VALSOIA SpA

Annual Financial Report at December 31, 2018

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.

news:

LINEA "COL CUORE"
A complete new food project

A new line of products, rich in vegetable proteins and Omega 6,
or linoleic acid
valid help in the control of cholesterol.
Ice cream, yoghurt and beverages are low in sugar

CONTENTS

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.

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, 2018, 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.	EUR 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. The Company has decided to take the options provided for in art. 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-off, share capital increases through contributions in kind, acquisitions and disposals.

2 / Director's report

Annual Financial Report at December 31, 2018

DIRECTORS' REPORT
AT DECEMBER 31, 2018

Key financial highlights

Income statement ratios (EUR 000)	12.31.2018		12.31.2017 reclassified (a)		Change	
	EUR	%	EUR	%	EUR	%
Sales revenue	83,501	100	85,565	100	(2,064)	(2.4)
Value of production	82,331	98.6	86,181	100.7	(3,850)	(4.5)
Gross Operating Result (EBITDA) (b)	10,364	12.4	11,929	13.9	(1,565)	(13.1)
Adjusted Gross Operating Result (EBITDA) (c - i)	11,108	13.3	11,784	13.8	(676)	(5.7)
Net operating results (EBIT)	8,351	10.0	9,989	11.7	(1,638)	(16.4)
Pre-tax profit	8,162	9.8	9,695	11.3	(1,533)	(15.8)
- Current taxes	(2,239)	(2.7)	(2,703)	(3.2)	464	(17.2)
- Non-recurrent tax effects	4,175	5.0	-	-	4,175	-
Net profit for the period	10,098	12.1	6,992	8.2	3,106	44.4
Adjusted Net profit for the period (c -ii)	10,737	12.9	6,881	8.0	3,856	56.0

(a) Results for 2017, reclassified due to a retrospective application of the IFRS 15 accounting standard, as detailed in the next paragraph.

(b) 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.

(c) Data recognised net of the (i) impacts from the stock options plan 2016-2019 (ii) including related tax effects.

Income statement ratios (EUR 000)	12.31.2018	12.31.2017 reclassified (a)	Change
Current non-financial assets	18,840	20,300	(1,460)
Current non-financial liabilities	(15,032)	(17,215)	2,183
Net working capital	3,808	3,085	723
Other net operating assets/(liabilities)	(94)	(1,075)	981
Non-current assets	42,067	42,882	(815)
Total INVESTMENTS	45,781	44,892	889
Shareholder's equity	67,355	60,011	7,344
Current net financial position (assets)	(30,319)	(15,837)	(14,482)
Non-current loans and borrowing	8,745	718	8,027
Net financial position (assets)	(21,574)	(15,119)	(6,455)
Total SOURCES	45,781	44,892	889

Economic and financial performance indicators	12.31.2018	12.31.2017 reclassified (a)
ROE (Net profit for the period/Shareholders' equity)	15.0%	11.7%
Adjusted ROE (net adjusted profit (c-ii)/Shareholders' equity)	15.9%	11.5%
ROI (EBIT/Total investments)	18.2%	22.3%
ROS (EBIT/Sales revenue)	10.0%	11.7%
EBITDA margin (EBITDA (b)/Sales revenue)	12.4%	13.9%
Adjusted EBITDA margin (Adj. EBITDA (c-i)/Sales revenue)	13.3%	13.8%
Shareholders' equity /Total non-current assets	1.60	1.40
Shareholders' equity (Net fin. pos. + Non-current loans and borrowing)/Non-current assets	1.81	1.42
Acid test	3.27	2.10

Economic and financial performance indicators	12.31.2018	12.31.2017 reclassified (a)
(Current net financial pos. + Current non-financial assets)/Current non-financial liabilities		
Debt ratio (Current net financial pos. + Non-current loans and borrowings)/Shareholders' equity	n.a.	n.a.

ADOPTION OF THE NEW ACCOUNTING STANDARDS IFRS 15 AND IFRS 9

As from 2018 the adoption of the new accounting standards *IFRS 15 – Revenue from Contracts with Customers* and *IFRS 9 – Financial Instruments* became mandatory, therefore the drafting of this Yearly Financial Report was carried out in line with the matters envisaged by the new accounting standards. For an improved examination and understanding of the Financial Statements balances, the income statement at December 31, 2017 was reclassified on the basis of the new accounting rules envisaged by standard IFRS 15.

The new standard IFRS 15 establishes a new revenue recognition model which applies 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 main contractual and operating circumstances of the Company which, following the carried out assessments, were 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 following table shows the impact of the adoption of the IFRS 15 standard on sales revenue.

Income statement ratios (EUR 000)	12.31.2018	12.31.2017	Change %
Sales revenue before IFRS 15	110,650	111,932	(1.1)
IFRS 15 adjustments	(27,149)	(26,367)	3
Recl. sales revenue as per IFRS 15	83,501	85,565	(2.4)

In addition, the adoption of IFRS 15 led to the following essential changes:

- the one-off recognition as at January 1, 2017 (First time adoption) of a negative shareholders' equity reserve for EUR 200 thousand;

- a reclassification of costs compared with the previous accounting method, in the same amount as that shown for the revenue;
- a change in the profit for 2017 of EUR 68 thousand;
- an insignificant effect on the operating margin of the Company.

On the basis of the analysis carried out by the Company, the adoption of the new accounting standard *IFRS 9 - Financial Instruments* did not lead to any significant impacts on 2018.

Main events for the period and business performance

The year 2018 showed a decline in the total consumption of "Packaged food" in Italy, i.e. -1.2% against 2017 (Nielsen Source). In particular, the critical impact of the hypermarkets continues while the only channel showing a growth in sales is the discount channel (+1.3% in 2018 versus the previous year). Household food expenditures from online sales are still marginal.

Within the "Packaged food", the market share is slightly lower for the major brands compared with the Distributor Brands (D.B.) and the unbranded products.

Within the same area, the "Benessere" (Wellness) and "Salutistico" (Health food) segments have maintained also in 2018 a significant fragmentation of the offer and a low differentiation between the products specific for "intolerances", "diets" or more generically "natural" and "biological" products, thus recording a significant slowdown in the growth of the overall consumption compared with the average of the last four years.

In particular, the health food markets in which Valsoia S.p.A. operates continued to show in 2018 a strong increase in household purchases (+4.5% versus the previous year, exceeding 14 million households). However, the consumption of the "plant-based alternatives" recorded in 2018 a strong contraction in values, equal to -4.7% on an annual basis (Nielsen source) which occurred for the first time after the considerable growth of the previous years which indeed continues in Europe and in the USA.

This abnormal contraction in consumptions, which occurred concurrently with the growth in the number of purchasing households, shows a clear problem in terms of supply and in terms of numbers, credibility and quality of products proposed to consumers, both in terms of management and in terms of understanding the related shelves at the points of sale.

The year 2018 has shown in fact only timid "intentions" for streamlining the "plant-based alternatives" categories which have remained unchanged in terms of total references at the points of sale, from the record numbers reached in 2017 (more than 1,200 references, tripled over the previous 4 years).

This market scenario, the consequences of which were pointed out and anticipated more than once by Valsoia over the last two years to all the stakeholders, explains the unnatural decrease in consumptions in 2018 in the segments of plant-based alternatives, a phenomenon that is totally limited to Italy.

The obstacle to be removed, for the consumer, is the difficulty in understanding and choosing within a health food market that needs stable brand references that are believable and reassuring, both in terms of functional/nutritional promises and the sensory quality of the products.
This necessity is even more strategic today given the concurrent growth of the supply of lactose-free products which are partially competing with the "plant-based alternatives".

These review processes must be radical and must involve the adoption, at the points of sale, of displays that are similar to the European ones with a clear presence of the leading market brand alongside a few followers, specialised in the same category, in addition to the Distributor Brands.

The markets where the Company operates with the "Santa Rosa Confetture" (preserves) and "Pomodorissimo" (tomato sauce and pulp) brands showed a slight increase in the preserves (+2.5% Modern Distribution – M.D.) and a decline in the tomatoes (-2.8% M.D.).

In 2018, consumption in the segment of liquid sweeteners was up (+9.4% M.D.) and dominated by the Company following the acquisition of the Business unit "Diete.Tic", a leader in this segment.
Finally, the cereal segment is stable (+1% M.D.), led by the Company thanks to the distribution of the Weetabix brand.

In terms of Sales revenue (before IFRS 15), 2018 closed for Valsoia S.p.A. with EUR 110.6 million versus EUR 111.9 million of the previous year (-1.1% on a consistent basis with the figures before IFRS 15).
These reclassified figures according to the IFRS 15 standard, reflected a Sales revenue in 2018 of EUR 83.5 million (-2.4% versus the previous year).

This result was reached, as already described, within a negative scenario for food products in general and in particular under significant difficulties for the "plant-based alternative" markets, within which the Valsoia brand continues to confirm its indisputable leadership both in terms of value and volumes with a rotation performance at the points of sale always at the top of the respective market segments (Nielsen source).

The licensing of the brand Pomodorissimo Santa Rosa to Società Cooperativa Conserve Italia contributed partially to the decreased revenue. This agreement entered into effect in November 2018 and from that time on the turnover of the tomatoes line was absent.

More in general, the consumption shares of Valsoia in the main segments of the dominated health food markets were stable or slightly increasing, particularly in the second half of the year.

Within the Italian portfolio, the Food division recorded positive results with sell-in (ex-factory) stable volumes for the preserves and a weighted slightly increasing distribution; volumes were slightly up also for the cereal Wetabix; the first year of management of the Diete.Tic brand was positive in 2018 regaining the pre-acquisition levels of a weighted distribution in Modern Distribution.

Finally, foreign sales of the Valsoia Bontà e Salute brand showed very positive results with a +10.3% performance compared with the previous year.

The impact of total operating costs (net of the expenditure recorded in 2018 for expenses resulting from the 2016-2019 Stock Option Plan equal to EUR 744 thousand) is slightly up, to be essentially attributed to the impact from personnel costs.
Cost of sales and logistics were stable.
Positive also were the changes in the budget for the purchase of raw materials, semi-finished products and packaging.

Expenses for marketing and trade marketing activities are in line with the plans and slightly lower compared with the same period of last year.
Management of working capital was positive, showing an improvement in collection days from customers, along with a decline in stock levels.

The EBITDA of 2018, at a management level and adjusted with the expenses related to the above 2016-2019 Stock Option Plan, stood at EUR 11.1 million (13.3% EBITDA margin) compared with EUR 11.78 million of the previous year (-5.7%). Taking into account the effect of the 2016-2019 SOP, EBITDA for the year 2018 stood at EUR 10.36 million versus EUR 11,93 million of the previous year.

Net profit for the year reached EUR 10.1 million versus EUR 6.99 million in the previous year (+44%) thanks also to non-recurrent tax benefits. These effects refer to:
- for EUR 3.3 million to tax benefits resulting from the application of Italian Law no. 190 of December 23, 2014 ("Patent Box") about which the Company has entered, as set forth in the applicable regulations, into a specific agreement with the Tax Authorities. Following the execution of this agreement, the Company has recognised in these Financial Statements the benefits related to the three year period 2015-2017 in addition to the effects on the year 2018. This agreement will be valid also in 2019.

- for about EUR 900 thousand deriving from the implementation of a tax realignment of the Santa Rosa brand pursuant to art. 1 ex paragraphs 946 and 948, Italian Law no. 145 of December 30, 2018 - Budget Law 2019.

Net profit for the year, adjusted based on the expenses resulting from the 2016-2019 Stock Option Plan and related tax impacts, is EUR 10.7 million versus EUR 6.88 million in the previous year (+56%).

In 2018, the Company has kept its role of leader and its premium positioning in the market through:
(i) retention of its *leadership* position in the advertisement "share of voice" for both the Valsoia Bontà e Salute and Santa Rosa brands;
(ii) the progressive implementation of a significant change in its sales organisation aimed at a more effective presence in the market in this phase of major development;
(iii) the progressive implementation of the management of points of sale through an external company of sell-out specialists;
(iv) the introduction into the market of some important innovations regarding ice creams, plant-based yoghurt and plant-based alternatives to cold cuts;
(v) the agreement executed with Conserve Italia, Società cooperativa agricola, a leader in Europe in regard to fruit preserves, for the exclusive licensing of the Pomodorissimo-Santa Rosa brand that will remain the property of Valsoia S.p.A. The agreement entered into effect on November 1, 2018 with an extendible three year duration;
(vi) the study for the launch in 2019 of an important development of the food-related project Valsoia concerning a new "premium" plant-based line that combines a healthy and quality upgrading on a basis other than soy;
(vii) the continuation of the internal project for the optimisation of Human Resources with a focus on the growth of Key People by incentivising skills and role profiles together with the work of the new Organisational and Control Management Department aimed at a further evolution and coverage of the Company's growth prospects;
(viii) the implementation of a project aimed at entering the HO.RE.CA. channel by means of the establishment of a specific Function (Out of Home Management), to which in-house staff has been assigned;
(ix) the continuation of the sensory improvement of its health product lines with a particular focus on the areas to be improved, as identified from product tests carried out on plant-related yoghurt and ice creams;
(x) the continuation of scouting activities in Italy and abroad for the identification of potential target companies or brands in line with the M&A objectives of the Company.

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 BONTÀ 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 product, of high quality and excellent flavour. Thanks to its recipe, nutritious and balanced, it is the ideal drink, starting in the morning, to stay in shape and eat healthy.

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. The use of the Santa Rosa Pomodorissimo brand has been licensed to third parties starting from November 2018.

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 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.

Valsoia is the licensee of the following brand (in addition to the patents and know-how):

BLUENYX

It is a dietary supplement with an exclusive MGTS 3 ACTION formula that facilitates the natural and regenerative path of one's sleep.

Thanks to the presence of vitamins and mineral salts, it contributes positively to metabolism, to the reduction of a sense of fatigue and to maintaining the functionality of the immune system.

The market launch of the BlueNyx products is scheduled for the first few months of 2019.

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

Description (EUR 000)	12.31.2018		12.31.2017 reclassified		Change
	EUR	% Inc.	EUR	% Inc.	%
Health Food Products Division (a)	43,430	52.0%	47,045	55.0%	-7.7%
Food Division products (b)	30,796	36.9%	29,958	35.0%	2.8%
Other	4,426	5.3%	4,165	4.9%	6.2%
TOTAL ITALIAN REVENUE	78,652	94.2%	81,168	94.9%	-3.1%
Sales abroad	4,849	5.8%	4,397	5.1%	10.3%
TOTAL REVENUE	83,501	100.0%	85,565	100.0%	-2.4%

(a) Valsoia Bontà e Salute, Vitasoya, Naturattiva brands
(b) SantaRosa, Diete.Tic, Weetabix brands

The year 2018 showed, as regards the health products, a decline in sales revenue of -7.7% compared with the previous year.

The result for the year was also particularly affected by the performance of "alternatives to frozen meat" lines and plant-based ice creams.

Alternatives to frozen meat have substantially maintained a stable consumption share in the second half of 2018, but not the revenue in a market segment, i.e. the plant-based frozen product segment, that is experiencing a significant decline.
The Company, in addition to implementing actions aimed at slowing down the erosion in the sales of frozen products, is introducing into the market some product lines in alternative to fresh, over the counter, meat. One of the reasons for the reduction in consumption of the frozen food segment is, in fact, the shift in consumption toward the "fresh" segment.

The negative performance of the Valsoia ice cream in Italy is to be attributed to a season's climate that was initially less favourable, together with a larger presence of competitors with a low product rotation but with space quotas definitively greater than their market shares, with a consequent decrease in the visibility of the Valsoia products.

In this market scenario, the Valsoia ice cream has still obtained excellent results in terms of market share, thus decisively maintaining its leadership position in the health product sector with a 67% share (value, at the end of

2018 of M.D. – Nielsen Data) thus confirming to be the "main reference point" for the health-product consumer in the market of plant-based alternatives.

During the year, several innovations in product and packaging were studied (for implementation in 2019), also for the Valsoia plant-based ice cream, with particular attention given to the area of sensory improvement and the area of health upgrading, with a particular focus on the promise of "reduced sugar content".

As regards the main lines of the health-product portfolio, Valsoia reports the good resilience of plant-based drink volumes in addition to the positive performance of plant-based yoghurt.

As regards the Food division, the sales figure for the year showed an overall growth of 2.8%. Within this scope, in 2018 the ex factory volumes of the Santa Rosa preserves, following the significant increase of the last two years, remained stable. The result of the first year of managing the Diete.Tic. brand was positive, as were the sale volumes of the Weetabix cereals. Positive also were the sales of tomatoes in the first 10 months of the year compared with last year.

The excellent results from foreign sales, +10.3% compared with last year, should also be noted. Very positive were the distribution results on the basis of those numbers, both in Europe and in the USA.
Overall, the year 2018 exceeded 12,000 supermarkets selling at least one Valsoia line. More than 2,000 of these are in the USA.
The most sold line abroad is the Valsoia plant-based ice cream which exceeds, with the international sales, 25% of the total ice cream turnover of the Company.
To be noted is also the good performance in the rotation of our shelf products, in line with the best benchmarks of the related countries.

Investments

In 2018, investments in intangible assets and property, plant and equipment reached EUR 1.2 million. These investments concerned primarily 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, 2018 and 2017.

Description (EUR 000)	12.31.2018	12.31.2017 reclassified
Cash	3	3
Current accounts and bank deposits	29,278	15,934
Current financial assets	3,000	0
Total cash and cash equivalents (A)	32,281	15,937
Current financial debts (B)	(1,962)	(100)
Current net financial position (C=A-B)	30,319	15,837
Non-current loans and borrowings (D)	(8,745)	(718)
NET FINANCIAL POS./(FINANCIAL DEBT) (E=C+D)	21,574	15,119

The Net Financial Position of the Company at December 31, 2018, was positive with EUR 21.6 million, up by EUR 6.4 million compared with December 31, 2017 (+42.7%).
The current management of operating assets before the changes in the working capital has generated a positive cash flow of EUR 10.7 million. The financial changes in net working capital have generated a cash flow of EUR 642 thousand, due primarily to the afore-mentioned entry into effect of the licensing agreement of the Pomodorissimo brand.
During the year, the Company has made investments in the amount of EUR 1.2 million and has distributed dividends for EUR 3.5 million.

It is also to be noted that the Company, so as to be able to rapidly deal with any investment opportunities and in consideration of the current level of the interest rates, during the year took out a medium/long-term unsecured loan for EUR 10 million with a leading bank.

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 requirements set forth in the IAS/IFRS standards, are fully recognised in the income statement of the year; 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 positive amount of EUR 10 thousand.

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 considering the contractual terms agreed upon with the bank disbursing the medium-long term loan obtained 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, 3% 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 first two months of 2019, the Company continued with its presentation to retailers, already successfully started in 2018, of the new products of the ice cream line.

Presentations to retailers also started about the new developments in the Valsoia premium line which boasts an even higher profile positioning in the area of health, like plant-based alternatives, products rich in proteins and capable of claiming "control over cholesterol".

Also in a start-up phase is the presentation of the new Santa Rosa line with "50% less sugar", while the first agreements in the Pharmacy channel with the introduction of BlueNyx, a new brand licensed to Valsoia S.p.A., were initiated.

The expansion of the distribution work to new foreign channels continues. In particular, between January and February, agreements were executed with 4 new retailers in the United States, along with some interesting inclusion of the Valsoia products and Diete.Tic by some European retailers.

The orders in the first two months of the year have been delayed because of a decline in the health food markets about which, however, the positive growth of the Valsoia Bontà e Salute brand is to be noted.

Other information

Personal Data Protection Code.

Valsoia, upon a resolution issued by the Board of Directors on May 7, 2018, has adopted an Organisational Model for the protection of personal information, pursuant to the Regulation (EU) 2016/679 ("GDPR"). The Company has implemented during the year the activities provided for in the Model and in the applicable laws and, inter alia, has appointed a Data Protection Officer ("DPO") in order to ensure the necessary reviews about the compliance by the Company with all the provisions in the areas of privacy and security of personal information, as per the GDPR and the other applicable regulations.

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.comfollowing 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 Italian 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, 2018, 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 2018, the Company's Research and Development activities covered numerous areas including those listed below.

- Development of a new line of food products, 100% plant-based, ranging from drinks, yoghurt, ice creams to cold cuts. These products, all with a premium market positioning, combine a health and quality upgrade thus recovering, thanks to their composition, the most significant claims of the core targets of the plant-based alternative markets with a particular reference to protein content and the capacity to control cholesterol.
- Development of new lines of products, in both the areas of plant-based health products and preserves, with a reduced amount of sugar, in line with the most current trends in modern diets.
- Development of new recipes of ice creams for the USA market.

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 2018, Valsoia renewed its certification from the certification entity KiwaCermet pursuant to UNI ISO 50001 (*Energy Management*).
In 2018, 3% (101,500 kWh) of electric power necessary for production was obtained thanks for the photovoltaic plant 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 2018, 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 2018.

Personnel	12.31.17	Resignations/ Terminations	Hires	Internal movements	12.31.18	Change
Executives	10	- 1	+1	-	10	-
Employees and managers	88	-10	+14	-	92	+4
Factory workers	24	-2	+1	-	23	-1
Co.co.co(*)	1	-	-	-	1	-
	123	-13	+16	0	126	+3

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

In addition to the fixed personnel in the establishment included in the data above, in 2018 27,265 hours of seasonal work were used for the production of ice cream (28,408 in 2017).
As shown by the results above, in 2018 the Company increased its workforce by 3 units. This increase concerns primarily white-collar recruitments in the areas of Purchasing, Human Resources and Information Technologies.
The ratio between recruitments and terminations shows a greater turnover of personnel, in particular within the sales and marketing departments, compared with the previous years.
The total annual days of absence due to illness were approximately 590 (on the average 5 days per person, slightly lower than in 2017).
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 2018 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 12.31.2017	% Share Cap.	Changes in the period	Number of shares at 12.31.2018	% Share Cap.
Lorenzo Sassoli de Bianchi	A	6,663,875	62.777		6,663,875	62.777
Ruggero Ariotti	B	614,778	5.791	+10,000	624,778	5.886
Cesare Doria de Zuliani	D	301,413	2.839	-	301,413	2.839
Furio Burnelli (a)	B	958,357	9.028		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	+10,000	25,179	0.237
Chiusoli Camilla	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 2018 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 10,097,959.39

We propose to allocate:

- to the extraordinary reserve pursuant to art. 2426 par. 8 bis Italian Civil Code:	EUR	9,637.38
- to the extraordinary reserve:	EUR	6,054,535.75
- a dividend of EUR 0.38 for each of the 10,615,227 shares totalling:	EUR	4,033,786.26

We hereby propose that the dividends be paid on May 8, 2019, with record date May 7, 2019 and ex-date May 6, 2019.

Bologna, March 20, 2019

The Chairman of the Board of Directors

Lorenzo Sassoli de Bianchi

3 / Condensed Financial Statements

ACCOUNTING STATEMENTS

FIGURES IN EUROS

STATEMENT OF FINANCIAL POSITION	Notes	December 31, 2018	December 31, 2017, reclassified	December 31, 2017, original
CURRENT ASSETS				
Cash and cash equivalents	(1)	29,281,198	15,937,063	15,937,063
Current financial assets	(2)	3,000,000	0	0
Trade receivables, net	(3)	8,665,370	10,409,232	15,060,830
Inventories	(4)	6,493,156	8,148,382	7,521,319
Other current assets	(5)	3,681,509	1,742,813	1,742,813
Total current assets		**51,121,233**	**36,237,490**	**40,262,025**
NON-CURRENT ASSETS				
Goodwill	(6)	8,198,307	8,198,307	8,198,307
Intangible assets	(7)	23,743,606	24,117,605	24,117,605
Property, plant and equipment	(8)	9,862,570	10,303,041	10,303,041
Financial assets	(9)	110,000	110,000	110,000
Deferred tax assets	(10)	324,357	0	0
Other non-current assets	(11)	153,078	153,015	153,015
Total non-current assets		**42,391,918**	**42,881,968**	**42,881,968**
TOTAL ASSETS		**93,513,151**	**79,119,458**	**83,143,993**

STATEMENT OF FINANCIAL POSITION	Notes	December 31, 2018	December 31, 2017, reclassified	December 31, 2017, original
CURRENT LIABILITIES				
Current payables due to banks	(12)	1,962,684	100,492	100,492
Trade payables	(13)	11,241,350	14,188,790	17,870,684
Tax payables	(14)	1,669,948	456,170	456,170
Provision for risks	(15)	51,973	72,040	230,901
Other current liabilities	(16)	2,069,040	2,498,545	2,498,545
Total current liabilities		**16,994,995**	**17,316,037**	**21,156,792**
NON-CURRENT LIABILITIES				
Non-current payables due to banks	(17)	8,745,310	717,819	717,819
Provision for deferred taxes	(18)	0	567,690	618,965
Provision for post-employment benefits	(19)	418,287	507,050	507,050
Total non-current liabilities		**9,163,597**	**1,792,559**	**1,843,834**
EQUITY	**(20)**			
Share Capital		3,503,025	3,503,025	3,503,025
Legal Reserve		700,605	690,082	690,082
Revaluation reserve		16,765,093	16,765,093	16,765,093
IAS/IFRS adjustments reserve		(1,202,290)	(1,202,290)	(1,001,591)
Other reserves		37,490,166	33,263,296	33,263,296
Profit/(loss) for the period		10,097,960	6,991,656	6,923,462
Total Shareholders' equity		**67,354,559**	**60,010,862**	**60,143,367**
TOTAL		**93,513,151**	**79,119,458**	**83,143,993**

ACCOUNTING STATEMENTS

FIGURES IN EUROS

INCOME STATEMENT	Notes	December 31, 2018	December 31, 2017, reclassified	December 31, 2017, original
VALUE OF PRODUCTION	(21)			
Revenue from sales and services		83,501,239	85,564,870	111,931,868
Changes in inventories of finished goods		(1,836,646)	(30,463)	80,449
Other revenue and income		666,493	646,803	646,803
Total Value of production		**82,331,086**	**86,181,210**	**112,659,120**
OPERATING COSTS	(22)			
Purchases		(42,046,239)	(44,817,607)	(57,059,494)
Services		(18,724,047)	(19,289,464)	(33,632,154)
Cost of use of assets owned by other, of third party assets		(563,505)	(514,068)	(514,068)
Labour costs		(9,853,123)	(8,405,872)	(8,405,872)
Changes in raw materials inventory		181,420	234,399	234,399
Other overheads		(961,495)	(1,459,136)	(1,459,136)
Total operating costs		**(71,966,989)**	**(74,251,748)**	**(100,836,325)**
GROSS OPERATING RESULT		**10,364,097**	**11,929,462**	**11,822,795**
Amortisation, depreciation and write-downs of fixed assets	(23)	(2,013,029)	(1,940,425)	(1,940,425)
NET OPERATING RESULT		**8,351,068**	**9,989,037**	**9,882,370**
Net financial income/(charges)	(24)	(188,675)	(293,814)	(293,814)
PRE-TAX PROFIT (LOSS)		**8,162,393**	**9,695,223**	**9,588,556**
TAXES	(25)			
Income taxes		(1,057,096)	(1,643,107)	(1,604,634)
Deferred tax assets/liabilities		(1,182,358)	(1,060,460)	(1,060,460)
Non-recurrent tax effects		4,175,021	0	0
Total Taxes		**1,935,567**	**(2,703,567)**	**(2,665,094)**
PROFIT/(LOSS) FOR THE PERIOD		**10,097,960**	**6,991,656**	**6,923,462**
Basic EPS	(26)	0.951	0.659	0.652
Diluted EPS	(26)	0.947	0.659	0.652

ACCOUNTING STATEMENTS

FIGURES IN EUROS

STATEMENT OF COMPREHENSIVE INCOME	Notes	December 31, 2018	December 31, 2017, reclassified	December 31, 2017, original
PROFIT (LOSS) FOR THE PERIOD		**10,097,960**	**6,991,656**	**6,923,462**
OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH MAY BE SUBSEQUENTLY				
RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD		0	0	0
Total		**0**	**0**	**0**
OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH WILL NOT BE SUBSEQUENTLY				
RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD				
Actuarial gains/(losses) for IAS 19		4,567	84	84
Total		**4,567**	**84**	**84**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (LOSS)		**10,102,527**	**6,991,740**	**6,923,546**

ACCOUNTING STATEMENTS

FIGURES IN EUROS

	STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED AT	December 31, 2018	December 31, 2017, reclassified	December 31, 2017, original
	(EUR 000)			
A	**Opening current net cash**	**15,836,571**	**19,287,042**	**19,287,042**
B	**Cash flow from operating activities for the period**			
	. Profit/(Loss) for the period	10,097,960	6,991,656	6,923,462
	. Net financial (income)/charges and Taxes for the period	(1,746,893)	2,997,381	2,958,908
	. Amortisation, depreciation and write-down of fixed assets	2,013,029	1,940,425	1,940,425
	. Capital (gains) - Losses from asset disposal	(42,436)	(8,946)	(8,946)
	. Charges for SOP (Stock Option Plans)	744,195	(145,582)	(145,582)
	. Net change in other provisions	(348,053)	352,996	352,997
-	*Cash flow from operating activities before changes in working capital*	*10,717,802*	*12,127,930*	*12,021,264*
	(Increase)/Decrease in trade receivables	1,773,240	(677,840)	(764,318)
	(Increase)/Decrease in Inventories	1,799,539	(379,314)	(345,030)
	Increase/(Decrease) in trade payables	(2,947,439)	1,625,718	1,625,718
	Net change in other current assets/liabilities	17,036	(281,607)	(84,267)
-	*Change in Working Capital*	*642,376*	*286,957*	*432,103*
-	*Changes in other operating assets/liabilities*	*(57,840)*	*(35,725)*	*(74,115)*
	Total (B)	11,302,338	12,379,162	12,379,252
C	**Taxes paid**	**0**	**(1,765,341)**	**(1,765,431)**
D	**Cash flow used in investment activities**			
-	Net increases in property, plant and equipment	(1,051,289)	(1,417,947)	(1,417,947)
-	Net increases in intangible assets	(104,834)	(8,773,403)	(8,773,403)
-	Net change in other non-current assets/liabilities	(62)	10,052	10,052
	Total (D)	**(1,156,185)**	**(10,181,298)**	**(10,181,298)**
E	**Cash flow used in financial activities**			
	Increase/(decrease) in medium/long-term loans	8,027,490	(86,155)	(86,155)
	Net financial income/(charges)	(188,675)	(293,814)	(293,814)
	Dividends	(3,503,025)	(3,503,025)	(3,503,025)
	Total (E)	**4,335,790**	**(3,882,994)**	**(3,882,994)**
F	**Cash flow for the period (B+C+D+E)**	**14,481,943**	**(3,450,471)**	**(3,450,471)**
G	**Closing balance of current net liquidity (A+F)**	**30,318,514**	**15,836,571**	**15,836,571**

ACCOUNTING STATEMENTS

FIGURES IN EUROS

STATEMENT OF CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVE	REVALUATION RESERVE	ADJ. RESERVE IAS/IFRS	OTHER RESERVES	PROFIT/(LOSS) FOR THE PERIOD	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT JANUARY 1, 2017	3,503,025	690,082	13,595,782	(1,001,591)	31,287,264	8,793,866	56,868,428
FTA IFRS 15 adjustments				(200,699)			(200,699)
BALANCE AT JANUARY 1, 2017 RECLASSIFIED	3,503,025	690,082	13,595,782	(1,202,290)	31,287,264	8,793,866	56,667,729
2017 changes							
Allocation of 2016 profit					5,290,841	(5,290,841)	0
dividends						(3,503,025)	(3,503,025)
2016-2019 SOP charges					(145,582)		(145,582)
Estab. Deferred Taxation Reserve			3,169,311		(3,169,311)		0
Comprehensive income/(loss)							
- Result for the period						6,991,656	6,991,656
- Other items of the income statement					84	0	84
BALANCE AT DECEMBER 31, 2017 RECLASSIFIED	3,503,025	690,082	16,765,093	(1,202,290)	33,263,296	6,991,656	60,010,862
2018 changes							
Allocation of 2018 profit with		10,523			3,409,915	(3,420,438)	0
dividends						(3,503,025)	(3,503,025)
FTA IFRS 15 adjustments					68,193	(68,193)	0
SOP Charges					744,195		744,195
Comprehensive income/(loss)							
- Result for the period						10,097,960	10,097,960
- Other items of the income statement					4,567	0	4,567
BALANCE AT DECEMBER 31, 2018	3,503,025	700,605	16,765,093	(1,202,290)	37,490,166	10,097,960	67,354,559

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, 2018 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 9), 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 financial position at December 31, 2018, compared with December 31, 2017 and, for a better comparison of the Financial Statements items, with the position at December 31, 2017 reclassified with the retrospective application of the IFRS 15 standard. 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 of 2018 compared with the income statement of the previous year and, for a better understanding of the financial performance, with the position at December 31, 2017, reclassified with the retrospective application of the IFRS 15 accounting principle. 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 2018, compared with the statement of comprehensive income of last year and with the statement of comprehensive income of 2017, reclassified based on the above and prepared according to the IAS 1 standard.

- The statement of cash flows for 2018 compared with the statement of cash flows of the previous year and with the statement of cash flows of 2017 reclassified as indicated above. 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 with changes in Shareholders' equity for 2018 and 2017 including the changes resulting from the first time application of the IFRS 15 standard.

- These Notes to the Financial Statements. As for the tables included in the Notes to the Financial Statements, it was decided, for a better comparison of the Financial Statements items, to compare the figures of 2018 with the corresponding figures at December 31, 2017, remeasured based on a retrospective application of the IFRS 15 standard.

The Separate Financial Statements, related to the period ended at December 31, 2018, were prepared in Euro, the functional currency of the Company. It consists of the statement of financial position, the income statement and the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the Financial Statements. All the figures shown in the Notes are expressed in EUR thousand, unless otherwise indicated. The separate Financial Statements are subject to an audit by KPMG S.p.A. based on the mandate granted to it with resolution issued by the Shareholders' Meeting of April 23, 2015 for the period 2015-2023. The publication of these separate Financial Statements was authorised by the Directors of the Board on March 20, 2019. The Shareholders' Meeting, convened for the approval of the Financial Statements, is entitled to request changes to the Financial Statements.

Management of financial risks

Please see the Yearly Financial Report - Directors' Report.

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 described 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 composed of 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, the 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.

The goodwill is not subject to amortisation; for further details on the impairment tests, please see the following paragraph "Impairment Test".

Intangible assets

Intangible assets consist of non-monetary items able to generate future economic benefits, which are identifiable but have no physical consistency.

These items 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 the development of products by the company, are recognised 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 meet the above mentioned requirements, the development costs are allocated to the income statement of 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%
Residential buildings	3%
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 deemed as 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 2018 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 Test

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 between the fair value net of selling costs 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

Lease agreements 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 at the date when the contract is executed or, if lower, at the current value of the minimum payments due for the lease. 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.

As regards the required reporting on leased assets, see next paragraph (IFRS and IFRIC accounting standards, amendments and interpretations, ratified by the European Union, not yet mandatorily applicable and not adopted early by the Company at December 31, 2018) particularly as regards the application of the new IFRS 16, starting from January 1, 2019.

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. The Company determines the classification of its financial assets after the initial resolution and, where appropriate and permitted, it reviews this classification at the end of each year. This category includes the financial assets that fulfil the following two conditions:

- the financial asset is owned according to a business model, the objective of which is achieved through the collection of the financial flows as set forth contractually ("Held to collect" business model) and
- the contractual terms of the financial asset provide that, at certain dates, the financial flows are represented solely by the payment of the principal and interest out of the total principal to pay back (so-called, SPPI test passed).

According to the general rules stated in IFRS 9 as regards the reclassification of the financial assets, any reclassification under other categories of assets is not permitted, unless the Company modifies its business model for the management of the financial assets. In these cases, the financial assets may be reclassified from the category valued at amortised cost to the other two categories as set forth in IFRS 9 (Financial Assets valued at fair value with impact on the comprehensive income or Financial Assets designated at fair value with impact on the income statement).

The financial assets which the Company intends and is able to hold until maturity ("Held to collect") are recorded at the amortised cost, using the effective interest rate method, net of the write-downs made in order to reflect any impairment.

The financial assets other than those held to maturity are classified as held for negotiation and are designated at the end of each period at fair value, with impact on the comprehensive income or in the income statement according to the business model adopted by the Company for the valuation of financial assets.

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 under the equity reserves, net of the relative tax effect, and under 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 of the period in which they originated as are the effects deriving from early redemption 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.

Provision 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, the amount of which 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

Sales revenue is recognised, starting from January 1, 2018, according to the provisions of the IFRS 15 accounting standard.

Sales revenue of the Company are represented primarily by the sales of mass consumption food products and secondarily by sales of semi-finished products intended for the food industry.
Sales revenue are recognised at the time of their delivery to the customer, except in those cases, as per IFRS 15, when the Company maintains the economic control also subsequently to the transfer. Within the scope of its activities, Valsoia may use, for marketing its products, sales agents; in this case, the sales revenue is recognised at the delivery to the final user, net of the fees due to the agent.
Sales revenue, as recognised above, is shown net of rewards and commercial discounts and, if existing, all expenses related to activities performed by the customers under the trade and sale policies agreed upon with the Company (contribution for promotional activities, loyalty cards, listing fees, discount coupons, etc), are deducted.

The Company adopted IFRS 15 as from January 1, 2018 with retrospective effect.

Further to the assessment activities relating to the effects deriving from the application of IFRS 15 and carried out by the Company, the main contractual and operating circumstances of the Company which were subject to a different recognition from the accounting standards previously in effect 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. In particular:

- sales of semi-finished products to third party manufacturers: this refers to semi-finished products sold by Valsoia of which the Company maintains economic control, even subsequently to the ownership transfer, for the purpose of a later repurchase in the form of finished products. These sales amounted, in 2017, to a total EUR 12 million;
- sales to concessionaires: these are finished products sold to distributors of which Valsoia maintains economic control even subsequently to the ownership transfer. The effect on the Sales Revenue for 2017 of this new accounting principle was less than EUR 100 thousand;
- promotional contributions and other trade provisions: these refer to services provided by some of the Company's customers within the scope of trade and sale policies agreed upon with Valsoia, the expenses of which have been reclassified and deducted from sales revenue. These expenses amounted, in 2017, to a total EUR 14.3 million;
- discounts offered to consumers during promotional campaigns: these are discount coupons offered to the end user within the scope of promotional transactions in the form of redeemable coupons which, before the application of IFRS 15, were considered recognised under the cost of the promotional transactions themselves. The effect on the sales revenue for 2017 of this new accounting was less than EUR 100 thousand.

The following Table contains a summary of the effects of the application of IFRS 15 on the individual items of the statement of financial position at December 31, 2017 and the income statement and statement of comprehensive income at December 31, 2017.

Statement of financial position	12.31.2017 initial	Adjustments for adopting IFRS 15	Reclassifications for adopting IFRS 15	12.31.2017 reclassified
Assets				
Trade receivables, net	15,061	(424)	(4,228)	10,409
Inventories	7,521	627		8,148
Current liabilities				
Trade payables	17,871	546	(4,228)	14,189
Provision for risks	230	(159)		72

Statement of financial position	12.31.2017 initial	Adjustments for adopting IFRS 15	Reclassifications for adopting IFRS 15	12.31.2017 reclassified
Non-current liabilities				
Provision for deferred taxes	619	(51)		568
Shareholders' equity				
IAS/IFRS adjustments reserve	(1,002)	(200)		(1,202)
Profit for the period	6,924	68		6,992

Income Statement	*12.31.2017* initial	Adjustments for adopting IFRS 15	*12.31.2017* Reclassified
Value of production			
Revenue from sales and services	111,932	(26,367)	85,565
Changes in inventories of finished goods	80	(110)	(30)
Operating costs			
Purchases	(57,059)	12,241	(44,818)
Services	(33,632)	14,343	(19,289)
Taxes			
Taxes	(1,605)	(38)	(1,643)
Net profit	6,924	68	6,992

The following table shows the effects of the application of IFRS 15 on the opening Shareholders' equity at January 1, 2017

Description	12.31.2016 Book value	Adjustments for adopting IFRS 15	01.01.2017 reclassified re-opening balance IFRS 15
IFRS 15 Reserve	0	200	200
Total Shareholders' equity	0	200	200

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 changes of which are recognised directly under 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 2019-2023 (hereinafter the "Plan") approved by the Directors of the Company on March 20, 2019, 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 "2016-2019 Stock Option Plan" 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.valsoia.it, 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.

VALSOIA SpA

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. The application, starting from January 1, 2018, of the new accounting standard IFRS 9 did not produce any significant impact.

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 verifies that the claims made by the counterparties are well-founded, the correctness of our own operations, and assesses the amount of any loss resulting from potential outcomes. Furthermore, the Company consults its own legal advisers 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 to the Financial Statements 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

Compared with the operations carried out in the previous periods, due to first time application of the accounting standard IFRS 15, in addition to the above notes, for the purpose of a better comparison of the Financial Statements items, it was deemed appropriate to reclassify under trade payables the receivables deriving from sales transactions which, due the application of the new standard, can no longer be recognised under Sales Revenue.

New accounting standards, amendments and interpretations ratified by the European Union and entered into effect at the start of the period beginning on January 1, 2018

Following is the list of the documents entered in effect starting from 2018:

Document title	EU Regulation and publication date
IFRS 15 – Revenue from Contracts with Customers	(EU) 2016/1905 October 29, 2016
IFRS 9 – Financial Instruments	(EU) 2016/2067 November 29, 2016
Clarifications to IFRS 15 – Revenue from Contracts with Customers	(EU) 2017/1987 November 9, 2017
Joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts (Amendments to IFRS 4)	(EU) 2017/1988 November 9, 2017
Improvements to IFRS – cycle 2014-2016 (Amendments to IFRS 1 and IAS 28)	(EU) 2018/182 February 8, 2018
Classification and measurements of the transactions with share-based payments (Amendments to IFRS 2)	(EU) 2018/289 February 27, 2018
Changes to the transfer of investment property (Amendments to IAS 40)	(EU) 2018/400 March 15, 2018
IFRIC 22 Interpretation – Foreign Currency Transactions and Advance Consideration	(EU) 2018/519 April 3, 2018

Accounting standards, amendments and IFRS and IFRIC interpretations ratified by the European Union, not yet mandatorily applicable and not adopted early by the Company at December 31, 2018

Following are the new accounting standards or amendments to the standards applicable to the years following January 1, 2019; their early application is permitted. The Company decided not to adopt them early for the preparation of these Financial Statements:

IFRS 16 - "Leases": On January 13, 2016, IASB issued IFRS 16 "Leases" (hereinafter IFRS 16) which replaces IAS 17 and related interpretations. In particular, IFRS 16 defines leases as a contract that attributes to the client (the lessee) the right of use of an asset for a specific period of time against a consideration. The new accounting standard eliminates the classification of the leases as operating or financial leases for the purpose of the Financial Statements drawn up by companies operating as lessee; for all the leasing contracts with a duration exceeding 12 months, the recognition of an asset, representative of the right of use, and of a liability, representative of the obligation to make the payments set forth in the contract, is mandatory. Conversely, for the purpose of the lessors Financial Statements, the distinction between operating and financial leases is maintained. IFRS 16 strengthens the obligation of financial reporting for both the lessees and the lessors.

For the purpose of the assessment of the impacts of the new accounting standard IFRS 16, which will enter into effect starting on January 1, 2019, the Company has carried out an assessment activity concerning the operating methods and the effects arising from the application of this new standard. The main contractual and operating circumstances of the Company that, following the verifications carried out, will be subject to a different accounting due to the IFRS 16 application, are the following:

. rents for offices and/or warehouses,

. long term car lease agreements,

. contracts for the remote management of servers for the purpose of calculation and storage of IT data,

The Company, in accordance with the provisions of the new accounting standard, decided to apply it in compliance with the modified retrospective approach to the transition date, and therefore did not reclassify the comparative information.

Any impact on the Shareholders' Equity arising from the first time application of IFRS 16 was not estimated. It is assumed that the application of the IFRS 16 standard at January 1, 2019, is in line with the above and will involve the recognition in the Financial Statements of:

- Intangible assets (contractual rights of use) for EUR 1,052 thousand;
- Financial debt for EUR 1,052 thousand.

Following completion of an assessment, it was deemed appropriate not to change the current accounting methods as regards contracts in which, given the exclusive use of third party plants and equipment, the payment of a variable consideration is required, based on the purchased quantities.

It must be noted that the effects based on the final figures from the adoption of the afore-mentioned standard at January 1, 2019, could be different since:

It must be noted that the effects based on the final figures from the adoption of the afore-mentioned standard at January 1, 2019, could be different since:

- the Company has not yet completed the verification and assessment of the controls on the new accounting method;
- the new measurement criteria may be subject to changes up to the time of presentation of the first Financial Statements for the period that includes the date of the first time application.

On October 12, 2017, IASB issued the amendments to IFRS 9 - Prepayment Features with Negative Compensation. The amendments aim at allowing the measurement at amortised cost or at fair value through other comprehensive income (OCI) of financial assets characterised by an option of early redemption according to the so-called "negative compensation". The Company has completed the assessment activities of the impact arising from the first time application of the above standard, not actually recognising any substantial changes from what is normally applied by the Company.

On June 7, 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments which provides indications on how to reflect in the calculation of the income tax the uncertainties on the tax treatment of a certain phenomenon. IFRIC 23 will enter into effect on January 1, 2019 and the first time application of this new standard will not be significant.

IFRS accounting standards, amendments and interpretations not yet ratified by the European Union

On May 18, 2017, IASB issued IFRS 17 Insurance Contracts. The standard also aims at improving the understanding of the investors of the exposure to risks, profitability and financial position of the insurer. IFRS 17 replaces IFRS 4 issued in 2004 as an interim standard. It shall be applied starting from January 1, 2021, but an early application is permitted.

On June 7, 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments which provides indications on how to reflect in the calculation of the income tax the uncertainties on the tax treatment of a certain phenomenon. IFRIC 23 shall enter into effect on January 1, 2019.

On October 12, 2017 IASB issued amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures. The amendments aim at clarifying that IFRS 9 is applied to the non-current receivables from a related company or a joint venture which are substantially part of the net investment in the related company or joint venture.

On December 12, 2017 IASB published the Annual Improvements to IFRS 2015-2017 Cycle which include amendments to IAS 12 - Income Taxes, IAS 23 - Borrowing Costs, IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements. The amendments shall enter into effect on January 1, 2019. Early application is permitted.

On February 7, 2018, IASB published the Amendment, Curtailment or Settlement Plan (Amendments to IAS 19) with which it clarifies how the pension expenses are classified when there is a change in the defined benefit plan. The amendments shall enter into effect on January 1, 2019.

On March 29, 2018, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. The amendments shall enter into effect on January 1, 2020.

On October 22, 2018, IASB published the Definition of a Business (Amendments to IFRS 3) for the purpose of helping to determine whether a transaction is an acquisition of a business or of a group of assets that does not meet the definition of a business as given in IFRS 3. The amendments shall apply to the acquisitions subsequent to January 1, 2020. Early application is permitted.

On October 31, 2018, IASB published the amendment Definition of Material Amendments to IAS 1 and IAS 8 which aims at clarifying the definition of "material" in order to help the company to assess whether particular information should be included in the Financial Statements. The amendments shall apply starting from January 1, 2020. Early application is permitted.

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	12.31.2018	12.31.2017
Cash	3	3
Current accounts and bank deposits	29,278	15,934
Total cash and cash equivalents	29,281	15,937

At December 31, 2018, the interest rates charged by the Company did not exceed 0.1%, substantially in line with the previous period.

Note (2) - Current financial assets

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Locked-in bank accounts	3,000	0
Total Current financial assets	3,000	0

On December 31, 2018, the Company has some locked-in bank accounts with maturity dates of less than 12 months, and interest rates equal to 0.5%.

Following are details on the Net Financial Position at December 31, 2018 and December 31, 2017.

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)	12.31.2018	12.31.2017 reclassified
Cash	3	3
Current accounts and bank deposits	29,278	15,934
Current financial assets	3,000	0
Total cash and cash equivalents (A)	32,281	15,937
Current loans and borrowings (B)	(1,962)	(100)
Current net financial position (C=A-B)	30,319	15,837

Description (EUR 000)	12.31.2018	12.31.2017 reclassified
Non-current loans and borrowings (D)	(8,745)	(718)
NET FINANCIAL POS./NET FINANCIAL DEBT (E=C+D)	21,574	15,119

Note (3) - 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	12.31.2018	12.31.2017
Trade receivables (nominal value)	9,694	11,467
Allowance for doubtful accounts	(1,029)	(1,058)
Total trade receivables	8,665	10,409

It should be noted that, due to the application of the accounting standard IFRS 15, the receivables from the sale of raw materials and semi-finished products to third party manufacturers were reclassified, for the 2017 period, for a total of EUR 4,228 thousand, recognised in these Financial Statements under minor trade payables.
There were no particularly significant changes in the collection conditions. The decrease in trade receivables compared with December 31 of the previous year, is to be attributed primarily to a licensing agreement of the Pomodorissimo trademark which was effective at November 1, 2018, with the consequent reduction in receivable exposures from the sale of this product.
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	12.31.2018	12.31.2017
Trade receivables (nominal value)		
- past due by over 12 months	250	420
- past due by over 30 days	423	228
- expired at the date	2,397	3,443
- with subsequent expiry	6,624	7,376
Total trade receivables (gross)	9,694	11,467

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	12.31.2018	12.31.2017
Opening balance	1,058	1,176
- (usage)	(135)	(333)
- allocations	106	215
Allowance for doubtful accounts	1,029	1,058

The provisions for credit losses are recognised under the item Other overheads in the income statement. The decline in the allocation compared with the previous year reflects the reduction in receivables as shown in the previous table.

At December 31, 2018, the Company had existing receivables in foreign currency for a total of GBP 80 thousand.

Note (4) - Inventories

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Raw materials, ancillary and consumable materials	1,907	1,779
Work in process	191	118
Finished goods	4,395	6,251
Total inventories	6,493	8,148

The total inventory of Raw materials, ancillary and consumable materials shows a decrease of over EUR 1.6 million due to a reduction in the final inventory of tomato paste and pulp as a result of the afore-mentioned licensing agreement of the Pomodorissimo trademark.
The measurement of the closing inventories is carried out net of the provision for inventory obsolescence, amounting to a total of EUR 407 thousand (EUR 263 thousand at December 31, 2017), 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	12.31.2018	12.31.2017
Provision for inventory obsolescence of raw and ancillary materials		
Opening balance	142	101
- Provisions/(uses)	19	41
Balance at December 31	161	142
Provision for inventory obsolescence of finished products and goods		
Opening balance	121	131
- Provisions/(uses)	125	(10)
Balance at December 31	246	121
Total provision for inventory obsolescence	407	263

Note (5) - Other current assets

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Tax receivables	3,338	1,354
Prepayments and accrued income	40	31
Other current receivables	304	358
Total other current assets	3,682	1,743

Tax receivables at December 31, 2018, showed a significant increase compared with the end of the previous year, primarily due to the receivables arising from the agreement reached with the Tax Authorities during the period as regards the "Patent Box" tax relief, as detailed in *Note 25) - Taxes*. Other current receivables are composed primarily of payments on account to suppliers.

Non-current assets

Note (6) - Goodwill

The item Goodwill shows the following changes for the period:

Description	12.31.2017	Changes for the period		12.31.2018
	Accounting	Increases	Other increases/ (decreases)	Net value
Santa Rosa goodwill	3,230	0	0	3,230
Diete.Tic goodwill	4,968	0	0	4,968
Total goodwill	8,198	0	0	8,198

The item Goodwill did not record any change in 2018.

The Santa Rosa Goodwill of EUR 3,230 thousand, refers to 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.

The Diete.Tic goodwill of EUR 4,968 thousand 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 in 2017 and the fair value of the single assets that compose it.

Pursuant to IAS/IFRS, goodwill is not amortised but is tested for impairment annually, as required by IAS 36 and as described in Note 7 below.

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

Description	12.31.2016	Changes for the period		12.31.2017
	Accounting	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

Note (7) – Intangible assets

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

Description	12.31.2017	Changes for the period		12.31.2018
	Accounting	Increases/(decreases) Net	Amort./Write-downs	Net value
Trademarks, licenses and similar	21,320	0	(87)	21,233
Industrial patents and intellectual property rights	2,753	29	(343)	2,439
Other	45	76	(49)	72
Total intangible assets	24,118	105	(479)	23,744

The increases for the period refer mainly to the purchase of software licenses and printing systems.

Under the item Trademarks, licenses and similar, the "Santa Rosa" and the secondary trademarks are stated in the amount of EUR 20,060 thousand, designated at fair value within the scope of the recognition 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.

The item Trademarks at December 31, 2018 included the Diete.Tic trademark for EUR 1,172 thousand deriving from the acquisition, in 2017, of the business unit of the same name. The Diete.Tic. trademark is amortised based on the estimate of its useful life.

Under the item Industrial patents and intellectual property rights, the patents and know-how acquired within the scope of the afore-mentioned acquisition of the Diete.Tic business unit that took place in 2017 for EUR 2,238 thousand at December 31, 2018, were recognised. These intangible assets are amortised on the basis of their estimated useful life.

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

Description	12.31.2016	Changes for the period		12.31.2017
	Accounting	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	20,583	3,805	(270)	24,118

7.1 Impairment Test

As indicated previously in the section on the accounting standards, 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 2018, 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.
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 CGUs was estimated using the UDCF (Unlevered Discounted Cash Flow) model applied to the cash flows included in the multiple year plan for 2019 – 2023, which was approved by the Board of Directors of the Company on March 20, 2019 regarding the Santa Rosa and Diete.Tic CGUs. 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) = *7.7%* (7.6% at December 31, 2017)
- Growth rate of the *terminal value (g rate) = 1.1% (1.1% at December 31, 2017)*
- Enterprise Value = EUR 34.5 million (EUR 34.8 million at December 31, 2017)
- Book value of CGU net assets (*) = EUR 27.6 million (EUR 28.5 million at December 31, 2017)
- Cover: EUR 7 million (EUR 6.3 million at December 31, 2017).

(*) 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		
		7,2 %	*7,7 %*	*8,2 %*
g rate	*0,6 %*	7.492	5.214	3.237
	1,1 %	9.560	**6.959**	4.725
	1,6 %	11.996	8.988	6.437

Impairment Test of DIETE.TIC CGU

- Discount rate (WACC) = *7.3% (7.3% at December 31, 2017)*

- Growth rate of the terminal value *(g rate) = 1.1% (1.1% at December 31, 2017)*
- Enterprise Value = EUR 13.8 million (EUR 14.5 million at *December 31, 2017*)
- Book value of CGU net assets (*) = EUR 9 million (EUR 9.2 million at December 31, 2017)
- Cover: EUR 4.8 million (EUR 5.3 million at December 31, 2017)

(*) trademark, patents, 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 %*	5.046	4.077	3.244
	1,1 %	5.945	**4.827**	3.877
	1,6 %	7.018	5.710	4.614

Note (8) – Property, plant and equipment

Following is a breakdown of the Property, plant and equipment item at December 31, 2018.

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	575	(114)	461
- Industrial facilities in Serravalle Sesia	5,479	(2,281)	3,198
- Light constructions/buildings at the Sanguinetto facility	1	(1)	0

Total land and buildings	8,492	(2,396)	6,096
Plant and equipment			
- fixed systems for offices	128	(94)	34
- plant/equipment for plant extract products	5,551	(4,819)	732
- plant/equipment for ice cream production	9,915	(8,680)	1,235
- plant/equipment for other food production	253	(224)	29
- generic plant/equipment at the Serravalle facility	1,495	(1,136)	359
- silos, vats, tanks at the Serravalle facility	484	(433)	51
- photovoltaic system	371	(249)	122
- plants for preserves production	3,237	(2,637)	600
- generic plants at the Sanguinetto facility	121	(66)	55
- sweetener production plant	137	(17)	120
- supplement production plant	57	0	57
Total plant and equipment	21,749	(18,355)	3,394
Industrial and commercial equipment			
- furniture and equipment for the laboratory	386	(361)	25
- other small equipment	192	(164)	28
- other transportation means	249	(221)	28
Total Industrial and commercial equipment	827	(746)	81
Other assets			
- electric and electronic machinery	596	(483)	113
- furniture and equipment for the offices	386	(330)	56
- cell phones	64	(52)	12
- vehicles	379	(269)	110
Total other assets	1,425	(1,134)	291
Total property, plant and equipment	32,493	(22,631)	9,862

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

Description	12.31.2017	Changes for the period			12.31.2018
	Value	Increases	Decreases	Other changes	Value
Historic Cost					
Land and buildings	8,164	328	0	0	8,492
Plant and equipment	21,554	631	(435)	0	21,750
Industrial and commercial equipment	844	19	(36)	0	827
Other assets	1,398	152	(126)	0	1,424
Fixed assets in progress	0	0	0	0	0
Tot. Historic Cost (A)	31,960	1,130	(597)	0	32,493
Depreciation					
Land and buildings	2,166	231	0	0	2,397
Plant and equipment	17,645	1,132	(423)	0	18,354
Industrial and commercial equipment	717	47	(18)	0	746
Other assets	1,129	125	(120)	0	1,134
Fixed assets in progress	0	0	0	0	0
Tot. Depr. provisions (B)	21,657	1,535	(561)	0	22,631
Total Property, plant and equipment (A-B)	10,303	(405)	(36)	0	9,862

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 and sweeteners at the Serravalle Sesia facility, as well as equipment for the production of preserves.
The other increases refer to equipment, vehicles 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	12.31.2016	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

Note (9) – Financial assets

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

Description	Shareholding in share capital	12.31.2017 Value	Changes for the period		12.31.2018 Value
			Increases	Decreases	
Valsoia Pronova d.o.o. (SLO) - Share Capital	100%	100	0	0	100

Description	Shareholding in share capital	12.31.2017 Value	Changes for the period		12.31.2018 Value
			Increases	Decreases	
- Non-int. bearing loan to shareholders		10	0	0	10
Tot. Financial assets		110	0	0	110

In 2018, the subsidiary Valsoia Pronova d.o.o. recorded sales of approximately EUR 558 thousand with a profit of EUR 19 thousand. The Shareholders' equity is EUR 146 thousand, there are no accumulated impairment losses.

Note (10) – Deferred tax assets

This item breaks down as follows:

Description	12.31.2018		12.31.2017	
	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	110	31	147	41
- Dealloc. of accounting-tax amounts for "Santa Rosa" trademark	0	0	(3,773)	(1,053)
- Dealloc. of accounting-tax amounts for "Diete.Tic" trademark	(538)	(150)	(276)	(77)
- Multi-annual deductible expenses ex art. 108 Tuir	0	0	339	81
- Taxed risk and write-down provisions	1,555	381	1,587	391
- Others	223	62	(9)	(2)
Total	1,350	324	(1,985)	(619)
IFRS 15 adjustments	-	-	182	51
Total	1,350	324	(1,803)	(568)

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 receivable is referring to differences that will be reabsorbed in the medium and long term.

Deferred tax assets at December 31, 2018 reflect the impacts on deferred taxes deriving from the Santa Rosa trademark realignment carried out by the Company pursuant to the provisions of the Italian Law no. 145 of December 30, 2018, art. 1, paragraphs 946-948 as detailed in subsequent *Note 25) – Taxes.*

At December 31, 2017, the Company had no deferred tax assets, as these items were recognised against the provision for deferred taxes.

Note (11) - Other non-current assets

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Guarantee deposits	35	35
Investments in other companies	5	5
Due from Tax Authorities, non-current	28	28
Receivables from subsidiary companies	85	85
Total other non-current assets	153	153

No significant changes are noted compared with the previous year.

Liabilities and Shareholders' equity

Current liabilities

Note (12) - Current payables due to banks

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Overdraft accounts	3	2
Payables for bank loans or bank lending (current instalments)	1,960	98
Total Current payables due to banks	1,963	100

This item refers primarily to the instalments, maturing in less than 12 months, from non-current loans executed by the Company. As regards the increase in current financial payables, see *Note 17) Non-current payables due to banks* below.

Note (13) – Trade payables

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Trade payables due to suppliers within 12 months	11,241	14,189
Total Trade payables	11,241	14,189

Trade payables declined due to the execution, starting from November 1, 2018 of the licensing contract of the Pomodorissimo trademark as detailed above, with the consequent reduction in debt exposures deriving from the purchase of this food category. There have been no particular changes in the payment conditions.
The Company showed, at December 31, 2018 payables in foreign currency – mainly in USD – for a total countervalue of EUR 155 thousand. Considering this amount, the sensitivity analysis is believed to be non-significant as regards changes of foreign exchange rates.

Note (14) – Tax payables

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Due to the Tax Authorities for:		
- virtual revenue stamp tax	4	4
- withholding taxes	458	452
- substitute tax	1,208	0
Total Tax payables	1,670	456

At December 31, 2018, the Company had payables due to the Tax Authorities for direct taxes and VAT as per Note 5 above. Tax payables consist primarily of withholdings to be paid to the Tax Authorities as substitute taxes and substitute taxes deriving from the realignment of the Santa Rosa trademark, carried out pursuant to Italian Law 145 of December 30, 2018 art. 1, paragraphs 946-948 as detailed in subsequent *Note 25) – Taxes*.

Note (15) – Provisions for risks

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Sales return provision	52	72
Total Provision for risks	52	72

Provisions for risks comprise only the sales return provision.
This fund, calculated on the basis of the best estimates carried out by the Company, reflects the risks of product being returned by the customers that can no longer be sold. The related accounting does not involve the re-recognition of the products in inventory.
The estimate at December 31, 2018, has involved a use in the amount of EUR 20 thousand with a corresponding upward change 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 Authorities. 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, also as regards the recent changes in the law on this topic, believes that to date there are no reasonable grounds for setting aside a provision for risks related to this pending dispute.

Note (16) - Other current liabilities

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Amounts payable to social security institutions	417	388
Amounts due to employees and on-going collaboration contracts	1,558	1,506
Amounts due to others	85	605
Accrued liabilities	9	0
Total Other current liabilities	2,069	2,499

Other current liabilities include primarily payables to employees for wages, bonuses pertaining to the period, and deferred monthly salaries, accrued at December 31, 2018. The decrease under Amounts due to others refers primarily to the occurred payment of the residual payable concerning the inventory that was included in the business unit "Diete.Tic" which, at the end of the period, December 31, 2017, was still outstanding.

Non-current liabilities

Note (17) - Non-current payables due to banks

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Payable to banks for Cash flow hedging	0	12
Payables for bank loans or bank lending (non-current portion)	8,745	706
Total non-current payables due to banks	8,745	718

This item refers primarily to the instalments with expiry date beyond 12 months of medium-long term subsidised financing agreements in effect at 31 December.

The increase in financial payables is to be attributed to an unsecured medium-long term loan for EUR 10 million obtained by the Company from a leading bank, executed in order to rapidly address any investment opportunities and in consideration of the current interest rate level.

Current bank loans are not covered by guarantees and are not subject to budgetary covenants; in consideration

of the contractual terms and conditions agreed upon (these are fixed rate loans), the sensitivity analysis is not believed to be significant with regard to changes in the interest rates.
Payables to banks for Cash Flow Hedging at December 31, 2017 concerned the mark to market valuation, carried out in 2017, of the derivative contracts in effect 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
2020	2,591
2021	2,603
2022	2,615
2023	731
2024	102
2025	103
Loans and borrowings	8,745

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	12.31.17 Value	Changes for the period			12.31.18 Value
		Loans	Repayments	Reclassifications	
Payable for Current Bank Loans	98	-	(98)	1,960	1,960
Payable for Non-current Bank Loans	706	10,000	-	(1,960)	8,746
Total financial liabilities	804	10,000	(98)	-	10,706

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

Note (18) – Payable for deferred taxes

At December 31, 2018, the Company had no deferred tax liabilities, as these items are recognised against the provision for deferred tax assets. *Note 10) – Deferred tax assets*, provides information also regarding the details of this item at December 31, 2017.

Note (19) – 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 12.31.2017	507
2018 changes	
- Financial income/(charges)	3
- End of employment severances and advances to employees	(87)
- Actuarial gains (losses)	(5)
Closing provision for post-employment benefits at 12.31.2018	418

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: 0.7746%

Yearly Inflation rate: 1.5%

Shareholders' equity - Note (20)

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.

In addition, the Realignment Reserves carried out in previous periods were classified pursuant to Italian Laws 208/2015 and 232/2016.

IAS/IFRS adjustments reserve

In the IAS/IFRS reserve, the effects deriving from IFRS adjustments on Shareholders' equity at January 1, 2004, were recognised. This item includes the profit resulting from the first time application of the accounting standard IFRS 15 as specified above.

Other reserves

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 carried forward due to the application of the IAS/IFRS accounting standards, deriving from the reclassification of the comparison year in the period of first application;
- 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 "2016-2019 Stock Option Plan" 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	EUR 21.13	EUR 21.13
Exercise price of the share	EUR 0.33	EUR 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	EUR 19.84	EUR 19.64
Average unit fair value		EUR 19.74

The new estimates carried out by the Company based on the 2018 results, on which the non-recurring tax effects had a significant impact in terms of the achievement of the objectives set out in the stock option plan, have involved an allocation to the 2016-2019 Reserve for a total of EUR 744 thousand.

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

Description	12.31.2018	12.31.2017	Possibility of use
Share capital	3,503	3,503	-
Legal reserve	701	690	B
Revaluation reserve	16,765	16,765	A, B, D
IAS/IFRS adjustments reserve	(1,202)	(1,202)	-
Other reserves:			
IAS 8 adjustment reserve	469	469	A, B, C
earnings brought forward, according to IAS/IFRS	416	349	A, B, C
extraordinary reserve	35,349	31,938	A, B, C,
S.O.P. 2011-2016	490	490	A, B, C
S.O.P. 2016-2019	744	0	A, B, C
Cash flow hedge reserve	0	0	
actuarial gains/losses reserve	22	17	-
Total other reserves	37,490	33,263	
Profit/(loss):			
Profit for the period	10,098	6,992	
Total Shareholders' equity	67,355	60,011	

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 2017.

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

Note (21) - Value of production

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Revenue from sales and services:		
- Revenue - Italy	78,652	81,168
- Revenue - Abroad	4,849	4,397
Total Sales Revenue	83,501	85,565
Changes in inventories of finished and semi-finished products	(1,836)	(31)
Other revenue and income	666	647
TOTAL VALUE OF PRODUCTION	82,331	86,181

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)	12.31.2018		12.31.2017		Change
	EUR	% Inc.	EUR	% Inc.	%
Health Food Products Division (a)	43,430	52.0%	47,045	55.0%	-7.7%
Food Products Division (b)	30,796	36.9%	29,958	35.0%	2.8%
Other	4,426	5.3%	4,165	4.9%	6.2%
TOTAL ITALIAN REVENUE	78,652	94.2%	81,168	94.9%	-3.1%
Sales abroad	4,849	5.8%	4,397	5.1%	10.3%
TOTAL REVENUE	83,501	100.0%	85,565	100.0%	-2.4%

(a) other trademarks and industrial products

Regarding the comment on the change in sales revenue, please see the Directors' Report.

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

Description	12.31.2018	12.31.2017
Other revenue and income:		
- cost of use of third party assets	215	221
- capital gains on sale of assets	49	13
- other	402	413
Total other revenue and income	666	647

The cost of use of third party assets 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 (22) - Operating costs

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Purchase costs		
- Raw materials	12,349	12,639
- Ancillary materials	1,811	1,554
- Consumable materials	486	507
- Finished products and goods	27,400	30,118
Total Purchases	42,046	44,818
Services		
- Industrial	3,856	3,802
- Commercial and sales	11,143	11,918
- Administrative and general	3,725	3,569
Total Services	18,724	19,289
Cost of use of assets owned by other, of third party assets	564	514
Labour costs		
- Wage and salaries	6,640	6,198
- Social security charges	2,422	2,277
- Post employment benefits	9	6
- Other costs	38	71

- Personnel charges pursuant to SOP	744	(146)
Total Labour costs	9,853	8,406
Change in inventories of raw and ancillary materials	(181)	(234)
Other overheads	961	1,459
TOTAL OPERATING COSTS	71,967	74,252

Costs for *Purchases* showed a decrease due to a decline in sale volumes and because of the start of the performance of the licensing agreement of the Pomodorissimo trademark in the last few years of the period, which has reduced purchases of this product.

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 increase is due, in addition to the increase in employees, to the provision for EUR 744 thousand in expenses for Stock Options concerning the SOP 2016-2019, as detailed in *Note 20), Shareholders' equity*.

At December 31, 2018, the workforce of the company was composed as follows:

Description	12.31.2018	12.31.2017
Executives	10	10
Employees and managers	92	88
Factory workers	23	24
Co.co.co.	1	1
Total employees	126	123

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

The item Other overheads breaks down as follows:

Description	12.31.2018	12.31.2017
Other overheads:		
- Taxes and excise license	123	398
- Credit losses	106	216
- Capital loss from asset disposal	7	4
- Contingent liabilities	229	189
- Membership fees	163	162
- Other charges	333	490
Total other overheads	961	1,459

The Other charges mainly consist of costs for the disposal of obsolete products, entertainment costs, reimbursements to third parties and donations. This decline occurring during the year refers primarily to less Registration taxes which in 2017 were burdened with expenses from the acquisition of the business unit Diete.Tic. In addition, fewer losses were recorded for the period, in line with the reduction in receivables from customers at the closing date, compared with December 31, 2017.

Note (23) – Amortisation and depreciation

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Amortisation of Intangible assets	479	271
Depreciation of Property, plant and equipment	1,534	1,669
Total amortisation and depreciation	2,013	1,940

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 7 and Note 8.

Note (24) – Net financial income/charges

This item breaks down as follows:

Description	12.31.2018	12.31.2017
Interest income and other financial income	13	28
Interest expense and bank charges	(209)	(166)
Foreign exchange gains/(losses)	7	(156)
Total net financial income/(charges)	(189)	(294)

Financial income comprises primarily interest income from current bank accounts and from forward purchase operations in addition to interest expense on non-current loans.
Financial charges are represented primarily by foreign currency discount expenses recognised to customers.
In the period closed at December 31, 2018, a total profit on currency exchange was recorded for EUR 7 thousand.
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 (25) – Taxes

This item breaks down as follows:

Description	12.31.2018	12.31.2017
IRES - IRAP Income taxes	(1,057)	(1,643)
Deferred tax assets/liabilities	(1,182)	(1,060)
Taxes - non-recurrent effects (Patent Box)	3,277	0
Taxes - non-recurrent effects (realignment Santa Rosa trademark)	898	0
Total Taxes	1,936	(2,703)

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 10), Deferred tax assets* herein.

Non-recurrent tax effects refer to two transactions of an extraordinary taxation, implemented by the Company during the period, as explained below.

(i) During the period, the Company executed an agreement with the Tax Authorities, as set forth in the applicable regulations, in order to determine in advance the criteria to be adopted for the identification of the positive and negative subsidised components of the revenue, pursuant to art. 1, paragraph 39 of Italian Law no. 190 of December 23, 2014 (called "Patent Box"). The Patent Box is a subsidised fiscal system introduced with the Italian Stability Law 2015, which grants a 50% exemption (reduced by 30% for 2015 and 40% for 2016) of the income taxes of the Companies (IRES and IRAP) for the part of the revenue generated by the exploitation of intellectual properties (trademarks, patents, designs and models, software and know-how). The system is characterised by a five-year mandatory lock-in period with renewable option. The agreement executed by the Company refers to the five year period 2015-2019; the tax benefit for Valsoia related to the 2015-2017 period amounted to EUR 2,711 thousand (against which the Company has already presented the necessary supplemental declarations) and to EUR 566 thousand for 2018. These positive impacts, given the laws in effect excludes the renewal of the subsidy as regards the economic exploitation of the Trademarks, have been classified under "Taxes – Non-recurrent tax effects".

(ii) The Company has carried out a tax realignment of the Santa Rosa brand pursuant to art. 1 ex paragraphs 946 and 948, Italian Law no. 145 of December 30, 2019 - Budget Law 2019. Usage of this tax option made it possible to obtain, through the payment of a substitute tax, the realignment of the tax values with the main values recognised in the Financial Statements relative to this trademark. The Company's choice to select this option resulted on the one hand in the release of the provision for deferred taxes totalling EUR 2,106 thousand relative to the above mentioned higher values recognised on the Santa Rosa trademark, and on the other hand the recognition of the payable for substitute tax, totalling EUR 1,208 thousand (Note 14); the net effect of the above mentioned accounting, positive by EUR 898 thousand, was entirely allocated to the profit and loss for the year under the item "taxes – non recurring tax effects" given its one-off nature.

We provide below the reconciliation between the theoretical and effective tax at December 31, 2018 and 2017.

Description	2018			2017		
	Taxable amount	Tax	Rate %	Taxable amount	Tax	Rate %
Pre-tax profits	8,162			9,695		
Total theoretical IRES	8,162	1,959	24.0	9,695	2,327	24.0
Labour costs	9,853			8,406		
Net financial charges	189			294		
Tot. theoretical IRAP	18,204	710	3.9	18,395	717	3.9
Theoretical tax burden	8,162	2,669	32.7	9. 695	3,044	31.4
"ACE" effect		(133)			(128)	
IRAP deductions		(344)			(315)	
Other perm. tax recoveries/(deductions)/ net effect		47			103	

Description	2018			2017		
	Taxable amount	Tax	Rate %	Taxable amount	Tax	Rate %
Total current taxes	8,162	2,239	27.4	9. 695	2,704	27.9
Non-recurrent tax effects		(4,175)			0	
Total taxes for the year	8,162	(1,936)	n.a.	9. 695	2,704	27.9

Note (26) - 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 earnings per share is determined by dividing the profit for the year by the number of shares composing the share capital and the potentially new issued shares following the 2016-2019 SOP.

Positions or transactions deriving from atypical and/or unusual operations

During the period ended December 31, 2018, in addition to the above, 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./(payments)
	Year 2018	01.01.2018	12.31.2018	Year 2018
Finsalute S.r.l.	5	2	2	6
Total transactions with the holding company	5	2	2	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)
	Year 2018	Year 2018	01.01.2018	12.31.2018	Year 2018
Valsoia Pronova Doo	273/(35)	1	147	192	195
Total transactions with subsidiaries	273/(35)	1	147	192	195

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)
	Year 2018	01.01.2018	12.31.2018	Year 2018
Membership fees	(65)	(0)	(0)	(74)
Purchase of goods and services	(262)	(51)	(21)	(158)
Total transactions with related parties	(327)	(51)	(21)	(232)

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 2018 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	74
- Cost reimbursement and CONSOB contr.	12
- Other services	32
Total remuneration	118

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, 2018.

Report on transparency regarding public funds

As required in art. 1, paragraphs 125-129 of the Italian Law 124/2017, as supplemented by Italian Law Decree no. 113/2018 converted into Italian Law no. 132 of December 1, 2018 and Italian Legislative Decree no. 135/2018 converted into Law no. 12 of February 11, 2019, public funds collected by Valsoia Spa in 2018 for an amount no less than EUR 10 thousand per funding entity, are listed below.

Funding Entity	Type of funding	Amount 2018
Ministero Sviluppo Economico	Contrib. for subsidised funding	25
GSE – Gestore Servizi Elettrici	Contrib. for Photovoltaic energy production plant	43
Tax Authorities	Tax benefit "Patent Box" years 2015-16-17 (*)	2,711
TOTAL		**2,779**

(*) "Patent Box" receivable based on the tax declarations already presented by the Company on December 31, 2018.

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 10,097,959.39.

We propose to allocate:

- to the extraordinary reserve: art. 2426 c. 8 bis of the Italian Civil Code:	EUR	9,637.38
- to the extraordinary reserve:	EUR	6,054,535.75
- a dividend of EUR 0.38 for each of the 10,615,227 shares totalling:	EUR	4,033,786.26

We hereby propose that the dividends are to be paid on May 8, 2019, record date May 7, 2019 and ex-date May 6, 2019.

Bologna, March 20, 2018

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

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

STATEMENT PURSUANT TO ART. 154 BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE NO. 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, 2018.

It is also hereby certified that:

a) the Financial Statements at December 31, 2018 fully reflect the accounting records and books;

b) the Financial Statements at December 31, 2018 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 20, 2019

General Manager
Chief Executive Officer

Andrea Panzani

Manager in charge
of financial reporting

Carlo Emiliani

5 /

Indipendent Auditors Reports

Annual Financial Report at December 31, 2018

KPMG S.p.A.
Revisione e organizzazione contabile
Via Innocenzo Malvasia, 6
40131 BOLOGNA BO
Telefono +39 051 4392511
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(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 2018, the income statement and the statements of 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 2018 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 the company 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 "Measurement criteria", paragraphs "Goodwill", "Intangible test", "Use of estimates", note 6 "Goodwill" and note 7 "Intangible assets".

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 2018. 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 2018.

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 20 March 2019. 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 2019-2023 business plan (the "plan"), approved by the company's board of directors on 20 March 2019.

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 discount the above cash flows.

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.

Audit procedures addressing the 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 the reasonableness of the expected cash flows and the main 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 main 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 "Measurement criteria", paragraphs "Goodwill", "Intangible test", "Use of estimates", note 6 "Goodwill" and note 7 "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 €4,968 thousand at 31 December 2018. 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 €1,172 thousand at 31 December 2018. 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 20 March 2019. 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 2019-2023 business plan (the "plan"), approved by the company's board of directors on 20 March 2019. 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 discount the above cash flows. 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 the reasonableness of the expected cash flows and the main 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 main 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 company's directors and board of statutory auditors ("Collegio Sindacale") 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 directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 23 April 2015, the company's shareholders 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 5.1 of Regulation (EU) no. 537/14 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 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 31 December 2018 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 2018 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 company's financial statements at 31 December 2018 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, 4 April 2019

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

6 /

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

****

Report from the Statutory Auditors to be presented to the Shareholders' Meeting pursuant to art. 153 of Legislative Decree 58/1998 ("T.U.F.") and art. 2429 of the Italian Civil Code paragraph 2

Dear Shareholders:

With this Report, drawn up pursuant to art. 153 of Legislative Decree 58/98 ("T.U.F."), the Board of Statutory Auditors of Valsoia S.p.A. is informing you on the supervisory activities it has carried out and related outcomes.

During the year ended 31 December 2018, the Board of Statutory Auditors has carried out the supervisory activities, as explained hereinafter, required by law, also taking into account the Consob communications with regard to the corporate controls and activities of the Board of Statutory Auditors and "Principles of conduct applicable to the Board of Statutory Auditors in regulated markets", recommended by the National Board of Accountants and Auditors.

The mandate for the statutory auditing is granted to KPMG for the nine-year period 2015-2023, pursuant to Legislative Decree no. 58/1998 and Legislative Decree 39/10, whose report should be consulted for additional information.

With this report, the Board of Statutory Auditors of Valsoia is providing information about the supervisory activities it has carried out and the related outcomes:

- we have participated in all Shareholders' Meetings and meetings of the Board of Directors held during 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, as well as 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, 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 organised 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 review 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 have found the internal control system to be effective, with the understanding that it is a structure aimed at providing the tools for ensuring compliance with the laws and Company provisions and procedures, both operational and administrative, with reference to which improvements are made to the mechanisms for checking and updating said procedures with 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 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 further more 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) shows complete observance of the laws and regulations and in particular with regard to information concerning ownership and control structures (pursuant to art. 123 bis of the T.U.F.) it 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 20 March 2019 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;
- we have verified and evaluated all periodical reports and communications made available to the public by the Company, as well as the fulfilment of the Consob's disclosure obligations.

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 verified compliance with the independence requirements, set out by art. 148, paragraph 3, of Legislative Decree 58/98, of the three Directors, concluding that the Board of Directors fully satisfies 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. 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 watched over the application of all the related corporate procedures, which were updated with a resolution of the Board of Directors dated 15 March 2018 and are available for consultation on the Company's website.

3. The Independent Auditors, KPMG S.p.A., on 4 April 2019 issued, in accordance with art. 14 of Legislative Decree no. 39/10 and art. 10 of EU Regulation no. 537/2014, the Report on the auditing of the financial statements for the year ended 31 December 12.2018.

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

- 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 December 2018 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 art. 9 of Legislative Decree no. 38/05;
- issued an opinion with regard to the 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 their knowledge and understanding of the Company and the corresponding context acquired over the course of the audit activities, that there is nothing to report.

4. During 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.
5. 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.
6. 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 considers that the internal control system is capable of supporting the orderly implementation of the Company's management.
7. The Company has adopted the Organisational Model that is set forth in Legislative Decree no. 231/2001 ("Model 231") aimed at preventing the performance of unlawful actions, pursuant to the Decree, and consequently, the application to the Company of administrative liability. The Board has met, on a regular basis, with the Supervisory Body for a mutual exchange of information on the activities carried out, and has reviewed the yearly report dated 21 February 2019 where no censurable facts or violations of the Model adopted by the Company were identified, nor were there any acts or conducts involving a violation of the provisions contained in the Legislative Decree 231/2001.
8. We acknowledge that the Company has adopted a "General Data Protection Regulation" model ("GDPR") pursuant to the EU Regulation 2016/679 by appointing the Director General "Personal Data Controller".

9. In 2018, the Board of Statutory Auditors has held 7 meetings and has issued its opinions as required by the law. In 2018, the Board of Directors has held 5 meetings in which the Board of Statutory Auditors has always participated.
10. As regards the overseeing of the statutory audit of the accounting books, pursuant to art. 19, paragraph 1 of Legislative Decree 39/10, the Board of Statutory Auditors, in its capacity as the "Committee for internal control and auditing" has carried out periodical meetings with the managers of the Independent Auditors, also pursuant to art. 150, paragraph 3 of Legislative Decree 58/98 and art. 19 paragraph 1 of Legislative Decree 39/2010. Over the course of regularly scheduled 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 31.12.2018 – 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.
11. On 4 April 2019 the Independent Auditors KPMG S.p.A. also presented to the Board of Statutory Auditors, in its capacity as the Committee for internal control and auditing, 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 that need to be brought to the attention of those responsible for governance activities. As an annex to the Additional Report the Independent Auditors have provided a 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 acknowledged the Transparency Report prepared by the Independent Auditors published on its own website pursuant to art. 18 of Legislative Decree 39/2010.
12. 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.
13. The Notes to the Financial Statements show details, in accordance with art. 149 duodecies of the Consob issuers' regulation, of the payments for 2018 for audit services and for miscellaneous services, with the following details:

-	Auditing and certification	€74,000
-	Reimb. of Consob charges and contributions	€ 12,000
-	Other services	€ 32.000

14. With regard to the approval of the Financial Statements, the Board of Statutory Auditors reports that on 20.03.2019 the Board of Directors approved the draft Financial Statements as at 31.12.2018, which along with the Directors' Report was made available to the Board of Statutory Auditors on the same date. On 20 March 2019, the Managing Director and the Manager in charge of financial reporting issued the certifications required by art. 154 bis, paragraphs 3 and 4, of Legislative Decree 58/98.
15. In conclusion, we attest that our supervisory activities have not revealed any omissions, censurable facts or irregularities to be reported to shareholders.

****

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 December 2018 and to the proposed allocation of profits, which is as established by law and by the Company's articles of association.

Bologna, 4 April 2019.

The Board of Statutory Auditors
Gianfranco Tomassoli
Claudia Spisni Claudia Spisni
Massimo Mezzogori

VALSOIA SpA

www.valsoiaspa.com