

NEO DECOR TECH

Neodecortech S.p.A.

Consolidated Financial Report

at 31 October 2019

Financial Statements prepared in accordance with IAS/IFRS

Amounts in Euro



SUMMARY

THE NEODECORTECH GROUP	3
CORPORATE OFFICERS	3
GROUP STRUCTURE	4
DIRECTORS' REPORT ON OPERATIONS	5
FINANCIAL HIGHLIGHTS OF THE NEODECORTECH GROUP	5
THE INTERNATIONAL ECONOMIC ENVIRONMENT	8
RELEVANT SEGMENT	8
MAIN ALTERNATIVE PERFORMANCE MEASURES (APMs)	9
FINANCIAL HIGHLIGHTS BY BUSINESS DIVISION	10
MAIN STATEMENT OF FINANCIAL POSITION FIGURES	22
PERFORMANCE IN THE FIRST TEN MONTHS OF 2019	23
COMPARATIVE CONSOLIDATED INCOME STATEMENT FIGURES AT 31 OCTOBER 2019	24
FINANCIAL HIGHLIGHTS	24
MAIN RISKS AND UNCERTAINTIES TO WHICH NEODECORTECH S.P.A. AND THE GROUP ARE EXPOSED	25
CORPORATE GOVERNANCE	27
RESEARCH AND DEVELOPMENT	27
RECONCILIATION BETWEEN PARENT EQUITY AND PROFIT AND CONSOLIDATED EQUITY AND PROFIT	28
INFORMATION ON RELEVANT EXTRA-EU COMPANIES	28
ENVIRONMENTAL DISCLOSURE	28
HUMAN RESOURCES	29
INFORMATION ON THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	29
ATYPICAL AND/OR UNUSUAL TRANSACTIONS DURING THE PERIOD	30
SIGNIFICANT EVENTS AFTER 31 OCTOBER 2019	30
BUSINESS AND MARKET OUTLOOK	30
CONCLUSIONS	31
CONSOLIDATED FINANCIAL STATEMENTS AT 31 OCTOBER 2019	32
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	32
CONSOLIDATED INCOME STATEMENT AT 31 OCTOBER 2019	33
CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 OCTOBER 2019	34
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 OCTOBER 2019	36
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	37
OTHER SUPPLEMENTARY INFORMATION	72

THE NEODECORTECH GROUP

CORPORATE OFFICERS

BOARD OF DIRECTORS ⁽¹⁾

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

BOARD OF STATUTORY AUDITORS ⁽³⁾

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

BOARD OF DIRECTORS' COMMITTEE

(APPOINTMENTS, REMUNERATION, RISKS AND RELATED PARTY TRANSACTIONS) ⁽⁴⁾

Chairman	Livia Amidani Aliberti
Member	Andrea Soprani
Member	Francesco Megali

INDEPENDENT AUDITORS ⁽⁵⁾

BDO Italia S.p.A.

- (1) The Board of Directors of Neodecortech S.p.A. in office at the Date of the Admission Document, appointed on 19 July 2017, will remain in office for three financial years, until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019. On 16 May 2018, following the resignation of Gianluca Valentini as a member of the Board of Directors, the Board of Directors appointed Alberto Francois as Chairman. On 1 August 2019, Alberto Francois resigned from his post, and on 13 September 2019, Luigi Cogni was appointed.
- (2) Director Francesco Megali, appointed by the Shareholders' Meeting on 14 September 2018, will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.
- (3) The Company's Board of Statutory Auditors was appointed on 19 July 2017 and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.
- (4) On 19 July 2017, the Board of Directors of Neodecortech S.p.A. set up the "Board of Directors' Committee" to carry out the tasks related to: Appointments, Remuneration, Control and Risks and Related Party Transactions.
- (5) Assignment granted on 23 June 2017 by the Ordinary Shareholders' Meeting of the Company. Assignment for the statutory audit of the financial statements and the consolidated financial statements for 2017, 2018 and 2019, pursuant to Article 13 of Legislative Decree 39/2010 and limited scope audit of the consolidated half-year report and consolidated report relating to each of the interim periods ending 31 October 2019.

GROUP STRUCTURE

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

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

The Group's structure at 31 December 2018 and 31 October 2019 is shown below. The structure at 31 October 2019 has changed from the situation at 31 December 2018, following the disposal of the investment in CDG International Corp.



The three Group operating locations are:

- **Neodecortech ("NDT"):** registered office in Filago (BG), which heads up the core business of the Group, active in the printing and impregnation of paper, and in the printing of thermoplastic film. Neodecortech's goal is to act as a highly proactive decoration partner for its customers in the interior design and flooring industry, through constant monitoring and interpretation of new stylistic trends. The Parent Company performs the following functions for its subsidiaries: (i) legal and corporate affairs, (ii) administration and equity investments, (iii) strategic planning and business development.
- **Cartiere di Guarcino ("CDG"):** registered office in Guarcino (FR), specializes in the production of decorative papers that subsequently undergo other stages of processing: printing or directly impregnation with thermosetting resins and hot pressing. The company operates on the national and international markets through a network of agents.
- **Bio Energia Guarcino ("BEG"):** registered office in Guarcino (FR), owns the cogeneration plant in operation since May 2010 for the self-production of electrical and thermal energy that satisfies a large part of the energy needs of CDG.
- **CDG International Corporation ("CDG International"):** incorporated under U.S. law with registered office in Las Vegas, a non-operational company, consolidated in the periods ended 31 October 2018 and 31 December 2018.

Neodecortech employs 202 resources, of whom 5 executives, 58 white collars and managers, and 139 blue collars, including 1 executive, 2 white collars and 27 blue collars coming from the acquisition of the CorbettaFia S.r.l. BU on 1 September 2018.

At 31 October 2019, Cartiere di Guarcino employed 166 resources, including 5 executives, 50 white collars and managers, and 111 blue collars, while Bio Energia Guarcino employed 2 blue collars in addition to the seconded personnel provided by Cartiere di Guarcino.

At 31 October 2019, the Neodecortech Group employed 370 resources, including 10 executives, 110 white collars and managers, and 250 blue collars, basically in line with the workforce at 31 December 2018, which counted 367 resources.

DIRECTORS' REPORT ON OPERATIONS

Dear Shareholders,

Submitted to your attention are the consolidated financial statements of the Neodecortech Group (hereinafter the "Group"), prepared in accordance with the IAS/IFRS international accounting standards and accompanied by this Report, by means of which we present the performance of the Group in the first ten months of 2019 as well as the future outlook.

The period under review closes with a consolidated profit of € 3,802 thousand, after allocating € 1,225 thousand in provisions for income tax and € 7,275 thousand in depreciation and amortization and allocations.

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

FINANCIAL HIGHLIGHTS OF THE NEODECORTECH GROUP

Before dwelling on the income statement figures from the Consolidated Financial Statements at 31 October 2019, a clearer description of such figures can be given, when comparing EBITDA at 31 October 2019 with EBITDA at 31 October 2018, by clarifying that under the 2017-2020 Stock Grant Plan, an amount equal to € 697 thousand was allocated (under personnel expense) at 31 October 2019 versus 31 December 2018, while the amount allocated at 31 October 2018 versus 31 December 2018 was € 315 thousand, with an increase of € 382 thousand. The above comments are shown in the table on the calculation of adjusted EBITDA.

The table below shows the main income indicators expressed in € thousands at consolidated level at 31 October 2019:

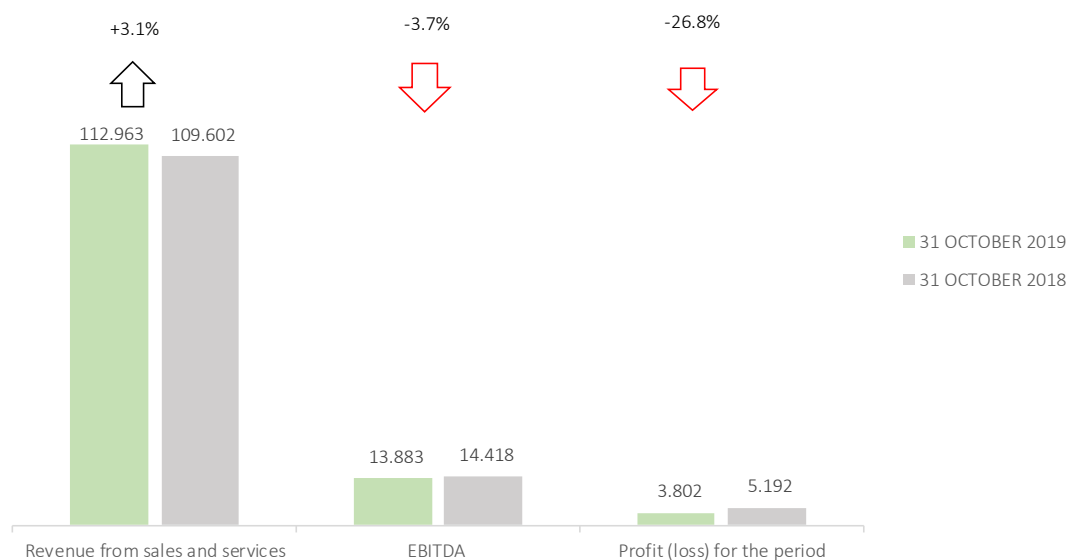
<i>CONSOLIDATED FIGURES IN EURO THOUSANDS</i>	31 OCTOBER 2019	% ON REVENUE	31 OCTOBER 2018	% ON REVENUE	Changes	% DIFFERENCE
Revenue from sales and services	112.963	100,0%	109.602	100,0%	3.361	3,1%
Other revenue	2.730	2,4%	1.848	1,7%	882	47,7%
Total Revenue	115.693	102,4%	111.450	101,7%	4.243	3,8%
EBITDA	13.883	12,3%	14.418	13,2%	(535)	(3,7%)
Amortization and depreciation	7.200	6,4%	5.912	5,4%	1.288	21,8%
EBIT	6.609	5,9%	8.506	7,8%	(1.897)	(22,3%)
Profit (loss) for the period	3.802	3,4%	5.192	4,7%	(1.390)	(26,8%)

The higher allocation of stock grants is reflected not only in EBITDA at 31 October 2019, but also in the net profit at the same date; the higher allocation at 31 October 2019 versus 31 October 2018 is attributable to the fact that, at 31 October 2019, following approval by the BoD of the transition of the Company's shares from AIM Italia to the MTA market segment and the subsequent endorsement by the Shareholders' Meeting, the targets set out in the Stock Grant Plan have been fully achieved.

The amount allocated at 31 October 2019 may be subject to minor changes based on the performance of the share price.

In addition to the higher allocation for the Stock Grant Plan at 31 October 2019 versus 31 October 2018, the period recorded higher amortization and depreciation of € 1,288 thousand, due to new capital expenditure in tangible and intangible assets commented on in the specific section, notes 6 and 7 of the statement of financial position.

The following table shows the three main income indicators at 31 October 2019 versus 31 October 2018.



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

Revenue from sales and services increased by 3.1% at 31 October 2019 versus the same period of the prior year.

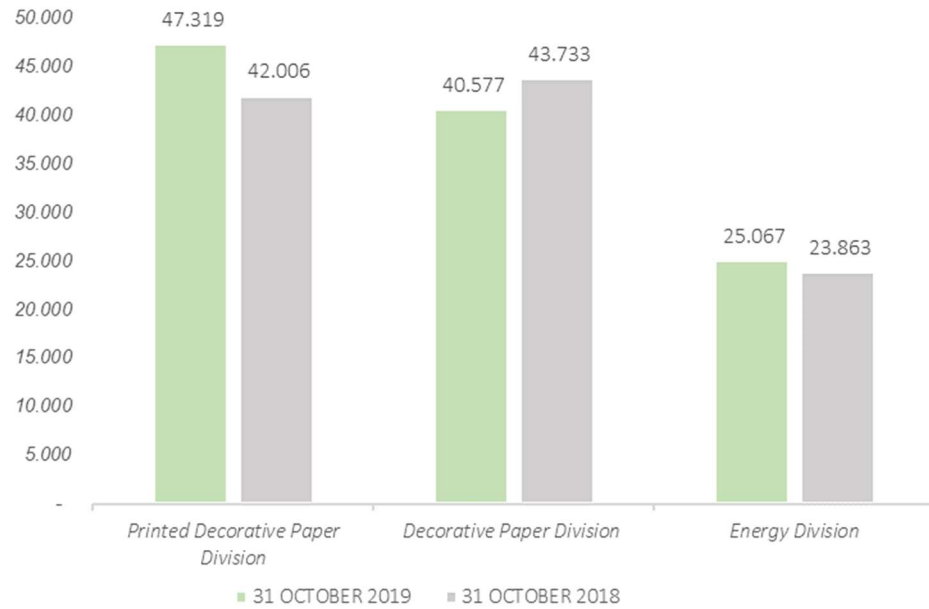
The decrease in EBITDA, as specified above, is due mainly to the higher share of "personnel expense" representing the allocation for the "2017-2020 Stock Grant" Plan. At 31 October 2019, the plan amounted to approximately € 697 thousand versus approximately € 315 thousand at 31 October 2018; the higher allocation at 31 October 2019 amounted therefore to € 382 thousand.

In terms of "other revenue" at 31 October 2019, an insurance refund of approximately € 1,428 thousand was recorded for the subsidiary Cartiere di Guarcino, relating to a weather incident that took place in February 2019 that caused a production shutdown of 22 days. Indirect damage was therefore compensated.

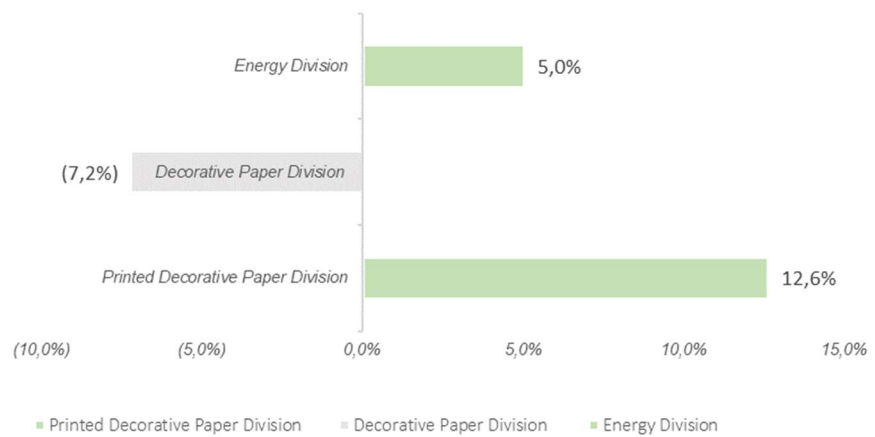
The table and graph below show the breakdown of revenue from sales and services **by Division** at consolidated level.

FIGURES IN EURO THOUSANDS	31 OCTOBER 2019	31 OCTOBER 2018	Changes	% CHG 2019/2018
Printed Decorative Paper Division	47.319	42.006	5.313	12,6%
Decorative Paper Division	40.577	43.733	(3.156)	(7,2%)
Energy Division	25.067	23.863	1.204	5,0%
Total	112.963	109.602	3.361	3,1%

FIGURES
EURO THOUSANDS



The table below shows only the changes from 31 October 2019 to 31 October 2018 by Division.



The table below shows the breakdown of consolidated revenue from sales and services by **geographical area**, net of the Energy Division's position:

FIGURES IN EURO THOUSANDS	31 OCTOBER 2019	%	31 OCTOBER 2018	%	% CHG 2019/2018
Italy	29.029	33,7%	25.514	30,4%	13,8%
Europe	49.580	57,6%	48.622	57,9%	2,0%
Asia	3.763	4,4%	4.232	5,0%	(11,1%)
America	2.379	2,8%	4.033	4,8%	(41,0%)
Rest of the World	1.294	1,5%	1.598	1,9%	(19,0%)
Total	86.044	100,0%	83.998	100,0%	2,4%
Energy Division	26.919		25.605		
Total consolidated	112.963		109.603		3,1%

The upward change in Revenue in Italy is ascribable to a stronger penetration of the main Italian customers in the sector. The reduction recorded in America, on the other hand, is ascribable to the drop in untreated paper sales to a North American customer, while the European market grew despite the lower turnover from a Spanish customer and a general decline in Turkey due to the geopolitical crisis.

THE INTERNATIONAL ECONOMIC ENVIRONMENT

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

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

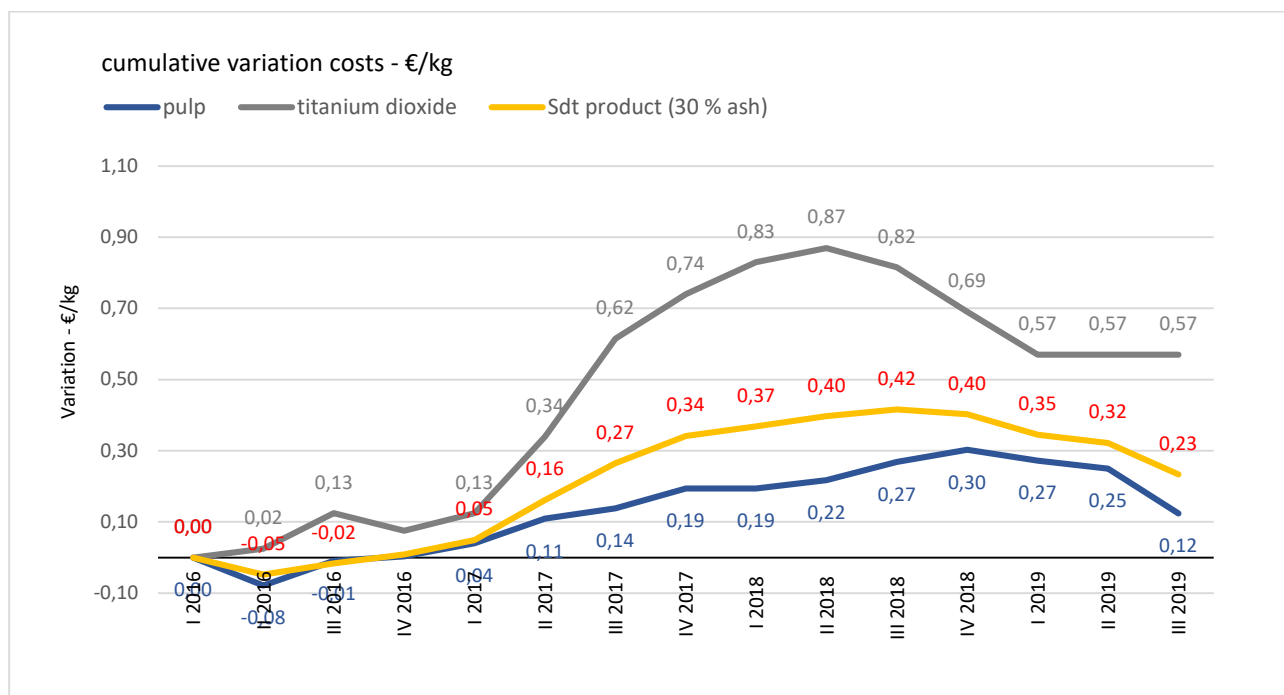
A situation clearly shown by the contraction of the EUR - PMI (Purchasing Managers Indexes), which dropped from 51.4 points recorded in December 2018 to a preliminary figure of 46.0 points in October 2019 (source: <https://it.investing.com/economic-calendar/manufacturing-pmi-201>).

RELEVANT SEGMENT

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

Based on the latest figures released by Assocarta, "Paper and cardboard production in Italy from January to July suffered a 2.6% decline (versus January-July 2018), showing different trends for each segment (graphic paper -7.7%; sanitary paper -0.5%; packaging -0.5%; paper and cardboard for corrugated cardboard +1.1%), while turnover fell by 4.6% (versus January-July 2018), as a result of lower volumes produced and downward revisions of the prices of certain products under the packaging area (mainly paper and cardboard for corrugated cardboard)", explained Girolamo Marchi, President of Assocarta at the opening of the MIAC (International Exhibition of the Paper Industry held in Lucca from 9 to 11 October 2019).

With regard to the two main cost components of paper - pulp and titanium dioxide - the respective prices retreated between Q2 2018 and Q3 2019, suffering the effects of the general deterioration of the global market, an oversized supply and consequent high levels of stock. However, the prices of these commodities are still very high, as shown by the graph below. The graph also shows the effect, in terms of cost variation, of print base paper with 30% TiO₂.



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

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

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

MAIN ALTERNATIVE PERFORMANCE MEASURES (APMs)

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

The APMs constitute information used by Management and investors to analyze the trends and performance of the Group, which are not directly derived from the financial statements. These measures are relevant to assist Management and investors in analyzing the Group's performance. Investors should not consider these APMs as substitutes, but rather as additional information to the figures included in the financial statements. It should be noted that the APMs as defined may not be comparable to APMs of a similar name used by other companies.

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

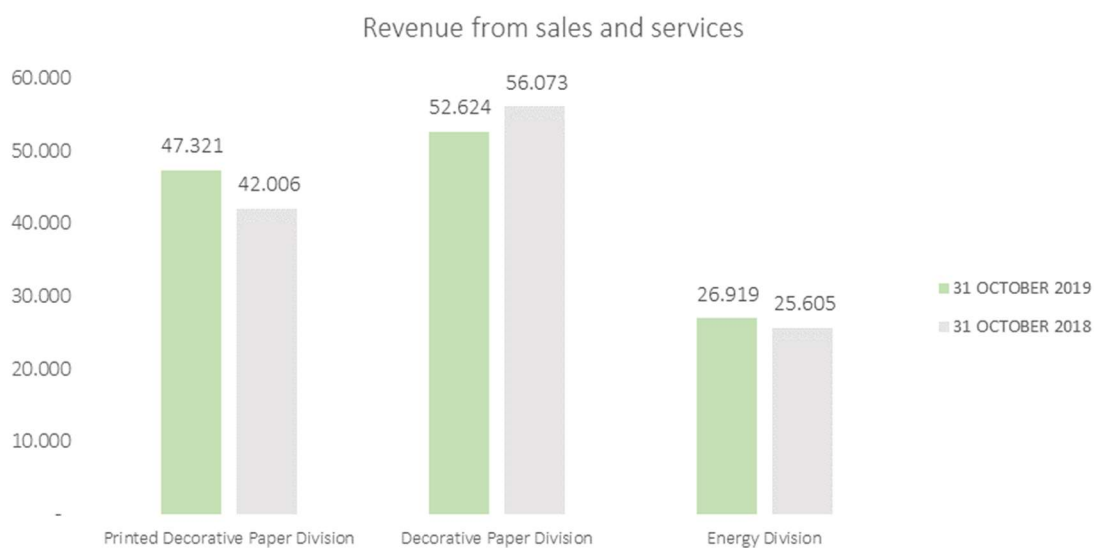
- **EBITDA:** an alternative performance measure not defined by IFRS but used by Management to monitor and measure its performance, as it is not affected by volatility, due to the effects of the range of criteria for determining taxable income, the amount and characteristics of the capital employed and the amortization/depreciation policies. The Neodecortech Group defines EBITDA as Profit (Loss) for the period before depreciation and amortization, write-down of property, plant and equipment and intangible assets, provisions, financial income and expense and tax.
- **ADJUSTED EBITDA and ADJUSTED NET PROFIT;** the first is a measure used by Management to strip EBITDA of the effect of non-recurring cost and revenue components recorded in first half 2019 and at the same date of 2018, of the higher IPO costs and the provision, calculated on the basis of IFRS 2, for the assignment of shares relating to the 2017 - 2020 Stock Grant Plan. The same considerations, net of the tax effect, are reflected in the adjusted net profit.
- **NET CAPITAL EMPLOYED:** the sum of non-current and current assets net of financial assets, less non-current and current liabilities net of financial liabilities.
- **NET FINANCIAL DEBT:** the figure shown is in line with the value of net financial debt determined in accordance with the recommendations of the CESR (Committee of European Securities Regulators) of 10 February 2005 and referred to by CONSOB.

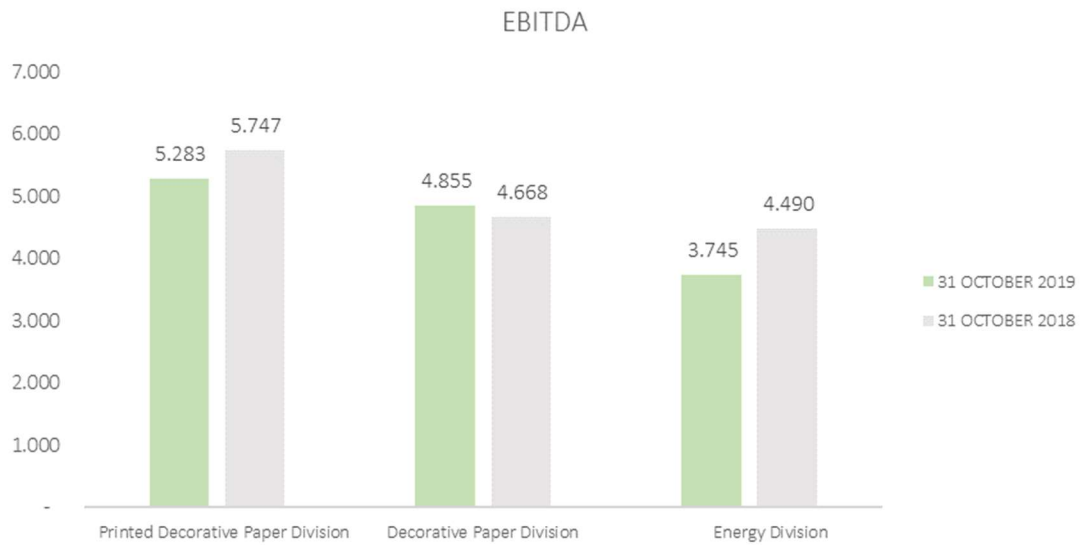
FINANCIAL HIGHLIGHTS BY BUSINESS DIVISION

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

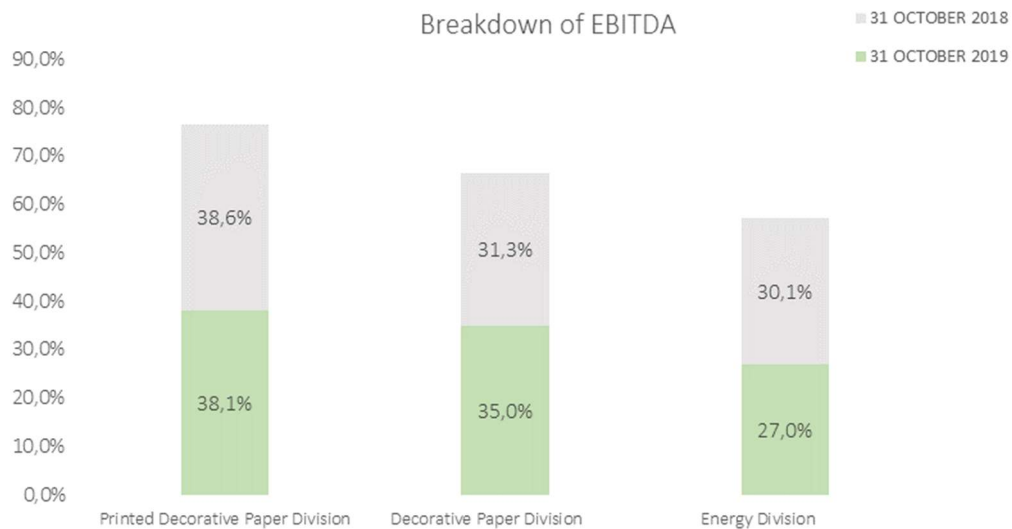
FIGURES IN EURO THOUSANDS	31 OCTOBER 2019	% ON REVENUE	31 OCTOBER 2018	% ON REVENUE	Changes	% DIFFERENCE
Printed Decorative Paper Division						
Revenue from sales and services	47.321	100,0%	42.006	100,0%	5.315	12,7%
EBITDA	5.283	11,2%	5.747	13,7%	(464)	(8,1%)
EBIT	2.979	6,3%	3.784	9,0%	(805)	(21,3%)
Profit (loss) for the period	3.802	8,0%	5.192	12,4%	(1.390)	(26,8%)
Decorative Paper Division						
Revenue from sales and services	52.624	100,0%	56.073	100,0%	(3.449)	(6,2%)
EBITDA	4.855	9,2%	4.668	8,3%	187	4,0%
EBIT	2.323	4,4%	2.809	5,0%	(486)	(17,3%)
Profit (loss) for the period	1.368	2,6%	2.196	3,9%	(828)	(37,7%)
Energy Division						
Revenue from sales and services	26.919	100,0%	25.605	100,0%	1.314	5,1%
EBITDA	3.745	13,9%	4.490	17,5%	(745)	(16,6%)
EBIT	1.496	5,6%	2.591	10,1%	(1.095)	(42,3%)
Profit (loss) for the period	552	2,1%	1.391	5,4%	(839)	(60,3%)

The table below shows the trend in revenue from sales and services by Division and the trend in EBITDA by Division from 31 October 2019 to 31 October 2018.





The graph below shows the breakdown of EBITDA at 31 October 2019 versus 31 October 2018.



The Value Added Income Statement of the Parent Company Neodecortech S.p.A. at 31 October 2019 versus the Income Statement at 31 October 2018 is shown below, together with the Income Statements of the other two subsidiaries Cartiere di Guarcino and Bio Energia di Guarcino.

FIGURES IN EURO THOUSANDS	Printed		Printed		Change	% change
	Decorative Paper Division 31 ottobre 2019	% on Revenue	Decorative Paper Division 31 ottobre 2018	% on Revenue		
Revenue from sales and services	47.321	100,0%	42.006	100,0%	5.315	12,7%
Changes in work in progress, semi-finished and finished products	345	0,7%	230	0,5%	116	50,4%
Other revenue	1.195	2,5%	1.005	2,4%	190	18,9%
Value of Production	48.862	103,3%	43.241	102,9%	5.621	13,0%
Raw and ancillary materials and consumables	(26.697)	56,4%	(23.794)	56,6%	2.903	(12,2%)
Other operating expense	(8.142)	17,2%	(6.721)	16,0%	1.421	(21,1%)
Value Added	14.023	29,6%	12.726	30,3%	1.297	10,2%
Personnel expense	(8.740)	18,5%	(6.979)	16,6%	1.761	(25,2%)
EBITDA	5.283	11,2%	5.747	13,7%	(464)	-8,1%
Amortization and depreciation	(2.304)	4,9%	(1.963)	4,7%	341	(17,4%)
EBIT	2.979	6,3%	3.784	9,0%	(804)	(21,2%)
Financial components	1.444	3,1%	2.037	4,8%	593	29,1%
Profit (loss) before tax	4.424	9,3%	5.821	13,9%	(1.397)	(24,0%)
Income tax	(621)	1,3%	(629)	1,5%	(8)	1,3%
Profit (loss) for the period	3.802	8,0%	5.192	12,4%	(1.389)	(26,8%)

With regard to revenue from sales and services, the positive change of € 5,315 thousand is explained mainly by the increase in turnover from the production of "Laminates" following the acquisition of the CorbettaFia S.r.l. BU on 1 September 2018, therefore present at 31 October 2018 for two months only.

The percentage of raw materials on revenue, equal to approximately (0.2%), was in line with the same period of the prior year.

The increase in other operating expense, amounting to € 1,421 thousand, net of higher costs for consultancy (€ 188 thousand), utilities (€ 193 thousand) and exhibitions and fairs (€ 117 thousand), is due mainly to the above acquisition of CorbettaFia S.r.l. on 1 September 2018, therefore present at 31 October 2018 for two months only.

As mentioned in the Highlights, an allocation of € 319 thousand was recognized at 31 October 2019 under "Personnel expense" for the Stock Grant Plan versus € 143 thousand at 31 October 2018. Additionally, at 31 October 2019, personnel expense also included, versus 31 October 2018, € 1,398 thousand arising from the acquisition.

FIGURES IN EURO THOUSANDS	Decorative Paper Division 31 ottobre 2019	% on Revenue	Decorative Paper Division 31 ottobre 2018	% on Revenue	Change	% change
Revenue from sales and services	52.624	100,0%	56.073	100,0%	(3.448)	-6,1%
Changes in work in progress, semi-finished and finished products	(422)	0,8%	15	0,0%	(437)	(2913,3%)
Other revenue	1.944	3,7%	900	1,6%	1.044	116,0%
Value of Production	54.147	102,9%	56.988	101,6%	(2.841)	(5,0%)
Raw and ancillary materials and consumables	(32.050)	60,9%	(35.932)	64,1%	(3.882)	10,8%
Other operating expense	(9.126)	17,3%	(8.881)	15,8%	245	(2,8%)
Value Added	12.971	24,6%	12.175	21,7%	796	6,5%
Personnel expense	(8.116)	15,4%	(7.506)	13,4%	610	(8,1%)
EBITDA	4.855	9,2%	4.668	8,3%	186	4,0%
Amortization and depreciation	(2.532)	4,8%	(1.860)	3,3%	672	(36,1%)
EBIT	2.323	4,4%	2.809	5,0%	(486)	(17,3%)
Financial components	(576)	1,1%	(556)	1,0%	20	(3,6%)
Exchange gains and losses	(46)	0,1%	445	0,8%	491	110,3%
Profit (loss) before tax	1.701	3,2%	2.698	4,8%	(997)	(37,0%)
Income tax	(333)	0,6%	(502)	0,9%	(169)	33,7%
Profit (loss) for the period	1.368	2,6%	2.196	3,9%	(827)	(37,7%)

The drop in revenue recorded by Cartiere di Guarcino was partly linked to the downward trends in raw materials, which generated a wait-and-see effect by customers on expectations of further price reductions, triggering the well-known stock cycle case, which carried a negative cyclical impact in this context.

Mention should be made that, in February 2019, Cartiere di Guarcino suffered a weather incident that generated a production shutdown of 22 days. The event generated a lower value of production and a resulting decrease in turnover. The incident was settled with an insurance refund of € 1,428 thousand (net of deductibles), mainly for loss of profit and higher restoration costs incurred.

The percentage of raw materials fell by 3.2% versus 2018 and was in line with expectations. As a result of the decrease in the prices of strategic raw materials (titanium dioxide and pulp), and the resolve in delaying the reversal on sales prices (a trend that moves in the opposite direction of the growth phase), the period reported a rebound in margins.

In 2019, "Personnel expense" was impacted by the recognition of stock grant costs of € 378 thousand. This item totaled € 172 thousand at 31 October 2018.

FIGURES IN EURO THOUSANDS	% on		% on		Change	% change
	Energy Division 31 October 2019	Revenue	Energy Division 31 October 2018	Revenue		
Revenue from sales and services	26.919	100,0%	25.605	100,0%	1.314	5,1%
Other revenue	1	0,0%	177	0,7%	(176)	(99,4%)
Value of Production	26.919	100,0%	25.782	100,7%	1.137	4,4%
Raw and ancillary materials and consumables	(18.472)	68,6%	(17.415)	68,0%	1.056	(6,1%)
Other operating expense	(4.217)	15,7%	(3.323)	13,0%	894	(26,9%)
Value Added	4.230	15,7%	5.043	19,7%	(813)	(16,1%)
Personnel expense	(485)	1,8%	(553)	2,2%	(68)	12,3%
EBITDA	3.745	13,9%	4.490	17,5%	(745)	(16,6%)
Amortization and depreciation	(2.175)	8,1%	(1.900)	7,4%	275	(14,5%)
Allocations	(75)	0,3%	-	0,0%	75	100,0%
EBIT	1.496	5,6%	2.591	10,1%	(1.095)	(42,3%)
Financial components	(618)	2,3%	(890)	3,5%	(272)	30,6%
Profit (loss) before tax	878	3,3%	1.701	6,6%	(823)	(48,4%)
Income tax	(325)	1,2%	(309)	1,2%	16	(5,2%)
Profit (loss) for the period	552	2,1%	1.391	5,4%	(839)	(60,3%)

The increase in turnover, equal to € 1,314 thousand, is attributable to higher energy production at 31 October 2019 versus the same period of the prior year, although partly offset by a lower average selling price of energy and a lower average unit value of the incentive.

The higher production is due to both a greater number of hours of production and to greater production efficiency. The percentage of raw material consumption deteriorated slightly, increasing by 0.6%, due to the higher average purchase price of bioliquids versus the same period of 2018.

The increase in "Other operating expense" is due mainly to higher unscheduled maintenance costs of € 186 thousand, transport costs on purchases of € 153 thousand, and consultancy costs of € 165 thousand.

Net financial income declined sharply, due mainly to lower interest paid (€ 164 thousand) on the assignment of receivables without recourse and to the lower cost of current bank debt.

STATEMENT OF RECONCILIATION OF VALUE ADDED INCOME STATEMENT BY DIVISION AT 31 OCTOBER 2019

	Printed Decorative Paper Division	% on Revenue	Decorative Paper Division	% on Revenue	Energy Division	% on Revenue	Aggregate	Eliminations	31 OCTOBER 2019	% on Revenue
Revenue from sales and services	47.321	100,0%	52.624	100,0%	26.919	100,0%	126.864	(13.901)	112.963	100,0%
Changes in work in progress, semi-finished and finished products	345	0,7%	(422)	0,8%	-	0,0%	(77)		(76)	0,1%
Other revenue	1.195	2,5%	1.944	3,7%	1	0,0%	3.140	(410)	2.730	2,4%
Value of Production	48.862	103,3%	54.147	102,9%	26.919	100,0%	129.928		115.616	102,3%
Raw and ancillary materials and consumables	(26.697)	56,4%	(32.050)	60,9%	(18.472)	68,6%	(77.219)	(11.420)	(65.799)	58,2%
Other operating expense	(8.142)	17,2%	(9.126)	17,3%	(4.217)	15,7%	(21.485)	(2.466)	(19.018)	16,8%
Value Added	14.023	29,6%	12.971	24,6%	4.230	15,7%	31.224		30.799	27,3%
Personnel expense	(8.740)	18,5%	(8.116)	15,4%	(485)	1,8%	(17.341)	(425)	(16.916)	15,0%
EBITDA	5.283	11,2%	4.855	9,2%	3.745	13,9%	13.883		13.883	12,3%
Amortization and depreciation	(2.304)	4,9%	(2.532)	4,8%	(2.175)	8,1%	(7.011)	(189)	(7.200)	6,4%
Allocations	-	0,0%	-	0,0%	(75)	0,3%	(75)		(75)	0,1%
EBIT	2.979	6,3%	2.323	4,4%	1.496	5,6%	6.798		6.609	5,9%
Financial components	1.444	3,1%	(576)	1,1%	(618)	2,3%	250	(1.786)	(1.536)	1,4%
Exchange gains and losses	-	0,0%	(46)	0,1%	-	0,0%	46		(46)	0,0%
Profit (loss) before tax	4.424	9,3%	1.701	3,2%	878	3,3%	7.003		5.027	4,5%
Income tax	(621)	1,3%	(333)	0,6%	(325)	1,2%	(1.279)	55	(1.225)	1,1%
Profit (loss) for the period	3.802	8,0%	1.368	2,6%	552	2,1%	5.722		3.802	3,4%

BREAKDOWN OF REVENUE BY DIVISION/PRODUCT LINE

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 OCTOBER 2019	%	31 OCTOBER 2018	%	Change	% CHG 2019/2018
Printed Decorative Paper Division	47.321	41,9%	42.006	38,3%	5.315	12,7%
Printed decorative paper	22.243	19,7%	22.717	20,7%	(473)	(2,1%)
Impregnated paper	7.278	6,4%	8.091	7,4%	(813)	(10,0%)
PPF	6.974	6,2%	4.428	4,0%	2.546	57,5%
Laminates	4.387	3,9%	1.543	1,4%	2.844	100,0%
Impregnation services	6.439	5,7%	5.228	4,8%	1.211	23,2%
Decorative Paper Division	52.624	46,6%	56.073	51,2%	(3.448)	(6,1%)
Backer papers	7.873	7,0%	6.884	6,3%	989	14,4%
Unicolour	22.679	20,1%	25.750	23,5%	(3.070)	(11,9%)
Print Base	21.137	18,7%	22.360	20,4%	(1.222)	(5,5%)
Services	934	0,8%	1.079	1,0%	(144)	(13,4%)
Energy Division	26.919	23,8%	25.605	23,4%	1.314	5,1%
Energy and Steam	26.906	23,8%	25.592	23,4%	1.314	5,1%
Services	13	0,0%	13	0,0%	(0)	(1,6%)
Intercompany eliminations	(13.901)	(12,3%)	(14.080)	(12,8%)		
Total	112.963	100,0%	109.602	100,0%	3.362	3,1%

The Printed Decorative Paper Division enjoyed a robust growth at 31 October 2019 versus the same period of the prior year, propelled by the increase in PPF (Plastic Printed Film), Laminates and impregnation services, which is basically impregnation on paper under contract work.

The Paper Division reported a drop in sales of unicolour (white) and print base papers.

Lastly, as far as the Energy Division is concerned, in the first ten months of 2019, Bio Energia worked 18,716 hours and generated 127,564 MWh of electricity, up significantly versus the 114,538 MWh generated in the same period of 2018.

BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA OF EACH DIVISION

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 OCTOBER 2019	%	31 OCTOBER 2018	%	Change	% CHG 2019/2018
Printed Decorative Paper Division	47.321	41,9%	42.006	38,3%	5.315	12,7%
Italy	21.528	19,1%	17.247	15,7%	4.281	24,8%
Europe	21.823	19,3%	20.431	18,6%	1.392	6,8%
Asia	1.944	1,7%	1.788	1,6%	155	8,7%
America	732	0,6%	1.008	0,9%	(275)	(27,3%)
Rest of the World	1.294	1,1%	1.532	1,4%	(238)	(15,5%)
Decorative Paper Division	52.624	46,6%	56.073	51,2%	(3.448)	(6,1%)
Italy	21.402	18,9%	22.347	20,4%	(945)	(4,2%)
Europe	27.757	24,6%	28.191	25,7%	(434)	(1,5%)
Asia	1.819	1,6%	2.444	2,2%	(625)	(25,6%)
America	1.647	1,5%	3.026	2,8%	(1.379)	(45,6%)
Rest of the World	-	0,0%	66	0,1%	(66)	100,0%
Energy Division	26.919	23,8%	25.605	23,4%	1.314	5,1%
Italy	26.919	23,8%	25.605	23,4%	1.314	5,1%
Total Intercompany eliminations	(13.901)	(12,3%)	(14.080)	(12,8%)		
Total	112.963	100,0%	109.602	100,0%	3.361	3,1%

BREAKDOWN OF RAW MATERIAL CONSUMPTION BY DIVISION

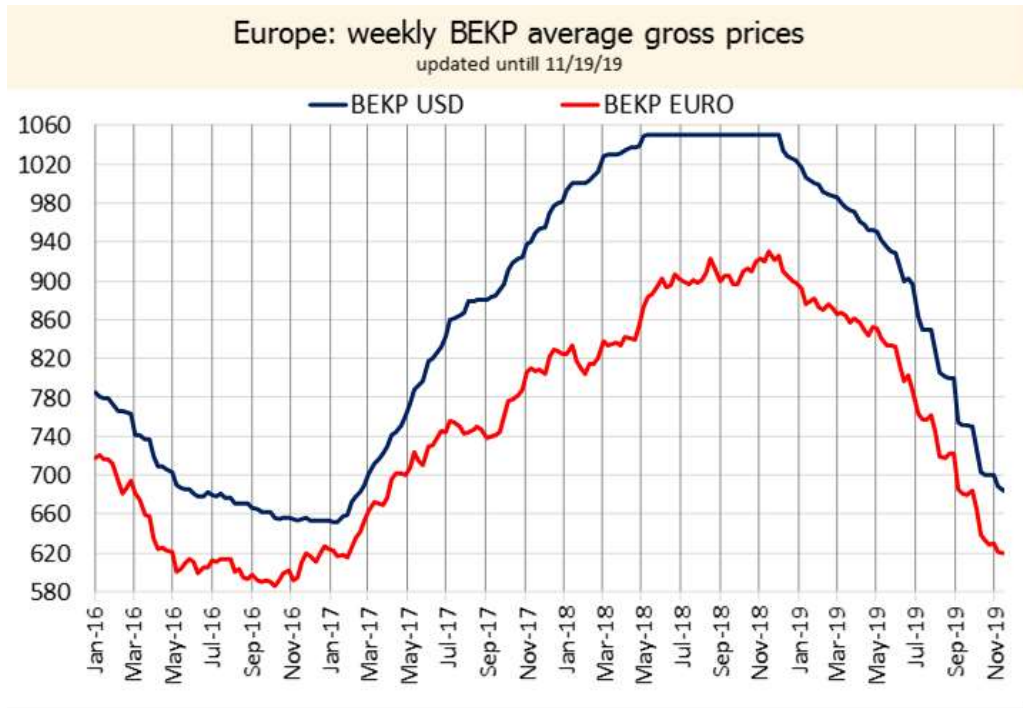
CONSOLIDATED FIGURES IN EURO THOUSANDS	31 OCTOBER 2019	%	31 OCTOBER 2018	%	Change	% CHG 2019/2018
Printed Decorative Paper Division	26.697	40,6%	23.794	36,3%	2.903	12,2%
Untreated paper	14.285	21,7%	14.638	22,4%	(353)	(2,4%)
Resins	5.033	7,6%	4.296	6,6%	736	17,1%
Inks	1.415	2,2%	1.481	2,3%	(66)	(4,5%)
Pvc	1.489	2,3%	1.747	2,7%	(258)	(14,8%)
Laminating Products	3.379	5,1%	645	1,0%	2.734	100,0%
Other costs	1.096	1,7%	986	1,5%	110	11,2%
Decorative Paper Division	32.050	48,7%	35.932	54,9%	(3.882)	(10,8%)
Pulp	10.243	15,6%	11.645	17,8%	(1.402)	(12,0%)
Bioxide	15.151	23,0%	18.472	28,2%	(3.321)	(18,0%)
Chemical products	3.084	4,7%	3.080	4,7%	4	0,1%
Other costs	3.572	5,4%	2.735	4,2%	837	30,6%
Energy Division	18.472	28,1%	17.415	26,6%	1.056	6,1%
Animal by-products	16.612	25,2%	16.026	24,5%	586	3,7%
Lub Oil	191	0,3%	224	0,3%	(33)	(14,6%)
Urea	393	0,6%	308	0,5%	85	27,4%
Diesel	891	1,4%	309	0,5%	582	188,0%
Other costs	384	0,6%	548	0,8%	(163)	(29,8%)
Intercompany eliminations	(11.420)	(17,4%)	(11.665)	(17,8%)		
Total	65.799	100,0%	65.476	100,0%	323	0,5%

Printed Decorative Paper Division and Decorative Paper Division

For both Divisions, the only significant cost changes are attributable to the basic components of paper production: pulp and titanium dioxide. The Printed Decorative Paper Division recorded a reduction in the unit cost of decorative paper used in the printing phase. In the Decorative Paper Division, instead, the reduction was attributable to the two raw materials mentioned.

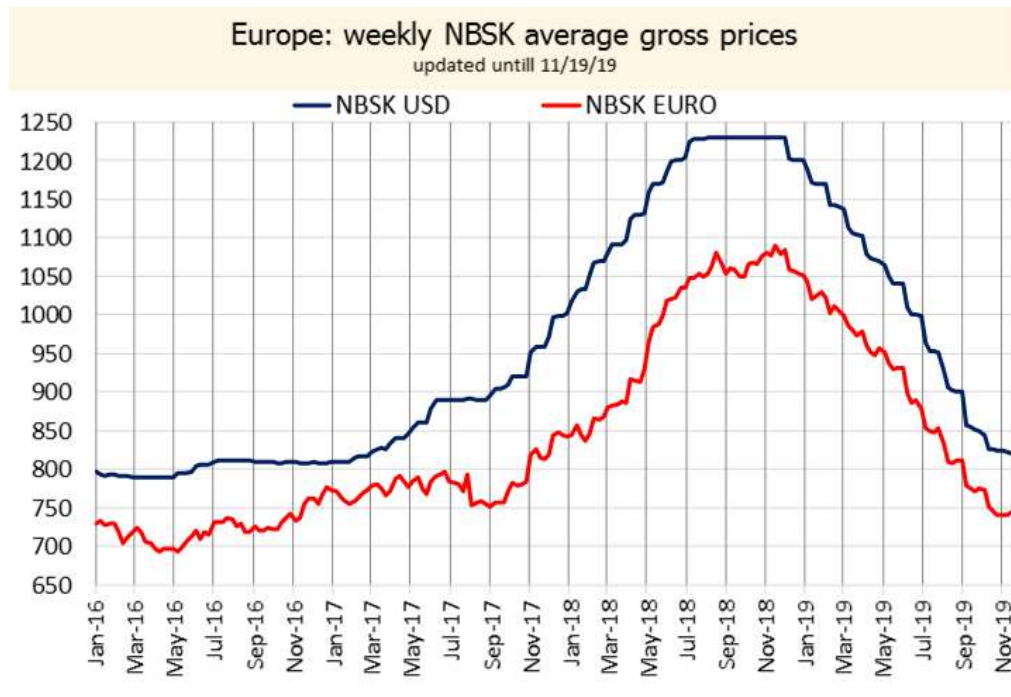
The pulp market was marked, in fact, by a spike in the price of pulp in the two-year period 10/2016-10/2018 in the magnitude of +52%, followed by a steady phase in the final part of 2018, before retreating in 2019, in light of the deteriorated economic climate and the weak demand, with consequent sharp growth in sellers' stocks: see graphs below. The common sentiment is that the end of the downward trend has now been reached and prices are expected to steady in the coming months. Any recovery in prices will then depend on the trend in demand and, specifically, on the rebound of the Chinese market and, generally, on the recovery of the broad economic scenario.

Trend of gross prices for Short Fibre (FOEX data).



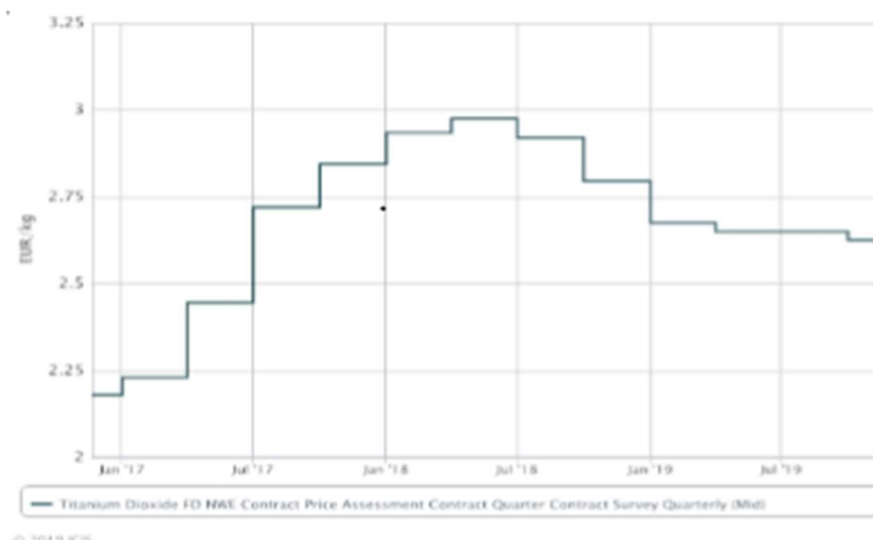
Source FOEX

Trend of gross prices for Long Fibre, again based on FOEX data.



Source FOEX

The price of titanium dioxide followed a similar trend to pulp over the same period. The only difference is that the downward price trend, which started here too in mid-2018, came to a halt at the beginning of 2019 and is now basically steady, due to a broadly weak macroeconomic environment. On the product supply side, no particular issues were reported, owing to general overcapacity brought by the broadly weak trend in demand.



Source ICIS

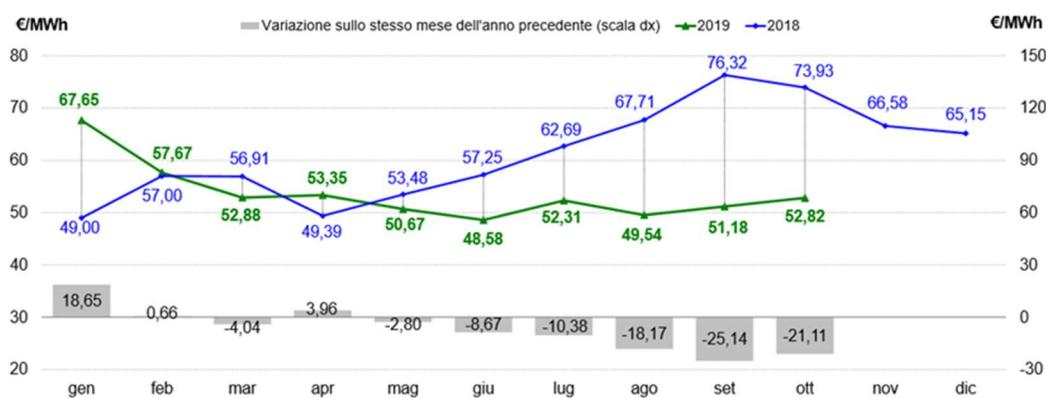
Energy Division

In the first 10 months of 2019, BEG's production plant worked 18,716 hours, slightly more (+2.94%) than the 18,181 hours in the same period of 2018. The increase in energy produced, on the other hand, is more significant and reaches 11% (127,564 MWh versus 114,538 MWh in 2018), thanks to greater efficiency of the plant, which ran with an average power of approximately 6.8 MW versus 6.3 MW in 2018.

As shown in the graph below, the selling price of electricity produced remains weak versus the overall trend seen last year. The period, in fact, saw a strong reduction versus 2018: -28.6%. This trend, however, which is on average lower than the energy market in the current period, points clearly to a higher unit value of the incentive for the coming year, due to the well-known algorithm for calculating incentives applied to producers of incentive-based electricity.

Grafico 1: MGP, Prezzo Unico Nazionale (PUN)

Fonte: GME



In terms of the costs of the raw material used to power the 3 bioliquid-fuelled engines of Bio Energia, from April this year the price of animal fats has continually increased, after a basically steady start of the year. This trend is still in progress.

The table below summarizes the prices for the first 10 months of 2019 of the livestock bulletin published by "Associazione Granaria di Milano".

19. Animal Fat (19)	January	February	March	April	May	June	Luglio	August	September	October	Delta 10 month	%
Tallow 2-3 FFA-MIU 1 - FAC 7-9	550	550	550	561	582	590	593	596	622	649	98,6	16%
Animal fat max FFA 4 - MIU 1	528	528	528	539	560	568	571	574	598	624	95,6	16%
Animal fat max 7 FFA - MIU 1	499	499	499	510	531	538	539	542	563	589	89,4	16%
Animal fat max 10 FFA - MIU 1	487	487	487	498	519	525	525	528	548	574	86,4	16%

CONSOLIDATED NET FINANCIAL DEBT AT 31 OCTOBER 2019 VERSUS 31 OCTOBER 2018

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 OCTOBER 2019	31 OCTOBER 2018	Changes
A. Cash	(9)	(24)	15
B. Other cash and cash equivalents	(1.300)	(2.867)	1.567
C. Securities held for trading			
D. Liquidity (A) + (B) + (C)	(1.309)	(2.890)	1.581
E. Current financial receivables	(4.328)	(330)	(3.998)
F. Current bank payables	19.189	20.933	(1.744)
G. Current portion of non-current debt	3.023	3.102	(78)
H. Other current financial payables		20	(20)
H1. Current lease payable	2.068	2.020	48
I. Current financial debt (F)+(G)+(H)+(H1)	24.281	26.075	(1.794)
J. Current net financial debt (I) + (E) + (D)	18.644	22.855	(4.211)
K. Non-current bank payables	15.602	18.326	(2.724)
L. Bonds		567	(567)
M. Other non-current payables	9.201	10.674	(1.473)
N. Non-current debt (K) + (L) + (M)	24.802	29.567	(4.765)
O. Net financial debt (J) + (N)	43.447	52.422	(8.975)

The table above shows that at 31 October 2019:

- The amount of financial receivables of € 4,328 thousand at 31 October 2019 is due mainly to the reclassification made in the financial statements of Neodecortech S.p.A., from trade receivables for € 1,759 thousand referring to the receivable due from Finanziaria Valentini and, in the financial statements of Cartiere di Guarcino, from non-current financial assets for € 2,502 thousand referring again to the receivable due from Finanziaria Valentini;
- Current bank payables decreased by € 1,543 thousand at 31 October 2019 versus the same period of 2018, due to the Group's lower use of bank debt;

- Non-current bank payables fell by € 2,725 thousand versus the same period of the prior year, due to the payment of loan instalments;
- Payment of the last instalment of the Bonds, amounting to € 567 thousand, was made by the end of 2018;
- Other non-current payables include payment of lease instalments by the subsidiary Bio Energia di Guarcino for € 1,728 thousand and the effect of € 545 thousand from the application of IFRS 16.

The table below shows the net financial debt at 31 October 2019 by Division.

NET FINANCIAL DEBT BY DIVISION AT 31 OCTOBER 2019

FIGURES IN EURO THOUSANDS	Printed Decorative Paper Division	Decorative Paper Division	Energy Division	Eliminations	Consolidated
A. Cash	(6)	(2)	(1)		(9)
B. Other cash and cash equivalents	(283)	(212)	(805)		(1.300)
C. Securities held for trading					
D. Liquidity (A) + (B) + (C)	(289)	(214)	(806)		(1.309)
E. Current financial receivables	(5.673)	(5.001)		6.346	(4.328)
F. Current bank payables	752	15.265	3.172		19.189
G. Current portion of non-current debt	1.552	1.270	2.701	(2.500)	3.023
H. Other current financial payables		2.119	1.727	(3.846)	
H1. Current lease payable			2.068		2.068
I. Current financial debt (F)+(G)+(H)+(H1)	2.304	18.655	9.668		24.281
J. Current net financial debt (I) + (E) + (D)	(3.658)	13.440	8.862		18.645
K. Non-current bank payables	9.502	6.048	52		15.602
L. Bonds		1.500			
M. Other non-current payables	5.675	15.207	4.160	(15.840)	9.201
N. Non-current debt (K) + (L) + (M)	15.177	22.755	4.212		24.802
O. Net financial debt (J) + (N)	11.518	36.196	13.074		43.447

With regard to the net financial debt by Division, it should be noted that the non-current financial debt of the Printed Decorative Paper Division consists mainly of the mortgage loan to BPM, with a residual amount at 31 October 2019 of € 9,133 thousand.

As for the Decorative Paper Division, the net debt of € 36,196 thousand consists mainly of non-current bank payables of € 6,048 thousand, and to the Parent Company of € 15,042 thousand. There is also a current bank payable amounting to € 15,265 thousand.

The Energy Division, instead, has a payable of € 2,500 thousand, referring to the "current portion of non-current debt", towards Cartiere di Guarcino. Other current financial payables, amounting to € 1,727 thousand, refer to a payable due to the parent company Neodecortech S.p.A., while the payable to leasing companies of € 2,068 thousand as the short-term portion is shown under "Current lease payables", and € 3,360 thousand as the long-term portion under "Other non-current payables". This item also includes the non-current portion of the payable to Cartiere di Guarcino for € 800 thousand.

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

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

MAIN STATEMENT OF FINANCIAL POSITION FIGURES

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 OCTOBER 2019 VERSUS 31 OCTOBER 2018

	31 October 2019	31 October 2018	Difference	% Difference
CONSOLIDATED FIGURES IN EURO THOUSANDS				
Trade receivables	22.443	26.554	(4.111)	(15,5%)
Inventory	35.213	35.309	(96)	(0,3%)
Trade payables	(25.221)	(26.471)	1.250	(4,7%)
Operating NWC	32.435	35.392	(2.957)	(8,4%)
Other current receivables	3.917	6.134	(2.217)	(36,1%)
Other current payables	(5.657)	(5.358)	(299)	5,6%
Tax payables	(303)	(1.131)	828	(73,2%)
Payables from tax consolidation	(590)	(643)	53	(8,2%)
Net Working Capital	29.802	34.394	(4.592)	(13,4%)
Property, plant and equipment	77.434	75.870	1.564	2,1%
Intangible assets	2.898	3.349	(451)	(13,5%)
Other financial assets	-	(66)	66	(100,0%)
Non-current financial assets not included in NFP	1.849	3.881	(2.032)	(52,4%)
Other non-current assets	112	52	60	100,0%
Fixed assets	82.294	83.086	(792)	(1,0%)
Post-employment benefits	(2.969)	(2.887)	(82)	2,8%
Provisions for risks and charges	(530)	(455)	(75)	16,5%
Deferred tax assets and liabilities	(4.365)	(4.293)	(72)	1,7%
Net Capital Employed	104.232	109.846	(5.614)	(5,1%)
Equity	(60.785)	(57.424)	(3.361)	5,9%
Cash and cash equivalents	1.309	2.890	(1.581)	(54,7%)
Other current financial receivables	4.328	330	3.998	100,0%
Current financial liabilities	(24.281)	(26.075)	1.794	(6,9%)
Non-current financial liabilities	(24.803)	(29.567)	4.764	(16,1%)
Net Financial Debt	(43.447)	(52.422)	8.975	(17,1%)
Equity and Net Financial Debt	(104.232)	(109.846)	5.614	(5,1%)

With regard to trade receivables, there were no critical issues to report in terms of potential losses at 31 October 2019. As for the Parent Company, mention should be made at 31 October 2019 of the assignment of the receivable without recourse (to 2 of its customers), which allowed it to reduce the portion of receivables versus the situation at 31 October 2018, when no such transaction was made. Additionally, mention should be made of the reclassification of approximately € 1,759 thousand from "Trade receivables" to "Other current financial receivables" of the receivable due to Neodecortech S.p.A. from the related party Finanziaria Valentini, collectable at the latest by the transfer of the Company's ordinary shares and warrants to the MTA.

With regard to the decrease in other current receivables of € 2,217 thousand, a reduction in VAT receivables of € 1,734 thousand was reported at 31 October 2019 versus the same period of the prior year.

For the change in property, plant and equipment, amounting to € 1,564 thousand, reference should be made to the tables in the Statement of Financial Position.

With regard to the decrease in non-current financial assets not included in the NFP, amounting to € 2,032 thousand, mention should be made of the reclassification for € 2,502 thousand made in the financial statements of Cartiere di Guarcino S.p.A. to "Other current financial receivables" of the receivable due from Finanziaria Valentini relating to the sale of the shares of CDG International Corporation, collectable at the latest by the transfer of the Company's ordinary shares and warrants to the MTA.

With regard to the change in the items "Current financial liabilities" and "Non-current financial liabilities", reference should be made to the section on net financial debt in this Report.

PERFORMANCE IN THE FIRST TEN MONTHS OF 2019

Printed Decorative Paper Division - Neodecortech

In the first half of the year, in line with the general slowdown of the markets, our sales declined slightly versus the double-digit growth enjoyed in the first six months last year. This slowdown has affected not only the domestic market, but also all our regions of operation worldwide. The following 4 months, instead, saw a strong recovery which, as mentioned on page 16 in the analysis of the sales trend of each product family, helped the Division post a +12.7% increase. This positive trend is still in progress.

As known, a rather significant event took place on 1 September 2018: our acquisition of the business unit from CorbettaFia S.r.l., part of the Valentini Group, specialized in the production of laminates with CPL (continuous pressing lamination) technology. The acquisition was made to complement the NDT product portfolio.

Decorative Paper Division - Cartiere di Guarcino

Revenue in 2019 was in line with budget expectations, though down by € 3,448 thousand (-6.2%) versus the prior year. The drop is attributable to both a price effect (transfer to customers of part of the lower costs of raw materials) and to a volume effect (lower sales in a number of areas: see page 17).

This Division too experienced a fall in sales in the first half of the year, which was partly recovered in the following 4 months. Mention should again be made that the decrease in turnover is attributable mainly to the lower prices of titanium dioxide and cellulose fibres, which was partly reflected in sales prices, albeit in a less than proportional manner. An increase was reported, in fact, in the company's margins, as mentioned earlier (page 13).

Bio Energia Guarcino Division

In the first 10 months of 2019, BEG's production plant worked 18,716 hours, slightly more than the 18,181 hours in the same period of 2018. The increase in energy produced is more significant, up by 11% reaching 127,564 MWh versus 114,538 MWh in 2018, thanks to greater efficiency of the plant, which ran with an average power of approximately 6.8 MW versus 6.3 MW in 2018.

The energy market remains weak, despite a slight increase by 3.2% in the NSP versus October to € 52.82 MWh. A sharp drop by -28.6% versus 2018. Prices for the last few months of the year have been revised downwards on the Forward Electricity Market, with the baseload for November closing at € 57.75 MWh. The average downward trend of the energy market in the current year allows the unit value of the incentive to re-appreciate for the following year.

COMPARATIVE CONSOLIDATED INCOME STATEMENT FIGURES AT 31 OCTOBER 2019

At 31 October 2019, the comparative figures shown in the Consolidated Financial Report are taken from the consolidated Income Statement at 31 October 2019 and compared with the same period of the prior year, reflecting the performance of the entire Group.

FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT AT 31 OCTOBER 2019

	31 OTTOBRE 2019	% SUI RICAVI	31 OTTOBRE 2018	% SUI RICAVI	VARIAZIONE	VAR %
Revenue from sales and services	112.963	100,0%	109.602	100,0%	3.361	3,1%
Changes in work in progress, semi-finished and finished products	(76)	(0,1%)	245	0,2%	(321)	(131,0%)
Other revenue	2.730	2,4%	1.848	1,7%	882	47,7%
Value of Production	115.616	102,3%	111.695	101,9%	3.921	3,5%
Raw and ancillary materials and consumables	(65.799)	58,2%	(65.476)	59,7%	323	(0,5%)
Other operating expense	(19.018)	0,0%	(17.278)	15,8%	1.741	(10,1%)
Value Added	30.799	27,3%	28.941	26,4%	1.858	6,4%
Personnel expense	(16.916)	15,0%	(14.523)	13,3%	2.393	(16,5%)
EBITDA	13.883	12,3%	14.418	13,2%	(535)	(3,7%)
Amortization and depreciation	(7.200)	6,4%	(5.912)	5,4%	1.287	(21,8%)
Allocations	(75)	0,1%	-	0,0%	75	100,0%
EBIT	6.609	5,9%	8.506	7,8%	(1.897)	(22,3%)
Financial components	(1.536)	1,4%	(2.373)	2,2%	(837)	35,3%
Exchange gains and losses	(46)	0,0%	445	0,4%	491	110,3%
Profit (loss) before tax	5.027	4,5%	6.578	6,0%	(1.551)	(23,6%)
Income tax	(1.225)	1,1%	(1.387)	1,3%	(162)	11,7%
Profit (loss) for the period	3.802	3,4%	5.192	4,7%	(1.389)	(26,8%)

Value added, equal to € 30,799 thousand at 31 October 2019, calculated on revenue from sales and services, increased by 6.4% versus the prior period.

The percentage of the costs of raw materials and goods decreased from 59.7% to 58.2%.

Other operating expense increased by € 1,741 thousand in absolute terms versus the prior period, due mainly to the following items: exhibitions and fairs for € 194 thousand, transport on purchases for € 272 thousand, utilities for € 323 thousand and maintenance for € 242 thousand.

Personnel expense at 31 October 2019 amounted to € 16,916 thousand (versus € 14,523 thousand at 31 October 2018), up by € 2,393 thousand in absolute terms. The increase is attributable mainly to the allocation of the 2017-2020 Stock Grant Plan, which shows, at 31 October 2019, an allocation of € 697 thousand versus € 315 thousand at 31 October 2018. It is also attributable to an increase in personnel expense for CDG S.p.A. of approximately € 600 thousand and of € 1,398 thousand for NDT S.p.A. following the acquisition of the CorbettaFia S.r.l. BU.

In addition to the above considerations, it should be noted that, in terms of both revenue and costs, part of the differences at 31 October 2019 were affected by the acquisition of the CorbettaFia S.r.l. BU on 1 September 2018. At 31 October 2019, in fact, ten months of the activity of the acquired unit have been accounted for, while at the same date of 2018, such revenue and costs were present for two months only in the consolidated financial statements.

Amortization and depreciation increased by 21.8% (from € 5,912 thousand at 31 October 2018 to € 7,200 thousand at 31 October 2019), due mainly to the policy of increasing capital expenditure in recent years to support the development of operations. Additionally, again as a result of the acquisition of the CorbettaFia S.r.l. BU, the period recorded an increase of € 240 thousand in the property, plant and equipment of this plant.

ADJUSTED EBITDA

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

The following figures, at 31 October 2019 and at 31 October 2018, relate to Adjusted EBITDA, i.e. EBITDA net of non-recurring cost and revenue components, higher IPO costs and the allocation, calculated on the basis of IFRS 2, for the assignment of the shares referred to the 2017 - 2020 Stock Grant Plan, as resolved by the Shareholders' Meeting of 23 June 2017.

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

Reconciliation of EBITDA-ADJUSTED EBITDA

<i>(Euro thousands)</i>	31 OCTOBER 2019	31 OCTOBER 2018	Change	% CHG 2019/2018
Consolidated EBITDA before non-recurring items	13.883	14.418	(535)	(3,7%)
Allocation for Stock Grants	697	315	382	121,5%
Higher IPO Costs - Extraordinary Comp.	470	675	(205)	(30,4%)
Adjusted EBITDA from consolidated	15.051	15.408	(357)	(2,3%)

In the period ended 31 October 2019, EBITDA before extraordinary items decreased slightly by 3.7% versus the same period of the prior year. The item, in fact, fell from € 14,418 thousand to € 13,883 thousand.

EBITDA at 31 October 2019 includes the share of EBITDA generated by the acquisition of CorbettaFia S.r.l. for the amount of approximately € 885 thousand (€ 455 thousand at 31 October 2018). Mention should be made that the acquisition of CorbettaFia S.r.l. took place on 1 September 2018.

However, in order to provide a clearer picture of the actual performance of the Group, the figures at 31 October 2019 and 31 October 2018, relating to Adjusted EBITDA, are shown below. In light of these adjustments, adjusted EBITDA (€ -357 thousand versus the same period of 2018) was basically on a par between the two comparative periods.

MAIN RISKS AND UNCERTAINTIES TO WHICH NEODECORTECH S.P.A. AND THE GROUP ARE EXPOSED

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

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

OPERATING RISKS

Risks associated with the general economic situation

As the Group operates in a global competitive scenario, its financial position, results and cash flows are affected by the general conditions and performance of the world economy. Therefore, any negative economic cycle or political instability in one or more relevant geographical markets may influence the Group's performance and strategies and affect its future prospects in both the short and medium/long term.

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

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

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

Risks associated with sales on international markets

Part of the Group's sales takes place outside the European Union. The Group is therefore exposed to the risks related to exposure to local economic and political conditions and to the possible implementation of restrictive import and/or export policies.

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

The Group's exposure (in particular the Paper division) to the risk of an increase in prices of raw materials derives mainly from the purchase of direct raw materials for production.

In this context, the Group does not carry out specific hedges against these risks but rather tends to implement targeted purchasing policies to ensure stability for periods of no less than a quarter.

The fierce level of competition in the Group's line of business often makes it hard to transfer all of the sudden and/or significant increases in procurement costs to sales prices.

Risks associated with the ability to propose innovative products

The success of the Group's activities depends on its ability to maintain or increase its share in its markets of operation and/or to expand into new markets through innovative, high-quality products that ensure adequate levels of profitability. Specifically, should the Group be unable to develop and offer innovative and competitive products compared to those of its main competitors in terms of price and quality, the Group's market shares could reduce, impacting negatively on its business prospects, results and/or financial situation.

Risks associated with management

The success of the Group depends to a large extent on the ability of its Executive Directors and other members of management to effectively manage the Group and its individual business areas. In any case, the Company's current governance structure - with the presence of two Managing Directors who have longstanding experience in the specific line of business - allows management of operating discontinuities in the short term resulting, for instance, from a replacement of Managing Directors before the ordinary expiry of their office or resignation, thus ensuring continuity and stability in the management of the Company and the Group.

FINANCIAL RISK

Risks associated with financial requirements

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

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

Credit risk

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

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

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

Risks associated with exchange rate fluctuations

The Group is obviously exposed to market risks associated with fluctuations in exchange rates and interest rates. Exposure to exchange rate risks is related mainly to the procurement of certain raw materials (pulp and titanium) and, to a lesser extent, to the sale of products, which leads to cash flows denominated in currencies other than those of the production area (mainly the US dollar).

This exposes the Group to the risk of fluctuations in the Euro against the US dollar, against which specific exchange rate hedging policies are adopted.

Risks associated with interest rate fluctuations

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

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

CORPORATE GOVERNANCE

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

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

The Company has a traditional management and control model in place, which envisages the presence of the Shareholders' Meeting, the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.

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

RESEARCH AND DEVELOPMENT

Pursuant to and for the purposes of point 1, third paragraph, of Article 2428 of the Italian Civil Code, it is certified that during 2018, the subsidiary Cartiere di Guarcino S.p.A. completed the three-year project launched on 2 January 2015, extended until 30.04.2018, on the "Research and development of an innovative line of decorative papers for new applications and alternative uses, oriented towards environmental protection and produced using cutting-edge and highly efficient technologies, capable of generating productivity increases, lower pollution and lower production of waste".

No new development activities were recorded in the first ten months of 2019.

RECONCILIATION BETWEEN PARENT EQUITY AND PROFIT AND CONSOLIDATED EQUITY AND PROFIT

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

CONSOLIDATED FIGURES IN EURO THOUSANDS	PROFIT (LOSS)		PROFIT (LOSS) FOR	
	EQUITY 31 OCTOBER 2019	FOR THE PERIOD 31 OCTOBER 2019	EQUITY 31 DECEMBER 2018	THE PERIOD 31 DECEMBER 2018
Equity and profit for the period attributable to the parent cor	60.875	3.802	58.735	6.030
Elimination of the carrying amount of consolidated equity investments:				
Difference between carrying amount and pro-rata amount of equity	(90)		5	
Currency translation difference	-		(137)	
Pro-rata results of investees		1.921		3.779
Cancellation of write-downs/reinstatement of equity investments		(1.786)		(3.617)
Amortization of fair value of fixed assets (allocation of BEG goodwill)		(135)		(162)
Elimination of the effects of transactions between consolidated companies:				
Intercompany profits included in the value of closing inventory	-	-	-	-
Intercompany profits on disposal of fixed assets	-	-	-	-
Equity and profit for the period attributable to the shareholders of the parent	60.786	3.802	58.603	6.030
Non-controlling interests	-	-	-	-
Total equity	60.786	3.802	58.603	6.030

INFORMATION ON RELEVANT EXTRA-EU COMPANIES

Neodecortech S.p.A. indirectly controlled CDG International Corp, a company incorporated and regulated under US law. This Company was consolidated in the periods ended 31 December 2018 and 31 October 2018 of this Report.

Specifically:

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

On 19 October 2019, Cartiere di Guarcino S.p.A.'s total interest in CDG International Corp was sold to Finanziaria Valentini for € 2,502 thousand. This amount coincided with the book value of the policies. Payment of the balance of the amount indicated is expected before the transition to the MTA.

ENVIRONMENTAL DISCLOSURE

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

- Neodecortech:
 - UNI EN ISO 9001:2015, Quality System Certification
 - UNI EN ISO14001:2015, environmental certification (with particular regard to emissions)
 - BS HOSAS 18001:2011, occupational health and safety management certification

UNI EN ISO 50001:2011, certification relating to the optimization of energy consumption in order to reduce the carbon footprint

FSC CHAIN CUSTODY, certification relating to the sustainability of the forests where the pulp used in the paper we employ is obtained from

MADE IN ITALY 100%, supply chain certification

SUSTAINABILITY REPORT (2016 first year of publication).

- Cartiere di Guarcino: UNI EN ISO 9001 (2017),
UNI EN ISO14001 (2004),
BS HOSAS 18001 (2012),
UNI EN ISO 50001 (2018),
FSC - CHAIN CUSTODY (2010),
PEFC (2015).
- Bio Energia di Guarcino: UNI EN ISO 9001 (2015),
UNI EN ISO14001 (2012),
BS HOSAS 18001 (2016),
UNI EN ISO 50001 (2018).

With regard to environmental targets and policies, in 2019 the Group continued to implement the targets and guidelines contained in its corporate environmental policy.

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

HUMAN RESOURCES

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

The average number of employees in the first ten months of 2019 amounted to 370 resources.

INFORMATION ON THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

Group companies determined the fair value of derivatives outstanding at 31 October 2019, using measurement techniques commonly used for instruments of the type stipulated by the Group. The models applied for the measurement of the instruments require

calculation through the *Bloomberg info provider*. Inputs used in the models are mainly represented by observable market parameters (Euro and Dollar interest rate curve and official exchange rates, at the measurement date).

Pursuant to Article 2427 bis, paragraph 1, number 1) of the Italian Civil Code, the following information is provided on the derivative financial instruments in place at 31 October 2019.

The subsidiary Cartiere di Guarcino has the following hedging contracts:

- Interest Rate Swap - Interest rate hedging contract - Notional value at 31 December 2018 € 3,108,985 - Fair value at 31 October 2019 € -36,792 (€ -64,984 at 31 December 2018);
- Currency Rate - Foreign exchange hedging contract - Notional value of payables at 31 December 2018 USD 4,030,000 - Fair value at 31 October 2019 € -7,360 (€ 1,165 at 31 December 2018);

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

- Interest Rate Swap - Interest rate hedging contract - Notional value at 31 December 2017 € 12,000,000 - Fair value at 31 October 2019 € -472,271 (€ -268,940 at 31 December 2018).

At 31 October 2019, the Group companies measured fair value using inputs that resulted in the financial instruments being categorized in Level 3 of the fair value hierarchy.

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

ATYPICAL AND/OR UNUSUAL TRANSACTIONS DURING THE PERIOD

In the first ten months of 2019, there were no transactions that could be classified as such.

SIGNIFICANT EVENTS AFTER 31 OCTOBER 2019

There are no significant events to report after the closing date that could affect the financial statements at 31 October 2019.

BUSINESS AND MARKET OUTLOOK

Printed Decorative Paper Division - Neodecortech

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

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

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

PPF is the product family that posted the strongest increase (+57.5%) in 2019.

The acquisition of the Laminates family is also giving a strong boost to growth.

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

Decorative Paper Division - Cartiere di Guarcino

Cartiere di Guarcino reports the same market trends as Neodecortech.

On the sales side, the company has maintained a conservative approach in preparing its budget, basically forecasting a consolidation of existing markets and customers, in view of the geopolitical crisis that continues to be felt in various parts of the world. The issues continue to be the same: US-China trade war, Brexit, Iran embargo, Turkey inflation, South America recession, slower growth in India, China and Russia. The focus is on consolidating the leadership on the Italian market and continuing with the strategy of territorial diversification, paying constant and utmost attention to credit policy.

Energy Division – Bio Energia Guarcino

As for Bio Energia Guarcino, the price of animal by-products is expected to be on the rise. A trend also expected for vegetable oils.

OTHER INFORMATION

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

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

Pursuant to Articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that the Company held 50,000 treasury shares at 31 October 2019.

CONCLUSIONS

This Consolidated Financial Report was approved by the Board of Directors for publication on 9 December 2019.

Filago (BG), 9 December 2019

For the Board of Directors

The Chairman

.....

CONSOLIDATED FINANCIAL STATEMENTS AT 31 OCTOBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets		31 October	%	31 December	%	Changes
CONSOLIDATED FIGURES IN EURO THOUSANDS						
	Notes	2019		2018		
Property, plant and equipment	6	77.434	51,1%	76.675	48,4%	760
Intangible assets	7	2.898	1,9%	3.451	2,2%	(553)
Other non-current assets	8	112	0,1%	38	0,0%	74
Non-current financial receivables	9	1.849	1,2%	1.661	1,0%	188
Deferred tax assets	10	2.151	1,4%	2.236	1,4%	(85)
Other financial assets	11	-	0,0%	2.198	1,4%	(2.198)
Non-current assets		84.445	55,7%	86.259	54,4%	(1.814)
Inventory	12	35.213	23,2%	35.948	22,7%	(735)
Trade receivables	13	22.443	14,8%	24.798	15,6%	(2.355)
Tax receivables	14	1.753	1,2%	1.490	0,9%	263
Current financial receivables	15	4.328	2,9%	-	0,0%	4.328
Other receivables	16	2.164	1,4%	3.525	2,2%	(1.361)
Cash and cash equivalents	17	1.309	0,9%	6.489	4,1%	(5.180)
Current assets		67.211	44,3%	72.251	45,6%	(5.040)
Total assets		151.655	100,0%	158.509	100,0%	(6.854)

Equity and liabilities		31 October	%	31 December	%	Changes
CONSOLIDATED FIGURES IN EURO THOUSANDS						
	Notes	2019		2018		
Share capital		16.203	10,7%	16.203	10,2%	-
Share premium reserve		17.357	11,4%	17.357	10,9%	-
Other reserves		14.669	9,7%	10.257	6,5%	4.412
Prior years' profit (loss)		8.755	5,8%	8.757	5,5%	(2)
Profit (loss) for the period		3.802	2,5%	6.030	3,8%	(2.227)
Equity	27	60.786	40,1%	58.603	37,0%	2.183
Provisions for risks and charges	18	530	0,3%	455	0,3%	75
Deferred tax	19	6.516	4,3%	6.487	4,1%	29
Post-employment benefits	20	2.969	2,0%	2.867	1,8%	102
Non-current financial liabilities	21	24.802	16,4%	28.121	17,7%	(3.318)
Non-current liabilities		34.817	23,0%	37.930	23,9%	(3.112)
Trade payables	22	25.611	16,9%	33.176	20,9%	(7.565)
Payables from tax consolidation	23	590	0,4%	472	0,3%	118
Tax payables	24	303	0,2%	1.387	0,9%	(1.084)
Current financial liabilities	25	24.281	16,0%	22.682	14,3%	1.599
Other payables	26	5.267	3,5%	4.260	2,7%	1.007
Current liabilities		56.052	37,0%	61.977	39,1%	(5.925)
Equity and liabilities		151.655	100,0%	158.509	100,0%	(6.854)

CONSOLIDATED INCOME STATEMENT AT 31 OCTOBER 2019

	Notes	31 October 2019	%	31 October 2018	%	Balance Difference	% change
CONSOLIDATED FIGURES IN EURO THOUSANDS							
Revenue from sales	30	112.963		109.602	97%	3.361	3,1%
Changes in semi-finished and finished products	31	(76)	0%	245	0%	(321)	(131,0%)
Other revenue and income	32	2.730	2%	1.848	2%	882	47,7%
Raw and ancillary materials and consumables	33	(65.799)	-58%	(65.476)	-58%	(323)	0,5%
Personnel expense	34	(16.916)	-15%	(14.523)	-13%	(2.393)	16,5%
Amortization and depreciation	35	(7.200)	-6%	(5.912)	-5%	(1.288)	21,8%
Allocations	35	(75)	0%		0%	(75)	
Other operating expense	36	(19.018)	-17%	(17.278)	-15%	(1.740)	10,1%
EBIT		6.609	6%	8.506	8%	(1.897)	(22,3%)
Financial income	37	2	0%	632	1%	(630)	(99,7%)
Financial expense	38	(1.584)	-1%	(2.559)	-2%	975	(38,1%)
Profit (loss) before tax		5.027	4%	6.578	6%	(1.551)	(23,6%)
Direct tax on income for the period	39	(1.225)	-1%	(1.387)	-1%	162	(11,7%)
Profit (loss) for the period		3.802	3%	5.192	5%	(1.390)	(26,8%)
Other items of the comprehensive income statement							
Gains/(losses) on actuarial valuations (IAS 19)		(234)					
Gains/(losses) on cash flow hedging instruments		(126)					
Actuarial gains (losses) net of tax effect		(360)					
Comprehensive income (loss) for the period		3.442					
Earnings per share (in Euro):							
Basic		0,2908					
Diluted		0,2796					

CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 OCTOBER 2019

	31 October 2019	31 December 2018
CONSOLIDATED FIGURES IN EURO THOUSANDS		
Profit (loss) for the period	3.802	6.030
Income tax	934	1.381
Deferred/(prepaid) tax	291	212
Interest expense/(interest income)	1.581	2.963
(Dividends)		
(Gains)/losses from disposal of assets	(239)	(5)
1 Profit (loss) for the period before income tax, interest, dividends and gains/losses from disposals	6.369	10.590
Adjustments for non-monetary items that had no balancing entry in net working capital:		
Allocation to post-employment benefits	31	34
Allocations to other provisions	75	
Depreciation of fixed assets	7.200	7.157
Write-downs for impairment losses		
Other adjustments for non-monetary items	430	1.376
2 Cash flow before changes in NWC	14.104	19.157
Changes in net working capital		
Decrease/(increase) in receivables from customers	608	3.699
Decrease/(increase) in inventory	735	(2.682)
Increase/(decrease) in payables to suppliers	(7.293)	(2.185)
Decrease/(increase) in other receivables	1.097	1.880
Increase/(decrease) in other payables	(805)	(576)
Other changes in net working capital		(137)
3 Cash flow after changes in NWC	8.446	19.155
Other adjustments		
Interest received/(paid)	(664)	(1.693)
(Income tax paid)	(387)	(265)
(Gains)/losses from disposal of assets		
Dividends received		
(Utilization of provisions)		(546)
(Utilization of provisions for post-employment benefits)	(233)	(178)
4 Cash flow after other adjustments	7.162	16.473

A Cash flow from operations	7.162	16.473
Property, plant and equipment (Purchase)	(6.496) (6.532)	(6.868) (6.868)
Disposal	36	
Intangible assets (Purchase)	(192) (192)	(860) (860)
Disposal		
Non-current financial assets (Purchase)	(76) (76)	
Loans granted		
Proceeds from disposal of assets	239	
B Cash flow from investing activities	(6.524)	(7.728)
Liabilities	(3.724)	(6.245)
Increase (decrease) in current bank payables	367	(1.559)
New loans	182	1.128
Repayment of loans	(2.185)	(3.209)
Increase (decrease) in non-current bank payables		
Financial liabilities to other lenders	(1.814)	(3.314)
Change in financial receivables from other lenders	(274)	710
Equity	(2.094)	(2.114)
Share capital increase		
Sale (purchase) of treasury shares	(93)	(94)
Other changes in equity	(2.001)	(2.020)
C Cash flow from financing activities	(5.817)	(8.359)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(5.180)	386
Cash and cash equivalents at 1 January	6.489	6.103
Cash and cash equivalents at 31 October	1.309	6.489

To allow the comparison of the Statement of Cash Flows at 31 December 2018 with the statement at 31 October 2019, the amount of € 1,283 thousand was reclassified from "Increase (decrease) in non-current bank payables" to "Repayment of loans".

Trade receivables at end 2018 were impacted by the effects of the first assignment without recourse made by the parent company Neodecortech S.p.A.; subsequently, from March 2019, assignments without recourse referring to the receivables of a number of customers of the Parent Company were made on a continuous basis throughout the year. Additionally, as already mentioned in the Directors' Report on Operations, a reclassification for € 1,759 thousand was made in 2019 in the Parent Company's financial statements, from "Trade receivables" to "Other current financial receivables" and, as a reclassification, the change shown in the Statement of Cash Flows does not take it into account.

With regard to the reclassification from "Non-current financial assets not included in the NFP" for € 2,502 thousand made in the financial statements of Cartiere di Guarcino S.p.A. to "Other current financial receivables" of the receivable due from Finanziaria Valentini relating to the sale of the shares of CDG International Corporation, since it is collectable at the latest by the transfer of the Company's ordinary shares and warrants to the MTA, in this case too, as a reclassification, the Statement of Cash Flows does not take it into account.

The change in payables to suppliers of € -7,293 thousand is attributable for € -5,280 thousand to Cartiere di Guarcino S.p.A., and represents an absorption related to a mix of suppliers having different payment methods (especially imports from China).

With regard to financial liabilities to other lenders, the subsidiary Bio Energia Guarcino made payments to leasing companies for approximately € 2,200 thousand in 2018 versus approximately € 1,760 thousand made up to 31 October 2019. Additionally, in 2018 the Parent Company Neodecortech S.p.A. fully repaid the bond due to Luigi Valentini for approximately € 566 thousand, and the subsidiary Cartiere di Guarcino fully repaid the shareholder payable of € 297 thousand.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 OCTOBER 2019

CONSOLIDATED FIGURES EURO THOUSANDS	NOTES	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT				EQUITY	EQUITY NON- CONTROLLING INTERESTS	TOTAL EQUITY
				EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT (LOSS) FOR THE PERIOD			
Balance at 31/12/2018	26	16.203	(281)	17.357	19.389	(94)	6.030	58.604	-	58.604
Other items of the comprehensive income statement			(126)		(234)			(360)		(360)
Profit for the period							3.802	3.802		3.802
Total comprehensive income/loss for the period			(126)		(234)		3.802	3.442		3.442
Dividend distribution					(2.001)			(2.001)		(2.001)
Allocation of prior year's result					6.030		(6.030)			-
Other changes			137		697	(93)		741		741
Balance at 31/10/2019	26	16.203	(270)	17.357	23.881	(187)	3.802	60.786	-	60.786

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ENTITY DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is active in the production and marketing of decorative papers for the industrial sectors of wood and furnishing accessories. The Company has been listed on the AIM Italia market since 26 September 2017.

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

2. SCOPE OF CONSOLIDATION

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

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

For the periods ended 31 October 2018 and 31 December 2018, the consolidation scope is as follows:

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

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

For the period ended 31 October 2019, the consolidation scope is as follows:

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

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

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

The Consolidated Financial Statement for the period ended 31 October 2019 has been prepared solely for the purpose of its inclusion in the Prospectus on the admission to trading on the MTA, organized and managed by Borsa Italiana S.p.A., of Neodecortech S.p.A. ordinary shares and warrants.

Statement of compliance with international accounting standards and general standards

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union.

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

Reporting formats

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

formats reclassified by nature provide reliable and relevant information for the purposes of a correct presentation of the Company's operating performance.

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

Statement of Financial Position

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

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

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

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

Income Statement

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

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

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

Statement of cash flows

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

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

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

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

Statement of changes in equity

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

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

4. USE OF ESTIMATES AND MEASUREMENTS

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

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

- Measurement of receivables: Receivables from clients are adjusted by the related allowance for doubtful accounts to take account of their recoverable value. The determination of the amount of the write-downs requires the directors to perform subjective evaluations based on past experience for similar receivables or current and historical past dues, closing rates, losses and collections, and to carefully monitor credit quality;
- Measurement of inventory: Obsolescent inventory is periodically measured and written down if the net realizable value is lower than the carrying amount. Write-downs are calculated on the basis of Management's assumptions and estimates, based on their experience and sales forecasts;
- Measurement of deferred tax assets: Deferred tax assets are measured on the basis of the expected taxable income in future years. The measurement of such expected taxable income depends on factors that may vary over time and have significant effects on the measurement of deferred tax assets.
- Income tax: The calculation of the Group's tax liability requires Management to measure transactions whose tax implications are not certain at the balance sheet date.
- Measurement of intangible assets with finite useful life (development costs and other fixed assets): The useful life and depreciation criteria of these assets are reviewed annually.
- Pension plans: The present value of the pension liability depends on a number of factors that are determined by actuarial methods using certain assumptions. The assumptions regard the discount rate, the expected return on the assets servicing the plan, the rates of future salary increase, and the mortality and resignation rates. Any change in the above assumptions could have significant effects on the liability for pension benefits.
- Measurement of provisions for risks: in the normal course of business, Group companies are assisted by legal and tax advisors. A liability is recognized in the provision for risks and charges in relation to such disputes when it considers it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. If a financial outlay becomes possible but its amount cannot be determined, this circumstance is reported in the notes to the financial statements.

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

- Level 1: inputs used in measurements are represented by quoted prices in active markets for assets or liabilities identical to those subject to measurement.
- Level 2: inputs, other than the quoted prices referred to in the point above, are observable directly (prices) or indirectly (derived from prices) on the market.
- Level 3: inputs are not based on observable market data.

5. MAIN ACCOUNTING STANDARDS ADOPTED

The accounting standards adopted in the consolidated financial statements at 31 October 2019 have been applied like-for-like also to the comparative period. The main accounting standards used in the preparation of these consolidated financial statements are shown below.

Consolidation methods

The consolidated financial statements at 31 October 2019 include the financial statements of the parent company Neodecortech S.p.A. and its subsidiaries.

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

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

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

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

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

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

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

Translation of financial statements denominated in foreign currencies

The financial statements of companies with a functional currency other than the presentation currency of the consolidated financial statements (Euro) are translated, in accordance with IAS 21, as follows:

- a) assets and liabilities are translated at the exchange rate at the balance sheet date;
- b) revenue and expense are translated at the average exchange rate for the period.

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

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

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

EUR/USD	31/10/2019	31/12/2018	31/10/2018
Statement of financial position balances	-	1.1450	1.1318
Income statement balances	-	1.1810	1.1892

Business combinations

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

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

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

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

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

New accounting standards

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

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

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

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

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

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

The Group has applied the new IFRS 16 as from 1 January 2019, as explained at page 53 of the above report

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

Classification and measurement of financial assets and liabilities

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

Impairment

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

Hedge accounting

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

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

Accounting standards - amendments and interpretations

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

- amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts";
- IFRIC 22 interpretation "Foreign currency transactions and advance consideration";
- amendments to IAS 40 "Transfers of Investment Property";
- amendments to IFRS 2 "Classification and measurement of share-based payment transactions";
- amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards": deletion of short-term exemptions for *first-time adopters*;
- amendments to IAS 28 "Investments in associates and joint ventures": clarification that the recognition of an investment at fair value through profit or loss is a choice that applies to the individual investment.

New published standards

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

This standard is applied in the preparation of these financial statements as from 1 January 2019.

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

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

The standard provides two exemptions for recognition by lessees:

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

Non-current tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Assets under finance leases

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

Depreciation

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

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

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

Goodwill

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

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

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

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

Non-current intangible assets

Development costs and other intangible assets

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

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

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

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

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

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

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

Impairment of fixed assets

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

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

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

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model used by the Group for their management. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case

of a financial asset that is not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

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

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

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

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

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

and

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition

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

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

Impairment of financial assets

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

flows will include cash flows arising from the enforcement of credit guarantees, which are an integral part of the contractual conditions.

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

Investments in associates and other companies

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

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

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

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

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

Financial liabilities

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

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

Loans and receivables

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

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

Derecognition

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

Derivative financial instruments

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

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

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

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

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

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

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

Cash flow hedges

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

Fair value hedges

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

Inventory

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

Cash and cash equivalents

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

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

Treasury shares

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

Dividends

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

Provisions for risks and charges

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

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

Employee benefits

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

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

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

Share-based payments (Stock Grants)

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

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

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

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

Recognition of revenue and costs

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

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

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

Costs and expense

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

Financial income and expense

Financial income and expense are recognized on an accruals basis.

Income tax

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

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

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

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

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

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

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

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

Transactions denominated in foreign currencies

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

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

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

Earnings/(loss) per share

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

ASSETS

6. PROPERTY, PLANT AND EQUIPMENT

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

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

	Property, plant and equipment					
	Historical cost			Depreciation		
	31.12.2018	31.12.2018	NBV at 31.12.2018*	31.10.2019	31.10.2019	NBV at 31.10.2019
Land	12.082	-	12.082	12.082	-	12.082
Buildings	24.552	(5.754)	18.798	25.364	(6.332)	19.033
Work on third party assets	6.956	(2.849)	4.107	8.236	(3.794)	4.443
Plant and machinery	104.178	(66.970)	37.208	107.137	(69.508)	37.628
Equipment	19.242	(16.185)	3.057	20.294	(17.131)	3.163
Other	5.220	(3.797)	1.423	5.124	(4.038)	1.086
TOTAL	172.229	(95.555)	76.675	178.237	(100.803)	77.434

(*) amount including revaluation

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

	Property, plant and equipment					
	Historical cost 31.12.2018	Write up/write down	Purchase	Disposal	Other	Historical cost 31.10.2019
Land	12.082	-	-	-	-	12.082
Buildings	14.604	9.948	812	-	-	25.364
Work on third party assets	6.956	-	1.281	-	-	8.236
Plant and machinery	104.147	31	3.748	(1.207)	418	107.137
Equipment	19.242	0	1.069	(15)	-	20.297
Other	5.219	1	345	(25)	(418)	5.121
TOTAL	162.249	9.980	7.254	(1.247)	-	178.237

	Depreciation					Depreciation provision 31.10.2019
	provision 31.12.2018	Write up/write down (prior periods)	Depreciation	Disposal	Other changes	
Land	-	-	-	-	-	-
Buildings	(5.754)	-	(580)	-	-	(6.334)
Work on third party assets	(2.849)	-	(945)	-	-	(3.794)
Plant and machinery	(66.970)	-	(3.712)	1.177	-	(69.505)
Equipment	(16.185)	-	(946)	-	-	(17.131)
Other	(3.797)	-	(267)	25	-	(4.039)
TOTAL	(95.555)	-	(6.450)	1.202	-	(100.803)

Printed Decorative Paper Division

In the first ten months of 2019, the main expenditure was made in the purchase of printing cylinders and the revamping of certain machinery.

Decorative Paper Division

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

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

Energy Division

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

IFRS 16

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

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

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

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

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

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

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

<i>(Euro thousands)</i>	Rights of Use		
	cost 31.10.2019	provision 31.10.2019	NBV at 31.10.2019
Buildings	489	(91)	398
Plant and machinery	79	(39)	39
Other	151	(46)	105
TOTAL	719	(176)	542

(Euro thousands)

	Rights of Use					
	Historical cost 31.12.2018	Write up/write down (prior periods)	Purchase	Disposal	Other changes	Historical cost 31.10.2019
Buildings	-	-	489	-	-	489
Plant and machinery	-	-	79	-	-	79
Other	-	-	151	-	-	151
TOTAL	-	-	719	-	-	719

	Depreciation					
	Depreciation provision 31.12.2018	Write up/write down (prior periods)	Depreciation	Disposal	Other changes	Depreciation provision 31.10.2019
Buildings	-	-	(91)	-	-	(91)
Plant and machinery	-	-	(39)	-	-	(39)
Other	-	-	(46)	-	-	(46)
TOTAL	-	-	(176)	-	-	(176)

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

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

	Financial liabilities		
	Balance at 01 January 2019	Payments	Balance at 31 October 2019
Buildings	489	91	398
Plant and machinery	79	39	39
Other	151	46	105
TOTAL	719	176	542

The amount of € 542 thousand represents the financial commitment under IFRS 16 for existing Leases and Rentals in the Neodecortech Group.

7. INTANGIBLE ASSETS

Intangible assets						
Balance at 31.12.2018	Purchase	Disposal	Depreciation	Write up/write down	Other changes	Balance at 31.10.2019
3.182	188		(745)		269	2.895
269	3	-	-	-	(269)	3
3.451	192	-	(745)	-	-	2.898

Intangible assets include the capitalization deriving from the change of the AS400 management system for the Parent Company, with regard to the updating of the accounting system in use. The reclassification from assets under development to other intangible assets, amounting to € 269 thousand, refers to the start of operation of the software.

8. OTHER NON-CURRENT ASSETS

<i>(Euro thousands)</i>	Non-current assets					
	31 October 2019	%	31 December 2018	%	Change	% change
Other non-current receivables (security deposits)	112	100,0	38	100,0	74	193,6
Total non-current assets	112	100,0	38	100,0	74	193,6

"Other non-current assets" at 31 October 2019, amounting to € 112 thousand, includes € 112 thousand in security deposits. The increase of € 74 thousand versus 31 October 2019 is attributable to a security deposit made by the subsidiary Bio Energia Guarcino with the Customs Agency.

9. NON-CURRENT FINANCIAL RECEIVABLES

<i>(Euro thousands)</i>	Non-current financial receivables					
	31 October 2019	%	31 December 2018	%	Change	% change
Non-current financial receivable	1.849	100,0	1.661	100,0	188	11,3
Total non-current financial receivables	1.849	100,0	1.661	100,0	188	11,3

"Non-current financial receivables" at 31 October 2019, amounting to € 1,849 thousand, includes the interest-bearing financial receivable from Andreotti S.p.A. of € 1,244 thousand (also present at 31 December 2018 for the amount of € 1,217 thousand), comprising principal and accrued interest. Reference should be made to the section on non-current financial liabilities.

The increase in the balance of non-current financial receivables of € 188 thousand is attributable for the most part to the non-current portion of a new financial receivable of € 161 thousand due to the Parent Company from the related party Valinvest. This item also includes, at 31 October 2019 and 31 December 2018, a receivable of € 444 thousand due to the subsidiary Cartiere di Guarcino S.p.A. from the related party ISFRE.

10. DEFERRED TAX ASSETS

<i>(Euro thousands)</i>		Deferred tax assets			
	31 October 2019	31 December 2018	Change	% change	
Directors' remuneration approved and not paid	4	23	(19)	(82,6%)	
Provisions for write-downs and risks	9	7	2	28,6%	
Tax recovery on adjustment of start-up and expansion costs	2	39	(37)	(94,9%)	
Tax recovery on adjustment of plant and machinery depreci	262	299	(37)	(12,4%)	
Deferred tax on derivative contracts	115	65	50	76,9%	
Deferred tax on employee benefits	107	41	66	161,0%	
Tax recovery on adjustment of research expense	70	96	(26)	(27,1%)	
Tax loss carryforward (BEG)	1.538	1.538		0,0%	
Other	44	128	(84)	(65,6%)	
Deferred tax assets	2.151	2.236	(85)	(3,8%)	

Management has recognized deferred tax assets up to the value which it considers their recovery likely for. In determining the items, budget results and forecasts for subsequent years were taken into account. Deferred-tax assets of € 2,151 thousand include € 1,538 thousand for prior-years' tax losses of the subsidiary Bio Energia Guarcino S.r.l., and the residual portion attributable mainly to changes in the income statement following the adoption of IAS/IFRS accounting standards.

11. OTHER FINANCIAL ASSETS

<i>(Euro thousands)</i>		Other financial assets					
	31 October 2019	%	31 December 2018	%	Change	% change	
Other financial assets	-	-	2.198	100,0	(2.198)	(100,0)	
Total other financial assets	-	-	2.198	100,0	(2.198)	(100,0)	

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

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

At 31 October 2019, these financial products were sold to Finanziaria Valentini for a total of € 2,502 thousand, as they include premiums paid up to 31 October 2019.

12. INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

<i>(Euro thousands)</i>	Inventory					
	31 October 2019	%	31 December 2018	%	Change	% change
Raw and ancillary materials and consumables	17.468	49,6	19.480	54,2	(2.012)	(10,3)
Work in progress	220	0,6	119	0,3	101	85,5
Finished products	16.141	45,8	16.320	45,4	(179)	(1,1)
Advances	1.384	3,9	30	0,1	1.355	4.582,9
Total inventory	35.213	100,0	35.948	100,0	(735)	(2,0)

Inventory for raw materials refers mainly to inks, paper and impregnation material for Neodecortech, pulp and titanium dioxide for Cartiere di Guarcino and animal by-products for Bio Energia Guarcino; it should be noted that the level at 31 October 2019 is lower than the value at 31 December 2018, with a policy that tends to keep the level of stock as low as possible in order not to commit financial resources for an extended period of time.

13. TRADE RECEIVABLES

<i>(Euro thousands)</i>	Trade receivables					
	31 October 2019	%	31 December 2018	%	Change	% change
Trade receivables	22.699	101,1	25.053	101,0	(2.355)	(9,4)
Provision for doubtful accounts	(256)	(1,1)	(255)	(1,0)	(1)	0,3
Total trade receivables	22.443	100,0	24.798	100,0	(2.355)	(9,5)

With regard to trade receivables, mention should be made of the assignment without recourse carried out on an ongoing basis since March 2019 by the Parent Company, compared to the spot transaction carried out by 31 December 2018. Additionally, as already mentioned in the Directors' Report on Operations, a reclassification of € 1,759 thousand was made in 2019 in the Parent Company's financial statements, from "Trade receivables" to "Other current financial receivables".

14. TAX RECEIVABLES

<i>(Euro thousands)</i>	Tax receivables					
	31 October 2019	%	31 December 2018	%	Change	% change
VAT	990	56,5	1.551	104,1	(561)	(36,2)
Withholdings a/c	763	43,5	(62)	(4,2)	826	(1.323,8)
Other tax receivables	-	-	2	0,1	(2)	(100,0)
Total tax receivables	1.753	100,0	1.490	100,0	263	17,7

The table above shows a decrease in VAT receivables of € 561 thousand at 31 October 2019 versus 31 December 2018, attributable mainly to the subsidiary Bio Energia del Guarcino. Additionally, the subsidiary itself recorded an increase of € 826 thousand in accrued withholding tax.

15. CURRENT FINANCIAL RECEIVABLES

	Current financial receivables					
	31 October 2019	%	31 December 2018	%	Change	% change
<i>(Euro thousands)</i>						
Current financial receivables	4.328	100,0	-	-	4.328	-
Total current financial receivables	4.328	100,0	-	-	4.328	-

The change of € 4,328 thousand is due to the reclassification made in the financial statements of Neodecortech S.p.A., from trade receivables for € 1,759 thousand referring to the receivable due from Finanziaria Valentini and, in the financial statements of Cartiere di Guarcino, from non-current financial assets for € 2,502 thousand referring again to the receivable due from Finanziaria Valentini, and, for € 67 thousand, to the current portion of a new financial receivable due to the Parent Company from the related party Valinvest.

16. OTHER CURRENT RECEIVABLES

	Other current receivables					
	31 October 2019	%	31 December 2018	%	Change	% change
<i>(Euro thousands)</i>						
Receivables for advance costs	-	-	10	0,3	(10)	(100,0)
Advances to suppliers	3	0,1	3	0,1	-	-
Prepayments and accrued income	927	42,8	1.739	49,3	(812)	(46,7)
Other	1.235	57,0	1.773	50,3	(538)	(30,4)
Total current receivables	2.164	100,0	3.525	100,0	(1.361)	(38,6)

17. CASH AND CASH EQUIVALENTS

	Cash and cash equivalents					
	31 October 2019	%	31 December 2018	%	Change	% change
<i>(Euro thousands)</i>						
Bank and post office deposits	1.300	99,3	6.470	99,7	(5.170)	(79,9)
Cash and valuables on hand	9	0,7	19	0,3	(10)	(52,6)
Total cash and cash equivalents	1.309	100,0	6.489	100,0	(5.180)	(79,8)

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

LIABILITIES

18. PROVISIONS FOR RISKS AND CHARGES

	Provisions for Risks and Charges					
	31 October 2019	%	31 December 2018	%	Change	% change
<i>(Euro thousands)</i>						
Provisions for Risks and Charges	530	100,0	455	100,0	75	16,5
Total provisions for risks and charges	530	100,0	455	100,0	75	16,5

At 31 October 2019, the provision for risks and charges amounted to € 530 thousand: € 455 thousand refer to a provision relating to the ISFRE investment held by Cartiere del Guarcino, while the increase for the year of € 75 thousand refers to the subsidiary Bio Energia del Guarcino which, following the request for a Tax Roll Document from the Revenue Agency, as a result of the Due Diligence on the MTA listing, ascertained that it has an unnotified outstanding issue for such an amount.

19. DEFERRED TAX LIABILITIES

	Deferred tax liabilities			
	31 October 2019	31 December 2018	Change	% change
<i>(Euro thousands)</i>				
Deferred tax on statutory revaluations	5.410	5.441	(31)	(0,6%)
Deferred tax on assets (BEG)	404	458	(54)	(11,9%)
Valuation exchange gains	3	12	(9)	(75,0%)
Finance lease assets	699	575	124	21,6%
Other	-	1	(1)	(100,0%)
Deferred tax liabilities	6.516	6.487	29	0,4%

At 31 October 2019, deferred tax amounted to € 6,516 thousand. Deferred tax refers mainly to the temporary differences between the statutory value and the fiscal value emerging from the statutory revaluations made at the time on the properties owned.

20. POST-EMPLOYMENT BENEFITS

	Post-employment benefits					
	31 October 2019	%	31 December 2018	%	Change	% change
<i>(Euro thousands)</i>						
Post-employment benefits	2.969	100,0	2.867	100,0	102	3,6
Total post-employment benefits	2.969	100,0	2.867	100,0	102	3,6

The balance refers to the provision for post-employment benefits of Neodecortech, Cartiere di Guarcino and Bio Energia di Guarcino.

21. NON-CURRENT FINANCIAL LIABILITIES

	Non-current financial liabilities					
	31 October 2019	%	31 December 2018	%	Change	% change
<i>(Euro thousands)</i>						
MICA loans	4.836	19,5	4.741	16,9	95	0,0
BPM Mortgage Loan	9.502	38,3	10.767	38,3	(1.265)	(0,1)
Payables to shareholders	-	-	104	0,4	(104)	(1,0)
Derivatives Provision (IFRS 9)	516	2,1	335	1,2	181	0,5
M/L loans	6.100	24,6	7.039	25,0	(939)	(0,1)
Lease payables	3.360	13,5	5.088	18,1	(1.728)	(0,3)
Other financial payables	489	2,0	47	0,2	442	9,4
Total non-current financial liabilities	24.802	100,0	28.121	100,0	(3.319)	(0,1)

BPM loan

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

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

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

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

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

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

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

The change in "BPM mortgage loan" refers to the instalments paid by the Parent Company in 2019 and the following reclassification of the current portion under "Current financial liabilities". Likewise, "Non-current loans" refers to subsidiaries and decreases for the same reasons.

The decrease in "Lease payables" is due to the payments made by the subsidiary Bio Energia Guarmino and the following reclassification current portion under "Current liabilities to other lenders".

The Company hedged the interest rate risk on the BPM loan by subscribing an interest rate swap (IRS). The fair value of this instrument at 31 October 2019 came to a negative € 472 thousand. The residual portion of "Derivatives Provision (IFRS 9)" refers to exchange rate derivatives of the subsidiary Cartiere di Guarmino.

MICA Loan

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

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

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

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

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

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

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

22. TRADE PAYABLES

<i>(Euro thousands)</i>	Trade payables					
	31 October 2019	%	31 December 2018	%	Change	% change
Trade payables	25.611	100,0	33.176	100,0	(7.565)	(22,8)
Total trade payables	25.611	100,0	33.176	100,0	(7.565)	(22,8)

There are no trade payables due beyond 12 months.

With regard to the reduction in the amount of trade payables of € 7,565 thousand, 2019 recorded a decrease in average payment times versus 2018.

23. PAYABLES FOR TAX CONSOLIDATION

<i>(Euro thousands)</i>	Payables from tax consolidation					
	31 October 2019	%	31 December 2018	%	Change	% change
Payable from tax consolidation	590	100,0	472	100,0	118	25,0
Total payables from tax consolidation	590	100,0	472	100,0	118	25,0

24. TAX PAYABLES

<i>(Euro thousands)</i>	Tax payables					
	31 October 2019	%	31 December 2018	%	Change	% change
VAT	(517)	(170,8)	243	17,5	(760)	(312,7)
IRAP	198	65,3	158	11,4	40	25,2
Withholdings a/c	478	157,7	660	47,6	(182)	(27,6)
Other tax payables	145	47,7	326	23,5	(182)	(55,7)
Total tax payables	303	100,0	1.387	100,0	(1.084)	(78,2)

The most significant change in other tax payables, amounting to € 760 thousand, is attributable to the VAT payable. This amount refers to the subsidiary Cartiere del Guarcino, which had a payable of € 517 thousand at 31 October 2019.

25. CURRENT FINANCIAL LIABILITIES

(Euro thousands)	Current financial liabilities					
	31 October 2019	%	31 December 2018	%	Change	% change
Current payables to banks	22.109	91,1	20.654	91,1	1.455	0,1
Payables to other lenders:	2.173	8,9	2.027	8,9	146	0,1
Lease payables	2.068	95,2	2.027	100,0	41	0,0
Payables to others	105	4,8	-	-	105	100,0
Total current financial liabilities	24.281	100,0	22.682	100,0	634	2,9

"Current financial liabilities" of € 24,281 thousand at 31 October 2019 includes the current principal portion of payables to banks and leasing companies, and the corresponding interest liability for the period relating to loans outstanding at the same date. The increase of € 1,455 thousand is due mainly (€ 1,349 thousand) to the use at 31 October 2019 of bank advances made by the subsidiary Bio Energia del Guarcino.

26. OTHER CURRENT PAYABLES

(Euro thousands)	Other payables					
	31 October 2019	%	31 December 2018	%	Change	% change
Payables to social security institutions	897	17,0	1.265	29,7	(367)	(29,0)
Payables to employees	2.882	54,7	1.740	40,8	1.142	65,6
Advances received from customers	1.136	21,6	1.035	24,3	100	9,7
Other	352	6,7	202	4,7	150	74,0
Total other payables	5.267	100,0	4.260	100,0	1.007	23,6

The increase in "Payables to personnel" is due mainly to the acquisition of the business unit during the year and to the provisions for holidays/time off, which are higher in the first ten months of the year than at the end of the year, as they are deducted towards the end of each year.

The decrease of € 367 thousand in payables to social security institutions refers almost entirely to the payable to INPS. The change is due to the comparison of the figure at end 2018, which includes allocations for November and December contributions and those for the thirteenth month's pay, which are excluded from the figure at 31 October 2019.

27. EQUITY

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

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

At 31 October 2019, the share capital amounts to € 16,203,000 and is divided into 13,101,500 shares with no indication of their nominal value.

Warrant issue valid for subscribing to ordinary shares of Neodecortech S.p.A.

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

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

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

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

28. PURCHASE AND SALE OF TREASURY SHARES

At 31 October 2019, the Company held 50,000 treasury shares

On 23 June 2017, the Issuer's Extraordinary Shareholders' Meeting resolved to authorize the Board of Directors to purchase and dispose of its treasury shares in order to: (i) use them as an investment for an efficient use of the liquidity generated by the Company's core business; (ii) purchase its treasury shares from the beneficiaries of any stock option or stock grant plans approved by the competent corporate bodies; and (iii) allow the use of its treasury shares in the context of transactions connected with the core business or with plans consistent with the strategic guidelines that the Company intends to pursue, with a view to the opportunity of exchanging shares.

29. STOCK OPTION PLANS

On 23 June 2017, the Extraordinary Shareholders' Meeting of the Issuer approved a stock grant plan (the "Stock Grant Plan") and the related Capital Increase to service the Plan.

CONSOLIDATED INCOME STATEMENT

30. REVENUE FROM SALES AND SERVICES

<i>(Euro thousands)</i>	Revenue from sales and services					
	31 October 2019	%	31 October 2018	%	Change	% change
Revenue from sales	106.319	94,1	104.121	95,0	2.198	2,1
Services	6.644	5,9	5.481	5,0	1.163	21,2
Total revenue from sales and services	112.963	100,0	109.602	100,0	3.361	3,1

It should be noted that services consist mainly of the item "impregnation under contract work" of the Parent Company for the amount of approximately € 6,644 thousand at 31 October 2019 versus € 5,481 thousand at 31 October 2018. With regard to the slight increase in turnover, reference should be made to page 15 of the Directors' Report on Operations.

31. CHANGES IN WORK IN PROGRESS, SEMI-FINISHED AND FINISHED PRODUCTS

<i>(Euro thousands)</i>	Change in inventory					
	31 October 2019	%	31 October 2018	%	Change	% change
Change in inventory	(76)	100,0	245	100,0	(321)	(131,0)
Total change in inventory	(76)	100,0	245	100,0	(321)	(131,0)

The changes in inventory at 31 October 2019 versus the same month of 2018, equal to € 321 thousand, are attributable to the continued efficiency policy in terms of stocks reduction.

32. OTHER REVENUE

<i>(Euro thousands)</i>	Other revenue					
	31 October 2019	%	31 October 2018	%	Change	% change
Contingent assets	371	13,6	157	8,5	214	136,7
Gains	239	8,8	6	0,3	233	3.883,3
Insurance refunds	1.428	52,3	255	13,8	1.173	460,0
Exchange rate gains	71	2,6	246	13,3	(175)	(71,1)
Other revenue	621	22,7	1.184	64,1	(563)	(47,6)
Total other revenue	2.730	100,0	1.848	100,0	882	47,7

Other revenue, amounting to € 2,730 thousand at 31 October 2019 versus € 1,848 thousand at 31 October 2018, consists mainly in the insurance refund for the amount of € 1,428 thousand collected by the subsidiary Cartiere di Guarcino and due to the company for a weather incident that took place in February 2019.

33. RAW AND ANCILLARY MATERIALS AND CONSUMABLES

<i>(Euro thousands)</i>	Raw and ancillary materials and consumables					
	31 October 2019	%	31 October 2018	%	Change	% change
Raw and ancillary materials and consumables	64.680	98,3	64.484	98,5	196	0,3
Packaging materials	1.119	1,7	992	1,5	126	12,7
Total raw materials	65.799	100,0	65.476	100,0	323	0,5

With regard to the slight increase of € 323 thousand in "Raw and ancillary materials and consumables", reference should be made to the information provided at page 17 of the Directors' Report on Operations.

34. PERSONNEL EXPENSE

<i>(Euro thousands)</i>	Personnel expense					
	31 October 2019	%	31 October 2018	%	Change	% change
Wages and salaries	11.555	68,3	10.058	69,3	1.497	14,9
Social security charges	3.790	22,4	3.300	22,7	490	14,8
Post-employment benefits	706	4,2	694	4,8	12	1,7
Other personnel expense	865	5,1	470	3,2	394	83,8
Total personnel expense	16.916	100,0	14.523	100,0	2.393	16,5

The increase in the cost of wages and salaries and of social security contributions reflects the acquisition of the CorbettaFia S.r.l. BU. With regard to "Other personnel expense", reference should be made to the Directors' Report on Operations.

35. AMORTIZATION, DEPRECIATION AND PROVISIONS

(Euro thousands)

	Amortization, depreciation, and provisions					
	31 October 2019	%	31 October 2018	%	Change	% change
Other intangible assets	745	10,2	611	10,3	134	21,9
Buildings	578	7,9	481	8,1	97	20,1
Work on third party assets	945	13,0	679	11,5	266	39,2
Plant and machinery	3.712	51,0	3.079	52,1	633	20,5
Equipment	946	13,0	865	14,6	81	9,4
Other	275	3,8	198	3,3	77	38,9
Other provisions for risks	75	1,0	-	-	75	-
Total amortization, depreciation and provis	7.275	100,0	5.912	100,0	1.362	23,0

"Amortization and depreciation" at 31 October 2019 was higher than the amount recorded at the same date of 2018, as a result of the amortization and depreciation resulting from the acquisition of CorbettaFia S.r.l. on 1 September 2018, amounting to € 142 thousand, and to the higher investments made by the Group in the first ten months of 2019, as already detailed in the Directors' Report on Operations. With regard to the allocation to the provisions for risks, reference should be made to the section Provisions for risks and charges in the Statement of Financial Position in these Notes.

36. OTHER OPERATING EXPENSE

(Euro thousands)

	Other operating expense					
	31 October 2019	%	31 October 2018	%	Change	% change
External processing	22	0,1	38	0,2	(16)	(42,7)
Consultancy	2.000	10,5	1.976	11,4	24	1,2
Advertising and marketing	386	2,0	191	1,1	194	101,5
Bonuses and commissions	1.038	5,5	989	5,7	49	5,0
Transport	2.904	15,3	2.632	15,2	272	10,3
Utilities	3.993	21,0	3.670	21,2	323	8,8
Remuneration of Directors and Statutory Auditors	361	1,9	454	2,6	(93)	(20,4)
Insurance	921	4,8	816	4,7	105	12,9
Bank commissions	366	1,9	224	1,3	143	63,9
Reimbursements to employees	16	0,1	13	0,1	3	21,0
Travel expenses	139	0,7	126	0,7	13	10,3
Sundry industrial services	3.172	16,7	2.931	17,0	242	8,2
Other services	1.913	10,1	1.743	10,1	170	9,7
Rental expense	32	0,2	37	0,2	(5)	(13,6)
Rentals and other	258	1,4	333	1,9	(76)	(22,7)
Tax and duties	722	3,8	647	3,7	75	11,5
Contingent liabilities	606	3,2	261	1,5	346	132,6
Exchange rate losses	39	0,2	56	0,3	(17)	(30,6)
Other operating expense	84	0,4	73	0,4	11	15,3
Write-down of current receivables	45	0,2	67	0,4	(22)	(33,1)
Total other operating expense	19.018	100,0	17.278	100,0	1.741	10,1

"Other operating expense" amounted to € 19,018 thousand at 31 October 2019 versus € 17,278 thousand at 31 October 2018. For the changes recorded, reference should be made to the individual Business Units in the Directors' Report on Operations.

37. FINANCIAL INCOME

(Euro thousands)

	31 October 2019		31 October 2018		Change	% change
		%		%		
Interest income	(48)	1.955,2	(26)	4,2	(21,5)	81,2
Financial discounts receivable	-	0,0	(160)	25,3	159,9	0,0
Exchange differences	46	(1.855,2)	(445)	70,5	490,8	(110,2)
Total financial income	(2)	100,0	(632)	100,0	629	(99,6)

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

38. FINANCIAL EXPENSE

(Euro thousands)

	31 October 2019		31 October 2018		Change	% change
		%		%		
Interest expense	1.454	91,8	1.726	67,5	(272)	(15,8)
Lease interest	110	6,9	144	5,6	(35)	(24,0)
Financial discounts	-	-	462	18,1	(462)	(100,0)
Other expense	20	1,3	226	8,8	(206)	(91,1)
Total financial expense	1.584	100,0	2.559	100,0	(975)	(38,1)

At 31 October 2019, interest expense was lower than in the same period of 2018 by € 272 thousand, due to lower current debt costs, thanks to the introduction of "umbrella" facilities starting in 2019.

39. INCOME TAX

<i>(Euro thousands)</i>	Income tax			
	31 October 2019		31 December 2018	
Profit (loss) before tax	5.027		7.622	
IRES for the period	1.098	21,8%	1.528	30,4%
Income from tax consolidation	(494)	(9,8%)	(687)	(13,7%)
IRES net of income from tax consolidation	604	12,0%	841	16,7%
IRAP for the period	384		540	
Deferred tax assets	207		259	
Deferred tax	29		(47)	
Prior years' income tax				
Income tax	1.225		1.593	

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

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

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

40. EARNINGS PER SHARE

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

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

Basic earnings per share are calculated as follows:

EARNINGS PER SHARE	31/10/2019	31/12/2018
Net profit attributable to the shareholders (Euro thousands)	3.802	6.030
Weighted average number of shares outstanding (n./000)	13.074	13.084
Basic earnings per share (Euro/cent.)	0,2908	0,4609
 DILUTED EARNINGS PER SHARE	 31/10/2019	 31/12/2018
Net profit attributable to the shareholders (Euro thousands)	3.802	6.030,00
Weighted average number of shares outstanding (n./000)	13.074	13.084
Weighted average number of shares eligible for stock option plans (n./000)	525	387
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.599	13.471
Diluted earnings per share (Euro/cent.)	27,96	44,76

41. CONTINGENT LIABILITIES

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

42. RELATED PARTY TRANSACTIONS: ASSOCIATES, PARENTS AND COMPANIES CONTROLLED BY PARENTS

Transactions carried out by Neodecortech S.p.A. and other Group companies with related parties, as identified by IAS 24, including transactions with subsidiaries and associates, are neither atypical nor unusual and fall within the ordinary course of business of the Company. These transactions were carried out on market terms. It should be noted that transactions with subsidiaries are not shown as they are derecognized at the consolidation level, while transactions with related parties at 31 October 2019 are shown. Additionally, mention should be made that the parent company Neodecortech S.p.A. is in turn controlled by Finanziaria Valentini S.p.A.

With regard to the requirements of point 2) third paragraph of Article 2428 of the Italian Civil Code, the Company is controlled, with a 63.86% stake, by Finanziaria Valentini. Accordingly, the Company is part of a group of entities whose parent is "Finanziaria Valentini S.p.A." and whose subsidiaries are "Industrie Valentini S.p.A." and "Valinvest S.p.A.". Related parties also include "Valfina S.p.A." as it is directly or indirectly controlled by the Valentini Family, and by the shareholder Luigi Valentini.

Specifically, it should be noted that at the balance sheet date, the outstanding transactions with these companies can be summarized in the tables below:

	Trade receivables at 31 October 2019	Financial receivables at 31 October 2019	Trade payables at 31 October 2019	Financial payables at 31 October 2019
<i>(Euro thousands)</i>				
Finanziaria Valentini		4.260	(751)	(0)
Industrie Valentini	170		(12)	
Valinvest		228	(9)	
ISFRE		444		
Avv Addi Emanuela Valentini Gianluigi				
Total	170	4.932	(772)	(0)

	Revenue and Income at 31 October 2019	Costs and Expense at 31 October 2019
<i>(Euro thousands)</i>		
Finanziaria Valentini	(19)	167
Industrie Valentini	(1.168)	122
Valinvest		119
ISFRE		
Avv Addi Emanuela Valentini Gianluigi		1 3
Total	(1.188)	412

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

With regard to revenue, € 1,168 thousand from Industrie Valentini represent revenue from the sale of products by Neodecortech S.p.A.; with regard to financial receivables amounting to € 1,759 thousand, they refer to a financial receivable due to Neodecortech S.p.A. from Finanziaria Valentini, while € 2,501 thousand represent a financial receivable due to Cartiere di Guarino from the disposal of a financial asset.

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

The portion relating to the payable to Finanziaria Valentini amounting to (€ 751) thousand, represents the allocation of the payable deriving from tax consolidation.

43. SEASONALITY

The Group does not record any significant seasonal changes.

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

With regard to the provisions of Article 1, paragraph 125, of Law 124/2017, regarding the obligation to provide evidence in the notes to the financial statements of any amounts of money received during the year by way of grants, contributions, paid assignments and in any case economic advantages of any kind from public administrations and from the persons referred to in paragraph 125 of the same article, mention should be made, for the situation at 31 December 2018, of the following:

Importi in euro

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

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

OTHER SUPPLEMENTARY INFORMATION**EVENTS AFTER THE REPORTING PERIOD**

No significant events occurred after the end of the period.

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

INFORMATION ON AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION

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

INFORMATION ON ASSETS AND LOANS FOR A SPECIFIC TRANSACTION

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

TREASURY SHARES

In implementation of the resolution of the Shareholders' Meeting of 23 June 2017, which authorized the Board of Directors to purchase ordinary shares of the Company, in January 2018, the Board of Directors launched a buy-back programme.

Pursuant to Articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that, at the closing of 2018, the Group held 26,000 treasury shares, while at 31 October 2019, it held 50,000 treasury shares.

SHARES/UNITS OF THE PARENT COMPANY

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

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

In accordance with the law, the table below shows the total compensation due to the Directors, the Board of Statutory Auditors and the Independent Auditors:

Qualification	31.10.2019	31.12.2018
Directors	271,386	473,000
Board of Statutory Auditors	30,000	36,000
Independent Auditors	16,667	26,950

APPROVAL BY THE GOVERNING BODY

This consolidated report was approved by the Board of Directors for publication on 9 December 2019.

Filago (BG), 9 December 2019

For the Board of Directors

The Chairman

.....

Neodecortech S.p.A.

Auditor's Report on the Consolidated
Interim Financial Statements as at
October 31, 2019

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



Tel: +39 051 27.15.54
Fax: +39 051 46.86.021
www.bdo.it

Corte Isolani, 1
40125 Bologna

Independent Auditors Report

To the Board of Directors of
Neodecortech S.p.A.

Audit opinion to the consolidated interim financial statements

Opinion

We have audited the consolidated interim financial statements of Neodecortech S.p.A. (the Company), which comprise the balance sheet as at October 31, 2019, the income statement and cash flow statement for the ten months period then ended and the notes to the financial statements.

The consolidated interim financial statements for the period ended 31 October 2019 has been prepared solely for the purpose of its inclusion in the Prospectus on the admission to trading on the MTA - Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A., of Neodecortech S.p.A. ordinary shares and warrants.

In our opinion, the accompanying consolidated interim financial statements of the Company as at October 31, 2019 present fairly, in all material respects, the consolidated financial position, the consolidated financial performance and the consolidated cash flows for the year then ended in compliance with the criteria detailed in the explanatory notes to the financial statements as required by the International accounting standard applicable to the interim financial report (IAS 34) adopted by the European Union.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated interim financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the interim financial statements in Italy, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter paragraph - general criteria of preparation and limitations on disclosure and use

Attention should be given to the explanatory notes to the consolidated interim financial statements for the period ended October 31, 2019, providing a description of the general criteria of preparation. The consolidated interim financial statements for the period ended October 31, 2019 were prepared only for inclusion in the Prospectus published upon admission of the ordinary shares and warrants of Neodecortech S.p.A. to trading on the MTA - Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.. Consequently, the consolidated interim financial statements for the period ended October 31, 2019 cannot be used for other purposes. Our report is issued for your purposes only and must not be used otherwise or disclosed to third parties, entirely or in part, with the exception of the circumstances mentioned in relevant letters of engagement. We issue an unqualified opinion in relation to what stated in this paragraph.

Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Pescara, Roma, Torino, Treviso, Trieste, Verona, Vicenza

BDO Italia S.p.A. - Sede Legale: Viale Abruzzi, 94 - 20131 Milano - Capitale Sociale Euro 1.000.000 i.v.

Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842

Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013

BDO Italia S.p.A., società per azioni italiana, è membro di BDO International Limited, società di diritto inglese (company limited by guarantee), e fa parte della rete internazionale BDO, network di società indipendenti.

Other Matter

The Company has prepared the consolidated financial statements for the year ended December 31, 2018 in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB) and adopted by the European Union on which we issued a separate auditor's report dated April 12, 2019.

Responsibilities of Management and Those Charged with Governance for the consolidated interim financial statements as at October 31, 2019

Management is responsible for the preparation and fair presentation of the consolidated interim financial statements as at October 31, 2019 in compliance with the criteria detailed in the explanatory notes to the financial statements as required by the International accounting standard applicable to the interim financial report (IAS 34) adopted by the European Union and, as required by law, for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated interim financial statements as at 31 October 2019, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated interim financial statements as at October 31, 2019

Our objectives are to obtain reasonable assurance about whether the interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated interim financial statements, whether due to fraud or error; design and perform audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made management;
- Conclude on the appropriateness of management's use of the going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated interim financial statements, including the disclosures, and whether the consolidated interim financial statements represent the underlying transactions in a manner that achieves fair presentation;
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated interim financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated interim financial statements.

We communicate with those charged with governance, identified at the appropriate level as required by the ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other information

Management is responsible for the other information. The other information comprises the Directors Report on Operations. Our opinion on the consolidated interim financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated interim financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated interim financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Bologna, December 20, 2019

Signed by
BDO Italia S.p.A.

Gianmarco Collico
Partner