Annual Financial Report at December 31, 2019

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

* 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

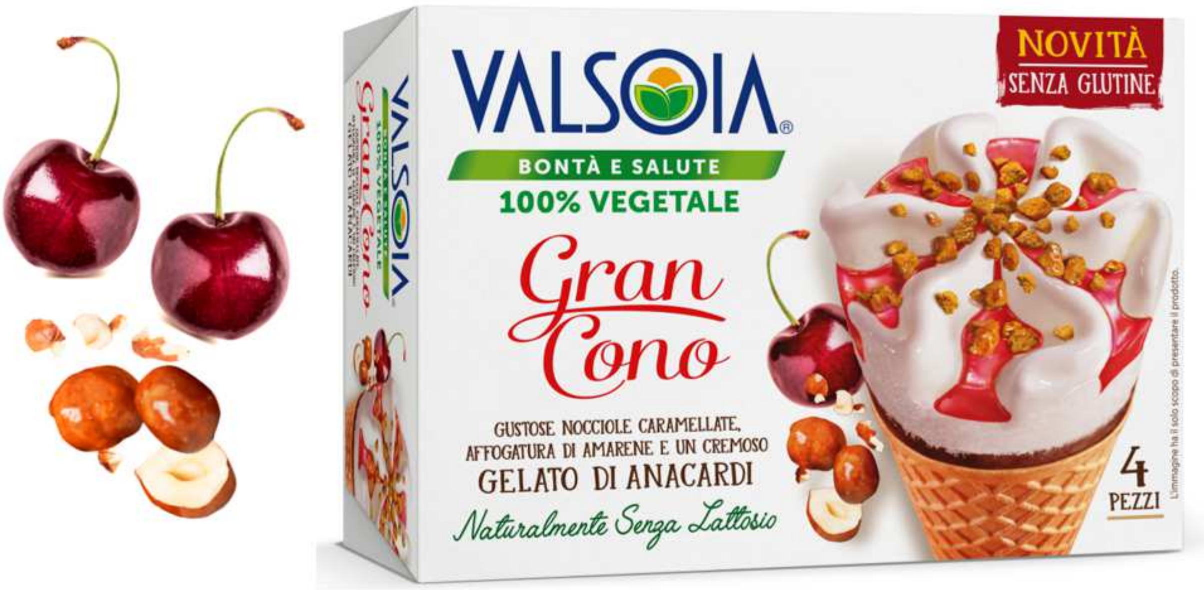
Our constant focus on recipes, the creation of new tastes and the selection of raw materials has led to improvement in the flavours and the realization of new proposals, so as to satisfy the ever-growing variety and complexity of the demand for nutritious foods.

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:

GLUTEN-FREE VALSOIA LARGE CONE

Let yourself be tempted by the irresistible goodness of the Valsoia large cone.

The crunchy caramelised hazelnuts and the sour cherry ripple enrich a creamy cashew nut ice cream in a tasty gluten-free wafer.

Selected vegetable ingredients for a uniquely tasty delight.

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1 / General information

GENERAL INFORMATION

Corporate offices and positions

Board of Directors (1)

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

Board of Statutory Auditors (1)

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

Supervisory Board (3)

Chairman	Gianfranco Tomassoli
Standing members	Angelo Castelli
	Maria Luisa Muserra

Independent Auditors (4)

KPMG S.p.A.

Manager in charge of financial reporting (5)

Nicola Mastacchi

(1) Appointed on April 28, 2017, in office until the approval of the 2019 Financial Statements.
(2) Chief Executive Officer (since April 23, 2015) and General Manager (since February 4, 2014).
(3) Appointed on December 19, 2016, in office until the approval of the 2019 Financial Statements.
(4) Appointed on April 23, 2015, in office until the approval of the 2023 Financial Statements.
(5) Appointed on May 23, 2019. Since 2019, Executive in Valsoia S.p.A.
Since 1994. Enrolled in the Register of Statutory Auditors.

Corporate data and Group structure

Company Name: Valsoia S.p.A.
Registered office: Via Ilio Barontini 16/5 - 40138 Bologna (BO) - Italy
Telephone no. +39 051 6086800
Fax no. +39 051 248220
Certified e-mail: valsoia@legalmail.it
Website: www.valsoiaspa.com – Investor Relations section

Share Capital - fully paid up: EUR 3.517.140,66
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, 2019, in addition to the parent company Valsoia S.p.A., included the following subsidiaries:

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

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

The Company has no branch offices.

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

2 / Directors' Report

REPORT ON OPERATING PERFORMANCE AS AT DECEMBER 31, 2019

Key financial highlights

Income statement ratios (EUR 000)	12.31.2019		12.31.2018		Change	
	EUR	%	EUR	%	EUR	%
Sales revenue on a like-for-like basis	74,781		77,926		(3,145)	(4.0)
Sales revenue “Pomodorissimo” (*)	(3)		5,575		(5,578)	
Total sales revenue	74,778	100	83,501	100	(8,723)	(10.4)
Value of production	76,507	102.3	82,331	98.6	(5,824)	(7.0)
Gross Operating Result (EBITDA) (**)	11,125	14.9	10,364	12.4	761	7.3
Net operating results (EBIT)	8,759	11.7	8,351	10.0	408	4.9
Pre-tax profit	8,608	11.5	8,162	9.8	446	5.5
- Current taxes	(1,383)	(1.8)	(2,239)	(2.7)	856	38.2
- Non-recurrent tax effects	(21)	Ns	4,175	5.0	(4,196)	(100.5)
Net profit for the period	7,204	9.6	10,098	12.1	(2,894)	(28.7)

(*) Your Company ceased sales of the “Pomodorissimo Santa Rosa” line as of November 2018, following the granting of the relevant trademark licence to third parties.

(**) 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. With reference to this interim result, for a better understanding, it should be noted that EBITDA in the 2019 financial statements was negatively impacted by the economic effect of the Stock Options Plan for EUR 143 thousand (744 thousand in 2018) and positively by the reclassification effects on the income statement resulting from the application of IFRS16 for EUR 574 thousand (0 in 2018).

Equity indicators (EUR 000)	12.31.2019	12.31.2018	Change
Current non-financial assets	17,074	18,840	(1,766)
Current non-financial liabilities	(14,947)	(15,032)	85
Net working capital	2,127	3,808	(1,681)
Other net operating assets/(liabilities)	(531)	(94)	(437)
Non-current assets	43,678	42,067	1,607

Total INVESTMENTS	45,274	45,781	507
Shareholder's equity	70,677	67,355	3,322
Current net financial position (assets)	(33,119)	(30,319)	(2,800)
Non-current loans and borrowing	7,716	8,745	(1,029)
Net financial position (assets) (*)	(25,404)	(21,574)	(3,830)
Total SOURCES	45,274	45,781	(507)

(*) = The figure as at December 31, 2019 includes the effect on the NFP deriving from the first application of IFRS 16 Leases, equal to EUR 2,098 thousand; this effect is purely accounting in nature. Net of the accounting effects of the foregoing, the net cash flow actually produced by the Company in 2019, after the distribution of dividends approved after the approval of the Financial Statements at December 31, 2018, amounted to approximately EUR 6 million.

Economic and financial performance indicators	12.31.2019	12.31.2018
ROE (Net profit for the year/Shareholders' equity)	10.2%	15.0%
ROI (EBIT/Total investments)	19.3%	18.2%
ROS (EBIT/Sales revenue)	11.7%	10.0%
EBITDA margin (EBITDA (b)/Sales revenue)	14.9%	12.4%
Shareholders' equity /Non-current assets	1.62	1.60
Shareholders' equity (Net fin. pos. + Non-current loans and borrowing)/Non-current assets	1.79	1.81
Acid test (Current net financial pos. + Current non-financial assets)/Current non-financial liabilities	3.36	3.27
Debt ratio (Current net financial pos. + Non-current loans and borrowings)/Shareholders' equity	n.a.	n.a.

ADOPTION OF THE NEW ACCOUNTING STANDARD IFRS 16

As from 2019 the adoption of the new accounting standard IFRS 16 - Leasing - became mandatory; therefore, the drafting of this Annual Financial Report was carried out in line with the matters envisaged by this new accounting standard.

Starting January 1, 2019, the Company has adopted IFRS 16 Leasing, which introduces a single model of accounting for leases in the financial statements of lessees whereby the Company, as a lessee, recognises an asset representing the right to use the underlying asset and a liability reflecting the obligation to make lease payments. The accounting methods for the lessor remain similar to those laid down in the standard previously in force.

The Company has applied IFRS 16 using the amended retrospective application method. Therefore, the information relating to 2018 has not been restated - i.e., it is presented in accordance with IAS 17 and related interpretations. Details of these changes in accounting standards are set out below.

The analyses of the impacts deriving from the application of IFRS 16, on January 1, 2019 show an increase in right-of-use assets and a corresponding negative effect on net financial indebtedness of EUR 1,052 thousand.

As at December 31, 2019 the value of the right of use was EUR 2,097 thousand, while the corresponding financial liabilities amounted to EUR 2,098 thousand. Finally, the introduction of IFRS16 had the following effects on the period Income Statement:

- lesser operating costs for EUR 574 thousand;
- greater amortisation/depreciation for EUR 574 thousand;
- recognition of higher financial expenses amounting to EUR 3 thousand.

MAIN EVENTS FOR THE YEAR AND BUSINESS PERFORMANCE

In 2019, on a like-for-like basis, the Company recorded sales revenue of EUR 74.8 million compared to EUR 77.9 million in the same period, a decrease of -4% (EUR -3.1 million) compared to the end of 2018.

The revenue shown above is, for both years, net of sales of the “Pomodorissimo-Santa Rosa” brand owned by Valsoia Spa, which has been licensed to third parties since November 2018.

Revenue from the “Pomodorissimo-Santa Rosa” brand in 2018 amounted to EUR 5.6 million.

The comparison of total revenue (including Pomodorissimo) therefore shows, as at December 31, 2019, an overall difference of EUR -8.7 million compared to the previous year (-10.4%).

On a like-for-like basis (-4%), annual revenue fell in the second half of the year; in particular, there was a -1.3% fall in the second half of the year, compared with the -6.6% recorded at the end of the first six months of the year.

The reduction in revenue recorded in 2019 is entirely attributable to the Health Lines affected by the negative performance of the “plant-based alternative” food markets where the Company operates in a leading position with the “Valsoia Bontà&Salute” and Vitasoya brands.

2019 represents the second consecutive year of decline in consumption in the “plant-based alternative” markets. This anomalous market trend (a decline in excess of 10% in consumption over the two years - source: IRI, I+S+LS) encapsulates a physiological settling after the strong growth seen in recent years, together with the consequence of the extraordinary crowding on the shelves, already mentioned several times, of competitors not performing in terms of product quality and low Brand credibility, in markets with a high functional vocation.

We should point out that the fundamentals of the “plant-based alternative” markets are healthy, with the number of consumer households still growing in 2019 (over 58% penetration of the total Households in Italy). Instead, the rationalisation of the shelf offer is only just beginning, assigning the necessary greater space to the “specialist” brands of the market and a consequent expectation of a recovery in consumption.

In this temporarily complex scenario for “plant-based alternatives”, which is still adjusting and finding its place, growing throughout Europe and indeed worldwide, the current and prospective important role of soya-based products with a strong “health” positioning is highlighted. The target group is mainly vegetarians and vegans, the market “natives”, high consumers and focused on health, also because they are often intolerant or allergic to dairy products.

In this context, the positive performance enjoyed by the “Valsoia Bontà & Salute” brand emerges in 2019 as measured by a growth in its market shares in the main segments in which it operates (source: Nielsen, year ending December 2019).
The strength of the Valsoia brand was also certified at the end of 2019 by measuring its “Brand Image” in comparison with all the main brands operating in “plant-based alternatives”. The Brand profile of Valsoia Bontà&Salute was definitely the highest on the market and clearly superior to all the competitors examined. Important confirmation comes from the same survey of the “semantic satiation” experienced by the Valsoia brand over the last few decades, whereby consumers now perceive it as a “big health brand”, active in every “alternative” market segment, and not necessarily always soya-based.

Again in 2019, a “reputational” research was carried out on 388 Italian companies. Valsoia's reputation has also been very positive and growing compared to the previous year: the Company ranks 17th in the list of the most important groups operating in Fast Moving Consumer Goods.

On the other hand, with regard to the food markets covered by the Company (jams, cereals and sweeteners), consumption trends were stable throughout 2019, as were the corresponding trends in terms of the Company's Food Brands' revenue, which also saw their respective market shares improve (source: Nielsen data, year ending December 2019).

Foreign sales grew by +5.2% on the previous year. In particular, there was a good recovery in the second half of the year with +25% on the same period in 2018, capable of making up for the delay in the first half of the year resulting from the initial negative ice cream season, as also recorded throughout Europe.

During the period under review, the Company was able to keep under control, in line with market and revenue trends, both the costs of sales and operations and commercial expenses (marketing, trade marketing and sales); it also kept a firm grip on structural costs and improved its Net Working Capital. And it did so while maintaining both the effectiveness in the execution of corporate guidelines and the level of planned investments in consumer-oriented activities.

The number of employees is stable compared to December 31, 2018 (122 FTEs)

The operating margin for the year (EBITDA) therefore amounted to EUR 11.1 million, an increase of EUR 0.761 million (+7.3%) compared to 2018, recording an improvement in the operating margin ratio (% EBITDA margin) of 14.9% compared to 12.4% in the same period of the previous year (13.3% on a like-for-like basis).

Profit before taxes amounted to EUR 8.6 million, an increase of EUR +0.446 million (+5.5%) on 2018. As a percentage of net sales revenues, profit before taxes improved to 11.5%, up on last year's 9.8% (10.5% on a comparable scope of consolidation basis).

Net profit for the period amounted to EUR 7.2 million, down from the previous year by approximately EUR 2.9 million. In this regard, it should be noted that the Net Profit for the previous year benefited from non-recurring positive tax effects of approximately EUR 4.2 million.

Products and revenue performance

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

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

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

VALSOIA BONTA' E SALUTE

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

NATURATTIVA

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

VITASOYA

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

SANTA ROSA

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

POMODORISSIMO

This is a line of products created using only Italian tomatoes, which are carefully selected and processed based on the exclusive "Sapore crudo" [raw flavour] recipe, which ensures that the characteristics of the tomato remain unchanged after it is picked. The use of the Santa Rosa Pomodorissimo brand has been licensed to third parties starting from November 2018.

DIETE.TIC

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

Valsoia distributes the following products in Italy:

WEETABIX

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

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

BLUENYX

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

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

The market launch of the BlueNyx products took place during the first few months of 2019.

The following table shows sales revenue broken down by business division.

Description (EUR 000)	12.31.2019		12.31.2018 (*)		*Change*
	EUR	*% Inc.*	EUR	*% Inc.*	*%*
Health Food Products Division (a)	44,120	*59.0*	47,710	*57.1*	*(7.5)*
Food Products Division (b)	20,843	*27.9*	20,942	*25.1*	*(0.5)*
Others (c)	4,715	*6.3*	4,425	*5.3*	*6.6*
TOTAL ITALIAN REVENUE	69,678	*93.2*	73,077	*87.5*	*(4.6)*
Sales abroad	5,102	*6.8*	4,849	*5.8*	*5.2*
TOTAL REVENUE like-for-like perimeter	74,781	*100.0*	77,926	*93.3*	*(4.0)*
Pomodorissimo Santa Rosa revenue	(3)	*0*	5,575	*6.7*	*n.s.*
TOTAL REVENUE	74,778	*100.0*	83,501	*100.0*	*(10.4)*

(a) Valsoia Bontà e Salute, Vitasoya, Naturattiva brands
(b) SantaRosa (jams), Diete.Tic, Weetabix brands
(c) Supplements, Industrial products

(*) = the figures for 2018 have been reclassified in order to make them consistent with those for the current year. Specifically, sales revenue from the "Miscellaneous Products" category under the Valsoia Bontà e Salute brand and sales revenue from the

"Pomodorissimo" line, which were previously included in the revenue of the Food Division, were included in the Health Division.

The Health Division's total sales revenue decreased by EUR 3.59 million compared with 2018. Also in this case, the second half of the year recorded a smaller decline (-5%) than the first half (-9.9%). The trend in the second half of the year is also in line with the loss of consumption highlighted by the "plant-based alternative" market as a whole.

The annual delay is also essentially concentrated on the "Beverages" and "Ice cream" lines.

In particular, with reference to the "Ice cream" business line, the negative trend is a consequence of the adverse weather conditions recorded in May which negatively impacted the entire packaged ice cream market (both dairy and non-dairy).

The delay in drinks, on the other hand, is due to a slowdown in the reference market due to the reasons for the growth trends and the anomalous crowding of competitors in distribution, as already discussed. In the soya-based and rice-based beverage segments, Valsoia Bontà&Salute's share of consumption in the year ending December 2019 was slightly higher than in the same period of the previous year (source: Nielsen).

Export sales were positive during the year, due to the higher sales in the second half (+25%).
All European and non-EU countries are growing both substantially and organically. For the most important countries Consumer Mktg plans have already been implemented to support the gradual construction of the Brand.

The results of the "Food" division were substantially stable, with the same revenue levels as seen in 2018.
The Dietetic brand in particular is doing well, with its annual revenues growing by +3.9%.

The Company continued its Consumer and Trade Marketing policies in line with the Plans, optimising the related costs and expenses in line with market trends.

With regard to other aspects, we should just point out that, during 2019:

- on export markets and, in particular, in the United States of America, the expansion of distribution to new retailers continued, together with the launch of some new products in the ice cream market in terms of new flavours and sizes;
- the Company has begun the presentation and market testing with some retailers of a Premium plant-based line capable of combining, on a basis other than soya, a sensory up-grade with the use of health claims relating to protein contribution and cholesterol control;
- a line of low-calorie plant- (coconut- and rice-) based ice cream has been launched on the market;
- in the plant-based ice cream market, following specific testing, the quality levels of some of the main products have been improved;
- the perceived quality of plant-based yoghurt has been improved according to the resulting indications of the

product testing;
- two new oat- and rice-based drinks, with the claim "zero sugar", were launched in November 2019;
- the graphic image of all the packaging in the Valsoia Bontà&Salute range has been updated;
- the distribution of a line of jams with lower sugar content has begun and is presently performing well;
- distribution has begun on the pharmaceutical channel of a new natural supplement to the BlueNyx brand that promotes natural sleep. This new launch is also supported by a significant investment in advertising;
- the penetration in the Out Of Home channel continued with some interesting agreements reached with on-board suppliers;
- training of the company's key people continued with a focus on growth of the second lines;
- in the fourth quarter, the Company embarked on a "social responsibility" path, opening up to a "gap analysis" based on ISO 26000 guidelines. The (positive) results will be summarised by the survey company in a non-financial document taking the form of an "addendum" to the 2019 Annual Report. The next steps, already planned for 2020, include work on the areas of improvement highlighted by the gap analysis (see the dedicated section below)

Investments

In 2019, investments in intangible assets and property, plant and equipment reached EUR 1.3 million. These investments concerned primarily the purchase of plant and equipment for the production of ice creams and preserves, and the extraordinary restructuring works at the Serravalle Sesia plant.

Sustainability project

At the end of 2019, the Company decided to start an internal evaluation process, with the support of DNV GL Business Assurance Italia, to measure its commitment and degree of Social Responsibility, according to the indications provided by the international standard ISO 26000.
This path has allowed Valsoia to obtain a certificate of evaluation, illustrating the Company's results to date, and to outline a path of improvement in accordance with ISO 26000.

The ISO 26000 standard represents a point of reference to understand and define the Social Responsibility of organizations, and suggests good practices to integrate and implement it in order to undertake a sustainability process.
Through the use of ISO 26000, it is possible:
- to know and apply the seven principles of Social Responsibility in the different organisation processes: Responsibility, Transparency, Ethical behaviour, Respect for Stakeholder interests, Respect for the principle of legality, Respect for international standards of behaviour, Respect for human rights;
- to deepen the seven topics covered by the standard: Governance, Human Rights; Relationships and Working Conditions, Environment, Correct Operating Practices, Consumers, Community Engagement and Development.

The study of the organisation through the methodology indicated by the standard allows the integration of Social Responsibility in all its decision-making processes and typical activities, with the aim of making the organisation operate and grow sustainably, promoting the sustainable development of the society in which it operates.

Since its inception, the Company has always adopted a suitable approach by which to responsibly manage the entire organisation, in order to prevent risks, ensure solidity and sustainable growth of the organisation, in a collaborative context with all stakeholders.

For the Company, Sustainability means telling its identity and the Food Project, conceived and proposed with the intent of doing good to consumers and the environment.

Sustainability therefore represents an opportunity to organically gather together the elements of a puzzle already present in the Company and which will be communicated to Stakeholders and the Community.

The ISO 26000 Assessment highlighted a strong and deep-rooted value Company culture, a sign of an identity based on values of transparency, coherence and respect. The study first of all acknowledged that, although there has not been a corporate function dedicated to Social and Environmental Responsibility to date, the Company shows a natural aptitude for social issues and ensures that the following key issues are covered: Functional and Healthy Product Mission, Product Quality and Safety, Product Innovation and Open Innovation, Operational Efficiency, Supply Chain Management (Responsible Sourcing), Human Capital Enhancement, Occupational Health and Safety, Attention to the Consumer, Attention to the Environment and the impact of its activity on the consumer.

In particular, the study highlighted some of the best practices already implemented by the Company over the years, and made it possible to identify opportunities for improvement and the objectives to be pursued.

During the course of this year, the Company intends to make the move to a systematic, organic and integrated approach to Social Responsibility, so that formal and informal decision-making processes are reinterpreted in the light of the adoption of social responsibility as a fundamental strategic orientation, already in place, capable of generating further value.

This systematic and integrated approach cannot fail to take into account the key stakeholders with whom the Company interacts (Customers, Consumers, Investors, Employees, Suppliers and Partners, the Environment and the Public in general), and with whom it intends to strengthen positive and constructive relationships that take into account their interests and expectations.

The Company has therefore established a Sustainability Agenda (Valsoia Sustainability Agenda) and a Roadmap that includes the actions considered priorities: definition of the Sustainability Strategy; definition of priorities in terms of areas for improvement derived from the Gap Analysis; medium/long-term objectives deemed consistent with the corporate and sustainability strategy; Vendor Rating System for the Supply Chain; Stakeholder Engagement with Employees; strengthening of the monitoring and management of environmental risks and the waste cycle.

Finally, the Company intends to reflect on the understanding of its contribution to social, environmental and socio-economic factors as set out in the Sustainable Development Goals (SDGs) agreed by UN Member States in the Sustainable Development Agenda.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The following table shows the breakdown of the Net Financial Position at December 31, 2019 and December 31, 2018.

Description (EUR 000)	12.31.2019	12.31.2018
Cash	3	3
Current accounts and bank deposits	36,245	29,278
Current financial assets	0	3,000
Total liquid funds	**36,248**	**32,281**
Current financial payables	(2,592)	(1,962)
Short-term lease payables	(537)	0
Current short-term net financial debt	**33,119**	**30,319**
Non-current loans and borrowing	(6,154)	(8,745)
Medium/long-term lease payables	(1,561)	0
NET FINANCIAL POSITION	**25,404**	**21,574**

As at December 31, 2019, the Company's total net financial position amounted to more than EUR 25.4 million, up by more than EUR 3.8 million since the start of the year. It should, indeed, be noted that the figure relating to the Net Financial Position at December 31, 2019 is adjusted down by EUR 2.1 million due to the representation of the accounting effects deriving from the first-time application of IFRS 16, with regard to rental contracts (rental of offices in Bologna and rental of warehouses in Serravalle) and operating leases (long-term rental of company cars) in place.
It should therefore be noted that, net of the foregoing accounting effects, the cash flow actually produced by the Company in 2019, after the distribution of dividends approved with the approval of the financial statements as at December 31, 2018, amounted to approximately EUR 6 million.
In fact, during the full year 2019, current operations continued to generate positive cash flow with a *primary operating cash flow* of EUR 10.7 million. In the same period, the careful management of the components of net working capital led to a generation of liquid funds of about EUR 1.3 million, and the other items of working capital led to an absorption of liquidity (including financial charges) of approximately EUR 0.7 million.
On the other hand, cash outflows amounted to EUR 1.3 million, for Investment requirements. Finally, Valsoia, in line with its policy, also distributed dividends in the period in May 2019 for EUR 4 million.

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 purchases made from the United States of America, in US dollars. At the same time, the company makes sales of finished products abroad (EEC and non-EEC) and settles the related business transactions mainly in EUR, with the exception of sales in the United States of America which are settled in US dollars.

The exchange rate risk therefore derives from the net exposure in US dollars.

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 period statement of comprehensive income; in particular, at the closing date of the period, some foreign exchange transactions on financial derivative products (forward purchases).

Credit Risk

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

Interest Rate Risk

Given the equity and financial structure, and in consideration of the conditions under which the loans in place are stipulated (fixed rate), it is considered that the Company is not particularly exposed to the risk of changes in interest rates.

Cash and changes in Cash Flows risk

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

Operating risks

Risks related to the food/health sector

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

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

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

Risks related to safety at the workplace and environmental damages

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

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

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

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

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

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

Risks related to relationships with purchasing centres

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

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

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

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

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

Risks associated with the spread of contagion by "COVID-19"

Late February, at the same time as the health alert (covid19), the Company took action, in line with the indications of the competent authorities, to guarantee the safety and security of all stakeholders, assuring business continuity. In particular, Valsoia has set up a crisis committee, which has been operative since the very first day of the emergency. This committee meets frequently to monitor developments and act accordingly.

In general, right from the outset, the first recommendations were:

- to urge all company employees to comply with the hygiene rules of conduct issued by the Ministry of Health, informing them accordingly,
- to supply the toilets and common areas inside the offices and the establishment with antibacterial detergents and alcohol-based hand solutions;
- to intensify sanitation operations in the work areas.

Valsoia also recommended, in case of even minimal flu symptoms, not to go to the office or factory until completely cured.

More specifically, with regard to the carrying out of company activities, Valsoia has established the following measures since the beginning of the health emergency:

SALES STAFF:

Suspend commercial visits in the municipalities affected by the Order of the Ministry of Health (risk areas).

Limit visits to customers outside the risk zones to what is essential.

Suspend all overseas travel.

Give continuity to business relationships by ensuring telephone and/or video calls.

BOLOGNA OFFICES:

Restriction of business trips to those absolutely essential, subject to authorisation from the Management, replacing them with telephone or video conference connections.

Restriction to the strict minimum of internal meetings and in general crowding in common areas.

Postponing meetings/visits with external guests, replacing them with telephone connections or video conferences.

SERRAVALLE PLANT:
In addition to the provisions for the offices in Bologna, the use of a mask is mandatory for all concierge staff, finished products/raw materials warehouse and extract department during the loading/unloading of vehicles.

Following the Decrees issued on March 8 - 9, 2020, Valsoia strengthened the directives in order to mitigate the risk of contagion by giving the following indications:

- in order to avoid overcrowding in common areas, allowing a distance of at least one meter from other people, breaks should be staggered, including the lunch break (of maximum one hour), which can be taken flexibly, from 12.30 to 14.30.
- The entrance of the common areas will specify the maximum capacity envisaged.
- As for the organisation of the work of the individual offices, the following is expected:
    - activation of rotating smart working
    - and the provision of meeting rooms as workstations to reduce crowding in more numerous offices.
- From the point of view of business continuity, current inventory levels and relationships with copackers and logistics platforms, have been carefully analysed. There have been substantial increases in all stocks of raw materials and finished products. The operational continuity of the logistics centres has been verified and where possible a potential back up has been created. The copackers have adopted similar prudential solutions to protect continuity.

Having stated this, the Company, re-entering in the production and marketing of food products whose production and logistics chain is still open, does not expected significant impacts in terms of turnover from COVID 19.

Other general risks

Risks related to the competition

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

Risks related to the price volatility of raw materials

The prices of raw materials used by the Company are subject to the volatility of the relevant markets. This situation concerns also the other costs for production, transport and distribution of the products that are, in many cases, directly affected by the fluctuations in oil prices.
In this uncertain scenario, an increase in the prices of the raw materials used that would result in a negative impact on the Company's margins cannot be precluded.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

In the period following the closure of the Annual Financial Report, there was good growth in both "health" and "food" sales revenue, as well as in export sales, in January and February.
The presentation to the market of a new plant-based ice cream "Large Cone" together with a new "Super Burger" based on pea protein as an alternative to animal protein has begun successfully.
Late February time as the health alert (Covid-19), the Company took action, in line with the indications of the competent authorities, to guarantee the safety and security of all stakeholders, assuring business continuity.

OTHER INFORMATION

Other information

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

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

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 the Report on Corporate Governance and Ownership Structure required by Art. 123-bis of Legislative Decree 58/1998. This document is available for consultation on the company's website www.valsoiaspa.com in the Investor Relations section.

Treasury shares disclosures

At December 31, 2019, 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

During the period, research and development continued in line with the objectives of the Marketing Plans:

- verification of the qualitative performance of the Company's products in respect of market benchmarks with the aim of maintaining our leadership position enjoyed in Quality;
- research and development of new products that represent the plant-based alternative to existing products with high health performance as well as high organoleptic characteristics;
- research and development in the area of Santa Rosa jams, also in market segments contiguous to the current references.

Review of the existing product portfolio

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

Information on energy savings

In 2019, Valsoia renewed its certification from the certification entity KiwaCermet pursuant to UNI ISO 50001 (Energy Management).

In 2019, approximately 3% (105,000 kWh) of electric power necessary for production was obtained thanks for the photovoltaic plant installed in 2011.

Valsoia is not subject to the emission trading scheme as it does not own combustion plants with heating power in excess of 20 MW.

In 2019, Valsoia received no definitive fines or penalties for environmental offences or damages.

Information on the Personnel

The table below shows the changes concerning the employees or similar personnel during 2019:

Personnel	12.31.2018	Resignations/ Terminations	Hires	Internal movements	12.31.2019	Change
Executives	10	- 1	+ 1		10	-
Employees and managers	92	- 6	+ 2		88	- 4
Factory workers	23	- 1	+ 1		23	
Co.co.co(*)	1				1	- 4
	126				122	

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

In addition to the fixed personnel in the establishment included in the data above, in 2019 26,227 hours of seasonal work were used for the production of ice cream (27,265 in 2018).

As shown by the results above, in 2019 the Company decreased its workforce by 4 units. This change is due to the physiological turnover (however, at the beginning of 2020 several new hires were made).

The ratio between recruitments and terminations shows a greater turnover of personnel, in particular within the administrative and site services area.

The total annual days of absence due to illness were approximately 420 (on the average 3.5 days per person, lower than in 2018).

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 2019 the Company implemented the safety management system which had begun in 2008 with reference to the UNI-INAIL guidelines of September 28, 2001.

In order to meet the transparency obligations required by regulations, the “REPORT ON THE REMUNERATION POLICY AND FEES PAID” was prepared pursuant to Art. 123-bis of the Consolidated Finance Law and Art. 84-quater of the Issuers’ Regulation. This document is available at the Company's website at https://www.valsoiaspa.com/investor-relations/corporate-governance/altri-documenti-societari.

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-age children and non legally-separated spouses.

Name and surname	Position	Number of shares at 12.31.2018	% Share Cap.	Number of shares purchased in the Period	Number of shares sold in the Period	Number of shares at 12.31.2019	% Share Cap.
Lorenzo Sassoli de Bianchi	A	6,663,875	62.777	20,851	-151,200	6,533,526	61.302
Ruggero Ariotti (a)	B	624,778	5.886	150,000	-774,778	0	7.269
Cesare Doria de Zuliani	D	301,413	2.839	1,200	-19,369	283,244	2.658
Furio Burnelli (b)	B	958,357	8.990			958,357	8.990
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	23,179	0.237	14,500	-7,043	30,636	0.287
Chiusoli Camilla	E	-	-			-	-

A Chairman of the Board of Directors
B Vice Chairman of the Board of Directors
C CEO
D Director – Honorary Chairman
E Director
F Chairman of the Board of Statutory Auditors
G Statutory Auditor
H General Manager

(a) shares held through the company GALVANI FIDUCIARIA, trustee of the KOBRA trust, in which Ruggero ARIOTTI is the beneficiary. On April 8, 2019, Ruggero Ariotti transferred to the Trust Company the bare ownership of the shareholding held, retaining the right of usufruct and any economic rights deriving from the said shareholding.
(b) Includes the shares held by spouse Angela Bergamini

WARNINGS

Valsoia S.p.A. is a joint stock company established in Italy, registered with the Companies Register of Bologna, with fully paid-up share capital of EUR 3,517,140.66 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 2019 have been drafted in compliance with CONSOB Regulation no. 11971 of May 14, 1999, as amended by CONSOB Resolution no. 14990 of April 14, 2005.

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

Allocation of profit for the year

Dear Shareholders, the financial statements that we submit to your attention show a profit of EUR 7,204,430.83

We propose to allocate:

- to the extraordinary reserve:	EUR	3,154,389.69
- a dividend of EUR 0.38 for each of the 10,658,003 shares totalling:	EUR	4,050,041.14

We hereby propose that the dividends be paid on May 6, 2020, with record date May 5, 2020 and ex-date May 4, 2020.

/

Bologna, March 13, 2020

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

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Annual Financial Statements

FINANCIAL STATEMENTS

FIGURES IN EUROS

STATEMENT OF FINANCIAL POSITION	Notes	December 31, 2019	December 31, 2018 (*)
CURRENT ASSETS			
Cash and cash equivalents	(1)	36,248,281	29,281,198
Other current financial assets	(2)	0	3,000,000
Trade receivables, net	(3)	8,088,118	8,665,370
Inventories	(4)	6,783,645	6,493,156
Other current assets	(5)	2,202,445	3,681,509
Total current assets		**53,322,489**	**51,121,233**
NON-CURRENT ASSETS			
Goodwill	(6)	8,198,307	8,198,307
Intangible assets	(7)	23,483,736	23,743,606
Property, plant and equipment	(8)	9,629,510	9,862,570
Right-of-use assets	(9)	2,096,970	0
Financial assets	(10)	110,000	110,000
Deferred tax assets	(11)	170,352	324,357
Other non-current assets	(12)	159,298	153,078
Total non-current assets		**43,848,173**	**42,391,918**
TOTAL ASSETS		**97,170,662**	**93,513,151**

(*) = The Company adopted IFRS16 on January 1, 2019 using the amended retrospective application method, under which comparative information has not been restated. See note 9) for more information

STATEMENT OF FINANCIAL POSITION	Notes	December 31, 2019	December 31, 2018 (*)
CURRENT LIABILITIES			
Current payables due to banks	(13)	2.592.491	1.962.684
Short-term lease payables (IFRS16)	(14)	536.565	0
Trade payables	(15)	11.755.366	11.241.350
Tax payables	(16)	634.989	1.669.948
Provisions for risks	(17)	78.284	51.973
Other current liabilities	(18)	2.478.644	2.069.040
Total current liabilities		**18.076.339**	**16.994.995**
NON-CURRENT LIABILITIES			
Non-current payables due to banks	(19)	6.154.186	8.745.310
Medium/long-term lease payables (IFRS 16)	(20)	1.561.449	0
Other non-current tax payables	(21)	301.839	0
Provision for post-employment benefits	(22)	399.619	418.287
Total non-current liabilities		**8.417.093**	**9.163.597**
SHAREHOLDERS' EQUITY	(23)		
Share Capital		3.517.141	3.503.025
Legal Reserve		700.605	700.605
Revaluation reserve		23.103.715	16.765.093
IAS/IFRS adjustments reserve		(1.202.290)	(1.202.290)
Other reserves		37.353.628	37.490.166
Profit/(loss) for the year		7.204.431	10.097.960
Total Shareholders' equity		**70.677.230**	**67.354.559**
TOTAL		**97.170.662**	**93.513.151**

(*) = The Company adopted IFRS16 on January 1, 2019 using the amended retrospective application method, under which comparative information has not been restated. See note 9) for more information

FINANCIAL STATEMENTS

FIGURES IN EUROS

INCOME STATEMENT	Notes	December 31, 2019	December 31, 2018 (*)
VALUE OF PRODUCTION	(24)		
Revenue from sales and services		74.777.595	83.501.239
Changes in inventories of finished goods		393.592	(1.836.646)
Other revenue and income		1.335.699	666.493
Total Value of production		**76.506.886**	**82.331.086**
OPERATING COSTS	(25)		
Purchases		(37.264.618)	(42.046.239)
Services		(17.277.841)	(18.729.856)
Cost of use of assets owned by other, of third party assets		(88.004)	(563.505)
Labour costs		(9.649.799)	(9.847.314)
Changes in raw materials inventory		(103.103)	181.420
Other overheads		(998.517)	(961.495)
Total operating costs		**(65.381.882)**	**(71.966.989)**
GROSS OPERATING RESULT		**11.125.004**	**10.364.097**
Amortisation, depreciation and write-downs of fix	(26)	(2.366.377)	(2.013.029)
NET OPERATING RESULT		**8.758.627**	**8.351.068**
Write-down of financial fixed assets		-	-
Net financial income/(charges)	(27)	(150.310)	(188.675)
PRE-TAX PROFIT (LOSS)		**8.608.317**	**8.162.393**
TAXES	(28)		
Income taxes		(1.228.467)	(1.057.096)
Deferred tax assets/liabilities		(154.005)	(1.182.358)
Non-recurrent tax effects		(21.414)	4.175.021
Total Taxes		**(1.403.886)**	**1.935.567**
PROFIT/(LOSS) FOR THE YEAR		**7.204.431**	**10.097.960**
Basic EPS	(29)	0,676	0,951
Diluted EPS	(29)	0,672	0,947

(*) = The Company adopted IFRS16 on January 1, 2019 using the amended retrospective application method, under which comparative information has not been restated. See note 9) for more information

FINANCIAL STATEMENTS

FIGURES IN EUROS

STATEMENT OF COMPREHENSIVE INCOME	Notes	December 31, 2019	December 31, 2018 (*)
PROFIT (LOSS) FOR THE YEAR		7.204.431	10.097.960
OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH MAY BE SUBSEQUENTLY			
RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR		0	0
Total		**0**	**0**
OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH WILL NOT BE SUBSEQUENTLY			
RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR			
Actuarial gains/(losses) for IAS 19		(5.304)	4.567
Total		**(5.304)**	**4.567**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**7.199.127**	**10.102.527**

(*) = The Company adopted IFRS16 on January 1, 2019 using the amended retrospective application method, under which comparative information has not been restated. See note 9) for more information

FINANCIAL STATEMENTS

FIGURES IN EUROS

	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AT	December 31, 2019	December 31, 2018 (*)
A	**Opening current net cash**	**30.318.514**	**15.836.571**
B	**Cash flow from operating activities for the year**		
	. Profit/(Loss) for the year	7.204.431	10.097.960
	. Net financial (income)/charges and Taxes for the year	1.554.196	(1.746.893)
	. Amortisation, depreciation and write-down of fixed assets	1.792.150	2.013.029
	. Capital (gains) - Losses from asset disposal	2.599	(42.436)
	. SOP charges (Stock Option Plans)	143.215	744.195
	. Net change in other provisions	(2.939)	(348.053)
-	*Cash flow from operating activities before changes in working capital*	*10.693.652*	*10.717.802*
	(Increase)/Decrease in trade receivables	702.442	1.773.240
	(Increase)/Decrease in Inventories	(381.125)	1.799.539
	Increase/(Decrease) in trade payables	514.016	(2.947.439)
	Net change in other current assets/liabilities	488.345	17.036
-	*Change in Working Capital*	*1.323.678*	*642.376*
-	*Changes in other operating assets/liabilities*	*(599.149)*	*(57.840)*
	Total (B)	**11.418.181**	**11.302.338**
C	**Taxes paid**	**0**	**0**
D	**Cash flow used in investment activities**		
-	Net investments in property, plant and equipment	(1.023.432)	(1.051.289)
-	Net investments in intangible assets	(275.788)	(104.834)
-	Net change in other non-current assets/liabilities	(6.465)	(62)
	Total (D)	**(1.305.685)**	**(1.156.185)**
E	**Cash flow used in financial activities**		
	Increase/(decrease) in medium/long-term loans	(2.591.124)	8.027.490
	Net financial income/(charges)	(150.310)	(188.675)
	Dividends	(4.033.786)	(3.503.025)
	Total (E)	**(6.775.220)**	**4.335.790**
F	**Cash flow for the year (B+C+D+E)**	**3.337.276**	**14.481.943**
G	**Closing balance of current net liquidity (A+F)**	**33.655.790**	**30.318.514**

(*) = The Company adopted IFRS16 on January 1, 2019 using the amended retrospective application method, under which comparative information has not been restated. See note 9) for more information

FINANCIAL STATEMENTS

FIGURES IN EUROS

STATEMENT OF CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVE	REALIGNMENT RESERVES	ADJUST. RESERVE IAS/IFRS	OTHER RESERVES	PROFIT/ (LOSS) FOR THE YEAR	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS AT JANUARY 1, 2017	**3.503.025**	**690.082**	**13.595.782**	**(1.001.591)**	**31.287.264**	**8.793.866**	**56.868.428**
FTA IFRS 15 adjustments				(200.699)			(200.699)
BALANCE AS AT JANUARY 1, 2017 RESTATED	**3.503.025**	**690.082**	**13.595.782**	**(1.202.290)**	**31.287.264**	**8.793.866**	**56.667.729**
2017 changes							
Allocation of profit for FY 2016					5.290.841	(5.290.841)	0
dividend distribution						(3.503.025)	(3.503.025)
2016-2019 SOP charges					(145.582)		(145.582)
Cr. Tax Suspension Reserve			3.169.311		(3.169.311)		0
Total comprehensive income/(loss)							
- Year result						6.991.656	6.991.656
- Other components of the income statement					84	0	84
BALANCE AS AT January 1, 2018	**3.503.025**	**690.082**	**16.765.093**	**(1.202.290)**	**33.263.296**	**6.991.656**	**60.010.862**
2018 changes							
Allocation of profit for FY 2017:							
- dividend distribution						(3.503.025)	(3.503.025)
- reserves		10.523			3.409.915	(3.420.438)	0
FTA IFRS 15 adjustments					**68.193**	**(68.193)**	0
SOP charges					744.195		744.195
Total comprehensive income/(loss)							
- Year result						10.097.960	10.097.960
- Other components of the income statement					4.567		4.567
BALANCE AT DECEMBER 31, 2018 (*)	**3.503.025**	**700.605**	**16.765.093**	**(1.202.290)**	**37.490.166**	**10.097.960**	**67.354.559**
2019 changes							
Share Capital Increase	14.116						14.116
Allocation of profit for FY 2018:							
- dividend distribution						(4.033.786)	(4.033.786)
- reserves		9.637			6.054.536	(6.064.173)	0
Reclassification Reserves (Resolution of the Shareholders' Meeting of 04.29.2019)			**6.338.622**		**(6.338.622)**		0
SOP charges					143.214		143.214
Total comprehensive income/(loss)							
- Year result						7.204.431	7.204.431
- Other components of the income statement					(5.304)		(5.304)
BALANCE AS AT December 31, 2019	**3.517.141**	**710.242**	**23.103.715**	**(1.202.290)**	**37.343.990**	**7.204.432**	**70.677.230**

(*) = The Company adopted IFRS16 on January 1, 2019 using the amended retrospective application method, under which comparative information has not been restated. See note 9) for more information

NOTES TO THE FINANCIAL STATEMENTS

Introduction

Valsoia S.p.A. (hereinafter "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 3,517,140.66, 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, 2019 have been drafted in compliance with CONSOB Regulation no. 11971 of May 14, 1999, as amended by CONSOB Resolution no. 14990 of April 14, 2005.

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

Valsoia, at the closing date of the financial year, holds a controlling equity investment in Valsoia Pronova d.o.o. (SLO). In consideration of the non-substantial impact of the financial figures of this subsidiary (See *Note 10*), Valsoia does not prepare consolidated Financial Statements. As provided for in the relevant accounting standards, Group reports will be prepared when considered relevant in terms of complete information on the financial and business results of the Group. The relevance will be based, inter alia, on the impact of the financial position and business volume shown by the subsidiaries, any indebtedness pertaining to them and any other factors that may be relevant for the user of the Financial Statements.

The Financial Statements include:

- the statement of the financial position at December 31, 2019, compared with the results of December 31, 2018. 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 twelve 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 2019, 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:
  - EBITDA: comprises the Net profit (loss) for the year, 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.

- The statement of cash flows for 2019, compared with the statement of cash flows of the same year of last year. In preparing the statement of cash flows, the indirect method – by which the profit or loss of the year is adjusted based on the effects of non-monetary operations, by any deferral or allocation of previous or future operating income or payments and by items of costs and revenues related to the financial flows arising from investment or financial activities – was adopted. To ensure a better presentation of the cash flow information, the items Deferred tax assets and liabilities and Provision for post-employment benefits were restated from previous years.

- The statement with changes in Shareholders' equity for 2019 and 2018 including the changes resulting from the first time application of the IFRS 15 standard.

- These Notes to the Financial Statements. As for the tables included in the Notes to the Financial Statements, it was decided, for a better comparison of the Financial Statements items, to compare the figures of 2019 with the corresponding figures at December 31, 2018.

The Financial Statements, related to the year ended at December 31, 2019, were prepared in EUR, the functional currency of the Company. They consist of the statement of financial position, the income statement and the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the Financial Statements. All the figures shown in the Notes are expressed in EUR thousand, unless otherwise indicated. The separate financial statements are audited by KPMG S.p.A. on the basis of the appointment made by the Shareholders' Meeting of April 23, 2015 for the period 2015-2023. The Directors authorised publication of these separate financial statements on March 13, 2020. The Shareholders' Meeting called to approve the Financial Statements has the right to request amendments to the financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, EFFECTIVE FROM JANUARY 1, 2019

The accounting standards, amendments and interpretations in effect from January 1, 2019 which have been endorsed by the European Commission are shown below:

• IFRS 16 - "Leases", which was approved by the EU on October 31, 2017 with Regulation no. 1986. IFRS 16 replaces IAS 17 Leases and IFRIC Interpretations 4 - Determining whether an arrangement contains a lease, SIC 15 - Operating leases - Incentives and SIC 27 - Evaluating the substance of transactions in the legal form of a lease. The standard provides a new definition of leases and introduces a control-based criterion to distinguish leases from contracts for the provision of services. In particular, to determine whether or not a contract is a lease, IFRS 16 requires an examination of whether or not the lessee has the right to control the use of a particular asset for a specified period of time. The standard applies to financial statements for financial years beginning on or after January 1, 2019 and, with regard to accounting recognition, it provides for a single recognition model for the lessee requiring, as a general rule, the recognition of the right-of-use asset and the lease liability, which represents the obligation to pay the principal portion of lease payments. The changes introduced by the new accounting standard with reference to the lessor's financial statements are not particularly significant.

• "Annual Improvements to IFRS Standards 2015-2017 Cycle", which was approved by the EU on March 14, 2019 with Regulation no. 412. The changes made, which apply to financial statements for financial years beginning on or after January 1, 2019 and are part of the ordinary rationalisation and clarification of the international accounting standards, concern the following standards: (i) IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements: the IASB has clarified how to book the increased investment in a joint operation that meets the definition of business; (ii) IAS 12 - Income Taxes: the IASB has clarified that the tax effects relating to payment of dividends (including payments relating to financial instruments classified as equity) are recorded consistently with the underlying events or transactions that generated the amounts for distribution (e.g. recording on the statement of profit/(loss), as OCI or equity); (iii) IAS 23 - Borrowing Costs: the IASB has clarified that general borrowing for the calculation of borrowing costs to be capitalised on qualifying assets does not include borrowings that are specifically related to qualifying assets under construction or development. When such qualifying assets are available for use, the related borrowings are considered as "general borrowing" for the purposes of IAS 23.

• Amendments to IFRS 9 - Financial Instruments. The document "Prepayment features with Negative Compensation (Amendments to IFRS 9)", which was approved by the EU on March 22, 2018 with Regulation no. 498, aims to amend the requirements of IFRS 9 with reference to the following two cases: (i) financial assets that contain negative prepayment options can now be measured at amortised cost or fair value through other comprehensive income if they meet the other material requirements of IFRS 9; (ii) new accounting policies are introduced for non-substantial changes that do not result in derecognition in the case of changes or exchanges of fixed rate financial liabilities. The amendments apply to financial statements for financial years beginning on or after January 1, 2019.

• IFRIC 23 Uncertainty over Income Tax Treatments, approved by the EU on October 23, 2018 with Regulation no. 1595, which provides guidance on how to reflect uncertainties about the tax treatment of a given phenomenon in income tax accounting. IFRIC 23 applies to financial statements for financial years beginning on or after January 1, 2019.

• Amendments to IAS 28 - Investments in associates and joint ventures. The document "Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)", which was endorsed by the EU on February 8, 2019 with Regulation no. 237, aims to clarify certain aspects in cases where companies finance associates and joint ventures with preference shares or through loans for which repayment is not expected in the foreseeable future ("Long-Term Interests" or "LTI"). In particular, the amendment clarifies that these types of receivables, although representing an extension of the net investment in such investee companies to which IAS 28 applies, are nevertheless subject to the provisions on impairment of IFRS 9. The amendments apply to financial statements for financial years beginning on or after January 1, 2019.

• Amendments to IAS 19 - Employee Benefits. The document "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)", which was endorsed by the EU on March 13, 2019 with Regulation no. 402, clarifies certain accounting aspects relating to changes, reductions or settlements of a defined benefit plan. The amendments apply for changes to plans, reductions or transactions that occur on or after January 1, 2019 or the date on which they are first applied.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, EFFECTIVE FROM JANUARY 1, 2020

The accounting standards, amendments and interpretations in effect from January 1, 2020 which have been endorsed by the European Commission are shown below:

• On October 31, 2018, the IASB published the document "Amendments to IAS 1 and IAS 8: Definition of Material" with the aim of refining and aligning the definition of "Material" in some IFRSs, so that it is also consistent with the new Conceptual Framework for Financial Reporting approved in March 2018. The amendments apply starting from the financial periods beginning on January 1, 2020. Advanced application is allowed. This standard was endorsed on November 29, 2019 and published on December 10, 2019.

• On March 29, 2018, the IASB published the revised Conceptual Framework for Financial Reporting. The main changes compared to the 2010 version concern a new chapter on valuation, improved definitions and guidance, in particular with regard to the definition of liabilities, and clarification of important concepts, such as stewardship, prudence and uncertainty in valuations. EU approval was given on November 29, 2019 and published on December 6, 2019.

• In September 2019, the IASB published the document "Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)". This document shall apply to financial statements for financial years starting on or after January 1, 2020. The document was approved on January 15, 2020 and published on January 16, 2020.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the date of approval of this Annual Financial Report, the following new standards, amendments and interpretations were issued by the IASB, but had not yet been endorsed by the EU, some of which are still in the consultation phase, including the following:

In January 2014, the IASB published the new standard “IFRS 14 Regulatory Deferral Accounts”. IFRS 14 came into force on January 1, 2016 but the European Commission has decided to suspend the approval process whilst awaiting the new accounting standard on rate-regulated activities.

• In September 2014, the IASB published the Amendment “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)”. The entry into force of this document is deferred until the completion of the IASB project on the equity method.

• In January 2020, the IASB published the Amendment “Classification of Liabilities as Current or Non-current (Amendments to IAS 1)” which will apply from January 1, 2022.

• On May 18, 2017, the IASB published the new standard IFRS 17 Insurance Contracts, which replaces the current IFRS 4. The new standard on insurance contracts aims to increase transparency on the sources of profit and the quality of profits made and to ensure a high level of comparability of results by introducing a single revenue recognition standard that reflects the services provided. IFRS 17 applies to financial statements for financial years beginning on or after January 1, 2021. EFRAG's endorsement process is still in progress.

• On October 22, 2018, the IASB published various amendments to IFRS 3. The document “Amendment to IFRS 3 Business Combinations” introduced a much narrower definition of business than that contained in the current version of IFRS 3, as well as a logical way by which to verify whether a transaction is configurable as a “business combination” or a simple acquisition of an asset. The amendment will have to be applied to acquisitions taking place from January 1, 2020. EU approval is expected in 2019.

CHANGES TO ACCOUNTING STANDARDS

With the exception of the information provided below, this Annual Financial Report has been prepared using the same accounting standards applied by the Company for the preparation of the Financial Statements at December 31, 2018. The changes in accounting standards also affect the Company's Financial Statements for the year ended December 31, 2019. The Company adopted IFRS 16 Leasing starting January 1, 2019. The other new standards which came into force from January 1, 2019 have not had a significant effect on the Company's Financial Statements. IFRS 16 introduces a single model of accounting for leases in the financial statements of lessees whereby the Company, as a lessee, recognises an asset representing the right to use the underlying asset and a liability reflecting the obligation to make lease payments. The accounting methods for the lessor remain similar to those laid down in the standard previously in force. The Company has applied IFRS 16 using the amended retrospective application method. Therefore, the information relating to 2018 has not been restated - i.e., it is presented in accordance with IAS 17 and related interpretations. Details of these changes in accounting standards are set out below. The main contractual and operating circumstances of the Company that are subject to a different accounting due to the IFRS 16 application, are the following: (i) office and/or warehouse rentals, (ii) long-term car rental contracts, and (iii) contracts for the remote management of servers for computing and storage of computer data.

Lease accounting - Accounting model for the lessee

At the effective date of the lease, the Company recognises the right-of-use (or ROU) asset and the lease liability. The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted for lease payments made on or before the effective date, increased by the initial direct costs incurred and an estimate of the costs that the lessee will incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or the site where it is located, net of the lease incentives received and subsequently at the cost thus determined net of accumulated depreciation and impairment losses, and adjusted to reflect the revaluation of the lease liability. The right-of-use asset that meets the definition of investment property is shown under the item by the same name and is initially measured at cost and subsequently at fair value, in accordance with the Company's accounting standards. The Company values the lease liability at the present value of payments due for leases not paid at the effective date, discounting them using the interest rate implicit in the lease. Where this rate cannot be easily determined, the Company uses the marginal lending rate. Generally, the Company uses the marginal lending rate as the discount rate. The lease liability is subsequently increased by the interest accruing on that liability and decreased by the lease payments made and is written-back in the event of a change in future lease payments resulting from a change in the index or rate, in the event of a change in the amount that the Company expects to pay as security for the residual value or when the Company changes its valuation with respect to the exercise or not of a call, extension or termination option. The Company has estimated the lease term of certain contracts in which it acts as lessee and which provide for renewal options. The Company's assessment of whether or not there is reasonable certainty of exercising the option influences the estimated duration of the lease, impacting the amount of the lease liabilities and the right-of-use assets recognised. As a lessee, the Company previously classified leases as operating or financial, assessing whether the lease transferred substantially all the risks and benefits of ownership. According to IFRS 16, the Company recognises right-of-use assets and lease liabilities in the statement of financial position for most leases. However, the Company has decided not to recognise right-of-use assets and liabilities relating to leases of assets of little value and with a duration of less than 12 months. Therefore, the Company recognises the payments due for the lease related to the above mentioned leases as an expense on a straight-line basis over the lease term. The Company shows right-of-use assets that do not meet the definition of investment property separately from other assets under 'Right-of-use assets'. The Company shows lease liabilities separately from other liabilities under 'Lease payables' in the annual statement of financial position.

First application

At the date of initial application, in the case of leases classified as operating leases in accordance with IAS 17, the lease liabilities were determined at the present value of the residual payments due for the leases, discounted using the Company's marginal lending rate at January 1, 2019 (rate range from 0.26% to 0.45% depending on the different contractual terms). Right-of-use assets have been valued at an amount equal to the lease liability, adjusted by the amount of any advance or accumulated payments due for the lease (IFRS 16.C8.b.ii).

The Company also used the following practical expedients to apply IFRS 16 to leases previously classified as operating under IAS 17:

- It has applied the exemption from recognition of right-of-use assets and lease liabilities to leases with a duration of less than 12 months.
- It applied a single discount rate to a leasing portfolio with reasonably similar characteristics (similar residual maturity for a similar underlying asset class in a similar economic context).

- It based decisions on experience gained in determining the duration of the lease containing options to extend or terminate the lease.
The analyses of the impacts deriving from the application of IFRS 16, on January 1, 2019 show an increase in right-of-use assets and a corresponding negative effect on net financial indebtedness of EUR 1,052 thousand.

At December 31, 2019 the value of the right of use was EUR 2,097 thousand (range of rates from 0.16% to 0.27% depending on the different contractual terms), while the corresponding financial liabilities amounted to EUR 2,098 thousand. Finally, the introduction had the following effects on the year Income Statement:
Financial charges of EUR 3,231
Lower operating costs of EUR 576,187
Greater amortisation/depreciation of EUR 574,227

With regard to the interest rates applied to those leasing contracts that do not show the rate implicit in the same, in the initial introduction phase and as at December 31, 2019, reference was made to the rates applied to the Company's debt. The same rates are updated every six months to reflect the evolution of the rates and the spread in regard to benchmark bonds.

FINANCIAL RISK MANAGEMENT

Please see the Annual Financial Report - Directors' Report.

MEASUREMENT CRITERIA AND ACCOUNTING STANDARDS

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

MEASUREMENT CRITERIA

These annual financial statements have been prepared on the basis of the historical cost principle, except for any fair value measurement where specifically indicated in the notes, and on a going concern basis. Indeed, Directors gave careful consideration as to the assumption of the business being a going concern when preparing these annual financial statements and came to the conclusion that there could be no doubt on the matter.

The main accounting standards adopted are explained hereto.

Goodwill

This item refers to the goodwill booked at the time of acquisitions and/or mergers by incorporation. In addition to the goodwill related to the "Santa Rosa" cash generating unit (hereinafter the "CGU"), already included in the previous financial statements following the 2012 merger by incorporation of J&T Italia S.r.l., in FY 2017, goodwill was also booked in relation to the acquisition of the "Diete.Tic" business unit. The goodwill entered is the positive difference between the value of the business unit acquired and the fair value of the individual assets comprising it at the time of acquisition.

After initial booking, goodwill is reduced for impairment, calculated using the procedures described below ("impairment testing"). In particular, goodwill is subject to recoverability analysis every year, or a more frequently if events or circumstances suggest that impairment may apply. More generally, as at the acquisition date, goodwill is allocated to each of the cash generating units expected to benefit from the synergies deriving from the acquisition. Any impairment is identified through valuations based on the ability of each unit to generate cash flows that will ensure recovery of the portion of goodwill allocated to it. If the recoverable amount of the cash generating unit is lower than the carrying amount attributed, the related impairment loss is recognised. This impairment is not reversed if the reasons that caused it no longer exist.

At the time of the disposal of part or all of the 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 amortised; for more details on the impairment tests made, please refer to the paragraph below entitled "Impairment testing".

Intangible assets

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

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

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

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

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

Trademarks

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

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

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

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

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

Industrial patents and intellectual property rights

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

Intangible assets generated internally – research and development costs

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

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

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

Property, plant and equipment

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

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

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

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

Category	Rate
Industrial buildings	4%
Residential buildings	3%
Temporary constructions	10%
Plant and machinery	7.5% - 8% - 10 % -14% - 15%
Industrial equipment	20%
Electronic equipment	20%
Furniture and equipment for the offices	12%
Vehicles	25%

Land is not depreciated.

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

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

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

Financial assets

Financial assets consist of the equity investment in a foreign subsidiary that is not consolidated, since the equity and financial figures for 2019 are of a negligible amount. These assets are recorded at the historical cost, amortised as necessary for impairment. When there is evidence that this equity investment has become impaired, it is recognised in the income statement as a write down. If the Company’s interest in the losses of the investee company exceeds the carrying amount of the equity investment, the value of the investment will be written off entirely and any further losses will be recorded under liability provision if the Company is to be held liable. If the impairment is subsequently found not to exist or has been reduced, the relative amount is written back to the income statement.

Impairment Test

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

The recoverable amount is the greater between the fair value net of selling costs and the value in use. In determining the value in use, the estimated future cash flows are discounted at their current value using a rate gross of taxes which reflects the current valuations of the market regarding the value of money and the specific risks inherent in the asset.

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

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

Inventories

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

Trade receivables

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

Current financial assets

Financial assets are recognised and reversed in the Financial Statements on the basis of the trading date and are initially valued at cost, inclusive of direct charges associated with the acquisition. The Company determines the classification of its financial assets after the initial resolution and, where appropriate and permitted, it reviews this classification at the end of each year. This category includes the financial assets that fulfil the following two conditions:

- the financial asset is owned according to a business model, the objective of which is achieved through the collection of the financial flows as set forth contractually ("Held to collect" business model) and
- the contractual terms of the financial asset envisage on specific dates, cash flows represented purely by payments of principal and interest on the amount of principal to be repaid ("SPPI test" passed).

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

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

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

Cash and cash equivalents

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

Derivative financial instruments

The Company can use derivative financial instruments to hedge risks deriving from interest rate fluctuations, exchange rate fluctuations and fluctuations in the price of raw materials.
The derivative financial instruments are initially recognised at cost and adjusted to their fair value on the subsequent closing dates. Though such derivative instruments are not held for trading purposes, but exclusively to hedge against the aforementioned risks, they do not always cover the requirements set forth in IAS 39 to be defined as hedging

instruments. The changes in the fair value of the derivative instruments that are eligible hedges are recognised under the equity reserves, net of the relative tax effect, and under the "other income statement components" in the statement of comprehensive income.
The changes in fair value of the derivative instruments that are not eligible as hedges are recognised in the income statement of the period in which they originated as are the effects deriving from early redemption of the derivative, whether partial or total. The fair value of the instruments at the end of the period is recognised under "Cash and cash equivalents" if positive, or under item "Other current liabilities" if negative.

Provisions for risks

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

Employee benefits

Post-employment benefit plans

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

Remuneration plans in the form of stock options

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

Payables

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

Loans

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

Share capital

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

Revenue recognition

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

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

Foreign currency transactions

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

Taxes

Taxes for the year represent the amounts of the current and deferred taxes, net of revenues deriving from any tax benefits with retroactive effect.
Current taxes are based on the taxable income for the year. Taxable income differs from the result recorded in the income statement, as it excludes positive and negative components which will be taxable or deductible in other years, and items which will never be taxable or deductible. Liabilities for current taxes are calculated using the rates applicable at the reporting date.
Deferred tax assets and liabilities are those taxes which are expected to be paid or recovered on temporary differences between the carrying amount of the assets and liabilities in the Financial Statements and the corresponding tax value used in calculating the taxable amount. Deferred tax liabilities are generally recognised for all temporary taxable differences, while the deferred tax assets are recognised to the extent that it is considered probable that there will be taxable results in the future that will absorb 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 repayment 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

According to IFRS8 - Operating segments, an operating segment is a component of an entity: a) which undertakes business activities that generate revenues and costs (including revenues and costs involving operations with other parts of the same entity); b) whose operating results are reviewed periodically at the highest operating decision-making level in order to adopt the decisions regarding the resources to be allocated to the segment and the assessment of the results; c) for which separate financial statement information is available.
No operating segments characterised by the autonomous nature of their products/services and production processes with the above mentioned characteristics were identified within the Company.
Therefore, no segment information is provided, as the requirements do not apply.

Hierarchical fair value assessment levels

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

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

Relative to the Financial Statements of Valsoia, these concepts are applicable to the evaluation of:

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

The hierarchical level associated with the other items of the Financial Statements is 3.

Use of estimates

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

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

The Company presents in its Financial Statements amounts which are recognised as goodwill and trademarks with an indefinite useful life. These amounts are not amortised and they are tested for impairment, at least annually, in line with the indications set forth under IAS 36, based on the cash flow forecasts for the upcoming financial periods which are reflected in the Business Plan.
An impairment test was carried out, approved by the BoD on March 13, 2020, in reference with the accounting values recognised at the date of the Financial Statements in order to identify any loss for reductions in the value of the "Santa Rosa" and "Diete.Tic" CGUs versus their recoverable value. This recoverable value is based on the use value which is determined through the method of discounted cash flows.
Conducting impairment tests requires significant judgement skill, especially in formulating estimates such as:

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

In addition, the Plan for 2020-2024 (hereinafter the "Plan") approved by the Directors of the Company on March 13, 2020, on which the estimate of the expected financial flows is based, is characterised by the uncertainties that are typical of any estimation process.

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

Employees benefits – Post-employment plans

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

Employees Benefits – Remuneration plans in the form of stock options

The Company has adopted Stock Option Plans as incentives. The currently active "2019-2022 Stock Option Plan" is intended for the senior managers/executives of the Company, based on the work performed and the responsibilities assigned, as well as for the General Manager. The rights can be exercised exclusively by the beneficiaries who have been, uninterruptedly, employees of the Company up to the time of the subscription of the shares. In this plan, option rights are assigned on newly issued shares, half of which will mature ("Objective 1"), annually based on the achievement of the Company's economic performance targets measured on EBITDA and, for the other half ("Objective 2"), annually on the basis of the achievement of objectives the Company's economic outperformance is always measured on EBITDA. With reference to Objective 1, the rights may be exercised annually, starting from the date of approval of the Financial Statements for the year ended December 31 of each financial year included in the Plan, exclusively by the beneficiaries who have been employees of the Company without interruption up to that moment. With reference to Objective 2, the rights may be exercised only at the end of the three-year period to which the Plan refers and as from the date of approval of the Financial Statements for the year ended December 31, 2021, exclusively by the beneficiaries who have been employees of the Company continuously until that date.

For both Objectives, the deadline for the exercise of accrued option rights is December 31, 2022 (for more details, please refer to the Information Document of the 2019-2022 Stock-Options Plan published on the website www.valsoia.it in the Investor Relations section).

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

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

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

Allowance for doubtful accounts

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

Deferred tax assets

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

Contingent liabilities

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

Related parties

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, the Notes 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.

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	12.31.2019	12.31.2018
Cash	3	3
Current accounts and bank deposits	36,245	29,278
Total Cash and cash equivalents	36,248	29,281

At December 31, 2019, the Company uses variable interest income rates between 0.0% and 0.1%, substantially in line with the previous year.

Note (2) - Current financial assets

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Locked-in bank accounts	0	3,000
Total Current financial assets	0	3,000

In October 2019, the restricted bank deposit outstanding at December 31 last year was extinguished.

Following are details on the Net Financial Position at December 31, 2019 and December 31, 2018.
For details about changes in the Net Financial Position, please refer to the Directors' Report, presented together with this financial report, in addition to the contents of the statement of cash flows.

Description (EUR 000)	12.31.2019	12.31.2018
Cash	3	3
Current accounts and bank deposits	36,245	29,278
Current financial assets	0	3,000
Total liquid funds	36,248	32,281
Current financial payables	(2,592)	(1,962)
Short-term lease payables (IFRS16)	(537)	0
Current net financial debt	33,119	30,319
Non-current loans and borrowing	(6,154)	(8,745)
Medium/long-term lease payables (IFRS16)	(1,561)	0
NET FINANCIAL POSITION	25,404	21,574

Note (3) - Trade receivables (net)

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

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Trade receivables (nominal value)	8,992	9,694
Allowance for doubtful accounts	(904)	(1,029)
Total Trade receivables (net)	8,088	8,665

Trade receivables are shown net of the allowance for doubtful accounts, determined in accordance with the new IFRS9 standard, on the basis of a prudent estimate of collection risks, taking into account the information available on the risk of insolvency of the individual positions, their seniority and the losses on receivables recognised in the past for similar types of receivables, as well as projections of average collection times by type of counterparty and geographical area.

There are no particular changes in the collection conditions compared to the previous year.

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

Description	12.31.2019	12.31.2018
Trade receivables (nominal value)		
- past due by over 12 months	361	250
- past due by over 30 days	543	423
- expired at the date	1,805	2,397
- with subsequent expiry	6,283	6,624
Total Trade receivables (gross)	8,992	9,694

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	12.31.2019	12.31.2018
Opening balance	1,029	1,058
- (usage)	(173)	(135)
- allocations	48	106
Total Allowance for doubtful accounts	904	1,029

The allowances made for doubtful accounts are recognised under the item Other overheads in the income statement. The decline in the allocation compared with the previous year reflects the reduction in receivables as shown in the previous table.
As at December 31, 2019, the Company had existing receivables in foreign currency for a total of GBP 52 thousand and USD 47 thousand.

Note (4) - Inventories

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Raw materials, ancillary and consumable materials	1,846	1,907
Work in process	153	191
Finished goods	4,785	4,395
Total availability of inventories	6,784	6,493

The value of stocks of raw, ancillary and consumable materials is substantially in line with the previous year. The measurement of the closing inventories is carried out net of the provision for inventory obsolescence, amounting to a total of EUR 497 thousand (EUR 407 thousand at December 31, 2018), in order to adjust its assessment to the value of the presumed realisation, also in consideration of the risk for obsolescence thereof ("expiry date").
Inventories are not subject to any obligations or restrictions related to property rights.
The table below provides a breakdown of the movements in the provision for inventory obsolescence:

Description	12.31.2019	12.31.2018
Provision for inventory obsolescence of raw and ancillary materials		
Opening balance	161	142
- Provisions/(uses)	120	19
Balance at December 31	281	161
Provision for inventory obsolescence of finished products and goods		
Opening balance	246	121
- Provisions/(uses)	(30)	125
Balance at December 31	216	246
Total Provision for inventory obsolescence	497	407

Note (5) - Other current assets

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Tax receivables	1,956	3,338
Prepayments and accrued income	59	40
Other current receivables	187	304
Total Other current assets	2,202	3,682

Tax receivables as at December 31, 2019 were down compared to the end of the previous year, due to the use made of them during 2019 to offset payables arising from ordinary tax maturities during the year. These receivables were booked as at December 31, 2018 following the agreement reached with the Tax Authorities regarding the so-called “patent box” facilitation and represented those relating to the financial years 2015, 2016 and 2017 against the presentation of additional declarations.

Non-current assets

Note (6) – Goodwill

Period changes to Goodwill are as follows:

Description	12.31.2018	Period changes		12.31.2019
	Net value	Increases	Other increases/ (decreases)	Net value
Santa Rosa Goodwill	3,230	0	0	3,230
Diete.Tic goodwill	4,968	0	0	4,968
Total Goodwill	8,198	0	0	8,198

The registered goodwill is derived:

- with regard to Santa Rosa, from the allocation of the residual amount of the premium on the value of the investment, compared to the fair value of the assets and liabilities of J&T Italia S.r.l., the company to which the Santa Rosa business referred, following its merger by incorporation in previous years;

- with regard to Diete.Tic, from the process of Purchase Price Allocation as regards the positive difference between the Business Unit value concerning the liquid sweetener “Diete.Tic” acquired on October 2, 2017 and the fair value of the single assets that compose it.

Pursuant to IAS/IFRS, goodwill is not amortised but is tested for impairment at least once a year, when preparing the financial statements, as required by IAS 36 and as described in Note 7 below.

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

Description	12.31.2017	Period changes		12.31.2018
	Net value	Increases	Other increases/ (decreases)	Net value
Santa Rosa Goodwill	3,230	0	0	3,230
Diete.Tic goodwill	4,968	0	0	4,968
Total Goodwill	8,198	0	0	8,198

Note (7) – Intangible assets

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

Description	12.31.2018	Period changes		12.31.2019
	Net value	Increases/(decreases) Net	Amort./Write-downs	Net value
Trademarks	21,233	0	(86)	21,147
Industrial patents and intellectual property rights	2,439	137	(362)	2,214
Other	72	139	(88)	123
Total Intangible assets	23,744	276	(536)	23,484

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

The item Trademarks mainly refers to the Santa Rosa trademark of EUR 20,060 thousand, valued at fair value as part of the allocation of the value of the investment in J&T Italia S.r.l. following the aforementioned merger by incorporation.

The Santa Rosa trademark, as allowed by IAS 38 and in line with previous years, is considered to have an indefinite useful life and therefore 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.

The value of the Santa Rosa trademark is tested for impairment at least once a year, when preparing the financial statements, in accordance with IAS 36.

Intangible assets also include trademarks and patents, valued at fair value on initial recognition, belonging to the business unit related to the liquid sweetener "Diete.Tic" acquired during 2017. The net accounting value, at the end of the period, of the "Diete.Tic" trademark was EUR 1,086 thousand and the patents were EUR 2,065 thousand. The fair value of the Diete.Tic trademark and of the Patents protecting the production process was measured with the support of a third party independent expert, using a market method called "relief from royalties". This method of measurement, which uses inputs that are observable from the market, is a methodology that is preferred by the accounting standards.

The Patents are amortised according to their residual useful life based on their expiry date; the "Diete.Tic" trademark, according to the considerations above, is amortised based on its useful life, estimated at 15 years.

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

Description	12.31.2017	Period changes		12.31.2018
	Net value	Net Increases/decreases	Amort./Write-downs	Net value
Trademarks, licenses and similar	21,320	0	(87)	21,233
Industrial patents and intellectual property rights Other	2,753	29	(343)	2,439
Other	45	76	(49)	72
Fixed asset Intangible	24,118	105	(479)	23,744

7.1 Impairment Test

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

Upon the closing of the Financial Statements for 2019, impairment tests were carried out and were subject to the specific approval by the Board of Directors prior to approving the Financial Statements for the year.
In particular, in application of the methodology indicated by IAS 36, Valsoia S.p.A. identified the cash generating units (CGUs) that represent the smallest identifiable group able to generate independent cash flows.
The value in use is represented by the current value of the Discounted Cash Flows that are expected to be derived from the continuous use of the assets relative to the CGUs and the final value attributable to them and, for the purposes of verifying the recoverability of the recognised values, it was compared with the net accounting value attributed to the property, plant and equipment and the intangible assets of the CGU, including the goodwill, in addition to an evaluation of the estimated operating net working capital.
The determination of the Enterprise Value involves the following operations:

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

The value in use of the CGUs was estimated using the UDCF ("Unlevered Discounted Cash Flow") model applied to the cash flows included in the 2020 - 2024 multi-year plans approved by the Company's Board of Directors on March 13, 2020 for the Santa Rosa and Diete.Tic CGUs. After the analytical forecast period, a terminal value was determined assuming as a perpetual operating flow, the net operating profit less adjusted tax (Noplat) for the last financial year of the Plan.
Following are the main parameters and results from the Impairment tests carried out.

Impairment Test of Santa Rosa CGU

- Discount rate (WACC) = 6.9*%* (7.7% at 12.31.2018)
- Growth rate of the terminal value (g rate) = *1 % (1.1% at 12.31.2018)*
- Enterprise Value = EUR 34.3 million (EUR 34.5 million at 12.31.2018)
- Book value of CGU net assets (*) = EUR 25.9 million (EUR 27.6 million at 12.31.2018)
- Cover: EUR 8.4 million (EUR 7 million at 12.31.2018).

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

Based also on the indications contained in the document no. 2 issued jointly by the Bank of Italy, Consob and ISVAP on February 6, 2009, we elaborated the sensitivity analysis on the test results compared to the variation of the basic assumptions (WACC and g-rate) which affect the value in use of the cash generating unit. In particular, the sensitivity analyses refer to the following aspects:
• a change of 0.5 percentage points of the growth rate g (g-rate) used for the test base;
• a change of 0.5 percentage points of the discount rate (WACC) compared to the rate used for the base test.
The following table summarises the gains resulting from this sensitivity analysis from which no situations of potential impairment arose also considering a concurrent worsening of the market variables being considered.

		Wacc		
		6,35%	6,85%	7,35%
g rate	0,50%	8.928	6.450	4.335
	1,00%	11.282	**8.397**	5.967
	1,50%	14.122	10.708	7.878

Impairment Test of DIETE.TIC CGU

- Discount rate (WACC) = *7.4 % (7.3% at 12.31.2018)*
- Growth rate of the terminal value (g rate) = *1.0% (1.1% at 12.31.2018)*
- Enterprise Value = EUR 19.2 million (EUR 13.8 million at 12.31.2018)
- Book value of CGU net assets (*) = EUR 8.6 million (EUR 9 million at 12.31.2018)
- Cover: EUR 10.6 million (EUR 4.8 million at 12.31.2018)

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

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

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

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

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

		Wacc		
		6,93%	7,43%	7,93%
g rate	0,50%	10.935	9.617	8.476
	1,00%	12.137	**10.626**	9.333
	1,50%	13.560	11.806	10.324

Note (8) – Property, plant and equipment

Following is a breakdown of the Property, plant and equipment item at December 31, 2019.

Description	Historical cost	Depreciation Provision	Net Accounting 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	576	(132)	444
- industrial facilities in Serravalle Sesia	5,491	(2,500)	2,991
- light constructions/buildings at the facility of Sanguinetto	1	(1)	0
Total Land and buildings	8,505	(2,633)	5,872
Plant and equipment			
- fixed systems for offices	137	(108)	29
- plant/equipment for plant extract products	5,738	(5,014)	724
- plant/equipment for ice cream production	10,429	(9,025)	1,404
- plant/equipment for other food production	253	(235)	18
- generic plant/equipment at the facility of Serravalle	1,519	(1,181)	338
- silos, vats, tanks at the facility of Serravalle	484	(449)	35
- photovoltaic system	371	(282)	89
- plants for preserves production	3,391	(2,772)	619
- generic plants at the Sanguinetto facility	121	(75)	46
- sweetener production plant	140	(34)	106
- supplement production plant	61	(8)	53
Total Plant and equipment	22,644	(19,183)	3,461
Industrial and commercial equipment			
- furniture and equipment for the laboratory	390	(374)	16
- other small equipment	212	(176)	36
- other transportation means	249	(235)	14
Total Industrial and commercial equipment	851	(785)	66
Other assets			
- electric and electronic machinery	635	(532)	103
- furniture and equipment for the offices	389	(343)	46
- cell phones	74	(61)	13
- vehicles	379	(310)	69

Total Other assets	1,477	(1,246)	231
Total Property, plant and equipment	33,477	(23,847)	9,630

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

Description	12.31.2018	Period changes			12.31.2019
	Value	Increases	Decreases	Other changes	Value
Historic Cost					
Land and buildings	8,492	13	0	0	8,505
Plant and equipment	21,750	934	(39)	0	22,645
Industrial and commercial equipment	827	24	(0)	0	851
Other assets	1,424	56	(4)	0	1,476
Fixed assets in progress	0	0	0	0	0
Total Historic Cost (A)	32,493	1,027	(43)	0	33,477
Depreciation					
Land and buildings	2,397	237	0	0	2,634
Plant and equipment	18,354	864	(34)	0	19,182
Industrial and commercial equipment	746	39	0	0	785
Other assets	1,134	116	(6)	0	1,246
Fixed assets in progress	0	0	0	0	0
Tot. Depr. provisions (B)	22,631	1,256	(40)	0	23,847
Total Property, plant and equipment (A-B)	9,862	(229)	(3)	0	9,630

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

The other increases refer to equipment, vehicles and electronic equipment.

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

There are no restrictions or encumbrances on fixed assets.

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

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

Note (9) - Right of use assets (IFRS16)

Due to the very nature of the item in question, reference should be made to that described previously in the point on “Change in Accounting standards” under “Lease accounting - Accounting model for the lessee”.

Right-of-use assets showed the following changes in the period:

Description	12.31.2018	Period changes			12.31.2019
	Value	Increases	Decreases	Other changes	Value
Historic Cost					
Leased buildings	0	1,732	0	0	1,732
Rented vehicles	0	762	(35)	0	727
Rented electronic equipment	0	178	0	0	178
Total Historic Cost (A)	0	2,672	(35)	0	2,637
Depreciation					
Leased buildings	0	241	0	0	241
Rented vehicles	0	244	(34)	0	210
Rented electronic equipment	0	89	0	0	89
Tot. Depr. provisions (B)	0	574	(34)	0	540
Total assets by right of use (A-B)	0	2,098	(1)	0	2,097

Note (10) – Financial assets

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

Description	Shareholding in share capital	12.31.2018 Value	Period changes		12.31.2019 Value
			Increases	Decreases	
Valsoia Pronova d.o.o. - Slovenia	100%	110	0	0	110
Total Financial assets		110	0	0	110

In 2019, the subsidiary Valsoia Pronova d.o.o. recorded sales of approximately EUR 639 thousand with a profit of EUR 46 thousand and Shareholder's Equity of EUR 192 thousand.

Note (11) – Deferred tax assets

This item breaks down as follows:

Description	12.31.2019		12.31.2018	
	Taxable amount	Taxes	Taxable amount	Taxes
Deferred tax assets/Provision for deferred taxes with contra entry in the income statement				
IRES/IRAP CHANGES				
- Trademarks and deferred charges not capitalised				
pursuant to IAS/IFRS				
- Dealloc. of accounting-tax amounts for “Santa Rosa”	89	24	110	31
trademark	0	0	0	0
- Dealloc. of accounting-tax amounts for “Diete.Tic”	(800)	(223)	(538)	(150)
trademark	0	0	0	0
- Multi-annual deductible expenses pursuant to Art.	1,533	377	1,555	381
108 Consolidated Law on Income Tax	(28)	(8)	223	62
- Taxed risk and write-down provisions				
- Others				
Total	794	170	1,350	324

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

Note (12) - Other non-current assets

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Guarantee deposits	37	35
Investments in other companies	9	5
Receivables from tax authorities, non-current	28	28
Receivables from subsidiary companies	85	85
Total Other non-current assets	159	153

These assets did not undergo any significant changes during the period.

Non-current receivables from tax authorities consist of IRES (corporate income tax) receivables for failure to deduct IRAP (regional business tax) on labour costs for the years 2007-2011, with reference to which a request for reimbursement has been filed in accordance with Article 2 of Decree 201/2011. Receivables from subsidiary companies refer to interest-bearing loans granted to the subsidiary Valsoia Pronova d.o.o.

Liabilities and Shareholders' equity

Current liabilities

Note (13) - Current payables due to banks

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Overdraft accounts	1	3
Payables for bank loans or bank lending (current instalments)	2,591	1,960
Total Current payables due to banks	2,592	1,963

The item Current payables to banks mainly refers to the instalments with maturities of less than 12 months of a medium/long-term loan taken out in the first few months of 2018.

Note (14) - Short-term lease payables (IFRS 16)

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Short-term lease payables	537	0
Total Short-term lease payables	537	0

The item Short-term lease payables refers to that described in the previous point "Change in Accounting standards" under the item "Lease accounting - Accounting model for the lessee":

Note (15) – Trade payables

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Trade payables due to suppliers within 12 months	11,755	11,241
Total Trade payables	11,755	11,241

Trade payables are substantially in line with the previous year. There have been no particular changes in the payment conditions.

The Company showed, at December 31, 2019 payables in foreign currency – mainly in USD – for a total countervalue of EUR 33 thousand. Considering this amount, the sensitivity analysis is believed to be non-significant as regards changes of foreign exchange rates.

Note (16) – Tax payables

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Due to the Tax Authorities for:		
- virtual revenue stamp tax	2	4
- withholding taxes	482	458
- substitute tax	151	1,208
Total Tax payables	635	1,670

At December 31, 2019, the Company had payables due to the tax authorities for direct taxes and VAT as per Note 5 above. Tax payables consist primarily of withholdings to be paid to the Tax Authorities as tax substitute and the first instalment (short-term portion) of substitute taxes deriving from the realignment of the Santa Rosa trademark, carried out pursuant to Italian Law 160 of 12.27.2019, Art. 1, paragraphs 696 et seq. as detailed in subsequent *Note 25) – Taxes.*

Note (17) – Provisions for risks

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Sales return provision	60	52
Provision for customer disputes	18	0
Total Provisions for risks	78	52

Provisions for risks consist of the provision for sales returns and the provision for customer disputes.
- The provision for returns, calculated on the basis of the best estimates carried out by the Company, reflects the risks of product being returned by the customers that can no longer be sold. The related accounting does not involve the re-recognition of the products in inventory.
The estimate at December 31, 2019, has involved a provision made in the amount of EUR 8 thousand with a corresponding downward change in Sales revenue.
- The provision for customer disputes is calculated based on the assessment of ongoing disputes with customers, for credit notes to be issued or promotional invoices received that have not been agreed.

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.

Note (18) - Other current liabilities

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Amounts payable to social security institutions	456	417
Amounts due to employees and on-going collaboration contracts	1,814	1,558
Amounts due to others	202	85
Accrued liabilities	7	9
Total Other current liabilities	2,479	2,069

Other current liabilities mainly consist of amounts due to employees for salaries, bonuses and deferred compensation accrued at December 31, 2019.

Amounts due to others include advance payments received from customers.

Non-current liabilities

Note (19) - Non-current payables due to banks

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Payables for bank loans or bank lending (non-current portion)	6,154	8,745
Total Non-current payables due to banks	6,154	8,745

This item refers primarily to the instalments with expiry date beyond 12 months of medium-long term financing agreements in effect at December 31.
Current bank loans are not covered by guarantees and are not subject to budgetary covenants; in consideration of the contractual terms and conditions agreed upon (these are fixed rate loans), the sensitivity analysis is not believed to be significant with regard to changes in the interest rates.

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
2021	2,603
2022	2,615
2023	731
2024	102
2025	103
Loans and borrowings	6,154

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

Description	12.31.2018 Value	Period changes			12.31.2019 Value
		Loans	Repayments	Reclassifications	
Payable for Current Bank Loans	1,960	0	(1,960)	2,592	2,592
Payable for Non-current Bank Loans	8,746	0	0	(2,592)	6,154
Total financial liabilities	10,706	0	(1,960)	0	8,746

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

Note (20) - Medium/long-term lease payables (IFRS 16)

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Medium/long-term lease payables (IFRS 16)	1,561	0
Total Medium/long-term lease payables	1,561	0

The item Medium/long-term lease payables refers to the portion falling due after 12 months of that described in the previous point “Change in Accounting standards” under the item “Lease accounting - Accounting model for the lessee”.

Note (21) Other medium/long-term tax payables.

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Medium/long-term tax payables for substitute tax	302	0
Total medium/long-term payables for substitute tax	302	0

This amount refers to the medium/long-term portion (second and third instalments) of the substitute tax liability deriving from the realignment of the Santa Rosa trademark carried out pursuant to Law no. 160 of 12.27.2019 Art. 1, paragraphs 696 et seq. as better described in *Note 25) - Taxes* below.

Note (22) – Provision for post-employment benefits

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

Description	Taxable amount
Opening provision for post-employment benefits at 12.31.2018	418
2019 changes	
- Financial income/(charges)	3
- End of employment severances and advances to employees	(27)
- Actuarial gains (losses)	5
Closing provision for post-employment benefits at 12.31.2019	399

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

Demographic assumptions
Mortality rate: the probabilities have been drawn from the general Italian population based on age and sex (ISTAT) in 2000, and decreased by 25%.
Invalidity rates: for calculating the probability of exiting the company due to a total and permanent disability of the employee, the disability tables that are currently used by insurance companies, based on age and sex, were used.
As regards retirement age, it was assumed that active employees would stop working as soon as they reach the first pre-requisite for retirement as set forth in the mandatory general insurance scheme.
As for the probability of ending employment for resignations or termination, an 8% annual frequency was used.
As for the probability of requests for advances on salaries, for projection purposes, an annual 2.8% advance rate (percentage of employees who ask for an advance from their post-employment benefits, every year) was used. As regards the amount of advance payments, 50% of the accrued provision for post-employment benefits amount was used.

Business-financial assumptions
Average annual rate for bonds issued by European Companies with AA rating with 5-7 years duration: 0.1663%
Yearly Inflation rate: 1.5%

Shareholders' equity - Note (23)

Share capital

The share capital of the Company is fully paid up and amounts to EUR 3,517,140.66, with 10,658,002 ordinary shares of a Nominal value of EUR 0.33 each.

Legal reserve

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

Revaluation reserve

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

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:
    - o the 2011-2015 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.
    - o the 2016-2019 Stock Option Plan reserve set aside for a total amount of EUR 844 thousand, corresponding to the charges applicable to the 3 validity periods of the Plan.
    - The 2019-2022 Stock Option Plan reserve set aside for a total amount of EUR 43 thousand, corresponding to the charges applicable to the current year
    - The first two Plans concluded with the issuance of the equity-linked instruments and the related increase of the Share Capital.
    - - reserve of EUR 201 thousand against the effects of the first-time adoption (FTA) of IFRS15.

With reference to the charges relating to the 2019-2022 Stock Option Plan, in accordance with IFRS2, they have been estimated by assessing:

- the percentage of probability in achieving the objectives set out in the Plan and the consequent number of option rights accrued by the beneficiaries, based on the plans set out by the company and the probability of their achievement;

- the fair value of the assigned option rights. This value was determined, in reference to the date of the actual initial assignment of the option rights approved by the Board of Directors on November 11, 2019, by using the Cox-Rubinstein binomial model for Bermudan options based on the following assumptions:

Measurement of fair value - 2019-2022 SOP: summary of data			
	Bermudan 1	Bermudan 2	Bermudan 3
Measurement Date		11/11/2019	
Start of Vesting Period	04/30/2020	04/30/2021	04/30/2022
End of Vesting Period	12/30/2022	12/30/2022	12/30/2022
Market price of the share (EUR)		10.95	
Strike price of the share (EUR)		0.33	
Volatility		27.724%	
Risk-free rate (Btp 5 years)		-0.335%	
Estimated dividends		1.50%	
Unit fair value (EUR)	10.54	10.37	10.21

As regards the probability of employees leaving the Company (exit rate), the rate used is 0% per year (bad leaver).

The comprehensive fair value of the Stock Option Plan was estimated from the product between the unitary fair value of the individual option and the expected value of the number of option rights accrued at the exercise dates. This expected value is the result of the product between the number of option rights assigned and the probability of achieving the company's performance targets.

The number of option rights assigned by the Board of Directors on November 11, 2019 is 168,000 in total, out of a maximum of 200,000 options that can be assigned:

- 56,000 allocated for 2019 and subject to exercise, after accrual, from April 30, 2020 for 50% (target 1) and for the other 50% (target 2) from April 30, 2022;
- 56,000 allocated for 2020 and subject to exercise, after accrual, from April 30, 2021 for 50% (target 1) and for the other 50% (target 2) from April 30, 2022;
- 56,000 allocated for 2021 and subject to exercise, after accrual, from April 30, 2022 for 50% (target 1) and for the other 50% (target 2) from April 30, 2022.

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

Description	12.31.2019	12.31.2018	Possibility of use
Share capital	3,517	3,503	-
Legal reserve	701	701	B
Reserves for realignment of tax values	23,104	16,765	A, B, D
IAS/IFRS adjustments reserve	(1,202)	(1,202)	-
Other reserves:			
IAS 8 adjustment reserve	469	469	A, B, C
earnings brought forward, according to IAS/IFRS	416	416	A, B, C
extraordinary reserve	35,065	35,349	A, B, C,
S.O.P. reserve 2011-2015	490	490	A, B, C
S.O.P. reserve 2016-2019	844	744	A, B, C
S.O.P. reserve 2019-2022	44	0	A, B, C
Cash flow hedge reserve	0	0	
actuarial gains/losses reserve	16	22	-
reserve for exchange rate gains	9	0	
Total other reserves	37,353	37,490	
Profit/(loss):			
Profit for the period	7,204	10,098	
Total Shareholders' equity	70,677	67,355	

Key for the possibility of use:

A. Available for share capital increases;

B. Available for loss hedging;

C. Available for shareholders distribution;

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

It should also be noted that, during the year, dividends were distributed to the shareholders for a total of EUR 4.0 million, as an appropriation of profits for the year 2018.

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

Note (24) - Value of production

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Revenue from sales and services:		
- Revenue - Italy	69,676	78,652
- Revenue - Abroad	5,102	4,849
Total Sales Revenue	74,778	83,501
Changes in inventories of work in progress, semi-finished and finished goods		
- Opening inventories	(4,450)	(6,151)
- Closing inventories	4,844	4,315
Changes in inventories of finished and semi-finished products	393	(1,836)
Other revenue and income	1,336	666
TOTAL VALUE OF PRODUCTION	76,507	82,331

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

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

Description	12.31.2019		12.31.2018 (*)		*Change*
(EUR 000)	EUR	*% Inc.*	EUR	*% Inc.*	*%*
Health Food Products Division (a)	44,120	*59.0*	47,710	*57.1*	*(7.5)*
Food Products Division (b)	20,843	*27.9*	20,942	*25.1*	*(0.5)*
Others (c)	4,715	*6.3*	4,425	*5.3*	*6.6*
TOTAL ITALIAN REVENUE	69,678	*93.2*	73,077	*87.5*	*(4.6)*
Sales abroad	5,102	*6.8*	4,849	*5.8*	*5.2*
TOTAL REVENUE like-for-like perimeter	74,781	*100.0*	77,926	*93.3*	*(4.0)*
Pomodorissimo Santa Rosa revenue	(3)	*0*	5,575	*6.7*	*n.s.*
TOTAL REVENUE	74,778	*100.0*	83,501	*100.0*	*(10.4)*

(a) Valsoia Bontà e Salute, Vitasoya, Naturattiva brands
(b) SantaRosa (jams), Diete.Tic, Weetabix brands
(c) Supplements, Industrial products

(*) = *the figures for 2018 have been reclassified in order to make them consistent with those for the current year. Specifically, sales revenues from the "Miscellaneous Gender" category under the Valsoia Bontà e Salute brand and sales revenues from the "Pomodorissimo" line, which were previously included in the revenues of the Food Division, were included in the Health Division.*

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

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

Description	12.31.2019	12.31.2018
Other revenue and income:		
- Cost of use of third party assets	310	215
- Capital gains on sale of assets	1	49
- Other	1,025	402
Total Other revenue and income	1,336	666

The cost of use of third party assets is to be attributed to business and promotional costs incurred pursuant to distribution agreements charged back to the counterparty, as well as to the recovery of the costs incurred on behalf of third parties.

Other revenues refer to out-of-period income, operating grants and also include the consideration agreed following the Licensing contract with third parties for the Santa Rosa “Pomodorissimo” line.

Note (25) - Operating costs

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Purchase costs		
- Raw materials	12,094	12,349
- Ancillary materials	1,711	1,811
- Consumable materials	504	486
- Finished products and goods	22,955	27,400
Total Purchases	37,264	42,046
Services		
- Industrial	3,642	3,856
- Marketing and sales	10,089	11,143
- Administrative and general	3,546	3,725
Total Services	17,277	18,724
Cost of use of assets owned by other, of third party assets	88	564
Labour costs		
- Wage and salaries	6,840	6,640
- Social security charges	2,617	2,422

- Post employment benefits	12	9
- Other labour costs	38	38
- Personnel charges pursuant to SOP	144	744
Total labour costs	9,651	9,853
Change in inventories of raw materials	103	(181)
Other overheads	999	961
TOTAL OPERATING COSTS	65,382	71,967

During the year, costs relating to Cost of sales, other than those directly linked to sales (logistics costs), fell due to the effect of the November 2018 signing of the Licensing contract with third parties for the Santa Rosa brand "Pomodorissimo" line.

The item *Cost of use of assets owned by other, of third party assets* is impacted by the accounting effects resulting from the application, starting from 2019, of the accounting standard IFRS16.

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. It also includes EUR 100 thousand in stock option charges relating to the 2016 -2019 SOP, and EUR 44 thousand relating to the 2019-2022 SOP, as better described in *Note 23) Shareholders' equity*.

As at December 31, 2019, the workforce of the company was composed as follows:

Description	12.31.2019	12.31.2018
Executives	10	10
Employees and managers	88	92
Factory workers	23	23
Co.co.co.	1	1
Total employees	122	126

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

The item Other overheads breaks down as follows:

Description	12.31.2019	12.31.2018
Other overheads:		
- Taxes and excise license	120	123

- Credit losses	48	106
- Capital loss from asset disposal	3	7
- Contingent liabilities	236	229
- Membership fees	167	163
- Other charges	425	333
Total Other overheads	999	961

The Other charges mainly consist of costs for the disposal of obsolete products, contingent liabilities, entertainment costs and contributions to trade associations.

Contingent liabilities refer to operating costs recognised in the period pertaining to previous years.

In addition, lower losses for the year were recorded in line with the reduction in trade receivables at the closing date compared to December 31, 2018.

Note (26) – Amortisation and depreciation

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Amortisation of Intangible assets	536	479
Depreciation of Property, plant and equipment	1,256	1,534
Amortisation of right-of-use assets	574	0
Total amortisation and depreciation	2,366	2,013

With reference to the item “Amortisation of right-of-use assets”, reference should be made to that described previously in the point on “Change in Accounting standards” under “Lease accounting - Accounting model for the lessee”.

The decrease in depreciation on property, plant and equipment is due to the end of the depreciation of plant and machinery at the Sanguinetto facility. For more details on changes in fixed assets, reference should be made to Notes 7), 8) and 9).

Note (27) – Net financial income/charges

This item breaks down as follows:

Description	12.31.2019	12.31.2018
Interest income and other financial income	29	13

Interest expense and bank charges	(185)	(209)
Foreign exchange gains/(losses)	6	7
Total Net financial income/(charges)	(150)	(189)

Financial income comprises primarily interest income from current bank accounts and from forward purchase operations in addition to interest expense on non-current loans.

Financial charges are represented primarily by foreign currency discount expenses recognised to customers.

In the period closed at December 31, 2019, a total profit on currency exchange was recorded for EUR 6 thousand.

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

Note (28) – Taxes

This item breaks down as follows:

Description	12.31.2019	12.31.2018
IRES - IRAP Income taxes	(1,228)	(1,057)
(Advance)/deferred taxes	(154)	(1,182)
Taxes - non-recurrent effects (Patent Box)	431	3,277
Taxes - non-recurrent effects (realignment Santa Rosa trademark)	(453)	898
Total Taxes	(1,404)	1,936

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 11), Deferred tax assets* herein.

Non-recurring tax effects relate to:

(i) During 2018, the Company executed an agreement with the Tax Authorities, as set forth in the applicable regulations, in order to determine in advance the criteria to be adopted for the identification of the positive and negative subsidised components of the revenue, pursuant to art. 1, paragraph 39 of Italian Law no. 190 of December 23, 2014 (the "Patent Box"). The Patent Box is a subsidised fiscal system introduced with the Italian Stability Law 2015, which grants a 50% exemption (reduced by 30% for 2015 and 40% for 2016) of the income taxes of the Companies (IRES and IRAP) for the part of the revenue generated by the exploitation of intellectual properties (trademarks, patents, designs and models, software and know-how). The system is characterised by a five-year mandatory lock-in period with renewable option. The agreement signed by the Company refers to the five-year period 2015-2019; the tax benefit for 2019 amounts to EUR 431 thousand. These positive impacts, in view of the fact that current legislation excludes the renewal of the relief for the economic exploitation of the Trademarks, have been recorded under “Taxes - non-recurring tax effects”.

(ii) the realignment for tax purposes of the Santa Rosa trademark that the Company carried out as at December 31, 2019. This transaction, carried out pursuant to and for the purposes of Article 1 of Law 160 of 27-12-2019 - 2020 Budget Law - aims to obtain, through the payment of a substitute tax, the realignment of tax values to the higher values recorded in the financial statements for this brand. For 2019 the substitute tax amounts to EUR 453 thousand, payable in three annual instalments, with the recognition of tax payables of the same amount.

We provide below the reconciliation between the theoretical and effective tax at 12.31.2019 and 2018.

Description	2019			2018		
	Taxable amount	Tax	Rate %	Taxable amount	Tax	Rate %
Pre-tax profits	8,608			8,162		
Total theoretical IRES	8,608	2,066	24.0	8,162	1,959	24.0
Labour costs	9,650			9,853		
Net financial charges	150			189		
Total theoretical IRAP	18,408	718	3.9	18,204	710	3.9
Total theoretical tax burden	8,608	2,784	32.3	8,162	2,669	32.7
“ACE” effect		(134)			(133)	
IRAP deductions		(346)			(344)	
Other perm. tax recoveries/(deductions)/ net effect		(921)			47	
Total current taxes	8,608	1,383	16.1	8,162	2,239	27.4
Non-recurrent tax effects		21			(4,175)	
Total taxes for the year	8,608	1,404		8,162	(1,936)	n.a.

Note (26) - Basic and diluted earnings per share

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

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

Positions or transactions deriving from atypical and/or unusual operations

During the year ended December 31, 2019, in addition to the above, there were no events/transactions falling within the scope of Consob Communication DEM/6064293 of July 28, 2006. As instructed in said Communication, "atypical and/or unusual transactions are those that, because of their significance, importance, nature of the counterparties, purpose of the transaction, method for determining the transfer price or time of their occurrence (close to the end of the year), could give rise to doubts relating to: the accuracy and completeness of the information in the financial statements, a conflict of interest, the safeguarding of the company's assets or the protection of non-controlling shareholders".

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

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

Holding company	revenue/(costs)	receivables/(payables)		inc./(payments)
	FY 2019	01.01.2019	12.31.2019	FY 2019
Finsalute S.r.l.	5	2	2	6
Total transactions with the holding company	5	2	2	6

During the year, the following related party transactions, including with the subsidiary Valsoia Pronova d.o.o., were carried out at arm's length.

Related party	revenue/(costs)	receivables/(payables)		inc./(payments)
	FY 2019	01.01.2019	12.31.2019	FY 2019
Membership fees	(110)	(0)	(0)	(120)
Directors' fee	(10)	(10)	(10)	(13)
Purchase of goods and services	117/(162)	47	24	(43)
Relationship to subsidiary (Valsoia Pronova)	322/(34)	192	127	353
Total transactions with related parties	439/(316)	239(10)	151(10)	353(176)

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

Information required by article 149-duodecies of CONSOB Issuers' Regulation

The following schedule, prepared pursuant to article 149-duodecies of the CONSOB Issuers' Regulation, shows the consideration payable and the expenses for 2019 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	81
- Cost reimbursement and contr. Consob	13
- Other consultancy	17
- Expenses on other consultancy	2
Total remuneration	113

Remuneration of the Statutory Auditors and the Directors

Pursuant to Consob Resolution 11971/99 (Issuers' Regulation), the remuneration paid or which is attributable for 2019 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, 2019.

Report on transparency regarding public funds

They are summarised below, as required by Art. 1 paragraphs 125 - 129 of Law 124/2017, as amended by Art. 35 of Law 34/2019, public disbursements made to Valsoia Spa during FY 2019 for at least EUR 10 thousand in the period considered.

Funding Entity	Type of funding	Amount 2019
Ministry of Economic Development	Contrib. R&D 2017-2018	136
Ministry of Economic Development	Contrib. for advertising bonus	16
Ministry of Economic Development	Contrib. for employee training	8
GSE – Gestore Servizi Elettrici	Contrib. for Photovoltaic energy production	43

Funding Entity	Type of funding	Amount 2019
	plant	
Tax Authorities	Tax benefit “Patent Box” FY 2019	431
TOTAL		634

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

Events following the close of the financial year

No significant events took place after the reporting period.
Late February time as the health alert (Covid-19), the Company took action, in line with the indications of the competent authorities, to guarantee the safety and security of all stakeholders, assuring business continuity. At the date of preparation of this Report, there were no significant economic or financial effects.

Allocation of profit for the year

Dear Shareholders, the Financial Statements that we submit to your attention show a profit of EUR 7,204,431.00

We propose to allocate:

- to the extraordinary reserve:	EUR	3,154,390.24
- a dividend of EUR 0.38 for each of the 10,658,002 shares totalling:	EUR	4,050,040.76

We hereby propose that the dividends be paid on May 6, 2020, with record date May 5, 2020 and ex-date May 4, 2020.

Bologna, March 13, 2020

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

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

STATEMENT PURSUANT TO ART. 154 BIS, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE NO. 58/98

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

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

of the administrative and accounting procedures for the preparation of the Financial Statements at December 31, 2019.

It is also hereby certified that:

a) the financial statements as at and for the year ended December 31, 2019 fully reflect the accounting records and books;

b) the financial statements for the year ended December 31, 2019 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, 2020

General Manager
Chief Executive Officer

Andrea Panzani

Manager in charge
of financial reporting

Nicola Mastacchi

5 / Indipendent Auditors Reports

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

(Translation from the Italian original which remains the definitive version)

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

To the shareholders of
Valsoia S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Valsoia S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2019, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Valsoia S.p.A. as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill and the Santa Rosa trademark

Notes to the financial statements: note "Measurement criteria and accounting standards", paragraphs "Goodwill", "Intangible assets", "Impairment test", "Use of estimates", note 6 "Goodwill" and note 7 "Intangible assets".

Key audit matter	Audit procedures addressing the key audit matter
In 2012, after the merger of J&T Italia S.r.l., the company recognised goodwill which it allocated to the "Santa Rosa" cash-generating unit ("CGU") and its carrying amount is €3,230 thousand as at 31 December 2019. As a result of the same transaction, the company recognised the "Santa Rosa" trademark, which is classified as an intangible asset with an indefinite useful life and has a carrying amount of €20,060 thousand as at 31 December 2019. The directors tested the carrying amount of the CGU for impairment in order to identify any impairment losses compared to its recoverable amount. The impairment test was approved on 13 March 2020. The directors estimated the recoverable amount using the discounted cash flow model to calculate the value in use of the CGU, based upon the forecasted cash flows in the 2020-2024 business plan (the "plan"), approved by the company's board of directors on 13 March 2020. Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of company's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows. For the above reasons, we believe that the recoverability of the goodwill and trademark allocated to the "Santa Rosa" CGU is a key audit matter.	Our audit procedures included: — understanding the process adopted by the company to prepare the plan and the impairment test; — assessing any discrepancies between the previous year historical and business plan figures, in order to assess the accuracy of the forecasting process; — analysing the criteria used to identify the "Santa Rosa" CGU and tracing the carrying amounts of the assets and liabilities allocated thereto to the financial statements; — analysing the reasonableness of the expected cash flows and the main assumptions used by the directors to determine the CGU's value in use, the discount rate and the terminal value's growth rate. Our analysis included comparing the main assumptions used against historical data and external information, where available; — comparing the cash flows used for impairment testing to the cash flows forecast in the plan; — examining the comparison of the CGU's value in use to the company's market capitalisation prepared by the directors to analyse the reasons for any difference and assess the reasonableness of its value in use; — checking the sensitivity analysis presented in the notes in relation to the main assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Recoverability of goodwill and the Diete.Tic trademark

Notes to the financial statements: note "Measurement criteria and accounting standards", paragraphs "Goodwill", "Intangible assets", "Impairment test", "Use of estimates", note 6 "Goodwill" and note 7 "Intangible assets".

Key audit matter	Audit procedures addressing the key audit matter
On 2 October 2017, after the acquisition of the "Diete.Tic" business unit, the company recognised goodwill which it allocated to the "Diete.Tic" cash-generating unit ("CGU") and its carrying amount is €4,968 thousand as at 31 December 2019. As a result of the same transaction, the company recognised the "Diete.Tic" trademark, which is classified as an intangible asset with a finite useful life and has a carrying amount of €1,086 thousand as at 31 December 2019. The directors tested the carrying amount of the CGU for impairment in order to identify any impairment losses compared to its recoverable amount. The impairment test was approved on 13 March 2020. The directors estimated the recoverable amount using the discounted cash flow model to calculate the value in use of the CGU, based upon the forecasted cash flows in the 2020-2024 business plan (the "plan"), approved by the company's board of directors on 13 March 2020. Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of company's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows. For the above reasons, we believe that the recoverability of the goodwill and trademark allocated to the "Diete.Tic" CGU is a key audit matter.	Our audit procedures included: — understanding the process adopted by the company to prepare the plan and the impairment test; — assessing any discrepancies between the previous year historical and business plan figures, in order to assess the accuracy of the forecasting process; — analysing the criteria used to identify the "Diete.Tic" CGU and tracing the carrying amounts of the assets and liabilities allocated thereto to the financial statements; — analysing the reasonableness of the expected cash flows and the main assumptions used by the directors to determine the CGU's value in use, the discount rate and the terminal value's growth rate. Our analyses included comparing the main assumptions used against the historical data and external information, where available; — comparing the cash flows used for impairment testing to the cash flows forecast in the plan; — examining the comparison of the CGU's value in use to the company's market capitalisation prepared by the directors to analyse the reasons for any difference and assess the reasonableness of its value in use; — checking the sensitivity analysis presented in the notes in relation to the main assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

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

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

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the directors' report and a report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

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

Bologna, 31 March 2020

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

6 /

Report of the Board of Statutory Auditors to the Financial Statements

VALSOIA S.p.A.

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

Share capital € 3,517,140.66 fully paid-up

Registered with the Companies Register of Bologna under no. 02341060289

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Report from the Board of Statutory Auditors to be presented to the Shareholders' Meeting pursuant to Art. 153 of Italian Legislative Decree no. 58/1998 (the "Consolidated Law on Finance") and Art. 2429 of the Italian Civil Code, paragraphs 2 and 3

Shareholders,

In this report, prepared in accordance with Art. 153 of Legislative Decree no. 58/98 (the "Consolidated Law on Finance"), the Board of Statutory Auditors of Valsoia S.p.A. reports to you on the supervisory duties carried out and the related results.

During the year ended December 31, 2019, the Board of Statutory Auditors has carried out the supervisory activities, as explained hereinafter, required by law, also taking into account the Consob communications with regard to the corporate controls and activities of the Board of Statutory Auditors and "Principles of conduct applicable to the Board of Statutory Auditors in regulated markets", recommended by the National Board of Accountants and Auditors.

The statutory audit is carried out by KPMG for the nine-year period 2015-2023, in accordance with Legislative Decree no. 58/1998 and Italian Legislative Decree no. 39/10, to whose reports reference is made.

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

- we have participated in all Shareholders' Meetings and meetings of the Board of Directors held during the year and have obtained from the Directors, with the frequency required by Law, information on the activities carried out and general management activities and their foreseeable developments, as well as on transactions of major economic and financial significance carried out by the Company and by Subsidiaries;
- we have ascertained that the actions taken and implemented were compliant with the Law, with the articles of association and with the resolutions of the Shareholders' Meeting and were in line with standards of correct administration;
- we have obtained knowledge of the Company's activities and monitored these activities within our areas of competence. The aforementioned knowledge was obtained by means of direct checks, collection of information from the managers of the departments concerned and from the Manager in charge of financial reporting, and exchanges of data and information with the Independent Auditors KPMG S.p.A.;

- we have also organised meetings with members of various Company departments to check that the organisational structure is suitable both for the achievement of corporate objectives and for strengthening the internal control system;
- we have assessed and checked the suitability of the administrative and accounting system as well as its reliability for accurately representing operational facts by obtaining information from the Manager in charge of financial reporting, the examination of Company documents and analysis of the work carried out by external auditors, who provided over the course of the year the results of their controls of the Company's regular bookkeeping, without showing any relevant or censurable facts to be reported;
- we have verified the adequacy, in terms of methodology, of the impairment testing process to which the assets of the financial statements concerned have been subjected;
- we have found the internal control system to be effective, with the understanding that it is a structure aimed at providing the tools for ensuring compliance with the laws and Company provisions and procedures, both operational and administrative, with reference to which improvements are made to the mechanisms for checking and updating said procedures with the development of risk-processing management, reviewed annually; in particular the corporate governance report has ample space reserved for the activities carried out to protect the financial information process, which are also relevant in with regard to the provisions of art. 19, paragraph 1, letter a), of Legislative Decree 39/2010;
- we have ascertained the suitability of the provisions issued by the Company to its subsidiary in accordance with art. 114, paragraph 2, of Legislative Decree 58/98;
- we have examined, through both direct checks and the information received from the Independent Auditors, compliance with laws relating to the preparation of the financial statements, with particular regard to the statements adopted, to their content and to the IFRS applied;
- we have ascertained that Valsoia S.p.A. is not required to prepare consolidated financial statements in view of the negligible amounts presented by Companies in which it holds a stake;
- we have ascertained the completeness of the Directors’ Report drafted in accordance with art. 2428 of the Civil Code and its suitability in providing a clear and appropriate representation, including of the progress of the Company's activities, summarized in the statements of financial performance contained therein. This Report, among other things, (i) provides sales results with regard to individual product groups, (ii) shows the net financial position at the end of the year and provides a summary of flows, (iii) describes, indicating the amounts, transactions carried out with related counterparties further more concluded at arm's length, (iv) shows the research and development activities carried out, (v) shows the main financial performance indicators, (vi) shows the financial risks and other principal risks and uncertainties deriving from activities, with particular reference to the risks connected with the spread of the contagion from Covid-19, the measures adopted in line with the competent authorities and current provisions, to guarantee the security of all stakeholders

and assure business continuity, applying the appropriate health and safety protocols, not envisaging any significant impacts in terms of turnover, as the company produces and markets food products, whose chain is still open, (vii) having noted the disclosure given in the Notes, relative to the health emergency linked to Covid-19, an event classified amongst those subsequent to the Financial Statements reference date, pointing out that as at the reporting date, no significant economic or financial effects are noted; (viii) shows complete observance of the laws and regulations and in particular with regard to information concerning ownership and control structures (pursuant to Art. 123 *bis* of the Consolidated Law on Finance) it refers to a specific Report on Corporate Governance and Ownership Structures drafted pursuant to Art. 123 *bis* of Legislative Decree 58/1998 by the Board of Directors giving reasons, in our view adequate, for the decision not to adhere to codes of conduct regarding corporate governance;

- we have noted that on March 13, 2020 the Board of Directors decided to approve the Report on Remuneration pursuant to art. 123 *ter* of the TUF and art. 84 *quater* of Consob resolution no. 11971/99, the " Issuers' Regulation";
- we have verified and evaluated all periodical reports and communications made available to the public by the Company, as well as the fulfilment of the Consob's disclosure obligations.

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

Within the Company's Board of Directors, consisting of nine members, there are seven non-executive Directors, three of whom were classified by the Board of Directors as independent. The Board of Directors has verified compliance with the independence requirements, set out by art. 148, paragraph 3, of Legislative Decree 58/98, of the three Directors, concluding that the Board of Directors fully satisfies the provisions of art. 147-*ter*, paragraph 4 and 148, paragraph 3 of Legislative Decree 58/98.

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

1. Transactions of major economic and financial significance carried out by the Company have been calculated in accordance with the law and with the Company's articles of association. On the basis of the information obtained we were able to ascertain that these transactions were not manifestly imprudent, risky or involving a potential conflict of interest or contrary to resolutions of the shareholders' meeting or such as to compromise the integrity of the Company's assets.
2. We have not found or received information from the Board of Directors and the Independent Auditors with regard to the existence of atypical and/or unusual transactions carried out over the course of the year with companies of the Group, related parties or third parties worthy of reporting other than those already indicated in the Company's financial statements. The Directors, in their Directors' Report and explanatory notes and comments, have appropriately described and illustrated the main transactions with third parties and related parties, which furthermore were concluded under normal market conditions, describing their characteristics and economic effects.

We have also watched over the application of all the related corporate procedures, which were updated with a resolution of the Board of Directors dated May 23, 2019 and are available for consultation on the Company's website.

3. During the year, no notifications were made to the Board of Statutory Auditors in accordance with art. 2408 of the Civil Code or made to the Board of Statutory Auditors by shareholders or third parties.
4. We have no comments to make with regard to correct administration standards, which appear to have been constantly observed and in line with the Company's interests.
5. We have no comments to make about the general appropriateness of the organisational structure for efficiently pursuing the Company's objectives. In view of the above, the Board of Statutory Auditors considers that the internal control system is capable of supporting the orderly implementation of the Company's management.
6. The Company has adopted the Organisational Model that is set forth in Italian Legislative Decree no. 231/2001 ("Model 231") aimed at preventing the performance of unlawful actions, pursuant to the Decree, and consequently, the application to the Company of administrative liability. The Board has met, on a regular basis, with the Supervisory Body for a mutual exchange of information on the activities carried out, and has reviewed the yearly report dated February 24, 2020 where no censurable facts or violations of the Model adopted by the Company were identified, nor were there any acts or conducts involving a violation of the provisions contained in the Legislative Decree 231/2001.
7. We acknowledge that the Company has adopted a "General Data Protection Regulation" model ("GDPR") pursuant to the EU Regulation 2016/679.
8. In 2019, the Board of Statutory Auditors has held 10 meetings and has issued its opinions as required by the law. In 2019, the Board of Directors has held 7 meetings in which the Board of Statutory Auditors has always participated.
9. As regards the overseeing of the statutory audit of the accounting books, pursuant to art. 19, paragraph 1 of Legislative Decree 39/10, the Board of Statutory Auditors, in its capacity as the "Committee for internal control and auditing" has carried out periodical meetings with the managers of the Independent Auditors, also pursuant to art. 150, paragraph 3 of Legislative Decree 58/98 and art. 19 paragraph 1 of Legislative Decree 39/2010. Over the course of systematic meetings between the Board of Statutory Auditors and the External Auditors, in accordance with art. 150, paragraph 3, of Legislative Decree no. 58/1998, no relevant aspects to be reported emerged. The Board of Statutory Auditors has received analytical information with regard to the impairment tests carried out by the Company to confirm the values recorded – with regard to the Financial Statements at December 31, 2019 – for the "Santarosa" brand and goodwill and the "Diete.Tic" brand and goodwill. The corresponding details are provided by the Directors in the

financial statements in accordance with international financial reporting standards and Consob recommendations.

10. On March 31, 2020 the Independent Auditors KPMG S.p.A. also presented to the Board of Statutory Auditors, in its capacity as the Committee for internal control and auditing, the Additional Report set out by art. 11 of EU Regulation no. 537/2014, showing no significant shortcomings in the internal control system in relation to the financial disclosure process that need to be brought to the attention of those responsible for governance activities. In the Additional Report, the Independent Auditors included the disclosure on subsequent events in respect of the events that had occurred after year end - namely Covid-19 - amongst the significant aspects, acknowledging that no significant aspects had emerged worthy of note. As an annex to the Additional Report the Independent Auditors have provided a declaration relating to independence, as required by art. 6 of EU Regulation no. 537/2014, showing no situations that could compromise independence. Finally, the Board of Statutory Auditors has acknowledged the Transparency Report prepared by the Independent Auditors published on its own website pursuant to art. 18 of Legislative Decree 39/2010.
11. The Independent Auditors, KPMG S.p.A., on March 31, 2020 issued, in accordance with art. 14 of Legislative Decree no. 39/10 and art. 10 of EU Regulation no. 537/2014, the Report on the auditing of the financial statements for the year ended December 31, 2019. With regard to the opinions and attestations, the Independent Auditors, in the Audit Report on the financial statements, have:

– issued an opinion that Valsoia S.p.A.'s financial statements for the year provide a truthful and accurate representation of Valsoia S.p.A.'s financial situation at December 31, 2019 and of its profit and loss and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards adopted by the European Union as well as orders issued in implementation of art. 9 of Legislative Decree no. 38/05;
– issued an opinion with regard to the consistency that the Directors' Report accompanying the financial statements and certain specific information contained in the Report on Corporate Governance and Ownership Structures indicated in art. 123 *bis* of Legislative Decree 58/1998, for which the Company's directors are responsible, are drafted in accordance with the law;
– declared, with regard to any significant errors in the Directors' Report, on the basis of their knowledge and understanding of the Company and the corresponding context acquired over the course of the audit activities, that there is nothing to report. The Notes to the Financial Statements show details, in accordance with art. 149 *duodecies* of the Consob issuers' regulation, of the payments for 2019 for audit services and for miscellaneous services, with the following details:

-	Audit of the accounts and certification	€	81,000
-	Reimbursement of Consob contributions and expenses	€	13,000
-	Other consultancies	€	17,000
-	Expenses on other consultancy	€	2,000

12. As regards the restrictive measures implemented to limit Covid-19, the application of all health and safety protocols, in complete compliance with the provisions of the Ministry of Health, caused the board meeting of March 13, 2020, which licensed the 2019 annual financial information, to be held on a conference call, thereby also requiring the Board of Statutory Auditors to operate exclusively through meetings held from "remote" positions, for all aspects assigned to it. As regards the annual shareholders' meeting, the Board notes that Decree Law no. 18/2020 authorises the holding of ordinary and extraordinary shareholders' meetings "behind closed doors", allowing the companies to envisage, in the call notices and also by way of derogation from the statutory provisions, use of such instruments - i.e. correspondence voting, electronic voting, attendance of shareholders' meetings using telecommunication means and designate representative - that allow the meeting to be attended and votes cast, without the shareholders having to be physically present in a single venue. In this regard, the Board will be liaising closely with the Board of Directors to ensure that the Shareholders' Meetings can be held ordinarily and shareholders' rights exercised regularly in compliance with said provisions.
13. With regard to the approval of the Financial Statements, the Board of Statutory Auditors reports that on March 13, 2020 the Board of Directors approved the draft Financial Statements as at December 31, 2019, which along with the Directors' Report was made available to the Board of Statutory Auditors on the same date. On March 13, 2020, the Managing Director and the Manager in charge of financial reporting issued the certifications required by art. 154 *bis*, paragraphs 3 and 4, of Legislative Decree 58/98.
14. In conclusion, we attest that our supervisory activities have not revealed any omissions, censurable facts or irregularities to be reported to shareholders. Please remember that our appointment has now drawn to an end with the end of the three-year period of the mandate. We would like to thank the Directors and Managers for their constant collaboration and ask that the new Board of Statutory Auditors now be appointed for the three-year term of office 2020-2022.

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In view of the above, the Board of Statutory Auditors declares that it has no objection to the approval of the Financial Statements for the year ended December 31, 2019 and to the proposed allocation of profits, which is as established by law and by the Company's articles of association.

Bologna, March 31, 2020.

The Board of Statutory Auditors
(signed on the original)

Gianfranco Tomassoli

Massimo Mezzogori

Claudia Spisni

VALSOIA SpA

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