VALSOIA SpA

Annual Financial Report at December 31, 2016

Contributing to people’s wellbeing by helping them make informed food choices. Promoting awareness of the health benefits of plant-based foods. Spreading knowledge of healthy eating responsibly and with passion.
That’s Valsoia. And that’s the mission expressed in our logo with the Italian for 'goodness and health' – "bontà e salute".

A mission everyone can experience in all our deliciously healthy products.
It’s this commitment to pleasure and health that has made the Valsoia brands some of Italy’s leading and best-loved household names, thanks to the quality of our products and constant research and innovation.

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* marchio in distribuzione per l’Italia

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

QUALITY AND EXPERIENCE

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

NUTRITION RESEARCH

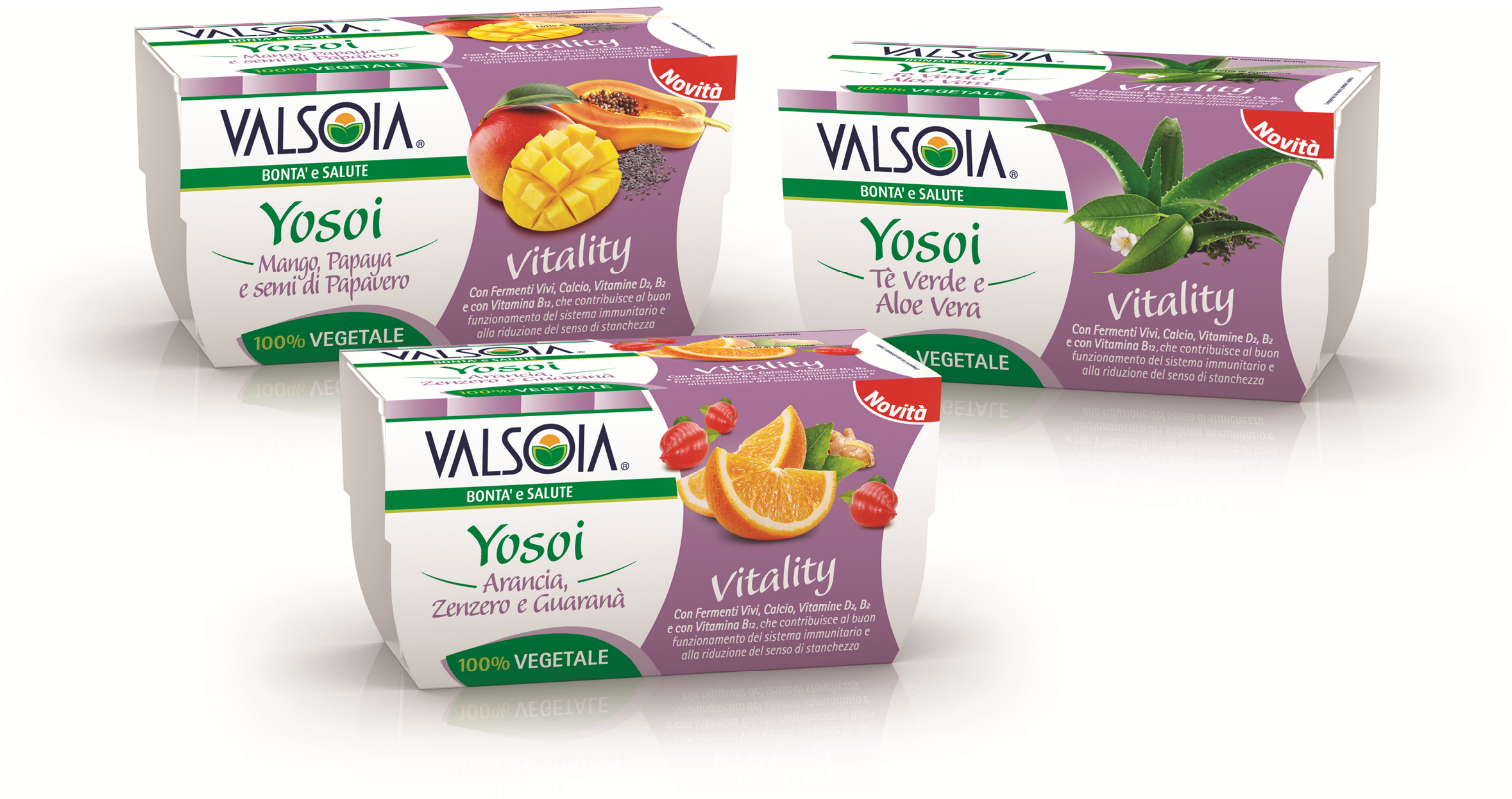
Our constant focus on recipes, the creation of new tastes and the selection of raw materials has led to improvement in the flavours and the realization of new proposals, so as to satisfy the ever-growing variety and complexity of the demand for nutritious foods.

PRODUCT VARIETY

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

ITALIAN TRADITION

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



new:

YOSOI VITALITY

Valsoia presents the new Yosoi Vitality,
the new plant-based alternative to the super-fruit yogurt.
Lactose free, rich in live cultures, calcium and vitamins and with no gluten.
Thanks to the innovative mix of ingredients, it releases delicious and originals scents and flavours, perfect for those who are always searching for new flavours.

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1 / General information

Annual Financial Report at December 31, 2016

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
	Gregorio Sassoli de Bianchi

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
Permanent Member	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 23, 2014, in office until the approval of the 2016 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, 2014, 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 – Investor Relations section

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: no. BO-338352

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

The structure of the Valsoia Group, at December 31, 2016 in addition to the parent company Valsoia S.p.A., included the following subsidiaries:

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

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

The Company has no branch offices.

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

2 / Director's report

Annual Financial Report at December 31, 2016

YEARLY FINANCIAL REPORT AT DECEMBER 31, 2016

Key financial highlights

Income statement ratios (EUR 000)	12.31.2016		12.31.2015		Change	
	EUR	%	EUR	%	EUR	%
Sales revenue	114,783	100.0	115,316	100.0	(533)	(0.5)
Value of production	115,393	100.5	116,747	101.2	(1,354)	(1.2)
Gross Operating Result (EBITDA) (*)	14,132	12.3	17,457	15.1	(3,325)	(19.0)
Operating result (EBIT)	12,203	10.6	15,585	13.5	(3,382)	(21.7)
Pre-tax profit	11,679	10.2	15,226	13.2	(3,547)	(23.3)
Net profit for the period	8,794	7.7	11,978	10.4	(3,184)	(26.6)

Adjusted results (**)						
Adj. Gross Operating Result (Adj. EBITDA)	14,278	12.4	17,632	15.3	(3,354)	-19.0%
Net adjusted profit	8,737	7.6	10,646	9.2	(1,909)	-17.9%

(*) 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.

(**) Adjusted results:
- 2016: data stated net of (i) charges related to Stock Options Plans (EUR 146 thousand) (ii) advanced financial charges recognised as at the date of the voluntary extinction of non-current loans (EUR 394 thousand) (iii) non-recurring tax effects (EUR 449 thousand) arising from a tax realignment transaction concerning the Santa Rosa trademark, pursuant to Law 232/2016. Points (ii) and (iii) impact only the net adjusted profit.

- 2015: data presented net of the expenses for the stock option plan (EUR 175 thousand) including the relative impacts on ordinary taxes and the net non-recurring tax effects (EUR 1,459 thousand) arising mainly from a tax realignment transaction concerning the Santa Rosa trademark pursuant to Law 208/2015 (the latter only relative to the net adjusted profit).

Income statement ratios (EUR 000)	12.31.2016	12.31.2015	Change
Current non-financial assets	23,465	22,126	1,339
Current non-financial liabilities	(19,575)	(20,011)	436
Net working capital	3,890	2,115	1,775
Other net operating assets/(liabilities)	(137)	(34)	(103)
Total non-current assets	34,632	35,257	(625)
Total INVESTMENTS	38,385	37,338	1,047
Shareholders’ equity	56,868	53,475	3,393
Current net financial position (assets)	(19,287)	(22,212)	2,925
Non-current loans and borrowing	804	6,075	(5,271)
Net financial position	(18,483)	(16,137)	(2,346)
Total SOURCES	38,385	37,338	1,047

Economic and financial performance indicators	12.31.2016	12.31.2015
ROE (Net profit for the period/Shareholders’ equity)	15.5%	22.4%
Adjusted ROE (Net adjusted profit **/Shareholders' equity)	15.4%	19.9%
ROI (EBIT/Total investments)	31.8%	41.7%
ROS (EBIT / Sales revenue)	10.6%	13.5%
EBITDA margin (EBITDA (*)/Sales revenue)	12.3%	15.1%
Adj. EBITDA margin (EBITDA (**)/Sales revenue)	12.4%	15.3%
Shareholders' equity /Total non-current assets	1.64	1.52
Shareholders' equity /Total non-current loans and borrowings	1.67	1.69
Acid test (Current net financial pos. + Current non financial assets) / Current non financial liabilities)	2.18	2.22
Debt ratio (Current net financial pos. + Non current loans and	n.a.	n.a.

Economic and financial performance indicators	12.31.2016	12.31.2015
borrowings)/Shareholders' equity		

(*) see note on the previous page
(**) see note on the previous page

Main events for the period and business performance

Reference market trends

The year 2016, as regards total Grocery consumptions, ended with a slight growth in value (+0.9% versus 2015, for a total of EUR 59.9 billion– Source: Nielsen, Distribuzione Moderna Italia).
The Discount channel was still the driver of the growth (+7.1% compared with the previous period) while the consumption in other stores (hyper and supermarket + self-service) were stable (-0.1%).

In the Grocery sector, market share of the major brands is slightly lower versus the private labels and unbranded products.
Within the same area, the "Benessere" (Wellness) and "Salutistico" (Health food) are among the few ones showing a growth (Nielsen).

In particular the Health Food markets, in which Valsoia operates, showed a 10.8% growth in 2016 with a total consumption amounting to EUR 380 million (Modern distribution) while the markets controlled by the company with the Santa Rosa preserves and Pomodorissimo (tomato paste and pulp) brands were stable showing consumptions of about EUR 750 million.

The year 2016 ended for Valsoia S.p.A. with sales revenue totalling EUR 114.8 million (-0.5% compared with the previous period) against total volumes showing a modest growth (+1.5% compared to the previous period) despite major changes that occurred in the health food markets within which the Valsoia brand confirmed its leadership both in terms of volume and value.

The year 2016 was in fact characterised by the simultaneous entry into the health food markets of a very high number of companies and products, often "me too brands (unbranded)" which sought to diversify from their traditional "core business".
The excessive and often not effectively managed shelf overcrowding generated, in some market segments, confusion and difficulties in interpreting the offers on the part of the consumer, who is often new in this category, with the consequent risk of a slow-down in the growth of these markets and specialised brands.

In this context, Valsoia reacted by defending and confirming, especially in the health food segment, its role as a leader, and its premium positioning, by strengthening the internal and external organisation (as an example: two specialised sales networks, Health Food and Food, were created along with the expansion of the foreign sales division), with a significant increase in consumer marketing investments (most significant example is the new Valsoia commercial spot), and by reaffirming its leading position in terms of innovation with the launch of new lines of products (both in the health food and food segments).

The growth in sales volume was also supported by important investments in the Trade, targeting promotional activities for the consumers, directly at the sales points (about an additional EUR 1.4 million in support of the Valsoia trademark and about EUR 0.9 million in support of the brand Pomodorissimo Santa Rosa).

All these expenses were deemed as necessary to strengthen its role as a market leader, in particular for the Valsoia brand, have impacted the operating margin which stood at EUR 14.1 million (-19% compared with the previous period) with a net adjusted profit of EUR 8.7 million (-17.9% compared with the 10.6 million of last year).

At the end of the year, Valsoia had a profitable net financial position of EUR 18.5 million, up from the end of the previous year when it stood at EUR 2.3 million.
In consideration also of the profitable economic and financial position, during the year Valsoia decided to pay in advance, with respect to the original deadlines, non-current loans and borrowings for more than EUR 7 million. This operation entailed the recognition of financial charges, amounting to EUR 394 thousand, deriving primarily from the early payment of the related derivative agreements entered into for the coverage of interest rate risk.

The products and the revenue performance

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

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

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

VALSOIA BONTA' E SALUTE

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

NATURATTIVA

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

VITASOYA

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

SANTA ROSA

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

POMODORISSIMO

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

Valsoia also distributes the following products in Italy:

WEETABIX

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

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

Description (EUR 000)	12.31.2016		12.31.2015		Change
	EUR	% Inc.	EUR	% Inc.	%
Valsoia Bontà e Salute Products	60,022	52.3%	60,911	52.8	-1.5%
Santa Rosa Products	27,259	23.7%	28,127	24.4	-3.1%

Description (EUR 000)	12.31.2016		12.31.2015		Change
	EUR	% Inc.	EUR	% Inc.	%
Other products (a)	23,854	20.8%	23,008	20.0	3.7%
Total Italian revenue	111,135	96.8%	112,046	97.2	-0.8%
Sales abroad	3,648	3.2%	3,270	2.8	11.6%
Total revenue	114,783	100.0%	115,316	100.0	-0.5%

(a) Other trademarks and industrial products

After the first half of 2016 showing a decrease (-4%) in sales revenue versus the same period of the previous year, and a favourable third quarter (+2.4%), Valsoia confirmed in the fourth quarter a growth in total sales (+4.5% against the previous year) closing the year 2016 with substantially the same figure (-0.5%) of 2015.

More specifically, the "Valsoia Bontà e Salute" brand recorded, in the second half year of 2016, a small recovery (+0.4% compared with 2015), not enough to completely recover from the decrease recorded in the first half of the year (-3.2%), therefore closing 2016 with sales revenue of EUR 60.0 million (-1.5%) versus 60.9 million in 2015.

Within the health products portfolio, a good performance was reported in the area of beverages, with a positive +4.2% versus 2015. In this segment, which has shown for some time an over-crowding of products with several competitors, the positive performance of the Valsoia brand confirms its fundamental role as a leading company that guarantees credibility and market value by offering a great selection of products on the shelf. We believe that this market dynamic, observed in the beverages segment, may prospectively occur also in other categories in which Valsoia operates and that are, today, exposed to over-crowding.

Product innovation was directed primarily to plant-based alternative areas in the categories of yogurt, desserts, dressings and Fresco.

In 2016, the perception of the brand Valsoia was also reviewed through a specific study, with the production of a new commercial spot that was broadcast beginning in the fall. In the current scenario, Valsoia's objective, as a pioneer and founder of the market for plant-based alternatives, is to support its investments in advertising by focusing them on the extraordinary value of the brand and strengthening its uniqueness and distinctive nature. Similarly with 2016, the investments in ADV have reached a record threshold confirming the indisputable leadership of Valsoia in the "share of voice" within the reference market.

As regards the Santa Rosa Confetture brand, the business performance was particularly positive, recording a closure in annual sales revenue of +3.8% compared with the same period of 2015, with a parallel improvement in margins. The growth in weighted distribution started to be estimated by Nielsen in the second half of the year, together with the new acquisition by Santa Rosa preserves of some major large scale retail customers in the central-northern regions of Italy, previously not served.

As regards the preserves, in the second half of 2016, two new lines were launched:

- the first, in the area of traditional preserves, but with strong and distinctive value, clearly recognised by the consumers, as demonstrated in market research that confirmed the premium positioning of this new line in the market.
- The second, in the area of wellness and "super fruit" with the possibility of using on the label some health claims which, today, attract the attention of many consumers.

Both new lines presented at the Trade are garnering positive reviews and consequently their inclusion within major Italian large scale distribution.

As regards tomatoes, the sold volumes have recorded, compared with 2015, a small decline (-1.8% compared to the same period of last year). Sales revenue was negative in terms of value (-10.1%); this decline is more than proportional compared with the drop in costs of the raw materials due to the significant, although useless, discounts offered by some operators, which created tensions in the negotiation phase. In this context, a stable level of volumes did not produce a stable level of revenue or margins for the “Pomodorissimo” line.

The Santa Rosa product line (preserves and tomatoes) therefore experienced, overall, a decrease in sales revenue (-3.1%) compared to last year, due entirely to “Pomodorissimo”.

Significant investments were also made in communications. Santa Rosa preserves maintained an absolute leadership in communication with a share in excess of 90% of the total reference market, confirming its role as a major brand for consumers.

The export results were very interesting as they further improved the excellent performance of the previous year, closing 2016 with an increase by +11.6% versus 2015. In this area, foundations were laid for some important projects both in central Europe and in the USA which will demonstrate their potential over the next few years.

Operating costs

The performance of the costs for production and distribution of the products was stable overall.

Costs for commercial services and sales showed a growth because of the increase in activities carried out in *Consumer Marketing* and *Trade Marketing*.

General costs increased due primarily to the enhancement of the commercial and organisational structure.
Financial charges increased due to the one-off effects of EUR 394 thousand resulting from the above mentioned

early repayment of bank loans during the period.

The Taxes item benefited from a positive non-recurring tax effect of EUR 449 thousand, resulting from a tax realignment transaction related to the Santa Rosa trademark, carried out pursuant to Article 1, paragraph 554 et seq. of Law no. 232 (Stability Law 2017).

Investments

A total of EUR 1.3 million was invested in 2016. More specifically, new equipment for the production of plant extracts, ice creams and preserves was purchased.

Analysis of the statement of financial position

The following table shows the breakdown of the Net Financial Position at December 31, 2015.

Description (EUR 000)	12.31.2016	12.31.2015
Cash	4	2
Current accounts and bank deposits	19,381	24,616
Total cash and cash equivalents (A)	19,385	24,618
Current loans and borrowings (B)	(98)	(2,406)
Current net financial position (C=A-B)	19,287	22,212
Non current loans and borrowings (D)	(804)	(6,075)
NET FINANCIAL POS. (E=C+D)NET FINANCIAL DEBT (E=C+D)	18,483	16,137

The net financial position of the Company at December 31, 2016, is positive with EUR 18.5 million with an improvement of EUR 2.3 million compared with the previous period.
As already described above, following the positive statement of financial position, the Company, based on a prudent assessment of the financial market trend, on March 31, 2016, decided to repay early, with respect to the original maturity dates, loans amounting to approximately EUR 7 million, of which 5.3 million with maturity dates after 12 months, acquired in previous periods for potential acquisition.
Current operations, including changes in working capital and taxes for the period, generated a positive monetary flow of EUR 9.7 million.
In the same period, investments in tangible and intangible fixed assets were made for a total amount of EUR 1.3 million and dividends were distributed for a total of EUR 5.8 million – of which EUR 2.6 million consisting of extraordinary dividends with respect to the normal dividend policies of the Company.

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 statement of comprehensive income for the period; in particular, at the closing date of the period, some foreign exchange transactions on financial derivative products (forward purchases), the designation of which at fair value involved the recognition, in the income statement, of a positive amount of EUR 67 thousand.

Credit Risk

The Company deals with customers who belong primarily to the large-scale retail sector, and which have historically had a limited rate of insolvency, although in the last years, due to the current economic crisis, this rate has increased slightly.

Therefore, the Company monitors carefully the quality of its receivables in terms of risk control.

Interest Rate Risk

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

Cash and changes in Cash Flows risk

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

Operating risks

Risks related to the food/health sector

Although Valsoia guarantees effective quality control on its own production and on externally acquired products through a constant monitoring of raw materials, production processes and finished products, it cannot be excluded that, similarly to any other company operating in the food sector, the accidental contamination of the product by external agents, unpredicted in the formulation of the product, may occur.
In particular, Valsoia has always chosen to use only raw materials that are not genetically modified. For this purpose, the Company requires certifications from all the suppliers of raw materials, as a proof of their GMO-free status. In addition, the Company requires CSQA certifications to confirm the absence of genetically modified organisms both in the raw materials used and in 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 affiliating a large portion of the Italian current distribution. Even if, despite the relative degree of independence of each single affiliate, the possibility of the direct contact of Valsoia with the individual customers cannot be excluded, each centre avails itself of a significant contractual power in defining terms and conditions, and a possible termination of relationships with one or more of these centres may have a strong negative impact on the financial results of the Company.

Therefore, Valsoia, given the recognition of its trademarks, the high reputation of the services associated with its products and the efficient distribution network, has maintained for many years strong business relationships with all the main Italian purchasing centres.

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

Currently, 2% of the Company's revenue derives from the distribution of third party products.

A termination of these relationships would have a negative impact on the financial results of the Company.

Other general risks

Risks related to the current economic situation

The continuing uncertainty of the economic environment could result in a further contraction in consumption with negative effects on the company sales.

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 few months of 2017, in the markets of plant-based alternatives, the entry of several new branded and private label players is still under way.
The tomato market is further exposed to strong discount and speculative tensions, as regards the transfer prices, with which the Company does not intend to align.
Therefore an initial decline in volume is expected in the first part of the year.
On the other hand, investments in consumer marketing and in ADV will continue in support of its brand and premium position in view of a necessary normalisation of market dynamics.

Other Information

Personal Data Protection Code.
The Board of Directors has updated its Report on the data privacy system (former DPS) for the year 2016. The Report contains the following information: data processing, distribution of tasks and responsibilities, analysis of the risks associated with data, security measures adopted, description of the information system, planning of training events and the listing of data processing assigned abroad.

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.

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

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

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

Treasury shares disclosures

At December 31, 2016, 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 2016, the Company's Research and Development activities covered numerous areas including those listed below.

Development of new product lines

Research and development of new 100% plant-based products which represent a plant-based alternative to existing and established animal-based products, and have a great health or functional value in addition to high organoleptic properties; in particular, research activities focused on:

- new line of plant-based substitutes and/or alternatives to meat in the "fresh" segment (+2/+4°C), based on soy and vegetables/cereals.

Research on new formulations for preserves, in order to further improve on the organoleptic properties and healthy contents; this research enabled the launch in 2016 of two new lines of the product:

- new "Fruttavolontà" preserve line with 70% fruit;
- new fruit-based spreads, "preserve" types, with nutritional and health value.

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.

Information on energy savings

In 2016, Valsoia renewed the certification with the certification entity Cermet pursuant to UNI ISO 50001 (Energy Management). This certification made it possible to consolidate energy analysis procedures and methodologies, which during the year resulted in energy savings, on a unit basis, of 3% compared to the previous year.

These savings are combined with the annual savings of 107,000 kWh, achieved from the photovoltaic system installed in 2011.

Valsoia is not subject to the emission trading scheme as it does not own combustion plants with heating power in excess of 20 MW.
In 2016, Valsoia received no definitive fines or penalties for environmental offenses or damages.

Information on the Personnel

The table below shows the changes concerning the employees or similar personnel during 2016.

Personnel	12/31/2015	Resignations/ Terminations	Hires	Internal movements	12/31/2016	Change
Executives	10	-	-	-	10	-
Employees and managers	78	4	9	-	83	+5
Factory workers	25	1	1	-	25	-
Co.co.co(*)	0	-	1	-	1	+1
	113	5	11	0	119	+6

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

In addition to the fixed personnel in the establishment included in the data above, in 2016 31,572 hours of seasonal work were used for the production of ice cream (30,314 in 2015).
As shown by the results above, in 2016 the Company increased its workforce by 6 units. This increase relates primarily to the hiring of new officers for the Italian and Export sales networks, in addition to improvements made to management and general service controls.
The ratio of hires to terminations shows that the personnel turnover is quite limited.
The total annual days of absence due to illness were approximately 485 (on the average 4 days per person, slightly higher than in 2015).
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 2016 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 12/31/2015	% Share Cap.	Movements in the period Purchases/ (Sales-donations)	Number of shares at 12/31/2016	% Share Cap.
Lorenzo Sassoli de Bianchi	A	6,656,227	63.661	+62,648	6,718,875	63.295
Ruggero Ariotti	B	606,200	5.798	+8,578	614,778	5.791
Cesare Doria de Zuliani	D	295,013	2.822	+6,400	301,413	2.839
Furio Burnelli (a)	B	1,033,357	9,883	-	1,033,357	9.735
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	15,179	0.143

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

VALSOIA SpA

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 2016 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 in CONSOB Communication no. DEM/6064293 of July 28, 2006 we hereby specify that the classification of income statement data contained in this Directors' Report coincides with the financial statements, except for the item "Adjusted net profit for the period" for which clarifications are provided.

Allocation of profit for the period

Dear Shareholders, the financial statements that we submit to your attention show a profit of EUR 8,793,865.83

We propose to allocate:

- to the extraordinary reserve: € 5,290,840.92
- a dividend of EUR 0.33 for each of the 10,615,227 shares totalling: € 3,503,024.91

We propose that the dividends be paid on May 10, 2017 with record date May 9, 2017 and ex-date May 8, 2017.

/

Bologna, March 13, 2017

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

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Annual Financial Report at December 31, 2016

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

STATEMENT OF FINANCIAL POSITION	Notes	December 31, 2016	December 31, 2015
CURRENT ASSETS			
Cash and cash equivalents	(1)	19,385	24,618
Trade receivables	(2)	14,512	13,664
Inventories	(3)	7,206	7,485
Other current assets	(4)	1,747	977
Total current assets		**42,850**	**46,744**
NON-CURRENT ASSETS			
Goodwill	(5)	3,230	3,230
Intangible fixed assets	(6)	20,583	20,703
Property, plant and equipment	(7)	10,546	11,048
Financial assets	(8)	110	110
Deferred tax assets	(9)	442	553
Other non-current assets	(10)	163	165
Total non-current assets		**35,074**	**35,809**
TOTAL ASSETS		**77,924**	**82,553**

STATEMENT OF FINANCIAL POSITION	Notes	December 31, 2016	December 31, 2015
CURRENT LIABILITIES			
Current payables due to banks	(11)	98	2,406
Trade payables	(12)	16,245	15,036
Tax payables	(13)	1,114	2,774
Provision for risks	(14)	126	121
Other current liabilities	(15)	2,090	2,080
Total current liabilities		**19,673**	**22,417**
NON-CURRENT LIABILITIES			
Non-current payables due to banks	(16)	804	6,075
Provision for post employment benefits	(17)	579	586
Total non-current liabilities		**1,383**	**6,661**
EQUITY	(18)		
Share Capital		3,503	3,450
Legal Reserve		690	690
Revaluation reserve		13,596	5,401
Other IAS/IFRS adjustments reserve		-1,002	-1,002
Other reserves		31,287	32,958
Profit		8,794	11,978
Total Equity		**56,868**	**53,475**
TOTAL		**77,924**	**82,553**

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

INCOME STATEMENT	Notes	December 31, 2016	December 31, 2015
VALUE OF PRODUCTION	(19)		
Revenue from sales and services		114,783	115,316
Changes in inventories of finished products		-185	269
Other revenue and income		795	1,162
Total Value of production		**115,393**	**116,747**
OPERATING COSTS	(20)		
Purchases		-58,633	-58,788
Services		-32,281	-30,894
Cost of use of assets owned by other, of third party assets		-546	-538
Labour costs		-8,629	-8,196
Changes in raw materials inventory		-93	25
Other overheads		-1,079	-899
Total operating costs		**-101,261**	**-99,290**
GROSS OPERATING RESULT (EBITDA)		**14,132**	**17,457**
Amortisation and depreciation	(21)	-1,929	-1,872
Net operating result (EBIT)		**12,203**	**15,585**
Net financial income/(charges)	(22)	-524	-359
PRE-TAX PROFIT (LOSS)		**11,679**	**15,226**
TAXES			
Income taxes	(23)	-2,235	-3,528
Deferred tax assets/liabilities		-1,099	-1,179
Taxes - non-recurring effects		449	1,459
Total Taxes		**-2,885**	**-3,248**
PROFIT (LOSS) FOR THE PERIOD		**8,794**	**11,978**
Basic EPS	(24)	0.828	1.146
Diluted EPS		0.826	1.128

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

STATEMENT OF COMPREHENSIVE INCOME	Notes	December 31, 2016	December 31, 2015
PROFIT (LOSS) FOR THE PERIOD		**8,794**	**11,978**
OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH MAY BE SUBSEQUENTLY			
RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD			
Valuation of MtM derivatives on interest rate hedging operations		0	169
Tax effect		0	-47
Total		**0**	**122**
OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH WILL NOT BE SUBSEQUENTLY			
RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD			
Actuarial gains/(losses) for IAS 19		-19	36
Release of cash flow hedging provision		170	0
Total		**151**	**36**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (LOSS)		**8,945**	**12,136**

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

	STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED AT	December 31, 2016	December 31, 2015
A	**Opening short term net cash**	**22,212**	**16,183**
B	**Cash flow from operating activities for the period**		
	. Profit (loss) for the period	8,794	11,978
	. Income taxes	2,885	3,248
	. Net financial income/(charges)	524	359
	. Profit (loss) from statement of comprehensive income	0	123
	. Amortisation, depreciation and impairment losses Fixed assets	1,929	1,872
	. SOP Charges	146	175
	Net change in provision and other non-monetary items	192	327
-	Cash flow from operating activities before changes in working capital	14,470	18,082
	. (Increase)/decrease in trade receivables	-1,068	2,372
	. (Increase)/decrease in inventories	319	-511
	. Increase/(decrease) in trade payables	1,209	-1,685
	. Net change in other current assets/liabilities	1,331	2,253
-	Change in Working Capital	1,791	2,429
-	Changes in other operating assets/liabilities	-1,023	-2,070
-	Taxes paid during the period	-5,538	-5,228
	Totale (B)	**9,700**	**13,213**
C	**Cash flow used in investment activities**		
-	Net increases in property, plant and equipment	-1,220	-724
-	Net increases in intangible fixed assets	-85	-313
-	Net investments in long-term investments	2	-90
	Total (C)	**-1,303**	**-1,127**
D	**Cash flow used in financial activities**		
-	Increase/(decrease) in loans and borrowings and Net financial income/(charges)	-5,795	-2,920
-	Reclassification of Cash Flow Hedging provision	170	0
-	Dividends	-5,750	-3,137
-	Share Capital Increase	53	0
	Total (D)	**-11,322**	**-6,057**
E.	**Cash flow for the period (B+C+D)**	**-2,925**	**6,029**
F	**Closing short term net cash (A+E) (*)**	**19,287**	**22,212**

ACCOUNTING STATEMENTS

FIGURES IN THOUSANDS OF EUROS

STATEMENT OF CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVE	REVALUATION RESERVE/REALIGNMENT	IAS/IFRS ADJUST. RESERVE	OTHER RESERVES	PROFIT/ (LOSS) FOR THE PERIOD	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS AT DECEMBER 31, 2014	3,450	690	5,401	-1,002	25,061	10,701	44,301
Changes in 2015							
Allocation of 2014 profit					7,564	-7,564	0
Dividends						-3,137	-3,137
2011-2016 SOP charges					175		175
Comprehensive income (loss)							
- Result for the period						11,978	11,978
- Other items of the income statement					158	0	158
BALANCE AT DECEMBER 31, 2015	3,450	690	5,401	-1,002	32,958	11,978	53,475
BALANCE AT DECEMBER 31, 2015	3,450	690	5,401	-1,002	32,958	11,978	53,475
Changes in 2016							
Allocation of 2015 profit					6,228	-6,228	0
Dividends						-5,750	-5,750
Share Capital Increase	53						53
Allocation subst. tax reserve L. 282/2015			8,195		-8,195		0
2016-2019 sop charges					146		146
Comprehensive income (loss)							
- Result for the period						8,794	8,794
- Other items of the income statement					151	0	151
BALANCE AT DECEMBER 31, 2015	3,503	690	13,596	-1,002	31,288	8,794	56,869

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, 2016 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, 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, 2016, compared with the results of December 31, 2015. The statement of financial position provides a classification based on the current, or non-current, nature of the items comprising it, and in particular:
    - current assets are represented by cash or cash equivalents, by assets that are expected to be realised, sold or consumed during the ordinary operations of the company, by assets held for trading, by assets that are expected to be realised within twelve months from the reporting date. All other assets are classified as non-current;
    - current liabilities are the liabilities that will be presumably extinguished during the ordinary

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

- The income statement for 2016, compared with the income statement of the previous year. In particular, it must be noted that the adopted income statement, compliant with the IAS 1 provisions, shows the following interim result, not defined as an accounting measurement according to the IFRSs (therefore it is possible that the definition criteria of such interim results may not be consistent with those adopted by other companies), since the Company's Directors believe that it contains significant information for understanding the Company's results:
    - Gross Operating Result (EBITDA): comprises the Net profit (loss) for the period, before taxes, gains and losses arising from financial operations, amortisation/depreciation and write-downs of fixed assets carried out during the relevant period.

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

- Valsoia S.p.A.'s statement of comprehensive income for 2016, compared with the statement of comprehensive income of the same period of last year, prepared according to IAS 1.

- The statement of cash flows for 2016, compared with the statement of cash flows of the same period of last year. In preparing the statement of cash flows, the indirect method – by which the profit or loss of the period is adjusted based on the effects of non-monetary operations, by any deferral or allocation of previous or future operating income or payments and by items of costs and revenues related to the financial flows arising from investment or financial activities – was adopted. To ensure a better presentation of the cash flow information, the items Deferred tax assets and liabilities and Provision for post employment benefits were restated from previous years.

- Statement of changes in equity for 2016 and 2015.

- These notes to the Financial Statements.

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

Management of financial risks

Please see the 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 presented below.

Goodwill

This item refers to the posting of the merger by incorporation of J&T Italia S.r.l. which occurred in 2012. After the initial registration, the goodwill is decreased by any impairment, as determined according to the procedures described below (the so-called impairment testing). In particular, goodwill is subject to a recoverability analysis every year or even sooner if events or circumstances indicate that impairment could ensue. In general terms, any goodwill acquired is allocated to each of the cash generating units that are expected to benefit from the synergies deriving from the acquisition. Any impairment is identified through valuations that refer to the ability of each unit to produce cash flows that will ensure recovery of the portion of the goodwill allocated to it. If the recoverable value of the cash generating unit is lower than the carrying amount attributed to it, the relative impairment is recognised. Such impairment of goodwill is not written back if the reasons that caused it no longer apply.
Upon disposal of a part of or the entire business previously acquired, if that acquisition had generated goodwill,

account is taken of the residual value of the goodwill when determining any capital gains or losses on disposal. Goodwill is not subject to amortisation and for further details on impairment testing please see the subsequent paragraph "Impairment Testing".

Intangible fixed assets

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

These elements are recognised at their acquisition and/or production cost, including expenses directly attributable to rendering the asset available for use, net of any impairment, except if they have been acquired as part of an acquisition process, which provides for their evaluation at fair value.

The useful life of the intangible assets is considered as either definite or indefinite.

The intangible assets with a definite life are amortised based on their useful life and subject to impairment testing whenever there are indications that impairment may have taken place. The period and method of amortisation applied to them is re-examined at the end of each financial year or more frequently if necessary. The changes in the useful life and procedures according to which future economic benefits connected to the intangible assets are gained by the company are recognised by modifying the period or the method of the amortisation and handled as amendments to the accounting estimates. The portion of the amortisation of the intangible assets with a definite useful life is recognised in the income statement under the cost category that is appropriate for the function of the intangible asset.

The intangible assets with an indefinite useful life are tested for impairment every year at the cash generating unit level. No amortisation has been recognised for such assets. The useful life of an intangible asset with an indefinite life is re-examined annually to ascertain that the conditions continue to exist for this classification.

Trademarks

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

The Directors have decided, pursuant to the recommendations of the International Accounting Standards (and IAS 38 in particular), to consider the Santa Rosa trademark as having an indefinite life. The Santa Rosa trademark is classified among intangible assets with an indefinite duration, and therefore it is not amortised, based 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 in the reference accounting standards, the congruence of the value recognised in the financial statements for the year is verified, at least annually, for impairment testing based on the criteria described in the subsequent paragraph "Impairment Testing".

Industrial patents and intellectual property rights

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

Intangible assets generated internally – research and development costs

Research costs are entered in the income statement in the period in which they are incurred.

The intangible assets which are generated internally, resulting from development of products by the company, are registered under assets only if the following terms and conditions are fulfilled:

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

These intangible assets are eventually amortised using the straight line method across their relative useful lives. When the internally generated assets do not possess the above mentioned requirements, the development costs are allocated to the income statement in the year in which they are incurred.

Property, plant and equipment

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

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

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

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

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

Land is not depreciated.

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

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

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

Financial assets

Financial assets consist of equity investments in a foreign subsidiary that is not consolidated, since the equity and financial figures for 2016 are of a negligible amount. These fixed assets are recorded at the historical cost, amortised as necessary for impairment. When there is evidence that this equity investment has become impaired, it is recognised in the income statement as a write down. If the Company's interest in the losses of the investee company exceeds the carrying amount of the equity investment, the value of the investment will be written off entirely and any further losses will be recorded under liability provision if the Company is to be held liable. If the impairment is subsequently found not to exist or has been reduced, the relative amount is written back to the income statement.

Impairment testing

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

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

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

Leases

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

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

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.
Finished products acquired by the Unilever Group which are produced in the Sanguinetto facility using equipment owned by the Company are measured at their acquisition cost plus the depreciation and maintenance of the equipment.
Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Trade receivables

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

Current financial assets

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

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

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

Cash and cash equivalents

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

Derivative financial instruments

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

Provisions - Provisions for risks

Provisions are recognised in the financial statements when the Company is required to honour a current

obligation (legal or implicit) resulting from a past event and it is probable that funds will be paid to cover this obligation and the amount of such funds can be reasonably estimated. Provisions are made on the basis of the best estimate of 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 benefits
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. Calculation of the fair value is made using the "binomial" model.

Payables

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

Share capital

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

Revenue recognition

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

Foreign currency transactions

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

Taxes

Taxes for the year represent the amounts of the current and deferred taxes, net of revenues deriving from any tax benefits with retroactive effect.
Current taxes are based on the taxable income for the year. Taxable income differs from the result recorded in the income statement, as it excludes positive and negative components which will be taxable or deductible in other years, and items which will never be taxable or deductible. Liabilities for current taxes are calculated using the rates applicable at the reporting date.
Deferred tax assets and liabilities are those taxes which are expected to be paid or recovered on temporary differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax value used in calculating the taxable amount. Deferred tax liabilities are generally recognised for all temporary taxable differences, while the deferred tax assets are recognised to the extent that it is considered probable that there will be taxable results in the future that will absorbed the temporary deductible differences. The carrying amount of deferred tax assets is reviewed on each reporting date and reduced to the extent that the existence of taxable income sufficient to allow recovery in whole or in part of these assets is no longer probable.

Deferred tax assets and liabilities are calculated based on the tax rate that is expected to be applicable at the time that the realisation of the assets or the extinguishment of the liabilities are expected to take place. The deferred tax assets and liabilities are allocated directly to profit or loss, except for those which are relative to items directly related to equity, in which case the relative deferred taxes are also allocated to equity.
Current and deferred tax assets and liabilities are offset when income taxes are applied to the same tax authority and when a legal right to compensation exists.

Earnings per share

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

Dividends

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

Segment Information

Pursuant to IFRS 8 - Operating Segments, an operating segment is that part of an entity: a) which undertakes business activities that generate revenues and costs (including revenues and costs involving operations with other parts of the same entity); b) the 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 1: bonds held for trading (included in the Other Current Assets item);
- Level 2: derivative contracts, stock option plans, the Santa Rosa trademark.

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.

Intangible fixed assets with an indefinite useful life: estimate of the degree of recoverability

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. 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 subject to write-downs.

Employee benefits

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.

Allowance for doubtful accounts

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

Deferred tax assets

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

Contingent liabilities

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

Related parties

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

Reclassifications

In order to provide accurate figures in the financial statements, the Company has proceeded to reclassify some items of the statement of financial position as described under "Trade receivables" and "Trade payables".
Consequently, the company has also reclassified the comparison data of the previous period.
Overall, the effects of the reclassifications have not entailed any changes on the results and on the Company's net worth.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU EFFECTIVE FROM JANUARY 1, 2016

The accounting standards, amendments and interpretations in effect from January 1, 2016 which have been endorsed by the European Commission are shown below:

Amendments to IAS 19 – Defined benefit plans: contributions from employees (applicable to accounting periods beginning on or after February 1, 2015).
These amendments refer to the simplification of the accounting treatment for contributions to defined benefit plans by employees or third parties and specific cases. The amendments are applicable retrospectively to the financial years beginning on or after February 1, 2015.

Amendments to IFRS – Annual Improvements Cycle 2010-2012 (applicable to accounting periods beginning on or after February 1, 2015).
Among other things, the major items to which these amendments refer are: the definition of vesting conditions in IFRS 2 – Share-based Payments, the information on the estimates and judgements used in grouping the operating segments in IFRS 8 – Operating Segments, identification and disclosure of a transaction with the related party that arises when a service company provides the management service of the managers with strategic responsibilities to the company that prepares the financial statements in IAS 24 – Related Party Disclosures.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (applicable to accounting periods beginning on or after January 1, 2016).
The amendment provides clarifications regarding the accounting by entities with an interest in a joint venture,

the activity of which constitutes a business pursuant to IFRS 3. The amendment requires that the principles of IFRS 3 be applied to this case.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable to accounting periods beginning on or after January 1, 2016).

The amendments to IAS 16 establish that amortisation based on revenues is not appropriate, since, according to the amendment, the revenues generated by an activity that includes the usage of the asset constituting the object of the amortisation generally reflects factors other than simply consumption of the economic benefits of that asset.

The amendments to IAS 38 introduce a relative assumption, according to which an amortisation criterion based on revenues is usually considered inappropriate for the same reasons established by the amendments introduced in IAS 16. For intangible assets this assumption can be overcome, but only under limited and specific circumstances.

Amendments to IFRS – Annual Improvements Cycle 2012-2014 (applicable to accounting periods beginning on or after January 1, 2016).

Among other things, the major items discussed in these amendments are the following:

- IAS 19 clarifies that the discount rate of a bond for a defined benefit plan must be determined on the basis of the "high-quality corporate bonds or governments bonds" identified in the same currency used for payment of the benefits;
- IFRS 7 clarifies that with regard to offsetting of financial assets and liabilities, additional information is mandatory only for the annual financial statements.

It is furthermore clarified that an entity that has transferred financial assets and has eliminated them entirely from its own statement of financial position and income statement is required to provide additional information with regard to its "residual involvement", if it has signed service contracts that indicate that the entity has an interest in the future performance of the financial assets that were transferred;

- IFRS 5 clarifies that there are no accounting effects if, upon changing its retirement plan, an entity reclassifies an asset or group of assets from/to "held for sale" to/from "held for distribution". In the retirement plan, this change is considered to be a continuation of the original plan.

Amendments to IAS 1 – Disclosure Initiative (applicable to accounting periods beginning on or after January 1, 2016).

The amendment provides clarifications regarding the disclosure elements that could be considered as impediments to a clear and intelligible preparation of the financial statements.

Amendments to IAS 27 – Equity Method in Separate Financial Statements (applicable to accounting periods beginning on or after January 1, 2016).

The amendment introduces the option of using the equity method in the separate financial statements of an entity for assessment of the equity investments in subsidiaries, jointly controlled companies and associated companies. Consequently, following the introduction of the amendment, an entity can recognise these equity investments in its own separate financial statements alternatively to cost, as provided by IFRS 9 or by using the equity method.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Application of consolidation exceptions (to accounting periods beginning on or after January 1, 2016).

The amendments address issues that have arisen while applying the consolidation exception for investment entities pursuant to IFRS 10.

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

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

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

IFRS 15 – Revenue from contracts with customers (applicable to accounting periods beginning on or after January 1, 2018).

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

The company is carrying out an assessment activity about the effects arising from the application of the new standard.

IFRS 9 – Financial instruments (applicable to accounting periods beginning on or after January 1, 2018).

This standard introduces the new requirements for recognition and measurement, impairment, and hedge accounting. The standard applies to the periods starting on or after January 1, 2018; early application is permitted. With the exception of the hedge accounting, the retrospective application of the standard is required, however providing a comparison is not mandatory. As regards the hedge accounting, the standard is normally prospectively applied, with a few exceptions. The assessment of the impact of this standard on the financial statements is under way.

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

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

Mandatory application beginning from	
IFRS 14 (Regulatory Deferral Accounts)	January 1, 2016
Amendments to IAS 12 (Recognition of deferred tax assets for unrealised losses)	January 1, 2017
Amendments to IAS 7 (*Disclosure Initiative*)	January 1, 2017
Clarifications to IFRS 15 (Revenue from contracts with customers)	January 1, 2018
Changes to IFRS 2 (Classification and measurement of share-based payment transactions)	January 1, 2018
Amendment to IFRS 4	January 1, 2018
Amendments to the IFRS – Annual Improvements Cycle 2014 – 2016	January 1, 2017 January 1, 2018
IFRIC 22 (Foreign currency transaction and advance consideration)	January 1, 2018
Amendment to IAS 40	January 1, 2018
IFRS 16 (Leasing)	January 1, 2019
Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture	Not yet defined

As at the date of these financial statements, the company is assessing the impacts that would arise from the eventual adoption of said standards.

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	12.31.2016	12.31.2015
Cash	4	2
Current accounts and bank deposits	19,381	24,616
Total cash and cash equivalents	19,385	24,618

At December 31, 2016, interest rates charged by the Company did not exceed 0.2%.
The persisting low interest rates have further reduced the profitability of the Company's usages of its liquidity; this reduction furthermore has significantly affected the financial statements of Valsoia.

Following are details on the Net Financial Position at December 31, 2016 and December 31, 2015. 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)	12.31.2016	12.31.2015
Cash	4	2
Current accounts and bank deposits	19,381	24,616
Total cash and cash equivalents (A)	19,385	24,618
Current loans and borrowings (B)	(98)	(2,406)
Current net financial position (C=A-B)	19,287	22,212
Non current loans and borrowings (D)	(804)	(6,075)
NET FINANCIAL POSITION (E=C+D)	18,483	16,137

Note (2) - Trade receivables

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	12.31.2016	12.31.2015
Trade receivables (nominal value)	15,688	14,905
Allowance for doubtful accounts	(1,176)	(1,241)
Total trade receivables	14,512	13,664

The increase in Trade receivables at December 31, 2016 is to be partially attributed to the higher sales of the last few months of the period compared to same figures of 2015.
There are no particularly significant changes in the collection methods. The allowance for doubtful accounts was adjusted based on a prudent 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 aging, which shows a decrease in past due receivables.

Description	12.31.2016	12.31.2015
Trade receivables (nominal value)		
- past due by over 12 months	471	245
- past due by over 30 days	1,303	1,120
- expired at the date	2,789	2,550
- with subsequent expiry	11,125	10,990
Total trade receivables (nominal value)	15,688	14,905

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	12.31.2016	12.31.2015
Opening balance	1,241	1,278
- (usage)	(285)	(133)
- allocations	220	96
Allowance for doubtful accounts	1,176	1,241

Note (3) - Inventories

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Raw materials, ancillary and consumable materials	1,142	1,242
Work in process	115	108
Finished goods	5,949	6,135
Total inventories	7,206	7,485

The value of the inventory has slightly declined compared with the previous year in line with the turnover performance.
The measurement of the closing inventories is carried out net of the provision for inventory obsolescence, amounting to a total of EUR 232 thousand (EUR 272 thousand at December 31, 2015), in order to adjust its assessment to the value of the presumed realisation.
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	12.31.2016	12.31.2015
Provision for inventory obsolescence of raw and ancillary materials		
Opening balance	78	10
- Provisions/ (uses)	23	68
Balance at December 31	101	78
Provision for inventory obsolescence of finished products and goods		
Opening balance	194	50
- Provisions/ (uses)	(63)	144
Balance at December 31	131	194
Total provision for inventory obsolescence	232	272

Note (4) - Other current assets

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Tax receivables	1,361	521

Prepayments and accrued income	42	235
Other current receivables	344	221
Total Other current assets	1,747	977

Tax receivables at December 31, 2016 showed an increase compared with the previous year and mostly consist of IRES/IRAP Advances that were paid in excess of the amount recognised at the end of the year for direct taxes. Other current receivables are composed primarily of payments on account to suppliers.

Non-current assets

Note (5) - Goodwill

The item Goodwill shows the following changes for the period:

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

Goodwill, to which there were no changes during the year, arises from the allocation of the residual amount from the premium of the investment value, compared with the fair value of the assets and liabilities of J&T Italia S.r.l., following the merger by incorporation of the same in 2012.

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

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

Description	12.31.2014	Changes for the period		12.31.2015
	Net value	Increases	Other increases/ (decreases)	Value value
Santa Rosa Goodwill	3,230	0	0	3,230
Total goodwill	3,230	0	0	3,230

Note (6) – Intangible fixed assets

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

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

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

The item Trademarks, licenses and similar refers to the Santa Rosa trademark, which is recognised at fair value in the recording of the merger by incorporation of J&T Italia S.r.l. which took place in 2012. The fair value of the Santa Rosa trademark was originally measured using a market method named "relief from royalties". This method of measurement, which uses inputs that are observable from the market, is a methodology that is preferred by the accounting standards. As provided in the method used, this rate was applied to the revenue flows in the multiple year plans compiled by the company and approved by the Board of Directors at the time of the acquisition.

The Santa Rosa trademark, as allowed by the IAS 38, has been considered as having an indefinite useful life and therefore it is not amortised, based on the reasons which are described in the relative section of the accounting standards.

For comparison purposes, we show the movements of the Intangible fixed assets in the previous year:

Description	12.31.2014	Changes for the period		12.31.2015
	Net value	Net Increases/ (decreases)	Amort./Write-downs	Net value
Trademarks, licenses and similar	20,068	3	(3)	20,068
Industrial patents and intellectual property rights	59	698	(163)	594
Other	44	35	(38)	41

Description	12.31.2014	Changes for the period		12.31.2015
	Net value	Net Increases/ (decreases)	Amort./Write-downs	Net value
Intangible fixed assets in progress	423	(423)	0	0
Intangible fixed assets	20,594	313	(204)	20,703

Impairment Testing

As indicated previously in the section on the accounting principles, Valsoia S.p.A. carries out impairment testing as required by IAS 36 on an annual basis, even if there are no indications of impairment, to verify the degree of recoverability of the value of the Santa Rosa trademark and of goodwill.

At the time the financial statements for 2016 were closed, an impairment test was carried out which was specifically approved by the Board of Directors prior to the approval of the financial statements for the year.

In particular, in application of the methodology indicated by IAS 36, Valsoia S.p.A. Identified the cash generating units (CGUs) that represent the smallest identifiable group able to generate independent cash flows; these units correspond to the Santa Rosa trademark.

The value in use is represented by the current value of the future cash flows that are estimated 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 intangible and tangible fixed 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 above mentioned cash flows applying an appropriate discount rate.

The value in use of the CGU was estimated using the UDCF (Unlevered Discounted Cash Flow) model applied to the cash flows included in the multiple year plan for 2017-2021 which was approved by the Board of Directors on March 13, 2017. 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.

The discount rate used for the discounting of the expected cash flows was 6.57%.

The terminal value represents the current value, on the last year of the projection, of all the subsequent perpetuated cash flows. The growth rate of the terminal value is a key parameter in determining the terminal value itself, because it represents the annual rate of growth of all the subsequent cash flows perpetuated. The rate of growth of the terminal values used in 2016 is 1%, in line with the one used in previous years and in compliance with best practices.

Based on the above mentioned parameters, the enterprise value of Santa Rosa is approximately EUR 44.4 million as compared to a carrying amount for the net assets (trademark, goodwill, facilities and net working capital) of EUR 28.8 million and therefore the so-called cover amounts to EUR 15.6 million.

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) from the 1% used for the test base;
- a change of 1.5 percentage points of the discount rate (WACC) compared to the 6.57% used for the test base.

From this sensitivity analysis, no situations of potential impairment are apparent, considering also a worsening of the market variables which were considered.

The sensitivity analysis was also carried out using the same parameters g and WACC which were used in the impairment test that was carried out in the previous year (respectively 1% and 6.76%); in this case as well, no situations of potential impairment are apparent, providing a cover of EUR 14.3 million.

Note (7) – Property, plant and equipment

Following is a breakdown of the Property, plant and equipment item at December 31, 2016.

Description	Historical cost	Depreciation Provision	Accounting Net Value
Land and buildings			
Land:			
- located in the Rubano municipality	908	0	908
- located in the Serravalle Sesia municipality	1,529	0	1,529
Buildings:			
- House in Serravalle Sesia	441	(86)	355
- Industrial facilities in Serravalle Sesia	4,984	(1,860)	3,124
- Light constructions/buildings Sanguinetto facility	1	(1)	0
Total land and buildings	7,863	(1,947)	5,916
Plant and equipment	107	(69)	38
- fixed systems for offices	5,472	(4,324)	1,148
- plant/equipment for plant extract products	9,726	(8,573)	1,153

- plant/equipment for ice cream production	661	(583)	78
- plant/equipment for other food production	1,417	(1,006)	411
- generic plant/equipment at the Serravalle facility	496	(410)	86
- silos, vats, tanks at the Serravalle facility	371	(181)	190
- photovoltaic system	2,760	(1,821)	939
- plants for preserves production	121	(48)	73
- generic plants at the Sanguinetto facility			
Total plant and equipment	21,131	(17,015)	4,116
Industrial and commercial equipment			
- furniture and equipment for the laboratory	414	(325)	89
- other small equipment	172	(146)	26
- other transportation means	247	(195)	52
Total industrial and commercial equipment	833	(666)	167
Other assets			
- electric and electronic machinery	529	(384)	145
- furniture and equipment for the offices	372	(310)	62
- cell phones	55	(38)	17
- vehicles	506	(383)	123
Total other assets	1,462	(1,115)	347
Total Property, plant and equipment	31,289	(20,743)	10,546

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

Description	12.31.2015	Changes for the period			12.31.2016
	Value	Increases	Decreases	Other changes	Value
Historic Cost					
Land and buildings	7,814	49	0	0	7,863
Plant and equipment	20,108	1,023	0	0	21,131
Industrial and commercial equipment	784	54	(5)	0	833
Other assets	1,437	98	(73)	0	1,462
Fixed assets in progress	0	0	0	0	0
Tot. Historic Cost (A)	30,143	1,224	(78)	0	31,289

Description	12.31.2015	Changes for the period			12.31.2016
	Value	Increases	Decreases	Other changes	Value
Depreciation					
Land and buildings	1,735	212	0	0	1,947
Plant and equipment	15,730	1,285	0	0	17,015
Industrial and commercial equipment	611	60	(5)	0	666
Other assets	1,019	167	(71)	0	1,115
Fixed assets in progress	0	0	0	0	0
Tot. Depr. provisions (B)	19,095	1,724	(76)	0	20,743
Total tangible fixed assets (A-B)	11,048	(500)	(2)	0	10,546

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

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

For comparison purposes, following are changes in Property, plant and equipment in the previous year.

Description	12.31.2014	Changes for the period			12.31.2015
	Value	Increases	Decreases	Other changes	Value
Historic Cost					
Land and buildings	7,741	73	0	0	7,814
Plant and equipment	19,666	442	0	0	20,108
Industrial and commercial equipment	690	95	0	(1)	784
Other assets	1,385	117	0	(65)	1,437
Fixed assets in progress	0	0	0	0	0
Tot. Historic Cost (A)	29,482	727	0	(66)	30,143

Description	12.31.2014	Changes for the period			12.31.2015
	Value	Increases	Decreases	Other changes	Value
Depreciation					
Land and buildings	1,528	207	0	0	1,735
Plant and equipment	14,479	1,251	0	0	15,730
Industrial and commercial equipment	563	50	(2)	0	611
Other assets	920	160	(61)	0	1,019
Fixed assets in progress	0	0	0	0	0
Tot. Depr. provisions (B)	17,490	1,668	(63)	0	19,095
Total tangible fixed assets (A-B)	11,992	(941)	63	(66)	11,048

Note (8) – Financial assets

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

Description	Shareholding in share capital	12.31.2015 Value	Changes for the period		12.31.2016 Value
			Increases	Decreases	
Valsoia Pronova d.o.o. (SLO) - Share Capital - Non-int. bearing loan to shareholders	100%	100 10	0 0	0 0	100 10
Tot. Financial Assets		110	0	0	110

In 2016, the subsidiary Valsoia Pronova d.o.o. recorded sales of approximately EUR 441 thousand with a profit of EUR 3 thousand.

Note (9) – Deferred tax assets

This item breaks down as follows:

Description	12.31.2016		12.31.2015	
	Taxable	amount	Taxable	amount
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	196	55	251	72
- Dealloc. of accounting-tax amounts for SR Trademark	0	0	0	0
- Taxed risk and write-down provisions	1,570	382	1,612	418
- Others	19	5	(3)	(1)
Total A)	1,785	442	1,860	489
Deferred tax assets/(Provision for deferred taxes) with contra entry under Shareholders' Equity Reserve				
- Tax effect on valuation of MtM hedging derivatives	0	0	295	64
Total B)	0	0	295	64
Total Deferred tax assets/(Provision for deferred taxes) (A+B-C)	1,785	442	2,155	553

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.
As set forth in the reference principles, the total amount of deferred tax assets is classified under non-current assets; furthermore, it is estimated that a part thereof, equal to approximately EUR 164 thousand, refers to differences that will be reabsorbed over the next 12 months.

The estimate of receivables for prepaid taxes keeps into consideration the tax realignment of the Santa Rosa trademark, pursuant to Art. 1 of Law 232 of 12.11.2016 - Stability law 2017 - paragraph 554 et seq.. 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 1,053 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 604 thousand (Note 13); the net effect of the above mentioned accounting, positive by EUR 449 thousand, was entirely allocated to the profit and loss for the year under the item "taxes – non recurring effects" given its one-off nature.

Note (10) - Other non-current assets

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Guarantee deposits	35	37
Investments in other companies	5	5
Due from tax authorities, non-current	38	38
Receivables from subsidiary companies	85	85
Total Other non-current assets	163	165

No particular changes are noted compared with the previous year.

Liabilities and shareholders' equity

Current liabilities

Note (11) - Current payables due to banks

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Overdraft accounts	0	1
Payables for bank loans or bank lending (current instalments)	0	2,307
Payables for bank subsidised loans or bank lending (current instalments)	98	98
Total Current payables due to banks	98	2,406

This item refers primarily to the instalments, maturing in less than 12 months, from non-current financing agreements executed in previous periods.
The decrease in current bank loans refers to the early extinction carried out in the period compared with the original amortisation plan. For details on this transaction, please refer to the Directors' Report.

Note (12) – Trade payables

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Trade payables due to suppliers within 12 months	16,245	15,036
Total Trade payables	16,245	15,036

Trade payables increased due to larger purchases carried out in the last part of the year compared to the previous year. There have been no particular changes in the payment conditions.

Note (13) – Tax payables

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Due to the tax authorities for:		
- virtual revenue stamp tax	5	3
- withholding taxes	505	443
- substitute tax	604	2,328
Total Tax payables	1,114	2,774

At December 31, 2016, the Company had payables due to the tax authorities for direct taxes and VAT as per Note 4 above.
The substitute tax item refers to the substitute tax due for the tax realignment operation of statutory and tax values for EUR 604 thousand, as detailed in previous Note 9). Payables for substitute taxes at December 31, 2015 were fully paid during the period.

Note (14) – Provisions for risks

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Sales return provision	126	121
Total Provision for risks	126	121

Provisions for risks comprise only the sales return provision. The estimate at December 31, 2016 resulted in an allocation of EUR 5 thousand.

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, believes that to date there are no reasonable grounds for setting aside a provision for risks related to this pending dispute.
For the same case, Valsoia received during the previous year a second assessment notice, for EUR 94 thousand, from the re-calculation by the Revenue Agency of the value of the amount subject to capital transfer tax. The Tax Commission ruled in favour of the Company as regards this Notice for assessment; the Inland Revenue has filed an appeal against said ruling.

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

Note (15) - Other current liabilities

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Amounts payable to social security institutions	410	437
Due to employees and on-going collaboration contracts	1,515	1,376
Amounts due to others	165	237
Accrued expenses	0	30
Total Other current liabilities	2,090	2,080

Other current liabilities include primarily payables to employees for wages, bonuses pertaining to the period, and defer ed monthly salaries, accrued as at December 31, 2016. The item Payables due to others refers primarily to early payments received from Customers.

Non-current liabilities

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

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Payables for bank loans or bank lending (non-current portion)	0	4,866
Payables to Payable to banks for Cash flow hedging	0	307
Payables for bank loans or bank lending (non-current portion)	804	902
Total non-current payables due to banks	804	6,075

This item refers primarily to instalments, with expiry date beyond 12 months, related to non-current subsidised financing agreements executed in previous periods.

The decrease in current bank loans refers, for EUR 4,866 thousand, to the early extinction carried out in the period versus the original amortisation plan. For details on this transaction, please refer to the Directors' Report. This early repayment involved also the extinction of the corresponding derivative contracts, executed for hedging interest rate risk, which, in the previous year, were recognised as mark to market at December 31, 2015, for a total of EUR 307 thousand.

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
2018	99
2019	99
2020	99
2021	100
2022	101
2023	101
2024	102
2025	103
Loans and borrowings	804

Note (17) – Provision for post-employment benefits

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

Description	Taxable amount
Opening provision for post-employment benefits at Dec. 31, 2015	586
2016 changes	
- Financial income/(charges)	8
- End of employment severances and advances to employees	(34)
- Actuarial gains (losses)	19
Closing provision for post-employment benefits at Dec. 31, 2016	579

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.
Starting from January 1, 2007, the Financial Law and related implementation decrees, have introduced relevant changes in the post-employment benefits regulations, including the choice, by the employee, of the allocation of his/her accruing provision for post-employment benefits. As regards the portion recognised in the income statement in 2016, it should be noted that it refers only to the revaluation of the provision for post-employment benefits in effect at December 31, 2006, since due to the supplementary pension reform, enacted with the Financial Law of 2007, the provision for post-employment benefits accrued starting from January 1, 2007, are allocated, by the employee, to the preferred pension funds or paid by the Company into a Treasury Account set up with INPS and therefore are considered, for the purpose of IAS/IFRS accounting standards, a Defined Contribution Plan recognised directly in the income statement without transiting through the provision.
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 rate: for calculating the probability of exiting from the company due to a total and permanent disability of the employee, the disability tables used currently 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: 0.392%

Yearly Inflation rate: 1.5%

Shareholders' equity - Note (18)

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.

During the period, the Company increased its share capital upon completion, at the vesting date, of the Stock Option Plan 2011-2016 (hereinafter also "SOP 2011-2016") and of the exercise of 159,443 option rights by the beneficiaries, with concomitant payment by the same of the option exercise price (EUR 0.33 per share).

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 the Law 488/2001 and the Law 350/2003.

The Shareholders' Meeting of April 26, 2016 resolved to create a "Realignment reserve pursuant to Art. 1, par. 895 et seq. Law 208/2015" of EUR 8,194,630, through the corresponding use of the Extraordinary Reserve, due to the tax realignment operation of the Santa Rosa trademark carried out by the Company pursuant to Art. 1 of Law 28/12/2015 no. 208 (Stability Law 2016).

Other IAS/IFRS adjustments reserve

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

Other reserves

The other reserves include:

- extraordinary reserve deriving from the allocation of profits accrued but not yet distributed on a voluntary basis in previous periods, as set forth by the Shareholders' Meeting;

- earnings brought forward due to the application of IAS/IFRS accounting standards, starting from the transition date of January 1, 2004;
- reserve set up within the scope of the Allowance for doubtful accounts, in application of the IAS 8 accounting standard occurring in 2006;
- actuarial gains/losses reserve: this includes the actuarial gains/losses deriving from the application of the IAS 19 standard;
- stock option reserve. This item includes the 2011-2016 Stock Option Plan reserve set aside for a total amount of EUR 490 thousand, corresponding to the charges applicable to the 5 validity periods of the Plan. This Plan was concluded in the relevant six months, with the issuance of the equity-linked instruments and the related increase of the Share Capital, as described in the previous point;

  The 2016-2019 Stock Option Plan reserve is also stated under this item since in this case it coincides with the recognition of the charge (EUR 146 thousand) related to the first six months of 2016. The Shareholders' Meeting of April 23, 2015 approved in fact a stock option plan (hereinafter "2016-2019 Stock Option Plan" or "2016-2019 SOP") which provides for the assignment of rights of options for the subscription of a maximum amount of 200,000 ordinary shares, deriving from a share capital increase, upon resolution issued pursuant to article 2441, paragraph 8 of the Italian Civil Code, at a subscription price equal to the nominal value (EUR 0.33 per share).

  The plan is intended for the managers/executives of the Company, according to their position and responsibilities, as well as for the General Manager. The purpose is for the retention of those employees who hold key positions and for setting up incentive plans for value creation. Consequently, the assigned Option rights will accrue on an annual basis according to the achievement of business performance objectives, measured on the basis of the resulting 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 of the Stock-Option Plan 2016-2019, published on the website www.valsoiaspa.com, in the Investor Relations section.

The Shareholders' Equity reserve is composed of the charges arising from this plan, which must be recognised in compliance with the IFRS 2 accounting standard. Said charges were estimated on the following basis:

- 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 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)	20/04/2019	31/12/2019
Measurement Date	14/03/2016	14/03/2016

Average price	€ 21.13	€ 21.13
Exercise price of the share	€ 0.33	€ 0.33
Expected volatility	43.40%	43.40
Estimated duration (years)	3.10	3.80
Days to maturity	1,132	1,387
Free risk rate (Btp 5 years)	0.22%	0.37%
Estimated dividends	1.5%	1.5%
Unit fair value	€ 19.84	€ 19.64
Average unit fair value		€ 19.74

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

Description	12.31.2016	12.31.2015	Possibility of use
Share capital	3,503	3,450	-
Legal reserve	690	690	B
Revaluation reserve	13,596	5,401	A, B, D
Other IAS/IFRS adjustments reserve	(1,002)	(1,002)	-
Other reserves:			
IAS 8 adjustment reserve	469	469	A, B, C
Earnings brought forward, according to IAS/IFRS	349	349	A, B, C
Extraordinary reserve	29,817	31,784	A, B, C, E
S.O.P. Reserve 2011-2016	490	490	A, B, C
S.O.P. Reserve 2016-2019	145	0	A, B, C
Cash flow hedge reserve	0	(170)	
Actuarial gains/losses reserve	17	36	-
Total Other reserves	31,287	32,958	
Profit (loss):			
Profit for the period	8,794	11,978	
Total Shareholders' Equity	56,868	53,475	

Key for the possibility of use:

A. Available for share capital increases;

B. Available for coverage of losses;

C. Available for shareholders distribution;

D. Available for the distribution to shareholders with the loss of the benefit of tax suspension.

Following the aforementioned realignment of the statutory and tax values of the Santa Rosa trademark under Note 9, we hereby specify that the reference laws provide that during the shareholders' meeting that is held to approve these financial statements, a portion of the Free reserves be allocated to the Reserve for suspension of tax for an amount of EUR 3,169 thousand, which corresponds to the amount of the realignment which took place net of the related substitute tax. This "Realignment reserve pursuant to Art. 1, par. 554 et seq., Law 232/2016" will therefore be recognised in the first financial year after the resolution, which is 2017.

It should also be noted that, during the year, dividends were distributed to the shareholders for a total of EUR 5.8 million, as an appropriation of profits for the year 2015.

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

Note (19) - Value of production

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Revenue from sales and services:		
- Revenue - Italy	111,135	112,046
- Revenue - Abroad	3,648	3,270
Total Sales Revenue	114,783	115,316
Changes in inventories of finished and semi-finished products	(185)	269
Other revenue and income	795	1,162
TOTAL VALUE OF PRODUCTION	115,393	116,747

Revenue from sales is concentrated essentially within the Italian territory and therefore the geographic breakdown is not deemed to be significant.

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

Description (EUR 000)	12.31.2016		12.31.2015		Change
	EUR	% Inc.	EUR	% Inc.	%
Valsoia Bontà e Salute Products	60,022	52.3%	60,911	52.8	-1.5%
Santa Rosa Products	27,259	23.7%	28,127	24.4	-3.1%
Other products (a)	23,854	20.8%	23,008	20.0	3.7%
Total Italian revenue	111,135	96.8%	112,046	97.2	-0.8%

Sales abroad	3,648	3.2%	3,270	2.8	11.6%
Total revenue	114,783	100.0%	115,316	100.0	-0.5%

(a) Other trademarks and industrial products

Regarding the comment on the change in sales revenue, please see the Directors' Report.
It should be noted that, following the same approach of previous periods, the item "Other products", shown in this table, includes revenue amounting to EUR 14.3 million, related to semi-finished products sold as co-packers and subsequently repurchased by the Company as marketed finished products.

The item "Other revenue and income" is detailed as follows:

Description	12.31.2016	12.31.2015
Other revenue and income:		
- Cost of use of third party assets	284	387
- Capital gains on sale of assets	4	3
- Other	507	772
Total Other revenue and income	795	1,162

The "Chargeback to third parties" is to be attributed primarily to the recharging to third parties of business and promotional costs incurred pursuant to distribution agreements. The "other" item comprises insurance payments, R&D tax receivables and contingent assets.

Note (20) - Operating costs

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Purchase costs		
- Raw materials	12,902	12,905
- Ancillary materials	1,615	1,563
- Consumable materials	487	522
- Finished products and goods	43,629	43,798
Total Purchases	58,633	58,788
Services		
- Industrial	3,907	3,892
- Commercial and sales	25,299	24,179

- Administrative and general	3,075	2,823
Total Services	32,281	30,894
Cost of use of assets owned by other, of third party assets	546	538
Labour costs		
- Wage and salaries	6,146	5,749
- Social security charges	2,273	2,188
- Post employment benefits40	8	10
- Other costs	56	74
- Personnel charges pursuant to SOP	146	175
Total Labour costs	8,629	8,196
Change in inventories of raw and ancillary materials	93	(25)
Other overheads	1,079	899
TOTAL OPERATING COSTS	101,261	99,290

Costs for Purchases are substantially stable compared with the previous year.

The increase in Commercial and Sales Services is due to the increase in consumer marketing and Trade Marketing activities.

The item "Cost of use of assets owned by other, of third party assets" refers to costs for the long-term leasing of company cars in addition to the costs for renting the building in Bologna where the company maintains its legal and administrative headquarters and the warehouses servicing the Serravalle Sesia facility. The contract for the Bologna headquarters provides for a rental amount which is subject annually to revaluation pursuant to ISTAT data.

As regards the labour costs, this item includes the entire cost for personnel and ongoing professional contracts, not including the remuneration of the board of directors but including the costs for holidays and leave accrued but not taken, additional wages and other allocations required by the law. This item also includes EUR 146 thousand for charges related to SOP 2016-2019, further detailed in Note 18 - Shareholders' Equity.

At December 31, 2016, the workforce of the company was composed as follows:

Description	12.31.2016	12.31.2015
Executives	10	10
Employees and managers	83	78
Factory workers	25	25
Temporary workers	1	0
Total employees	119	113

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

The item Other overheads breaks down as follows:

Description	12.31.2016	12.31.2015
Other overheads:		
- Taxes and excise license	148	133
- Credit loss account	220	96
- Capital loss from asset disposal	3	3
- Contingent liabilities	146	117
- Membership fees	145	147
- Other charges	417	403
Total Other overheads	1,079	899

The other charges mainly consist of costs for the disposal of obsolete products, entertainment costs and donations.

Note (21) – Amortisation and depreciation

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Amortisation of Intangible fixed assets	205	204
Amortisation of Tangible fixed assets	1,724	1,668
Total amortisation and depreciation	1,929	1,872

The amortisation of intangible assets has increased due to the deployment of a new SAP management system. For more comments on the amortisation/depreciation please see Note 6 and Note 7.

Note (22) – Net financial income/(charges)

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Interest income and other financial income	21	83
Interest expense and bank charges	(586)	(571)
Foreign exchange gains/(losses)	41	129
Total Net financial income/(charges)	(524)	(359)

Other financial income comprises interest income from current bank accounts and from forward purchase operations.

Financial charges are primarily represented by interest expense from non-current financing, bank charges and commissions, as well as foreign currency discount expenses applied to customers. This item includes the effects of the recognition of one-off financial charges for EUR 394 thousand, deriving from the early payment of derivative agreements executed to cover the interest rate risk related to non-current loans repaid during the period, as described in the previous Note 16).

The foreign exchange gains were recognised during recognition of the trade or financial transactions connected to the purchase of raw materials which were denominated in a foreign currency and during the mark to market valuation of the forward foreign currency purchase contracts as at December 31.

Note (23) – Taxes

This item breaks down as follows:

Description	12.31.2016	12.31.2015
Income taxes (IRES - IRAP)	(2,235)	(3,528)
Deferred tax assets/liabilities	(1,099)	(1,179)
Taxes - non-recurring effects	449	1,459
Total Taxes	(2,885)	(3,248)

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 9 herein.

The non-recurring tax effects refer to the alignment of the statutory and tax values of the Santa Rosa trademark which took place pursuant to Article 1. of Law 232 of December 11, 2016 (Stability Law 2017) ex paragraph 554 et seq. as stated in previous Note 9 above).

We provide below the reconciliation between the theoretical and effective tax as at December 31, 2016 and 2015.

Description	2016			2015		
	Taxable amount	Tax	Rate %	Taxable amount	Tax	Rate %
Pre-tax profits	11,679			15,226		
Total theoretical IRES	11,679	3,212	27.5	15,226	4,187	27.5
Labour costs	8,629			8,196		
Net financial charges	524			359		
Tot. theoretical IRAP	20,832	812	3.9	23,781	927	3.9
Theoretical tax burden	11,679	4,024	34.5	15,226	5,114	33.6
"ACE" effect		(368)			(271)	
IRAP deductions		(319)			(266)	
Other perm. tax recoveries/(deductions)/ net effect		(3)			130	
Total current taxes	11,679	3,334	28.5	15,226	4,707	30.9
Non-recurrent tax effects		(449)			(1,459)	
Total taxes for the year	11,679	2,885	24.7	15,226	3,248	21.3

Note (24) - Basic and diluted earnings per share

The basic earnings per share are determined by dividing the profit for the year by the number of shares (no. 10,615,227) which compose the share capital.
The diluted earnings per share were obtained 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.

Non-recurring significant transactions and events

Other than the indications contained in the above Note 23) on Taxes, in the year ended on December 31, 2016, no significant events/transactions, falling within the scope of the Consob Communication DEM/6064293 of July 28, 2006, were recorded. The Directors have interpreted the “non-recurring significant transactions and events” as events/transactions outside of the company's ordinary operations.

Positions or transactions deriving from atypical and/or unusual operations

During the period ended December 31, 2016, 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)		Collection/ (payment)
	Year 2016	01.01.2016	12.31.2016	Year 2016
Finsalute S.r.l.	5	1	1	6
Total transactions with the holding company	5	1	1	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)		Collection/ (payment)
	Year 2016	Year 2016	01.01.2016	12.31.2016	Year 2016
Valsoia Pronova Doo	205/(37)	1	122	112	172
Total transactions with subsidiaries	205/(37)	1	122	112	172

During the year, the following transactions with related parties which were carried out at arm's length took place. Here below they are aggregated by type:

Related party	Revenue/(costs)	Receivables/(payables)		Collection/ (payment)
	Year 2016	01.01.2016	12.31.2016	Year 2016
Membership fees	(32)	0	(1)	(31)
Purchase of goods and services	(83)	(27)	(38)	(93)
Total transactions with related parties	(115)	(27)	(39)	(124)

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 for 2016 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	58
- Cost reimbursement and Consob contr.	12
Total remuneration	70

Remuneration of the Statutory Auditors and the Directors

Pursuant to Consob Resolution 11971/99 (Issuers' Regulation), the remuneration paid or which is attributable for 2016 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, 2016.

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Bologna, March 13, 2017

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

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

VALSOIA SpA

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

The undersigned, Andrea Panzani, General Manager and Chief Executive Officer, and Carlo Emiliani, Manager in charge of financial reporting for Valsoia S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of 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, 2016.

It is also hereby certified that:

a) the financial statements as at and for the year ended December 31, 2016 fully reflect the accounting records and books;

b) the financial statements as at and for the year ended December 31, 2016 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 13, 2017

General Manager
Chief Executive Officer

Andrea Panzani

Manager in charge of financial reporting

Carlo Emiliani

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Report of the Board of Statutory Auditors to the Financial Statements

KPMG

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 articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Valsoia S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Valsoia S.p.A. (the "company"), which comprise the statement of financial position, income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity as at and for the year ended 31 December 2016 and notes thereto.

Directors' responsibility for the financial statements

The company's 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2016 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.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and shareholding structure with the financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and shareholding structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and shareholding structure referred to above are consistent with the financial statements of Valsoia S.p.A. as at and for the year ended 31 December 2016.

Bologna, 31 March 2017

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

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Report of the Board of Statutory Auditors to the Financial Statements

VALSOIA S.p.A.

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

Share capital € 3,503,024.91 fully paid up

Listed in the Companies' Register of Bologna with no. 02341060289

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

Dear Shareholders:

With this report, prepared pursuant to article 153 of Legislative Decree 58/98 ("TUF"), the Board of Statutory Auditors of Valsoia S.p.A. is providing you with information on the supervisory activities carried out and related outcomes.

In the year ended 31 December 2016, the Board of Statutory Auditors carried out the supervisory activities set forth by the Law keeping also into account the Consob communications regarding auditing and other activities performed by the Board of Statutory Auditors as well as the "Standards of Conduct applicable to the Boards of Statutory Auditors of companies listed in regulated markets", recommended by the National Council of Chartered Accountants.

Given the above, we report the following:

- we have attended all the Shareholders' Meetings and the meetings of the Board of Directors held over the year and we have obtained, from the Directors, at regular intervals, as required by the law, the necessary information on the activities carried out and on the general operational performance and expected development, as well as on the most significant transactions of an economic, equity and financial nature, carried out by the Company and its subsidiaries;
- we have verified that the activities were carried out in compliance with applicable law, the by-laws and the resolutions adopted by the Shareholders' Meeting, and in compliance with the principles of good administration;
- we have acquired knowledge of and supervised, within our area of competence, the activities carried out by the Company. Knowledge was acquired through direct assessments, through the gathering of information from the managers of the respective functions and from the Manager in charge of financial reporting, and through an exchange of data and information with the auditing firm KPGM S.p.A.;
- we have promoted meetings with representatives of different corporate functions in order to assess whether the organisational structure was suitable for achieving the corporate objectives and strengthening the internal control system;
- we have evaluated and verified the adequacy of the administrative-accounting system as well as the accuracy of the latter to correctly represent all operational transactions, by obtaining information from the managers of the respective functions and in particular from the manager in charge of financial reporting, by reviewing corporate documents and analysing the work performed by the

external auditors, who kept us updated over the year, about the outcome of their auditing of the corporate accounting, and who did not have to report any relevant or reprehensible events;

- we have deemed as effective the internal control system, aimed at ensuring the use of the necessary instruments to ensure compliance with the laws and with corporate provisions and processes, both in operating and administrative terms; more specifically the report on the corporate governance devoted considerable attention to activities regarding the financial reporting process, that are relevant under article 19, par. 1, letter a) of Legislative Decree 39/2010;
- we have supervised the suitability of the directives provided by the company to its subsidiary, pursuant to article 114, par. 2 of Legislative Decree 58/98;
- we have verified, both through direct assessments and through the information acquired from the auditing firm, compliance with the laws concerning the preparation of the financial statements, and especially as regards all accounting statements, and their contents, as well as the applied international accounting standards (IFRS);
- we have acknowledged that Valsoia S.p.A. is not required to prepare consolidated financial statements, given the non-substantial importance of the figures provided by the subsidiaries;
- we have ensured that the Directors' Report was complete and prepared pursuant to article 2428 of the Italian Civil Code, and that it provided a clear and accurate representation of the company's business performance, summarised in the economic-financial results contained therein. Inter alia, (i) it reports sales results concerning each product family, (ii) shows the net financial position at the year-end and provides a summary of the flows, (iii) describes, including all pertinent figures, the transactions carried out with related counterparties under normal market conditions (of a non-significant amount), (iv) describes the research and development activities carried out, (v) includes the main economic-financial performance indicators, (vi) identifies the financial risks and other main risks and uncertainties arising from the performed activities, (vii) confirms full compliance with law provisions and regulations and, more specifically, with the information concerning the proprietary and control structures (ex article 123 *bis* T.U.F. and 37 of the Issuers Reg.), makes reference to the Report on Corporate Governance and the Proprietary Structures that was prepared, pursuant to article 123 bis of Legislative Decree 58/1998, by the Board of Directors and where the choice of not using voluntary codes of conduct in terms of corporate governance is reasonably explained;
- we have acknowledged that, on 13 March 2017, the Board of Directors approved the Report on Remuneration pursuant to article 123 *ter* of the TUF and article 84 *quater* of the Consob regulations as regards the issuers, which will be submitted to a vote (non-binding) at the next Shareholders' Meeting.

The Board of Statutory Auditors has carried out all necessary operations to ensure its full compliance with the independence requirements under article 148, par. 3 of Legislative Decree 58/1998.

Within the scope of the Company's Board of Directors, comprised of eight members, the presence of five non-executive Directors, two of whom were qualified by the Board of Directors as independent, was noted.

The Board of Directors has verified compliance of the independence requirements set forth in article 148, par. 3 of Legislative Decree 58/98 of two Directors; therefore the Board of Directors meets the provisions of article 147 *ter* of Legislative Decree 58/98.

Pursuant to article 31 of the by-laws and in compliance with all applicable laws and regulations, the requirements set out for a balance of genders in the composition of the Board of Directors and Board of Statutory Auditors, are met.

Based on the information received and the reviews carried out, we are providing you with the following information:

1. The most relevant operations of an economic, financial and equity nature, carried out by the company, were performed in compliance with the law and the by-laws. Based on the acquired information, we were able to confirm that they are not to be considered manifestly imprudent, risky or leading to potential conflicts of interest or contrary to the resolutions issued by the shareholders' meeting, or being such that they may jeopardize company assets.
2. We have not found, nor received, any indication from the Board of Directors and the auditing firm regarding the existence of any atypical and/or unusual transactions carried out during the year with companies of the Group, related parties, third parties, that should be reported in addition to the information already provided in the financial statements of the Company. The Directors, in their Directors' Report and in the Notes to the Financial Statements have accurately described and explained all the main transactions carried out with third parties and related parties, under normal market conditions, thus describing their characteristics and business impact. We have also supervised the application of the related corporate procedures that are available for consultation on the internet site of the Company.
3. The auditing firm, KPMG S.p.A. has issued, on 31.03.2017, the report pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27.1.2010, in which it stated that the Financial Statements of Valsoia S.p.A, at 31.12.2016, are compliant with the International Financial reporting Standards adopted by the European Union, as well as with the provisions issued by way of implementation of article 9 of Legislative Decree no. 38/2005, and that they provide a truthful and accurate representation of the equity and financial position of the Company, its economic results and cash flows, and that the Directors' Report and the information contained in the corporate governance report, as well as the proprietary structures indicated in article 123 bis, par. 4 of Legislative Decree no. 58/98, are consistent with the financial statements.
4. During the year, no complaints were received by the Board of Statutory Auditors, ex article 2408 of the Italian Civil Code, nor were any complaints submitted by shareholders or third parties.
5. We have no remarks to make about the compliance with the principles of an accurate administration, which appear to have been consistently observed and aligned with the Company's interest.
6. We have no remarks to make about the general adequacy of the organizational structure to effectively pursue the company's objectives. Given the above, the Board of Statutory Auditors

believes that the internal control system ensures an orderly performance of the Company's operations.

7. It should also be noted that the Company has adopted, on 19 December 2016, an Organisation, Management and Control Model that is compliant with Legislative Decree 231/2001.
8. We are also acknowledging that the Company has updated the Privacy Policy Management System – Personal data protection code – under Legislation Decree 196/2003.
9. In 2016, the Board of Statutory Auditors has held n. 6 meetings and has issued n. 2 opinions concerning the remunerations for the Directors in charge of special assignments, pursuant to article 2389 par. 3 of the Italian Civil Code, and concerning the resolution of increasing the share capital by implementing a Stock Option plan. In 2016, the Board of Directors has held 6 meetings in which the Board of Statutory Auditors has participated; during the year, the Board of Statutory Auditors has also participated in 1 Shareholders' Meeting (ordinary and extraordinary sessions) of the Company.
10. During the regular meetings of the Board of Statutory Auditors with the Independent Auditors, pursuant to article 150, par. 3 of Legislative Decree no. 58/1998, no significant issues have emerged. The Board of Statutory Auditors has received detailed information regarding the impairment tests carried out by the Company confirming the figures reported in the financial statements of 31.12.2016 - about the trademark Santarosa and the goodwill. All related details have been provided by the Directors and included in the financial statements, consistent with the international accounting standards and Consob recommendations.
11. The auditing firm KPMG S.p.A., with letter of 31.03.2017, has confirmed to the Board of Statutory Auditors (the latter, in its function as "Committee for the Internal Control and accounting auditing", as identified by article 19, par. 2, letter a) of Legislative Decree 39/2010), its independence in compliance with article 17, par. 9, letter a) of Legislative Decree 38/2010, and has disclosed the total amounts payable by Valsoia S.p.A..
12. The auditing firm KPMG S.p.A., in compliance with the provisions of article 19, par. 3 of Legislative Decree 39/2010, has issued a report on some fundamental issues that have emerged during the legal auditing process, but that do not require further analysis, nor need to be reported herein.
13. The Notes to the Financial Statements include details, pursuant to article 149 *duodecies* of the Consob issuers' regulations, on the consideration pertaining to the year 2016 for auditing services and for other services, as follows:
    - Auditing and certifications: Euro 58,000.
14. As regards the approval of the Financial Statements, the Board of Statutory Auditors notes that on 13.03.2017, the Board of Directors has approved the financial statements at 31.12.2016, which, together with the Directors' Report, has been made available to the Board of Statutory Auditors at the same date. The CEO and the Manager in charge of financial reporting, on 13.3.2017, have made available the certifications as required by article 154 bis, par. 5 of Legislative Decree 58/98.

15. In conclusion, we state that from our supervisory activities no omissions, reprehensible events or irregularities need to be reported to the Shareholders. Please note that our assignment has expired after the agreed upon three year period; we wish to thank you the Directors and executives for their on-going support and we ask you to appoint the new Board of Statutory Auditors which will remain in office for the next three year period, 2017-2019.

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Given all of the above, the Board of Statutory Auditors declares that there are no impediments to the approval of the financial statements at 31.12.2016 and to the proposal for the allocation of the profit, which are compliant with applicable laws and with the by-laws.

Bologna, 31 March 2017

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

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