

NEO DECOR TECH

Neodecortech S.p.A.

Consolidated Half-Year
Report at 30 June 2020

Financial Statements prepared according to the IAS/IFRS
accounting standards.

Amounts in Euro





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€ 17,398,687.37 fully paid up
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THE NEODECORTECH GROUP

CORPORATE OFFICERS

BOARD OF DIRECTORS (1)

Chairman	Riccardo Bruno *
Director, Chief Executive Officer	Luigi Cogni
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 (Chairman)
	Paolo Pietrogrande
	Riccardo Bruno
CONTROL AND RISK COMMITTEE	Paolo Pietrogrande (Chairman)
	Laura Calini
	Paola Carrara
RELATED PARTY COMMITTEE	Laura Calini (Chairman)
	Paolo Pietrogrande
	Paola Carrara
SUSTAINABILITY COMMITTEE	Riccardo Bruno (Chairman)
	Luigi Cogni
	Massimo Giorgilli
	Laura Calini

SUPERVISORY BODY (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.

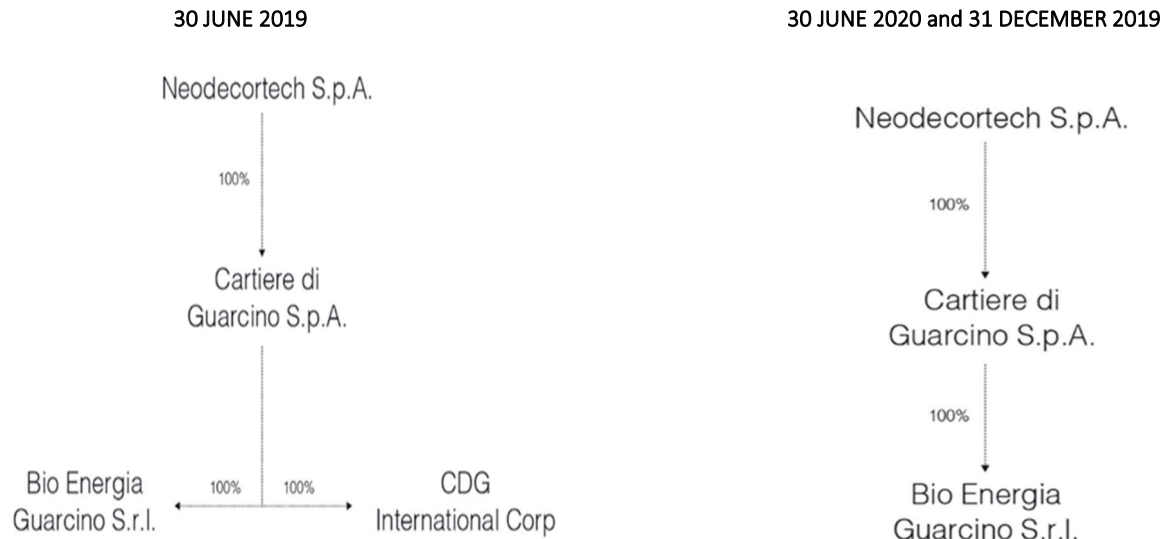
(5) The Board of Directors of Neodecortech S.p.A. passed a resolution on 31 January 2020 appointing Mr. Raspadori and Ms. Menichetti as members of the Supervisory Board of the Company for three financial years, therefore, until the Shareholders' Meeting called to approve the financial statements for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

GROUP STRUCTURE

The Group structure at 30 June 2020, 31 December 2019 and 30 June 2019 is shown below. The Group structure at 30 June 2020 and 31 December 2019 has changed from the situation at 30 June 2019 following the disposal on 17 October 2019 of the investment in CDG International Corp.



At 30 June 2020, the Group companies are:

- Neodecortech S.p.A. ("NDT"):** 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.
- Cartiere di Guarcino S.p.A. ("CDG"):** 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.
- Bio Energia Guarcino S.r.l. ("BEG"):** 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.

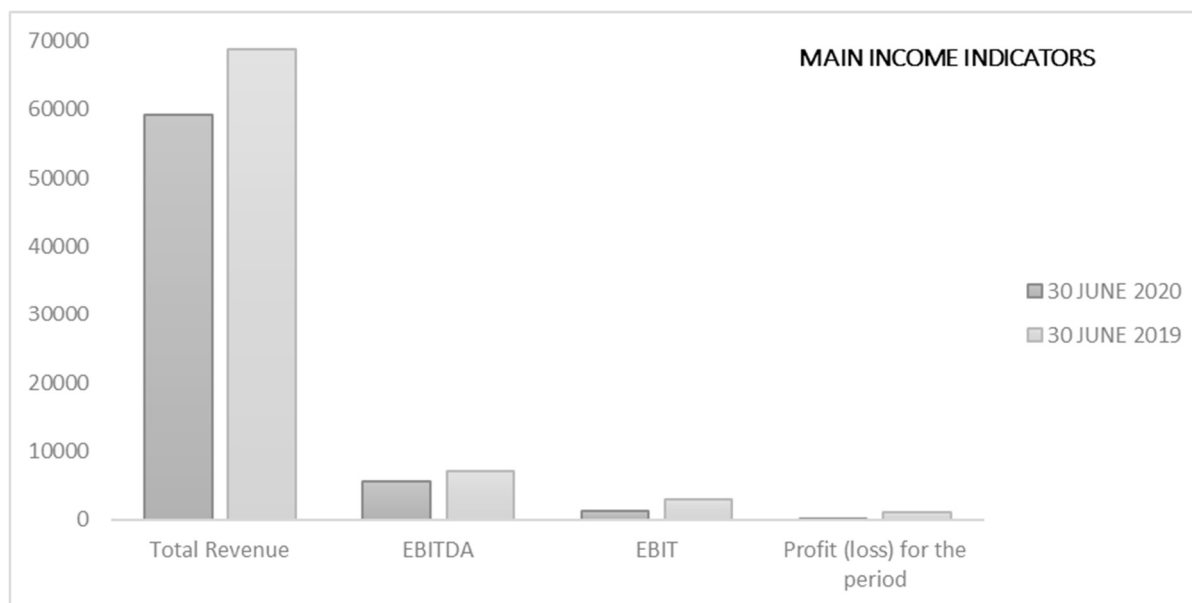
FINANCIAL HIGHLIGHTS OF THE NEODECORTECH GROUP

INCOME STATEMENT

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

<i>(Euro thousands)</i>	30 JUNE 2020		30 JUNE 2019		Chg.	% change
		%		%		
Revenue from sales and services	54.530	100,0%	66.366	100,0%	(11.836)	(17,8%)
Other revenue	4.598	8,4%	2.323	3,5%	2.275	97,9%
Total Revenue	59.128	108,4%	68.689	103,5%	(9.561)	(13,9%)
EBITDA	5.633	10,3%	7.065	10,6%	(1.432)	(20,3%)
Amortization and depreciation	4.170	7,6%	4.173	6,3%	(3)	(0,1%)
Allocations	229	0,4%	-	0,0%	229	0,0%
EBIT	1.235	2,3%	2.892	4,4%	(1.657)	(57,3%)
Profit (loss) for the period	194	0,4%	1.099	1,7%	(905)	(82,3%)

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

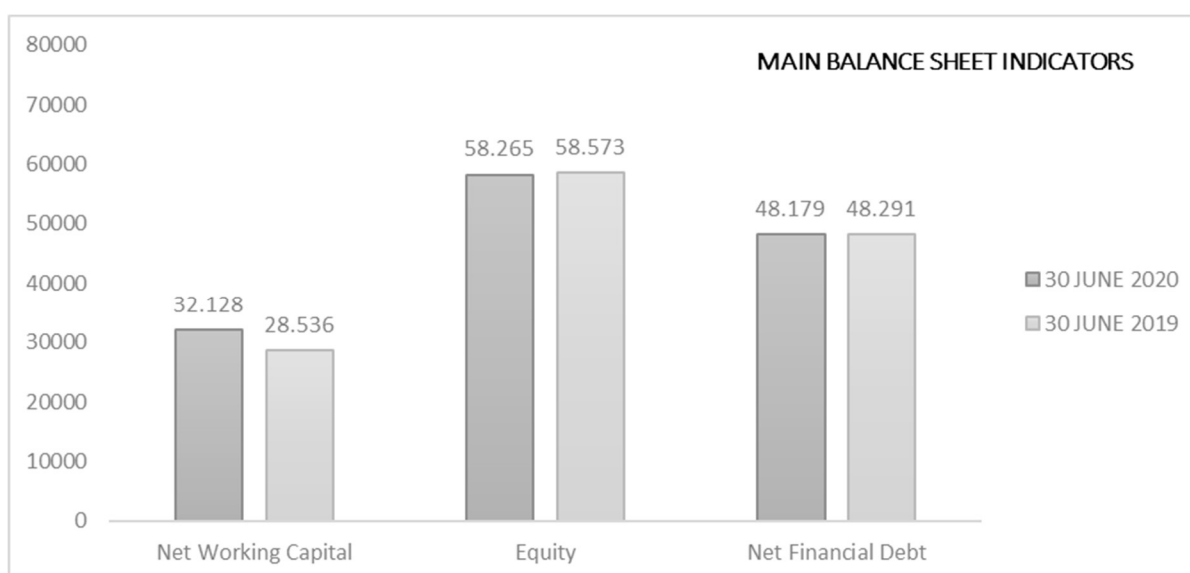


FINANCIAL RESULTS

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

<i>(Euro thousands)</i>	30 JUNE 2020	30 JUNE 2019	Chg.	% change
Net Working Capital	32.188	28.536	3.652	12,8%
Equity	(58.269)	(58.573)	304	(0,5%)
Net Financial Debt	(48.227)	(48.291)	64	(0,1%)

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

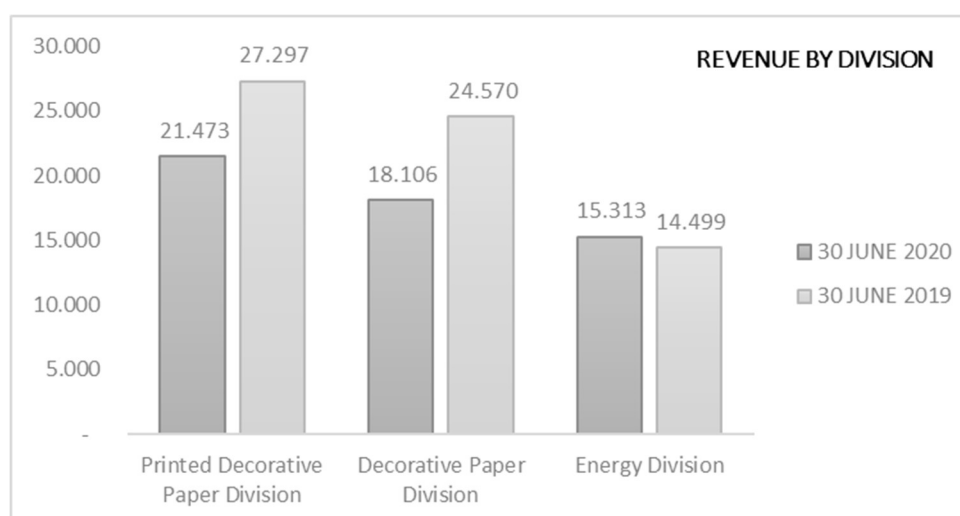


The main financial indicators at 31 December 2019 are also shown below.

<i>(Euro thousands)</i>	31 DECEMBER 2019
Net Working Capital	26.297
Equity	61.277
Net Financial Debt	40.536

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

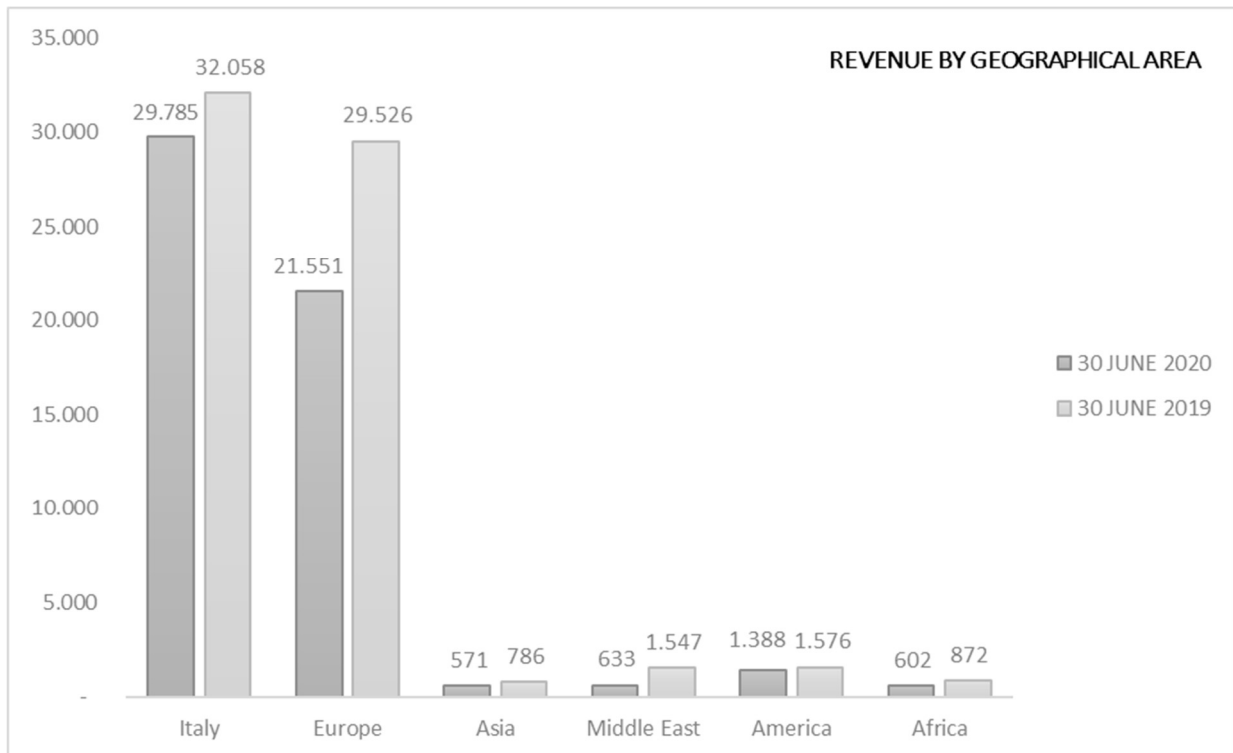
<i>(Euro thousands)</i>	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Printed Decorative Paper Division	21.473	39%	27.297	41%	(5.824)	(21,3%)
Decorative Paper Division	17.744	33%	24.570	37%	(6.826)	(27,8%)
Energy Division	15.313	28%	14.499	22%	814	5,6%
Total	54.530	100%	66.366	100%	(11.836)	(17,8%)



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** net of Intercompany items.

<i>(Euro thousands)</i>	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Italy	29.785	54,6%	32.058	48,3%	(2.274)	(7,1%)
Europe	21.551	39,5%	29.526	44,5%	(7.976)	(27,0%)
Asia	571	1,0%	786	1,2%	(214)	(27,3%)
Middle East	633	1,2%	1.547	2,3%	(914)	(59,1%)
America	1.388	2,5%	1.576	2,4%	(188)	(11,9%)
Africa	602	1,1%	872	1,3%	(270)	(31,0%)
Total	54.530	100,0%	66.366	100,0%	(11.836)	(17,8%)



DIRECTORS' REPORT ON OPERATIONS

Board Members,

Submitted to your attention are the Consolidated Half-Year Financial Statements of the Neodecortech Group (hereinafter 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 first half 2020 as well as the 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 € 194 thousand (€ 1,099 thousand at 30 June 2019), after amortization, depreciation and provisions of € 4,399 thousand (€ 4,173 thousand at 30 June 2019), and income tax of € 281 thousand (€ 797 thousand at 30 June 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 a material impact on the Group's outlook, at least for the current year, including the impacts from the Coronavirus pandemic.

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 dated 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. By Prime Ministerial Decree dated 9 March 2020, these measures were extended to the entire Country. A further Prime Ministerial Decree dated 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 dated 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 dated 10 April 2020.

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

Mention should be made that at the date of 30 June 2020, the virus had spread and/or was spreading rapidly in other EU countries (where the Group's main customers are based), as well as worldwide; numerous European and non-European governments are steadily applying extraordinary measures restricting the circulation of goods and persons, as well as suspending economic activities, as the Italian government did.

The continuation or tightening of these measures could have serious consequences on the entire national and international economic system, especially in the countries where these measures are enforced.

Effects of the COVID-19 pandemic on the final results at 30 June 2020

At 30 June 2020, no customer orders had been cancelled, despite the tough market environment; however, a number of the Group's customers asked to change the timing of certain orders, due to suspended production as part of the measures to prevent the spread of the infection.

As a result of the spread of the pandemic, with regard to the operation of the plants:

- the Group's production activities continued regularly at the Guarcino site, as far as BEG is concerned;
- 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. In 2019, these plants generated approximately 36% and 6% of the Group's total revenue and approximately 33% and 6% in first half 2020, respectively. 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 dated 10 April 2020;
- with regard to the Cartiere di Guarcino production site, in order to cope with the restrictions on the Group's production activities resulting from the closure of the Filago and Casoli d'Atri production sites referred to in point (ii) and taking account of the extension until 3 May 2020 of the closure of various production activities envisaged by Prime Ministerial Decree dated 10 April 2020, the Group decided to interrupt production activities from 14 April 2020 until 3 May 2020 and from 31 May until 13 June 2020.

For all of the Group's production sites affected by production stoppages, a request has been submitted to the competent authorities to access the ordinary redundancy fund provided for by Law Decree no. 18 of 17 March 2020. The Group resorted to this mechanism mainly for those employees who had no unused holidays.

Without prejudice to the above, at 30 June 2020, it should be noted that:

- based on the information available, it is believed that the order backlog of the Group's Divisions is consistent and basically in line with the trends seen in the last half of 2019;
- the following were sent: (i) to the main customers, specific notices, duly informing them of the regular operation of the Group's activities; and (ii) to the main suppliers, specific requests for receiving confirmation of the regular operation of supplies. In this regard, it should be noted that no negative feedback or critical issues were received from customers and that order delivery times are agreed with each customer on a case-by-case basis according to requirements and considering the market context;
- during the harshest period of the pandemic, to the Company's knowledge, three employees at the Filago (BG) plant tested positive for Coronavirus, one of whom died on 3 April;
- 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;
- all the Group's production sites are running regularly.

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", it should be noted that the Group's consolidated half-year figures at 30 June 2020 were impacted by the COVID-19 pandemic, starting from the second half of March 2020.

The half-year 2020 figures, in fact, show a decline in both consolidated turnover and the Group's operating margins.

Following the preliminary analyses and assessment of the possible effects of the COVID-19-related crisis, on 27 April 2020 the Group updated the outlook 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.

Furthermore, the Updated 2020 Budget includes two sensitivity analyses with the application, respectively, of a 10% and 20% reduction in gross revenue versus the base scenario.

Given the uncertainties regarding the length and effects of the COVID-19 crisis, one cannot rule out, should the duration and/or effects of the crisis be more severe than estimated based on the information available at 30 June 2020, that the Group may need to further revise the business plan in the future, with possible negative consequences in terms of the valuation of its assets, therefore, with an impact on the Group's results and financial position.

However, it should be noted that the above assumptions carry a significant degree of uncertainty that could greatly change the outcome of the forecast.

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

- (i) use of the CIGO (Ordinary Temporary Layoff Benefits Fund) provided for by Law Decree no. 18 of 17 March 2020 to reduce the impact of personnel costs; 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., in the period April-June 2020, 54 days of CIGO were used involving almost all employees (123 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 containment of working capital;
- (iii) marketing of the new product lines, initially planned for March 2020, started in July 2020.

Additionally, from April onwards, 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. To date, there are no supply problems caused by the outbreak of COVID-19.

Lastly, mention should be made of the conclusion of the following loans in first half 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, in July 2020, the Group obtained the resolution of the following loan agreements (to be finalized following the MCC guarantee):

- 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 - pre-financing € 300 thousand - 12-month grace period - 90% FGPMI guarantee.

June 2020 also saw the 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 the suspension of the lease payments (relating to the principal) for the period between April 2020 and March 2021; under the standstill, the parties set out a new structure for the guarantee and indemnity agreements related to the lease contract.

Effects of the COVID-19 pandemic on the expected 2020 results

With regard to the period from 1 January 2020 - 30 June 2020, the trend in revenue and Net Financial Position is in line with the estimates of the Updated 2020 Budget base scenario for the first half of the year.

Based on the strong recovery witnessed in the first two months of the third quarter this year, the Group believes it can close 2020 in line with the results of the Updated 2020 Budget.

Against this backdrop, the Group believes that it is able to meet the debt covenants for the current year, based on the Updated 2020 Budget, even in the event of more adverse sensitivity.

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

Based on the information available to date, the Group estimates that the acute phase of the crisis will end by the month of September 2020, with a subsequent gradual return to normalcy. Expectations for 2021 and the following years 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.

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 30 June 2020, Management assessed the effects of the COVID-19 pandemic on the recoverable value of assets. Based on the results of the first six months, the forecasts for the second half of the year, already transposed in the Updated 2020 Budget, 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. As for capital expenditure in progress, recorded under property, plant and equipment and intangible assets, the Group deems that the actions taken and the forecasts contained in the Updated 2020 Budget will allow for their regular development and completion; as a result, there are currently no impairment indicators for these assets.

Therefore, no critical issues were found 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 half-year 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, the Group's sound capacity to obtain liquidity from the banking system, and in view of the operating-financial forecasts for 2020 and 2021 reflected in the Updated 2020 Budget - no critical issues and uncertainties were found regarding the Group's business continuity.

THE INTERNATIONAL ECONOMIC ENVIRONMENT

The first half of the current year can be clearly divided into two different moments, taking the spread of the COVID-19 pandemic as a watershed. As far as our Country is concerned, we can consider the period up to mid-March as the first moment and from that date onwards as the second.

Until mid-March, the international economic environment, of which the Italian economy is a fully-fledged component, reflected a gradual deterioration that was already clearly shown in the reduction in the EUR - SME index (Purchasing Managers Indexes) at end 2019, which dropped from 51.4 points at December 2018 to 45.9 points at December 2019 (source <https://it.investing.com/economic-calendar/manufacturing-pmi-201>). The indicator at 31 March stood at 44.5 points. It then increased to 47.4 points at 1 July.

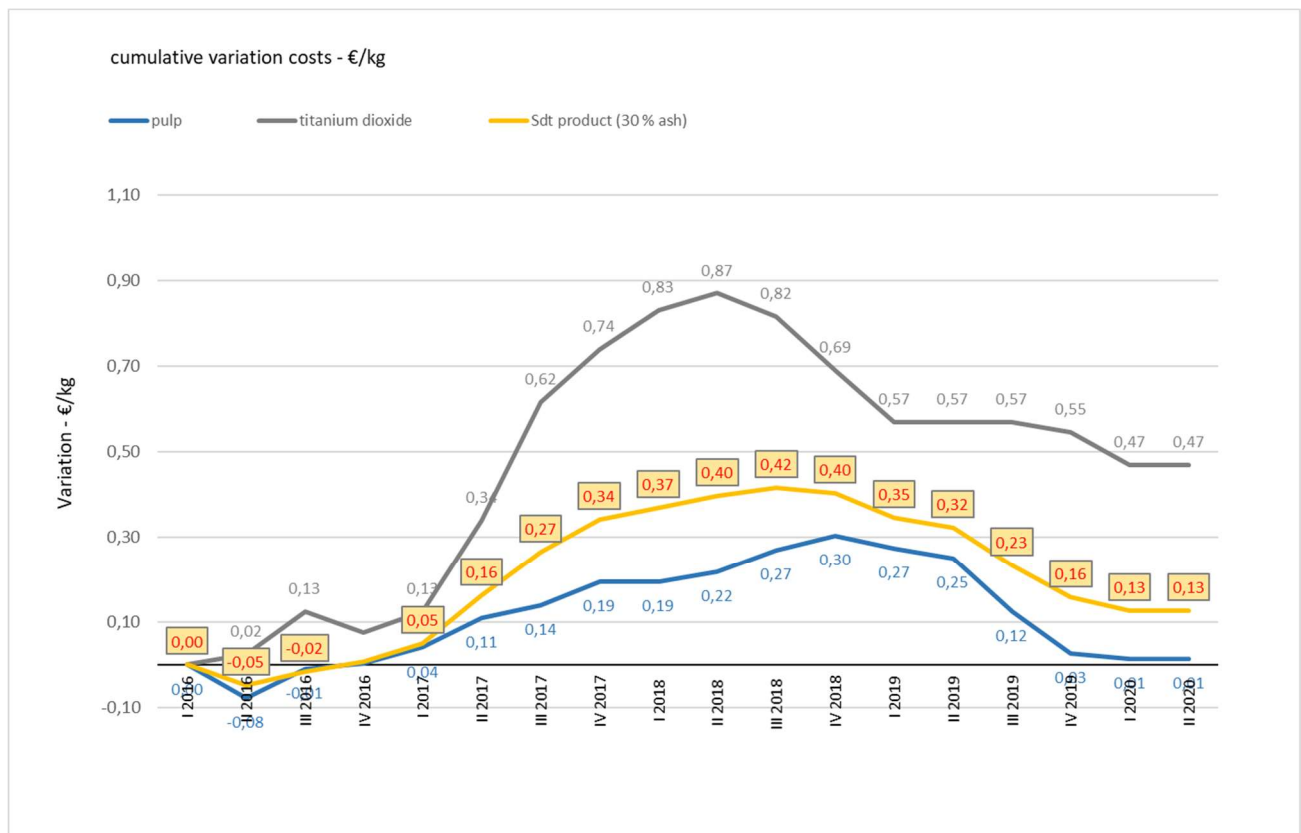
From April to end June and until today however, the effects caused by the spread of the virus are still ongoing. In this regard, mention should be made that: (i) on 14 April 2020, the International Monetary Fund forecast a 7.5% contraction of the GDP in 2020 for the Euro area and 9.1% for Italy (ii) on 27 March 2020, in a base scenario and assuming a slow and selected easing of the health restrictions from the beginning of May 2020, Prometeia predicted that the contraction of the Italian GDP in 2020 will be at least 6.5% in a single year, with a drop in the first two quarters of the year of 10% versus the pre-crisis situation and with major differences in the various sectors: from -10% for manufacturing to -27% for tourism-related services; (iii) the Parliamentary Budget Office in its April 2020 economic note estimated a 15% contraction of the Italian GDP in the first half of 2020.

Broadly speaking, therefore, the international and national economic environment in first half 2020 was severely affected, particularly in the second quarter.

RELEVANT SEGMENT

Given the international economic backdrop, even the decorative paper printing chain failed to show any vibrant signs of activity, reflecting the clear dullness of the furniture and furnishings market, in terms of both supplies and flooring, for entire periods (March-April). This sluggish trend continued for the whole month of June, during which the average level of activity of the chain stood at 50-60%.

With regard to the two main cost components of paper - pulp and titanium dioxide - their prices remained broadly steady versus the trend in 2019 as seen in the chart below, which shows the effect, in terms of cost variation, on the production of a typical base printing paper with 30% TiO₂.



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

CONSOLIDATED RESULTS OF THE NEODECORTECH GROUP

CONSOLIDATED INCOME STATEMENT

<i>(Euro thousands)</i>	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Revenue from sales and services	54.530	100,0%	66.366	100,0%	(11.836)	(17,8%)
Changes in work in progress, semi-finished and finished	86	0,2%	(452)	(0,7%)	538	(119,0%)
Other revenue	4.598	8,4%	2.323	3,5%	2.275	97,9%
Value of Production	59.214	108,6%	68.237	102,8%	(9.023)	(13,2%)
Raw and ancillary materials and consumables	(34.133)	(62,6%)	(38.780)	(58,4%)	4.647	(12,0%)
Other operating expense	(10.319)	(18,9%)	(11.377)	(17,1%)	1.058	(9,3%)
Value Added	14.762	27,1%	18.080	27,2%	(3.318)	(18,4%)
Personnel expense	(9.129)	(16,7%)	(11.015)	(16,6%)	1.886	(17,1%)
EBITDA	5.633	10,3%	7.065	10,6%	(1.432)	(20,3%)
Amortization and depreciation	(4.170)	(7,6%)	(4.173)	(6,3%)	3	(0,1%)
Allocations	(229)	(0,4%)	0	0,0%	(229)	-
EBIT	1.235	2,3%	2.892	4,4%	(1.657)	(57,3%)
Financial components	(759)	(1,4%)	(976)	(1,5%)	217	(22,2%)
Exchange gains and losses	0	0,0%	(19)	(0,0%)	19	(100,0%)
Profit (loss) before tax	475	0,9%	1.896	2,9%	(1.421)	(74,9%)
Income tax	(281)	(0,5%)	(797)	(1,2%)	516	(64,7%)
Profit (loss) for the period	194	0,4%	1.099	1,7%	(905)	(82,3%)

The decline in turnover in April, May and June 2020 is attributable to the impact of the COVID-19 pandemic. From 16 March 2020, in fact, a drastic drop was reported in production, due to the shortage of personnel caused by the pandemic and production stoppages at the plants located in Filago (BG), Casoli di Atri (TE) and subsequently in Guarcino (FR) for the subsidiary Cartiere di Guarcino S.p.A.. Additionally, regular production activities resumed in the month of June 2020.

Conversely, revenue generated by Guarcino Bio Energia rose by 4%, as a result of an increase in energy produced and sold and the increase in the unit value of the incentive.

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 of the subsidiary Cartiere di Guarcino, and € 2,350 thousand from an insurance indemnity of 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 in other operating expense, in line with first half 2019, despite the effects of COVID-19. At 30 June 2019, the subsidiary Cartiere di Guarcino had received an insurance reimbursement of € 1,380 thousand for a weather incident.

Other operating expense, down overall due to the reduction in turnover, includes the higher costs incurred for listing on the MTA, amounting to € 669 thousand, versus the first half of the prior year.

The percentage of raw and ancillary materials increased (+4.2%), due mainly to the increase in the purchase price of animal by-products fuel for the subsidiary Bio Energia Guarcino.

The decrease in personnel costs, amounting to € 486 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. 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., in the period April-June 2020, 54 days of CIGO were used, involving almost all employees (123 out of 158). Additionally, personnel costs in first half 2020 were impacted by the effects of the higher costs of the allocation to the Welfare Provision, amounting to € 541 thousand, set up as a one-off COVID-19 emergency benefit, for all employees, excluding executives.

Amortization and depreciation changed slightly, despite capital expenditure in first half 2020 of € 3,551 thousand in tangible and intangible assets, most of which are still in progress; the impact will be felt in the second half of the year.

The change in provisions is explained by allocations to the provision for doubtful accounts under IFRS 9 for € 111 thousand, and the provision for supplementary agents' indemnity for € 118 thousand.

With regard to financial components, the reduction in expense is a result of the project to optimize the credit lines.

For further details on income tax, reference is made to the Notes to the Financial Statements.

ADJUSTED EBITDA AND ADJUSTED NET PROFIT

The following figures at 30 June 2020 and 30 June 2019 relate to adjusted EBITDA and adjusted NET PROFIT, i.e. EBITDA and net income net of cost and revenue components of a non-recurring nature.

Specifically, the components for first half 2020 are the following:

- Release of Stock Grants following the failure to reach the listing target by March 2020 (40% of the provision set aside);
- Costs for MTA Translisting;
- Allocation to Welfare provision.

In first half 2019, non-recurring items refer to:

- Allocation to Stock Grants;
- IPO costs: higher Post Listing consultancy costs.

Reconciliation of EBITDA-ADJUSTED EBITDA

<i>(Euro thousands)</i>	30 JUNE 2020	30 JUNE 2019	Chg.	% change
EBITDA from consolidated before non-recurring item	5.633	7.065	(1.432)	(20,3%)
Allocation/Release of Stock Grants	(1.204)	1.149	(2.353)	(204,8%)
Translisting MTA/ Extraordinary Components/ Higher IPO costs (2019)	669	243	426	175,3%
Allocation to Welfare provision	541	0	541	-
Adjusted EBITDA from consolidated	5.639	8.457	(2.818)	(33,3%)
Adjusted Net Profit	250	2.319	(2.069)	(89,2%)

KEY RESULTS BY OPERATING SEGMENT

In order to provide adequate disclosure of the nature and characteristics of revenue, revenue as required by IFRS 8 is broken down below. The table below shows the change between 30 June 2020 and 30 June 2019 in the main income indicators broken down by operating segment, gross of Intercompany items (reference is made to the segment reporting in the Notes for net intercompany items).

<i>(Euro thousands)</i>	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Printed Decorative Paper Division						
Revenue from sales and services	21.473	100,0%	27.297	100,0%	(5.824)	(21,3%)
EBITDA	732	3,4%	2.627	9,6%	(1.895)	(72,1%)
EBIT	(891)	(4,1%)	1.287	4,7%	(2.178)	(169,2%)
Profit (loss) for the period	194	0,9%	1.099	4,0%	(905)	(82,3%)
Decorative Paper Division						
Revenue from sales and services	24.200	100,0%	31.501	100,0%	(7.301)	(23,2%)
EBITDA	2.642	10,9%	2.331	7,4%	311	13,3%
EBIT	1.162	4,8%	834	2,6%	328	39,3%
Profit (loss) for the period	908	3,8%	150	0,5%	758	505,3%
Energy Division						
Revenue from sales and services	16.188	100,0%	15.567	100,0%	621	4,0%
EBITDA	2.258	13,9%	2.119	13,6%	139	6,6%
EBIT	1.077	6,7%	897	5,8%	180	20,1%
Profit (loss) for the period	445	2,7%	242	1,6%	203	83,9%

Decorative Paper Division - Neodecortech

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 abruptly with the spread of the pandemic, compounded by the total shutdown in the lockdown period from 23 March to 17 April of the Filago (BG) plant and from 25 March to 24 April of the Casoli (TE) plant. In May and June, production activity stood at 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 in sales has affected not only the domestic market, but also all the Group's regions of operation worldwide.

In first half 2020, there were no changes either in raw material prices or in sales prices.

Paper Division - Cartiere di Guarcino

Cartiere reported basically the same trend in revenue as Neodecortech. The only major difference is due to the fact that production activities were not shut down even during the lockdown period. The months from April to June, however, were marked by stoppages caused by the significant reduction 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.

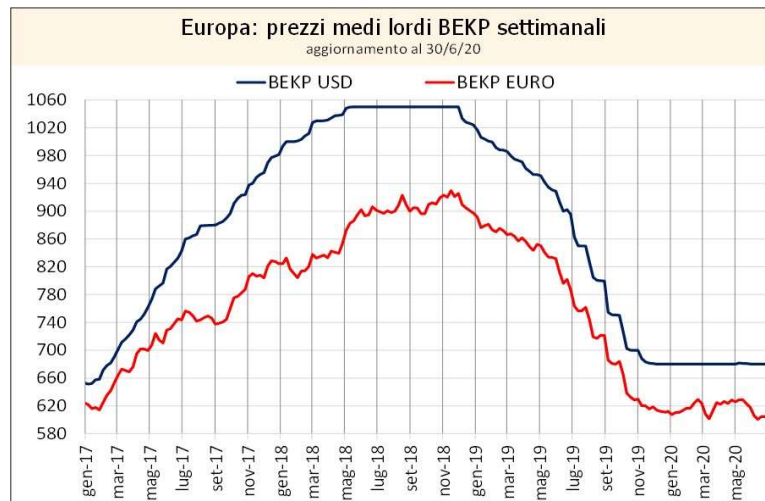
In first half 2020, there were no changes either in raw material prices or in sales prices.

The pulp market in first half 2020 showed a steady trend, with a list price of the main sellers aligned to \$ 680 for short fibres. A few attempts to increase prices on good tissue demand failed. The same applies to the repeated requests for reductions in June. Demand is still weak, particularly in the so-called specialty paper segments covered by Cartiere di Guarcino S.p.A., with sharp declines in volumes, especially in the second quarter. The trend is somewhat livelier for long fibre prices, with a first quarter slightly on the rise

and then retracing in the second quarter. On the supply front, there are no particular problems related to COVID-19, neither in terms of production nor of logistics.

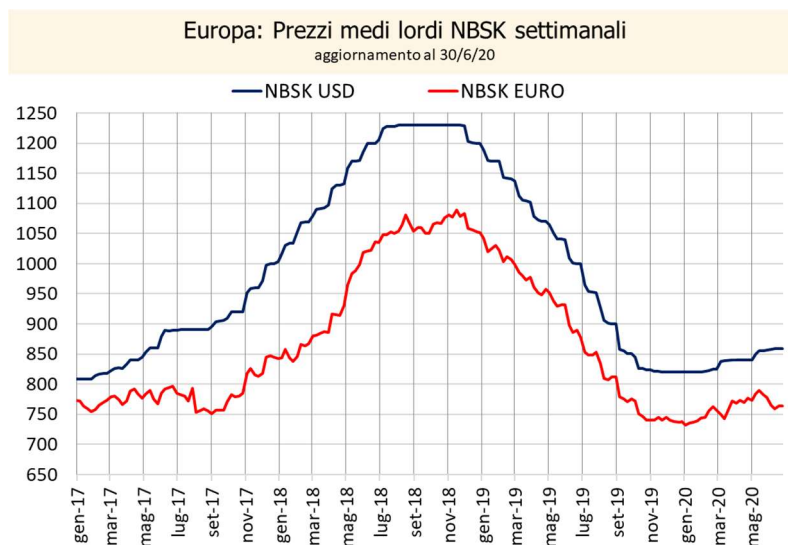
To date, there are no particular signs of a price recovery in the short term. On the Chinese market too, the strategy is focused on promoting price stabilization.

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



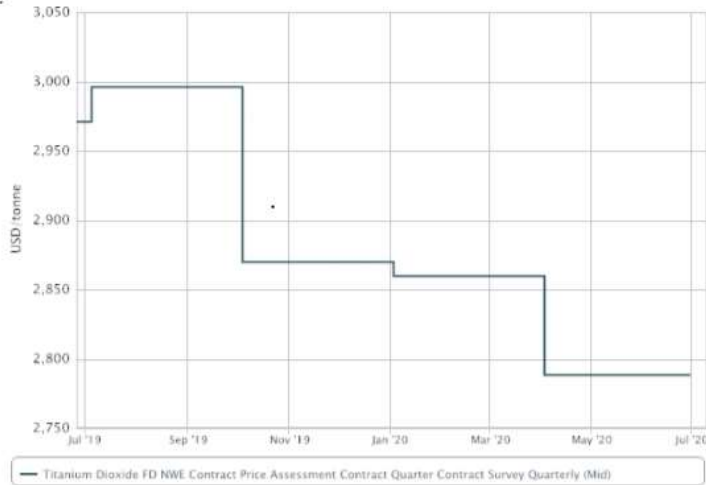
Source FOEX

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



Source FOEX

As for the titanium dioxide market, demand is weak, especially for the automotive and aerospace industries. After a basically steady first quarter 2020, the second quarter reported a decline in the wake of reduced demand following the lockdown period to cope with the COVID-19 emergency. Negotiations are still open for the third quarter, with demand still weak and good product availability from China. Guarded optimism for the future, particularly in the face of economic support tools within the EU.



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Source ICS

The impact of Other operating expense is in line with the prior year, although savings were recorded on energy costs, thanks to the lower price of natural gas (-15%), while a fixed-price contract is in place for electricity.

Bio Energia Guarcino Division

In the first half of the year, the subsidiary Bio Energia Guarcino never stopped the production of electricity.

However, sharp reductions in energy prices were recorded throughout the lockdown period, owing to the collapse in EE consumption. These reductions had a clear impact on the Company's revenue performance. The lockdown months also recorded a certain shortage of animal by-products used as fuel. Despite that, there was no significant impact on margins, thanks to the insurance reimbursement defined and settled in this part of the year, but relating to the incident that took place in November 2019.

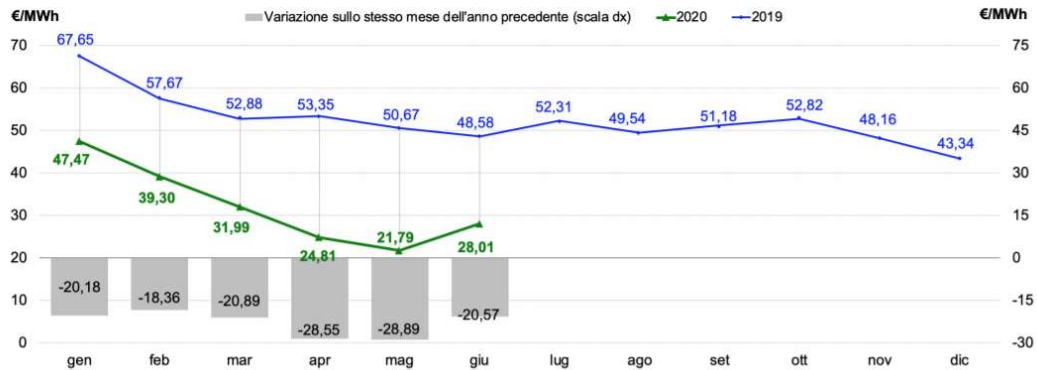
The use of raw and ancillary materials grew, due mainly to the increase in the purchase price of fuel versus the same period of 2019.

In first half 2020, the Bio Energia Guarcino S.r.l. plant worked 11,569 hours and generated a production of approximately 77,727 MWh, up by approximately 5% versus the same period of the prior year. The energy fed into the grid amounted to 57,762 MWh, up versus first half 2019. The energy sold to CDG, instead, amounted to 17,244 MWh, down versus June 2019. The difference is attributable to the closure period of the CDG plant for the reasons explained earlier.

The lockdown period had a heavy impact on the selling price of energy. In June, the PUN stood at 28.01 €/MWh, up versus May (+6.22 €/MWh), but at its lowest ever for the month under review (-42.3% versus June 2019). The price of the PUN also reflects a broad availability of renewable energy supply and very low gas costs. Prices on the forward market increased with the July baseload closing the trading period at 36 €/MWh (+5.5%). 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 expected to increase in 2021.

Grafico 1: MGP, Prezzo Unico Nazionale (PUN)

Fonte: GME



With regard to the animal fats market, the trend was basically steady in the first quarter and on a downward path in the second quarter. From January to June, the market fell by approximately 5%, but was much higher than in the first half of 2019, when the average cost was € 580 per tonne.

The table below summarizes the prices for the first 6 months of 2020 of the livestock bulletin published by Associazione Granaria di Milano.

Sego 2-3 FFA-MIU 1 - FAC 7-9	716,5	720,5	702,1	696,3	695,0	678,5	-	38,0	-6%
Grasso acidità 4 - MIU 1	692,0	700,8	687,1	681,3	680,0	662,3	-	29,8	-4%
Grasso max 7 FFA - MIU 1	658,5	669,8	657,1	651,3	648,8	627,3	-	31,3	-5%
Grasso max 10 FFA - MIU 1	643,5	654,8	642,1	636,3	633,8	612,3	-	31,3	-5%

MAIN FINANCIAL RESULTS

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Euro thousands)</i>	30 JUNE 2020	30 JUNE 2019	Chg.	% change
Trade receivables	17.149	23.421	(6.272)	(26,8%)
Inventory	38.438	35.697	2.741	7,7%
Trade payables	(23.554)	(29.139)	5.585	(19,2%)
Operating NWC	32.033	29.979	2.054	6,9%
Other current receivables	2.536	2.776	(240)	(8,6%)
Receivable from Tax Consolidation	1.266	731	535	73,2%
Tax receivables	2.663	2.396	267	11,1%
Other current payables	(4.643)	(5.431)	788	(14,5%)
Tax payables	(1.122)	(944)	(178)	18,9%
Payables from tax consolidation	(544)	(968)	424	(43,8%)
Net Working Capital	32.188	28.537	3.651	12,8%
Property, plant and equipment	78.545	77.306	1.239	1,6%
Intangible fixed assets	2.575	3.116	(541)	(17,4%)
Non-current financial assets not included in NFP	1.837	5.805	(3.968)	(68,4%)
Other non-current assets	87	36	51	100,0%
Fixed assets	83.044	86.264	(3.220)	(3,7%)
Post-employment benefits	(3.211)	(2.989)	(222)	7,4%
Provisions for risks and charges	(1.081)	(455)	(626)	137,6%
Deferred tax assets and liabilities	(4.443)	(4.493)	50	(1,1%)
Net Capital Employed	106.497	106.865	(368)	(0,3%)
Equity	58.269	58.573	(304)	(0,5%)
Cash and cash equivalents	(1.168)	(1.458)	290	(19,9%)
Other current financial receivables	(64)	(3)	(61)	100,0%
Current financial liabilities	26.223	23.903	2.320	9,7%
Non-current financial liabilities	23.237	25.850	(2.613)	(10,1%)
Net Financial Debt	48.227	48.292	(65)	(0,1%)
Equity and Net Financial Debt	106.496	106.865	(369)	(0,3%)

	30 JUNE 2020	31 DECEMBER 2019	Chg.	% change
<i>(Euro thousands)</i>				
Trade receivables	17.149	19.239	(2.090)	(10,9%)
Inventory	38.438	39.114	(676)	(1,7%)
Trade payables	(23.554)	(31.333)	7.779	(24,8%)
Operating NWC	32.033	27.020	5.013	18,6%
Other current receivables	2.536	5.294	(2.758)	(52,1%)
Receivable from Tax Consolidation	1.266	0	1.266	0,0%
Tax receivables	2.663	0	2.663	0,0%
Other current payables	(4.643)	(4.714)	71	(1,5%)
Tax payables	(1.122)	(881)	(241)	27,4%
Payables from tax consolidation	(544)	(422)	(122)	28,9%
Net Working Capital	32.188	26.297	5.891	22,4%
Property, plant and equipment	78.545	78.871	(326)	(0,4%)
Intangible fixed assets	2.575	2.905	(330)	(11,4%)
Non-current financial assets not included in NFP	1.837	1.853	(16)	(0,9%)
Other non-current assets	87	108	(21)	(19,4%)
Fixed assets	83.044	83.738	(694)	(0,8%)
Post-employment benefits	(3.211)	(2.887)	(324)	11,2%
Provisions for risks and charges	(1.081)	(918)	(163)	17,8%
Deferred tax assets and liabilities	(4.443)	(4.416)	(27)	0,6%
Net Capital Employed	106.497	101.814	4.683	4,6%
Equity	58.269	61.277	(3.008)	(4,9%)
Cash and cash equivalents	(1.168)	(3.475)	2.307	(66,4%)
Other current financial receivables	(64)	(63)	(1)	1,6%
Current financial liabilities	26.223	21.023	5.200	24,7%
Non-current financial liabilities	23.237	23.051	186	0,8%
Net Financial Debt	48.227	40.536	7.691	19,0%
Equity and Net Financial Debt	106.496	101.814	4.682	4,6%

The context generated by COVID-19 led to an increase in the NWC, specifically: an increase in inventory of € 2,741 thousand and a greater reduction in trade receivables (€ 6,272 thousand) versus trade payables (€ 5,585 thousand) regularly paid by the Group.

For the change in property, plant and equipment and intangible assets, reference should be made to the tables in the Statement of Financial Position.

With regard to the decrease in "Other non-current financial assets not included in the NFP", the decrease of € 2,388 thousand is due to the disposal by the subsidiary Cartiere di Guarcino S.p.A. of shares in CDG International Corporation in November 2019. Additionally, at end 2019, the receivable from the related party Finanziaria Valentini was collected: at 30 June 2019, this receivable amounted to € 1,740 thousand. The current portion of the loan granted by Neodecortech S.p.A. to the related party Valinvest (to renovate the roof of the warehouse located in Casoli di Atri and rented to Neodecortech) increased by € 128 thousand, while the portion of interest income allocated for the interest-bearing financial receivable from former Andreotti S.p.A. was up too by € 32 thousand.

For changes in **net financial debt**, reference should be made to the following details.

The details of Net Financial Debt at 30 June 2020 versus 30 June 2019 and 31 December 2019 are shown below:

<i>(Euro thousands)</i>	30 JUNE 2020	30 JUNE 2019	Chg.
A. Cash	(8)	(20)	12
B. Other cash and cash equivalents	(1.160)	(1.438)	278
D. Liquidity (A) + (B)	(1.168)	(1.458)	290
E. Current financial receivables	(64)	(3)	(61)
F. Current bank payables	20.006	18.786	1.220
G. Current portion of non-current debt	5.700	3.088	2.612
H. Other current financial payables	516	2.028	(1.512)
I. Current financial debt (F) + (G) + (H)	26.223	23.902	2.321
J. Net current financial debt (D) + (E) + (I)	24.991	22.441	2.550
K. Non-current bank payables	13.883	15.997	(2.114)
M. Other non-current payables	9.353	9.853	(500)
N. Non-current financial debt (K) + (M)	23.236	25.850	(2.614)
O. Net financial debt (J) + (N)	48.227	48.291	(64)

<i>(Euro thousands)</i>	30 JUNE 2020	31 DECEMBER 2019	Chg.
A. Cash	(8)	(7)	(1)
B. Other cash and cash equivalents	(1.160)	(3.468)	2.308
D. Liquidity (A) + (B)	(1.168)	(3.475)	2.307
E. Current financial receivables	(64)	(63)	(1)
F. Current bank payables	20.006	15.886	4.120
G. Current portion of non-current debt	5.700	3.110	2.590
H. Other current financial payables	516	2.027	(1.511)
I. Current financial debt (F) + (G) + (H)	26.223	21.023	5.200
J. Net current financial debt (D) + (E) + (I)	24.991	17.485	7.506
K. Non-current bank payables	13.883	14.710	(827)
M. Other non-current payables	9.353	8.341	1.012
N. Non-current financial debt (K) + (M)	23.236	23.051	185
O. Net financial debt (J) + (N)	48.227	40.536	7.691

In both comparative periods, the most significant changes are:

- **F - Current bank payables** The increase is attributable to the use of the advance payment of invoices by Neodecortech S.p.A. as from March 2020;
- **G - Current portion of non-current debt** The increase is attributable mainly to the provision to Neodecortech S.p.A. of two new loans: € 900 thousand from BPER (€ 674 thousand current and € 226 thousand non-current classified under K) and € 2,000 thousand from BPM;
- **H - Other current financial payables and M other non-current payables** The two items were impacted by the suspension of the principal portion of the lease instalments of the subsidiary Bio Energia Guarcino, from April 2020 to April 2021;
- **K - Non-current bank payables** The decrease is attributable to the repayment of loan instalments by the three Group companies; additionally, there were two new disbursements, the first to Neodecortech S.p.A., mentioned in the comment

to letter G, the second, the pre-financing payment of € 300 thousand by Banca Popolare di Sondrio, was made to Cartiere di Guarcino S.p.A. for a total loan of € 2,000 thousand.

Additionally, mention should be made versus 31 December 2019 of:

- **B - Other liquid assets** The decrease is attributable to the payment of dividends for € 1,882 thousand; subsequently, the effects of the COVID-19 pandemic prevented the previous level of liquidity from being restored.

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 not directly derived from the financial statements. These measures 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 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;
- **ADJUSTED EBITDA and ADJUSTED NET PROFIT:** measures used by Management to strip EBITDA and net income of the effect of non-recurring cost and revenue components;
- **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 remaining six months of 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 consolidated half-year 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 non-financial 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. 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 COVID-19 virus

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 (change of production layouts, sanitization of premises, personal protective equipment, temperature measurement, serological tests, hygiene regulations and social distancing, 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 cyclicity 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 in Europe, America, the Middle East, Asia and Africa with other 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 derives mainly from the purchase of direct 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 reduce, 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. Additionally, 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, at the Prospectus Date, insurance policies are in force 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 and, in addition, a specific insurance policy has been taken out for the benefit of employees in the event of Coronavirus infections. 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 Company's current governance structure - with the presence of two Managing 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.

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"). On 11 December 2019, the Board of Directors resolved to comply with and adopt the Corporate Governance Code (publicly available on the website www.borsaitaliana.it), in force from time to time, subject to the start of trading of the Company's shares and warrants on the MTA, organized and managed by Borsa Italiana.

In this regard, mention should be made of the start of trading on 25 May 2020 of the Company's ordinary shares and "Warrant Neodecortech 2018-2021" on the MTA, organized and managed by Borsa Italiana S.p.A.

Pursuant to Article 123-bis of the TUF, the Company is required to prepare an annual report on corporate governance and ownership structure, which provides an overview of the corporate governance system adopted by the Group and contains, *inter alia*, information on the ownership structure and the main governance practices applied, as well as the characteristics of the internal control and risk management system, also with regard to the financial reporting process.

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).

CAPITAL EXPENDITURE

Capital expenditure in first half 2020 amounted to € 3,551 thousand, most still in progress. Expenditure refers in particular to the new Neodecortech production lines, scheduled to start in the second half of 2020, delayed by the COVID-19 pandemic.

RESEARCH AND DEVELOPMENT

In first half 2020, the company continued and completed the projects on 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 first half 2020, for a total of € 5.4 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. The project was completed at end January and went into 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 thermoplastic versions. The paper version is in the development planning stage.

INFORMATION ON RELEVANT EXTRA-EU COMPANIES

Neodecortech S.p.A. indirectly controlled CDG International Corp. at 30 June 2019, a company incorporated and regulated under US law, which was subsequently sold on 19 October 2019.

ENVIRONMENTAL INFORMATION, SAFETY AND HEALTH

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. The list of certifications awarded to each Group company is shown below:

- Neodecortech: UNI EN ISO 9001: 2015 - quality system certification;

 UNI EN ISO14001: 2015 - environmental certification (with particular regard to emissions);

 UNI EN ISO 45001: 2018 - occupational health and safety management certification;

 UNI EN ISO 50001: 2018 - certification on the optimization of energy consumption in order to reduce the carbon footprint;

 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 (2016 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).

With regard to environmental targets and policies, in first half 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 first half of the year, the Group caused no environmental damage for which it was found guilty, nor was it imposed fines or penalties for environmental offences or damage.

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.

				30.06.2020	31.12.2019
PERSONNEL	Printed Decorative Paper Division	Printed Decorative Paper Division	Energy Division	GROUP	GROUP
Executives	5	5		10	10
Managers/White collar	59	49	2	110	109
Blue collars	147	109		256	259
Total	211	163	2	376	378

The average number of employees in first half 2020 amounted to 364 units. Additionally, 7 resources from Cartiere di Guarcino S.p.A. work on secondment for the subsidiary Bio Energia Guarcino S.r.l.

During the COVID-19-related closure period, the Group resorted extensively to smart working for the days not covered by holidays or CIGO.

INFORMATION ON THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The following information is provided on the derivative financial instruments in place at 30 June 2020.

The subsidiary Cartiere di Guarcino S.p.A. has the following derivative contracts in place:

- Currency Rate - Foreign exchange hedging contract (recorded as a speculative derivative) - Notional value of payables at 30 June 2020 USD 3,200 thousand - Fair value at 30 June 2020 € -42,303 (€ -26,165 at 31 December 2019); profit from the evaluation of payables in USD zeroes the economic impact.

The Parent Company has the following derivative contracts in place to hedge interest rate risk on the mortgage loan agreements with BPM; details are provided below:

- Interest Rate Swap - Interest Rate hedging contract - Notional value at 30 June 2020 € 9,480,906 - Fair value at 30 June 2020 € -431,391 (€ -386,075 at 31 December 2019);
- Interest Rate Swap - Interest Rate hedging contract - Notional value at 30 June 2020 € 430,293 - Fair value at 30 June 2020 € 19 (€ 22 at 31 December 2019).

ATYPICAL AND/OR UNUSUAL TRANSACTIONS DURING THE PERIOD

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

SIGNIFICANT EVENTS AFTER 30 JUNE 2020

No significant events occurred after the end of the six months. With regard to the provision of new funding, mention should be made that the Group has applied for the following loans (to be finalized following the MCC guarantee):

- Neodecortech S.p.A. - € 2,500 thousand from Banco BPM S.p.A.
- Neodecortech S.p.A. - € 2,500 thousand from Banco BPM S.p.A.
- Cartiere di Guarcino S.p.A. - € 2,000 thousand from Banca Popolare di Sondrio.

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.

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 began with a strong recovery in July and August. To date, the entire production chain in which Neodecortech and Cartiere di Guarcino operate is working at full production capacity, with a rather good forecast of orders for September. This mood is shared by all the sales areas (90% Europe) in which the companies mainly operate.

Based on the strong recovery witnessed in the first two months of the third quarter this year, the Group believes it can close 2020 in line with the results of the Updated 2020 Budget.

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 the areas where the investments in production that started in 2019 and were completed in first half 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.

On the organizational front, in first half 2020, treasury management was adopted at Group level, which started in April and was completed in July. It is expected to become fully operational in the third quarter of the year.

Paper Division - Cartiere di Guarcino

Cartiere di Guarcino S.p.A. reports the same market trends as the Parent Company Neodecortech S.p.A.

Energy Division - Bio Energia Guarcino

As for Bio Energia Guarcino, the price of animal by-products is expected to drop moderately, while the energy price is currently going through a steady recovery.

Generally speaking, however, at the date of this document, the Group has not undertaken or does not plan to undertake, at least for the current year, any measures or actions for dealing with any change in turnover recorded or expected due to the above health emergency, except as indicated below: (i) any use of the CIGO (Ordinary Temporary Layoff Benefits Fund) provided for by Law Decree no. 18 of 17 March 2020 to reduce the impact of cost of personnel; and (ii) the marketing of the new product lines as from July 2020.

Without prejudice to the above, at the date of this document, the Group is not in a position to make further and more specific assessments of its business outlook for 2020 in terms of turnover, margins and cash flow.

PURCHASE OF TREASURY SHARES

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

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.

CONCLUSIONS

This Consolidated Half-Year Report was approved by the Board of Directors for publication on 7 September 2020.

Filago (BG), 7 September 2020

For the Board of Directors

The Chairman

(Riccardo Bruno)

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2020

The consolidated half-year financial statements for the six months ended 30 June 2020 have been prepared in accordance with the international accounting standard applicable to interim reporting (IAS 34) adopted by the European Union, as approved by the Board of Directors on 07 September 2020 and subject to a full audit by the Independent Auditors BDO Italia S.p.A..

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2020

<i>(Euro thousands)</i>	Notes	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Revenue from sales	1	54.530	100,0%	66.366	100,0%	(11.836)	(17,8%)
Changes in semi-finished and finished products	2	86	0,2%	(452)	(0,7%)	538	(119,0%)
Other revenue and income	3	4.598	8,4%	2.323	3,5%	2.275	97,9%
Raw and ancillary materials and consumables	4	(34.133)	(62,6%)	(38.780)	(58,4%)	4.647	(12,0%)
Personnel expense	5	(9.129)	(16,7%)	(11.015)	(16,6%)	1.886	(17,1%)
Amortization and depreciation	6	(4.170)	(7,6%)	(4.174)	(6,3%)	4	(0,1%)
Allocations	7	(229)	(0,4%)	0	0,0%	(229)	-
Other operating expense	8	(10.319)	(18,9%)	(11.376)	(17,1%)	1.057	(9,3%)
EBIT		1.235	2,3%	2.892	4,4%	(1.657)	(57,3%)
Financial income	9	19	0,0%	0	0,0%	19	-
Financial expense	10	(779)	(1,4%)	(995)	(1,5%)	216	(21,7%)
Profit (loss) before tax		475	0,9%	1.896	2,9%	(1.421)	(74,9%)
Direct tax on income for the period	11	(281)	(0,5%)	(797)	(1,2%)	516	(64,7%)
Profit (loss) for the period		194	0,4%	1.099	1,7%	(905)	(82,3%)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 30 JUNE 2020

<i>(Euro thousands)</i>	30 JUNE 2020	30 JUNE 2019
Profit (loss) for the period	194	1.099
Other items of the comprehensive income statement		
Actuarial gains (losses) net of tax effect	165	(172)
Total items that will not be reclassified in the income statement for the year	165	(172)
Gains/(losses) on cash flow hedging instruments	(151)	(130)
Total items that will or may be reclassified in the income statement for the year	(151)	(130)
Comprehensive income (loss) for the period	14	(302)
Profit for the period attributed to:		
Shareholders of the Parent	208	797
Non-controlling interests		
Earnings per share (in Euro):		
Basic	0,01	0,08
Diluted	0,01	0,08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

Assets	Notes	30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
<i>(Euro thousands)</i>							
Intangible assets	12	2.575	1,7%	2.905	1,9%	(330)	(11,4%)
Property, plant and equipment	13	78.545	52,9%	78.871	51,5%	(326)	(0,4%)
Other non-current assets	14	96	0,1%	113	0,1%	(17)	(15,0%)
Non-current financial receivables	15	1.837	1,2%	1.853	1,2%	(16)	(0,9%)
Deferred tax assets	16	2.167	1,5%	2.159	1,4%	8	0,4%
Non-current assets		85.220	57,4%	85.902	56,1%	(682)	(0,8%)
Inventory	17	38.438	25,9%	39.114	25,6%	(676)	(1,7%)
Trade receivables	18	17.149	11,5%	19.239	12,6%	(2.090)	(10,9%)
Receivables from tax consolidation	19	1.266	0,9%	918	0,6%	348	37,9%
Tax receivables	20	2.663	1,8%	2.506	1,6%	157	6,3%
Current financial receivables	21	64	0,0%	63	0,0%	1	1,6%
Other current receivables	22	2.536	1,7%	1.870	1,2%	666	35,6%
Cash and cash equivalents	23	1.168	0,8%	3.475	2,3%	(2.307)	(66,4%)
Current assets		63.284	42,6%	67.185	43,9%	(3.901)	(5,8%)
Total Assets		148.503	100,0%	153.087	100,0%	(4.584)	(3,0%)
Equity and liabilities							
		30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
<i>(Euro thousands)</i>							
Share capital		17.399	11,7%	16.203	10,6%	1.196	7,4%
Share premium reserve		17.357	11,7%	17.357	11,3%	-	0,0%
Other reserves		14.560	9,8%	15.002	9,8%	(442)	(2,9%)
Prior years' profit (loss)		8.761	5,9%	8.755	5,7%	6	0,1%
Profit (loss) for the period		194	0,1%	3.961	2,6%	(3.767)	(95,1%)
Equity	31	58.269	39,2%	61.277	40,0%	(3.008)	(4,9%)
Provisions for risks and charges	24	1.081	0,7%	918	0,6%	163	17,8%
Deferred tax	16	6.609	4,5%	6.575	4,3%	34	0,5%
Post-employment benefits	25	3.211	2,2%	2.887	1,9%	324	11,2%
Non-current financial liabilities	26	23.237	15,6%	23.051	15,1%	186	0,8%
Non-current liabilities		34.138	23,0%	33.431	21,8%	707	2,1%
Trade payables	27	23.554	15,9%	31.333	20,5%	(7.779)	(24,8%)
Payables from tax consolidation	28	544	0,4%	422	0,3%	122	28,9%
Tax payables	29	1.122	0,8%	881	0,6%	241	27,4%
Current financial liabilities	26	26.223	17,7%	21.023	13,7%	5.200	24,7%
Other current payables	30	4.652	3,1%	4.719	3,1%	(67)	(1,4%)
Current liabilities		56.095	37,8%	58.379	38,1%	(2.284)	(3,9%)
Total equity and liabilities		148.503	100,0%	153.087	100,0%	(4.584)	(3,0%)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 30 JUNE 2020

	Notes	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT							EQUITY NON-CONTROLLING INTERESTS	TOTAL EQUITY
		SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT (LOSS) FOR THE PERIOD	EQUITY		
<i>(Euro thousands)</i>										
Balance at 01/01/2019		16.203	(281)	17.357	19.389	(94)	6.030	58.604	-	58.604
Other items of the comprehensive income statement		-	(28)	-	(172)	-	-	(200)	-	(200)
Profit for the period		-	-	-	-	-	3.961	3.961	-	3.961
Total comprehensive income/loss for the period		-	(28)	-	(172)	-	3.961	3.761	-	3.761
Dividend distribution					(2.001)			(2.001)	-	(2.001)
Allocation of prior year's profit (loss)					6.030		(6.030)	-	-	-
Other changes			137		973	(197)		913	-	913
Balance at 31/12/2019		16.203	(172)	17.357	24.219	(291)	3.961	61.277	-	61.277
Balance at 01/01/2020	31	16.203	(173)	17.357	24.220	(291)	3.961	61.277	-	61.277
Other items of the comprehensive income statement		-	(151)	-	165	-	-	14	-	14
Profit for the period		-	-	-	-	-	194	194	-	194
Total comprehensive income/loss for the period		-	(151)	-	165	-	194	208	-	208
Dividend distribution					(1.882)			(1.882)	-	(1.882)
Allocation of prior year's profit (loss)					3.961		(3.961)	-	-	-
Other changes		1.196	-		(2.400)	(130)		(1.334)	-	(1.334)
Balance at 30/06/2020	31	17.399	(324)	17.357	24.064	(421)	194	58.269	-	58.269

CONSOLIDATED STATEMENT OF CASH FLOWS AT 30 JUNE 2020

<i>(Euro thousands)</i>	30 JUNE 2020	30 JUNE 2019
Profit (loss) for the period	194	1.099
Income tax	264	796
Deferred/(prepaid) tax	17	
Interest expense/(interest income)	926	996
(Dividends received)		
(Gains)/losses from disposal of assets	12	(239)
1 Profit (loss) for the period before income tax, interest, dividends and gains/losses from disposals	1.413	2.652
Adjustments for non-monetary items that had no balancing entry in net working capital:		
Allocation to post-employment benefits	284	17
Allocations to other provisions	274	
Depreciation of fixed assets	4.103	4.174
Write-downs for impairment losses		
Other adjustments for non-monetary items	(907)	1.098
2 Cash flow before changes in NWC	5.167	7.941
Changes in net working capital		
Decrease/(increase) in receivables from customers	1.742	625
Decrease/(increase) in inventory	676	250
Increase/(decrease) in payables to suppliers	(7.762)	(4.082)
Decrease/(increase) in other receivables	(822)	(75)
Increase/(decrease) in other payables	(3)	1.215
Other changes in net working capital		2
3 Cash flow after changes in NWC	(1.002)	5.876
Other adjustments		
Interest received/(paid)	(590)	(503)
(Income tax paid)		(370)
(Gains)/losses from disposal of assets	12	
Dividends received		
(Utilization of provisions)	(137)	
(Utilization of provisions for post-employment benefits)	(153)	(120)
4 Cash flow after other adjustments	(1.870)	4.883

A Cash flow from operations	(1.870)	4.883
Property, plant and equipment	(3.278)	(3.456)
(Purchase)	(3.317)	(3.695)
Disposal	39	239
Intangible fixed assets	(109)	(112)
(Purchase)	(109)	(112)
Disposal		
Financial fixed assets	16	(182)
(Purchase)	16	(182)
loans granted		
Current financial assets		
(Purchase)		
Proceeds from disposal of assets		
B Cash flow from investing activities	(3.371)	(3.750)
Liabilities	4.947	(4.163)
Increase (decrease) in current bank payables	3.733	411
New loans	3.200	
Repayment of loan	(1.471)	(1.621)
Increase (decrease) in non-current bank payables		
Financial liabilities to other lenders	(536)	(1.194)
Change in financial receivables from other lenders	21	(1.759)
Equity	(2.012)	(2.001)
Share capital increase		
Sale (purchase) of treasury shares	(130)	
Other changes in equity	(1.882)	(2.001)
C Cash flow from financing activities	2.934	(6.164)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(2.307)	(5.031)
Cash and cash equivalents at 1 January	3.475	6.489
Cash and cash equivalents at 30 June	1.168	1.458

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ENTITY DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENTS

Neodecortech S.p.A. (hereinafter also the "Company") is a company under Italian law, with registered office in Filago (BG) in Strada Provinciale 2, at the head of the Neodecortech Group. The Company's 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. The Company 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 Board of Directors of Neodecortech S.p.A. approved these consolidated half-year financial statements at 30 June 2020 on 07 September 2020.

GENERAL CRITERIA FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance with IFRS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union; specifically, these consolidated half-year financial statements have been prepared in accordance with IAS 34 on interim financial reporting.

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, there are no significant uncertainties surrounding its ability to continue operations, due also to its financial solidity and the actions identified to adjust to the changed levels of demand, as explained in the "Directors' Report on Operations".

In the preparation of these consolidated half-year financial statements, the same accounting standards and preparation criteria as those adopted in the preparation of the consolidated financial statements at 31 December 2019 were used, to which reference should be made, with the exception of the accounting standards applicable as from 1 January 2020, which are set out below. 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 of the Financial Statements is the Euro. Balances are expressed in Euro, unless otherwise specifically indicated.

Financial statements and presentation criteria

The consolidated half-year 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 six months ended 30 June 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) translation differences and the effects of the remeasurement of defined benefit plans;
- the statement of cash flows was prepared using the indirect method.

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.
- 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 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 application of these standards had no material impact on the Group.

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 the amendment to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current".
- On 18 May 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to supersede IFRS 4 - Insurance Contracts and, on 25 June 2020, the amendments to this standard.
- On 14 May 2020, the IASB published the amendments to IAS 16 "Property, Plant and Equipment", to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", to IFRS 3 "Business Combinations" and "Annual Improvements 2018-2020".
- On 28 May 2020, the IASB published the amendment to IFRS 16 "Lease COVID-19 - related rent concessions".
- On 25 June 2020, the IASB published the amendment to IFRS 4 "Insurance contracts - deferral of IFRS 9".

The directors do not expect any significant impact in the Group's consolidated financial statements resulting from the adoption of these standards.

Scope of consolidation

The consolidated half-year financial statements of the Neodecortech Group include the interim financial statements at 30 June 2020 of the Company and those of the Italian and foreign subsidiaries specifically prepared for the purposes of these consolidated financial statements.

Subsidiaries are those companies over which the Neodecortech Group exercises control, as set out in IFRS 10 - "Consolidated Financial Statements". Such control exists when the Group has the power to directly or indirectly determine the financial and

operating policies of an entity so as to obtain benefits from its activities. 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 and, with regard to associates, from the date on which significant influence is assumed until the date on which it ceases.

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

The scope of consolidation for the financial statements at 30 June 2019 is as follows:

Name	Registered office	Share Capital	Consolidation method	% held
Cartiere di Guarcino S.p.A.	Guarcino (Italy)	10.000.000 €	Full	100%
Bio Energia Guarcino S.r.l. *	Guarcino (Italy)	1.100.000 €	Full	100%
CDG International Corp. *	Las Vegas (USA)	- €	Full	100%

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

The scope of consolidation for the financial statements at 31 December 2019 and 30 June 2020 is as follows:

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

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

The financial statements of companies with a functional currency other than the presentation currency of the consolidated financial statements (Euro) are translated in accordance with IAS 21. The following are the exchange rates applied for the translation of the financial statements in foreign currencies for the periods/years ended 30 June 2020, 30 June 2019 and 31 December 2019 for the translation of income statement and balance sheet items denominated in foreign currencies (source www.bancaditalia.it). At 30 June 2020 and 31 December 2019, exchange rates were not adopted since the US subsidiary had been disposed of.

EUR/USD	30/06/2020	31/12/2019	30/06/2019
Final exchange rates	-	-	1.1380
Average exchange rates	-	-	1.1298

The table below shows the **reconciliation of Parent Company equity and profit for the period** with the corresponding consolidated figures.

	EQUITY 30 JUNE 2020	PROFIT (LOSS) FOR THE PERIOD 30 JUNE 2020	EQUITY 31 DECEMBER 2019	PROFIT (LOSS) FOR THE PERIOD 31 DECEMBER 2019
<i>(Euro thousands)</i>				
Equity and profit for the period attributable to the parent company	58.281	194	61.312	3.961
Elimination of the carrying amount of consolidated investments:				
Difference between carrying amount and pro-rata amount of equity	(12)		(34)	
Currency translation difference	-		-	
Pro-rata results of investees		1.353		2.540
Cancellation of write-downs/write-backs of investments		(1.272)		(2.378)
Amortization of fair value of fixed assets (allocation of BEG goodwill)		(81)		(162)
Elimination of the effects of transactions between consolidated companies:				
Intercompany profits included in the value of closing inventory	-	-	-	-
Intercompany profits on disposal of fixed assets	-	-	-	-
Equity and profit for the period attributable to the shareholders of the parent	58.269	194	61.277	3.961
Non-controlling interests	-	-	-	-
Total equity	58.269	194	61.277	3.961

SUBJECTIVE EVALUATIONS AND USE OF ESTIMATES

In the preparation of the consolidated financial statements, no significant judgements were defined in the process of applying Group accounting standards, with the exception of those regarding estimates that significantly affected the amounts recognized in the financial statements. The following are the main assumptions regarding the future and the main causes of uncertainty generated by the pandemic at 30 June 2020, which show a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year:

- impairment of assets: in addition to the internal and external impairment indicators generally monitored, based on the information available at 30 June 2020, Management assessed the effects of the COVID-19 pandemic on the recoverable value of assets. Based on the results of the first six months, the year-end forecasts and the 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;
- calculation of the expected credit loss: 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.

Additionally, in the preparation of these consolidated half-year financial statements, the subjective assessments in the application of Group accounting standards and the main sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2019.

MANAGEMENT OF 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 first half 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 26 "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 30 June 2020, the subsidiary Cartiere di Guarcino S.p.A. had forward sales in US dollars for a notional value of € 3,200 thousand, with a negative fair value of € 42 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, hedging derivatives (IRS - Interest Rate Swaps) are in place, accounted for using the fair value hedge accounting method.

Specifically, at 30 June 2020 the Parent Company had two IRSs in place for mortgage loans with BPM, the first with a notional value of € 9,481 thousand and a negative fair value of € 431 thousand (a negative € 386 thousand at 31 December 2019), the second with a notional value of € 430 thousand and a positive fair value of € 19 thousand (a positive € 22 thousand at 31 December 2019).

Fair value hierarchy and classes of financial instruments

IFRS 13 gives a fair value hierarchy to categorize the inputs in measurement techniques into three levels:

- 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 30 June 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 30 June 2020 - at 31 December 2019 and at 30 June 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.

SEGMENT REPORTING

The Group's areas of operation, which constitute the segment reporting under IFRS 8, are: Printed Decorative Paper Division, Decorative Paper Division and Energy Division.

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 30 June 2020 and, below, at 30 June 2019:

(Euro thousands)

	Printed 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	21.473	100,0%	24.200	100,0%	16.188	100,0%	61.861	(7.331)	54.530	100,0%
Changes in work in progress, semi-finished and finished products	881	4,1%	(795)	(3,3%)	-	0,0%	86		86	0,2%
Other revenue	1.086	5,1%	1.307	5,4%	2.376	14,7%	4.769	(171)	4.598	8,4%
Value of Production	23.440	109,2%	24.712	102,1%	18.564	114,7%	66.717	(7.503)	59.214	108,6%
Raw and ancillary materials and consumables	(12.855)	(59,9%)	(13.975)	(57,7%)	(13.417)	(82,9%)	(40.247)	6.114	(34.133)	(62,6%)
Other operating expense	(4.778)	(22,3%)	(4.099)	(16,9%)	(2.648)	(16,4%)	(11.525)	1.207	(10.319)	(18,9%)
Value Added	5.807	27,0%	6.638	27,4%	2.499	15,4%	14.944	(182)	14.762	27,1%
Personnel expense	(5.075)	(23,6%)	(3.996)	(16,5%)	(240)	(1,5%)	(9.311)	182	(9.129)	(16,7%)
EBITDA	732	3,4%	2.642	10,9%	2.258	14,0%	5.633		5.633	10,3%
Amortization and depreciation	(1.394)	(6,5%)	(1.480)	(6,1%)	(1.182)	(7,3%)	(4.056)	(114)	(4.170)	(7,6%)
Allocations	(229)	(1,1%)	-	0,0%	-	0,0%	(229)		(229)	(0,4%)
EBIT	(891)	(4,1%)	1.162	4,8%	1.077	6,7%	1.348	(114)	1.235	2,3%
Financial components	39	0,2%	(503)	(2,1%)	(295)	(1,8%)	(759)		(759)	(1,4%)
Income and (Expense) on investments	908	4,2%	364	1,5%	-	0,0%	1.272	(1.272)	-	0,0%
Exchange gains and losses	(0)	(0,0%)	(0)	(0,0%)	-	0,0%	(0)		(0)	(0,0%)
Profit (loss) before tax	57	0,3%	1.022	4,2%	782	4,8%	1.861	(1.386)	475	0,9%
Income tax	137	0,6%	(114)	(0,5%)	(337)	(2,1%)	(314)	33	(281)	(0,5%)
Profit (loss) for the period	194	0,9%	908	3,8%	445	2,7%	1.547	(1.353)	194	0,4%

(Euro thousands)

	Printed 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	27.297	127,1%	31.501	130,2%	15.567	96,2%	74.365	(8.000)	66.365	121,7%
Changes in work in progress, semi-finished and finished products	627	2,9%	(1.079)	(4,5%)	-	0,0%	(452)	-	(452)	(0,8%)
Other revenue	824	3,8%	1.718	7,1%	-	0,0%	2.542	(218)	2.324	4,3%
Value of Production	28.748	133,9%	32.140	132,8%	15.568	96,2%	76.456	(8.218)	68.238	125,1%
Raw and ancillary materials and consumables	(15.617)	(72,7%)	(19.087)	(78,9%)	(10.562)	(65,2%)	(45.266)	6.486	(38.780)	(71,1%)
Other operating expense	(4.943)	(23,0%)	(5.302)	(21,9%)	(2.533)	(15,6%)	(12.778)	1.402	(11.377)	(20,9%)
Value Added	8.188	38,1%	7.751	32,0%	2.472	15,3%	18.411	(330)	18.081	33,2%
Personnel expense	(5.561)	(25,9%)	(5.420)	(22,4%)	(353)	(2,2%)	(11.334)	318	(11.016)	(20,2%)
EBITDA	2.627	12,2%	2.331	9,6%	2.119	13,1%	7.077	(12)	7.065	13,0%
Amortization and depreciation	(1.340)	(6,2%)	(1.498)	(6,2%)	(1.222)	(7,5%)	(4.060)	(114)	(4.174)	(7,7%)
Allocations	-	0,0%	-	0,0%	-	0,0%	-	-	-	0,0%
EBIT	1.287	6,0%	834	3,4%	897	5,5%	3.018	(126)	2.893	5,3%
Financial components	32	0,1%	(642)	(2,7%)	(367)	(2,3%)	(977)		(977)	(1,8%)
Income and (Expense) on investments	150	0,7%	149	0,6%	-	0,0%	299	(299)	-	0,0%
Exchange gains and losses	-	0,0%	(19)	(0,1%)	-	0,0%	(19)	-	(19)	(0,0%)
Profit (loss) before tax	1.468	6,8%	321	1,3%	531	3,3%	2.320	(425)	1.895	3,5%
Income tax	(370)	(1,7%)	(171)	(0,7%)	(289)	(1,8%)	(830)	33	(797)	(1,5%)
Profit (loss) for the period	1.099	5,1%	150	0,6%	242	1,5%	1.491	(392)	1.099	2,0%

At 30 June 2020, the table below shows revenue broken down by type of business.

(Euro thousands)

	Printed Decorative Paper Division	Decorative Paper Division	Energy Division	Aggregate
Revenue from the sale of goods		18.638	23.738	42.375
Revenue from services		2.835	462	3.305
Revenue from the sale of electricity and steam			2.822	2.822
Revenue from incentives			13.358	13.358
Total by segment		21.473	24.200	61.861

The table below shows segment balance sheet and financial position figures at 30 June 2020 and, below, that at 31 December 2019:

(Euro thousands)	Printed Decorative Paper Division	Decorative Paper Division	Energy Division	Aggregate	Eliminations and consolidation entries	Consolidated
Intangible assets	671	1.887	16	2.575	-	2.575
Property, plant and equipment	29.165	35.766	12.371	77.303	1.249	78.552
Investments	24.552	8.266	-	32.818	(32.818)	-
Other assets	15.143	1.248	75	16.466	(14.542)	1.924
Deferred tax assets	583	149	1.435	2.167	-	2.167
Non-current assets	70.114	47.316	13.898	131.328	(46.111)	85.217
Inventory	10.368	24.461	3.609	38.438	-	38.438
Trade receivables	5.871	7.452	4.895	18.218	(1.069)	17.149
Receivables from tax consolidation	0	0	1.266	1.266	-	1.266
Tax receivables	974	502	1.188	2.663	-	2.663
Cash and cash equivalents	110	173	885	1.168	-	1.168
Current financial receivables	4.404	2.300	-	6.704	(6.640)	64
Other receivables	236	1.304	996	2.536	-	2.536
Current assets	21.962	36.191	12.838	70.992	(7.708)	63.284
Assets	92.077	83.507	26.736	202.320	(53.819)	148.501
Equity attributable to the shareholders of the par	58.281	24.542	7.375	90.198	(31.929)	58.269
Allocations	118	435	97	650	-	650
Deferred tax	2.381	3.276	593	6.250	360	6.609
Post-employment benefits	1.431	1.758	22	3.211	-	3.211
Non-current financial liabilities	14.083	19.032	4.857	37.972	(14.542)	23.431
Non-current liabilities	18.013	24.501	5.569	48.083	(14.182)	33.901
Trade payables	4.480	12.728	7.414	24.623	(1.069)	23.554
Payables from tax consolidation	256	288	-	544	-	544
Tax payables	735	381	6	1.122	-	1.122
Current financial liabilities	6.983	19.790	6.333	33.107	(6.640)	26.467
Other payables	3.328	1.277	38	4.643	-	4.643
Current liabilities	15.783	34.465	13.792	64.039	(7.708)	56.330
Equity and liabilities	92.077	83.507	26.736	202.320	(53.819)	148.501

(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	-	2.905
Property, plant and equipment	28.213	35.993	13.303	77.508	1.362	78.871
Investments	24.301	7.902	-	32.202	(32.201)	-
Other assets	17.569	1.252	92	18.913	(16.952)	1.962
Deferred tax assets	452	119	1.589	2.159	-	2.159
Non-current assets	71.206	47.478	15.005	133.688	(47.791)	85.897
Inventory	8.795	25.420	4.899	39.114	-	39.114
Trade receivables	7.462	9.063	4.012	20.537	(1.298)	19.239
Receivables from tax consolidation	0	0	918	918	-	918
Tax receivables	817	375	1.314	2.506	-	2.506
Cash and cash equivalents	1.446	433	1.597	3.475	-	3.475
Current financial receivables	3.795	2.498	-	6.293	(6.229)	63
Other receivables	98	486	1.287	1.870	-	1.870
Current assets	22.412	38.274	14.027	74.713	(7.528)	67.185
Assets	93.617	85.752	29.032	208.401	(55.318)	153.082
Equity attributable to the shareholders of the par	61.312	24.270	6.927	92.509	(31.232)	61.277
Allocations	386	435	97	918	-	918
Deferred tax	2.387	3.302	493	6.182	393	6.575
Post-employment benefits	1.209	1.659	19	2.887	-	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	-	422	-	422
Tax payables	441	343	97	881	-	881
Current financial liabilities	1.570	16.252	9.432	27.253	(6.229)	21.024
Other payables	3.442	1.260	12	4.714	-	4.714
Current liabilities	13.938	34.329	17.635	65.902	(7.528)	58.374
Equity and liabilities	93.617	85.752	29.032	208.401	(55.318)	153.082

CONSOLIDATED INCOME STATEMENT

1 REVENUE FROM SALES AND SERVICES

The table below details the item in question with regard to the six-month period ended 30 June 2020 and 2019:

<i>(Euro thousands)</i>	Revenue from sales and services					
	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Revenue from sales	51.225	93,9	62.505	94,2	(11.280)	(18,0)
Services	3.305	6,1	3.861	5,8	(556)	(14,4)
Total revenue from sales and services	54.530	100,0	66.366	100,0	(11.836)	(17,8)

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 € 2,835 thousand at 30 June 2020 versus € 3,589 thousand at 30 June 2019.

2 CHANGES IN SEMI-FINISHED AND FINISHED PRODUCTS

With regard to changes in inventory, which closes with a positive € 86 thousand at 30 June 2020 (versus a negative change of € 452 thousand at 30 June 2019), efforts continue on increasing efficiency in terms of its reduction. Most of the inventory of semi-finished products refers to the tests carried out on the processing of new products; for finished products, it is the effect of the COVID-19 pandemic explained in detail in the Directors' Report on Operations.

3 OTHER REVENUE AND INCOME

<i>(Euro thousands)</i>	Other revenue and income					
	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Contingent assets	348	7,6	169	7,3	179	105,9
Gains	6	0,1	238	10,2	(232)	(97,5)
Insurance reimbursements	2.700	58,7	1.419	61,1	1.281	90,3
Release of Stock Grant Reserve	1.204	26,2	-	-	1.204	0,0
Other revenue	340	7,4	497	21,4	(157)	(31,6)
Total other revenue and income	4.598	100,0	2.323	100,0	2.275	97,9

The item, amounting to € 4,598 thousand at 30 June 2020, is composed mainly of the release of 40% of the amount accrued to the Stock Grant reserve following the failure to reach the listing target by March 2020 and the insurance reimbursements obtained from the subsidiaries Bio Energia Guarcino for € 2,350 thousand and Cartiere di Guarcino for € 350 thousand. At 30 June 2019, the subsidiary Cartiere di Guarcino had obtained an insurance reimbursement of € 1,419 thousand for an incident that took place in February 2019.

4 CONSUMPTION OF RAW AND ANCILLARY MATERIALS AND CONSUMABLES

<i>(Euro thousands)</i>	Raw and ancillary materials and consumables					
	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Raw and ancillary materials and consumables	33.646	98,6	38.110	98,3	(4.464)	(11,7)
Packaging materials	487	1,4	670	1,7	(183)	(27,3)
Total raw materials	34.133	100,0	38.780	100,0	(4.647)	(12,0)

With regard to the increase in "Consumption of raw and ancillary materials and consumables" for € 4,464 thousand, reference should be made to the Directors' Report on Operations.

5 COST OF PERSONNEL

<i>(Euro thousands)</i>	Personnel expense					
	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Wages and salaries	6.013	65,9	7.021	63,7	(1.008)	(14,4)
Social security charges	1.984	21,7	2.328	21,1	(344)	(14,8)
Post-employment benefits	488	5,3	411	3,7	77	18,7
Other personnel expense	644	7,1	1.255	11,4	(611)	(48,7)
Total personnel expense	9.129	100,0	11.015	100,0	(1.886)	(17,1)

The sharp reduction in the cost of personnel 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 costs of personnel, at 30 June 2019 these referred to costs related to the Stock Grant plan for € 1,149 thousand, while at 30 June 2020 the item referred mainly to the provision of a one-off welfare fund intended for employees, excluding executives, for a total of € 541 thousand.

6 AMORTIZATION AND DEPRECIATION

<i>(Euro thousands)</i>	Amortization and depreciation					
	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Other intangible assets	440	10,6	447	10,7	(7)	(1,6)
Buildings	361	8,7	345	8,3	16	4,6
Work on third party assets	452	10,8	465	11,1	(13)	(2,8)
Plant and machinery	2.187	52,4	2.201	52,7	(14)	(0,6)
Equipment	564	13,5	553	13,2	11	2,0
Other	166	4,0	163	3,9	3	1,8
Total amortization and depreciation	4.170	100,0	4.174	100,0	(4)	(0,1)

Amortization and depreciation at 30 June 2020 is in line with the same period of 2019, as the capital expenditure made by the Group in first half 2020 is almost entirely still in progress.

7 ALLOCATIONS

The item, amounting to € 229 thousand, includes € 111 thousand for the risk of uncollectable trade receivables under IFRS 9, and € 118 thousand for the provision for supplementary agents' indemnity.

8 OTHER OPERATING EXPENSE

<i>(Euro thousands)</i>	Other operating expense					
	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
External processing	12	0,1	24	0,2	(12)	(50,0)
Consultancy	1.612	15,6	1.164	10,2	448	38,5
Advertising and marketing	36	0,3	326	2,9	(290)	(89,0)
Bonuses and commissions	440	4,3	636	5,6	(196)	(30,8)
Transport	1.326	12,9	1.617	14,2	(291)	(18,0)
Utilities	1.649	16,0	2.537	22,3	(888)	(35,0)
Remuneration of Directors and Board of Statutory A	310	3,0	268	2,4	42	15,7
Insurance	647	6,3	574	5,0	73	12,7
Bank commissions	198	1,9	199	1,7	(1)	(0,5)
Reimbursements to employees	8	0,1	8	0,1	0	0,0
Travel expense	37	0,4	77	0,7	(40)	(51,9)
Sundry industrial services	2.047	19,8	1.786	15,7	261	14,6
Other services	1.051	10,2	1.129	9,9	(78)	(6,9)
Rental expense	1	0,0	13	0,1	(12)	(92,3)
Rentals and other	64	0,6	168	1,5	(104)	(61,9)
Tax and duties	424	4,1	434	3,8	(10)	(2,3)
Gifts	1	0,0	1	0,0	0	0,0
Contingent liabilities	373	3,6	316	2,8	57	18,0
Other operating expense	83	0,8	77	0,7	6	7,8
Write-down of current receivables	-	-	22	0,2	(22)	(100,0)
Total other operating expense	10.319	100,0	11.376	100,0	(1.058)	(9,3)

The change in "Other operating expense" of € 1,058 thousand is due mainly to the following:

- Decrease in "advertising and marketing" costs of € 290 thousand (no attendance in events, exhibitions and fairs), "bonuses and commissions" of € 196 thousand and "transport" of € 291 thousand, due to the COVID-19 pandemic;
- Decrease in costs for "utilities" of € 888 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 "consultancy" costs of € 448 thousand from the fees incurred for the MTA listing;
- Increase in costs for "sundry industrial services" of € 261 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.

Other services also include € 27 thousand in health and safety costs incurred in first half 2020 related to the COVID-19 emergency.

9 FINANCIAL INCOME

<i>(Euro thousands)</i>	Financial income					
	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Interest income	19	100,0	19	-	0,0	0,0
Exchange differences	-	0,0	(19)	-	19,0	(100,0)
Total financial income	19	100,0	-	100,0	19	-

Interest income comprises € 16 thousand from interest on the financial receivable from former Andreotti S.p.A., and € 3 thousand from interest income on the financial receivable granted to the related party Valinvest S.r.l..

10 FINANCIAL EXPENSE

<i>(Euro thousands)</i>	Financial expense					
	30 JUNE 2020	%	30 JUNE 2019	%	Chg.	% change
Interest payable on C/A	158	21,9	239	26,2	(81)	(33,9)
Interest M/L Term Loans	193	26,7	233	25,5	(40)	(17,2)
Interest short-term loans	4	0,6	-	-	4	-
Interest from factoring	159	22,0	208	22,8	(49)	(23,6)
Interest IAS19-IAS39-IFRS16	97	13,4	104	11,4	(7)	(6,7)
Interest MICA loan	57	7,9	57	6,2	0	0,0
Other interest expense	55	7,6	72	7,9	(17)	(23,6)
Total interest expense	723	92,8	913	91,8	(190)	(20,8)
Lease interest	47	6,0	70	7,0	(23)	(32,9)
Other expense	8	1,0	12	1,2	(4)	(33,3)
Total financial expense	779	100,0	995	100,0	(216)	(21,7)

In first half 2020, interest expense decreased by € 190 thousand versus the same period of 2019, due to lower current debt costs, thanks to the introduction of "umbrella" facilities, and the optimization of credit facilities in the period, as well as a lower cost of non-current debt referring to debt paid under the repayment plans of the various loans. As far as Factor is concerned, the Group obtained better conditions, again with a view to financial savings.

11 INCOME TAX

<i>(Euro thousands)</i>	Income tax			
	30 JUNE 2020		30 JUNE 2019	
Profit (loss) before tax	475		1.896	
IRES for the period	285	60,0%	374	19,7%
Income from tax consolidation	(128)	(27,0%)	(168)	(8,9%)
IRES net of income from tax consolidation	157	33,1%	206	10,9%
IRAP for the period	107		246	
Deferred tax assets	(18)		242	
Deferred tax	35		130	
Prior years' income tax				
Income tax	281		797	

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.

ASSETS

12 INTANGIBLE ASSETS

Intangible fixed assets							
<i>(Euro thousands)</i>							
	Balance at 31.12.2019	Acquisitions	Disposals	Amortization	Write-back/Write-down	Other changes	Balance at 30.06.2020
Other intangible fixed assets	2.820	88		(440)		-	2.468
Fixed assets under construction and advances	85	22	-	-	-	-	107
TOTAL	2.905	109	-	(440)	-	-	2.575

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. 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 30 June 2020 amounted to € 78,545 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						
<i>(Euro thousands)</i>						
	Historical cost 31.12.2019*	Depreciation provision 31.12.2019	NBV at 31.12.2019	Historical cost 30.06.2020	Depreciation provision 30.06.2020	NBV at 30.06.2020
Land	12.082	-	12.082	12.082	-	12.082
Buildings	25.559	(6.448)	19.111	25.684	(6.810)	18.874
Work on third party assets	8.308	(3.993)	4.315	8.501	(4.446)	4.055
Plant and machinery	108.678	(69.501)	39.177	110.880	(71.485)	39.396
Equipment	20.408	(17.334)	3.074	20.758	(17.898)	2.860
Other	5.210	(4.098)	1.111	5.514	(4.236)	1.278
TOTAL	180.246	(101.375)	78.871	183.419	(104.874)	78.545

() amount including write-back for 9.980 thousand euros*

Below is a breakdown of assets under construction by category.

PPE under construction and advances				
<i>(Euro thousands)</i>				
	Amount at 30.06.2020	Amount at 31.12.2019	Chg.	% change
Land				
Buildings	123	123	0	0
Work on third party assets				
Plant and machinery	3.817	3.535	282	8%
Equipment	41	24	17	72%
Other				
	3.980	3.682	299	8%

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 30.06.2020
Land	12.082	-	-	-	-	12.082
Buildings	15.611	9.948	125	-	-	25.684
Work on third party assets	8.308	-	193	-	-	8.501
Plant and machinery	108.648	31	2.446	(223)	(21)	110.880
Equipment	20.408	0	329	-	21,00	20.758
Other	5.209	1	349	(45)	0	5.514
TOTAL	170.266	9.980	3.442	(269)	-	183.419

	Depreciation provision 31.12.2019	Write-back/write- down (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 30.06.2020
Land	-	-	-	-	-	-
Buildings	(6.448)	-	(361)	-	-	(6.810)
Work on third party assets	(3.993)	-	(452)	-	-	(4.446)
Plant and machinery	(69.501)	-	(2.189)	206	-	(71.484)
Equipment	(17.334)	-	(564)	-	-	(17.898)
Other	(4.098)	-	(163)	24	-	(4.236)
TOTAL	(101.375)	-	(3.730)	230	-	(104.874)

The acquisitions for € 2,284 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 "laminare". As for the subsidiaries, capital expenditure in tangible fixed assets amounted to € 914 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 € 244 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 30.06.2020	provision 30.06.2020	NBV at 30.06.2020
Buildings	552	(175)	376
Plant and machinery	75	(67)	8
Other	241	(86)	155
TOTAL	868	(329)	540

The movements are shown below.

Rights of Use						
<i>(Euro thousands)</i>						
	Historical cost 31.12.2019	Write-back/write- down (prior years)	Acquisitions	Disposals	Other changes	Historical cost 30.06.2020
Buildings	501	-	50	-	-	552
Plant and machinery	75	-	-	-	-	75
Other	167	-	75	-	-	241
TOTAL	743	-	125	-	-	868

<i>(Euro thousands)</i>						
	Depreciation provision 31.12.2019	Write-back/write- down (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 30.06.2020
Buildings	- 109	-	(67)	-	-	(175)
Plant and machinery	- 44	-	(24)	-	-	(67)
Other	- 60	-	(26)	-	-	(86)
TOTAL	(213)	-	(116)	-	-	(329)

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.

- 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 30 June 2020, other current assets amounted to € 96 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.

15 NON-CURRENT FINANCIAL RECEIVABLES

"Non-current financial receivables" at 30 June 2020, amounting to € 1,265 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 € 128 thousand at 30 June 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 risk provision was set aside owing to collection difficulties.

16 DEFERRED TAX ASSETS AND LIABILITIES

	Deferred tax income and expense					
	30 JUNE 2020	Change recognized in Income Statement	Change recognized in Statement of Comprehensive	31 DECEMBER 2019	Chg.	% change
Directors' remuneration approved and not paid	-	(4)	-	4	(4)	(100,0%)
Provisions for write-downs and risks	32	19	-	13	19	-
Tax recovery on adjustment of start-up and expansion	22	(5)	(2)	29	(7)	(24,1%)
Tax recovery on adjustment of plant and machinery de	247	(8)	-	254	(7)	(2,8%)
Deferred tax on derivative contracts	104	-	11	93	11	11,8%
Deferred tax on employee benefits	76	(1)	(18)	95	(19)	(20,0%)
Tax recovery on adjustment of research expense	48	(16)	-	64	(16)	(25,0%)
Tax loss carryforward (BEG)	1.388	(148)	-	1.536	(148)	(9,6%)
Other	251	180	-	72	179	248,6%
Deferred tax assets	2.168	17	(9)	2.160	8	0,4%
Deferred tax on statutory revaluations	5.384	(19)	-	5.403	(19)	(0,4%)
Deferred tax on assets (BEG)	360	-	-	393	(33)	(8,3%)
Valuation exchange gains	23	10	-	13	10	76,9%
Finance lease assets	843	77	-	765	78	10,2%
Other	-	-	-	-	-	-
Deferred tax liabilities	6.610	68	-	6.574	36	0,6%

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 € 2,168 thousand include € 1,388 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 30 June 2020, deferred tax amounted to € 6,610 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.

17 INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

	Inventory					
	30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
Raw and ancillary materials and consumables	20.552	53,5	19.239	49,2	1.313	6,8
Work in progress	245	0,6	221	0,6	24	10,9
Finished products	17.641	45,9	17.577	44,9	64	0,4
Advances	-	-	2.077	5,3	(2.077)	(100,0)
Total inventory	38.438	100,0	39.114	100,0	(676)	(1,7)

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 in first half 2020 is in line with the value at 31 December 2019, with a policy that tends to alleviate the level of stock in order not to commit significant financial resources.

18 TRADE RECEIVABLES

The table below shows a breakdown of this item at 30 June 2020:

<i>(Euro thousands)</i>	Trade receivables					
	30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
Trade receivables	17.496	102,0	19.501	101,4	(2.005)	(10,3)
Provision for doubtful accounts	(347)	(2,0)	(262)	(1,4)	(85)	32,4
Total trade receivables	17.149	100,0	19.239	100,0	(2.090)	(10,9)

As far as trade receivables are concerned, mention should be made also in first half 2020 of the assignment without recourse to a factoring company carried out on an ongoing basis by the parent company. The decline in receivables is attributable mainly to the reduction in turnover from the COVID-19 pandemic. Comments in this regard are found in the Directors' Report on Operations.

Changes in the provision for doubtful accounts from 31 December 2019 to 30 June 2020 are shown below:

<i>(Euro thousands)</i>	Provision for doubtful accounts				
	31 DECEMBER 2019	Provis.	Utilization	Release	30 JUNE 2020
Changes in Provision for Bad Debts	262	111	(26)	-	347
Total provision for doubtful accounts	262	111	(26)	-	347

The allocation to the provision is related to the timely implementation of IFRS 9.

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 Note "Income Tax" of these Notes.

20 TAX RECEIVABLES

<i>(Euro thousands)</i>	Tax receivables					
	30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
VAT	2.641	99,1	2.427	96,8	214	8,8
IRAP	19	0,7	75	3,0	(56)	(74,7)
Withholdings a/c	-	-	(1)	(0,0)	1	(100,0)
Other tax receivables	4	0,2	5	0,2	(1)	(20,0)
Total tax receivables	2.664	100,0	2.506	100,0	158	6,3

The table above shows an increase of € 214 thousand in the VAT receivable at 30 June 2020 versus 31 December 2019, attributable mainly to the parent company Neodecortech S.p.A. and related to a series of investments made in the six months.

21 CURRENT FINANCIAL RECEIVABLES

The value of € 64 thousand refers to the current portion of a loan granted to the related party Valinvest S.r.l. for extraordinary maintenance at the Casoli di Atri plant (formerly CorbettaFia S.r.l.). For the non-current portion of the receivable, reference is made to "Non-current financial receivables".

22 OTHER CURRENT RECEIVABLES

<i>(Euro thousands)</i>	Other current receivables					
	30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
Receivables for advance costs	4	0,2	12	0,6	(8)	(66,7)
Advances to suppliers	9	0,4	3	0,2	6,00	200,00
Prepayments and accrued income	1.024	40,4	801	42,8	223	27,8
Other	1.499	59,1	1.054	56,4	445	42,2
Total current receivables	2.536	100,0	1.870	100,0	666	35,6

Accrued income and prepaid expense refer:

- For Neodecortech S.p.A., to € 135 thousand mainly for insurance premiums;
- For Cartiere di Guarcino S.p.A., to € 683 thousand mainly for an advance on the supply of Titanium Dioxide and related customs charges and the purchase of CO2 allowances;
- For Bio Energia Guarcino S.p.A., to € 206 thousand mainly for the return of 15% of the higher incentives to the GSE in 30 months (an effect that ends in 2020), paid to the company in the two-year period 2013-2015.

"Other" includes receivables from social security institutions and GSE. The change of € 445 thousand is attributable mainly to the two subsidiaries, in particular Cartiere di Guarcino for advance INPS contributions for redundancy payments (CIGO), and Bio Energia di Guarcino for withholding tax to GSE.

23 CASH AND CASH EQUIVALENTS

<i>(Euro thousands)</i>	Cash and cash equivalents					
	30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
Bank and post office deposits	1.160	99,3	3.468	99,8	(2.308)	(66,6)
Cash and valuables on hand	8	0,7	7	0,2	1	14,3
Total cash and cash equivalents	1.168	100,0	3.475	100,0	(2.307)	(66,4)

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.

LIABILITIES
24 PROVISIONS FOR RISKS AND CHARGES

<i>(Euro thousands)</i>	Provision for risks and charges				30 JUNE 2020
	31 DECEMBER 2019	Provis.	Utilization	Release	
Changes in Provision for Risks and Charges	918	163	-	-	1.081
Total provision for risks and charges	918	163	-	-	1.081

The increase in the provision for risks and charges is attributable for € 118 thousand to the provision for supplementary agents' indemnity and for € 45 thousand to the fair value of the derivative, which amounted to € 431 thousand (€ 386 thousand at 31 December 2019).

Additionally, the provisions for risks and charges include:

- € 435 thousand relating to a provision for the receivable from ISFRE in liquidation held by Cartiere del Guarcino S.p.A., both for the first half of 2020 and 31 December 2019;
- € 97 thousand relating to the subsidiary Bio Energia Guarcino S.r.l. which, following the request for a Tax Roll Document from the Revenue Agency, as a result of the Due Diligence on the MTA listing, ascertained that it has an unnotified outstanding issue for such an amount.

25 POST-EMPLOYMENT BENEFITS

<i>(Euro thousands)</i>	Post-employment benefits				30 JUNE 2020
	31 DECEMBER 2019	Provis.	Utilization	Discounting	
Provision for post-employment benefits	2.494	16	(115)	0	2.395
Actuarial valuation of post-employment benefits (IAS 19)	393	-	-	(78)	315
Welfare provision	-	501	-	-	501
Total post-employment benefits	2.887	517	(115)	(78)	3.211

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 30 June 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 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.

	30.06.2020
Tasso annuo di attualizzazione	0,74%
Tasso annuo di inflazione	1,20%
Tasso annuo incremento TFR	2,40%
Tasso annuo di incremento salariale	1,00%

The table below shows the technical demographic basis.

Decesso	Tabelle di mortalità RG48 pubblicate dalla Ragioneria Generale dello Stato
Inabilità	Tavole INPS distinte per età e sesso
Pensionamento	100% al raggiungimento dei requisiti AGO

Lastly, the annual turnover frequencies and severance indemnity advances.

	30.06.2020
Frequenza Anticipazioni	3,00%
Frequenza Turnover	1,00%

The increase in this item is due mainly to the allocation of a Welfare Provision, amounting to € 501 thousand, set up as a one-off benefit for all employees, excluding executives (of which € 40 thousand recorded under other payables to employees, as the portion has already accrued).

26 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	Current and non-current financial liabilities					
	30 JUNE 2020		31 DECEMBER 2019		Chg.	% change
(Euro thousands)		%		%		
Unsecured loans	3.236	6,5	3.053	6,9	183	0,1
Mortgage loans	10.630	21,5	11.662	26,5	(1.032)	(0,1)
Lease payables	4.416	8,9	3.455	7,8	961	0,3
Payables to other lenders (MICA)	4.913	9,9	4.855	11,0	58	0,0
Currency derivatives	42	0,1	26	0,1	16	0,6
Total non-current financial liabilities	23.237	47,0	23.051	52,3	186	0,0
Payables to banks C/A	19.874	40,2	15.739	35,7	4.135	0,3
Current portion of unsecured loans	3.341	6,8	662	1,5	2.680	4,1
Current portion of mortgage loans	2.174	4,4	2.263	5,1	(89)	(0,0)
Accrued interest expense	132	0,3	147	0,3	(15)	(0,1)
Lease payables	701	1,4	2.212	5,0	(1.511)	(0,7)
Total current financial liabilities	26.223	53,0	21.023	47,7	5.199	0,2
Total financial liabilities	49.460	100,0	44.074	100,0	5.385	0,1

For the change in payables to banks C/A, reference should be made to the section “Net Financial Debt” in the Directors’ Report on Operations.

The change in lease payables is due mainly to the extension, obtained during the six months by the subsidiary Bio Energia Guarcino S.r.l., on the principal portions of the lease on its plants; the extension is effective until March 2021. “Lease payables” includes the financial liabilities from the rights of use shown in the table below.

<i>(Euro thousands)</i>	Rights of Use		
	Amount at 01.01.2020	Payments	Amount at 30.06.2020
Buildings	552	(175)	376
Plant and machinery	75	(67)	8
Other	241	(86)	155
TOTAL	868	(329)	540

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 € 9,481 thousand at 30 June 2020 divided into current and non-current portions;
- Original BPM mortgage loan of € 2,000 thousand (transferred following acquisition of the former Corbetta FIA S.r.l. business unit), with a residual balance of € 430 thousand at 30 June 2020 divided into current and non-current portions;

Two new current unsecured loans:

- Banco BPM S.p.A. of € 2,000 thousand, for 12 months (with monthly instalments and 6-month grace period).
- BPER Banca S.p.A. of € 900 thousand, for 18 months (with quarterly instalments and 6-month grace period).

Cartiere di Guarcino S.p.A.

- Original MPS mortgage loan of € 2,000 thousand, with a residual balance of € 300 thousand at 30 June 2020 divided into current and non-current portions;
- Original MPS mortgage loan of € 6,000 thousand, with a residual balance of € 2,492 thousand at 30 June 2020 divided into current and non-current portions;
- Original BAC unsecured loan of € 3,500 thousand, with a residual balance of € 2,301 thousand at 30 June 2020 divided into current and non-current portions;
- Medio Credito Centrale unsecured loan of € 1,128 thousand, with a residual balance of € 922 thousand at 30 June 2020 divided into current and non-current portions;
- Medio Credito Centrale unsecured loan of € 182 thousand, with a residual balance of € 157 thousand at 30 June 2020 divided into current and non-current portions;

Pre-financing granted on a new loan:

- New POPSO loan of € 2,000 thousand - of which pre-financing of € 300 thousand only granted at 30 June 2020 - 12-month grace period - 90% FGPMI guarantee.

For Bio Energia Guarcino S.r.l.

- Original Unicredit mortgage loan of € 1,675 thousand, with a residual balance of € 103 thousand at 30 June 2020 divided into current and non-current portions;

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

	30 JUNE 2020	%	31 DECEMBER 2019	%
<i>(Euro thousands)</i>				
Due within 1 year	5.515	28,5	2.925	16,6
Due within 5 years	11.948	61,6	11.600	65,8
Due beyond 5 years	1.918	9,9	3.115	17,7
Total	19.381	100,0	17.640	100,0

The Group's loans do not require compliance with specific financial parameters.

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 30 June 2020 came to a negative € 431 thousand (€ 386 thousand at 31 December 2019).

"Currency derivatives" refers to exchange rate derivatives of the subsidiary Cartiere di Guarcino S.p.A.

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

Unicredit Corporate Banking S.p.A. loan: agreement concluded by Bio Energia di Guarcino S.p.A. on 17 July 2009 for the granting of a total loan of € 1,675 thousand.

The parameters envisaged and assessed on an annual basis are:

- a non-negative equity;
- Gross Operating Profit or EBITDA/SALES not less than 10%.

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 30 June 2020.

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.

From 1 January 2020 to 30 June 2020, interest rate movements were marginal and had no material impact on the fair value of the Group's loans.

27 TRADE PAYABLES

The decrease in trade payables 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.

28 PAYABLE FROM TAX CONSOLIDATION

The payable recorded at 30 June 2020 refers to Neodecortech S.p.A. for € 256 thousand and to Cartiere di Guarcino S.p.A. for € 289 thousand. Bio Energia Guarcino has a receivable booked under "Receivables from Tax Consolidation". Reference should be made to the section "Income Tax" of the Notes.

29 TAX PAYABLES

(Euro thousands)	Tax payables					
	30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
VAT	71	6,3	-	-	71	-
IRAP	51	4,5	20	2,3	31	155,0
Withholdings a/c	998	88,9	753	85,5	245	32,5
Other tax payables	2	0,2	108	12,3	(106)	(98,1)
Total tax payables	1.122	100,0	881	100,0	241	27,4

The increase in payables for withholding tax is attributable to the Parent Company, which did not pay the amounts due in April 2020 since, given the decrease in monthly turnover, it applied for the extension of the payment of IRPEF contributions. The amounts will be paid in four instalments starting from September 2020.

30 OTHER CURRENT PAYABLES

<i>(Euro thousands)</i>	Other current payables					
	30 JUNE 2020	%	31 DECEMBER 2019	%	Chg.	% change
Payables to social security institutions	1.069	23,0	1.362	28,9	(293)	(21,5)
Payables to employees	2.254	48,5	1.894	40,1	360	19,0
Advances received from customers	966	20,8	1.217	25,8	(251)	(20,6)
Other	363	7,8	246	5,2	117	47,6
Total other current payables	4.652	100,0	4.719	100,0	(67)	(1,4)

The decrease in payables to social security institutions is due mainly to the use of the CIGO in first half 2020 as explained earlier.

The increase in payables to employees is due to the effect of deferred remuneration for the Christmas bonus, which was paid to employees at 31 December 2019, while there were six months of provisions at 30 June 2020.

31 EQUITY

Capital increases

On 15 June 2017, the Shareholders' Meeting of the Issuer resolved to increase the share capital by € 3,678 thousand from € 4,800 thousand to € 8,478 thousand, with a premium of € 12,022 thousand effected with a contribution in kind of the entire interest in CDG by the sole shareholder Finanziaria Valentini.

On 23 June 2017, the Extraordinary Shareholders' Meeting of Neodecortech S.p.A. approved a paid share capital increase for a maximum of € 1,851 thousand intended for Luigi Valentini and Valfina S.p.A. (now Valfina S.r.l.), paid up through the contribution of their respective receivables from the Companies.

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 to draw from the Reserve through issue of no. 413,760 shares following listing on the MTA on 25 May 2020.

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 nominal 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

<i>(Euro thousands)</i>	Other Net Equity Reserves	
	30 JUNE 2020	31 DECEMBER 2020
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 period:	23.937	28.008
<i>Legal reserve</i>	1.709	1.511
<i>Reserve for fair value adjustments of hedging derivatives</i>	(323)	(173)
<i>Revaluation reserves (including investments measured at equity)</i>	13.444	11.630
<i>Reserve for remeasurement of defined benefit plans for employees (IAS 19)</i>	(111)	(276)
<i>Stock grant reserve</i>	-	2.400
<i>Miscellaneous reserves and accumulated profit (loss), including profit (loss) for the period</i>	9.218	12.916
Total	58.272	61.277

Warrant issue valid for subscribing to 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.

The Extraordinary Shareholders' Meeting of the Company, held on 14 September 2018, established, inter alia: 13,101,500 as the maximum number of Warrants and 3,275,375 as the maximum number of Conversion Shares to be issued, as well as the related Subscription Price (as defined and determined below).

The maximum numbers of 13,101,500 Warrants valid for the subscription of a maximum number of 3,275,375 Conversion Shares entitles their holders to subscribe - in the manner and under the terms indicated in this regulation (the "Regulation") - number 1 Conversion Share with regular dividend entitlement for each number of 4 Warrants exercised, at a subscription price, for each of the Conversion Shares, equal to the Subscription Price.

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 30 June 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	30 JUNE 2020	30 JUNE 2019
Net profit attributable to the shareholders (Euro thousands)	194	1.099
Weighted average number of shares outstanding (n./000)	13.141	13.076
Basic earnings per share	0,01	0,08
DILUTED EARNINGS PER SHARE	30 JUNE 2020	30 JUNE 2019
Net profit attributable to the shareholders (Euro thousands)	194	1.099
Weighted average number of shares outstanding (n./000)	13.141	13.076
Weighted average number of shares eligible for stock option plans (n./000)	-	522
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.141	13.598
Diluted earnings per share	0,01	0,08

32 COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF CASH FLOWS

The change in amortization and depreciation is in line with first half 2019, despite capital expenditure in first half 2020 of € 3,551 thousand in tangible and intangible assets, most of which still in progress; the impact will be felt in the second half of the year. For details on Group capital expenditure in first half 2020, reference should be made to the sections on tangible and intangible assets in the Notes.

Allocations to other provisions of € 274 thousand refer mainly to the provision for doubtful accounts under IFRS 9 for € 111 thousand, and the provision for supplementary agents' indemnity for € 118 thousand.

The context generated by COVID-19 led to an increase in the NWC and considerably greater changes in first half 2020 versus 2019, specifically: an increase in inventory of € 676 thousand (€ 250 thousand the increase at 30 June 2019) and a greater reduction in trade receivables (€ 1,742 thousand versus the reduction of € 625 at 30 June 2019), compared with trade payables (€ 7,762 thousand versus the reduction of € 4,082 at 30 June 2019) regularly paid by the Group.

Current payables to banks of € 3,733 thousand changed significantly versus € 411 thousand in 2019, due to the use of the advance payment of invoices by Neodecortech S.p.A. as from March 2020.

New loans for € 3,200 refer to the granting to Neodecortech S.p.A. of two new loans: € 900 thousand from BPER and € 2,000 thousand from BPM; additionally, Cartiere di Guarcino S.p.A. received a pre-financing payment of € 300 thousand from Banca Popolare di Sondrio of the total loan of € 2,000 thousand.

With regard to "Financial liabilities to other lenders", the decrease of € 536 thousand in first half 2020 is lower than in 2019 (€ 1,194 thousand), as the subsidiary Bio Energia Guarcino obtained, starting from April 2020, the extension of the principal portion of the lease instalments until March 2021.

Changes in equity include the payment of dividends for € 1,882 thousand and the Parent Company's treasury shares for € 130 thousand.

33 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.

34 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 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 30 June 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 entity; (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 30 June 2020, the outstanding transactions with these companies can be summarized in the tables below:

<i>(Euro thousands)</i>	Trade receivables 30 JUNE 2020	Financial receivables 30 JUNE 2020	Trade payables 30 JUNE 2020	Financial payables 30 JUNE 2020
Finanziaria Valentini		1.266		(545)
Industrie Valentini	132			
Valinvest		192	(10)	
Isfre in liquidation		444		
Total	132	1.902	(10)	(545)

<i>(Euro thousands)</i>	Revenue and income 30 JUNE 2020	Costs and expense 30 JUNE 2020
Finanziaria Valentini	128	
Industrie Valentini	131	
Valinvest	3	(52)
Addi Manuela		(1)
Total	262	(53)

"Financial receivables" amounts to € 1,902 thousand, of which € 1,266 thousand refer to the tax consolidation receivable of the subsidiary Bio Energia Guarcino S.r.l. and € 192 thousand to the loan granted by the Parent Company to the related party Valinvest S.r.l.; "Financial payables" amounts to € 545 and relates to the tax consolidation payable of the Parent Company and the subsidiary Cartiere di Guarcino S.p.A..

Revenue and income of € 262 thousand include € 131 thousand in revenue from Industrie Valentini for the sale of products, offset by € 132 thousand in trade receivables (€ 100 thousand partly guaranteed by Finanziaria Valentini) and € 128 thousand in income from tax consolidation from Finanziaria Valentini.

35 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 interim periods.

OTHER SUPPLEMENTARY INFORMATION

GUARANTEES GIVEN

Guarantees given by Neodecortech S.p.A.

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 € 2,550,000 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 first half of the year saw the 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 to Kronos Titan GMBH for the supply of titanium dioxide running until 31/01/2021;

On 14/06/2017, Credit Agricole Italia S.p.A. gave a bank guarantee on first demand for € 300 thousand to Kronos Titan GMBH for the supply of titanium dioxide running until 31/08/2021;

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 30/09/2020;

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.

EVENTS AFTER THE REPORTING PERIOD

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

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.

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.

TREASURY SHARES

In implementation of the resolution of the Shareholders' Meeting of 30 April 2019, which authorized the Board of Directors to purchase ordinary shares of the Company, the Board of Directors launched a buy-back programme.

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

SHARES/UNITS OF THE PARENT COMPANY

Lastly, for the purposes of Article 2428, paragraph 2, points 3 and 4 of the Italian Civil Code, it is hereby announced that Neodecortech S.p.A. does not own any shares/quotas of the parent company, nor did it own or move any during first half 2020.

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.

INFORMATION RELATING TO THE REMUNERATION OF THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND INDEPENDENT AUDITORS

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

Qualification	30.06.2020	31.12.2019
Directors	175,749	319,255
Board of Statutory Auditors	28,476	36,000
Independent Auditors	20,928	42,297

Filago (BG), 07 September 2020

For the Board of Directors

The Chairman

(Riccardo Bruno)

Certification of the Condensed Consolidated Half-Year Financial Statements at 30 June 2020 pursuant to Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Luigi Cogni, 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 actual application of the administrative and accounting procedures for the preparation of the consolidated half-year financial statements for the period 1 January 2020-30 June 2020.

2. No major issues emerged in this respect.

3. We also certify that:

3.1 the consolidated half-year financial statements at 30 June 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 balance sheet, income statement and financial position of the Issuer and of the companies included in the scope of consolidation as a whole.

3.2 The Interim Report on Operations contains a reliable analysis of all the significant events that took place in the first half of the year and their effect on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the second half of the year. The Report also includes a reliable analysis of the significant transactions with related parties.

Date: 7 September 2020

Signed Chief Executive Officer

Signed Financial Reporting Manager

NEODEOCRTECH S.p.A.

Review report on interim condensed
consolidated financial statements as of
June 30, 2020

Review report on interim condensed consolidated financial statements

To the shareholders of
Neodecortech S.p.A.

Introduction

We have reviewed the accompanying condensed consolidated balance sheet as of June 30, 2020, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related explanatory notes, of Neodecortech S.p.A. and its subsidiaries (Neodecortech Group). Management is responsible for the preparation of this interim condensed consolidated financial statements in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed consolidated financial reporting based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Neodecortech Group as of June 30, 2020, are not prepared, in all material respects, in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, September 10, 2020

BDO Italia S.p.A.

Signed by Lelio Bigogno
Partner

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

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