

## Neodecortech – Abstract from the consolidated Financial Statements as at 31 December 2017

### 1. MANAGEMENT REPORT

Dear Shareholders,

We present the Consolidated Financial Statements of the Neodecortech Group (hereinafter also the “Group”), which have been prepared in accordance with the IAS/IFRS international accounting standards, and the present Management Report in order to illustrate the Group performance in the previous financial year and the future outlook.

In the financial year under review, there was a positive consolidated result of Euro 5,479,981, after income tax provisions of Euro 931,444 and depreciation and amortisation of Euro 4,321,310.

The Group was formed at the end of the first semester when the company first consolidated produced Consolidated Financial Statements in accordance with IFRS 10 - *Consolidated Financial Statements*; hence, no comparative figures for the previous financial year are provided since they do not exist. However, in order to illustrate the performance trend of the Group in the period under review, pro-forma Consolidated Income Statements at 31 December 2017 and at 31 December 2016 have been prepared and, therefore, this Report provides comments on the pro-forma consolidated figures.

All figures in the present Report are in Euro thousands and are provided in support of the Consolidated Financial Statements to illustrate as far as is possible the historic Group economic, financial and management figures and forecasts.

#### The international economic environment

In 2017, the reference economic sector of the Parent Company showed an overall modest recovery of approximately 2.3%. This was considerably lower than any figure that might indicate that the 2008-2015 crisis was over, unlike so many other economic and industrial sectors.

In December 2017, the general manufacturing sector of the Euro area registered (60.6) on the PMI (Purchasing Manager Index) whilst in December 2016 this figure was 54.9. In the United States, the manufacturing ISM for the first months of 2018 was 60.8 – the highest figure since 2004. The recovery in emerging markets was more measured although the PMI of the emerging markets remained over 50, indicating continued growth. Moreover, the Caixin PMI in China, the largest economy in the global index, reached its highest level of the last four years.

These figures indicate that the interior design sector continues to be strongly affected by the property crisis and has yet to stage a recovery in line with the overall trend in the manufacturing sector. We are certainly part of this industrial sector with our presence in both the furnishing and flooring segments.

As regards the decorative paper sector in which the subsidiary Cartiere di Guarcino S.p.A. is active, the latter is the fifth largest company in Europe as shown in the following table:

COMPANY	CAPACITY (tons)	PRODUCTION FACILITIES
TECHNOCELL/GERMANY	230,000	GERMANY
MUNKSJO/ ARJOWIGGINS GERMANY-FRANCE	190,000	GERMANY, FRANCE, SPAIN
MALTA/POLAND	100,000	POLAND
KOEHLER/GERMANY	60,000	GERMANY
CARTIERE DI GUARCINO /ITALY	50,000	ITALY

The sector is highly concentrated with a significant degree of vertical integration (particularly following the acquisition by the market leader Munksjo of the Decor business division of the ArjoWiggins Group in 2010). The consequent increase in competition resulted in a review of marketing strategy, which is increasingly oriented towards increasing client loyalty.

This sector is characterised by considerable barriers to entry as it is highly capital intensive. A greenfield investment in a manufacturing plant with production capacity of 25,000 – 30,000 tons per annum would cost approximately Euro 55 million. The restart of the second continuous production machine in 2011 doubled the production capacity of Cartiere di Guarcino S.p.A. and allowed production to be specialised by machine. This led to more stable production quality which, in turn, gradually permitted the company to penetrate more profitable market segments whilst giving economies of scale in terms of costs that increased the competitiveness of the selling prices of the Company products

## Group structure

Neodecortech Group operates at three different business locations and its integrated business model enables it to take advantage of market opportunities.

The Group's continuous creative and stylistic research means that it can offer 900 decorative options that imitate natural materials such as wood and stone, surfaces in cement and metal and textures inspired by fabrics and by abstract geometry. Specifically, the Group offers approximately 51 products subdivided into the following categories: decorative papers/ print base papers; finish foil / melamine film; and LVT (luxury vinyl).

The three Group operating divisions are:

- **Neodecortech S.p.A.**, the **Parent Company** (“**NDT**” or the “**Company**” or the “**Issuer**”) with its registered office in Filago (Bergamo), via Provinciale no. 2; it manufactures and develops the products that are the core business of the Group, concentrating on printing and paper finishing and impregnation. The Company offers various decor collections, a wide range of finished products for industrial use and flooring design. The high quality of the raw materials used and the advanced technology of its departments results in multi-purpose papers that are highly reliable over time.

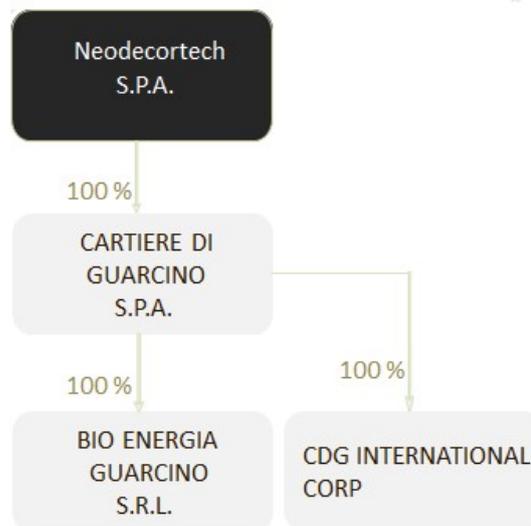
The mission of Neodecortech S.p.A. is to act as a partner offering multiple decorative suggestions to its clients in industry and in flooring design through the constant monitoring and interpretation of new stylistic trends.

The Parent Company oversees the following activities for all its operating subsidiaries: (i) corporate and legal affairs, (ii) administration and investments, (iii) strategic planning and business development.

- **Cartiere di Guarcino S.p.A.** (“**CDG**”): with a registered office in Guarcino (Frosinone), specialises in the production of technical decorative papers which then undergo further processes that include surface impregnation with thermosetting resins and high pressure lamination. The company is active in the domestic market and in international markets through a network of agents.

In order to provide maximum client satisfaction, the company has developed a “Technical customer service” division to ensure that staff support its clients every step of the way.

- **Bio Energia Guarcino S.r.l.** (“**BEG**”) with its registered office in Guarcino (Frosinone) has owned a cogeneration energy plant since May 2010, which provides sufficient electric and thermal energy to satisfy part of the energy requirements of **CDG**.
- **CDG International Corporation** (“**CDG International**”) is a company constituted under US law with a registered office in Las Vegas. The company is not currently operational.



The Group promotes and/or markets its products to clients in the interior design and flooring sectors. Due to the integration of its companies, Bio Energia Guarcino and Cartiera di Guarcino, the Group has the ability to execute interior design projects that cover every detail from walls to furniture to flooring and the total decor.

These Consolidated Financial Statements are in Euro, the currency that is used in the countries where the Company is mainly present.

## **Significant events in 2017**

### Agreement for non-recourse factoring of receivables

On 2 August 2017, BEG and Banca Sistema S.p.A. ("Banca Sistema") signed an agreement for the non-recourse factoring of the receivables of BEG due from GSE (*Gestore Servizi Elettrici*) for the GRIN (*Gestione Riconoscimento Incentivo*) Convention (the "Agreement for non-recourse factoring of receivables").

The payment for each factoring transaction under the Agreement for non-recourse factoring of receivables varies according to the receivable and is calculated as the nominal value of each receivable under the Agreement net of: (i) a discount of 0.45% on the same nominal value; and (ii) a monthly commission of 0.35% for the additional service of assuming the risk of insolvency on the part of the creditor calculated daily on the outstanding amount of any receivable not yet paid to the assignee at the end of each month.

The Agreement for non-recourse factoring of receivables is open-ended, without prejudice to the ability of the parties to the Agreement to communicate at any time a wish to terminate the Agreement for non-recourse factoring of receivables providing that it is justified by changes in the law or by changes in market conditions that make it materially onerous for one of the parties to adhere to the Agreement.

Starting in September 2017, GSE revised the procedures for paying incentives in order to accelerate the payment for bioliquid production plants, such as the plant belonging to BEG, under the former Green Certificate regime. Under the new incentive payment procedures:

- \* those referring to the first quarter 2017 would be paid by 30 September 2017;
- \* those referring to the period April-August 2017 would be paid by 31 October 2017;
- \* from September 2017, payments for any month, "m", would be made at the end of the month "m+2".

The new payment procedures will improve working capital management and have a consequent positive effect on financial management.

### IPO on Aim Italia and paying in of the share capital increase of 23 June 2017

On 22 September 2017, the Group successfully completed the process for listing on AIM Italia.

The increases in net equity from the First, Second and Fourth Share Capital Increases, net of costs incurred for the listing of the Company on AIM Italia (including the underwriting fees), totalled Euro 11.207 million.

The condition precedent under the share capital increase approved on 23 June 2017 was met. The Extraordinary Shareholders' Meeting of Neodecortech S.p.A. approved a paid share capital increase for a maximum of Euro 1.851 million reserved for Mr Luigi Valentini and Valfina S.p.A.. Specifically, (i) Euro 1.500 million was paid by offsetting, in part, the Bond Loan (of which Euro 1.233 million was share capital and Euro 267,000 was the share premium) and Euro 351,000 (of which Euro 289,000 was share capital and Euro 62,000 was the share premium) paid in as part payment for the Residual Credito Valfina Receivable.

Following the IPO described above, on 26 September 2017, the share capital of the Issuer was Euro 16.203 million composed of 13,101,500 ordinary shares. These figures were unchanged at 31 December 2017.

## **Shareholding structure**

The table below gives the shareholding structure at 31 December 2017.



The chart shows that 27% of the shares in issue are held by the market while the remaining 73% is held by the Valentini Group.

On the last trading day of the 2017 financial year (29 December 2017), the value of the shares was Euro 3.85 per share.

#### Direction and coordination

In accordance with paragraph 5 of Article 2497-bis of the Italian Civil Code, it is declared that the Company is not subject to any direction or coordination by third parties.

#### Main Alternative Performance Measures (APMs)

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

The APMs constitute information used by management and investors to analyse the trends and performance of the Group that are not directly identifiable from the Financial Statements. These Measures help management and investors to gauge the performance of the Group. Investors should not consider APMs as a substitute for performance measures directly stemming from Financial Statements but as additional information. 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 the present Report on Operations are given below:

- EBITDA is an alternative performance indicator that is not defined in IFRS but is used by the management of the Company to monitor and evaluate its operating performance as it is not affected by the different criteria used to calculate tax payable, the amount and type of financing or by depreciation and amortisation policies. The Neodecortech Group defines EBITDA as Profit (Loss) for the period before depreciation and amortisation, write-downs of property, plant and equipment and intangible assets, provisions, financial income and expenses and taxes.
- ADJUSTED EBITDA and ADJUSTED NET PROFIT: the first is used by management to eliminate extraordinary income and expenses from EBITDA in 2017 and 2016, the IPO costs and the provision, calculated according to IFRS 2 – *Share-based Payment*, for the allocation of the shares for the 2017-2020 Stock Grant Plan. Adjusted net profit is calculated in the same way but is net of the tax effect.
- NET INVESTED CAPITAL is 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 net financial debt calculated under the CESR (Committee of European Securities Regulators) of 10 February 2005 used by Consob.

#### 1.1 FINANCIAL POSITION AND CASH FLOWS

## The formation of the Group and preparation of Pro-forma Consolidated Financial Statements

In the 2017 financial year, as part of the preparatory measures for its listing, the Issuer carried out several extraordinary transactions that led to the formation of the Group in its current structure.

As a result of these transactions, the Group was formally constituted on 15 June 2017 with the acquisition of 100% of Cartiere di Guarcino S.p.A. through a share capital increase effected by a contribution in kind of the entire shareholding in CDG by the sole shareholder Finanziaria Valentini S.p.A..

Under IFRS 10 – *Consolidated Financial Statements*, Cartiere di Guarcino S.p.A. and its subsidiaries Bio Energia Guarcino S.r.l. and CDG International Corp. were consolidated from the date control was acquired, which was agreed as 30 June 2017. Therefore, the consolidated figures of the statement of financial position at 31 December 2017 are for the whole Group as described above whilst the figures of the income statement include the figures of the Issuer for the twelve-month period and those of the subsidiaries Cartiere di Guarcino S.r.l. and Bio Energia Guarcino S.r.l. for just six months.

In order to show the Group performance in the period under review, a Pro-forma Consolidated Income Statement at 31 December 2017 was prepared with a comparative Pro-forma Consolidated Income Statement at 31 December 2016 (as presented in the Admission Documents for its listing on AIM Italia). The Company included the pro-forma effects of the transition to the International Accounting Standards from 1 January 2015 in order to have comparative figures with the annual and half-year financial statements that the Group prepared under the requirements of the AIM Listing Rules and consistent with the requirements of IFRS 1 – *First-time Adoption of International Financial Reporting Standards*. The transition from Italian accounting standards (*OIC – Organismo Italiano Contabilità*) to international accounting standards (IAS/IFRS) impacted not only extraordinary transactions but every entry in the Financial Statements.

A comparison with the pro-forma consolidated figures at 31 December 2016 was considered the best way of illustrating the financial performance of the Group.

The following is a description of the corporate reorganisation transactions of the Valentini Group in 2017 that affected the Issuer:

- On 24 March 2017, CDG acquired the 30% shareholding in BEG held by Finanziaria Valentini for Euro 1.982 million. As a result of this acquisition, CDG became the sole shareholder in BEG;
- On 28 March 2017, CDG and Finanziaria Valentini agreed to offset part of the acquisition price of Euro 1.982 million for the shareholding in BEG with the Euro 688,000 payable by CDG to Finanziaria Valentini, whilst the residual amount of Euro 1.314 million was to be paid by 31 December 2017;
- On 28 March 2017, Finanziaria Valentini and Industrie Valentini S.p.A. agreed the non-recourse sale and transfer of the receivable of Euro 1.314 million payable by CDG to Finanziaria Valentini for the sale of the shareholding in BEG; the receivable was sold at its nominal value;
- On 31 March 2017, Industrie Valentini S.p.A. and the Issuer agreed the non-recourse sale and transfer of the Industrie Valentini S.p.A. receivable of Euro 1.314 million payable by CDG; payment was made by offsetting the trade receivables payable to the Issuer by Industrie Valentini S.p.A.; the receivable was sold at its nominal value;
- On 26 May 2017, Valfina S.p.A. and the Issuer agreed: (i) the non-recourse sale and transfer of the Valfina receivable of Euro 3.528 million payable CDG (the Valfina Receivable); (ii) the non-recourse sale and transfer of the Corbetta FIA receivable of Euro 3.177 million payable by the Issuer; Euro 3.177 million of the price to be paid was settled by offsetting the respective receivable/ payable under the agreement while the difference of Euro 351,000 (the Residual Valfina Receivable) was to be paid by 31 December 2017;
- On 14 June 2017, the Board of Directors of the Issuer decided to propose to the Bondholders' Meeting of the Issuer a Second Modification to the terms of the Neodecortech Bond Loan. Specifically, the Second Modification to the terms of the Neodecortech Bond Loan was to: (i) implement a new repayment plan under which (a) Euro 933,000 would be repaid on 30 June 2017; (b) Euro 750,000 would be repaid on 31 December 2017; (c) Euro 750,000 would be repaid on 31 December 2018; (d) Euro 567,000 would be repaid on 31 December 2019; (ii) the gross annual interest rate would change from 5% to 4.5%. On 15 June 2017, the Bondholders' Meeting of the Issuer approved the Second Modification to the terms of the Neodecortech Bond Loan.

- On 15 June 2017, the Shareholders' Meeting of the Issuer approved a share capital increase of Euro 3.678 million taking the share capital from Euro 4.800 million to Euro 8.478 million with a share premium of Euro 12.022 million carried out through the contribution in kind of the total shareholding in CDG by the sole shareholder Finanziaria Valentini;
- On 15 June 2017, Luigi Valentini sold and transferred to Neodecortech S.p.A. three CDG non-convertible registered bonds each of nominal value Euro 500,000 for a total amount of Euro 1.500 million;
- On 16 June 2017, the Issuer repaid Euro 933,000 of the Neodecortech Bond Loan by offsetting all of the receivable payable by Industrie Valentini S.p.A. through a non-recourse sale of the receivable to Mr Luigi Valentini. This transaction was conditional on the receipt of the definitive ruling allowing the Issuer to be listed on AIM Italia by 31 December 2017 and which, as already stated, took place on 22 September 2017;
- On 23 June 2017, the Extraordinary Shareholders' Meeting of Neodecortech S.p.A. approved a share capital increase for a maximum of Euro 1,850,998.50 reserved for Mr Luigi Valentini and Valfina S.p.A.. Specifically, (i) Euro 1,499,998.50 was paid in by the part payment of the Bond Loan and Euro 351,000.00 was paid in by offsetting in part the Residual Valfina Receivable. This share capital increase was completed on 22 September 2017 with the issue of the definitive ruling allowing the Issuer to be listed on AIM Italia.

The pro-forma consolidated figures have been prepared using the following criteria:

- The effects on the balance sheet items from the end of the period under review have been applied with reference to the preparation of the pro-forma consolidated balance sheets;
- The effects on income statement items starting from the beginning of the period under review have been applied with reference to the preparation of the pro-forma consolidated income statements;
- the pro-forma area of consolidation includes CDG, its subsidiary BEG S.r.l. and CDG International Corp., a company under US law;
- including all sales transactions of receivables, repayment of receivables and payables, waiving of receivables and early repayment of debts with associates. Given the different objectives of the pro-forma figures compared to those of normal consolidated financial statements and because the figures for the income statement and the statement of financial position have been prepared using different criteria, the Pro-forma Consolidated Income Statement and the Pro-forma Consolidated Statement of Financial Position should be read and interpreted separately without seeking links or correlations between the two documents.

## **Information on the pro-forma consolidated capital and financial figures of the Group**

For a better understanding of the capital and financial situation of the Group, a Reclassified Statement of Financial Position is provided below.

<i>Reclassified Consolidated Statement of Financial Position (Euro thousand)</i>	31/12/2017	31/12/2016 pro-forma	Change	% change
Trade receivables	26.333	29.819	(3.487)	-12%
Inventories	32.127	26.268	5.859	22%
Trade payables	(33.596)	(28.001)	(5.595)	20%
<b>Operating Working Capital</b>	<b>24.863</b>	<b>28.086</b>	<b>(3.223)</b>	<b>-11%</b>
Other current receivables	6.895	3.994	2.901	73%
Other current payables	(3.599)	(7.634)	4.035	-53%
Tax	(1.220)	(1.676)	456	-27%
<b>Net Working Capital</b>	<b>26.938</b>	<b>22.769</b>	<b>4.169</b>	<b>18%</b>
Property, plant and equipment	72.563	72.781	(219)	0%
Goodwill	1.293	-	1.293	100%
Intangible assets	3.280	2.003	1.277	64%
Available for sale financial assets	2.074	1.635	439	27%
Non-current financial assets not included in the NFP	1.665	3.139	(1.474)	-47%
Other non-current assets	0	713	(712)	-100%
<b>Fixed assets</b>	<b>107.813</b>	<b>80.271</b>	<b>27.542</b>	<b>34%</b>
Post-employment benefit provisions	(2.905)	(3.144)	239	-8%
Provisions for risks and costs	(457)	(872)	415	-48%
Deferred tax assets and liabilities	(3.512)	(3.177)	(335)	11%
<b>Net Invested Capital (***)</b>	<b>100.939</b>	<b>95.847</b>	<b>5.091</b>	<b>5%</b>
<b>Equity and Liabilities</b>	<b>54.029</b>	<b>38.711</b>	<b>15.318</b>	<b>40%</b>
Cash and cash equivalents	(6.104)	(1.325)	(4.779)	361%
Other current financial receivables	(868)	(852)	(16)	100%
Current financial liabilities	22.048	25.995	(3.946)	-15%
Non-current financial liabilities	31.834	33.319	(1.485)	-4%
<b>Net Financial Debt</b>	<b>46.911</b>	<b>57.137</b>	<b>(10.226)</b>	<b>-18%</b>
<b>Net Equity and Net Debt</b>	<b>100.939</b>	<b>95.847</b>	<b>5.092</b>	<b>5%</b>

## Main financial and cash flow indicators

The following indicators were calculated using the preceding reclassification:

Profitability Indicators		2017
ROI	Return on Investment	7,2%
ROS	Return on Sales	7,5%
	Rotation of Invested Capital	96,3%
ROE	Return on Equity	16,7%
ROD	Return on Debt	3,4%

Solvency (or Liquidity) Indicators		2017
	Current ratio	1,20
	Quick ratio	0,54

## Consolidated Net Financial Position (NFP)

At 31 December 2017, the net financial position of the Group was as follows:

### Consolidated Net Financial Position

<i>(Euro thousand)</i>	31 Dec 2017	31 Dec 2016 pro-forma	Change	% change
A. Cash	(11)	(16)	5	(30)
B. Cash equivalents	(6.093)	(1.309)	(4.784)	365
C. Financial assets held for trading				
<b>D. Liquidity (A) + (B) + (C)</b>	<b>(6.104)</b>	<b>(1.325)</b>	<b>(4.779)</b>	<b>361</b>
E. Current financial receivables	(868)	(852)	(16)	2
F. Current bank loans	17.323	22.310	(4.987)	(22)
G. Current portion of non-current debt	2.510	1.740	770	44
H. Other current financial liabilities	2.216	1.944	272	14
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>22.048</b>	<b>25.994</b>	<b>(3.946)</b>	<b>(15)</b>
<b>J. Current net debt (I) + (E) + (D)</b>	<b>15.076</b>	<b>23.817</b>	<b>(8.741)</b>	<b>(37)</b>
K. Non-current bank loans	18.455	12.561	5.894	47
L. Bonds in issue	567	2.067	(1.500)	(73)
M. Other non-current financial liabilities	12.812	18.692	(5.880)	(31)
<b>N. Non-current financial debt (K) + (L) + (M)</b>	<b>31.834</b>	<b>33.320</b>	<b>(1.486)</b>	<b>(4)</b>
<b>O. Net financial debt (J) + (N)</b>	<b>46.910</b>	<b>57.137</b>	<b>(10.227)</b>	<b>(18)</b>

## Income statement

For a better understanding of Group performance, a reclassified Pro-forma Consolidated Income Statement is provided below.

Pro-forma Income Statement (Euro thousand)	CONSOLIDATED figures at 12/2017	CONSOLIDATED %	CONSOLIDATED figures at 12/2016	CONSOLIDATED %
Revenues from sales	117.797	92,2	102.056	88,3
Services	5.699	4,5	4.643	4,0
Contingent assets	354	0,3	674	0,6
Other revenues and income	3.886	3,0	8.223	7,1
<b>Total Revenues</b>	<b>127.737</b>	<b>100,0</b>	<b>115.595</b>	<b>100,0</b>
Closing inventories	16.107	12,6	13.587	11,8
Opening inventories	13.587	10,6	15.345	13,3
<b>Changes in inventories of consumables, finished products and semi-finished products</b>	<b>2.520</b>	<b>2,0</b>	<b>(1.758)</b>	<b>(1,5)</b>
Raw and semi-finished materials and consumables	78.178	61,2	62.946	54,5
Packaging materials	1.188	0,9	719	0,6
Services	16.226	12,7	16.075	13,9
Use of third-party assets	528	0,4	140	0,1
Personnel	17.490	13,7	16.287	14,1
Contingent liabilities	1.185	0,9	1.377	1,2
Other operating costs	1.235	1,0	692	0,6
<b>Total Operating Costs</b>	<b>116.030</b>	<b>90,8</b>	<b>98.237</b>	<b>85,0</b>
<b>Gross Operating Profit (EBITDA)</b>	<b>14.227</b>	<b>11,1</b>	<b>15.600</b>	<b>13,5</b>
Amortisation of intangible assets	398	0,3	607	0,5
Depreciation of property, plant and equipment	5.898	4,6	5.664	4,9
Impairment	0	0,0	101	0,1
<b>Operating Profit</b>	<b>7.931</b>	<b>6,2</b>	<b>9.228</b>	<b>8,0</b>
Total financial income/expenses	2.748	2	3.262	2,8
<b>Profit/(loss) before taxes</b>	<b>5.183</b>	<b>4,1</b>	<b>5.966</b>	<b>5,2</b>
Income tax for the period	1.120	0,9	1.512	1,3
<b>Profit/(loss) for the year</b>	<b>4.063</b>	<b>3,2</b>	<b>4.454</b>	<b>3,9</b>

Details of the pro-forma Group value of production in the financial period under review are given in the following table:

#### Pro-forma consolidated revenues by division at 31 December 2017

(Euro thousand)	Neodecortech	(a)	Cartiere	(a)	Bio energia	(a)	Consolidated	(a)
Revenues from sales	38.630	32,8	55.936	47,5	23.231	19,7	117.797	100,0
Services	5.195	91,2	504	8,8	0	0,0	5.699	100,0
<b>Total revenues</b>	<b>43.825</b>	<b>35,5</b>	<b>56.440</b>	<b>45,7</b>	<b>23.231</b>	<b>18,8</b>	<b>123.496</b>	<b>100,0</b>

(a) percentage of consolidated revenues

The composition of other revenues at 31 December 2017 is shown in the following table:

## Pro-forma consolidated other revenues at 31 December 2017

(Euro thousand)	31 Dec 2017	%	31 Dec 2016	%	Change	% change
Exchange rate gains	483	12,4%	246	3,0%	237	96,3%
Rental income	25	0,6%	25	0,3%	0	0,0%
Capitalised internal development costs	1.416	36,4%	1.276	15,5%	140	11,0%
Insurance payments	602	15,5%	4.153	50,5%	-3.551	-85,5%
Penalties received	650	16,7%	1.943	23,6%	-1.293	-66,5%
Other revenues	710	18,3%	580	7,1%	130	22,4%
<b>Total other revenues</b>	<b>3.886</b>	<b>100,0%</b>	<b>8.223</b>	<b>100,0%</b>	<b>-4.337</b>	<b>-52,7%</b>

Costs of production were as follows:

## Pro-forma consolidated cost of raw materials by division at 31 December 2017

(Euro thousand)	Neodecortech	(a)	Cartiere	(a)	Bio energia	(a)	Consolidated	(a)
Resins	4.650	34,9					4.650	5,9
Inks	1.543	11,6					1.543	2,0
PVC	1.742	13,1					1.742	2,2
Untreated paper	4.563	34,3					4.563	5,8
Lub Oil					169	-4,8	169	0,2
Animal-derived sub-products					19.289	-543,2	19.289	24,7
Urea					262	-7,4	262	0,3
Diesel					456	-12,8	456	0,6
Pulp			15.717	35,3			15.717	20,1
Bioxide			26.124	58,7			26.124	33,4
Chemical products			3.391	7,6			3.391	4,3
Other	614	4,6	2.277	5,1	610	-17,2	3.501	4,5
Change in raw material inventories	202	1,5	-3.015	-6,8	-416	11,7	-3.229	-4,1
<b>Total cost of raw materials</b>	<b>13.314</b>	<b>100,0</b>	<b>44.494</b>	<b>100,0</b>	<b>20.370</b>	<b>-573,6</b>	<b>78.178</b>	<b>100,0</b>

(a) percentage of raw material costs by company

## Pro-forma consolidated costs of services at 31 December 2017

(Euro thousand)	31 Dec 2017	%	31 Dec 2016	%	Change	% change
Utilities	3.883	23,9%	4.580	28,5%	-697	-15,2%
Industrial services	3.029	18,7%	3.161	19,7%	-132	-4,2%
Consultancy	1.574	9,7%	1.372	8,5%	202	14,7%
Transport	3.158	19,5%	3.204	19,9%	-46	-1,4%
Other services	1.102	6,8%	600	3,7%	502	83,7%
Bonuses and commissions	1.148	7,1%	1.117	6,9%	31	2,8%
Advertising and marketing	389	2,4%	176	1,1%	213	121,0%
Insurance	996	6,1%	971	6,0%	25	2,6%
Remuneration of Directors and Statutory Auditors	570	3,5%	542	3,4%	28	5,2%
Travel expenses	161	1,0%	193	1,2%	-32	-16,6%
Bank commission	216	1,3%	159	1,0%	57	35,8%
<b>Total cost of services</b>	<b>16.226</b>	<b>100,0%</b>	<b>16.075</b>	<b>100,0%</b>	<b>151</b>	<b>0,9%</b>

## Pro-forma Consolidated EBITDA and Pro-forma Consolidated Net Profit

EBITDA is calculated as net profit for the period before depreciation and amortisation of property, plant and equipment and intangible assets, financial income and expenses and taxes.

In the financial year to 31 December 2017, there was a year-on-year decrease in EBITDA from Euro 15.600 million to Euro 14.227 million, a decline of 9.6%.

This decrease mainly reflected the provision of Euro 721,000 for the Stock Grant that was included in personnel costs and was only present in 2017. Excluding this provision, 2017 EBITDA would have been Euro 14.948 million, a decrease of just Euro 652,000 compared to the figure for 2016, which was due to increased raw material costs and a delay in passing on these higher costs in 2017 selling prices; by the end of the first few months of 2018, these increases will have been reflected in selling prices and the drop in EBITDA will have been completely recouped.

In 2017, net profit was Euro 4.063 million (Euro 4.454 million at 31 December 2016), a year-on-year decrease of Euro 391,000. The same effects described in the preceding paragraph for the provision for the Stock Grant also apply to the net profit.

EBITDA is calculated as net profit for the period before depreciation and amortisation of property, plant and equipment and intangible assets, financial income and expenses, and taxes. However, to give a clearer indication of the actual performance of the Group, figures are provided for Adjusted EBITDA at 31 December 2017 and at 31 December 2016; EBITDA is adjusted for extraordinary income and expenses, for costs incurred for the IPO and for the provision, calculated in accordance with IFRS 2 – *Share-based Payment*, for the allocation of shares for the 2017-2020 Stock Grant plan as approved by the Shareholders' Meeting of 23 June. These adjustments, net of any related tax effects, are also reflected in Adjusted Net Profit.

	31/12/2017	% on revenues	31/12/2016	% on revenues
<b>Pro-forma consolidated reported EBITDA</b>	<b>14.227</b>	<b>11,5%</b>	<b>15.600</b>	<b>14,6%</b>
Adjustments for non-recurring income and expenses	(10)		(3.120)	
Increased costs post-IPO	296		-	
Stock grant	721		-	
Total adjustments	1.007		(3.120)	
<b>Adjusted EBITDA</b>	<b>15.234</b>	<b>12,3%</b>	<b>12.480</b>	<b>11,7%</b>
<b>Pro-forma Adjusted Net Profit</b>	<b>4.833</b>	<b>3,9%</b>	<b>1.300</b>	<b>1,2%</b>

Adjustments for extraordinary income in 2017 included: *i*) a commercial transaction with a supplier that generated income of Euro 650,000 *ii*) contingent assets of Euro 340,000; *iii*) capitalised costs for general services of Euro 400,000, the share of capitalised research & development costs in the subsidiary Cartiere di Guarcino S.p.A.; *iv*) exchange rate gains of Euro 65,000 and *v*) revenues from disputes with clients totalling Euro 44,000 and other non-recurring income of Euro 10,000. Adjustments for extraordinary costs in 2017 included: *i*) contingent liabilities of Euro 1.185 million, *ii*) redundancy incentives of Euro 124,000 and *iii*) damages paid to clients of Euro 190,000.

The main adjustments in the 2016 financial year included extraordinary income for insurance payments of Euro 2.200 million, transactions generating income of Euro 1.907 million, exchange rate gains of Euro 246,000 and contingent assets of Euro 672,000. The extraordinary costs included contingent liabilities of Euro 1.288 million, capitalised costs for general services of Euro 424,000, which were the share of capitalised research & development costs in the subsidiary Cartiere di Guarcino S.p.A, and higher energy costs of Euro 804,000.

As a result of the aforementioned adjustments, the figure for Adjusted EBITDA is Euro 2.754 million higher than the figure for 2016 despite the increase in the cost of materials in 2017 and the delay in passing on these increases in the selling prices of products in 2017; by the end of the first few months of 2018, these increases will have been reflected in selling prices and the drop in EBITDA will have been completely recouped.

Consequently, Adjusted Net Profit shows an improvement of Euro 3.533 million compared to the figure for 2016.

## Environmental disclosure

The impact it has on the environment is of fundamental importance to the Neodecortech Group; this is evident from the fact that, since 2005, the Parent Company 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 of the subsidiaries Cartiere di Guarcino and Bio Energia Guarcino, which, in recent years, have achieved a series of environmental and safety certifications. The list of certifications awarded each Group company is given below:

- Neodecortech: UNI EN ISO 9001 (2009), UNI EN ISO14001 (2007), BS HOSAS 18001 (2011), UNI EN ISO 50001 (2017), FSC - CHAIN CUSTODY (2010) and, lastly, MADE IN ITALY 100% (2015)
- Cartiere di Guarcino: UNI EN ISO 9001 (2017), PEFC (2015), UNI EN ISO14001 (2004), BS HOSAS 18001 (2012), FSC - CHAIN CUSTODY (2010) and UNI EN ISO 50001 that was awarded in early 2018. The award of the latter is certification is particularly significant given the energy-intensive nature of the company business.
- Bio Energia Guarcino: UNI EN ISO 9001 (2015), UNI EN ISO14001 (2012), BS HOSAS 18001 (2016) and lastly UNI EN ISO 50001 awarded in early 2018.

As part of its environmental concern, in 2017, the Group continued to pursue the aims and targets in the environmental strategies of each company.

Moreover, given the product sector in which the Group companies operate and their activities, there were no significant events and/or incidents that had a particular impact on the environment. During the financial year under review, the Group was not responsible for any environmental damage for which it was considered culpable nor was it subject to any sanctions or penalties for environmental crime or damage.

## Human resources

There is no significant information relating to human resources that requires disclosure.  
The average number of employees in 2017 was 329 persons.

## Research & development

Pursuant to and in accordance with point 1, third paragraph of Article 2428 of the Italian Civil Code, it is declared that during the financial period under review the subsidiary Cartiere di Guarcino S.p.A. continued to carry out the three-year project started on 2 January 2015 and extended until 30 April 2018 to “Research and develop an innovative range of decorative papers for new applications and alternative uses that are environmentally friendly and use advanced, highly efficient technologies that will increase production efficiency and reduce both pollution and waste production”.

## Related-party transactions

The related-party transactions of Neodecortech S.p.A. and other Group companies under IAS 24 – *Related-party Disclosures*, including transactions with subsidiaries and associates, did not qualify as either atypical or unusual but were part of the normal business of the Company. These transactions were done at market conditions. It should be noted that transactions with subsidiaries are not shown as they are eliminated in the preparation of the Consolidated Financial Statements, while related-party transactions are shown at 31 December 2017.

With reference to the requirements of point 2) third paragraph of Article 2428 of the Italian Civil Code, following its listing on AIM Italia on 26 September 2017, the Company is controlled by Finanziaria Valentini which holds 73% of the share capital. Therefore, the Company is part of a group of entities which have as their parent company “Finanziaria Valentini S.p.A.” and as sister companies “Industrie Valentini S.p.A.” and “Valinvest S.p.A.”. The related-parties include the companies “Valfina S.p.A.” and “Corbetta Fia S.r.l.” as they are controlled directly or indirectly by the Valentini family and the shareholder Luigi Valentini. The following tables summarise the transactions recorded with the aforementioned companies at the end of the reporting period divided by single Group company:

## Neodecortech S.p.A. – related-party transactions

<b>Receivables and Revenues</b>	<b>2017</b>
Trade receivables from "Industrie Valentini S.p.A."	1.998.673
Receivables from "Corbetta-Fia S.r.l."	415.274
<b>Total</b>	<b>2.413.947</b>
Revenues from "Industrie Valentini S.p.A."	1.326.510
Revenues from "Corbetta-Fia S.r.l."	940.395
Revenues from "Valfina S.p.A."	12.468
Revenues from "Luigi Valentini"	51.532
<b>Total</b>	<b>2.330.905</b>

<b>Payables and Costs</b>	<b>2017</b>
Payables to "Finanziaria Valentini S.p.A."	252.070
Payables to "Corbetta-Fia S.r.l."	4.407
Payables to "Industrie Valentini"	42.700
Payables to "Luigi Valentini"	1.316.951
<b>Total</b>	<b>1.616.128</b>
Purchases from "Finanziaria Valentini S.p.A."	258.832
Purchases from "Corbetta-Fia S.r.l."	16.235
Purchases from "Industrie Valentini S.p.A."	70.000
Costs payable to "Luigi Valentini"	120.615
<b>Total</b>	<b>465.681</b>

## Cartiere di Guarcino S.p.A. – related-party transactions

<b>Receivables and Revenues</b>	<b>2017</b>
Receivables from "Corbetta-Fia S.r.l."	162.604
Receivables from "Italian System for renewable Energy S.r.l."	443.529
<b>Total</b>	<b>606.133</b>
Revenues from "Corbetta-Fia S.r.l."	184.596
<b>Total</b>	<b>184.596</b>

<b>Payables and Costs</b>	<b>2017</b>
Payables to "Finanziaria Valentini S.p.A."	223.921
Trade payables to "Corbetta-Fia S.r.l."	14.640
Trade payables to "LV Commodity Services"	11.440
Payables to Luigi Valentini	401.016
Payables to "ASPI"	149.156
<b>Total</b>	<b>800.173</b>
Purchases from "Corbetta-Fia S.r.l."	19.038
Purchases from "Finanziaria Valentini Srl"	199.977
Purchases from "LV Commodity Services"	30.647
Interest payable to "ASPI"	31.054
Interest payable to Luigi Valentini	9.016
<b>Total</b>	<b>289.731</b>

Bio Energia di Guarcino S.r.l. – related-party transactions

<b>Receivables and Revenues</b>	<b>2017</b>
Payables to "LV Commodity Services"	7.379
Payables to Luigi Valentini	247.900
Payables to "Valfina S.p.A."	172.060
<b>Payables and Costs</b>	<b>2017</b>
Purchases from "Avv. Addi Emanuela"	17.205
Purchases from "LV Commodity Services"	93.311
Interest payable to Luigi Valentini	7.900
<b>Total</b>	<b>110.515</b>

## 1.2 MANAGEMENT OF RISKS TO WHICH THE GROUP IS EXPOSED

The risk management of Group companies is based on the principle that the financial or operating risk is managed by the person in charge of the business process of the company directly involved.

The main risks to which the Group is exposed are reported to and discussed by the senior management of the Company in order to ensure they are covered by hedging or insurance and to ascertain any residual risk.

### *Risk of movements in prices*

The financial figures of the Company are presented in Euro, in accordance with its business model, although some of its costs and revenues are denominated in US dollars.

### *Exchange rate risk*

The financial figures of the Company are presented in Euro, in accordance with its business model, although some of its costs and revenues are denominated in US dollars.

This exposes the Group to the risk of movements in the Euro/US Dollar exchange rate. Although this risk is mitigated by the fact that some of the Group's costs and revenues are denominated in US dollars, the Company covers the exchange rate risk to which its business is exposed based on independent assessments of market conditions and forecasts.

### *Interest rate risk*

The Group companies use floating rate financing contracts and, therefore, it reduces the risk posed by these contracts by using derivative instruments that hedge the interest rate risk (IRS – Interest Rate Swap).

The Group companies use financial instruments, Interest Rate Swaps, to manage the risk of fluctuations in interest rates. It is Group policy to convert part of its floating rate debt to fixed rate debt to normalise the financial payments. These are designated as Cash Flow Hedges. Further information on the financial instruments used is given in the notes to the accounts.

In accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, financial instruments are measured at fair value, which is the mark to market value using market inputs and valuation techniques and methodologies that measure their adequacy and effectiveness. Any hedge ineffectiveness is recognised immediately in profit or loss.

Contracts for financial instruments are with leading bank counterparts to reduce the risk of breach of contract. The exposure to fluctuations in interest rates is mainly inherent in the financing of some investments in energy production from renewable sources with floating interest rates.

### *Credit risk*

The current assets of Group companies, with the exception of inventories, are primarily trade receivables.

Revenues mainly relate to contract business where prices are based on the production batch. Contract business is subject to potential significant short-term variations in revenues. Therefore, the increase or decrease in revenues over a determined period cannot be extrapolated to indicate revenues in the long-term. Although the Group has long-lasting relationships with its main clients, changes in these relationships or in the business strategies of some of these clients could have a negative effect on the economic, financial and equity performance of the Group.

The Group carefully monitors receivables and the trend in payments received. Moreover, the Issuer undertakes – where possible and considering the practices of the market in which it operates – to manage attentively its trade receivables in order to minimise payment periods and credit risk, also through the use of advance payments and guarantees.

#### *Liquidity risk*

Liquidity risk is the risk that an entity does not have adequate resources to meet its short-term financial liabilities.

In order to mitigate liquidity risk, the majority of Group debt is medium/long-term.

The current net financial position ensures adequate financing to support the short-term business activity and is sufficient to consider that liquidity risk is insignificant.

#### **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 categorise the inputs in valuation techniques into three levels:

- Level 1: quoted prices in active markets for identical assets or liabilities to those being measured;
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the financial asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: unobservable inputs for the asset or liability; if relevant observable inputs are not available, thereby allowing for situations where there is little, if any, market activity for the asset or liability being measured.

It should be noted that in choosing the valuation techniques to be used, the Group has adhered to the following hierarchy:

- quoted prices in active markets (and in those that are not active) for identical (recent transactions) or similar assets or liabilities (comparable approach);
- valuation techniques based primarily on observable market inputs;
- valuation techniques based primarily on unobservable inputs corroborated by market data.

Group companies measured the fair value of the financial instruments at 31 December 2017 using valuation techniques that are commonly used for assets and liabilities with the same characteristics as those of the Group. The valuation models used to measure the fair value of the financial instruments were calculated using information provided by Bloomberg. The inputs used in the models were mainly observable inputs (Euro and Dollar interest rate curves, and official exchange rates at the valuation date).

In accordance with Article 2427 bis, paragraph 1, number 1) of the Italian Civil Code, information on the financial hedge instruments at 31 December 2017 is given below.

The subsidiary Cartiere di Guarcino has the following hedging contracts:

- Interest Rate Swap – Nominal Value of Euro 3,506,163 at 31 December 2017; negative Fair Value of Euro 124,991 at 31 December 2017 (negative Fair Value of Euro 198,282 at 31 December 2016)

- Foreign Currency Hedge – Notional principal amount of USD 6,174,000 at 31 December 2017; negative Fair Value of Euro 94,447 at 31 December 2017 (negative Fair Value of Euro 308,863 at 31 December 2016).

The Parent Company has the following interest rate swap to cover the interest rate risk on the mortgage agreed with BPM Group on 26 May 2017:

- Interest Rate Swap – Notional principal amount of Euro 12,000,000 at 31 December 2017; negative Fair Value of Euro 233,969 at 31 December 2017 (negative Fair Value of Euro 198,282 at 31 December 2016).

At 31 December 2017, the Group companies measured fair value using inputs that resulted in the financial instruments being categorised in Level 3 of the fair value hierarchy.

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

## **Business and market outlook**

### ***The Decor paper market***

In 2017, the segment of decorative papers had a generally favourable performance in terms of absolute growth in the majority of market areas covered by the company. The aforementioned significant increase in raw material costs restricted the positive performance of the segment and had an impact on overall profitability as, although this grew, it did not reflect in full the prevailing market trend.

As forecast, the material increases in prices of titanium dioxide and pulp in the course of the year took them almost to historic maximum highs resulting in turbulence and uncertainty in the reference markets. Group profitability and growth were both impacted.

The Company continued its policy of reflecting as quickly as possible the higher cost increases in the selling prices of its products whilst focusing on the dual aims of protecting market share and maximising profitability.

The outlook for 2018 is one of strong growth and a plateauing, albeit at high levels, of raw material prices. From the third quarter 2018, prices are expected to stabilise or increase very slightly with sustained demand from all segments of the market.

Opportunities - or risks – for the Company could come from the consolidation process taking place among some of the companies in its sector of activity; the strong acceleration in the number of mergers and acquisitions has reduced the number of key clients both in the furnishing and flooring sectors. However, the Company is well positioned vis à vis these increasingly established circumstances and the prospects ensuing from this trend are, therefore, positive.

The strategy of increasing the share of business from large groups that was introduced in the second half of 2017 is fast generating new and interesting opportunities that will give concrete results starting in 2019. It is difficult to calculate the importance and value of these potential developments but they will certainly be of a magnitude to have a largely positive impact on the future performance of the companies.

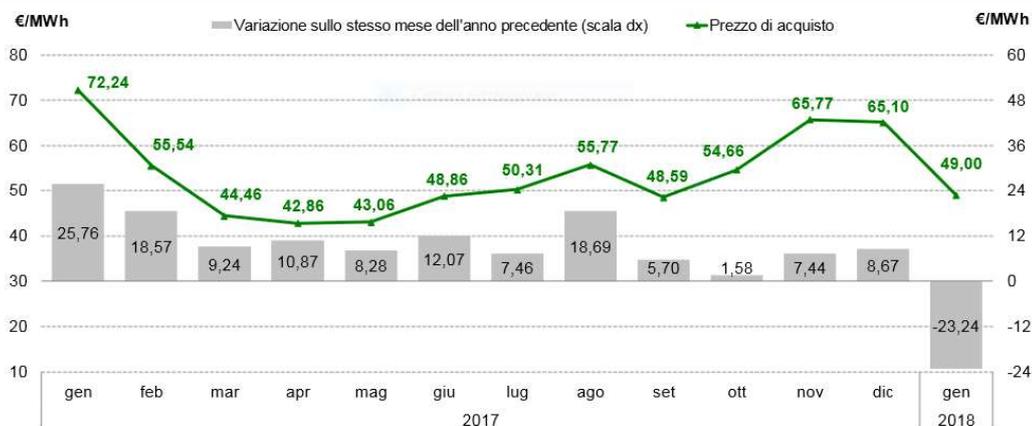
### ***The energy market***

In 2017, the Single National Price (*PUN – Prezzo Unico Nazionale*) of energy on the Day-ahead Market (*MGP – Mercato del Giorno Prima*) rose to Euro 54/MWh from the historic minimum reached in 2016 and in line with the figures in the two-year period 2014-2015. The increase in the energy price reflected the rise in the prices of the major commodities and, in particular, that of gas, as well as higher traded volumes.

The upward trend in the energy price was apparent in every month of 2017 with peaks in the first two months of the year, caused by the ongoing tensions in the French market, and in August from high demand due to the very high temperatures experienced that month.

Grafico 1: MGP, Prezzo Unico Nazionale (PUN)

Fonte: GME



The unit price of the incentive compared to 2016 increased from Euro 100.08 per MWh to Euro 107.34 MWh for energy from renewable sources and, in particular, from plants operating with incentives under the former regime of Green Certificates. The increase reflected the low energy price of the previous year (2016). The new payment terms for the incentive tariffs were introduced in October 2017. Payment is now in the second month following production compared to the preceding terms whereby payment was on the final day of the second quarter following the quarter in which the energy was generated.

### 1.3 CORPORATE GOVERNANCE REPORT

#### DESCRIPTION OF THE ISSUER

Neodecortech S.p.A. is the Italian market leader in the production of decorative papers for laminated panels and flooring for the interior design sector. The Group produces complete technologically avant-garde solutions for interior design projects; it is present in all phases of the production process for decorative papers, from the management of raw materials to surface finishing and impregnation to the finished product and end of line logistics management.

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The Company uses the traditional company model with a shareholders' meeting, Board of Directors and Board of Statutory Auditors. The characteristics of these bodies are described below in the relevant sections of the present Report.

The Company shares are traded on the AIM Italia market, which is regulated and managed by Borsa Italiana S.p.A., since their listing on 26 September 2017. Given that it had already started the procedure to be quoted on AIM Italia and in order to bring its internal structures in line with market best practice, on 19 July 2017 the Company adopted the Self-regulatory Code.

Therefore, at the date of the present Report, the Company is gradually implementing the process started in the 2017 financial year to ensure that its corporate and organisational structures comply with the requirements of the Code. The Company believes it likely that this process will continue throughout the 2018 financial year under the terms and conditions described below.

The text of the Code is available on the website [www.neodecortech.it](http://www.neodecortech.it).

#### BOARD OF DIRECTORS

##### Appointment and replacement

Under the Company Articles of Association, the appointment of directors is made on the basis of lists.

At least one member of the Board of Directors, or two if the Board is made up of between seven and eight members or three if the Board is made up of nine members, must meet the criteria of independence under Article 147-ter of the Consolidated Finance Act (*TUF – Testo Unico Finanziario*).

The Board of Directors must ensure gender balance within the Board and, therefore, a minimum of one of the Directors appointed must be from the least represented gender.

Article 21 of the Company Articles of Association stipulates that Directors must be appointed from lists presented by shareholders that individually or jointly own 5% of the share capital of the Company and are entitled to vote in ordinary meetings of shareholders.

Each shareholder, or shareholders belonging to the same group (i.e. subsidiaries, controlling entities and entities subject to the same control under Article 2359, first paragraph, nos. 1 and 2 of the Italian Civil Code) and shareholders belonging to

the same shareholder agreement may not present, not even through a third-party or trust company, more than one list nor may they vote for different lists. Support and votes cast in violation of this rule will not be attributed to any list.

The lists must contain a number of candidates that does not exceed the number of members to be elected listed in numerical order and must indicate at least one candidate, or two if the Board is made up of between seven and eight members or three if the Board is made up of nine members, that meet the criteria of independence under Article 147-ter of the Consolidated Finance Act. The candidates must meet the requirements of probity under Article 147-quinquies of the Consolidated Finance Act. Each candidate may only appear on one list under penalty of ineligibility. The lists must be deposited at the registered office of the company at least seven days preceding the date for the Shareholders' Meeting in first convocation, or, if the date of any subsequent convocation has not been included in the Notice to convene the Shareholders' Meeting, at least seven days before the date fixed for each convocation. Each list must be accompanied by the curricula vitae of the candidates and statements in which each candidate accepts their candidacy and declares, under his/her own responsibility, that there is no cause that would make him/her ineligible or incompatible and that he/she possesses the qualifications under enacted laws and any criteria of suitability to be appointed as an independent director. The lists and accompanying documents relating to each candidate must be made publicly available at the registered office of the Company and on its website at least five days prior to the Shareholders' Meeting.

Ownership of the minimum amount of shares required to present lists is based on the number of shares that are registered to the shareholder on the day on which the lists are deposited with the Company. The relevant certification of ownership may also be presented after the lists have been deposited provided that they are presented within the time limits specified for the publication of the lists by the Company.

If the Board of Directors is composed of eight or less than eight members, those elected are:

- the candidates on the list that received the highest number of votes in an equal number to the directors to be appointed less one; and
- the first candidate on the list that received the second highest number of votes and that is in no way connected, even indirectly, with the shareholders who presented or voted for the list that obtained the highest number of votes. No account will be taken of lists, other than that which obtained the highest number of votes, if these did not obtain the percentage of votes required by the Articles of Association for the presentation of the said lists.

If the Board of Directors is composed of nine members, those elected are:

- the candidates on the list that received the highest number of votes in an equal number to the directors to be appointed less two; and
- the first named candidates on the lists that received the second and third highest number of votes and that are in no way connected, even indirectly, with the shareholders who presented or voted for the list that obtained the highest number of votes. If there is only one list other than the list that obtained the highest number of votes, the first two named candidates on that list will be elected. No account will be taken of the lists other than those which obtained the highest number of votes, in the event that they have not obtained a percentage of votes at least equal to that required by the Articles of Association for the presentation of the said lists.

If just one list is presented, the Board of Directors will be composed of all the candidates on this list.

In the event of a tied vote between two or more lists, the most senior candidates in terms of age will be elected in descending order until all positions have been assigned.

If not enough candidates elected under the aforementioned system meet the requirement of independence under the Company Articles of Association, those that do not qualify as independent and were the last to be elected sequentially from the list that received the highest number of votes are replaced with candidates that meet the criteria of independence in numerical order from the candidates that had not been elected on the same list or, failing this, by the candidates in numerical order that have not been elected on the other lists in order of the number of votes received by these lists. This replacement procedure will continue until the Board of Directors has the required number of Independent Directors under the Company Articles of Association. Lastly, if this procedure still does not give the aforementioned result, the candidates will be replaced through the approval of the Shareholders' Meeting using a relative majority to vote for previously proposed candidates that meet the necessary criteria of independence. Members that fail to meet the requirements of probity under Article 147-quinquies of the Consolidated Finance Act will forfeit their appointments as a Director.

If during the course of the financial year, one or more directors should become unavailable for any reason, in order to ensure that the majority of Directors has still been elected by the Shareholders' Meeting, the Board of Directors will replace the unavailable members by co-opting candidates meeting the same requirements from the same list as those Directors who have become unavailable, as long as these candidates are still available and wish to accept the position.

If for any reason (including because no list has been presented or because the number of Board Directors must be reconstituted following substitutions or departure from office), the Directors cannot be appointed using the above procedure but must be appointed by the Shareholders' Meeting using the majority established by law.

If, for any reason, the majority of Directors become unavailable, the other Directors' appointments will lapse and a Shareholders' Meeting to appoint a Board of Directors must be convened without delay by the remaining Directors.

The Company Articles of Association have no criteria of independence in addition to those required for Statutory Auditors under Article 148 of the Consolidated Finance Act and/or of probity and professionalism for appointment as a Director.

The Issuer is not subject to any other laws or regulations governing the composition of the Board of Directors.

## **Succession plans**

The Board of Directors has not adopted a succession plan for executive directors under Article 6.3 of the Italian Civil Code. The Board of Directors does not believe it necessary to adopt a succession plan as the current corporate governance structure of the Company with two Chief Executive Officers that have wide experience of the reference sector means that any short-term management vacancy caused by a break of continuity in management due to, for example, the early replacement or retirement of a Chief Executive Officer prior to the normal expiry date of his/her mandate, would be met thereby guaranteeing continuity and stability in the management of the Company and the Group.

## **Composition of the Board of Directors**

Under Article 21 of the Company Articles of Association, the Company is managed by a Board of Directors composed of a minimum of five and a maximum of nine Directors, chosen also from persons who are not shareholders, who may be re-elected when their mandates expire.

On the appointment of the Board of Directors, the Ordinary Meeting of Shareholders decides the length of its mandate, which may not exceed three financial years. If appointed for three financial years, the mandate of the Board will expire on the date of the Shareholders' Meeting convened to approve the Financial Statements for the last financial year of its mandate.

Given the listing of the shares on AIM Italia on 19 July 2017, the entire Board of Directors then holding office resigned in order to allow the Issuer to constitute the Board of Directors in such a way that it met the requirements of the Company Articles of Association with particular reference to the criteria of independence for some Directors and gender balance.

Therefore, the Shareholders' Meeting of 19 July 2017 convened to appoint the new Board of Directors resolved that it be made up of seven members and appointed without applying the list voting mechanism the following persons:

- Gianluca Valentini;
- Cristina Valentini;
- Luigi Cologni;
- Massimo Giorgilli;
- Alberto Francois;
- Livia Amidani Aliberti;
- Andrea Soprani.

At the date of the present Report, the Board of Directors of the Company is comprised of the same members appointed on 19 July 2017, who will remain in office until the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2019.

Information on the members of the Board of Directors currently in office is provided in Table 1 attached to the present Report.

The curricula vitae with personal and professional information on each Director, including any positions held in other entities, is provided in Attachment 1 to the present Report.

There have been no changes in the members of the Board of Directors subsequent to the end of the financial year under review.

## **Maximum number of positions that may be held in other entities**

On 19 July 2017, following approval of the adoption of the Self-regulatory Code, the Directors expressed their belief that a maximum number should be set for administration and control positions that may be held in other entities that is compatible with effectively carrying out the mandate of Director of Neodecortech and expressed the following opinion on the total number of positions that a Director of the Company may hold.

An Executive Director, besides the position held in the Company, may not:

- i) be an Executive Director in another company listed on a regulated market or on Italian or foreign multilateral trading systems or in a financial, banking or insurance company;
- ii) be a Non- executive Director or Statutory Auditor in more than three companies of the type listed above;

A Non-executive Director, besides the position held in the Company, may not:

- i) be an Executive Director in more than one other company listed on a regulated market or on a multilateral trading system or in more than two financial, banking or insurance companies or companies with equity exceeding Euro 5 billion;
- ii) be a Non- executive Director or Statutory Auditor in more than five companies of the type listed above.

These restrictions to the number of positions that may be held do not include those held in Group companies.

These criteria are included in the Code.

## **Induction Programme**

During the financial period under review, Directors and Statutory Auditors were invited to participate in events and initiatives organised by the Company that were related to its business.

The Directors and Statutory Auditors were made aware of the reference legal and self-regulatory framework for listed companies through a specific memorandum, also pursuant to and in accordance with the listing procedure.

Furthermore, an induction session was organised at the registered office of Cartiere di Guarcino S.p.A. on 16 November 2017 on the rules governing the management of inside information. This session was organised by the Company and involved both its own employees and external experts with specific responsibilities. The induction session was held in collaboration with the legal firm Gianni, Origoni, Grippo, Cappelli & Partners that had advised the Company during the AIM Italia listing process.

In 2018, the Company intends to continue with its induction programme for members of the Board of Statutory Auditors and the Board of Directors.

### **2.3. ROLE OF THE BOARD OF DIRECTORS**

In the financial year under review, the Board of Directors met 15 times. The average duration of their meetings was approximately one and a quarter hours.

Eight Board meetings are scheduled for the current financial year, three of which have already been held on 2 January, 16 February and 6 March 2018.

In the period under review, the members of the Board of Directors and of the Board of Statutory Auditors were provided with support documentation for the items to be discussed in the meetings and, in particular, those to be voted on normally two working days prior to the Board meeting except in certain cases when, during the meeting, adequate and pertinent, in-depth information was provided.

At its meeting on 29 March 2018, the Board decided that providing the relevant documentation at least two working days prior to each Board meeting was adequate to ensure that the information given ahead of the meeting was both timely and sufficient.

Meetings of the Board of Directors are chaired by the Chairperson, who ensures that all Directors who wish to express an opinion on the items on the agenda are given the chance to do so and that there is the necessary time for any clarifications or extended discussion.

Under Article 23 of the Company Articles of Association, decisions of the Board of Directors will be considered valid only if the majority of Board members are present. Decisions are taken using an absolute majority of votes cast by those present. The Chairman has the casting vote if votes cast for both sides of a decision are equal in number.

Directors who abstain or who declare a conflict of interests are not included when calculating the majority.

Under Article 24 of the Company Articles of Association, Board meetings are chaired by the Chairperson or in his/her absence by the Director appointed by those present.

Under Article 25 of the Company Articles of Association, meetings of the Board of Directors may be held via conference and videoconference call as long as each participant is identified to the others and that he/she can make real time contributions during the discussions of the items on the agenda and can receive or transmit any necessary communication. If these conditions exist, the meeting is considered to have been held where the Chairperson and the secretary to the meeting are located.

Depending on the items on the agenda, the Chairperson or the Chief Executive Officer can invite executives of the Company to attend the Board meetings in order to add value to the meetings since this is typically the forum in which Non-executive Directors acquire detailed information on specific matters regarding the Company business.

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The management of the Company is the responsibility of the Board of Directors, which implements the necessary transactions to realise the corporate objectives.

Under Article 26 of the Company Articles of Association, the Board of Directors is vested with all powers required to manage the Company without distinction and/or limitation for so-called ordinary and extraordinary administrative transactions, including the ability to set up secondary branches, issue non-convertible bonds and the use of equity for specific transactions. Under Article 27 of the Company Articles of Association, the Board of Directors may set up internal committees having a consultative and advisory function and decide their powers and remit. Section 4 of the present Report provides further information on the internal committees of the Board of Directors.

Under Article 1 of the Code, without prejudice to the authority of the Board of Directors for matters that cannot be delegated under Article 2381 of the Italian Civil Code and prevailing law, the responsibilities of the Board of Directors include:

- to examine and approve the Company and Group strategic, business and financial plans and monitor that these are implemented;
- to define the nature and level of risk that is consistent with the strategic objectives of the Company, including in its evaluation all risks that may prove significant as regards the medium/long-term sustainability of the Company business;
- to assess the adequacy of the organisational, administrative and financial structure, as well as that of the subsidiaries of strategic importance, with particular reference to the internal audit and risk management system;

- to decide the frequency, not exceeding three months, with which bodies must report to the Board of Directors on the activities carried out as part of the responsibilities delegated to them;
- to evaluate the general management performance with particular attention to the information received from the delegated bodies and the periodic comparison of results achieved with forecast results;
- prior examination and approval of Company transactions and those of its subsidiaries when they are of concrete and material strategic, economic, capital and financial importance to the Company and to define the general criteria for identifying transactions of material significance.

In the course of 2018, the Board of Directors will define the general criteria for identifying transactions of material significance and will identify the subsidiaries of strategic importance.

The Board of Directors is responsible for defining the corporate governance system of the Company and the Group structure.

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As previously mentioned, the Company approved adoption of the Self-regulatory Code on 19 July 2017 ahead of its admission and listing on AIM Italia on 26 September 2017 and, from that moment, started a gradual process to bring it in line with the best practice requirements of the Code.

Furthermore, as part of the aforementioned procedure for its admission and listing on AIM Italia, the Company implemented a partial reorganisation of its organisational structure.

At its meeting on 29 March 2018, the Board of Directors assessed the organisational and administrative structure of the Company and, in particular, analysed the organisation chart and the current system of responsibilities and decided that it was substantially adequate for the size and complexity of the Company, also given its specific characteristics.

With particular reference to the internal audit and risk management system, although the Company already has such a system, given the need to gradually align it to the best practice requirements under the Code, the Board gave a mandate to an external consultant to assist the Company in preparing a new plan for the internal audit and risk management of the Company that takes account of the status of the Company as a listed entity and of the actual organisational structure of the Group of which the Company is the Parent Company.

During its meeting on 29 March 2018, the Board discussed updating the Model 231.

On 6 December 2017, the Board assessed the general management performance, taking particular account of the information received from the Chief Executive Officer Mr Luigi Cologni, and compared the results attained with the forecast results.

In accordance with Article 1.3, letter f) of the Code, the Board of Directors discussed the transactions of the Issuer and its subsidiaries when these were of significant strategic, economic, capital and financial importance to the Issuer itself. At the date of the present Report, the Board of Directors is in the process of preparing the criteria for identifying transactions of material significance.

When its shares were listed on AIM Italia, the Company appointed the Board of Directors and set up the Committee of the Board of Directors.

The Company structured the Board of Directors to include two Executive Directors and two Independent Directors. The composition of the Board and the establishment of the Committee of the Board of Directors was considered commensurate by the Company and its advisors during the listing process, also given the professional characteristics, the experience, also managerial, and gender of the Board members, as well as their length of service.

To bring itself in line with market best practice, the Company is assessing the possibility of implementing self-appraisal measures for the Board of Directors that are consistent with the size and composition of the Board of Directors. These will allow it to identify its own strengths and, above all, weaknesses in its functioning which will become the focus of further induction training.

The Board of Directors believes that, in general, the information it received was both complete and exhaustive and the conduct of the Board meetings satisfactory.

There was a positive assessment of the induction training organised by the Company in collaboration with the legal firm Gianni, Origoni, Grippo, Cappelli & Partners, without prejudice to the fact the Board of Directors at its meeting on 29 March 2018 decided to hold further induction training sessions in the 2018 financial year, in particular, for certain business aspects considered strategic for the Group.

Furthermore, at Board meetings where items of a financial nature were discussed or the accounting statements for the period were approved, the CFO of the Company, Mr Giussani, was invited to attend.

The Shareholders' Meeting has not approved any exceptions to non-competition as defined in Article 2390 of the Italian Civil Code

## **DELEGATED BODIES**

### **Chief Executive Officers**

Under Article 27 of the Company Articles of Association, the Board of Directors, within the limits of Article 2381 of the Italian Civil Code, may delegate all or specific parts of its responsibilities to one or more of its members, including the Chairperson, defining the limits of these responsibilities and the powers given. Directors to whom responsibilities have been delegated, if appointed, must provide the Board of Directors at least quarterly with appropriate information on the general management performance and on the business outlook, as well as, within the scope of their respective mandates, on transactions of material significance both in size and nature carried out by the Company and its subsidiaries.

The Board of Directors retains control and may decide itself to carry out transactions that have been delegated and may also revoke any delegated powers.

Under Article 30 of the Company Articles of Association, the Chairperson of the Board of Directors or anyone acting on his behalf is the legal representative of the Company. The Directors with delegated powers may severally be vested with the legal representation of the Company within the scope and limits of the powers delegated to each of them.

On 19 July 2017, the Board of Directors delegated part of its responsibilities to the Director Mr Luigi Cogni and to the Director Mr Massimo Giorgilli.

The Chief Executive Officer, Mr Luigi Cogni is responsible for implementing the decisions of the Board of Directors and for the direction and management of the Company.

Specifically, the Chief Executive Officer:

ensures the timely and effective preparation of targets, strategies, macro-organisational choices and development policies to be put to the Board of Directors for its assessment and approval;

answers to the Board of Directors on the direction and management of the Company. He is responsible for the results, based on objectives, and for implementing the approved strategies and policies.

Moreover, Mr Luigi Cogni was vested with the power, *inter alia*, to negotiate, stipulate, amend or terminate any contracts necessary or useful or instrumental to the business of the Company, including the power to purchase, acquire through lease agreements, exchange, sell, hire plant, equipment and production assets and/or registered movable assets (e.g. vehicles) up to a maximum amount of Euro 250,000 for each single transaction, as well as to agree contracts with consultants and/or for the use of intellectual property for a maximum amount of Euro 100,000 per annum for each single transaction and/or for each individual appointment.

The Chief Executive Officer, Mr Massimo Giorgilli, has the authority to sign the Company correspondence and can also stipulate, amend and sign contracts that are instrumental to the business of the Company.

Therefore, Mr Luigi Cogni is the Chief Executive Officer, which means that he is the Executive Director, who, as a result of the powers vested in him and the actual exercise of these powers is the main person responsible for the management of the Issuer. As recommended in application criteria 2.C.5. of the Self-regulatory Code of Borsa Italiana, he is not subject to problems of cross-directorship, as Mr Luigi Cogni only holds positions within the Neodecortech Group.

### **Chairperson and Deputy Chairperson**

Under Article 24 of the Company Articles of Association, the Board of Directors appoints a Chairperson from among its members when this is not done by the Shareholders' Meeting; it may also appoint a secretary, which may also be a permanent appointment, and may be someone who is not a member of the Board of Directors.

On 19 July 2017, the Shareholders' Meeting appointed Mr Gianluca Valentini as Chairperson of the Board whilst Ms Cristina Valentini was appointed Deputy Chairperson at the meeting of the Board of Directors held on the same date.

The Chairperson convenes the Board and prepares the agenda of the meetings, coordinates its activities and guides its deliberations. The Chairperson also ensures that all Directors are given prior information on the agenda and reviews and approves all the documentation to be sent to the participants at the meeting.

Although the Chairperson as part of the Board of Directors takes part in preparing the corporate strategies he has not been given any specific responsibilities.

Executive Committee

No Executive Committee has been appointed.

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### **Information provided to the Board of Directors**

During the financial year under review, the Chief Executive Officer, Mr Luigi Cogni, reported at least quarterly to the Board of Directors in relation to the responsibilities conferred on him, presenting his report in the most effective way to allow the Directors to make informed comments on the matters brought to their attention.

### **INDEPENDENT DIRECTORS**

The Independent Directors of the Company are sufficient in number and authority to ensure that their opinions may have a significant influence on the decisions made by the Board of Directors of the Company. The Independent Directors bring

their specific expertise to Board discussions, contributing to the making of decisions that are consistent with the corporate interest.

Under Article 21 of the Company's Articles of Association, at least one member of the Board of Directors, or two if the Board is composed of between seven and eight members, or three if the Board is composed of nine members, must possess the criteria to qualify as independent pursuant to Article 147-ter of the Consolidated Finance Law (*TUF*).

The Board conducts its evaluation both on the basis of the legal criteria of independence and by applying all of the standards of the Self-regulatory Code of Borsa Italiana.

The Board of Directors in office at the end of the financial year and at the date of the present Report includes the Directors Livia Amidani Aliberti and Andrea Soprani who qualified as independent at the date of the appointment of the Board.

The criteria of independence pursuant to Article 3 of the Self-regulatory Code and Article 148 of the Consolidated Finance Law (*TUF*) of the aforementioned Independent Directors were verified by the Board of Directors in the first Board meeting following their appointment and this evaluation is conducted annually or in the event of circumstances that may have relevance to their independent status. The results of this evaluation are published in the Admission Document.

The Independent Directors in office at the end of the financial year and at the date of the present Report possess the criteria of independence pursuant to Article 3 of the Self-regulatory Code and Article 148 of the Consolidated Finance Law (*TUF*) since none of them:

- controls the Issuer, directly or indirectly, or through subsidiary companies, trustees or third parties nor are they in a position to exert significant influence on the Issuer.
- is a participant, directly or indirectly, in any shareholders' agreement through which one or more persons may exercise control or significant influence over the Issuer.
- holds, or has in the previous three financial years held, a senior position (i.e. Chairperson, legal representative, Chairperson of the Board of Directors, Executive Director or Manager with strategic responsibilities) in the Issuer, a subsidiary of strategic importance of the Issuer, a company jointly controlled by the Issuer, a company or entity that, independently or in conjunction with others through a shareholder pact, may exercise control or significant influence over the Issuer;
- holds, and has not held in the previous financial year, directly or indirectly (e.g. through subsidiaries or companies in which they hold a senior position, in the sense described in point (iii) above, or as partner in a professional legal or accountancy firm or consultancy), a significant commercial, financial or professional relationship or permanent employment contract: (a) with the Issuer, with one of its subsidiaries, or with any person holding a senior position, in the sense described in point (iii) above, of any of these; (b) with a person that, independently or in conjunction with others through a shareholder pact, controls the Issuer, or – in the case of companies or entities – with persons holding a senior position, in the sense described in point (iii) above, of any of these.
- without prejudice to point (iv) above, has an employment relationship, freelance or employment contract, or other relationship either capital or professional that might compromise their independent status (a) with the Issuer, with its subsidiaries or controlling shareholders or with jointly controlled companies; (b) with the Issuer's Directors; (c) with spouses, partners, close relatives or relations to the fourth degree of consanguinity of Directors of the companies referred to in point (a) above;
- has received, nor has received in the previous three financial years, from the Issuer or its subsidiaries or controlling entities, significant additional remuneration over and above the "fixed" emoluments of Non-executive Directors of the Company, including participation in incentive schemes tied to company performance, including equity based schemes.
- has been a Director of the Issuer for more than nine of the past twelve years;
- holds the position of Executive Director in any other company in which an Executive Director of the Issuer holds the position of Director.
- is a shareholder or Executive Director or Director of any company or entity belonging to the network of companies appointed to carry out the independent audit of the Issuer;
- is a close relative of any person occupying any of the positions referred to in the preceding sections and is not a spouse, partner, close relative or relation to the fourth degree of consanguinity of the Directors of the Issuer, of the companies controlled by the Issuer, of the controlling entities of the Issuer and those subject to joint control.

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The procedures followed by the Board of Directors to verify independence require that possession of the required criteria is declared by the Director on presenting her/his candidacy and again on accepting the position, and is ratified by the Board of Directors at the first Board Meeting following the appointment on the basis of the information available. The results must then be communicated to the market in a press release. The evaluation is conducted annually or in the event of circumstances that may have relevance to the Director's independent status.

During the financial year under review, the meeting of the Board of Statutory Auditors on 13 September 2017 verified the procedures adopted by the Board of Directors to evaluate the independence of its Directors, and stated that it had nothing of significance to report.

On 31 August 2017, the Board of Directors verified that both the aforementioned Independent Directors were in possession of the relevant criteria of independence.

The Board of Statutory Auditors verified the procedures adopted by the Board of Directors in carrying out this evaluation and stated that it had nothing of significance to report.

During the year, the Independent Directors did not meet in the absence of the other Directors, as it was considered preferable to conduct meetings with the Group's managers and employees in this initial post-quotations period.

## **LEAD INDEPENDENT DIRECTOR**

The Company has not appointed a Lead Independent Director as none of the conditions pursuant to Article 2 paragraph 3 of the Self-regulatory Code of Borsa Italiana are applicable.

## **TREATMENT OF COMPANY INFORMATION**

The Board has approved the following procedures to govern the use of privileged information: (i) internal regulations for the management and external communication of privileged information and maintenance and updating of the registry of persons having access to privileged information (the "Privileged Information Regulation"); (ii) the internal dealing procedure (the "Internal Dealing Procedure").

Both of the aforementioned procedures are available on the Issuer's website <http://www.neodecortech.it/it/doc2corporate/procedure.aspx>.

## **INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS**

Article 5 of the Self-regulatory Code allows the Board of Directors to set up one or more internal committees with responsibility to make proposals and give advice, without prejudice to the Board of Directors' authority to combine in one single committee the responsibilities of the committees defined in the Self-regulatory Code.

The establishment and functioning of the committees specified by the Code are based on the following criteria:

- the committees are composed of no less than three members, all of whom are independent directors and the work of the committees is co-ordinated by a chairperson. If there are fewer than three independent directors on the Board of Directors, the committees will be composed of the independent directors present on the Board of Directors and by non-executive members. In this case, the Chairperson of the Committee will be selected from the independent directors.
- the duties of each committee are established by the resolution with which they are formed and may be added to or amended by subsequent resolutions of the Board of Directors.
- the meetings of each committee will be minuted and the chairperson of the committee will report on committee meetings at the first available meeting of the Board of Directors.
- in order to carry out their responsibilities, the committees have access to all necessary company information and departments, and may use external consultants, in accordance with the terms established by the Board of Directors. The Company will make adequate financial resources available to the committees to allow them to carry out their responsibilities, within the budget limits approved by the Board of Directors;
- committees may invite persons who are not committee members to attend their meetings, including other members of the Board of Directors or Company executives, to contribute to specific items on the agenda.

On 19 July 2017, the Board, in accordance with the requirements of the Self-regulatory Code, approved the establishment of a single committee (the "Committee of the Board of Directors" or the "Committee"), which combines the responsibilities of the committees defined by the Self-regulatory Code: (i) the Appointments Committee; (ii) the Remuneration Committee; and (iii) the Control and Risk Management Committee (the "Committees"). At the time of the present Report, the Independent Non-executive Directors Livia Amidani Aliberti and Andrea Soprani and the Non-executive Director Alberto Francois are members of the Committee of the Board of Directors.

The Committee of the Board of Directors has been set up in accordance with the aforementioned conditions.

It is confirmed that no responsibility of the Committees has been reserved for the Board of Directors.

Given the Company's size and structure, the Board of Directors considered it appropriate to set up a single internal committee which combines all the responsibilities of the aforementioned committees.

## **Composition and functioning of the Committee of the Board of Directors**

The Committee of the Board of Directors is composed of three Non-executive Directors of whom two are independent, namely, Livia Amidani Aliberti (independent), Andrea Soprani (independent) and Alberto Francois.

The work of the Committee is co-ordinated by the Chairperson, Livia Amidani Aliberti, appointed by the Board of Directors. Its meetings are duly minuted and, during the year under review, the Chairperson of the Committee of the Board of Directors,

at the first available Board meeting, reported on the work carried out and provided all of the Directors with the minutes of the Committee meetings.

It should be noted that the members of the Committee of the Board of Directors have appropriate knowledge and experience of financial issues, remuneration policy and risk management. The Board of Directors considered the expertise of the Directors to be appropriate at the time of their appointment.

Directors must not attend any meetings of the Committee of the Board of Directors that discuss proposals of the Board regarding the remuneration of Directors.

The Committee of the Board of Directors met once during the year, on 31 October 2017, and the meeting lasted one hour. At this meeting, the Committee of the Board of Directors set out the agenda for its activities for 2017 and the first months of 2018 taking into consideration the compliance responsibilities associated with the approval of the Financial Statements for the financial year.

In addition, with regard to the internal control and risk management system, the members of the Committee agreed on the need for the Company to gradually upgrade the system to meet the provisions of the Self-regulatory Code.

At least five meetings of the Committee of the Board of Directors have been scheduled for the current year, three of which have already been held, on 31 January 2018, 19 March 2018 and 28 March 2018.

The meeting of the Committee of the Board of Directors held on 28 March 2018 verified the achievement of the Company's performance objectives which were established as a parameter both for the allocation of the variable component of the remuneration of the Directors Mr. Giorgilli and Mr. Cogni and for the allocation of shares relating to the share incentive scheme approved by the Board of Directors on 31 August 2017, with reference to the Financial Statements for the year ended 31 December 2017.

Further information on the attendance of the members of the Committee of the Board of Directors in meetings are shown in Table 1 attached to the present Report.

During the year, the Committee of the Board of Directors was composed of three Non-executive Directors, two of whom are independent.

The Committee of the Board of Directors had access to all necessary company information and departments in carrying out its activities, and met with the appropriate people according to the matters under consideration.

No financial resources were provided to the Committee of the Board of Directors as it had no need to use external consultants and it had access to the Issuer's corporate structure and resources to carry out its own duties.

### **Responsibilities of the Appointments Committee**

The Committee of the Board of Directors, in its function as the Appointments Committee, has the following responsibilities:

- to provide advice to the Board of Directors regarding the size and composition of the Board and to express recommendations regarding the suitability of candidates for membership of the Board;
- to provide advice regarding the maximum number of positions that may be held by Directors or Statutory Auditors in companies quoted on regulated markets or multilateral trading systems that may be considered compatible with the effective performance of the duties of a Director of the Company; this advice must take account of the attendance of the Directors at internal Board committees so that the Board can identify different general criteria for the responsibilities of each role (Executive, Non-executive or Independent director), also in relation to the size and nature of the companies in which the positions are held, as well as any possible membership of the Group;
- to present recommendations regarding the evaluations of the Board of Directors to make exceptions to the non-competition provisions of Article 2390 of the Italian Civil Code;
- to propose candidates to the Board of Directors in the event of co-option of a Director or Directors or, where it becomes necessary, to replace Independent Directors.

### **Responsibilities of the Remuneration Committee**

The Committee of the Board of Directors, in its function as the Remuneration Committee, has the following responsibilities:

- to submit proposals to the Board of Directors for the preparation of a remuneration policy for Directors and executives with strategic responsibilities;
- to evaluate periodically the overall adequacy, coherency and consistent application of the remuneration policy for Directors and executives with strategic responsibilities and, in doing so, to make use of information provided by the Chief Executive Officer; to prepare relevant proposals for the Board of Directors.
- to submit proposals or express opinions to the Board of Directors on the remuneration of Executive Directors and other Directors with specific responsibilities and to set performance objectives on which the variable component of such remuneration may be based; to monitor the application of decisions adopted by the Board of Directors, with particular regard to the achievement of performance objectives.

### **Responsibilities of the Control and Risk Management Committee**

The Committee of the Board of Directors, in its function as the Control and Risk Management Committee, has the responsibility to support, following the appropriate preliminary examination, the evaluations and decisions of the Board of Directors regarding the internal control and risk management system and those relating to the approval of periodic financial reports.

- In carrying out the activities of the Control and Risk Management Committee, the Committee of the Board of Directors:
- a) evaluates, having consulted the Independent Audit firm and the Board of Statutory Auditors, the correct and consistent application of accounting principles in the preparation of the Consolidated Financial Statements;
  - b) expresses its opinion on specific aspects inherent to the identification of the principal risks to which the Company may be exposed;
  - c) examines periodic reports, in order to evaluate the internal control and risk management system and those with particular significance prepared by the internal audit department;
  - d) monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit department;
  - e) may request the internal audit department to carry out checks on specific operating areas, at the same time notifying the Chairperson of the Board of Statutory Auditors;
  - f) reports to the Board of Directors, at least on a six monthly basis, on approval of the annual and six-month interim financial statements, on the activities carried out and on the adequacy of the internal control and risk management system;
  - g) gives its support, following the appropriate preliminary examination, to the evaluations and decisions of the Board of Directors on the management of risks arising from compromising events or circumstances which have come to the attention of the Board of Directors.

\* \* \*

The Committee of the Board of Directors also functions as the Committee for Related Party Transactions in accordance with the relevant procedures adopted by the Company for regulations concerning related-party transactions under Article 13 of the AIM Issuers' Regulations.

## **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Board of Directors, which is responsible for the entire internal and risk control management system, determines, with the support of the Committee of the Board of Directors, the guidelines for the internal control and risk management system, so that the principal risks to which the Company and its subsidiaries may be exposed can be correctly identified and adequately measured, managed and monitored, and also the extent of the compatibility of these risks with management of the Company that is consistent with the strategic objectives identified.

Given the complexity of management activities and taking into consideration that the assumption of risk represents a fundamental and unavoidable factor in the Company's activity, the Board of Directors has assessed the importance of preemptively identifying and mapping the main risks before they arise and of adopting suitable means of managing them and reducing their potential impact.

Therefore, in preparing the strategic industrial and financial plan for the period 2017 – 2019, the Board evaluated the level of risk that it considers to be compatible with its strategic objectives.

Following the listing of its shares on AIM Italia, and in the context of the gradual upgrading to meet the regulatory provisions of the Self-regulatory Code, the Company initiated a development process for its governance and control system, with the support of an external consultant, with the specific aim of building an integrated risk model, inspired by sector best practice, and upgrading its organisational model pursuant to Legislative Decree 231/2001.

On 29 March 2018, following the report presented by the Director in Charge of this activity and having consulted the Committee of the Board of Directors, the Board of Directors expressed a positive opinion on the actions implemented up to that date, considering them functional and consistent with the Group's need to progressively upgrade in order to meet the requirements of the Self-regulatory Code and, in particular, those for the internal control and risk management system.

The Plan of the Head of Internal Audit was also presented and approved by the Board of Directors at the same Board meeting, having previously heard the opinion of the Board of Statutory Auditors and the Control and Risk Management Committee.

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## **DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

On 6 December 2017, the Board of Directors, with the approval of the Committee of the Board of Directors, appointed Mr Luigi Cognigni as Director In Charge of the internal control and risk management system ("Director In Charge").

The Director In Charge has responsibility for:

- identifying the principal risks facing the company, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them for the appraisal of the Board of Directors;

- implementing the guidelines decided by the Board of Directors, supervising the planning, construction and management of the internal control and risk management system, and periodically verifying the adequacy and effectiveness of the system;
- adapting the system to the dynamics of operating conditions and the legal and regulatory environment;
- requesting the internal audit department to carry out checks on specific operating areas and ensure that company activities comply with internal rules and procedures, providing relevant feedback to the Chairperson of the Board of Directors, the Chairperson of the Committee of the Board of Directors and the Chairperson of the Board of Statutory Auditors.
- reporting promptly to the Committee of the Board of Directors (or the Board of Directors) on any problems or critical situations identified in carrying out his responsibilities or which have been brought to his attention in order that the Committee of the Board of Directors (or the Board of Directors) may take the appropriate action.

Whereas implementation of the internal control and risk management system in accordance with the standards of the Self-regulatory Code are currently in progress, the Director In Charge during the year, at the request of the Committee of the Board of Directors, undertook to:

- update the risks identified in Legislative Decree 231/2001, also in view of the new categories of violations defined in laws no. 167/2017 and 179/2017, and to implement the consequent update to Model 231 (as defined below);
- to establish the position of Internal Audit Manager (as defined below);
- to implement a data management system, in view of the introduction of the European regulation no. 2016/679/UE (the "GDPR");
- update the management information system of the Company and the Group, in order to co-ordinate the administrative functions of the companies of the Group, so that the Company, as Parent Company of the Group can maintain management control of the accounting and financial data to ensure the completeness and correctness of the information.

## INTERNAL AUDIT MANAGER

On 11 January 2018, the Chief Executive Officer, Mr Luigi Cologni, appointed the accountancy firm, Studio Candotti, as Manager of the Internal Audit department (the "Internal Audit Manager") to verify that the internal control system is both functional and adequate. The appointment of Studio Candotti was based on an evaluation of the improvements in efficiency in terms of cost and expertise, as well as optimisation of resources and the need to ensure the professionalism, independence and autonomy of the department.

It should be noted that Studio Candotti is considered to have the appropriate qualifications of professionalism, independence and organisation for the role.

The remuneration of the Internal Audit Manager was determined by the Chief Executive Officer, Mr Luigi Cologni, in line with market levels.

The Internal Audit Manager:

- must ensure the functioning and suitability of the internal control and risk management system, both continuously and with regard to specific needs, in accordance with international standards;
- has direct access to all useful information necessary to perform its duties;
- must prepare periodic reports containing adequate information about its activities, on the methods adopted for the management of risk and on compliance with specified risk containment plans. The periodic reports should contain an evaluation of the suitability of the internal control and risk management system;
- must promptly prepare reports on events of particular significance;
- must distribute the reports referred to in points c) and d) to the Chairpersons of the Board of Statutory Auditors, the Committee of the Board of Directors and the Board of Directors and to the Director In Charge;
- must ensure, as part of the audit process, the reliability of the information systems including the financial accounting reporting system.

At the date of the present Report, with respect to the process of implementing the risk control and management system in accordance with market best practice, the Internal Audit Manager presented the audit plan for 2018 (the "Plan") to the Board of Directors, which approved it on 29 March 2018.

## ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE no. 231/01

The Company has adopted an Organisation, Management and Control Model ("Model 231") in accordance with Legislative Decree 231/2001 ("Decree 231").

On 29 March 2018, the Board of Directors approved an updated version of Model 231, the general section of which is available in the Corporate Governance section of the Company website, [www.neodecortech.it](http://www.neodecortech.it).

The objective of Model 231 is to prevent violations of the kind described therein in the interest or to the advantage of the Company by its senior personnel or by its associates or employees and is regularly updated by the Company to incorporate any regulatory amendments or recommendations from the Supervisory Body.

Model 231 is composed of two parts. The first, of a general nature, illustrates the aims, the persons to whom it is addressed, the components of the Model 231 preventive control system, and, in accordance with the provisions of Legislative Decree no. 231/2001, the structure, the functioning and the duties of the Supervisory Body, which, pursuant to Article 6 of Legislative Decree no. 231/2001, is responsible for ensuring the operation and compliance with Model 231.

The second part of Model 231, with special sections, contains the description of the violations or offences specified by Legislative Decree no. 231/2001 and the related penalties with reference to the areas of risk regarding the committing of the aforementioned offences identified in Model 231.

The type of offence that Model 231 is intended to prevent, based on the risk-mapping analysis conducted with regard to adoption of the model, include:

1. crimes relating to abuse of office, illicit incitement to give or promise benefits and corruption and crimes of inducement to withhold information or to provide misleading information to judicial authorities;
2. crimes relating to illicit receipt of payments, fraudulent activity to the detriment of the State or a public entity or in an attempt to obtain public funds and computer fraud to the detriment of the State or a public entity;
3. crimes against industry and trading;
4. corporate crimes;
5. crimes of terrorism or subversion of the democratic order;
6. crimes relating to illegal employment or exploitation of labour ("Gangmaster" labour abuse)
7. crimes relating to employment of citizens of other countries who do not have the correct resident's permit;
8. market abuse crimes;
9. crimes relating to culpable homicide or grievous bodily harm committed in violation of the laws on health and safety at work;
10. crimes relating to receiving, laundering or using money, goods or benefits of illegal origin as well as self-laundering;
11. computer crimes and illicit use of data;
12. crimes related to violation of copyright;
13. environmental crimes (eco-crimes);
14. offences relating to organised crime;
15. crimes of corruption between private citizens and incitement to corrupt between private citizens;
16. cross border offences;
17. crimes relating to xenophobia and racism.

The model also includes rules relating to the System of anonymous disclosures to the Supervisory Body, known as "Whistleblowing".

The regulations contained in Model 231 complement those of the Code of Ethics, which describes the ethical obligations and responsibilities for the conduct of business and corporate activity to which every employee and all persons with whom the Company comes into contact must adhere in carrying out their activities, in the belief that the ethical conduct of business is the basis for successful corporate activities.

In accordance with the provisions of Legislative Decree no. 231/01, the Company has also set up a Supervisory Body, which is authorised to monitor the application of and compliance with Model 231 and arrange any necessary updates and audits.

At the date of this Report, the Supervisory Body is composed of the following members:

- Ettore Raspadori (Chairperson);
- Mauro Frigerio (internal member of the Company).

#### **INDEPENDENT AUDIT COMPANY**

BDO Italia S.p.A. has been appointed as independent auditors of the Financial Statements.

The mandate was conferred by the Shareholders' Meeting of 23 June 2017 and will expire on approval of the financial statements for the year to 31 December 2019.

#### **COORDINATION OF PERSONNEL INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

Given the limited size and complexity of the Company, it was not considered necessary to identify formal procedures to coordinate the personnel involved in the Internal Control and Risk Management System.

It should also be noted that Model 231 specifies duties of coordination between the Company's departments and its control bodies with regard to significant violations pursuant to and by effect of Legislative Decree no. 231/2001.

## **APPOINTMENT OF STATUTORY AUDITORS**

In accordance with Article 31 of the Company Articles of Association, the Board of Statutory Auditors is composed of three Acting Statutory Auditors and two Alternate Statutory Auditors. The Auditors remain in office for three financial years and may be re-elected. Their mandates expire on the date of the Shareholders' Meeting called to approve the financial statements of the third year of their mandate.

The appointment of Statutory Auditors is conducted on the basis of lists presented by shareholders in which candidates are listed in numerical order.

The lists presented by shareholders are composed of two sections, one for candidates for the position of Acting Statutory Auditor and the other for candidates for the position of Alternate Auditor. Shareholders who, individually or jointly, hold at least 5% (five percent) of the share capital of the Company and are entitled to vote in ordinary meetings of shareholders are entitled to present a list. The candidates, under penalty of ineligibility, must possess the appropriate credentials of good reputation pursuant to Article 148, paragraph 4 of the Consolidated Finance Law (*TUF*).

Each shareholder, as well as shareholders belonging to the same group (i.e. subsidiaries, controlling entities and entities subject to the same control under Article 2359, first paragraph, nos. 1 and 2 of the Italian Civil Code) and shareholders belonging to the same shareholder agreement may combine to present and vote for one list only. Each candidate may only appear on one list under penalty of ineligibility.

Applications submitted and votes expressed in violation of this rule will not be attributed to any list. Without prejudice to the rules and circumstances indicating ineligibility expressed in law and the limits to the number of positions held as expressed in applicable laws, candidates who are not in possession of the appropriate qualities of professionalism and probity established by applicable regulations may not be included on the lists.

Outgoing Statutory Auditors may be re-elected. Lists must be deposited at the registered office of the Company at least seven days preceding the date for the Shareholders' Meeting in first convocation, or, if the date of any subsequent convocation has not been included in the Notice to convene the Shareholders' Meeting, at least seven days before the date fixed for each convocation. Each list must be accompanied by the curricula vitae of the candidates and statements in which each candidate accepts their candidacy and declares, under his/her own responsibility, that there is no cause that would make him/her ineligible or incompatible and that he/she possesses the qualifications under enacted laws to hold the position. The lists and accompanying documents relating to each candidate must be made publicly available at the Company's registered offices and on its website at least seven days prior to the Shareholders' Meeting.

The number of shares registered to the shareholder on the day that the lists are deposited with the Company will be scrutinized to determine the legitimacy of the lists presented.

The relevant certification of ownership may also be presented after the lists have been deposited provided that they are presented within the time limits specified for the publication of the lists by the Company.

The presentation of any list which does not comply with the aforementioned rules will be considered as not having been presented. The election of Statutory Auditors is conducted as follows:

- two acting Statutory Auditors and one Alternate Auditor will be drawn from the list which has obtained the highest number of votes in the numerical order in which their names appear in the relevant sections of the list.
- the remaining acting Statutory Auditor and the other Alternate Auditor will be drawn, in the numerical order in which their names appear in the relevant sections of the list, from the list that has received the second highest number of votes and which has no connection, direct or indirect, with the shareholders who presented or voted the list that received the highest number of votes.

The election of Statutory Auditors will however be subject to the laws and regulations in force at any given time. In the event of a tied vote between two or more lists, the most senior candidates in terms of age will be elected in descending order until all positions have been assigned.

No account will be taken of the lists other than those which obtained the highest number of votes, in the event that they have not obtained a percentage of votes at least equal to that required by the Articles of Association for the presentation of the said lists.

The Acting Statutory Auditor drawn from the minority list will be appointed Chairperson of the Board of Statutory Auditors.

Any Statutory Auditor who fails to observe or maintain the required legal and statutory standards, including reputational criteria, pursuant to Article 148, paragraph 4 of the Consolidated Finance Law (*TUF*) will be removed from office.

Should it be necessary to substitute an acting Statutory Auditor, she/he will be replaced by the Alternate Auditor from the same list as the Acting Statutory Auditor to be substituted, until the next Meeting of Shareholders.

In the case of Shareholders' Meetings where only one list has been presented, or no lists have been presented, or in Shareholders' Meetings which are legally obliged to appoint Acting Statutory Auditors or Alternate Auditors to restore the composition of the Board of Statutory Auditors following substitution, departure or resignation, the Shareholders' Meeting will vote in accordance with the majority established by law.

The Shareholders' Meeting will determine the remuneration of Statutory Auditors as well as reimbursement of expenses incurred in carrying out their duties.

## **COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS**

In view of the listing of the Company's shares on AIM Italia, on 19 July 2017 the entire Board of Statutory Auditors in office at that date submitted their resignations to allow the Issuer to appoint a new Board of Statutory Auditors, such that the composition of the same should comply with the regulations contained in the Articles, particularly with regard to the reputational requirements pursuant to Article 148, paragraph 4 of the Consolidated Finance Law (*TUF*).

The current Board of Statutory Auditors was appointed by the Ordinary Meeting of Shareholders on 19 July 2017 and will remain in office until the Shareholders' Meeting convened to approve the Financial Statements for the year to 31 December 2019. The current Board of Statutory Auditors was appointed without applying the list voting mechanism.

The Board of Statutory Auditors is composed of the following members:

- Marinella Monterumisi (Chairperson);
- Marco Campidelli (Statutory Auditor);
- Guido Riccardi (Statutory Auditor);
- Giovanni Tedeschi (Alternate Auditor);
- Mariangela Passerini (Alternate Auditor).

Further information on the composition of the Board of Statutory Auditors and on the attendance of the Statutory Auditors at meetings of the Board of Statutory Auditors are given in Table 2 attached to the present Report.

The curricula vitae showing the personal and professional credentials of each Statutory Auditor are given in Attachment 2 of the present Report.

Meetings of the Board of Statutory Auditors, if the Chairperson ascertains that it is necessary, may validly be held in video-conference or teleconference, on the conditions that all participants can be identified by the Chairperson and all other participants, that they are allowed to follow discussions and make real time contributions to the matters being discussed, that they are allowed to exchange documents relating to the matters being discussed and that all the foregoing is recorded in the minutes of the meeting. On the basis that these conditions are satisfied, meetings of the Board of Statutory Auditors are considered to be held wherever the Chairperson is present.

The Board of Statutory Auditors met on five occasions during the financial year under review. The meetings were held on 7 February 2017, 13 March 2017, 8 May 2017, 13 September 2017 and 15 December 2017. The meetings lasted on average approximately three hours and all members of the Board of Statutory Auditors were present at each meeting.

Five meetings of the Board of Statutory Auditors have been scheduled for the current financial year, one of which has already taken place on 19 March 2018.

There were no changes to the composition of the Board of Statutory Auditors after the end of the financial year.

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On 13 September 2017, the Board of Statutory Auditors verified the independent status of its members, which had already been verified at the time of their appointment, on the basis of the criteria in Article 148, paragraph 3 of the Consolidated Finance Law (*TUF*) and in accordance with the recommendations of the National Council of Chartered Accountants and Accounting Professionals (*Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili*) and the Self-regulatory Code of Borsa Italiana.

The members of the Board of Statutory Auditors did not attend the induction programmes organised by the Company for the members of the Board of Directors.

The remuneration of the Statutory Auditors is commensurate with the work required of them, the significance of the position held and the Company's size and operating sector.

The Code states that any Statutory Auditor who, independently or through third parties, has an interest in any given transaction involving the Issuer, must immediately and exhaustively inform the other Statutory Auditors and the Chairperson of the Board of Statutory Auditors about the nature, terms, origin and significance of his/her interest.

Filago (Bergamo), 29 March 2018

## ATTACHMENT 1 CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS

### **Gianluca Valentini**

A graduate in Philosophy from the Università degli Studi di Bologna, he completed an MBA at the Università Commerciale Bocconi of Milano in 1990.

Subsequently, he started his career in the family company, Industrie Valentini S.p.A., holding positions of increasing responsibility primarily in production and logistics.

He is a director and executive director in numerous companies of the Valentini Group.

### **Luigi Cologni**

He graduated in Economics and Business from the Università degli Studi di Bergamo in 1987 and, in 1990, completed an MBA at the Università Commerciale Bocconi in Milan.

After holding various positions in the branches of Banca Agricola Milanese and Credito Bergamasco, he was Chief Executive Officer and General Manager of Nicolini Cucine S.p.A. and Ernestomeda S.p.A. from January 1991 until March 1997.

From April 1997 to August 2005, he was General Manager of the kitchen division of Poliform S.p.A..

He is Chief Executive Officer of the Issuer and a member of the Board of Directors of Cartiere di Guarcino S.p.A..

### **Massimo Giorgilli**

He graduated in Law from the Università la Sapienza in Rome in 1996 and, in 1998, completed a Masters in Business Administration from the Università LUISS in Rome.

After a brief experience at a legal firm, he successfully set up a consultancy company.

He started working in management control in the paper industry in 2002. He was a Board director of Banca di Credito Cooperativo di Fiuggi from 2006 to 2009 and President of the Consorzio Fil.Cart from 2009 to 2014. He joined the Group in 2003 as the CFO of Cartiere di Guarcino S.p.A. ("CDG"), subsequently becoming its Executive Director.

He is Chief Executive Officer of CDG, Sole Administrator of Bio Energia Guarcino S.r.l. and the President of for the graphic and printed paper segment of Unindustria Roma-Frosinone-Latina-Rieti-Viterbo.

### **Alberto Francois**

A graduate in Economics and Business from the Università degli Studi di Bologna, he subsequently qualified as a chartered accountant and is a member of the Association of Chartered Accountants and Accounting Professionals.

He began his professional career in 1993 as a consultant on corporate and fiscal matters; from 1996 to 2006 he worked in the audit division of EY holding positions of increasing responsibility.

Since 2015, he has been CFO of Finanziaria Valentini S.p.A. and is also responsible for coordinating the information technology and human resources departments of some of the subsidiaries of the Valentini Group. He was previously the finance director of several important groups, both Italian and international.

### **Cristina Valentini**

She completed a diploma in Accounting and Business in 1987.

Since 1987, she has worked at Industrie Valentini S.p.A. holding positions of increasing responsibility. She was head of product development at Industrie Valentini S.p.A. and instigated the process that subsequently led to significant diversification of both products and markets.

She is currently a Vice President of Industrie Valentini S.p.A and a member of the Strategy and Steering Committee of the same company.

She is a member of the Boards of Directors of Valfina S.p.A. and Finanziaria Valentini S.p.A..

### **Livia Amidani Aliberti**

She holds a degree in Economics and Business from the Università LUISS in Rome and a Post Graduate Diploma from FT-Pearson (UK). She is a member of the Association of Chartered Accountants of Rome and a member of the Scientific Committee of NedCommunity.

She is the author of numerous publications and studies on gender diversity and corporate directorships.

She is an independent director of Venture Group S.p.A., a Standing Statutory Auditor of Recordati S.p.A., a Non-executive Director of Amnesty International Charitable Trust UK (a Company Limited by Guarantee) and a Board Director of Quantyx Ltd.

### **Andrea Soprani**

A graduate in Economics and Business from the Università degli Studi di Bologna, from 1986 to 2002 he worked for Price-waterhouseCoopers SpA, holding various positions that included head of internal training, employee selection, corporate finance and transaction services. Since 2003, he has been a chartered accountant and also acts as a corporate consultant specialising in administration, finance and control. He is a member of the Commission of Chartered Accountants for the

International Accounting Standards and is also a freelance writer and lecturer on legal auditing, financial statements, Italian and international accounting standards and management control.

Positions held by members of the Board of Directors

Name and surname	Company	Position
<b>Livia Amidani Aliberti</b>	Recordati industria chimica e farmaceutica S.p.A.	Statutory Auditor
	LVenture Group S.p.A.	Board Director

**ATTACHMENT 2****CURRICULA VITAE OF MEMBERS OF THE BOARD OF STATUTORY AUDITORS****Marinella Monterumisi**

After obtaining a diploma in Accounting and Business from the R. Valturio technical college in Rimini in 1974, she qualified as a chartered accountant. She is a member of the Association of Chartered Accountants and Auditors and is a technical consultant to the Rimini Courts.

In the course of her professional career she has been a Statutory Auditor of numerous public and private companies. She is a Board Director of listed companies and a member of the Board of Statutory Auditors and Sole Auditor of financial institutions.

**Marco Campidelli**

He obtained a diploma in accountancy in 1977 and has been a member of the Association of Chartered Accountants and Accounting Professionals since 1984, and is also a member of the Association of Auditors for the Ministry of Justice.

He is a corporate and tax consultant specialising in extraordinary corporate transactions (mergers, demergers and transformation transactions).

He has extensive experience of fiscal matters and, in particular, of VAT, of relations with the Republic of San Marino and of managing the international tax affairs of economic relations between resident companies and foreign related parties. He is a consultant for numerous companies, most of which have registered offices in Emilia Romagna and are active in industry, trade and building construction.

He is also a consultant for the renegotiation of bank debt and/or that to third-party creditors.

He has been a partner of Studio Associato LMB since 1997 and is a Statutory Auditor and Chairman of the Board of Statutory Auditors of numerous companies.

**Guido Riccardi**

He graduated in Business Economics from the Università Commerciale Luigi Bocconi in Milan in 1980 and, since 1983, has been a member of the Association of Chartered Accountants and a member of the Association of Auditors for the Ministry of Justice. He is also a member of the Association of Technical Consultants to the Civil and Penal Courts of Milan.

He worked as an auditor at Peat Marwick Mitchell (now KPMG) from 1980 to 1983.

In January 1984, he founded the firm Riccardi Salom Tedeschi, of which he is currently a partner acting as a consultant to Italian and international private equity funds.

He is a Board Director and Chairman of the Board of Statutory Auditors of numerous listed companies, investment companies (*SGR – Società di Gestione del Risparmio*) and trust companies.

In 1999, he taught at the Università Commerciale Luigi Bocconi in Milan on the training course for the State exam organised by the Chartered Accountant Foundation.

**Giovanni Tedeschi**

He graduated in Business Economics from the Università Cattolica del Sacro Cuore in Milan in 1980, and, since 1985, has been a member of the Association of Chartered Accountants and is a member of the Association of Auditors for the Ministry of Justice. He is also a member of the Association of Official Accounting Auditors.

He worked as an auditor at KPMG S.p.A. from 1980 to 1983.

In January 1984, he founded the firm Riccardi Salom Tedeschi, of which he is currently a partner acting as an advisor to Italian and international private equity funds, both in regard to consultancy roles on behalf of advisory companies, and for structuring acquisitions, setting up and managing new companies and for any related extraordinary transactions.

He is a Board Director, Chairman of the Board of Statutory Auditors and a Statutory Auditor of numerous companies.

**Mariangela Passerini**

After obtaining a diploma in Accounting and Business, she has been a member of the Association of Chartered Accountants and Accounting Professionals of Rimini since 1989 and is also a member of the Association of Auditors for the Ministry of Justice.

Subsequently, she worked for an important multinational company based in Bologna. The size and structure of this company gave her an in-depth knowledge of sales and transport logistics in Italy and a sound know-how of the problems associated with corporate structures. After four years in this role, she became head of the accounts department of a hotel complex.

Having completed the work experience required to take the chartered accountancy exams at a well known accountancy firm in Rimini, she became self-employed.

She is a member of several Boards of Statutory Auditors acting also as an auditor.

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

Board of Directors												Committee of the Board of Directors	
Position	Member	Year of Birth	Date of initial appointment *	In office since	In office until	Exec.	Non-exec.	Independent under the Code	Independent under the TUF	No. of other positions **	(*)	(*)	(**)
<b>Chairperson</b>	Gianluca Valentini	1961	02/01/2012	19.07.2017	Approval of Financial Statements to 31.12.2019		X			0	15/15		
<b>Vice Chairperson</b>	Cristina Valentini	1968	29/04/2016	19.07.2017	Approval of Financial Statements to 31.12.2019		X			0	13/15		
<b>Chief Executive Officer</b>	Luigi Cologni ♦ •	1964	07/01/2013	19.07.2017	Approval of Financial Statements to 31.12.2019	X				0	15/15		
<b>Executive Director</b>	Massimo Giorgilli	1969	19.07.2017	19.07.2017	Approval of Financial Statements to 31.12.2019	X				0	5/5		
<b>Director</b>	Alberto Francois	1967	19.07.2017	19.07.2017	Approval of Financial Statements to 31.12.2019		X			0	5/5	1/1	M
<b>Director</b>	Livia Amidani	1961	19.07.2017	19.07.2017	Approval of Financial Statements to 31.12.2019		X	X	X	2	5/5	1/1	P
<b>Director</b>	Andrea Soprani	1961	19.07.2017	19.07.2017	Approval of Financial Statements to 31.12.2019		X	X	X	0	3/5	1/1	M
<b>Directors leaving during the year</b>													
<b>Director</b>	Valentini Luigi	1936	16/12/2002	29/04/2016	19 July 2017						0/10		
<b>No. meetings held during the year under review: 15</b>								<b>Committee of the Board of Directors : 1</b>					
<b>Quorum required for the presentation of lists by minority shareholders for the election of one or more members: 5%</b>													

**TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Position	Member	Year of Birth	Date of initial appointment *	In office since	In office until	Independent under the Code	Attendance at meetings of the Board of Statutory Auditors **
<b>Chairperson</b>	Marinella Monterumisi	1955	19/07/2017	19/07/2017	Approval of Financial Statements to 31.12.2019	X	2/2
<b>Statutory Auditor</b>	Marco Campidelli	1958	27/03/2003	19/07/2017	Approval of Financial Statements to 31.12.2019	X	5/5
<b>Statutory Auditor</b>	Guido Riccardi	1955	19/07/2017	19/07/2017	Approval of Financial Statements to 31.12.2019	X	2/2
<b>Alternate Auditor</b>	Giovanni Tedeschi	1954	19/07/2017	19/07/2017	Approval of Financial Statements to 31.12.2019	X	
<b>Alternate Auditor</b>	Mariangela Passerini	1957	19/07/2017	19/07/2017	Approval of Financial Statements to 31.12.2019	X	
<b>Statutory Auditors who left office during the period</b>							
<b>Chairperson</b>	Domenico Lilla	1951	27/03/2003	29/05/2015	19/07/2017		3/3
<b>Statutory Auditor</b>	Alessia Bonacini	1972	29/05/2015	29/05/2015	19/07/2017		3/3
<b>Alternate Auditor</b>	Loretta Matteoni	1953	27/03/2003	29/05/2015	19/07/2017		
<b>Alternate Auditor</b>	Mirco Navacchi	1961	28/05/2012	29/05/2015	19/07/2017		
<b>Number of meetings during the period under review: 5</b>							
<b>Indicates the quorum required for the submission of lists by minorities for the election of one or more members: 5%</b>							

**NOTE**

\* The date of initial appointment of each Statutory Auditor signifies the date on which the Statutory Auditor was appointed for the first time (original appointment) to the Board of Statutory Auditors of the Issuer.

\*\* This column indicates attendance by the Statutory Auditors at meetings of the Board of Statutory Auditors (the number of meetings attended out of the total number of meetings the Statutory Auditor could have attended: e.g. 6/8; 8/8, etc.).

