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Neodecortech S.p.A.

Condensed Consolidated Half-Year Report at 30 June 2019

Financial statements prepared according to the IAS/IFRS accounting standards

Amounts in Euro

Neodecortech S.p.A.
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Share Capital
Euro 16,203,000.00 fully paid up.
www.neodecortech.it

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SUMMARY

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THE NEODECORTECH GROUP

CORPORATE OFFICERS

BOARD OF DIRECTORS [(1)]

Chairman	Luigi Cologni
Deputy Chairman	Cristina Valentini
Chief Executive Officer	Luigi Cologni
Managing Director	Massimo Giorgilli
Independent Director	Francesco Megali [(2)]
Independent Director	Livia Amidani Aliberti
Independent Director	Andrea Soprani

BOARD OF STATUTORY AUDITORS [(3)]

Chairman	Marinella Monterumisi
Standing Auditor	Marco Campidelli
Standing Auditor	Guido Riccardi
Alternate Auditor	Giovanni Tedeschi
Alternate Auditor	Mariangela Passerini

BOARD OF DIRECTORS' COMMITTEE
(APPOINTMENTS, REMUNERATION, RISKS AND RELATED PARTY TRANSACTIONS) [(4)]

Chairman	Livia Amidani Aliberti
Member	Andrea Soprani
Member	Francesco Megali

INDEPENDENT AUDITORS [(5)]

BDO Italia S.p.A.

(1) The Board of Directors of Neodecortech S.p.A. in office at the Date of the Admission Document, appointed on 19 July 2017, will remain in office for three financial years, until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019. On 16 May 2018, following the resignation of Gianluca Valentini as a member of the Board of Directors, the Board of Directors appointed Alberto Francois as Chairman. On 1 August 2019, Alberto Francois resigned from his post.

(2) Director Francesco Megali, appointed by the Shareholders' Meeting on 14 September 2018, will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

(3) The Company's Board of Statutory Auditors was appointed on 19 July 2017 and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

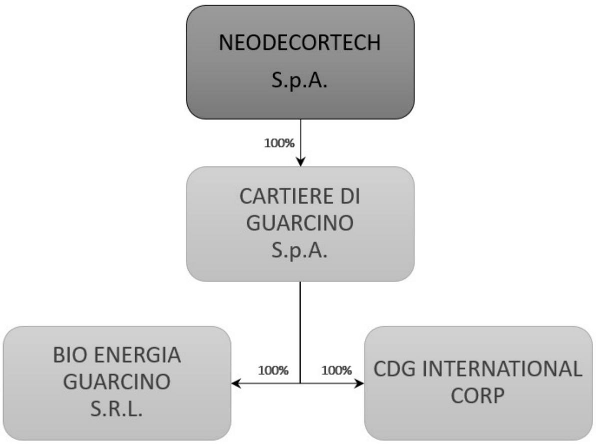
(4) On 19 July 2017, the Board of Directors of Neodecortech S.p.A. set up the "Board of Directors' Committee" to carry out the tasks related to: Appointments, Remuneration, Control and Risks and Related Party Transactions.

(5) Assignment granted on 23 June 2017 by the Ordinary Shareholders' Meeting of the Company. The assignment for the statutory audit of the financial statements and the consolidated financial statements for 2017, 2018 and 2019, pursuant to Article 13 of Legislative Decree 39/2010 and the limited audit of the consolidated half-year report relating to each of the interim periods ending at 30 June 2019.

GROUP STRUCTURE

The Neodecortech Group develops its activities through three different operating locations and, thanks to an integrated business model, is able to seize the opportunities offered by the market.

Through ongoing creative and stylistic research, the Group is well-positioned to offer a thousand decorations capable of imitating different natural materials such as wood and stone, surfaces such as cement and metal, and textures inspired by fabrics and by abstract geometry. Specifically, the Group offers approximately 50 products divided into the following categories: decorative papers / decorative prints, finish foil / melamine film, printed plastic film.



The three Group operating locations are:

- Neodecortech ("NDT"): headquartered in Filago (BG), which heads up the core business of the Group, active in the printing and impregnation of paper, and in the printing of plastic film.
  Neodecortech's goal is to act as a highly proactive decoration partner for its customers in the flooring design 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 ("CDG"): headquartered in Guarcino (FR), specializes in the production of technical decorative papers that subsequently undergo other stages of processing, most of all surface impregnation with thermosetting resins and hot pressing. The company operates on the national and international markets through a network of agents.
  Additionally, in order to provide its customers with utmost satisfaction, the company has developed the *"Technical customer service"* formed of technical resources who address customer needs.
- Bio Energia Guarcino ("BEG"): headquartered in Guarcino (FR), owns the cogeneration plant in operation since May 2010 for the self-production of electrical and thermal energy that satisfies part of the energy needs of CDG.
- CDG International Corporation ("CDG International"): incorporated under U.S. law with registered office in Las Vegas, a non-operational company.

Neodecortech employs 195 resources, of whom 4 executives, 56 white collars and 135 blue collars, including 1 manager, 2 white collars and 27 blue collars coming from the acquisition of the CorbettaFia S.r.l. business unit on 1 September 2018.

Cartiere di Guarcino employs 5 executives, 49 white collars and 113 blue collars, while Bio Energia Guarcino employs 2 blue collars in addition to the seconded personnel provided by Cartiere di Guarcino;

At 30 June 2019, the Neodecortech Group employed 364 resources, including 9 executives, 107 white collars and 248 blue collars, basically in line with the workforce at 31 December 2018, which was equal to 367 resources.

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DIRECTORS' REPORT ON OPERATIONS

Dear Shareholders,

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 2019 as well as the outlook.

The period under review closes with a consolidated profit of € 1,099 thousand, after allocating € 797 thousand in provisions for income tax and € 4,173 thousand in depreciation and amortization.

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, where possible, of prior figures and prospective assessments.

FINANCIAL HIGHLIGHTS OF THE NEODECORTECH GROUP

Before dwelling on the income figures from the Consolidated Financial Statements at 30 June 2019, a clearer description of such figures can be given, when comparing EBITDA at 30 June 2019 with EBITDA at 30 June 2018, by clarifying that under the 2017-2020 Stock Grant plan, an amount equal to € 1,149 thousand was allocated (under personnel expense) at 30 June 2019 versus the amount of € 535 thousand allocated at 30 June 2018, with an increase of € 614 thousand, as shown in the table on the calculation of adjusted EBITDA.

The table below shows the main income indicators expressed in € thousands at consolidated level at 30 June 2019:

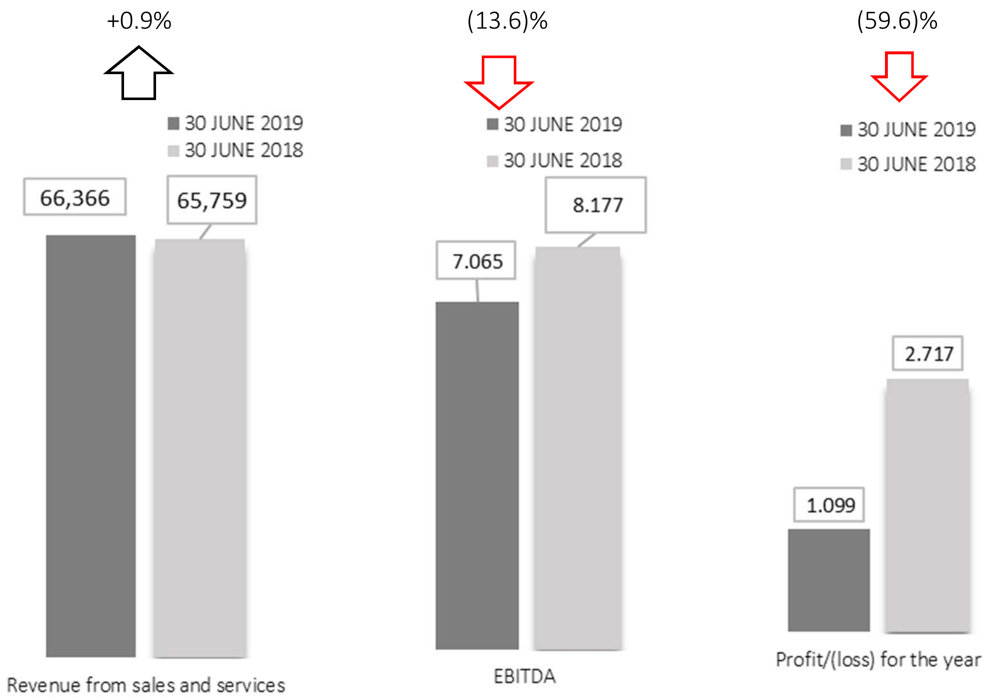
CONSOLIDATED FIGURES IN EURO THOUSANDS	30 JUNE 2019	% ON REVENUE	30 JUNE 2018	% ON REVENUE	Changes	% DIFFERENCE
Revenue from sales and services	66.366	100,0%	65.759	100,0%	607	0,9%
Other revenue	2.323	3,5%	1.438	2,2%	885	61,5%
Total Revenue	68.689	103,5%	67.197	102,2%	1.492	2,2%
EBITDA	7.065	10,6%	8.177	12,4%	(1.112)	(13,6%)
Amortization, depreciation	4.173	6,3%	3.502	5,3%	672	19,2%
EBIT	2.892	4,4%	4.656	7,1%	(1.764)	(37,9%)
Profit/(loss) for the year	1.099	1,7%	2.717	4,1%	(1.618)	(59,6%)

The higher allocation of stock grants is reflected not only in EBITDA at 30 June 2019, but also in the net profit at the same date; the higher allocation at 30 June 2019 versus 30 June 2018 is attributable to the fact that, at 30 June 2019, following approval by the BoD of the transition to the MTA market and the subsequent endorsement by the Shareholders' Meeting, the targets set out in the Stock Grant plan have been fully achieved.

The amount allocated at 30 June 2019 may be subject to minor changes based on the performance of the share price.

In addition to the higher allocation for the Stock Grant plan at 30 June 2019 versus 30 June 2018, the period records higher amortization and depreciation of € 672 thousand, thanks to new capital expenditure in tangible and intangible assets commented on in the specific section, notes 7 and 8 of the statement of financial position.

The following table shows the three main income indicators at 30 June 2019 versus 30 June 2018



The table above shows the main income figures at consolidated level, net of non-recurring items in the sole case of contingent assets and liabilities, as specified in the note above.

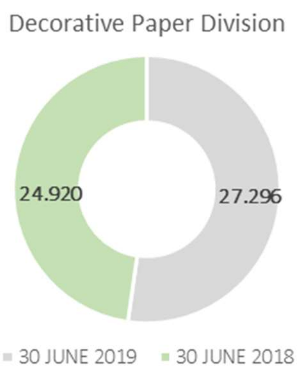
Revenue from sales and services increased slightly by 0.9% at 30 June 2019 versus the same period of the prior year.

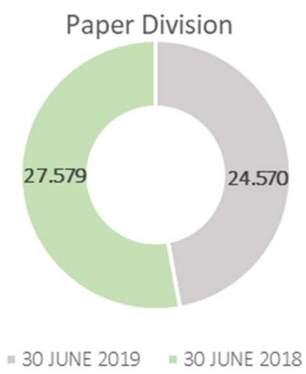
The decrease in EBITDA, as specified above, is due mainly to the higher share of other "personnel expense" representing the allocation for the "2017-2020 Stock Grant" plan. At 30 June 2019, the plan amounted to approximately € 1,149 thousand versus approximately € 535 thousand at 30 June 2018; the higher allocation at 30 June 2019 amounted therefore to € 614 thousand.

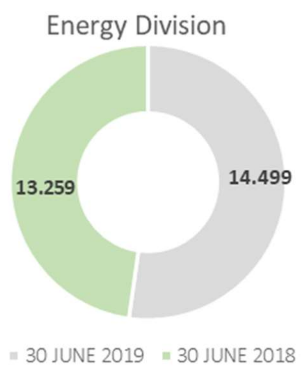
In terms of "other revenue" at 30 June 2019, an insurance refund of approximately € 1,419 thousand was recorded for the subsidiary Cartiere di Guarcino.

The table below shows **revenue by product line at consolidated level.**

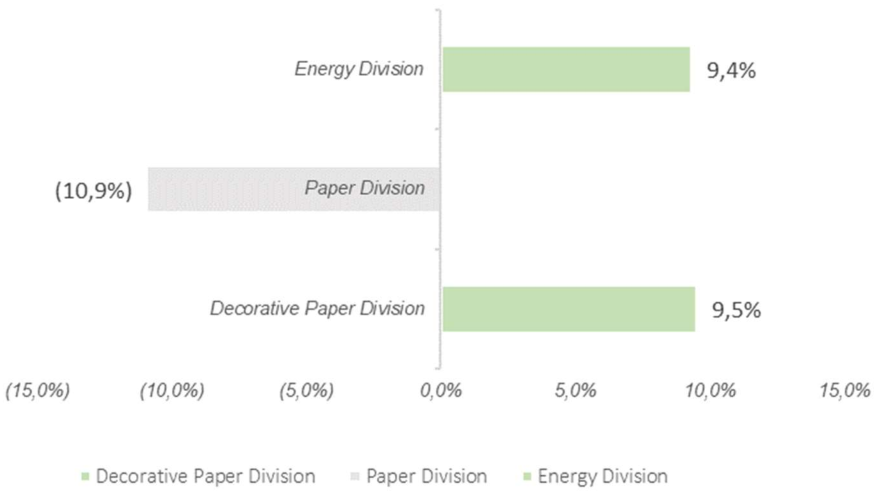
FIGURES IN EURO THOUSANDS	30 JUNE 2019	30 JUNE 2018	Changes	% CHG 2019/2018
Decorative Paper Division	27.296	24.920	2.376	9,5%
Paper Division	24.570	27.579	(3.009)	(10,9%)
Energy Division	14.499	13.259	1.240	9,4%
Total	66.366	65.759	607	0,9%







The table below shows only the changes between 30 June 2019 and 30 June 2018 by product line.



The table below shows consolidated revenue by geographical area, net of the position of the Energy Division:

FIGURES IN EURO THOUSANDS - FORMER ENERGY DIVISION	30 JUNE 2019	%	30 JUNE 2018	%	% CHG 2019/2018
Italy	17.559	33,9%	16.185	30,8%	8,5%
Europe	29.526	56,9%	30.499	58,1%	(3,2%)
Asia	2.333	4,5%	2.447	4,7%	(4,6%)
America	1.576	3,0%	2.277	4,3%	(30,8%)
Rest of the World	872	1,7%	1.093	2,1%	(20,2%)
Total	**51.867**	100,0%	**52.500**	100,0%	**(1,2%)**
Energy Division	14.499		13.259		
Total consolidated former Ener	**66.366**		**65.759**		0,9%

The upward change in Revenue in Italy is ascribable to a stronger penetration of the main Italian customers in the sector. The reduction recorded in America, on the other hand, is ascribable to the drop in untreated paper sales to a North American customer

THE INTERNATIONAL ECONOMIC ENVIRONMENT

The year 2019 witnessed a gradual slowdown in the growth of the global economy, affecting all the major economies, due mainly to the uncertain outcome of the trade negotiations between the US and China, to a possible relapse of financial tensions in emerging countries and to the way Brexit is playing out.

More specifically in the Euro area, the deterioration has affected all major countries in recent months: France, Italy, but especially Germany, which is strongly intertwined with the Italian economy.

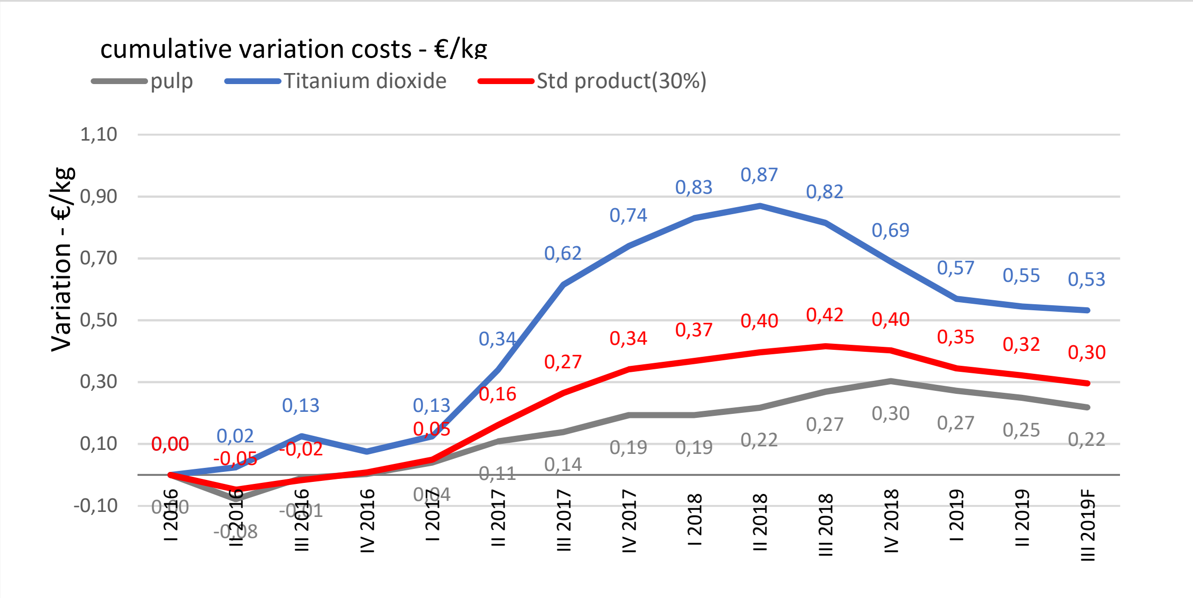
A situation clearly shown by the contraction of the EUR - PMI (Purchasing Managers Indexes), which dropped from 51.4 points recorded in December 2018 to a preliminary figure of 47.0 points in August 2019.

RELEVANT SEGMENT

As for the domestic manufacturing industry as a whole, the Italian paper industry saw growth lose momentum starting from the final months of 2018; according to Assocarta, production at end 2018 closed at approximately 9.1 million tons, basically in line with the prior year (+0.1 2018/2017). In terms of value, total turnover of the sector was up by 4.2% in 2018 (€ 7.72 billion in 2018 versus € 7.40 billion in 2017), due to the increased cost of raw materials being passed along on prices.

According again to Assocarta's latest released data, in first quarter 2019, production and turnover were down by 2% and 2.2% respectively versus the same period in 2018.

With regard to the two main cost components of paper - pulp and titanium dioxide - the respective prices retreated between Q4 2018 and Q2 2019, suffering the effects of the general deterioration of the global market, an oversized supply and consequent high levels of stock. However, the prices of these commodities are still very high, as can be seen from the graph below. This graph also shows the effect, in terms of cost variation, of print base paper with 30% TiO_2.



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

Against this backdrop, decorative paper printing too showed no particularly vibrant signs, reflecting the substantial stability recorded in 2018 and in first half 2019 by the furniture and furnishing market, from both the supplies and flooring perspective.

In the latter case, a point worth mentioning is the adverse trend affecting laminate flooring, due to the abovementioned general weakening of demand and the replacement by LVT flooring.

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 companies.

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

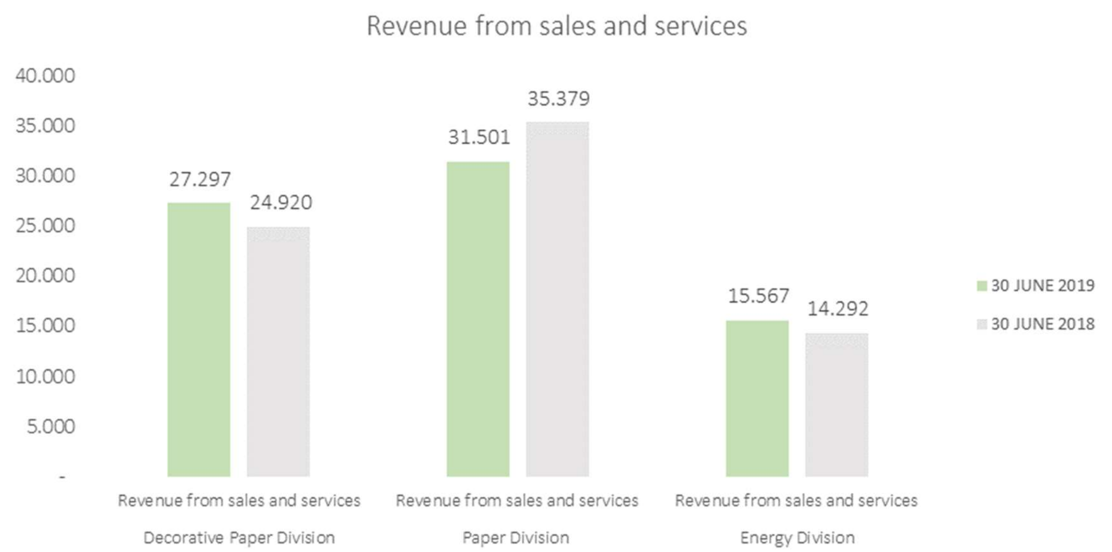
- EBITDA: an alternative performance measure not defined by IFRS but used by Management to monitor and measure its performance, as it is not affected by volatility, due to the effects of the range of criteria for determining taxable income, the amount and characteristics of the capital employed and the amortization/depreciation policies. The Neodecortech Group defines EBITDA as Profit (Loss) for the period before depreciation and amortization, write-down of property, plant and equipment and intangible assets, provisions, financial income and expense and tax.
- ADJUSTED EBITDA and ADJUSTED NET PROFIT; the first is a measure used by Management to strip EBITDA of the effect of non-recurring cost and revenue components recorded in first half 2019 and at the same date of 2018, of the higher IPO costs and the provision, calculated on the basis of IFRS 2, for the assignment of shares relating to the 2017 - 2020 Stock Grant plan. The same considerations, net of the tax effect, are reflected in the adjusted net profit.
- NET CAPITAL EMPLOYED: the sum of non-current and current assets net of financial assets, less non-current and current liabilities net of financial liabilities.
- 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.

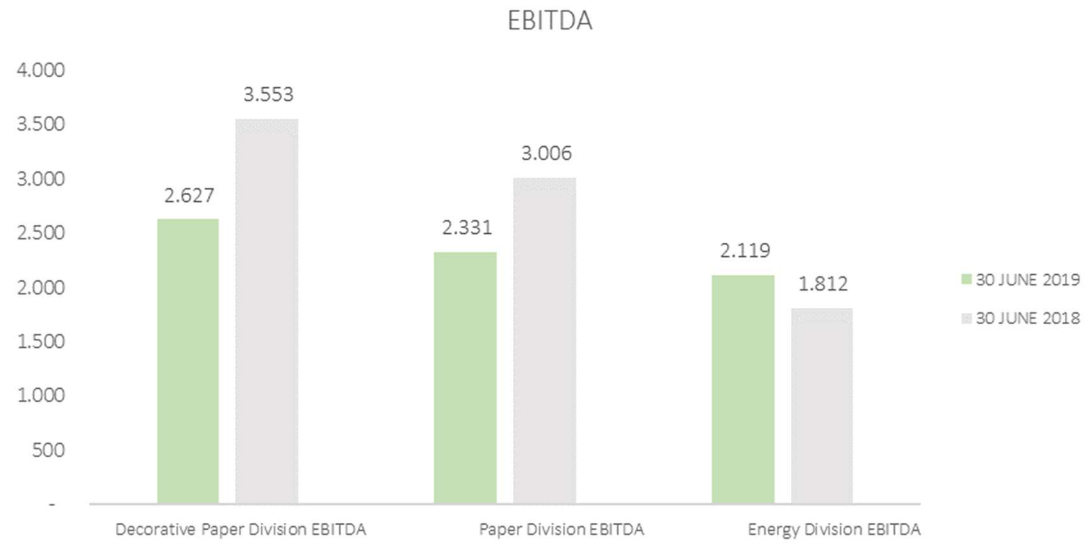
FINANCIAL HIGHLIGHTS BY BUSINESS DIVISION

The table below shows the key figures by Division gross of Intercompany items

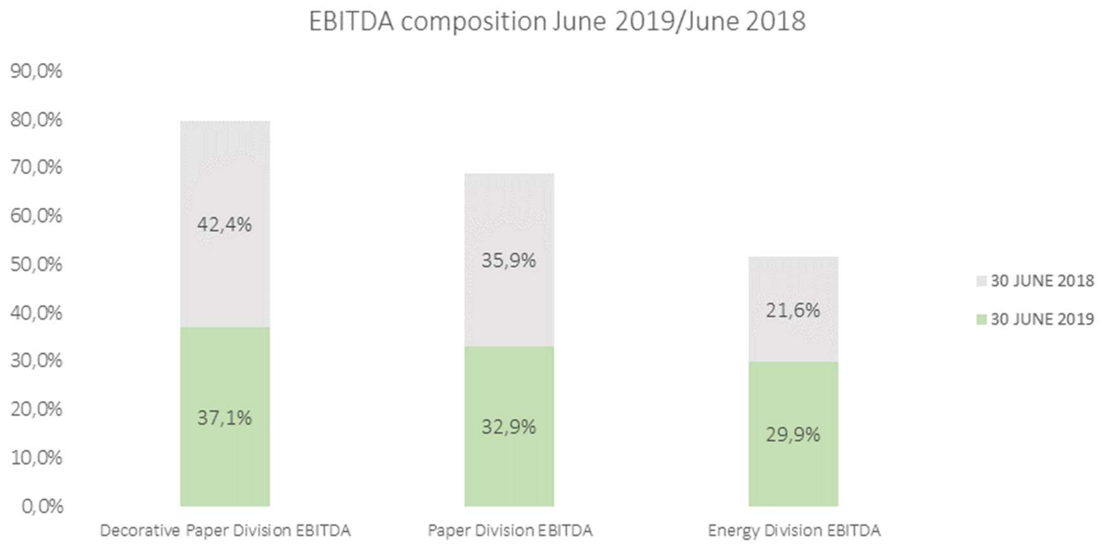
FIGURES IN EURO THOUSANDS	30 JUNE 2019	% ON REVENUE	30 JUNE 2018	% ON REVENUE	Changes	% DIFFERENCE
Decorative Paper Division						
Revenue from sales and services	27.297	100,0%	24.920	100,0%	2.377	9,5%
EBITDA	2.627	9,6%	3.553	14,3%	(926)	(26,1%)
EBIT	1.287	4,7%	2.460	9,9%	(1.173)	(47,7%)
Profit/(loss) for the year	1.099	4,0%	1.863	7,5%	(764)	(41,0%)
Paper Division						
Revenue from sales and services	31.501	100,0%	35.379	100,0%	(3.878)	(11,0%)
EBITDA	2.331	7,4%	3.006	8,5%	(675)	(22,5%)
EBIT	834	2,6%	1.755	5,0%	(921)	(52,5%)
Profit/(loss) for the year	150	0,5%	1.029	2,9%	(879)	(85,4%)
Energy Division						
Revenue from sales and services	15.567	100,0%	14.292	100,0%	1.275	8,9%
EBITDA	2.119	13,6%	1.812	12,7%	307	16,9%
EBIT	897	5,8%	635	4,4%	262	41,3%
Profit/(loss) for the year	242	1,6%	18	0,1%	224	1244,4%

The table below shows the trend in revenue from sales and services by Division and the trend in EBITDA by Division between 30 June 2019 and 30 June 2018





The graphs below show the composition of EBITDA at 30 June 2019 versus 30 June 2018



The Value Added Income Statement of the Parent Company Neodecortech S.p.A. at 30 June 2019 versus the Income Statement at 30 June 2018 is shown below, together with the Income Statements of the other two subsidiaries Cartiere di Guarcino and Bio Energia di Guarcino.

In Thousand Euro	Decorative Paper Division 30 th June 2019	% on Revenue	Decorative Paper Division 30 th June 2018	% on Revenue	Variation	% Variation
Revenue from sales and services	**27.297**	**100,0%**	**24.920**	**100,0%**	**2.377**	**9,5%**
Changes in work in progress, semi-finished and finished products	627	2,3%	449	1,8%	177	39,4%
Other revenue	824	3,0%	833	3,3%	(9)	(1,1%)
Value of Production	**28.748**	**105,3%**	**26.202**	**105,1%**	**2.546**	**9,7%**
Raw and ancillary materials and consumables	15.617	57,2%	14.565	58,4%	1.052	7,2%
Other operating expense	4.943	18,1%	3.786	15,2%	1.157	30,6%
Value Added	**8.188**	**30,0%**	**7.851**	**31,5%**	**337**	**4,3%**
Personnel expense	5.561	20,4%	4.298	17,2%	1.263	29,4%
EBITDA	**2.627**	**9,6%**	**3.553**	**14,3%**	**(926)**	**(26,1%)**
Amortization, depreciation	1.340	4,9%	1.074	4,3%	267	24,9%
Allocations	-	0,0%	19	0,1%	(19)	(100,0%)
EBIT	**1.287**	**4,7%**	**2.460**	**9,9%**	**(1.174)**	**(47,7%)**
Financial components	(182)	(0,7%)	162	0,7%	(343)	(211,7%)
Exchange gains and losses						
Result before tax	1.468	5,4%	2.299	9,2%	(830)	(36,1%)
Income tax	370	1,4%	436	1,7%	(66)	(15,1%)
Profit/(loss) for the year	**1.099**	**4,0%**	**1.863**	**7,5%**	**(764)**	**(41,0%)**

With regard to revenue from sales and services, the positive change of € 2,377 thousand is explained mainly by the increase in turnover from the production of “Laminates" following the acquisition of the business unit of CorbettaFia S.r.l. on 1 September 2018, therefore not present at 30 June 2018.

In terms of the change in the percentage of raw materials on revenue, the change of approximately (1.2%) is due mainly to the sales mix.

The increase in other operating expense is again attributable to the acquisition of CorbettaFia S.r.l. (1 September 2018), not present at 30 June 2018.

As mentioned in the Highlights, an allocation of € 523 thousand was recognized at 30 June 2019 in personnel expense for the Stock Grant plan versus € 230 thousand at 30 June 2018; additionally, the item at 30 June 2019 also recognized € 854 thousand deriving from the acquisition versus 30 June 2018.

In Thousand Euro	Paper Division 30 th June 2019	% on Revenue	Paper Division 30 th June 2018	% on Revenue	Variation	% Variation
Revenue from sales and services	**31.501**	**100,0%**	**35.379**	**100,0%**	**(3.878)**	**(11,0%)**
Changes in work in progress, semi-finished and finished products	(1.079)	(3,4%)	275	0,8%	(1.353)	(492,0%)
Other revenue	1.718	5,5%	715	2,0%	1.003	140,3%
Value of Production	**32.140**	**102,0%**	**36.369**	**102,8%**	**(4.228)**	**(11,6%)**
Raw and ancillary materials and consumables	19.087	60,6%	23.035	65,1%	(3.948)	(17,1%)
Other operating expense	5.302	16,8%	5.502	15,6%	(200)	(3,6%)
Value Added	**7.751**	**24,6%**	**7.831**	**22,1%**	**(80)**	**(1,0%)**
Personnel expense	5.420	17,2%	4.825	13,6%	594	12,3%
EBITDA	**2.331**	**7,4%**	**3.006**	**8,5%**	**(675)**	**(22,5%)**
Amortization, depreciation	1.498	4,8%	1.251	3,5%	247	19,7%
Allocations						
EBIT	**834**	**2,6%**	**1.755**	**5,0%**	**(922)**	**(52,5%)**
Financial components	493	1,6%	826	2,3%	(333)	(40,3%)
Exchange gains and losses	19	0,1%	(254)	(0,7%)	273	(107,5%)
Result before tax	321	1,0%	1.184	3,3%	(862)	(72,8%)
Income tax	171	0,5%	154	0,4%	17	11,0%
Profit/(loss) for the year	**150**	**0,5%**	**1.029**	**2,9%**	**(879)**	**(85,4%)**

The market trends witnessed by Cartiere di Guarcino are partly linked to the uncertain dynamics on the trend of raw materials, which generated a wait-and-see effect by customers on expectations of price reductions, triggering the well-known stock cycle case, which carries a negative cyclical impact in this context.

Despite this backdrop, the first two months stayed in line with the budget, while orders have been falling since March, although the annual budget forecast remains valid.

Mention should also be made that, in February 2019, Cartiere di Guarcino suffered a weather incident that generated a production shutdown of 22 days. The event generated a lower value of production and a resulting decrease in turnover. The incident was settled with an insurance refund of € 1,380 thousand (net of deductibles), mainly for loss of profit and higher costs incurred.

Regarding the trend of strategic raw materials, titanium dioxide prices continued to drop in first quarter 2019, which also saw a continuation of the destocking phase that had started in second half 2018; prices in the second quarter were basically steady, despite the fact that this particular quarter marks the high season period for the use of TiO_2 in our industry (as for construction, another industry where this specific raw material is massively used), with demand that should pick up again starting from September. Pulp, instead, witnessed a slight decline in first half 2019, although negotiations remain edgy, with buyers asking for reductions on the one hand, and main sellers putting up strong resistance on the other.

The percentage of raw materials fell versus 2018 and is in line with expectations, as a result of the decrease in the prices of strategic raw materials (titanium dioxide and pulp), and the resolve in delaying the reversal on sales prices, a trend that moves in the opposite of the growth phase, which suffered a loss in margins.

In 2019, personnel expense was impacted by the recognition of stock grant costs of € 613 thousand.

In Thousand Euro	Energy Division 30 th June 2019	% on Revenue	Energy Division 30 th June 2018	% on Revenue	Variation	% Variation
Revenue from sales and services	**15.567**	**100,0%**	**14.292**	**100,0%**	**1.275**	**8,9%**
Changes in work in progress, semi-finished and finished products						
Other revenue	-	0,0%	43	0,3%	(43)	(100,0%)
Value of Production	**15.567**	**100,0%**	**14.335**	**100,3%**	**1.232**	**8,6%**
Raw and ancillary materials and consumables	10.562	67,8%	10.284	72,0%	278	2,7%
Other operating expense	2.533	16,3%	1.984	13,9%	549	27,7%
Value Added	**2.472**	**15,9%**	**2.067**	**14,5%**	**405**	**19,6%**
Personnel expense	353	2,3%	255	1,8%	98	38,4%
EBITDA	**2.119**	**13,6%**	**1.812**	**12,7%**	**307**	**16,9%**
Amortization, depreciation	1.222	7,8%	1.177	8,2%	45	3,8%
Allocations						
EBIT	**897**	**5,8%**	**635**	**4,4%**	**262**	**41,3%**
Financial components	367	2,4%	529	3,7%	(162)	(30,6%)
Exchange gains and losses						
Result before tax	531	3,4%	106	0,7%	425	400,9%
Income tax	289	1,9%	87	0,6%	201	231,0%
Profit/(loss) for the year	**242**	**1,6%**	**18**	**0,1%**	**223**	**1238,9%**

The increase in revenue is attributable mainly to higher energy production in first half 2019 versus the same period of the prior year, which offsets the lower average selling price of energy and the lower average unit value of the incentive. The higher production is explained by the increase in number of hours worked and greater production efficiency. The percentage of consumption improves, thanks to the purchase price of bioliquids, which in first half 2019 was on average lower than in first half 2018. Other operating expense increased slightly, due mainly to the higher percentage of imbalances and co2 allowances and personnel expense, due to unscheduled maintenance work in the first few months of the year. Financial activities fell sharply. Overall, the period saw a slight improvement in margins versus the same period of the prior year.

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STATEMENT OF RECONCILIATION OF VALUE ADDED INCOME STATEMENT BY DIVISION AT 30 JUNE 2019

	Decorative Paper Division	% on Revenue	Paper Division	% on Revenue	Energy Division	% on Revenue	ELIMINATIONS and ADJUSTMENTS	CONSOLIDATED	% on Revenue
Revenue from sales and services	27.297	100,0%	31.501	100,0%	15.567	100,0%	(8.000)	66.366	100,0%
Changes in work in progress, semi-finished and finished products	627	2,3%	(1.079)	(3,4%)		0,0%		(452)	(0,7%)
Other revenue	824	3,0%	1.718	5,5%		0,0%	(218)	2.323	3,5%
Value of Production	28.748	105,3%	32.140	102,0%	15.567	100,0%	(8.218)	68.237	102,8%
Raw and ancillary materials and consumables	15.617	57,2%	19.087	60,6%	10.562	67,8%	(6.486)	38.780	58,4%
Other operating expense	4.943	18,1%	5.302	16,8%	2.533	16,3%	(1.402)	11.377	17,1%
Value Added before non-recurring events	8.188	30,0%	7.751	24,6%	2.472	15,9%		18.080	27,2%
Personnel expense	5.561	20,4%	5.420	17,2%	353	2,3%	(318)	11.015	16,6%
EBITDA before non-recurring events	2.627	9,6%	2.331	7,4%	2.119	13,6%		7.065	10,6%
Amortization, depreciation	1.340	4,9%	1.498	4,8%	1.222	7,8%	114	4.173	6,3%
Allocations									0,0%
EBIT	1.287	4,7%	834	2,6%	897	5,8%		2.892	4,4%
Financial components	(182)	(0,7%)	493	1,6%	367	2,4%	299	976	1,5%
Exchange gains and losses			19	0,1%				19	0,0%
Result before tax	1.468	5,4%	321	1,0%	531	3,4%		1.896	2,9%
Income tax	370	1,4%	171	0,5%	289	1,9%	(33)	797	1,2%
Profit/(loss) for the year	1.099	4,0%	150	0,5%	242	1,6%		1.099	1,7%

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BREAKDOWN OF REVENUE BY DIVISION/PRODUCT LINE

CONSOLIDATED FIGURES IN EURO THOUSANDS	30 JUNE 2019	%	30 JUNE 2018	%	Change	% CHG 2019/2018
Decorative Paper Division	**27.297**	41,1%	**24.920**	37,9%	**2.377**	**9,5%**
Decorative paper	12.508	18,8%	14.286	21,7%	(1.778)	(12,4%)
Impregnated paper	4.325	6,5%	5.169	7,9%	(844)	(16,3%)
PPF	2.441	3,7%	2.175	3,3%	267	12,3%
					0	
Laminates	4.290	6,5%	-	0,0%	4.290	100,0%
Services	3.732	5,6%	3.291	5,0%	442	13,4%
Paper Division	**31.501**	47,5%	**35.379**	53,8%	**(3.878)**	**(11,0%)**
Backer	4.234	6,4%	3.678	5,6%	556	15,1%
Unicolour	13.389	20,2%	15.724	23,9%	(2.335)	(14,9%)
Print Base	12.427	18,7%	15.122	23,0%	(2.695)	(17,8%)
Underlay	461	0,7%	235	0,4%	226	96,4%
Kraft	359	0,5%	19	0,0%	340	100,0%
Services	631	1,0%	601	0,9%	29	4,9%
Energy Division	**15.567**	23,5%	**14.292**	21,7%	**1.275**	**8,9%**
Energy and Steam	15.560	23,4%	14.285	21,7%	1.275	8,9%
Services	8	0,0%	8	0,0%	(0)	(3,7%)
Intercompany eliminations	(8.000)		(8.833)			
Total	**66.366**	100,0%	**65.759**	100,0%	**607**	**0,9%**

With regard to the Decorative Paper Division, in relation to printed paper, July and August saw a sharp rebound from the lower figure shown in the table. As far as impregnated paper is concerned, it should be noted that the relating data should be examined by adding them to those of the "Services" family, which is basically impregnated paper on paper under contract work. Additionally, this specific division too enjoyed a strong upswing in the results of this product family over the two months following the end of the first half. As the development of PPF continues, a point worth mentioning for Laminates is the remarkable performance delivered by the anti-fingerprint product (Titan).

The Paper Division achieved a strong improvement in sales in Italy due, here too, to a greater penetration among the main Italian panel builders and to a significant decline in sales in Europe. The latter are linked mainly to the sharp drop in sales in Turkey in the second part of the six months.

Lastly, as far as the Energy Division is concerned in first half 2019, Bio Energia worked 10,959 hours and generated 74,040 MWh of electricity, up significantly versus the 64,865 MWh generated in the same period in 2018. The energy fed into the grid was equal to 49,954 MWh versus 40,190 MWh in first half 2018.

BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA OF THE INDIVIDUAL DIVISIONS

CONSOLIDATED FIGURES IN EURO THOUS	30 JUNE 2019	%	30 JUNE 2018	%	Change	% CHG 2019/2018
Decorative Paper Division	27.297	41,1%	24.920	37,9%	2.377	9,5%
Italy	12.298	18,5%	9.917	15,1%	2.381	24,0%
Europe	12.543	18,9%	12.103	18,4%	440	3,6%
Asia	1.214	1,8%	1.228	1,9%	(15)	(1,2%)
America	449	0,7%	599	0,9%	(150)	(25,1%)
Rest of the World	793	1,2%	1.073	1,6%	(279)	(26,0%)
Paper Division	31.501	47,5%	35.379	53,8%	(3.878)	(11,0%)
Italy	12.192	18,4%	14.067	21,4%	(1.875)	(13,3%)
Europe	16.983	25,6%	18.395	28,0%	(1.412)	(7,7%)
Asia	1.119	1,7%	1.218	1,9%	(99)	(8,1%)
America	1.128	1,7%	1.679	2,6%	(551)	(32,8%)
Rest of the World	79	0,1%	20	0,0%	59	100,0%
Energy Division	15.567	23,5%	14.292	21,7%	1.275	8,9%
Italy	15.567	23,5%	14.292	21,7%	1.275	8,9%
Europe						
Asia						
America						
Rest of the World						
Total Intercompany eliminatio	(8.000)		(8.833)			
Total	66.366	100,0%	65.759	100,0%	607	0,9%

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BREAKDOWN OF RAW MATERIAL CONSUMPTION BY DIVISION

CONSOLIDATED FIGURES IN EURO THOUSANDS	30 JUNE 2019	%	30 JUNE 2018	%	Change	% CHG 2019/2018
Decorative Paper Division	**15.617**	40,3%	**14.565**	36,0%	1.052	**7,2%**
Untreated paper	8.216	21,2%	9.391	23,2%	(1.175)	(12,5%)
Resins	2.864	7,4%	2.761	6,8%	104	3,8%
Inks	893	2,3%	893	2,2%	(1)	(0,1%)
Pvc	984	2,5%	943	2,3%	41	4,3%
Lamination	2.025	5,2%	-	0,0%	2.025	100,0%
Other costs	636	1,6%	578	1,4%	58	10,0%
Paper Division	**19.087**	49,2%	**23.035**	57,0%	**(3.948)**	**(17,1%)**
Cellulose	6.260	16,1%	8.556	21,2%	(2.296)	(26,8%)
Bioxide	8.989	23,2%	11.242	27,8%	(2.253)	(20,0%)
Chemical products	1.825	4,7%	1.798	4,5%	27	1,5%
Other costs	2.013	5,2%	1.439	3,6%	574	39,9%
Energy Division	**10.562**	27,2%	**10.284**	25,5%	**278**	**2,7%**
Animal by-products	9.448	24,4%	9.520	23,6%	(72)	(0,8%)
Lub Oil	131	0,3%	126	0,3%	4	3,5%
Urea	233	0,6%	165	0,4%	68	41,1%
Diesel	401	1,0%	204	0,5%	196	96,2%
Other costs	350	0,9%	268	0,7%	81	30,3%
Intercompany eliminations	(6.487)		(7.479)			
Total	**38.780**	100,0%	**40.405**	100,0%	**(1.625)**	**(4,0%)**

Paper Division

With regard to the main raw materials of the Paper Division, no significant price changes were reported in first half 2019.

Untreated Paper Division

The pulp market was marked by a spike in the price of pulp in the two-year period 06/2016-06/2018 in the magnitude of +52%, followed by a steady phase in the final part of 2018, before retreating in first half 2019, despite the strong resistance of the main sellers in lowering prices even at the expense of volumes. As a result of the sales policy of these sellers, stocks have seen a huge rise and remain at record levels, since pulp demand has continued to be weak throughout 2019, partly as a result of the trade war between the U.S. and China, forcing a number of sellers to schedule production stops in the second half of the year. As a result, prices continue to drop in Q3 too.

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

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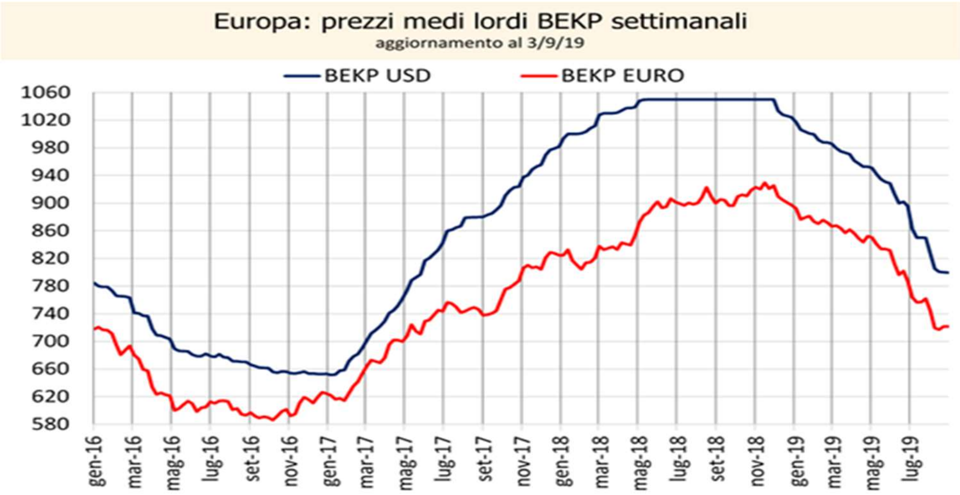
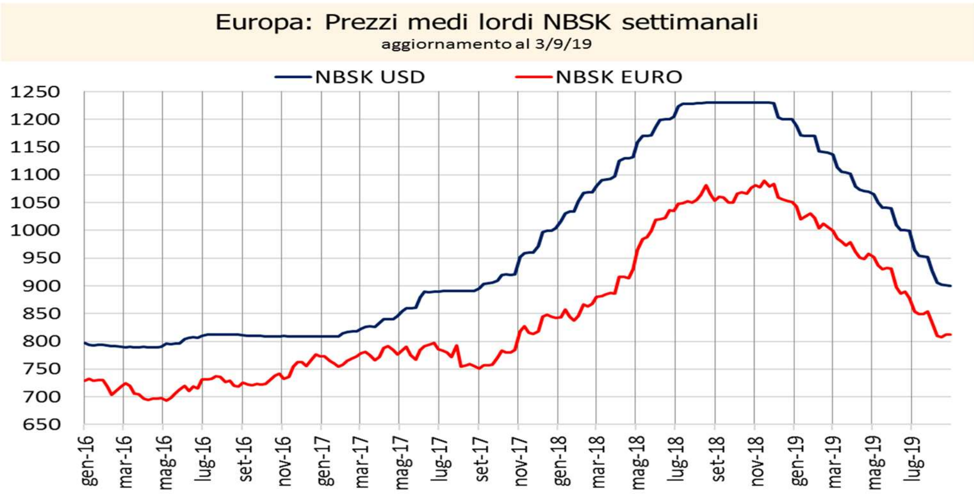


Source FOEX

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



Source FOEX

The price of titanium dioxide TiO_2 reached its market peak in the first part of 2018, recording an overall +52% growth versus 2016; prices dropped (-11%) from Q3 2018 to Q2 2019, followed by a steady phase in Q3, with a rebound in demand expected from September.

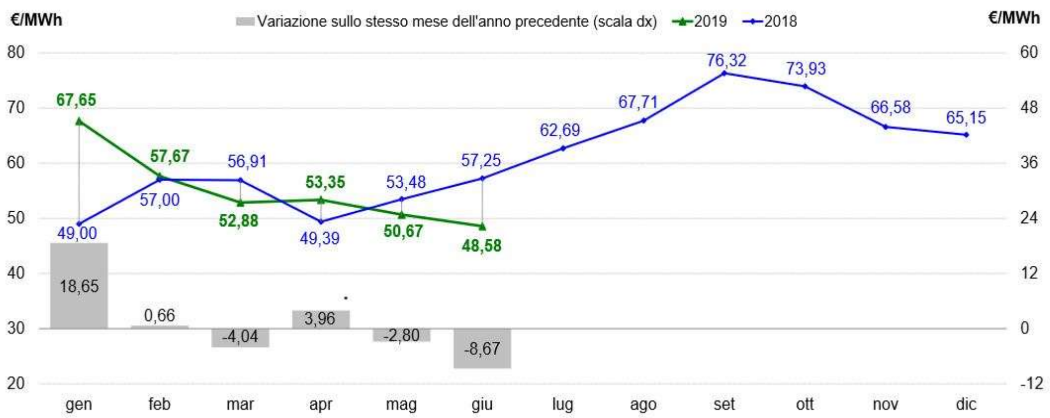
Source ICIS

Energy Division

In first half 2019, Bio Energia Guarcino worked 10,959 hours and generated 74,040 MWh of electricity, up slightly versus the 64,865 MWh generated in the same period in 2018. The energy fed into the grid was equal to 49,954 MWh versus 40,190 MWh in first half 2018. On the other hand, the energy sold to Cartiere di Guarcino was slightly lower at 21,476 MWh versus 22,458 MWh sold in first half 2018.

The energy market was weak, with the National Single Price (PUN) in June down to a low over the last two years of € 48.58 MWh. Expectations tend to be bearish. For 2019, the unit price of the incentive stands at € 92.10 per MWh, down further than in prior years, € 107.34 per MWh and € 98.95 per MWh for 2017 and 2018, respectively. The average downward trend of the energy market in the current year should allow the unit value of the incentive to re-appreciate for the following year.

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 the rise in the second quarter.

The table below summarizes the prices for the first 6 months of 2019 of the livestock bulletin published by Associazione Granaria di Milano.

ANIMAL FATS	January	February	March	April	May	June	Change 6 months	%
Tallow 2-3 FFA-MIU 1	550.0	549.5	549.5	561.1	582.0	590.0	40.0	7%
Fat acidity 4 - MIU 1	528.0	527.5	527.5	539.1	560.0	568.0	40.0	7%
Max fat 7 FFA - MIU 1	499.3	498.5	498.5	510.1	531.0	537.5	38.3	7%
Max fat 10 FFA - MIU 1	487.3	486.5	486.5	498.1	519.0	524.5	37.3	7%

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CONSOLIDATED NET FINANCIAL DEBT AT 30 JUNE 2019 VERSUS 30 JUNE 2018

CONSOLIDATED FIGURES IN EURO THOUSANDS	30 June 2019	30 June 2018	Changes
A. Cash	(20)	(13)	(7)
B. Other cash and cash equivalents	(1.438)	(1.347)	(91)
C. Securities held for trading			
Liquidity	**(1.458)**	**(1.360)**	(98)
E. Current financial receivables	(3)		(3)
F. Current bank payables	18.786	18.661	125
G. Current portion of non-current debt	3.088	2.845	243
H. Other current financial payables			
H1. Current lease payable	2.028	1.826	202
Current financial debt	23.902	23.332	570
Net current financial debt	22.441	21.973	468
K. Non-current bank payables	15.997	18.967	(2.970)
L. Bonds		567	(567)
M. Other non-current payables	9.853	11.672	(1.819)
Non-current financial debt	25.850	31.206	(5.356)
Net financial debt	48.291	53.179	(4.888)

The table above shows the situation at 30 June 2019:

- Current bank payables in line with 30 June 2018, € 125 thousand;
- A decrease of (€ 2,970) thousand in non-current bank payables versus the same period of the prior year due to the payment of loans;
- Payment of the last instalment of the Bonds for € 567 thousand;
- Other non-current payables include payment of lease instalments of the subsidiary Bio Energia di Guarcino for (€ 1,819) thousand.

The table below shows the net financial debt by Division at 30 June 2019.

NET FINANCIAL DEBT BY DIVISION AT 30 JUNE 2019

CONSOLIDATED FIGURES IN EURO THOUSANDS	Decorative Paper Division	Paper Division	Energy Division	Eliminations	Consolidated
A. Cash	(15)	(3)	(2)		(20)
B. Other cash and cash equivalents	(44)	(625)	(769)		(1.438)
C. Securities held for trading					
D. Liquidity (A) + (B) + (C)	**(59)**	**(628)**	**(770)**		**(1.458)**
E. Current financial receivables	(3.881)	(2.500)		6.378	(3)
F. Current bank payables	1.372	15.914	1.499		18.786
G. Current portion of non-current debt	1.543	1.545	2.500	(2.500)	3.088
H. Other current financial payables		2.673	1.205	(3.878)	-
H1. Current lease payable			2.028		2.028
I. Current financial debt (F)+(G)+(H)+(H1)	**2.915**	**20.132**	**7.233**		**23.902**
J. Current net financial debt (I) + (E) + (D)	**(1.025)**	**17.004**	**6.463**		**22.441**
K. Non-current bank payables	9.878	6.016	103		15.997
L. Bonds	-	1.500		(1.500)	-
M. Other non-current payables	5.676	15.456	4.824	(16.102)	9.853
					-
N. Non-current financial debt (K) + (L) + (M) + (M1)	**15.554**	**22.971**	**4.927**		**25.850**
O. Net financial debt (J) + (N)	**14.528**	**39.975**	**11.390**		**48.291**

As regards the net financial debt by Division, it should be noted that the debt of the Decorative Paper Division consists mainly of the mortgage loan to "BPM", with a residual amount at 30 June 2019 of € 9,878 thousand.

For Cartiere di Guarcino, the net debt of 39,975 thousand consists mainly of long-term bank payables for € 6,016 and to the Parent Company for € 15,301, and a current bank payable of € 15,914 thousand.

For Bio Energia di Guarcino, the short-term portion of the lease payable amounts to € 2,028 thousand, and the long-term portion to € 4,024 thousand, of which € 800 thousand due to Cartiere di Guarcino.

No further medium/long-term loans have been taken out since 31 December 2018, and all financial commitments to related parties have been fully settled.

The Group, through cash generated from its core business, is able to meet its financial commitments and finance capital expenditure; furthermore, through Intercompany Financing Agreements, the extra resources produced by the Parent Company's core business are channeled into the Subsidiaries in order to optimize the management of cash surpluses within the Group itself.

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MAIN STATEMENT OF FINANCIAL POSITION FIGURES

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019 VERSUS 30 JUNE 2018

Reclassified Consolidated Statement of Financial Position	30 June 2019	30 June 2018	Difference	% Difference
Trade receivables	23.420	30.092	(6.672)	(22,2%)
Inventory	35.697	32.609	3.088	9,5%
Trade payables	(29.156)	(28.708)	(448)	1,6%
Operating NWC	29.961	33.993	(4.032)	-11,9%
Other current receivables	5.901	5.477	424	7,7%
Other current payables	(5.414)	(4.518)	(896)	19,8%
Tax payables	(1.912)	(1.060)	(852)	80,4%
Net Working Capital	28.536	33.892	(5.356)	(15,8%)
Property, plant and equipment	77.306	72.746	4.560	6,3%
Goodwill	-	1.293	(1.293)	-100,0%
Intangible assets	3.116	3.445	(329)	(9,5%)
Other financial assets	2.388	2.387	1	0,0%
Non-current financial assets not included in NFP	3.417	1.647	1.770	107,5%
Other non-current assets	36	36	-	100%
Fixed assets	86.264	81.553	4.711	5,8%
Post-employment benefit provisions	(2.989)	(2.816)	(173)	6,1%
Provisions for risks and charges	(455)	(455)	0	(0,1%)
Deferred tax assets and liabilities	(4.493)	(3.749)	(744)	19,8%
Net Capital Employed	106.864	108.425	(1.560)	(1,4%)
Equity	58.573	55.246	3.327	6,0%
Cash and cash equivalents	(1.458)	(1.360)	(98)	7,2%
Other current financial receivables	(3)	-	(3)	100,0%
Current financial liabilities	23.902	23.332	570	2,4%
Non-current financial liabilities	25.850	31.207	(5.357)	(17,2%)
Net Financial Debt	48.291	53.179	(4.889)	(9,2%)
Equity and Net Financial Debt	106.864	108.425	(1.561)	(1,4%)

With regard to trade receivables, no critical issues were reported at 30 June 2019 in terms of potential losses; as for the Parent Company, mention should be made at 30 June 2019 of the assignment of the receivable without recourse (to 2 of its customers), which allowed it to reduce the portion of receivables versus the situation at 30 June 2018, when no above assignment was made.

The change in inventory of € +3,088 thousand refers to a change by the Parent Company of € +1,549 thousand, as a result of the inventory of the acquired business unit, CorbettaFia S.r.l., not present at 30 June 2018, together with an increase of € +520 thousand in finished products.

The change of (€ 896) thousand in other current payables is due mainly to the decrease in customer advances.

For the change in tangible fixed assets amounting to € 4,560 thousand, reference should be made to the tables in the Statement of Financial Position.

Goodwill was allocated to higher value of the plants of Cartiere di Guarcino.

PERFORMANCE IN FIRST HALF 2019

Decorative Paper Division - Neodecortech

From our anticipations in the last half-year report of the start of a slowdown, we cannot help but note regrettably that, from end June 2018, in line with the general slowdown of the markets, our sales have followed the same southward path, weakening the double-digit growth rate we had enjoyed in the first six months last year. This slowdown has affected the regions across the world where we sell, not only our domestic market, as a result of the economic impact from the widely-known political affairs of our Country. But, while in second half 2018, PPF sales had bucked the general trend thanks to the new printing width of 224 cm in addition to the standard 204 cm, in the first months of 2019, this product category too has shown signs of an initial slowdown. We believe however that its performance in the first part of the year is attributable more to an adjustment of the stocks of our main customer, rather than to an actual retreat of the market.

As everyone knows, a rather significant event took place on 1 September 2018: our acquisition of the business unit from CorbettaFia S.r.l., part of the Valentini Group, specialized in the production of laminates with CPL (continuous pressing lamination) technology. The acquisition was made not only to complement the NDT product portfolio, extending it to laminates, but also to further expand our presence in the PPF business. With the lamination plants operating at the Casoli di Atri (Te) plant, we can in fact also laminate plastic printed film (PPF) with a transparent plastic film to obtain a compound film which, subsequently embossed and lacquered, results in PPLF (plastic printed laminate film).

Paper Division - Cartiere di Guarcino

For Cartiere, revenue was € 3,009 thousand lower than in the prior year (-10.9%) and lower than expected in first half 2019. The drop is due mainly to the effect of production volumes and mix.

The percentage of raw materials dropped from 64.2% in 2018 to 61.3% in first half 2019, due to the lower prices of strategic raw materials (titanium dioxide and pulp). Conversely, despite the downward adjustment of sales lists, the decrease was not as deep as the reduction in raw materials.

Direct manpower increased by € 162K versus the same period of the prior year, due to the longer restart times of the plant after the weather incident (February 2019) and also to the complex installation of the new parts of the plant that took place in April 2019.

Variable industrial costs were € -349K lower than in 2018, due to the effect of the dynamics on energy costs, while the costs for maintenance and paper machine consumables were in line with forecasts.

The average deviation was 9.31%, 2.31% worse than the prior year, due to the implementation in 2019 of the new VALMET measuring bridge

A weather incident took place in February 2019, which shut down production for 22 days; the event was settled with an insurance refund of € 1,380 thousand, which mainly covered the loss of profit and the higher costs incurred to restart the plant.

Bio Energia Guarcino Division

In first half 2019, Bio Energia Guarcino worked 10,959 hours and generated 74,040 MWh of electricity, up versus the 64,865 MWh generated in the same period in 2018. The energy fed into the grid was equal to 49,954 MWh versus 40,190 MWh in first half 2018. On the other hand, the energy sold to Cartiere di Guarcino was slightly lower at 21,476 MWh versus 22,458 MWh sold in first half 2018. The energy market was weak, with the National Single Price (PUN) in June down to a low over the last two years of € 48.58 MWh. Expectations tend to be bearish. For 2019, the unit price of the incentive stands at € 92.10 per MWh, down further than in prior years, € 107.34 per MWh and € 98.95 per MWh for 2017 and 2018, respectively. The average downward trend of the energy market in the current year should allow the unit value of the incentive to re-appreciate for the following year.

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COMPARATIVE CONSOLIDATED INCOME STATEMENT FIGURES AT 30 JUNE 2019

At 30 June 2019, the comparative figures shown in the Condensed Consolidated Half-Year Financial Report are taken from the Consolidated Income Statement at 30 June 2019 and compared with the same period of the prior year, reflecting the performance of the entire Group.

FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2019

CONSOLIDATED FIGURES IN EURO THOUSANDS	30 JUNE 2019	% ON REVENUE	30 JUNE 2018	% ON REVENUE	Change	% change
Revenue from sales and services	**66.366**	**100,0%**	**65.759**	**100,0%**	**606**	**0,9%**
Changes in work in progress, semi-finished and finished products	(452)	(0,7%)	724	1,1%	(1.176)	(162,4%)
Other revenue	2.323	3,5%	1.438	2,2%	885	61,5%
Value of Production	**68.237**	**102,8%**	**67.920**	**103,3%**	**317**	**0,5%**
Raw and ancillary materials and consumables	(38.780)	58,4%	(40.405)	61,4%	1.625	(4,0%)
Other operating expense	(11.376)	17,1%	(10.190)	15,5%	(1.186)	11,6%
Value Added	**18.081**	**27,2%**	**17.325**	**26,3%**	**756**	**4,4%**
Personnel expense	(11.015)	16,6%	(9.148)	13,9%	(1.867)	20,4%
EBITDA	**7.065**	**10,6%**	**8.177**	**12,4%**	**(1.112)**	**(13,6%)**
Amortization, depreciation	(4.174)	6,3%	(3.502)	5,3%	(672)	19,2%
Allocations	-	0,0%	(19)	0,0%	19	0,0%
EBIT	**2.892**	**4,4%**	**4.657**	**7,1%**	**(1.765)**	**(37,9%)**
Financial components	(976)	1,5%	(1.516)	2,3%	540	(35,6%)
Exchange gains and losses	(19)	0,0%	254	-0,4%	(273)	(107,5%)
Result before tax	**1.896**	**2,9%**	**3.394**	**5,2%**	**(1.498)**	**(44,1%)**
Income tax	(797)	1,2%	(677)	1,0%	(120)	17,7%
Profit/(loss) for the year	**1.099**	**1,7%**	**2.717**	**4,1%**	**(1.618)**	**(59,6%)**

(*) Higher provision for the 2017-2020 Stock Grant Plan

Value added before non-recurring events (€ 18,081 thousand in first half 2019), calculated on revenue from sales and services, increased by 4.4% versus the prior first half. The percentage of the costs of raw materials and goods decreased (from 61.4% to 58.4%), thanks to the improvement of the same percentage reported by the two companies Cartiere di Guarcino and Bio Energia. Other operating expense increased by € 1,186 thousand in absolute terms versus the prior first half, due mostly to "Transport", which reported a higher value of € 74 thousand, to "Utilities" for € 211 thousand, to promotions and advertising for € 214 thousand (the two-year Interzum trade fair was held in 2019), "Maintenance" for € 113 thousand and higher consultancy fees for € 123 thousand.

Personnel expense in first half 2019 amounted to € 11,015 thousand (versus € 9,148 thousand at 30 June 2018), up by approximately € 1,867 thousand in absolute terms. The increase is attributable mainly to the allocation of the 2017-2020 Stock Grant plan, which in first half 2019 shows an allocation of € 1,149 thousand versus € 535 thousand in first half 2018.

In addition to the above considerations, it should be noted that, in terms of both revenue and costs, part of the differences at 30 June 2019 were affected by the acquisition of the business unit of CorbettaFia S.r.l. on 1 September 2018. In fact, a full half-year of activity of the acquired BU was recorded at 30 June 2019, while at the same date of half year 2018, such revenue and costs were not present in the consolidated financial statements.

The higher amounts arising from the acquisition of CorbettaFia S.r.l. refer to higher revenue of € 4,361 thousand and higher costs, again at 30 June 2019 versus 30 June 2018, for personnel expense of € 854 thousand and for operating expense of € 759 thousand.

Amortization and depreciation increased by 18.6% (from € 3,520 thousand at 30 June 2018 to € 4,174 thousand at 30 June 2019), due to the policy of increasing capital expenditure in recent years to support the development of operations which, as a result of the acquisition of the CorbettaFia S.r.l. BU for € 163 thousand, refers mainly to tangible assets.

EBIT before non-recurring items came to a positive € 2,892 thousand, deteriorating versus the figure for the prior first half (€ 4,656 thousand), with a percentage change of -37.9% (a point worth recalling is the effect of the allocation for the Stock Grant made on 30 June 2019).

Lastly, net of the higher costs from the acquisition of the CorbettaFia S.r.l. BU, the EBIT trend was mainly affected by higher personnel expense of € 1,013 thousand (taking into account a higher allocation in 2019 of € 614 thousand for the Stock Grant), higher operating expense of € 303 thousand, and higher amortization and depreciation of € 491 thousand.

ADJUSTED EBITDA

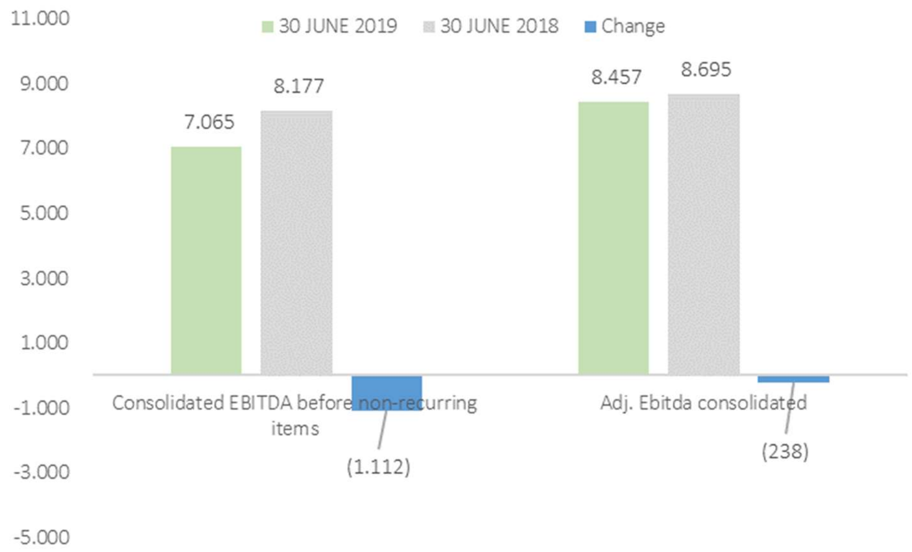
EBITDA is calculated as net profit for the period before depreciation and amortization of property, plant and equipment and intangible assets, financial income and expense and tax.

The following figures, at 30 June 2019 and at 30 June 2018, relate to Adjusted EBITDA, i.e. EBITDA net of non-recurring cost and revenue components, higher IPO costs and the provision, calculated on the basis of IFRS 2, for the assignment of the shares referred to the 2017 - 2020 Stock Grant plan, as resolved by the Shareholders' Meeting of 23 June 2017

The higher IPO costs essentially include the higher Post Listing consultancy costs.

Reconciliation EBITDA-ADJ EBITDA

(Euro thousands)	30 JUNE 2019	30 JUNE 2018	Change	
Consolidated EBITDA before non-recurring items	7.065	8.177	(1.112)	(13,6%)
Allocation for Stock Grants	1.149	535	614	114,8%
Higher IPO Costs - Extraordinary Comp.	243	(17)	260 -	(1531,2%)
Adj. Ebitda consolidated	8.457	8.695	(238)	(2,7%)
Adjusted Net Profit	2.319	3.235	(916)	(28,3%)



In the period ended 30 June 2019, EBITDA before extraordinary items decreased by 13.6% versus the same period of the prior year, from € 8,177 thousand to € 7,065 thousand.

EBITDA at 30 June 2019 comprises the share of EBITDA generated by the acquisition of CorbettaFia S.r.l. for the amount of approximately € 698 thousand, as well as the reversal of extraordinary components relating to the above acquisition for the amount of € 51 thousand. Mention should be made that at 30 June 2018, the acquisition of CorbettaFia S.r.l. had not taken place yet, therefore the result for the six months ended 30 June 2018 had not been affected by the results of CorbettaFia S.r.l..

However, in order to provide a clearer picture of the actual performance of the Group, the figures at 30 June 2019 and 30 June 2018, relating to Adjusted EBITDA, i.e. EBITDA adjusted by the non-recurring cost and revenue components, by higher IPO costs and by the allocation, calculated on the basis of IFRS 2, for the assignment of the shares referred to the 2017-2020 Stock Grant plan, as resolved by the Shareholders' Meeting of 23 June 2017, are shown below. As a result of these adjustments, the related impact on tax was recalculated, thus determining Adjusted Net Profit.

As a result of the aforementioned adjustments, Adjusted EBITDA decreases by (€ 238) thousand versus first half 2018. Adjusted Net Profit consequently dropped by (916) thousand versus 2018.

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 operational or financial 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.

OPERATING 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.

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

Demand trends are cyclical and vary according to the general economic conditions and the consumption propensity of end customers. An adverse trend in demand, or if the Group is not able to adapt effectively to the external market context, could have a significant negative impact on the Group's business prospects, as well as on its performance and financial situation.

Most of the Group's revenue is generated in the decorative papers and industrial paper sectors. The Group competes in Europe, America, the Middle East and Asia-Pacific with other international groups. These markets are all highly competitive in terms of product quality, innovation and price.

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.

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 this context, 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.

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.

FINANCIAL RISK

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 Company 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.

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.

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 the US dollar).

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.

Risks associated with interest rate fluctuations

Group companies have floating rate loan agreements in place, and for this reason such risk has been partly mitigated through the use of interest rate risk hedging derivatives (IRS - Interest Rate Swaps).

Derivatives are measured at fair value, which corresponds to the mark to market value measured by the relevant market and, through measurement models and instruments, their fairness and effectiveness are verified.

CORPORATE GOVERNANCE

In order to bring its internal structures in line with market best practices, on 19 July 2017 the Company adopted the Corporate Governance Code for Listed Companies (text available at http://www.neodecortech.it/wp-content/uploads/2019/04/22.09.2017-Codice-Autodisciplina.pdf).

The Report on Corporate Governance is published on the Company website www.neodecortech.it in the "Investor Relations" section, "Corporate Governance" subsection, and is explicitly referred to for any further information.

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.

The corporate bodies are appointed by the Shareholders' Meeting and remain in office for three years. The representation of Independent Directors, as per the Code, and the role they play both within the Board and the internal Committee, which groups together the functions of the committees covered by the Corporate Governance Code: (i) the Appointments Committee; (ii) the Remuneration Committee; and (iii) the Control and Risk Committee, are suitable means to ensure an adequate balance of interests of all members of the shareholders and a significant level of engagement in the discussions with the Board of Directors.

RESEARCH AND DEVELOPMENT

Pursuant to and for the purposes of point 1, third paragraph, of Article 2428 of the Italian Civil Code, it is certified that during 2018, the subsidiary Cartiere di Guarcino S.p.A. completed the three-year project launched on 2.01.2015, extended until 30.04.2018, on the "Research and development of an innovative line of decorative papers for new applications and alternative uses, oriented towards environmental protection and produced using cutting-edge and highly efficient technologies, capable of generating productivity increases, lower pollution and lower production of waste".

No development activities were reported in first half 2019.

RECONCILIATION BETWEEN PARENT EQUITY AND PROFIT AND CONSOLIDATED EQUITY AND PROFIT

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

CONSOLIDATED FIGURES IN EURO THOUSANDS	EQUITY 30 June 2019	PROFIT/(LOSS) FOR THE YEAR 30 June 2019	EQUITY 31 DECEMBER 2018	PROFIT/(LOSS) FOR THE YEAR 31 DECEMBER 2018
Equity and profit for the year of parent company	**58.749**	**1.099**	**58.735**	**6.030**
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and pro-rata amount of equity	(65)		5	
Currency translation difference			(137)	
Pro-rata results of investees		380		3.779
Cancellation of write-downs/reinstatement of equity investments		(299)		(3.617)
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 year attributable to the shareholders of the parent	**58.573**	**1.099**	**58.603**	**6.030**
Non-controlling interests				
Total equity	58.573	1.099	58.603	6.030

TRANSACTIONS WITH ASSOCIATES, PARENTS AND COMPANIES CONTROLLED BY PARENTS

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 2019 are shown.

With regard to the requirements of point 2) third paragraph of Article 2428 of the Italian Civil Code, the Company is controlled, with a 73% stake, by Finanziaria Valentini. Accordingly, the Company is part of a group of entities whose parent is "Finanziaria Valentini S.p.A." and whose subsidiaries are "Industrie Valentini S.p.A." and "Valinvest S.p.A.". Related parties also include "Valfina S.p.A." and “Corbetta FIA S.r.l.”, until 1 September 2018, the date of its acquisition by Neodecortech S.p.A., as they are directly or indirectly controlled by the Valentini Family and by the shareholder Luigi Valentini. Specifically, it should be noted that at the balance sheet date, the outstanding transactions with these companies can be summarized in the tables below, divided by each individual company of the Group:

FIGURES IN EURO THOUSANDS	Revenue 30 June 2019	Costs 30 June 2019
Finanziaria Valentini	3	(100)
Industrie Valentini	729	(70)
Gianluigi Valentini		(3)
Avv Addi Emanuela		(1)
ISFRE		
Valinvest		(50)
Total	**732**	**(224)**

FIGURES IN EURO THOUSANDS	Receivables 30 June 2019	Payables 30 June 2019
Finanziaria Valentini	1.743	(969)
Industrie Valentini		(37)
Luigi Valentini		
Avv Addi Emanuela		
ISFRE	444	
Valinvest		(80)
Total	**2.187**	**(1.086)**

As regards revenue, the amount of € 673 thousand referring to Industrie Valentini reflects revenue from the sale of products to the latter by Neodecortech S.p.A.; receivables for the amount of € 1,740 thousand reflect, instead, the assignment in June 2019 of a trade receivable referring to Industrie Valentini to Finanziaria Valentini, with its conversion into a financial receivable.

The transaction with Valinvest refers to the lease rent for the plant that houses the production of laminates (former headquarters of CorbettaFia S.r.l.) which, under IFRS 16, is not shown as lease rent, but as depreciation; in any case, the lease envisages a quarterly fee of approximately € 25 thousand.

The portion relating to the payable to Finanziaria Valentini amounting to (€ 991) thousand, represents the allocation of the payable deriving from tax consolidation.

INFORMATION ON RELEVANT EXTRA-EU COMPANIES

Neodecortech S.p.A. indirectly controls CDG International Corp, a company incorporated and regulated under US law.

Specifically:

- this Company prepares an accounting statement for the purposes of preparing the Consolidated Financial Statements;
- Neodecortech S.p.A. has acquired the Articles of Association and the composition and powers of the Company's corporate bodies.
- CDG International Corp:
  - provides the auditor of the parent company (Cartiere di Guarcino) with the information required to perform the audit of its annual and interim accounts;
  - has an administrative-accounting system in place to regularly provide Management and the auditor of Neodecortech S.p.A. with the income statement, balance sheet and financial figures required for the preparation of the Consolidated Financial Statements.

ENVIRONMENTAL DISCLOSURE

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 proof of its resolve and of the transparency and correctness of its business activities. This approach is also true for the subsidiaries Cartiere di Guarcino S.p.A. and Bio Energia Guarcino S.r.l., which, in recent years, have achieved a series of environmental and safety certifications. The list of certifications awarded to each Group company is given below:

- Neodecortech: UNI EN ISO 9001:2015,
  UNI EN ISO14001:2015,
  BS HOSAS 18001:2011,
  UNI EN ISO 50001:2011,
  FSC CHAIN CUSTODY,
  MADE IN ITALY 100%,
  SUSTAINABILITY REPORT (2016 first year of publication).
- Cartiere di Guarcino: UNI EN ISO 9001 (2017),
  UNI EN ISO14001 (2004),
  BS HOSAS 18001 (2012),
  UNI EN ISO 50001 (2018),
  FSC - CHAIN CUSTODY (2010),
  PEFC (2015).
- Bio Energia di Guarcino: UNI EN ISO 9001 (2015),
  UNI EN ISO14001 (2012),
  BS HOSAS 18001 (2016),
  UNI EN ISO 50001 (2018).

With regard to environmental targets and policies, in 2018 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 particular repercussions on the environment. During the period, the Group caused no environmental damage for which it was found guilty, nor was it imposed fines or penalties for environmental offences or damage.

HUMAN RESOURCES

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

The average number of employees in first half 2019 amounted to 364 units.

INFORMATION ON THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses valuation techniques based on observable inputs to measure the fair value of financial instruments (the mark to market model); these are Level 2 inputs in the fair value hierarchy under IFRS 13 - *Fair Value Measurement*.

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 be used, the Group has adhered to 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.

Group companies determined the fair value of derivatives outstanding at 30 June 2019, using measurement techniques commonly used for instruments of the type stipulated by the Group. The models applied for the measurement of the instruments require calculation through the *Bloomberg info provider*. Inputs used in the models are mainly represented by observable market parameters (Euro and Dollar interest rate curve and official exchange rates, at the measurement date).

Pursuant to Article 2427 bis, paragraph 1, number 1) of the Italian Civil Code, the following information is provided on the derivative financial instruments in place at 30 June 2019.

The subsidiary Cartiere di Guarcino has the following hedging contracts:

- Interest Rate Swap - Interest rate hedging contract - Notional value at 31/12/2018 € 3,108,985 - Fair value at 30/06/2019 € -37,612 (€ -64,984 at 31 December 2018)

- Currency Rate - Foreign exchange hedging contract - Notional value of payables at 31/12/2018 USD 4,030,000 - Fair value at 30/06/2019 € -14,172 (€ 1,165 at 31 December 2018)

The Parent Company has the following derivative contract in place to hedge interest rate risk on the mortgage loan agreement concluded on 26 May 2017 with the BPM Group; details are provided below:

- Interest Rate Swap - Interest rate hedging contract - Notional value at 31/12/2017 € 12,000,000 - Fair value at 30/06/2019 € -476,460 (€ -268,940 at 31 December 2018)

At 30 June 2019, the Group companies measured fair value using inputs that resulted in the financial instruments being categorized in Level 3 of the fair value hierarchy.

The Group used measurement techniques based on the best data available to measure the fair value of assets and liabilities.

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ATYPICAL AND/OR UNUSUAL TRANSACTIONS DURING THE PERIOD

There were no transactions that could be classified as such in first half 2019.

SIGNIFICANT EVENTS AFTER 30 JUNE 2019

No significant events occurred after 30 June 2019. On 31 July 2019, the Shareholders' Meeting approved the plan on the listing of the Company's ordinary shares and warrants on the Electronic Stock Market (MTA), organized and managed by Borsa Italiana, in the STAR segment, if the conditions are met.

BUSINESS AND MARKET OUTLOOK

Decorative Paper Division - Neodecortech

On the decorative printing market front, 2019 started with a high degree of uncertainty. The international matters currently under the spotlight (US-China trade war, Brexit, Italy's semi-stagnation) are strongly depressing the demand for our products. To the best of our knowledge, all of our customers are experiencing a double-digit drop in turnover. The generally positive tone that had marked this same period last year seems to have disappeared.

As far as we are concerned, we intend to at least partly tackle this general trend by accelerating our offer and introducing all the range of solutions available for plastic printed film (PPF) and plastic printed laminated film (PPLF), to use in the production of the new LVT (luxury vinyl tiles) flooring category.

From this perspective, in fact, we have broadened our plastic film solutions from PVC to PP (polypropylene). The latter material, in fact, is much greener than PVC and is starting to be requested by those parts of the market that are more sensitive to the issue of sustainability in the broadest sense: Germany and Northern Europe.

PPF is the product family that posted the strongest increase (+44.2%) in 2019 versus a 12.6% growth reported by printed paper.

On the organizational front, in 2019 we expect to complete the absorption of the Texte division (acquisition of the business unit from CorbettaFia) and, more generally, to conclude the upgrading of our IT system to allow us to both manage treasury at Group level and improve the internal management control system both in Neodecortech and in the two subsidiaries.

Paper Division - Cartiere di Guarcino

Neodecortech reports the same market trends as Cartiere di Guarcino. Orders, instead, have been decreasing since March. Compounding this situation are the uncertain dynamics on the trend of raw materials, which generate a wait-and-see effect by customers on expectations of price reductions, triggering the well-known stock cycle case, which carries a negative cyclical impact in this context.

Regarding the trend of strategic raw materials, titanium dioxide prices continued to drop also in first quarter 2019, which also saw a continuation of the destocking phase that had started in second half 2018. For the second quarter, forecasts point to basically steady prices, although the high season for the use of TiO_2 is starting for our industry (and for construction, where this raw material is massively used too), with a demand that should resume growth or, at least, put an end to the destocking phase.

Pulp, instead, witnesses a slight decline in the first few months of 2019, although negotiations remain edgy, with buyers asking for reductions on the one hand, and main sellers putting up strong resistance on the other.

Energy Division - Bioenergia Guarcino

With regard to Bio Energia Guarcino, the unit value of the incentive in 2019 decreased by approximately € 7 per MWh versus the prior year, as a result of an average energy price in 2018 up on average versus the prior year. The unit value of the incentive therefore drops from € 98.95 per MWh in 2018 to € 92.11 per MWh in 2019. Energy prices in the first few months of 2019 are high and rising sharply versus 2018. Conversely, the forward market generally carries downward price expectations. ABPs open the year steady, unchanged versus the last prices of 2018. The vegetable oil market, palm oil in particular, rebounds, given also the poor harvest season, but stockpiles remain continually high. The market is constantly monitored to assess potential opportunities for coverage in the medium term.

OTHER INFORMATION

Lastly, Neodecortech S.p.A. does not hold any shares/units in the parent company, nor did it hold or move any during 2019. Therefore, there is nothing to report for the purposes of Article 2428, paragraph 2, points 3 and 4 of the Italian Civil Code.

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

Pursuant to Articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that, at the closing date of the period, the Company held 26,000 treasury shares.

CONCLUSIONS

- This Condensed Consolidated Half-Year Financial Report was approved by the Board of Directors for publication on 23 September 2019.

Filago (BG), 23/09/2019

For the Board of Directors The Chairman

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CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (Euro thousands)	Notes	30 June 2019	%	31 December 2018	%	Changes
Property, plant and equipment	6	77.306	49,9%	76.675	48,4%	631
Goodwill		-	0,0%	-	0,0%	0
Intangible assets	7	3.116	2,0%	3.451	2,2%	(335)
Other non-current assets	8	38	0,0%	37	0,0%	1
Non-current financial receivables	9	3.417	2,2%	1.661	1,0%	1.756
Pre-paid tax assets	10	2.098	1,4%	2.236	1,4%	(138)
Other financial assets	11	2.388	1,5%	2.199	1,4%	189
Non-current assets		88.361	57,0%	86.259	54,4%	2.102
Inventory	12	35.697	23,0%	35.948	22,7%	(251)
Trade receivables	13	24.151	15,6%	24.799	15,6%	(648)
Tax receivables	14	2.626	1,7%	1.490	0,9%	1.136
Current financial receivables	15	-	0,0%	-	0,0%	0
Other receivables	16	2.776	1,8%	3.524	2,2%	(748)
Cash and cash equivalents	17	1.458	0,9%	6.489	4,1%	(5.031)
Current assets		66.711	43,0%	72.250	45,6%	(5.539)
Total assets		155.072	100,0%	158.509	100,0%	(3.437)

Equity and liabilities (Euro thousands)		30 June 2019	%	31 December 2018	%	Changes
Share capital		16.203	10,4%	16.203	10,2%	0
Share premium reserve		17.357	11,2%	17.257	10,9%	100
Other reserves		15.160	9,8%	10.357	6,5%	4.803
Prior years' profit (loss)		8.755	5,6%	8.757	5,5%	(2)
Profit/(loss) for the year		1.099	0,7%	6.030	3,8%	(4.931)
Equity	26	58.574	37,8%	58.604	37,0%	(30)
Provisions for risks and charges	18	455	0,3%	455	0,3%	0
Deferred tax	19	6.590	4,2%	6.487	4,1%	103
Post-employment benefit provisions	20	2.989	1,9%	2.867	1,8%	122
Non-current financial liabilities	21	25.850	16,7%	28.120	17,7%	(2.270)
Non-current liabilities		35.884	23,1%	37.929	23,9%	(2.045)
Trade payables	22	29.137	18,8%	33.176	20,9%	(4.039)
Payables for tax consolidation	22	968	0,6%	472	0,3%	496
Tax payables	23	1.174	0,8%	1.387	0,9%	(213)
Current financial liabilities	24	23.902	15,4%	22.682	14,3%	1.220
Other payables	25	5.433	3,5%	4.260	2,7%	1.173
Current liabilities		60.614	39,1%	61.977	39,1%	(1.363)
Equity and liabilities		155.072	100,0%	158.509	100,0%	(3.437)

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CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2019

In Euro thousands	Notes	30 June 2019	%	30 June 2018	%	Balance Difference	% change
Revenue from sales	29	66.366		65.759	99%	607	0,9%
Changes in semi-finished and finished products	29 bis	(452)	-1%	724	1%		
Other revenue and income	30	2.323	4%	1.438	2%	885	61,5%
Raw and ancillary materials and consumables	31	(38.780)	-58%	(40.405)	-61%	1.625	(4,0%)
Personnel expense	32	(11.015)	-17%	(9.148)	-14%	(1.867)	20,4%
Amortization, depreciation	33	(4.174)	-6%	(3.502)	-5%	(672)	19,2%
Allocations	33		0%	(19)	0%	19	(100,0%)
Other operating expense	34	(11.376)	-17%	(10.190)	-15%	(1.186)	11,6%
EBIT		**2.892**	**4%**	**4.657**	**7%**	**(1.765)**	(37,9%)
Financial income	35		0%	372	1%	(372)	(100,0%)
Financial expense	36	(995)	-1%	(1.634)	-2%	639	(39,1%)
Pre-tax profit/(loss)		**1.896**	**3%**	**3.395**	**5%**	**(1.499)**	(44,2%)
Direct tax on income for the year	37	(797)	-1%	(677)	-1%	(120)	17,7%
Profit/(loss) for the year		**1.099**	**2%**	**2.717**	**4%**	**(1.618)**	(59,6%)
Other items of the comprehensive income statement							
Gains/(losses) that will not be subsequently reclassified in the result for the year		(172)					
Gains/(losses) on cash flow hedging instruments		(130)					
Actuarial gains (losses) net of tax effect		**(302)**					
Comprehensive income (loss) for the year		**797**		**2.717**		**(1.618)**	-
Earnings per share (in Euro):							
Basic		8,40					
Diluted		8,08					

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CONSOLIDATED STATEMENT OF CASH FLOWS AT 30 JUNE 2019

in Euro thousands	30 JUNE 2019	31 DECEMBER 2018
Profit (loss) for the year	1.099	6.030
Income tax	796	1.593
Interest expense/(interest income)	996	2.963
(Dividends)	0	
(Gains)/losses from disposal of assets	(239)	(5)
1 Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposals	**2.652**	**10.590**
Adjustments for non-monetary items that had no	0	
balancing entry in net working capital:	0	
Provision for post-employment benefits	17	34
Allocations to other provisions	0	
Depreciation of fixed assets	4.174	7.157
Write-downs for impairment losses	0	
Other adjustments for non-monetary items	1.098	1.358
2 Cash flow before changes in NWC	**7.941**	**19.139**
Changes in net working capital		
Decrease/(increase) in receivables from customers	625	3.699
Decrease/(increase) in inventory	250	(2.682)
Increase/(decrease) in payables to suppliers	-4.082	(2.185)
Decrease/(increase) in other receivables	-75	1.879
Increase/(decrease) in other payables	1.215	(576)
Other changes in net working capital	2	(137)
3 Cash flow after changes in NWC	**5.876**	**19.137**
Other adjustments	0,00	
Interest received/(paid)	(503)	(1.693)
(Income tax paid)	(370)	(265)
(Gains)/losses from disposal of assets	0	
Dividends received	0	
(Utilization of provisions)	0	(546)
(Utilization of provisions for post-employment benefits)	(120)	(178)
4 Cash flow after other adjustments	**4.883**	**16.455**

in Euro thousands	30 JUNE 2019	31 DECEMBER 2018
A Cash flow from operations	4.883	16.455
Property, plant and equipment	(3.456)	(6.868)
(Purchase)	(3.695)	(6.868)
Disposal	239	
Intangible assets	(112)	(860)
(Purchase)	(112)	(860)
Disposal		
Non-current financial assets	(182)	
(Purchase)	(182)	
loans granted		
B Cash flow from investing activities	(3.750)	(7.728)
Liabilities	(4.163)	(6.245)
Increase (decrease) in current bank payables	411	(1.559)
New loans	0	1.128
Repayment of loans	(1.621)	(1.926)
Increase (decrease) in non-current bank payables	0	(1.283)
Financial liabilities to other lenders	(1.194)	(3.314)
Change in financial receivables from other lenders		710
Equity	(2.001)	(2.096)
Share capital increase	0	
Sale (purchase) of treasury shares	0	(94)
Other changes in equity	(2.001)	(2.002)
C Cash flow from financing activities	(6.164)	(8.341)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(5.031)	386
Cash and cash equivalents at 1 January	6.489	6.103
Cash and cash equivalents at 31 December	1.458	6.489
.	(5.031)	386

A noteworthy point is the investment made by the Group, especially by the Parent Company, in both machinery upgrading and the change of the AS400 management system (accounting side).

As far as loan capital is concerned, mention should be made of the amount (approximately € 1,740) referring to a trade receivable from the Related Party Industrie Valentini assigned to another Related Party Finanziaria Valentini, a Financial Receivable that will be collected by Neodecortech within 12 months.

Changes in equity include the payment of dividends in the amount of € 0.156 per share.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 30 JUNE 2019

CONSOLIDATED FIGURES IN EURO THOUSANDS	NOTES	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT/(LOSS) FOR THE YEAR	EQUITY	EQUITY NON-CONTROLLING INTERESTS	TOTAL EQUITY
		ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT								
Balance at 31/12/2018	26	16.203	(281)	17.357	19.389	(94)	6.030	58.603	-	58.603
Other items of the comprehensive income statement		-	(105)	-	(172)	-	-	(277)	-	(277)
Profit for the year		-	-	-	-	-	1.099	1.099	-	1.099
Total comprehensive income/loss for the year		**-**	**(105)**	**-**	**(172)**	**-**	**1.099**	**822**	**-**	**822**
Dividend distribution					(2.001)			(2.001)	-	(2.001)
Allocation of prior year's result					6.030		(6.030)	-	-	-
Other changes			-		1.149	-		1.149	-	1.149
Balance at 30/06/2019	26	**16.203**	**(386)**	**17.357**	**24.395**	**(94)**	**1.099**	**58.573**	**-**	**58.573**

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EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. 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, which the Neodecortech Group is part of. 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 has been listed on the AIM Italia market since 26 September 2017.

The presentation currency of the Financial Statements is the Euro. Balances are expressed in Euro, unless otherwise specifically indicated.

2. SCOPE OF CONSOLIDATION

Neodecortech S.p.A. has direct and indirect subsidiaries.

The list of subsidiaries included in these consolidated financial statements is shown in the table below.

Denominazione	Sede legale	Capitale sociale (€)	Criterio di valutazione	% possesso
Cartiera di Guarcino S.p.A.	Guarcino (Italia)	10.000.000	Consolidamento integrale	100%
Bio Energia Guarcino S.r.l. *	Guarcino (Italia)	1.100.000	Consolidamento integrale	100%
CDG Interntional Corp. *	Las Vegas (USA)	-	Consolidamento integrale	100%

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

3. GENERAL CRITERIA FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance with international accounting standards and general standards

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.

The financial statements have been prepared based on the historical cost, with the exception of derivative financial instruments, financial assets held for sale and financial instruments classified as available for sale, measured at fair value, as well as on a going concern basis.

Reporting formats

All the reporting formats comply with the minimum content required by the international accounting standards and the applicable provisions of national law. The formats used are considered adequate for the purposes of a correct (fair) presentation of the Company's financial position, operating performance and cash flows; specifically, it is believed that the formats reclassified by nature provide reliable and relevant information for the purposes of a correct presentation of the Company's operating performance.

The tables that make up the Financial Statements are as follows:

Statement of Financial Position

The presentation of the table is based on a distinction between current and non-current assets and liabilities.

An asset/liability is classified as current when it satisfies one of the following criteria:

- It is expected to be realized or settled or it is expected to be sold or utilized in the normal operating cycle of the Company.
- It is held principally to be traded.
- It is expected to be realized or settled within 12 months of the reporting date.

In absence of all three conditions, assets/liabilities are classified as non-current.

Income Statement

Costs are classified by nature, showing the interim operating results and the result before tax.

Operating profit is determined as the difference between net revenue and operating costs (the latter including non-monetary costs relating to depreciation, amortization and impairment of current and non-current assets, net of any reversals of impairment losses) and including gains or losses generated by the disposal of non-current assets. In order to measure performance better, the Directors' Report on Operations provides details of the cost and revenue items deriving from events or transactions which, owing to their nature and significance, are considered non-recurring.

The bottom of the income statement shows the components that make up the result for the period and, by homogeneous categories, income and expense which, under IFRS, are charged directly to equity.

Statement of cash flows

The Statement of Cash Flows is presented using the indirect method in which net profit is adjusted to reflect transactions of a non-monetary nature, for whatever deferral or accrual of previous or future operating receipts or payments and for revenue or cost components connected to cash flows arising from investing or financing activities.

Income and expense relating to interest, dividends and income tax are included in the cash flows according to the type of underlying transaction that generated them.

Cash and cash equivalents included in the statement of cash flows comprise the statement of financial position balances of such item at the reference date. Cash flows denominated in foreign currencies were translated at the average exchange rate for the period.

With regard to performance in first half 2019, reference should be made to the Directors' Report on Operations of the Consolidated Financial Statements.

Statement of changes in equity

The table below shows the changes in equity items relating to:

- Allocation of profit for the period to non-controlling interests.
- Amount relating to transactions with owners (purchase and sale of treasury shares).
- Each item of profit and loss net of any tax effects which, as required by IFRS, are alternatively allocated directly to equity (profits or losses from the purchase and sale of treasury shares, actuarial profits and losses generated by the measurement of defined benefit plans), or have a balancing entry in an equity reserve (share-based payments for Stock Grant plans).
- Movements in fair value reserves for derivative instruments to hedge future cash flows, net of any tax effect.

4. USE OF ESTIMATES AND MEASUREMENTS

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

The following is a summary of the critical measurement processes and key assumptions used in the process of applying the accounting standards with regard to the future, which may have significant effects on the amounts recognized in the financial statements or for which there is a risk that significant adjustments to the carrying amount of assets and liabilities may emerge in the financial year following that in which the financial statements are drawn up.

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

- *Measurement of inventory*: Obsolescent inventory is periodically measured and written down if the net realizable value is lower than the carrying amount. Write-downs are calculated on the basis of Management's assumptions and estimates, based on their experience and sales forecasts;

- *Measurement of deferred tax assets*: Deferred tax assets are measured on the basis of the expected taxable income in future years. The measurement of such expected taxable income depends on factors that may vary over time and have significant effects on the measurement of deferred tax assets.

- *Income tax*: The calculation of the Group's tax liability requires Management to measure transactions whose tax implications are not certain at the balance sheet date.

- *Measurement of intangible assets with finite useful life* (development costs and other fixed assets): The useful life and depreciation criteria of these assets are reviewed annually.

- *Pension plans*: The present value of the pension liability depends on a number of factors that are determined by actuarial methods using certain assumptions. The assumptions regard the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, and the mortality and resignation rates. Any change in the above assumptions could have significant effects on the liability for pension benefits.

- *Measurement of provisions for risks:* in the normal course of business, Group companies are assisted by legal and tax advisors. A liability is recognized in the provision for risks and charges in relation to such disputes when it considers it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. If a financial outlay becomes possible but its amount cannot be determined, this circumstance is reported in the notes to the financial statements.

Additionally, several accounting standards and disclosure requirements require the Company to measure the fair value of financial and non-financial assets and liabilities. In measuring the fair value of an asset or liability, the Company makes use, as far as possible, of observable market data. Fair values, in application of IFRS 13, are divided into various hierarchical levels based on the inputs used in the measurement techniques, as illustrated below:

- Level 1: inputs used in measurements are represented by quoted prices in active markets for assets or liabilities identical to those subject to measurement.

- Level 2: inputs, other than the quoted prices referred to in the point above, are observable directly (prices) or indirectly (derived from prices) on the market.

- Level 3: inputs are not based on observable market data.

5. MAIN ACCOUNTING STANDARDS ADOPTED

The accounting standards adopted in the consolidated financial statements at 30 June 2019 have been applied like-for-like also to the comparative period. The main accounting standards used in the preparation of these consolidated financial statements are shown below.

Consolidation methods

The consolidated financial statements at 30 June 2019 include the financial statements of the parent company Neodecortech S.p.A. and its subsidiaries.

Control is obtained when the parent company is exposed to variable returns arising from its relationship with the entity, or has rights over such returns, while having the ability to influence them by exercising its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the time the parent company begins to exercise control until the date when such control ceases.

These financial statements are appropriately reclassified and adjusted in order to bring them into line with the accounting standards and valuation criteria of the parent company, in the event of significant differences. All Group companies close the financial year on 31 December.

The carrying amount of the investments in companies included in the consolidation is eliminated against the corresponding fractions of equity of the investees, attributing to the individual assets and liabilities their current value at the date of acquisition. Any residual difference, if positive, is recorded under non-current assets and, if negative, under goodwill, is charged to the income statement.

The results of subsidiaries acquired or sold in the year are included in the consolidated income statement as from the effective date of acquisition or until the effective date of disposal.

Minority interests in the target company are initially measured at their share of the current values of the assets, liabilities and contingent liabilities recorded.

Receivables and payables, income and expense, and gains and losses arising from transactions between consolidated companies are derecognized. Capital losses and gains arising from intra-group disposals of capital goods are derecognized, where they are deemed to be significant. Any portions of equity and profit or loss attributable to minority interests are recorded under a specific item in the financial statements.

Translation of financial statements denominated in foreign currencies

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, as follows:

a) assets and liabilities are translated at the exchange rate at the balance sheet date;

b) revenue and expense are translated at the average exchange rate for the period.

Exchange differences arising from the translation process are recognized in other comprehensive income and included in equity in the hedging and translation reserve.

On disposal of the economic entity that gave rise to translation differences, the exchange differences accumulated and recorded in equity in a specific reserve will be reversed to the income statement.

The following table shows the exchange rates applied at 30 June 2019 and 31 December 2018 for the translation of income statement and balance sheet items denominated in foreign currencies (source: www.bancaditalia.it)

EUR/USD	30/06/2019	31/12/2018
Statement of financial position balances	1.1380	1.145
Income statement balances	1.1298	1.1813

Business combinations

Business combinations are recognized using the acquisition method. Based on such method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and the liabilities incurred by the Group at the acquisition date and the equity instruments issued in exchange for control of the target company. Acquisition-related costs are recognized at the moment they are incurred.

At the acquisition date, the identifiable assets acquired and liabilities incurred are recognized at fair value at the acquisition date.

In accordance with IFRS 3 (Business Combinations), goodwill is initially recognized at cost, represented by the excess of the consideration paid and the amount recognized for minority interests over the identifiable net assets acquired and liabilities incurred by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group checks again whether it has correctly identified all the assets acquired and liabilities incurred and reviews the procedures adopted to determine the amount to be recorded at the acquisition date. If the new measurement still shows a fair value of the net assets acquired that is higher than the consideration, the difference (profit) is recognized in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the target company are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, goodwill associated with the operation disposed of is included in the carrying amount of the operation when calculating the profit or loss on disposal. Goodwill associated with the discontinued operation is calculated on the basis of the relating values of the discontinued operation and the retained portion of the cash-generating unit.

New accounting standards

As reported in the consolidated financial statements for the year ended 31 December 2018, the following accounting standards have been applied as from 1 January 2018:

- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 9 - "Financial Instruments".

IFRS 15 requires the recognition of revenue in an amount that reflects the consideration which the entity believes it is entitled to in exchange for the transfer of goods or services to the customer. The new standard requires additional evaluation elements and choices by the directors to define their own revenue recognition policy.

The new standard introduces a five-step methodology for analyzing transactions and defining the recognition of revenue with regard to the timing of recognition and the amount of the same.

The analyses carried out by Management showed no changes to the revenue recording method already adopted by the Group.

IFRS 9 brings together all three aspects of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. With the application of the new standard, the Group has not opted for the restatement of comparative information.

The Group has applied the new IFRS 16 as from 1 January 2019, as explained at page 55 of the above report

The main regulatory developments brought by the standard are explained below.

<u>Classification and measurement of financial assets and liabilities</u>

The impacts resulting from the application of the classification and measurement requirements under IFRS 9 are not significant for the Group. Specifically, the Group does not currently hold any financial liabilities designated as being at FVTPL as a result of the adoption of the fair value option. With regard to financial assets, the new standard requires the classification of assets to depend on the characteristics of the cash flows related to such assets and the business model used by the Group for their management.

<u>Impairment</u>

IFRS 9 requires the Group to record expected credit losses on all portfolio bonds, loans and trade receivables, with reference to either a 12-month period or the entire contractual life of the instrument (e.g. *lifetime expected loss*). The Group has opted for a simplified approach and therefore records the expected losses on all trade receivables based on their residual contractual duration. However, the Group continues to take analytical account of the specific nature of the sector and of certain customers in its evaluations.

<u>Hedge accounting</u>

If the Group decides to carry out hedging transactions using derivative financial instruments and to implement hedge accounting, it shall adopt the rules of IFRS 9. IFRS 9 does not change the general principle based on which an entity accounts for effective hedging transactions, with respect to the former IAS 39; the main changes are as follows: - the hedge effectiveness test is only prospective and may also be based on qualitative aspects, superseding the previous 80-125% test and focusing on the economic relationship between the hedging instrument and the hedged item; - the possibility of designating only a risk component as a hedged item, including for non-financial elements (provided that the risk component is separately identifiable and can be reliably estimated); - introduction of the concept of "costs of hedging"; - greater possibilities of designating groups of elements as a hedged item, including stratifications and some net positions. In the absence of hedge accounting, changes in the fair value of derivative financial instruments will continue to be recognized in the income statement.

In light of the above considerations, the application of IFRS 9 had no impact on the Group.

Accounting standards - amendments and interpretations

It should also be noted that the following accounting standards, amendments and interpretations, applicable from 1 January 2018, are not significant or have not produced effects for the Group:

- amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts";
- IFRIC 22 interpretation "Foreign currency transactions and advance consideration";
- amendments to IAS 40 "Transfers of Investment Property";
- amendments to IFRS 2 "Classification and measurement of share-based payment transactions";

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- amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards": deletion of short-term exemptions for *first-time adopters*;
- amendments to IAS 28 "Investments in associates and joint ventures": clarification that the recognition of an investment at fair value through profit or loss is a choice that applies to the individual investment.

New published standards

On 31 October 2017, EU Regulation no. 2017/1986 was issued, implementing IFRS 16 (Leases) at EU level.

This standard is applied for the preparation of these financial statements, supersedes IAS 17 (Leases) and related interpretations, and will be applied by the Group as from 1 January 2019.

IFRS 16 sets out the principles for recognizing, measuring, presenting and disclosing leases, and requires lessees to account for all leases in the financial statements, including those qualifying as operating leases in accordance with current practice (such as certain leases and rentals), based on a single model substantially similar to the model used to account for finance leases in accordance with IAS 17. At the date of commencement of the lease, the lessee will recognize a liability for future lease payments (i.e. the lease liability) and an asset that represents the right to use the underlying asset for the duration of the lease (i.e. the right to use the asset). Lessees shall account separately for interest expense on the lease liability and depreciation of the right to use the asset.

Lessees will also have to remeasure the liability under the lease agreements on the occurrence of certain events (for example: a change in the terms of the lease, a change in future lease payments resulting from a change in an index or rate used to determine such payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the asset's right of use.

The standard provides two exemptions for recognition by lessees:

- lease contracts relating to low-value assets (a situation that could arise for the Group with regard to operating leases for office equipment such as photocopiers, currently recorded in the financial statements under "Other operating costs");
- short-term leases (e.g. leases with a term of 12 months or less).

The analyses carried out, and still in progress, on the adoption of the new standard do not show significant impacts.

Non-current tangible assets

These are recorded at purchase, production or transfer cost, including any ancillary expense and direct costs required to make the asset available for use, less subsequent accumulated depreciation and write-downs for impairment.

All other financial costs and expense are recorded in the income statement in the year to which they refer.

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

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

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

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

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

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

Assets acquired through financial leases are recorded under tangible fixed assets with the entry of an equivalent financial payable on the liabilities side. The payable is gradually reduced in accordance with the principal repayment schedule included in the lease agreements, while the value of the asset recorded under property, plant and equipment is depreciated on a straight-line basis over its useful economic-technical life.

If there are signs of impairment, property, plant and equipment are subject to an impairment test.

Any write-downs may be reinstated at a later date if the reasons for the write-down no longer apply.

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

Assets under finance leases

Property, plant and equipment held under finance leases, for which the Group has assumed substantially all the risks and rewards of ownership, are recognized at the contract start date as fixed assets at their fair value or, if lower, at the present value of the lease instalments, depreciated over their estimated useful lives and adjusted for any impairment losses. The amount due to the lessor is shown in the financial statements under financial payables.

Depreciation

The depreciation period begins when the asset is available for use and ceases on the later of the date when the asset is classified as held for sale in accordance with IFRS 5 and the date when the asset is derecognized.

Any changes to the prepayment schedules are applied prospectively. The value to be depreciated is represented by the book value less the presumed net disposal value at the end of its useful life, if significant and reasonably determinable.

Depreciation rates are determined on the basis of economic-technical rates determined by the estimated useful life of the individual assets.

Goodwill

Goodwill arising from the acquisition of a subsidiary or jointly controlled entity represents the excess of the acquisition cost over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity at the acquisition date. Goodwill is recognized as an asset and reviewed annually to ensure it has not suffered impairment. Impairment losses are recognized in the income statement and are not subsequently reversed.

On disposal of a subsidiary or jointly controlled entity, the amount of goodwill attributable to the subsidiary or jointly controlled entity that has not yet been amortized is included in the determination of the gain or loss on disposal.

If the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee exceeds the acquisition cost, the difference is immediately recognized in the income statement.

When the purchase contract provides for the adjustment of the purchase price on the basis of future events, the estimate of the adjustment shall be included in the acquisition cost if the adjustment appears probable and the amount can be estimated reliably. Any future adjustments to the estimate are recognized as an adjustment to goodwill.

Non-current intangible assets

Development costs and other intangible assets

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

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

These intangible assets are amortized on a straight-line basis over their useful lives. If the above criteria are not met, development costs are charged to the income statement for the year in which they are incurred.

Capitalized development costs are recognized at cost net of accumulated amortization and any accumulated impairment losses. Research costs are charged to the income statement in the period in which they are incurred.

Other intangible assets including trademarks, licences and patents, which have finite useful life, are initially recognized at purchase cost and are systematically amortized on a straight-line basis over their useful life, and in any case over a period not exceeding that set by the underlying licence or purchase contracts.

Intangible assets with finite useful life are systematically amortized from the moment the asset is available for use over their expected useful life.

Intangible assets are subject to impairment testing in accordance with IAS 36 *Impairment of Assets*, in the presence of signs of impairment.

Impairment of fixed assets

Intangible assets with indefinite useful life, such as goodwill, are not amortized, but tested for impairment at least once a year. All other assets falling within the scope of application of IAS 36 are tested for impairment whenever there are signs of impairment. In this case, the net value of this asset is compared with its estimated recoverable value and, if higher, a loss is recorded.

Property, plant and equipment and intangible assets with finite useful life are subject to depreciation/amortization in order to ascertain impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment is equal to the amount by which the carrying amount of the intangible asset is higher than its recoverable value. The recoverable amount is the higher of the asset'*s fair value* less costs to sell and its value in use.

In order to check for impairment, intangible and tangible assets are grouped together at the level of the smallest separately identifiable cash generating unit. Intangible assets with finite useful life are measured at each balance sheet date to assess whether losses in value recognized in prior periods no longer exist or have been reduced. If such an indication exists, the loss is reversed and the carrying amount of the asset is restored to an extent not exceeding its recoverable value, which cannot be higher than the carrying amount that would have resulted if the loss had not been recognized.

The reversal of an impairment loss is recognized immediately in the income statement.

Financial assets

Initial recognition and measurement

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortized cost, at fair value through OCI and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model used by the Group for their management. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset that is not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

For a financial asset to be classified and measured at amortized cost or at fair value through OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (so-called *solely payments of principal and interest* - SPPI). This measurement is referred to as a SPPI test and is performed at the instrument level.

The Group's business model for the management of financial assets refers to the manner in which it manages its financial assets in order to generate financial flows. The business model determines whether the cash flows will arise from the collection of contractual cash flows, the sale of financial assets or both.

Financial assets include non-current receivables and loans, trade receivables and other receivables originating from the company, and other financial assets available for sale.

Subsequent measurement

For the purposes of the subsequent evaluation, the following cases are highlighted:

Financial assets at amortized cost (debt instruments)

This is the main category for the Group. The Group measures financial assets at amortized cost if both of the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows and

- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the income statement when the asset is derecognized, modified or revalued.

Financial assets at amortized cost of the Group include trade receivables, loans to associates and any loans included in other non-current financial assets.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must be measured at fair value.

Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model.

Derivatives, including those separated out, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

Financial instruments at fair value with changes recognized in the income statement are recognized in the statement of financial position at fair value and net changes in fair value are recognized in profit or loss.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized first of all (e.g. removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred to a third party the right to receive cash flows from the asset or has a contractual obligation to pay them in full and without delay, and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognizes an *expected credit loss (*ECL) for all financial assets represented by debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due under the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. Expected cash flows will include cash flows arising from the enforcement of credit guarantees, which are an integral part of the contractual conditions.

For trade receivables and contract assets, the Group applies a simplified approach to the calculation of expected losses. The Group has, therefore, set up a matrix system based on historical information, reviewed to consider prospective elements with regard to the specific types of debtors and their economic environment, as a tool for calculating expected losses.

Investments in associates and other companies

These financial assets are initially measured at cost, including the direct costs associated with the acquisition. Subsequently, investments in associates are recognized in the financial statements using the equity method, starting from the date on which the significant influence commences until such significant influence ceases to exist, except in cases where they are held for sale.

Significant influence is the power to participate in the administrative and operating decisions of an investee but is not control (IAS 28).

Under the equity method, investments in associates are recognized in the statement of financial position at cost, adjusted for changes subsequent to the acquisition of the net assets of associates, net of any impairment losses on individual investments. Any losses exceeding the Group share therein are not recognized, unless the Group has a commitment relating to loss coverage. The effects of the measurement are charged to the income statement.

Investments in other companies that constitute available-for-sale financial assets are measured at fair value, if available, with a balancing entry in equity, and gains and losses arising from changes in fair value are recognized directly in equity until they are sold or have suffered impairment; at that time, the total gains or losses previously recognized in equity are recognized in the income statement for the period.

Equity investments in minor companies for which no fair value is available are recognized at cost, net of impairment losses, if any.

Financial liabilities

Financial liabilities include financial payables, payables to suppliers, other payables and other financial liabilities. Derivatives are also included under financial liabilities.

All financial liabilities are initially recognized at fair value plus, in the case of mortgages, loans and payables, directly-attributable transaction costs.

Loans and receivables

This is the main category for the Group. After initial recognition, loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liability has expired, as well as through the amortization process.

Amortized cost is calculated by recognizing the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortization at the effective interest rate is included under financial expense by recognizing profit/(loss).

Derecognition

A financial liability is derecognized when the obligation underlying the liability is discharged, cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms, or a substantial modification of the terms of an existing financial liability, is accounted for as an extinguishment of the original financial liability and the recognition of a new liability, with any differences in carrying amounts recognized in profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments, including forward currency contracts and interest rate swaps, to hedge its own currency exchange risks and interest rate risks, respectively. These derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is signed, and are then re-measured at fair value. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

When financial instruments have the characteristics to be accounted for in hedge accounting, the following accounting treatments are applied:

- cash flow hedges in the event of hedging the exposure against the variability of cash flows attributable to a particular risk associated with all the assets or liabilities recognized, or to a highly probable forecast transaction, or the foreign currency risk on an unrecognized firm commitment;
- fair value hedge if the exposure is hedged against changes in the fair value of the recognized asset or liability or an unrecognized firm commitment;

When a hedging transaction is initiated, the Group documents the hedging relationship to which it intends to apply hedge accounting, its risk management targets and the strategy pursued.

As from 1 January 2019, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including analysis of sources of hedge ineffectiveness and how the hedging relationship is determined). The hedging relationship meets the eligibility criteria for hedge accounting if it meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of the credit risk does not prevail over the changes in value resulting from the abovementioned economic relationship;
- the hedging ratio of the hedging relationship is the same as the ratio resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge such quantity of hedged item.

Transactions that satisfy all the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The portion of gain or loss on the hedged instrument relating to the effective portion of the hedge is recognized in other comprehensive income in the cash flow hedge reserve, while the ineffective portion is recognized directly in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Fair value hedges

Changes in the fair value of hedging derivatives are recognized in other costs under profit or loss. Changes in the fair value of the hedged item attributable to the hedged risk are recognized as part of the carrying amount of the hedged item and are also recognized in other costs under profit or loss.

Inventory

Inventory is recorded at the lower of cost and net realizable value. The cost method adopted by Group companies is the weighted average cost. The net realizable value is the sales price in the normal course of business, net of estimated completion costs and those necessary to carry out the sale. The risks of obsolescence are covered by adequate provisions for adjustments. Any write-down is derecognized in subsequent years if the reasons no longer apply.

Cash and cash equivalents

Cash and cash equivalents and short-term deposits include cash on hand and demand and short-term deposits with maturity up to three months, held to meet short-term cash commitments, rather than for investment or other purposes, and which are not subject to significant risks associated with changes in value.

For the purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents are represented by cash and cash equivalents as defined above, net of bank overdrafts as these are considered an integral part of the Group's liquidity management.

Treasury shares

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

Dividends

The Parent Company recognizes a liability for payment of a dividend when the distribution is duly authorized and is no longer at the discretion of the company. Under European company law, distribution is authorized when it is approved by shareholders. The corresponding amount is recognized directly in equity.

Provisions for risks and charges

Provisions for risks and charges are recognized when it is probable that an obligation arising from a past event will be met.

Provisions are made on the basis of the best estimate, on the basis of the costs required to fulfil the obligation at the balance sheet date, and are discounted when the effect is significant. In this case, the discounting is determined at a pre-tax discount rate that reflects the current market valuation of the cost of money in relation to time. The discounting effect is recorded under financial expense.

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Employee benefits

Employee severance indemnities (TFR) and retirement provisions are determined by applying an actuarial method (mortality, foreseeable salary changes, etc.) to express the present value of the benefit, payable at the end of the employment relationship, that employees have accrued at the balance sheet date. This amount is charged to the income statement under "*personnel expense*", while the notional financial expense that the company would incur if it were to borrow from the market for an amount equal to the employee severance indemnity is charged to net financial income (expense). Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are recognized in the statement of comprehensive income taking into account the average remaining working life of employees.

Specifically, pursuant to Budget Law No. 296 of 27 December 2006, only the liability for the accrued employee severance indemnity remaining with the Company was considered for IAS 19 purposes, since the amount accruing later was paid to a separate entity (supplementary pension fund or INPS funds). As a result of these payments, the company will no longer have any obligations related to the work performed in the future by the employee (so-called *defined contribution plan*).

For defined-contribution plans, Group companies pay contributions to both public and private pension funds on a mandatory, contractual or voluntary basis. Group companies do not hold any other obligations in addition to the contributions paid. Contributions are recognized as personnel expense. Contributions paid in advance are recognized as assets in the event that the Group is entitled to a repayment or a reduction in future payments.

Share-based payments (Stock Grants)

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

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

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

Based on IFRS 2 - *Share-based Payment* - the total amount of the fair value of Stock Grants granted to employees of subsidiaries at the grant date must also be recognized in the Statement of Financial Position, as an increase in investments in subsidiaries, with a balancing entry in a specific item of equity. In the event of a chargeback of an amount greater or less than the increase in the equity investment initially recognized, the difference constitutes income or expense in the Income Statement under "Income or expense from equity investments".

Recognition of revenue and costs

Revenue and income, costs and expense are recorded net of returns, discounts, allowances and premiums, as well as tax directly related to the sale of goods and the provision of services.

Revenue is recognized when the economic benefits are likely to flow to the Company and the amount can be reliably determined. The following specific revenue recognition criteria must be met before being recognized in the income statement:

- *Provision of services* - Revenue from service activities is recognized with regard to the service provided.
- *Sale of goods* - Revenue is recognized when the company has transferred to the buyer all the significant risks and rewards of ownership of the good.
- *Interest* - This is recognized as financial income on an accruals basis, using the effective interest method (effective interest is the rate that exactly discounts estimated future cash receipts through the expected life of the asset to its net carrying amount).

Costs and expense

Costs for the acquisition of goods and services are recognized when their amount can be reliably determined. Costs for the purchase of goods are recognized at the time of delivery, which on the basis of existing contracts identifies the moment of the transfer of the related risks and rewards. Costs for services are recorded on an accruals basis according to the moment they are received.

Financial income and expense

Financial income and expense are recognized on an accruals basis.

Income tax

Tax is recognized in the income statement, with the exception of tax relating to transactions recognized directly in equity, in which case the related effect is also recognized in equity. Income tax includes current tax and deferred tax assets and liabilities.

Current tax is recognized on the basis of the estimate of the amount that the Group expects to be paid, by applying the tax rate in force at the balance sheet date to the taxable income of each Group company.

Deferred tax assets and liabilities are allocated according to the liability method, i.e. they are calculated on all the temporary differences emerging between the amount calculated for tax purposes of assets and liabilities and the relating carrying amount in the consolidated financial statements. Deferred tax assets and liabilities are not recognized on goodwill and on assets and liabilities that do not affect taxable income.

Deferred tax assets are recorded in the financial statements only if tax is considered recoverable in consideration of the expected taxable results for future periods. Recoverability is ascertained at each year-end and any amount in respect of which recovery has ceased to be probable is charged to the income statement.

The tax rates used for the allocation of deferred tax assets and liabilities are those that are expected to be in force in the tax periods in which it is estimated that the temporary differences will be realized or settled.

The offsetting of deferred tax assets and liabilities is made solely for homogeneous positions, and if there is a legal right to offset current tax assets and liabilities; otherwise, receivables and payables are recorded for these securities.

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

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

Transactions denominated in foreign currencies

The consolidated financial statements are presented in Euro, being the functional and presentation currency adopted by the Parent Company.

Foreign currency transactions are initially recognized in the functional currency, applying the spot exchange rate at the date of the transaction.

Monetary assets and liabilities expressed in foreign currency are translated into the functional currency at the exchange rate in force at the balance sheet date. Any net profit is set aside in a special non-distributable reserve until realization.

Earnings/(loss) per share

The Group calculates earnings per share and diluted earnings per share in accordance with IAS 33 - *Earnings per Share*. Earnings per share are calculated by dividing the Group's net profit or loss by the weighted average number of shares outstanding during the relevant period, excluding treasury shares. Diluted earnings are calculated by dividing the Group's profit or loss adjusted to take account of any effects, net of tax for the year, of any rights with diluted effects by the weighted average number of shares outstanding during the relevant period, excluding treasury shares and equivalent securities (options) with dilutive effect.

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ASSETS

6. PROPERTY, PLANT AND EQUIPMENT

The table below provides details of tangible fixed assets in 2019, including the acquisition of CorbettaFia S.r.l. on 1 September 2018.

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

(in Euro thousands)	Historical cost 30.06.2019	Total Depreciation 30.06.2019	NBV at 30.06.2019
Land	12.082		12.082
Buildings	25.272	(6.099)	19.173
Work on third party assets	7.737	(3.314)	4.423
Plant and machinery	105.307	(67.996)	37.311
Equipment	19.981	(16.738)	3.243
Other	5.002	(3.927)	1.075
TOTALE	175.380	(98.074)	77.306

The following table shows the movements in assets and the related provision.

(in Euro thousands)	Historical cost 31.12.2018	Write-up / write-down (prior years)	Acquisitions	Disposals	Other changes	Historical cost 30.06.2019
Land	12.082					12.082
Buildings	14.604	9.948	719			25.272
Work on third party assets	6.956		781			7.737
Plant and machinery	104.147	31	1.918	(1.207)	418	105.307
Equipment	19.242		753	(15)		19.981
Other	5.219	1	225	(25)	(418)	5.002
TOTAL	162.249	9.980	4.397	(1.247)	0	175.380

(in Euro thousands)	Depreciation fund 31.12.2018	Write-up / write-down (prior years)	Depreciation	Disposals	Other changes	Depreciation fund 30.06.2019
Land						
Buildings	(5.754)		(345)			(6.099)
Work on third party assets	(2.849)		(465)			(3.314)
Plant and machinery	(66.970)		(2.203)	1.177		(67.996)
Equipment	(16.185)		(553)			(16.738)
Other	(3.797)		(156)	25		(3.928)
TOTAL	(95.555)		(3.721)	1.202		(98.074)

Paper Division

Incremental upgrading was carried out in first half 2019 to mainly improve plant productivity, in-line controls, efficiency and yield, increasing the level of safety in operation and extending automation in order to gain operational efficiency. Capital expenditure involved mainly the following areas:

Optimization of energy vectors and remote heating; upgrades to the paper machine: new measuring bridge used for the constant monitoring of all indicators related to paper weight and quality.

Energy Division

In first half 2019, Bio Energia Guarcino made a series of investments on a number of technical equipment to continue to increase the energy production of the cogeneration plant.

Decorative Paper Division

In first half 2019, the main expenditure was made in the purchase of printing cylinders and the upgrade of machinery.

IFR 16

On 31 October 2017, EU Regulation no. 2017/1986 was issued, implementing IFRS 16 (Leases) at EU level. IFRS 16 supersedes IAS 17 (Leases) and its Interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease; SIC 15 Operating Leases - Incentives; SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease). IFRS 16 will apply retrospectively as from 1 January 2019.

Under IFRS 16, leases for the lessee (which do not constitute a provision of services) are accounted for by recognizing a financial liability in the statement of financial position, represented by the present value of future lease payments, against the recognition of the "right to use the leased asset" under assets.

Lease liabilities previously classified as finance leases under IAS 17, will not be subject to any change from the current accounting representation, continuing as in the past.

Contracts concluded by Group companies, which fall within the scope of IFRS 16, refer mainly to:

- property
  plant
- motor vehicles.

With regard to the options and exemptions envisaged by IFRS 16, the Group has made the following choices:

- IFRS 16 is not generally applied to short-term contracts (i.e. contracts with a term of less than 12 months) and with low value;
- rights of use and financial liabilities relating to lease contracts are classified under specific items in the statement of financial position;
- any service component included in lease payments is generally excluded from the IFRS 16 scope;
- contracts with similar characteristics are measured using a single discount rate;
- leases previously considered as finance leases under IAS 17 retain their previously recognized amounts.

The adoption of the standard determines, at 1 January 2019, an increase in assets for rights of use and liabilities for leases for an amount equal to the present amount of future lease payments envisaged by the lease term, as summarized in the table below.

As from January 2019, the Group has adopted IFRS 16 and presents in the table below the effects of the first-time application of the standard on the consolidated financial statements. The Group <u>does not adopt the modified retroactive method</u>.

(in Euro thousands)	Historical cost 31.12.2018	Write-up / write-down (prior years)	Acquisitions	Disposals	Other changes	Historical cost 30.06.2019
Buildings			489			489
Plant and machinery			79			79
Other			94			94
TOTAL	-	-	**662**	-	-	**662**

(in Euro thousands)	Depreciation fund 31.12.2018	Write-up / write-down (prior years)	Depreciation	Disposals	Other changes	Depreciation fund 30.06.2019
Buildings			(54)			(54)
Plant and machinery			(24)			(24)
Other			(26)			(26)
TOTAL	-	-	- 104	-	-	**(104)**

The above presentation shows the recording in the Statement of Financial Position of the effects of 2 existing leases for the laminate production plant, regarding the Parent Company, and a building lease regarding the subsidiary Cartiere di Guarcino; plant leases include a contract concluded by the subsidiary Cartiere di Guarcino, while the item "Other Assets" includes a car rental contract regarding the Parent Company and six contracts regarding the subsidiary Cartiere di Guarcino.

The above assets express the right to use the underlying asset and a liability that reflects the obligation to pay the lease fees as shown in the table below.

Financial Liabilities

(in migliaia di euro)	Balance as of January 01st 2019	Payments	Balance as of June 30th 2019
Land			
Buildings	489	54	435
Work on third party assets			
Plant and machinery	79	24	55
Equipment			
Other	94	26	68
TOTALE	662	104	558

The amount of € 558 thousand represents the financial commitment under IFR 16 for existing Leases and Rentals in the Neodecortech Group.

7. INTANGIBLE ASSETS

(in Euro thousands)	Balance at 31.12.2018	Acquisitions	Disposals	Amortization	Write-up / Write-down	Other changes	Balance at 30.06.2019
Other intangible assets	3.182	112		(447)		269	3.116
Assets under dvpmt. & advances	269					(269)	
TOTAL	**3.451**	**112**		**(447)**		**0**	**3.116**

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.

8. OTHER NON-CURRENT ASSETS

(Euro thousands)	Non-current assets					
	30 June 2019	%	31 December 2018	%	Change	% change
Other non-current receivables (security deposi	38	100,0	37	100,0	1	2,7
Total non-current financial receivables	**38**	**100,0**	**37**	**100,0**	**1**	**2,7**

"Other non-current assets" at 30 June 2019, amounting to € 38 thousand, includes a security deposit.

9. NON-CURRENT FINANCIAL RECEIVABLES

(Euro thousands)	Non-current financial receivables					
	30 June 2019	%	31 December 2018	%	Change	% change
Non-current financial receivable	3.417	100	1.661	100	1.756	105,7
Total non-current financial receivables	**3.417**	**100,0**	**1.661**	**100,0**	**1.756**	**105,7**

"Long-term financial receivables" at 30 June 2019, amounting to € 3,417 thousand, includes the Interest-Bearing Financial Receivable from Andreotti S.p.A. (also present at 31 December 2018 for the amount of € 1,661 thousand), comprising principal and accrued interest

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10. PRE-PAID TAX ASSETS

CONSOLIDATED FIGURES IN EURO THOUSAND	30 JUNE 2019	31 DECEMBER 2018	Change	% change
Directors' remuneration approved and not paid	11	23	(12)	(52,2%)
Provisions for write-downs and risks	7	7	-	-
Tax recovery on adjustment of start-up and expansion	39	39	-	0,0%
Fiscal recovery on adjustment of plant and machinery	256	299	(43)	(14,4%)
Deferred tax on derivative contracts	114	65	49	75,4%
Deferred tax on employee benefits	94	41	53	129,3%
Tax recovery on adjustment of research expense	75	96	(21)	(21,9%)
Tax loss carryforward (BEG)	1.429	1.538	(109)	(7,1%)
Other	73	128	(55)	(43,0%)
Deferred tax assets	2.098	2.236	(138)	(6,2%)

Management has recognized deferred tax assets up to the value which it considers their recovery likely for. In determining the items, budget results and forecasts for subsequent years were taken into account. Deferred-tax assets of € 2,097 thousand include € 1,429 thousand for prior-years' tax losses of the subsidiary Bio Energia Guarcino S.r.l., and the residual portion attributable mainly to changes in the income statement following the adoption of IAS/IFRS accounting standards.

11. OTHER FINANCIAL ASSETS

	Other current assets					
(Euro thousands)	30 June 2019	%	31 December 2018	%	Change	% change
Other financial assets	2.388	100,0	2.199	100,0	189	8,6
Total non-current financial receivables	2.388	100,0	2.199	100,0	189	8,6

In the period March-May 2015, CDG International took out financial products consisting of 12 life insurance policies for eleven people, with an average age of 76 and an average life expectancy of 12.60 years (August 2019 report by AVS Underwriting, LLC and ITM-21st).

This Financial Product has a nominal value of USD 15.5 million. The insurance companies are: AXA Equitable Life Insurance Company, Accordia Life and Annuity Company, Voya Financial, Transamerica Advisors Life Insurance Company, Prudential, John Hancock Life Insurance Company and Protective Life Insurance Company. The Financial Product envisages the payment of a premium of an amount between USD 322 thousand (average annual premium of the first 7 years from the signing of the contract) and USD 540 thousand (average annual premium of the following years up to LE). At 30 June 2019, USD 2,717 thousand had been paid, comprising the purchase price and the premiums paid.

It should be noted that CDG International Corp. has commissioned the sale of the abovementioned Financial Product.

12. INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

(Euro thousands)	Inventory					
	30 June 2019	%	31 December 2018	%	Change	% change
Raw and ancillary materials and consumables	19.145	53,6	19.479	54	(334)	(1,7)
Finished products	15.995	44,8	16.439	748	(444)	(2,7)
Advances	557	1,6	30	1	527	100,0
Total inventory	**35.697**	**100,0**	**35.948**	**100,0**	**(251)**	**(0,7)**

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 2019 is in line with the value at 31 December 2018, with a policy that tends to keep the level of stock as low as possible in order not to commit financial resources for an extended period of time.

13. TRADE RECEIVABLES

The table below shows a breakdown of this item at 30 June 2019:

(Euro thousands)	Trade receivables					
	30 June 2019	%	31 December 2018	%	Change	% change
Trade receivables	24.421	101,1	25.054	101,0	(633)	(3)
Provision for doubtful accounts	(270)	(1,1)	(255)	(1)	(15)	6
Total Trade Receivables	**24.151**	**100,0**	**24.799**	**100,0**	**(648)**	**(2,6)**

With regard to receivables, mention should be made of the assignment without recourse carried out on an ongoing basis since February 2019 by the Parent Company, compared to the spot transaction carried out by 31 December 2018

14. TAX RECEIVABLES

(Euro thousands)	Tax receivables					
	30 June 2019	%	31 December 2018	%	Change	% change
VAT	2.037	77,6	1.488	99,9	549	36,9
Withholdings a/c	589				589	100,0
Other tax receivables	-	-	2	0,1	(2)	(100,0)
Total tax receivables	**2.626**	**100,0**	**1.490**	**100,0**	**1.136**	**76,2**

The table above shows an increase of € 549 thousand in VAT receivable at 30 June 2019 versus 31 December 2018, due to the higher VAT receivable of Bio Energia.

15. CURRENT FINANCIAL RECEIVABLES

There were no current financial assets at 30 June 2019.

16. OTHER CURRENT RECEIVABLES

The table below shows a breakdown of this item at 30 June 2019:

	Other current receivables					
(Euro thousands)	30 June 2019	%	31 December 2018	%	Change	% change
Receivables for advance costs	1	0,0	10	0,3	(9,0) -	90,0
Advances to suppliers	3	0,1	3	0,1	-	-
Prepayments and accrued income	1.043	37,6	1.739	49,3	(696)	(40,0)
Other	1.729	62,3	1.772	50,3	(43)	(2,4)
Total current receivables	**2.776**	**100,0**	**3.524**	**100,0**	**(748)**	**(21,2)**

"Other receivables" at 30 June 2019 includes GSE withholdings of € 441 thousand versus € 602 thousand at 31 December 2018.

17. CASH AND CASH EQUIVALENTS

	Cash and cash equivalents					
(Euro thousands)	30 June 2019	%	31 December 2018	%	Change	% change
Bank and post office deposits	1.438	98,6	6.470	99,7	(5.032)	(77,8)
Cash and valuables on hand	20	1,4	19	1,3	1	5,3
Total cash and cash equivalents	**1.458**	**100,0**	**6.489**	**100,0**	**(5.031)**	**(77,5)**

This item consists of cash and bank current account deposits. There are no restraints or restrictions on cash and cash equivalents.

LIABILITIES

18. PROVISIONS FOR RISKS AND CHARGES

(Euro thousands)	30 June 2019	%	31 December 2018	%	Change	% change
Provisions for risks and charges	455	13,3	455	27,4	-	-
Total provisions for risks and charges	455	100,0	455	100,0	-	-

At 30 June 2019, the provision for risks and charges amounted to € 455 thousand

19. DEFERRED TAX LIABILITIES

CONSOLIDATED FIGURES IN EURO THOUSAND	30 JUNE 2019	31 DECEMBER 2018	Change	% change
Deferred tax on statutory revaluations	5.435	5.441	(6)	(0,1%)
Deferred tax on assets (BEG)	425	458	(33)	(7,2%)
Valuation exchange gains	11	12	(1)	(8,3%)
Finance lease assets	719	575	144	25,0%
Other	-	1	(1)	(100,0%)
Deferred tax liabilities	**6.590**	**6.487**	**103**	**1,6%**

At 30 June 2019, deferred tax amounted to € 6,589 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.

20. POST-EMPLOYMENT BENEFIT PROVISIONS

	Post-employment benefit provisions					
(Euro thousands)	30 June 2019	%	31 December 2018	%	Change	% change
Post-employment benefit provisions	2.989	100	2.867	44,2	122	4,3
Total Post-Employment Benefits	2.989	100,0	2.867	100,0	122	4,3

The balance refers to the severance indemnity of Neodecortech, Cartiere di Guarcino and Bio Energia di Guarcino.

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21. NON-CURRENT FINANCIAL LIABILITIES

The table below provides a breakdown of this item with regard to 30 June 2019 versus 31 December 2018:

Non-current financial liabilities

(Euro thousands)	30 June 2019	%	31 December 2018	%	Change	% change
MICA loans	5.038	19,5	4.741	16,9	297	0,1
Mortgage Loan BPM	9.878	38,2	10.767	38,3	(889)	(0,1)
Payables to shareholders	-	-	104	0,4	(104)	(1,0)
Derivatives Provision (IAS 39)	528	2,0	335	1,2	193	0,6
M/L loans	6.119	23,7	7.039	25,0	(920)	(0,1)
Lease payables	4.025	15,6	5.088	18,1	(1.063)	(0,2)
Other financial payables	262	1,0	47	0,2	215	4,5
Total current financial liabilities	25.850	100,0	28.120	100,0	(2.270)	(0,1)

BPM loan

On 26 May 2017, by deed executed before Notary Mauro Banco, BPM S.p.A. ("Banco BPM" or "BPM") and the Issuer signed a mortgage loan agreement (the "BPM Agreement") for a value of € 12,000 thousand (the "BPM Loan") to be used for corporate financial needs.

The amount borrowed is assigned to the Issuer in a single instalment on signing of the BPM Agreement, which also constitutes its release and receipt.

Under the BPM Agreement, the Issuer undertakes to maintain, materially and legally, the stated use for the entire duration of the BPM Loan, under penalty of termination of the agreement pursuant to Article 1456 of the Italian Civil Code; to this end, the Issuer allows the checks and inspections that BPM will deem appropriate at any time, reimbursing the costs. If the loan is not used for the intended purposes, the Issuer must therefore pay BPM a penalty calculated in the same manner and in an amount equal to the fee to be paid for early repayment. The BPM Agreement requires repayment of the BPM Loan in 108 months.

The BPM Loan carries a nominal annual interest rate convertible on a variable quarterly basis and automatically determined as 2.400 points above the Euribor (Euro Interbank Offered Rate) at 3 base months 365 - previous month's percentage average (simple arithmetic average of the quotes per currency reported each day at 11 a.m., Central European Time, by the Euribor management committee). The current month applies the average of the previous calendar month; the rate is therefore updated every month effective from the beginning of the calendar month. If the rate cannot be determined, the 3-month LIBOR relating to the Euro, quoted on the second working day prior to the end of each calendar quarter in the event of an increase or decrease in this last reference parameter, will be taken into consideration as a benchmark; the interest rate will be adjusted to the extent of the changes that have occurred since 1 January, 1 April, 1 July, 1 October following the above change, and will remain in force for the duration of each calendar quarter. Additionally, the Issuer undertakes to pay deferred interest, calculated at the previously indicated rate, from the date of signing of the BPM Agreement until 30 June 2018, which must be paid in arrears through repayment of 5 instalments, falling due on 30 June 2017, 30 September 2017, 31 December 2017, 31 March 2018 and 30 June 2018, in the amount of € 23 thousand for the first and € 62 thousand each.

The BPM Loan may be repaid early against payment by the Issuer of a consideration equal to 4.50% of principal repaid early.

Under the BPM Agreement, the Issuer undertakes to repay the borrowed principal in 36 deferred instalments calculated according to the progressive repayment method, falling due the first on 30 September 2018 and the last on 30 June 2027.

The Company hedged the interest rate risk on this loan by subscribing an interest rate swap (IRS). The fair value of this instrument at 30 June 2019 came to a negative € 476 thousand.

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

22. TRADE PAYABLES

(Euro thousands)	Trade payables					
	30 June 2019	%	31 December 2018	%	Change	% change
Trade payables	29.137	96,8	33.176	98,6	(4.039)	(12,2)
Payable for tax consolidation	968	3,2	472	1,4	496	105,1
Total trade payables	30.105	100,0	33.648	100,0	(3.543)	(10,5)

There are no trade payables due beyond 12 months.

The payable due for tax consolidation at 30 June 2019, equal to € 968 thousand, refers to the portion of the payable due to Finanziaria Valentini by Neodecortech S.p.A. for the amount of € 642 thousand, and to Cartiere di Guarcino for the remaining amount of € 326 thousand.

23. TAX PAYABLES

The table below provides details on tax payables at 31 December 2018:

(Euro thousands)	Tax payables					
	30 June 2019	%	31 December 2018	%	Change	% change
VAT		0,0	243	18	(243)	(100,0)
IRAP	404	34,4	158	11,4	246	155,7
Withholdings a/c	555	47,3	659	47,5	(104)	(15,8)
Other tax payables	215	18,3	327	23,6	(112)	(34,3)
Total tax payables	1.174	100,0	1.387	100,0	(213)	(15,4)

Other tax payables at 30 June 2019 for Bio Energia Guarcino include liabilities accrued for excise duties.

24. CURRENT FINANCIAL LIABILITIES

The table below shows the items that make up current financial liabilities:

(Euro thousands)	Current financial liabilities					
	30 June 2019	%	31 December 2018	%	Change	% change
Current payables to banks	21.771	91,1	20.655	91,1	1.116	0,1
Payables to other lenders:	**2.131**	**8,9**	**2.027**	**8,9**	104	0,1
Lease payables	2.028	95,2	2.027	100,0	1	0,0
Payables to Others	103	4,8	-	0	103	100,0
Total current financial liabilities	**23.902**	**100,0**	**22.682**	**100,0**	**634**	**2,9**

"Current financial liabilities" of € 23,902 thousand at 30 June 2019 includes the current principal portion of the payable and the interest liability for the period of the loans outstanding at the same date.

25. OTHER CURRENT PAYABLES

The table below shows a breakdown of other non-tax current payables at 30 June 2019:

(Euro thousands)	Other payables					
	30 June 2019	%	31 December 2018	%	Change	% change
Payables to social security institutions	1.018	18,7	1.265	29,7	(247)	(19,5)
Payables to employees	2.763	50,9	1.740	40,8	1.023	58,8
Advances received from customers	1.296	23,9	1.035	24,3	261	25,2
Accrued expense and deferred income	-	-	18	0,4	(18)	(100,0)
Other	356	6,6	202	4,7	154	76,2
Total other payables	**5.433**	**100,0**	**4.260**	**100,0**	**1.173**	**27,5**

The increase in "Payables to personnel", "Payables to social security institutions" and "Payables to tax authorities for withholding tax" is due mainly to the acquisition of the business unit during the year, and to the provisions for holidays/time off, which are higher in the first half of each year, as they are then deducted towards the end of each year.

26. EQUITY

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., paid up through the contribution of their respective receivables from the Companies.

At 30 June 2019, the share capital amounts to € 16,203,000 and is divided into 13,101,500 shares with no indication of their nominal value.

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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.

27. PURCHASE AND SALE OF TREASURY SHARES

At 30 June 2019, the Company held 26,000 treasury shares

On 23 June 2017, the Issuer's Extraordinary Shareholders' Meeting 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.

28. STOCK OPTION PLANS

On 23 June 2017, the Extraordinary Shareholders' Meeting of the Issuer approved a stock grant plan (the "Stock Grant Plan") and the related Capital Increase to service the Plan. Please refer to the section on "Subsequent events" for further details. The plan was approved by the Board of Directors on 31 August 2017.

CONSOLIDATED INCOME STATEMENT

29 REVENUE FROM SALES AND SERVICES

	Revenue from sales and services					
(Euro thousands)	30 June 2019	%	30 June 2018	%	Change	% change
Revenue from sales	62.505	94,2	62.286	94,7	219	0,4
Services	3.861	5,8	3.473	5,3	388	11,2
Total revenue from sales and services	66.366	100,0	65.759	100,0	607	0,9

The following table details the item in question with regard to the six-month period ended 30 June 2019; it should be noted that services consist mainly of the item "impregnation under contract work" of the Parent Company for the amount of approximately € 3,589 thousand at 30 June 2019 versus € 3,189 thousand at 30 June 2018

29 BIS CHANGES IN INVENTORY OF WORK IN PROGRESS, SEMI-FINISHED AND FINISHED PRODUCTS

(Euro thousands)	Change in inventory					
	30 June 2019	%	30 June 2018	%	Change	% change
Change in inventory	(452)	100	724	100,0	(1.176)	(162)
Total change in inventory	**(452)**	**100,0**	**724**	**100,0**	**(1.176)**	**(162)**

With regard to changes in inventory, efforts continue on increasing efficiency in terms of its reduction.

30 OTHER REVENUE

(Euro thousands)	Other revenue					
	30 June 2019	%	30 June 2018	%	Change	% change
Contingent assets	169	7,3	157	10,9	12	7,6
Gains	238	10,2	5	0,3	233	4.660,0
Insurance payments	1.419	61,1	-	-	1.419	100,0
Capitalization of work on time and materials basis		-	409	28,4	(409)	- 100,0
Exchange rate gains	38	1,6	138	9,6	(100)	- 72,5
Other revenue	459	19,8	729	50,7	(270)	- 37,0
Total other revenue	**2.323**	**100,0**	**1.438**	**100,0**	**885**	**61,5**

The item, amounting to € 2,323 thousand at 30 June 2019, consists mainly in the insurance refund for the amount of € 1,419 thousand collected by the subsidiary Cartiere di Guarcino for an incident that took place in February 2019.

31 CONSUMPTION OF RAW AND ANCILLARY MATERIALS AND CONSUMABLES

(Euro thousands)	Raw and ancillary materials and consumables					
	30 June 2019	%	30 June 2018	%	Change	% change
Raw and ancillary materials and consumables	38.110	98,3	39.789	98,5	(1.679)	(4,2)
Packaging materials	670	1,7	616	1,5	54	8,8
Total raw materials	**38.780**	**100,0**	**40.405**	**100,0**	**(1.625)**	**(4,0)**

The item at 30 June 2019 amounted to € 38,780 thousand.

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32 PERSONNEL EXPENSE

(Euro thousands)	Personnel expense					
	30 June 2019	%	30 June 2018	%	Change	% change
Wages and salaries	7.021	63,7	6.073	66,4	948	15,6
Social security charges	2.328	21,1	2.038	22,3	290	14,2
Post-employment benefits	411	3,7	391	4,3	20	5,1
Other personnel expense	1.255	11,4	646	7,1	609	94,3
Total personnel expense	**11.015**	**100,0**	**9.148**	**100,0**	**1.867**	**20,4**

Other personnel expense includes the allocation for stock grants, which amounted to € 1,149 thousand at 30 June 2019 versus € 535 thousand at 30 June 2018.

33 AMORTIZATION, DEPRECIATION AND PROVISIONS

The following table shows a breakdown of the various items:

(Euro thousands)	Amortization, depreciation					
	30 June 2019	%	30 June 2018	%	Change	% change
Other intangible assets	447	10,7	449	12,8	(2)	(0,4)
Buildings	345	8,3	288	8,2	57	19,8
Work on third party assets	465	11,1	438	12,5	27	6,2
Plant and machinery	2.201	52,7	1.752	50,0	449	25,6
Equipment	553	13,2	468	13,4	85	18,2
Other	163	3,9	107	3,1	56	52,3
Total amortization and depreciation	**4.174**	**100,0**	**3.502**	**100,0**	**672**	**19,2**

"Amortisation and depreciation" at 30 June 2019 was higher than the amount recorded at 30 June 2018, as a result of the amortization and depreciation resulting from the acquisition of CorbettaFia on 1 September 2018, amounting to € 142 thousand, and to the higher investments made by the Group in first half 2019.

34 OTHER OPERATING EXPENSE

(Euro thousands)	Other operating expense					
	30 June 2019	%	30 June 2018	%	Change	% change
Consultancy	1.164	10,2	1.041	10,2	123	11,8
Advertising and marketing	326	2,9	112	1,1	214	191,1
Bonuses and commissions	636	5,6	616	6,0	20	3,2
Transport	1.617	14,2	1.543	15,1	74	4,8
Utilities	2.537	22,3	2.326	22,8	211	9,1
Remuneration of Directors and Statutory Auditors	268	2,4	268	2,6	0	-
Insurance	574	5,0	500	4,9	74	14,8
Sundry industrial services	1.786	15,7	1.666	16,3	120	7,2
Other services	1.129	9,9	1.041	10,2	88	8,5
Rentals and other	168	1,5	188	1,8	(20)	(10,6)
Tax and duties	434	3,8	388	3,8	46	11,9
Contingent liabilities	316	2,8	191	1,9	125	65,4
Other costs	421	3,7	310	3,0	111	35,8
Total other operating expense	**11.376**	**100,0**	**10.190**	**100,0**	**1.186**	**11,6**

"Other operating expense" amounted to € 11,376 thousand at 30 June 2019.

35 FINANCIAL INCOME

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

(Euro thousands)	Financial income					
	30 June 2019	%	30 June 2018	%	Change	% change
Interest income	-	-	(19)	5,1	19,0	(100,0)
Financial discounts receivable	-	-	-	0,0	0,0	0,0
Exchange differences	-	-	(353)	94,9	353,0	(100,0)
Total financial income	-	-	(372)	**100,0**	**372**	**(100,0)**

The item "Exchange rate difference" refers to the subsidiary Cartiere di Guarcino.

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36 FINANCIAL EXPENSE

The table below provides a breakdown of financial expense:

(Euro thousands)	Financial expense					
	30 June 2019	%	30 June 2018	%	Change	% change
Interest expense	913	91,8	1.401	85,7	(488)	(34,8)
Other expense	82	8,2	233	14,3	(151)	(64,8)
Total financial expense	995	100,0	1.634	100,0	(639)	(39,1)

At 30 June 2019, interest expense was lower than in the same period of 2018 by € -488 thousand, due to lower short-term payable costs, thanks to the introduction of "umbrella" facilities starting in 2019.

37 INCOME TAX

CONSOLIDATED FIGURES IN EURO THOUSANDS	30 JUNE 2019		31 DECEMBER 2018	
Profit (loss) before tax	1.896		7.622	
IRES for the year	374	19,7%	1.528	80,6%
Income from tax consolidation	(168)	(8,9%)	(687)	(36,2%)
IRES net of income from tax consolidation	206	10,9%	841	44,4%
IRAP for the year	246		540	
Deferred tax assets	242		259	
Deferred tax	103		(47)	
Prior years' income tax			-	
Income tax	797		1.593	

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.

Deferred tax is calculated based on comprehensive tax allocation, taking into account the cumulative amount of all temporary differences, on the basis of the average rates expected in force when the temporary differences will reverse.

Deferred tax assets have been recognized as there is a reasonable certainty that, in the years in which the deductible temporary differences for which deferred tax assets have been recognized will be reversed, taxable income will not be less than the amount of the differences that will be reversed.

38 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.

Diluted earnings per share are calculated taking into account, when calculating the number of outstanding shares, the potential dilutive effect arising from the options granted to the beneficiaries of the Stock Grant plans.

Basic earnings per share are calculated as follows:

EARNINGS PER SHARE	30/06/2019	31/12/2018
Net profit attributable to the shareholders (Euro thousands)	1.099	6.030
Weighted average number of shares outstanding (n./000)	13.076	13.084
Basic earnings per share (Euro/cent.)	8,40	46,09

DILUTED EARNINGS PER SHARE	30/06/2019	31/12/2018
Net profit attributable to the shareholders (Euro thousands)	1.099	6.030,00
Weighted average number of shares outstanding (n./000)	13.076	13.084
Weighted average number of shares eligible for stock option plans (n./000)	522	387
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.598	13.471
Diluted earnings per share (Euro/cent.)	8,08	44,76

39 CONTINGENT LIABILITIES

There are no further contingent liabilities, except for those that generated allocations to "provisions for risks", described above.

40 RELATED PARTY TRANSACTIONS

Neodecortech Spa is controlled by Finanziaria Valentini Spa.

The statement of financial position and income statement balances arising from the Group's transactions with related parties in first half 2019 are shown below.

It should be noted that the business transactions carried out with these entities were concluded at normal market conditions and that all the transactions were concluded in the interest of the Group.

	Revenue	Costs
FIGURES IN EURO THOUSANDS	30 June 2019	30 June 2019
Finanziaria Valentini	3	(100)
Industrie Valentini	729	(70)
Gianluigi Valentini		(3)
Avv Addi Emanuela		(1)
ISFRE		
Valinvest		(50)
Total	732	(224)

	Receivables	Payables
FIGURES IN EURO THOUSANDS	30 June 2019	30 June 2019
Finanziaria Valentini	1.743	(969)
Industrie Valentini		(37)
Luigi Valentini		
Avv Addi Emanuela		
ISFRE	444	
Valinvest		(80)
Total	2.187	(1.086)

41 SEASONALITY

The Group does not record any significant seasonal changes.

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

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

Importi in euro

Soggetto percettore	Codice fiscale percettore	Soggetto erogante	Importo incassato/goduto	Data incasso/fruizione	Descrizione causale
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	436,51	31/01/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	11.362,54	31/01/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	113,10	31/01/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	1.818,96	31/01/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	*Gestore dei Seriizi energetici GSE S.p.A.*	3.743.887,48	31/01/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*INPS*	625,55	16/02/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	*INPS*	250,00	16/02/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	16.112,01	28/02/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	436,51	28/02/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	*Gestore dei Seriizi energetici GSE S.p.A.*	1.753.896,72	28/02/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*INPS*	572,89	16/03/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	*INPS*	250,00	16/03/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	578,07	29/03/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	2.100,69	29/03/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	228,04	29/03/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	*Gestore dei Seriizi energetici GSE S.p.A.*	1.464.227,38	29/03/2018	Incentivo produzione energia elettrica
Cartiere di G. S.p.a.	01956120131	Fondirigenti	6.100,00	16/04/2018	formazione continua
Neodecortech S.p.a.	00725270151	*INPS*	611,99	16/04/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	2.328,73	20/04/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	*Gestore dei Seriizi energetici GSE S.p.A.*	1.282.497,00	30/04/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*INPS*	579,05	16/05/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.328,73	31/05/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	5.310,60	31/05/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.347.521,49	31/05/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*INPS*	623,99	16/06/2018	Sgravi contributivi nuove assunzioni
Bio Energia Guarcino S.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.188.465,99	28/06/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.314,53	29/06/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*INPS*	889,19	16/07/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.576,52	31/07/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	9.060,10	31/07/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.188.194,39	31/07/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*INPS*	780,78	16/08/2018	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.314,53	31/08/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	575,69	31/08/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.527.460,19	31/08/2018	Incentivo produzione energia elettrica
Cartiere di G. S.p.a.	01956120131	Fondirigenti	123,95	05/09/2018	formazione continua
Neodecortech S.p.a.	00725270151	INPS	603,98	16/09/2018	Sgravi contributivi nuove assunzioni
Bio Energia Guarcino S.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.503.687,03	28/09/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.156,48	01/10/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	545,16	01/10/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.156,48	31/10/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	545,16	31/10/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.637.150,54	31/10/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	545,16	30/11/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.156,48	30/11/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.431.053,59	30/11/2018	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	*Gestore dei Seriizi energetici GSE S.p.A.*	22.327,86	31/12/2018	Incentivo produzione energia elettrica
Bio Energia Guarcino S.	02454520608	*Gestore dei Seriizi energetici GSE S.p.A.*	1.552.649,69	31/12/2018	Incentivo produzione energia elettrica
TOTALE			19.723.131,50		

With regard to the subsidiary Cartiere di Guarcino S.p.A., on 26/01/2018 the Ministry for Economic Development, implementing the granting decree issued on 19/01/2016 CUP: B88C150000900008, made the initial disbursement (for a total of € 1,128,455.55) of the subsidized 0.80% loan granted with regard to the Invitation to Tender "Research and development projects in the technology fields identified by the EU Framework Programme Horizon 2020" - Fund for Sustainable Growth, as per Ministerial Decree of 20 June 2013.

OTHER SUPPLEMENTARY INFORMATION

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the period

On 31 July 2019, the Ordinary Shareholders' Meeting approved the submission of applications for admission to listing and admission to trading of the Company's ordinary shares and warrants on the STAR segment of the MTA, organized and managed by Borsa Italiana, if the conditions are met.

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 year the Group did not allocate any assets or loans to any activity.

TREASURY SHARES

In implementation of the resolution of the Shareholders' Meeting of 23 June 2017, which authorized the Board of Directors to purchase ordinary shares of the Company, in January 2018, 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 date of the period, the Group held 26,000 treasury shares.

SHARES/UNITS OF THE PARENT COMPANY

Pursuant to Article 2435-bis and Article 2428, paragraph 3, nos. 3 and 4 of the Italian Civil Code, it should be noted that in the period, the Company did not hold shares or quotas in the parent company Finanziaria Valentini S.p.A.

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 compensation due to the Directors, the Board of Statutory Auditors and the Independent Auditors

Qualification	**30.06.2019**	**31.12.2018**
Directors	234,000	473,000
Board of Statutory Auditors	18,000	36,000
Independent Auditors	9,000	26,950

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APPROVAL BY THE GOVERNING BODY

This consolidated report was approved by the Board of Directors for publication on 23 September 2019.

Filago (BG), 23 September 2019

For the Board of Directors The Chairman

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NEODECORTECH S.p.A.

Review report on the condensed interim consolidated financial statements as at June 30, 2019

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Review report on the condensed interim consolidated financial statements

To the Shareholders of
Neodecortech S.p.A.

[translation from the Italian original which remains the official version]

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements Neodecortech S.p.A. and its subsidiaries (the Neodecortech Group) as at June 30, 2019, comprising the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement and statement of changes in equity and related notes, as at and for the six months ended 30 June 2019. The Directors of Neodecortech S.p.A. are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express our conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". The review of the condensed interim consolidated financial statements consists of making inquiries, mainly of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of Neodecortech Group as at and for the six months ended 2019, have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Bologna, September 23, 2019

BDO Italia S.p.A.

Signed by
Gianmarco Collico
Partner