Annual Financial Report at December 31, 2017

Contributing to the wellness of people through informed food choices, promoting a culture of plant-based foods, educating about healthy nutrition with responsibility and passion: this is Valsoia Spa, which has, not coincidentally, its primary mission "wellness and health" in its logo.

A company that holds a prominent place within the landscape of Italian companies and maintains a leadership role thanks to the quality of its products, the strength and reputation of its brand and a long-term commitment to research and innovation.

* marchio in distribuzione per l'Italia

To live a better and healthier life through our nutritional choices every day, this is the MISSION of Valsoia Spa. An Italian company that strives every day to offer a sound dietetic-nutritional response to the increasing demand for health and well-being.

QUALITY AND EXPERIENCE

Valsoia champions “plant-based nutrition” and “healthy eating” connected to the cultural values of quality and selecting excellent ingredients. Well-designed and controlled processes back up the precious know how we have gained over decades of experience. Valsoia is always actively researching products that are good, healthy and safe and therefore made with precious and unique ingredients.

NUTRITION RESEARCH

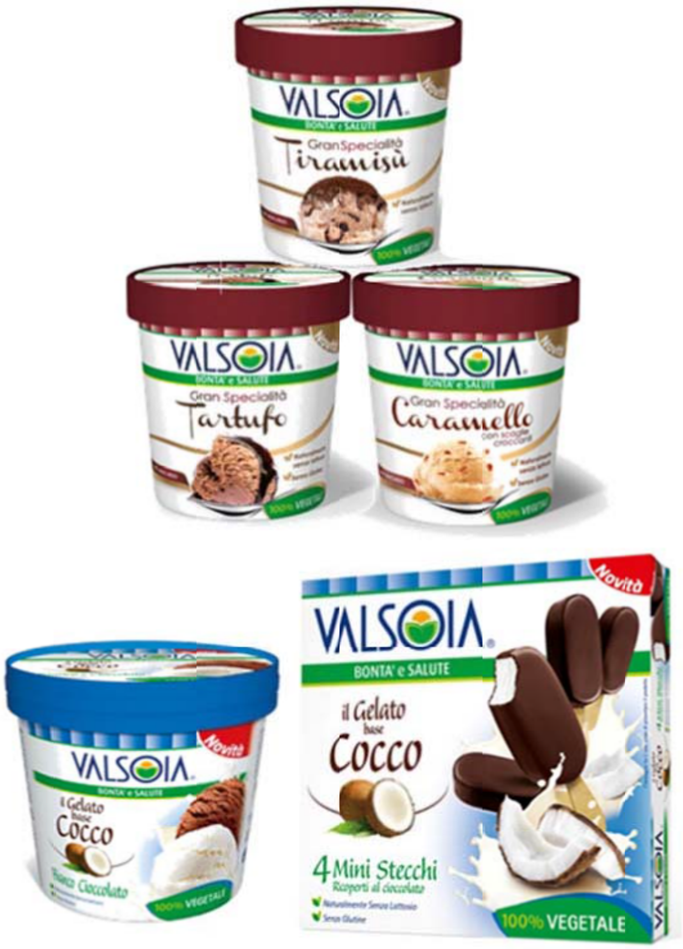
Our constant focus on recipes, the creation of new tastes and the selection of raw materials has led to improvement in the flavours and the realization of new proposals, so as to satisfy the ever-growing variety and complexity of the demand for nutritious foods.

PRODUCT VARIETY

Currently we offer plant-based alternatives, beverages, ice-creams, yoghurt, desserts, cookies, main dishes, cheeses and dressings all sold under the Valsoia trademark; moreover, our products include the Santa Rosa preserves and sorbets, marks of excellence in preserves and fruit processing and the Pomodorissimo tomato sauces, characterised by their unmistakable flavour.

ITALIAN TRADITION

All our products follow the nutritional tradition of Italy. Al the products are healthy and of high quality, ideal for the entire family and they are appropriate for every moment of the day, from breakfast to dinner. Our products feature the simplicity of the flavours that are the result of our careful preparation, distilling the experience of the best nutritionists.



New:

GREAT ICE CREAM SPECIALTIES: cashew-based and coconut-based

The CASHEW-BASED SPECIALTY is a creamy ICE CREAM with an intense and enveloping taste, available in 3 flavors: Caramel with crunchy bits, Tiramisù and Tartufo.
The COCONUT-BASED SPECIALTY enhances the freshness of the coconut in a creamy and tasty ICE CREAM, available in the variations "Mini stick bar" coated with chocolate and "Bucket" in Vanilla and Chocolate flavors.

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1 / General information

GENERAL INFORMATION

Corporate offices and positions

Board of Directors [(1)]

Chairman	Lorenzo Sassoli de Bianchi
Vice-Chairman	Furio Burnelli
Vice-Chairman	Ruggero Ariotti
Honorary Chairman	Cesare Doria de Zuliani
Chief Executive Officer and General Manager [(2)]	Andrea Panzani
Directors	Susanna Zucchelli
	Francesca Postacchini
	Gregorio Sassoli de Bianchi
	Camilla Chiusoli

Board of Statutory Auditors [(1)]

Chairman	Gianfranco Tomassoli
Statutory Auditors	Claudia Spisni
	Massimo Mezzogori
Alternate Auditors	Massimo Bolognesi
	Simonetta Frabetti

Supervisory Board [(3)]

Chairman	Gianfranco Tomassoli
Standing members	Angelo Castelli
	Maria Luisa Muserra

Independent Auditors [(4)]

KPMG S.p.A.

Manager in charge of financial reporting [(5)]

Carlo Emiliani

(1) Appointed on April 28, 2017, in office until the approval of the 2019 Financial Statements.

(2) Chief Executive Officer (since April 23, 2015) and General Manager (since February 4, 2014).

(3) Appointed on December 19, 2016, in office until the approval of the 2019 Financial Statements.

(4) Appointed on April 23, 2015, in office until the approval of the 2023 Financial Statements.

(5) Appointed by the Board of Directors on June 7, 2006. Since 2001, Executive in Valsoia S.p.A.
Auditor. Enrolled in the Register of Chartered Accountants and in the Register of Auditors of Ravenna.

VALSOIA SpA

Corporate data and Group structure

Company Name: Valsoia S.p.A.
Registered office: Via Ilio Barontini 16/5 - 40138 Bologna (BO) - Italy
Telephone: +39 051 6086800
Fax: +39 051 248220
Certified email: valsoia@legalmail.it
Website: www.valsoiaspa.com – section Investor Relations

Share Capital - fully paid up: 3,503,024.91
Tax Code and registration number in the Companies Register of Bologna: 02341060289
VAT No.: 04176050377
Member of the Chamber of Commerce of Bologna: Bologna: no. BO-338352

Production facility:
C.so Matteotti 13 - 13037 Serravalle Sesia (VC) – Italy

The structure of the Valsoia Group, at December 31, 2017, in addition to the parent company Valsoia S.p.A., included the following subsidiaries:

Company Name	Share Capital	Main office	% Held
Valsoia Pronova d.o.o.	€ 100,000	Ljubljana (Slovenia)	100

At the closing of this period, Valsoia does not own any other investments above 10% of the share capital, represented by shares with rights of voting, in non-listed companies, nor does it own shares in limited liability companies.

The Company has no branch offices.

Valsoia S.p.A. has decided to take the option authorised by art. no. 70, par. 8 and art. 71, par. 1-bis of Consob Regulation no. 11971/99 (as amended) and therefore to dispense with the obligation to provide disclosure to the public in the event of significant mergers, spin-offs, share capital increases through contributions in kind, acquisitions and disposals.

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Director's report

Annual Financial Report at December 31, 2017

YEARLY FINANCIAL REPORT AT DECEMBER 31, 2017

Key financial highlights

Income statement ratios (EUR 000)	12.31.2017		12.31.2016		Change	
	EUR	%	EUR	%	EUR	%
Sales revenue	111,932	100.0	114,783	100.0	(2,851)	(2.5)
Value of production	112,659	100.6	115,393	100.5	(2,734)	(2.4)
Gross Operating Result (EBITDA) (*)	11,823	10.6	14,132	12.3	(2,309)	(16.3)
Operating result (EBIT)	9,883	8.8	12,203	10.6	(2,320)	(19.0)
Pre-tax profit	9,589	8.6	11,679	10.2	(2,090)	(17.9)
Net profit for the period	6,924	6.2	8,794	7.7	(1,870)	(21.3)

(*) The interim result is not defined as an accounting measure pursuant to the IFRSs, therefore the definition criteria for this parameter may not be consistent with those adopted by other companies.

Income statement ratios (EUR 000)	12.31.2017	12.31.2016	Change
Current non-financial assets	24,325	23,465	860
Current non-financial liabilities	(21,057)	(19,575)	(1,481)
Net working capital	3,268	3,890	(621)
Other net operating assets/(liabilities)	(1,126)	(137)	(989)
Total non-current assets	42,882	34,632	8,249
Total INVESTMENTS	45,024	38,385	6,639
Shareholders' equity	60,143	56,868	3,275
Current net financial position (assets)	(15,837)	(19,287)	3,450
Non-current loans and borrowing	718	804	(86)
Net financial position	(15,119)	(18,483)	3,364

Total SOURCES	45,024	38,385	6,639

Economic and financial performance indicators	12.31.2017	12.31.2016
ROE (Net profit for the period/Shareholders' equity)	11.5%	15.5%
ROI (EBIT/Total investments)	21.9%	31.8%
ROS (EBIT / Sales revenue)	8.8%	10.6%
EBITDA margin (EBITDA (*)/Sales revenue)	10.6%	12.3%
Shareholders' equity /Total non-current assets	1.40	1.64
Shareholders' equity /Total non-current loans and borrowings	1.42	1.67
Acid test (Current net financial pos. + Current non financial assets)/Current non financial liabilities	1.91	2.18
Debt ratio (Current net financial pos. + Non-current loans and borrowings)/Shareholders' equity	n.a.	n.a.

Main events for the period and business performance

The year 2017 showed a recovery in values of the total consumptions of Grocery Italia at +3.1% vs 2016, for a total of EUR 65.5 billion (Nielsen Source, channels total).
In the Grocery sector, the market share of the major brands is slightly lower than the private labels and unbranded products.
Within the same area, the segments "Benessere" (Wellness) and "Salutistico" (Health food) explain one third of the growth (Nielsen source) with a strong increase in the Company's presence at the sales points. However, this presence is characterised by the increasing fragmentation of the supply and consequently a less distinct definition of the related markets, with products dedicated to "intolerances", "diets" or more generically "natural" and "biological" products.

In particular, the health food market, where Valsoia S.p.A. operates (hereinafter also the "Company"), has recorded in 2017, in terms of total plant-based references at the sales points, an additional strong growth from 853 to 1,128 total references (+32% versus the year 2016).
This strong increase should be added to those of previous years, highlighting an extraordinary "shelf overcrowding" of alternative plant-based products which have tripled in the last four years the number of 2013 references, which had reached at that time 385 (Nielsen source).
However, consumptions in the health food markets where Valsoia operates have grown far less than the related on-shelf supply standing at an annual total value, in 2017, of EUR 417 million (+6% versus the previous year - Modern Distribution) showing, especially in the last few months of 2017 an additional sensitive slowdown.
This picture of the market is also explained by the current, as described above, excess in supplies which causes difficulty for the consumers to figure out and choose within a still young, "functional" market, frequented also by as many "new" consumers who need more stable trademark references that are credible and reassuring.

The markets where the Company operates with the "Santa Rosa Confetture" (preserves) and "Pomodorissimo" (tomato sauce and pulp) brands showed an increase for the preserves (+3.3% Modern Distribution) and a decrease for the tomatoes (2% M.D.).
In 2017, consumption in the segment of liquid sweeteners was up (+6.7% M.D.) and recently dominated by the Company following the acquisition, concluded in October 2017, of the Business unit "Diete.Tic", a leader in this segment.

The year 2017 ended for Valsoia S.p.A. with sales revenue totalling EUR 111.9 million (-2.5% compared with the previous period) within a context of strong turbulence that affected particularly the health food markets, where the Valsoia trademark has confirmed its undisputed leadership both in terms of value and volume.

A reduction in the delay that was cumulated in the first nine months of the year was evident thanks to a fourth quarter substantially stable in terms of total revenue (+0.3% versus the same period) and it also showed a good recovery trend of the EBITDA for the period, which stood stable in the second half of 2017.
As regards the health food segment, 2017 was essentially characterised by the simultaneous entrance into the market of plant-based ice cream from all the main national and international ice cream players, with plant-based and lactose-free milk versions of their lines, together with the launch of numerous private labels, with an offer still of the "me too" products from the leader Valsoia.
The excessive shelf crowding that followed generated confusion and difficulties in the interpretation of the supply by the consumer, also following a significantly lesser exposure and visibility of the leader Valsoia.
Therefore, despite the exceptionally hot summer of 2017, the total consumption of the plant-based ice cream market, although growing from the negative figures in 2016, stood only at the level of the two previous years (hot summer of 2015), without exceeding them (Nielsen source).
In this adverse context, the performance of the Valsoia trademark was excellent, stabilising its ice cream consumption share, in the summer and fall periods, above 70%, with rotations that doubled, on average, compared with those of the competition.

More in general, all the consumption market shares of Valsoia in the health food segments in which it operates remained stable in the second half of the year, except for the line "frozen alternatives to meat" which was negatively affected by an overcrowding of competitors' products and by a simultaneous decrease in consumptions within the entire frozen segment.

Within the health food market, Valsoia reacted by defending and confirming its role of leader and its premium position by:

(i) maintaining strong advertising pressure, with a "share of voice" exceeding 60%;

(ii) increasing significantly trade marketing activities (+16% in the health food segment);

(iii) strengthening its internal and external organisation (as an example only: the strengthening of the Trade Marketing and the outsourcing, starting in the second half year, to a company of "sell out specialists" focusing on sales points);

(iv) continuing its R&D work achieving 70% coverage of its product portfolio with "sensory product testing" and launching new products and formats in particular in the area of plant-based alternatives within the "fresh" and "frozen" segments;

(v) continuing its distribution work concerning important innovations already launched in the last part of 2016 covering the most relevant segments of the business: Plant-based yoghurt, fresh plant-based alternatives to meat, almond-based ice cream, frozen alternatives to already-prepared pasta dishes and dressings. The new lines have already demonstrated excellent results in sales and rotations, always remaining at the top of their respective categories. However, the excessive shelf crowding by the new players has heavily penalised the entry speed of the Company's products;

(vi) completing a very demanding work in fine-tuning the ice-cream portfolio for the US market and starting a presentation of the products to the large retailers for the 2018 season, thanks to an agreement executed by the Valsoia USA distributors with a sale organisation consisting of 200 sales people covering the entire USA market.

As regards the "Santa Rosa" line, the following should be noted:

(i) the growth of the distribution of the "Santa Rosa" preserves that have reached 70 points in weighted average within the Modern Distribution channel, thus improving its coverage by about 10 points in 12 months;

(ii) the good performance in terms of rotations of the new preserve lines launched in the area of wellness and "superfuit" with a great distribution potential still to be exploited;

(iii) maintaining its strong leadership role in "share of voice" within a market that has seen a return to advertising by some of its major players;

(iv) the excellent performance in terms of "consumption" of the brand (+9.1% in volumes) which in 2017 grew definitively faster than the market (+1.1% in volumes, Nielsen source).

In 2017, the Company launched an important internal project for the development of human resources with a particular focus on the growth of Key people and potential talents, incentivising the growth in skills and role profiles. Since November, a new Organisational and Control Management Department was created with the objective of contributing to the development and coverage of the prospects for growth of the Company.

The increase in some expenditure items aimed at the protection in particular of the trademark "Valsoia Bontà e Salute" was offset by corresponding optimisation projects, in particular concerning the costs of purchases and logistics. Considering the total turnover of the Company, the incidence of total business expenditures, cost of sales and distribution was substantially stable. Conversely, slightly higher was the incidence of the overheads (more than 0.93 percentage points) to be entirely attributed to the expenses incurred for the acquisition of the "Diete.Tic" trademark.

In this regard the Company concluded, in October, the acquisition of the Business Unit "Diete.Tic", a leader in the segment of liquid sweeteners and the first reference point in sales volume within the entire sweetener market in Italy. This operation involved the recording of acquisition charges for EUR 424 thousand, together with an extraordinary cash disbursement of EUR 8.8 million. With this acquisition the Company is entering, through a leader in the liquid segment, the strategic segment of sugar alternatives.

The EBITDA of the Company, stable in the second half of 2017 (compared with the previous period) stood at EUR 11.8 million (-16.3% compared with the previous period) for a net profit of EUR 6.9 million, down compared with the 8.8 million of the previous year (-21.3%). The contraction in EBITDA is due primarily to a reduction in volumes of the "Salute" division, together with higher expenses, although una tantum, for the acquisition of "Diete.Tic". It should also be noted that the 2016 profit had benefited by EUR 449 thousand from non-recurrent tax effects.

The Company shows, at the end of 2017, a positive Net Financial Position of EUR 15.1 million, down from EUR 18.5 million at the end of the previous year, to be attributed to the disbursement carried out during the period for the acquisition of the Business Unit "Diete.Tic" in the amount of EUR 8.8 million.

Products and revenue performance

Valsoia S.p.A. produces, distributes and markets mass consumption food products with a particular focus on health foods.

The Company's mission is to provide solutions and stay ahead of the requirements of consumers insofar as health and well-being, with food products which are guaranteed in terms of their focus on health and it continues to be perceived by consumers as a leading company in terms of quality.

The Company's products are distinguished by the following trademarks:

VALSOIA BONTA' E SALUTE

Valsoia offers a broad range of plant-based products, for the entire family. Valsoia products provide healthy nutrition which is varied and very tasty, every day.

NATURATTIVA

Naturattiva offers many plant-based specialities, made with soy and rice, and exclusively with organically grown ingredients.

VITASOYA

Vitasoya Soyadrink is a natural, high quality product with an excellent flavour. Thanks to its nutritious and balanced recipe, it is the ideal beverage for staying in shape and eating well beginning with breakfast.

SANTA ROSA

Santa Rosa, a historical brand in the Italian food tradition, offers high quality preserves choosing only fruit of superior quality through strict purchase specifications.

POMODORISSIMO

This is a line of products created using only Italian tomatoes, which are carefully selected and processed based on the exclusive "Sapore crudo" [raw flavour] recipe, which ensures that the characteristics of the tomato remain unchanged after it is picked.

DIETE.TIC

Acquired in October 2017. Liquid sweetener, sugar replacement, with a unique and patented formula. Completely calorie free, does not alter the flavour of food and beverages and is highly soluble.

Valsoia also distributes the following products in Italy:

WEETABIX

A range of whole wheat cereals for a healthy breakfast. Products from the Weetabix Food Company, an English company with a long history and tradition. They are unique, loved and appreciated worldwide and exclusively distributed in Italy by Valsoia.

The following table shows the sales results in Italy broken down by the main product lines.

Description (EUR 000)	12.31.2017		12.31.2016		Change
	EUR	% Inc.	EUR	% Inc.	%
Valsoia Bontà e Salute Products	57,800	51.6%	60,022	52.3%	-3.7%
Santa Rosa Products	26,639	23.8%	27,259	23.7%	-2.3%
Other products (a)	23,069	20.6%	23,854	20.8%	-3.3%
Total Italian revenue	107,508	96.0%	111,135	96.8%	-3.3%
Sales abroad	4,424	4.0%	3,648	3.2%	21.3%
Total revenue	111,932	100.0%	114,783	100.0%	-2.5%

(a) Other trademarks and industrial products

After the first nine months of 2017, with delayed sales revenue compared with the same previous period (-3.3%), the Company recorded in the fourth quarter stable sales revenue (+0.3% versus the same previous period) closing 2017 with a decrease in revenue of EUR 2.8 million (-2.5%) compared with 2016.

More specifically, the "Valsoia Bontà e Salute" brand recorded a decrease of EUR 2.2 million to be attributed to the performance of the Italia ice cream and alternative frozen product lines for the reasons explained above.

Within the health product portfolio, the stabilisation of the market shares in the second half of 2017 is noted, except for the already cited frozen alternatives to meat.
The good performance of the "Valsoia" brand, in the presence of the extraordinary crowding among competitors, underlines the fundamental role of a leader, in a still small market, as a guarantee of the credibility and value of the market itself, launching necessary initiatives aimed at the choice of supplies on the shelves.

It is believed that this operation for category simplification, involving the elimination of many unbranded products with a low rotation, should start as soon as possible, not only to benefit the leaders and main player specialists of these "functional" markets, but also to ensure the continuous presence of private labels, in support of the recovery of a growth in consumption and values which are currently being slowed down by an excessive crowding.

The results obtained by "Santa Rosa" preserves were very positive, recording sales revenue up by 7.1% compared with the previous year. The preserves benefit from a strong distribution growth and a broad assortment at the sales points, together with an excellent performance in rotation. Also in terms of market share, 2017 recorded, for the "Santa Rosa" preserves, a definite growth, from 8.1% in 2016 to 8.7% at the end of 2017. As regards the preserves, a good performance was also registered in the sales of the two new lines launched in 2016, particularly in the area of healthy "super fruits" which have gained a lot of attention from the consumer.

Conversely, negative results were noted for the tomatoes which showed a decrease in sales by EUR 1.9 million to be entirely attributed to the continuous downturn and speculative trends on transfer prices, with which the Company did not align, thus renouncing to non-profitable volumes.

The Santa Rosa product line (preserves and tomatoes) therefore experienced, overall, a decrease in sales revenue (-2.3%) compared to last year, due entirely to "Pomodorissimo".

The Positive export results were very interesting as they further improved the excellent performance of the previous year, closing 2017 with a 21.3% increase. In this area, the opening of some European and American markets continued: the grounds were prepared for a continuous collaboration in 2018 with an additional 50 retailers between the EU and the USA with a coverage of approximately 9,000 points of sale.

Finally, positive is the start-up of the "Diete.Tic" brand, beginning in October. The fall months were dedicated to the necessary operations for the realignment of the agreements with the Trade. However, the orders received were slightly above expectations. In the same period, the works for the transfer and assembling of the production lines in spaces specifically set up in the Serravalle Sesia plant, started.

Investments

In 2017, some investments in property, plant and equipment, intangible assets and goodwill were carried out for a total of EUR 10.2 million of which EUR 8.8 million related to the assets and goodwill that are part of the Business Unit Diete.Tic. In addition to this operation, the other main investments concerned the purchase of plant and equipment for the production of ice creams and preserves, and the extraordinary restructuring works at the Serravalle Sesia plant.

Analysis of the statement of financial position

The following table shows the breakdown of the Net Financial Position at December 31, 2017 and 2016.

Description (EUR 000)	12.31.2017	12.31.2016
Cash	3	4
Current accounts and bank deposits	15,934	19,381
Total cash and cash equivalents (A)	15,937	19,385
Current loans and borrowings (B)	(100)	(98)
Current net financial position (C=A-B)	15,837	19,287
Non-current loans and borrowings (D)	(718)	(804)
NET FINANCIAL POSITION / (INDEBTEDNESS) (E=C+D)	15,119	18,483

The net financial position of the Company at December 31, 2017, is positive with EUR 15.1 million, down by EUR 3.4 million compared with 2016.
As explained above, this reduction is due to a cash disbursement of EUR 8.8 million for the acquisition of the Business Unit "Diete.Tic" which, in addition to the purchase of other property, plant and equipment and intangible assets, took the total expenditure for investments by Valsoia in 2017 to EUR 10.2 million.
The current management of the operating assets, including changes in the working capital, and the taxes paid for the year, generated a positive monetary flow of EUR 10.6 million.
In the same period, dividends for EUR 3.5 million were distributed.

Main risks and uncertainties to which the Company is exposed

Risks of a financial nature and derivative instruments

Foreign Exchange Risk

The Company purchases raw materials for its production in the international market and carries out business transactions in Euros and, as regards foreign currencies, in US dollars.

The foreign exchange risk derives primarily from soy purchase transactions on the US dollar markets.

During the period, the Company carried out currency forward purchase operations. The financial impact of these operations, carried out for hedging purposes but not meeting all the requirements set forth in the IAS/IFRS standards, are fully recognised in the statement of comprehensive income for the period; in particular, at the closing date of the period, some foreign exchange transactions on financial derivative products (forward purchases), the designation of which at fair value involved the recognition, in the income statement, of a negative component of EUR 12 thousand, recorded in the Statement of financial position under Non-current payables due to banks, were being carried out.

Credit Risk

The Company deals with customers who belong primarily to the large-scale retail sector, and which have historically shown an overall limited insolvency rate. Therefore, the Company monitors carefully the quality of its receivables in terms of risk control.

Interest Rate Risk

Given the capital and financial structure of the Company, also following the early repayment of medium-long term loans occurring in this period, it is believed that Valsoia is not particularly exposed to the risk of changes in the interest rates.

Cash and changes in Cash Flows risk

Considering the positive net financial position and the strong capacity to generate cash flows from operations, the risk from changes in the cash flows is estimated to be relatively low. Valsoia was also granted significant credit facilities, not used to date, granted by the banks, which are more than adequate with respect to its current needs.

Operating risks

Risks related to the food/health sector

Although Valsoia guarantees effective quality control on its own production and on externally acquired products through a constant monitoring of raw materials, production processes and finished products, it cannot be excluded that, similarly to any other company operating in the food sector, the accidental contamination of the product by external agents, unpredicted in the formulation of the product, may occur.

In particular, Valsoia has always chosen to use only raw materials that are not genetically modified. For this purpose, the Company requires certifications from all the suppliers of raw materials, as a proof of their GMO-free status. In addition, the Company requires CSQA certifications to confirm the absence of genetically modified organisms both in the raw materials used and in the finished products; however, Valsoia cannot exclude their accidental presence in marketed products.

In general, contamination of products by external agents, including genetically modified organisms above the tolerance threshold, would involve a recall of the products from the market, with related financial burdens, as well as the risk of penalties charged to the Company and to any responsible individual. It also cannot be excluded that, if the use of food produced by Valsoia causes harm to the health of the consumers, the Company may be subject to compensation claims or actions due to these events.

Risks related to safety at the workplace and environmental damages

Valsoia owns and manages a production facility in Italy, Serravalle Sesia (VC) for the production of some of the main products of the Company. Valsoia believes that it operates in full compliance with the regulations concerning occupational safety and the protection of the environment. However, it cannot be excluded that, for accidental reasons, the operations at the facility may cause harm to the employees of the Company, to third parties or to the surrounding environment.

Risks related to operations carried out at the production facilities of third parties and providers of logistic services

In addition to the Serravalle Sesia production facility, the Company partners with third parties for the supply of some products.

The marketing of products in Italy is carried out through a network of distribution centres specialised in the distribution logistics of food products.

The production facility, the suppliers and the distribution centres are subject to ordinary operating risks, including, but not limited to: malfunctioning of the equipment, non-compliance with applicable regulations, revocation of permits and licenses, insufficient labour force or work disruptions, circumstances that may involve an increase in production or transport costs, natural disasters, significant disruptions in the supply of raw materials or semi-finished products, and terrorist attacks.

Any sudden and extended business disruption, due to the aforementioned events and other events, may have a negative impact on the financial results of the Company. The use of products and distributors involves also some additional risks and charges among which are the resolution of a contract and less control on the supply/production chain. Any delay or defect in the supplied products or services, as well as the disruption or termination of existing agreements without alternative solutions available in the short term, can have a negative impact on the activities and financial results of Valsoia.

Risks related to relationships with purchasing centres

Valsoia offers its products to large scale retail distribution and boasts several hundred customers. In Italy, within large scale retail distribution, it is normal practice that the execution of trade agreements with the suppliers is carried out for the most part by a limited number of purchasing centres involving a large portion of the Italian current distribution. Even if, despite the relative degree of independence of each single affiliate, the possibility of the direct contact of Valsoia with the individual customers cannot be excluded, each centre avails itself of a significant contractual power in defining terms and conditions, and a possible termination of relationships with one or more of these centres may have a strong negative impact on the financial results of the Company.
Therefore, Valsoia, given the recognition of its trademarks, the high reputation of the services associated with its products and the efficient distribution network, has maintained for many years strong business relationships with all the main Italian purchasing centres.

Risks related with the termination of distribution contracts on behalf of third parties

Currently, 2% of the Company's revenue derives from the distribution of third party products.
A termination of these relationships would have a negative impact on the financial results of the Company.

Other general risks

Risks related to the competition

Given the fact that the Company operates in the consumer packaged food products sector, currently characterised by increased dynamics without particularly high entry barriers from a production perspective, an increase in competition by current and new competitors operating in related sectors, cannot be excluded.
An additional increase in competition could have negative impacts on the profitability of the company; therefore, Valsoia, a company leader in the main market segments in which it operates, has been developing for years a careful marketing policy aimed at strengthening its trademarks, already widely recognised and established.

Risks related to the price volatility of raw materials

The prices of raw materials used by the Company are subject to the volatility of the relevant markets. This situation concerns also the other costs for production, transport and distribution of the products that are, in many cases, directly affected by the fluctuations in oil prices.

In this uncertain scenario, an increase in the prices of the raw materials used that would result in a negative impact on the Company's margins cannot be precluded.

Significant events after the reporting period and business outlook

In the early months of 2018, the performance of total sales of the Company was in line with that of the previous period, with good results shown in particular in the segments of "Santa Rosa" and "Diete.Tic", the new brand entered into the trademark portfolio of the Company since October 2017.

Sales abroad were very positive.

In a slight delay was the health product segment, which was carefully monitored in order to address the excessive shelf crowding with competitors' products.

In the early months of the year, the Company implemented a change in the sales structure in Italy, shortening the governance chain of the sales networks. The expected results from this operation consist of a greater efficacy and a better time to market of sales transactions and trade marketing. These benefits are expected in the second half of the year.

Consumer and trade marketing activities continue, together with the publicity in support of the Brands and their premium positioning while waiting for the market dynamics to normalise.

Other Information

Personal Data Protection Code.

The Board of Directors has updated its Report on the data privacy system (former "DPS") for the year 2017. The Report contains the following information: data processing, distribution of tasks and responsibilities, analysis of the risks associated with data, security measures adopted, description of the information system, planning of training events and the listing of data processing assigned abroad. It should also be noted that the system and the procedures for privacy management are currently under way in order to implement the most relevant legislative changes that were introduced along with the new EU Regulations on privacy (Regulations EU of April 27, 2016 no. 2016/679/EU) which will enter into effect on May 25, 2018.

Transactions carried out with the parent company and with related parties

In addition to transactions with the parent company and its subsidiaries and affiliates, Valsoia also carried out transactions with related parties the economic and financial impact of which was not significant, which were in any case carried out at arm's length. For further details, please refer to the Notes to the Financial Statements. Furthermore, the Procedure for transactions with related parties, originally adopted by the Company on November 11, 2010 is being updated; for further information, see the updated procedure that will be posted on the web site www.valsoiaspa.com following its approval.

Atypical and/or unusual transactions

Pursuant to CONSOB Communication DEM/6064293 of July 28, 2006, it is hereby specified that, other than what has been indicated above, the Company has not carried out any atypical and/or unusual transactions.

Management and co-ordination activities

Though controlled by Lorenzo Sassoli de Bianchi, the Chairman of the company, through Finsalute S.r.l., Valsoia S.p.A. is not subject to the management and coordination of the latter pursuant to Articles 2497 et seq. of the Italian Civil Code. This situation is demonstrated, inter alia, by Valsoia's independence in its negotiations with customers, suppliers and the banking system.

Report on Corporate Governance and Ownership Structures

The Board of Directors has prepared a Report on Corporate Governance and Ownership Structures as required by Article 123-bis of Legislative Decree 58/1998. This document is available for viewing on the company's website www.valsoiaspa.com under the Investor Relations section.

Treasury shares disclosures

At December 31, 2017, the Company had no treasury shares in its portfolio.

Dividend bearing shares, convertible bonds and other securities issued by the company

Neither dividend bearing shares nor bonds convertible into shares were issued.

Research and development

In 2017, the Company's Research and Development activities covered numerous areas including those listed below.

New product lines

Research and development of new 100% plant-based products representing a plant-based alternative to existing and established animal-based products, with great health contents, in addition to high organoleptic properties; in particular, the research activities focused on:

- new substitutes and/or plant-based alternatives to meat products introduced into in the "fresh" (+2/+4°C) and "frozen" segments;
- new lines and products within the area of "plant-based" ice creams, developed as alternatives to soy;
- a new line of plant-based yoghurt;
- a new line of plant-based products as alternatives to cold cuts;
- an increase in the plant-based beverages and mixes other than soy.

Some of these new products will be launched in early 2018.
As regards the food division:

- research of new products consistent with the image and the positioning of the Santa Rosa trademark.

Review of the existing product portfolio

The activities of the Company have also focused on the research of new variants in terms of the flavour and/or nutritional or health properties of the products in the portfolio. The Company has also conducted several sensory researches on the existing products and innovations, implementing the indications obtained for improvements.

Information on energy savings

In 2017, Valsoia renewed the certification with the certification entity Cermet pursuant to UNI ISO 50001 (Energy Management). This certification made it possible to consolidate energy analysis procedures and methodologies, which during the year resulted in energy savings, on a unit basis, of 6.0% compared to the previous year.
These savings are combined with the annual savings of 106,900 kWh, achieved from the photovoltaic system installed in 2011.

Valsoia is not subject to the emission trading scheme as it does not own combustion plants with heating power in excess of 20 MW.
In 2017, Valsoia received no definitive fines or penalties for environmental offences or damages.

Information on the Personnel

The table below shows the changes concerning the employees or similar personnel during 2017.

Personnel	12/31/2016	Resignations/ Terminations	Hires	Internal movements	12/31/2017	Change
Executives	10	-1	+1	-	10	-
Employees and managers	83	-5	+10	-	88	+5
Factory workers	25	-2	+1	-	24	-1
Co.co.co(*)	1	-	-	-	1	-
	119	-8	+12	0	123	+4

(*) Coordinated and on-going cooperation (BoD members excluded)

In addition to the fixed personnel in the establishment included in the data above, in 2017 28,408 hours of seasonal work were used for the production of ice cream (31,572 in 2016).

As shown by the results above, in 2017 the Company increased its workforce by 4 units. This increase is mainly related to newly hired employees in the areas of Marketing, Trade Marketing and IT, in addition to the newly established Organisation and Control Management Department.

The ratio of hires to terminations shows that the personnel turnover is quite limited.

The total annual days of absence due to illness were approximately 650 (on the average 5 days per person, slightly higher than in 2016).

It should be noted that, in order to further improve the level of occupational health and safety, reduce progressively the costs and increase efficiency and services, in 2017 the Company implemented the safety management system which had begun in 2008 with reference to the UNI-INAIL guidelines of September 28, 2001.

Investments in Valsoia S.p.A held by members of the bodies of administration and control, and managers with strategic responsibilities

The table below shows the changes that took place during the year in the investments held by members of the administration and control bodies and managers with strategic responsibilities, also through fiduciary companies or subsidiaries or held by individuals that are very closely connected to them: under aged children and spouses that are not legally separated from them.

Name and surname	Position	Number of shares at 12/31/2016	% Share Cap.	Changes in the period	Number of shares at 12/31/2017	% Share Cap.
Lorenzo Sassoli de Bianchi	A	6,718,875	63.295	-55,000	6,663,875	62.777
Ruggero Ariotti	B	614,778	5.791	-	614,778	5.791
Cesare Doria de Zuliani	D	301,413	2.839	-	301,413	2.839
Furio Burnelli (a)	B	1,033,357	9.735	-75,000	958,357	9.028
Gregorio Sassoli de Bianchi	E.	2,000	0.019	-	2,000	0.019
Susanna Zucchelli	E.	-	-	-	-	-
Francesca Postacchini	E.	-	-	-	-	-
Gianfranco Tomassoli	F	-	-	-	-	-
Massimo Mezzogori	G	-	-	-	-	-
Claudia Spisni	G	-	-	-	-	-
Andrea Panzani	C, H	15,179	0.143		15,179	0.143
Camilla Chiusoli	E.	-	-	-	-	-

A Chairman of the Board of Directors
B Vice Chairman of the Board of Directors
C CEO
D Director – Honorary Chairman
E Director
F Chairman of the Board of Statutory Auditors
G Statutory Auditor
H General Manager
(a) Includes the shares held by spouse Angela Bergamini

Warnings

Valsoia S.p.A. is a joint stock company established in Italy, registered with the Companies Register of Bologna, with fully paid-up share capital of EUR 3,503,024.91 and registered office in Italy, Bologna, Via Barontini 16/5, listed on the MTA of Borsa Italiana S.p.A. (London Stock Exchange Group).

These financial statements were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and they are in compliance with the provisions issued in implementation of article 9 of Legislative Decree 9/2005, as has been done in previous financial years.

The term IFRS includes all the revised International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as the Standing Interpretations Committee ("SIC").

These financial statements for the financial year 2017 have been drafted in compliance with CONSOB Regulation no. 11971 of May 14, 1999, as amended by CONSOB Resolution no. 14990 of April 14, 2005.

As required by CONSOB Communication no. DEM/6064293 of July 28, 2006, we hereby specify that the classifications of income statement items contained in this Directors' Report reflect exactly the financial statements.

Allocation of profit for the period

Dear Shareholders, the financial statements that we submit to your attention show a profit of EUR 6,923,462.43

We propose to allocate:

- to the Legal Reserve	EUR 10,523.24
- to the extraordinary reserve:	EUR 3,409,914.28
- a dividend of EUR 0.33 for each of the 10,615,227 shares totalling:	EUR 3,503,024.91

We hereby propose that the dividends be paid on May 9, 2018, with record date May 8, 2018 and ex-date May 7, 2018.

Bologna, March 15, 2018

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

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Condensed Financial Statements

Annual Financial Report at December 31, 2017

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

STATEMENT OF FINANCIAL POSITION	Notes	December 31, 2017	December 31, 2016
CURRENT ASSETS			
Cash and cash equivalents	(1)	15,937	19,385
Trade receivables	(2)	15,061	14,512
Inventories	(3)	7,521	7,206
Other current assets	(4)	1,743	1,747
Total current assets		**40,262**	**42,850**
NON-CURRENT ASSETS			
Goodwill	(5)	8,198	3,230
Intangible assets	(6)	24,118	20,583
Property, plant and equipment	(7)	10,303	10,546
Financial assets	(8)	110	110
Deferred tax assets	(9)	0	442
Other non-current assets	(10)	153	163
Total non-current assets		**42,882**	**35,074**
TOTAL ASSETS		**83,144**	**77,924**

STATEMENT OF FINANCIAL POSITION	Notes	December 31, 2017	December 31, 2016
CURRENT LIABILITIES			
Current payables due to banks	(11)	100	98
Trade payables	(12)	17,871	16,245
Tax payables	(13)	456	1,114
Provision for risks	(14)	231	126
Other current liabilities	(15)	2,499	2,090
Total current liabilities		**21,157**	**19,673**
NON-CURRENT LIABILITIES			
Non-current payables due to banks	(16)	718	804
Provision for deferred taxes	(17)	619	0
Provision for post-employment benefits	(18)	507	579
Total non-current liabilities		**1,844**	**1,383**
SHAREHOLDERS' EQUITY	(19)		
Share Capital		3,503	3,503
Legal Reserve		690	690
Revaluation reserve		16,765	13,596
Other IAS/IFRS adjustments reserve		(1,002)	(1,002)
Other reserves		33,263	31,287
Profit		6,924	8,794
Total Shareholders' Equity		**60,143**	**56,868**
TOTAL		**83,144**	**77,924**

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

INCOME STATEMENT	Notes	December 31, 2017	December 31, 2016
VALUE OF PRODUCTION	(20)		
Revenue from sales and services		111,932	114,783
Changes in inventories of finished products		80	(185)
Other revenue and income		647	795
Total Value of production		**112,659**	**115,393**
OPERATING COSTS	(21)		
Purchases		(57,059)	(58,633)
Services		(33,632)	(32,281)
Cost of use of assets owned by other, of third party assets		(514)	(546)
Labour costs		(8,406)	(8,629)
Changes in raw materials inventory		234	(93)
Other overheads		(1,459)	(1,079)
Total operating costs		**(100,836)**	**(101,261)**
GROSS OPERATING RESULT (EBITDA)		**11,823**	**14,132**
Amortisation and depreciation	(22)	(1,940)	(1,929)
Net operating result (EBIT)		**9,883**	**12,203**
Net financial income/(charges)	(23)	(294)	(524)
PRE-TAX PROFIT (LOSS)		**9,589**	**11,679**
TAXES			
Income taxes	(24)	(1,605)	(2,235)
Deferred tax assets/liabilities		(1,060)	(1,099)
Taxes - non-recurring effects		0	449
Total Taxes		**(2,665)**	**(2,885)**
PROFIT (LOSS) FOR THE PERIOD		**6,924**	**8,794**
Basic EPS	(25)	0.652	0.828
Diluted EPS		0.652	0.826

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

STATEMENT OF COMPREHENSIVE INCOME	Notes	December 31, 2017	December 31, 2016
PROFIT (LOSS) FOR THE PERIOD		**6,924**	**8,794**
OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH MAY BE SUBSEQUENTLY			
RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD			
Valuation of MtM derivatives on interest rate hedging operations		0	0
Tax effect		0	0
Total		**0**	**0**
OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH WILL NOT BE SUBSEQUENTLY			
RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD			
Actuarial gains/(losses) for IAS 19		0	(19)
Release of cash flow hedging provision		0	170
Total		**0**	**151**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (LOSS)		**6,924**	**8,945**

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED AT		December 31, 2017	December 31, 2016
A	**Opening short-term net cash**	**19,287**	**22,212**
B	**Cash flow from operating activities for the period**		
	. Profit (loss) for the period	6,924	8,794
	. Income taxes	2,665	2,885
	. Net financial income/(charges)	294	524
	. Profit (loss) from statement of comprehensive income	0	0
	. Amortisation, depreciation and impairment losses Fixed assets	1,940	1,929
	. SOP Charges	(146)	146
	. Net change in provision and other non-monetary items	344	192
-	Cash flow from operating activities before changes in working capital	12,021	14,470
	. (Increase)/decrease in trade receivables	(764)	(1,068)
	. (Increase)/decrease in inventories	(345)	319
	. Increase/(decrease) in trade payables	1,626	1,209
	. Net change in other current assets/liabilities	(85)	1,331
-	Change in Working Capital	432	1,791
-	Changes in other operating assets/liabilities	(74)	(1,023)
-	Taxes paid during the period	(1,765)	(5,538)
	Total (B)	**10,614**	**9,700**
C	**Cash flow used in investment activities**		
-	Net increases in property, plant and equipment	(1,318)	(1,220)
-	Net increases in intangible assets	(73)	(85)
-	(Net) investments in Business Unit Diete.Tic	(8,800)	0
-	Net investments in financial assets	10	2
	Total (C)	**(10,181)**	**(1,303)**
D	**Cash flow used in financing activities**		
-	Increase/(decrease) in payables Non-current financing and net financial income/(charges)	(380)	(5,795)
-	Dividends	(3,503)	(5,750)
-	Share Capital Increase	0	53
-	Reclassification of Cash Flow Hedging provision	0	170
	Total (D)	**(3,883)**	**(11,322)**
E.	**Cash flow for the period (B+C+D)**	**(3,450)**	**(2,925)**
F	**Closing short term net cash (A+E) (*)**	**15,837**	**19,287**

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

STATEMENT OF CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVE	REVALUATION RESERVE/REALIGNMENT	ADJ. RESERVE IAS/IFRS	OTHER RESERVES	PROFIT/ (LOSS) FOR THE PERIOD	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 2015	3,450	690	5,401	(1,002)	32,958	11,978	53,475
Changes in 2016							
Allocation of 2015 profit					6,228	(6,228)	0
Dividends						(5,750)	(5,750)
Share Capital Increase	53						53
Allocation subst. tax reserve L. 282/2015			8,195		(8,195)		0
2016-2019 SOP charges					146		146
Comprehensive income (loss)							
- Result for the period						8,794	8,794
- Other items of the income statement					151	0	151
BALANCE AT DECEMBER 31, 2016	3,503	690	13,596	(1,002)	31,287	8,794	56,868
Changes in 2017							
Allocation of 2016 profit					5,291	(5,291)	0
Dividends						(3,503)	(3,503)
Allocation subst. tax reserve L. 232/2016			3,169		(3,169)		0
2016-2019 SOP charges					(146)		(146)
Comprehensive income (loss)							
- Result for the period						6,924	6,924
- Other items of the income statement					0	0	0
BALANCE AT DECEMBER 31, 2017	3,503	690	16,765	(1,002)	33,263	6,924	60,143

NOTES TO THE FINANCIAL STATEMENTS

Introduction

Valsoia S.p.A. ("Valsoia" or the "Company") is a joint stock company established in Italy, registered with the Companies Register of Bologna, with fully paid-up share capital of EUR 3,503,024.91, with registered office in Italy, Bologna, Via Barontini 16/5, listed on the MTA of Borsa Italiana S.p.A.

These financial statements for the financial year ended December 31, 2017 have been drafted in compliance with CONSOB Regulation no. 11971 of May 14, 1999, as amended by CONSOB Resolution no. 14990 of April 14, 2005.

These financial statements were prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and they are in compliance with the provisions issued in implementation of article 9 of Legislative Decree 9/2005, as has been done in previous financial years. The term IFRS includes all the revised International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as the Standing Interpretations Committee (SIC).

Valsoia, at the closing date of the financial year, holds a controlling equity investment in Valsoia Pronova d.o.o. (SLO). In consideration of the non-substantial impact of the financial figures of this subsidiary (See *Note 8*), Valsoia does not prepare consolidated financial statements. As provided for in the relevant accounting standards, Group reports will be prepared when considered relevant in terms of complete information on the financial and business results of the Group. The relevance will be based, inter alia, on the impact of the financial position and business volume shown by the subsidiaries, any indebtedness pertaining to them and any other factors that may be relevant for the user of the financial statements.

The financial statements include:

- the statement of the financial position at December 31, 2017, compared with the results of December 31, 2016. The statement of financial position provides a classification based on the current, or non-current, nature of the items comprising it, and in particular:
    - current assets are represented by cash or cash equivalents, by assets that are expected to be realised, sold or consumed during the ordinary operations of the company, by assets held for trading, by assets that are expected to be realised within twelve months from the reporting date. All other assets are classified as non-current;
    - current liabilities are the liabilities that will be presumably extinguished during the ordinary

operations of the company or within 12 months from the reporting date, or the liabilities that do not have an unconditional right to the deferral of their extinction beyond twelve months. All other liabilities are classified as non-current. Pursuant to Consob Resolution no. 15519 of July 27, 2006, the financial effects of the transactions with related parties, if significant, are recognised separately in the statement of financial position.

- The income statement for 2017, compared with the income statement of the previous year. In particular, it must be noted that the adopted income statement, compliant with the IAS 1 provisions, shows the following interim result, not defined as an accounting measurement according to the IFRSs (therefore it is possible that the definition criteria of such interim results may not be consistent with those adopted by other companies), since the Company's Directors believe that it contains significant information for understanding the Company's results:
    - Gross Operating Result (EBITDA): comprises the Net profit (loss) for the period, before taxes, gains and losses arising from financial operations, amortisation/depreciation and write-downs of fixed assets carried out during the relevant period.

Furthermore, pursuant to Consob Resolution no. 15519 of July 27, 2006, we note that the effects of the transactions with related parties and of the significant non-recurring events and transactions and/or atypical/unusual income transactions are shown separately in the income statement, if significant.

- Valsoia S.p.A.'s statement of comprehensive income for 2017, compared with the statement of comprehensive income of the same period of last year, prepared according to IAS 1.

- The statement of cash flows for 2017, compared with the statement of cash flows of the same period of last year. In preparing the statement of cash flows, the indirect method – by which the profit or loss of the period is adjusted based on the effects of non-monetary operations, by any deferral or allocation of previous or future operating income or payments and by items of costs and revenues related to the financial flows arising from investment or financial activities – was adopted. To ensure a better presentation of the cash flow information, the items Deferred tax assets and liabilities and Provision for post employment benefits were restated from previous years.

- The statement of changes in equity for 2017 and 2016.

- These Notes to the Financial Statements.

The presentation currency for the financial statements is the Euro and the financial statement balances and notes are expressed in thousands of Euro.

Management of financial risks

Please see the Yearly Financial Report - Directors' Report.

Purchase of the Business Unit “Diete.Tic”

Valsoia S.p.A., effective on October 2, 2017, has purchased from NATURALIA S.r.l. (a company that is part of Gruppo Industriale Maccaferri) a Business Unit related to the liquid sweetener “Diete.Tic” which, with a market share exceeding 80%, is currently the leading liquid sweetener in the Italian market, within its segment. The exclusive product is protected by a process and know how patent.
Within the Purchase Price Allocation of the purchase price of the Business Unit (EUR 9,229 thousand) carried out by the Company pursuant to the IFRS 3 Standard, the following acquired asset amounts were recognised:

- Trademarks	EUR	1,278 thousand
- Patents and know how	EUR	2,454 thousand
- Goodwill	EUR	4,968 thousand
- Plants and equipment	EUR	100 thousand
- Total paid as at 12.31.2017	EUR	8,800 thousand
- Inventories	EUR	457 thousand
- Trade payables	EUR	(28) thousand

The fair value of the Diete.Tic trademark and of the Patents protecting the production process was measured with the support of a third party independent expert, using a market method called “relief from royalties.” This method of measurement, which uses inputs that are observable from the market, is a methodology that is preferred by the accounting standards. During the assessment process, a 7.3% WACC rate was used.

As provided in the method used, this rate was applied to the revenue flows in the multiple year plans compiled by the company and approved by the Board of Directors on March 30, 2017. The recognised goodwill is represented by the positive difference between the value of the acquired Business Unit and the fair value of the individual assets that composed it.

MEASUREMENT CRITERIA AND ACCOUNTING STANDARDS

These financial statements have been drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the Accounting Standards Board ("IASB") and endorsed by the European Union. For this purpose, "IFRS" includes also the International Accounting Standards (IAS) currently in effect, as well as all interpretation documents issued by the International Financial Reporting Interpretations Committee ("IFRIC"), known formerly as the Standing Interpretations Committee ("SIC"). In preparing these financial statements, the accounting standards adopted do not differ materially from those used for the preparation of the financial statements last year.

MEASUREMENT CRITERIA

It should also be noted that the financial statements were prepared on a historical-cost basis, except for any designation at fair value, as specifically indicated in the notes, and on a going concern basis. In fact, the Directors have evaluated the applicability of the assumption of the company's going concern during the preparation of these financial statements, concluding that this assumption is valid and that there are no doubts regarding the company as a going concern.

The accounting standards adopted are presented below.

Goodwill

This item refers to the goodwill recognised upon any acquisition and/or merger by incorporation. In addition to the goodwill related to the Cash Generated Unit (hereinafter "CGU"), "Santa Rosa", already recorded in the previous financial statements following the merger by incorporation of J&T Italia S.r.l. occurring in 2012, in 2017 the goodwill related to the purchase of the Business Unit "Diete.Tic" was recognised. The recognised goodwill is represented by the positive difference between the value of the acquired business unit and the fair value of the individual assets it consisted of at the acquisition time.
After the initial registration, the goodwill is decreased by any impairment, as determined according to the procedures described below (the so-called impairment testing). In particular, goodwill is subject to a recoverability analysis every year or even sooner if events or circumstances indicate that impairment could ensue. In general terms, any goodwill acquired is allocated to each of the cash generating units that are expected to benefit from the synergies deriving from the acquisition. Any impairment is identified through valuations that

refer to the ability of each unit to produce cash flows that will ensure recovery of the portion of the goodwill allocated to it. If the recoverable value of the cash generating unit is lower than the carrying amount attributed to it, the relative impairment is recognised. Such impairment of goodwill is not written back if the reasons that caused it no longer apply.
Upon disposal of a part of or the entire business previously acquired, if that acquisition had generated goodwill, account is taken of the residual value of the goodwill when determining any capital gains or losses on disposal.
Goodwill is not subject to amortisation; for further details on the impairment tests, please see the following paragraph "Impairment Testing".

Intangible assets

Intangible assets consist of non-monetary elements able to generate future economic benefits, which are identifiable but have no physical consistency.
These elements are recognised at their acquisition and/or production cost, including expenses directly attributable to rendering the asset available for use, net of any impairment, except if they have been acquired as part of an acquisition process, which provides for their evaluation at fair value.
The useful life of the intangible assets is considered as either definite or indefinite.
The intangible assets with a definite life are amortised based on their useful life and subject to impairment testing whenever there are indications that impairment may have taken place. The period and method of amortisation applied to them is re-examined at the end of each financial year or more frequently if necessary. The changes in the useful life and procedures according to which future economic benefits connected to the intangible assets are gained by the company are recognised by modifying the period or the method of the amortisation and handled as amendments to the accounting estimates. The portion of the amortisation of the intangible assets with a definite useful life is recognised in the income statement under the cost category that is appropriate for the function of the intangible asset.
The intangible assets with an indefinite useful life are tested for impairment every year at the cash generating unit level. No amortisation has been recognised for such assets. The useful life of an intangible asset with an indefinite life is re-examined annually to ascertain that the conditions continue to exist for this classification.

Trademarks

These are recognised at their acquisition cost or, if they have been acquired as part of a company acquisition, based on their estimated fair value pursuant to the International Accounting Standards.

The Directors have decided, pursuant to the recommendations of the International Accounting Standards (and IAS 38 in particular), to consider the "Santa Rosa" trademark as having an indefinite life. The "Santa Rosa" trademark is classified among intangible assets with an indefinite duration, and therefore it is not amortised, based, inter alia, on the following reasons:

- it has a priority role in the Valsoia strategy;
- the trademark is owned and appropriately registered and constantly protected, pursuant to the law, with options for the renewal of the legal protection at the expiry of the registration periods, with limited costs incurred;
- the products marketed by the company under this trademark are not subject to technological obsolescence, as is also typical of the food sector in which the Company operates;
- the sector of reference of the “Santa Rosa” trademark shows characteristics of stability with a limited impact from product innovation or changes in the market demand;
- the level of trade investments needed to obtain the financial benefits expected from this business sector is sustainable for the Company and falls within the scope of the corporate strategies.

As provided for in the reference accounting standards, the congruence of the value of the “Santa Rosa” trademark recognised in the financial statements is verified, at least annually, through an impairment test based on the criteria described in the following paragraph “Impairment Testing”.

On the other hand, the “Diete.Tic” trademark, since it does not present the same characteristics of the “Santa Rosa” trademark in terms of history, awareness and degree of market maturity, was not valued by the Directors as having an indefinite useful life and is therefore subject to amortisation on the basis of a 15 year estimated life.

Industrial patents and intellectual property rights

The licenses acquired which are relative to software are capitalised based on the costs incurred for their purchase and to render them available for use. Amortisation is calculated using the straight line method across their useful life, which is estimated at 5 years. The costs associated with the development of software programs are recognised as a cost when they are incurred.

Intangible assets generated internally – research and development costs

Research costs are entered in the income statement in the period in which they are incurred.
The intangible assets which are generated internally, resulting from development of products by the company, are registered under assets only if the following terms and conditions are fulfilled:

- the asset is identifiable;
- it is probable that the asset will generate future economic benefits;
- the development costs of the assets can be measured reliably.

These intangible assets are eventually amortised using the straight line method across their relative useful lives.

When the internally generated assets do not possess the above mentioned requirements, the development costs are allocated to the income statement in the year in which they are incurred.

Property, plant and equipment

Property, plant and equipment are recognised at their historical cost, net of accumulated depreciation and any write-downs for impairment. Furthermore, the cost includes every expense which is directly incurred to render the asset available for use. Any interests payable relative to the construction of property, plant and equipment are capitalised and depreciated throughout the life of the class of assets which they are stated under, as required by IAS 23.

For certain property, plant and equipment, during transition to IFRSs, the Company has decided to adopt, rather than the original cost on the date the asset was purchased, the revalued amount in application of specific revaluation laws, since on the date the revaluations were applied, the new value of the assets approximated their market value.

The costs incurred for maintenance and repairs of an ordinary nature are directly allocated to the income statement of the financial year in which they were incurred.
The capitalisation of the costs inherent in the expansion, updating or improvement of the structural elements which are owned or belong to third parties, is carried out only if they fulfil the requirements for a separate classification as assets or parts of an asset. The carrying amount is amended by the systematic depreciation, which is calculated based on the estimated useful life.

Depreciation is determined, at constant rates, by the cost of the asset and net of residual values that are relative, when these can be reasonably estimated, depending on their estimated useful life applying the following rates (major categories):

Category	**Rate**
Industrial buildings	4%
Light constructions	10%
Plant and equipment	7.5% - 8% - 10 % -14% - 15%
Industrial buildings	20%
Electronic equipment	20%
Furniture and equipment for the offices	12%
Vehicles	25%

Land is not depreciated.

If the asset being depreciated is composed of elements which are distinctly identifiable, the useful life of which differs significantly from that of the other parts that compose the asset, the depreciation is carried out separately for each of the parts that compose it in application of the component approach, if the effect is considered to be significant.

The depreciation period begins from the time that the asset is available for use and ends on the date on which the asset is classified as held for sale, pursuant to IFRS 5 or the date on which the asset is eliminated from the accounts, whichever is earlier. Any changes in the depreciation schedule are applied prospectively.

Gains and losses deriving from the sale or disposal of assets are determined as the difference between the sales revenue and the net carrying amount of the assets, and are charged to the income statement.

Financial assets

Financial assets consist of the equity investment in a foreign subsidiary that is not consolidated, since the equity and financial figures for 2017 are of a negligible amount. These assets are recorded at the historical cost, amortised as necessary for impairment. When there is evidence that this equity investment has become impaired, it is recognised in the income statement as a write down. If the Company's interest in the losses of the investee company exceeds the carrying amount of the equity investment, the value of the investment will be written off entirely and any further losses will be recorded under liability provision if the Company is to be held liable. If the impairment is subsequently found not to exist or has been reduced, the relative amount is written back to the income statement.

Impairment testing

At least each year, at the reporting date, the company reviews the carrying amount of goodwill and of the intangible assets with an indefinite useful life to determine whether there are indications that these assets have become impaired. Should this be the case, their recoverable amount is estimated in order to calculate the potential amount of the write-down. When it is not possible to estimate the recoverable value of the assets individually, the Company makes an estimate of the recoverable value of the cash generating unit which the asset belongs to.
The recoverable amount is the greater of the fair value net of costs to sell and the value in use. In determining

the value in use, the estimated future cash flows are discounted at their current value using a rate gross of taxes which reflects the current valuations of the market regarding the value of money and the specific risks inherent in the asset.

If the recoverable amount of an asset (or of a cash generating unit) is considered to be lower than the relative carrying amount, it is reduced to the lower recoverable value. Impairment is recognised directly in the income statement.

When there is no longer any reason for a write-down to be maintained, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is restated at the new value deriving from the estimate of its recoverable value; however, this new value cannot exceed the net carrying amount which the asset would have had if the write-down for impairment had not been made. The write-back of the value is charged to the income statement directly, unless the asset is valued at a re-valued amount, in which case the write-back is charged to the revaluation reserve.

Leases

Leases are classified as financial leases when the terms of the agreement are such that they essentially transfer all the risks and benefits of ownership to the lessee. All other leases are considered to be operating leases. Assets which are the object of a financial lease agreement are recognised as the Company's assets at their fair value as at the date when the contract is executed or, if lower, at the current value of the minimum payments due for the leasing. The corresponding liabilities payable to the lessor are included in the statement of financial position as liabilities for financial leases. Assets are depreciated by applying the criteria and the rates considered to be representative of the useful life of the assets, as described above. Payments for the leases are divided between the principal and the interest in order to reach an interest rate which is constant on the residual liability: financial charges are directly allocated to the income statement for the financial year.

Leases in which the lessor is connected to the ownership of the goods are classified as operating leases. The costs which refer to operating leases are recognised on a straight line basis in the income statement throughout the duration of the contract.
Improvements to leased assets which increase their value are capitalised, directly increasing the leased asset and they are depreciated throughout the useful life of the improvement or that of the leased asset, whichever is shorter.

The impacts of the new IFRS 16 accounting standard, effective starting from January 1, 2019, are currently being assessed.

Inventories

The inventories shall be measured at the lower of cost and net realisable value.
Costs include direct materials and, where applicable, direct labour, the general production expenses and other costs incurred to bring the inventories to their current location and status.
The cost is calculated using the average weighted cost method for inventories of raw materials, ancillary materials and goods.
The finished products originating from the Serravalle Sesia facility are measured using the industrial production cost method which, essentially, is similar to the average weighted cost method.
Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Trade receivables

Trade receivables are recognised at nominal value, reduced by an appropriate write-down in order to reflect the estimate of the losses on receivables and therefore measure the receivables themselves at fair value. When there is objective evidence that the receivables are impaired, a write-down is recorded in the income statement to reflect this impairment.
If, given the payment terms that have been granted, a financial transaction takes place, the receivables are measured at their amortised cost through discounting of the nominal value to be received, allocating the discount as financial income.

Current financial assets

Financial assets are recognised and reversed in the financial statements on the basis of the trading date and are initially valued at cost, inclusive of direct charges associated with the acquisition.

On subsequent reporting dates, the financial assets which the Company intends and is able to hold until maturity are recorded at the amortised cost, using the effective interest rate method, net of the write-downs made in order to reflect any losses in value.

When financial assets other than those held until maturity are classified as held for trading, gains and losses from fair value fluctuations are entered in the income statement for the period.

Cash and cash equivalents

The item relative to the cash and cash equivalents includes the cash, current bank accounts, demand deposits and other current financial investments with high liquidity which are easily convertible into cash and are subject to an insignificant risk of fluctuation in their value.

Derivative financial instruments

The Company can use derivative financial instruments to hedge risks deriving from interest rate fluctuations, exchange rate fluctuations and fluctuations in the price of raw materials.
The derivative financial instruments are initially recognised at cost and adjusted to their fair value on the subsequent closing dates. Though such derivative instruments are not held for trading purposes, but exclusively to hedge against the aforementioned risks, they do not always cover the requirements set forth in IAS 39 to be defined as hedging instruments. The changes in the fair value of the derivative instruments that are eligible hedges are recognised among the equity reserves, net of the relative tax effect and they are presented among the "other income statement components" in the statement of comprehensive income.
The changes in fair value of the derivative instruments that are not eligible as hedges are recognised in the income statement in the period in which they originate as are the effects deriving from early extinguishment of the derivative, whether partial or total. The fair value of the instruments at the end of the period is recognised under "Cash and cash equivalents", if positive, or under item "Other current liabilities", if negative.

Provisions for risks

Provisions for risks are recognised in the financial statements when the Company is required to honour a current obligation (legal or implicit) resulting from a past event and it is probable that funds will be paid to cover this obligation and the amount of such funds can be reasonably estimated. Provisions are made on the basis of the best estimate, calculated by the Directors, of the costs required to fulfil the obligation at the reporting date, and they are discounted, when the effect is significant.
The changes in the estimate are reflected in the income statement of the period in which the change took place.

Employee benefits

Post-employment benefit plans
Payments for defined contribution plans are allocated to the income statement in the period in which they are due; from 2007, payments into the Provisions for post-employment benefits (TFR) fall under this category, following the amendments made to the TFR by the Financial Law. For defined benefit plans, the costs relative to the benefits provided is determined by using the projected unit credit method, making the actuarial valuations at the end of each period. The actuarial gains and losses are recognised in the income statement in the period in which they take place. All the costs relative to an increase in the current value of the obligation for defined benefit plans, as the time the benefits have to be paid draws nearer, and on the other hand expenses which fall under the allocation for the pension plan funds are recognised in the income statement under labour costs. Allocations made up to December 31, 2006 for post-employment benefits are classified under defined benefit plans.

Remuneration plans in the form of stock options
In line with the indications of IFRS 2, the Company classifies stock options under "share-based payments" and provides, for the type that falls under the "equity settled" category with physical delivery of the shares, the determination on the assignment date of the fair value estimate of the option rights issued and recognition as personnel cost to be distributed on a linear basis throughout the vesting period, offset by an appropriate equity reserve. This allocation is made on the basis of the estimated amounts that will accrue to the personnel that are entitled, considering that conditions for the use thereof are not based on the market value of these rights. Determination of the fair value is made using the "binomial" model.

Payables

Payables are recognised at their nominal value, representative of the fair value, except for any non-interest bearing non-current loans that are discounted.

Loans

Loans are recognised, at the date of their inception, at the fair value of the amount received net of any additional acquisition charges. Subsequently, the loans are valued with the criteria of the amortised cost using the actual interest rate method.

Share capital

The share capital consists of the capital subscribed and paid up by the Company's Shareholders. The costs which are strictly connected to the issuing of new shares reduce the share capital, net of any deferred tax effect.

Revenue recognition

The sale of goods is recognised when the goods are shipped and the Company has transferred to the purchaser all the significant risks and benefits connected to the ownership of the goods. Pursuant to the requirements of IFRS and sector best practices, revenue is recognised at the value of the consideration received, net of bonuses and commercial discounts.

Foreign currency transactions

The transactions in foreign currencies are converted into Euro at the exchange rate applicable on the transaction date. At the end of the year, the financial assets and liabilities denominated in foreign currencies are aligned with the exchange rates applicable at the end of the year. The non-monetary assets expressed at fair value which are denominated in a foreign currency are converted at the exchange rates applicable on the date on which the fair values were determined. The exchange differences emerging from settlement of the monetary items and the restatement thereof at the current rates at the end of the period are allocated to the income statement of that period, except for differences on non monetary assets which are expressed at fair value, the variations in the fair value of which are recognised directly in equity, as is the exchange component.

Taxes

Taxes for the year represent the amounts of the current and deferred taxes, net of revenues deriving from any tax benefits with retroactive effect.

Current taxes are based on the taxable income for the year. Taxable income differs from the result recorded in the income statement, as it excludes positive and negative components which will be taxable or deductible in other years, and items which will never be taxable or deductible. Liabilities for current taxes are calculated using the rates applicable at the reporting date.

Deferred tax assets and liabilities are those taxes which are expected to be paid or recovered on temporary differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax value used in calculating the taxable amount. Deferred tax liabilities are generally recognised for all temporary taxable differences, while the deferred tax assets are recognised to the extent that it is considered probable that there will be taxable results in the future that will absorbed the temporary deductible differences. The carrying amount of deferred tax assets is reviewed on each reporting date and reduced to the extent that the existence of taxable income sufficient to allow recovery in whole or in part of these assets is no longer probable.

Deferred tax assets and liabilities are calculated based on the tax rate that is expected to be applicable at the time that the realisation of the assets or the extinguishment of the liabilities are expected to take place. The deferred tax assets and liabilities are allocated directly to profit or loss, except for those which are relative to items directly related to equity, in which case the relative deferred taxes are also allocated to equity.

Current and deferred tax assets and liabilities are offset when income taxes are applied to the same tax authority and when a legal right to compensation exists.

Earnings per share

The basic earnings per share are calculated dividing the company's net profit for the period by the number of ordinary shares outstanding during the year.
The diluted earnings per share are calculated adjusting the weighted average of the number of ordinary shares outstanding, assuming the conversion into ordinary shares of all potential shares with a dilutive effect.

Dividends

These are recognised when Shareholders become entitled to receive payment. This normally corresponds to the shareholders' meeting resolution to distribute dividends. The distribution of dividends is therefore recorded as a liability in the statement of financial position at the time the distribution thereof is approved by the shareholders' meeting.

Segment Information

Pursuant to IFRS 8 - Operating Segments, an operating segment is that part of an entity: a) which undertakes business activities that generate revenues and costs (including revenues and costs involving operations with other parts of the same entity); b) whose operating results are reviewed periodically at the highest operating decision-making level in order to adopt the decisions regarding the resources to be allocated to the segment and the assessment of the results; c) for which separate financial statement information is available.
No operating segments characterised by the autonomous nature of their products/services and production processes with the above mentioned characteristics were identified within the Company.
Therefore, no segment information is provided, as the requirements do not apply.

Hierarchical fair value assessment levels

Financial instruments (IFRS 7) recognised in the statement of financial position and income statement at fair value (as defined by IFRS 13) must be classified on the basis of a hierarchy of levels which reflects the significance of the inputs used to determine the fair value. The following levels are distinguished:

- Level 1 – prices observed on the active market for assets and liabilities subject to evaluation;
- Level 2 – inputs other than the listed prices above, which can be observed directly (prices) or indirectly (derived from prices) on the market;
- Level 3 – inputs that are not based on observable market data.

Relative to the financial statements of Valsoia, these concepts are applicable to the evaluation of:

- Level 2: derivative contracts, stock option plans, the “Santa Rosa” trademark, the “Santa Rosa” goodwill and the “Diete.Tic” goodwill.

  The hierarchical level associated with the other items of the financial statements is 3.

Use of estimates

The preparation of the financial statements requires the Directors to apply accounting standards and methodologies that, under certain circumstances, consist of evaluations and estimates based on historical experience and assumptions that are considered reasonable and realistic from time to time in relation to the relative circumstances. Application of these estimates and assumptions influences the amounts shown in the financial statement schedules, such as the statement of financial position, income statement and statement of cash flows, as well as the notes. The final results of the financial statement items for which the aforementioned estimates and assumptions were used, may differ from those shown in the financial statements due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based. Following, we describe briefly the accounting standards which require, more than others, a greater degree of the subjectivity on behalf of the Directors insofar as the estimates they make and for which a change in the conditions underlying the assumptions could have a significant impact on the company's financial statements.

Goodwill and trademarks with an indefinite useful life – Estimate of the degree of recoverability

The Company presents in its financial statements amounts which are recognised as goodwill and trademarks with an indefinite useful life. These amounts are not amortised and they are tested for impairment, at least annually, in line with the indications set forth under IAS 36, based on the cash flow forecasts for the upcoming financial periods which are reflected in the Business Plan.
An impairment test was carried out in reference with the accounting values recognised at the date of the financial statements in order to identify any loss for reductions in the value of the “Santa Rosa” and “Diete.Tic” CGUs versus their recoverable value. This recoverable value is based on the use value which is determined

through the method of discounted cash flows.
Conducting impairment tests requires significant judgement skill, especially in formulating estimates such as:

- the expected financial flows for the measurement of which it is necessary to keep into account their general financial and sector performance, as well as the cash flows generated by the CGU that was subject to analysis in the previous years;
- the financial parameters to be used for the afore-mentioned discounted cash flows.

In addition, the Plan for 2018-2023 (hereinafter the "Plan") approved by the Directors of the Company on March 15, 2018, on which the estimate of the expected financial flows is based, is characterised by the uncertainties that are typical of any estimation process.

In the event that future company and market scenarios are different than those that were assumed when the aforementioned forecasts were compiled, the value of the goodwill and the trademarks could be subsequently subject to write-downs.

Employees benefits – Post-employment plans

The provision for employee benefits, the costs and financial charges associated with those provisions are assessed on the basis of an actuarial methodology that requires the use of estimates and assumptions. The actuarial methodology considers parameters of a financial nature such as, for example, discount rates, the rates at which salaries increase, and considers the possibility that potential future events could occur through the use of parameters of a demographic nature such as for example the rates that refer to mortality and resignations or the retirement of employees. In particular, the discount rates used as a reference by the company are rates or curves of rates applicable to high quality corporate bonds.

Employees Benefits –Remuneration plans in the form of stock options

The Company has adopted Stock Option Plans as incentives. The currently active "Stock Option Plan 2016-2019" is intended for the managers/executives of the Company, based on the work performed and the responsibilities assigned, as well as for the General Manager. The rights can be exercised exclusively by the beneficiaries who have been, uninterruptedly, employees of the Company up to the time of the subscription of the shares. In this plan, option rights are granted on newly issued shares which will accrue on an annual basis, according to the achievement of the business objectives and to the performance of the Company, measured by the net profit. The rights can be exercised exclusively by the beneficiaries who have been, uninterruptedly, employees of the Company up to the time of the subscription of the shares. Such subscription shall occur only after approval of the 2018 financial statements of the Company. For further details, please refer to the Information Memorandum, for the Stock-Option Plan 2016-2019, published on the website www.valsoiaspa.com, in the Investor Relations section.

In compliance with the IFRS 2 accounting standard, the Company has estimated the expenses to be borne, deriving from the above plan, by assessing:

- the percentage of probability in achieving the objectives set out in the plan and the consequent number of option rights accrued by the beneficiaries, based on the plans set out by the company and the estimated probability of their achievement;
- the fair value of the assigned option rights. This value was determined, in reference with the date of the actual granting of the option rights by the Board of Directors, using the Black and Scholes method.

Should future scenarios be different from the assumed ones when the aforementioned forecasts were formulated, the final charges could be subsequently subject to adjustments.

Allowance for doubtful accounts

In order to determine the level that is appropriate for the allowance for doubtful accounts, Valsoia assesses the possibility of collecting the receivables based on the solvency of every debtor, the ageing of the receivables and the losses recognised in the past for similar receivables. The quality of the estimates depends on the availability of updated information regarding the solvency of the debtors.

Deferred tax assets

Recognition of deferred tax assets is based on income expectations over future financial periods. The valuation of the expected revenue for the purposes of recognising deferred taxes depends on factors that could vary over time and which have significant effects on the valuation of active deferred taxes.

Contingent liabilities

In relation to potential disputes, lawsuits and other claims, and in order to determine the level that is appropriate for the provision for risks and charges relative to such contingent liabilities, Valsoia examines the well-foundedness of the claims made by the counterparties and the correctness of our own operations and assesses the entity for any losses resulting from potential outcomes. Furthermore, the Company consults its own legal advisors regarding the problems relative to disputes that arise during the course of its activities. The determination of the amount of the provision for risks and charges which could be necessary for contingent liabilities is carried out after careful analysis of each problem category. Determining the amounts required for the provision for risks and charges is subject to amendments based on the developments of any issue.

Related parties

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, the notes contain details regarding transactions with related parties. The effects of these transactions on the statement of financial position and income statement, as well as on the company's cash flows are not shown because they are not significant.

Reclassifications

These financial statements do not include reclassifications of accounting items versus the way they were recognised in previous periods.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU, EFFECTIVE FROM JANUARY 1, 2017

The accounting standards, amendments and interpretations in effect from January 1, 2017 which have been endorsed by the European Commission are shown below:

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses. The amendments provide clarifications on the methods for recognising deferred tax assets deriving from unrealised losses on debt instruments measured at fair value. The amendments apply starting from the financial periods beginning on January 1, 2017 or subsequent date.

Amendments to IFRS 12 - Annual Improvements to IFRS Standards The amendments clarify that the reporting requirements for shareholdings in other companies apply also to the investments classified as held for sale. The amendments apply starting from the financial periods beginning on January 1, 2017 or subsequent date.

Amendments to IAS 7 (Disclosure Initiative) - The amendments to IAS 7 fall under the broader scope of Disclosure Initiative. The amendments require that the companies provide reports allowing the users of the financial statements to assess the changes in liabilities deriving from financing activities, including monetary and non-monetary changes. The amendments apply starting from the financial periods beginning on January 1, 2017 or subsequent date.

The adoption of these new standards, changes and interpretations did not have any impact on the company.

New accounting standards and interpretations endorsed by the EU but which are not yet in effect

In 2016, the European Commission endorsed and published the following new accounting standards, amendments and interpretations to supplement the existing standards approved and published by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"):

IFRS 9 – Financial instruments (applicable to accounting periods beginning on or after January 1, 2018). The standard introduces new provisions for the recognition and the measurement of financial assets, financial liabilities and some trading agreements referring to non-financial items. The standard replaces *IAS 39 Financial instruments*: *Recognition and measurements.* The standard applies to the periods starting on or after January 1, 2018; early application is permitted. With the exception of the hedge accounting, the retrospective application of the standard is required, however providing a comparison is not mandatory. As regards the hedge accounting, the standard is normally prospectively applied, with a few exceptions.
The company has concluded an assessment activity about the effects arising from the application of the new standard. The application of the new *IFRS 9* will not have significant effects on the Financial Statement of the Company for the "first time application" period.

IFRS 15 – Revenue from contracts with customers (applicable to accounting periods beginning on or after January 1, 2018). The standard establishes a new revenue recognition model to be applied to all contracts executed with customers except for those within the scope of application of other IAS/IFRS standards, such as lease contracts, insurance contracts and financial instruments. The fundamental passages for the recognition of revenues, according to the new model, are: 1) identify the contract(s) with customers; 2) identify the contractual performance obligations; 3) determine the transaction price, i.e. the amount of the expected consideration; 4) allocate the transaction price to the performance obligations stated in the contract; 5) recognise revenue when the entity fulfils a performance obligation.

The Company has concluded its assessment activities about the effects arising from the application of such new standard. The main contractual and operating circumstances of the Company which, following the carried out assessments, will be subject to a different recognition due to the application of IFRS 15 are the following: sales of semi-finished products to third party manufacturers, sales to concessionaires, promotional contributions and other trade provisions, discounts offered to consumers during promotional campaigns.

The estimated effects on the Shareholders' Equity from IFRS 15 are shown in the following table:

Description	12.31.2017 Book value	Adjustments for adopting IFRS 15	01.01.2018 reopening balance estimated with IFRS 15 effects
IFRS15 Reserve	0	132	132
Total Shareholders' Equity	0	132	132

In addition to the effects from the afore-mentioned shareholders' equity reduction, the retrospective application of the IFRS 15 standard to the 2017 financial statements concerning the above circumstances, would have involved:

- a reduction in the Sales revenue for EUR 27,195 thousand;
- a reduction in the Purchase costs for EUR 12,214, and costs for Services for EUR 14,343 thousand;
- an increase in inventory for EUR 455 thousand,
- a positive tax effect for EUR 52 thousand.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB WHICH HAVE NOT YET BEEN ENDORSED BY THE EU

As at the date of these financial statements, the following new standards, amendments and interpretations were issued by the IASB, but they have not yet been endorsed by the EU.

	Mandatory application beginning from
Changes to IFRS 2 (Classification and measurement of share-based payment transactions)	January 1, 2018
Amendment to IFRS 4	January 1, 2018
Amendments to the IFRS – Annual Improvements Cycle 2014 – 2016	January 1, 2018
IFRIC 22 (Foreign currency transaction	January 1, 2018

and advance consideration)	
Transfers of Investment Property - Amendments to IAS 40	January 1, 2018
IFRS 16 (Leasing)	January 1, 2019
IFRIC 23 (Uncertainty over Income Tax Treatments)	January 1, 2019
IFRS 17 *Insurance Contracts*	January 1, 2021
Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture	Not yet defined

Analysis of the breakdown of the main items of the statement of financial position

Current assets

Note (1) – Cash and cash equivalents

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Cash	3	4
Current accounts and bank deposits	15,934	19,381
Total cash and cash equivalents	15,937	19,385

As at December 31, 2017, the interest rates charged by the Company did not exceed 0.2%, substantially in line with the previous period.

Following are details on the Net Financial Position at December 31, 2017 and December 31, 2016. For details about changes in the Net Financial Position, please refer to the Directors' Report, in addition to the contents of the Statement of cash flows.

Description (EUR 000)	12.31.2017	12.31.2016
Cash	3	4
Current accounts and bank deposits	15,934	19,381
Total cash and cash equivalents (A)	15,937	19,385
Current loans and borrowings (B)	(100)	(98)
Current net financial position (C=A-B)	15,837	19,287
Non-current loans and borrowings (D)	(718)	(804)
NET FINANCIAL POSITION / (INDEBTEDNESS) (E=C+D)	15,119	18,483

Note (2) - Trade receivables (net)

Trade receivables derive from ordinary sale transactions, mainly with national operators in the Large-scale retail and Wholesale sectors.

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Trade receivables (nominal value)	16,119	15,688
Allowance for doubtful accounts	(1,058)	(1,176)
Total trade receivables	15,061	14,512

There are no particularly significant changes in the collection methods. The allowance for doubtful accounts was adjusted based on an estimate of collection risk and taking into account the information available as regards the solvency risk of the individual positions, their age and the loss on receivables recognised in the past for similar types of receivables.

The following table shows a summary of the afore-mentioned Trade receivables, broken down by ageing, which shows a decrease in past due receivables.

Description	12.31.2017	12.31.2016
Trade receivables (nominal value)		
- past due by over 12 months	321	471
- past due by over 30 days	326	1,303
- expired at the date	3,869	2,789
- with subsequent expiry	11,603	11,125
Total trade receivables (gross)	16,119	15,688

The receivables that are past due by over 12 months are represented primarily by receivables pending legal resolution.

Following are the changes in the allowance for doubtful accounts.

Description	12.31.2017	12.31.2016
Opening balance	1,176	1,241
- (usage)	(333)	(285)
- allocations	215	220
Allowance for doubtful accounts	1,058	1,176

The provisions for credit losses are recognised under the item Other overheads.

As at December 31, 2017, the Company had existing receivables in foreign currency for a total of GBP 78 thousand.

Note (3) - Inventories

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Raw materials, ancillary and consumable materials	1,373	1,142
Work in process	118	115
Finished goods	6,030	5,949
Total inventories	7,521	7,206

Inventories of raw materials, ancillary and consumable materials show a EUR 230 thousand increase due to higher purchases of raw materials and frozen semi-finished products from work contracts. The inventory of finished-products is substantially in line.

The measurement of the closing inventories is carried out net of the provision for inventory obsolescence, amounting to a total of EUR 263 thousand (EUR 232 thousand at December 31, 2016), in order to adjust its assessment to the value of the presumed realisation, also in consideration of the risk for obsolescence thereof ("expiry date").

Inventories are not subject to any obligations or restrictions related to property rights.

The table below provides a breakdown of the movements in the provision for inventory obsolescence:

Description	12.31.2017	12.31.2016
Provision for inventory obsolescence of raw and ancillary materials		
Opening balance	101	78
- Provisions/ (uses)	41	23
Balance at December 31	142	101
Provision for inventory obsolescence of finished products and goods		
Opening balance	131	194
- Provisions/ (uses)	(10)	(63)
Balance at December 31	121	131
Total provision for inventory obsolescence	263	232

Note (4) - Other current assets

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Tax receivables	1,354	1,361
Prepayments and accrued income	31	42
Other current receivables	358	344
Total Other current assets	1,743	1,747

Tax receivables at December 31, 2017, in line with the end of the previous period, showed an increase compared with the previous year and mostly consist of VAT receivables and IRES/IRAP Advances that were paid in excess of the amount recognised at the end of the year for direct taxes. Other current receivables are composed primarily of payments on account to suppliers.

Non-current assets

Note (5) - Goodwill

The item Goodwill shows the following changes for the period:

Description	12.31.2016	Changes for the period		12.31.2017
	Net value	Increases	Other increases/ (decreases)	Net value
Santa Rosa Goodwill	3,230	0	0	3,230
Diete.Tic Goodwill	0	4,968	0	4,968
Total goodwill	3,230	4,968	0	8,198

The increase in goodwill derives from the process of Purchase Price Allocation as regards the positive difference between the Business Unit value concerning the liquid sweetener "Diete.Tic" acquired on October 2, 2017 and the fair value of the single assets that compose it. This surplus value, based on the estimate from an independent third party expert, was consequently allocated to the goodwill of the "Diete.Tic" CGU.
The goodwill deriving from the allocation of the residual amount from the premium of the investment value,

compared with the fair value of the assets and liabilities of J&T Italia S.r.l., following the merger by incorporation of the same in 2012, is unchanged and amounts to EUR 3,230 thousand.

Pursuant to IAS/IFRS, goodwill is not amortised but is tested for impairment annually, as required by IAS 36 and as described in Note 6 below.

For comparison purposes, we show the movement of goodwill in the previous year:

Description	12.31.2015	Changes for the period		12.31.2016
	Net value	Increases	Other increases/ (decreases)	Net value
Santa Rosa Goodwill	3,230	0	0	3,230
Total goodwill	3,230	0	0	3,230

Note (6) – Intangible assets

The item *Intangible assets* shows the following changes for the period:

Description	12.31.2016	Changes for the period		12.31.2017
	Net value	Net Increases/ (decreases)	Amort./Write-downs	Net value
Trademarks, licenses and similar	20,066	1,278	(24)	21,320
Industrial patents and intellectual property rights	477	2,485	(209)	2,753
Other	40	42	(37)	45
Intangible assets in progress	0	0	0	0
Total intangible assets	20,583	3,805	(270)	24,118

The increases for the period refer primarily to the recognition of the trademarks (EUR 1,278 thousand) and patents (EUR 2,454) valued upon their first recognition at fair value, belonging to the Business Unit producing the liquid sweetener "Diete.Tic", acquired during the period. The net accounting value, at the end of the year, of the "Diete.Tic" trademark was EUR 1,257 thousand and the patents were EUR 2,411 thousand.

The fair value of the Diete.Tic trademark and of the Patents protecting the production process was measured with the support of a third party independent expert, using a market method called "relief from royalties". This method of measurement, which uses inputs that are observable from the market, is a methodology that is preferred by the accounting standards. During the assessment process, a 7.3% WACC rate was used. As provided in the method used, this rate was applied to the revenue flows in the multiple year plans compiled by the company and approved by the Board of Directors on March 30, 2017.
The Patents are amortised according to their residual useful life based on their expiry date; the "Diete.Tic" trademark, according to the considerations above, is amortised based on its useful life, estimated at 15 years.

Under the item Trademarks, licenses and similar, the "Santa Rosa" trademark is recognised in the amount of EUR 20,060 thousand while it is recognised at fair value in the recording of the merger by incorporation of J&T Italia S.r.l. which took place in 2012. The "Santa Rosa" trademark, as allowed by the IAS 38, has been considered as having an indefinite useful life and therefore it is not amortised, based on the reasons which are described in the relative section of the accounting standards.

For comparison purposes, we show the changes to the *Intangible assets* that occurred in the previous year.

Description	12.31.2015	Changes for the period		12.31.2016
	Net value	Net Increases/ (decreases)	Amort./Write-downs	Net value
Trademarks, licenses and similar	20,068	0	(2)	20,066
Industrial patents and intellectual property rights	594	50	(167)	477
Other	41	35	(36)	40
Intangible assets in progress	0	0	0	0
Intangible assets	20,703	85	(205)	20,583

6.1 Impairment Testing

As indicated previously in the section on the accounting principles, Valsoia S.p.A. carries out impairment testing as required by IAS 36 on an annual basis, even if there are no indications of impairment, to verify the degree of recoverability of the value of the "Santa Rosa" trademark and of "Santa Rosa" and "Diete.Tic" goodwill.
Upon the closing of the financial statements for 2017, impairment tests were carried out and were subject to the specific approval by the Board of Directors prior to approving the financial statements for the year.
In particular, in application of the methodology indicated by IAS 36, Valsoia S.p.A. Identified the cash generating

units (CGUs) that represent the smallest identifiable group able to generate independent cash flows; these units correspond to the Santa Rosa trademark.

The value in use is represented by the current value of the Discounted Cash Flows that are expected to be derived from the continuous use of the assets relative to the CGUs and the final value attributable to them and, for the purposes of verifying the recoverability of the recognised values, it was compared with the net accounting value attributed to the property, plant and equipment and the intangible assets of the CGU, including the goodwill, in addition to an evaluation of the estimated operating net working capital.

The determination of the *Enterprise Value* involves the following operations:

- estimate of the future cash flows (positive and negative) deriving from the ongoing use of the asset and its final disposal;
- discounting of the afore-mentioned cash flows by applying an appropriate discount rate.

The value in use of the CGU was estimated using the UDCF (Unlevered Discounted Cash Flow) model applied to the cash flows included in the multiple year plan for 2018-2022 which was approved by the Board of Directors on March 15, 2018. After the detailed forecast, a terminal value was determined assuming as a perpetual operating cash flow the operating result net of taxes (Net operating profit less adjusted tax – Noplat) of the last financial year of the Plan.

Following are the main parameters and results from the Impairment tests carried out.

Impairment Test of Santa Rosa CGU

- Discount rate (WACC) = *7.6%* (6.57% at December 31, 2016)
- Growth rate of the *terminal value (g rate) = 1.1% (1% at December 31, 2016)*
- Enterprise Value = EUR 34.8 million (44.4 million at December 31, 2016)
- Book value of CGU (*) net assets = EUR 28.5 million (28.8 million at December 31, 2016)
- Cover: EUR 6.3 million(15.6 million at December 31, 2016)

(*) trademark, goodwill, plants and equipment and net working capital)

Based also on the indications contained in the document no. 2 issued jointly by the Bank of Italy, Consob and ISVAP on February 6, 2009, we elaborated the sensitivity analysis on the test results compared to the variation of the basic assumptions (WACC and g-rate) which affect the value in use of the cash generating unit. In particular, the sensitivity analyses refer to the following aspects:

• a change of 0.5 percentage points of the growth rate g (g-rate) used for the test base;

• a change of 0.5 percentage points of the discount rate (WACC) compared to the rate used for the base test.

The following table summarises the gains resulting from this sensitivity analysis from which no situations of potential impairment arose also considering a concurrent worsening of the market variables being considered.

		WACC		
		7,1 %	7,6 %	8,1 %
g rate	0,6 %	6.819	4.547	2.578
	1,1 %	8.884	**6.284**	4.056
	1,6 %	11.324	8.311	5.762

Impairment Test of DIETE.TIC CGU

- Discount rate (WACC) = *7.3%*;
- Growth rate of the *terminal value (g rate) = 1.1%*
- Enterprise Value = EUR 14.5 million;
- Book value of CGU net assets (*) = EUR 9.2 million;
- Cover: EUR 5.3 million

(*) trademark, goodwill, plants and equipment and net working capital)

Based also on the indications contained in the document no. 2 issued jointly by the Bank of Italy, Consob and ISVAP on February 6, 2009, we elaborated the sensitivity analysis on the test results compared to the variation of the basic assumptions (WACC and g-rate) which affect the value in use of the cash generating unit. In particular, the sensitivity analyses refer to the following aspects:

• a change of 0.5 percentage points of the growth rate g (g-rate) used for the test base;

• a change of 0.5 percentage points of the discount rate (WACC) compared to the rate used for the base test.

The following table summarises the gains resulting from this sensitivity analysis from which no situations of potential impairment arise also considering a joint worsening of the market variables being considered.

		WACC		
		6,8 %	7,3 %	7,8 %
g rate	0,6 %	5.521	4.466	3.557
	1,1 %	6.502	**5.286**	4.251
	1,6 %	7.671	6.249	5.057

Note (7) – Property, plant and equipment

Following is a breakdown of the Property, plant and equipment item at December 31, 2017.

Description	Historical cost	Depreciation Provision	Accounting Net Value
Land and buildings			
Land:			
- located in the Rubano municipality	908	0	908
- located in the Serravalle Sesia municipality	1,529	0	1,529
Buildings:			
- House in Serravalle Sesia	441	(99)	342
- Industrial facilities in Serravalle Sesia	5,284	(2,065)	3,219
- Light constructions/buildings at the Sanguinetto facility	1	(1)	0
Total land and buildings	8,163	(2,165)	5,998
Plant and equipment			
- fixed systems for offices	128	(81)	47
- plant/equipment for plant extract products	5,549	(4,598)	951
- plant/equipment for ice cream production	9,528	(8,341)	1,187
- plant/equipment for other food production	667	(620)	47
- generic plant/equipment at the Serravalle facility	1,483	(1,086)	397
- silos, vats, tanks at the Serravalle facility	484	(417)	67
- photovoltaic system	371	(215)	156
- plants for preserves production	3,122	(2,231)	891
- generic plants at the Sanguinetto facility	122	(57)	65
- sweetener production plant	100	0	100
Total plant and equipment	21,554	(17,646)	3,908
Industrial and commercial equipment			
- furniture and equipment for the laboratory	422	(357)	65
- other small equipment	173	(154)	19
- other transportation means	249	(206)	43
Total Industrial and commercial equipment	844	(717)	127
Other assets			
- electric and electronic machinery	575	(428)	147
- furniture and equipment for the offices	366	(314)	52
- cell phones	61	(46)	15
- vehicles	397	(341)	56

Total other assets	1,399	(1,129)	270
Total Property, plant and equipment	31,960	(21,657)	10,303

The item Property, plant and equipment shows the following changes for the period.

Description	12.31.2016	Changes for the period			12.31.2017
	Value	Increases	Decreases	Other changes	Value
Historic Cost					
Land and buildings	7,863	301	0	0	8,164
Plant and equipment	21,131	1,039	(616)	0	21,554
Industrial and commercial equipment	833	20	(9)	0	844
Other assets	1,462	76	(140)	0	1,398
Fixed assets in progress	0	0	0	0	0
Tot. Historic Cost (A)	31,289	1,436	(765)	0	31,960
Depreciation					
Land and buildings	1,947	219	0	0	2,166
Plant and equipment	17,015	1,244	(614)	0	17,645
Industrial and commercial equipment	666	60	(9)	0	717
Other assets	1,115	146	(132)	0	1,129
Fixed assets in progress	0	0	0	0	0
Tot. Depr. provisions (B)	20,743	1,669	(755)	0	21,657
Total Property, plant and equipment (A-B)	10,546	(233)	(10)	0	10,303

The increases in the Property, plant and equipment refer mainly to extraordinary maintenance activities of buildings and to purchases of specific equipment for the production of ice creams at the Serravalle Sesia facility, as well as equipment for the production of preserves.

The other increases refer to laboratory equipment, forklifts and electronic equipment.

The decreases relate to the disposal of assets almost completely amortised.

For comparison purposes, following are the changes to *Property, plant and equipment* from the previous year.

Description	12.31.2015	Changes for the period			12.31.2016
	Value	Increases	Decreases	Other changes	Value
Historic Cost					
Land and buildings	7,814	49	0	0	7,863
Plant and equipment	20,108	1,023	0	0	21,131
Industrial and commercial equipment	784	54	(5)	0	833
Other assets	1,437	98	(73)	0	1,462
Fixed assets in progress	0	0	0	0	0
Tot. Historic Cost (A)	30,143	1,224	(78)	0	31,289
Depreciation					
Land and buildings	1,735	212	0	0	1,947
Plant and equipment	15,730	1,285	0	0	17,015
Industrial and commercial equipment	611	60	(5)	0	666
Other assets	1,019	167	(71)	0	1,115
Fixed assets in progress	0	0	0	0	0
Tot. Depr. provisions (B)	19,095	1,724	(76)	0	20,743
Total Property, plant and equipment (A-B)	11,048	(500)	(2)	0	10,546

Note (8) – Financial assets

This item is composed of Investments in subsidiaries and shows, for the period, the following changes:

Description	Shareholding in share capital	12.31.2016 Value	Changes for the period		12.31.2017 Value
			Increases	Decreases	
Valsoia Pronova d.o.o. (SLO) - Share Capital - Non-int. bearing loan to shareholders	100%	100 10	0 0	0 0	100 10
Tot. Financial Assets		110	0	0	110

In 2017, the subsidiary Valsoia Pronova d.o.o. recorded sales of approximately EUR 493 thousand with a profit of EUR 1 thousand. The Shareholders' equity is Euro 128 thousand, there are no accumulated impairment losses.

Note (9) – Deferred tax assets

At December 31, 2017, the Company had no deferred tax assets, as these items are recognised against the provision for deferred taxes. In Note 17, the pertinent information is provided.

Note (10) - Other non-current assets

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Guarantee deposits	35	35
Investments in other companies	5	5
Due from tax authorities, non-current	28	38
Receivables from subsidiary companies	85	85
Total Other non-current assets	153	163

No significant changes are noted compared with the previous year.

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Liabilities and shareholders' equity

Current liabilities

Note (11) - Current payables due to banks

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Overdraft accounts	2	0
Payables for bank loans or bank lending (current instalments)	98	98
Total Current payables due to banks	100	98

This item refers primarily to the instalments, maturing in less than 12 months, from non-current financing agreements executed in previous periods.

Note (12) – Trade payables

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Trade payables due to suppliers within 12 months	17,871	16,245
Total Trade payables	17,871	16,245

Trade payables increased due to larger purchases carried out in the last part of the year compared to the previous year. There have been no particular changes in the payment conditions.
The Company shows, at December 31, payables in foreign currency – mainly in USD – for a total countervalue of EUR 119 thousand. Considering this amount, the sensitivity analysis is believed to be non-significant as regards changes of foreign exchange rates.

Note (13) – Tax payables

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Due to the tax authorities for:		
- virtual revenue stamp tax	4	5
- withholding taxes	452	505
- substitute tax	0	604
Total Tax payables	456	1,114

At December 31, 2017, the Company had payables due to the tax authorities for direct taxes and VAT as per Note 4 above. Tax payables are represented primarily by withholdings to be paid to the Tax Authorities as tax withholding.

During the period, the substitute tax due after tax realignment operations between the statutory and tax values carried out in the previous period.

Note (14) – Provisions for risks

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Sales return provision	231	126
Total Provision for risks	231	126

Provisions for risks comprise only the sales return provision. The estimate at 31 December 2017, has involved an allocation/provision of EUR 105 thousand with a corresponding reduction in Sales revenue.

It should be noted that a dispute is still pending, substantially unchanged from the end of the previous period, with the Tax Authority. This dispute, arising from an assumed minor registration fee paid in reference to the purchase of J&T Italia S.r.l., which occurred in 2011, finds Valsoia in a potential debit position toward the tax authorities, jointly with the company selling "J&T", for a total amount of EUR 723 thousand.

Valsoia, following the same approach of the previous period and keeping into account the opinion of its

consultants, believes that to date there are no reasonable grounds for setting aside a provision for risks related to this pending dispute.
For the same case, Valsoia received during the previous periods a second liquidation notice, for EUR 94 thousand, from the re-calculation by the Revenue Agency of the value of the amount subject to capital transfer tax. The Company has won the appeals filed with the first and second degree Tax Commissions; therefore, the time for the appeal by the Tax Authority with the Court of Cassation is near expiry.

Valsoia, keeping into account the above, in addition to the contractual records and the opinion of its consultants, believes that to date there are no reasonable grounds for the allocation of a provision for risks related to this pending issue.

It should also be noted that, during the period, the Company was subject to ordinary tax assessment on direct and indirect taxes pertaining to previous periods, regarding which, to date, the related report on findings was communicated. The Company, based on the information in its possession and pending a possible notice of assessment, believes, also based on the opinion of legal experts and the limited significance of the contested amount in the report on findings, that to date there are no reasonable grounds for setting aside a risk provision.

Note (15) - Other current liabilities

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Amounts payable to social security institutions	388	410
Due to employees and on-going collaboration contracts	1,506	1,515
Amounts due to others	605	165
Total Other current liabilities	2,499	2,090

Other current liabilities include primarily payables to employees for wages, bonuses pertaining to the period, and deferred monthly salaries, accrued as at December 31, 2017. The increase in the item *Amounts due to others* refers primarily to the residual payable to be paid at the end of the period as regards the inventories included in the Business Unit "Diete.Tic", acquired during the period.

Non-current liabilities

Note (16) - Non-current payables due to banks

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Payable to banks for Cash flow hedging	12	0
Payables for bank loans or bank lending (non-current portion)	706	804
Total non-current payables due to banks	718	804

This item refers primarily to instalments, with expiry date beyond 12 months, related to non-current subsidised financing agreements executed in previous periods. Current bank loans are not covered by guarantees and are not subject to budgetary covenants; in consideration of the amount thereof, the sensitivity analysis is not believed to be significant upon changes in the interest rates.
Payable to banks for Cash Flow Hedging concerns the *mark to market* valuation, carried out as at December 31, 2017, of the derivative contracts existing for forward foreign currency (USD) purchase.

As regards the information required by IFRS 7, following is a summary of the deadlines set out by the amortisation/depreciation plans for the aforementioned loans and borrowings:

Year	EUR
2019	99
2020	100
2021	100
2022	101
2023	101
2024	102
2025	103
Loans and borrowings	706

Also with reference to the information required by IFRS 7, the following table summarises the overall changes occurring in the payables for current and non-current bank loans:

Description	12.31.16 Value	Changes for the period		Reclassifications	12.31.2017 Value
		Loans	Repayments		
Payable for Current Bank Loans	98	0	(98)	98	98
Payable for Non-current Bank Loans	804	0	0	(98)	706
Total financial liabilities	902	0	(98)	0	804

Reclassifications refer to the instalments of bank loans with repayment deadlines within the 12 months subsequent to the year end.

Note (17) – Payable for deferred taxes

This item breaks down as follows:

Description	12.31.2017		12.31.2016	
	Taxable amount	Taxes	Taxable amount	Taxes
Deferred tax assets/Provision for deferred taxes with contra entry in the Income Statement				
IRES/IRAP CHANGES				
- Trademarks and deferred charges not capitalised pursuant to IAS/IFRS	147	41	196	55
- Dealloc. of accounting-tax amounts for “Santa Rosa” trademark	(3,773)	(1,053)	0	0
- Dealloc. of accounting-tax amounts for “Diete.Tic” trademark	(276)	(77)	0	0
- Multi-annual deductible expenses ex art. 108 Tuir	339	81	0	0
- Taxed risk and write-down provisions	1,587	391	1,570	382
- Others	(9)	(2)	19	5

Description	12.31.2017		12.31.2016	
	Taxable amount	Taxes	Taxable amount	Taxes
Total A)	(1,985)	(619)	1,785	442

The item Deferred tax assets/(Provision for deferred taxes) refers to the recognition of temporary differences between the values recorded in the statement of financial position of the assets and liabilities and the related amounts recognised for tax purposes.
It is estimated that said payable is referring to differences that will be reabsorbed in the medium and long term.

Note (18) – Provision for post-employment benefits

This item includes the allocations for the post-employment benefits due to employees and had the following movements:

Description	Taxable amount
Opening provision for post-employment benefits at Dec. 31, 2016	579
2016 changes	
- Financial income/(charges)	2
- End of employment severances and advances to employees	(74)
- Actuarial gains (losses)	0
Closing provision for post-employment benefits at Dec. 31, 2017	507

The provision for post-employment benefits is valued according to the IAS 19 standard, by which it is recognised under "Defined benefit plans"; therefore, it was recognised through the actuarial projected unit credit method.
Following are the main assumptions used for the calculation:

Demographic assumptions
Mortality rate: the probabilities have been drawn from the general Italian population based on age and sex (ISTAT) in 2000, and decreased by 25%.
Disability rates: for calculating the probability of exiting the company due to a total and permanent disability of the employee, the disability tables that are currently used by insurance companies, based on age and sex, were used.
As regards retirement age, it was assumed that active employees would stop working as soon as they reach the

first pre-requisite for retirement as set forth in the mandatory general insurance scheme.
As for the probability of ending employment for resignations or termination, an 8% annual frequency was used.
As for the probability of requests for advances on salaries, for projection purposes, an annual 2.8% advance rate (percentage of employees who ask for an advance from their post-employment benefits, every year) was used.
As regards the amount of advance payments, 50% of the accrued provision for post-employment benefits amount was used.

Business-financial assumptions
Average annual rate for bonds issued by European Companies with AA rating with 5-7 years duration: 0.5101%
Yearly Inflation rate: 1.5%

Shareholders' equity - Note (19)

Share capital

The share capital of the Company is fully paid up and amounts to EUR 3,503,024.91, with 10,615,227 ordinary shares of a Nominal value of EUR 0.33 each.

Legal reserve
This is the reserve accrued pursuant to Art. 2430 of the Italian Civil code.

Revaluation reserve
This item is composed of the Revaluation Reserve accrued pursuant to Italian Law 488/2001 and Italian Law 350/2003.

The Shareholders' Meeting of April 28, 2017 resolved to create a "Realignment reserve pursuant to Law 232/2016" of EUR 3,169,311, through the corresponding use of the Extraordinary Reserve, due to the tax realignment operation of the Santa Rosa trademark carried out by the Company pursuant to Law no. 232/2016 (Stability Law 2017).

Other IAS/IFRS adjustments reserve
In the IAS/IFRS reserve, the effects deriving from IFRS adjustments on Shareholders' Equity at January 1, 2004, were recognised.

Other reserves

The other reserves include:

- extraordinary reserve deriving from the allocation of profits accrued but not yet distributed on a voluntary basis in previous periods, as set forth by the Shareholders' Meeting;
- earnings brought forward due to the application of IAS/IFRS accounting standards, starting from the transition date of January 1, 2004;
- reserve set up within the scope of the Allowance for doubtful accounts, in application of the IAS 8 accounting standard occurring in 2006;
- actuarial gains/losses reserve: this includes the actuarial gains/losses deriving from the application of the IAS 19 standard;
- stock option reserve. This item includes the 2011-2016 Stock Option Plan reserve set aside for a total amount of EUR 490 thousand, corresponding to the charges applicable to the 5 validity periods of the Plan. This Plan was concluded in previous periods with the issuance of the equity-linked instruments and the related increase of the Share Capital.

  Under this item, the changes related to "Stock Option Plan 2016-2019" are also recognised. As discussed in the Introduction, the expenses to be borne by the Company concerning this plan, in compliance with the IFRS 2 standard, were estimated by assessing:
  - the percentage of probability in achieving the objectives set out in the plan and the consequent number of option rights accrued by the beneficiaries, based on the plans set out by the company and the estimated probability of their achievement;
  - the fair value of the assigned option rights. This value was determined, in reference to the date of the actual initial assignment of the option rights approved by the Board of Directors on March 14, 2016, by using the Black and Scholes method based on the following assumptions:

Measurement of fair value - SOP 2016-2019: data summary		
Maturity date (range from/to)	04/20/2019	12/31/2019
Measurement Date	03/14/2016	03/14/2016
Average price	€ 21.13	€ 21.13
Exercise price of the share	€ 0.33	€ 0.33
Expected volatility	43.40%	43.40
Estimated duration (years)	3.10	3.80
Days to maturity	1,132	1,387
Free risk rate (Btp 5 years)	0.22%	0.37%
Estimated dividends	1.5%	1.5%
Unit fair value	€ 19.84	€ 19.64
Average unit fair value		€ 19.74

The new estimates carried out by the Company on the basis of the budget approved by the Board of Directors

VALSOIA SpA

on December 21, 2017 with reference to the achievement of the objectives set forth in the stock option plan, have involved the issue of the Reserve 2016-2019 set aside in the previous period for a total amount of EUR 145 thousand.

For details on the items composing the Shareholders' Equity, see the table below:

Description	12.31.2017	12.31.2016	Possibility of use
Share capital	3,503	3,503	-
Legal reserve	690	690	B
Revaluation reserve	16,765	13,596	A, B, D
Other IAS/IFRS adjustments reserve	(1,002)	(1,002)	-
Other reserves:			
IAS 8 adjustment reserve	469	469	A, B, C
Earnings brought forward, according to IAS/IFRS	349	349	A, B, C
Extraordinary reserve	31,938	29,817	A, B, C,
S.O.P. 2011-2016	490	490	A, B, C
S.O.P. 2016-2019	0	145	A,B,C
Cash flow hedge reserve	0	0	
Actuarial gains/losses reserve	17	17	-
Total Other reserves	33,263	31,287	
Profit (loss):			
Profit for the period	6,924	8,794	
Total Shareholders' Equity	60,143	56,868	

Key for the possibility of use:

A. Available for share capital increases;
B. Available for loss hedging;
C. Available for shareholders distribution;
D. Available for the distribution to shareholders with the loss of the benefit of tax suspension.

It should also be noted that, during the year, dividends were distributed to the shareholders for a total of EUR 3.5 million, as an appropriation of profits for the year 2016.

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Analysis of the breakdown of the main items of the income statement

Note (20) - Value of production

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Revenue from sales and services:		
- Revenue - Italy	107,508	111,135
- Revenue - Abroad	4,424	3,648
Total Sales Revenue	111,932	114,783
Changes in inventories of finished and semi-finished products	80	(185)
Other revenue and income	647	795
TOTAL VALUE OF PRODUCTION	112,659	115,393

The sales revenue is concentrated primarily within the Italian territory and therefore their geographic breakdown is not believed to be significant.

The table below shows the distribution of revenue from sales and services, in Italy, by product family.

Description (EUR 000)	12.31.2017		12.31.2016		Change
	EUR	% Inc.	EUR	% Inc.	%
Valsoia Bontà e Salute Products	57,800	51.6%	60,022	52.3%	-3.7%
Santa Rosa Products	26,639	23.8%	27,259	23.7%	-2.3%
Other products (a)	23,069	20.6%	23,854	20.8%	-3.3%
Total Italian revenue	107,508	96.0%	111,135	96.8%	-3.3%
Sales abroad	4,424	4.0%	3,648	3.2%	21.3%
Total revenue	111,932	100.0%	114,783	100.0%	-2.5%

(a) Other trademarks and industrial products

Regarding the comment on the change in sales revenue, please see the Directors' Report.
It should be noted that, following the same approach of previous periods, the item “Other products”, shown in

this table, includes revenue amounting to EUR 12.8 million, related to semi-finished products sold as co-packers and subsequently repurchased by the Company as marketed finished products.

The item “Other revenue and income” is detailed as follows:

Description	12.31.2017	12.31.2016
Other revenue and income:		
- Cost of use of third party assets	221	284
- Capital gains on sale of assets	13	4
- Other	413	507
Total Other revenue and income	647	795

The “Chargeback to third parties” is to be attributed to business and promotional costs incurred pursuant to distribution agreements, as well as to the recovery of the costs incurred by third parties. The *“Other”* item comprises insurance payments, R&D tax receivables and contingent assets.

Note (21) - Operating costs

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Purchase costs		
- Raw materials	12,639	12,902
- Ancillary materials	1,554	1,615
- Consumable materials	507	487
- Finished products and goods	42,359	43,629
Total Purchases	57,059	58,633
Services		
- Industrial	3,802	3,907
- Commercial and sales	26,261	25,299
- Administrative and general	3,569	3,075
Total Services	33,632	32,281
Cost of use of assets owned by other, of third party assets	514	546

Labour costs		
- Wage and salaries	6,198	6,146
- Social security charges	2,277	2,273
- Post employment benefits	6	8
- Other costs	71	56
- Personnel charges pursuant to SOP	(146)	146
Total Labour costs	8,406	8,629
Change in inventories of raw and ancillary materials	(234)	93
Other overheads	1,459	1,079
TOTAL OPERATING COSTS	100,836	101,261

Purchase costs are slightly down, in line with the business volume.
The increase in *Commercial and Sales Services* is due to the increase in consumer marketing and Trade Marketing activities.
The *Cost of use of assets* owned by other, of third party assets item refers to costs for the long-term leasing of company cars in addition to the costs for renting the building in Bologna where the company maintains its legal and administrative headquarters and the warehouses servicing the Serravalle Sesia facility. The contract for the Bologna headquarters provides for a rental amount which is subject annually to revaluation pursuant to ISTAT data.
As regards the labour costs, this item includes the entire cost for personnel and ongoing professional contracts, not including the remuneration of the board of directors but including the costs for holidays and leave accrued but not taken, additional wages and other allocations required by the law. This item also included the release, for EUR 145 thousand, of the SOP Reserve 2016-2019, set aside in the previous period, as further detailed in Note 19 - *Shareholders' equity*.
The increase in the item *Other overhead* refers primarily to costs following the acquisition of the Business Unit "Diete.Tic".

As at December 31, 2017, the workforce of the company was composed as follows:

Description	12.31.2017	12.31.2016
Executives	10	10
Employees and managers	88	83
Factory workers	24	25
Temporary workers	1	1
Total employees	123	119

For further details, please see the Directors' Report - Information on the personnel.

The item Other overheads breaks down as follows:

Description	12.31.2017	12.31.2016
Other overheads:		
- Taxes and excise license	398	148
- Credit loss account	216	220
- Capital loss from asset disposal	4	3
- Contingent liabilities	189	146
- Membership fees	162	145
- Other charges	490	417
Total Other overheads	1,459	1,079

The Other charges mainly consist of costs for the disposal of obsolete products, entertainment costs, reimbursements to third parties and donations.

Note (22) – Amortisation and depreciation

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Amortisation of Intangible assets	271	205
Depreciation of Property, plant and equipment	1,669	1,724
Total amortisation and depreciation	1,940	1,929

The amortisation of intangible assets increased due to the amortisation of trademarks and patents acquired within the scope of the purchase of the Business Unit "Diete.Tic". For more comments on the amortisation/depreciation please see Note 6 and Note 7.

Note (23) – Net financial income/(charges)

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Interest income and other financial income	28	21
Interest expense and bank charges	(166)	(586)
Foreign exchange gains/(losses)	(156)	41
Total Net financial income/(charges)	(294)	(524)

Financial income comprises interest income from current bank accounts and from forward purchase operations. Financial charges are represented primarily by foreign currency discount expenses recognised to customers.

Foreign exchange losses, recorded upon recognition of trade or financial transactions related to the purchase of raw materials which were denominated in a foreign currency (USD), and upon the *mark to market* valuation of the forward foreign currency purchase contracts as at December 31, are to be attributed primarily to the weakness of the USD versus the Euro, recorded in 2017.

Considering the limited exposure of the Company to changes in interest rates and foreign exchange rates, a sensitivity analysis thereof is not considered to be necessary.

Note (24) – Taxes

This item breaks down as follows:

Description	12.31.2017	12.31.2016
Income taxes (IRES - IRAP)	(1,605)	(2,235)
Deferred tax assets/liabilities	(1,060)	(1,099)
Taxes - non-recurring effects	0	449
Total Taxes	(2,665)	(2,885)

Taxes include also deferred tax liabilities (net of the deferred tax assets) which were calculated on allowances and other temporary differences, the tax benefits of which are deferred. Details about the recognition of deferred tax assets/liabilities were provided in Note 17 herein.
In 2016, non-recurring tax effects were recognised in reference with the realignment of the statutory and tax values of the Santa Rosa trademark which took place pursuant to Article 1. of Law 232 of December 11, 2016 (Stability Law 2017) ex paragraph 554 et seq..

It should be noted that the Company has submitted, in previous periods, a request for tax relief pursuant to art,. 1, paragraph 39, of the Law no. 190 of December 23, 2014 (so-called "Patent Box"). The activities aimed at determining, in advance, in a procedural due process of law with the Tax Authorities, the criteria for the identification of the positive and negative income components eligible for relief. Currently, based on our knowledge and the progress of the activities carried out, the Company believes that to date the conditions for the recognition of this relief do not apply

We provide below the reconciliation between the theoretical and effective tax as at December 31, 2017 and 2016.

Description	2017			2016		
	Taxable amount	Tax	Rate %	Taxable amount	Tax	Rate %
Pre-tax profits	9,589			11,679		
Total theoretical IRES	9,589	2,301	24.0	11,679	3,212	27.5
Labour costs	8,406			8,629		
Net financial charges	294			524		
Tot. theoretical IRAP	18,289	713	3.9	20,832	812	3.9
Theoretical tax burden	9,589	3,014	31.4	11,679	4,024	34.5

Description	2017			2016		
	Taxable amount	Tax	Rate %	Taxable amount	Tax	Rate %
"ACE" effect		(128)			(368)	
IRAP deductions		(315)			(319)	
Other perm. tax recoveries/(deductions)/ net effect		94			(3)	
Total current taxes	9,589	2,665	27.8	11,679	3,334	28.5
Non-recurrent tax effects		0			(449)	
Total taxes for the year	9,589	2,665	27.8	11,679	2,885	24.7

Note (24) - Basic and diluted earnings per share

The basic earnings per share are determined by dividing the profit for the year by the number of shares (no. 10,615,227) which compose the share capital.
The diluted EPS corresponds to the base profit since, in addition to the number of shares composing the Share Capital, currently it is estimated that there won't be any more shares for potential issue based on the 2016-2019 SOP.

Non-recurring significant transactions and events

During the period ended December 31, 2017, no significant events/transactions, falling within the scope of the Consob Communication DEM/6064293 of July 28, 2006, were recorded. The Directors have interpreted the "non-recurring significant transactions and events" as events/transactions outside of the company's ordinary operations.

Positions or transactions deriving from atypical and/or unusual operations

During the period ended December 31, 2017, no significant events/transactions, falling within the scope of the Consob Communication DEM/6064293 of July 28, 2006, were recorded. As instructed in said Communication, "atypical and/or unusual transactions are those that, because of their significance, importance, nature of the counterparties, purpose of the transaction, method for determining the transfer price or time of their occurrence (close to the end of the year), could give rise to doubts relating to: the accuracy and completeness of the information in the financial statements, a conflict of interest, the safeguarding of the company's assets or the protection of non-controlling shareholders."

Information on transactions carried out with the holding company, subsidiaries and related parties

Following are the main economic, financial and equity effects of the transactions that took place with the parent company Finsalute S.r.l.

Holding company	revenue/(costs)	receivables/(payables)		Inc./(Paym>)
	2017	01.01.2017	12.31.2017	2017
Finsalute S.r.l.	5	1	0	6
Total transactions with the holding company	5	1	0	6

The transaction shown in the table above refers to an accounting service contract between Valsoia and Finsalute S.r.l.

Following are the main economic, financial and equity effects of the transactions that took place with subsidiaries.

Subsidiaries	revenue/(costs)	Interests on loans	receivables/(payables)		inc./(payments)
	2017	2017	01.01.2017	12.31.2017	2017
Valsoia Pronova Doo	225/(35)	1	112	147	162
Total transactions with subsidiaries	225/(35)	1	112	147	162

During the year, the following transactions with related parties which were carried out at arm's length took place.

Related party	revenue/(costs)	receivables/(payables)		inc./(payments)
	2017	01.01.2017	12.31.2017	2017
Membership fees	(44)	(1)	(0)	(53)
Purchase of goods and services	(147)	(38)	(25)	(175)
Total transactions with related parties	(191)	(39)	(25)	(228)

The major transactions with related parties in terms of income and equity refer to the ordinary operations carried out at arm's length, which took place with Consorzio Italia del Gusto.

Information required by article 149-duodecies of Consob Issuers' Regulation.

The following schedule, prepared pursuant to article 149-duodecies of the Consob Issuers' Regulation, shows the consideration payable and the expenses for 2017 for auditing services and for other services provided by KPMG S.p.A. and companies belonging to its network.

Description	Remuneration
KPMG S.p.A.	
- Auditing and certification services	73
- Cost reimbursement and Consob contr.	15
- Other services	61
Total remuneration	149

Remuneration of the Statutory Auditors and the Directors

Pursuant to Consob Resolution 11971/99 (Issuers' Regulation), the remuneration paid or which is attributable for 2017 to the members of the Board of Directors and the Board of Statutory Auditors as well as the managers with strategic responsibilities and the equity investments held by them during the year are shown in the "Report on Remuneration" which will be provided to the Shareholders' Meeting called for approval of the financial statements at December 31, 2017.

Significant events after the reporting period

No significant events took place after the reporting period.

Allocation of profit for the period

Dear Shareholders, the financial statements that we submit to your attention show a profit of EUR 6,923,462.43

We propose to allocate:

- to the Legal Reserve	EUR 10,523.24
- to the extraordinary reserve:	EUR 3,409,914.28
- a dividend of EUR 0.33 for each of the	
- 10,615,227 shares totalling:	EUR 3,503,024.91

We hereby propose that the dividends be paid on May 9, 2018, with record date May 8, 2018 and ex-date May 7, 2018.

Bologna, March 15, 2018

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

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Statement pursuant to Art. 154-bis of Legislative Decree 58/98

STATEMENT PURSUANT TO ART. 154-BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE 58/98

The undersigned, Andrea Panzani, General Manager and Chief Executive Officer, and Carlo Emiliani, Manager in charge of financial reporting for Valsoia S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of February 24, 1998:

- the adequacy in the relation to the characteristics of the company, and
- the actual application

of the administrative and accounting procedures for the preparation of the Financial Statements at December 31, 2017.

It is also hereby certified that:

a) the financial statements as at and for the year ended December 31, 2017 fully reflect the accounting records and books;

b) the financial statements for the year ended December 31, 2017 were prepared in compliance with the International Financial Reporting Standards, ratified by the European Union, as well as all provisions issued in implementation of Legislative Decree no. 38/2005; they provide a truthful and correct representation of the equity, business and financial situation of the issuer;

c) the Directors' Report includes a reliable analysis of the performance and operating results, as well as of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Bologna, March 15, 2018

General Manager
Chief Executive Officer

Andrea Panzani

Manager in charge
of financial reporting

Carlo Emiliani

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Indipendent Auditors Reports

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Valsoia S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Valsoia S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of other comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Valsoia S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing 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 "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of Valsoia S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current year. 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.

Recoverability of goodwill and the Santa Rosa trademark

Notes to the financial statements: note "Basis of preparation", paragraphs "Goodwill", "Intangible assets", "Impairment losses (impairment test)", "Use of estimates", note 5 "Goodwill" and note 6 "Intangible assets"

Key audit matter	**Audit procedures addressing the key audit matter**
In 2012, after the merger of J&T Italia S.r.l., the Company recognised goodwill which it allocated to the "Santa Rosa" cash-generating unit ("CGU") and its carrying amount is €3,230 thousand at 31 December 2017. As a result of the same transaction, the Company recognised the "Santa Rosa" trademark, which is classified as an intangible asset with an indefinite useful life and has a carrying amount of €20,060 thousand at 31 December 2017. As in previous years, the directors tested the carrying amount of the CGU for impairment to identify any impairment losses compared to its recoverable amount. The impairment test was approved on 15 March 2018. The directors estimated the recoverable amount using the discounted cash flow model to calculate value in use, based on the cash flows forecast in the 2018-2022 business plan (the "plan"), approved by the Company's board of directors on 15 March 2018. Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of Company's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to calculate the discount rate mentioned above. For the above reasons, we believe that the recoverability of the goodwill and trademark allocated to the "Santa Rosa" CGU is a key audit matter.	Our audit procedures included: — understanding the process adopted to prepare the plan and the impairment test; — checking any discrepancies between the previous year historical and business plan figures, in order to check the accuracy of the forecasting process; — analysing the criteria used to identify the "Santa Rosa" CGU and tracing the carrying amounts of the assets and liabilities allocated thereto to the financial statements; — analysing, with the assistance of experts of the KPMG network, the reasonableness of the expected cash flows and the key assumptions used by the directors to determine the CGU's value in use, the discount rate and the terminal value's growth rate. Our analyses included comparing the key assumptions used to the Company's historical data and external information, where available; — comparing the cash flows used for impairment testing to the flows forecast in the plan; — examining the comparison of the CGU's value in use to the Company's market capitalisation prepared by the directors to analyse the reasons for any difference and assess the reasonableness of value in use; — checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing;

— assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Recoverability of goodwill and the Diete.Tic trademark

Notes to the financial statements: note "Acquisition of the Diete.Tic business unit", note "Basis of preparation", paragraphs "Goodwill", "Intangible assets", "Impairment losses (impairment test)", "Use of estimates", note 5 "Goodwill" and note 6 "Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
On 2 October 2017, after the acquisition of the "Diete.Tic" business unit, the Company recognised goodwill which it allocated to the "Diete.Tic" cash-generating unit ("CGU") and its carrying amount is €4,960 thousand at 31 December 2017. As a result of the same transaction, the Company recognised the "Diete.Tic" trademark, which is classified as an intangible asset with an finite useful life and has a carrying amount of €1,256 thousand at 31 December 2017. The directors tested the carrying amount of the CGU for impairment to identify any impairment losses compared to its recoverable amount. The impairment test was approved on 15 March 2018. The directors estimated the recoverable amount using the discounted cash flow model to calculate value in use, based on the cash flows forecast in the 2018-2022 business plan (the "plan"), approved by the Company's board of directors on 15 March 2018. Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of Company's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to calculate the discount rate mentioned above. For the above reasons, we believe that the recoverability of the goodwill and trademark allocated to the "Diete.Tic" CGU is a key audit matter.	Our audit procedures included: — understanding the process adopted to prepare the plan and the impairment test; — analysing the criteria used to identify the "Diete.Tic" CGU and tracing the carrying amounts of the assets and liabilities allocated thereto to the financial statements; — analysing, with the assistance of experts of the KPMG network, the reasonableness of the expected cash flows and the key assumptions used by the directors to determine the CGU's value in use, the discount rate and the terminal value's growth rate. Our analyses included comparing the key assumptions used to the business unit's historical data and external information, where available; — comparing the cash flows used for impairment testing to the flows forecast in the plan; — examining the comparison of the CGU's value in use to the Company's market capitalisation prepared by the directors to analyse the reasons for any difference and assess the reasonableness of value in use; — checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Valsoia S.p.A. for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' 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 ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the sole director'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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate 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 communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate 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 determine those matters that were of most significance in the audit of the financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/2014

On 23 April 2015, the shareholders of Valsoia S.p.A. appointed us to perform the statutory audit of its financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5 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 herein is consistent with the additional report to the Collegio Sindacale, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.e) of Legislative decree no. 39/2010 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Valsoia S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the

Company's financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the financial statements of Valsoia S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.e) of Legislative decree no. 39/2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, 4 April 2018

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

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Report of the Board of Statutory Auditors to the Financial Statements

VALSOIA S.p.A.

Registered office at Via Ilio Barontini, 16/5 - Bologna

Share capital €3,503,024.91 fully paid-up

Registered with the Companies Register of Bologna under no. 02341060289

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Report from the Board of Statutory Auditors for the Shareholders' Meeting pursuant to art. 153 of Legislative Decree 58/1998

Dear Shareholders,

With this report, drafted pursuant to art. 153 of Legislative Decree 58/98 ("TUF"), the Board of Statutory Auditors of Valsoia S.p.A. reports to you the supervisory activities carried out and the results of these activities.

Over the course of the year ended 31 December 2017, the Board of Statutory Auditors has carried out the supervisory activities established by law, also taking account of Consob communications with regard to corporate controls and activities of the Board of Statutory Auditors and "Rules of behaviour of the Board of Statutory Auditors of listed companies" recommended by the National Board of Accountants and Auditors.

In view of the above, we have the following to report:

- we have participated in all Shareholders' Meetings and meeting of the Board of Directors held over the course of the year and have obtained from the Directors, with the frequency required by Law, information on the activities carried out and general management activities and their foreseeable developments, and on transactions of major economic and financial significance carried out by the Company and by Subsidiaries;
- we have ascertained that the actions taken and implemented were compliant with the Law, with the articles of association and with the resolutions of the Shareholders' Meeting and were in line with standards of correct administration;
- we have obtained knowledge of the Company's activities and monitored these activities within our areas of competence. The aforementioned knowledge was obtained by means of direct checks, the collection of information from the managers of the departments concerned and from the Manager in charge of financial reporting, and exchanges of data and information with the Independent Auditors KPMG S.p.A.;
- we have also instigated meetings with members of various Company departments to check that the organizational structure is suitable both for the achievement of corporate objectives and for strengthening the internal control system;
- we have assessed and checked the suitability of the administrative and accounting system as well as its reliability for accurately representing operational facts by obtaining information from the managers of the corresponding departments and in particular from the Manager in charge of financial reporting, the examination of Company documents and analysis of the work carried out by

external auditors, who provided over the course of the year the results of their controls of the Company's regular bookkeeping, without showing any relevant or censurable facts to be reported;

- we considered effective the protective measures of the internal control system, understood as the apparatus intended to provide the tools for compliance with laws and Company provisions and procedures, both operational and administrative, with reference to which improvements are made to the mechanisms for checking and updating procedures and the development of risk-processing management, reviewed annually; in particular the corporate governance report has ample space reserved for the activities carried out to protect the financial information process, which are also relevant in with regard to the provisions of art. 19, paragraph 1, letter a), of Legislative Decree 39/2010;
- we have ascertained the suitability of the provisions issued by the Company to its subsidiary in accordance with art. 114, paragraph 2, of Legislative Decree 58/98;
- we have examined, through both direct checks and the information received from the Independent Auditors, compliance with laws relating to the preparation of the financial statements with particular regard to the statements adopted, to their content and to the international financial reporting standards (IFRS) applied;
- we have ascertained that Valsoia S.p.A. is not required to prepare consolidated financial statements in view of the negligible amounts presented by Companies in which it holds a stake;
- we have ascertained the completeness of the Directors' Report drafted in accordance with art. 2428 of the Civil Code and its suitability in providing a clear and appropriate representation including of the progress of the Company's activities, summarized in the statements of financial performance contained therein. This Report, among other things, (i) provides sales results with regard to individual product groups, (ii) shows the net financial position at the end of the year and provides a summary of flows, (iii) describes, indicating the amounts, transactions carried out with related counterparties furthermore concluded under normal market conditions (for an insignificant amount), (iv) shows the research and development activities carried out, (v) shows the main financial performance indicators, (vi) shows the financial risks and other principal risks and uncertainties deriving from activities, (vii) reveals complete observance of laws and regulations and in particular with regard to information concerning ownership and control structures (pursuant to art. 123 *bis* of the TUF) refers to a specific Report on Corporate Governance and Ownership Structures drafted pursuant to art. 123 *bis* of Legislative Decree 58/1998 by the Board of Directors giving reasons, in our view adequate, for the decision not to adhere to codes of conduct regarding corporate governance;
- we have noted that on 15 March 2018 the Board of Directors decided to approve the Report on Remuneration pursuant to art. 123 *ter* of the TUF and art. 84 *quater* of Consob resolution no. 11971/99, the "Issuers' Regulation", which will be put before the next shareholders' meeting for a (non-binding) vote.

The Board of Statutory Auditors has carried out the necessary operations for ensuring its own independence in accordance with art. 148, paragraph 3, of Legislative Decree 58/1998.

Within the Company's Board of Directors, consisting of nine members, there are seven non-executive Directors, three of whom were classified by the Board of Directors as independent. The Board of Directors has checked compliance with the independence requirements set out by art. 148, paragraph, 3, of Legislative Decree 58/98 of the three Board Members; therefore the Board of Directors complies with the provisions of art 147 *ter* of Legislative Decree 58/98.

Pursuant to art. 31 of the Company's articles of association and in accordance with the legislative and regulatory framework, the provisions relating to gender balance in the composition of the administrative body and control body apply.

On the basis of the information received and the appropriate analyses carried out, we can provide you with the following information:

1. Transactions of major economic and financial significance carried out by the Company have been calculated in accordance with the law and with the Company's articles of association. On the basis of the information obtained we were able to ascertain that these transactions were not manifestly imprudent, risky or involving a potential conflict of interest or contrary to resolutions of the shareholders' meeting or such as to compromise the integrity of the Company's assets.
2. In particular the Board of Statutory Auditors has monitored the transaction to acquire the company DIETE.TIC decided on by the Board of Directors on 31 March 2016 and concluded on 2 October 2017.
3. We have not found or received information from the Board of Directors and the Independent Auditors with regard to the existence of atypical and/or unusual transactions carried out over the course of the year with companies of the group, related parties or third parties worthy of reporting other than those already indicated in the Company's financial statements. The Directors, in their Directors' Report and explanatory notes and comments, have appropriately described and illustrated the main transactions with third parties and related parties, which furthermore were concluded under normal market conditions, describing their characteristics and economic effects. We have also checked the application of the corresponding corporate procedure that can be consulted on the Company's website.
4. The Independent Auditors, KPMG S.p.A., on 4 April 2018 issued, in accordance with art. 14 of Legislative Decree no. 39/10 and art. 10 of (EU) Regulation no. 537/2014, the Audit Report on the financial statements for the year ended 31.12.2017.

With regard to the opinions and attestations the Independent Auditors, in the Audit Report on the financial statements, has:

- issued an opinion that Valsoia S.p.A.'s financial statements for the year provide a truthful and accurate representation of Valsoia S.p.A.'s financial situation at 31.12.2017 and of its profit and loss and cash flows for the year ended on that date, in accordance with International Financial

Reporting Standards adopted by the European Union as well as orders issued in implementation of article 9 of Legislative Decree no. 38/05;

- issued an opinion with regard to consistency that the Directors' Report accompanying the financial statements and certain specific information contained in the Report on Corporate Governance and Ownership Structures indicated in art. 123 *bis* of Legislative Decree 58/1998, for which the Company's directors are responsible, are drafted in accordance with the law;
- declared, with regard to any significant errors in the Directors' Report, on the basis of knowledge and understanding of the Company and the corresponding context obtained over the course of the audit activities, that there is nothing to report.

5. Over the course of the year no notifications were made to the Board of Statutory Auditors in accordance with art. 2408 of the Civil Code or made to the Board of Statutory Auditors by shareholders or third parties.
6. Over the course of the year 3 opinions were issued with regard to further tasks entrusted to the Independent Auditors and to parties belonging to its network in accordance with European Regulation 537/2014.
7. We have no comments to make with regard to correct administration standards, which appear to have been constantly observed and in line with the Company's interests.
8. We have no comments to make about the general appropriateness of the organizational structure for efficiently pursuing the Company's objectives. In view of the above, the Board of Statutory Auditors consider that the internal control system is capable of supporting the orderly implementation of the Company's management.
9. We note that the Company adopted on 19 December 2016 the organization, management and control model in accordance with Legislative Decree 231/2001. The Supervisory Body has reported on the activities carried out over the course of the year ended 31 December 2017, indicating the need to update the model in order to take account of new predicate offences included in the Legislative Decree.
10. We note that the Company has arranged to update the Document Privacy Management System (DPS) – personal data protection code – set out in Legislative Decree 196/2003.
11. Over the course of 2017, the Board of Statutory Auditors held 10 meetings and issued 3 opinions on the occasion of the conferral of specific powers of the Chairman of the Board of Directors and on a member of the latter on the occasion of fixing the remuneration paid to Directors responsible for particular tasks in accordance with art. 2389, paragraph 3, of the Civil Code. Over the course of 2017 the Board of Directors held 7 meeting at which the Board of Statutory Auditors was always presented; over the course of the year the Board of Statutory Auditors also participated in 1 Shareholders' Meeting and 1 meeting of the Supervisory Body.
12. Over the course of systematic meetings between the Board of Statutory Auditors and the External Auditors, in accordance with art. 150, paragraph 3, of Legislative Decree no. 58/1998, no relevant

aspects to be reported emerged. The Board of Statutory Auditors has received analytical information with regard to the impairment tests carried out by the Company to confirm the values recorded – with regard to the financial statements at 31.12.2017 – for the Santarosa brand and goodwill and the DIETE.TIC brand and goodwill. The corresponding details are provided by the Directors in the financial statements in accordance with international financial reporting standards and Consob recommendations.

13. On 4 April 2018 the Independent Auditors KPMG S.p.A. also presented to the Board of Statutory Auditors in its capacity as the Committee for internal control the Additional Report set out by art. 11 of (EU) Regulation no. 537/2014, showing no significant shortcomings in the internal control system in relation to the financial disclosure process to be brought to the attention of those responsible for governance activities. As an annex to the Additional Report the Independent Auditors presented the declaration relating to independence, as required by art. 6 of (EU) Regulation no. 537/2014, showing no situations that could compromise independence. Finally, the Board of Statutory Auditors has noted the Transparency Report prepared by the Independent Auditors published on its own website pursuant to art. 18 of Legislative Decree 39/2010.
14. The Independent Auditors KPMG S.p.A. in accordance with the provisions of art. 19, paragraph 3, of Legislative Decree 39/2010, has issued a report on the fundamental questions arising from the external audit, from which no aspects emerged that required specific in-depth examination or reporting here.
15. The Notes to the Financial Statements show details, in accordance with art. 149 *duodecies* of the Consob issuers' regulation, the payments for 2017 for audit services and for miscellaneous services, with the following details:

- Auditing and certification	€73,000
- Reimbursement of expenses and Consob contributions	€15,000
- Other services	€61,000

16. With regard to the approval of the Financial Statements, the Board of Statutory Auditors reports that on 15.03.2018 the Board of Directors approved the draft Financial Statements at 31.12.2017, which along with the Directors' Report was made available to the Board of Statutory Auditors on the same date. On 15.03.2018 the Managing Director and the Manager in charge of financial reporting made the attestations required by art. 154 *bis*, paragraphs 3 and 4, of Legislative Decree 58/98.
17. In conclusion, we attest that our supervisory activities have not revealed any omissions, censurable facts or irregularities to be reported to shareholders.

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In view of the above, the Board of Statutory Auditors declares that it has no objection to the approval of the Financial Statements for the year ended 31.12.2017 and to the proposed allocation of profits, which is as established by law and by the Company's articles of association.

Bologna, 4 April 2018.

The Board of Statutory Auditors
Gianfranco Tomassoli
Claudia Spisni
Massimo Mezzogori

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