Valtellinese (Creval S.p.A.), signed on 31 October 2018, granted for 10 million Euros and with amortization plan ending in January 2023.

Lastly, it should be noted that as at 31 December 2018, there were no derivative contracts ongoing to hedge the interest rate risk.

The value of the payables to other financial institutions is represented for 37,367 thousand Euros (35,603 thousand Euros as at 31 December 2017) by the bond private placement in US dollars, finalized in July 2013. The bond placement amounts to 43 million dollars (originally 30.6 million Euros), involves an average coupon of about 5.1% and for 10 million dollars expires in 2020 and for the remaining 33 million dollars in 2023 so there are not any amount with expiry date over 5 years.
The increase in its value is attributable to variations in the Dollar/Euro exchange rate.

It is recalled that, to hedge the risk of oscillations in the Euro-Dollar exchange rate, specific Cross Currency Swap contracts are ongoing, for the effects of which see paragraph 7 "Financial instruments / derivatives".

Finally, it should be noted that, as at 31 December 2018, the item includes also, for 283 thousand Euros, the payable accounted due to the ongoing financial leasing contract for hardware infrastructure for the Group ERP, finalized in 2016 (for more details concerning this contract, see that described in paragraph 1 "Tangible fixed assets" of these Notes).

Below is the breakdown of the medium and long-term portion of the payables to banks, including the interest rates applied:

Credit institutes	Interest rate	Expiry	Portion from 2 to 5 years	Portion beyond 5 years	Balance at 31.12.18
Banca Intesa San Paolo	Euribor 6m +0,75%	30/06/2022	3,741	0	3,741
Ubi Banca	Euribor 3m +0,85%	29/06/2020	2,999	0	2,999
Pool BNP Paribas	Euribor 6m +0,85%	30/06/2022	46,313	0	46,313
Credit Agricole Cariparma	Euribor 3m +0,75%	19/05/2021	3,774	0	3,774
Bnl	Fixed 0,70%	30/09/2020	29,993	0	29,993
Iccrea in pool	Euribor 3m +0,55%	21/12/2020	22,558	0	22,558
Bper	Euribor 6m +0,40%	21/12/2021	6,664	0	6,664
Cassa di Risparmio di Pistoia	Euribor 6m +0,48%	31/01/2020	261	0	261
Credem	Euribor 3m +0,65%	18/07/2021	4,384	0	4,384
Ubi Banca	Euribor 6m +0,85%	19/07/2021	7,778	0	7,778
Unicredit	Euribor 6m +0,55%	11/04/2022	20,814	0	20,814
Cassa Centale Banca	Euribor 3m +0,50%	31/12/2020	6,673	0	6,673
Credito Valtellinese	Euribor 6m +0,75%	05/01/2023	8,761	0	8,761
Banca Intesa San Paolo	Euribor 6m +0,65%	04/10/2021	15,994	0	15,994
			180,707	0	180,707

The following is the breakdown of the mortgage guarantees on the real estate properties of the Company:

Credit institutes	Guarantee	Amount	Property
Cassa di Risparmio di Pescia e Pistoia	mortgage	10,000	Via Francesco Toni 285/297 - Bottegone (PT)
Total		10,000	

Finally, it must be pointed out that the loan contracts ongoing require the maintenance of financial indices identified as described below and that these covenants have been respected as at 31 December 2018.

- The ongoing financing with BNP Paribas (as revised at December 2017) provides the following financial ratios:
  NET DEBT / EBITDA < 3.5
  NET DEBT / EQUITY <2
  EBITDA / Net financial charges > 4
  Those ratios are verified with reference to 31 December and 30 June each year.

- The ongoing loans with BNL (signed in March 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.0
  EBITDA / Net financial charges >= 4.0

- The ongoing loan with Crèdit Agricole Cariparma (signed in May 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY < 2.0
  NET DEBT / EBITDA < 4.0

- The ongoing loan with Intesa Sanpaolo (signed in May 2017), provides the following covenants to be verified as at 30 June and at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.5

EBITDA / Net financial charges >= 4.0

- The ongoing loan with Ubi Banca (signed in June 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 1.5
  NET DEBT / EBITDA =< 3.0

- The ongoing loan in pool with Iccrea BancaImpresa as agent Bank (signed in December 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.0

- The ongoing loans with BPER Banca (signed in December 2017), provides the following covenants to be verified as at 31 December of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.0

- The *bond private placement* (finalized in July 2013) provides the following financial ratios:
  NET DEBT / EBITDA < 3.5
  NET DEBT / EQUITY < 2
  EBITDA / Net financial charges > 4
  Those ratios are verified with reference to the consolidated data as at 31 December and 30 June each year.

- The ongoing loan with Unicredit S.p.a. (signed in April 2018), provides the following covenant, to be verified as 31 December and as 30 June of each year with reference to the consolidated MARR Group data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.0
  EBITDA / Net financial charges >=4.0

- The ongoing loan with Credem (signed in July 2018), provides the following covenant, to be verified as 31 December of each year with reference to the MARR data.
  NET DEBT / EBITDA =< 3.15
  EBITDA / Net financial charges >= 14.5
  Should one of these indices not be respected, the bank has the right to apply an increase in interest rate with respect to the spread in force; should the above indices reach the threshold of 4.90 and 16.20 respectively, the bank has the right to terminate the contract.

- The ongoing loan with UBI Banca (signed in July 2018), provides the following covenant, to be verified as 31 December of each year with reference to the MARR Group data.
  NET DEBT / EQUITY =< 1.5
  NET DEBT / EBITDA =< 3.0

- The ongoing loan with Creval S.p.A. (signed in October 2018), provides the following covenant, to be verified as 31 December of each year to the MARR Group data.
  NET DEBT / EQUITY =< 2.0;
  NET DEBT / EBITDA =< 3.5;

- The ongoing loan with Intesa SanPaolo S.p.A. (signed in October 2018), provides the following covenant, to be verified as 31 December and as 30 June of each year with reference to the MARR Group Data.
  NET DEBT / EQUITY =< 2.0
  NET DEBT / EBITDA =< 3.5
  EBITDA / Net financial charges >= 4.0

The comparison of the book values and related fair values of the non-current financial payables is as follows:

(€thousand)	Book Value		Fair Value	
	2018	2017	**2018**	2017
Payables to banks - non-current portion	180,707	159,583	179,511	158,771
Payables to other financial institutions - non-current portion	37,650	36,112	32,180	32,458
	218,357	**195,695**	**211,691**	**191,229**

The difference between the fair value and the book value lies in the fact that the fair value is obtained by discounting back future cash flows, while the book value is determined by the amortised cost method.

17. Employee benefits

This item includes the Staff Severance plan, for which changes during the period are reported:

(€thousand)	
Opening balance at 31.12.17	*8,038*
effect of lease of going concern	0
payments of the period	(845)
provision for the period	97
other changes	(133)
Closing balance at 31.12.18	7,157

The movement of the year was entirely relate to the revaluation accrued expected by law and also from the period decreases.
It is should be noted that the subsidiaries merged in MARR did have not any employees at 31 December 2017.

It must be highlighted that the allocation for the period includes actuarial gains totalling 105 thousand Euros recorded in the accounts, net of the theoretical fiscal effect, in the relevant net equity reserve as provided by IAS 19 (see that described as regards the movement of the Net Equity and in paragraph 15 of these Explanatory Notes).

The applicable employment contract is that for companies operating in the "Tertiary, Distribution and Services" sector.

With reference to the significant actuarial hypotheses (as described in the paragraph entitled "Main estimates adopted by management and discretional assessments"), the table below shows the effects on the final liabilities due to possible changes to them.

(€thousand)	Turnover +1 %	Turnover -1 %	Inflation rate + 0.25%	Inflation Rate - 0.25%	Discounting rate + 0.25%	Discounting rate - 0.25%
Effect on the finaly liability	(26)	28	72	(71)	(114)	117

It should also be noted that the contribution expected for the following business year is equal to zero and the average financial duration of the debenture is 7.1. The future payments expected in the next five years can be estimated as totalling 3.3 million Euros.

18. Provisions for non-current risks and charges

(€thousand)	Balance at 31.12.18	Allocations	Uses	Variation for merger	Balance at 31.12.17
Provision for supplementary clients severance indemnity	3,829	325	(3)	68	3,439
Provision for specific risks	1,081	0	(402)	0	1,483
Total Provisions for non-current risks and charges	4,910	325	(405)	68	4,922

The provision for supplementary clients severance indemnity has been allocated in compliance with IAS 37 on the basis of a reasonable estimate of probable future liabilities, considering the available elements.
The change during the year includes the portion of the provision for supplementary clients severance indemnity of the subsidiary DE.AL, which is now part of MARR as a result of the merger (68 thousand Euros), as well as the allocation for the period (325 thousand Euros).

The *Provision for specific risks* was allocated mainly to cover probable liabilities linked to certain ongoing legal disputes and its decrease is linked to the definitions of some ongoing legal disputes.

In relation to the legal dispute ongoing with the Guardia di Finanza Group IV of San Lazzaro di Savena Sections in Bologna (for presumed violations concerning direct taxes for the fiscal years 1993 to 1999 and VAT for the fiscal years 1998 and 1999; assessment completed in June 2000, with the main report being known as "CRC") highlighted in the financial statements as at 31 December 2017, it should be noted that the dispute was definitively settled with the sentence emanated by the Emilia Romagna Regional Tax Commission, no. 1155/18 dated 17/11/2017, which accepted the Company's request entirely, ordering the annulment of the assessment notices issued, the Inland Revenue Service thereby being bound to reimburse the amounts paid by MARR Spa in execution of the sentences in this regard, plus expenses.
The aforementioned sentence was not impugned by the counterparty, thereby becoming definitive.
On the basis of the aforementioned sentence no. 1155/18, the Inland Revenue Service reimbursed to MARR the amounts paid in advance while settlement was pending, for a total amount of 6,996 thousand Euros, inclusive of interest amounting to 981 thousand Euros. We would point out that the capital portion, amounting to 6,009 thousand Euros, was classified under tax receivables as at 31 December 2017.

In addition as explain before, it should be remembered that, during the course of 2007, several disputes arose with the Customs Authorities concerning the payment of preferential customs duties on certain imports of fish products. With reference to the most significant of these disputes, involving import duties amounting to approximately 250 thousand Euros concerning the purchase of certain goods from Mauritania, it must be pointed out that the judges in the first phase of proceedings rejected the recourses presented by the Company in May 2008, but in any case accepted the fact that the company was entirely extraneous to the claimed irregularities, as they were attributable exclusively to its suppliers, from whom, as already formally notified to them, all expenses and costs inherent and/or consequent to the aforementioned dispute will be reclaimed.
The appeal made by the Company against the first grade sentence has not been accepted by the Regional Tax Commission of Florence.
It should be noted that the Company appealed to the Supreme Court of Cassation in May 2013.

Lastly, it must be pointed out that on 29 June 2017, the Taxation Unit of the Guardia di Finanza (Finance Police) in Rimini started a tax inspection of a general nature (IRES, IRAP, VAT and other taxes) with MARR concerning the 2015 and subsequent fiscal years. The inspection ended and a Final Report was drawn up in which it was claimed that there had only been one presumed irregularity committed by MARR during the years involved. Specifically, this was the reduction, made pursuant to art. 87, paragraph 1 of Legislative Decree 917/86, amounting to 95% of the capital gains accrued during the 2015 business year, concerning the sale of the 55% holding in the share capital of the company Alisea Società Consortile a r.l., which was deemed to be improper. Considering the opinion expressed by our consultants, we believe that this presumed irregularity is unfounded, given that the Company acted correctly in determining the business profits. Because of this, on 20 December 2017, we filed with the Inland Revenue Service – Emilia Romagna Regional office and with the Inland Revenue Service – Rimini Provincial Office illustrative memorandums in which the reasons for the unfoundedness of the claim made were described analytically. As yet, we are still waiting to receive the notification setting the date for the first meeting, in which cross examination will begin aimed at verifying the foundations of the reasons given by each of the parties for the circumstances described in the Final Report. Considering the opinion of the legal advisors who are assisting the Company in the proceedings, we deem it reasonable to believe that the case will in all probability conclude with a fully satisfactory outcome in favour of MARR.

19. Deferred tax assets and deferred tax liabilities

As at 31 December 2018, this item amounted to 1,584 thousand Euros, classified in the item "Defferred tax liabilities".
The table below shows the details of the items:

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
On taxed provisions	9,362	9,588
On costs deductible in cash	134	61
On costs deductible in subsequent years	1,088	821
On other changes	0	8
Deferred tax assets	10,584	10,478
On goodwill amortisation reversal	(8,392)	(7,739)
On funds subject to suspended taxation	(408)	(409)
On leasing recalculation as per IAS 17	(449)	(449)
On actuarial calc. of severance provision fund	142	167
On fair value revaluation of land and buildings	(3,500)	(3,513)
On cash flow hedge	498	548
Others	(59)	(49)
Deferred tax liabilities	(12,168)	(11,444)
Deferred tax assets / (liabilities)	(1,584)	(966)

20. Other non-current payables

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Accrued expensed and prepaid income	35	38
Others non current liabilities	1,081	1,007
Total other non-current payables	1,116	1,045

This item "Other non-current accrued expenses and deferred income" represents the quota over the year for deferred financial income from customers.
The item "other liabilities" is represented by security deposits paid by transporters.
There is no accrued income and prepaid expenses or other liabilities with expiry date over 5 years.

Current liabilities

21. Current financial payables

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Financial payables to subsidiaries	2,406	2,486
Payables to banks	116,417	103,811
Payables to other financial institutions	977	974
Payables for the purchase of quotas / shares / going conceme	361	10,574
Total Current financial payables	120,161	117,845

Current payables to banks:

(€thousand)	Balance at 31.12.18		Balance at 31.12.17	
Current accounts		0		91
Loans/Advances		39,220		58,927
Loans:				
- Cassa di Risp.di Pescia e Pistoia	521		519	
- Banca Intesa San Paolo	0		8,005	
- Banca Carige	5,030		9,998	
- Unicredit	0		8,962	
- Cassa di Risparmio di Ravenna	0		3,026	
- Banca Intesa San Paolo	1,492		2,991	
- Cariparma	2,493		2,475	
- Ubi Banca	5,994		5,990	
- Ubi Banca	0		2,827	
- Banca Intesa San Paolo	3,993		0	
- Unicredit	4,149		0	
- Cassa Centrale Banca	3,321		0	
- Credito Valtellinese	1,239		0	
- Bper	3,330		0	
- Ubi Banca	2,222		0	
- Iccrea	22,422		0	
- Bnp Paribas	18,472		0	
- Credem	2,494		0	
- Banca Popolare di Novara	25		0	
		77,197		44,793
		116,417		103,811

For more details regarding the variation compared to the previous business year, see that outlined in the paragraph 16 “Non current financial payables”.

It should be noted that the item “Loans/Advances” includes, in addition to 6,500 thousand Euros for “hot money “ loans and 11,529 thousand Euros for sbf advances, the 20,304 thousand Euros payable to Banca IMI due to the securitization operation started in the business year 2014.

As regards the breakdown of the Financial payables to subsidiary companies (accruing interest at market rates), see that described in Appendix 7 to these Explanatory Notes.

The balance of payables to other financiers mainly includes:

- the payables for interest accrued concerning the bond private placement operation finalized in July 2013, amounting to 749 thousand Euros,
- the current quota of the payables for the ongoing financial leasing contracts (as detailed in the paragraphs 1 and 16 of these Explanatory Notes), amounting to total 226 thousand Euros.

As regarding payables for the purchase of quotas or shares, it should be recalled that in 2018 the Parent Company paid the expiring last instalments of DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l.'s purchase price for a total amount of 10,574 thousand Euros; the balance at 31 December 2018, amounting to 361 thousand Euros, is concern to the last instalment of Si'Frutta S.r.l.'s purchase price.

The book value of the short-term loans is the same as the fair value, as the impact of discounting back is not significant.

22. Financial instruments / derivatives

The amount as at 31 December 2018, equal to 10 thousand Euros, concerns forward transactions in foreign currency to hedge the underlying transactions for the purchase of goods undertaken by the Company. These transactions are accounted as hedging financial flows.

23. Current tax liabilities

The breakdown of this item is as follows

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Irap	0	23
Other taxes payable	187	157
Irpef for employees	1,172	1,166
Irpef for external assistants	463	166
Total Current taxes payable	1,822	1,512

This item relates to taxes payable of a determined and certain amount.

As regards MARR S.p.A., the 2014 and following business years can still be verifiable by the fiscal authorities, by reason of the ordinary verification deadlines and excluding currently pending fiscal litigations.

24. Current trade liabilities

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Suppliers	301,070	305,216
Payables to Associated companies	24	24
Payables to Associated companies consolidated by the Cremonini Group	8,519	8,559
Payables to Subsidiaries	144	162
Payables to Correlated Companies	0	47
Total Current trade liabilities	309,757	314,008

The liabilities mainly referred to payables for the purchase of goods for sale and payables to Sales Agents. They also include "Payables to Associated Companies consolidated by the Cremonini Group" for 8,519 thousand Euros, "Payables to Subsidiaries" for 144 thousand Euros and "Payables to Correlated Companies" for 24 thousand Euros the details of which are reported in the subsequent Appendix 7.

25. Other current liabilities

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Current accrued expenses and deferred income	1,080	1,114
Other payables	18,986	19,621
Total Other current liabilities	20,066	20,735

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Accruals for emoluments to employees/directors	993	986
Deferred income for interests from clients	83	125
Other deferred income	4	3
Total Current accrued expenses and deferred income	1,080	1,114

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Inps/Inail and Other social security institutions	1,620	1,683
Enasarco/ FIRR	843	766
Payables to personnel for emoluments	4,714	4,561
Advances from customers, customers credit balances	10,746	11,412
Payables to insurance companies	0	165
Other sundry payables	1,063	1,034
Total Other payables	18,986	19,621

The item "Payables to personnel for emolument" and "Accrual for remuneration of employees/directors" includes current salaries not yet paid as at 31 December 2018 and allocations for leave accrued but not taken, with relevant charges.

The item "*Advances from customers, customers credit balances*" includes the credit notes to be issued to customers for end of year premiums and contributions.

Breakdown of payables by geographical area

The breakdown of payables by geographical area is as follows:

(€thousand)	Italy	EU	Extra-EU	Total
Non-current financial payables	162,945	17,857	37,555	218,357
Non current derivative financial instruments	0	0	0	0
Employee benefits	7,157	0	0	7,157
Provisions for risks and charges	4,910	0	0	4,910
Deferred tax liabilities	1,584	0	0	1,584
Other non-current liabilities	1,117	0	0	1,117
Current financial payables	111,923	7,424	814	120,161
Current derivative financial instruments	10	0	0	10
Current tax liabilities	1,786	0	36	1,822
Current trade liabilities	256,557	46,090	7,110	309,757
Other current liabilities	19,974	58	34	20,066
Total payables by geographical area	567,963	71,429	45,549	684,941

Guarantees, securities and commitments

These are guarantees granted by both third parties and our companies for debts and other obligations.

Guarantees (totalling 18,572 thousand Euros).
These refer to:

- guarantees issued on behalf of MARR S.p.A. in favour of third parties (amounting to 12,972 thousand Euros) and are guarantees granted on our request by credit institutions to guarantee the correct and punctual execution of tender and other contracts of a duration of either within the year or over the year;
- guarantees issued by MARR in favour of financial institutes in the interest of subsidiary companies. This item amounted to a total of 5,600 thousand Euros as at 31 December 2018 and refers to credit lines granted to subsidiaries.

(€thousand)	Balance at 31.12.18	Balance at 31.12.17
Guarantees		
As.ca S.p.A.	5,600	5,600
DE.AL. S.r.l.	0	400
Total Guarantees	5,600	6,000

Collaterals
Collaterals in favour of third parties refer mainly to mortgages on properties owned and are analysed in detail in the comment on the items "Non-current financial payables" and "Tangible Assets".

Other risks and commitments
This item, amounting to 10,704 thousand Euros, refers to credit letters issued by certain credit institutes to guarantee obligations undertaken with certain foreign suppliers.

Comments on the main items of the consolidated statement of profit or loss

26. Revenues

Revenues are composed of:

(€thousand)	31.12.2018	31.12.2017
- Net Revenues from sales of goods	1,545,621	1,502,889
- Revenues from services		
Advisory services to third parties	859	991
Manufacturing on behalf of third parties	54	31
Rent income (typical management)	59	117
Other services	2,260	2,126
Total	3,232	3,265
Total Revenues	1,548,853	1,506,154

See that described in the Directors' Report with regard to comments on the performance of revenues.

The revenues from services mainly include revenues from companies in the group for insurance consultancies and assistance, technical consultancies, administrative management of personnel, administrative, legal and commercial assistance, processing, transport and handling and revenues from transport and similar costs from clients.

The breakdown of the revenues from goods sales and from services by geographical area is as follows:

(€thousand)	31.12.2018	31.12.2017
Italy	1,450,941	1,396,673
European Union	64,579	66,307
Extra-EU countries	33,333	43,174
Total	1,548,853	1,506,154

The breakdown by category of activity of the revenues from sales of goods is as follows:

(€thousand)	31.12.2018	31.12.2017
Foodstuff	666,282	635,965
Meat	282,718	270,247
Seafood	551,151	552,726
Fruit and vegetables	53,794	51,608
Hotel equipment	8,076	7,123
Sias Division	976	941
Trade discounts / year-end bonuses	(17,376)	(15,721)
Total Revenues from sales of goods	1,545,621	1,502,889

The revenues have been achieved within national territory, including the islands. Below is a list of the total revenues (million Euros) realised during 2018 by the Rimini Head Office and each unit (branches and divisions):

(million Euros)	31.12.2018	31.12.2017
Head Branch of Rimini (Marr Uno)	0	1
Branch: Marr Napoli	52	51
Branch: Marr Milano	87	86
Branch: Marr Roma	76	71
Branch: Marr Venezia	53	54
Branch: Marr Supercash&carry - Rimini	28	29
Branch: Marr Sardegna	66	63
Branch: Marr Romagna - Rimini	70	69
Emiliani Division - Rimini	217	232
Carnemilia Division - Bologna	6	7
Branch: Marr Sicilia	52	50
Branch: Marr Sanremo	19	18
Branch: Marr Elba	7	8
Branch: Marr Genova	25	24
Branch: Marr Dolomiti	11	12
Warehouse: Santarcangelo	0	1
Branch: Marr Puglia	44	41
Branch: Marr Battistini	44	38
Branch: Marr Torino	53	52
Branch: Marr Calabria	51	49
Branch: Marr Sfera	48	49
Branch: Marr Arco	19	18
Branch: Marr Toscana	50	49
Branch: Marr Urbe	72	69
Branch: Marr Valdagno	10	9
Branch: Marr Scapa	232	205
Branch: Marr Bologna	79	77
Branch: Marr Baldini	0	1
Branch: Marr Adriatico	77	74
Branch: Marr Lago Maggiore	14	11
Sias Division	1	1
Others (trade discounts / year-end bonuses)	(17)	(16)
Total Revenues from sales of goods	1,546	1,503

27. Other revenues

The Other revenues are broken down as follows:

(€thousand)	31.12.2018	31.12.2017
Contributions from suppliers and others	34,476	32,595
Other sundry earnings	2,098	2,601
Reimbursements for damages suffered	717	891
Reimbursement of expenses incurred	631	701
Recovery of legal fees	41	50
Capital gains on disposal of assets	51	68
Total Other revenues	38,014	36,906

The “Contributions from suppliers and others” consist mainly of contributions obtained from suppliers for the commercial promotion of their products with our customers.
Their increase is strictly linked to the trend of revenues; it should be recalled that from the previous year a part of the contribution from suppliers has been included to reduce the cost of purchasing materials following the reformulation of some of the contracts for the recognition of end-of-year bonuses.

28. Purchase of goods for resale and consumables

This item is composed of:

(€thousand)	31.12.2018	31.12.2017
Purchases of goods	1,257,640	1,217,887
Purchases of packages and packing material	4,903	4,741
Purchase of stationery and printed paper	713	722
Purchase of promotional and sales materials, and catalogues	198	343
Purchase of various materials	427	612
Fuel for industrial motor vehicles and cars	253	270
Total Purchase of goods for resale and consumables	1,264,134	1,224,575

As regards the performance of the purchase cost of goods destined for commercialisation, see the Directors’ Report and the relevant comments on the gross margin.
As highlighted in the previous paragraph, the item “Purchases of goods” benefit for some 6,736 thousand Euros (4,427 thousand Euros at 31 December 2017), of the part of contribution from suppliers identifiable as end-of year bonuses.

29. Personnel costs

This item includes all expenses for employed personnel, including holiday and additional monthly salaries as well as related social security charges, in addition to the severance provision and other costs provided contractually.

(€thousand)	31.12.2018	31.12.2017
Salaries and wages	25,478	25,369
Social security contributions	7,741	7,562
Staff Severance Provision	1,827	1,845
Other Costs	238	96
Total Personnel Costs	35,284	34,872

It should be noted that, with an increase in employees determined mainly by the hiring of new resources to enhance some of the corporate Departments and the beginning of new projects (as described in more detail in the paragraph entitled “Human Resources” in the Directors’ Report), the average number of employees reached 783.4 units in 2018, compared to 781.7 in 2017, also thanks to the progress being made in the outsourcing of operating activities within the Units.
By effect of the above, and thanks to the continuing careful policy of managing resources, with specific regard to the management of leave and permits and hours of overtime work, the cost of employment, net of non-recurring costs amounting to 174 thousand Euros included in the item “Other costs” and mainly correlated to the closure of the MARR Valdagno distribution centre, which ceased activities on 31 January 2019, is mainly in line with that for the previous year.

Breakdown of employees by category is as follows:

	Workers	Employees	Managers	Total
Employees as of 31.12.17	237	509	8	754
Net increases and decreases	*(22)*	*35*	*0*	*13*
Employees as of 31.12.18	215	544	8	767
Average number of employees as of 31.12.18	239.6	535.8	8.0	783.4

30. Amortizations and write-downs

(€thousand)	31.12.2018	31.12.2017
Depreciation of tangible assets	6,422	5,802
Amortization of intangible assets	383	208
Provisions and write-downs	12,115	11,542
Total Amortizations and Depreciations and Write-downs	18,920	17,552

(€thousand)	31.12.2018	31.12.2017
Allocation of taxed provision for bad debts	9,710	9,200
Allocation of non-taxed provision for bad debts	2,080	2,000
Adjustment for supplementary clientele severance indemnity	325	342
Total Provisions and write-downs	12,115	11,542

The increase in depreciation is related to the plan of investment for expansion and modernization works carried out in the last three-years period in some MARR distribution centers.

For more details on provisions, reference is made to the relevant movements highlighted in notes 11 "Current trade receivables" and 18 "Provisions for non-current risks and charges", in addition to that commented in the paragraph "Credit risk".

31. Other operating costs

(€thousand)	31.12.2018	31.12.2017
Operating costs for services	173,598	168,287
Operating costs for leases and rentals	9,388	13,333
Operating costs for other operating charges	1,764	1,422
Total Other operating costs	184,750	183,042

(€thousand)	31.12.2018	31.12.2017
Sale expenses, distribution and logistic costs for our products	140,270	137,283
Energy consumption and utilities	10,390	9,650
Third-party production	4,313	3,738
Maintenance costs	4,630	4,674
Porterage and movement of goods	4,810	4,386
Advertising, promotion, exhibitions, sales (sundry items)	453	500
Directors' fees	808	778
Statutory auditors' fees	86	74
Insurance costs	931	938
Reimbursement of expenses, travels and sundry costs for personnel	432	438
General and other services	6,475	5,828
Total Operating costs for services	173,598	168,287

As regards the service costs, it should be noted that the increase is mainly correlated to the costs for the "sale, handling and distribution" which, net of the lesser impact of the net trade costs correlated to the sales costs, are due to the effect of a different sales mix, as well as the increase in revenues.
For more details, refer to what expose related Operating Cost in the Directors' Report.

(€thousand)	31.12.2018	31.12.2017
Lease of industrial buildings	8,872	8,845
Lease of processors and other personal property	155	160
Lease of industrial vehicles	158	136
Rentals for lease of business premises	0	4,000
Lease of cars	10	2
Lease of plant, machinery and equipment	61	57
Lease fees (tangible / intangible)	8	0
Rentals and other charges paid on other personal property	124	133
Total Operating costs for leases and rentals	9,388	13,333

As concern the "operating costs for leases and rentals", the decrease, is related to the rentals for company lease equal to zero during 2018 (4,000 thousand Euros at 2017) due to the merger of the subsidiaries DE.AL – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. whose tax effects started from 1st January 2018.
Finally it should be pointed out that the rental fees for industrial buildings include the fees of 668 thousand Euros paid to the associate companies Le Cupole S.r.l. in Castelvetro (MO) for the rental of the properties located in St. Spagna 20 – Rimini.
As regards the leasing fees for buildings, see that described in the paragraph entitled "Organisation and logistics" in the Directors' Report on Management, with the specification that the relevant ongoing contracts are subjected to Law 392/78 Chapter II (Leasing contracts for uses other than habitation).

(€thousand)	31.12.2018	31.12.2017
Other indirect taxes, duties and similar charges	679	621
Expenses for collection of debts	320	212
Other sundry charges	203	137
Capital losses on disposal of assets	235	72
IMU	273	327
Contributions and membership fees	54	53
Total Operating costs for other operating charges	1,764	1,422

The item "other indirect taxes, duties and similar charges" mainly includes: tax and register duties, local duties and taxes and car and vehicle ownership tax.
It should be noted that as at 31 December 2018 this item includes non-recurring costs amounting to 48 thousand Euros due to the settlement of a tax dispute concerning the register fees paid for the purchase of the company Sfera S.p.A. (merged into MARR in 2016).

32. Financial income and charges

(€thousand)	31.12.2018	31.12.2017
Financial charges	5,545	6,084
Financial income	(2,246)	(1,329)
Foreign exchange (gains)/losses	8	149
Total Financial income and charges	3,307	4,904

The net effect of foreign exchange balances mainly reflects the performance of the Euro compared to the US dollar, which is the currency for imports from non-EU countries.

Below the detail of financial charges and income:

(€thousand)	31.12.2018	31.12.2017
Interest payable on other loans, bills discount, hot money, import	3,132	3,383
Interest payable on loans	1	79
Interest payable on discounted bills, advances, export	394	425
Other financial interest and charges	1,996	2,171
Interest and Other financial charges for Subsidiaries	22	26
Total Financial charges	5,545	6,084

As also highlighted in the Directors' Report, the decrease in financial charges has benefited from a reduction in the cost of money related, in addition to the trend of interest rates, to the renegotiation of some long term loans finalized starting from the latter part of 2017.

(€thousand)	31.12.2018	31.12.2017
Other sundry financial income (interest from customers, etc)	887	1,079
Interest from State	990	31
Positve interest from bank accounts	275	131
Other sundry financial income for Parent Companies	1	11
Other sundry financial income for Subsidiaries	93	77
Total Financial income	2,246	1,329

The other sundry financial income concerns the interests due from customers for payment delays; the decrease compared to the previous period is mainly due to the ending of some repayment plans.
The item "Interest from the State" includes almost entirely the interest recognised to MARR with regard to the definitive settlement in 2018 of the fiscal dispute that arose in 2000 following the assessment by the Guardia di Finanza, Group IV – Sections of San Lazzaro di Savena (BO). This amount was received in October 2018, together with the reimbursement of the amounts paid out in past years while settlement was pending. For further details, see that described in the Directors' Report and paragraph 18 "provision for non-current risks and charges".

33. Income and charge from associated companies

This item is detailed as indicated in the following table:

(€thousand)	31.12.2018	31.12.2017
Dividends by Subsidiaries	0	3,988
Write off investments in subsidiaries	(5)	(5)
Total Income (charge) from associated companies	(5)	3,983

It should be highlighted that no dividend have been paid out by the subsidiaries in 2018 due to the decision to carry forward profits of the year 2017.
The cost for the write-off of the investment in subsidiaries (equal to 5 thousand Euros), this is attributable to the Spanish subsidiary MARR Foodservice Iberica S.A.U..

34. Taxes

(€thousand)	31.12.2018	31.12.2017
Ires charge transferred to the Parent Company	19,759	19,774
Irap	4,391	4,237
Net Provision for deferred tax asset and liabilities	1,603	0
Total taxes	25,753	24,011

The fiscal year's tax rate is for 28.5% (27.5% at 2017)

Reconciliation between theoretical and effective fiscal charges

(€thousand)	*Year 2018*		*Year 2017*	
	Taxable amount	*Tax*	*Taxable amount*	*Tax*
I.R.E.S.				
Profit before taxation	90,402		87,238	
Taxation rate	24.00%		24.00%	
theoretical tax burden		21,696		20,937
Permanent differences				
Non-deductible depreciation	771		509	
Write-down of financial assets	5		6	
Other	874		842	
	1,650		*1,357*	
Deductible depreciation	(2,927)		(2,807)	
Dividends from Italian companies (95%)	0		(3,789)	
Income from investments disposal (95%)	0		0	
Personel cost not deducted to Irap	(219)		(163)	
Other	(2,407)		(1,640)	
	(5,553)		*(8,399)*	
Temporary differences deductible in future years				
Allocation of taxed provision for bad debts	9,710		9,200	
Maintenance cost excess 5%	0		0	
Other	506		676	
Deductible entertainment expenses	0		0	
	10,216		*9,876*	
Reversal of temporary differences from previous years				
Surplus value deductible in future years	0		0	
	0		0	
Use of taxed provision for bad debts	(13,596)		(6,415)	
Use of others taxed provisions	(480)		(394)	
Amount of taxed entertainment expenses	0		0	
Write down of financial assets	0		0	
Amount of maintenance cost excess 5%	(15)		0	
Other	(290)		(712)	
	(14,381)		*(7,521)*	
Taxable income	82,334		82,552	
Taxation rate	24.00%		24.00%	
Actual tax burden		19,760		19,812
Balance of IRES for past business years and roundings		(1)		(38)
Actual Tax burden of Period		19,759		19,774
I.R.A.P.				
Profit before taxation	90,402		87,238	
Cost not relevant for I.R.A.P.				
Income and expense from investments	5		(3,983)	
Financial income and expense	3,307		4,904	
Personnel costs	35,284		34,872	
Theorical taxable	128,998		123,032	
Taxation rate	4.03%		3.95%	
theoretical tax burden		5,203		4,860
Other	(19,735)		(18,434)	
Taxable income	109,263		104,598	
Taxation rate	4.03%		4.00%	
Actual tax burden		4,407		4,184
Balance of IRAP for past business years and roundings		(16)		53
Actual Tax burden of Period		4,391		4,237

35. Earnings per share

The following table is the calculation of the basic and diluted Earnings:

(in Euro)	2018	2017
EPS base	0.97	0.95
EPS diluted	0.97	0.95

It should be pointed out that the calculation is based on the following data:

Earnings:

(€thousand)	31.12.2018	31.12.2017
Profit for the period	64,649	63,227
Profit used to determine basic and diluted earnings per share	64,649	63,227

Number of shares:

(number of shares)	31.12.2018	31.12.2017
Weighted average number of ordinary shares used to determine basic earning per share	66,525,120	66,525,120
Adjustments for share options	0	0
Weighted average number of ordinary shares used to determine diluted earning per share	66,525,120	66,525,120

36. Other profits/losses

The other profits/losses accounted for in the consolidated statement of other comprehensive income consist of the effects produced and reflected in the period with reference to the following items:
- effective part of the operations for: hedging interest rates related to variable rate loans existing at the date; hedging exchange risk rate related to the bond in US dollars signed with an operation of private placement in July 2013; term exchange purchase transactions to hedge the underlying goods purchasing operations. The values indicated amounted to a total profit of 156 thousand Euros in the year 2018 (+168 thousand Euros in the year 2017) and are shown net of the taxation effect (that amounts to approximately - 49 thousand Euros as at 31 December 2018).
- actuarial profits regarding the evaluation of Staff Severance Provision as required by amendments to IAS principle 19 "Employee Benefits"; the value indicated, amounting to a total profit of 80 thousand Euros (+49 thousand Euro in the year 2017), is shown net of the taxation effect (that amount to about 25 thousand Euros as at 31 December 2018).

According to the IFRS these profits/losses have been entered in the net equity and highlighted (according to IAS 1 revised, in force from 1st January 2009) in the consolidated statement of other comprehensive.

Net financial position

As regards the details of the components of the net financial position and indication of the payables and receivables to and from correlated parties, refer to that outlined in the Directors' Report on management performance

Net financial position of the Parent Company MARR S.p.A.

	(€thousand)	31.12.18	31.12.17
A.	Cash	9,217	8,996
	Bank accounts	160,248	137,683
	Postal accounts	261	108
B.	Cash equivalent	160,509	137,791
C.	Liquidity (A) + (B)	169,726	146,787
	Current financial receivable due to Subsidiaries	5,252	4,418
	Current financial receivable due to Parent Company	1,956	1,259
	Others financial receivable	918	709
D.	Current financial receivable	8,126	6,386
E.	Current Bank debt	(39,220)	(59,018)
F.	Current portion of non current debt	(77,196)	(44,793)
	Financial debt due to Parent Company	0	0
	Financial debt due to Subsidiaries	(2,406)	(2,486)
	Financial debt due to Related Companies	0	0
	Other financial debt	(1,350)	(11,548)
G	Other current financial debt	(3,756)	(14,034)
H.	Current financial debt (E) + (F) + (G)	(120,172)	(117,845)
I.	Net current financial indebtedness (H) + (D) + (C)	57,680	35,328
J.	Non current bank loans	(180,707)	(159,583)
K.	Other non current loans	(37,650)	(36,112)
L.	Non current financial indebtedness (J) + (K)	(218,357)	(195,695)
M.	Net financial indebtedness (I) + (L)	(160,677)	(160,367)

Events after the closing of the year

With regard to the events subsequent to the year-end closing, refer to the Directors' Report on management performance.

° ° °

Rimini, 12 March 2019

The Chairman of the Board of Directors

Paolo Ferrari

Appendices

These appendices contain additional information compared to that reported in the Explanatory notes, of which they constitute an integral part.

- Appendix 1 – List of relevant equity investments in subsidiaries, associated companies and other companies as at 31 December 2018, indicating the criteria adopted for accounting.
- Appendix 2 – Table showing variations in Intangible Assets for the year ending 31 December 2018.
- Appendix 3 – Table showing variations in Tangible Assets for the year ending 31 December 2018.
- Appendix 4 – Table showing the essential data from the Cremonini S.p.A. financial and consolidated financial statements as at 31 December 2017.
- Appendix 5 – List of stockholdings in subsidiaries and associated companies as at 31 December 2018 (Civil Code art. 2427, paragraph 5).
- Appendix 6 – Information as per art. 149-duodecies of the Consob Issuers Regulations.
- Appendix 7 - Table summarising the relations with parent companies, subsidiaries, related parties and associates.
- Appendix 8 – Reconciliation of liabilities deriving from financing activities as at 31 December 2018.
- Appendix 9 – Detail of lands and buildings owned by the Company.
- Appendix 10 – Statements of financial position of the Incorporating Company (MARR S.p.A.) and of the Merged Companies (DE.AL. – S.r.l. Depositi Alimentari, Speca Alimentari S.r.l. and Griglia DOC S.r.l.) as at 31 December 2017.

MARR GROUP
LIST OF EQUITY INVESTMENTS INCLUDING THOSE FALLING WITHIN THE SCOPE OF CONSOLIDATION AT 31 DECEMBER 2018

Company	Headquarters	Share capital (€thousand)	Direct control Marr SpA	Indirect control	
				Company	Share held
COMPANY CONSOLIDATED ON A LINE-BY-LINE BASIS					
- Parent Company:					
MARR S.p.A.	Rimini	33,263			
- Subsidiaries:					
AS.CA. S.p.A.	Santarcangelo di R. (RN)	518	100.0%		
Marr Foodservice Iberica S.A.u	Madrid (Spagna)	600	100.0%		
New Catering S.r.l.	Santarcangelo di R. (RN)	34	100.0%		
INVESTMENTS EVALUATED USING THE NET EQUITY METHOD					
SìFrutta S.r.l.	Cervia (RA)	210	40.0%		
INVESTMENTS VALUED AT FAIR VALUE:					
- Other Company:					
Centro Agro-Alimentare Riminese S.p.A.	Rimini	11,798	1.66%		

Intangible fixed assets (in thousand of Euros)	OPENING BALANCE			MOVEMENTS DURING THE YEAR						CLOSING BALANCE		
	Original Cost	Provision for amortization	Balance 01/01/2018	Merger Original cost	Merger Prov. for am.	Purchases/ reclassification	Other changes	Net decreases	Amortization	Original Cost	Provision for amortization	Balance 31/12/2018
Start-Up and expansion costs												
Cost of research, development and advertising												
Cost of industrial patents and rights for the use of intellectual property	4,517	(3,839)	678	1,362	(970)	546			(382)	6,425	(5,191)	1,234
Concessions, licences, brand names, and similar rights	172	(157)	15						(1)	172	(158)	14
Goodwill	94,261		94,261	42,825						137,086		137,086
Intangible fixed assets under development and advances	1,034		1,034			(199)				835		835
Other intangible fixed assets	70	(70)								70	(70)	
Total	**100,054**	**(4,066)**	**95,988**	**44,187**	**(970)**	**347**			**(383)**	**144,588**	**(5,419)**	**139,169**

Tangible fixed assets (in thousand of Euros)	Opening balance			Movements during the year						Closing balance		
	Original Cost	Provision for amortization	Balance 01/01/2018	Merger		Purchases/ reclassification	Decreases		Amortization	Original Cost	Provision for amortization	Balance 31/12/2018
				Original cost	Prov. for am.		Original cost	Prov. for am.				
Land and buildings	75,944	(24,606)	51,338	3	(3)	394			(2,341)	76,341	(26,950)	49,391
Plant and machinery	35,209	(27,011)	8,198	2,144	(1,998)	1,339	(431)	277	(2,397)	38,261	(31,129)	7,132
Industrial and commercial equipment	3,853	(2,782)	1,071	57	(50)	214			(186)	4,124	(3,018)	1,106
Other tangible assets	15,403	(11,538)	3,865	638	(601)	1,482	(1,603)	895	(1,504)	15,920	(12,748)	3,172
Tangible fixed assets under development and advances	272		272			2,149				2,421		2,421
Total	**130,681**	**(65,937)**	**64,744**	**2,842**	**(2,652)**	**5,578**	**(2,034)**	**1,172**	**(6,428)**	**137,067**	**(73,845)**	**63,222**

Main figures' Statement of the last Cremonini S.p.A. financial statements and consolidated financial statements - MARR S.p.A. parent company -				
Financial Statements as at 31 December 2017				
Financial Statements		in thousands of Euros		Consolidated fianancial statements
		BALANCE SHEET ASSETS		
82,913		Tangible assets		977,975
5		Goodwill and other intangible assets		228,076
256,782		Investments		15,920
45		Non-current assets		76,339
339,745		*Total non-current assets*		*1,298,310*
0		Inventories		441,755
18,687		Receivables and other current assets		683,937
182		Cash and cash equivalents		269,593
18,869		*Total current assets*		*1,395,285*
358,614		**Total assets**		**2,693,595**
		LIABILITIES		
251,473		Shareholders' equity:		*835,613*
	67,074	Share capital	67,074	
	165,242	Reserves	409,424	
	19,157	Net profit (loss)	45,394	
	0	Minority interest	313,721	
26,615		Non-current financial payables		572,879
350		Employee benefits		25,947
152		Provisions for risks and charges		14,737
3,918		Other non-current liabilities		50,242
31,035		*Total non-current liabilities*		*663,805*
67,347		Current financial payables		414,655
8,759		Current liabilities		779,522
76,106		*Total current liabilities*		*1,194,177*
358,614		**Total Liabilities**		**2,693,595**
		INCOME STATEMENT		
6,597		Revenues		3,961,439
1,150		Other revenues		69,806
0		Changes in inventories		(6,655)
0		Internal works performed		7,107
(57)		Purchase of goods		(2,753,604)
(5,379)		Other operating costs		(609,681)
(2,459)		Personnel costs		(397,384)
(2,565)		Amortization		(81,143)
0		Depreciation and Allocations		(28,849)
22,800		Income from investments		545
(1,397)		Financial income and charges		(28,579)
0		Profit from business aggregations		0
18,690		*Profit before taxes*		*133,002*
467		Taxes		(48,498)
19,157		Net profit (loss) before consolidation		84,504
0		Minority interest's profit (loss)		(39,110)
19,157		**Consolidated Net profit (loss)**		**45,394**

The essential data for the parent company Cremonini S.p.A. contained in the summary report required by Civil Code article 2497-bis have been sourced from the relevant financial statements for the business year closed on 31 December 2017. For an adequate and full understanding of the Cremonini S.p.A. financial situation as at 31 December 2017, and the economic result achieved by the company during the business year closed on that date, refer to the financial statements which, supplemented by the audit company's report, is available in the forms and methods provided by the law.

List of stockholdings in subsidiaries and associated companies as at December 31, 2018 (art. 2427 n.5 c.c.) (€/thousands)												
			Shareholder's equity		Net Profit (loss)							
Company	Corporate Domicile	Capital Stock	Total Amount	Pro-rata Amount (A)	Total Amount	Pro-rata Amount	Percentage Held	Carrying Value (B)	Difference (B) - (A)	Last Financial Statements approved/ preliminary financial statements approved	Shareholders' equity pro-rata amount in accordance with art. 2426 n. 3 cc (C)	Difference (B) - (C)
- In subsidiares:												
Marr Foodservice Iberica S.A.U.	Madrid (Spagna)	600	396	396	(5)	(5)	100.00%	396	0	31/12/2018	396	0
AS.CA. S.p.a.	Santarcangelo di R.(RN)	518	6,686	6,686	1,552	1,552	100.00%	13,691	7,005 *	31/12/2018	15,309	(1,618)
New Catering S.r.l.	Santarcangelo di R.(RN)	34	7,033	7,033	2,116	2,116	100.00%	7,439	406 *	31/12/2018	10,648	(3,209)
Sì Frutta S.r.l.	Cervia (RA)	210	1,515	606	241	96	40.00%	516	(90)	31/12/2018	606	(90)

* See comment in the note to the financial statements

Appendix 6

The following table, drawn up in accordance with art. 149-duodecies of the Consob Issuers Regulations, shows the fees pertinent to business year 2018 for services rendered to the Company by Auditing Firms or entities belonging to the auditing firms' network:

(€thousands)	Service Company	Client	Fees pertinent to business year 2018
Auditing	PricewaterhouseCoopers S.p.A.	MARR S.p.A.	159
Certification service			0
Other services *	PricewaterhouseCoopers S.p.A.	MARR S.p.A.	16
Total			175

* It should be noted that the amount indicated in the items "Other services" is referred to the compliance and assessment activities related to the Legislative Decree 254/2016.

	FINANCIAL RELATION						ECONOMIC RELATIONS								
COMPANY	RECEIVABLES			PAYABLES			REVENUES				COSTS				
	Trade	Other*	Financial	Trade	Other*	Financial	Sale of goods	Performance of services	Other revenues	Financial Income	Purchase of goods	Services	Leases and rental	Other operating charges	Financial charges
From Parent Companies:															
Cremonini Spa (*)	2,661	38	1,956				6			1		1,235			
Total	2,661	38	1,956	0	0	0	6	0	0	1	0	1,235	0	0	0
From unconsolidated subsidiaries:															
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
From Associeted Companies:															
Si' Frutta S.r.l.	43			24				13			55				
Total	43	0	0	24	0	0	0	13	0	0	55	0	0	0	0
From Affiliated Companies(**)															
Cremonini Group															
Avirail Italia S.p.a.															
Chef Express S.p.A.	2,586	9		4	40		10,185					38			
Fiorani & C. S.p.a.		206		724			26		235		8,914				
Ges.Car. S.r.l.															
Global Service S.r.l.				336								1,075			
Guardamiglio S.r.l.															
Inalca Algerie S.a.r.l.															
Inalca Brazzaville S.a.r.l.															
Inalca Food and Beverage S.r.l.	942			18	52		9,864	309			156	2		1	
Inalca Kinshasa S.p.r.l.															
Inalca S.p.a.	23	161		7,051			359		314		75,154	20			
Inter Inalca Angola Ltda	7														
Interjet S.r.l.															
Italia Alimentari S.p.a.		57		385			5		111		4,213				
Marr Russia Ll.c.															
Realbeef S.r.l.															
Roadhouse S.p.A.	8,844				51		38,945	27				1			
Roadhouse Grill Roma S.r.l.	902						3,766								
Tecno-Star Due S.r.l.				1								1			
From not Affiliated Companies															
Farmservice S.r.l.	7				1		47								
Le Cupole S.r.l.													668		
Time Vending S.r.l.		24							24						
Total	13,311	457	0	8,519	144	0	63,197	336	684	0	88,437	1,137	668	1	0

(*) The items in the Other Receivables columns relate to the IRES balance for the year and to the residual receivables for requests of reimbursement regarding to the personel cost not deducted to Irap in the years 2007-2011, transferred to the Parent Company within the scope of of the National Consolidated tax base. Trade receivables and payables include the net amount of VAT transferred to Cremonini within the scope of the Group VAT liquidation.

(**) The total amount of trade receivables and payables are reclassified under "Receivables from customer" and "Suppliers" respectively.

From Affiliated Companies															
Asca S.p.a.	1,231		5,252	16			2,548	314	5	92	453	3			
Marr Foodservice Iberica S.a.U.				114		281									5
New Catering S.r.l.	318			14		2,125	851	237	7	1	17	6			17
Total	1,549	0	5,252	144	0	2,406	3,399	551	12	93	470	9	0	0	22

RECONCILIATION OF LIABILITIES DERIVING FROM FINANCING ACTIVITIES AS AT 31 DECEMBER 2018 AND 31 DECEMBRE 2017

	31 December 2018	Cash flows	Merger & Acquisition	Other changes/ reclassifications	Exchange rates variations	Fair value variation	31 December 2017
Current payables to bank	39,220	(19,798)	0	0	0	0	59,018
Current portion of non current debt	77,196	6,070	75	26,258	0	0	44,793
Current financial payables for bond private placement in US dollars	752	(755)	0	752	0	0	755
Current financial payables vs subsidiaries	2,406	(80)	0	0	0	0	2,486
Current financial payables for leasing contracts	226	(219)	0	226	0	0	219
Current financial payables for purchase of quotas or shares	361	(10,729)	516	0	0	0	10,574
Total current financial payables	120,161	(25,511)	591	27,236	0	0	117,845
Current payables/(receivables) for hedging financial instruments	10	10	0	0	0	0	0
Total current financial instruments	10	10	0	0	0	0	0
Non-current payables to bank	180,707	47,382	0	(26,258)	0	0	159,583
Non-current financial payables for bond private placement in US dollars	37,367	0	0	64	1,700	0	35,603
Non-current financial payables for leasing contracts	283	0	0	(226)	0	0	509
Non-current financial payables for purchase of quotas or shares	0	0	0	0	0	0	0
Total non-current financial payables	218,357	47,382	0	(26,420)	1,700	0	195,695
Non-current payables/(receivables) for hedging financial instruments	0	0	0	0	0	0	0
Total non-current financial instruments	0	0	0	0	0	0	0
Total liabilities arising from financial activities	338,528	21,881	591	816	1,700	0	313,540

Reconciliation of variations with Cash Flows Statement (Indirect Method)	
Cash flows (net of outgoing for acquisition of subsidiaries or merger)	33,124
Other changes/ reclassifications, included the acquisition	816
Exchange rates variations	1,700
Fair value variation	0
Total detailed variations in the table	35,640
Other changes in financial liabilities	(17,935)
New non-current loans received	123,548
Non current loans repayment	(69,973)
Total changes shown between financing activities in the Cash Flows Statement	35,640

	31 December 2017	Cash flows	Other changes/ reclassifications	Exchange rates variations	Fair value variation	31 December 2016
Current payables to bank	59,018	10,182	(105)	0	0	48,941
Current portion of non current debt	44,793	(41,637)	33,945	0	0	52,485
Current financial payables for bond private placement in US dollars	755	(753)	755	0	0	753
Current financial payables vs subsidiaries	2,486	723	0	0	0	1,763
Current financial payables for leasing contracts	219	(212)	219	0	0	212
Current financial payables for purchase of quotas or shares	10,574	(12,155)	11,524	0	0	11,205
Total current financial payables	117,845	(43,852)	46,338	0	0	115,359
Current payables/(receivables) for hedging financial instruments	0	0	0	0	0	0
Total current financial instruments	0	0	0	0	0	0
Non-current payables to bank	159,583	68,269	(33,839)	0	0	125,153
Non-current financial payables for bond private placement in US dollars	35,603	0	62	(4,939)	0	40,480
Non-current financial payables for leasing contracts	509	0	(219)	0	0	728
Non-current financial payables for purchase of quotas or shares	0	0	(10,470)	0	0	10,470
Total non-current financial payables	195,695	68,269	(44,466)	(4,939)	0	176,831
Non-current payables/(receivables) for hedging financial instruments	0	(87)	0	0	0	87
Total non-current financial instruments	0	(87)	0	0	0	87
Total liabilities arising from financial activities	313,540	24,330	1,872	(4,939)	0	292,277
Reconciliation of variations with Cash Flows Statement (Indirect Method)						
Cash flows (net of outgoing for acquisition of subsidiaries or merger)	36,485					
Other changes/ reclassifications, included the acquisition	1,872					
Exchange rates variations	(4,939)					
Fair value variation	0					
Total detailed variations in the table	33,418					
Other changes in financial liabilities	6,960					
New non-current loans received	115,000					
Non current loans repayment	(88,542)					
Total changes shown between financing activities in the Cash Flows Statement	33,418					

Appendix 9

Detail of Lands and building owned by the Company as at 31 December 2018*

(Values in thousand Euros)

	Original Cost	Prov. For Am.	Net Book Value
Building in Spezzano Albanese - St.Prov.le 19	1,805	747	1,058
Land in Spezzano Albanese close to the building	125	0	125
Building in Pistoia - St F.Toni loc.Bottegone	5,305	1,887	3,418
Land of Building in Pistoia	1,000	0	1,000
Building in Santarcangelo of Romagna (RN) - St. dell'Acero 1/a	3,620	1,701	1,919
Land of Building St. dell'Acero 1/a	954	0	954
Building in Santarcangelo of Romagna (RN)- St. dell'acero 2-4	5,265	2,352	2,913
Land of Building St. acero 2-4	2,422	0	2,422
Building in Opera (MI) - St. Cesare Pavese, 10	4,429	2,151	2,278
Land of Building Opera	2,800	0	2,800
Building in San Michele al Tagl.to (VE) - St. Plerote, 6	3,981	1,867	2,114
Land of Building San Michele	1,100	0	1,100
Building in Uta (CA) - Zona ind.le Macchiareddu	4,045	1,710	2,335
Land of Building Uta	1,531	0	1,531
Building in Portoferraio (LI) - Località Antiche Saline	1,502	728	774
Land of Building Portoferraio	990	0	990
Surface ownership Building in Bologna - St. Fantoni, 31	11,857	1,733	10,124
Land in Rimini loc.SAN VITO - St. Emilia Vecchia, 75	7,078	0	7,078
TOTAL	59,809	14,876	44,933

* The value given in the table represents only the land and buildings owned and does not consider the values of the enhancements to the buildings leased and minor construction, both classified under "Land and buildings".

Appendix 10

Statements of finantial position of the Incorporating Company (MARR S.p.A.) and of the Merged Companies as at 31 December 2017

(Thousand Euros)	Absorbing Company MARR S.p.A.	Merged Company DEAL S.r.l.[1]	Merged Company Speca Alimentari S.r.l.[1]	Merged Company Griglia Doc S.r.l.[2]
ASSETS				
Non-current assets				
Tangible assets	64,744,269	97,071	91,630	0
Goodwill	94,260,786	0	100,359	0
Other intangible assets	1,727,090	29,880	203	362,109
Investments in subsidiaries and associated	65,975,023	734,934	0	0
Investments in other companies	299,812	10,341	10	0
Non-current financial receivables	1,171,291	0	0	0
Non current derivative/financial instruments	585,619	0	0	0
Deferred tax assets	0	817,524	123,290	124,171
Other non-current assets	31,066,336	112,941	0	0
Total non-current Assets	259,830,226	1,802,691	315,492	486,280
Attivo corrente				
Inventories	139,898,260	0	0	0
Financial receivables	6,375,065	376,044	1,825,470	0
Current derivative/financial instruments	10,879	0	0	0
Trade receivables	353,983,822	1,720,080	151,399	25,217
Tax assets	8,215,154	535,426	101,079	236,993
Cash and cash equivalents	146,786,491	92,705	34,186	256,938
Other current assets	47,159,096	284,041	4,100	0
Total current Assets	702,428,767	3,008,296	2,116,234	519,148
TOTAL ASSETS	*962,258,993*	*4,810,987*	*2,431,726*	*1,005,428*
PASSIVO				
Shareholders' Equity	297,493,923	4,386,156	2,286,734	924,935
Share capital	*33,262,560*	*3,000,000*	*100,000*	*2,000,000*
Reserves	*198,547,629*	*428,503*	*1,262,918*	*0*
Retained Earnings	*0*	*0*	*0*	*0*
Profit for the period	*65,683,734*	*957,653*	*923,816*	*(1,075,065)*
Total Shareholders' Equity	297,493,923	4,386,156	2,286,734	924,935
Non-current liabilities				
Non-current financial payables	195,694,505	0	0	0
Non current derivative/financial instruments	0	0	0	0
Employee benefits	8,037,667	0	0	0
Provisions for risks and charges	4,921,612	68,491	0	0
Deferred tax liabilities	965,869	(22,268)	27,844	0
Other non-current liabilities	1,045,672	0	0	0
Total non-current Liabilities	210,665,325	46,223	27,844	0
Current liabilities				
Current financial payables	117,845,033	860	75,100	0
Current derivative/financial instruments	0	0	0	0
Current tax liabilities	1,511,898	0	32,400	1,685
Current trade liabilities	314,008,266	317,126	9,503	73,583
Other current liabilities	20,734,548	60,622	145	5,225
Total current Liabilities	454,099,745	378,608	117,148	80,493
TOTAL LIABILITIES	*962,258,993*	*4,810,987*	*2,431,726*	*1,005,428*

[1] The statements of the finantial position of the merged companies DE.AL. - S.r.l. Deposit Alimentari and Speca Alimentari S.r.l. as at 31 December 2017 have been adjusted and restated consistently with IFRS and in line with the consolidated financial statements of MARR S.p.A. as at 31 December 2017, as provided by OPI n. 2R of Assirevi.

[2] At 31 December 2017 Griglia DOC S.r.l. was not consolidated as owned for the 50% by DE.AL.; the values exposed are the values as at 31 December 2017, adjusted in compliance with IFRS and with the effects deriving from the purchase of the remaining 50% of the shares and the consequent obtaining of the (total) control of the company iteself by DE.AL..

STATEMENT OF FINANCIAL STATEMENTS OF MARR S.p.A. PURSUANT TO ART. 154-BIS PARAGRAPH 2 OF LEGISLATIVE DECREE 58 DATED 24 FEBRUARY 1998

1. The undersigned Francesco Ospitali in the quality of Chief Executive Officer, and Pierpaolo Rossi, in the quality of Manager responsible for the drafting of the corporate accounting documents of MARR S.p.A., hereby certify, also taking into account that provided by art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 dated 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the management and accounting procedures for the drafting of the interim condensed consolidated financial statement, during the year 2018.

2. The assessment of the adequacy of the management and accounting procedures for the drafting of the consolidated financial statement as at 31 December 2018 was based on a process defined by MARR S.p.A. in coherence with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is an internationally accepted general reference framework.

3. It is also certified that:

3.1 the financial statements:

a) are drafted in conformity with the internationally applicable accounting principles recognised in the European Community pursuant to regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;

b) correspond to the findings in the accounts books and documents;

c) are suited to providing a truthful and correct representation of the equity, economic and financial situation of the author.

3.2 The Directors' report on management includes a reliable analysis of performance levels and the management result, and also on the situation of the issuer, together with a description of the main risks and uncertainties they are exposed to.

Rimini, 12 March 2019

Francesco Ospitali	Pierpaolo Rossi
Chief Executive Officer	Manager responsible for the drafting of corporate accounts documents

Independent auditor’s report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
MARR SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MARR SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the statement of profit or loss, statement of other comprehensive income, statement of changes in Shareholders’ equity, cash flows statement for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Auditing procedures performed in response to key audit matters
Goodwill *Note 2 to the financial statements* The financial statements of MARR SpA include indefinite useful life intangible assets that are not amortised but tested for impairment at least once a year. These comprise goodwill for about Euro 137.1 million (representing 14% of total assets). During the year 2018, the balance of goodwill increased (for about Euro 42.8 million) due to the merger of the fully owned subsidiaries De.Al Srl e Speca Alimentari Srl. Management considers MARR SpA as a whole as the smallest group of assets on which management measures the return on the investment that includes goodwill (cash generating unit, “CGU”). To determine recoverable value management applied the discounted cash flow method, under which the enterprise value of an entity or CGU is equal to the sum of the present value of the future cash flows estimated for the explicit forecast period and, at the end of that period, of the terminal value. As part of the statutory audit of the financial statements as of 31 December 2018, we focused on this financial statements area in consideration of the magnitude of the balance and the fact that the recoverability of the carrying amount was verified by management based on estimates and assumptions that require a high degree of judgment with reference to both future cashflows and the discount rate.	**Auditing procedures performed** As part of our auditing activities on the financial statements as of 31 December 2018 we performed the following procedures. We obtained the impairment test prepared by management and approved by the board of directors of MARR SpA on 12 March 2019. We verified the mathematical accuracy of the calculations underlying the test and the values of the net invested capital of the CGU identified as of 31 December 2018 and used for comparison with recoverable value. With reference to the future cashflows used in the impairment test model, we verified their consistency with the projections in the underlying business plan (approved by the board of directors) and the reasonableness of the assumptions used, in light of the past performance of the CGU. The business plan was discussed with management. We verified that the method applied was consistent with IAS 36 as adopted by the European Union and with common valuation practice. Moreover, the key valuation parameters adopted were analysed for reasonableness. With specific reference to the method of calculation of the discount rate applied (weighted average cost of capital, “WACC”), we analysed whether it had been determined in accordance with common best practice and based on market data. Similarly, we also assessed the calculation of the medium-/long-term growth rate (“g”) against

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	the indications of IFRS as adopted by the European Union. Finally, we analysed the completeness and accuracy of the disclosures provided by management on the results of the impairment test.
Inventories *Note 9 to the financial statements* The financial statements of MARR SpA show inventories of Euro 149.8 million as of 31 December 2018 (representing 15% of total assets). Inventories are carried at the lower of purchase or production cost, determined under the FIFO (First In First Out) method, and estimated realisable value derived from the market. The Company operates throughout the Italian territory, through 29 branches. As part of the statutory audit of the financial statements as of 31 December 2018, we focused on this financial statements area in consideration of the magnitude of the amounts and the presence of estimates and assumptions requiring a high degree of judgement by management about the future recoverability of the value of inventories.	**Auditing procedures performed** As part of our auditing activities on the financial statements as of 31 December 2018 we performed the following procedures. We understood and evaluated the controls implemented by the Company (mainly the automated procedure for measuring consolidated inventories at FIFO, the monitoring of goods in transit, the periodical reconciliation of sales recorded and the value of goods withdrawn from inventory) in order to assess the correctness of management and valuation of the inventories. In the course of our work we also selected a sample of product codes in stock as of 31 December 2018 and re-performed the calculation of the related values. In order to obtain suitable evidence supporting the existence of the balance reported, we selected three of the Company's branches, on a test basis, and observed the physical stocktakings, and we verified the correct recognition of the quantities in stock at the date of the count, also on a test basis; during our inspections we also discussed with the warehouse managers the procedures applied to identify and manage any damaged or obsolete goods.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	We selected a sample of purchases and goods booked in or out of inventory during December 2018 and January 2019 and we verified the correct cut-off. Finally, we analysed and tested the procedure applied to identify any product codes sold at a loss and we verified their correct recognition. We also performed an analysis, on a test basis, to evaluate the existence of other product codes sold at a loss and the related accounting treatment.
Trade receivables *Note 11 to the financial statements* The financial statements of MARR SpA include trade receivables for Euro 357.4 million (representing 36% of total assets). Management measured those receivables at nominal value (representing fair value) less any write-downs. Due to the high receivables turnover, the application of the amortised cost method does not generate a significant impact. The bad debt reserve recognised is the difference between the value at which the receivables were initially recognised and a reasonable estimate of the cash flows expected from their collection. As part of the statutory audit of the financial statements as of 31 December 2018, we focused on this financial statements area in consideration of the magnitude of the amounts and the fact that the recoverable amount is an estimate by management.	**Auditing procedures performed** We understood and evaluated the internal procedures adopted by the Company to measure trade receivables; we also performed sample tests (extraction and monthly monitoring of the receivables report with evidence of overdue positions and accounts not yet due, periodical submission of the status of the receivables to the Audit and Risk Committee, monthly definition of accounts to be turned over for legal action) in order to verify their effectiveness. We understood and evaluated the procedures in place for monitoring receivables and verified the effectiveness of the main internal controls. We analysed accounts receivable and payments received after the year end to identify any accounts that were potentially not recoverable. We selected a sample of trade receivables and sent confirmation letters for the balances as of 31 December 2018. We then compared and reconciled replies received to the amounts in the financial statements, and where no replies were received we examined supporting evidence. Moreover, we obtained the ageing list of receivables to identify any significant positions;

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	we then isolated the largest balances and significant overdue amounts, and we discussed and analysed critically those amounts with credit management to obtain supporting evidence for the estimated provisions for bad debts. We sent inquiries to all legal counsels who deal with disputed receivables and we obtained documentary evidence supporting the valuation of the receivables. We then compared the valuations performed by external professionals with the amounts in the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 20 April 2016, the shareholders of MARR SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of MARR SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of MARR SpA as of 31 December 2018, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of MARR SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of MARR SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 27 March 2019

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

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

MARR S.p.A.

“Report on the 2018 Financial Statements by the Board of Statutory Auditors to the Shareholders’ Meeting of MARR S.p.A. pursuant to art. 153 of Legislative Decree 58/1998 (TUF) and art. 2429 of the Civil Code”

Dear Shareholders,

This report describes the supervisory activities carried out by the Board of Statutory Auditors of the Company MARR S.p.A. during the course of the 2018 business year, drafted pursuant to Legislative Decree 58/1998 (“*TUF*”) as subsequently amended, art. 2429 of the Civil Code and the Code of Conduct for the Board of Statutory Auditors of listed companies issued by the National Board of Chartered Accountants and Accounting Experts, consistently with the instructions in Consob Communication no. DEM/1025564 of 6 April 2001 and subsequent integrations.

1. **<u>Appointment of the Board of Statutory Auditors</u>**

The Board of Statutory Auditors in office was appointed by the Shareholders’ Meeting on 28 April 2017, on the basis of the provisions of the law and the Statutes and its term of office will end on the date of the Shareholders’ Meeting for the approval of the financial statements as at 31 December 2019.

The Board hereby informs that following the resignation notified by the standing auditor Mr. Ezio Maria Simonelli, the role of standing auditor of MARR S.p.A. was taken over by the alternate auditor Mrs. Simona Muratori on 1 March 2019. The Shareholders’ Meeting must therefore ensure the reconstitution of the Board.

2. **<u>Verification of the requirements of independence of the Board of Statutory Auditors</u>**

On 12 March 2019, The Board of Statutory Auditors of the Company successfully completed the annual verification of the possession by all of its members of the requirements of independence and professionalism provided by article 148, paragraph 3 of the TUF, and also articles 3 and 8 of the Code of Self-Governance of listed companies emanated by Borsa Italiana S.p.A. (the “Code of Self-Governance”) regarding the independence of the auditors of listed companies and the availability of time to dedicate to their office, also verifying the respect of the limits of accumulation of offices provided, also on the basis of the attestations and information provided by each auditor.

3. **<u>Supervisory activities carried out and information received</u>**

During the course of the business year, we carried out the supervisory activities reserved for us in respect of article 149 of the aforementioned Legislative Decree 58, of the "*Code of Conduct for the Board of Statutory Auditors of listed companies*" emanated by the National Board of Chartered Accountants and Accounting Experts concerning company audits and the activities of the Board of Statutory Auditors and the instructions in the Code of Self-Governance. As regards the activities carried out by the Board in 2018 and early 2019, the Board of Statutory Auditors:

a) met 11 times in 2018 and has met 3 times until now in 2019, with the meetings having an average duration of 2 hours;

b) attended:

(i) 7 meetings of the Board of Directors in 2018 and 2 meetings in 2019;

(ii) 3 meetings of the Remuneration and Appointment Committee;

(iii) 5 meetings of the Control and Risks Committee in 2018 (3 of them held jointly) and 2 joint meetings in 2019, always concerning the 2018 financial statements.

c) attended the ordinary Shareholders' Meeting held on 28 April 2018;

d) met 5 times with the referents of the Independent Auditing Firm during 2018 and once in 2019;

e) supervised over the observance of the law and the corporate statutes, and also acquired knowledge of and supervised, for matters of its competence, the adequacy of the organizational structure of the Company, the respect of the principles of proper administration and the adequacy of the instructions given by the Company to its subsidiaries, pursuant to art. 114, paragraph 2 of the TUF;

f) obtained from the Chief Executive Officer, with the periodicity provided by the law and corporate statutes, the due information on the activities carried out by the Company and its subsidiaries, on the general management performance and on its outlook, and also on the most significant operations in economic, financial and equity terms resolved and undertaken, which are described in the Directors' Report, which see in this regard;

g) also acquired the information required for the performance of the activities of its competence through the collection of documents, data and information and through periodical meetings, scheduled in order to ensure the exchange of significant data and information with: *(i)* the management team of the Company; *(ii)* the managers of the Company departments; *(iii)* the Manager responsible for drafting the company's accounts documents; *(iv)* the Supervisory Committee provided by the organization, management and control model adopted by the Company in compliance with Legislative Decree 231/2001 (the "*231 Model*"); *(v)* representatives of the independent auditing firm and *(vi)* the control bodies of its subsidiaries;

h) in its capacity of "*committee for internal control and auditing*" pursuant to art. 19 of Legislative Decree 39/2010, supervised over: *(i)* the company's disclosure process; *(ii)* the effectiveness of the internal control, internal audit and risk management systems; *(iii)* the legal auditing of the annual and consolidated accounts; and *(iv)* the independence of the independent auditing firm;

i) supervised over the adequacy of the Internal Control and Risk Management system and the Administrative and Accounting System and the reliability of the latter in properly representing the management facts through the competent corporate departments.

The Board examined the evaluation by the Board of Directors as regards the adequacy and effective functioning of the Internal Control and Risk Management System through:

- updating the Guidelines of the Internal Control and Risk Management System, in which the company has, through the logic of the ERM model, validated a new integrated risk management model aimed at identifying, evaluating and monitoring the internal (operating), external and strategic risks to which the company is exposed;
- the attestation of the Annual Financial Statements and Consolidated Financial Statements by the Chief Executive Officer and Manager responsible for drafting the company's accounts documents, who gave the required clarifications, as provided by paragraph 5 of art. 154-bis of the TUF, taking into account that provided by art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58/98;
- periodical meetings with the *Internal Audit manager*, in relation to the activities carried out;
- examining the company documents and results of the work of the independent auditing firm;
- relations with the control bodies of the subsidiaries, pursuant to art. 151, paragraphs 1 and 2 of the TUF;
- attending the meetings of the Control and Risks Committee and, when the agenda has so required, holding joint meetings with the same Committee;

l) received from the independent auditing firm disclosure concerning the regulatory novelties with an impact on the auditing activities, and in particular on the annual auditing report and the confirmation of the independence of same, and the notification of activities other than legal auditing provided by the legal auditing firm, as highlighted in paragraph 10 below;

m) monitored over the concrete methods on implementation of the corporate governance rules provided by the Code of Self-Governance of listed companies emanated by Borsa Italiana S.p.A. as adopted by the Company;

n) in relation to the topics of corporate responsibility, monitored the application of the integration of data and information concerning sustainability, integrated into corporate processes, which have been represented in the Non-Financial Statements, an integral part of the 2018 Financial Report according to the international standards of the GRI and with the consolidated set of GRI Sustainability Reporting Standards 2016 as the methodological benchmark.

4. **<u>Consolidated Financial Statements and Draft 2018 Annual Financial Statements</u>**

The Board of Statutory Auditors received the Report on Management drafted by the Directors, together with the "*consolidated*" financial statements of the Group of which MARR S.p.A. is the Parent Company and the draft annual financial statements for the year closing on 31 December 2018 within the terms of the law.

The financial statements are prepared according to the *IFRS* emanated by the *IASB* and adopted by the European Commission according to art. 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002 and pursuant to art. 9 of Legislative Decree 38/2005. The IFRS include the *IAS* and interpretative documents in force issued by the *IFRS IC*.

The auditing firm PricewaterhouseCoopers S.p.a., which has been entrusted with the legal auditing of the accounts, today issued the reports pursuant to article 14 of Legislative Decree 39/2010 and article 10 of Regulation (EU) 537/2014 for the annual financial statements and the consolidated financial statements of MARR S.p.A. as at 31 December 2018, expressing an opinion with no reserves.

In particular, in these reports, the Independent Auditing Firm attests that the consolidated and annual financial statements provide a truthful and correct representation of the equity and financial situation, the economic result and the cash flows for the business year closing on said date, in compliance with the IFRS, and also the procedures issued in implementation of art. 9 of Legislative Decree 38/2005 and that the Directors' Report and some specific information in the Report on corporate governance and ownership structure stated in art. 123-*bis*, paragraph 4 of Legislative Decree 58 of 24 February 1998, for which the Directors of MARR S.p.A. are responsible, is consistent with the annual and consolidated financial statements of the MARR Group as at 31 December 2018 and are drafted in compliance with the laws in force.

5. **<u>Operations of most economic, financial and equity significance – related party transactions</u>**

On 27 February 2018, the subsidiary DE.AL. – S.r.l. Depositi Alimentari acquired a 50% holding in the related company Griglia Doc S.r.l.. As a result of this operation, DE.AL. – S.r.l. Depositi Alimentari became the sole shareholder of Griglia Doc S.r.l.. Subsequently, on 8 June 2018, DE.AL. – S.r.l. Depositi Alimentari incorporated the subsidiary Griglia Doc S.r.l..

On 31 May 2018, the Parent Company finalised the purchase of 40% of the holdings in the company Si'Frutta S.r.l., which is based in Cervia (RA) and operates in the segment of supplying fresh fruit and vegetables to clients in the hotels, restaurants, organised catering and industrial transformation sectors.

On 3 August, the Board of Directors of MARR S.p.A. approved, pursuant to art. 2505, second paragraph of the Civil Code and the corporate statutes, the merger by incorporation into MARR S.p.A. of the entirely owned companies DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l.. The operation, aimed at achieving the rationalisation of economic, financial and administrative management, given that the activities of DE.AL. – S.r.l. Depositi Alimentari and Speca Alimentari S.r.l. were limited to the lease of their going concerns to the Parent Company MARR S.p.A., was completed on 15 October 2018. The legal effects of the operation came into force on 1 December 2018, while the accounting and fiscal effects were backdated to 1 January 2018.

As illustrated by the Chief Executive Officer, the infra-group operations for the exchange of goods and/or services occurred under normal market conditions, taking into account the characteristics of the goods sold and services rendered. In this regard, we were not informed of any conflicts of interest or blatantly imprudent or risky operations, or operations capable of prejudicing the economic, equity and financial situation of the Company and/or of the Group, nor did any emerge.

On the basis of the information available to the Board of Statutory Auditors, no atypical and/or unusual operations were undertaken.

6. **<u>Meetings with the Boards of Auditors of the subsidiaries according to article 151, paragraphs 1 and 2 of Legislative Decree 58 of 24.2.1998</u>**

No aspects and/or facts of relevance worthy of mention herein emerged from the meetings with the Boards of Auditors of the subsidiaries. The adequacy of the instructions given by the subsidiary to the Parent Companies was confirmed.

7. **<u>Observations on the adequacy of the organizational structure</u>**

On the basis of its own competences, the Board of Statutory Auditors supervised over the adequacy of the organizational structure of the Company, finding it to be suited to the management needs and those of controlling corporate operations.

The Board of Statutory Auditors hereby acknowledges that the organizational structure has been updated in compliance with the changes made to the organization.

8. **Observations on the adequacy of the internal auditing and risk management system**

In compliance with the provisions of art. 149 of the TUF, the Board of Statutory Auditors hereby acknowledges that no shortcomings or criticalities emerged from the supervisory activities that could be considered indicators of inadequacies in the internal audit and risk management system (see para. 2).

It is hereby acknowledged that the Board continued to monitor risk management, which from a methodological viewpoint, follows the logic of the ERM (Enterprise Risk Management) model.

During 2018, the Board of Directors on several occasions approved changes to the Organizational Model ex Legislative Decree 231/01 to acknowledge the new criminal circumstances provided by the law. On 13 December, the Organizational Model was also implemented by a Special Part containing an analytical description of the crimes potentially at risk for the company and, for each of such crimes, a description of the activities during which there is a risk of the crimes being committed and an indication of the prevention protocols adopted to reduce the risk. On 22 February 2019, the Supervisory Board submitted to the Board of Statutory Auditors its annual report on the activities carried out during the course of the 2018 business year, which concerned supervising over the effectiveness of the 231 Model, in which no facts or situations worthy of highlighting in this report were brought to the attention of the Board of Statutory Auditors.

9. **Observations on the adequacy of the administrative and accounting system and its reliability in properly representing management events**

The Board of Statutory Auditors has no observations to make on the adequacy of the administrative and accounting system and its reliability in properly representing management events.

10. **Observations on any relevant aspects that emerged during the meetings held with the independent auditing firm pursuant to art. 150, paragraph 2 of Legislative Decree 58/1998 and art. 19, paragraph 1 of Legislative Decree 39/2010**

During 2018, and again in 2019, the Board of Statutory Auditors held six meetings and periodically exchanged information with the auditing firm. The exchanges of information with the auditors pursuant to article 150 of Legislative Decree 58/98 and art. 19, paragraph 1 of Legislative Decree 39/2010 did not highlight any criticalities.

The independent auditing firm PricewaterhouseCoopers S.p.a. did not highlight findings and/or recalls of information or observations or limitations in the reports issued on 27 March 2019, pursuant to article 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, for the annual and consolidated financial statements of MARR S.p.A. as at 31 December 2018.

The independent auditing firm PricewaterhouseCoopers S.p.a. did not highlight any findings and/or recalls of information in its report issued pursuant to article 11 of European Regulation (EU) 537/2014 on 27 March 2019.

For the purposes of which in art. 19 of Legislative Decree 39/2010, the auditing firm pointed out in its report that no fundamental questions were raised during the audit and nor did significant shortcomings in the internal audit system emerged with regard to the financial disclosure process.

Taking into account the above, and also the declaration of non-existence of reasons for incompatibility issued by the auditing firm on 27 March 2019, pursuant to art. 6 of European Regulation 537/2014, the Board of Statutory Auditors believes that no critical aspects emerged as regards the independence of the auditing firm.

11. **<u>Conferment of duties on the auditing firm</u>**

The Company did not confer any other duties on the independent auditing firm during 2018.

12. **<u>Opinions given during the course of the year</u>**

During the course of the year, the Board of Statutory Auditors issued the opinion of which in art. 2389, third paragraph of the Civil Code as regards the remuneration of the Chief Executive Officer.

13. **<u>Indications of adhesion by the company to the Code of self-governance of the *corporate governance* committee of listed companies</u>**

In observance of the dispositions in article 149 no. 1 sub. c) bis of Legislative Decree 58/98, we hereby acknowledge that the company adheres to and complies with the Code of Self-Governance of Italian listed companies, also in respect of the *comply or explain* principle. Adhesion to the regulations provided by the above code was ascertained and was the subject of the Report on Corporate Governance and Ownership Structure drafted by the Board of Directors.

As provided by article 3.P.2 of the aforementioned Code of Self-Governance, the Board of Directors verified during the course of the year the effective independence of the independent directors and the Board of Statutory Auditors verified the proper application of the criteria and procedures applied. Consistently with that provided by article 8.P.1 of the same Code, we have also verified that our independence has been retained.

Furthermore, it has been informed on the remuneration policies in the Remuneration Report approved by the Board of Directors on 12 March 2019 pursuant to art. 123-ter of the TUF.
The Board of Statutory Auditors has been updated on the outlook for the business sector in which the company operates and the reference regulatory framework both during the periodical meetings of the Board and in appropriate communications pursuant to article 2.7 of the Code of Self-Governance.

14. **Non-financial statement ex art. 4 of Legislative Decree 254/2016**

Having acknowledged art. 4 of Legislative Decree 254/2016 concerning the communication of non-financial information and the implementation regulation emanated by CONSOB no. 20267 by resolution of 18 January 2018, The Board of Statutory Auditors, pursuant to article 3, paragraph 7 of Legislative Decree 254/2016, has monitored the approval of said document and supervised over the observance of the dispositions of this decree, the existence and compliance of which was certified by the auditing firm, approval which was done by the Board of Directors on 12 March 2019. The Board also met with the department responsible for drafting and the representatives of the auditing firm entrusted and examined the available documentation. The Board acknowledges that the report by the Auditing firm, issued on 27 March 2019, which shows the absence of elements, events or circumstances that may imply that the NFS was not drafted in compliance with the reference regulations.

15. **Final assessments on the supervisory activities carried out and on any omissions, censurable events or irregularities encountered during them**

As a result of the supervisory activities of the Board of Statutory Auditors, as described above, no censurable events, omissions or irregularities emerged that require reporting to the competent supervisory and control bodies or mentioning in this Report, nor were any reports ex art. 2408 of the Civil Code or complaints received.
The Board of Statutory Auditors is not aware of other events or complaints worthy of mention to the Shareholders' Meeting.

16. **Proposals to be submitted to the shareholders' meeting pursuant to art. 153, paragraph 2 of Legislative Decree 58/1998**

As stated above, the Board of Statutory Auditors, on the basis of the annual financial statements closing on 31 December 2018, submitted by the Board of Directors on 12 March 2019, sees no reason why they should not be approved and gives its favourable opinion as regards the proposal for the allocation of the profits and distribution of the dividends submitted by the Board of Directors and hereby asks you to resolve in this regard.

Rimini, 27 March 2019

(Mr. Massimo Gatto) (Mrs. Paola Simonelli) (Mrs. Simona Muratori)