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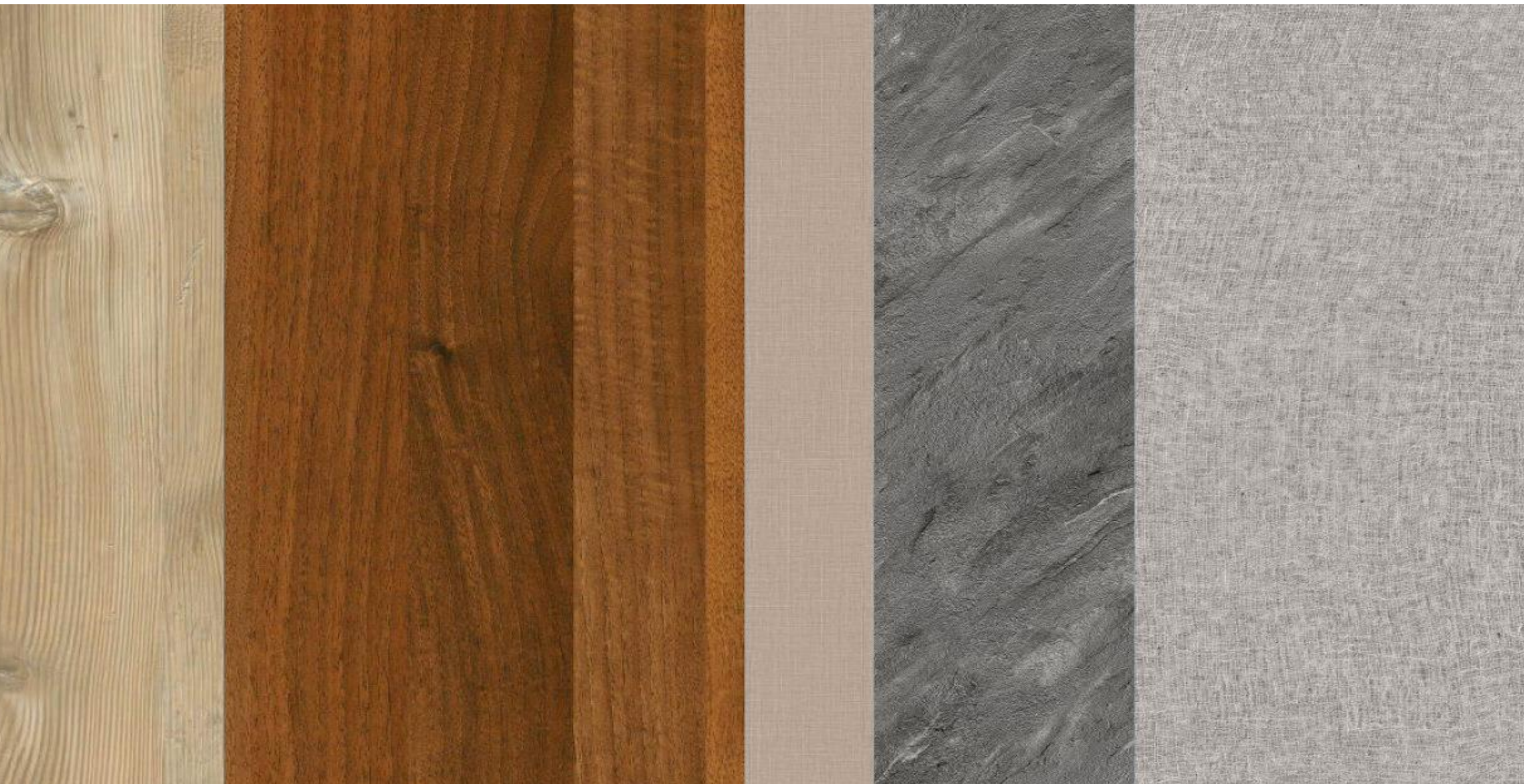
Annual Report
at 31 December 2020

Financial Statements prepared in accordance with IAS/IFRS

Amounts in Euro



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Share Capital
€ 17,398,687.37 fully paid up
www.neodecortech.it

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Summary

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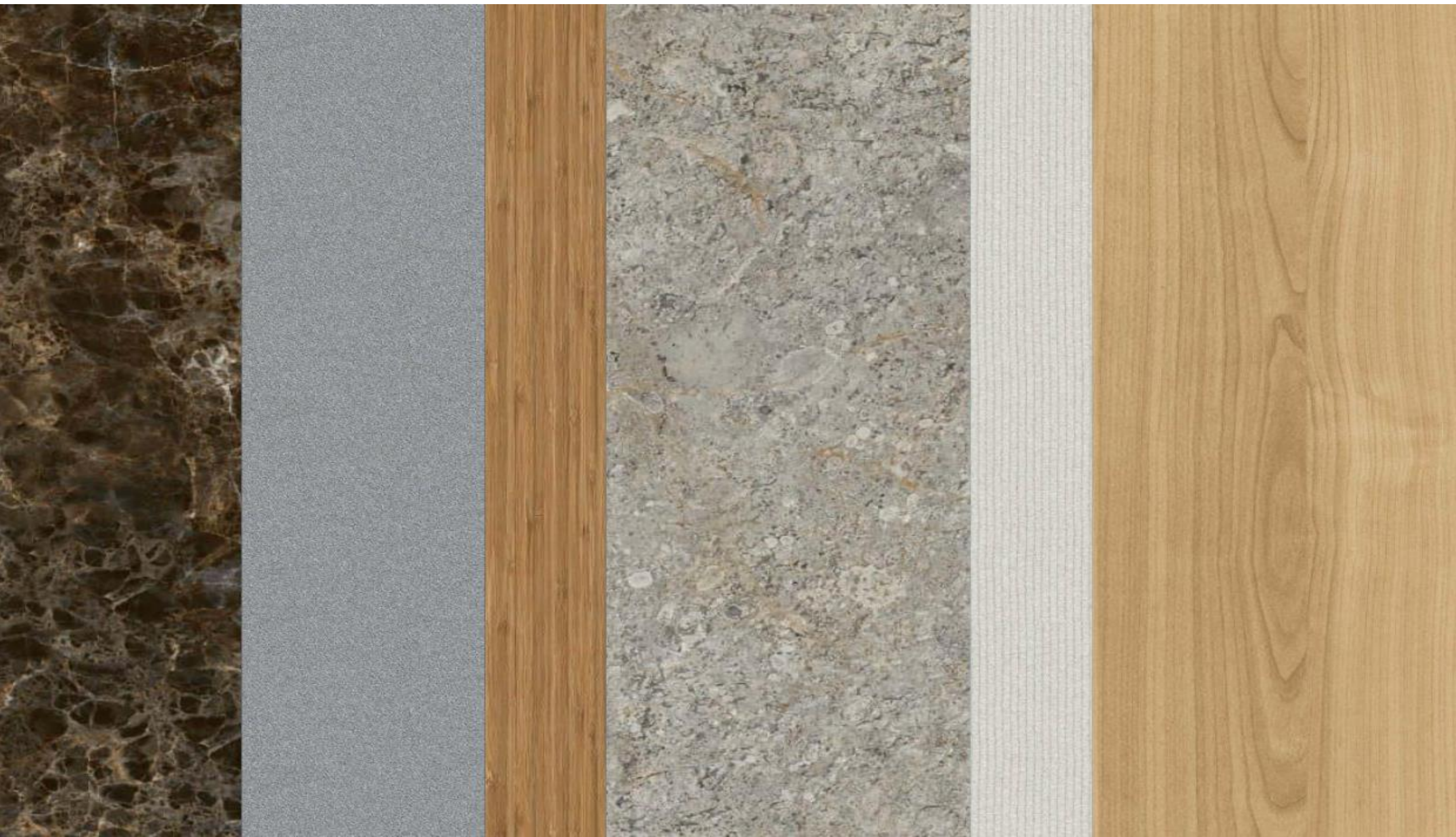
The Neodecortech Group



Corporate officers

Board of Directors [(1)]

Chairman	Riccardo Bruno *
Director, Chief Executive Officer	Luigi Cologni
Executive Director	Massimo Giorgilli
Non-Executive Director	Cristina Valentini
Independent Non-Executive Director	Paolo Pietrogrande*
Independent Non-Executive Director	Paola Carrara*
Independent Non-Executive Director	Laura Calini*

(*) Independent Director pursuant to Article 148 of the TUF and Article 3 of the Corporate Governance Code.

Board of Statutory Auditors [(2)]

Chairman	Stefano Santucci
Standing Auditor	Federica Menichetti
Standing Auditor	Stefano Zonca
Alternate Auditor	Davide Mantegazza
Alternate Auditor	Marinella Monterumisi

Financial Reporting Manager [(3)] Fabio Zanobini

Committees [(4)]

Remuneration and Appointments Committee	Paola Carrara (Chair)
	Paolo Pietrogrande
	Riccardo Bruno
Control and Risk Committee	Paolo Pietrogrande (Chairman)
	Laura Calini
	Paola Carrara
Related Party Committee	Laura Calini (Chair)
	Paolo Pietrogrande
	Paola Carrara

Sustainability Committee	Riccardo Bruno (Chairman) Luigi Cologni Massimo Giorgilli Laura Calini
Supervisory Board [5]	Ettore Raspadori (Chairman) Federica Menichetti [6]
Independent Auditors [7]	BDO Italia S.p.A.

[1] The Board of Directors of Neodecortech S.p.A. in office was appointed on 9 December 2019 and will remain in office for three financial years until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

[2] The Company's Board of Statutory Auditors was appointed on 24 February 2020 and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2022.

[3] Fabio Zanobini was appointed Financial Reporting Manager by the Board of Directors on 25 June 2020, pursuant to Article 154-bis of the TUF.

[4] The Board of Directors of Neodecortech S.p.A. resolved on 31 January 2020 to establish (i) a Remuneration and Appointments Committee; (ii) a Control and Risk Committee; (iii) a Related Party Committee and (iv) a Sustainability Committee, subject to the start of trading of the Company's shares and "Warrant Neodecortech 2018-2021" on the Mercato Telematico Azionario (electronic stock market) organized and managed by Borsa Italiana S.p.A. ("**MTA**"). Trading on the MTA started on 25 May 2020.

[5] The Board of Directors of Neodecortech S.p.A. passed a resolution on 31 January 2020 appointing Mr. Raspadori and Ms. Menichetti as members of the Supervisory Board of the Company for three financial years, therefore, until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2022.

[6] Ms. Menichetti also holds the position of standing auditor of Neodecortech S.p.A.

[7] The nine-year statutory audit assignment pursuant to Article 17 of Legislative Decree 39/2010 of the Italian Civil Code for the financial years 2020-2028 was granted by the Ordinary Shareholders' Meeting on 9 December 2019.

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Group Structure

The Group's structure at 31 December 2020 and 31 December 2019 is shown below.

Neodecortech S.p.A. — 100% → **Cartiere di Guarcino S.p.A.** — 100% → **Bio Energia Guarcino S.r.l.**

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At 31 December 2020, the **companies forming the Group** are:

NDT

Neodecortech S.p.A.

registered and operating offices in Filago (BG) and other operating offices in Casoli d'Atri (TE), heads up the core business of the Group and is active in the printing and impregnation of paper, in the printing and finishing of thermoplastic film, and in "laminates" produced mainly at the Casoli headquarters. Neodecortech's goal is to act as a highly proactive decoration partner for its customers in the interior design and flooring industry, through constant monitoring and interpretation of new stylistic trends.

The Parent Company performs the following functions for its subsidiaries: (i) legal and corporate affairs, (ii) administration and equity investments, (iii) strategic planning and business development; (iv) internal audit, compliance & risk management.

CDG

Cartiere di Guarcino S.p.A.

registered office in Guarcino (FR), specializes in the production of decorative papers that subsequently undergo other stages of processing: printing or directly impregnation with thermosetting resins and hot pressing. The company operates on the national and international markets through a network of agents.

BEG

Bio Energia Guarcino S.r.l.

registered office in Guarcino (FR), owns the cogeneration plant in operation since May 2010 for the self-production of electrical and thermal energy that satisfies a large part of the energy needs of CDG.

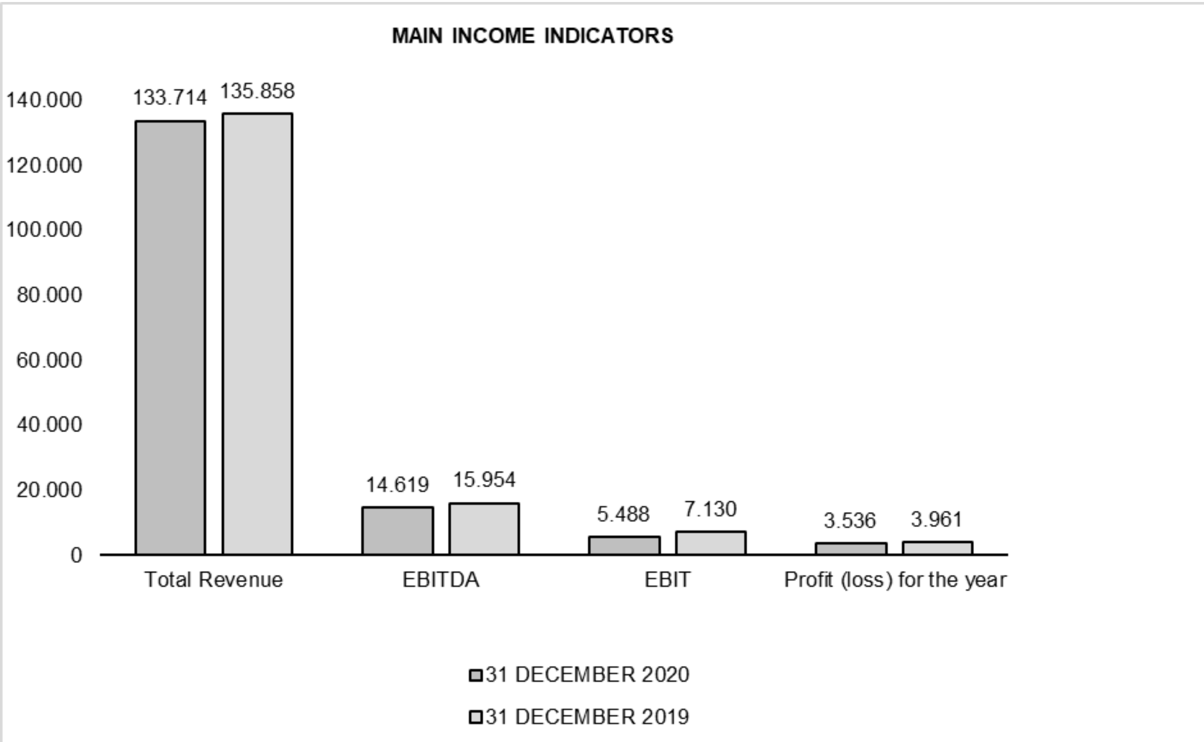
Financial highlights of the Neodecortech Group

Income statement

The table below shows the main **consolidated income statement** figures:

(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales and services	127.843	100,0%	132.985	100,0%	(5.142)	(3,9%)
Other revenue	5.871	4,6%	2.873	2,2%	2.998	104,4%
Total Revenue	**133.714**	**104,6%**	**135.858**	**102,2%**	**(2.144)**	**(1,6%)**
EBITDA	**14.619**	**11,4%**	**15.954**	**12,0%**	**(1.335)**	**(8,4%)**
Amortization and depreciation	8.725	6,8%	8.689	6,5%	36	0,4%
Allocations	406	0,3%	134	0,1%	272	0,0%
EBIT	**5.488**	**4,3%**	**7.130**	**5,4%**	**(1.642)**	**(23,0%)**
Profit (loss) for the year	**3.536**	**2,8%**	**3.961**	**3,0%**	**(425)**	**(10,7%)**

For comments on changes, reference should be made to the section "CONSOLIDATED INCOME STATEMENT" in the Directors' Report on Operations.

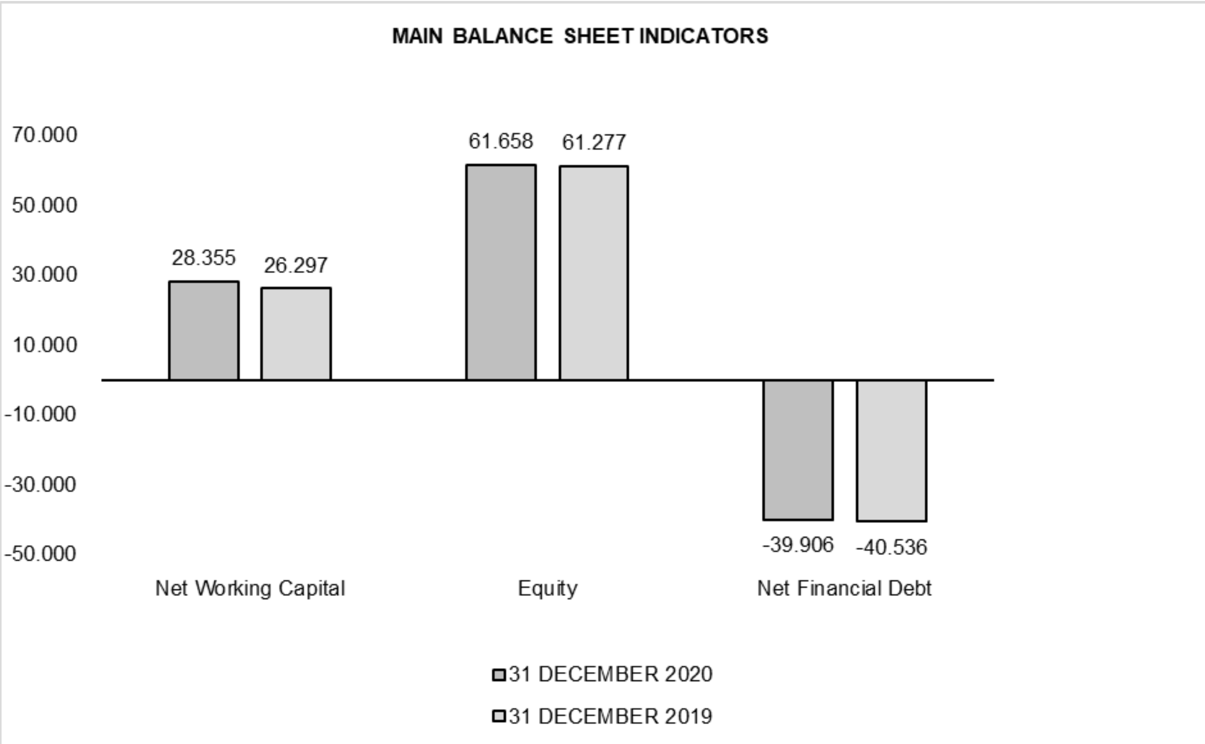


Financial results

The table below shows the main **consolidated financial indicators**:

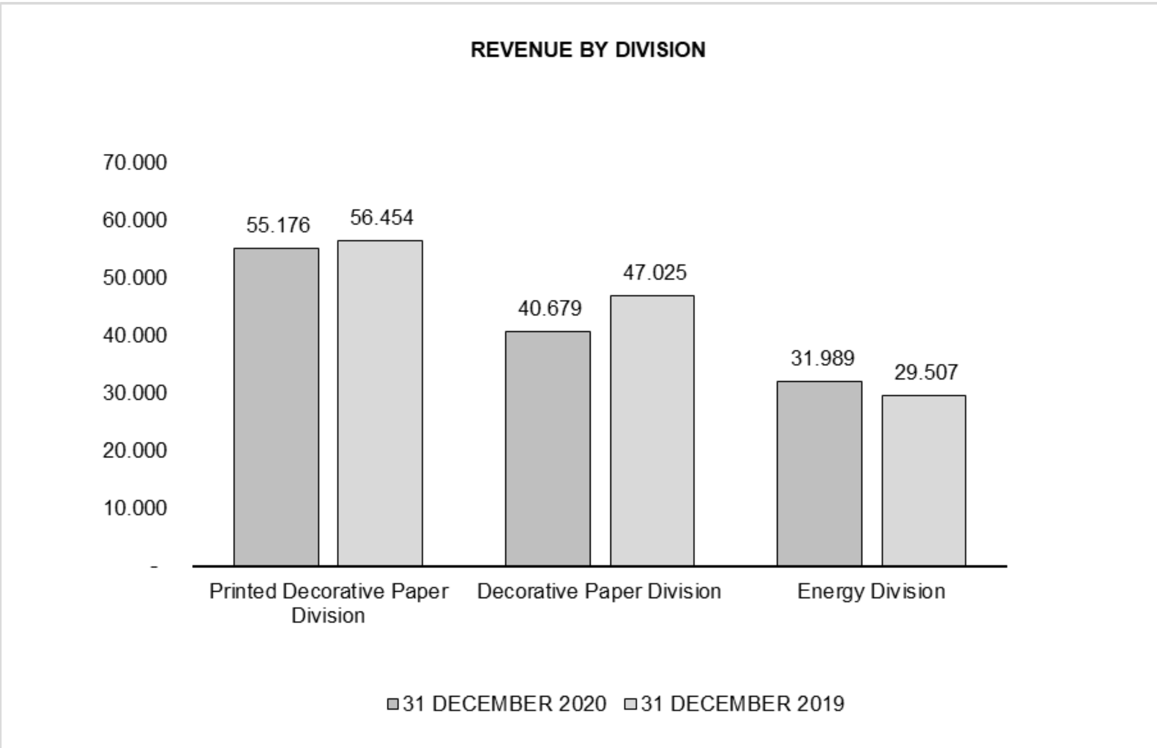
(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019	Chg.	% change
Net Working Capital	28.355	26.297	2.058	7,8%
Equity	61.658	61.277	381	0,6%
Net Financial Debt	(39.906)	(40.536)	(630)	1,6%

For comments on changes, reference should be made to the section “RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION" in this Directors’ Report on Operations.



The table below shows **consolidated revenue by operating segment.**

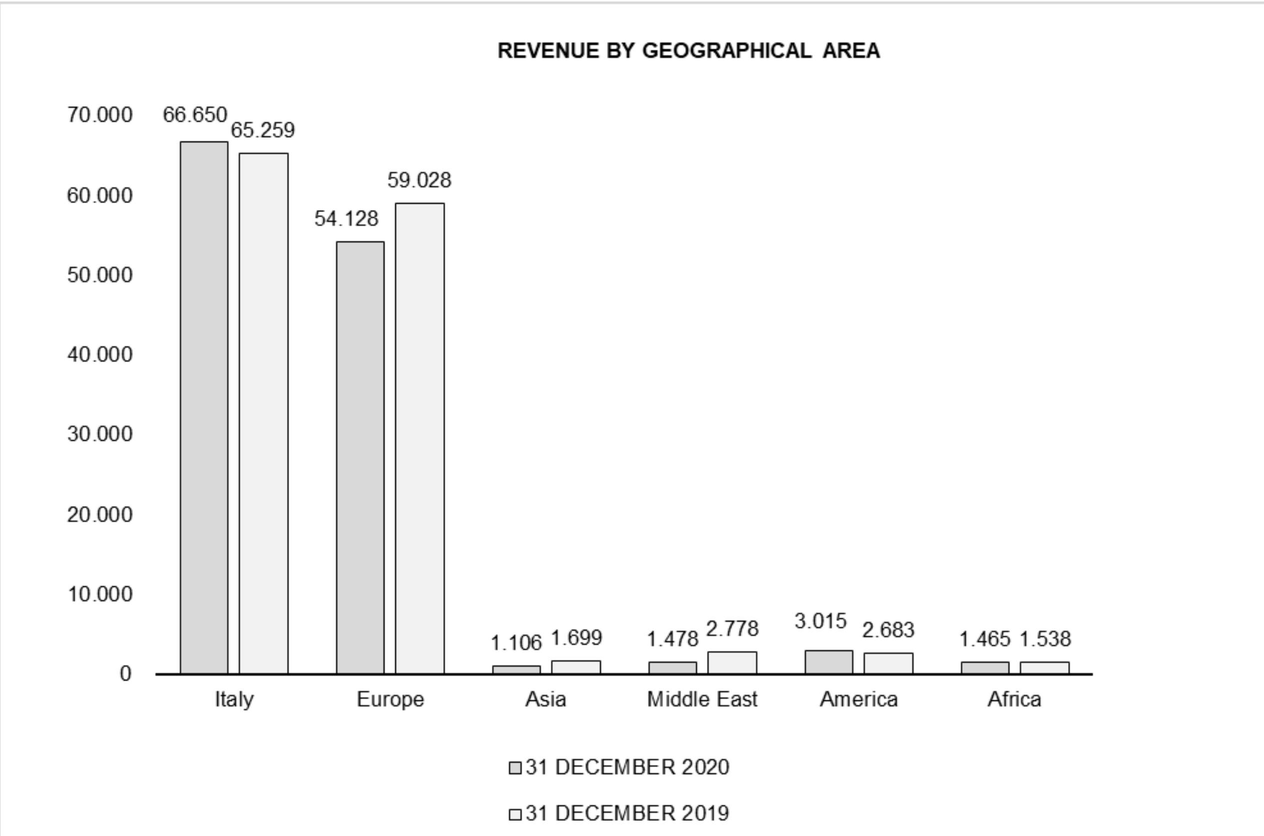
(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Printed Decorative Paper Division	55.176	43%	56.454	42%	(1.278)	(2,3%)
Decorative Paper Division	40.679	32%	47.025	35%	(6.346)	(13,5%)
Energy Division	31.989	25%	29.507	22%	2.482	8,4%
Total	**127.843**	**100%**	**132.985**	**100%**	**(5.142)**	**(3,9%)**



For comments on the performance of each division, reference should be made to the chapter "FINANCIAL HIGHLIGHTS BY OPERATING SEGMENT" in the Directors' Report on Operations.

The table below shows **consolidated revenue by geographical area**.

(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Italy	66.650	52,1%	65.259	49,1%	1.391	2,1%
Europe	54.128	42,3%	59.028	44,4%	(4.900)	(8,3%)
Asia	1.106	0,9%	1.699	1,3%	(593)	(34,9%)
Middle East	1.478	1,2%	2.778	2,1%	(1.300)	(46,8%)
America	3.015	2,4%	2.683	2,0%	332	12,4%
Africa	1.465	1,1%	1.538	1,2%	(73)	(4,7%)
Total	**127.843**	**100,0%**	**132.985**	**100,0%**	**(5.142)**	**(3,9%)**



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Directors' Report on Operations

Dear Shareholders,

Submitted to your approval are the Consolidated Financial Statements at 31 December 2020 of the Neodecortech Group (hereinafter also "the Group"), prepared in accordance with the IAS/IFRS international accounting standards and accompanied by this Report, by means of which we present the performance of the Group in 2020 as well as the future outlook.

Mention should be made that the Neodecortech Group completed the translisting process from the AIM Italia multilateral trading system to the MTA (electronic stock market) organized and managed by Borsa Italiana S.p.A. on 25 May 2020.

The period under review closes with a consolidated profit of € 3,536 thousand (€ 3,961 thousand at 31 December 2019), after amortization, depreciation and provisions of € 9,131 thousand (€ 8,823 thousand at 31 December 2019), and income tax of € 527 thousand (€ 1,248 thousand at 31 December 2019).

This Report, drawn up with amounts expressed in Euro thousands, is presented together with the consolidated financial statements in order to provide income, financial and operating information of the Group.

Below are the trends, uncertainties, demands, commitments or known facts that could be reasonably expected to have an impact on the Group's outlook, including the impacts from the Coronavirus pandemic.

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Impacts from the Coronavirus pandemic (COVID-19)

With regard to the Coronavirus pandemic, the Italian Government issued Decree Law no. 6 of 23 February 2020, "*containing urgent measures for the containment and management of the COVID-19 epidemiological emergency*", subsequently supplemented by three Prime Ministerial Decrees of 1 March, 4 March and 8 March 2020, which essentially erected a cordon sanitaire around the Lombardy Region (in the Province of Bergamo, the Issuer has its main operational headquarters) and 14 Provinces, adopting strict measures, including movement limitations in and outside those areas, except for movement made for verifiable work or health reasons or situations of need. Under Prime Ministerial Decree of 9 March 2020, these measures were extended to the entire Country. A further Prime Ministerial Decree of 11 March 2020 ordered the closure of all retail activities (except for those of primary necessity) throughout the Country, with the exception of industrial plants, which were nevertheless required to comply with health protection rules. Subsequently, the Prime Ministerial Decree of 22 March 2020 ordered the nation-wide suspension of all industrial, production and retail activities, except for those of primary necessity; the Prime Ministerial Decree dated 10 April 2020 then allowed the reopening of certain previously non-relevant retail activities. Additionally, authorization was given to the production activities of those companies that are beneficiaries of the products and services, i.e., companies that are functional to ensuring the continuity of the supply chains in accordance with the Prime Ministerial Decree of 10 April 2020.

Under the Prime Ministerial Decree of 26 April 2020, and the Prime Ministerial Decree of 11 June 2020, the Government provided the provisions for Phase 2 and the partial reopening of activities.

After an easing of restrictions during the summer period following the fewer cases reported, since end September 2020, the virus has started to spread again across Italy, other European Union countries (where the Group's main customers are based), and on a global scale; numerous European and non-European governments have introduced a second lockdown, applying extraordinary measures restricting the circulation of goods and people, as well as suspending economic activities, as the Italian government did (LD no. 125 of 7 October 2020, LD no. 137 of 28 October 2020, Prime Ministerial Decree of 3 December 2020 and LD no. 172 of 18 December 2020). This situation is still ongoing, and urgent provisions have been introduced in Italy under LD no. 2 of 14 January, Prime Ministerial Decree of 14 January 2021, and LD no. 12 of 12 February 2021. Since January 2021, the authorizations for the production of COVID-19 vaccines, their slow to date introduction and application across the world, and the reduction of infection curves, have allowed the easing of restrictive measures on circulation, in Italy at least. In various other European countries, however, such as Germany and the UK, the lockdown and the restrictions to the movement of people and the performance of certain economic activities still continue.

While the national and international context still appears uncertain, due to the presence of new COVID-19 variants, the introduction of vaccines and the measures adopted by Italian and European governments to support businesses and activities most hit by the pandemic should bring an improvement in the general and economic context in Italy and at European level.

Effects of the COVID-19 pandemic on the final results at 31 December 2020

During 2020, after the first two months of growth, as a result of the spread of the Coronavirus pandemic, the Group was impacted, with regard to the operations of the plants, as shown below:

- production and logistics activities were suspended at the Filago plant, from 23 March 2020 to 17 April 2020, and at the Casoli d'Atri plant, from 25 March 2020 to 24 April 2020. The above plants resumed regular production operations from 20 April 2020 (Filago) and 27 April 2020 (Casoli d'Atri), respectively, subject to notice sent to the Prefect of the competent province pursuant to Article 2, paragraph 3, of the Prime Ministerial Decree of 10 April 2020;
- with regard to the Cartiere di Guarcino production site, due to reduced demand linked to the restrictions on the Group's production activities resulting from the closure of the Filago and Casoli d'Atri production sites referred to in the previous point, and taking account of the extension until 3 May 2020 of the possibility of stopping the various production activities envisaged by Prime Ministerial Decree of 10 April 2020, production activities were interrupted from 14 April 2020 to 3 May 2020 and then from 31 May to 13 June 2020.
- with regard to the activities of Bio Energia Guarcino S.r.l., production continued regularly at the Guarcino site.

The Group has also taken the following measures and actions to deal with changes in turnover recorded and expected due to the above health crisis:

(i) use of the CIGO provided for by Law Decree no. 18 of 17 March 2020 to curb the impact of production stoppages. With regard to Neodecortech S.p.A. employees, approximately 56 days of CIGO were used for the Filago plant and 45 days for the Casoli plant, involving about one third of the total workforce. With regard to Cartiere di Guarcino S.p.A., approximately 87 days of CIGO were used in the period April-September 2020, involving, to a different extent, almost all of the employees (132 out of 158);

(ii) containment of discretionary costs and reduction or postponement of capital expenditure, as well as the renegotiation of certain supply and lease contracts and careful management of working capital;

(iii) marketing of the new product lines, initially planned for March 2020, started in July 2020.

During the harshest period of the first wave, to the Company's knowledge, three employees at the Filago (BG) plant of Neodecortech S.p.A. tested positive to Coronavirus, one of whom died on 3 April 2020. Subsequently, only two other employees tested positive without serious symptoms.

The Group has taken the necessary precautionary measures, also with regard to the safety and health protection of workers, including the provisions of the shared regulatory Protocol on the contrast and containment of COVID-19 in the workplace of 14 March 2020, as subsequently amended and supplemented, in compliance with the provisions of the Prime Ministerial Decrees, ministerial memos, Civil Protection orders, as well as the guidelines issued by other local-based Authorities.

During the harshest period of the pandemic, the following were sent: (i) to the main customers, specific notices, duly informing them of the operation of the Group's activities; and (ii) to the main suppliers, specific requests for receiving confirmation of the regular operation of supplies.

Additionally, from the beginning of April 2020, the Group solved minor logistical and organizational issues, which had occurred in March 2020, relating to the supply of certain raw materials, thanks to specific operational arrangements with suppliers.

Lastly, mention should be made of the conclusion of the following loans in 2020:

- on 17 April 2020, a new loan with BPER Banca S.p.A. for € 900 thousand

  and

- on 20 April 2020, a new loan with Banco BPM S.p.A. for € 2,000 thousand.

These loans were taken out on a prudential basis to deal with potential financial tensions in the harshest period of the pandemic, and allowed the Group to tackle the complex market environment with a more appropriate financial structure.

Subsequently, taking advantage of the Emergency Law Decrees issued by the Government to support the liquidity of businesses, the Group obtained the following MCC-secured loan agreements in July and September 2020:

- Neodecortech S.p.A. - € 2,500 thousand from Banco BPM S.p.A. - duration 72 months - with no grace period - 80% FGPMI guarantee;
- Neodecortech S.p.A. - € 2,500 thousand from Banco BPM S.p.A. - duration 72 months - with no grace period - 90% FGPMI guarantee;
- Cartiere di Guarcino S.p.A. - € 2,000 thousand from Banca Popolare di Sondrio - duration 72 months - 12-month grace period - 90% FGPMI guarantee;
- Cartiere di Guarcino S.p.A. - € 1,000 thousand from Banco Desio - duration 72 months - 12-month grace period - 90% MCC guarantee;
- Bio Energia Guarcino S.r.l. - € 2,000 thousand from BPER Banca S.p.A. - duration 60 months - 12 month-grace period - 90% MCC guarantee.

Cartiere di Guarcino S.p.A. also obtained from Medio Credito Centrale a subsidized 0.80% loan of € 146 thousand granted with regard to the Invitation to Tender "Research and development projects in the technology fields identified by the EU Framework Programme Horizon 2020" - Fund for Sustainable Growth, as per Ministerial Decree of 20 June 2013.

June 2020 also saw the renegotiation with SelmaBipiemme Leasing S.p.A. of the lease contract in place with Bio Energia Guarcino S.r.l.. The agreement envisaged the suspension of the lease payments relating to the principal for the period between April 2020 and March 2021 for a total of € 1,924 thousand. Under the standstill, the parties set out a new structure for the guarantee and indemnity agreements related to the lease contract.

In the condensed consolidated half-year report, taking account of the requirements of "Warning notice no. 6/20 (COVID-19 - Warning Notice on financial reporting)" issued by CONSOB on 9 April 2020 and “Warning notice no. 8/20 issued by CONSOB on 16 July 2020", mention was made that the Group's figures for the first six months of 2020 had been significantly affected by the impacts of the COVID-19 pandemic: the second half of March 2020 witnessed a drop in both consolidated revenue and operating margins.

Against this backdrop, and in view of the possible effects of the COVID-19-related crisis, on 27 April 2020 the Group updated its estimates for 2020 (the "Updated 2020 Budget") taking account of the results of first quarter 2020, closure of the plants in March-April 2020 and the presumable developments in demand for the Group during the remaining part of 2020.

The Updated 2020 Budget also envisaged two sensitivity analyses with the application of an additional 10% and 20% reduction in gross revenue, respectively, versus the base scenario contained in the Updated 2020 Budget.

Since July 2020 however, despite the highly challenging backdrop brought by the impacts of the COVID-19 emergency, the Group has reversed the overall trend of the first half of the year, recording an increase in orders at a significantly higher level than the historical average, with all the Group's production facilities up and running at full capacity and with the consequent increase in turnover and margins. This situation continued until year end.

Taking account of “Warning Notice no. 1/21 (COVID 19 - Warning Notice on Financial Reporting of 16 February 2021), one may reasonably assert that the Group has overcome the hardships of the global economic recession triggered by the ongoing 2020 health emergency, fully recovering the targets set before the pandemic scenario, in terms of orders, continuity and business growth. Despite the severe challenges of spring, the final results benefited not only from the mentioned strong recovery in the second half of the year, but also from the launch of new products that will gain increasing importance, enabling domestic and European customers to make use of our high-performance premium surfaces. The final results of 2020 were therefore much better than those forecast in the Updated 2020 Budget, both in terms of revenue (approximately +14%), EBITDA and net profit.

All the covenants relating to the Group's existing debt were met in 2020, and likewise at 31 December 2020.

On 10 February 2021, the Parent Company's Board of Directors approved the new 2021-2023 Business Plan ("the 2021-2023 Business Plan"), which includes the 2021 Budget and envisages:

- the consolidation of traditional lines such as decorative paper, printed decorative paper, printed plastic film and impregnated paper;
- a strong development of the new product lines, such as laminates, EOS (anti-fingerprint surface finish) and PPLF (plastic laminated film for flooring accessories and paneled walls);
- an approximately 50% increase in capital expenditure versus the previous three-year period;
- full self-financing of planned expenditure through the increased capacity of generating operating cash flow, without the need to resort to further debt.

Effects of the COVID-19 pandemic on the recoverable value of assets

Based on the information available to date, the Group believes that it has come out of the acute phase of the crisis and is now witnessing a gradual return to normalcy. This also in light of the results for the year ended 31 December 2020, which showed a recovery in revenue and margins versus the second quarter of 2020, and a moderate decline versus the 2019 results. Expectations for 2021 and the following years, contained in the 2021-2023 Business Plan, should therefore not be significantly impacted by the COVID-19 pandemic, thanks to the easing of measures restricting trade and the movement of vehicles and people, with the gradual recovery of pre-crisis levels on industrial and retail activities, and thanks also to the changed lifestyle of end consumers, who will tend to invest more in their home, taking advantage of the tax breaks recently introduced.

With regard to the application of IAS 36, in addition to the internal and external impairment indicators generally monitored, based on the information available at 31 December 2020 and the data contained in the 2021-2023 Business Plan, Management assessed the effects of the COVID-19 pandemic on the recoverable value of assets. Based on the final results of 2020 and the above assumptions regarding the impact of the pandemic on the years after 2020, Management does not believe that the spread of the COVID-19 pandemic could be an indicator of impairment and, therefore, did not consider it necessary to carry out an impairment test. In any event, it should be noted that the Group does not hold any intangible assets with indefinite useful life, therefore, fixed assets consist of assets subject to regular depreciation based on their finite useful life. Capital expenditure on the new production lines implemented in 2020 was made in full and recorded under property, plant and equipment and intangible assets; as a result, there are currently no impairment indicators for these assets.

The analysis has found no particular critical issues and it is not currently believed that the effects of the COVID-19 pandemic are an indicator of impairment requiring the write-down of assets. Consistent with the guidelines of IAS 36, Management will monitor the developments of macroeconomic conditions and any other impairment indicator and will promptly take account of changes in the value of assets.

Effects of the COVID-19 pandemic on business continuity

When preparing the consolidated annual financial statements, the Group reviewed the main financial and operating risks to which it is exposed in order to assess any negative effects of the COVID-19 pandemic on business continuity. In this regard, in light of the analyses conducted and based on the available findings - taking account of a credit risk that remains low and the Group's sound capacity to obtain liquidity from the banking system, and in view of the marked improvement in operating and financial results in the second half of 2020 and the forecasts for 2021 envisaged in the 2021-2023 Business Plan - no critical issues and uncertainties were found regarding the Group's business continuity.

The international economic environment

As broadly illustrated in the previous sections of this Report, the year 2020 started off with a slight deterioration in the macroeconomic context of the Group's area of operation (EUR - SME (Purchasing Managers Indexes) of 51.4 points at December 2018 and 45.9 points at December 2019 (source: https://it.investing.com/economic-calendar/manufacturing-pmi-201), reflecting a possible macroeconomic cyclical trend; as from mid-March, the context began to be severely affected by the impact of the pandemic.

This situation affected all of the Group's market areas of operation at the same time.

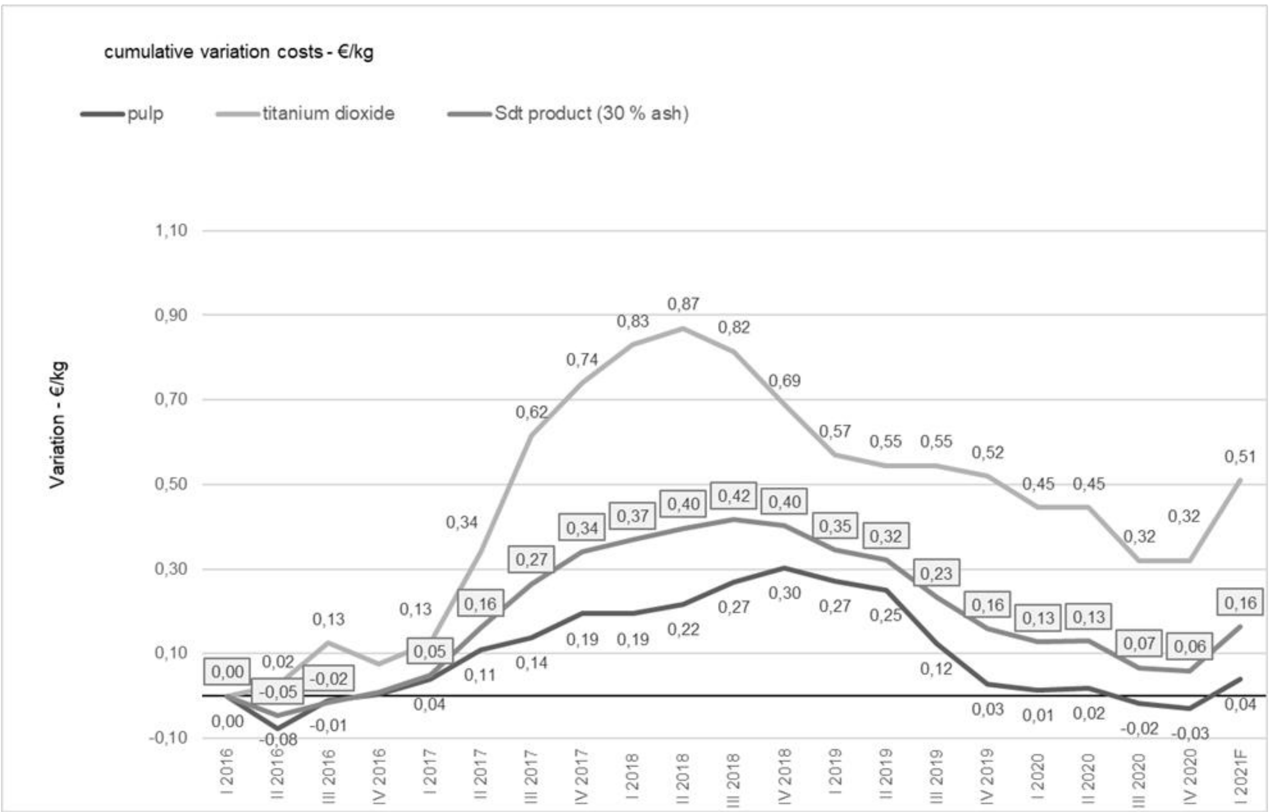
Since the beginning of the second half of 2020, however, the economic environment has radically changed; thanks to the massive use of smart working by companies across all industries and the renewed central role of the home environment, a strong growth in demand for furniture and flooring has been reported throughout Europe (90% of the Group's market), which continues to date and is driving the market segments of furnishing surfaces that represent the main outlet for Neodecortech decorative papers.

The above EUR - SME (Purchasing Managers Indexes) at December 2020 stood at 55.5 points (figure at 16.12.2020), a clear sign of renewed confidence in future prospects.

Relevant segment

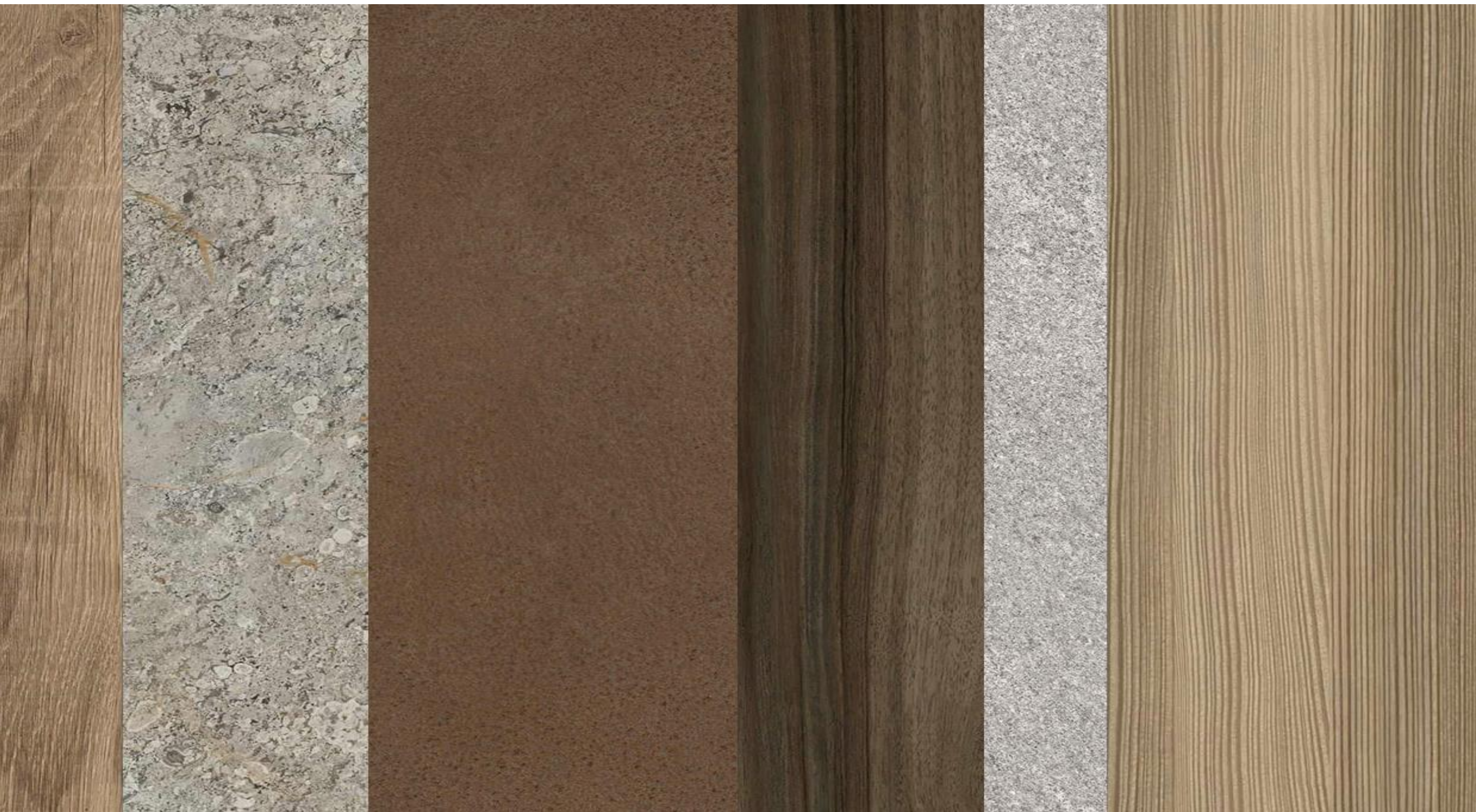
In addition to the above considerations on the international economic context, the chain of decorative surfaces related to the furniture and furnishing market, both in terms of furniture and flooring, following a weak performance in the first quarter, experienced a rather severe second quarter, with reductions of up to 50-60% in average level of activity of the chain. This adverse trend was countered by a rather bubbly third and fourth quarter, with full and total recovery of production capacity in all segments of the industry in which the Group companies operate.

As for the two main cost components underlying paper used - pulp and titanium dioxide - their prices underwent slight downward changes in 2020, due to lower demand in the first part of the year and the need to lessen stock in the second part of the year. The fourth quarter, however, owing to the powerful acceleration in China's recovery, and the significant increase in sea freight, saw a rather marked rebound for titanium dioxide and a smaller increase, on the other hand, for pulp. These trends can be seen in the chart below, showing the impacts of these changes on the mixture cost of a kg of print base paper with 30% TiO2.



Source: Internal processing on FOEX data for pulp and ICIS LOR data for titanium dioxide.

Key balance sheet, financial and income figures



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Consolidated results of the Neodecortech Group

(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales and services	**127.843**	**100,0%**	**132.985**	**100,0%**	**(5.142)**	**(3,9%)**
Changes in w ork in progress, semi-finished and finished proc	(2.547)	(2,0%)	1.359	1,0%	(3.906)	(287,4%)
Other revenue	5.871	4,6%	2.873	2,2%	2.998	104,4%
Value of Production	**131.167**	**102,6%**	**137.218**	**103,2%**	**(6.051)**	**(4,4%)**
Raw and ancillary materials and consum.	(75.834)	(59,3%)	(77.501)	(58,3%)	1.667	(2,2%)
Other operating expense	(21.832)	(17,1%)	(23.040)	(17,3%)	1.208	(5,2%)
Value Added	**33.501**	**26,2%**	**36.678**	**27,6%**	**(3.177)**	**(8,7%)**
Personnel expense	(18.882)	(14,8%)	(20.724)	(15,6%)	1.842	(8,9%)
EBITDA	**14.619**	**11,4%**	**15.954**	**12,0%**	**(1.335)**	**(8,4%)**
Amortization and depreciation	(8.725)	(6,8%)	(8.689)	(6,5%)	(36)	0,4%
Allocations	(406)	(0,3%)	(134)	(0,1%)	(272)	203,0%
EBIT	**5.488**	**4,3%**	**7.130**	**5,4%**	**(1.642)**	**(23,0%)**
Financial expense	(1.705)	(1,3%)	(2.044)	(1,5%)	339	(16,6%)
Financial income	280	0,2%	122	0,1%	158	129,5%
Profit/(loss) before tax	**4.063**	**3,2%**	**5.209**	**3,9%**	**(1.146)**	**(22,0%)**
Income tax	(527)	(0,4%)	(1.248)	(0,9%)	721	(57,8%)
Profit/(loss) for the year	**3.536**	**2,8%**	**3.961**	**3,0%**	**(425)**	**(10,7%)**

Turnover dropped by -3.9% versus the prior year, despite the production stoppages that mainly marked second quarter 2020, due to the COVID-19 pandemic. Recovery was possible thanks to the broad context of growth that drove the Group’s segment of operation, and to the sale of the new products EOS, PPLF and 142 cm laminate.

Other revenue comprises € 1,204 thousand from the release of 40% of the Stock Grant plan related to the non-achievement of the MTA listing target by March 2020, € 350 thousand from an insurance reimbursement acknowledged to the subsidiary Cartiere di Guarcino, and € 2,840 thousand from an insurance indemnity received by the subsidiary Bio Energia Guarcino in the first half of the year, following an incident that took place in November 2019. The relating higher costs from the purchase of spare parts following the incident are included under "Other Operating Expense" and were incurred in both 2019 and 2020. At 31 December 2019, other revenue included an insurance reimbursement of € 1,419 thousand relating to the subsidiary Cartiere di Guarcino, due to a weather incident.

The trend in the percentage of raw and ancillary materials (-2.2%) is in line with the turnover trend (-3.9%), despite the higher costs incurred for tests from the manufacturing of new products.

Other operating expense, down overall (-5.2%) versus 2019, includes higher costs incurred for listing on the MTA, amounting to € 904 thousand versus € 443 thousand last year. The overall reduction in this item is attributable to the effects of the COVID-19 pandemic, which resulted in a strong reduction in advertising and promotional costs, as well as utilities due to production stoppages.

The decrease in personnel expense, amounting to € 1,842 thousand, is due to the period of closure caused by the COVID-19 pandemic. With regard to employees, the Group resorted firstly to the use of prior years’ holidays, then to the CIGO. Additionally, personnel expense takes account of the effects of the higher costs from the allocation of the Welfare fund of € 477 thousand, set up on a one-off basis for all employees, excluding executives, to counter the reduction in their disposable income due to the COVID-19 emergency.

The change in amortization and depreciation was not significant, despite the capital expenditure made by the Group. The effect of higher amortization and depreciation was offset by the decrease in "depreciation for work on third-party assets" of the subsidiary Bio Energia di Guarcino S.r.l. for assets fully depreciated at 31 December 2019, in addition to lower capital expenditure incurred in 2020.

With regard to “Allocations”, it should be noted that for comparative purposes, the allocation to the provision for doubtful accounts (€ 57 thousand) was reclassified for 2019 from Other Operating Expense to Allocations. In 2020, allocations consist of: € 181 thousand for the provision for doubtful accounts, € 216 thousand for the provision for supplementary agents' indemnity, and € 9 thousand for the provision for risks and charges.

With regard to financial components, the reduction in expense is a result of the project to optimize credit lines and the related rates, with the introduction of "umbrella facilities". With a view again to financial saving, the Group negotiated a series of new low-rate loans that helped reduce its short-term debt.

The impact of IRES taxation was slightly higher in 2020 than in 2019, due to greater increases in the tax base recognized during the year. This tax increase was substantially offset by a higher contribution from income from tax consolidation. The lower IRAP is due primarily to the reduction in net production value recorded by the subsidiary Cartiere di Guarcino S.p.A., as well as to the cancellation of the first advance payment. Deferred tax was affected by realignments of notional tax relating to the subsidiary Bio Energia Guarcino S.r.l.. As a result of all these effects, tax for the year was virtually halved in 2020.

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Reclassified consolidated statement of financial position

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019	Chg.	% change
Trade receivables	19.252	19.239	13	0,1%
Inventory	36.684	39.114	(2.430)	(6,2%)
Trade payables	(25.571)	(31.333)	5.762	(18,4%)
Operating NWC	**30.365**	**27.020**	**3.345**	**12,4%**
Other current receivables	1.118	1.870	(752)	(40,2%)
Receivable from Tax Consolidation	1.008	918	90	0,0%
Tax receivables	1.767	2.506	(739)	0,0%
Other current payables	(4.719)	(4.714)	(5)	0,1%
Tax payables	(708)	(881)	173	(19,6%)
Payables from tax consolidation	(476)	(422)	(54)	12,8%
Net Working Capital	**28.355**	**26.297**	**2.058**	7,8%
Property, plant and equipment	77.221	78.871	(1.650)	(2,1%)
Intangible fixed assets	2.203	2.905	(702)	(24,2%)
Non-current financial assets	1.821	1.853	(32)	(1,7%)
Other non-current assets	95	108	(13)	100,0%
Fixed assets	**81.340**	**83.738**	**(2.398)**	**(2,9%)**
Post-employment benefits	(2.728)	(2.887)	159	(5,5%)
Provisions for risks and charges	(1.284)	(918)	(366)	39,9%
Deferred tax assets and liabilities	(4.116)	(4.416)	300	(6,8%)
Net Capital Employed	**101.567**	**101.814**	**(247)**	**(0,2%)**
Equity	**61.658**	**61.277**	**381**	**0,6%**
Cash and cash equivalents	(7.536)	(3.475)	(4.061)	116,9%
Other current financial receivables	(64)	(63)	(1)	100,0%
Current financial liabilities	18.666	21.023	(2.357)	(11,2%)
Non-current financial liabilities	28.840	23.051	5.789	25,1%
Net Financial Debt	**39.906**	**40.536**	**(630)**	(1,6%)
Equity and Net Financial Debt	**101.567**	**101.814**	**(247)**	**(0,2%)**

The context brought by the COVID-19 pandemic led to an increase in NWC, due in particular to the sharp drop in trade payables (€ -5,762 thousand) and in inventory (€ -2,340 thousand). Trade receivables, on the other hand, consistent with 2020 revenue substantially in line with 2019, remained steady.

The change in tangible fixed assets is attributable to new capital expenditure of € 6,230 thousand, € 4,114 of which relating to the Parent Company. Neodecortech S.p.A., in fact, invested in machinery for new types of products such as EOS and PPLF, as well as for the “142 cm laminate". As for the subsidiaries, capital expenditure in tangible fixed assets amounted to € 1,671 thousand for Cartiere di Guarcino S.p.A. and regarded targeted initiatives to increase productivity on “backer" paper and to optimize the press area facilities, as well as maintenance expenditure of € 445 thousand for Bio Energia Guarcino S.r.l.. In all of the Group's plants, 4.0 process management actions are underway to further strengthen the production process. Disposals in 2020 amounted to € 990 thousand and refer mainly to the sale of plant-machinery and equipment of former Corbetta FIA S.r.l., while depreciation for the year amounted to € 7,790 thousand.

Consolidated net financial debt at 31 December 2020 and 31 December 2019 is shown below:

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019	Chg.
A. Cash	(8)	(7)	(1)
B. Other cash and cash equivalents	(7.528)	(3.468)	(4.060)
D. Liquidity (A) + (B)	**(7.536)**	**(3.475)**	**(4.061)**
E. Current financial receivables	(64)	(63)	(1)
F. Current bank payables	12.974	15.886	(2.912)
G. Current portion of non-current debt	4.057	3.110	947
H. Other current financial payables	1.635	2.027	(392)
I. Current financial debt (F) + (G) + (H)	**18.666**	**21.023**	**(2.357)**
J. Net current financial debt (D) + (E) + (I)	**11.066**	**17.485**	**(6.419)**
K. Non-current bank payables	20.670	14.710	5.960
M. Other non-current payables	8.170	8.341	(171)
N. Non-current financial debt (K) + (M)	**28.840**	**23.051**	5.789
O. Net financial debt (J) + (N)	**39.906**	**40.536**	**(630)**

The increase in cash and cash equivalents (B) versus 31.12.2019, in the current portion of non-current debt (G) and in non-current bank payables (K), is due to the Group's new loans, which total € 10,900 thousand with maturities between 60 and 72 months. The Group has, in fact, rescheduled its debt, shifting it to a medium-term horizon, which is also reflected in the reduced use of short-term debt (F) and the NFP, which remained basically unchanged. Further details of the new loans are provided in the section of the Notes named "Current and non-current financial liabilities".

Other current financial payables (H) and other non-current payables (M) are impacted by the suspension of the principal portion of the lease instalments of the subsidiary Bio Energia Guarcino from April 2020 to April 2021, as well as the change in the payable from rights of use recorded under IFRS 16.

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Results of Neodecortech S.p.A.

(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales and services	**55.176**	**100,0%**	**56.454**	**100,0%**	**(1.278)**	**(2,3%)**
Changes in w ork in progress, semi-finished and finished	(403)	(0,7%)	484	0,9%	(887)	(183,3%)
Other revenue	1.466	2,7%	1.289	2,3%	177	13,7%
Value of Production	**56.239**	**101,9%**	**58.227**	**103,1%**	**(1.988)**	**(3,4%)**
Raw and ancillary materials and consum.	(30.709)	(55,7%)	(31.623)	(56,0%)	914	(2,9%)
Other operating expense	(10.099)	(18,3%)	(10.293)	(18,2%)	194	(1,9%)
Value Added	**15.431**	**28,0%**	**16.309**	**28,9%**	**(878)**	**(5,4%)**
Personnel expense	(10.543)	(19,1%)	(10.875)	(19,3%)	332	(3,1%)
EBITDA	**4.888**	**8,9%**	**5.434**	**9,6%**	**(546)**	**(10,0%)**
Amortization and depreciation	(3.108)	(5,6%)	(2.799)	(5,0%)	(309)	11,0%
Allocations	(248)	(0,4%)	(57)	(0,1%)	(191)	335,1%
EBIT	**1.531**	**2,8%**	**2.578**	**4,6%**	**(1.047)**	**(40,6%)**
Financial expense	(521)	(0,9%)	(540)	(1,0%)	19	(3,5%)
Financial income	2.722	4,9%	2.451	4,3%	271	11,1%
Profit/(loss) before tax	**3.733**	**6,8%**	**4.490**	**8,0%**	**(757)**	**(16,9%)**
Income tax	(177)	(0,3%)	(529)	(0,9%)	352	(66,5%)
Profit/(loss) for the year	**3.555**	**6,4%**	**3.961**	**7,0%**	**(406)**	**(10,2%)**

Until mid-March, sales were up strongly versus the same period of the prior year and were in line with budget growth. The trend stopped with the spread of the pandemic, compounded by the total shutdown in the lockdown period from 23 March to 17 April 2020 of the Filago (BG) plant and from 25 March to 24 April 2020 of the Casoli (TE) plant. In May and June 2020, production activity was approximately 50%. During this period, the stoppages were dealt with by resorting to the residual holiday entitlement and by accessing the redundancy fund provided by government decrees. The slowdown that marked sales in the first half of 2020 underwent a sharp reversal, when a steady upward trend began in the second half. Despite the major shutdown of production activities at the plants owing to the COVID-19 pandemic in the first half of the year, revenue fell only by -2.3% versus 2019. The robust recovery in performance in the second half of 2020 was also driven by the new products launched by the Company (EOS, PPLF and 142 cm laminate), products that will play an important role in the years to come too.

The change in "other revenue" amounting to € 177 thousand is due mainly to two effects: an increase attributable to the release of 40% of the amount allocated to the Stock Grant reserve of € 548 thousand, due to the failure to reach the listing target by March 2020, and; a decrease of € 198 thousand attributable to lower capital gains on the sale of plant and machinery and of € 189 thousand for lower sales of wastepaper as a result of reduced production activity.

The trend in the percentage of raw and ancillary materials (-2.9%) is in line with the turnover trend (-2.3%), despite the higher costs incurred for tests from the manufacturing of new products.

Other operating expense, slightly down overall (-1.9%) versus 2019, includes higher costs incurred for listing on the MTA, amounting to € 904 thousand versus € 443 thousand last year. The overall reduction in this item is attributable to the effects of the COVID-19 pandemic, which resulted in a reduction mainly in advertising and promotional costs, as well as utilities, transportation and rentals.

Personnel expense decreased by 3.1%, due mainly to the period of closure caused by the COVID-19 pandemic. With regard to employees, the Group resorted firstly to the use of prior years' holidays, then to the CIGO. Additionally, personnel expense was impacted by the effects of the higher costs of the allocation of the Welfare provision, amounting to € 272 thousand, set up as a one-off COVID-19 emergency benefit, for all employees, excluding executives. While in 2019, higher costs of € 446 thousand from the Stock Grant plan were recognized.

Amortization and depreciation at 31 December 2020 increased by € 309 thousand versus 2019, following capital expenditure of € 4,114 thousand made in 2020 and the transfer of € 3,378 thousand from fixed assets under construction in 2019.

With regard to “Allocations”, it should be noted that for comparative purposes, the allocation to the provision for doubtful accounts (€ 57 thousand) was reclassified for 2019 from Other Operating Expense to Allocations. In 2020, allocations consist of: € 118 thousand for the provision for doubtful accounts, and € 130 thousand for the provision for supplementary agents' indemnity.

Thanks to the financial saving measures adopted, 2020 was marked by improved debt conditions; despite the increased level of debt in fact, the cost of financial expense was in line with the prior year. The change in financial income is due primarily to the adjustment of the value of the investment in Cartiere di Guarcino S.p.A. to the equity method.

As for the percentage of IRES and IRAP tax, the decrease is attributable to the reduction in the taxable base recorded during the year. The lower IRAP is due also to the cancellation of the first advance payment. The change in deferred taxation is associated with temporary changes in the tax burden attributable to asset valuation reserves and Directors' fees.

Reclassified Statement of Financial Position of Neodecortech S.p.A.

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019	Chg.	% change
Trade receivables	7.024	7.462	(438)	(5,9%)
Inventory	8.451	8.795	(344)	(3,9%)
Trade payables	(7.186)	(8.063)	877	(10,9%)
Trade payables - Intercompany	-	(156)	156	(100,0%)
Operating NWC	**8.289**	**8.038**	**251**	**3,1%**
Other current receivables	90	98	(8)	(8,2%)
Tax receivables	301	817	(516)	(63,2%)
Other current payables	(3.405)	(3.442)	37	(1,1%)
Tax payables	(242)	(441)	199	(45,1%)
Payables from tax consolidation	(229)	(267)	38	(14,2%)
Net Working Capital	**4.804**	**4.803**	**1**	0,0%
Property, plant and equipment	29.408	28.213	1.195	4,2%
Intangible fixed assets	637	671	(34)	(5,1%)
Financial fixed assets	25.719	24.301	1.418	5,8%
Non-current financial assets	1.376	1.408	(32)	(2,3%)
Non-current financial assets - Intercompany	15.462	16.152	(690)	(4,3%)
Other non-current assets	8	9	(1)	100,0%
Fixed assets	**72.610**	**70.754**	**1.856**	**2,6%**
Post-employment benefits	(1.127)	(1.209)	82	(6,8%)
Provisions for risks and charges	(577)	(386)	(191)	49,5%
Deferred tax assets and liabilities	(1.779)	(1.936)	157	(8,1%)
Net Capital Employed	**73.931**	**72.027**	**1.904**	**2,6%**
Equity	**61.658**	**61.312**	**346**	**0,6%**
Cash and cash equivalents	(5.167)	(1.446)	(3.721)	257,3%
Other current financial receivables	(64)	(65)	1	(1,5%)
Other current financial receivables - Intercompany	(2.060)	(3.729)	1.669	(44,8%)
Current financial liabilities	2.899	1.570	1.329	84,6%
Non-current financial liabilities	16.665	14.385	2.280	15,8%
Net Financial Debt	**12.273**	**10.715**	**1.558**	14,5%
Equity and Net Financial Debt	**73.931**	**72.027**	**1.904**	**2,6%**

The change in tangible fixed assets is due, for € 4,114 thousand, to new acquisitions for capital expenditure in machinery for new types of products such as EOS and PPLF, as well as for the “142 cm laminate". Disposals in 2020 amounted to € 884 thousand and refer mainly to the sale of plant-machinery and equipment of former Corbetta FIA S.r.l., while depreciation for the year amounted to € 2,869 thousand.

The change in financial fixed assets, which refer to the investment in Cartiere di Guarcino S.p.A., is due to two effects: a decrease of € 686 thousand attributable to termination of the Stock Grant plan (for further information, reference is made to the item “equity”), and an increase of € 2,105 thousand due to the adjustment of the amount of the investment under the equity method.

The **net financial debt** of **Neodecortech S.p.A.** at 31 December 2020 and 31 December 2019 is shown below:

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019	Chg.
A. Cash	(5)	(4)	(1)
B. Other cash and cash equivalents	(5.162)	(1.442)	(3.720)
D. Liquidity (A) + (B)	**(5.167)**	**(1.446)**	**(3.721)**
E. Current financial receivables	(2.124)	(3.795)	1.671
F. Current bank payables	9	23	(14)
G. Current portion of non-current debt	2.891	1.546	1.345
I. Current financial debt (F) + (G) + (H)	**2.899**	**1.570**	**1.329**
J. Net current financial debt (D) + (E) + (I)	**(4.392)**	**(3.671)**	**(721)**
K. Non-current bank payables	11.475	9.181	2.294
M. Other non-current payables	5.189	5.205	(16)
N. Non-current financial debt (K) + (M)	**16.665**	**14.385**	**2.280**
O. Net financial debt (J) + (N)	**12.273**	**10.715**	**1.558**

The increase in cash and cash equivalents (B) versus 31.12.2019, in the current portion of non-current debt (G) and in non-current bank payables (K) is due to the Company's new loans, which total € 5,900 thousand with a 72-month maturity. The Company has, in fact, rescheduled its debt, shifting it to a medium-term horizon. Further details of the new loans are provided in the section of the Notes named "Current and non-current financial liabilities" to the financial statements of Neodecortech S.p.A..

The following is **a reconciliation between Parent Company equity and results and the Consolidated Financial Statements** at 31 December 2020:

Reconciliation between equity and profit for the year of the parent company and consolidated				
(Euro thousands)	EQUITY 31 DECEMBER 2020	PROFIT (LOSS) FOR THE YEAR 31 DECEMBER 2020	EQUITY 31 DECEMBER 2019	PROFIT (LOSS) FOR THE YEAR 31 DECEMBER 2019
Equity and profit for the year attributable to the parent company	**61.638**	**3.555**	**61.312**	**3.961**
Elimination of the carrying amount of consolidated investments:				
Difference between carrying amount and pro-rata amount of equity	20		(34)	
Currency translation difference				
Pro-rata results of investees		3.115		2.540
Cancellation of write-downs/write-backs of investments		(2.881)		(2.378)
Amortization fair value of fixed assets		(161)		(162)
Elimination of the effects of transactions between consolidated				
Intercompany profits included in the value of closing inventory		(92)		
Intercompany profits on disposal of fixed assets				
Equity and profit for the year attributable to the shareholders of the parent	**61.658**	**3.535**	**61.277**	**3.961**
Non-controlling interests				
Total equity	61.658	3.535	61.277	3.961

Business and financial performance of the subsidiaries

CARTIERE DI GUARCINO S.P.A.

Business performance

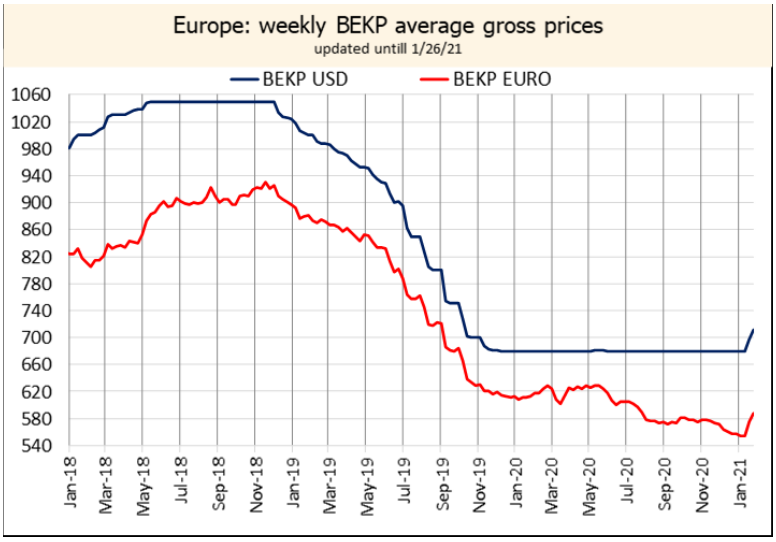
(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales and services	54.405	100,0%	61.282	100,0%	(6.877)	(11,2%)
EBITDA	5.863	10,8%	5.936	9,7%	(73)	(1,2%)
EBIT	2.717	5,0%	2.894	4,7%	(177)	(6,1%)
Profit (loss) for the year	2.179	4,0%	1.814	3,0%	365	20,1%

Unlike Neodecortech, the revenue performance of Cartiere di Guarcino was impacted more by the effects of the pandemic. Despite avoiding the production stoppages imposed by Government measures during the March-May lockdown, production stoppages were recorded from April to June 2020 due to the sharp drop in orders received. As in the case of NDT, the stoppages were dealt with by resorting to the residual holiday entitlement and by accessing the redundancy fund provided by government decrees.

A point worth stressing, however, is that revenue went from a -23% at 30 June 2020 versus 30.06.2019 to a -18% at 30 September 2020 again versus the same period of the prior year, to a final -11% at 31 December 2020 versus end 2019. Also worth noting is the strong recovery recorded during the year.

In 2020, the European pulp market remained largely unchanged, despite the good demand for raw material from the tissue paper industry. In the last few months of the year, Long Fibre saw a slight increase in prices, while Short Fibre prices remained unchanged until December despite increases in China. From January 2021, the market has radically changed picture, with a strongly growing demand both in China and in Europe and, as a result, the announcement of the first increases for the months of January and February for the European market too.

The following is the trend of gross prices for Short Fibre (FOEX data).



Source FOEX

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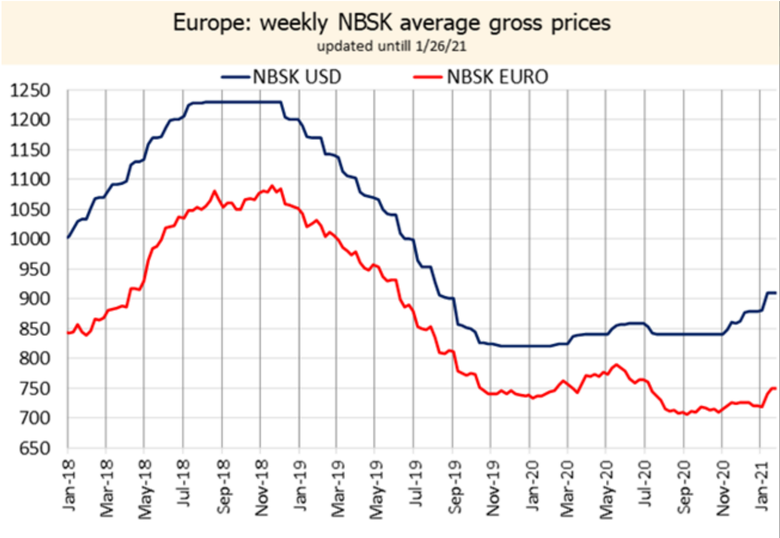
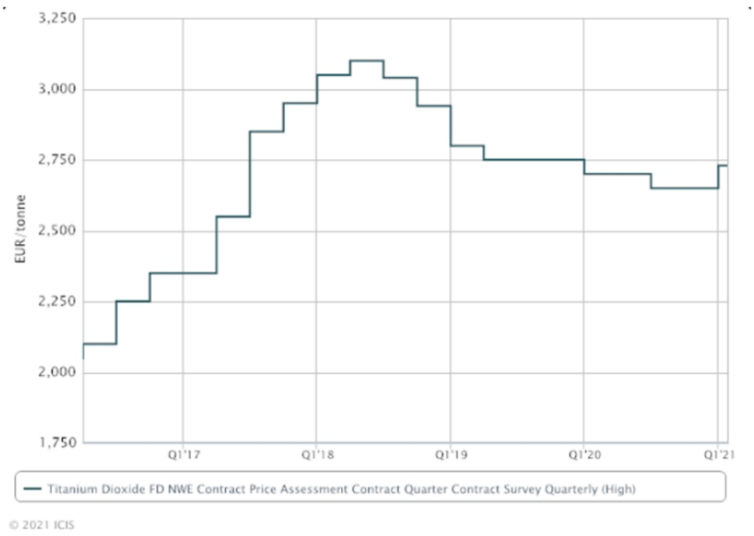
The following graph shows the trend of gross prices of Long Fibre, again based on FOEX data.



Source FOEX

As far as the titanium dioxide market is concerned, 2020 was marked by weak demand, especially in the central part of the year, compounded by an increasing availability of the Chinese product at competitive prices. The final part of the year witnessed a strong increase in the price of the product from China, due to the rise in domestic demand, which was accompanied by a sharp increase in freight costs and reduced availability. This repositioned demand on Western suppliers and set the stage for price growth on the first quarter of 2021.



Source ICS

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Financial performance

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019	Chg.	% change
Operating NWC	19.792	18.164	1.628	9,0%
Net Working Capital	18.115	17.266	849	4,9%
Equity	(25.811)	(24.270)	(1.541)	6,3%
Net Financial Debt	(33.665)	(35.078)	1.413	(4,0%)

The increase in Operating NWC is due to the combined effect of a decrease in trade receivables of € 557 thousand, attributable to lower turnover, but with unchanged collection time, and a decrease in the amount of inventory of € 2,562 thousand and in trade payables of € 4,460 thousand, due to lower production volumes and the use of advance payment on certain strategic supplies.
At 31 December 2020, net financial debt amounted to € 33,665 thousand, improving by 4% versus 2019, which had already improved by 11% versus the prior year.
In addition to the natural decalage for scheduled debt repayment, there were three new medium/long-term loans granted to the Company in 2020.

- € 2,000 thousand from Banca Popolare di Sondrio - pre-financing € 300 thousand - 12-month grace period - 90% FGPMI guarantee;
- € 1,000 thousand from Banco Desio e della Brianza - 12-month grace period - 90% FGPMI guarantee;
- € 146 thousand from Medio Credito Centrale, as part of the subsidized project of the MISE Decree of 20/06/2013 - Sustainable Growth Fund - First Call for Tenders Horizon 2020.

In 2018, the Company completed the project "Research and development of an innovative line of decorative papers for new applications and alternative uses, oriented towards environmental protection and produced using cutting-edge and highly efficient technologies, capable of generating productivity increases, lower pollution and lower production of waste", submitted pursuant to DECREE OF 20 JUNE 2013, COORDINATED WITH THE AMENDMENTS AS PER DECREE OF 4 DECEMBER 2013 - Intervention by the Fund for sustainable growth in favour of research and development projects in the technological areas identified by the EU Framework Programme "Horizon 2020" receiving, on 21/10/2020, the disbursement of the final balance of the subsidized loan.

BIO ENERGIA GUARCINO S.R.L.

Business performance

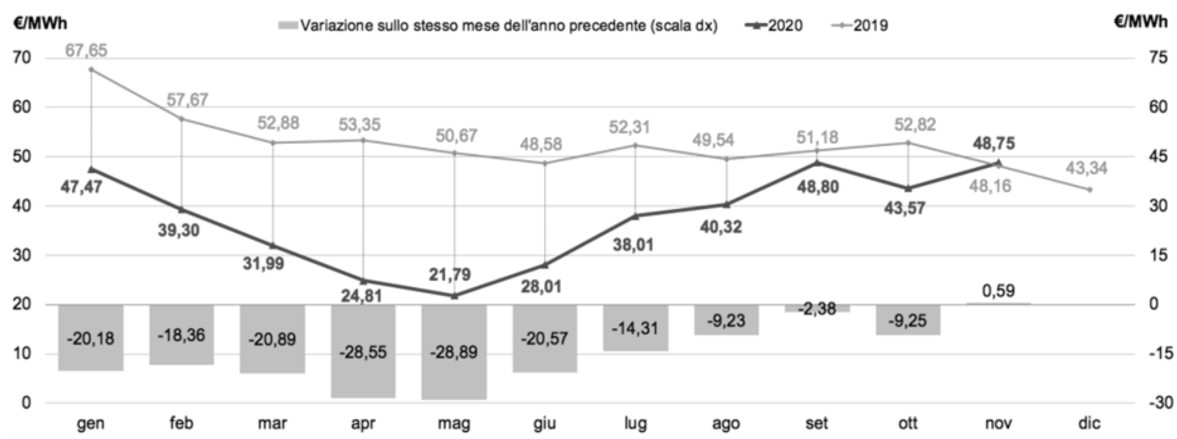
(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales and services	33.925	100,0%	31.706	100,0%	2.219	7,0%
EBITDA	3.999	11,8%	4.583	14,5%	-584	(12,7%)
EBIT	1.597	4,7%	1.885	5,9%	-288	(15,3%)
Profit (loss) for the year	936	2,8%	726	2,3%	210	28,9%

In 2020, the Bio Energia Guarcino plant worked 23,821 hours and generated 160,137 MWh of electricity, up by approximately 6% versus 2019. The energy fed into the grid totaled 115,779 MWh, up by approximately 14% versus 2019, due to the partial stoppages of CDG during the period between April and June last spring. The energy sold to CDG totaled 38,399 MWh versus 44,359 MWh sold in 2019, a decrease of approximately 13%. The steam produced was 52,515 tons, fully transferred to CDG. As in the case of electricity, the figure is approximately 6% less than the prior year.

Even though Bio Energia Guarcino avoided any type of COVID-19 related plant shutdown, it was affected by the sharp drop in energy prices, the lows of which were recorded in the second quarter due to the national lockdown. Specifically, due to the mentioned restrictions imposed by the pandemic and the resulting lower consumption of both electricity and gas, the average energy price (PUN) in 2020 stood at an all-time low of € 38.92/MWh, down by 25.6% versus 2019. Against this lower value of the average energy price, the last quarter witnessed a general rebound of the electricity market, with prices for December higher than in the same period of the prior year. This rebound was driven by the low availability of renewable electricity and by gas prices at their highest since 2019.

Conversely, the unit value of the incentive was up versus the prior period and equal to €/MWh 99.05 versus €/MWh 92.10 in 2019. Given the energy trend in the current year, the unit value of the incentive is likely to be €/MWh 109.36 in 2021.

Grafico 1: MGP, Prezzo Unico Nazionale (PUN) Fonte: GME



As far as animal fat is concerned - the raw material for the operation of the plant - the central part of the year (the season where availability is generally higher) saw a drop in prices. In 2020, the price fell more for the decline in markets attributable to the pandemic-related restrictive measures, rather than for the actual availability of the material. Conversely, the second quarter in particular witnessed a lack of material availability, due to a significant drop in slaughtering as a result of the restrictive measures imposed on catering. The last quarter saw a recovery of the market, driven by growth in vegetable oils and soybean oil in particular.

The table below summarizes the price trend of 2020 of the livestock bulletin published by Associazione Granaria di Milano.

Animal Fat	January	February	March	April	May	June	July	August	September	October	November	December	Delta	%
FFA 2-3 -M&I 1	716,5	720,5	702,1	696,3	695,0	678,5	661,0	655,5	682,5	709,5	715,5	732,0	15,5	2,16%
FFA 4 - M&I 1	692,0	700,8	687,1	681,3	680,0	662,3	643,0	637,5	662,9	689,5	695,5	712,0	20,0	2,89%
FFA max 7 - M&I 1	658,5	669,8	657,1	651,3	648,8	627,3	608,0	602,5	627,9	654,5	660,5	677,0	18,5	2,81%
FFA max 10 - M&I 1	643,5	654,8	642,1	636,3	633,8	612,3	593,0	587,5	612,9	639,5	645,5	662,0	18,5	2,87%

Financial performance

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019	Chg.	% change
Operating NWC	2.415	818	1.597	195,2%
Net Working Capital	5.572	4.227	1.345	31,8%
Equity	(7.866)	(6.927)	(939)	13,6%
Net Financial Debt	(10.232)	(11.694)	1.462	(12,5%)

The changes in Operating NWC and NWC are explained primarily by the increase in trade receivables related to energy sales and incentives recognized by the GSE on renewable energy produced, the increase in spare parts inventory, and the decrease in trade payables, partly offset by the increase in intercompany trade payables.

At 31 December 2020, net financial debt stood at € 10,232 thousand, improving significantly by -12.5% versus the prior period. The main changes are attributable to:

Reduction of € 2,979 thousand in current financial debt due to repayment of a loan of € 2,000 thousand granted by the Parent Company in 2019 to support the purchase of fuel through negotiation of spot purchases at average below-market prices, and to repayment of the loan to Cartiere di Guarcino.

Increase of € 1,846 thousand in non-current financial debt following the granting by BPER in November of an unsecured loan of € 2,000 thousand secured by MCC to support working capital. Repayment of the outstanding mortgage loan with Unicredit was concurrently completed in accordance with the repayment plan. Regarding the repayment plan of the lease loan, in 2020 Bio Energia Guarcino S.r.l. requested and obtained suspension of the repayment of the fees for 12 months effective from 1 April.

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Main Alternative Performance Measures (APMs)

The European Securities and Market Authority (ESMA) has published guidelines on Alternative Performance Measures ("APMs") for listed issuers.

The APMs constitute information used by Management and investors to analyze the trends and performance of the Group, which are directly derived from the financial statements, even though not required by IAS/IFRS. These measures, used by the Group continuously and consistently for several years now, are relevant to assist Management and investors in analyzing the Group's performance. Investors should not consider these APMs as substitutes, but rather as additional information to the figures included in the financial statements. It should be noted that the APMs as defined may not be comparable to APMs of a similar name used by other listed groups.

The definition of the main APMs used in this Directors' Report on Operations is given below:

- **EBITDA and EBIT**: alternative performance measures not defined by IAS/IFRS but used by Group Management to monitor and measure its performance, as they are not affected by volatility, due to the effects of the range of criteria for determining taxable income, the amount and characteristics of the capital employed and - for EBITDA - the amortization/depreciation policies. These measures are also commonly used by analysts and investors to assess company performance;

- **OPERATING WORKING CAPITAL, NET WORKING CAPITAL, FIXED ASSETS and NET INVESTED CAPITAL** Allow a better assessment of both the ability to meet short-term trade commitments through current trade assets and the consistency of the structure of loans and sources of financing in terms of time;

- **NET FINANCIAL DEBT**: the figure shown is in line with the value of net financial debt determined in accordance with the recommendations of the CESR (Committee of European Securities Regulators) of 10 February 2005 and referred to by CONSOB. This measure allows a better assessment of the overall level of debt, capital strength and debt repayability.

Main risks and uncertainties to which Neodecortech S.p.A. and the Group are exposed

The Group's risk management is based on the principle that the risk is managed by the person in charge of the business process directly involved.

The main risks are reported and discussed at the top management level of the Group companies in order to create the conditions for their coverage, insurance and assessment of the residual risk.

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance in the period after 2020, and could result in significant differences between actual and expected results.

Financial risks - for a detailed analysis of which reference should be made to the Notes to the Financial Statements in "Financial Risk Management" of the separate and consolidated financial statements - are managed within the framework of specific directives of an organizational nature that govern their management and the oversight of all transactions that are strictly relevant to the composition of assets and liabilities of a financial and trade nature. Risks are also monitored through regular reporting systems.

Below is an analysis of risks and the resulting uncertainties.

Non financial risks

Risks associated with the general economic situation

As the Group operates in a global competitive scenario, its financial position, results and cash flows are affected by the general conditions and performance of the world economy and by the spread of the COVID-19 pandemic. Therefore, any negative economic cycle or political instability in one or more relevant geographical markets may influence the Group's performance and strategies and affect its future prospects in both the short and medium/long term. In order to alleviate such risk, the Group operates both nationally and internationally, in order to diversify the source of its turnover. This is to avoid both the concentration of turnover from a single country and to adopt business strategies that allow it not to depend on customers located in high-risk countries.

Risks associated with the spread of COVID-19

As a result of the COVID-19 pandemic, all the Group's plants located in Italy, except for the Guarcino power plant, were temporarily suspended for different time periods depending on the site.
Management has kept a watchful eye on the developments of the pandemic, promptly adopting all the necessary measures for the prevention, control and containment of the virus at its plants, in order to protect the health of employees and associates, introducing changes to production layouts, the sanitization of premises, the provision of personal protective equipment, temperature measurement, and serological tests, as well as adopting hygiene regulations and social distancing, and extended smart working.
The Group continues to monitor developments very closely and will take action to adopt further mitigation measures should the crisis continue. For further details, reference should be made to the section “Impacts from the CORONAVIRUS pandemic (COVID-19)" in this Report.

Risks associated with the level of competitiveness and cyclicality in the segment

Demand trends are cyclical and vary according to the general economic conditions and the consumption propensity of end customers. An adverse trend in demand, or if the Group is not able to adapt effectively to the external market context, could have a significant negative impact on the Group's business prospects, as well as on its performance and financial situation. Most of the Group's revenue is generated in the decorative papers and industrial paper sectors. The Group competes primarily in Europe with other major international groups. These markets are all highly competitive in terms of product quality, innovation and price.
The Group has launched new product lines in order to seize new market segments that are more lucrative than traditional business; these new lines will not only allow it to acquire new customers, but also to expand sales and further strengthen its relationships with existing customers.

Risks associated with sales on international markets

Part of the Group's sales takes place outside the European Union. The Group is therefore exposed to the risks related to exposure to local economic and political conditions and to the possible implementation of restrictive import and/or export policies. The Group constantly monitors the development of political and financial risks associated with countries whose general economic and political situation could prove unstable in the future, in order to take possible mitigation actions.

Risks associated with fluctuations in the price of raw materials and components

The Group's exposure (in particular the Paper Division) to the risk of an increase in prices of raw materials for production. In order to manage these risks, the Group constantly monitors the market prices of the raw materials it procures for its activities in order to promptly anticipate any significant price increases, always keeping at least two suppliers that are able to supply the same quantity and quality of raw materials. In this context however, the Group does not carry out specific hedges against these risks but rather tends to implement targeted purchasing policies to ensure stability for periods of no less than a quarter. The fierce level of competition in the Group's line of business often makes it hard to transfer all of the sudden and/or significant increases in procurement costs to sales prices.

Risks associated with the ability to propose innovative products

The success of the Group's activities depends on its ability to maintain or increase its share in its markets of operation and/or to expand into new markets through innovative, high-quality products that ensure adequate levels of profitability. Specifically, should the Group be unable to develop and offer innovative and competitive products compared to those of its main competitors in terms of price and quality, the Group's market shares could shrink, impacting negatively on its business prospects, results and/or financial situation. The Group makes constant investments in technological innovation in order to mitigate this risk. Investments in recent years have been channeled mainly into the new lacquering line for EOS products, the expansion of an embossing line for plastic films and the purchase and engraving of cylinders.

Risks associated with the concentration of turnover on a small number of customers and with production on order

Part of the Group's revenue is concentrated on a small number of customers. Production on order is strictly affected by relations with the Group's main customers, which can have a significant impact on revenue generation. Group revenue relates mainly to business on order, where prices are based on the production batch. The Group therefore bears the risk that the work required to complete individual job orders is higher than budgeted and that, consequently, expectations in terms of profit margins may be significantly lower. In addition, production on order is subject to possible fluctuations in revenue in the short term. Consequently, the increase or decrease in revenue in a given period may not be indicative of revenue trends over the long term.

In order to mitigate the resulting risk, the Group companies have developed long-term relationships with their main customers based on trust and great focus on quality. The products developed become "niche" products, not just commodities. Decorations are developed, in some cases, ad hoc at the customer's request; the Group, therefore, adopts a loyalty system with this practice.

Risks associated with the compliance with environmental, health and safety regulations in the workplace

The Group is an industrial entity and, as such, is subject to laws and regulations governing the environment, health and safety in the workplace. Violations of the regulations applicable to these areas could result in restrictions on the Group's activities, the application of sanctions and/or substantial claims for damages.

In performing its activities, the Group is subject to strict environmental and health and worker protection legislation, applicable within the plants where production activities are carried out. In this regard, Neodecortech S.p.A. and its subsidiaries have obtained ISO 14001 environmental certification and ISO 45001 on health and safety in the workplace. As far as environmental protection is concerned, in accordance with applicable legislation, the Group has the burden of requesting and obtaining permits and authorizations to carry out its activities. Specifically,

both the Parent Company and the subsidiary Cartiere di Guarcino S.p.A. have applied for the renewal of the Integrated Environmental Authorizations issued by the Lombardy Region and the Province of Frosinone, respectively. Additionally, production activities imply a controlled use of hazardous chemical materials that require a special system for their management and disposal. With regard to health and safety in the workplace, the Group is required to comply with laws and regulations (for instance, Legislative Decree no. 81 of 2008) aimed at preventing accidents and mapping and managing risks. To this end, the Group has adopted policies and procedures to comply with regulatory provisions; the presence of requirements regarding safety, health and hygiene in the workplace is secured thanks to the constant updating and implementation of the legally prescribed controls.
Moreover, given the spread of the Coronavirus pandemic, the Group companies have implemented the measures envisaged in the shared regulatory Protocol on the contrast and containment of COVID-19 in the workplace of 14 March 2020 (the "Protocol") at all their production sites, and have also adopted additional prevention and control measures to reduce the risks of infection. The Group regularly complies with applicable environmental and occupational health and safety regulations, and has no knowledge of any proceedings of any kind initiated against it by the competent authorities in these areas. Additionally, insurance policies are in place taken out by the Group with leading insurance companies in line with market practice aimed at protecting against the risk of incurring costs arising from possible violation of the above regulations and/or the occurrence of accidents in the workplace. A specific insurance policy was then taken out in 2020 to the benefit of employees in the event of Coronavirus infection. The ceilings of these insurance policies are deemed adequate by Management.

Risks associated with Management

The success of the Group depends to a large extent on the ability of its Executive Directors and other members of management to effectively manage the Group and its individual business areas.
In any case, the current governance structure of Neodecortech S.p.A. - with the presence of two Executive Directors who have longstanding experience in the specific line of business - allows management of operating discontinuities in the short term resulting, for instance, from a replacement of Managing Directors before the ordinary expiry of their office or resignation, thus ensuring continuity and stability in the management of the Company and the Group. Additionally, the Group is fitting itself with an effective organizational setup, which provides, for each department within the three divisions, a manager with adequate powers to exercise the role.

Cyber Security Risk

With regard to cyber security, the Group is implementing all necessary actions to align its cyber security policy with the main national and international industry standards. Technological and organizational measures are being put in place with the aim of: - managing the threats to which the organization's network infrastructure and information systems are exposed, in order to ensure a level of security appropriate to the existing risk; - preventing incidents and minimizing their impact on the security of the network and information systems used for production and business, in order to ensure their continuity.

Climate Change Risk

With regard to the risks related to climate change, the Neodecortech Group has embarked on a structured process of analysis of its environmental impacts and mitigation activities. In addition to the internal analysis of its risks and opportunities, the Group has decided to undergo the CDP - Carbon Disclosure Project assessment as from 2021, with a view to increasing awareness, and has launched a sustainability process aimed at increasingly reducing its negative impacts in this area.

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Financial risks

Risks associated with financial requirements

Liquidity risk is normally defined as the risk that a company will be unable to meet its payment obligations due to the difficulty of raising funds (funding liquidity risk) or liquidating assets on the market (asset liquidity risk).

The Group efficiently manages its financial resources through a loan agreement between the Parent Company and its Subsidiaries in order to make surplus liquidity available, if necessary, to cover its requirements. Short-term bank credit lines are in line with commitments undertaken and planned, while medium-term loans guarantee adequate coverage for investments in fixed assets, keeping cash flows and the resulting liquidity generated in balance.

In 2020 and after the end of the period, the Group - taking advantage of the emergency decrees issued by the Government to support corporate liquidity - took out loans on the bank credit market in order to counter the market complexities resulting from the COVID-19 pandemic with a more adequate financial structure. Reference should be made to the Directors' Report on Operations and to Note 25 "Non-current financial liabilities" and "Current financial liabilities" for further details of the loans taken out.

Credit Risk

The current assets of Group companies, with the exception of inventory, are primarily trade receivables. The Group presents different credit risk concentrations in its different relevant markets. While the Group has longstanding relationships with its main clients, changes in these relationships or in the business strategies of some of these clients could have negative effects on the results and financial position of the Group itself.

The Group takes measures to carefully manage trade receivables in order to minimize collection time and credit risk, also adopting a policy of advance payments and guarantees, including the insurance of certain receivables.

To date, the Group has not encountered significant issues in the collection of trade receivables and does not expect to have a significant negative impact from this situation in the future.

Risks associated with exchange rate fluctuations

The Group is obviously exposed to market risks associated with fluctuations in exchange rates and interest rates. Exposure to exchange rate risks is related mainly to the procurement of certain raw materials (pulp and titanium) and, to a lesser extent, to the sale of products, which leads to cash flows denominated in currencies other than those of the production area (mainly US dollars). This exposes the Group to the risk of fluctuations in the Euro against the US dollar, against which specific exchange rate hedging policies are adopted, but not accounted for in hedge accounting.

Specifically, at 31 December 2020, the subsidiary Cartiere di Guarcino S.p.A. had forward purchases in US dollars for a notional value of € 3,100 thousand, with a negative fair value of € 84 thousand (a negative € 26 thousand at 31 December 2019).

Risks associated with interest rate fluctuations

The Group companies have in place - inter alia - financial liabilities (loans) at floating rates. In order to alleviate the negative effects of a possible increase in interest rates, a hedging derivative (IRS - Interest Rate Swaps) is in place, accounted for using the fair value hedge accounting method. Specifically, at 31 December 2020, the Parent Company had an IRS in place relating to the mortgage loan agreement with BPM, with a notional value of € 8,851 thousand and a negative fair value of € 395 thousand (a negative € 386 thousand at 31 December 2019). At 31 December 2020, total medium/long-term loans (including the finance lease of Bio Energia Guarcino S.r.l.) amounted to € 30,237 thousand, of which 65.9% are at floating rate not hedged by derivative contracts.

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Corporate Governance

The Company has aligned its corporate governance system with the relevant provisions of Legislative Decree no. 58/1998 ("TUF") and the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. (the "Corporate Governance Code" and "Borsa Italiana").

25 May 2020 marked the start of trading of the Company's ordinary shares and "Warrant Neodecortech 2018-2021" on the MTA, organized and managed by Borsa Italiana S.p.A..

The Company has a traditional management and control model in place, which envisages the presence of the Shareholders' Meeting, the Board of Directors, the Board of Statutory Auditors and the Independent Auditors (for further information, reference should be made to the chapter "CORPORATE BODIES" at the beginning of this Report).

On 10 December 2020, the Board of Directors of the Company resolved to adopt, as from 1 January 2021, the new Corporate Governance Code of Borsa Italiana (the "New Code", publicly available on the website: www.borsaitaliana.it). The Board of Directors also resolved to bring the regulations of the Board Committees in line with the provisions of the New Code.

At its meeting on 10 December 2020, the Board also resolved to approve an operating procedure relating to the "Operation of the Board of Directors" (the "Board Procedure"), pursuant to Recommendation 11, Article 3 of the New Code. At the same meeting held on 10 December, the Board - supported by the Remuneration and Appointments Committee - assessed whether its members complied with the requirements set out by the Bylaws, the Corporate Governance Code and the New Code. More specifically, the Board assessed that all members met the integrity requirements - pursuant to Article 147-quinquies of the TUF - and that all independent Directors met the independence requirements set out in the combined provisions of articles 147-ter and 148, paragraph three, of the TUF.

The Board of Directors also resolved to carry out a new self-assessment process concerning the Board and its Committees, although the Board Procedure provides for its implementation every three years, as allowed by the New Code, and this process was already carried out in 2020.

At the meeting of the Board of Directors of the Company held on 2 February 2021, the Chairman of the Board of Directors, in compliance with the recommendations contained in the notice of the Chairman of the Corporate Governance Committee of Borsa Italiana of 22 December 2020 referring to (i) the integration of sustainability in the business activity, (ii) the pre-meeting disclosure, (iii) the independence criteria of the members of the Board of Directors, (iv) the self-assessment of the Board, (v) the appointment and succession of directors, as well as (vi) the remuneration policies, clarified that the governance of the Company appears to be already aligned with most of these recommendations, and informed that the Company can achieve full acknowledgement of these recommendations through the additions and revisions of its internal regulations and policies, to be exercised during 2021.

At the meeting held on 23 February 2021, the Board took note of the outcomes of the self-assessment process. On the same day, following implementation of the Shareholder Rights Directive II by CONSOB - and the resulting impacts on the Issuer Regulation and on the Regulation on Related Party Transactions - the Board of Directors approved the amendment of the regulation of the Remuneration and Appointments Committee, to the extent required.

Report on Corporate Governance and Ownership Structure

The Report on Governance and Ownership Structure pursuant to Article 123 bis of the TUF of Neodecortech S.p.A. is contained in a separate report from the Directors' Report on Operations, published jointly with the latter and available on the Neodecortech S.p.A. website (www.neodecortech.it).

Related party transactions

In compliance with the provisions of the CONSOB regulation adopted with Resolution no. 17221 of 12 March 2010 as subsequently amended, Neodecortech S.p.A. adopted the procedure governing transactions with Related Parties. This procedure was approved for the first time by the Board of Directors of the Company at its meeting on 25 June 2020 and amended on 10 December 2020, following the favourable opinion of the Related Party Transactions Committee, as it met the requirements of the abovementioned regulatory provisions. The procedure aims to ensure full transparency and correctness of transactions carried out with Related Parties. The updated text of the Procedure for Transactions with Related Parties of Neodecortech S.p.A. is available on the Company website (www.neodecortech.it).

Reference should be made to the Explanatory Notes to the Consolidated Financial Statements, which provide a detailed comment on transactions with related parties; it should be noted that during the year under review, no atypical or unusual transactions were carried out with such parties and that business transactions with related parties, including those outside Group companies, were carried out at conditions corresponding to normal market value.

Capital expenditure

Capital expenditure in 2020 amounted to € 6,230 thousand, relating primarily to the Parent Company, which invested in machinery for new EOS and PPLF production lines, as well as for the “142 cm laminate". As for the subsidiaries, capital expenditure in tangible fixed assets for Cartiere di Guarcino S.p.A. regards targeted measures to increase productivity on “backer" paper and to optimize the press area facilities, while for Bio Energia Guarcino S.r.l., it regards maintenance expenditure. All of the Group's plants are continuing their 4.0 process management actions.

Research & Development

In 2020, the Group completed the projects related to the new product lines: 142 cm laminate, PPLF and EOS. These projects resulted in production investments, which had started in 2019 and were completed in 2020, for a total of € 5.9 million.

More specifically, the 142 cm size laminates, in addition to the existing 130 cm format, will expand the range of the laminate product family to both existing and new customers in new geographical areas. This project was completed in late January 2020 and has entered production.

The PPLF and EOS projects went into production at the beginning of July.

Plastic printed laminated film (PPLF) is a product used in the production of the LVT (luxury vinyl tiles) flooring category, but also in new areas such as vertical wall coverings.

EOS is, instead, a new family of products with anti-fingerprint features. Currently available are the laminate, and PVC and recycled PET thermoplastic versions. The paper version is in the development planning stage.

Additionally, the subsidiary Cartiere di Guarcino S.p.A. is carrying out projects for the development of Velvet print base paper and paper for food use. These projects will continue during 2021.

Environmental Health and Safety

Environment

Environmental impact is a crucial issue for the Neodecortech Group. As proof of this, the Parent Company, since 2005, has acquired a series of system certifications that offer tangible evidence of its commitment and of the transparency and correctness of its business activities. This approach applies also to the subsidiaries Cartiere di Guarcino S.p.A. and Bio Energia Guarcino S.r.l., which have obtained in recent years a series of environmental and safety certifications. Below is a list of the certifications obtained by each Group company.

With regard to environmental targets and policies, in 2020 the Group continued to implement the targets and guidelines contained in its corporate environmental policy.

Moreover, given the product sector in which the Group companies operate and their activities, there are no reports of specific activities and/or accidents with repercussions on the environment. During the period, the Group caused no environmental damage for which it was found guilty, nor was it imposed fines or penalties for environmental offences or damage.

Neodecortech	UNI EN ISO 9001:2015 Quality System Certification UNI EN ISO 14001:2015 Environmental Certification-for the improvement of environmental performance UNI EN ISO 45001:2018 Certification related to the healthiness of workplaces and their safety UNI EN ISO 50001:2018 Certification related to energy use efficiency and gradual improvement of energy performance FSC® CHAIN CUSTODY Certification on the sustainability of the forests where the pulp used in the paper we employ is obtained from MADE IN ITALY 100% Supply Chain Certification SUSTAINABILITY REPORT from 2016, the first year of publication
Cartiere di Guarcino	UNI EN ISO 9001 (2017) UNI EN ISO 14001:2004 (2012) UNI EN ISO 14001:2015 (2018) BS HOSAS 18001 (2012) UNI ISO 45001:2018 (2019) UNI EN ISO 50001 (2018) FSC® CHAIN CUSTODY (2010) PEFC (2015)
Bio Energia Guarcino	UNI EN ISO 9001 (2017) UNI EN ISO 14001 (2012) UNI EN ISO 14001:2015 (2018) BS HOSAS 18001 (2016) UNI ISO 45001:2018 (2019) UNI EN ISO 50001 (2018)

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Safety and Health

The Group adopts all workplace health and safety measures and, in particular. has adopted all the safety protocols provided for by the COVID-19 emergency, as explained in detail in the relevant section on risks. A supplementary insurance policy was also taken out for all employees to cover the risks associated with the infection from the virus.

Human resources and organization

There is no significant information relating to human resources that requires disclosure.

PERSONNEL IN SERVICE	Printed Decorative Paper Division	Decorative Paper Division	Energy Division	31.12.2020 **GROUP**	31.12.2019 **GROUP**
Executives	5	5	0	10	10
Managers/White collars	60	51	2	113	109
Blue collars	153	109	0	262	259
Total	**218**	**165**	**2**	**385**	**378**

The average number of employees in 2020 amounted to 382 resources. Additionally, 7 resources from Cartiere di Guarcino S.p.A. work on secondment at the subsidiary Bio Energia Guarcino S.r.l..

During the COVID-19-related closure period and in the following months, the Group resorted extensively to smart working. These measures are in progress to date.

For the period May-December 2020, the Group adopted a Corporate Welfare Plan covering all its employees, excluding executives, recognizing an additional amount above fixed and variable remuneration, based on attendance during the period, to deal with the hardships brought by the COVID-19 pandemic.

In 2020, a number of shares of the Parent Company were granted to the Group’s Key Management Personnel under the 2017-2020 Stock Grant Plan, based on the targets set and achieved.

Atypical and/or unusual transactions during the year

In 2020, the Group did not carry out any significant transactions qualifying as non-recurring, atypical and/or unusual.

Significant events after 31 December 2020

As mentioned earlier in "Impacts from the Coronavirus Pandemic (COVID-19)" of this Report, on 10 February 2021, the Board of Directors of Neodecortech S.p.A. approved the new 2021-2023 Business Plan.

Compliance with the simplified system under Articles 70 and 71 of the Issuer Regulation

It should be noted that the Company, pursuant to articles 70, paragraph 8 and 71, paragraph 1-bis, of the Regulation adopted by CONSOB through resolution no. 11971/1999, as supplemented and amended (the "Issuer Regulation”), complies with the opt-out system provided for by the above articles, availing itself of the right to depart from the obligations to publish the information documents envisaged in Annex 3B of the Issuer Regulation on the occasion of significant transactions relating to mergers, spin-offs and capital increases through contribution of assets in kind, acquisitions and transfers.

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Treasury shares and shares of the Parent Company

Pursuant to Articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that, at the closing of the period, the Company held no. 120,000 treasury shares for the equivalent of € 422,030. Specifically, in 2020, no. 40,000 treasury shares were purchased for the equivalent of € 129,990.

At 31 December 2020 and in 2020, the Company did not purchase any shares of the parent company.

Other information

Pursuant to paragraph 5 of Article 2497-bis of the Italian Civil Code, we certify that the company is not subject to the direction and coordination of others.

Business and market outlook

Following the closures in March and April and the months of lower production capacity in May and June, the second half of the year witnessed a strong recovery in orders and the Group's income results. To date, the entire production chain in which Neodecortech and Cartiere di Guarcino operate is working at full production capacity, with a good forecast of orders for first quarter 2021. This mood is shared by all the sales areas (90% Europe) in which the companies mainly operate.

Based on the strong recovery of the figures in the second half of 2020, the Group believes it can continue this growth trend in 2021, in line with the results forecast in the 2021 Budget, approved with the 2021-2023 Business Plan.

In the aftermath of the COVID-19 crisis, new opportunities have opened up out of the need to reshape living, work and leisure spaces, both for the new needs of social distancing and for the resulting change in our habits. Even after the strict lockdown phase, the share of employees working remotely for medium and large-sized companies continues to be significant, a situation considered unimaginable until February last year. All this may clearly have a significant impact not only on the real-estate market, but presumably also on the furniture industry. The new way of reinterpreting the home is, in fact, determining the upbeat moment of the entire furniture supply chain which, starting from mid-June, is basically witnessing a return to full production capacity, which will continue into 2021. A trend that is seen not only in Italy but worldwide too or, at least, in the more developed countries. In Italy, this newfound “normalcy" will be supported in 2021 also following issue of the Relaunch Decree, which provides for the so-called 110% eco-bonus. This incentive, which is granted to renovate buildings from an energy point of view, will definitely impact strongly also on the furniture industry, therefore on the various product lines offered by the Group, net of a likely reduction in sales of office furnishings. Group sales have been traditionally addressed to the furnishing of private dwellings, and to their refurbishment in particular. This allows the Group to be reasonably optimistic about the possible future market trends.

Decorative Paper Division - Neodecortech

More specifically, while staying in the general mood of the relevant market as far as the core products (printed and impregnated paper) are concerned, Neodecortech plans to contribute to its growth in 2021 in the areas where the investments in production that started in 2019 and were completed in 2020 were made:

- plastic printed laminated film (PPLF), used for production not only in the LVT (luxury vinyl tiles) flooring category, but also in new areas such as vertical wall coverings;
- laminates size 142 cm (in addition to 130 cm) for both existing and new customers in new areas;

- strong promotional action for the launch on the market of the new family of anti-fingerprint products, EOS, currently available in laminate and thermoplastic versions.

Paper Division - Cartiere di Guarcino

The market trends reported by the Parent Company, Neodecortech S.p.A., are the same for Cartiere di Guarcino S.p.A.. The development of Velvet Paper and, in terms of innovation, of paper for food use continue in 2021; the positive outcome from these two new product lines is expected to increase the Company's turnover.

Energy Division - Bio Energia Guarcino

As far as Bio Energia Guarcino is concerned, the unit value of the incentive increases in 2021 from 99.05 €/MWh incentivized to 109.36 €/MWh incentivized, as a result of a reference price of electricity in 2020 of 39.80 €/MWh.

And after the all-time low recorded in 2020, the energy market is expected to trend upwards also as a result of rising gas prices.

The same trend seems to be followed by the price of animal fat in the wake of the significant growth reported in vegetable oils, driven in particular by soya, which reported sizeable purchases from China.

Filago (BG), 02 March 2021

For the Board of Directors The Chairman

(Riccardo Bruno)

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Consolidated financial statements
at 31 December 2020

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Consolidated income statement at 31 December 2020

(Euro thousands)	Notes	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales and services	1	**127.843**	**100,0%**	**132.985**	**100,0%**	**(5.142)**	**(3,9%)**
Changes in w ork in progress, semi-finished and finished	2	(2.547)	(2,0%)	1.359	1,0%	(3.906)	(287,4%)
Other revenue	3	5.871	4,6%	2.873	2,2%	2.998	104,4%
Raw and ancillary materials and consum.	4	(75.834)	(59,3%)	(77.501)	(58,3%)	1.667	(2,2%)
Other operating expense	5	(21.832)	(17,1%)	(23.040)	(17,3%)	1.208	(5,2%)
Personnel expense	6	(18.882)	(14,8%)	(20.724)	(15,6%)	1.842	(8,9%)
Amortization and depreciation	7	(8.725)	(6,8%)	(8.689)	(6,5%)	(36)	0,4%
Allocations	8	(406)	(0,3%)	(134)	(0,1%)	(272)	203,0%
EBIT		**5.488**	**4,3%**	**7.130**	**5,4%**	**(1.642)**	**(23,0%)**
Financial expense	9	(1.705)	(1,3%)	(2.044)	(1,5%)	339	(16,6%)
Financial income	10	280	0,2%	122	0,1%	158	129,5%
Pre-tax profit/(loss)		**4.063**	**3,2%**	**5.209**	**3,9%**	**(1.146)**	**(22,0%)**
Income tax	11	(527)	(0,4%)	(1.248)	(0,9%)	721	(57,8%)
Profit/(loss) for the year		**3.536**	**2,8%**	**3.961**	**3,0%**	**(425)**	**(10,7%)**

Consolidated statement of comprehensive income at 31 December 2020

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019
Profit/(loss) for the year	**3.536**	**3.961**
Other items of the comprehensive income statement		
Actuarial gains (losses) net of tax effect	185	(172)
Total items that will not be reclassified in the income statement for the year	**185**	**(172)**
Gains/(losses) on cash flow hedging instruments	(123)	(28)
Total items that will or may be reclassified in the income statement for the year	**(123)**	**(28)**
Total other components of the comprehensive income statement	**62**	**(200)**
Comprehensive income/(loss) for the year	**3.598**	**3.761**
Profit for the year attributed to:		
Shareholders of the Parent	3.598	3.761
Non-controlling interests		
Earnings per share (in Euro):		
Basic	0,27	0,30
Diluted	0,27	0,29

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Consolidated statement of financial position at 31 December 2020

Assets	Notes	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
(Euro thousands)							
Intangible assets	12	2.203	1,5%	2.905	1,9%	(702)	(24,2%)
Property, plant and equipment	13	77.221	51,2%	78.871	51,5%	(1.650)	(2,1%)
Other non-current assets	14	95	0,1%	113	0,1%	(18)	(15,9%)
Non-current financial receivables	15	1.821	1,2%	1.853	1,2%	(32)	(1,7%)
Deferred tax assets	16	2.115	1,4%	2.159	1,4%	(44)	(2,0%)
Non-current assets		**83.455**	**55,3%**	**85.902**	**56,1%**	**(2.447)**	**(2,8%)**
Inventory	17	36.684	24,3%	39.114	25,6%	(2.430)	(6,2%)
Trade receivables	18	19.252	12,8%	19.239	12,6%	13	0,1%
Receivables from tax consolidation	19	1.008	0,7%	918	0,6%	90	9,8%
Tax receivables	20	1.767	1,2%	2.506	1,6%	(739)	(29,5%)
Current financial receivables	15	64	0,0%	63	0,0%	1	1,6%
Other current receivables	21	1.118	0,7%	1.870	1,2%	(752)	(40,2%)
Cash and cash equivalents	22	7.536	5,0%	3.475	2,3%	4.061	116,9%
Current assets		**67.428**	**44,7%**	**67.185**	**43,9%**	**243**	**0,4%**
Total Assets		**150.883**	**100,0%**	**153.087**	**100,0%**	**(2.204)**	**(1,4%)**

Equity and liabilities		31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
(Euro thousands)							
Share capital		17.399	11,5%	16.203	10,6%	1.196	7,4%
Share premium reserve		17.357	11,5%	17.357	11,3%	0	0,0%
Other reserves		13.954	9,2%	15.002	9,8%	(1.048)	(7,0%)
Prior years' profit (loss)		9.412	6,2%	8.755	5,7%	657	7,5%
Profit (loss) for the year		3.536	2,3%	3.961	2,6%	(425)	(10,7%)
Equity	**30**	**61.658**	**40,9%**	**61.277**	**40,0%**	**381**	**0,6%**
Provisions for risks and charges	23	1.284	0,9%	918	0,6%	366	39,9%
Deferred tax	16	6.231	4,1%	6.575	4,3%	(344)	(5,2%)
Post-employment benefits	24	2.728	1,8%	2.887	1,9%	(159)	(5,5%)
Non-current financial liabilities	25	28.840	19,1%	23.051	15,1%	5.789	25,1%
Non-current liabilities		**39.084**	**25,9%**	**33.431**	**21,8%**	**5.653**	**16,9%**
Trade payables	26	25.571	16,9%	31.333	20,5%	(5.762)	(18,4%)
Payables from tax consolidation	27	476	0,3%	422	0,3%	54	12,8%
Tax payables	28	708	0,5%	881	0,6%	(173)	(19,6%)
Current financial liabilities	25	18.666	12,4%	21.023	13,7%	(2.357)	(11,2%)
Other current payables	29	4.719	3,1%	4.719	3,1%	0	0,0%
Current liabilities		**50.140**	**33,2%**	**58.379**	**38,1%**	**(8.239)**	**(14,1%)**
Total equity and liabilities		**150.883**	**100,0%**	**153.087**	**100,0%**	**(2.204)**	**(1,4%)**

Consolidated statement of changes in equity at 31 December 2020

(Euro thousands)	Notes	Attributable to the shareholders of subsidiaries								
		Share capital	Hedging and translation reserves	Equity reserves	Other reserves	Treasury shares	Net profit (loss) for the year	Equity	Non-controlling interests	Total equity
Balance at 01/01/2019	**30**	**16.203**	**(281)**	**17.357**	**19.389**	**(94)**	**6.030**	**58.604**	**0**	**58.604**
Other items of the comprehensive income statement		0	(28)	0	(172)	0	0	(200)	0	(200)
Profit for the year		0	0	0	0	0	3.961	3.961	0	3.961
Total comprehensive income/loss for the year		**0**	**(28)**	**0**	**(172)**	**0**	**3.961**	**3.761**	**0**	**3.761**
Dividend distribution		0	0	0	(2.001)	0	0	(2.001)	0	(2.001)
Allocation of prior year's profit (loss)		0	0	0	6.030	0	(6.030)	0	0	0
Other changes			137		973	(197)		913	0	913
Balance at 31/12/2019	**30**	**16.203**	**(172)**	**17.357**	**24.219**	**(291)**	**3.961**	**61.277**	**0**	**61.277**
Balance at 01/01/2020	30	**16.203**	**(173)**	**17.357**	**24.220**	**(291)**	**3.961**	**61.277**	**0**	**61.277**
Other items of the comprehensive income statement		0	(123)	0	185	0	0	62	0	62
Profit for the year		0	0	0	0	0	3.535	3.535	0	3.535
Total comprehensive income/loss for the year		**0**	**(123)**	**0**	**185**	**0**	**3.535**	**3.597**	**0**	**3.597**
Dividend distribution		0	0	0	(1.882)	0	0	(1.882)	0	(1.882)
Allocation of prior year's profit (loss)		0	0	0	3.961	0	(3.961)	0	0	0
Other changes		1.196	0		(2.400)	(130)		(1.334)	0	(1.334)
Balance at 31/12/2020	30	**17.399**	**(296)**	**17.357**	**24.084**	**(421)**	**3.535**	**61.658**	**0**	**61.658**

Consolidated statement of cash flows at 31 December 2020

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019
Profit (loss) for the year	3.536	3.961
Income tax	836	1.001
Deferred/(prepaid) tax	(308)	247
Interest expense/(interest income)	1.425	1.922
(Dividends received)	0	0
(Gains)/losses from disposal of assets	(26)	(228)
1 Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposals	**5.463**	**6.903**
Adjustments for non-monetary items that had no		
balancing entry in net working capital:		
Allocation to post-employment benefits	27	22
Allocations to other provisions	1.059	77
Amortization and depreciation of fixed assets	8.725	8.689
Write-downs for impairment losses	0	0
Other adjustments for non-monetary items	(1.349)	757
2 Cash flow before changes in NWC	**13.925**	**16.448**
Changes in net working capital		
Decrease/(increase) in receivables from customers	(221)	4.647
Decrease/(increase) in inventory	2.023	(3.166)
Increase/(decrease) in payables to suppliers	(5.729)	(3.143)
Decrease/(increase) in other receivables	1.492	639
Increase/(decrease) in other payables	(464)	(863)
Other changes in net working capital	3	5
3 Cash flow after changes in NWC	**11.029**	**14.567**
Other adjustments		
Interest received/(paid)	(1.045)	(1.518)
(Income tax paid)	(484)	(698)
(Gains)/losses from disposal of assets	0	0
Dividends received	0	0
(Utilization of provisions)	(347)	0
(Utilization of provisions for post-employment benefits)	(148)	(248)
4 Cash flow after other adjustments	**9.005**	**12.103**

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019
A Cash flow from operations	**9.005**	**12.103**
Property, plant and equipment	(6.120)	(7.615)
(Purchase)	(6.170)	(7.615)
Disposal	50	
Intangible fixed assets	(223)	(368)
(Purchase)	(223)	(368)
Disposal	0	0
Financial fixed assets	18	2.426
(Purchase)	0	0
Disposal	18	2.426
Current financial assets	0	0
(Purchase)	0	0
disposal	0	0
Proceeds from disposal of assets	26	251
B Cash flow from investing activities	**(6.299)**	**(5.306)**
Liabilities	**3.368**	**(7.612)**
Increase (decrease) in short-term bank payables	(3.468)	(2.326)
New loans	11.046	182
Repayment of loan	(3.676)	(3.025)
Financial liabilities to other lenders	(599)	(2.173)
Change in financial receivables from other lenders	65	(218)
Equity	**(2.012)**	**(2.198)**
Share capital increase	0	0
Sale (purchase) of treasury shares	(130)	(197)
Other changes in equity	(1.882)	(2.001)
C Cash flow from financing activities	**1.355**	**(9.809)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**4.061**	**(3.013)**
Cash and cash equivalents at 1 January	3.475	6.489
Cash and cash equivalents at 31 December	7.536	3.475

Explanatory Notes to the Consolidated Financial Statements

Entity drawing up the consolidated financial statements

Neodecortech S.p.A. (hereinafter also the “Company”, the "Parent Company" or the “Controlling Company") is a company incorporated under Italian law, with registered office in Filago (BG), Strada Provinciale 2, at the head of the Neodecortech Group (hereinafter also the "Group"). The Company website is: www.neodecortech.it.

The Group is active in the production and marketing of decorative papers for the industrial sectors of wood and furnishing accessories.

Mention should be made that the Company completed the translisting process from the “AIM Italia” multilateral trading system to the Mercato Telematico Azionario (“MTA” electronic stock market) organized and managed by Borsa Italiana S.p.A. on 25 May 2020.

The publication of these consolidated financial statements was authorized by the Directors on 02 March 2021; they will be submitted to the Shareholders' Meeting for approval and subsequent filing, within the time limits of law. The Shareholders' Meeting is empowered to make changes to these Consolidated Financial Statements.

BDO Italia S.p.A. is in charge of auditing the accounts.

General criteria for the preparation of the consolidated financial statements

Statement of compliance with IAS-IFRS

These consolidated financial statements were prepared in compliance with the IAS-IFRS international accounting standards in force at 31 December 2020, as adopted by the European Union, as well as with the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IAS-IFRS also include all the revised international accounting standards (IAS) and all the interpretations issued by the IFRS Interpretation Committee (formerly IFRIC), previously known as SIC. The rules of national legislation implementing EU Directive 2013/34 also apply, provided they are compatible, to companies that prepare their financial statements in accordance with IAS-IFRS. Therefore, the financial statements implement the relevant provisions of the articles of the Italian Civil Code and the corresponding provisions of the TUF for listed companies concerning the Directors’ Report on Operations, the Independent Auditors' Report and the publication of the financial statements. The consolidated financial statements and the notes thereto also include the details and additional information required by the articles of the Italian Civil Code concerning financial statements, insofar as they do not conflict with the provisions of IAS-IFRS, as well as the other CONSOB regulations and instructions concerning financial statements.

The financial statements have been prepared on a going concern basis. The Group has, in fact, assessed that, despite the volatility of the general economic and financial environment marked by the effects of the COVID-19 pandemic, there are no significant uncertainties surrounding its ability to continue operations, due also to its financial structure and the actions already identified and included in the 2021-2023 Business Plan, as explained in the “Directors’ Report on Operations".

Preparation criteria and functional currency

The consolidated accounts are prepared in accordance with the cost principle, with the exception of derivative financial instruments and financial assets, which are measured at fair value.

The presentation currency used in the consolidated financial statements is the Euro, which is the functional currency of the Parent Company, Neodecortech S.p.A., and its other subsidiaries. All the amounts contained in the financial statements and the notes are rounded to the nearest Euro unit, unless otherwise indicated

Financial statements and presentation criteria

The consolidated financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows, as well as the explanatory notes for the year ended 31 December 2020.

With regard to the presentation of the financial statements, the Group has made the following choices:

- current and non-current assets and current and non-current liabilities are shown separately in the statement of financial position. Current assets, which include cash and cash equivalents, are those intended to be realized, sold or consumed in the Group's normal operating cycle; current liabilities are those expected to be settled in the Group's normal operating cycle or in the twelve months following the end of the period;
- for the income statement, the analysis of costs is carried out based on the nature of the costs;
- for the statement of comprehensive income, the Group has chosen to present two statements: the first shows the traditional income statement components with the result for the period, while the second, starting from this result, shows in detail the other components, i.e. (i) changes in fair value of derivative financial instruments designated as hedge accounting, and (ii) the effects of the remeasurement of defined benefit plans;
- the statement of cash flows was prepared using the indirect method.

The consolidated financial statements provide comparative information for the prior year. It should be noted that compared to the financial statements published at 31 December 2019, the provision for doubtful accounts (amounting to € 57 thousand) was also reclassified for 2019 from Other Operating Expense to Allocations in the income statement.

Accounting standards, amendments and IFRS interpretations applied from 1° January 2020

The following accounting standards, amendments and IFRS interpretations have been applied by the Group for the first time as from 1 January 2020:

- On 31 October 2018, the IASB published ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***. The document introduced a change in the definition of 'material' contained in IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of "material" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it is provided in such a way as to produce for general users of financial statements an effect similar to that which would be produced if such information had been omitted or misstated.
  The adoption of this amendment had no impact on the Group's consolidated financial statements.

- On 29 March 2018, the IASB published an amendment to the "***References to the Conceptual Framework in IFRS Standards***". The amendment is effective for periods beginning on or after 1 January 2020, but early application is allowed. The Conceptual Framework sets out the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework supports entities in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards.

- On 26 September 2019, the IASB published the amendment "***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***". It amends IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments*: *Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*. Specifically, the amendment changes some of the requirements for the application of hedge accounting, providing for temporary derogations from them, in order to mitigate the impact of the uncertainty of the IBOR

reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on their hedging relationships that are directly affected by the uncertainties generated by the reform and to which the above derogations apply.
The adoption of this amendment had no impact on the Group's consolidated financial statements.

- On 22 October 2018, the IASB published ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides a number of clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, as a minimum, an input and substantive process that together contribute significantly to the ability to create an output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes needed to create an output. The amendment also introduced an optional test ("concentration test"), which allows the exclusion of the presence of a business if the price paid is substantially related to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed. The adoption of this amendment had no impact on the Group's consolidated financial statements.

- On 28 May 2020, the IASB published an amendment named "***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***". The document provides lessees with the option to account for COVID-19-related rent reductions without having to assess, through contract analysis, whether the IFRS 16 definition of lease modification is met. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to financial statements beginning on 1 June 2020, but the Group has opted to apply this amendment early from 1 January 2020. The early adoption of the new amendment resulted in the recognition of financial income for a total of € 79 thousand in the income statement at 31 December 2020.

Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, not yet mandatorily applicable and not adopted in advance by the Group at 31 December 2020

- On 27 August 2020, in light of the IBOR interbank interest rate reform, the IASB published *Interest Rate Benchmark Reform-Phase 2* containing amendments to the following standards:

  - IFRS 9 *Financial Instruments;*
  - IAS 39 *Financial Instruments*: *Recognition and Measurement*;
  - IFRS 7 *Financial Instruments: Disclosures*;
  - IFRS 4 *Insurance Contracts;* and
  - IFRS 16 *Leases.*

  All the changes will come into effect on 1 January 2021.

  The Directors do not expect any significant effect on the Group's consolidated financial statements from the adoption of this amendment.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union
At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and the standards described below.

- On 23 January 2020, the IASB published an amendment named "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The purpose of the document is to

clarify how to classify debt and other short-term or long-term liabilities. The amendments come into force on 1 January 2023, but early application is allowed.
The Directors do not expect any significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- On 14 May 2020, the IASB published the following amendments:
  - Amendments to IFRS 3 Business Combinations: the purpose of these amendments is to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without this entailing any changes to the provisions of IFRS 3.
  - Amendments to IAS 16 Property, Plant and Equipment: the purpose of these amendments is not to allow deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced during the testing phase of the asset itself. The sales revenue and related costs will be therefore recognized in the income statement.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly attributable to the contract must be considered when estimating whether a contract is onerous. As a result, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in the work), but also any costs that the company cannot avoid because it has entered into the contract (such as the share of the cost of personnel and depreciation of machinery used to perform the contract).
  - Annual Improvements 2018-2020: Amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and Illustrative Examples of IFRS 16 Leases.

  All the changes will come into effect on 1 January 2022.

  The Directors do not expect any significant effect on the Group's consolidated financial statements from the adoption of these amendments.

Consolidation procedures

The consolidated financial statements were prepared on the basis of the financial statements at 31 December 2020 prepared by the Parent Company Neodecortech S.p.A. and the consolidated companies, in accordance with the accounting standards adopted by the Group.

The administrative period and the closing date for the preparation of the Consolidated Financial Statements correspond to those of the financial statements of the Parent Company and all consolidated companies.

Subsidiaries

Subsidiaries are those entities in which the Group is exposed to variable returns, or holds rights to those returns, arising from its relationship with those entities and at the same time has the ability to affect those returns by exercising its power.

The Group assesses entity control through the presence of three elements:

- power: current ability of the Group, deriving from substantive rights, to direct the relevant activities of the businesses that significantly affect the entity's returns;
- the Group’s exposure to variability in the returns of the investee;
- correlation between power and returns, the Group has the ability to exercise its power to affect the returns from such relationship.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is assumed until the date on which such control ceases.

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Scope of consolidation

The list of companies over which Neodecortech S.p.A. exercises control, and are therefore included in these consolidated financial statements, is shown in the table below:

Company name	Registered office	Share Capital	Consolidation method	% held
Cartiere di Guarcino S.p.A.	Guarcino (IT)	10.000.000 €	Full	100%
Bio Energia Guarcino S.r.l.*	Guarcino (IT)	1.100.000 €	Full	100%

** Controlled indirectly through Cartiere di Guarcino S.p.A.*

There were no changes versus the prior year.

Transactions eliminated in the consolidation process

All intercompany balances and transactions, including any unrealized gains from third parties, are eliminated in full. Unrealized losses from intercompany transactions with third parties are eliminated, unless they cannot be recovered at a later date.

Non-current assets held for sale and discontinued operations

Assets and liabilities held for sale and discontinued operations are classified as such if their carrying amount will be recovered primarily through sale rather than through continued use; these assets must represent a major independent line of business or geographical area of operation. These conditions are considered fulfilled when the sale is considered highly probable and the assets and liabilities are immediately available for sale in their present condition.

Operations held for sale are measured at the lower of net carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale no longer need to be depreciated or amortized.

In the consolidated statement of income, the net result from discontinued operations, together with the gain or loss from the measurement at fair value less costs to sell and the net realized gain or loss from the sale of assets, is grouped in a single line item separately from the result from continuing operations.

Cash flows relating to discontinued operations are reported separately in the statement of cash flows.

The above information is also presented for the comparative period.

Cost of a business combination

Under IFRS 3, the cost of an acquisition is the acquisition-date fair value of the consideration transferred, plus the amount of any non-controlling interest held. For each business combination, any non-controlling interest in the acquiree must be measured at fair value or in proportion to the non-controlling interest's share of the acquiree's identifiable net assets.

IFRS 3 requires that acquisition-related costs be considered as expense in the periods in which such costs are incurred and the services are received.

Allocating the cost of a business combination

Goodwill is determined as the excess between:

- the sum of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value, at the acquisition date, of any interest in the acquiree previously held;
- the net fair value of the identifiable assets and liabilities at the date of acquisition.

If the difference is negative, it is recorded directly in the income statement. If the initial recognition of a business combination can only be determined provisionally, the adjustments to the amounts assigned are recorded within 12 months of the acquisition date (valuation period).

Business combination achieved in stages

If a business combination is achieved in stages with subsequent purchases of shares, at each transaction the fair value of the investment previously held must be recalculated and any difference recognized in the income statement as a profit or loss.

Purchases of shares subsequent to taking control do not result in a restatement of identifiable assets and liabilities. The difference between the cost and the portion of equity acquired is recorded as a change in Group equity. Transactions that result in a decrease in the percentage of interest held, without loss of control, are treated as disposals to minority shareholders and the difference between the interest sold and the price paid is recorded in Group equity.

Subjective evaluations and use of estimates

The preparation of the financial statements and the notes thereto, in application of the IAS-IFRS, requires Management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosures on contingent assets and liabilities as of the reporting date, as well as the amount of revenue and costs in the reporting period presented. Estimates and assumptions used are based on experience and on other factors considered significant. Actual results could differ from these estimates. Estimates and assumptions are reviewed regularly and the effects of each variation therein are recognized in profit and loss in the period in which the estimate was revised. The effects of such revisions are reflected in the periods on which they have effect, i.e. both in the current period, and in future periods, if relevant.

To provide a better understanding of the Consolidated Financial Statements, the following are the most significant estimates adopted in the process of preparing the Consolidated Financial Statements, as they involve a high level of subjective judgments, assumptions and estimates relating to issues that are by their nature uncertain, especially in the current context of the COVID-19 pandemic. Changes in the conditions underlying the judgments and assumptions made could have a material impact on subsequent results.

- *Measurement of receivables:* receivables from clients are adjusted by the related allowance for doubtful accounts to take account of their recoverable value. The determination of the amount of the write-downs requires the directors to perform subjective evaluations based on past experience for similar receivables or current and historical past dues, closing rates, losses and collections, and to carefully monitor credit quality, especially in the current context of the COVID-19 pandemic;
- *Measurement of inventory*: obsolescent inventory is periodically measured and written down if the net realizable value is lower than the carrying amount. Write-downs are calculated on the basis of Management's assumptions and estimates, based on their experience and sales forecasts;
- *Measurement of deferred tax assets*: deferred tax assets - whose recovery in future years is considered highly probable - are measured on the basis of the expected taxable income in future years. The measurement of

such expected taxable income depends on factors that may vary over time and have significant effects on the measurement of deferred tax assets;

- *Income tax:* the calculation of the Group's tax liability requires Management to measure transactions whose tax implications are not certain at the balance sheet date;
- *Impairment of intangible and tangible assets with finite useful life:* these assets undergo an impairment test to ascertain whether there has been an impairment, which must be recognized by means of a write-down, when there are indications of a difficulty in recovering the related net book value through use. Ascertainment of the existence of the above indicators requires the Directors to make subjective assessments based on information available within the Group and from the market, as well as statistics. Additionally, if it is determined that a potential impairment may have occurred, the Group determines it using appropriate measurement techniques. The proper identification of the elements pointing to the existence of a potential impairment, as well as the estimates used to determine them, depend on factors that may change over time and that are subject to uncertainties and the use of estimates (growth rates, rates of return on assets, and financial projections affected by external, non-controllable variables) that affect the valuations and estimates made by the Directors;
- *Measurement of intangible and tangible assets with finite useful life:* tangible and intangible assets with finite useful life are depreciated/amortized over the estimated useful life of the related assets. The useful life of the assets is determined by the Directors at the time the asset is acquired; it is based on historical experience for similar fixed assets, market conditions and anticipations of future events that could have an impact on the useful life. Therefore, the actual useful life may differ from the estimated useful life. The Group regularly assesses technological and industry changes to update the remaining useful life. This regular update could lead to a change in the amortization/depreciation period and therefore also in the amortization/depreciation charge for future years.
    - With regard to the COVID-19 pandemic, in addition to the internal and external impairment indicators generally monitored, Management assessed, based on information available at 31 December 2020, the effects of the pandemic on the recoverable value of assets. Based on the final results at 31 December 2020, the forecasts made in the 2021-2023 Business Plan and the assumptions on the impact of the pandemic for the years subsequent to 31 December 2020, Management does not believe that the COVID-19 pandemic could represent an indicator of impairment for the Group and, therefore, did not consider it necessary to carry out an impairment test on the value of the recognized assets;
- *Pension plans:* the present value of the liability for pension benefits depends on a number of factors that are determined by actuarial methods using certain assumptions. The assumptions regard the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, and the mortality and resignation rates. Any change in the above assumptions could have significant effects on the liability for pension benefits;
- *Valuation of risk provisions*: the Group is subject to legal and tax lawsuits that may arise from complex and difficult issues, which are subject to a varying degree of uncertainty, including facts and circumstances underlying each case, jurisdiction and different applicable laws. Given the uncertainties underlying these issues, it is difficult to accurately predict the outlay that could arise from such disputes. Accordingly, after hearing the opinion of their legal and tax advisors and experts, the Directors recognize a liability from such disputes when they consider it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. This estimate implies the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects over the current estimates made by the Directors in preparing the Group's consolidated financial statements;
- *Determination of fair value:* the fair value of certain financial assets that are not listed on active markets is determined using measurement techniques. The Group uses measurement techniques that use inputs that are directly or indirectly observable in the market at year end, related to the assets being measured. While the

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estimates of the abovementioned fair values are deemed reasonable, possible changes in the estimation factors on which the calculation of these values is based may produce different valuations.

Valuation criteria

Property, plant and equipment

These are recorded at purchase, production or transfer cost, including any ancillary expense and direct costs required to make the asset available for use, less subsequent accumulated depreciation and write-downs for impairment. All other costs and financial expense are recognized in the income statement in the year to which they refer.

If an item of property, plant and equipment consists of several components with different useful lives, these components are accounted for separately (if they are significant components).

Leasehold improvements are classified as PPE, on the basis of the cost incurred. In such cases, the depreciation period corresponds to the lower of the residual useful life of the tangible asset and the residual term of the lease contract.

Assets under construction are recorded at cost under "Assets under construction" until they are available for use; at the time of their availability for use, the cost is classified under the relevant item and depreciated.

The gain or loss on the disposal of property, plant, machinery, equipment and other assets is determined as the difference between the net sale proceeds and the net residual value of the asset, and is recognized in the income statement for the year in which the asset is derecognized.

Costs incurred after the purchase of the assets and the cost of replacing certain parts of the assets recorded in this category are added to the carrying amount of the item to which they refer and capitalized only if they increase the future economic benefits inherent in the asset itself and are therefore depreciated on the basis of the residual possibility of use of the asset. All other costs are recognized in the income statement when incurred.

When the cost of replacing certain parts of the assets is capitalized, the residual amount of the parts replaced is charged to the income statement.

Gains and losses arising from the sale or disposal of assets are determined as the difference between the sale proceeds and the net carrying amount of the asset and are recognized in the income statement for the year.

Depreciation is generally calculated on a straight-line basis over the estimated useful lives of the individual components into which property, plant and equipment are divided. Land is not depreciated.

Below are the rates applied for each category:

Category	Rates % Neodecortech	Rates % Cartiere di Guarcino	Rates % Bio Energia Guarcino
Industrial buildings	2%	2.5%	4%
Light constructions	10%		
Temporary and kindred constructions	10%		

Plant and equipment	9%	5.5%	
Purification plants	12%	7.5%	
Miscellaneous production equipment / laboratory	30%		
Production equipment (printing cylinders)	20%		
Furniture and ordinary office equipment	12%	8.5%	12%
Electronic office equipment	20%	14%	
Internal means of transport	16%	14%	10%
Cars and motor vehicles	25%	17.5%	
Laboratory workshop maintenance		17.5%	
General plant		4.5%	15%
General equipment		6.5%	
Communications systems			20%
Weighing plant			15%
Firefighting Water System			15%
Dewatering plant			15%
Steam production plant			15%
Measurement and control system			10%
Industrial equipment			10%
Workshop and equipment			10%

The useful life of tangible assets and their residual value are reviewed and updated, where necessary, at least at the end of each financial period.

Tangible assets are also tested for impairment annually or whenever there is an indication that the asset may be impaired. Reference should be made to the paragraph below "Impairment of property, plant and equipment and intangible assets" for the criteria used to determine any write-downs.

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Leases

The Group must evaluate whether the contract is, or contains a lease, as at the date it is entered into. The Group recognizes the Right of Use and related Lease Liability for all leases in which it acts as lessee, except for short-term leases (leases of 12 months or less) and leases related to low-value assets (i.e., assets valued at less than € 5,000 when new). Contracts for which the latter exemption has been applied fall primarily within the following categories: computers, phones and tablets; printers, other electronic devices; and furniture and fixtures.

With regard to these exemptions, the Group records the related payments as operating expense recognized on a straight-line basis over the life of the contract.

The lease liability is initially recorded at the present value of future payments at the effective date of the contract. Since most of the lease agreements entered into by the Group do not contain an implicit interest rate, the discount rate to be applied to future lease payments was determined as the risk-free rate, with maturities commensurate with the term of the specific lease, increased by the specific credit spread of the company entering into the agreement.

Lease payments included in the value of the lease Liability include:

- the fixed component of lease payments, net of any incentives received;
- variable lease payments based on an index or rate, initially measured using the index or rate on the effective date of the contract;
- the amount of collateral for the residual value that the lessee expects to pay;
- the exercise price of the purchase option, which must only be included if the exercise of such option is considered reasonably certain;
- penalties for early termination of the contract, if the lease term envisages the option to exercise termination of the lease and the exercise thereof is estimated to be reasonably certain.

Subsequent to initial recognition, the carrying amount of the lease liability increases due to interest accrued (using the effective interest method) and decreases to take account of payments made under the lease agreement.

The Group restates the value of the Lease Liabilities (and adjusts the value of the corresponding Right of Use) if:

- The lease term changes or there is a change in the valuation of the exercise of the option right; in this case, the lease liability is restated by discounting the new lease payments at the revised discount rate.
- The value of lease payments changes as a result of changes in indices or rates, in such cases the Lease Liability is restated by discounting the new lease payments at the initial discount rate (unless the payments due under the lease change as a result of fluctuations in interest rates, in which case a revised discount rate must be used).
- The Group did not recognize any of the above changes in the period, availing itself, however, of the possibility of early application of the amendment to IFRS 16 - COVID-19 Related Rent Concessions, which allowed it to account for the effects of reductions in lease payments directly in the income statement at the effective date of the reduction, without having to assess, through the analysis of contracts, whether the definition of lease modification in IFRS 16 is met.

The Group did not recognize any of the above changes during the period.

The Right of Use asset includes the initial calculation of the lease Liability, lease payments made prior to or on the effective date of the contract, plus any other initial direct costs. The Right of Use is recorded in the financial statements net of depreciation and any impairment losses. Lease-related incentives (e.g., free lease periods) are recognized as part of the initial value of the right of use and lease liability over the contract period.

The Right of Use is amortized/depreciated on a systematic basis to the lower of the lease term and the remaining useful life of the underlying asset. If the lease agreement transfers ownership of the related asset or the cost of the right of use reflects the Group's wish to exercise the purchase option, the related right of use is amortized over the useful life of the asset in question. The beginning of amortization starts from the effective date of the lease.

The Right of Use is included under "Tangible assets" in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets in order to identify the presence of any impairment losses.

In the statement of cash flows, the Group divides the total amount paid between principal (recognized in the cash flow from financing activities) and interest (recognized in the cash flow from operations).

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, controllable and capable of generating future economic benefits. These items are recorded at purchase and/or production cost, including directly attributable expenses for preparing the asset for use, net of accumulated amortization and any impairment losses.

Intangible assets arising from the development of products and production processes are recognized as assets only if the following requirements are met:

- the cost attributable to the asset during its development can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are likely;
- the Group has sufficient resources to complete its development and to use or sell the asset.

Amortization begins from when the asset is available for use, in accordance with Management's intentions, and is systematically allocated in relation to the residual possibility of use of the asset, or on the basis of its estimated useful life.

The costs of software licenses, including expenses incurred to make the software ready for use, are amortized on a straight-line basis over the relevant period of time (5 years), while the costs relating to the maintenance of software programs are charged to the Income Statement at the time they are incurred.

Intangible assets with finite useful life are systematically amortized from the moment the asset is available for use over their expected useful life. Below are the rates applied for each category:

Category	**Rates % Neodecortech**	**Rates % Cartiere di Guarcino**	**Rates % Bio Energia Guarcino**
Patents and use of intellectual property	20%		
Other intangible fixed assets	20%	20%	20%

Intangible assets with finite useful life are also tested for impairment whenever there is an indication that the asset may be impaired. Reference should be made to the paragraph below "Impairment of property, plant and equipment and intangible assets" for the criteria used to determine any write-downs.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, an assessment is made to ascertain whether there are any indications that tangible and intangible assets (including rights of use, the reduction in value of which is connected with the emergence of conditions for using the asset on the basis of an onerous contract pursuant to IAS 37) may have suffered impairment. Both internal and external sources of information are considered for this purpose. With regard to the former (internal sources), the following are considered: obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the economic performance of the asset compared to estimated performance. With regard to external sources, the following are considered: trends in the market prices of assets, any technological, market or regulatory discontinuities, trends in market interest rates or the cost of capital used to value investments.

If such indicators are identified, the recoverable amount of said assets is estimated (impairment test), posting any write-down against the related carrying amount to the Income Statement. The recoverable value of an asset is represented by the greater of its fair value, less ancillary costs to sell, and its value in use, i.e. the current value of the future cash flows estimated for this asset. In determining the value in use, the expected future cash flows are discounted using a discount rate that reflects current market assessments of the time value of money, in relation to the period of the investment and the risks specific to the asset. For an asset that does not generate cash flows that are largely independent, the recoverable amount is determined in relation to the cash generating unit (CGU) to which such asset belongs.

An impairment loss is recognized in the Income Statement if the carrying amount of the asset, or of its cash generating unit, is higher than its recoverable value. Impairment losses of the cash generating unit are recognized as a reduction in assets, in proportion to their book value and within the limits of the relating recoverable value, including rights of use. If the conditions for a previous write-down no longer apply, the carrying amount of the asset is reinstated with an entry in profit and loss, up to the net carrying amount that the asset in question would have had if the write-down had not been made and the related amortization/depreciation had been carried out.

Financial assets

All financial assets are initially recognized, at the trading date, at cost, which corresponds to the fair value increased by the expense directly attributable to the purchase, with the exception of financial assets held for trading (fair value in the income statement).

All financial assets must be subsequently recognized at amortized cost or fair value based on the entity's business model for managing financial assets and the characteristics related to the contractual cash flows of the financial asset. Specifically:

- Debt instruments held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows, and which have cash flows represented solely by principal payments and interest on the amount of principal to be repaid, are subsequently measured at amortized cost;
- Debt instruments held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and which have cash flows represented solely by principal payments and interest on the amount of principal to be repaid, are subsequently measured at fair value with changes recognized in other comprehensive income (FVTOCI);
- All other debt instruments and investments in equity instruments are subsequently measured at fair value, with changes recognized in net profit (loss) for the year (FVTPL).

When an investment in a debt instrument measured as FVTOCI is derecognized, the cumulative gain (loss) previously recognized in other comprehensive income is reclassified from equity to net profit (loss) through a reclassification adjustment. Conversely, when an investment in an equity instrument designated as FVTOCI rated is derecognized, the cumulative gain (loss) previously recognized in other comprehensive income is subsequently transferred to retained earnings without passing through the income statement. Dividends received from investments in equity instruments are recognized in the income statement.

Debt instruments subsequently measured at amortized cost or FVTOCI are subject to financial asset impairment. With regard to the impairment of financial assets, the Group has applied a model based on expected losses on receivables, with reference to trade receivables. Specifically, the Group measures the loss allowance on a financial asset at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial asset has significantly increased since initial recognition, or if the financial instrument is an impaired financial asset that has been purchased or originated. However, if the credit risk of a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for the financial instrument in an amount equal to the expected credit losses from a default event in the following 12 months (12-month expected credit losses).

The Group adopts the simplified method for measuring the loss allowance for trade receivables by estimating the expected losses over the life of the receivable, also using a Group procedure that also requires a customer-by-customer analysis of past due doubtful debts.

The Group derecognizes all or a portion of its financial assets when:

- the contractual rights attributable to these assets have expired;
- it transfers the risks and rewards of ownership of the asset or does not transfer or even retain substantially all the risks and rewards, but transfers control of these assets;
- receivables transferred as a result of factoring transactions are eliminated from the statement of financial position only if they are transferred without recourse, and if substantially all the risks inherent in the receivable are transferred.

Receivables assigned with recourse, or in any case without the transfer of all risks, remain recorded in the financial statements and a financial liability of equal amount is recorded under liabilities against the advance received.

Inventory

The purchase cost includes the costs incurred to bring each asset to the storage location and takes account of write-downs related to obsolescence and slow turnover of inventory.

The production cost of finished and semi-finished goods includes the cost of raw materials, direct labour and a portion of general production costs, calculated on the basis of normal plant operations, while financial costs are excluded.

For raw and ancillary materials and consumables, the net realizable value is represented by the replacement cost. For finished and semi-finished goods, the net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits on demand, and other treasury investments with original expected maturities of three months or less. Overdrafts are considered a means of financing and not a component of cash and cash equivalents. The definition of cash and cash equivalents in the statement of cash flows corresponds to the definition in the statement of financial position.

Treasury shares

Repurchased treasury shares are recorded at cost and deducted from equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the purchase price and the consideration, in the event of re-issue, is recognized in the share premium reserve.

Provisions for risks and charges

Allocations to provisions for risks and charges are made when the Group must meet a current obligation (legal or implicit) deriving from a past event, the amount of which can be reliably determined, and the fulfilment of which will likely result in the use of resources. Allocations are made on the basis of the best estimate, on the basis of the costs required to fulfil the obligation at the balance sheet date, and are discounted when the effect is significant. In this case, the discounting is determined at a pre-tax discount rate that reflects the current market valuation of the cost of money in relation to time. The discounting effect is recorded under financial expense.

Employee benefits

As of 1 January 2007, companies with over 50 employees at the date of introduction of the reform are required to pay the new severance indemnity flows into pension funds chosen by the worker or, where the worker has opted to keep the flows within the company, into a treasury account set up with INPS. For the Group, the employee severance indemnity accrued up to 31 December 2006 continues to fall under “defined benefit plans", while the indemnity accrued after such date is treated, for all workers, as a “defined contribution plan", since all the companies' obligations are discharged with the periodic payment of a contribution to third parties. An exception is made for the portions accrued by workers who have opted to keep the severance indemnity within the company, which are classified as a defined benefit plan.

Defined contribution plans

Defined contribution plans are formalized post-employment benefit programs under which the Group pays fixed contributions to an insurance company or pension fund and will not have a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

These contributions, paid in exchange for employee service, are recorded as an expense in the period incurred.

Defined benefit plans

Defined benefit plans are formalized post-employment benefit programs that constitute a future obligation for the Group. The entity is, in substance, underwriting the actuarial and investment risks associated with the plan. Under IAS 19, the Group uses the Projected Unit Credit Method to determine the present value of obligations and the related current service cost.

This actuarial calculation requires the use of objective and compatible actuarial assumptions about demographic (mortality rate, employee turnover rate) and financial (discount rate, future increases in salary levels and medical benefits) variables.

Actuarial gains and losses related to post-employment defined benefit plans may result from both changes in the actuarial assumptions used for the calculation between two consecutive years and changes in the value of the obligation relating to the actuarial assumptions made at the beginning of the year. Actuarial gains and losses are recognized and charged immediately to other comprehensive income.

Net interest expense on defined benefit plans is recognized in financial income/(expense) in the income statement.

Share-based payments (Stock Grants)

A number of Group employees receive part of the remuneration as share-based payments, therefore these employees provide services in exchange for shares ("equity settled transactions").

This cost, together with the corresponding increase in equity, is recorded under personnel expense over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are met. The cumulative costs recorded for such transactions at the end of each financial year up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest. Cost or revenue in profit or loss represents the change in cumulative cost recognized at the beginning and end of the period.

Service or performance conditions are not taken into account when defining the fair value of the plan at the granting date. However, the probability of these conditions being met is taken into account when defining the best estimate of the number of equity instruments that will accrue. Market conditions are reflected in the fair value at grant date. Any other conditions attached to the plan that do not involve a service obligation are not considered to be a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan, unless there are also service or performance conditions.

Loans

Loans are initially recognized at the fair value of the amount disbursed/received net of ancillary expense directly attributable to the financial asset/liability. After initial recognition, loans are measured at amortized cost using the effective interest method.

Trade and other payables

Trade and other payables are initially recorded at the fair value of the initial consideration received in exchange and subsequently measured at amortized cost.

Revenue recognition

Revenue is measured taking account of the consideration specified in the contract with the customer. The Group recognizes revenue when it transfers control of goods or services.

Revenue recognition is performed by applying a five-step model as outlined below:

- Identification of the contract with the customer;
- Identification of "performance obligations" under the contract;
- Determination of transaction consideration;
- Allocation of consideration to individual "performance obligations";
- Recognition of revenue at the point in time (or over a period of time) of satisfaction of the individual "performance obligation".

Revenue is recognized when the economic benefits associated with the sale of goods or the provision of services will flow to the Group and the amount can be reliably determined. Revenue is recorded at fair value, equal to the consideration received or receivable, taking account of the value of any trade discounts granted and volume rebates.

With regard to the sale of goods, revenue is recognized when the company has transferred the significant risks and benefits associated with the ownership of the goods to the purchaser. Contracts with customers generally include a single performance obligation. A performance obligation is satisfied upon delivery of the asset.

Costs

Costs are recorded on an accruals basis and in accordance with the relevance principle.

Financial expense and income

Interest income/expense is recognized as financial income/expense following its assessment on an accruals basis and using the effective interest rate method.

Income tax

Current tax is calculated on the basis of taxable income for the year, applying the tax rates in force at the reporting date. Deferred tax is calculated on all differences arising between the tax base of an asset or liability and the relating carrying amount.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which they can be recovered. Deferred tax is determined using the tax rates that are expected to apply in the periods in which the differences are realized or settled. The recoverability of deferred tax assets is reviewed at each end of the period. Deferred tax assets not recognized in the financial statements are re-analyzed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Current and deferred tax is recorded in the Income Statement, with the exception of tax relating to items directly debited or credited to equity, in which case the tax effect is recognized directly in equity and in the Consolidated Statement of

Comprehensive Income. Tax is offset when levied by the same taxing authority and when there is a legal right to offset it and a settlement of the net balance is expected.

Neodecortech S.p.A. participates as a subsidiary in the national tax consolidation scheme of the Valentini Group, together with the subsidiaries Cartiere di Guarcino S.p.A., Bio Energia Guarcino S.r.l., Industrie Valentini S.p.A., and Valinvest S.r.l.. In this context, pursuant to Articles 117 et seq. of Presidential Decree 917/86, IRES is determined at the level of Finanziaria Valentini S.p.A. by offsetting the positive and negative taxable amounts of the above companies.

Income-related transactions, responsibilities and mutual obligations among the companies are set out in the regulations for participation in the tax consolidation scheme of the Valentini Group.

Derivative financial instruments

Derivatives, including embedded derivatives that are separated from the main contract, are initially recognized at fair value.

Derivatives are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the hedge effectiveness, regularly verified, is high.

When hedging derivatives hedge the risk of change in the fair value of the hedged instruments, they are recorded at fair value and the effects are posted to the income statement; accordingly, the hedged instruments are adjusted to reflect the changes in fair value associated with the risk hedged.

When derivatives hedge the risk of fluctuations in the cash flows of the hedged instruments (cash flow hedge), the hedges are designated against the exposure to variability in cash flows attributable to risks that may subsequently affect the Income Statement; these risks are generally associated with an asset or liability recognized in the balance sheet (such as future payments on debts at variable rates). The effective portion of the change in the fair value of the portion of derivative contracts that have been designated as hedges under IFRS 9 is recognized as a component of the Comprehensive Income Statement (hedging reserve); this reserve is then charged to profit or loss in the period in which the hedged transaction affects the Income Statement. The ineffective portion of the change in fair value, as well as the entire change in fair value of the derivatives that have not been designated as hedging instruments or do not meet the requirements of IFRS 9, is booked directly to the income statement.

When derivative instruments do not meet the requirements to be classified as hedges, gains and losses from fair value fluctuations are recognized in the income statement for the period.

Transactions denominated in currencies other than the functional currency

Transactions denominated in currencies other than the functional currency are initially translated into the functional currency using the exchange rate on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in non-functional currencies are translated into the functional currency at the exchange rate in effect at the reporting date. The resulting exchange rate differences are recorded in the Income Statement.

Non-monetary assets and liabilities denominated in non-functional currencies and measured at cost are translated at the exchange rate on the date of the transaction, while those measured at fair value are translated at the exchange rate on the date such value is determined.

Earnings/(loss) per share

Earnings per share are calculated by dividing the Group's net profit or loss by the weighted average number of shares outstanding during the relevant period, excluding treasury shares. Diluted earnings are calculated by dividing the Group's profit or loss adjusted to take account of any effects, net of tax for the year, of any rights with diluted effects by the weighted average number of shares outstanding during the relevant period, excluding treasury shares and equivalent securities (options) with dilutive effect.

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Segment reporting

The Group’s areas of operation, which constitute the segment reporting under IFRS 8, are as follows and correspond to the activities carried out by the Parent Company and its subsidiaries, Cartiera di Guarcino S.p.A. and Bio Energia Guarcino S.r.l., respectively:

- Printed Decorative Paper Division - Neodecortech S.p.A.
- Decorative Paper Division - Cartiera di Guarcino S.p.A.
- Energy Division - Bio Energia Guarcino S.r.l.

The Group's management and organizational structure reflects the segment reporting by business activity as described above. Operating segments are identified on the basis of the elements that the Group's highest decision-making level uses to make its decisions regarding the allocation of resources and the assessment of results.

The table below shows the segment figures relating to revenue and income and results at 31 December 2020 and, below, at 31 December 2019:

31 December 2020

(Euro thousands)	Printed Decorative Paper Division	% on Revenue	Decorative Paper Division	% on Revenue	Energy Division	% on Revenue	**Aggregate**	Eliminations and consolidation entries	**Consolidated**	% on Revenue
Revenue from sales and services	**55.176**	**100,0%**	**54.405**	**100,0%**	**33.925**	**100,0%**	**143.506**	**(15.663)**	**127.843**	**100,0%**
Changes in work in progress, semi-finished and finished products	(403)	(0,7%)	(2.144)	(3,9%)	0	0,0%	(2.547)	0	(2.547)	(2,0%)
Other revenue	1.466	2,7%	1.755	3,2%	2.911	8,6%	6.132	(261)	5.871	4,6%
Value of Production	**56.239**	**101,9%**	**54.016**	**99,3%**	**36.836**	**108,6%**	**147.091**	**(15.924)**	**131.167**	**102,6%**
Raw and ancillary materials and consumables	(30.709)	(55,7%)	(30.403)	(55,9%)	(27.354)	(80,6%)	(88.466)	12.632	(75.834)	(59,3%)
Other operating expense	(10.099)	(18,3%)	(9.494)	(17,5%)	(5.003)	(14,7%)	(24.596)	2.765	(21.832)	(17,1%)
Value Added	**15.431**	**28,0%**	**14.119**	**26,0%**	**4.479**	**13,2%**	**34.029**	**(528)**	**33.501**	**26,2%**
Personnel expense	(10.543)	(19,1%)	(8.256)	(15,2%)	(480)	(1,4%)	(19.279)	398	(18.881)	(14,8%)
EBITDA	**4.888**	**8,9%**	**5.863**	**10,8%**	**3.999**	**11,8%**	**14.750**	**(130)**	**14.620**	**11,4%**
Amortization and depreciation	(3.108)	(5,6%)	(2.988)	(5,5%)	(2.402)	(7,1%)	(8.498)	(227)	(8.725)	(6,8%)
Allocations	(248)	(0,5%)	(158)	(0,3%)	0	0,0%	(406)	0	(406)	(0,3%)
EBIT	**1.531**	**2,8%**	**2.717**	**5,0%**	**1.597**	**4,7%**	**5.845**	**(357)**	**5.488**	**4,3%**
Financial expense	(521)	(0,9%)	(1.126)	(2,1%)	(642)	(1,9%)	(2.289)	585	(1.704)	(1,3%)
Financial income	2.722	4,9%	944	1,7%	79	0,2%	3.745	(3.465)	280	0,2%
Profit/(loss) before tax	**3.733**	**6,8%**	**2.534**	**4,7%**	**1.034**	**3,0%**	**7.301**	**(3.237)**	**4.063**	**3,2%**
Income tax	(177)	(0,3%)	(355)	(0,7%)	(98)	(0,3%)	(630)	103	(527)	(0,4%)
Profit/(loss) for the year	**3.555**	**6,4%**	**2.179**	**4,0%**	**936**	**2,8%**	**6.670**	**(3.134)**	**3.536**	**2,8%**

31 December 2019

(Euro thousands)	Printed Decorative Paper Division	% on Revenue	Decorative Paper Division	% on Revenue	Energy Division	% on Revenue	**Aggregate**	Eliminations and consolidation entries	**Consolidated**	% on Revenue
Revenue from sales and services	**56.454**	**100,0%**	**61.282**	**100,0%**	**31.706**	**100,0%**	**149.442**	**(16.457)**	**132.985**	**100,0%**
Changes in work in progress, semi-finished and finished products	484	0,9%	875	1,4%	0	0,0%	1.359	0	1.359	1,0%
Other revenue	1.289	2,3%	2.017	3,3%	1	0,0%	3.307	(434)	2.873	2,2%
Value of Production	**58.226**	**103,1%**	**64.175**	**104,7%**	**31.707**	**100,0%**	**154.108**	**(16.890)**	**137.218**	**103,2%**
Raw and ancillary materials and consumables	(31.623)	(56,0%)	(37.606)	(61,4%)	(21.779)	(68,7%)	(91.008)	13.507	(77.501)	(58,3%)
Other operating expense	(10.293)	(18,2%)	(10.852)	(17,7%)	(4.788)	(15,1%)	(25.933)	2.894	(23.040)	(17,3%)
Value Added	**16.310**	**28,9%**	**15.716**	**25,6%**	**5.139**	**16,2%**	**37.165**	**(488)**	**36.678**	**27,6%**
Personnel expense	(10.875)	(19,3%)	(9.780)	(16,0%)	(556)	(1,8%)	(21.211)	488	(20.722)	(15,6%)
EBITDA	**5.435**	**9,6%**	**5.936**	**9,7%**	**4.583**	**14,5%**	**15.954**	**0**	**15.954**	**12,0%**
Amortization and depreciation	(2.799)	(5,0%)	(3.042)	(5,0%)	**(2.621)**	(8,3%)	(8.462)	(227)	(8.689)	(6,5%)
Allocations	(57)	(0,1%)	0	0,0%	(77)	(0,2%)	(134)	0	(134)	(0,1%)
EBIT	**2.578**	**4,6%**	**2.894**	**4,7%**	**1.885**	**5,9%**	**7.357**	**(227)**	**7.130**	**5,4%**
Financial expense	1.912	3,4%	(655)	(1,1%)	(772)	(2,4%)	485	(2.378)	(1.893)	(1,4%)
Financial income	0	0,0%	(28)	(0,0%)	0	0,0%	(28)	0	(28)	(0,0%)
Profit/(loss) before tax	**4.490**	**8,0%**	**2.211**	**3,6%**	**1.112**	**3,5%**	**7.813**	**(2.605)**	**5.209**	**3,9%**
Income tax	(529)	(0,9%)	(397)	(0,6%)	(387)	(1,2%)	(1.313)	65	(1.248)	(0,9%)
Profit/(loss) for the year	**3.961**	**7,0%**	**1.814**	**3,0%**	**726**	**2,3%**	**6.501**	**(2.540)**	**3.961**	**3,0%**

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At 31 December 2020, the table below shows revenue broken down by type of business.

(Euro thousands)	Printed Decorative Paper	Decorative Paper Division	Energy Division	**Aggregate**
Revenue from the sale of goods	47.653	53.193		100.846
Revenue from services	7.523	1.212		8.735
Revenue from the sale of electricity and steam			6.562	6.562
Revenue from incentives			27.363	27.363
Total by segment	**55.176**	**54.405**	**33.925**	**143.506**

The table below shows segment balance sheet and financial position figures at 31 December 2020 and, below, at 31 December 2019:

31 December 2020

(Euro thousands)	Printed Decorative Paper Division	Decorative Paper Division	Energy Division	**Aggregate**	Eliminations and consolidation entries	**Consolidated**
Intangible assets	637	1.550	17	2.204	0	2.203
Property, plant and equipment	29.408	35.316	11.361	76.085	1.136	77.221
Investments	25.719	8.674	0	34.393	(34.393)	0
Other non-current assets	16.846	1.257	75	18.178	(16.262)	1.916
Deferred tax assets	595	91	1.392	2.078	37	2.115
Non-current assets	**73.205**	**46.887**	**12.845**	**132.937**	**(49.483)**	**83.455**
Inventory	8.451	22.858	5.505	36.814	(130)	36.684
Trade receivables	7.024	8.827	5.054	20.905	(1.652)	19.252
Receivables from tax consolidation	0	0	1.008	1.008	0	1.008
Tax receivables	301	95	1.370	1.766	0	1.767
Current financial receivables	2.124	1.899	0	4.023	(3.960)	64
Other receivables	90	227	801	1.118	0	1.118
Cash and cash equivalents	5.167	443	1.926	7.536	0	7.536
Current assets	**23.156**	**34.349**	**15.665**	**73.170**	**(5.743)**	**67.428**
Assets	**96.362**	**81.236**	**28.510**	**206.108**	**(55.225)**	**150.883**
Equity	**61.658**	**25.811**	**7.866**	**95.335**	**(33.677)**	**61.658**
Provisions for risks and charges	577	687	20	1.284	0	1.284
Deferred tax	2.374	3.243	287	5.904	327	6.231
Post-employment benefits	1.127	1.588	13	2.728	0	2.728
Non-current financial liabilities	16.665	22.733	5.705	45.103	(16.262)	28.840
Non-current liabilities	**20.743**	**28.252**	**6.025**	**55.020**	**(15.935)**	**39.084**
Trade payables	7.186	11.893	8.144	27.223	(1.652)	25.571
Payables from tax consolidation	229	248	0	477	0	476
Tax payables	242	464	2	708	0	708
Current financial liabilities	2.899	13.274	6.453	22.626	(3.961)	18.666
Other current payables	3.405	1.294	20	4.719	0	4.719
Current liabilities	**13.961**	**27.173**	**14.619**	**55.753**	**(5.613)**	**50.140**
Equity and liabilities	**96.362**	**81.236**	**28.510**	**206.108**	**(55.225)**	**150.883**

31 December 2019

(Euro thousands)	Printed Decorative Paper Division	Decorative Paper Division	Energy Division	**Aggregate**	Eliminations and consolidation entries	**Consolidated**
Intangible assets	671	2.213	21	2.905	0	2.905
Property, plant and equipment	28.213	35.993	13.303	77.508	1.362	78.871
Investments	24.301	7.902	0	32.202	(32.201)	0
Other assets	17.569	1.257	92	18.918	(16.952)	1.966
Deferred tax assets	452	119	1.589	2.159	0	2.159
Non-current assets	**71.206**	**47.484**	**15.005**	**133.692**	**(47.791)**	**85.902**
Inventory	8.795	25.420	4.899	39.114	0	39.114
Trade receivables	7.462	9.063	4.012	20.537	(1.298)	19.239
Receivables from tax consolidation	0	0	918	918	0	918
Tax receivables	817	375	1.314	2.506	0	2.506
Current financial receivables	3.795	2.498	0	6.293	(6.229)	63
Other receivables	98	486	1.287	1.870	0	1.870
Cash and cash equivalents	1.446	433	1.597	3.475	0	3.475
Current assets	**22.412**	**38.274**	**14.027**	**74.713**	**(7.528)**	**67.185**
Assets	**93.617**	**85.758**	**29.032**	**208.405**	**(55.318)**	**153.087**
					0	
Equity	**61.312**	**24.270**	**6.927**	**92.509**	**(31.232)**	**61.277**
Provisions for risks and charges	386	435	97	918	0	918
Deferred tax	2.387	3.302	493	6.182	393	6.575
Post-employment benefits	1.209	1.659	19	2.887	0	2.887
Non-current financial liabilities	14.385	21.757	3.860	40.003	(16.952)	23.051
Non-current liabilities	**18.368**	**27.153**	**4.470**	**49.990**	**(16.559)**	**33.431**
Trade payables	8.219	16.319	8.093	32.632	(1.298)	31.333
Payables from tax consolidation	267	155	0	422	0	422
Tax payables	441	343	97	881	0	881
Current financial liabilities	1.570	16.252	9.432	27.253	(6.229)	21.023
Other current payables	3.442	1.265	12	4.719	0	4.719
Current liabilities	**13.938**	**34.334**	**17.635**	**65.907**	**(7.528)**	**58.379**
Equity and liabilities	**93.617**	**85.757**	**29.032**	**208.406**	**(55.318)**	**153.087**

Management of financial risks

The Board of Directors of Neodecortech S.p.A. adopts a consistent policy with a view to reducing the financial risks the Neodecortech Group is exposed to in the course of business.

As the Group's activities are essentially industrial, the use of instruments is limited to transactions to hedge the risks connected with its operations, thus excluding speculative policies or policies that pursue purely financial profit objectives.

The financial instruments applicable to the sector are only those that allow for the funding and use of the financial means required to carry out operations. Therefore, the amounts, terms and maturities of the financial instruments must be appropriate to the operations they are linked to.

Liquidity risk

In connection to its debt position, the Group is exposed to liquidity risk, namely the risk of being unable to raise the funds required to service and repay existing loans.

In order to minimize this risk, the Treasury and Credit area puts these activities in place:

- ongoing assessment of forecast financial requirements in order to put in place the necessary actions in a timely manner;
- negotiation of appropriate credit facilities;
- the correct composition of net financial debt, i.e. to finance capital expenditure using medium/long-term debt (in addition to equity), while covering net working capital requirements using short-term lines of credit;
- inclusion of Group companies in loan agreements in order to optimize any excess liquidity among companies.

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In this regard, it should be noted that in 2020 and after the end of the period, the Group - taking advantage of the emergency decrees issued by the Government to support corporate liquidity following the COVID-19 pandemic - took out loans on the bank credit market in order to counter the market complexities resulting from the pandemic with a more adequate financial structure. Reference should be made to the Directors' Report on Operations and to Note 25 "Non-current financial liabilities" and "Current financial liabilities" for further details of the loans taken out.

At 31 December 2020, the Group had loan agreements in place containing covenants tied to compliance with certain financial ratios; as shown below:

- equity in excess of € 15,000 thousand;
- EBIT not less than 4%.

All the above covenants appear to have been met at 31 December 2020.

Credit risk

The Group is subject to credit risk relating to the sales of products in its core markets. The policies set out the criteria for establishing customer creditworthiness, credit facilities and related risk containment measures. The policies also envisage the assignment of responsibilities for approving any breaches of such limits and for preparing management reports.

The review of overdue receivables provides the following analysis by due date (not including allocations for invoices to issue and credit notes to issue):

Trade receivables	Overall total	Total falling due	Total past due	Past due 0 - 30	Past due 31 - 60	Past due 61 - 90	Past due 91 - 120	Past due over 120
31 DECEMBER 2020	20.149	18.741	1.408	565	105	43	(0)	695

Trade receivables	Overall total	Total falling due	Total past due	Past due 0 - 30	Past due 31 - 60	Past due 61 - 90	Past due 91 - 120	Past due over 120
31 DECEMBER 2019	19.185	17.104	2.081	1.468	119	48	(54)	500

As the Group's exposure to customers is represented mainly by receivables from companies in the furniture and flooring sector, it is reasonable to estimate that there are no noteworthy solvency risks. Special cases are systematically reviewed and, where deemed necessary, a specific provision for impairment is made.

The general risk associated with overall exposure to customers is assessed on a statistical basis, by reviewing the historical series of insolvencies and realized losses per year, to which average percentages of probable uncollectability are associated, in connection to the age of the receivable.

Changes in the provision for doubtful accounts at 31 December 2020 are shown below:

	Provision for inventory obsolescence				
(Euro thousands)					
	31 DECEMBER 2019	Alloc.	Utilization	Release	31 DECEMBER 2020
Movement of provision for inventory obsolescence	0	(407)	0	0	(407)
Total provision for inventory obsolescence	**0**	**(407)**	**0**	**0**	**(407)**

Actions aimed at limiting risk include the continued controls made in the year to assess and analyze the higher risk situations on a monthly basis, and the implementation of credit insurance policies at Neodecortech S.p.A. and Cartiere di Guarcino S.p.A. in the manner deemed appropriate.

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Exchange rate risk

By focusing its sales on the Italian and European markets of the Euro zone, the Group is exposed to the risk of fluctuations in exchange rates to a limited extent and primarily in relation to the purchase of certain raw materials (pulp and titanium), whose transactions are partly denominated in currencies other than the Euro, primarily in US dollars.

In this regard, the subsidiary Cartiere di Guarcino S.p.A., in order to mitigate the risk, enters into derivative contracts for the forward purchase of US dollars for a notional value at 31 December 2020 of $ 3,100 thousand, with a negative fair value of € 84 thousand (negative € 26 thousand at 31 December 2019).

Interest rate risk

The risk is represented by the likelihood that the value or future cash-flows of a financial instrument - in particular, current account overdrafts, bank advances and loans - may vary parallel to changes in interest rates. At 31 December 2020, total medium/long-term loans (including the finance lease of Bio Energia Guarcino S.r.l.) amounted to € 30,237 thousand, of which 65.9% are at floating rate not hedged by derivative contracts.

To mitigate the above risk, the Parent Company entered into two Interest Rate Swap contracts relating to the outstanding mortgage loan with BPM, with a notional value of € 8,851 thousand and a negative fair value of € 395 thousand at 31 December 2020 (negative € 386 thousand at 31 December 2019).

Fair value hierarchy and classes of financial instruments

In order to determine and document the fair value of financial instruments, use was made of the following hierarchy based on different valuation techniques:

- Level 1: the data used in the measurements are represented by quoted prices on markets where assets and liabilities identical to those being measured are traded;
- Level 2: the data used in the measurements, other than the quoted prices referred to in Level 1, are observable for the financial asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: non-observable data; if observable data are unavailable and, therefore, there is a modest or non-existent market activity for the assets and liabilities being measured.

It should be noted that in choosing the measurement techniques to use, the Group has followed the following hierarchy:

- use of prices recorded in markets (even if not active) of identical (Recent Transactions) or similar instruments (Comparable Approach);
- measurement techniques based primarily on observable market inputs;
- measurement techniques based primarily on unobservable inputs corroborated by market data.

At 31 December 2020, the Group measured the fair value of derivative financial instruments using inputs that resulted in the financial instruments being categorized in Level 2 of the fair value hierarchy. No movements were reported during the period in the different levels of fair value.

With regard to the classes of financial instruments, at 31 December 2020 - as at 31 December 2019 - the derivatives indicated above represent the only category of financial instruments measured at fair value. Other financial assets and liabilities are measured using the amortized cost method.

Information relating to the fair value of derivative financial instruments

The following information is provided on the fair value of derivative financial instruments in place at 31 December 2020:

- Currency Rate - Hedging contract against the fluctuation risk of the US dollar entered into by Cartiere di Guarcino S.p.A. - Notional value at 31 December 2020 USD 3,100 thousand - Fair value at 31 December 2020 € -83,905 (€ -26,165 at 31 December 2019);

- Interest Rate Swap - Contract hedging the risk of interest rate fluctuations entered into by Neodecortech S.p.A. - Notional value at 31 December 2020 € 8,886,610 - Fair value at 31 December 2020 € -395,894 (€ -386,075 at 31 December 2019);

In 2020, five loan agreements were also concluded for a total of € 10,000 thousand, underlying which there are embedded derivatives (floor at zero on Euribor rate). For four of these agreements, for a total of € 8,000 thousand, the embedded derivatives are active at 31 December 2020, and have therefore been separated and measured and at 31 December 2020 have a negative fair value of € 143 thousand.

Consolidated income statement

1. REVENUE FROM SALES AND SERVICES

The table below details the item in question with regard to the period ended 31 December 2020 and 2019:

	Revenue from sales and services					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales	120.130	94,0	124.959	94,0	(4.829)	(3,9)
Services	7.713	6,0	8.026	6,0	(313)	(3,9)
Total revenue from sales and services	**127.843**	**100,0**	**132.985**	**100,0**	**(5.142)**	**(3,9)**

In order to provide adequate disclosure of the nature and characteristics of revenue, reference should be made to the comments appearing in the Directors' Report on Operations.

It should be noted that services consist mainly of the item "Impregnation under contract work" of the Parent Company for the amount of approximately € 7,523 thousand at 31 December 2020 (€ 7,756 thousand at 31 December 2019).

2. CHANGES IN SEMI-FINISHED AND FINISHED PRODUCTS

With regard to changes in inventory, which close with a negative € 2,547 thousand at 31 December 2020 (versus a positive € 1,359 thousand at 31 December 2019), efforts continue on increasing efficiency in terms of its reduction in order not to commit financial resources, given also the volatility generated by the COVID-19 pandemic.

3. OTHER REVENUE AND INCOME

	Other revenue and income					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Contingent assets	406	6,9	369	12,8	37	10,0
Sale of raw materials and packaging	21	0,4	36	1,3	(15)	(41,7)
Exchange rate gains	119	2,0	77	2,7	42	54,5
Gains	41	0,7	239	8,3	(198)	(82,8)
Insurance reimbursements	3.211	54,7	1.438	50,1	1.773	123,3
Other revenue	2.073	35,3	713	24,8	1.360	190,7
Total other revenue and income	**5.871**	**100,0**	**2.873**	**100,0**	**2.998**	**104,4**

This item, amounting to € 5,871 thousand at 31 December 2020, mainly comprises:

- "Insurance reimbursements" - the insurance reimbursements received by the subsidiaries Bio Energia Guarcino (€ 2,840 thousand) and Cartiere di Guarcino (€ 350 thousand). At 31 December 2019, the subsidiary Cartiere di Guarcino had obtained an insurance reimbursement of € 1,419 thousand for an incident that took place in February 2019;
- "Other revenue" - for € 1,204 thousand from the release of 40% of the amount accrued to the Stock Grant reserve following failure to reach the listing target by March 2020.

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4. RAW AND ANCILLARY MATERIALS AND CONSUMABLES

	Raw and ancillary materials and consumables					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Raw and ancillary materials and consumables	74.678	98,5	76.156	98,3	(1.478)	(1,9)
Packaging materials	1.156	1,5	1.345	1,7	(189)	(14,1)
Total raw materials	**75.834**	**100,0**	**77.501**	**100,0**	**(1.667)**	**(2,2)**

With regard to the increase in "Raw and ancillary materials and consumables" for € 1,478 thousand, reference should be made to the Directors' Report on Operations.

5. OTHER OPERATING EXPENSE

	Other operating expense					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
External processing	68	0,3	30	0,1	38	126,7
Consultancy	2.892	13,2	2.696	11,7	196	7,3
Advertising and marketing	71	0,3	471	2,0	(400)	(84,9)
Bonuses and commissions	1.026	4,7	1.197	5,2	(171)	(14,3)
Transport	3.023	13,8	3.529	15,3	(506)	(14,3)
Utilities	3.804	17,4	4.771	20,7	(967)	(20,3)
Fees to Directors and Board of Statutory Auditors	870	4,0	428	1,9	442	103,3
Insurance	1.289	5,9	1.180	5,1	109	9,2
Bank commissions	371	1,7	424	1,8	(53)	(12,5)
Reimbursements to employees	24	0,1	27	0,1	(3)	(11,1)
Travel expense	74	0,3	188	0,8	(114)	(60,6)
Sundry industrial services	4.637	21,2	3.905	16,9	732	18,7
Other services	1.834	8,4	2.156	9,4	(322)	(14,9)
Rental expense	4	0,0	28	0,1	(24)	(85,7)
Rentals and other	198	0,9	279	1,2	(81)	(29,0)
Tax and duties	901	4,1	872	3,8	29	3,3
Gifts	9	0,0	11	0,0	(2)	(18,2)
Contingent liabilities	506	2,3	677	2,9	(171)	(25,3)
Exchange rate losses	120	0,5	55	0,2	65	118,2
Capital losses	15	0,1	0	0,0	15	0,0
Other operating expense	96	0,4	116	0,5	(20)	(17,2)
Total Other Operating Expense	**21.832**	**100,0**	**23.040**	**100,0**	**(1.209)**	**(5,2)**

It should be noted that for comparative purposes, the allocation to the provision for doubtful accounts (€ 57 thousand at 31 December 2019) was reclassified for 2019 from Other Operating Expense to Allocations.

The change in this item of € 1,209 thousand is due mainly to the following:

- Increase in "consultancy" costs of € 196 thousand attributable mainly to the fees incurred by the Parent Company for the MTA listing (€ 904 thousand versus € 443 thousand in 2019) in May 2020;

- Decrease in "advertising and marketing" costs of € 400 thousand due to non attendance of events, exhibitions and fairs and "transport" costs of € 506 thousand due to the COVID-19 pandemic;
- Decrease in costs for “utilities” of € 967 thousand, due to the lower cost of electricity resulting from the production stoppages attributable to the COVID-19 pandemic explained in the Directors’ Report on Operations;
- Increase in costs for "Directors' and Statutory Auditors' fees" for € 442 thousand following listing on the MTA;
- Increase in costs for “sundry industrial services" of € 732 thousand, due mainly to the higher costs incurred for the incident involving the subsidiary Bio Energia Guarcino S.r.l. in a period when no significant maintenance cycles were scheduled;
- Decrease in "other services" for € 322 thousand, due mainly to termination of the contract for administrative services between Neodecortech S.p.A. and Finanziaria Valentini S.p.A..

Other services also include € 161 thousand in health and safety costs incurred in first half 2020 related to the COVID-19 emergency.

6. PERSONNEL EXPENSE

	Personnel expense					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Wages and salaries	12.979	68,7	14.114	68,1	(1.135)	(8,0)
Social security charges	4.216	22,3	4.562	22,0	(346)	(7,6)
Post-employment benefits	997	5,3	854	4,1	143	16,7
Other personnel expense	690	3,7	1.194	5,8	(504)	(42,2)
Total personnel expense	**18.882**	**100,0**	**20.724**	**100,0**	**(1.842)**	**(8,9)**

The sharp reduction in personnel expense is attributable to the COVID-19 pandemic, which led to the production stoppages commented on in the Directors' Report on Operations, to which reference should be made. Specifically, the Group resorted to the CIGO and the use of prior years’ holidays.

With regard to other personnel expense, at 31 December 2019 these referred to costs related to the Stock Grant plan for approximately € 953 thousand, while at 31 December 2020 the item referred mainly to the provision of a one-off welfare fund intended for employees, excluding executives, for a total of € 477 thousand.

7. AMORTIZATION AND DEPRECIATION

(Euro thousands)	Amortization, depreciation					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Other intangible assets	925	10,6	913	10,5	12	1,3
Buildings	727	8,3	695	8,0	32	4,6
Work on third party assets	942	10,8	1.145	13,2	(203)	(17,7)
Plant and equipment	4.578	52,5	4.451	51,2	127	2,9
Equipment	1.197	13,7	1.149	13,2	48	4,2
Other	355	4,1	336	3,9	19	5,7
Total amortization and depreciation	**8.725**	**100,0**	**8.689**	**100,0**	**36**	**0,4**

Amortization and depreciation at 31 December 2020 was in line with the same period of 2019 as, despite the capital expenditure made by the Group, the effect of higher amortization and depreciation was offset by the decrease in "depreciation for work on third-party assets" of the subsidiary Bio Energia di Guarcino S.r.l. for assets fully depreciated at 31 December 2019, in addition to lower expense incurred in 2020.

8. ALLOCATIONS

(Euro thousands)	Allocations					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Provision for supplementary agents' indemnity	216	53,2	0	0,0	216	0,0
Provision for doubtful accounts	181	44,6	57	42,5	124	217,5
Provisions for risks and charges ISFRE	9	2,2	0	0,0	9	0,0
Provisions for tax risks and charges	0	0,0	77	57,5	(77)	0,0
Total Allocations	**406**	**100,0**	**134**	**100,0**	**272**	**203,0**

It should be noted that for comparative purposes, the allocation to the provision for doubtful accounts (€ 57 thousand at 31 December 2019) was reclassified for 2019 from Other Operating Expense to Allocations.

For the comments, reference should be made, for the provision for supplementary agents' indemnity and for the provision for risks and charges, to the section on the provision for risks and charges in the Statement of Financial Position, while for the provision for doubtful accounts to the section on trade receivables in the Statement of Financial Position, of the Notes.

9. FINANCIAL EXPENSE

	Financial expense					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Interest payable on C/A	306	17,9	469	22,9	(163)	(34,8)
Interest M/L Term Loans	397	23,3	452	22,1	(55)	(12,2)
Interest short-term loans	10	0,6	0	0,0	10	0
Interest from factoring	405	23,8	474	23,2	(69)	(14,6)
Interest from application of IAS/IFRS	180	10,6	232	11,4	(52)	(22,4)
Interest MICA loan	114	6,7	113	5,5	1	0,9
Other interest expense	56	3,3	93	4,5	(37)	(39,8)
Total interest expense	**1.468**	**86,1**	**1.833**	**89,7**	**(365)**	**(19,9)**
Lease interest	107	6,3	128	6,3	(21)	(16,4)
Currency losses	130	7,6	83	4,1	47	56,6
Total financial expense	**1.705**	**100,0**	**2.044**	**100,0**	**(339)**	**(16,6)**

At 31 December 2020, interest expense decreased by € 339 thousand versus the same period of 2019, due mainly to lower current debt costs, thanks to the introduction of "umbrella" facilities and the optimization of credit facilities, as well as to lower cost of non-current debt due to two different factors: resort to new sources of debt at low interest rates and repayment of previously existing credit lines. As far as Factor is concerned, the Group obtained better conditions, again with a view to financial savings.

10. FINANCIAL INCOME

	Financial income					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Interest income	88	31,4	67	54,9	21	31,3
Other income	88	31,4	0	0,0	88	0,0
Currency gains	104	37,1	55	45,1	49	89,1
Total financial income	**280**	**100,0**	**122**	**100,0**	**158**	**129,5**

The early adoption of the new amendment “*COVID-19 Related Rent Concessions (Amendment to IFRS 16)*" resulted in the recognition under "other income” at 31 December 2020 of financial income for a total of € 79 thousand relating to the suspension for twelve months of the principal of the repayment plan of the financial lease by the subsidiary Bio Energia Guarcino S.r.l.

11. INCOME TAX

(Euro thousands)	Income tax			
	31 DECEMBER 2020		31 DECEMBER 2019	
Profit (loss) before tax	4.062		5.209	
IRES for the year	991	24,4%	911	22,4%
Income from tax consolidation	(471)	(11,6%)	(439)	(10,8%)
IRES net of income from tax consolidation	**520**	**12,8%**	**472**	**11,6%**
IRAP for the year	368		529	
Deferred tax assets	72		158	
Deferred tax	(381)		88	
Income tax relating to prior years and benefits	(52)			
Income tax	**527**		**1.248**	
Advances on cons. amortization and depreciation	(65)		(65)	
Advances on profit in stock	(37)			

Income tax for the period under review is accounted for in accordance with current tax laws on the basis of the best estimate of the effective tax rate expected for the entire year, applied to income before tax for the period.

The impact of IRES taxation was slightly higher in 2020 than in 2019, due to greater increases in the tax base recognized during the year. This tax increase was substantially offset by a higher contribution from income from tax consolidation. The lower IRAP is due primarily to the reduction in net production value recorded by the subsidiary Cartiere di Guarcino S.p.A., as well as to the cancellation of the first advance payment. Deferred tax was affected by realignments of notional tax relating to the subsidiary Bio Energia Guarcino S.r.l..

Income from tax consolidation - as well as the resulting receivables and payables - refer to the National and World Tax Consolidation agreement concluded by the Group companies with the parent company Finanziaria Valentini S.p.A..

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Assets

12. INTANGIBLE ASSETS

	Intangible fixed assets						
(Euro thousands)							
	Balance at 31.12.2019	Acquisitions	Disposals	Amortization	Write-back/Write-downs	Other changes	Balance at 31.12.2020
Other intangible fixed assets	2.820	176	0	(925)	0	111	2.182
Fixed assets under construction and advances	85	47	0	0	0	(111)	21
Total intangible fixed assets	**2.905**	**223**	**0**	**(925)**	**0**	**0**	**2.203**

Intangible assets include the capitalization deriving from the change of the AS400 management system for the Parent Company, with regard to the updating of the accounting system in use, and prior-year R&D costs of the subsidiary Cartiere di Guarcino S.p.A. The increase in fixed assets under construction, on the other hand, is attributable to the purchase of software for machinery relating to the new production lines.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at 31 December 2020 amounted to € 77,221 thousand versus € 78,871 thousand at 31 December 2019. The breakdown and changes versus the prior year are shown below.

Mention should be made that the table also shows the rights of use arising from existing lease contracts under IFRS 16.

	Property, plant and equipment					
(Euro thousands)						
	Historical cost 31.12.2019*	Depreciation provision 31.12.2019	NBV at 31.12.2019	Historical cost 31.12.2020	Depreciation provision 31.12.2020	NBV at 31.12.2020
Land	12.082	0	12.082	12.082	0	12.082
Buildings	25.559	(6.448)	19.111	25.763	(7.170)	18.593
Work on third party assets	8.308	(3.993)	4.315	8.744	(4.936)	3.808
Plant and equipment	108.678	(69.501)	39.177	112.474	(73.802)	38.672
Equipment	20.408	(17.334)	3.074	20.725	(17.960)	2.765
Other	5.210	(4.098)	1.111	5.691	(4.390)	1.301
Total tangible fixed assets	**180.246**	**(101.375)**	**78.871**	**185.479**	**(108.258)**	**77.221**

(*) amount including write-back of € 14,513 thousand

Below is a breakdown of assets under construction by category.

	PPE under construction and advances			
(Euro thousands)	Amount at 31.12.2020	Amount at 31.12.2019	Chg.	% change
Buildings	6	123	117	95,1
Plant and equipment	471	3.536	(3.065)	(86,7)
Equipment	42	24	18	75,0
Other	10	0	10	0,0
Total tangible fixed assets under construction and advances	**529**	**3.682**	**(3.154)**	**(85,6)**

Changes in assets and the related provision are shown below, including both assets under construction allocated to the pertaining categories and rights of use.

	Property, plant and equipment					
(Euro thousands)						
	Historical cost 31.12.2019	Write-back/write-down (prior years)	Acquisitions	Disposals	Other	Historical cost 31.12.2020
Land	12.082	0	0	0	0	12.082
Buildings	11.078	14.481	212	(8)	0	25.763
Work on third party assets	8.308	0	436	0	0	8.744
Plant and equipment	108.647	31	4.189	(296)	(96)	112.474
Equipment	20.408	0	806	(583)	94	20.725
Other	5.209	1	588	(103)	(4)	5.691
Total Historical Cost	**165.733**	**14.513**	**6.230**	**(990)**	**(7)**	**185.479**

(Euro thousands)	Depreciation provision 31.12.2019	Write-back/write-down (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 31.12.2020
Land	0	0	0	0	0	0
Buildings	(6.448)	0	(727)	6	0	(7.170)
Work on third party assets	(3.993)	0	(942)	0	0	(4.936)
Plant and equipment	(69.501)	0	(4.578)	277	0	(73.802)
Equipment	(17.334)	0	(1.197)	571	0	(17.960)
Other	(4.098)	0	(355)	63	0	(4.390)
Total accumulated depreciation	**(101.375)**	**0**	**(7.799)**	**917**	**0**	**(108.258)**

The acquisitions for € 4,114 thousand refer mainly to the Parent Company, which is investing in machinery for new types of products such as EOS and PPLF, as well as for the “142 cm laminate". As for the subsidiaries, capital expenditure in tangible fixed assets amounted to € 1,671 thousand for Cartiere di Guarcino S.p.A., regarding targeted measures to increase productivity on “backer" paper and to optimize the press area facilities, and € 445 thousand for Bio Energia Guarcino S.r.l.. In all of the Group's plants, 4.0 process management actions are underway to further strengthen the production process, with active control of critical variables and plant upgrading.

Below are details of the allocation of the rights of use within the classes of tangible fixed assets.

	Rights of Use		
(Euro thousands)			
	Historical cost 31.12.2020	Depreciation provision	NBV at 31.12.2020
Buildings	579	(236)	342
Plant and equipment	0	0	0
Other	241	(120)	122
Total Rights of Use	**820**	**(356)**	**464**

The movements are shown below.

	Rights of Use					
(Euro thousands)						
	Historical cost 31.12.2019	Write-back/w rite-dow n (prior years)	Acquisitions	Disposals	Other changes	Historical cost 31.12.2020
Buildings	501	0	86	(8)	0	579
Plant and equipment	75	0	0	(75)	0	0
Other	167	0	106	(31)	0	241
Total Rights of Use	**743**	**0**	**191**	**0**	**0**	**820**

(Euro thousands)	Depreciation provision 31.12.2019	Write-back/w rite-dow n (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 31.12.2020
Buildings	(109)	0	(134)	7	0	(236)
Plant and equipment	(44)	0	(31)	75	0	0
Other	(60)	0	(63)	3	0	(120)
Total provision for depreciation of rights of use	**(213)**	**0**	**(228)**	**85**	**0**	**(356)**

Below are details of the properties and tangible assets on which mortgages are held:

- with regard to Neodecortech:

▪ in favour of Banco BPM S.p.A., a mortgage of € 24,000 thousand on the loan taken out on 26 May 2017; a mortgage on the industrial property complex owned by the Issuer located in Filago (BG), Via Provinciale 2.

▪ in favour of Banco BPM S.p.A. (formerly Banco Popolare Società Cooperativa), a mortgage of € 2,400 thousand on the loan taken out on 22 October 2015 and assumed on 1 September 2018 following the acquisition of the industrial business unit from "Corbetta Fia S.r.l."; a mortgage on the industrial property complex owned by Valinvest S.p.A. located in Atri (TE), Casoli, Contrada Stracca - at the date of preparation of these financial statements, the loan was closed and the mortgage is being cancelled.

- with regard to the subsidiary Cartiere di Guarcino:

▪ in favour of Monte dei Paschi di Siena S.p.A., a mortgage of € 12,000 thousand on a loan taken out on 30 June 2010; a mortgage on the industrial property complex owned by the company located in Guarcino (FR), in Via Madonna di Loreto 2.

▪ in favour of Monte dei Paschi di Siena S.p.A., a mortgage of € 4,000 thousand on the loan taken out on 21 December 2011; a mortgage on the industrial property complex owned by the company located in Guarcino (FR), in Via Madonna di Loreto 2.

- with regard to Bio Energia:

▪ in favour of Unicredit S.p.A., a mortgage of € 3,350 thousand on the loan taken out on 17 July 2009; a mortgage on the industrial property complex owned by the company located in Guarcino (FR), Via Madonna di Loreto 2.

14. OTHER NON-CURRENT ASSETS

At 31 December 2020, other non-current assets amounted to € 95 thousand versus € 113 thousand at 31 December 2019, consisting mainly of security deposits paid by Group companies, for various purposes in relation to utilities and lease contracts on buildings where Group companies are headquartered.

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15. CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

(Euro thousands)	Current and non-current financial receivables					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
From Andreotti S.r.l.	1.281	68,0	1.249	65,2	32	2,6
From the related party Valinvest S.r.l.	96	5,1	160	8,4	(64)	(40,0)
From the related party ISFRE	444	23,6	444	23,2	0	0,0
Total non-current financial receivables	**1.821**	**97**	**1.853**	**96,7**	**(32)**	**(1,7)**
From the related party Valinvest S.r.l.	64	3,4	63	3,3	1	1,6
Total current financial receivables	**64**	**3,4**	**63**	3,3	**1**	**1,6**
Total current and non-current financial receivables	**1.885**	**100,0**	**1.916**	**100,0**	**(31,0)**	**(1,6)**

At 31 December 2020, "non-current financial receivables", amounting to € 1,280 thousand, includes the Interest-Bearing Financial Receivable from former Andreotti S.p.A. (€ 1,249 thousand at 31 December 2019), including principal and interest accrued. Reference should be made to the section on "current and non-current financial liabilities" for further details.

Additionally, this item includes the non-current portion of the financial receivable of the Parent Company from the related party Valinvest S.r.l. of € 96 thousand at 31 December 2020 (€ 160 thousand at 31 December 2019), as well as a receivable of the subsidiary Cartiere di Guarcino S.p.A. from the related party ISFRE in liquidation of € 444 thousand, with the amount unchanged and related to which a specific risk provision was already set aside owing to collection difficulties (reference should be made to the section on provisions for risks and charges in the Explanatory Notes).

16. DEFERRED TAX ASSETS AND LIABILITIES

(Euro thousands)	Deferred tax income and expense					
	31 DECEMBER 2020	Change recognized in Income Statement	Change recognized in Statement of Comprehensive Income	31 DECEMBER 2019	Chg.	% change
Directors' fees approved and not paid	70	66	0	4	66	1643,9%
Allocations to the provisions for w rite-dow ns and risks	40	26	0	13	26	197,8%
Allocation to the provision for inventory obsolescence	79	79	0	0	79	0,0%
Taxation on profit in stock	37	37	0	0	37	0,0%
Tax recovery on adjustment of start-up and expansion costs	16	(11)	(2.067)	29	(13)	(45,5%)
Tax recovery on adjustment of plant and machinery depreciation	239	(15)	0	255	(15)	(6,1%)
Deferred tax on derivative contracts	95	0	2116	93	2	2,3%
Deferred tax on employee benefits	84	(2)	(9.411)	94	(11)	(11,6%)
Tax recovery on adjustment of research expense	32	(32)	0	64	(32)	(50,0%)
Tax loss carryforw ard (BEG)	1.333	(203)	0	1.536	(203)	(13,2%)
Other	92	21	0	70	21	30,2%
Deferred tax assets	**2.115**	**(34)**	**(9.362)**	**2.159**	**(44)**	**(2,1%)**
Deferred tax on statutory revaluations	5.365	(38)	0	5.403	(38)	(0,7%)
Deferred tax on assets (BEG)	327	(65)	0	393	(65)	(16,7%)
Valuation exchange gains	27	14	0	13	14	105,5%
Finance lease assets	513	(253)	0	767	(253)	(33,1%)
Deferred tax liabilities	**6.231**	**(343)**	**0**	**6.575**	**(344)**	**(5,2%)**

Management has recognized deferred tax assets up to the value which it considers their recovery likely for. In determining the items, budget results and forecasts for subsequent years were taken into account. Deferred-tax assets of € 2,115 thousand include € 1,333 thousand for prior-years' tax losses of the subsidiary Bio Energia Guarcino S.r.l., and the residual portion attributable mainly to temporary differences between the amounts assigned for financial statement and tax purposes. At 31 December 2020, deferred tax amounted to € 6,231 thousand. Deferred tax refers mainly to the temporary differences between the statutory value and the fiscal value emerging from the statutory revaluations made at the time on the properties owned.

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17. INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

	Inventory					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Raw and ancillary materials and consumables	20.203	55,1	19.239	49,2	964	5,0
Work in progress	151	0,4	221	0,6	(70)	(31,7)
Finished products	15.198	41,4	17.577	44,9	(2.379)	(13,5)
Advances	1.539	4,2	2.077	5,3	(538)	(25,9)
Provision for inventory obsolescence	(407)	(1,1)	0	0,0	(407)	0,0
Total inventory	**36.684**	**100,0**	**39.114**	**100,0**	**(2.430)**	**(6,2)**

Inventory for raw materials refers mainly to inks, paper and impregnation material for Neodecortech, pulp and Titanium Dioxide for Cartiere di Guarcino and animal by-products for Bio Energia Guarcino. It should be noted that the level of stock at 31 December 2020 was down from the level at 31 December 2019, due to the policy that aims to optimize the stock of inventory in order not to commit financial resources.

Changes in the provision for inventory obsolescence for 2020, which was set aside to alleviate the risk associated with the slow turnover of certain specific products, are shown below.

	Provision for inventory obsolescence				
(Euro thousands)					
	31 DECEMBER 2019	Alloc.	Utilization	Release	31 DECEMBER 2020
Movement of provision for inventory obsolescence	0	(407)	0	0	(407)
Total provision for inventory obsolescence	**0**	**(407)**	**0**	**0**	**(407)**

18. TRADE RECEIVABLES

	Trade receivables					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Trade receivables	19.646	102,0	19.517	101,4	129	0,7
Provision for doubtful accounts	(394)	(2,0)	(278)	(1,4)	(116)	41,7
Total trade receivables	**19.252**	**100,0**	**19.239**	**100,0**	**13**	**0,1**

For greater comparability, the amount of € 16 thousand at 31 December 2019 was reclassified from trade receivables to the provision for doubtful accounts.

Changes in the provision for doubtful accounts are shown below:

	Provision for doubtful accounts				
(Euro thousands)					
	31 DECEMBER 2019	Alloc.	Utilization	Release	31 DECEMBER 2020
Changes in Provision for Doubtful Accounts	278	181	(65)	0	394
Total provision for doubtful accounts	**278**	**181**	**(65)**	**0**	**394**

As far as trade receivables are concerned, mention should be made of the assignment without recourse to a factoring company carried out on an ongoing basis.

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The provision for doubtful accounts was determined in accordance with IFRS 9 and recorded an allocation of € 181 thousand. The utilization of € 65 thousand refers to closure of two receivables due from customers in agreement with the Parent Company.

19. RECEIVABLES FROM TAX CONSOLIDATION

This item refers to the receivable of the subsidiary Bio Energia Guarcino S.r.l.. Reference should be made to the Income Tax section of the Income Statement in these Notes.

20. TAX RECEIVABLES

	Tax receivables					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
VAT	1.623	91,9	2.427	96,8	(804)	(33,1)
IRES	8	0,5	0	0,0	8	0,0
IRAP	34	1,9	75	3,0	(41)	(54,7)
Withholdings a/c	0	0,0	(1,0)	(0,0)	1	(100,0)
Other tax receivables	102	5,8	5	0,2	97	1.940,0
Total tax receivables	**1.767**	**100,0**	**2.506**	**100,0**	**(739)**	**(29,5)**

The table above shows the decrease of € 804 thousand in the VAT receivable versus 31 December 2019, due to partial recovery of the receivable accrued in 2019, mainly for the significant amount of capital expenditure incurred by Neodecortech S.p.A. and Cartiere di Guarcino S.p.A..

21. OTHER CURRENT RECEIVABLES

	Other current receivables					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Receivables for advance costs	0	0,0	12	0,6	(12)	(100,0)
Advances to suppliers	7	0,6	3	0,2	4	133,3
Prepayments and accrued income	72	6,4	801	42,8	(729)	(91,0)
Other	1.039	92,9	1.054	56,4	(15)	(1,4)
Total current receivables	**1.118**	**100,0**	**1.870**	**100,0**	**(752)**	**(40,2)**

The decrease in accrued income and prepaid expense of € 729 thousand is due mainly to the subsidiary Bio Energia Guarcino S.p.A. for having completed the return of 15% of the higher incentives to the GSE in 30 months, paid to the company in the two-year period 2013-2015.

"Other" includes receivables from social security institutions and GSE.

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22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents						
(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Bank and post office deposits	7.528	99,9	3.468	99,8	4.060	117,1
Cash and valuables on hand	8	0,1	7	0,2	1	14,3
Total cash and cash equivalents	**7.536**	**100,0**	**3.475**	**100,0**	**4.061**	**116,9**

This item consists of cash and bank current account deposits. There are no restraints or restrictions on cash and cash equivalents. Current accounts and postal deposits are classified as current assets, highly liquid and convertible into cash, with an exchange rate risk that is considered not material.

Reference should be made to the Statement of Cash Flows for an analysis of changes in cash and cash equivalents.

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Liabilities

23. PROVISIONS FOR RISKS AND CHARGES

(Euro thousands)	Provision for risks and charges					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Provision for supplementary agents' indemnity	198	15,4	0	0,0	198	0,0
IRS derivative on loan	395	30,8	386	42,0	9	2,3
Embedded derivatives	143	11,1	0	0,0	143	0,0
ISFRE	444	34,6	435	47,4	9	2,1
Currency derivative	84	6,5	0	0,0	84	0,0
Provision for tax risks	20	1,6	97	10,6	(77)	(79,4)
Total provisions for risks and charges	**1.284**	**100,0**	**918**	**100,0**	**366**	**39,9**

Changes in the provision for supplementary agents' indemnity and the provision for risks and charges are shown below:

(Euro thousands)	Provision for risks and charges				
	31 DECEMBER 2019	Alloc.	Utilization	Release	31 DECEMBER 2020
Movement of provision for supplementary agents' indemnity	0	216	(18)	0	198
Movement of provisions for risks and charges	97	0	(77)	0	20
Total provision for risks and charges	**97**	**216**	**(95)**	**0**	**218**

The increase in the provision for risks and charges is attributable for € 198 thousand to the provision for supplementary agents' indemnity Italy and EU, for € 9 thousand to the accounting of the fair value of the IRS derivative, which amounted to € 395 thousand (€ 386 thousand at 31 December 2019), and for € 143 thousand to the accounting of the fair value of the derivatives embedded in the new loans. The provision for supplementary agents' indemnity was set aside to cover specific risks from potential interruptions to agency contracts.

Additionally, the provisions for risks and charges include:

- € 444 thousand referring to a provision for risks set aside to write down the financial receivable due from ISFRE in liquidation owned by Cartiere di Guarcino S.p.A.;
- € 20 thousand referring to the subsidiary Bio Energia Guarcino S.r.l., for tax liabilities with the tax authorities, while the utilization of € 77 thousand is due to the offsetting of a tax bill and its subsequent cancellation.

24. POST-EMPLOYMENT BENEFITS

(Euro thousands)	Post-employment benefits				
	31 DECEMBER 2019	Alloc.	Utilization	Discounting	31 DECEMBER 2020
Provision for post-employment benefits	2.494	34	(147)	0	2.381
Actuarial valuation of post-employment benefits (IAS 19)	393	0	0	(46)	347
Total post-employment benefits	**2.887**	**34**	**(147)**	**(46)**	**2.728**

The balance refers to the severance indemnity of Neodecortech, Cartiere di Guarcino and Bio Energia di Guarcino. These liabilities qualify as defined benefit plans under IAS 19 and were therefore subject to actuarial calculation by an independent expert.

The defined benefit plans were updated to reflect their market value at 31 December 2020.

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With regard to the discounting back of the Employee Severance Indemnity, the relevant actuarial model is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to the direct experience of the Company and the Group, for others best practice has been taken into account. The technical and economic bases used are shown below.

Below are the technical economic bases.

	31.12.2020
Annual discount rate	0,34%
Annual inflation rate	0,80%
Annual rate of increase in severance termination	2,10%
Annual rate of salary increase	1,00%

The table below shows the technical demographic basis.

Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables by age and gender
Retirement	100% upon meeting AGO requirements

Lastly, the annual turnover frequencies and severance indemnity advances.

	31.12.2020
Advances Frequency	3,00%
Turnover Frequency	1,00%

25. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	Current and non-current financial liabilities					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Unsecured loans	11.250	23,7	3.053	6,9	8.197	268,5
Mortgage loans	9.420	19,8	11.662	26,5	(2.242)	(19,2)
Non-current lease payables	3.201	6,7	3.455	7,8	(254)	(7,4)
Payables to other lenders (MICA)	4.969	10,5	4.855	11,0	114	2,3
Currency derivatives	0	0,0	26	0,1	(26)	(100,0)
Total non-current financial liabilities	**28.840**	**60,7**	**23.051**	**52,3**	**5.789**	**25,1**
Payables to banks C/A	12.570	26,5	15.739	35,7	(3.169)	(20,1)
Current portion of unsecured loans	2.268	4,8	662	1,5	1.606	242,8
Current portion of mortgage loans	1.913	4,0	2.263	5,1	(350)	(15,5)
Accrued interest expense	152	0,3	147	0,3	5	3,7
Current lease payables	1.763	3,7	2.212	5,0	(449)	(20,3)
Total current financial liabilities	**18.666**	**39,3**	**21.023**	**47,7**	**(2.357)**	**(11,2)**
Total financial liabilities	**47.506**	**100,0**	**44.074**	**100,0**	**3.432**	**7,8**

The decrease of € 3,169 thousand in payables to banks C/A is attributable to a reduction in short-term debt as a result of new long-term lines of credit at low rates provided by banks to all three Group companies.

Current and non-current lease obligations include:

- the payable from finance leases on the plants of the subsidiary Bio Energia Guarcino S.r.l., which obtained a suspension on the principal effective until March 2021;
- financial liabilities relating to the rights of use of Neodecortech S.p.A. and Cartiere di Guarcino S.p.A. shown in the table below.

	Rights of Use		
(Euro thousands)			
	Balance at 01.01.2020	Payments	Balance at 31.12.2020
Buildings	579	(236)	342
Plant and equipment	75	(75)	0
Other	241	(120)	122
Total Rights of Use	**895**	**(431)**	**464**

With regard to unsecured and mortgage loans, the change is directly attributable to the repayment of instalments and new loans taken out. Below are the details of the Group's loans:

Neodecortech S.p.A.

- Original BPM mortgage loan of € 12,000 thousand, with a residual balance of € 8,851 thousand at 31 December 2020 divided into current and non-current portions;

Three new unsecured loans:

- BPM S.p.A. € 2,500 thousand, for 72 months (quarterly instalments) and a residual balance at 31 December 2020 of € 2,356 thousand divided into current and non-current portions - loan granted against closure of the short-term BPM loan of € 2,000 thousand granted in April 2020 - 80% FGPMI guarantee;
- BPM S.p.A. € 2,500 thousand, for 72 months (quarterly instalments) and a residual balance at 31 December 2020 of € 2,355 thousand divided into current and non-current portions - 90% FGPMI guarantee;
- BPER Banca S.p.A € 900 thousand, for 18 months (with quarterly instalments and 6-month grace period), and a residual balance at 31 December 2020 of € 676 thousand divided into current and non-current portions.

Closure of two loans:

- September 2020 - Short-term loan Banco BPM S.p.A. of € 2,000 thousand, for 12 months (with monthly instalments and 6-month grace period);
- November 2020 - Original BPM mortgage loan of € 1,200 thousand (transferred following acquisition of the former Corbetta FIA S.r.l. business unit).

Cartiere di Guarcino S.p.A.

- Original MPS mortgage loan of € 2,000 thousand, with a residual balance of € 200 thousand at 31 December 2020, fully included in current financial liabilities;
- Original MPS mortgage loan of € 6,000 thousand, with a residual balance of € 2,281 thousand at 31 December 2020 divided into current and non-current portions;
- Original BAC unsecured loan of € 3,500 thousand, with a residual balance of € 2,049 thousand at 31 December 2020 divided into current and non-current portions;

- Medio Credito Centrale unsecured loan of € 1,128 thousand, with a residual balance of € 853 thousand at 31 December 2020 divided into current and non-current portions;
- Medio Credito Centrale unsecured loan of € 182 thousand, with a residual balance of € 146 thousand at 31 December 2020 divided into current and non-current portions;

Provision of new loans:

- New POPSO loan of € 2,000 thousand - 12-month grace period - 90% FGPMI guarantee;
- New DESIO loan of € 1,000 thousand - 12-month grace period - 90% MCC guarantee;
- New Medio Credito Centrale loan of € 146 thousand.

Bio Energia Guarcino S.r.l.

Provision of a new loan:

- New BPER loan of € 2,000 thousand - 12-month grace period - 90% MCC guarantee;

Closure of mortgage loan:

- Unicredit mortgage loan original amount of € 1,675 thousand.

With regard to unsecured and mortgage loans, the table below shows the maturity bands:

(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%
Due within 1 year	4.181	16,8	2.925	16,6
Due within 5 years	17.150	69,0	11.600	65,8
Due beyond 5 years	3.519	14,2	3.115	17,7
Total	**24.850**	**100,0**	**17.640**	**100,0**

The Company hedged the interest rate risk on the BPM loan by subscribing an interest rate swap (IRS). The fair value of this instrument, reclassified under "Provisions for Risks and Charges" at 31 December 2020 came to a negative € 395 thousand (€ 386 thousand at 31 December 2019).

The above loan agreements envisage financial covenants. Below are details of the agreements involved and the financial covenants envisaged:

Mortgage loan granted by Banca Monte dei Paschi di Siena S.p.A.: agreement concluded by Cartiere di Guarcino S.p.A. on 21 December 2011 for the granting of a loan of € 2,000 thousand.

The parameters envisaged and assessed on an annual basis are:

- equity in excess of € 15,000 thousand;
- EBIT not less than 4%.

All the above covenants appear to have been met at 31 December 2020.

From 1 January 2020 to 31 December 2020, interest rate movements were marginal and had no material impact on the fair value of the Group's loans.

MICA Loan

On 20 February 1997, Confalonieri Fratelli di Mario S.p.A. ("Confalonieri") entered into an agreement with the Ministry for Industry, Trade and Crafts (the "MICA") on the granting of a loan from the special revolving fund for technological innovation pursuant to Article 16, paragraph 3, of the Law dated 17 February 1982, amounting to approximately Lire 5.7 billion (€ 2,943 thousand) in principal (the "MICA Loan"). The MICA Loan was intended to partly cover the costs of a programme designed to introduce technological breakthroughs. The cost estimate for the technological innovation programme amounted to Lire 16,284,271 thousand (€ 8,410 thousand). The last repayment instalment of the MICA Loan was due on 20 February 2012. The MICA Loan was granted to Confalonieri in its own name and by the mandate of Andreotti Fotoincisioni S.p.A. (for 28% of the amount granted), which at the time was a Confalonieri Group company and to which Confalonieri subsequently transferred its share of the MICA Loan.

On 31 January 2001, Confalonieri was declared insolvent by the Court of Bergamo pursuant to Legislative Decree 270/1999 ("Prodi Bis"), and admitted on 6 April 2001 to the Extraordinary Administration procedure under the Prodi Bis Law. On 15 November 2001, Confalonieri's statement of liabilities was declared enforceable, in the absence of timely or late filings by the MICA.

On 18 September 2002, Arbea S.p.A. (a special-purpose entity) purchased the shares of Confalonieri as part of the composition proceedings it had opened. On 31 January 2003, the Court of Bergamo upheld the composition pursuant to Articles 17 and 214 of the Bankruptcy Law and to Article 78 of the Prodi Bis. On 15 February 2003, the decision became final in the absence of objections and, on 27 February 2003, the Court of Bergamo issued a decree closing the Extraordinary Administration procedure.

In 2003, following the merger by incorporation of Arbea S.p.A. into Finanziaria Valentini, the latter became the sole shareholder of Confalonieri. Subsequently, Confalonieri changed its name to "Confalonieri S.p.A." and later to "Neodecortech S.p.A.".

It should be noted that the directors of the Company, based also on legal advice specifically obtained in support of the case, deem the provisions of Article 55, paragraph two, of the Bankruptcy Law, under which monetary debts of the bankrupt entity are considered expired on the date of the declaration of bankruptcy (in the case at hand, concurrent to the provision for admission to the Extraordinary Administration procedure, as referred to in the Prodi Bis), to be reasonably applicable to the above case. Based on such an interpretation of the law, the limitation period for the amounts due under the MICA Loan took effect on 6 April 2001. As of 7 April 2011, therefore, the repayment obligations of the MICA Loan are to be considered reasonably prescribed.

The directors deem however that, should such an interpretation not be upheld by case law in a possible litigation, the ordinary civil law rules would apply, under which in loan agreements, the limitation of the right to repayment starts from the maturity date of the last instalment, since payment of the accruals is deemed a single obligation and the related debt cannot be considered due before the maturity date of the last instalment. Under such a different interpretation, therefore, the debt relating to the amounts of the MICA Loan would be prescribed from 20 February 2022.

In the absence of relevant case law on the matter, however, the directors of the Company have prudently considered in the Consolidated Financial Statements both the payable to MICA (now MISE) and the receivable from Andreotti Fotoincisioni S.p.A., since the latter's collectability depends on the initial mandate agreement.

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26. TRADE PAYABLES

Trade payables at 31 December 2020 amounted to € 25,571 thousand (€ 31,333 thousand at 31 December 2019). The decrease recorded is due mainly to the effects of the COVID-19 pandemic, the details of which are found in the Directors' Report on Operations. Additionally, the Group did not request or obtain any extension or deferment of payments with its suppliers.

There are no trade payables due beyond 12 months.

The Directors believe that the book value of trade payables approximates their fair value.

27. PAYABLE FROM TAX CONSOLIDATION

The payable recorded at 31 December 2020 refers to Neodecortech S.p.A. for € 229 thousand and to Cartiere di Guarcino S.p.A. for € 247 thousand. Reference should be made to the paragraph "Income tax" in the Notes.

28. TAX PAYABLES

	Tax payables					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
VAT	121	17,1	0	0,0	121	0,0
IRAP	0	0,0	20	2,3	(20)	(100,0)
Withholdings a/c	587	82,9	753	85,5	(166)	(22,0)
Other tax payables	0	0,0	108	12,3	(108)	(100,0)
Total tax payables	**708**	**100,0**	**881**	**100,0**	**(173,0)**	**(19,6)**

The decrease in the item Withholdings a/c is attributable to the parent company Neodecortech S.p.A., which no longer benefits from deferred IRPEF from November 2020.

29. OTHER CURRENT PAYABLES

	Other current payables					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Payables to social security institutions	1.476	31,3	1.362	28,9	114	8,4
Payables to employees	1.997	42,3	1.894	40,2	103	5,4
Advances received from customers	894	18,9	1.217	25,8	(323)	(26,5)
Other	352	7,5	246	5,1	111	46,1
Total other current payables	**4.719**	**100,0**	**4.719**	**100,0**	**5**	**0,1**

"Payables to employees" includes the allocation of a one-off Welfare provision of € 264 thousand, set up for all employees, excluding executives; the provision appears to be fully accrued at 31.12.2020 and was therefore reclassified under payables to employees.

The change in the item "Other" is due mainly to the increase in Directors' fees.

30. EQUITY

Capital increases

On 27 April 2020, the Board of Directors resolved to carry out the capital increase to service the Stock Grant Plan originally approved by the Shareholders' Meeting on 23 June 2017 for € 1,195,687.37, increasing the share capital by a corresponding amount drawn from the relating Reserve through issue of no. 413,760 shares, following achievement of the two objectives set forth in the plan consisting of the achievement of pre-set Adjusted EBITDA and Adjusted Net Profit targets for 2017 and 2018.

Share Capital

Following the above capital increase, the share capital amounts to € 17,398,687.36 and is divided into no. 13,515,260 shares with no indication of their par value.

Dividend payout

The Shareholders' Meeting of the Parent Company Neodecortech S.p.A., held on 24 February 2020, approved the Financial Statements at 31 December 2019 and allocated a total of € 1,888,117.50 as a dividend for the no. 13,021,500 ordinary shares in circulation and, therefore, the distribution of a unit dividend, also in consideration of the distribution of the dividend attributable to treasury shares, of € 0.145 for each entitled ordinary share, without prejudice to the fact that any change in the number of treasury shares in the Company's portfolio at the time of distribution will not affect the distribution of the unit dividend as established above, but will increase or decrease the amount allocated to the extraordinary reserve. On 19 March 2020, dividends amounting to € 1,882,317.50 were paid out (net of the portion relating to treasury shares held at the time of distribution).

Details of other reserves

	Other Net Equity Reserves			
(Euro thousands)				
	31 DECEMBER 2020		31 DECEMBER 2019	
Share capital		17.399		16.203
Share premium reserve		17.357		17.357
Treasury shares		(421)		(291)
Other reserves and accumulated profit (loss), including profit (loss) for the year:		**27.323**		**28.008**
Legal reserve	*1.709*		*1.511*	
Reserve for fair value adjustments of hedging derivatives	*(296)*		*(173)*	
Revaluation reserves (including investments measured at equity)	*13.444*		*11.630*	
Reserve for remeasurement of defined benefit plans for employees (IAS 19)	*(91)*		*(276)*	
Stock grant reserve	-		*2.400*	
Miscellaneous reserves and accumulated profit (loss), including profit (loss) for the year	*12.557*		*12.916*	
Total		**61.658**		**61.277**

Issue of Warrants eligible for subscribing ordinary shares of Neodecortech S.p.A.

The Extraordinary Shareholders' Meeting of Neodecortech S.p.A. (the "Company" or "Neodecortech"), held on 14 September 2018, resolved, inter alia, to increase the share capital, against payment and in separate issues, for a maximum total amount of € 13,101,500, including the share premium, by issuing, also in several tranches, a maximum of 3,275,375 ordinary shares, without indication of their nominal value (the "Conversion Shares"), intended exclusively and irrevocably to the exercise of the subscription right of the holders of the “Neodecortech 2018-2020 Warrants” (the “Warrants”) to be issued and assigned, free of charge and without further request, to the shareholders of the Company pursuant to the resolution of the Extraordinary Shareholders' Meeting of the Company on the same date, in the ratio of 1 Warrant for each number 1 share held.

On 9 December 2019, the Extraordinary Shareholders' Meeting of the Company and the meeting of Warrant holders resolved to extend the term of the Warrants until 27 December 2021.

The Warrants are bearer type and are admitted to the centralized dematerialized shares system of Monte Titoli S.p.A., pursuant to Articles 83-bis et seq. of Legislative Decree no. 58 of 24 February 1998.

Treasury shares

At 31 December 2020, the Company held 120,000 treasury shares.

On 30 April 2019, the Shareholders' Meeting of the Company resolved to authorize the Board of Directors to purchase and dispose of its treasury shares in order to: (i) use them as an investment for an efficient use of the liquidity generated by the Company's core business; (ii) purchase its treasury shares from the beneficiaries of any stock option or stock grant plans approved by the competent corporate bodies; and (iii) allow the use of its treasury shares in the context of transactions connected with the core business or with plans consistent with the strategic guidelines that the Company intends to pursue, with a view to the opportunity of exchanging shares.

Earnings per share

Basic earnings per share are calculated by dividing the consolidated profit or loss for the year by the weighted average number of ordinary shares outstanding during the year. Therefore, treasury shares held by the Group are excluded from the denominator.

Earnings per share	31/12/2020	31/12/2019
Net profit attributable to the shareholders (Euro thousands)	3.536	3.961
Weighted average number of shares outstanding (n./000)	13.269	13.068
Basic earnings per share	**0,27**	**0,30**

Diluted earnings per share	31/12/2020	31/12/2019
Net profit attributable to the shareholders (Euro thousands)	3.536	3.961
Weighted average number of shares outstanding (n./000)	13.269	13.068
Weighted average number of shares eligible for stock option plans (n./000)	0	561
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.269	13.629
Diluted earnings per share	**0,27**	**0,29**

31. COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF CASH FLOWS

Amortization and depreciation at 31 December 2020 amounted to € 8,725 thousand, in line with the prior year (€ 8,689 thousand at 31 December 2019), despite the capital expenditure made during the year, which amounted to € 6,120 thousand for tangible fixed assets and to € 223 thousand for intangible fixed assets. Reference should be made to the section of the Income Statement regarding amortization and depreciation and the section of the Statement of Financial Position regarding tangible and intangible fixed assets in the Notes to the Financial Statements.

Allocations to other provisions of € 1,059 thousand refer to the provision for doubtful accounts determined in accordance with IFRS 9 (€ 181 thousand), the provision for supplementary agents' indemnity (€ 216 thousand), the provision for inventory obsolescence (€ 407 thousand), the allocation for the fair value measurement of derivatives (€ 236 thousand), the allocation to the provisions for risks and charges (€ 9 thousand) and the provisions for deferred tax assets and liabilities (€ 9 thousand). Utilization of provisions of € 347 thousand includes € 65 thousand relating to the provision for doubtful accounts, € 18 thousand to the provision for supplementary agents' indemnity, and € 264 thousand to the provision for deferred/prepaid tax.

The situation generated by the effects of COVID-19 resulted in a decrease in all the items forming part of the changes in the NWC versus the prior year, except for trade receivables, which remained in line.

New loans for € 11,046 thousand regard the granting of new loans to the Group: € 5.000 thousand from BPM, € 2,900 thousand from BPER, € 2,000 thousand from POPSO, € 1,000 thousand from BANCO DI DESIO, and € 146 thousand from Medio Credito Centrale. The item loan repayments includes the early repayment of the BPM mortgage loan transferred for the acquisition of the business unit of former Corbetta FIA S.r.l., For further details, reference should be made to the current and non-current financial liabilities section of the Notes to the Statement of Financial Position.

Monetary changes in equity include the dividend payment transaction for € 1,882 thousand and the purchase of treasury shares for € 130 thousand.

32. CONTINGENT LIABILITIES

Under the provisions of IAS 34:15B, the Group's contingent liabilities are shown below: there are no further contingent liabilities, except for those that generated allocations to "provisions for risks", described above.

33. RELATED PARTY TRANSACTIONS

Transactions carried out by Neodecortech S.p.A. and other Group companies with related parties, as identified by IAS 24, including transactions with subsidiaries, are neither atypical nor unusual and fall within the ordinary course of business of the Company. These transactions were carried out on market terms. It should be noted that transactions with subsidiaries are not shown as they are derecognized at the consolidation level, while transactions with related parties at 31 December 2020 are shown.

In accordance with the provisions of IAS 24, the following entities are considered Related Parties: (a) companies that directly or indirectly through one or more intermediate companies, control, or are controlled by, or are under common control with, the reporting company; (b) associates; (c) natural persons who directly or indirectly have voting power in the reporting entity that gives them a dominant influence over the company and their immediate family members; (d) Key management personnel, i.e. those who have the power and responsibility for planning, directing and controlling the activities of the reporting entity, including directors and officers of the company and the immediate family members of such persons; (e) companies in which significant voting power is held, directly or indirectly, by any natural person described under (c) or (d) or over which such natural person can exercise significant influence. Case (e) includes undertakings owned by the directors or major shareholders of the reporting entity and undertakings which have a key management personnel in common with the reporting entity.

With regard to the provisions of point 2) of the third paragraph of Article 2428 of the Civil Code, it should be noted that the Company is controlled, through a 61.60% stake, by Finanziaria Valentini S.p.A.. Accordingly, the Company is part of a group of entities whose parent is "Finanziaria Valentini S.p.A." and whose sister companies are "Industrie Valentini S.p.A." and "Valinvest S.r.l.". Related parties also include "Valfina S.r.l." as it is directly or indirectly controlled by the Valentini Family.

Specifically, it should be noted that at 31 December 2020, the outstanding transactions with these companies can be summarized in the tables below:

(Euro thousands)	Trade receivables 31 December 2020	Financial receivables 31 December 2020	Trade payables 31 December 2020	Financial payables 31 December 2020
Finanziaria Valentini	0	1.008	0	477
Industrie Valentini	132	0	0	0
Valinvest	0	160	0	0
ISFRE	0	444	0	0
Total	**132**	**1.611**	**0**	**477**

(Euro thousands)	Revenue and income 31 December 2020	Costs and expense 31 December 2020
Finanziaria Valentini	471	0
Industrie Valentini	135	0
Valinvest	6	(104)
Total	**612**	**(104)**

“Financial receivables", amounting to € 1,611 thousand, include € 1,008 thousand for a tax consolidation receivable claimed by the subsidiary Bio Energia Guarcino S.r.l., € 160 thousand for a financial receivable granted by the Parent Company to the related party Valinvest S.r.l. to renovate the property located in Casoli d’Atri (TE), and € 444 thousand for a receivable claimed by the subsidiary Cartiere di Guarcino S.p.A. from the related party ISFRE in liquidation, the amount of which remained unchanged and for which a provision for risks was set up owing to collection difficulties, while "Financial payables”, amounting to € 477 thousand, refers to the tax consolidation payable of the Parent Company and the subsidiary Cartiere di Guarcino S.p.A..

Revenue and income of € 612 thousand include € 135 thousand in revenue from Industrie Valentini for the sale of products, offset against € 132 thousand in trade receivables (€ 100 thousand partly guaranteed by Finanziaria Valentini and partly written down for the remainder), and € 471 thousand from Finanziaria Valentini in income from tax consolidation.

The following table shows the fees to the Group's directors and key management personnel for 2020:

Subjects	Compensation payable 31 December 2020
Luigi Cologni	182.507
Massimo Giorgilli	120.000
Riccardo Bruno	0
Paola Carrara	7.320
Paolo Pietrogrande	4.822
Laura Calini	0
Cristina Valentini	0
Key management personnel	14.472
Total	**329.121**

Subjects	Compensation cost 31 December 2020
Luigi Cologni	485.657
Massimo Giorgilli	366.613
Riccardo Bruno	96.306
Paola Carrara	28.708
Paolo Pietrogrande	28.906
Laura Calini	27.900
Cristina Valentini	25.000
Key management personnel	62.446
Total	**1.121.536**

34. SEASONALITY

The Group's industrial sectors are not significantly affected by seasonality; however, the first six months of 2020 were affected by the impact of the COVID-19 pandemic; such a circumstance must be taken into account when reviewing and assessing the performance of 2020.

35. INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, OF LAW NO. 124 OF 4 AUGUST 2017

With regard to the provisions of Article 1, paragraph 125, of Law 124/2017, regarding the obligation to provide evidence in the notes to the financial statements of any amounts of money received during the year by way of grants, contributions, paid assignments and in any case economic advantages of any kind from public administrations and from the persons referred to in paragraph 125 of the same article, mention should be made, for the situation at 31 December 2020, of the following:

Payee entity	Paying entity	Amount collected/taken	Collection/availability date	Description of reason
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.100	31/01/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	510	02/03/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.100	02/03/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	722	30/04/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	1.427	30/04/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	15.273	30/04/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.149	30/04/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	527	30/04/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	3.683	30/04/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	24	30/04/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	527	30/04/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	527	01/06/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.149	01/06/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.055	30/06/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	508	30/06/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	508	31/07/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.055	31/07/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	508	31/08/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.055	31/08/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	510	30/09/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.100	30/09/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	510	02/11/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.100	02/11/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	722	30/11/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	1.427	30/11/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	15.273	31/12/2020	Electricity production incentive
Neodecortech S.p.A.	Gestore dei Servizi Energetici GSE S.p.A.	2.149	31/12/2020	Electricity production incentive
Cartiere di Guarcino S.p.A.	SME Guarantee Fund	527	31/12/2020	State Aid COVID-19 SA. 56966 (2020/N)
Cartiere di Guarcino S.p.A.	SME Guarantee Fund	3.683	20/12/2020	COVID-19: SME Guarantee Fund State Aid SA. 56966 (2020/N)
Cartiere di Guarcino S.p.A.	SME Guarantee Fund	24	30/11/2020	COVID-19: SME Guarantee Fund State Aid SA. 56966 (2020/N)
Cartiere di Guarcino S.p.A.	Lazio Region	527	21/05/2020	New organizational model Smart w orking
Cartiere di Guarcino S.p.A.	Fondirigenti	527	09/07/2020	Vocational training
Cartiere di Guarcino S.p.A.	Fondirigenti	2.149	10/04/2020	Vocational training
Cartiere di Guarcino S.p.A.	Fondirigenti	2.055	26/06/2019	Vocational training
Cartiere di Guarcino S.p.A.	Fondirigenti	508	14/05/2019	Vocational training
Cartiere di Guarcino S.p.A.	Fondirigenti	508	18/04/2019	Vocational training
Cartiere di Guarcino S.p.A.	Fondirigenti	2.055	05/09/2018	Vocational training
Cartiere di Guarcino S.p.A.	Fondirigenti	508	30/08/2018	Vocational training
Cartiere di Guarcino S.p.A.	Fondirigenti	2.055	19/04/2018	Vocational training
Neodecortech S.p.A.	Fondimpresa	600	17/12/2020	Continuing Education
Neodecortech S.p.A.	SME Guarantee Fund	79.215	30/11/2020	COVID-19: SME Guarantee Fund State Aid SA. 56966 (2020/N)
Neodecortech S.p.A.	SME Guarantee Fund	89.054	30/11/2020	COVID-19: SME Guarantee Fund State Aid SA. 56966 (2020/N)
Neodecortech S.p.A.	Fondirigenti	15.000	10/04/2020	Vocational training
Neodecortech S.p.A.	Fondirigenti	15.000	17/04/2019	Vocational training
Neodecortech S.p.A.	Fondirigenti	14.910	19/04/2018	Vocational training
Bio Energia Guarcino S.r.l.	SME Guarantee Fund	55.402	10/12/2020	COVID-19: SME Guarantee Fund State Aid SA. 56966 (2020/N)
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.386.125	31/01/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	7.984.428	29/02/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.736.030	31/03/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.638.158	30/04/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.645.651	31/05/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.544.094	30/06/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.444.929	31/07/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.614.583	31/08/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.684.747	30/09/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.681.971	31/10/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.714.452	30/11/2020	Electricity production incentive
Bio Energia Guarcino S.r.l.	Gestore dei Servizi Energetici GSE S.p.A.	1.688.606	31/12/2020	Electricity production incentive
Total 2020		**26.112.280**		

With regard to the subsidiary Cartiere di Guarcino S.p.A., on 26/01/2018 the Ministry for Economic Development, implementing the granting decree issued on 19/01/2016 CUP: 88C150000900008, made the initial disbursement (for a total of € 1,128,455.55), then on 23/07/2019 the second disbursement (for a total of € 181,621.88), and lastly on 21/10/2020 the third disbursement (for a total of € 145,564.16) of the subsidized 0.80% loan granted with regard to the Invitation to Tender "Research and development projects in the technology fields identified by the EU Framework Programme Horizon 2020" - Fund for Sustainable Growth, as per Ministerial Decree of 20 June 2013.

Other supplementary information

36. GUARANTEES GIVEN

Guarantees given by Neodecortech S.p.A.

Guarantees issued in favour of the subsidiary Cartiere di Guarcino S.p.A., amounting to € 17,285 thousand for short-term credit lines for mixed use and import finance, granted to the latter by BPM, BPER, Popolare di Sondrio and Credit Agricole.

On 3 June 2020, Neodecortech S.p.A. issued a letter of patronage to Banco di Desio e Brianza S.p.A. in favour of the subsidiary Cartiere di Guarcino to guarantee a line of credit of € 2,650,000 granted by the bank to the subsidiary.

Creation of a voluntary mortgage in favour of C.E.G. S.p.A.

On 22 December 2016, CDG granted a third voluntary mortgage in favour of C.E.G. S.p.A. ("CEG") for the amount of € 5,854 thousand on some of its properties (the "CEG Mortgage") following the sale by CEG to CDG of the stake held by the former in the share capital of BEG (equal to 1% of the latter's share capital).

The CEG Mortgage is intended to hold CEG harmless from any and all liabilities and/or obligations of any kind and type, as well as from any costs, losses or damages, arising from BEG's failure to perform or incorrectly perform its obligations under: (i) the Lease Contract, as well as (ii) the credit facility agreement concluded by BEG with UniCredit on 17 July 2009.

CEG is a subsidiary of AET - Azienda Elettrica Ticinese ("AET") - which held 50% of BEG. In 2014, CEG entered into a first private agreement, subsequently renewed in 2015, for the sale of its stake in BEG, obtaining the commitment to be held harmless from the sureties issued by AET in the interest of BEG. On 13 April 2015, CEG sold 49% of BEG to CDG and on 22 December 2016 sold the remaining 1% share to CDG. Under the agreements, CDG undertook to indemnify and hold harmless CEG, within the limit of € 5,854 thousand, from any liability and/or obligation of any kind and type and/or any cost, loss or direct or indirect damage, resulting from BEG's failure to perform and/or incorrectly perform the following contracts: (i) the Lease Contract; and (ii) the credit facility agreement concluded by BEG with UniCredit on 17 July 2009. To guarantee such obligations, CDG granted the CEG Mortgage.

The year saw completion of the transaction with SelmaBipiemme Leasing S.p.A. regarding the lease contract in place with Bio Energia Guarcino S.r.l., which envisaged suspension of the lease payments (relating to the principal) for the period from April 2020 to March 2021; under the standstill, the parties had set out a new structure for the guarantee and indemnity agreements related to the lease contract. Specifically, on 22 June 2020, Neodecortech S.p.A. and Cartiere di Guarcino signed indemnity agreements with Azienda Elettrica Ticinese.

In light of these new indemnity agreements, the voluntary mortgage in favour of C.E.G. S.p.A. is in the process of being cancelled.

Sureties in favour of GATTI S.r.l.

On 29 May 2017, Gatti S.r.l. ("Gatti"), CDG and BEG signed a framework agreement (the "Framework Supply Agreement") to govern the conditions relating to the supply of animal fat for energy use by Gatti to BEG. The Framework Supply Agreement ran from 29 May 2017 to 29 May 2018. On 27 September 2018, Gatti, CDG and BEG signed a new framework agreement for the supply of animal fat for energy use (the "Second Framework Supply Agreement"), under which the parties may agree on the price of the supply at the time of each individual order/sales contract specifying the quantities of goods or, failing that, at the end of each month, the parties define the price of the purchase/sale for the following month and agree on the delivery of the product for the following month. As a guarantee of the timely payment of the amount of the invoices issued pursuant to the Framework Supply Agreement dated 14 June 2017, Banca Carim - Cassa di Risparmio di Rimini S.p.A. (now Credit Agricole Italia S.p.A.) has provided Gatti and in the interest of BEG and CDG with a bank guarantee "on first demand" for the maximum amount of € 300 thousand, expiring on 31 August 2018 and subsequently renewed until 31 August 2020.

On 11 October 2018, BPER issued a further guarantee in the interest of BEG in favour of Gatti up to a principal amount of € 400 thousand, which is currently expected to fall due on 28 February 2021.

Other guarantees given by Cartiere di Guarcino S.p.A.

On 23/01/2020, Banca Popolare di Sondrio gave a bank guarantee on first demand for € 300 thousand in favour of Kronos Titan GMBH for the supply of titanium dioxide running until 31/01/2022;

On 13/05/2019, Banco di Desio e Brianza S.p.A. issued a stand by letter for € 1,500 thousand to Anhui Gold Star Titanium Dioxide Group Co. Ltd for the supply of titanium dioxide running until 30/09/2021;

On 02/07/2020, Banca Popolare del Frusinate S.p.A. gave a bank guarantee on first demand for € 45 thousand to the University of Cassino by agreement pursuant to Article 1, paragraph 12, of Law 230/2015 running until 30/06/2023.

37. EVENTS AFTER YEAR END

Reference should be made to the Directors' Report on Operations.

38. INFORMATION ON AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION

Pursuant to Article 2427, point 22-ter, mention should be made that there are no agreements not shown in the statement of financial position that have significant risks or benefits and that are necessary to assess the Group's financial position, results of operations and cash flows.

39. INFORMATION ON ASSETS AND LOANS FOR A SPECIFIC TRANSACTION

With regard to the requirements of Articles 2447-bis to 2447-decies of the Italian Civil Code, it should be noted that during the period the Group did not allocate any assets or loans to any activity.

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40. INFORMATION RELATING TO THE FEES TO THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

In accordance with the law, the table below shows the total fees to the Directors and the Board of Statutory Auditors.

Qualification	31 DECEMBER 2020	31 DECEMBER 2019
Directors	647.619	319.225
Board of Statutory Auditors	85.468	60.800

41. INFORMATION RELATING TO THE FEES TO THE INDEPENDENT AUDITORS

Details are provided below of the fees paid in 2020 by the Neodecortech Group to the independent auditors, BDO Italia S.p.A. and the companies belonging to its network, as required by CONSOB Resolution no. 11971 of 14 May 1999, Article 149-duodecies, paragraph 1:

	31 DECEMBER 2020	31 DECEMBER 2019
Auditing services	80.622	48.669
Provision of other activities w ith issuance of certification	119.359	19.800
Provision of other non-auditing services	3.000	0

Filago (BG), 02 March 2021

For the Board of Directors The Chairman

(Riccardo Bruno)

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Parent Company Financial Statements at 31 December 2020

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Income statement at 31 December 2020

(Euro thousands)	Notes	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales and services	1	**55.176**	**100,0%**	**56.454**	**100,0%**	**(1.278)**	**(2,3%)**
Changes in work in progress, semi-finished and finished	2	(403)	(0,7%)	484	0,9%	(887)	(183,3%)
Other revenue	3	1.466	2,7%	1.289	2,3%	177	13,7%
Raw and ancillary materials and consum.	4	(30.709)	(55,7%)	(31.623)	(56,0%)	914	(2,9%)
Other operating expense	5	(10.099)	(18,3%)	(10.293)	(18,2%)	194	(1,9%)
Personnel expense	6	(10.543)	(19,1%)	(10.875)	(19,3%)	332	(3,1%)
Amortization and depreciation	7	(3.108)	(5,6%)	(2.799)	(5,0%)	(309)	11,0%
Allocations	8	(248)	(0,4%)	(57)	(0,1%)	(191)	335,1%
EBIT		**1.531**	**2,8%**	**2.578**	**4,6%**	**(1.047)**	**(40,6%)**
Financial expense	9	(521)	(0,9%)	(540)	(1,0%)	19	(3,5%)
Financial income	10	2.722	4,9%	2.451	4,3%	271	11,1%
Pre-tax profit/(loss)		**3.733**	**6,8%**	**4.490**	**8,0%**	**(757)**	**(16,9%)**
Income tax	11	(177)	(0,3%)	(529)	(0,9%)	352	(66,5%)
Profit/(loss) for the year		**3.555**	**6,4%**	**3.961**	**7,0%**	**(406)**	**(10,2%)**

Statement of comprehensive income at 31 December 2020

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019
Profit/(loss) for the year	**3.555**	**3.961**
Other items of the comprehensive income statement		
Actuarial gains (losses) net of tax effect	14	(72)
Total items that will not be reclassified in the income statement for the year	**14**	**(72)**
Gains/(losses) on cash flow hedging instruments	(7)	(89)
Total items that will or may be reclassified in the income statement for the year	**(7)**	**(89)**
Total other components of the comprehensive income statement	**7**	**(161)**
Comprehensive income/(loss) for the year	**3.562**	**3.800**
Profit for the year attributed to:		
Shareholders of the Parent	3.562	3.800
Non-controlling interests		
Earnings per share (in Euro):		
Basic	0,27	0,30
Diluted	0,27	0,29

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Statement of financial position at 31 December 2020

Assets	Notes	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
(Euro thousands)							
Intangible assets	12	637	0,7%	671	0,7%	(34)	(5,1%)
Property, plant and equipment	13	29.408	30,5%	28.213	30,1%	1.195	4,2%
Investments	14	25.719	26,7%	24.300	26,0%	1.419	5,8%
Other non-current assets	15	8	0,0%	9	0,0%	(1)	(6,8%)
Non-current financial receivables	16	16.838	17,5%	17.560	18,8%	(722)	(4,1%)
Deferred tax assets	17	595	0,6%	452	0,5%	143	31,6%
Non-current assets		**73.205**	**76,0%**	**71.206**	**76,1%**	**1.999**	**2,8%**
Inventory	18	8.451	8,8%	8.795	9,4%	(344)	(3,9%)
Trade receivables	19	7.024	7,3%	7.462	8,0%	(438)	(5,9%)
Tax receivables	20	301	0,3%	817	0,9%	(516)	(63,2%)
Current financial receivables	16	2.124	2,2%	3.795	4,1%	(1.671)	(44,0%)
Other current receivables	21	90	0,1%	98	0,1%	(8)	(8,2%)
Cash and cash equivalents	22	5.167	5,4%	1.446	1,5%	3.721	257,3%
Current assets		**23.156**	**24,0%**	**22.413**	**23,9%**	**743**	**3,3%**
Total Assets		**96.362**	**100,0%**	**93.619**	**100,0%**	**2.743**	**2,9%**

Equity and liabilities		31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
(Euro thousands)							
Share capital		17.399	18,1%	16.203	17,3%	1.196	7,4%
Share premium reserve		17.357	18,0%	17.357	18,5%	0	0,0%
Treasury shares		(421)	(0,4%)	(291)	(0,3%)	(130)	44,7%
Other reserves		15.008	15,6%	15.328	16,4%	(320)	(2,1%)
Prior years' profit (loss)		8.761	9,1%	8.755	9,4%	6	0,1%
Profit (loss) for the year		3.555	3,7%	3.961	4,2%	(406)	(10,2%)
Equity	**30**	**61.658**	**64,0%**	**61.312**	**65,5%**	**346**	**0,6%**
Provisions for risks and charges	23	577	0,6%	386	0,4%	191	49,5%
Deferred tax	17	2.374	2,5%	2.387	2,5%	(13)	(0,5%)
Post-employment benefits	24	1.127	1,2%	1.209	1,3%	(82)	(6,8%)
Non-current financial liabilities	25	16.665	17,3%	14.385	15,4%	2.280	15,8%
Non-current liabilities		**20.743**	**21,5%**	**18.367**	**19,6%**	**2.376**	**12,9%**
Trade payables	26	7.186	7,5%	8.219	8,8%	(1.033)	(12,6%)
Payables from tax consolidation	27	229	0,2%	267	0,3%	(38)	(14,2%)
Tax payables	28	242	0,3%	441	0,5%	(199)	(45,1%)
Current financial liabilities	25	2.899	3,0%	1.570	1,7%	1.329	84,6%
Other current payables	29	3.405	3,5%	3.442	3,7%	(37)	(1,1%)
Current liabilities		**13.961**	**14,5%**	**13.940**	**14,9%**	**21**	**0,2%**
Total equity and liabilities		**96.362**	**100,0%**	**93.619**	**100,0%**	**2.743**	**2,9%**

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Statement of changes in equity at 31 December 2020

(Euro thousands)	Notes	Attributable to the shareholders of the Parent						
	NOTES	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT (LOSS) FOR THE YEAR	TOTAL EQUITY
Balance at 01/01/2019	**30**	**16.203**	**(204)**	**17.357**	**19.443**	**(94)**	**6.030**	**58.735**
Other items of the comprehensive income statement		0	(89)	0	(72)	0	0	(161)
Profit for the year		0	0	0	0	0	(6.030)	(6.030)
Total comprehensive income/loss for the year		**0**	**(89)**	**0**	**(72)**	**0**	**(6.030)**	**(6.191)**
Dividend distribution		0	0	0	(2.001)	0	0	(2.001)
Allocation of prior year's profit (loss)		0	0	0	6.030	0	3.961	9.991
Other changes		0	0	0	975	(197)		778
Balance at 31/12/2019	**30**	**16.203**	**(293)**	**17.357**	**24.375**	**(291)**	**3.961**	**61.312**
Balance at 01/01/2020	**30**	**16.203**	**(293)**	**17.357**	**24.375**	**(291)**	**3.961**	**61.312**
Other items of the comprehensive income statement		0	(7)	0	14	0	0	7
Profit for the year		0	0	0	0	0	(3.961)	(3.961)
Total comprehensive income/loss for the year		**0**	**(7)**	**0**	**14**	**0**	**(3.961)**	**(3.954)**
Dividend distribution		0	0	0	(1.882)	0	0	(1.882)
Allocation of prior year's profit (loss)		0	0	0	3.961	0	3.555	7516
Other changes		1.196	0		(2.400)	(130)		(1.334)
Balance at 31/12/2020	**30**	**17.399**	**(300)**	**17.357**	**24.068**	**(421)**	**3.555**	**61.658**

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Statement of cash flows at 31 December 2020

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019
Profit (loss) for the year	3.555	3.961
Income tax	338	470
Deferred/(prepaid) tax	(161)	59
Interest expense/(interest income)	(104)	(97)
(Dividends received)		
(Gains)/losses from disposal of assets	(26)	(228)
1 Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposals	**3.603**	**4.165**
Adjustments for non-monetary items that had no balancing entry in net w orking capital:		
Allocation to post-employment benefits	14	19
Allocations to other provisions	669	
Amortization and depreciation of fixed assets	3.108	2.799
Write-dow ns for impairment losses	0	0
Other adjustments for non-monetary items	(2.701)	(1.417)
2 Cash flow before changes in NWC	**4.693**	**5.566**
Changes in net w orking capital		
Decrease/(increase) in receivables from customers	372	909
Decrease/(increase) in inventory	14	(403)
Increase/(decrease) in payables to suppliers	(877)	193
Increase/(decrease) in payables to suppliers - Intercompany	(156)	0
Decrease/(increase) in other receivables	525	(82)
Increase/(decrease) in other payables	(274)	(167)
Other changes in net w orking capital	0	0
3 Cash flow after changes in NWC	**4.296**	**6.016**
Other adjustments		
Interest received/(paid)	272	31
(Income tax paid)	(338)	(201)
(Gains)/losses from disposal of assets	0	0
Dividends received	0	0
(Utilization of provisions)	(239)	0
(Utilization of provisions for post-employment benefits)	(73)	(217)
4 Cash flow after other adjustments	**3.917**	**5.629**

(Euro thousands)	31 DECEMBER 2020	31 DECEMBER 2019
A Cash flow from operations	**3.917**	**5.629**
Property, plant and equipment	(4.122)	(4.100)
(Purchase)	(4.172)	(4.100)
Disposal	50	
Intangible fixed assets	(205)	(357)
(Purchase)	(205)	(357)
Disposal	0	0
Financial fixed assets	1	0
(Purchase)	0	0
Disposal	1	0
Current financial assets	0	0
(Purchase)	0	0
disposal	0	0
Proceeds from disposal of assets	26	251
B Cash flow from investing activities	**(4.300)**	**(4.206)**
Liabilities	**6.116**	**(2.571)**
Increase (decrease) in short-term bank payables	(15)	(382)
New loans	5.900	0
Repayment of loan	(2.194)	(1.588)
Financial liabilities to other lenders	0	(602)
Change in financial receivables from other lenders	65	0
Change in financial receivables - Intercompany	2.359	0
Equity	**(2.012)**	**(2.198)**
Share capital increase		
Sale (purchase) of treasury shares	(130)	(197)
Other changes in equity	(1.882)	(2.001)
C Cash flow from financing activities	**4.104**	**(4.768)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**3.721**	**(3.346)**
Cash and cash equivalents at 1 January	1.446	4.792
Cash and cash equivalents at 31 December	5.167	1.446

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Notes to the Financial Statements of the Parent Company

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Entity preparing the financial statements

Neodecortech S.p.A. (hereinafter also the “Company”, the "Parent Company" or the “Controlling Company") is a company incorporated under Italian law, with registered office in Filago (BG), Strada Provinciale 2, at the head of the Neodecortech Group (hereinafter also the "Group"). The Company website is: www.neodecortech.it.

The Company is active in the production and marketing of decorative papers for the industrial sectors of wood and furnishing accessories.

Mention should be made that the Company completed the translisting process from the “AIM Italia” multilateral trading system to the Mercato Telematico Azionario (“MTA” electronic stock market) organized and managed by Borsa Italiana S.p.A. on 25 May 2020.

The publication of these financial statements was authorized by the Directors on 02 March 2021; they will be submitted to the Shareholders' Meeting for approval and subsequent filing, within the time limits of law. The Shareholders' Meeting is empowered to make changes to these Financial Statements.

BDO Italia S.p.A. is in charge of auditing the accounts.

General criteria for the preparation of the financial statements

Statement of compliance with IAS-IFRS

These financial statements were prepared in compliance with the IAS-IFRS international accounting standards in force at 31 December 2020, as adopted by the European Union, as well as with the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IAS-IFRS also include all the revised international accounting standards (IAS) and all the interpretations issued by the IFRS Interpretation Committee (formerly IFRIC), previously known as SIC. The rules of national legislation implementing EU Directive 2013/34 also apply, provided they are compatible, to companies that prepare their financial statements in accordance with IAS-IFRS. Therefore, the financial statements implement the relevant provisions of the articles of the Italian Civil Code and the corresponding provisions of the TUF for listed companies concerning the Directors’ Report on Operations, the Independent Auditors' Report and the publication of the financial statements. The financial statements and the notes thereto also include the details and additional information required by the articles of the Italian Civil Code concerning financial statements, insofar as they do not conflict with the provisions of IAS-IFRS, as well as the other CONSOB regulations and instructions concerning financial statements.

The financial statements have been prepared on a going concern basis. The Company has, in fact, assessed that, despite the volatility of the general economic and financial environment marked by the effects of the COVID-19 pandemic, there are no significant uncertainties surrounding its ability to continue operations, due also to its financial structure and the actions already identified and included in the 2021-2023 Business Plan, as explained in the “Directors’ Report on Operations".

Preparation criteria and functional currency

The financial statements are prepared in accordance with the cost principle, with the exception of derivative financial instruments and financial assets, which are measured at fair value.

The presentation currency used in the financial statements is the Euro, which is the functional currency of Neodecortech S.p.A.. All the amounts contained in the financial statements and the notes are rounded to the nearest Euro unit, unless otherwise indicated

Financial statements and presentation criteria

The financial statements consist of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, and statement of cash flows, as well as the notes to the financial statements for the year ended 31 December 2020.

With regard to the presentation of the financial statements, the Company has made the following decisions:

- current and non-current assets and current and non-current liabilities are shown separately in the statement of financial position. Current assets, which include cash and cash equivalents, are those intended to be realized, sold or consumed in the Company's normal operating cycle; current liabilities are those expected to be settled in the Company's normal operating cycle or in the twelve months following the end of the period;
- for the income statement, the analysis of costs is carried out based on the nature of the costs;
- for the statement of comprehensive income, the Company has chosen to present two statements: the first shows the traditional income statement components with the result for the period, while the second, starting from this result, shows in detail the other components, i.e. (i) changes in fair value of derivative financial instruments designated as hedge accounting, and (ii) the effects of the remeasurement of defined benefit plans;
- the statement of cash flows was prepared using the indirect method.

The financial statements provide comparative information for the prior year. It should be noted that compared to the financial statements published at 31 December 2019, the provision for doubtful accounts (amounting to € 57 thousand) was also reclassified for 2019 from Other Operating Expense to Allocations in the income statement.

Accounting standards, amendments and IFRS interpretations applied from 1° January 2020

The following accounting standards, amendments and IFRS interpretations have been applied by the Company for the first time as from 1 January 2020:

- On 31 October 2018, the IASB published ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***. The document introduced a change in the definition of 'material' contained in IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of "material" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it is provided in such a way as to produce for general users of financial statements an effect similar to that which would be produced if such information had been omitted or misstated.
    - The adoption of this amendment had no impact on the Company's financial statements.

- On 29 March 2018, the IASB published an amendment to the "***References to the Conceptual Framework in IFRS Standards***". The amendment is effective for periods beginning on or after 1 January 2020, but early application is allowed. The Conceptual Framework sets out the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework supports entities in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards.

- On 26 September 2019, the IASB published the amendment "***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***". It amends IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments*: *Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*.

Specifically, the amendment changes some of the requirements for the application of hedge accounting, providing for temporary derogations from them, in order to mitigate the impact of the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on their hedging relationships that are directly affected by the uncertainties generated by the reform and to which the above derogations apply.
The adoption of this amendment had no impact on the Company's financial statements.

- On 22 October 2018, the IASB published ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides a number of clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, as a minimum, an input and substantive process that together contribute significantly to the ability to create an output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes needed to create an output. The amendment also introduced an optional test ("concentration test"), which allows the exclusion of the presence of a business if the price paid is substantially related to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed. The adoption of this amendment had no impact on the Company's financial statements.

- On 28 May 2020, the IASB published an amendment named "***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***". The document provides lessees with the option to account for COVID-19-related rent reductions without having to assess, through contract analysis, whether the IFRS 16 definition of lease modification is met. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to financial statements beginning on 1 June 2020, but the Group has opted to apply this amendment early from 1 January 2020. The introduction of the new amendment had no impact on the Company's financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, not yet mandatorily applicable and not adopted in advance by the Group at 31 December 2020

- On 27 August 2020, in light of the IBOR interbank interest rate reform, the IASB published *Interest Rate Benchmark Reform-Phase 2* containing amendments to the following standards:

  - IFRS 9 *Financial Instruments;*
  - IAS 39 *Financial Instruments*: *Recognition and Measurement*;
  - IFRS 7 *Financial Instruments: Disclosures*;
  - IFRS 4 *Insurance Contracts;* and
  - IFRS 16 *Leases.*

  All the changes will come into effect on 1 January 2021.

  The Directors do not expect any significant effect on the Company's financial statements from the adoption of this amendment.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and the standards described below.

On 23 January 2020, the IASB published an amendment named "**Amendments to IAS 1 Presentation of Financial Statements: *Classification of Liabilities as Current or Non-current".*** The purpose of the document is to clarify how to classify debt and other short-term or long-term liabilities. The amendments come into force on 1 January 2023, but early application is allowed.

The Directors do not expect any significant effect on the Company's financial statements from the adoption of this amendment.

- On 14 May 2020, the IASB published the following amendments:
  - Amendments to IFRS 3 Business Combinations: the purpose of these amendments is to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without this entailing any changes to the provisions of IFRS 3.
  - Amendments to IAS 16 Property, Plant and Equipment: the purpose of these amendments is not to allow deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced during the testing phase of the asset itself. The sales revenue and related costs will be therefore recognized in the income statement.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly attributable to the contract must be considered when estimating whether a contract is onerous. As a result, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in the work), but also any costs that the company cannot avoid because it has entered into the contract (such as the share of the cost of personnel and depreciation of machinery used to perform the contract).
  - Annual Improvements 2018-2020: Amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and Illustrative Examples of IFRS 16 Leases.

  All the changes will come into effect on 1 January 2022.

  The Directors do not expect any significant effect on the Company's financial statements from the adoption of these amendments.

Subjective evaluations and use of estimates

The preparation of the financial statements and the notes thereto, in application of the IAS-IFRS, requires Management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosures on contingent assets and liabilities as of the reporting date, as well as the amount of revenue and costs in the reporting period presented. Estimates and assumptions used are based on experience and on other factors considered significant. Actual results could differ from these estimates. Estimates and assumptions are reviewed regularly and the effects of each variation therein are recognized in profit and loss in the period in which the estimate was revised. The effects of such revisions are reflected in the periods on which they have effect, i.e. both in the current period, and in future periods, if relevant.

To provide a better understanding of the Financial Statements, the following are the most significant estimates adopted in the process of preparing the Financial Statements, as they involve a high level of subjective judgments, assumptions and estimates relating to issues that are by their nature uncertain, especially in the current context of the COVID-19 pandemic. Changes in the conditions underlying the judgments and assumptions made could have a material impact on subsequent results.

- *Measurement of receivables:* receivables from clients are adjusted by the related allowance for doubtful accounts to take account of their recoverable value. The determination of the amount of the write-downs requires the directors to perform subjective evaluations based on past experience for similar receivables or current and historical past dues, closing rates, losses and collections, and to carefully monitor credit quality, especially in the current context of the COVID-19 pandemic;

- *Measurement of inventory*: obsolescent inventory is periodically measured and written down if the net realizable value is lower than the carrying amount. Write-downs are calculated on the basis of Management's assumptions and estimates, based on their experience and sales forecasts;
- *Measurement of deferred tax assets*: deferred tax assets - whose recovery in future years is considered highly probable - are measured on the basis of the expected taxable income in future years. The measurement of such expected taxable income depends on factors that may vary over time and have significant effects on the measurement of deferred tax assets;
- *Income tax:* the calculation of the Company's tax liability requires Management to measure transactions whose tax implications are not certain at the balance sheet date;
- *Impairment of intangible and tangible assets with finite useful life:* these assets undergo an impairment test to ascertain whether there has been an impairment, which must be recognized by means of a write-down, when there are indications of a difficulty in recovering the related net book value through use. Ascertainment of the existence of the above indicators requires the Directors to make subjective assessments based on information available within the Company and from the market, as well as statistics. Additionally, if it is determined that a potential impairment may have occurred, the Company determines it using appropriate measurement techniques. The proper identification of the elements pointing to the existence of a potential impairment, as well as the estimates used to determine them, depend on factors that may change over time and that are subject to uncertainties and the use of estimates (growth rates, rates of return on assets, and financial projections affected by external, non-controllable variables) that affect the valuations and estimates made by the Directors;
- *Measurement of intangible and tangible assets with finite useful life:* tangible and intangible assets with finite useful life are depreciated/amortized over the estimated useful life of the related assets. The useful life of the assets is determined by the Directors at the time the asset is acquired; it is based on historical experience for similar fixed assets, market conditions and anticipations of future events that could have an impact on the useful life. Therefore, the actual useful life may differ from the estimated useful life. The Company regularly assesses technological and industry changes to update the remaining useful life. This regular update could lead to a change in the amortization/depreciation period and therefore also in the amortization/depreciation charge for future years.
    - With regard to the COVID-19 pandemic, in addition to the internal and external impairment indicators generally monitored, Management assessed, based on information available at 31 December 2020, the effects of the pandemic on the recoverable value of assets. Based on the final results at 31 December 2020, the forecasts made in the 2021-2023 Business Plan and the assumptions on the impact of the pandemic for the years subsequent to 31 December 2020, Management does not believe that the COVID-19 pandemic could represent an indicator of impairment for the Group and, therefore, did not consider it necessary to carry out an impairment test on the value of the recognized assets;
- *Pension plans:* the present value of the liability for pension benefits depends on a number of factors that are determined by actuarial methods using certain assumptions. The assumptions regard the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, and the mortality and resignation rates. Any change in the above assumptions could have significant effects on the liability for pension benefits;
- *Valuation of risk provisions*: the Company is subject to legal and tax lawsuits that may arise from complex and difficult issues, which are subject to a varying degree of uncertainty, including facts and circumstances underlying each case, jurisdiction and different applicable laws. Given the uncertainties underlying these issues, it is difficult to accurately predict the outlay that could arise from such disputes. Accordingly, after hearing the

opinion of their legal and tax advisors and experts, the Directors recognize a liability from such disputes when they consider it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. This estimate implies the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects over the current estimates made by the Directors in preparing the Company's financial statements;

- *Determination of fair value:* the fair value of certain financial assets that are not listed on active markets is determined using measurement techniques. The Company uses measurement techniques that use inputs that are directly or indirectly observable in the market at year end, related to the assets being measured. While the estimates of the abovementioned fair values are deemed reasonable, possible changes in the estimation factors on which the calculation of these values is based may produce different valuations.

Valuation criteria

Property, plant and equipment

These are recorded at purchase, production or transfer cost, including any ancillary expense and direct costs required to make the asset available for use, less subsequent accumulated depreciation and write-downs for impairment. All other costs and financial expense are recognized in the income statement in the year to which they refer.

If an item of property, plant and equipment consists of several components with different useful lives, these components are accounted for separately (if they are significant components).

Leasehold improvements are classified as PPE, on the basis of the cost incurred. In such cases, the depreciation period corresponds to the lower of the residual useful life of the tangible asset and the residual term of the lease contract.

Assets under construction are recorded at cost under "Assets under construction" until they are available for use; at the time of their availability for use, the cost is classified under the relevant item and depreciated.

The gain or loss on the disposal of property, plant, machinery, equipment and other assets is determined as the difference between the net sale proceeds and the net residual value of the asset, and is recognized in the income statement for the year in which the asset is derecognized.

Costs incurred after the purchase of the assets and the cost of replacing certain parts of the assets recorded in this category are added to the carrying amount of the item to which they refer and capitalized only if they increase the future economic benefits inherent in the asset itself and are therefore depreciated on the basis of the residual possibility of use of the asset. All other costs are recognized in the income statement when incurred.

When the cost of replacing certain parts of the assets is capitalized, the residual amount of the parts replaced is charged to the income statement.

Gains and losses arising from the sale or disposal of assets are determined as the difference between the sale proceeds and the net carrying amount of the asset and are recognized in the income statement for the year.

Depreciation is generally calculated on a straight-line basis over the estimated useful lives of the individual components into which property, plant and equipment are divided. Land is not depreciated. Below are the rates applied for each category:

Category	Rates %
Industrial buildings	2%
Light constructions	10%
Temporary and kindred constructions	10%
Plant and equipment	9%
Purification plants	12%
Miscellaneous production equipment / laboratory	30%
Production equipment (printing cylinders)	20%
Furniture and ordinary office equipment	12%
Electronic office equipment	20%
Internal means of transport	16%
Cars and motor vehicles	25%

The useful life of tangible assets and their residual value are reviewed and updated, where necessary, at least at the end of each financial period.

Tangible assets are also tested for impairment annually or whenever there is an indication that the asset may be impaired. Reference should be made to the paragraph below "Impairment of property, plant and equipment, intangible assets and investments" for the criteria used to determine any write-downs.

Leases

The Company must evaluate whether the contract is, or contains a lease, as at the date it is entered into. The Company recognizes the Right of Use and related Lease Liability for all leases in which it acts as lessee, except for short-term leases (leases of 12 months or less) and leases related to low-value assets (i.e., assets valued at less than € 5,000 when new). Contracts for which the latter exemption has been applied fall primarily within the following categories: computers, phones and tablets; printers, other electronic devices; and furniture and fixtures.

With regard to these exemptions, the Company records the related payments as operating expense recognized on a straight-line basis over the life of the contract.

The lease liability is initially recorded at the present value of future payments at the effective date of the contract. Since most of the lease agreements entered into by the Company do not contain an implicit interest rate, the discount rate to be applied to future lease payments was determined as the risk-free rate, with maturities commensurate with the term of the specific lease, increased by the specific credit spread of the company entering into the agreement.

Lease payments included in the value of the lease Liability include:

- the fixed component of lease payments, net of any incentives received;
- variable lease payments based on an index or rate, initially measured using the index or rate on the effective date of the contract;
- the amount of collateral for the residual value that the lessee expects to pay;
- the exercise price of the purchase option, which must only be included if the exercise of such option is considered reasonably certain;
- penalties for early termination of the contract, if the lease term envisages the option to exercise termination of the lease and the exercise thereof is estimated to be reasonably certain.

Subsequent to initial recognition, the carrying amount of the lease liability increases due to interest accrued (using the effective interest method) and decreases to take account of payments made under the lease agreement.

The Company restates the value of the Lease Liabilities (and adjusts the value of the corresponding Right of Use) if:

- the lease term changes or there is a change in the valuation of the exercise of the option right; in this case, the lease liability is restated by discounting the new lease payments at the revised discount rate.
- the value of lease payments changes as a result of changes in indices or rates, in such cases the Lease Liability is restated by discounting the new lease payments at the initial discount rate (unless the payments due under the lease change as a result of fluctuations in interest rates, in which case a revised discount rate must be used).
- a lease has been amended and the amendment does not fall within the cases for separate lease recognition. In such cases, the lease liability is restated by discounting the new lease payments at the revised interest rate.

The Right of Use asset includes the initial calculation of the lease Liability, lease payments made prior to or on the effective date of the contract, plus any other initial direct costs. The Right of Use is recorded in the financial statements net of depreciation and any impairment losses. Lease-related incentives (e.g., free lease periods) are recognized as part of the initial value of the right of use and lease liability over the contract period.

The Right of Use is amortized/depreciated on a systematic basis to the lower of the lease term and the remaining useful life of the underlying asset. If the lease agreement transfers ownership of the related asset or the cost of the right of use reflects the Company's wish to exercise the purchase option, the related right of use is amortized over the useful life of the asset in question. The beginning of amortization starts from the effective date of the lease.

The Right of Use is included under "Tangible assets" in the consolidated statement of financial position.

The Company applies IAS 36 Impairment of Assets in order to identify the presence of any impairment losses.

In the statement of cash flows, the Company divides the total amount paid between principal (recognized in the cash flow from financing activities) and interest (recognized in the cash flow from operations).

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, controllable and capable of generating future economic benefits. These items are recorded at purchase and/or production cost, including directly attributable expenses for preparing the asset for use, net of accumulated amortization and any impairment losses.

Amortization begins from when the asset is available for use, in accordance with Management's intentions, and is systematically allocated in relation to the residual possibility of use of the asset, or on the basis of its estimated useful life.

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The costs of software licenses, including expenses incurred to make the software ready for use, are amortized on a straight-line basis over the relevant period of time (5 years), while the costs relating to the maintenance of software programs are charged to the Income Statement at the time they are incurred.

Below are the rates applied for each category:

Category	**Rates % Neodecortech**
Patents and use of intellectual property	20%
Other intangible fixed assets	20%

Intangible assets with finite useful life are also tested for impairment whenever there is an indication that the asset may be impaired. Reference should be made to the paragraph below "Impairment of property, plant and equipment, intangible assets and investments" for the criteria used to determine any write-downs.

Subsidiaries

Subsidiaries are those entities in which the company is exposed to variable returns, or holds rights to those returns, arising from its relationship with those entities and at the same time has the ability to affect those returns by exercising its power.

The company assesses entity control through the presence of three elements: power:

- current ability of the company, deriving from substantive rights, to direct the relevant activities of the businesses that significantly affect the entity's returns;
- the company's exposure to variability in the returns of the investee;
- correlation between power and returns, the company has the ability to exercise its power to affect the returns from such relationship.

Generally, control is assumed when the company owns, directly or indirectly, more than half of the voting rights in the ordinary shareholders' meeting, including any potential rights to vote resulting from convertible securities.

Investments in subsidiaries are measured at equity. Under this method, investments are initially recognized at cost, subsequently adjusted to reflect changes in the value of the Company's share of the associate's equity. The Company's share of the profits or losses of its subsidiaries is accounted for in a specific item in the income statement from the date on which control is exercised until the moment it ceases.

Investments are subject to impairment testing, where indicators of impairment have been identified. If there is evidence that these investments have suffered an impairment loss, the loss is recognized in the Income Statement as a write-down. Whenever an impairment loss is reduced or ceases to exist, the loss is reversed up to the carrying amount through profit and loss.

Cost of a business combination

Under IFRS 3, the cost of an acquisition is the acquisition-date fair value of the consideration transferred, plus the amount of any non-controlling interest held. For each business combination, any non-controlling interest in the acquiree must be measured at fair value or in proportion to the non-controlling interest's share of the acquiree's identifiable net assets.

IFRS 3 requires that acquisition-related costs be considered as expense in the periods in which such costs are incurred and the services are received.

Allocating the cost of a business combination

Goodwill is determined as the excess between, on the one hand:

- the sum of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value, at the acquisition date, of any interest in the acquiree previously held; and, on the other hand,
- the net fair value of the identifiable assets and liabilities at the date of acquisition.

If the difference is negative, it is recorded directly in the income statement. If the initial recognition of a business combination can only be determined provisionally, the adjustments to the amounts assigned are recorded within twelve months of the acquisition date (valuation period).

Impairment of property, plant and equipment, intangible assets and investments

At each balance sheet date, an assessment is made to ascertain whether there are any indications that tangible and intangible assets (including rights of use, the reduction in value of which is connected with the emergence of conditions for using the asset on the basis of an onerous contract pursuant to IAS 37) and investments may have suffered impairment. Both internal and external sources of information are considered for this purpose. With regard to the former (internal sources), the following are considered: obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the economic performance of the asset and the investment compared to estimated performance. With regard to external sources, the following are considered: trends in the market prices of assets, any technological, market or regulatory discontinuities, trends in market interest rates or the cost of capital used to value investments.

If such indicators are identified, the recoverable amount of said assets is estimated (impairment test), posting any write-down against the related carrying amount to the Income Statement. The recoverable value of an asset is represented by the greater of its fair value, less ancillary costs to sell, and its value in use, i.e. the current value of the future cash flows estimated for this asset. In determining the value in use, the expected future cash flows are discounted using a discount rate that reflects current market assessments of the time value of money, in relation to the period of the investment and the risks specific to the asset. For an asset that does not generate cash flows that are largely independent, the recoverable amount is determined in relation to the cash generating unit (CGU) to which such asset belongs.

An impairment loss is recognized in the Income Statement if the carrying amount of the asset, or of its cash generating unit, is higher than its recoverable value. Impairment losses of the cash generating unit are recognized as a reduction in assets, in proportion to their book value and within the limits of the relating recoverable value, including rights of use. If the conditions for a previous write-down no longer apply, the carrying amount of the asset is reinstated with an entry in profit and loss, up to the net carrying amount that the asset in question would have had if the write-down had not been made and, for tangible and intangible assets, the related amortization/depreciation had been carried out.

Financial assets

All financial assets are initially recognized, at the trading date, at cost, which corresponds to the fair value increased by the expense directly attributable to the purchase, with the exception of financial assets held for trading (fair value in the income statement).

All financial assets must be subsequently recognized at amortized cost or fair value based on the entity's business model for managing financial assets and the characteristics related to the contractual cash flows of the financial asset. Specifically:

- Debt instruments held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows, and which have cash flows represented solely by principal payments and interest on the amount of principal to be repaid, are subsequently measured at amortized cost;
- Debt instruments held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and which have cash flows represented solely by principal payments

and interest on the amount of principal to be repaid, are subsequently measured at fair value with changes recognized in other comprehensive income (FVTOCI);

- All other debt instruments and investments in equity instruments are subsequently measured at fair value, with changes recognized in net profit (loss) for the year (FVTPL).

When an investment in a debt instrument measured as FVTOCI is derecognized, the cumulative gain (loss) previously recognized in other comprehensive income is reclassified from equity to net profit (loss) through a reclassification adjustment. Conversely, when an investment in an equity instrument designated as FVTOCI rated is derecognized, the cumulative gain (loss) previously recognized in other comprehensive income is subsequently transferred to retained earnings without passing through the income statement. Dividends received from investments in equity instruments are recognized in the income statement.

Debt instruments subsequently measured at amortized cost or FVTOCI are subject to financial asset impairment. With regard to the impairment of financial assets, the Company has applied a model based on expected losses on receivables, with reference to trade receivables. Specifically, the Company measures the loss allowance on a financial asset at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial asset has significantly increased since initial recognition, or if the financial instrument is an impaired financial asset that has been purchased or originated. However, if the credit risk of a financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance for the financial instrument in an amount equal to the expected credit losses from a default event in the following 12 months (12-month expected credit losses).

The Company adopts the simplified method for measuring the loss allowance for trade receivables by estimating the expected losses over the life of the receivable, also using a procedure that also requires a customer-by-customer analysis of past due doubtful debts.

The Company derecognizes all or a portion of its financial assets when:

- the contractual rights attributable to these assets have expired;
- transfers the risks and rewards of ownership of the asset or does not transfer or even retain substantially all the risks and rewards, but transfers control of these assets;
- receivables transferred as a result of factoring transactions are eliminated from the statement of financial position only if they are transferred without recourse, and if substantially all the risks inherent in the receivable are transferred.

Receivables assigned with recourse, or in any case without the transfer of all risks, remain recorded in the financial statements and a financial liability of equal amount is recorded under liabilities against the advance received.

Inventory

The purchase cost includes the costs incurred to bring each asset to the storage location and takes account of write-downs related to obsolescence and slow turnover of inventory.

The production cost of finished and semi-finished goods includes the cost of raw materials, direct labour and a portion of general production costs, calculated on the basis of normal plant operations, while financial costs are excluded.

For raw and ancillary materials and consumables, the net realizable value is represented by the replacement cost. For finished and semi-finished goods, the net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale.

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Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits on demand, and other treasury investments with original expected maturities of three months or less. Overdrafts are considered a means of financing and not a component of cash and cash equivalents. The definition of cash and cash equivalents in the statement of cash flows corresponds to the definition in the statement of financial position.

Treasury shares

Repurchased treasury shares are recorded at cost and deducted from equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement. The difference between the purchase price and the consideration, in the event of re-issue, is recognized in the share premium reserve.

Provisions for risks and charges

Allocations to provisions for risks and charges are made when the Company must meet a current obligation (legal or implicit) deriving from a past event, the amount of which can be reliably determined, and the fulfilment of which will likely result in the use of resources. Allocations are made on the basis of the best estimate, on the basis of the costs required to fulfil the obligation at the balance sheet date, and are discounted when the effect is significant. In this case, the discounting is determined at a pre-tax discount rate that reflects the current market valuation of the cost of money in relation to time. The discounting effect is recorded under financial expense.

Employee benefits

As of 1 January 2007, companies with over 50 employees at the date of introduction of the reform are required to pay the new severance indemnity flows into pension funds chosen by the worker or, where the worker has opted to keep the flows within the company, into a treasury account set up with INPS. For the Company, the employee severance indemnity accrued up to 31 December 2006 continues to fall under "defined benefit plans", while the indemnity accrued after such date is treated, for all workers, as a "defined contribution plan", since all the company's obligations are discharged with the periodic payment of a contribution to third parties. An exception is made for the portions accrued by workers who have opted to keep the severance indemnity within the company, which are classified as a defined benefit plan.

Defined contribution plans

Defined contribution plans are formalized post-employment benefit programs under which the Company pays fixed contributions to an insurance company or pension fund and will not have a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

These contributions, paid in exchange for employee service, are recorded as an expense in the period incurred.

Defined benefit plans

Defined benefit plans are formalized post-employment benefit programs that constitute a future obligation for the Company. The entity is, in substance, underwriting the actuarial and investment risks associated with the plan. Under IAS 19, the Company uses the Projected Unit Credit Method to determine the present value of obligations and the related current service cost.

This actuarial calculation requires the use of objective and compatible actuarial assumptions about demographic (mortality rate, employee turnover rate) and financial (discount rate, future increases in salary levels and medical benefits) variables.

Actuarial gains and losses related to post-employment defined benefit plans may result from both changes in the actuarial assumptions used for the calculation between two consecutive years and changes in the value of the obligation relating to the actuarial assumptions made at the beginning of the year. Actuarial gains and losses are recognized and charged immediately to other comprehensive income.

Net interest expense on defined benefit plans is recognized in financial income/(expense) in the income statement.

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Share-based payments (Stock Grants)

A number of Company employees receive part of the remuneration as share-based payments, therefore these employees provide services in exchange for shares ("equity settled transactions").

This cost, together with the corresponding increase in equity, is recorded under personnel expense over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are met. The cumulative costs recorded for such transactions at the end of each financial year up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest. Cost or revenue in profit or loss represents the change in cumulative cost recognized at the beginning and end of the period.

Service or performance conditions are not taken into account when defining the fair value of the plan at the granting date. However, the probability of these conditions being met is taken into account when defining the best estimate of the number of equity instruments that will accrue. Market conditions are reflected in the fair value at grant date. Any other conditions attached to the plan that do not involve a service obligation are not considered to be a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan, unless there are also service or performance conditions.

The total amount of the fair value of stock grants granted to employees of subsidiaries at the grant date must also be recognized in the Statement of Financial Position, as an increase in investments in subsidiaries, with a balancing entry in a specific item of equity.

Loans

Loans are initially recognized at the fair value of the amount disbursed/received net of ancillary expense directly attributable to the financial asset/liability. After initial recognition, loans are measured at amortized cost using the effective interest method.

Trade and other payables

Trade and other payables are initially recorded at the fair value of the initial consideration received in exchange and subsequently measured at amortized cost.

Revenue recognition

Revenue is measured taking account of the consideration specified in the contract with the customer. The Company recognizes revenue when it transfers control of goods or services.

Revenue recognition is performed by applying a five-step model as outlined below:

- Identification of the contract with the customer;
- Identification of "performance obligations" under the contract;
- Determination of transaction consideration;
- Allocation of consideration to individual "performance obligations";
- Recognition of revenue at the point in time (or over a period of time) of satisfaction of the individual "performance obligation".

Revenue is recognized when the economic benefits associated with the sale of goods or the provision of services will flow to the Company and the amount can be reliably determined. Revenue is recorded at fair value, equal to the consideration received or receivable, taking account of the value of any trade discounts granted and volume rebates.

With regard to the sale of goods, revenue is recognized when the company has transferred the significant risks and benefits associated with the ownership of the goods to the purchaser. Contracts with customers generally include a single performance obligation. A performance obligation is satisfied upon delivery of the asset.

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Costs

Costs are recorded on an accruals basis and in accordance with the relevance principle.

Financial expense and income

Interest income/expense is recognized as financial income/expense following its assessment on an accruals basis and using the effective interest rate method.

Dividends

Dividends are recognized when the shareholders' right to receive payment arises, in accordance with current legislation, and are classified under "Financial income" and reversed as part of the entries to adjust Investments to the equity method.

Income tax

Current tax is calculated on the basis of taxable income for the year, applying the tax rates in force at the reporting date. Deferred tax is calculated on all differences arising between the tax base of an asset or liability and the relating carrying amount.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which they can be recovered. Deferred tax is determined using the tax rates that are expected to apply in the periods in which the differences are realized or settled. The recoverability of deferred tax assets is reviewed at each end of the period. Deferred tax assets not recognized in the financial statements are re-analyzed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Current and deferred tax is recorded in the Income Statement, with the exception of tax relating to items directly debited or credited to equity, in which case the tax effect is recognized directly in equity and in the Consolidated Statement of Comprehensive Income. Tax is offset when levied by the same taxing authority and when there is a legal right to offset it and a settlement of the net balance is expected.

Neodecortech S.p.A. participates as a subsidiary in the national tax consolidation scheme of the Valentini Group, together with the subsidiaries Cartiere di Guarcino S.p.A., Bio Energia Guarcino S.r.l., Industrie Valentini S.p.A., and Valinvest S.r.l.. In this context, pursuant to Articles 117 et seq. of Presidential Decree 917/86, IRES is determined at the level of Finanziaria Valentini S.p.A. by offsetting the positive and negative taxable amounts of the above companies.

Income-related transactions, responsibilities and mutual obligations among the companies are set out in the regulations for participation in the tax consolidation scheme of the Valentini Group.

Derivative financial instruments

Derivatives, including embedded derivatives that are separated from the main contract, are initially recognized at fair value.

Derivatives are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the hedge effectiveness, regularly verified, is high.

When hedging derivatives hedge the risk of change in the fair value of the hedged instruments, they are recorded at fair value and the effects are posted to the income statement; accordingly, the hedged instruments are adjusted to reflect the changes in fair value associated with the risk hedged.

When derivatives hedge the risk of fluctuations in the cash flows of the hedged instruments (cash flow hedge), the hedges are designated against the exposure to variability in cash flows attributable to risks that may subsequently affect the Income Statement; these risks are generally associated with an asset or liability recognized on the balance sheet (such as future payments on debts at variable rates). The effective portion of the change in the fair value of the portion of derivative contracts that have been designated as hedges under IFRS 9 is recognized as a component of the Comprehensive Income Statement (hedging reserve); this reserve is then charged to profit or loss in the period in which the hedged transaction affects the Income Statement. The ineffective portion of the change in fair value, as well as the entire change in fair value of the derivatives that have not been designated as hedging instruments or do not meet the requirements of IFRS 9, is booked directly to the income statement.

When derivative instruments do not meet the requirements to be classified as hedges, gains and losses from fair value fluctuations are recognized in the income statement for the period.

Transactions denominated in currencies other than the functional currency

Transactions denominated in currencies other than the functional currency are initially translated into the functional currency using the exchange rate on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in non-functional currencies are translated into the functional currency at the exchange rate in effect at the reporting date. The resulting exchange rate differences are recorded in the Income Statement.

Non-monetary assets and liabilities denominated in non-functional currencies and measured at cost are translated at the exchange rate on the date of the transaction, while those measured at fair value are translated at the exchange rate on the date such value is determined.

Earnings/(loss) per share

Earnings per share are calculated by dividing the Company's net profit or loss by the weighted average number of shares outstanding during the relevant period, excluding treasury shares. Diluted earnings are calculated by dividing the Company's profit or loss adjusted to take account of any effects, net of tax for the year, of any rights with diluted effects by the weighted average number of shares outstanding during the relevant period, excluding treasury shares and equivalent securities (options) with dilutive effect.

Non-current assets held for sale and discontinued operations

Assets and liabilities held for sale and discontinued operations are classified as such if their carrying amount will be recovered primarily through sale rather than through continued use; these assets must represent a major independent line of business or geographical area of operation. These conditions are considered fulfilled when the sale is considered highly probable and the assets and liabilities are immediately available for sale in their present condition.

Operations held for sale are measured at the lower of net carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale no longer need to be depreciated or amortized.

In the consolidated statement of income, the net result from discontinued operations, together with the gain or loss from the measurement at fair value less costs to sell and the net realized gain or loss from the sale of assets, is grouped in a single line item separately from the result from continuing operations.
Cash flows relating to discontinued operations are reported separately in the statement of cash flows.
The above information is also presented for the comparative period.

Management of financial risks

The Board of Directors of Neodecortech S.p.A. adopts a consistent policy with a view to reducing the financial risks the Neodecortech Group is exposed to in the course of business.

As the Company's activities are industrial, the use of instruments is limited to transactions to hedge the risks connected with its operations, thus excluding speculative policies or policies that pursue purely financial profit objectives.

The financial instruments applicable to the sector are only those that allow for the funding and use of the financial means required to carry out operations. Therefore, the amounts, terms and maturities of the financial instruments must be appropriate to the operations they are linked to.

Liquidity risk

In connection to its debt position, the Company is exposed to liquidity risk, namely the risk of being unable to raise the funds required to service and repay existing loans.

In order to minimize this risk, the Treasury and Credit area puts these activities in place:

- ongoing assessment of forecast financial requirements in order to put in place the necessary actions in a timely manner;
- negotiation of appropriate credit facilities;
- the correct composition of net financial debt, i.e. to finance capital expenditure using medium/long-term debt (in addition to equity), while covering net working capital requirements using short-term lines of credit;
- inclusion of Group companies in loan agreements in order to optimize any excess liquidity among companies.

In this regard, it should be noted that in 2020 and after the end of the period, the Group - taking advantage of the emergency decrees issued by the Government to support corporate liquidity following the COVID-19 pandemic - took out loans on the bank credit market in order to counter the market complexities resulting from the pandemic with a more adequate financial structure. Reference should be made to the Directors' Report on Operations and to Note 25 "Non-current financial liabilities" and "Current financial liabilities" for further details of the loans taken out.

Credit risk

The Company is subject to credit risk relating to the sales of products in its core markets. The policies set out the criteria for establishing customer creditworthiness, credit facilities and related risk containment measures. The policies also envisage the assignment of responsibilities for approving any breaches of such limits and for preparing management reports.

The review of overdue receivables provides the following analysis by due date (not including allocations for invoices to issue and credit notes to issue):

Trade receivables	Overall total	Total falling due	Total past due	Past due 0 - 30	Past due 31 - 60	Past due 61 - 90	Past due 91 - 120	Past due over 120
31 DECEMBER 2020	7.815	7.016	800	315	102	(3)	0	386

Trade receivables	Overall total	Total falling due	Total past due	Past due 0 - 30	Past due 31 - 60	Past due 61 - 90	Past due 91 - 120	Past due over 120
31 DECEMBER 2019	8.001	7.163	837	649	(6)	7	(55)	244

As the Company's exposure to customers is represented mainly by receivables from companies in the furniture and flooring sector, it is reasonable to estimate that there are no noteworthy solvency risks. Special cases are systematically reviewed and, where deemed necessary, a specific provision for impairment is made.

The general risk associated with overall exposure to customers is assessed on a statistical basis, by reviewing the historical series of insolvencies and realized losses per year, to which average percentages of probable uncollectability are associated, in connection to the age of the receivable.

Changes in the provision for doubtful accounts at 31 December 2020 are shown below:

	Provision for doubtful accounts				
(Euro thousands)					
	31 DECEMBER 2019	Alloc.	Utilization	Release	31 DECEMBER 2020
Changes in Provision for Doubtful Accounts	167	130	(65)	0	232
Total provision for doubtful accounts	**167**	**130**	**(65)**	**0**	**232**

Actions aimed at limiting risk include the continued controls made in the year to assess and analyze the higher risk situations on a monthly basis, and the implementation of credit insurance policies in the manner deemed appropriate.

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Exchange rate risk

By focusing its sales on the Italian and European markets of the Euro zone, the Company is exposed in a marginal way to the risk of fluctuations in exchange rates, considering additionally that transactions in foreign currency to purchase raw materials are equally limited.

Interest rate risk

The risk is represented by the likelihood that the value or future cash-flows of a financial instrument - in particular, current account overdrafts, bank advances and loans - may vary parallel to changes in interest rates.

To mitigate the above risk, the Company entered into two Interest Rate Swap contracts relating to the outstanding mortgage loan with BPM, with a notional value of € 8,887 thousand and a negative fair value of € 395 thousand at 31 December 2020 (negative € 386 thousand at 31 December 2019). At 31 December 2020, total medium/long-term loans taken out by the Company amounted to € 14,751 thousand, 40% of which at floating rate and not covered by derivatives.

Fair value hierarchy and classes of financial instruments

In order to determine and document the fair value of financial instruments, use was made of the following hierarchy based on different valuation techniques:

- Level 1: the data used in the measurements are represented by quoted prices on markets where assets and liabilities identical to those being measured are traded;
- Level 2: the data used in the measurements, other than the quoted prices referred to in Level 1, are observable for the financial asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: non-observable data; if observable data are unavailable and, therefore, there is a modest or non-existent market activity for the assets and liabilities being measured.

It should be noted that in choosing the measurement techniques to use, the Group has followed the following hierarchy:

- use of prices recorded in markets (even if not active) of identical (Recent Transactions) or similar instruments (Comparable Approach);
- measurement techniques based primarily on observable market inputs;
- measurement techniques based primarily on unobservable inputs corroborated by market data.

At 31 December 2020, the Company measured the fair value of derivative financial instruments using inputs that resulted in the financial instruments being categorized in Level 2 of the fair value hierarchy. No movements were reported during the period in the different levels of fair value.

With regard to the classes of financial instruments, at 31 December 2020 - as at 31 December 2019 - the derivatives indicated above represent the only category of financial instruments measured at fair value. Other financial assets and liabilities are measured using the amortized cost method.

Information relating to the fair value of derivative financial instruments

The following information is provided on the fair value of derivative financial instruments in place at 31 December 2020:

- Interest Rate Swap - Contract hedging the risk of interest rate fluctuations - Notional value at 31 December 2020 € 8,886,610 - Fair value at 31 December 2020 € -395,894 (€ -386,075 at 31 December 2019);

In 2020, two loan agreements were also concluded for a total of € 5,000 thousand, underlying which there are embedded derivatives (floor at zero on Euribor rate), with a negative fair value of € 82 thousand at 31 December 2020.

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Income statement

1. REVENUE FROM SALES AND SERVICES

	Revenue from sales and services					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Revenue from sales	47.653	86,4	48.698	86,3	(1.045)	(2,1)
Services	7.523	13,6	7.756	13,7	(233)	(3,0)
Total revenue from sales and services	**55.176**	**100,0**	**56.454**	**100,0**	**(1.278)**	**(2,3)**

In order to provide adequate disclosure of the nature and characteristics of revenue, reference should be made to the comments appearing in the Directors' Report on Operations.

It should be noted that service revenue refers mainly to impregnation under contract work.

The breakdown of revenue by geographical area is as follows:

(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Italy	23.428	42,5%	25.234	44,8%	(1.806)	(7,2%)
Europe	28.290	51,3%	26.384	46,8%	1.906	7,2%
Asia	899	1,6%	1.150	2,0%	(251)	(21,8%)
Middle East	792	1,4%	1.263	2,2%	(471)	(37,3%)
America	525	1,0%	795	1,4%	(270)	(34,0%)
Africa	1.242	2,3%	1.538	2,7%	(296)	(19,2%)
Total	**55.176**	**100,0%**	**56.364**	**100,0%**	**(1.188)**	**(2,1%)**

The slight decrease witnessed across almost all geographies is attributable to the COVID-19 effect.

2. CHANGES IN SEMI-FINISHED AND FINISHED PRODUCTS

With regard to changes in inventory, which closes with a negative € 403 thousand at 31 December 2020 (versus a positive change of € 484 thousand at 31 December 2019), efforts continue on increasing efficiency in terms of its reduction.

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3. OTHER REVENUE AND INCOME

(Euro thousands)	Other revenue and income 31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Contingent assets	311	21,2	287	22,3	24	8,4
Sale of raw materials and packaging	21	1,4	36	2,8	(15,0)	(41,7)
Exchange rate gains	1	0,1	1	0,1	0	0,0
Gains	41	2,8	239	18,5	(198)	(82,8)
Insurance reimbursements	21	1,4	2	0,2	19	950,0
Other revenue	1.071	73,1	724	56,2	347	47,9
Total other revenue and income	**1.466**	**100,0**	**1.289**	**100,0**	**177**	**13,7**

The change in "other revenue" of € 347 thousand is due mainly to the release of 40% of the amount accrued to the Stock Grant reserve for € 548 thousand, following failure to reach the listing target by March 2020.

4. RAW AND ANCILLARY MATERIALS AND CONSUMABLES

(Euro thousands)	Raw and ancillary materials and consumables 31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Raw and ancillary materials and consumables	30.108	98,0	30.504	96,5	(396)	(1,3)
Packaging materials	601	2,0	1.119	3,5	(518)	(46,3)
Total raw materials	**30.709**	**100,0**	**31.623**	**100,0**	**(914)**	**(2,9)**

With regard to the increase in "Raw and ancillary materials and consumables" for € 396 thousand, reference should be made to the Directors' Report on Operations.

5. OTHER OPERATING EXPENSE

(Euro thousands)	Other operating expense 31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
External processing	54	0,5	30	0,3	24	80,0
Consultancy	2.322	23,0	2.021	19,6	301	14,9
Advertising and marketing	68	0,7	403	3,9	(335)	(83,1)
Bonuses and commissions	476	4,7	523	5,1	(47)	(9,0)
Transport	1.051	10,4	1.172	11,4	(121)	(10,3)
Utilities	1.930	19,1	2.278	22,1	(348)	(15,3)
Fees to Directors and Board of Statutory Auditors	748	7,4	382	3,7	366	95,8
Insurance	502	5,0	450	4,4	52	11,6
Bank commissions	112	1,1	131	1,3	(19)	(14,5)
Travel expense	41	0,4	93	0,9	(52)	(55,9)
Sundry industrial services	1.713	17,0	1.435	13,9	278	19,4
Other services	476	4,7	665	6,5	(189)	(28,4)
Rental expense	4	0,0	28	0,3	(24)	(85,7)
Rentals and other	33	0,3	161	1,6	(128)	(79,5)
Tax and duties	150	1,5	153	1,5	(3)	(2,0)
Gifts	3	0,0	6	0,1	(3)	(50,0)
Contingent liabilities	393	3,9	351	3,4	42	12,0
Exchange rate losses	4	0,0	1	0,0	3	300,0
Capital losses	15	0,1	0	0,0	15	0,0
Other operating expense	4	0,0	12	0,1	(8)	(66,7)
Total Other Operating Expense	**10.099**	**100,0**	**10.293**	**100,0**	**(195)**	**(1,9)**

It should be noted that for comparative purposes, the allocation to the provision for doubtful accounts (€ 57 thousand at 31 December 2019) was reclassified for 2019 from Other Operating Expense to Allocations.

The change in "Other operating expense" of € 195 thousand is due mainly to the following:

- Increase in "consultancy" costs of € 301 thousand attributable to the fees incurred for the MTA listing (€ 904 thousand versus € 443 thousand in 2019) in May 2020, and, accordingly, increase in "Directors' and Statutory Auditors' fees" for € 366 thousand;
- Decrease in "advertising and marketing" costs of € 335 thousand due to non attendance of events, exhibitions and fairs due to the COVID-19 pandemic;
- Decrease in costs for "utilities" of € 348 thousand, due to the lower cost of electricity resulting from the production stoppages attributable to the COVID-19 pandemic explained in the Directors' Report on Operations;
- Increase in the cost of "sundry industrial services" of € 278 thousand, due primarily to increased waste disposal and maintenance costs from the start-up of new production lines.

Other services also include € 47 thousand in health and safety costs incurred in 2020 related to the COVID-19 emergency.

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6. PERSONNEL EXPENSE

(Euro thousands)	Personnel expense					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Wages and salaries	7.267	68,9	7.454	68,5	(187)	(2,5)
Social security charges	2.437	23,1	2.524	23,2	(87)	(3,4)
Post-employment benefits	539	5,1	417	3,8	122	29,3
Other personnel expense	300	2,8	480	4,4	(180)	(37,5)
Total personnel expense	**10.543**	**100,0**	**10.875**	**100,0**	**(332)**	**(3,1)**

The reduction in the personnel expense is attributable to the COVID-19 pandemic, which led to the production stoppages commented on in the Directors' Report on Operations, to which reference should be made. Specifically, the Group resorted to the CIGO and the use of prior years' holidays.

With regard to other personnel expense, at 31 December 2019 these referred to costs related to the Stock Grant plan for € 446 thousand, while at 31 December 2020 the item referred mainly to the provision of a one-off welfare fund intended for employees, excluding executives, for a total of € 272 thousand.

7. AMORTIZATION AND DEPRECIATION

(Euro thousands)	Amortization, depreciation					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Other intangible assets	239	7,7	229	8,2	10	4,4
Buildings	428	13,8	401	14,3	27	6,7
Work on third party assets	6	0,2	16	0,6	(10)	(62,5)
Plant and equipment	1.038	33,4	818	29,2	220	26,9
Equipment	1.141	36,7	1.090	38,9	51	4,7
Other	256	8,2	245	8,8	11	4,5
Total amortization and depreciation	**3.108**	**100,0**	**2.799**	**100,0**	**309**	**11,0**

Amortization and depreciation at 31 December 2020 increased by € 309 thousand versus 2019, following capital expenditure of € 4,114 thousand made in 2020 and the transfer of € 3,378 thousand from fixed assets under construction in 2019 (reference is made to the Statement of Financial Position).

8. ALLOCATIONS

(Euro thousands)	Allocations					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Provision for supplementary agents' indemnity	118	47,6	0	0,0	118	0,0
Provision for doubtful accounts	130	52,4	57	100,0	73	128,1
Total Allocations	**248**	**100,0**	**57**	**100,0**	**191**	**335,1**

It should be noted that for comparative purposes, the allocation to the provision for doubtful accounts (€ 57 thousand at 31 December 2019) was reclassified for 2019 from Other Operating Expense to Allocations.

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The item, amounting to € 248 thousand, includes € 130 thousand for the risk of uncollectable trade receivables under IFRS 9, and € 118 thousand for the provision for supplementary agents' indemnity. With regard to provisions for risks and charges, at 31 December 2020, there are no certain or probable risks of loss requiring any allocations.

For the sake of greater comparability, the provision for doubtful accounts at 31 December 2020 was reclassified from "other operating expense" to "allocations".

9. FINANCIAL EXPENSE

	Financial expense					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Interest payable on C/A	9	1,7	11	2,0	(2)	(18,2)
Interest M/L Term Loans	238	45,7	253	46,9	(15)	(5,9)
Interest short-term loans	10	1,9	0	0,0	10	0
Interest from factoring	15	2,9	12	2,2	3	25,0
Interest from application of IAS/IFRS	134	25,7	148	27,4	(14)	(9,5)
Interest MICA loan	114	21,9	113	20,9	1	0,9
Other interest expense	1	0,2	1	0,2	0	0,0
Total interest expense	**521**	**100,0**	**538**	**99,6**	**(17)**	**(3,2)**
Other expense	0	0,0	2	0,4	(2)	(100,0)
Total financial expense	**521**	**100,0**	**540**	**100,0**	**(19)**	**(3,5)**

Thanks to the financial saving measures adopted, 2020 was marked by improved debt conditions; despite the increased level of debt in fact, the cost of financial expense was in line with the prior year (reference should be made to the Statement of Financial Position under "current and non-current financial liabilities").

10. FINANCIAL INCOME

	Financial income					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Income (expense) from investments	2.105	77,3	1.814	74,0	291,0	16,0
Interest income	610	22,4	637	26,0	(27,0)	(4,2)
Other income	7	0,3	0	0,0	7,0	0,0
Total financial income	**2.722**	**100,0**	**2.451**	**100,0**	**271**	**11,1**

The change in financial income is due primarily to the adjustment of the value of the investment in Cartiere di Guarcino S.p.A. to the equity method.

Interest income of € 610 thousand (€ 637 thousand at 31 December 2019) mainly comprises € 523 thousand (€ 571 thousand at 31 December 2019) of interest paid by subsidiaries to the Parent Company for loans it granted to them.

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11. INCOME TAX

(Euro thousands)	31 DECEMBER 2020		31 DECEMBER 2019	
Profit (loss) before tax	3.733		4.490	
Net IRES taxable amount	2.084		2.401	
Net IRAP taxable amount	3.500		4.525	
IRES for the year	500	13,4%	576	12,8%
Income from tax consolidation	(250)	(6,7%)	(288)	(6,4%)
IRES net of income from tax consolidation	**250**	**6,7%**	**288**	**6,4%**
IRAP for the year	141		182	
Deferred tax assets	(148)		72	
Deferred tax	(13)		(13)	
Income tax relating to prior years and benefits	(52)		0	
Income tax	**177**		**529**	

Income tax for the period under review is accounted for in accordance with current tax laws on the basis of the best estimate of the effective tax rate expected for the entire year, applied to income before tax for the six-month period.

Income from tax consolidation - as well as the resulting receivables and payables - refer to the National and World Tax Consolidation agreement concluded by the group companies with the parent company Finanziaria Valentini S.p.A..

As for the percentage of IRES and IRAP tax, the decrease is attributable to the reduction in the taxable base recorded during the year. The lower IRAP is due also to the cancellation of the first advance payment. The change in deferred taxation is associated with temporary changes in the tax burden attributable to asset valuation reserves and Directors' fees.

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Assets

12. INTANGIBLE ASSETS

	Intangible fixed assets						
(Euro thousands)							
	Balance at 31.12.2019	Acquisitions	Disposals	Amortization	Write-back/Write-	Other changes	Balance at 31.12.2020
Other intangible fixed assets	586	158	0	(239)	0	111	616
Fixed assets under construction and advances	85	47	0	0	0	(111)	21
Total intangible fixed assets	**671**	**205**	**0**	**(239)**	**0**	**0**	**637**

Intangible assets include the capitalization deriving from the change of the AS400 management system, with regard to the updating of the accounting system in use. For assets under construction, on the other hand, the increase is attributable to the purchase of software for machinery related to the new production lines.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at 31 December 2020 amounted to € 29,408 thousand versus € 28,213 thousand at 31 December 2019. The breakdown and changes versus the prior year are shown below

Mention should be made that the table also shows the rights of use arising from existing lease contracts under IFRS 16.

	Property, plant and equipment					
(Euro thousands)						
	Historical cost 31.12.2019*	Depreciation provision 31.12.2019	NBV at 31.12.2019	Historical cost 31.12.2020	Depreciation provision 31.12.2020	NBV at 31.12.2020
Land	3.680	0	3.680	3.680	0	3.680
Buildings	15.452	(3.557)	11.895	15.557	(3.980)	11.577
Work on third party assets	100	(88)	12	112	(93)	18
Plant and equipment	46.209	(37.359)	8.850	48.847	(38.192)	10.655
Equipment	19.535	(16.659)	2.876	19.814	(17.229)	2.584
Other	3.998	(3.098)	900	4.188	(3.296)	893
Total tangible fixed assets	**88.974**	**(60.761)**	**28.213**	**92.197**	**(62.789)**	**29.408**

(*) amount including write-back of € 9,980 thousand

Below is a breakdown of assets under construction by category.

	PPE under construction and advances			
(Euro thousands)	Amount at 31.12.2020	Amount at 31.12.2019	Chg.	% change
Buildings	6	88	(82)	(93,2)
Plant and equipment	334	3.329	(2.995)	(90,0)
Equipment	42	24	18	75,0
Other	10	0	10	0,0
Total tangible fixed assets under construction and advances	**392**	**3.441**	**(3.049)**	**(88,6)**

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Changes in assets and the related provision are shown below, including both assets under construction allocated to the pertaining categories and rights of use.

	Property, plant and equipment					
(Euro thousands)						
	Historical cost 31.12.2019	Write-back/write-down (prior years)	Acquisitions	Disposals	Other	Historical cost 31.12.2020
Land	3.680	0	0	0	0	3.680
Buildings	5.504	9.948	113	(8)	0	15.557
Work on third party assets	100	0	12	0	0	112
Plant and equipment	46.178	31	2.955	(221)	(96)	48.847
Equipment	19.535	0	768	(583)	94	19.814
Other	3.997	1	266	(72)	(4)	4.188
Total Historical Cost	**78.994**	**9.980**	**4.114**	**(884)**	**(7)**	**92.197**

(Euro thousands)	Depreciation provision 31.12.2019	Write-back/write-down (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 31.12.2020
Land	0	0	0	0	0	0
Buildings	(3.557)	0	(428)	6	0	(3.980)
Work on third party assets	(88)	0	(6)	0	0	(93)
Plant and equipment	(37.359)	0	(1.038)	206	0	(38.192)
Equipment	(16.659)	0	(1.141)	571	0	(17.229)
Other	(3.098)	0	(256)	58	0	(3.296)
Total accumulated depreciation	**(60.761)**	**0**	**(2.869)**	**841**	**0**	**(62.789)**

Acquisitions for € 4,114 thousand refer mainly to machinery for new types of products such as EOS and PPLF, as well as for the "142 cm laminate". All plants are continuing their 4.0 process management actions to further strengthen the production process, with active control of critical variables and plant upgrading.

Below are details of the allocation of the rights of use within the classes of tangible fixed assets.

	Rights of Use		
(Euro thousands)			
	Historical cost 31.12.2020	Depreciation provision	NBV at 31.12.2020
Buildings	546	(212)	334
Other	30	(20)	9
Total Rights of Use	**576**	**(232)**	**344**

The movements are shown below.

	Rights of Use					
(Euro thousands)						
	Historical cost 31.12.2019	Write-back/write-down (prior years)	Acquisitions	Disposals	Other changes	Historical cost 31.12.2020
Buildings	481	0	73	(8)	0	546
Other	30	0	0	0	0	30
Total Rights of Use	**511**	0	**73**	**(8)**	0	**576**

(Euro thousands)	Depreciation provision 31.12.2019	Write-back/write-down (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 31.12.2020
Buildings	(96)	0	(122)	6	0	(212)
Other	(10)	0	(10)	0	0	(20)
Total provision for depreciation of rights of use	**(106)**	0	**(132)**	**6**	0	**(232)**

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Below are details of the properties and tangible assets on which mortgages are held:

- in favour of Banco BPM S.p.A., a mortgage of € 24,000 thousand on the loan taken out on 26 May 2017; a mortgage on the industrial property complex owned by the Issuer located in Filago (BG), Via Provinciale 2.
- in favour of Banco BPM S.p.A. (formerly Banco Popolare Società Cooperativa), a mortgage of € 2,400 thousand on the loan taken out on 22 October 2015 and assumed on 1 September 2018 following the acquisition of the industrial business unit from "Corbetta Fia S.r.l."; a mortgage on the industrial property complex owned by Valinvest S.p.A. located in Atri (TE), Casoli, Contrada Stracca - at the date of preparation of these financial statements, the loan was closed and the mortgage is being cancelled.

14. INVESTMENTS

At 31 December 2020, the investment in the subsidiary Cartiere di Guarcino S.p.A. stood at € 25,719 thousand, down by € 686 thousand, attributable to termination of the Stock Grant plan (for further information, reference should be made to "equity") and up by € 2,105 thousand following a write-back.

15. OTHER NON-CURRENT ASSETS

At 31 December 2020, other non-current assets amounted to € 8 thousand (€ 9 thousand at 31 December 2019), consisting of security deposits.

16. CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

	CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
From the subsidiary Cartiere di Guarcino S.p.A.	15.462	81,5	16.151	75,6	(689)	(4,3)
From Andreotti S.r.l.	1.280	6,8	1.249	5,8	31	2,5
From the related party Valinvest S.r.l.	96	0,5	160	0,7	(64)	(40,0)
Total non-current financial receivables	**16.838**	**88,8**	**17.560**	**82,2**	**(722)**	**(4,1)**
From the subsidiary Cartiere di Guarcino S.p.A.	2.060	10,9	1.720	8,1	340	19,8
From the subsidiary Bio Energia di Guarcino S.r.l.	0	0,0	2.009	9,4	(2.009)	(100,0)
From the related party Valinvest S.r.l.	64	0,3	63	0,3	1	1,6
From others	0	0,0	2	0,0	(2)	(100,0)
Total current financial receivables	**2.124**	**11,2**	**3.795**	**17,8**	**(1.671)**	**(44,0)**
Total current and non-current financial receivables	**18.962**	**100,0**	**21.355**	**100,0**	**(2.393)**	**(11,2)**

“Non-current financial receivables" at 31 December 2020, amounting to € 1,280 thousand, include the interest-bearing financial receivable from former Andreotti S.p.A. (€ 1,249 thousand at 31 December 2019), including principal and interest accrued (for further details, reference should be made to the section on "current and non-current financial liabilities").

Additionally, financial receivables include the financial receivables claimed by the Parent Company from its subsidiaries; specifically, a loan of € 17,522 thousand at 31 December 2020 granted to the subsidiary Cartiere di Guarcino S.p.A. and divided into current and non-current portions. The Company claims a financial receivable from the related party Valinvest S.r.l. of € 160 thousand (€ 222 thousand at 31 December 2019).

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17. DEFERRED TAX ASSETS AND LIABILITIES

(Euro thousands)	31 DECEMBER 2020	Change recognized in Income Statement	Change recognized in Statement of Comprehensive Income	31 DECEMBER 2019	Change	% change
Directors' fees approved and not paid	70	66		4	66	1643,9%
Allocations to the provisions for write-downs and risks	40	26		13	26	197,8%
Allocation to the provision for inventory obsolescence	79	79		0	79	0,0%
Tax recovery on adjustment of start-up and expansion costs	0	0	(2)	2	(2)	(100,0%)
Tax recovery on adjustment of plant and machinery depreciation	239	(15)		255	(15)	(6,1%)
Deferred tax on derivative contracts	95	0	2	93	2	2,3%
Deferred tax on employee benefits	35	(1)	(4)	41	(5)	(13,3%)
Other	37	(7)		44	(7)	(15,3%)
Deferred tax assets	**595**	**148**		**452**	**148**	**24,9%**
Deferred tax on statutory revaluations	2.374	(13)	0	2.387	(13)	(0,5%)
Deferred tax liabilities	**2.374**	**(13)**	**0**	**2.387**	**(13)**	**(0,5%)**

Management has recognized deferred tax assets up to the value which it considers their recovery likely for. In determining the items, budget results and forecasts for subsequent years were taken into account. Deferred tax assets of € 595 thousand are attributable mainly to temporary differences between the amounts assigned for financial statement and tax purposes. At 31 December 2020, deferred tax of € 2,374 thousand was recorded for temporary differences between the statutory value and the fiscal value emerging from the statutory revaluations made at the time on the properties owned.

18. INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

	Inventory					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Raw and ancillary materials and consumables	4.717	55,8	4.328	49,2	389	9,0
Work in progress	151	1,8	221	2,5	(70)	(31,7)
Finished products	3.913	46,3	4.246	48,3	(333)	(7,8)
Provision for inventory obsolescence	(330)	(3,9)	0	0,0	(330)	0,0
Total inventory	**8.451**	**100,0**	**8.795**	**100,0**	**(344)**	**(3,9)**

Inventory for raw materials refers mainly to inks, paper and impregnation material. At 31 December 2020, the item reported a decrease of € 344 thousand, with an inventory policy that tends to optimize stock.

Changes in the provision for inventory obsolescence for 2020, which was set aside to alleviate the risk associated with the slow turnover of certain specific products, are shown below.

	Provision for inventory obsolescence				
(Euro thousands)					
	31 DECEMBER 2019	Alloc.	Utilization	Release	31 DECEMBER 2020
Movement of provision for inventory obsolescence	0	(330)	0	0	(330)
Total provision for inventory obsolescence	**0**	**(330)**	**0**	**0**	**(330)**

19. TRADE RECEIVABLES

(Euro thousands)	Trade receivables					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Trade receivables	7.256	103,3	7.629	102,2	(373)	(4,9)
Provision for doubtful accounts	(232)	(3,3)	(167)	(2,2)	(65)	38,9
Total trade receivables	**7.024**	**100,0**	**7.462**	**100,0**	**(438)**	**(5,9)**

Changes in the provision for doubtful accounts are shown below:

(Euro thousands)	Provision for doubtful accounts				
	31 DECEMBER 2019	Alloc.	Utilization	Release	31 DECEMBER 2020
Changes in Provision for Doubtful Accounts	167	130	(65)	0	232
Total provision for doubtful accounts	**167**	**130**	**(65)**	**0**	**232**

As far as trade receivables are concerned, mention should be made of the assignment without recourse to a factoring company carried out on an ongoing basis.

The provision for doubtful accounts was determined in accordance with IFRS 9 and recorded an allocation of € 130 thousand. The utilization of € 65 thousand refers to the arranged closure of two receivables due from customers.

20. TAX RECEIVABLES

(Euro thousands)	Tax receivables					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
VAT	270	89,7	798	97,7	(528,0)	(66,2)
IRAP	25	8,3	19	2,3	6,0	31,6
Other tax receivables	6	2,0	0	0,0	6,0	0,0
Total tax receivables	**301**	**100,0**	**817**	**100,0**	**(516)**	**(63,2)**

The table above shows the decrease of € 528 thousand in the VAT receivable versus 31 December 2019, due to partial recovery of the receivable accrued in 2019, mainly for the significant amount of capital expenditure incurred.

21. OTHER CURRENT RECEIVABLES

(Euro thousands)	Other current receivables					
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Receivables for advance costs	0	0,0	12	12,2	(12)	(100,0)
Advances to suppliers	7	7,8	3	3,1	4	133
Prepayments and accrued income	4	4,4	24	24,5	(20)	(83,3)
Other	79	87,8	59	60,2	20	33,9
Total current receivables	**90**	**100,0**	**98**	**100,0**	**(8)**	**(8,2)**

22. CASH AND CASH EQUIVALENTS

	Cash and cash equivalents					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Bank and post office deposits	5.162	99,9	1.442	99,7	3.720	258,0
Cash and valuables on hand	5	0,1	4	0,3	1	25,0
Total cash and cash equivalents	**5.167**	**100,0**	**1.446**	**100,0**	**3.721**	**257,3**

This item consists of cash and bank current account deposits. There are no restraints or restrictions on cash and cash equivalents. Current accounts and postal deposits are classified as current assets, highly liquid and convertible into cash, with an exchange rate risk that is considered not material.

Reference should be made to the Statement of Cash Flows for an analysis of changes in cash and cash equivalents.

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Liabilities

23. PROVISIONS FOR RISKS AND CHARGES

Provision for risks and charges						
(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Provision for supplementary agents' indemnity	100	17,3	0	0,0	100	0,0
IRS derivative on loan	395	68,5	386	100,0	9	2,3
Embedded derivatives	82	14,2	0	0,0	82	0,0
Total provision for risks and charges	**577**	**100,0**	**386**	**100,0**	**191**	**49,5**

The increase in the provision for risks and charges is attributable for € 100 thousand to the provision for supplementary agents' indemnity Italy and EU, for € 9 thousand to the accounting of the fair value of the IRS derivative, which amounted to € 395 thousand (€ 386 thousand at 31 December 2019), and for € 82 thousand to the accounting of the fair value of the derivatives embedded in the new loans. The provision for supplementary agents' indemnity was set aside to cover specific risks from potential interruptions to agency contracts.

Changes in the supplementary agents' indemnity are shown below:

Provision for risks and charges					
(Euro thousands)	31 DECEMBER 2019	Alloc.	Utilization	Release	31 DECEMBER 2020
Movement of provision for supplementary agents' indemnity	0	118	(18)	0	100
Total provision for risks and charges	**0**	**118**	**(18)**	**0**	**100**

The utilization of € 18 thousand refers to the payment of amounts due to an agent who ceased activity in 2020.

24. POST-EMPLOYMENT BENEFITS

Post-employment benefits					
(Euro thousands)	31 DECEMBER 2019	Alloc.	Utilization	Discounting	31 DECEMBER 2020
Provision for post-employment benefits	1.040	14	(73)	0	981
Actuarial valuation of post-employment benefits (IAS 19)	169	0	0	(23)	146
Total post-employment benefits	**1.209**	**14**	**(73)**	**(23)**	**1.127**

The balance refers to the employee severance indemnity of Neodecortech S.p.A. This liability qualifies as a defined benefit plan in accordance with IAS 19 and was therefore subject to actuarial calculation by an independent expert.

The defined benefit plan was updated to reflect its market value at 31 December 2020.

With regard to the discounting back of the Employee Severance Indemnity, the relevant actuarial model is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference was made to the direct experience of the Company, for others best practice was taken into account. The technical and economic bases used are shown below.

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Below are the technical economic bases.

	31.12.2020
Annual discount rate	0,34%
Annual inflation rate	0,80%
Annual rate of increase in severance termination	2,10%
Annual rate of salary increase	1,00%

The table below shows the technical demographic basis.

Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables by age and gender
Retirement	100% upon meeting AGO requirements

Lastly, the annual turnover frequencies and severance indemnity advances.

	31.12.2020
Advances Frequency	3,00%
Turnover Frequency	1,00%

25. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	Current and non-current financial liabilities					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Unsecured loans	3.905	20,0	0	0,0	3.905	0,0
Mortgage loans	7.570	38,7	9.181	57,5	(1.611)	(17,5)
Payables to other financial institutions (MICA)	4.969	25,4	4.855	30,4	114	2,3
Non-current lease payables	221	1,1	349	2,2	(128)	(36,7)
Total non-current financial liabilities	**16.665**	**85,2**	**14.385**	**90,2**	**2.280**	**15,8**
Current portion of unsecured loans	1.481	7,6	0	0,0	1.481	0,0
Current portion of mortgage loans	1.281	6,5	1.442	9,0	(161)	(11,2)
Accrued interest expense	8	0,0	23	0,1	(15)	(65,2)
Current lease payables	129	0,7	104	0,7	25	24,0
Total current financial liabilities	**2.899**	**14,8**	**1.570**	**9,8**	**1.329**	**84,6**
Total financial liabilities	**19.564**	**100,0**	**15.955**	**100,0**	**3.609**	**22,6**

“Lease payables” includes the financial liabilities from the rights of use shown in the table below.

	Rights of Use		
(Euro thousands)			
	Amount at 31.12.2019	Payments	Amount at 31.12.2020
Buildings	546	(212)	334
Other	30	(20)	9
Total Rights of Use	**576**	**(232)**	**344**

With regard to unsecured and mortgage loans, the change is directly attributable to the repayment of instalments and new loans taken out. Below are the details of Neodecortech S.p.A.'s loans:

- Original BPM mortgage loan of € 12,000 thousand, with a residual balance of € 8,851 thousand at 31 December 2020 divided into current and non-current portions;

Three new unsecured loans:

- BPM S.p.A. € 2,500 thousand, for 72 months (quarterly instalments) and a residual balance at 31 December 2020 of € 2,356 thousand divided into current and non-current portions - loan granted against closure of the short-term BPM loan of € 2,000 thousand granted in April 2020 - 80% FGPMI guarantee;
- BPM S.p.A. € 2,500 thousand, for 72 months (quarterly instalments) and a residual balance at 31 December 2020 of € 2,355 thousand divided into current and non-current portions - 90% FGPMI guarantee;
- BPER Banca S.p.A € 900 thousand, for 18 months (with quarterly instalments and 6-month grace period), and a residual balance at 31 December 2020 of € 676 thousand divided into current and non-current portions.

Closure of two loans:

- September 2020 - Short-term loan Banco BPM S.p.A. of € 2,000 thousand, for 12 months (with monthly instalments and 6-month grace period);
- November 2020 - Original BPM mortgage loan of € 1,200 thousand (transferred following acquisition of the former Corbetta FIA S.r.l. business unit).

With regard to unsecured and mortgage loans, the table below shows the maturity bands:

(Euro thousands)	31 DECEMBER 2020	%	31 DECEMBER 2019	%
Due within 1 year	2.762	19,4	1.442	13,6
Due within 5 years	8.681	61,0	6.886	64,8
Due beyond 5 years	2.794	19,6	2.295	21,6
Total	**14.237**	**100,0**	**10.623**	**100,0**

The loans taken out by Neodecortech S.p.A. do not require compliance with specific financial parameters (covenants).

The Company hedged the interest rate risk on the BPM loan by subscribing an interest rate swap (IRS). The fair value of this instrument, reclassified under "Provisions for Risks and Charges" at 31 December 2020 came to a negative € 395 thousand (€ 386 thousand at 31 December 2019).

From 1 January 2020 to 31 December 2020, interest rate movements were marginal and had no material impact on the fair value of the Company's loans.

MICA Loan

On 20 February 1997, Confalonieri Fratelli di Mario S.p.A. ("Confalonieri") entered into an agreement with the Ministry for Industry, Trade and Crafts (the "MICA") on the granting of a loan from the special revolving fund for technological innovation pursuant to Article 16, paragraph 3, of the Law dated 17 February 1982, amounting to approximately Lire 5.7 billion (€ 2,943 thousand) in principal (the "MICA Loan"). The MICA Loan was intended to partly cover the costs of a programme designed to introduce technological breakthroughs. The cost estimate for the technological innovation programme amounted to Lire 16,284,271 thousand (€ 8,410 thousand). The last repayment instalment of the MICA Loan was due on 20 February 2012. The MICA Loan was granted to Confalonieri in its own name and by the mandate of Andreotti Fotoincisioni S.p.A. (for 28% of the amount granted), which at the time was a Confalonieri Group company and to which Confalonieri subsequently transferred its share of the MICA Loan.

On 31 January 2001, Confalonieri was declared insolvent by the Court of Bergamo pursuant to Legislative Decree 270/1999 ("Prodi Bis”), and admitted on 6 April 2001 to the Extraordinary Administration procedure under the Prodi Bis Law. On 15 November 2001, Confalonieri's statement of liabilities was declared enforceable, in the absence of timely or late filings by the MICA.

On 18 September 2002, Arbea S.p.A. (a special-purpose entity) purchased the shares of Confalonieri as part of the composition proceedings it had opened. On 31 January 2003, the Court of Bergamo upheld the composition pursuant to Articles 17 and 214 of the Bankruptcy Law and to Article 78 of the Prodi Bis. On 15 February 2003, the decision became final in the absence of objections and, on 27 February 2003, the Court of Bergamo issued a decree closing the Extraordinary Administration procedure.

In 2003, following the merger by incorporation of Arbea S.p.A. into Finanziaria Valentini, the latter became the sole shareholder of Confalonieri. Subsequently, Confalonieri changed its name to "Confalonieri S.p.A." and later to "Neodecortech S.p.A.".

It should be noted that the directors of the Company, based also on legal advice specifically obtained in support of the case, deem the provisions of Article 55, paragraph two, of the Bankruptcy Law, under which monetary debts of the bankrupt entity are considered expired on the date of the declaration of bankruptcy (in the case at hand, concurrent to the provision for admission to the Extraordinary Administration procedure, as referred to in the Prodi Bis), to be reasonably applicable to the above case. Based on such an interpretation of the law, the limitation period for the amounts due under the MICA Loan took effect on 6 April 2001. As of 7 April 2011, therefore, the repayment obligations of the MICA Loan are to be considered reasonably prescribed.

The directors deem however that, should such an interpretation not be upheld by case law in a possible litigation, the ordinary civil law rules would apply, under which in loan agreements, the limitation of the right to repayment starts from the maturity date of the last instalment, since payment of the accruals is deemed a single obligation and the related debt cannot be considered due before the maturity date of the last instalment. Under such a different interpretation, therefore, the debt relating to the amounts of the MICA Loan would be prescribed from 20 February 2022.

In the absence of relevant case law on the matter, however, the directors of the Company have prudently considered in the Consolidated Financial Statements both the payable to MICA (now MISE) and the receivable from Andreotti Fotoincisioni S.p.A., since the latter's collectability depends on the initial mandate agreement.

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26. TRADE PAYABLES

Trade payables at 31 December 2020 amounted to € 7,186 thousand (€ 8,219 thousand at 31 December 2019). The decrease of € 1,033 thousand recorded is due mainly to the effects of the COVID-19 pandemic, the details of which are found in the Directors' Report on Operations. Additionally, the Company did not request or obtain any extension or deferment of payments with its suppliers.

There are no trade payables due beyond 12 months.

The Directors believe that the book value of trade payables approximates their fair value.

27. PAYABLE FROM TAX CONSOLIDATION

The payable recorded at 31 December 2020, amounting to € 229 thousand (€ 267 thousand at 31 December 2019), refers to the payable due by Neodecortech S.p.A. to Finanziaria Valentini S.p.A.. For further details, reference should be made to the section "Income tax" of the Notes to the financial statements.

28. TAX PAYABLES

	Tax payables					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Withholdings a/c	242	100,0	424	96,1	(182)	(42,9)
Other tax payables	0	0,0	17	3,9	(17)	(100,0)
Total tax payables	**242**	**100,0**	**441**	**100,0**	**(199)**	**(45)**

The decrease in "Withholdings a/c" is due to payment of IRPEF contributions, which was deferred until October 2020.

29. OTHER CURRENT PAYABLES

	Other current payables					
(Euro thousands)						
	31 DECEMBER 2020	%	31 DECEMBER 2019	%	Chg.	% change
Payables to social security institutions	832	24,4	875	25,4	(43)	(4,9)
Payables to employees	1.354	39,8	1.248	36,3	106	8,5
Advances received from customers	893	26,2	1.217	35,4	(324)	(26,6)
Other	326	9,6	102	3,0	224	219,6
Total other current payables	**3.405**	**100,0**	**3.442**	**100,0**	**(37)**	**(1,1)**

"Payables to employees" increased due to the allocation of a one-off Welfare provision of € 199 thousand, set up for all employees, excluding executives; the provision appears to be fully accrued at 31.12.2020 and was therefore reclassified under payables to employees, an effect partly offset by the failure to achieve the performance bonus and individual bonuses.

The change in "other" is due mainly to the increase in Directors' fees.

30. EQUITY

Capital increases

On 27 April 2020, the Board of Directors resolved to carry out the capital increase to service the Stock Grant Plan originally approved by the Shareholders' Meeting of 23 June 2017 for € 1,195,687.37, increasing the share capital by a corresponding amount drawn from the relating Reserve through issue of no. 413,760 shares, following achievement of the two objectives set forth in the plan consisting of the achievement of pre-set Adjusted EBITDA and Adjusted Net Profit targets for 2017 and 2018.

Share Capital

Following the above capital increase, the share capital amounts to € 17,398,687.36 and is divided into no. 13,515,260 shares with no indication of their par value.

Dividend payout

The Shareholders' Meeting of the Parent Company Neodecortech S.p.A., held on 24 February 2020, approved the Financial Statements at 31 December 2019 and allocated a total of € 1,888,117.50 as a dividend for the no. 13,021,500 ordinary shares in circulation and, therefore, the distribution of a unit dividend, also in consideration of the distribution of the dividend attributable to treasury shares, of € 0.145 for each entitled ordinary share, without prejudice to the fact that any change in the number of treasury shares in the Company's portfolio at the time of distribution will not affect the distribution of the unit dividend as established above, but will increase or decrease the amount allocated to the extraordinary reserve. On 19 March 2020, dividends amounting to € 1,882,317.50 were paid out (net of the portion relating to treasury shares held at the time of distribution).

Details and changes in equity reserves

(Euro thousands)		Allocation of profit (loss)		Other changes				
	31 DECEMBER 2019	Dividend distribution	Other allocations	Increase	Decreases	Reclassification	Profit (loss) for the year	31 DECEMBER 2020
Share Capital	16.203			1.196				17.399
Legal reserve	1.511		198					1.709
Share premium reserve	17.357							17.357
Extraordinary reserve	1.505		61					1.566
Equity revaluation reserve	5.478		1.814					7.292
Revaluation reserves	6.152							6.152
Hedging reserve	(293)				(7)			(300)
Retained earnings/(losses carried forward)	8.755	6						8.761
Stock grant reserve	2.400				(2.400)			0
OCI reserve	(121)				14			(107)
FTA reserve	(1.303)							(1.303)
Treasury shares reserve	(291)				(130)			(421)
Profit/(loss) for the year	3.961	(1.888)	(2.073)				3.555	3.555
rounding	(2)							(2)
Equity at 31/12/2020	**61.312**	**(1.882)**	**0**	**1.196**	**(2.523)**	**0**	**3.555**	**61.658**

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Distributability of equity reserves

(Euro thousands)	Distributability of equity reserves			
DESCRIPTION	AMOUNT 31 DECEMBER 2020	Origin/nature	Eligibility for use	Quota available
SH.CAP. IN SHARES	17.399	Share capital		0
PROV. SH. PREM. RESERVE	17.356	Share capital	A;B;C	17.356
TREASURY SHARES RESERVE	(421)	Share capital		0
LEGAL RESERVE	1.709	Profit	B	0
EXTRAORDINARY RESERVE	1.566	Profit	A;B;C	1.566
REVALUATION RESERVES	13.444	Profit	A;B	6.152
RESERVE FOR DEFINED-BENEFIT EMPLOYEE PLANS	(107)	Profit	A;B;C	0
RESERVE HEDG. ESTIM. CASH FLOWS	(300)	Profit	B	(300)
IAS RESERVES	(1.304)	Profit	B	(1.304)
RETAINED EARNINGS	8.761	Profit	A;B;C	8.761
Total	**58.103**			**32.231**
Distributable share				**22.178**

Issue of Warrants eligible for subscribing ordinary shares of Neodecortech S.p.A.

The Extraordinary Shareholders' Meeting of Neodecortech S.p.A. (the "Company" or "Neodecortech"), held on 14 September 2018, resolved, inter alia, to increase the share capital, against payment and in separate issues, for a maximum total amount of € 13,101,500, including the share premium, by issuing, also in several tranches, a maximum of 3,275,375 ordinary shares, without indication of their nominal value (the "Conversion Shares"), intended exclusively and irrevocably to the exercise of the subscription right of the holders of the “Neodecortech 2018-2020 Warrants” (the “Warrants”) to be issued and assigned, free of charge and without further request, to the shareholders of the Company pursuant to the resolution of the Extraordinary Shareholders' Meeting of the Company on the same date, in the ratio of 1 Warrant for each number 1 share held.

On 9 December 2019, the Extraordinary Shareholders' Meeting of the Company and the meeting of Warrant holders resolved to extend the term of the Warrants until 27 December 2021.

The Warrants are bearer type and are admitted to the centralized dematerialized shares system of Monte Titoli S.p.A., pursuant to Articles 83-bis et seq. of Legislative Decree no. 58 of 24 February 1998.

Treasury shares

At 31 December 2020, the Company held 120,000 treasury shares.

On 30 April 2019, the Shareholders' Meeting of the Company resolved to authorize the Board of Directors to purchase and dispose of its treasury shares in order to: (i) use them as an investment for an efficient use of the liquidity generated by the Company's core business; (ii) purchase its treasury shares from the beneficiaries of any stock option or stock grant plans approved by the competent corporate bodies; and (iii) allow the use of its treasury shares in the context of transactions connected with the core business or with plans consistent with the strategic guidelines that the Company intends to pursue, with a view to the opportunity of exchanging shares.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the year. Therefore, treasury shares held by the Company are excluded from the denominator.

Earnings per share	31/12/2020	31/12/2019
Net profit attributable to the shareholders (Euro thousands)	3.536	3.961
Weighted average number of shares outstanding (n./000)	13.269	13.068
Basic earnings per share	**0,27**	**0,30**

Diluted earnings per share	31/12/2020	31/12/2019
Net profit attributable to the shareholders (Euro thousands)	3.536	3.961
Weighted average number of shares outstanding (n./000)	13.269	13.068
Weighted average number of shares eligible for stock option plans (n./000)	0	561
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.269	13.629
Diluted earnings per share	**0,27**	**0,29**

31. COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF CASH FLOWS

Amortization and depreciation of € 3,108 thousand (€ 2,799 thousand at 31 December 2019) increased due to capital expenditure made in 2019, which were amortized/depreciated in 2020, as well as to capital expenditure made in 2020, which amounted to € 4,172 thousand for property, plant and equipment and € 205 thousand for intangible assets. Reference should be made to the section of the Income Statement regarding amortization and depreciation and the section of the Statement of Financial Position regarding tangible and intangible fixed assets in the Notes to the Financial Statements.

Allocations to other provisions of € 669 thousand refer to the provision for doubtful accounts determined in accordance with IFRS 9 (€ 130 thousand), the provision for supplementary agents' indemnity (€ 118 thousand), the provision for inventory obsolescence (€ 330 thousand), and the allocation for the fair value measurement of IRS and embedded derivatives (€ 91 thousand). Utilization of provisions of € 239 thousand includes € 65 thousand relating to the provision for doubtful accounts, € 18 thousand to the provision for supplementary agents' indemnity, and € 156 thousand to the provision for deferred/prepaid tax.

The situation generated by the effects of COVID-19 resulted in a decrease in all the items forming part of the changes in the NWC versus the prior year.

Disposals of non-current financial assets, amounting to € 5,359 thousand, refer to repayments made by subsidiaries regarding intercompany loans granted to them by the Company, while acquisitions for € 3,000 thousand represent a loan granted by the Parent Company to the subsidiary Cartiere di Guarcino S.p.A.. For further information, reference should be made to the section of the Notes to the Statement of Financial Position regarding current and non-current financial receivables.

New loans for € 5,900 thousand regard the granting of new loans to Neodecortech S.p.A.: € 900 thousand from BPER and € 5,000 thousand from BPM. The item loan repayments includes the early repayment of the BPM mortgage loan transferred for the acquisition of the business unit of former Corbetta FIA S.r.l., For further details, reference should be made to the current and non-current financial liabilities section of the Notes to the Statement of Financial Position.

Monetary changes in equity include the dividend payment transaction for € 1,882 thousand and the purchase of treasury shares for € 130 thousand.

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32. CONTINGENT LIABILITIES

Under the provisions of IAS 34:15B, the Company's contingent liabilities are shown below: there are no further contingent liabilities, except for those that generated allocations to "provisions for risks", described above.

33. RELATED PARTY TRANSACTIONS

Transactions carried out by Neodecortech S.p.A. with related parties, as identified by IAS 24, including transactions with subsidiaries and associates, are neither atypical nor unusual and fall within the ordinary course of business of the Company. These transactions were carried out on market terms. It should be noted that transactions with subsidiaries are not shown as they are derecognized at the consolidation level, while transactions with related parties at 31 December 2020 are shown. Additionally, mention should be made that the Parent Company Neodecortech S.p.A. is in turn controlled by Finanziaria Valentini S.p.A..

In accordance with the provisions of IAS 24, the following entities are considered Related Parties: (a) companies that directly or indirectly through one or more intermediate companies, control, or are controlled by, or are under common control with, the reporting company; (b) associates; (c) natural persons who directly or indirectly have voting power in the reporting entity that gives them a dominant influence over the company and their immediate family members; (d) Key management personnel, i.e. those who have the power and responsibility for planning, directing and controlling the activities of the reporting entity, including directors and officers of the company and the immediate family members of such persons; (e) companies in which significant voting power is held, directly or indirectly, by any natural person described under (c) or (d) or over which such natural person can exercise significant influence. Case (e) includes undertakings owned by the directors or major shareholders of the reporting entity and undertakings which have a key management personnel in common with the reporting entity.

With regard to the provisions of point 2) of the third paragraph of Article 2428 of the Civil Code, it should be noted that the Company is controlled, through a 61.60% stake, by Finanziaria Valentini S.p.A.. Accordingly, the Company is part of a group of entities whose parent is "Finanziaria Valentini S.p.A." and whose sister companies are "Industrie Valentini S.p.A." and "Valinvest S.r.l.". Related parties also include "Valfina S.r.l." as it is directly or indirectly controlled by the Valentini Family.

Specifically, it should be noted that at 31 December 2020, the outstanding transactions with these companies can be summarized in the tables below:

(Euro thousands)	Trade receivables 31 December 2020	Financial receivables 31 December 2020	Trade payables 31 December 2020	Financial payables 31 December 2020
Finanziaria Valentini	0	0	0	229
Industrie Valentini	132	0	0	0
Valinvest	0	160	0	0
Cartiere di Guarcino	0	17.522	0	0
Total	**132**	**17.681**	**0**	**229**

(Euro thousands)		
	Revenue and income 31 December 2020	Costs and expense 31 December 2020
Finanziaria Valentini	250	0
Industrie Valentini	135	0
Valinvest	6	(104)
Cartiere di Guarcino	632	(12.638)
Bio Energia Guarcino	46	0
Total	**1.069**	**(12.741)**

At 31 December 2020, the following remain outstanding with related parties:

- the tax consolidation agreement with Finanziaria Valentini: financial payables, amounting to € 229 thousand, represent the amount due from tax consolidation, while income from tax consolidation amounted to € 250 thousand;
- the business agreement with Industrie Valentini: for the sale of printed and impregnated paper, transformed into an advance payment since Industrie Valentini applied to the Court for a composition with creditors; the receivable of € 132 thousand is covered for € 100 thousand by a guarantee from Finanziaria Valentini and partly written down for the remainder;
- the Company's loan agreements with the subsidiary Cartiere di Guarcino S.p.A;
- the agreement on the supply of raw materials from the subsidiary Cartiere di Guarcino S.p.A. to the Parent Company;
- the lease agreement with Valinvest S.r.l. on the Casoli plant (laminates production) for an amount of approximately € 100 thousand on an annual basis, and the financial receivable granted by Neodecortech S.p.A. to the former to renovate the warehouse located in Casoli d'Atri (TE), the residual receivable of which at 31 December 2020 amounted to € 160 thousand.

The following table shows the fees to the Company's directors and key management personnel for 2020:

Subjects	Compensation payable 31 December 2020
Luigi Cologni	182.507
Massimo Giorgilli	120.000
Riccardo Bruno	0
Paola Carrara	7.320
Paolo Pietrogrande	4.822
Laura Calini	0
Cristina Valentini	0
Key management personnel	14.472
Total	**329.121**

Subjects	Compensation 31 December 2020
Luigi Cologni	485.657
Massimo Giorgilli	195.400
Riccardo Bruno	96.306
Paola Carrara	28.708
Paolo Pietrogrande	28.906
Laura Calini	27.900
Cristina Valentini	25.000
Key management personnel	62.446
Total	**950.323**

34. SEASONALITY

The Company's business performance is not significantly affected by seasonality; however, the first six months of 2020 were affected by the impact of the COVID-19 pandemic; such a circumstance must be taken into account when reviewing and assessing the performance of 2020.

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35. INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, OF LAW NO. 124 OF 4 AUGUST 2017

With regard to the provisions of Article 1, paragraph 125, of Law 124/2017, regarding the obligation to provide evidence in the notes to the financial statements of any amounts of money received during the year by way of grants, contributions, paid assignments and in any case economic advantages of any kind from public administrations and from the persons referred to in paragraph 125 of the same article, mention should be made, for the situation updated at 31 December 2020, of the following.

Paying entity	Amount collected/taken	Collection/availability date	Description of reason
Gestore dei Servizi Energetici GSE S.p.A.	510	31/01/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.100	31/01/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	510	02/03/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.100	02/03/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	722	30/04/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	1.427	30/04/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	15.273	30/04/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.149	30/04/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	527	30/04/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	3.683	30/04/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	24	30/04/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	527	30/04/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	527	01/06/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.149	01/06/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.055	30/06/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	508	30/06/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	508	31/07/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.055	31/07/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	508	31/08/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.055	31/08/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.035	30/09/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	477	30/09/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	477	02/11/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.035	02/11/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	2.035	30/11/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	477	30/11/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	434	31/12/2020	Electricity production incentive
Gestore dei Servizi Energetici GSE S.p.A.	1.887	31/12/2020	Electricity production incentive
Fondimpresa	600	17/12/2020	Continuing Education
SME Guarantee Fund	79.215	30/11/2020	COVID-19: SME Guarantee Fund State Aid SA. 56966 (2020/N)
SME Guarantee Fund	89.054	30/11/2020	COVID-19: SME Guarantee Fund State Aid SA. 56966 (2020/N)
Fondirigenti	15.000	10/04/2020	Vocational training
Fondirigenti	15.000	17/04/2019	Vocational training
Fondirigenti	14.910	19/04/2018	Vocational training
Total 2020	**263.556**		

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Other supplementary information

36. GUARANTEES GIVEN

Guarantees issued in favour of the subsidiary Cartiere di Guarcino S.p.A., amounting to € 17,285 thousand for short-term credit lines for mixed use and import finance, granted to the latter by BPM, BPER, Popolare di Sondrio and Credit Agricole.

On 3 June 2020, Neodecortech S.p.A. issued a letter of patronage to Banco di Desio e Brianza S.p.A. in favour of the subsidiary Cartiere di Guarcino to guarantee a line of credit of € 2,650,000 granted by the bank to the subsidiary.

37. EVENTS AFTER YEAR END

Reference should be made to the Directors' Report on Operations.

38. INFORMATION ON AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION

Pursuant to Article 2427, point 22-ter, mention should be made that there are no agreements not shown in the statement of financial position that have significant risks or benefits and that are necessary to assess the Company's financial position, results of operations and cash flows.

39. INFORMATION ON ASSETS AND LOANS FOR A SPECIFIC TRANSACTION

With regard to the requirements of Articles 2447-bis to 2447-decies of the Italian Civil Code, it should be noted that during the period the Company did not allocate any assets or loans to any activity.

40. UNDERTAKINGS THAT PREPARE THE FINANCIAL STATEMENTS OF THE LARGER/SMALLER BODY OF UNDERTAKINGS THEY ARE PART OF AS SUBSIDIARIES

In accordance with Article 2427, numbers 22-quinquies and 22-sexies of the Italian Civil Code, the following table indicates the name and registered office of the undertaking preparing the consolidated financial statements, of the larger or smaller body of undertakings, of which the company is part as a consolidated company. It also indicates the place where the copy of the consolidated financial statements is available:

Larger body	
Company Name	Finanziaria Valentini S.p.A.
Place	Rimini
Tax code	3842170403
Place of filing of the consolidated financial statements	Rimini

41. INFORMATION RELATING TO THE FEES TO THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND INDEPENDENT AUDITORS

In accordance with the law, the table below shows the total fees to the Directors, the Board of Statutory Auditors and the Independent Auditors.

Qualification	31 DECEMBER 2020	31 DECEMBER 2019
Directors	647.619	319.225
Board of Statutory Auditors	85.468	60.800
Independent Auditors	179.059	68.469

42. ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders, in light of the considerations made in the points above and of the information appearing in the Explanatory Notes, we invite you:

- to approve the Financial Statements for the year ended 31 December 2020 together with the Explanatory Notes and this Report thereto;
- to allocate profit for the year of € 3,555,413.49, in accordance with the proposal put forward in the Explanatory Notes to the financial statements, as follows:
    - € 177,771.00 to the legal reserve;
    - € 2,104,610.40 to the non-distributable revaluation reserve for investments recorded pursuant to Legislative Decree no. 38/05 Article 6, paragraph 1;
    - € 67,458.69 to the extraordinary reserve;
- the remaining part of profit as a dividend for the 13,515,260 outstanding ordinary shares totaling € 1,205,573.40 and, therefore, the distribution of a unit dividend, also in consideration of the distribution of the dividend attributable to treasury shares, of € 0.09 for each entitled ordinary share, without prejudice to the fact that any change in the number of treasury shares in the company's portfolio at the time of distribution will not affect the distribution of the unit dividend as established above, but will increase or decrease the amount allocated to the extraordinary reserve.

Filago (BG), 02 March 2021

For the Board of Directors The Chairman

(Riccardo Bruno)

____

Certification of the Group's consolidated financial statements at 31 December 2020 pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Luigi Cologni, Chief Executive Officer, and Fabio Zanobini, Financial Reporting Manager, of Neodecortech S.p.A., also in compliance with the provisions set out in Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the Company's characteristics; and
- the effective application of administrative and accounting procedures in preparing the consolidated financial statements in 2020.

2. No major issues emerged in this respect, apart from the fact that the Group was partly impacted by the Coronavirus pandemic (COVID-19) during the reporting period.

3. We also certify that:

3.1 the consolidated financial statements at 31 December 2020:

a) have been prepared in accordance with the applicable IFRS endorsed by the European Union pursuant to (EC) Ruling no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) correspond to the accounting books and entries;

c) give a true and fair view of the financial position, results of operations and cash flows of the Issuer and of the companies included in the consolidation scope as a whole.

3.2 The Directors' Report on Operations, drawn up for the purposes of the financial statements and consolidated financial statements, includes a reliable analysis of performance and results of operations, as well as of the position of the Issuer and of the companies included in the consolidation scope, together with a description of the main risks and uncertainties they are exposed to.

Date: 2 March 2021

Signature delegated management bodies	Signature Financial Reporting Manager
______________________________	______________________________

Certification of the financial statements at 31 December 2020 pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Luigi Cologni, Chief Executive Officer, and Fabio Zanobini, Financial Reporting Manager, of Neodecortech S.p.A., also in compliance with the provisions set out in Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the Company's characteristics; and
- the effective application of administrative and accounting procedures in preparing the financial statements in 2020.

2. No major issues emerged in this respect, apart from the fact that the Company was partly impacted by the Coronavirus pandemic (COVID-19) during the reporting period.

3. We also certify that:

3.1 the financial statements at 31 December 2020:

a) have been prepared in accordance with the applicable IFRS endorsed by the European Union pursuant to (EC) Ruling no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) correspond to the accounting books and entries;

c) give a true and fair view of the Issuer's financial position, results of operations and cash flows.

3.2 The Directors' Report on Operations, drawn up for the purposes of the financial statements and consolidated financial statements, includes a reliable analysis of performance and results of operations, as well as of the position of the Issuer and of the companies included in the consolidation scope, together with a description of the main risks and uncertainties they are exposed to.

Date: 2 March 2021

Signature delegated management bodies	Signature Financial Reporting Manager
___________________________________	______________________________