VALSOIA SpA

# Condensed Interim financial statements at September 30, 2016

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

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

* marchio in distribuzione per l'Italia

Living a better and healthier life thanks to daily food choices: this is the Valsoia Spa PROJECT. An Italian Company committed to offering valid diet-nutritional solutions to the growing demands for health and well-being.

## QUALITY AND EXPERIENCE

Valsoia is a strong advocate of "plant-based nutrition", "healthy eating habits" within a culture that values high quality, and the choice of excellent ingredients. Carefully monitored and controlled processes based on decades of expertise and experience. Always active in the continuous search for good, healthy, safe food products, made with valuable and unique ingredients.

## FOOD RESEARCH

Constant attention given to the recipes, to the creation of new flavours and to the choice of raw materials, has resulted in the improvement of flavours and the formulation of new products that meet the increasingly diversified and complex food demands.

## DIVERSITY OF PRODUCTS

Today the offerings range from soy-based alternatives, beverages, ice creams, yoghurt, desserts, cookies, main dishes, cheeses and dressing under the Valsoia trademark; to Santa Rosa preserves and sorbets, products of excellence in the jam and fruit processing sectors, as well as the Pomodorissimo tomato sauce with its distinct flavour.

## ITALIAN TRADITION

All products with a full respect of the Italian food tradition. All healthy and high quality products, ideal for the whole family, that provide nutrition for every meal of the day, from breakfast to dinner. These products contain intact the simplicity of flavours that result from a careful preparation and the knowledge provided by the most renowned health-conscious experts.


*new:*

# ADVERTISING AD

Valsoia presents, on TV, a new advertising ad,
reconfirming the values that have always distinguished the brand
and have made it unique, over the years, for its Consumers.

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# General information

# GENERAL INFORMATION

## CORPORATE OFFICES AND POSITIONS

### Board of Directors [1]

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

### Board of Statutory Auditors [1]

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

### Independent Auditors [3]

KPMG S.p.A.

### Manager in charge of financial reporting [4]

Carlo Emiliani

[1] Appointed on April 23, 2014, in office until the approval of the 2016 Financial Statements.

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

[3] Appointed on April 23, 2015, in office until the approval of the 2023 Financial Statements.

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

CORPORATE DATA AND GROUP STRUCTURE

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

Share Capital - fully paid up: 3,450,408.72
Tax Code and registration number in the Companies Register of Bologna: 02341060289
VAT No.: 04176050377
Member of the Chamber of Commerce of Bologna: no. BO-338352

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

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

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

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

The Company has no branch offices.

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

# 2 / Director's report

Condensed Interim financial statements at September 30, 2016

# DIRECTORS' REPORT

## KEY FINANCIAL HIGHLIGHTS

| Income statement ratios (EUR 000) | 30.09.2016 | | 30.09.2015 | | Change | |
|---|---|---|---|---|---|---|
| | EUR | % Inc. | EUR | % Inc. | EUR | % |
| Sales revenue | 88,020 | 100 | 89,716 | 100.0 | (1,696) | (1.9) |
| Value of production | 87,766 | 99.7 | 89,163 | 99.4 | (1,397) | (1.6) |
| Gross operating result (EBITDA) (*) | 13,003 | 14.8 | 14,650 | 16.3 | (1,647) | (11.2) |
| Net operating result (EBIT) (*) | 11,551 | 13.1 | 13,254 | 14.8 | (1,703) | (12.8) |
| Pre-tax profit | 10,965 | 12.5 | 13,001 | 14.5 | (2,036) | (15.7) |
| Net profit for the period | 7,627 | 8.7 | 9,000 | 10.0 | (1,373) | (15.3) |
| Net adjusted profit (**) | 8,053 | 9.1 | 9,038 | 10.7 | (985) | (10.9) |

(*) The interim results are 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.
(**) Net adjusted profit: Data presented net of the expenses for the Stock Option Plan referring to the respective periods and, for 2016, net of the early financial charges recognised at the time of the voluntary repayment of medium and long term loans.

| Equity ratios (EUR 000) | Value | | | Changes 30/09/2016 | |
|---|---|---|---|---|---|
| | 30/09/2016 | 31/12/2015 | 30/09/2015 | Vs 31/12/2015 | Vs 30/09/2015 |
| Net working capital | 5,125 | 2,115 | 3,124 | 3,010 | 2,001 |
| Total non-current assets | 34,866 | 35,809 | 34,171 | (943) | 695 |
| Net financial debt (positive) | 15,779 | 16,137 | 13,640 | (358) | 2,139 |

## MAIN EVENTS FOR THE PERIOD AND BUSINESS PERFORMANCE

In the third quarter of 2016, Valsoia showed, under Sales Revenue, a trend reversal with an improvement of +2.4% compared with the same period of the previous year. In the first nine months of 2016, the Company recorded revenues amounting to EUR 88 million, slightly down compared with the same period of the previous year (-1.9%).

Slightly up is the effect, in the first nine months of the year, of the costs of sales and logistics while the trade expenses remain stable.

Gross operating margin, in the first nine months of the year, stood at EUR 13.0 million versus the EUR 14.6 million of the previous year, while the non-adjusted net profit reached EUR 7.6 million showing a EUR 1.37 million decline compared with the same period of 2015.

The net profit, adjusted by the extraordinary items of the period, as described above, amounted to EUR 8 million versus the EUR 9 million of the same period of the previous year.

During the last few months, the Company reported in particular:
(i) the implemented division of the two Italian Sales Networks, i.e. "health food" and "food", as announced in January 2016;
(ii) the launch of an innovative line of refrigerated vegetable alternatives together with the strengthening of the frozen products range also through the launch onto the market of the first vegetable "ready-made pasta dishes";
(iii) the launch of an innovative line of functional vegetable yoghurt;
(iv) the launch into the preserves market of an innovative Santa Rosa line;
(v) the very positive results both in terms of the distribution and consumptions achieved by the new line of vegetable almond-based ice-cream.

## ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The following table shows the breakdown of the Net Financial Debt as at September 30, 2016 and 2015, and at December 31, 2015.

| Description (EUR 000) | 30.09.2016 EUR | 31.12.2015 EUR | 30.09.2015 EUR |
|---|---|---|---|
| Cash | 2 | 2 | 4 |
| Current accounts and bank deposits | 16,696 | 24,616 | 22,729 |
| Total cash and cash equivalents (A) | 16,698 | 24,618 | 22,733 |
| Current loans and borrowings (B) | (100) | (2,406) | (2,369) |
| Current net financial debt (C=A-B) | 16,598 | 22,212 | 20,364 |
| Non-current loans and borrowing | (819) | (6,075) | (6,724) |
| Non-current financial indebtedness (D) | (819) | (6,075) | (6,724) |
| NET FINANCIAL DEBT (E=C+D) | 15,779 | 16,137 | 13,640 |

As at September 30, Valsoia showed a positive Net Financial Debt of EUR 15.8 million, up from the same figure of the previous year by EUR 2.1 million.
It must be noted that, because of its positive financial position and the trend of the financial markets, the Company decided to repay, on March 31, 2016 - early relative to the original expiration date - loans for more than EUR 7 million, received in previous periods for the purposes of acquisition operations. This operation entailed the one-off recognition of financial charges, amounting to EUR 394 thousand, deriving primarily from the early payment of the related derivative agreements entered into for the coverage of interest rate risk.

The Company in the first nine months of the period generated a primary cash flow of EUR 13.1 million, partially absorbed for EUR 2.9 million by the increase in Net Working Capital and for EUR 3.4 million by the payment of direct taxes. In the same period, investments were made for a total amount of EUR 1.1 million and dividends were distributed for EUR 5.8 million – of which EUR 2.6 million referring to an extraordinary dividend as opposed to the normal dividend policies of the Company.

# SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

The sales trend continues, in line with the same period of last year.

From the end of the month of October, the Valsoia trademark communication campaign, representing a major investment in terms of a TV presence, is being broadcast.

/

Bologna, 07 November 2016

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

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# Condensed Interim Financial Statements

Condensed Interim financial statements at September 30, 2016

# ACCOUNTING STATEMENTS

## FIGURES IN THOUSANDS OF EUROS

| STATEMENT OF FINANCIAL POSITION | Notes | 30 September 2016 | 31 December 2015 |
|---|---|---|---|
| **CURRENT ASSETS** | (1) | | |
| Cash and cash equivalents | | 16,698 | 24,618 |
| Trade receivables | | 18,629 | 13,664 |
| Inventories | | 7,182 | 7,485 |
| Other current assets | | 437 | 977 |
| | | | |
| **Total current assets** | | **42,946** | **46,744** |
| | | | |
| | | | |
| **NON-CURRENT ASSETS** | (2) | | |
| Fixed assets | | 34,702 | 35,091 |
| Other non-current assets | | 652 | 718 |
| | | | |
| **Total non-current assets** | | **35,354** | **35,809** |
| | | | |
| **TOTAL ASSETS** | | **78,300** | **82,553** |

# ACCOUNTING STATEMENTS

### FIGURES IN THOUSANDS OF EUROS

| STATEMENT OF FINANCIAL POSITION | Notes | 30 September 2016 | 31 December 2015 |
|---|---|---|---|
| **CURRENT LIABILITIES** | (3) | | |
| Current payables due to banks and other loans | | 100 | 2,406 |
| Trade payables | | 16,665 | 15,036 |
| Other current liabilities | | 4,380 | 4,975 |
| | | | |
| **Total current liabilities** | | **21,145** | **22,417** |
| | | | |
| **NON-CURRENT LIABILITIES** | (4) | | |
| Non-current payables due to bank and other loans | | 819 | 6,075 |
| Other non-current liabilities | | 567 | 586 |
| | | | |
| **Total non-current liabilities** | | **1,386** | **6,661** |
| | | | |
| | | | |
| **EQUITY** | (5) | | |
| Share Capital | | 3,503 | 3,450 |
| Reserves and earnings brought forward | | 44,639 | 38,047 |
| Profit (loss) for the period | | 7,627 | 11,978 |
| | | | |
| **Total Equity** | | **55,769** | **53,475** |
| | | | |
| **TOTAL** | | **78,300** | **82,553** |

# ACCOUNTING STATEMENTS

### FIGURES IN THOUSANDS OF EUROS

| INCOME STATEMENT | Notes | 30 September 2016 | 30 September 2015 | 3rd Quarter 2016 | 3rd Quarter 2015 |
|---|---|---|---|---|---|
| **VALUE OF PRODUCTION** | (6) | | | | |
| Revenue from sales and services | | 88,020 | 89,716 | 30,006 | 29,303 |
| Changes in inventories of finished products | | (465) | (857) | (1,326) | (661) |
| Other revenue and income | | 211 | 304 | 79 | 49 |
| **Total Value of production** | | **87,766** | **89,163** | **28,759** | **28,691** |
| | | | | | |
| **OPERATING COSTS** | (7) | | | | |
| Purchases | | (44,284) | (44,708) | (13,720) | (13,677) |
| Services | | (22,978) | (23,019) | (7,565) | (7,452) |
| Labour costs | | (6,498) | (6,152) | (2,034) | (1,803) |
| Other Operating costs | | (1,003) | (634) | (563) | (336) |
| **Total Operating costs** | | **(74,763)** | **(74,513)** | **(23,882)** | **(23,268)** |
| | | | | | |
| **GROSS OPERATING RESULT** | | **13,003** | **14,650** | **4,877** | **5,423** |
| | | | | | |
| Amortisation and depreciation | (8) | **(1,452)** | **(1,396)** | **(502)** | **(465)** |
| | | | | | |
| **NET OPERATING RESULT** | | **11,551** | **13,254** | **4,375** | **4,958** |
| | | | | | |
| Net financial charges | (9) | (586) | (253) | (67) | (131) |
| | | | | | |
| **PRE-TAX PROFIT (LOSS)** | | **10,965** | **13,001** | **4,308** | **4,827** |
| | | | | | |
| Taxes | | (3,338) | (4,001) | (1,368) | (1,486) |
| | | | | | |
| **NET PROFIT** | | **7,627** | **9,000** | **2,940** | **3,341** |

# ACCOUNTING STATEMENTS

**FIGURES IN THOUSANDS OF EUROS**

| STATEMENT OF COMPREHENSIVE INCOME | Notes | 30 September 2016 | 30 September 2015 | 3rd Quarter 2016 | 3rd Quarter 2015 |
|---|---|---|---|---|---|
| **PROFIT (LOSS) FOR THE PERIOD** | | **7,627** | **9,000** | **2,940** | **3,341** |
| | | | | | |
| | | | | | |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH MAY BE SUBSEQUENTLY | | | | | |
| RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD | | | | | |
| Valuation of MtM derivatives on interest rate hedging operations | | 0 | 98 | 0 | 25 |
| net of tax effects | | | | | |
| **Total** | | **0** | **98** | **0** | **25** |
| | | | | | |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) WHICH WILL NOT BE SUBSEQUENTLY | | | | | |
| RECLASSIFIED TO PROFIT/(LOSS) FOR THE PERIOD | | | | | |
| Actuarial profit/(losses) per IAS 19 | | 0 | 36 | 0 | 0 |
| | | | | | |
| **Total** | | **0** | **36** | **0** | **0** |
| | | | | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (LOSS)** | | **7,627** | **9,134** | **2,940** | **3,366** |

# ACCOUNTING STATEMENTS

## FIGURES IN THOUSANDS OF EUROS

| | CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED | 30 September 2016 | 30 September 2015 |
|---|---|---|---|
| **A** | **Opening current net cash** | **22,212** | **16,183** |
| | | | |
| **B** | **Cash flow from operating activities for the period** | | |
| - | Cash flow from operating activities before changes | 13,107 | 15,106 |
| | in working capital (primary cash flow) | | |
| - | Change in Working Capital | (2,859) | (1,394) |
| | **Total (B)** | **10,248** | **13,712** |
| | | | |
| **C** | **Taxes paid during the period** | **(3,434)** | **(2,924)** |
| | | | |
| **D** | **Cash flow used in investment activities** | **(1,058)** | **(1,304)** |
| | | | |
| **E.** | **Cash flow used in financial activities** | **(11,370)** | **(5,303)** |
| | | | |
| **F** | **Cash flow for the period (B+C+D+E)** | **(5,614)** | **4,181** |
| | | | |
| **G** | **Closing current net cash (A+F)** | **16,598** | **20,364** |

# ACCOUNTING STATEMENTS

**FIGURES IN THOUSANDS OF EUROS**

| STATEMENT OF CHANGES IN EQUITY | SHARE CAPITAL | LEGAL RESERVE | REVALUATION RESERVE | IAS/IFRS ADJUST. RESERVE | OTHER RESERVES | PROFIT/ (LOSS) FOR THE PERIOD | TOTAL SHAREHOLDERS' EQUITY |
|---|---|---|---|---|---|---|---|
| **BALANCE AS AT DECEMBER 31, 2014** | **3,450** | **690** | **5,401** | **(1,002)** | **25,061** | **10,701** | **44,301** |
| | | | | | | | |
| **Changes at September 30, 2015** | | | | | | | |
| | | | | | | | |
| Allocation of 2014 profit | | | | | 7,564 | (7,564) | 0 |
| Dividends | | | | | | (3,137) | (3,137) |
| | | | | | | | |
| SOP 2011-2016 charges | | | | | 53 | | 53 |
| | | | | | | | |
| Comprehensive income (loss) | | | | | | | |
| - Result for the period | | | | | | 9,000 | 9,000 |
| - Other items of the income statement | | | | | 134 | 0 | 134 |
| | | | | | | | |
| **BALANCE AS AT SEPTEMBER 30, 2015** | **3,450** | **690** | **5,401** | **(1,002)** | **32,812** | **9,000** | **50,351** |
| | | | | | | | |
| **BALANCE AS AT DECEMBER 31, 2015** | **3,450** | **690** | **5,401** | **(1,002)** | **32,958** | **11,978** | **53,475** |
| | | | | | | | |
| **Changes at September 30, 2016** | | | | | | | |
| | | | | | | | |
| Allocation of 2015 profit | | | | | 6,228 | (6,228) | 0 |
| Dividends | | | | | | (5,750) | (5,750) |
| | | | | | | | |
| SOP 2016-2019 charges | | | | | 194 | | 194 |
| | | | | | | | |
| Share Capital Increase | 53 | | | | | | 53 |
| Release of Cash Flow Hedging provision | | | | | 170 | | 170 |
| Allocation of a Reserve for suspension of tax | | | 8,195 | | (8,195) | | 0 |
| | | | | | | | |
| Comprehensive income (loss) | | | | | | | |
| - Result for the period | | | | | | 7,627 | 7,627 |
| - Other items of the income statement | | | | | 0 | 0 | 0 |
| | | | | | | | |
| **BALANCE AS AT SEPTEMBER 30, 2016** | **3,503** | **690** | **13,596** | **(1,002)** | **31,355** | **7,627** | **55,769** |

# NOTES TO THE FINANCIAL STATEMENTS

## Introduction

Transparency II Directive (Directive 2013/50/EU) and related national legislation transposing the directive, have repealed the requirement to prepare Interim Reports on Operations delegating Consob to introduce the requirement for preparing additional periodical reports on a quarterly basis.
The regulations recently issued by Consob will enter into effect starting on January 2, 2017. In this period of time, Valsoia decided to approve, on a voluntary basis, the Interim Report on Operations as at September 30, 2016 carrying on what had already been implemented in the past with the Interim Report on Operations at March 31, 2016, while reserving the right to revisit this decision after reviewing the regulations just approved, guaranteeing adequate information thereof.

This Report has been drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.
In particular, this Report was prepared in compliance with IAS 34 "Interim Financial Statements", which provides for a level of information that is significantly lower than the one required for the preparation of the Yearly Financial Statements.

This Report was not subject to auditing.

The amounts are reported and commented on in thousands of Euro, except where otherwise noted.

In consideration of the non-substantial impact of the financial figures recorded by the foreign subsidiary, Valsoia Pronova d.o.o., the consolidated financial statements were not prepared.
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 Interim Report of Valsoia S.p.A. includes:

- the condensed statement of financial position as at September 30, 2016, compared with the statement of financial position at December 31, 2015;
- the condensed income statement for the third quarter and the first nine months of 2016 compared with the data related to the same period of the previous year. It must be noted that the adopted income statement, compliant with IAS 1 provisions, shows the following interim figures, not defined as an accounting measure according to the IFRSs: Gross Operating Result, Net Operating Result, Pre-Tax Profit (Loss);
- the statement of comprehensive income at September 30, 2016, compared with the income statement of the

same period of last year and prepared according to the IAS 1;

- the condensed statement of changes in shareholders' equity for the first nine months of 2016 and 2015;
- the condensed financial report for the first nine months of 2016 and 2015. 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;
- these notes to the Financial Statements.

## Valuation criteria and accounting standards

The accounting standards adopted in drawing up the Condensed Interim Financial Statements are compliant with those adopted in the previous year.

The valuation criteria used for preparing these Condensed Interim Financial Statements are not substantially different from those used for the Financial Statements at December 31, 2015, which can be consulted for additional information.

Therefore, the preparation of the Condensed Interim Financial Statements requires that management presents estimates and assumptions that are affecting revenue, costs, inventory and financial statement assets and liabilities as well as information related to potential assets and liabilities as at the reporting date. If in the future, these estimates and assumptions, which are based on the best valuation by management, differ from the actual ones, they would be properly adjusted for the period where circumstances have changed.

It must be noted that some valuation processes, in particular the most complex ones, such as the determination of any impairment loss on assets, are normally carried out while preparing the annual financial statements, when all the necessary information is available, unless there are impairment indicators that require an immediate assessment of any impairment.

It should also be noted that the financial statements were prepared on a historical-cost basis, except for any designation at fair value, as specifically indicated in the notes.

## Financial risks and derivative instruments

**Foreign Exchange Risk**

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

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

During the period, the Company carried out currency forward purchase operations. The financial impacts of these operations, carried out for hedging purposes but not meeting all requirements set forth in the IAS/IFRS standards, are fully recognised in the statement of comprehensive income for the period.

At the closing of the period, some foreign exchange transactions on financial derivative products (forward purchases), the designation of which at fair value involved the recognition, in the income statement, of charges for EUR 12 thousand, 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 a limited insolvency rate.

The insolvency rate, despite the increase recorded during the persistent economic downturn, remains quite limited. Therefore, the Company monitors carefully the quality of its receivables in terms of risk control.

**Interest Rate Risk**

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

**Cash and changes in Cash Flows risk**

Considering the positive net financial debt 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 has also credit facilities not used to date, granted by the banks, which are more than adequate with respect to its current needs.

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

**Note (1) – Current assets**

This item breaks down as follows:

| Description | 30.09.2016 | 31.12.2015 |
|---|---|---|
| Cash and cash equivalents | 16,698 | 24,618 |
| Trade receivables | 18,629 | 13,664 |
| Inventories of raw, ancillary materials and goods | 7,182 | 7,485 |
| Other current assets | 437 | 977 |
| Total current assets | 42,946 | 46,744 |

Cash and cash equivalents are represented by current bank accounts on demand. For details regarding the net financial debt and an analysis of its changes during the period, reference should be made to the Directors' Report.

The physiological increase in Trade receivables as at September 30, 2016 compared with December 31, 2015, referring to sales of ice cream concentrated in the summer months and a deferred revenue in the fall months, is in line with the good performance of sales in the last few months of the reference period. There are no significant changes in the collection conditions. The total Trade receivables are recognised net of the allowance for doubtful accounts, in the amount of EUR 1.2 million, prudentially estimated based on the information available in order to align its value to the presumed realisable value.

Inventories of raw, ancillary materials and goods are recognised net of an allowance for doubtful accounts of EUR 241 thousand.

The item Other current assets includes tax receivables, payments on account to suppliers, prepayments and accrued income and other current receivables.

**Note (2) – Non-current assets**

This item breaks down as follows:

| Description | 30.09.2016 | 31.12.2015 |
|---|---|---|
| Fixed assets: | | |
| . Goodwill | 3,230 | 3,230 |
| . Intangible fixed assets | 20,628 | 20,703 |
| . Property, plant and equipment | 10,734 | 11,048 |
| . Financial assets | 110 | 110 |
| Total fixed assets | 34,702 | 35,091 |

| Description | 30.09.2016 | 31.12.2015 |
|---|---|---|
| Other non-current assets | 652 | 718 |
| Total non-current assets | 35,354 | 35,809 |

The item Goodwill shows no changes for the period. The recognised goodwill derives from the allocation of the residual amount from the premium of the investment value, compared with the fair value of the assets and liabilities of J&T Italia S.r.l., a company owning the Santa Rosa business, following the merger by incorporation of the same executed in a previous period.
Pursuant to the IAS/IFRS provisions, the Goodwill is not amortised but is tested for impairment annually, according to the IAS 36 requirements. To date, there are no indicators of impairment losses.

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

| Description | 31/12/2015 | Changes for the period | | 30/09/2016 |
|---|---|---|---|---|
| | Net value | Net increases | Amort./Write-downs | Net Value |
| Trademarks and web domains | 20,068 | 0 | (2) | 20,066 |
| Industrial patents and intellectual property rights | 594 | 47 | (125) | 516 |
| Other | 41 | 30 | (25) | 46 |
| Intangible fixed assets in progress | 0 | 0 | 0 | 0 |
| Intangible fixed assets | 20,703 | 77 | (152) | 20,628 |

The item Trademarks refers primarily to the Santa Rosa trademark, designated at fair value within the allocation of the value of the investment in J&T Italia S.r.l., acquired in previous periods and subsequently merged by incorporation. The Santa Rosa trademark, as allowed by the IAS 38 standard, is considered to have an indefinite useful life and therefore non-amortised but subject, at least annually, to an impairment test. To date, there are no indicators of impairment losses.
The increases for the period refer mainly to the purchase of software licenses and printing systems.

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

| Description | 31/12/2015 | Changes for the period | | | 30/09/2016 |
|---|---|---|---|---|---|
| | Value | Increases | Decreases | Other changes | Value |
| <u>Historic Cost</u> | | | | | |
| Land and buildings | 7,814 | 37 | 0 | 0 | 7,851 |
| Plant and equipment | 20,108 | 802 | 0 | 0 | 20,910 |
| Industrial and commercial equipment | 784 | 54 | (4) | 0 | 834 |
| Other assets | 1,437 | 93 | (62) | 0 | 1,468 |
| Fixed assets in progress | 0 | 0 | 0 | 0 | 0 |
| Tot. Historic Cost (A) | 30,143 | 986 | (66) | 0 | 31,063 |
| <u>Depreciation</u> | | | | | |
| Land and buildings | 1,735 | 159 | 0 | 0 | 1,894 |
| Plant and equipment | 15,730 | 969 | 0 | 0 | 16,699 |
| Industrial and commercial equipment | 611 | 45 | (4) | 0 | 652 |
| Other assets | 1,019 | 127 | (62) | 0 | 1,084 |
| Fixed assets in progress | 0 | 0 | 0 | 0 | 0 |
| Tot. Depr. provisions (B) | 19,095 | 1,300 | (66) | 0 | 20,329 |
| Total Property, plant and equipment (A-B) | 11,048 | (314) | 0 | 0 | 10,734 |

Increases in Property, plant and equipment refer mainly to the purchase of plants for the production of plant extracts, ice creams and preserves.

The item Financial assets is represented by investments in subsidiaries and shows the following changes for the period:

| Description | Holdings in Share Capital | 31/12/2015 Value | Changes for the period Increases/ Decreases | | 30/09/2016 Value |
|---|---|---|---|---|---|
| Valsoia Pronova d.o.o. – Slovenia | | | | | |
| -share capital | 100% | 100 | 0 | 0 | 100 |
| -non-int. bearing loan to shareholders | | 10 | 0 | 0 | 10 |
| Tot. Financial Assets | | 110 | 0 | 0 | 110 |

Other non-current assets consist mainly of Deferred tax assets (EUR 488 thousand) and an interest bearing loan granted by Valsoia to the subsidiary Valsoia Pronova d.o.o. (Slovenia).

**Note (3) – Current liabilities**

This item breaks down as follows:

| Description | 30.09.2016 | 31.12.2015 |
|---|---|---|
| Current payables due to banks and other loans | 100 | 2,406 |
| Trade payables | 16,665 | 15,036 |
| Other current liabilities | 4,380 | 4,975 |
| Current liabilities | 21,145 | 22,417 |

Current payables due to banks and other loans refer to the maturity within 12 months of the non-current loans obtained by the Company in previous periods. For comments on this item, see following *Note 4)*.

The increase in trade payables is related to the performance of production and assets in the last months of the period. There have been no significant changes in the time for payments to suppliers.

Other current liabilities refer primarily to tax payables represented by direct taxes and payables to the tax authorities as a substitute tax.

**Note (4) – Non-current liabilities**

This item breaks down as follows:

| Description | 30.09.2016 | 31.12.2015 |
|---|---|---|
| Non-current payables due to banks and other loans | 819 | 6,075 |
| Other non-current liabilities | 567 | 586 |
| Non-current liabilities | 1,386 | 6,661 |

The item Non-current payables due to banks and other loans refers primarily to instalments with maturity beyond 12 months, from bank loans received in previous periods. The significant decrease refers to the prepayment of bank loans granted in previous periods, made by the Company on March 31, 2016, as described in the Directors' Report.

Other non-current liabilities refer to the Provision for post employment benefits set aside by the Company.

**Note (5) – Shareholders' Equity**

The share capital of the Company is fully paid up and amounts to EUR 3,503,024.91, with 10,615,227 ordinary shares of a Nominal value of EUR 0.33 each.
During the period, the Company increased its share capital upon completion, at the vesting date, of the Stock Option Plan 2011-2016 (hereinafter also "SOP 2011-2016") and of the exercise of 159,443 option rights by the beneficiaries, with concomitant payment by the same of the option exercise price (EUR 0.33 per share).

The main changes refer to the distribution of dividends for a total of EUR 5.7 million and to the Profit (loss) for the period of EUR 7.6 million.

To be noted is also the allocation of a "Realignment reserve pursuant to Art. 1, par. 895 et seq. Law 208/2015" of EUR 8,194,630, through the corresponding use of the Extraordinary Reserve, upon resolution issued by the Shareholders' Meeting of April 26, 2016, as a result of the tax realignment of the Santa Rosa trademark carried out by the Company pursuant to Art. 1 of the Law no. 208 of 28/12/2015 (Stability Law of 2016).

See the related accounting statement for more details on the composition of and changes in the Shareholders' Equity as at September 30, 2016.

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

**Note (6) - Value of production**

This item breaks down as follows:

| Description | 30.09.2016 | 30.09.2015 |
|---|---|---|
| Revenue from sales and services: | | |
| - Revenue - Italy | 85,127 | 86,936 |
| - Revenue - Abroad | 2,893 | 2,780 |
| Total Sales Revenue | 88,020 | 89,716 |
| Changes in inventories of finished products | (465) | (857) |
| Other revenue and income | 211 | 304 |
| Total Value of production | 87,766 | 89,163 |

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

Reference should be made to the Directors' Report for comments on sales revenue trend. It should be noted that, following the same approach of previous periods, the item "Other products", shown in this table, includes revenues amounting to EUR 10.8 million related to semi-finished products sold as co-packers and subsequently repurchased by the Company as marketed finished products.

**Note (7) - Operating costs**

This item breaks down as follows:

| Description | 30.09.2016 | 30.09.2015 |
|---|---|---|
| - Purchase costs for raw, ancillary, consumable materials and goods | 44,284 | 44,708 |
| - Costs for services | 22,978 | 23,019 |
| - Personnel costs | 6,498 | 6,152 |
| - Other operating costs | 1,003 | 634 |
| Total operating costs | 74,763 | 74,513 |

**Note (8) – Amortisation and depreciation**

This item breaks down as follows:

| Description | 30.09.2016 | 30.09.2015 |
|---|---|---|
| Amortisation of Intangible fixed assets | 152 | 151 |
| Amortisation of Property, plant and equipment | 1,300 | 1,245 |
| Total amortisation and depreciation | 1,452 | 1,396 |

**Note (9) – Net financial charges**

This item breaks down as follows:

| Description | 30.09.2016 | 30.09.2015 |
|---|---|---|
| Investment write-down | 0 | 0 |
| Interest (income) and other financial income | (17) | (67) |
| Interest expense and bank charges | 545 | 406 |
| Foreign currency exchange gains/(losses) | 58 | (86) |
| Total net financial income/(charges) | 586 | 253 |

Net financial charges increased especially due to the above mentioned early repayment operation of medium-long term loans which involved the one-off recognition of financial charges for EUR 394 thousand deriving primarily from the early repayment of the related derivative agreements entered into for the coverage of interest rate risk.

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

During the period in question, neither unusual nor significant transactions, of an economic, financial or equity nature, or transactions that were not concluded under normal market conditions, were carried out with the parent company or with related parties.

## Statement from the Manager in charge of financial reporting

The Manager in charge of financial reporting, Carlo Emiliani, declares that, pursuant to paragraph 2 of article 154-bis of the Consolidation Finance Act, the accounting reporting contained in this document corresponds to the documents, books and accounting records.

The Manager in charge of financial reporting
Carlo Emiliani

/

Bologna, 07 November 2016

The Chairman of the Board of Directors
Lorenzo Sassoli de Bianchi

VALSOIA SpA

www.valsoiaspa.com