# Condensed Interim Financial Statements at June 30, 2020

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

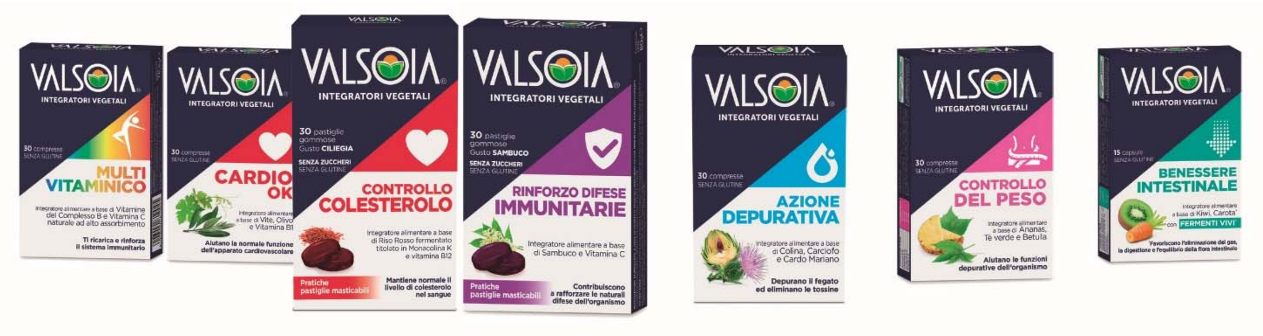
Our constant focus on recipes, the creation of new tastes and the selection of raw materials has led to improvement in the flavours and the realization of new proposals, so as to satisfy the ever-growing variety and complexity of the demand for nutritious foods.

## 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.




## *News:*

## *VALSOIA'S LINE PLANT SUPPLEMENTS*

Line of herbal supplements with
NATURAL FUNCTIONAL INGREDIENTS
studied by the Valsoia research laboratories

Also suitable for a VEGAN diet, all the products of the Valsoia's line supplements are NO:
SUGAR, GLUTEN, LACTOSE, DYES, PRESERVATIVES AND TITANIUM DIOXIDE.

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# 1 / General information

# GENERAL INFORMATION

## Corporate offices and positions

### Board of Directors [1]

| | |
|---|---|
| Chairman | Lorenzo Sassoli de Bianchi |
| Deputy Chairman | Furio Burnelli |
| Chief Executive Officer and General Manager [2] | Andrea Panzani |
| Directors | Susanna Zucchelli |
| | Francesca Postacchini |
| | Gregorio Sassoli de Bianchi |
| | Camilla Chiusoli |
| | Patrizia Fogacci |

### 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 | Maria Luisa Muserra |
| | Giulia Benini [3.1] |

### Independent Auditors [4]

KPMG S.p.A.

### Manager in charge of financial reporting [5]

Nicola Mastacchi

(1) Appointed on April 27, 2020, in office until the approval of the 2022 Financial Statements.

(2) Chief Executive Officer (since April 23, 2015) and General Manager (since February 04, 2014).

(3) Appointed on March 13, 2020, in office until the approval of the 2022 Financial Statements.

(3.1) Internal member, Legal Specialist of Valsoia S.p.A. since November 2018;

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

(5) Appointed by the Board of Directors on May 23, 2019, Manager of Valsoia S.p.A., Statutory Auditor.

## 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: Euro 3,524,532.66

Tax Code and registration number in the Companies Register of Bologna: 02341060289

VAT no.: 04176050377

Enrolment with the Chamber of Commerce of Bologna: BO-338352

Production facility:

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

The structure of the Valsoia Group, at the period-end date, in addition to the parent company Valsoia S.p.A., included the following subsidiary:

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

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

The Company has no branch offices.

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

# 2 / Interim Management Report

Condensed Interim Financial Statements at June 30, 2020

# INTERIM MANAGEMENT REPORT

## KEY FINANCIAL HIGHLIGHTS

| Income statement ratios (EUR 000) | 06.30.2020 | | 06.30.2019 | | Change | |
|---|---|---|---|---|---|---|
| | EUR | % | EUR | % | EUR | % |
| Sales revenue (total) | 43,447 | *100.0* | 37,071 | *100.0* | 6,376 | *17.2* |
| Value of production | 44,548 | *102.5* | 38,651 | *104.3* | 5,897 | *15.3* |
| Gross Operating Result (EBITDA) (*) | 7,557 | *17.4* | 5,355 | *14.4* | 2,202 | *41.1* |
| Net operating result (EBIT) | 6,417 | *14.8* | 4,183 | *11.3* | 2,234 | *53.4* |
| Net profit for the period | 4,584 | *10.6* | 3,002 | *8.1* | 1,582 | *52.7* |

*(*) 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. This result is (positively) impacted by the application of IFRS 16 "Leases" for a value of EUR 287 thousand with reference to the EBITDA value at 06/30/20 and EUR 287 thousand with reference to that at 06/30/2019*

| Financial ratios (*) (EUR 000) | Value | | | Changes 06.30.20 | |
|---|---|---|---|---|---|
| | 06.30.20 | 12.31.19 | 06.30.19 | Vs 12.31.19 | Vs 06.30.19 |
| Net working capital | 3,338 | 2,127 | 3,263 | 1,211 | 75 |
| Non-current assets | 42,453 | 43,147 | 42,963 | (694) | (510) |
| Net Fin. Position - positive - (**) | 25,820 | 25,404 | 20,433 | 416 | 5,387 |

(*) With regard to the composition of the Items indicated, see the Notes at the end of this Report.

(**) The figures include the (negative) effect on the NFP deriving from the application of IFRS 16, equal to: EUR (956) thousand at 06/30/19; EUR (2,098) thousand at 12/31/2019 and EUR (2,077) thousand at 06/30/20.

## MAIN EVENTS FOR THE PERIOD AND BUSINESS PERFORMANCE

In the first six months of 2020, the Company has recorded, on a like-for-like basis, Sales revenue of EUR 43.4 million versus EUR 37.1 million in the same previous period, showing a +17.2% increase compared with the first six months of 2019.

Already during the first two months of the year, Sales revenue showed a positive trend, which continued with an additional acceleration during the following months of March and April, marked by the COVID-19 pandemic health emergency.

Even during the “Phase two” months (May and June), sales maintained this positive trend, albeit to a more limited degree, both in Italy and in the Export markets.

The increase in sales recorded during the first half is due both to the growth of “Valsoia Bontà e Salute” brand products and to the positive trend of all Food Division products (Santa Rosaconfetture, Dietetic, Weetabix).
The Company’s brands’ market shares have grown significantly in virtually all the segments covered, both “food” and “healthy”.

Export sales have also shown strong growth, recording a positive increase in revenues of +44% during the half-year as compared with the same period of last year.
The increased food stocks of families during the lock-down months positively impacted the trend of Sales revenue in March and April 2020.

In the period under review, the Company managed a increase in the cost of products sold and operations trought, absorbing the higher costs caused by rises in certain commodity prices, coupled with extraordinary expenses deriving from the necessary adjustments to comply with safety and protection rules for its employees and stakeholders brought about by the health emergency.

It managed to keep both commercial expenses (marketing, trade marketing and sales) and structural costs under control and in line with the provisions of the annual marketing plans.
More specifically, major investments have been made in "communications" for all of the Company’s brands, from March and throughout the lock-down period. Advertising planning continued during May and June with the start of the campaign in support of the ice cream season.

The operating margin in the first half of the year (EBITDA) amounted to EUR 7.6 million (up by EUR +2.2 million versus the same period of 2019), showing an improvement in the operating margin ratio (EBITDA margin) of 17.4% versus 14.4% in the same period last year.
Net profit for the period, as a result of that described, came to EUR 4.6 million (up on the same period of 2019 by EUR 1.6 million (+53%)) with an improvement realized in the percentage index that goes from 8.1% of the same period of last year to 10.6% in the half-year of 2020 just ended.

The number of employees is stable compared with December 31, 2019.

The following table shows the sales revenue broken down by business area.

| Description (EUR 000) | 06.30.2020 | | 06.30.2019 | | Change |
|---|---|---|---|---|---|
| | EUR | % Inc. | EUR | EUR | % |
| Health Food Products Division (a) | 23,687 | *54.6%* | 21,867 | *59.0%* | *+8.3%* |
| Food Products Division (b) | 13,523 | *31.1%* | 10,445 | *28.2%* | *+29.4%* |
| Others (c) | 2,700 | *6.2%* | 2,301 | *6.2%* | *+17.3%* |
| TOTAL ITALIAN REVENUE | 39,910 | *91.9%* | 34,616 | *93.4%* | *+15.3%* |
| Sales abroad | 3,537 | *8.1%* | 2,458 | *6.6%* | *+43.9%* |
| TOTAL REVENUE | 43,447 | *100%* | 37,071 | *100%* | *+17.2%* |

(a) Valsoia Bontà e Salute, Vitasoya, Naturattiva trademarks
(b) Santa Rosa (preserves), Diete.Tic, Weetabix trademarks
(c) Total revenue from Industrial Products and Supplements

As already mentioned, starting March, the Company decided to continue its key support of all its brands through strong media planning, which was particularly effective given the extraordinary circumstance during the period for the customer audience. We note in particular the interesting growth in the number of “Treating Families” for each of the product lines of the “Valsoia Bontà e Salute” brand and the Santa Rosa Confetture and Dietetic brands.

This expansion of the treating pool, coupled with a more general focus of consumer choices on brand leaders, increased consumption of the Company’s brands that strengthened their leadership position, significantly increasing their market share against the competitors and thereby consolidating a trend that was already in place prior to the health emergency.

Consequently, the turnover of all Company divisions is up during the half-year, as shown in the summary table. This positive performance is recorded substantively across all product lines of the various brands of the operating companies in their respective market segments.

The performance of the "Santa Rosa” and “Dietetic” brands is of considerable relevance particularly important (they recorded respectively a half-year performance of + 34.5% and + 17.9%), having benefited from the increase in domestic consumption during the lock-down period.

In a similar fashion, the “Valsoia Bontà e Salute” brand, which had recorded an increase in its market share in 2019, as now consolidated this trend, also improving period revenues by +8.3%.

During the course of the six months, the company successfully launched certain innovative and strategic products:
- the “Gran Cono” gluten-free ice cream, a new recipe with natural ingredients;
- the “Super Burger” an innovative, extremely high quality product with just a few, simple ingredients, for the more

demanding consumers who are attentive to sustainability issues.

Further to this point, the presentation to the market and retailers ( starting May and June), of the innovative “Valsoia” branded “dietary supplement” line, is very important: this is a line of natural, 100% plant-based products created for large scale retail distribution.  The whole line includes products covering all the main categories of the supplements market and supported pharmaceutical quality, created to offer by the strength of the “Valsoia” brand. Presentation to retailers and consequent inclusions are currently in progress. The launch will be supported by a significant communication plan starting this coming autumn.

Finally, the results recorded by export presence and sales are of particular relevance, as they exceed 8% of the company’s total revenues, which is up +43.9% on the same period of last year.

## ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The following table shows the breakdown of the Net Financial Position at June 30, 2020, December 31, 2019 and June 30, 2019:

| Description (EUR 000) | 06.30.2020 | 12.31.2019 | 06.30.2019 |
|---|---|---|---|
| Cash | 3 | 3 | 2 |
| Current accounts and bank deposits | 35,397 | 36,245 | 28,477 |
| Current financial assets | 0 | 0 | 3,000 |
| **Total cash and cash equivalents** | **35,400** | **36,248** | **31,479** |
| Current loans and borrowings | (2,597) | (2,592) | (2,587) |
| Current operative lease payables (IFRS 16) | (523) | (537) | (535) |
| **Current net financial position** | **32,280** | **33,119** | **28,357** |
| Non-current loans and borrowings | (4,906) | (6,154) | (7,503) |
| Non-current operative payables for leases (IFRS 16) | (1,554) | (1,561) | (421) |
| **TOTAL NET FINANCIAL POSITION** | **25,820** | **25,404** | **20,433** |

The increase in the Net Financial Position, compared with the same period of the previous year, is EUR +5.4 million, to be essentially attributed to the net cash flows generated by corporate management over the previous 12 months, net of the investments and the distribution of dividends.

As at June 30, 2020, the Company’s comprehensive net financial position is positive for EUR 25.8 million (EUR 27.9 million excluding purely accounting effects of the application of IFRS 16), substantively in line with December 31, 2019

(EUR +0.4 million).
During the first half of 2020, current operations continued the positive generation of cash as evident in the operating cash flow of EUR 8.1 million. The increase in the change in net working capital, is due to the clear increase in period business volumes. The standard peak cash needs due to the seasonal nature of the ice cream business, absorbed liquidity for approximately EUR 2.6 million, furthermore, investments were made during the period to renew production plant and equipment for more than EUR 1.0 million.
In line with its policy, Valsoia S.p.A. also distributed dividends in the same period for EUR 4.1 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 foreign currencies, in US dollars.
The foreign exchange risk derives primarily from soy purchase transactions on the US dollar markets.
During the half-year, the Company carried out currency forward purchase operations. The financial impact of these operations, carried out for hedging purposes (but for which the hedge accounting option was not chosen) are fullyrecognised in the statement of comprehensive income for the period. In particular, at the closing date of the period, some foreign exchange transactions were being carry out on financial derivative products (forward purchases), the designation of which at fair value involved the recognition in the income statement, a negative component of EUR 1,415, which was also recorded in the Statement of financial position under Non-current payables due to banks, were being carried out.

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

*Interest Rate Risk*
Given the capital and financial structure, and in consideration of the conditions under which the outstanding loans were taken out (fixed rate), it is believed that the Company is not particularly exposed to the risk of changes in the interest rates.

*Cash and changes in Cash Flows risk*
Considering the positive net financial position and the strong capacity to generate cash flows from operations, the risk from changes in the cash flows is estimated to be relatively low. Valsoia was also granted significant credit facilities by the banks, not used to date, 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 overlooked that, similarly to any other company operating in the food sector, an 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) used 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, could 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 current Italian distribution. Even so, 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 and, each centre avails itself of a significant contractual power in defining terms and conditions, the 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, just over 1% of the Company's revenue derives from the distribution of third party products.

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

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

In late February, in a conjuction with the health alert for COVID-19, the Company took action, in line with the indications of the competent authorities, to guarantee the safety and security of all employees, stakeholders and consumers, whilot also assuring business continuity. From the early stages of the health emergency, Valsoia S.p.A. has continued operations, maintaing its business in the production and marketing of food products.

In particular, Valsoia has set up an in-house crisis committee, which has been operative since the very first day of the emergency. This committee continues to meet frequently to monitor developments and act accordingly. In general, right from the outset, the recommendations made and which continue to apply, were:

- to demand that all company employees 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;
- to apply smart working solutions wherever possible, for office staff and, as an alternative, only grant access to offices once body temperature has been measured;
- to apply, right from the outset, the maximum safety procedures for the production site and related activities (measurement of body temperature for all factory staff and all external workers involved in logistics/production - use of protective masks in all departments - careful verification of distancing between work stations);
- to suspend first, and thereafter limit to what is classified as strictly necessary, both commercial transfers and

business travel in general, including abroad.

Even after the issue of the Decree of the President of the Council of Ministers of May 17, 2020, which set forth the substantial reopening of all production activities, Valsoia S.p.A. continued to maintain all in-house health safety protocols (already in force from the start of “Phase 2”), giving the following instructions:

- continuity of smart working on a rotation basis, at least until the declared end of the “health emergency” and simultaneous reduction of the work stations that can be occupied for each office;
- different break hours within work;
- reporting of the maximum capacity permitted to all common areas at the entrance.

The Company also points out, during the period of the health emergency:

- for all employees, supplementary medical cover has been stipulated in the event of hospitalisation due to COVID-19 contagion;
- payment to the plant labour who, with it being impossible to apply smart working, in accepting responsibility for and complying with the safety protocols, have guaranteed presence and operations of the production departments.

From the point of view of business continuity, inventory levels and relationships with copackers and logistics platforms has 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.

Right from the very first day of the health emergency, the production, logistics and commercial chain in which Valsoia S.p.A. operates has always been kept open.For this reason, together with all the measures implemented to safeguard the health of all stakeholders, no negative effects have been seen in terms of turnover as a result of the COVID-19 health emergency.

Finally, it should be recalled that the Company has adhered to "Solidalitaly", donating products in 20,000 food packages distributed free of charge to the families in greatest difficult; additionally, during the most acute phase of the health emergency, the Company decided to support Sant’Orsola Hospital of Bologna with a donation specifically to purchase ultrasound equipment to allow for the rapid diagnosis of COVID-19, as well as the Sant’Anna Institute of Bologna, with a cash donation.

## 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 overlooked.

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, which are 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 cost volatility also applies 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 INTERIM PERIOD AND BUSINESS OUTLOOK

On April 9, 2020, Consob drew the attention of the members of the administrative and auditing bodies and managers in charge of financial reporting once again to the need to observe the standards overseeing the process of producing financial information, taking into account the impacts and effects linked to COVID-19, in particular in respect of checks regarding operation of an entity as a going concern and impairment testing over certain assets.

With reference to Consob document No. 8/20 of July 16, 2020, we can declare that:

1) as regards the corporate business trend, as recalled in the comments on the previous points in this report, the Company has not suffered any negative effects to corporate revenues as a consequence of the COVID-19 health emergency. In terms of Costs, expenses have been incurred (for sanitisation and the related materials, personal protection equipment, organisation of internal access control procedures) to implement all the protocols issued by the Government and local authorities in order to guarantee worker safety in continued operations, as well as the above-specified expenses for donations and to employees.

Whilst it is recognised that the market context remains extremely uncertain in economic-financial terms as a result of the continued health emergency, which may negatively impact family consumptions, Valsoia S.p.A. is ready to address any emergency situations that may arise, just as it has in the past few months. At present, no negative impacts are expected on strategic planning and budgets, on the related economic/financial performance and, consequently, on cash flow.

Please note that to date the Revenue performance is continuing to be substantively in line with last year, still showing positive trends, expecially in August, across all the Company’s brands.

2) with reference to IAS 36, we note that on September 14, the Board of Directors approved, with reference to the Santa Rosa and Diete.Tic CGU, the multi-year plans for the period July 1, 2020 - December 31, 2024, which represent the update of the plans approved for the 2020 - 2024 period, thereby incorporating the best estimates of

future flows expected as deriving from the continuation of the COVID-19 pandemic health emergency.

These plans contain the estimates of the impacts of the current health emergency and conclude positively in terms of the recovery of value of the assets booked to the financial statements.

In the period after June 30, distribution of the new features in the ice cream line continued, which is recording interesting shelf rotation results and consequent consumption.

Similarly, the results of the “Super Burger” in preparation for the peak in the autumn-winter seasons, are also good.

Growth is positive in "drinks" in Italy and abroad, both in distribution and as regards Sales revenue.

Export sales remain positive, including the months ofJuly and August.

The presentation of the innovative “Supplements” line continues to be successful.

# OTHER INFORMATION

## Research and development activities

During the period, research and development activities continued in line with the Marketing Plan objectives:

- 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 preserves, also in market segments adjoining the current lines.

## Transactions with related parties

During the period Valsoia did not carry out transactions of particular economic and financial relevance with related parties. For a complete analysis, please refer to the Notes to the Interim Financial Report.

# NOTES

The Interim Financial Report of Valsoia S.p.A. for the period ended June 30, 2020 was prepared in compliance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union, as well as with Article 9 of Italian Legislative Decree 38/2005.

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”).

In detail, this interim financial report was drawn up in compliance with IAS 34 "Interim Financial Reporting", which envisaged a level of disclosure significantly lower than that necessary for the drafting of the annual financial statements, in the event that complete disclosure financial statements drawn up on the basis of the IFRS have previously been made available to the general public.

With regard to the Balance sheet indicators indicated in this report, the following are understood to have the definition indicated below.

- Net Working Capital: Total current assets (excluding Cash and cash equivalents) – Total current liabilities (excluding Current payables due to banks).
- Non-current assets: Total non-current assets.
- Net Financial Position: see table presented above.

Bologna, September 14, 2020

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

# 3 / Condensed Financial Statements

Condensed Interim Financial Statements at June 30, 2020

# ACCOUNTING STATEMENTS

FIGURES IN EUROS

| STATEMENT OF FINANCIAL POSITION | Notes | June 30, 2020 | December 31, 2019 |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | (1) | 35,400,717 | 36,248,281 |
| Current financial assets | | 0 | 0 |
| Trade receivables, net | (2) | 14,798,812 | 8,088,118 |
| Inventories | (3) | 7,917,608 | 6,783,645 |
| Other current assets | (4) | 1,128,286 | 2,202,445 |
| | | | |
| **Total current assets** | | **59,245,423** | **53,322,489** |
| | | | |
| | | | |
| NON-CURRENT ASSETS | | | |
| Goodwill | (5) | 8,198,307 | 8,198,307 |
| Intangible assets | (6) | 23,402,204 | 23,483,736 |
| Property, plant and equipment | (7) | 9,576,243 | 9,629,510 |
| Fixed assets for right of use | (8) | 2,076,276 | 2,096,970 |
| Financial assets | (9) | 110,000 | 110,000 |
| Deferred tax assets | (10) | 0 | 170,352 |
| Other non-current assets | (11) | 159,298 | 159,298 |
| | | | |
| **Total non-current assets** | | **43,522,328** | **43,848,173** |
| | | | |
| **TOTAL ASSETS** | | **102,767,751** | **97,170,662** |

| STATEMENT OF FINANCIAL POSITION | Notes | June 30, 2020 | December 31, 2019 |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Current payables due to banks | (12) | 2,597,100 | 2,592,491 |
| Short-term operative lease payables (IFRS16) | (13) | 523,313 | 536,565 |
| Trade payables | (14) | 16,724,136 | 11,755,366 |
| Tax payables | (15) | 841,503 | 634,989 |
| Provision for risks | (16) | 140,619 | 78,284 |
| Other current liabilities | (17) | 2,800,519 | 2,478,644 |
| | | | |
| **Total current liabilities** | | **23,627,190** | **18,076,339** |
| | | | |
| NON-CURRENT LIABILITIES | | | |
| Non-current payables due to banks | (18) | 4,905,617 | 6,154,186 |
| Non-current payables (IFRS16) | (19) | 1,553,939 | 1,561,449 |
| Other non-current tax payables | (20) | 301,839 | 301,839 |
| Provision for deferred taxes | (21) | 387,648 | 0 |
| Provision for post-employment benefits | (22) | 379,596 | 399,619 |
| | | | |
| **Total non-current liabilities** | | **7,528,639** | **8,417,093** |
| | | | |
| | | | |
| SHAREHOLDERS’ EQUITY | (23) | | |
| Share Capital | | 3,524,533 | 3,517,141 |
| Legal Reserve | | 700,605 | 700,605 |
| Revaluation reserve | | 26,423,946 | 23,103,715 |
| IAS/IFRS adjustments reserve | | - 1,202,290 | - 1,202,290 |
| Other reserves | | 37,580,910 | 37,353,628 |
| Profit/(loss) for the period | | 4,584,218 | 7,204,431 |
| | | | |
| **Total Shareholders' equity** | | **71,611,922** | **70,677,230** |
| | | | |
| **TOTAL** | | **102,767,751** | **97,170,662** |

# ACCOUNTING STATEMENTS

FIGURES IN EUROS

| INCOME STATEMENT | Notes | June 30, 2020 | June 30, 2019 |
|---|---|---|---|
| VALUE OF PRODUCTION | (24) | | |
| Revenue from sales and services | | 43,447,022 | 37,070,871 |
| Changes in inventories of finished goods | | 666,855 | 997,789 |
| Other revenue and income | | 433,872 | 582,234 |
| **Total value of production** | | **44,547,749** | **38,650,894** |
| OPERATING COSTS | (25) | | |
| Purchases | | (22,560,739) | (19,465,829) |
| Services | | (8,623,239) | (8,652,060) |
| Cost of use of assets owned by other, of third party assets | | (63,347) | (41,252) |
| Labour costs | | (5,583,971) | (5,041,381) |
| Changes in raw materials inventory | | 467,109 | 509,616 |
| Other overheads | | (627,034) | (604,547) |
| **Total operating costs** | | **(36,991,221)** | **(33,295,453)** |
| **GROSS OPERATING RESULT** | | **7,556,528** | **5,355,441** |
| Amortisation, depreciation and write-downs of fixed assets | (26) | (1,140,222) | (1,172,008) |
| **NET OPERATING RESULT** | | **6,416,306** | **4,183,433** |
| Net financial income/(charges) | (27) | (54,088) | (80,495) |
| **PRE-TAX PROFIT (LOSS)** | | **6,362,218** | **4,102,938** |
| TAXES | (28) | | |
| Income taxes | | (1,220,000) | (410,741) |
| Deferred tax assets/liabilities | | (558,000) | (690,316) |
| **Total taxes** | | **(1,778,000)** | **(1,101,057)** |
| **PROFIT/(LOSS) FOR THE PERIOD** | | **4,584,218** | **3,001,881** |
| Basic EPS | (29) | 0.429 | 0.282 |
| Diluted EPS | (29) | 0.423 | 0.277 |

# ACCOUNTING STATEMENTS

FIGURES IN EUROS

| STATEMENT OF COMPREHENSIVE INCOME | Notes | June 30, 2020 | June 30, 2019 |
|---|---|---|---|
| PROFIT (LOSS) FOR THE PERIOD | | 4,584,218 | 3,001,881 |
| | | | |
| | | | |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH MAY BE SUBSEQUENTLY | | | |
| RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD | | 0 | 0 |
| **Total** | | **0** | **0** |
| | | | |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH WILL NOT BE SUBSEQUENTLY | | | |
| RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD | | 0 | 0 |
| **Total** | | **0** | **0** |
| | | | |
| | | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (LOSS)** | | **4,584,218** | **3,001,881** |

# ACCOUNTING STATEMENTS

FIGURES IN EUROS

| | STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED AT | June 30, 2020 | June 30, 2019 |
|---|---|---|---|
| | (EUR 000) | | |
| **A** | **Opening current net cash** | **33,655,790** | **30,318,514** |
| **B** | **Cash flow from operating activities for the period** | | |
| | . Profit/(Loss) for the period | 4,584,218 | 3,001,881 |
| | . Net financial (income)/charges and Taxes for the period | 1,832,088 | 1,181,552 |
| | . Amortisation, depreciation and write-down of fixed assets | 853,266 | 1,172,008 |
| | . Capital (gains) - Losses from asset disposal | (8,732) | 2,069 |
| | . Charges for SOP (Stock Option Plans) | 393,123 | 100,000 |
| | . Net change in other provisions | 174,269 | (138,503) |
| - | *Cash flow from operating activities before changes in working capital* | *7,828,232* | *5,319,007* |
| | (Increase)/Decrease in trade receivables | (6,823,450) | (4,443,905) |
| | (Increase)/Decrease in Inventories | (1,133,142) | (1,392,827) |
| | Increase/(Decrease) in trade payables | 4,968,771 | 4,711,545 |
| | Net change in other current assets/liabilities | 382,548 | 863,071 |
| - | *Changes in Working Capital* | *(2,605,273)* | *(262,116)* |
| - | *Changes in other operating assets/liabilities* | *(11,359)* | *(12,713)* |
| | **Total(B)** | **5,211,600** | **5,044,178** |
| **C** | **Taxes paid** | **0** | **0** |
| **D** | **Cash flow from (used in) investment activities** | | |
| - | Net increases in property, plant and equipment | (880,873) | (1,004,482) |
| - | Net increases in intangible assets | (124,550) | (106,090) |
| - | Net change in other non-current assets/liabilities | 0 | (4,000) |
| | **Total(D)** | **(1,005,423)** | **(1,114,572)** |
| **E** | **Cash flow from (used in) financial activities** | | |
| | Increase/(decrease) in medium/long-term loans | (961,613) | (1,241,856) |
| | Net financial income/(charges) | (54,088) | (80,495) |
| | Share capital increase | 7,392 | 0 |
| | Dividends | (4,050,041) | (4,033,786) |
| | **Total(E)** | **(5,058,350)** | **(5,356,137)** |
| **F** | **Cash flow for the period (B+C+D+E)** | **(852,173)** | **(1,426,531)** |
| **G** | **Closing current net cash (A+F)** | **32,803,617** | **28,891,983** |

# ACCOUNTING STATEMENTS

FIGURES IN EUROS

| STATEMENT OF CHANGES IN EQUITY | SHARE CAPITAL | LEGAL RESERVE | WR-BACK/REALIGN RESERVES | ADJUST. RESERVE IAS/IFRS | OTHER RESERVES | PROFIT/ (LOSS) FOR THE PERIOD | TOTAL SHAREHOLDERS' EQUITY |
|---|---|---|---|---|---|---|---|
| **BALANCE AS AT JANUARY 1, 2019** | **3,503,025** | **700,605** | **16,765,093** | **(1,202,290)** | **37,490,166** | **10,097,960** | **67,354,559** |
| Allocation of 2018 profit | | | | | 6,064,173 | (6,064,173) | 0 |
| Realignment reserve Art.1 Law 145/2018 | | | 6,338,622 | | (6,338,622) | | 0 |
| Dividends | | | | | | (4,033,787) | (4,033,787) |
| SOP charges | | | | | 100,180 | | 100,180 |
| Share Capital Increase | 14,116 | | | | | | 14,116 |
| Comprehensive income/(loss) | | | | | | | |
| - Result for the period | | | | | | 3,001,881 | 3,001,881 |
| **BALANCE AT JUNE 30, 2019** | 3,517,141 | 700,605 | 23,103,715 | (1,202,290) | 37,315,897 | 3,001,881 | 66,436,949 |

| STATEMENT OF CHANGES IN EQUITY | SHARE CAPITAL | LEGAL RESERVE | WR-BACK/REALIGN RESERVES | ADJUST. RESERVE IAS/IFRS | OTHER RESERVES | PROFIT/ (LOSS) FOR THE PERIOD | TOTAL SHAREHOLDERS' EQUITY |
|---|---|---|---|---|---|---|---|
| **BALANCE AS AT JANUARY 1, 2020** | 3,517,141 | 700,605 | 23,103,715 | (1,202,290) | 37,353,628 | 7,204,431 | 70,677,230 |
| Allocation of 2019 profit | | | | | 3,154,390 | (3,154,390) | 0 |
| Realignment reserve law 160/2019 | | | 3,320,231 | | (3,320,231) | | 0 |
| Dividends | | | | | | (4,050,041) | (4,050,041) |
| SOP charges | | | | | 393,123 | | 393,123 |
| Share Capital Increase | 7,392 | | | | | | 7,392 |
| Comprehensive income/(loss) | | | | | | | |
| - Result for the period | | | | | | 4,584,218 | 4,584,218 |
| **BALANCE AT JUNE 30, 2020** | 3,524,533 | 700,605 | 26,423,946 | (1,202,290) | 37,580,910 | 4,584,218 | 71,611,922 |

# 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 3,524,532.66, with registered office in Italy, Bologna, Via Barontini 16/5, listed on the MTA of Borsa Italiana S.p.A.

The Interim Financial Report has been drawn up in compliance with Article 154 ter of Italian Legislative Decree No. 58/1998 and prepared in accordance with the International Financial Reporting Standards (IFRS) applicable, acknowledged by the European Parliament and Council, dated July 19, 2002, and in particular IAS 34 - Interim Financial Reporting, as well as the provisions issued in accordance with Article 9 of Italian Legislative Decree No. 38/2005.

Valsoia, at the closing date of the interim period, holds a controlling equity investment in Valsoia Pronova d.o.o. (SLO). In consideration of the insignificance of the financial figures of this subsidiary, Valsoia does not prepare consolidated financial statements.
As provided for in the relevant accounting standards, Group reports will be prepared when considered relevant in terms of complete information on the financial and business results of the Group. The relevance will be based, inter alia, on the impact of the balance sheet assets and business volume developed by the subsidiaries, any indebtedness pertaining to them and any other factors that may be relevant for the user of the financial statements or the interim information.

The Interim Financial Report includes:

- the statement of financial position at June 30, 2020, compared with the results of December 31, 2019. In the schedules presented in this section, the statements of financial position provide a classification based on the current, or non-current, nature of the items comprising it, where:
  - current assets are represented by cash or cash equivalents, by assets that are expected to be realised, sold or consumed during the ordinary operations of the company, by assets held for trading, by assets that are expected to be realised within twelve months from the reporting date. All other assets are classified as non-current;
  - current liabilities are the liabilities that will be presumably extinguished during the ordinary operations of the company or within 12 months from the reporting date, or the liabilities that do not have an unconditional right to the deferral of their extinction beyond twelve months. All other liabilities are classified as non-current;

Pursuant to Consob Resolution No. 15519 of July 27, 2006, the financial effects of the transactions with related parties, if significant, are recognised separately in the statement of financial position.

- The income statement for the first half of 2020, compared with the income statement of the same period in 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 Company Management believes that it contains significant information for understanding the Company's results:
    - EBITDA: comprises the Net profit (loss) for the period, before taxes, gains and losses arising from financial operations, amortisation/depreciation and write-downs of fixed assets carried out during the relevant period.

- The statement of comprehensive income for the first half of 2020, compared with the comprehensive income statement of the same period in the previous year presented in accordance with the matters envisaged by IAS 1.

- The statement of cash flows for the first half of 2020, compared with the statement of cash flows of the same period of last year. In preparing the statement of cash flows, the indirect method – by which the profit or loss of the period is adjusted based on the effects of non-monetary operations, by any deferral or allocation of previous or future operating income or payments and by items of costs and revenues related to the financial flows arising from investment or financial activities – was adopted.

- The statement of changes in equity for the first half of 2020 compared with those of the first half of 2019.

This information, in its entirety, represents the interim financial report at June 30, 2020 of Valsoia S.p.A. in accordance with the matters envisaged by IAS 34 and Article 154 ter of Italian Legislative Decree No. 58/1998.

The amounts are expressed in thousands of EUR.

## ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU AND EFFECTIVE FROM JANUARY 1, 2020

The accounting standards, amendments and interpretations in effect from January 1, 2020 and 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” which aims at fine tuning and aligning the definition of “Material” used in some IFRS standards, so that it is also compliant with the new Conceptual Framework for Financial Reporting approved in March 2018. The application of the new amendment has not involved any significant changes to the interim financial report at June 30, 2020.

• On March 29, 2018, the IASB published the revised Conceptual Framework for Financial Reporting. The main amendments applied to the 2010 version concern a new chapter on assessment, better definitions and guidance, in particular as regards the definition of liabilities and clarifications on important concepts such as assessment stewardship, prudence and uncertainties.

• 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. The application of the new amendment has not involved any significant changes to the interim financial report at June 30, 2020.

• On October 22, 2018, the IASB published various amendments to IFRS 3. The document "Amendments to IFRS 3 Business Combinations" introduced a definition of business that is much more restrictive compared with that of the current version of IFRS 3, as well as a logical path to be followed in order to verify whether a transaction is a "business combination" or is a simple asset acquisition. The amendment has not involved any significant changes to the interim financial report at June 30, 2020.

• On May 28, 2020, the IASB published amendments to IFRS 16. The document "Amendment to IFRS 16 Leases" regulated the accounting of certain forms of lease incentive (for example suspension of rent payments or temporary reductions in such) deriving from the COVID-19 pandemic. The amendment has not involved any significant changes to the interim financial report at June 30, 2020.

## ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU AND EFFECTIVE FROM JANUARY 1, 2021

The accounting standards, amendments and interpretations in effect from January 1, 2021 and endorsed by the European Commission are shown below:

• 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 January 1, 2021. This new accounting standard is not expected to have any significant impact on the Company's financial statements.

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

At the date of the approval of this Interim Financial Report, the following bullet points explain some of the new standards, amendments and interpretations, still in a consultation stage, that have been issued by IASB but not yet endorsed by the EU:

• 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.
• 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 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.

## 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 | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Cash | 3 | 3 |
| Current accounts and bank deposits | 35,398 | 36,245 |
| **Total cash and cash equivalents** | **35,401** | **36,248** |

At June 30, 2020 the Company availed itself of receivable interest rates ranging between 0.0% and 0.1%.

Following are details on the Net Financial Position at June 30, 2020, December 31, 2019 and June 30, 2019. For details on the changes in the Net Financial Position, please refer to the Directors' Report, which accompanies this interim financial report:

| Description (EUR 000) | 06.30.2020 | 12.31.2019 | 06.30.2019 |
|---|---|---|---|
| Cash | 3 | 3 | 2 |
| Current accounts and bank deposits | 35,398 | 36,245 | 28,477 |
| Current financial assets | 0 | 0 | 3,000 |
| **Total cash and cash equivalents (A)** | **35,401** | **36,248** | **31,479** |
| Current financial debts (B) | (2,597) | (2,592) | (2,587) |
| Current operative lease payables (IFRS16) | (523) | (537) | (535) |

| | | | |
|---|---|---|---|
| **Current net financial position (C=A-B)** | **32,281** | **33,119** | **28,357** |
| Non-current loans and borrowings (D) | (4,906) | (6,154) | (7,503) |
| Other non-current payables (IFRS16) | (1,554) | (1,561) | (421) |
| **NET FINANCIAL POSITION (E=C+D)** | **25,821** | **25,404** | **20,433** |

## Note (2) - Trade receivables (net)

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

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Trade receivables (nominal value) | 15,816 | 8,992 |
| Allowance for doubtful accounts | (1,017) | (904) |
| **Total trade receivables** | **14,799** | **8,088** |

The increase in trade receivables is partly due to the seasonal business volumes (in paticular ice cream sales that are concentrated in the summer months with collection of receivables deferred to the autumn months) and partly due to the rise in turnover in the period under review, as compared with the same period of last year.

Receivables are stated net of the Allowance for doubtful accounts determined in accordance with accounting standard IFRS 9, based on a prudent estimate of the collection risks, having taken into account the information available as regards the solvency risk of the individual positions, their ageing and the losses on receivables recognised in the past for similar types of receivables, as well as the projections of the average collection time-scales by type of counterparty and geographic area. The following table shows a summary of the afore-mentioned Trade receivables, broken down by ageing. There have been no significant changes in the collection conditions with respect to the previous year.

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Trade receivables (nominal value) | | |
| - past due by over 12 months | 379 | 361 |
| - past due by over 30 days | (609) | 543 |
| - past due at the date | 8,143 | 1,805 |
| - with subsequent expiry | 7,903 | 6,283 |
| **Total trade receivables (gross)** | **15,816** | **8,992** |

The receivables that are overdue by over 12 months are represented primarily by receivables pending legal resolution.
Detailed below are the changes in the allowance for doubtful accounts.

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Opening balance | 904 | 1,029 |
| - (usage) | 0 | (173) |
| - allocations | 113 | 48 |
| **Total allowance for doubtful accounts** | **1,017** | **904** |

The provision made to the Allowance for doubtful accounts at 06.30.2020 also takes into account the likely increase in the insolvency rate relative to trade receivables due from the "Ho.re.ca" channel, which has been severely struck by the effects of the Covid-19 health emergency. The contribution to the Company's turnover from this channel is, however, very limited (less than 1% of Net sales revenue)

## Note (3) - Inventories

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Raw materials, ancillary and consumable materials | 2,259 | 1,846 |
| Work in process | 204 | 153 |
| Finished goods | 5,455 | 4,785 |
| **Total inventories** | **7,918** | **6,784** |

The value of the raw and ancillary materials was up with respect to last December 31 essentially due to the seasonal nature of the activities linked to ice cream. The total amount of inventories is substantially comparable with the same figure at June 30, 2019.
The measurement of the closing inventories is carried out net of the provision for inventory obsolescence, amounting to a total of EUR 497 thousand at the end of the period, in order to adjust its assessment to the presumed realisable value.
Inventories are not subject to any obligations or restrictions related to property rights.

## Note (4) - Other current assets

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
| --- | --- | --- |
| Tax receivables | 431 | 1,956 |
| Prepayments and accrued income | 437 | 59 |
| Other current receivables | 260 | 187 |
| **Total other current assets** | **1,128** | **2,202** |

Tax receivables as June 30, 2020 are decreasing compared to the end of the previous year, due to their partial use in order 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.

Prepayments refer to portions of costs incurred, partly pertaining to subsequent periods, mainly referring to insurance premiums, membership fees and maintenance charges.

## Non-current assets

## Note (5) - Goodwill

The item *Goodwill* shows the following changes for the period:

| Description | 06.30.2020 | | 12.31.2019 |
| --- | --- | --- | --- |
| | Net value | Other increases/ (decreases) | Net value |
| Santa Rosa Goodwill | 3,230 | 0 | 3,230 |
| Diete.Tic Goodwill | 4,968 | 0 | 4,968 |
| **Total goodwill** | **8,198** | **0** | **8,198** |

The goodwill recognised is deriven from:

- the transaction with regard to Santa Rosa, due to the allocation of the residual amount from the premium of the investment value, compared with the fair value of the assets and liabilities of J&T Italia S.r.l. (a company to which the Santa Rosa business made reference), following the merger by incorporation of the same entities finalised in previous years.

- the transaction with regard to Diete.Tic, due to the process of the Purchase Price Allocation as regards to 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 the IAS/IFRS standards, goodwill is not amortised but is tested for impairment annually at the time of the drawing up of the annual financial statements, in accordance with the matters envisaged by IAS 36.
With reference to June 30, 2020, impairment testing was carried out considering the Covid-19 pandemic in progress and its effects on the Italian economy as a potential impairment indicator. Forecasts regarding cash flow and future profits can, in fact, be significantly impacted directly or indirectly by this circumstances, despite the fact that the results of the CGUs relative to the first half of 2020 have not recorded any negative evidence in respect of the first half of 2019 and pro-quota of the 2020 budget prepared previously.
In this respect, see note 6.1 below.

## Note (6) – Intangible assets

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

| Description | 12.31.19 | Changes for the period | | 06.30.20 |
|---|---|---|---|---|
| | Net value | Increases/(decreases) Net | Depr./ Write-downs | Net value |
| Trademarks | 21,147 | 0 | (43) | 21,104 |
| Industrial patents and intellectual property rights | 2,214 | 93 | (120) | 2,187 |
| Other | 123 | 32 | (44) | 111 |
| **Intangible assets** | **23,484** | | | **23,402** |

There have been no particular increases in the period.

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 that applied in previous years, has been considered as having an indefinite useful life and therefore it is not amortised, based on the following reasons:

- it has a priority role in the Valsoia strategy;
- the trademark is owned and appropriately registered and constantly protected, pursuant to the law, with options for the renewal of the legal protection at the expiry of the registration periods, with limited costs incurred;

- the products marketed by the company under this trademark are not subject to technological obsolescence, as is also typical of the food sector in which the Company operates;
- the sector of reference of the Santa Rosa trademark shows characteristics of stability with a limited impact from product innovation or changes in the market demand;
- the level of trade investments needed to obtain the financial benefits expected from this business sector is sustainable for the Company and falls within the scope of the corporate strategies.

The value of the Santa Rosa trademark is tested for impairment at least annually at the time of the drawing up of the annual financial statements, in accordance with the matters envisaged by IAS 36. With reference to June 30, 2020, impairment testing was carried out considering the Covid-19 pandemic in progress and its effects on the Italian economy as a potential impairment indicator. Forecasts regarding cash flow and future profits can, in fact, be significantly impacted directly or indirectly by this circumstances, despite the fact that the results of the CGUs relative to the first half of 2020 have not evidenced any negative indications in respect to the first half of 2019 and pro-quota of the 2020 budget prepared previously.

Intangible assets also include trademarks and patents, valued upon their first recognition at fair value, belonging to the Business Unit producing the liquid sweetener "Diete.Tic", acquired during 2017. The net book value, at the end of the period, of the "Diete.Tic" trademark was EUR 1,044 thousand and the patents were EUR 1,979 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.

6.1 Impairment Test

The Covid-19 pandemic is impacting the economy and financial markets in ways whichh companies cannot yet be define, neither in terms of the nature nor the duration. Various negative phenomena took place between 12.31.2019 and today and others will continue for months, including, the reduction in demand and revenues, a distortion in the costs and availability of commodities, production downtime, the volatility and erosion of the financial markets and the deterioration of credit, with negative effects on both economic results and liquidity.
In consideration of the fact that the continuation of such circumstances may cause an extensive economic slow-down, with a prolonged negative impact on the economic and financial results, Valsoia S.p.A. has identified a significant change in the environment in which the entity operates as an external source of impairment, with specific reference to the negative review of the country's economic growth expectations, despite the fact that the results booked by the CGU in the first half of 2020 were extraordinarily positive.
Consequently, Valsoia S.p.A. carried out its impairment testing with reference to June 30, 2020 on the cash generating units (CGUs) of Santa Rosa and Diete tic, carrying out the test required by IAS 36 to verify the

recoverable value of the “Santa Rosa” and “Diete. Tic” brands and the “Santa Rosa” and “Diete.Tic” goodwill.
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, updated with respect to the plan used previously so as to include the best estimates of future flow forecasts deriving from the continuation of the Covid-19 pandemic health emergency and approved by the Company's Board of Directors on September 14, 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. Below are the main parameters and results from the Impairment tests carried out.

Impairment Test of Santa Rosa CGU

• Discount rate (WACC) = 6.8% (6.9% at 12.31.2019)
• Growth rate of the terminal value (g rate) = 1.1 % (1.0% at 12.31.2019)
• Enterprise Value = EUR 38.2 million (EUR 34.3 million at 12.31.2019)
• Book value of CGU net assets (*) = EUR 26.3 million (EUR 25.9 million at 12.31.2019)
• Cover: EUR 11.9 million (EUR 8.4 million at 12.31.2019).

(*) 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 of 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 base test;
• 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 | | |
|---|---|---|---|---|
| | | 6,3% | 6,8% | 7,3% |
| g rate | 0,6% | 12.412 | 9.604 | 7.215 |
| | 1,1% | 15.182 | 11.890 | 9.129 |
| | 1,6% | 18.539 | 14.615 | 11.378 |

Impairment Test of DIETE.TIC CGU

• Discount rate (WACC) = 7.5% (7.4% at 12.31.2019)

• Growth rate of the terminal value (g rate) = 1.1% (1.0% at 12.31.2019)

• Enterprise Value = EUR 19.8 million (EUR 19.2 million at 12.31.2019)

• Book value of CGU net assets (*) = EUR 8.6 million (EUR 8.6 million at 12.31.2019)

• Cover: EUR 11.2 million (EUR 10.6 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 base test;

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

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

| | | WACC | | |
|---|---|---|---|---|
| | | 7,0% | 7,5% | 8,0% |
| g rate | 0,6% | 11.504 | 10.138 | 8.956 |
| | 1,1% | 12.791 | 11.221 | 9.878 |
| | 1,6% | 14.314 | 12.487 | 10.944 |

## Note (7) – Property, plant and equipment

Following is a breakdown of the Property, plant and equipment item at June 30, 2020.

| Description | Historical cost | Depreciation Provision | Net book value |
|---|---|---|---|
| **Land and buildings** | | | |
| Land: | | | |
| - located in the Rubano municipality | 908 | - | 908 |

| | | | |
|---|---|---|---|
| - located in the Serravalle Sesia municipality | 1,529 | - | 1,529 |
| Buildings: | | | |
| - house in Serravalle Sesia | 575 | (140) | 435 |
| - industrial facilities in Serravalle Sesia | 5,513 | (2,611) | 2,903 |
| - light constructions/buildings at the facility of Sanguinetto | 1 | (1) | 0 |
| **Total land and buildings** | **8,526** | **(2,752)** | **5,774** |
| **Plant and equipment** | | | |
| - fixed systems for offices | 137 | (116) | 21 |
| - plant/equipment for plant extract products | 5,817 | (5,111) | 706 |
| - plant/equipment for ice cream production | 10,793 | (9,232) | 1,561 |
| - plant/equipment for other food production | 253 | (240) | 13 |
| - generic plant/equipment at the facility of Serravalle | 1,522 | (1,206) | 316 |
| - silos, vats, tanks at the facility of Serravalle | 484 | (455) | 29 |
| - photovoltaic system | 371 | (298) | 73 |
| - plants for preserves production | 3,400 | (2,843) | 557 |
| - generic plant at the facility of Sanguinetto | 122 | (80) | 42 |
| - sweeteners production plants | 143 | (44) | 99 |
| - supplement production plant | 60 | (11) | 49 |
| **Total plant and equipment** | 23,102 | (19,636) | 3,465 |
| **Industrial and commercial equipment** | | | |
| - furniture and equipment for the laboratory | 413 | (379) | 34 |
| - other small equipment | 214 | (183) | 31 |
| - other transportation means | 250 | (242) | 8 |
| **Total industrial and commercial equipment** | 877 | (804) | 73 |
| **Other assets** | | | |
| - electric and electronic machinery | 719 | (557) | 162 |
| - furniture and equipment for the offices | 389 | (350) | 39 |
| - cell phones | 79 | (67) | 12 |
| - vehicles | 348 | (298) | 50 |
| **Total other assets** | 1,535 | (1,272) | 263 |
| **Fixed assets in progress** | - | - | - |
| **Total property, plant and equipment** | 34,040 | (24,464) | 9,576 |

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

| Description | 12.31.19 | Changes for the period | | | 06.30.20 |
|---|---|---|---|---|---|
| | Value | Increases /purchases | Other changes | Decreases | Value |
| **Historical Cost** | | | | | |
| Land and buildings | 8,505 | 21 | | | 8,526 |
| Plant and equipment | 22,645 | 457 | | | 23,102 |
| Industrial and commercial equipment | 851 | 26 | | | 877 |
| Other assets | 1,476 | 59 | | | 1,535 |
| Fixed assets in progress | 0 | 0 | | | 0 |
| **Tot. Historical Cost (A)** | **33,477** | **563** | | | **34,040** |
| **Depreciation** | | | | | |
| Land and buildings | 2,634 | 118 | | | 2,752 |
| Plant and equipment | 19,182 | 454 | | | 19,636 |
| Industrial and commercial equipment | 785 | 19 | | | 804 |
| Other assets | 1,246 | 26 | | | 1,272 |
| **Tot. Acc. depreciation (B)** | **23,847** | **617** | | | **24,464** |
| **Total property, plant and equipment (A-B)** | **9,630** | **(54)** | | | **9,576** |

The increases in Property, plant and equipment, plant and equipment mainly refer to the purchase of plant and machinery for the production of ice cream, plant-based extracts and jams.

There are no restrictions or encumbrances on the fixed assets.

## Note (8) – Right-of-use assets (IFRS 16)

The item right-of-use assets shows the following changes for the period:

| Description | 12.31.19 | Changes for the period | | | 06.30.20 |
|---|---|---|---|---|---|
| | Value | Increases | Decreases | Other changes | Value |
| Historical Cost | | | | | |
| Leased buildings | 1,732 | | | | 1,732 |
| Leased vehicles | 727 | 59 | | | 786 |
| Rented electronic equipment | 178 | 208 | | | 386 |
| **Tot. Historical Cost (A)** | **2,637** | **267** | | | **2,904** |
| Depreciation | | | | | |
| Leased buildings | 241 | 121 | | | 362 |
| Leased vehicles | 210 | 117 | | | 327 |
| Rented electronic equipment | 89 | 50 | | | 139 |
| **Tot. Acc. depreciation (B)** | **540** | **288** | | | **828** |
| **Total assets by right of use (A-B)** | **2,097** | **(21)** | | | **2,076** |

## Note (9) – Financial assets

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

| Description | Holding in share capital | 12.31.19 Value | Changes in the period Increases/ Decreases | | 06.30.20 Value |
|---|---|---|---|---|---|
| Valsoia Pronova d.o.o. - Slovenia | 100% | 110 | - | - | 110 |
| **Tot. Financial Assets** | | **110** | **-** | **-** | **110** |

In the first half of 2020, the subsidiary Valsoia Pronova d.o.o. recorded sales for EUR 331 thousand with a provisional pre-tax profit of around EUR 36 thousand. Consequently, there were no indications of impairment.

## Note (10) – Deferred tax assets

See Note 21) Provision for deferred taxes.

## Note (11) - Other non-current assets

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Guarantee deposits | 37 | 37 |
| Investments in other companies | 9 | 9 |
| Receivables from tax authorities, non-current | 28 | 28 |
| Receivables from subsidiary companies | 85 | 85 |
| **Total other non-current assets** | **159** | **159** |

The afore-mentioned assets did not experience any changes during the period.
Non-current receivables due from the tax authorities comprise IRES credits due to the failure to deduct IRAP on payroll and related costs relating to the periods 2007-2011 with reference to which a rebate application was made as envisaged by Article 2 of Italian Decree Law No. 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 (12) - Current payables due to banks

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Overdraft accounts | 0 | 1 |
| Bank loans and borrowings (current instalments) | 2,597 | 2,591 |
| **Total current payables due to banks** | **2,597** | **2,592** |

The item Loans and borrowings refers primarily to the instalments, maturing in less than 12 months, from a non-current financing agreement entered into in the first few months of 2018.

## Note (13) - Current payables for leases (IFRS16)

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Current payables for leases (IFRS16) | 523 | 537 |
| **Total current payables for leases (IFRS16)** | **523** | **537** |

Current payables for leases refer to the effects of the application of IFRS16 on Assets for which there is a right of use.

## Note (14) – Trade payables

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Trade payables due to suppliers within 12 months | 16,724 | 11,755 |
| **Total trade payables** | **16,724** | **11,755** |

The increase in trade payables at June 30, 2020 is partly inherent within the business due to the seasonal nature of the production and marketing of ice cream and partly due to the general increase in business volumes during the period.  There have been no essential changes in the payment conditions.

## Note (15) – Tax payables

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Due to the Tax Authorities for: | | |
| - virtual revenue stamp tax and other taxes | 7 | 2 |
| - withholding taxes | 489 | 482 |
| - direct taxation and VAT | 346 | 0 |
| - substitute tax (current portion) | 0 | 151 |
| **Total tax payables** | **842** | **635** |

Tax payables refer to the payables due to the Tax Authorities for withholdings made on income from employment and freelance work and VAT payables. Payables due for the substitute tax derive from the realignment transaction of the Santa Rosa trademark, carried out pursuant to the effects of the law No. 145 of December 30, 2018, art. 1, paragraphs 946-948: the first instalment was paid during the first half of 2020.

## Note (16) – Provisions for risks

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Sales return provision | 79 | 60 |
| Provision for customer disputes | 62 | 18 |
| **Total provision for risks** | **141** | **78** |

The Sales return provision is a reliable estimate of the returns expected to be seen during the period after 06.30.2020, with reference to Sales revenue booked during said period.

The provision for customer disputes refers to requests for liquidations of commercial items by customers, with reference to sales made until 06.30.2020 and for which the Company is assessing effective recognition.

It should be noted that a dispute with the Tax Authorities is still pending, substantially unchanged from the end of the previous period. This dispute, arising from an alleged 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 (17) - Other current liabilities

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Amounts payable to social security institutions | 459 | 456 |
| Amounts due to employees and on-going collaboration contracts | 2,182 | 1,814 |
| Amounts due to others | 153 | 202 |
| Accrued liabilities | 7 | 7 |
| **Total other current liabilities** | **2,801** | **2,479** |

*Other current liabilities* mainly consists of amounts due to employees for salaries, period bonuses and deferred compensation accrued at June 30, 2020. Amounts due to others includes advance payments received from customers.

## Non-current liabilities

## Note (18) - Non-current payables due to banks

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Bank loans and borrowings (non-current instalments) | 4,905 | 6,154 |
| Other | 1 | 0 |
| **Total non-current payables due to other lenders** | **4,906** | **6,154** |

The item loans and borrowings (non-current) refers primarily to the instalments, maturing beyond 12 months, from a non-current financing agreement entered into in the first few months of 2018. With reference to this loan, there are no covenants, restrictions or encumbrances.
For comments on the Statement of financial position, see the Directors' Report.

With reference to the information required by IFRS 7, a summary is presented below of the nominal amounts due on the basis of the maturities envisaged in the Loans and borrowings repayment plans mentioned above:

| Year | EUR |
| --- | --- |
| 2021 | 1,353 |
| 2022 | 2,615 |
| 2023 | 731 |
| 2024 | 103 |
| 2025 | 103 |
| Loans and borrowings | 4,905 |

## Note (19) - Non-current payables for leases (IFRS 16)

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
| --- | --- | --- |
| Non-current payables for leases (IFRS16) | 1,554 | 1,561 |
| **Total non-current payables for leases (IFRS16)** | **1,554** | **1,561** |

Non-current payables for leases refer to the effects of the application of IFRS16 on Assets for which there is a right of use.

## Note (20) - Other non-current tax payables

This item breaks down as follows:

| Description | 06.30.2020 | 12.31.2019 |
| --- | --- | --- |
| Non-current tax payables for substitute tax | 302 | 302 |
| **Total non-current payables for substitute tax** | **302** | **302** |

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 (21) – Provision for deferred taxes

This item breaks down as follows:

| Description | 06.30.2020 | | 12.31.2019 | |
|---|---|---|---|---|
| | 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 | 78 | 22 | 89 | 24 |
| - Dealloc. of accounting-tax amounts for the "Santa Rosa" trademark | (1,886) | (526) | 0 | 0 |
| - Dealloc. of accounting-tax amounts for the "Diete.Tic" trademark and goodwill | (932) | (261) | (800) | (223) |
| - Taxed risk and write-down provisions and other charges | 1,533 | 377 | 1,533 | 377 |
| - Others | 0 | 0 | (28) | (8) |
| **Total** | **(1,207)** | **(388)** | **794** | **170** |

The item 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 the said payable is referring to differences that will be reabsorbed in the medium and long term future.

## Note (22) – Provision for post-employment benefits

No significant changes were registered in the first half of 2020 in the provision, other than the decreases deriving from the settlements made during the period, amounting in total to EUR 20 thousand.

## Note (23) - Shareholders' equity

***Share capital***

The share capital of the Company is fully paid up and amounts to EUR 3,524,532.66, with 10,680.02 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:
    - 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;
    - 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 436 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.

  With regards to the third Plan, still in progress, by resolution passed by the Board of Directors on May 8, 2020, a total of 22,400 option rights were exercised, applicable to the objectives of the first year of the

Plan, which led to an increase in capital in the amount of EUR 7,392:

- reserve of EUR 201 thousand following the effects of the first time application (FTA) of the accounting standard IFRS 15.

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

| Description | 06.30.2020 | 12.31.2019 | Possibility of use |
|---|---|---|---|
| Share capital | 3,524 | 3,517 | - |
| Legal reserve | 701 | 701 | B |
| Reserves for realignment of tax values | 26,423 | 23,104 | A, B, D |
| IAS/IFRS adjustments reserve | (1,202) | (1,202) | |
| Other reserves: | | | |
| - IAS 8 adjustment reserve | 469 | 469 | A, B, C |
| - earnings carried forward, according to IAS/IFRS | 416 | 416 | A, B, C |
| - extraordinary reserve | 34,899 | 35,065 | A, B, C |
| - S.O.P. reserve 2011-2016 | 490 | 490 | A, B, C |
| - S.O.P. reserve 2016-2019 | 844 | 844 | A, B, C |
| - S.O.P. reserve 2019-2022 | 436 | 44 | A, B, C |
| - foreign exchange gains reserve | 9 | 9 | |
| - actuarial gains/losses reserve | 16 | 16 | |
| Total other reserves | 37,581 | 37,353 | |
| Profit/(loss): | | | |
| Profit for the period | 4,584 | 7,204 | |
| **Total Shareholders' equity** | **71,612** | **70,677** | |

Key notes 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 first half of the year, dividends were distributed to the shareholders for a total of EUR 3.5 million, as an appropriation of profits for the year 2017.

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

## Note (24) - Value of production

This item breaks down as follows:

| Description | 06.30.2020 | 06.30.2019 |
|---|---|---|
| Revenue from sales and services: | | |
| - Revenue - Italy | 39,910 | 34,613 |
| - Revenue - Abroad | 3,537 | 2,458 |
| **Total sales revenue** | **43,447** | **37,071** |
| | | |
| Changes in inventories of work in progress, finished and semi-finished products: | | |
| - Opening inventories | (4,829) | (4,450) |
| - Closing inventories | 5,496 | 5,448 |
| **Total changes in inventories of finished goods** | **667** | **998** |
| **Other revenue and income** | **434** | **582** |
| **Total Value of production** | **44,548** | **38,651** |

The sales revenue is concentrated essentially within the Italian territory and therefore its geographic breakdown is not believed to be significant.
Please see the Directors' Report for the description of the trend of sales broken down by main product lines.

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

| Description | 06.30.2020 | 06.30.2019 |
|---|---|---|
| - Chargeback to third parties | 201 | 115 |
| - Capital gains on sale of assets | 9 | 1 |
| - Other | 224 | 466 |
| **Total other revenue and income** | **434** | **582** |

The Chargeback to third parties is to be attributed to business and promotional costs incurred, pursuant to distribution agreements charged to the counterparty, and the recovery of costs incurred on behalf of third parties.
Other revenues refer to contingent assets and insurance reimbursements, including a portion of the compensation agreed upon following the execution of the Third Party Licensing Agreement for the "Pomodorissimo" Santa Rosa line.

## Note (25) - Operating costs

This item breaks down as follows:

| Description | 06.30.2020 | 06.30.2019 |
|---|---|---|
| Purchase costs | | |
| - Raw materials | 7,679 | 6,613 |
| - Ancillary materials | 1,266 | 1,146 |
| - Consumable materials | 325 | 280 |
| - Finished products and goods | 13,291 | 11,427 |
| **Total purchases** | **22,561** | **19,466** |
| Services | | |
| - Industrial | 2,049 | 1,815 |
| - Marketing and sales | 5,036 | 5,093 |
| - Administrative and general | 1,531 | 1,744 |
| **Total services** | **8,616** | **8,652** |
| **Cost of use of assets owned by other, of third party assets** | **63** | **41** |
| Labour costs | | |
| - Wage and salaries | 3,726 | 3,560 |
| - Social security charges | 1,418 | 1,370 |
| - Post employment benefits | 1 | 4 |
| - Personnel charges pursuant to SOP | 393 | 100 |
| - Other labour costs | 53 | 7 |
| **Total labour costs** | **5,591** | **5,041** |
| **Changes in raw materials inventory** | **(467)** | **(510)** |
| **Other overheads** | **627** | **605** |
| **Total Operating costs** | **36,991** | **33,295** |

The increase in Operating costs is due to greater Costs for Purchases in all product categories as a consequence of the increase in business volumes in the reference period as compared with the same period of last year.

At the end of the period under review, the workforce of the company was composed as follows:

| Description | 06.30.2020 | 06.30.2019 |
|---|---|---|
| - Executives | 10 | 10 |
| - Employees and managers | 88 | 91 |
| - Factory workers | 22 | 22 |
| - Seasonal workers | 31 | 20 |
| **Total employees** | **151** | **143** |

The item *Other overheads* breaks down as follows:

| Description | 06.30.2020 | 06.30.2019 |
|---|---|---|
| Other overheads: | | |
| - Taxes and excise license | 60 | 60 |
| - Losses/provisions for risks on receivables | 113 | 34 |
| - Contingent liabilities | 86 | 205 |
| - Membership fees | 84 | 85 |
| - Other charges | 284 | 221 |
| **Total other overheads** | **627** | **605** |

The Other charges mainly consist of costs for the disposal of obsolete products, out-of-period expense, entertainment costs and contributions to trade associations.

Out-of-period expense refers to operating costs recognised in the period pertaining to previous years.

## Note (26) – Amortisation, depreciation and write-downs of fixed assets

This item breaks down as follows:

| Description | 06.30.2020 | 06.30.2019 |
|---|---|---|
| - Amortisation of intangible assets | 206 | 247 |
| - Depreciation of property, plant and equipment | 647 | 638 |
| - Depreciation of assets in right of use | 287 | 287 |
| **Total amortisation, depreciation and write-downs** | **1,140** | **1,172** |

There were no particular changes in amortisation and depreciation. For greater details on the change in fixed assets, please see the matters described in *Notes 6) and 7)*

## Note (27) – Net financial income/(charges)

This item breaks down as follows:

| Description | 06.30.2020 | 06.30.2019 |
|---|---|---|
| - Other financial income | 2 | 15 |
| - Interest expense, currency discounts and bank charges | (55) | (96) |
| - Operative lease interest expense (IFRS 16) | (1) | (2) |
| - Foreign exchange gains/(losses) | 0 | 3 |
| **Total financial income/(charges)** | **(54)** | **(80)** |

The decrease in Financial charges mainly derives from the lesser value discounts granted to customers compared with the previous period.

## Note (28) – Taxes

This item breaks down as follows:

| Description | 06.30.2020 | 06.30.2019 |
|---|---|---|
| - Income taxes (IRES - IRAP) | 1,220 | 411 |
| - Deferred tax liabilities/(assets) | 558 | 690 |
| **Total taxes** | **1,778** | **1,101** |

Income taxes also include deferred tax liabilities (net of the prepaid tax) which were calculated on allowances and other temporary differences, the tax benefits of which are deferred. The main effect during the period deriving from this provision relates to the effects deriving from the deduction of the amortisation on the Santa Rosa trademark. Details about the recognition of deferred taxes are provided in Note 21.

The higher balance, as compared with the previous half-year, of Current income tax, is partly due to the higher taxable income deriving from the current half-year income statement, and partly to the 2020 lack of tax benefits in accordance with Art. 1, paragraph 39 of Italian Law No. 190 of December 23, 2014 (the “Patent Box”)

## Note (29) - 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 (10,658,002) 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 plus the potentially new issued shares for the 2019-2022 SOP.

### Non-recurring significant transactions and events

During the period ended June 30, 2020, no significant events/transactions, falling within the scope of the Consob Communication DEM/6064293 of July 28, 2006, were recorded. As instructed in said Communication, “atypical and/or unusual transactions are those that, because of their significance, importance, nature of the counterparties, purpose of the transaction, method for determining the transfer price or time of their occurrence (close to the end of the year), could give rise to doubts relating to: the accuracy and completeness of the information in the financial statements, a conflict of interest, the safeguarding of the company’s assets or the protection of non-controlling shareholders”.

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

During the period under review, Valsoia provided the parent company Finsalute S.r.l. with accounting data processing and custody services which generated the following economic-financial impacts:

| Holding company | revenue/(costs) | receivables/(payables) | | collections/(payments) |
|---|---|---|---|---|
| | 1st half 2020 | 01.01.20 | 06.30.20 | 1st half 2020 |
| Finsalute S.r.l. | 2,676 | 1,632 | 1,632 | 3,265 |
| **Total transactions** | **2,676** | **1,632** | **1,632** | **3,265** |

During the first half of the year, the following transactions with related parties, including therein the subsidiary Valsoia Pronova d.o.o., were carried out on an arm's length basis, classified by nature:

| Related party | revenue/(costs) | receivables/(payables) | | collections/(payments) |
|---|---|---|---|---|
| | 1st half 2020 | 01.01.20 | 06.30.20 | 1st half 2020 |
| Membership fees | (54) | 0 | 0 | (117) |
| Directors’ remuneration | (12) | (10) | (10) | (19) |
| Purchase of goods and services | 78/(41) | 34 | 75 | 48/(85) |

| Related party | revenue/(costs) | receivables/(payables) | | collections/(payments) |
|---|---|---|---|---|
| | 1st half 2020 | 01.01.20 | 06.30.20 | 1st half 2020 |
| Dealings with subsidiary company | 176/(22) | 149/(22) | 186/(22) | 136/(22) |
| **Total transactions with related parties** | **254/(129)** | **183/(32)** | **261/(32)** | **184/(243)** |

There were no other transactions between the Company and related parties.

## Commitments

At June 30, 2020 there were no other undertakings besides those described in the interim financial report.

/

Bologna, September 14, 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 Interim Financial Report as at June 30, 2020.

It is also hereby certified that:

a) the abridged interim financial statements at June 30, 2020 fully reflect the accounting records and books;

b) the abridged interim financial statements at June 30, 2020 were prepared in compliance with the International Financial Reporting Standards, ratified by the European Union, as well as all provisions issued in implementation of Italian Legislative Decree no. 38/2005; they provide a truthful and correct representation of the equity, business and financial situation of the issuer;

c) The interim management report contains a reliable analysis of the references to the important events which took place in the first six months of the year and to their incidence on the abridged interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim management report also contains a reliable analysis of the information of the significant transactions with related parties.

Bologna, Italy, September 14, 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
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**(Translation from the Italian original which remains the definitive version)**

# Report on review of condensed interim financial statements

To the shareholders of
Valsoia S.p.A.

## Introduction

We have reviewed the accompanying condensed interim financial statements of Valsoia S.p.A., comprising the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes thereto, as at and for the six months ended 30 June 2020. The company's directors are responsible for the preparation of these condensed interim financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of Valsoia S.p.A. as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Bologna, 17 September 2020

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

VALSOIA SpA

www.valsoiaspa.com