NEO
DECOR
TECH

Neodecortech S.p.A.

Financial Report

Financial Statements at 31 December 2018

Financial Statements prepared in accordance with IAS/IFRS

Amounts in Euro

Neodecortech S.p.A.
Via Provinciale, 2
24040 Filago, Bergamo

Tel +39 035996111
Fax +39 035995225
info@neodecortech.it

Tax Code and Company Registry 00725270151
VAT CODE IT 02833670165
R.E.A. 193331

Share Capital
Euro 16,203,000.00 fully paid up.
www.neodecortech.it

SUMMARY

NEO
DECOR
TECH

THE NEODECORTECH GROUP

CORPORATE OFFICERS

BOARD OF DIRECTORS [1]

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

BOARD OF STATUTORY AUDITORS [3]

Chairman	Marinella Monterumisi
Statutory 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	Alberto Francois

INDEPENDENT AUDITORS [5]

BDO Italia S.p.A.

(1) The Board of Directors of Neodecortech S.p.A. in office on 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.

(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.

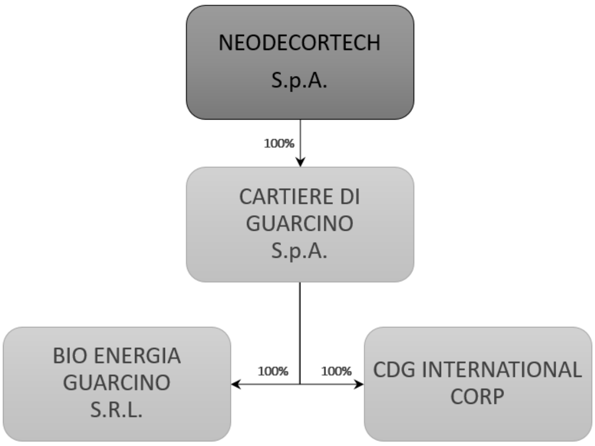
(4) On 19 July 2017, the Board of Directors of Neodecortech S.p.A. set up the "Committee of the Board of Directors" to carry out the tasks related to: Appointments, Remuneration, Control and Risks and Related Party Transactions.

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

GROUP STRUCTURE

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

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



The three Group operating locations are:

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

Neodecortech employs 199 resources, of which 3 executives, 55 white collars and 135 blue collars, including 1 manager, 5 white collars and 27 blue collars coming from the acquisition of the CorbettaFia S.r.l. business unit on 31 August 2018.

Cartiere di Guarcino employs 5 executives, 51 white collars and 116 blue collars, while Bio Energia Guarcino employs 2 blue collars in addition to the seconded personnel provided by Cartiere di Guarcino;

At 31 December 2018, the Neodecortech Group employed 367 resources, including 8 executives, 108 white collars and 251 blue collars.

NEO
DECOR
TECH

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 2018 as well as the future outlook.

The year under review closes with a consolidated profit of **€ 6,030 thousand**, after allocating **€ 1,598 thousand** in provisions for income tax and **€ 7,157 thousand** in depreciation and amortization.

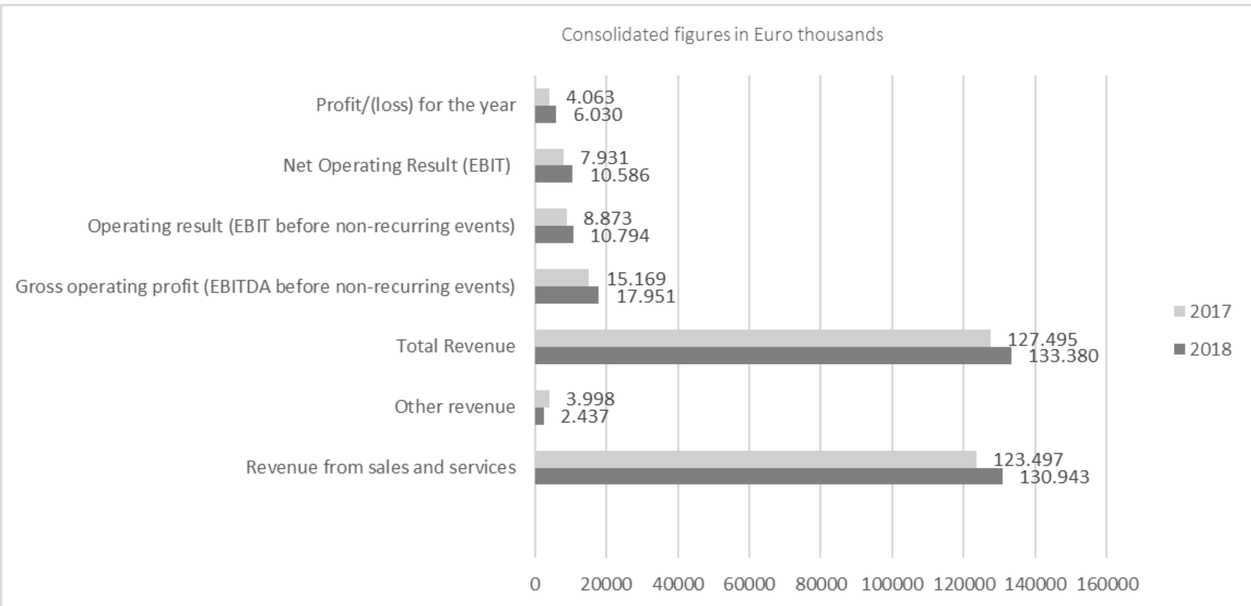
The Group was formed at the end of the first half of 2017 and the first-time consolidation took place on that date, as required by IFRS 10. Therefore, in order to present the Group's performance in the year under review, the consolidated income statement figures at 31 December 2018 in this Report have been compared with the pro-forma consolidated income statement at 31 December 2017.

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

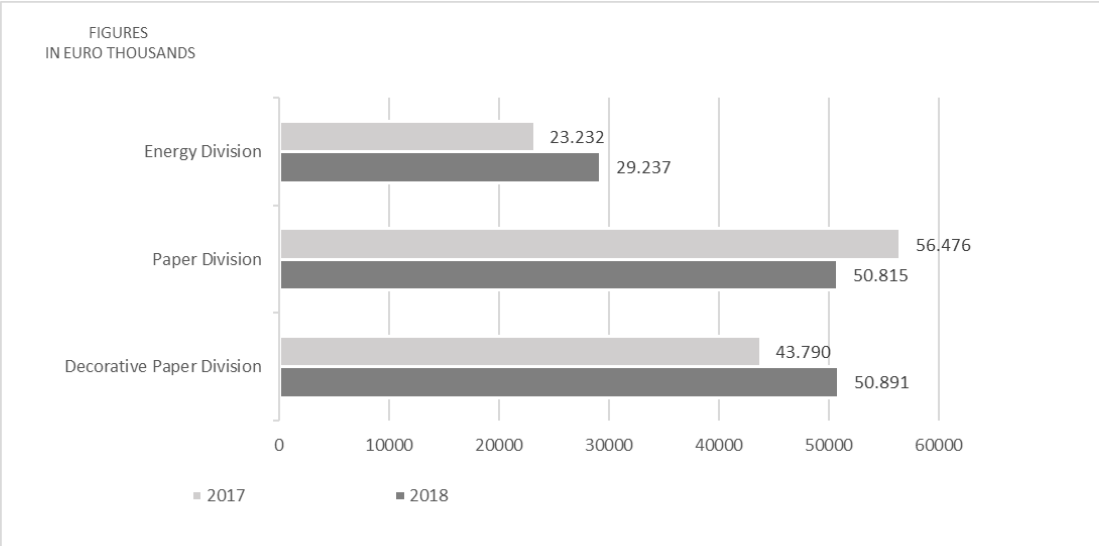
The table below shows the main income indicators expressed in € thousands at the consolidated level at 31 December 2018:

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	% ON REVENUE	31 DECEMBER 2017	% ON REVENUE	Changes	% CHANGE
Revenue from sales and services	130.943	100,0%	123.497	100,0%	7.446	6,0%
Other revenue	2.437	1,9%	3.998	100,0%	(1.561)	(39,0%)
Total Revenue	133.380	101,9%	127.495	103,2%	5.885	4,6%
Gross operating profit (EBITDA before non-recurring events)	17.951	13,7%	15.169	12,3%	2.782	18,3%
Operating result (EBIT before non-recurring events)	10.794	8,2%	8.873	7,2%	1.921	21,7%
Net Operating Result (EBIT)	10.586	8,1%	7.931	6,4%	2.655	33,5%
Profit/(loss) for the year	6.030	4,6%	4.063	3,3%	1.967	48,4%



The table below shows revenue from sales and services in € thousands by Division, net of intercompany positions at 31 December 2018.

FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	31 DECEMBER 2017	Change	VAR % 2018/2017
Decorative Paper Division	50.891	43.790	7.101	16,2%
Paper Division	50.815	56.476	(5.661)	(10,0%)
Energy Division	29.237	23.232	6.005	25,8%
Total	**130.943**	**123.497**	**7.446**	**6,0%**



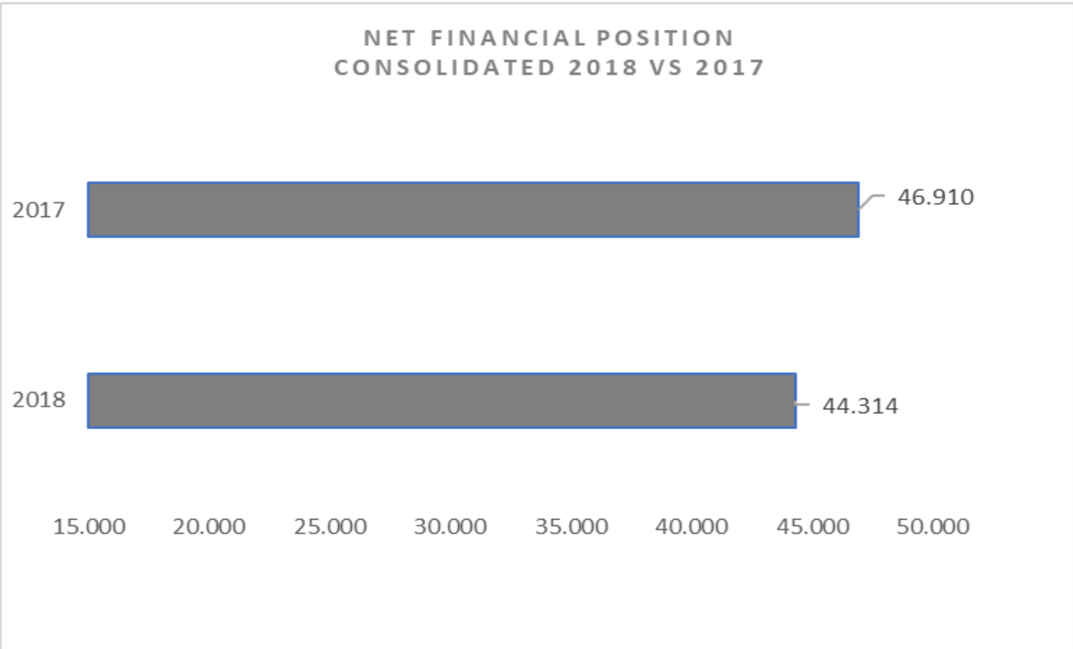
MAIN CAPITAL AMOUNTS AND RATIOS

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	31 DECEMBER 2017	Change
Net Capital Employed	102.916	100.939	1.978
Equity	58.603	54.029	4.574
Net Financial Position	44.314	46.910	(2.596)
Operating Net Working Capital	26.824	24.863	1.961

NEO
DECOR
TECH

NET FINANCIAL DEBT

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 December 2018	31 December 2017	Changes
A. Cash	(19)	(11)	(8)
B. Cash equivalents	(6.470)	(6.093)	(377)
C. Financial assets held for trading			0
D. Liquidity (A) + (B) + (C)	**(6.489)**	**(6.104)**	(385)
E. Current financial receivables	-	(868)	868
F. Current bank payables	18.175	17.323	852
G. Current portion of non-current debt	2.479	2.510	(31)
H. Other current financial liabilities			
H1. Current payable for leases	2.028	2.216	(188)
I. Current financial debt (F)+(G)+(H)+(H1)	22.682	22.048	634
J. Current net debt (I) + (E) + (D)	16.193	15.076	1.117
K. Non-current bank loans	17.806	18.455	(649)
L. Bonds issued	-	567	(567)
M. Other non-current financial liabilities	10.315	12.812	(2.497)
			0
N. Non-current financial debt (K) + (L) + (M) + (M1)	28.121	31.834	(3.713)
O. Net debt (J) + (N)	44.314	46.910	(2.596)



The consolidated net financial debt at 31 December 2018 also includes the debt resulting from the acquisition of the CorbettaFia S.r.l. business unit on 31 August 2018. Net of the debt of CorbettaFia S.r.l. at 31 August 2018, net financial debt of the Neodecortech Group stands at € 43,107 thousand.

NET FINANCIAL DEBT BY DIVISION

CONSOLIDATED FIGURES IN EURO THOUSANDS	Decorative Paper Division	Paper Division	Energy Division	Eliminations	31 December 2018
A. Cash	(14)	(4)	(1)		(19)
B. Cash equivalents	(4.778)	(1.259)	(418)	(16)	(6.470)
C. Financial assets held for trading					
D. Liquidity (A) + (B) + (C)	**(4.792)**	**(1.263)**	**(419)**		**(6.489)**
E. Current financial receivables	(1.763)	(2.500)		4.263	-
F. Current bank payables	568	15.804	1.803		18.175
G. Current portion of non-current debt	1.252	1.227	2.500	(2.500)	2.479
H. Other current financial liabilities		1.764		(1.764)	-
H1. Current payable for leases			2.028		2.028
I. Current financial debt (F)+(G)+(H)+(H1)	1.820	18.795	6.331		22.682
J. Current net debt (I) + (E) + (D)	**(4.735)**	15.032	5.913		16.193
K. Non-current bank loans	10.767	6.641	398		17.806
L. Bonds issued	-	1.500	0	(1.500)	-
M. Other non-current financial liabilities	5.058	16.251	5.888	(16.882)	10.315
					-
N. Non-current financial debt (K) + (L) + (M) + (M1)	15.825	24.392	6.285		28.121
O. Net debt (J) + (N)	11.091	39.424	12.197		44.314

Considering net financial debt by Division, the debt of the Paper Division is affected by the debt to the parent company (Decorative Paper Division), under the Framework Loan Agreement between the Decorative Paper Division and the other 2 divisions, for a total amount of € 19,345 thousand, divided into current and non-current portion. The agreement allows a rationalized management of cash produced within the three divisions. The Elimination Column is not expressed at zero, owing to the novation of the debt to the Paper Division, which involved the recognition in the Decorative Paper Division of long-term financial receivables which are not included in the table for the purposes of calculating the net financial debt of the divisions.

THE INTERNATIONAL ECONOMIC ENVIRONMENT

The global economy continued to grow in 2018, although signs of cyclical deterioration have emerged in many advanced and emerging economies over the past few months. World trade prospects face the risk of a negative outcome of the trade negotiations between the US and China, a possible relapse of financial tensions in emerging countries and the way Brexit is playing out.

The supportive international environment in 2017 contributed for most of 2018 to stimulating business and investment in the Euro zone. In recent months, this trend has lost momentum, with sharp reductions in industrial production in Germany, France and Italy. A situation also reflected in the contraction of the EUR - PMI *(Purchasing Manager Indexes*), which dropped from 51.4 points recorded in December 2018 to a preliminary figure of 49.2 points in February 2019.

These figures show that interior design continues to be severely hit by the property crisis and has yet to realign itself with the general trend of manufacturing as a whole. Our industry is definitely part of this context, from both a furniture and flooring perspective.

NEO
DECOR
TECH

RELEVANT SEGMENT

As for manufacturing on a national scale, the Italian paper industry experienced a slowdown in growth in the final months of 2018. In December, production fell 5.4% after the sharp drop in November. Based on Assocarta estimates, 2018 closed with a production of approximately 9.1 million tons (+0.1 2018/2017), making Italy the fourth largest producer on the continent, after Germany, Sweden and Finland. The total industry turnover is estimated at € 7.72 billion, up 4.2% versus 2017.

Paper was strongly affected by the sharp increase in international pulp costs, which impacted negatively on the accounts of the players in the industry. Between December 2016 and the first few months of 2018, pulp increased by $320 per tonne (+39% to $1,050) for short fibre, and $410 (+63% to $1,090) for long fibre, while paper products, depending on quality, increased by between 2% and 17%.

Against this backdrop, industrial printing (decorative papers) showed no particular signs of a slowdown, also benefiting from the substantial stability recorded in 2018 by the furniture and furnishing market.

Décor is turning into a rather appealing niche market, and its product range is being addressed increasingly to different sectoral markets such as interior design and furnishing, industrial space design, hospitality and consumer.

DEVELOPMENTS IN 2018

Decorative paper division - Neodecortech

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

As everyone knows, a rather significant event took place on 1 September 2018: our acquisition of the business unit from CorbettaFia S.r.l., part of the Valentini Group and specialized in the production of laminates with CPL (continuous pressing lamination) technology. The acquisition was made not only to complement the NDT product portfolio, but to further expand our presence in the PPF business. With the lamination plants operating at the Casoli di Atri (Te) plant, we can in fact also laminate plastic printed film (PPF) with a transparent plastic film to obtain a compound film which, subsequently embossed and lacquered, results in PPLF (plastic printed laminate film). PPLF production was due to start in November 2018, but has been pushed back to the coming weeks, owing to the delayed delivery of the main plant parts. PPLF will allow the flooring manufacturers who are not yet fully integrated into the LVT supply chain to land on the design vinyl flooring market using the HDF support typical of their flooring laminate solutions. As is generally known, laminate flooring consists of a layer of wood particles (HDF) laminated with melamine paper (our printed and impregnated paper) and an impregnated transparent paper film (overlay), which provides mechanical resistance to the product surface. We have high expectations on the results that may come from the sale of PPLF because it would consolidate NDT's position as one of the top European players in this new type of market, marked both by double-digit growth rates and sizeable margins.

Paper Division - Cartiere di Guarcino

For Cartiere, sales in the second half dropped versus the corresponding period in 2017. The main reason is that not all customers have accepted the price increase in the third quarter of the year, in some cases deemed necessary to realign the gap between higher raw material costs in the last two years and the sales prices.

Worse still, production, therefore, sales were hit by a one-off atmospheric event (water service disruption due to river landslides), leading to a production stoppage of more than two weeks in November.

At year end, thanks to the entry of new customers, the order backlog has picked up again.

The development of KRAFT paper continued in the second half of 2018. This product addresses the HPL (high pressure) and CPL (continuous lamination) markets. Quality feedback from customers confirms that Cartiere di Guarcino has the potential to enter this niche market. This is a product whose price level is in line with backer papers; however, the interest in developing KRAFT paper arises from the fact that, given its high productivity, it could ensure margins that are in line, in absolute terms, with the other decor products. Moreover, in line with the Group strategy, the company plans to expand its range of products in order to serve a broader and more diversified market.

Bio Energia Guarcino Division

Regarding energy production, in 2018, the Bio Energia Guarcino plant produced 139,575 MWh, up from 109,894 MWh in 2017. Net of self-consumption and grid losses, the company fed 92,379 MWh into the grid, up from 57,743 MWh in 2017, and sold 41,509 MWh to Cartiere di Guarcino, in line with the prior year. Energy market growing on average versus 2017, especially in the central months of the year - March-October. Conversely, the unit price of the incentive decreased versus the prior year, falling from € 107.34 per MWh for 2017 to € 98.95 per MWh for 2018. The decrease in the unit value of the incentive is tied to the average value of energy recorded in 2017, on average higher than in 2016.

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 2018 and 2017, 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.

COMPARATIVE CONSOLIDATED INCOME STATEMENT FIGURES AT 31 DECEMBER 2017

In 2017, Neodecortech S.p.A. carried out a number of extraordinary transactions that led to the formation of the current Group.

As a result of these transactions, the Group was formally constituted on 15 June 2017 with the acquisition of 100% of Cartiere di Guarcino S.p.A..

Under IFRS 10 - "Consolidated Financial Statements", the figures at 31.12.2017 of Cartiere di Guarcino S.p.A. and the subsidiaries Bio Energia Guarcino S.r.l. and CDG International Corp. were consolidated as at the date of acquisition of control, which was conventionally indicated as 30 June 2017. Accordingly, the consolidated balance sheet figures at 31.12.2017 reflect the entire Group, while the income statement figures refer to Neodecortech S.p.A. for the entire 2017 financial year and to the subsidiaries Cartiere di Guarcino S.r.l. and Bio Energia S.r.l. for the second half of 2017 only.

Therefore, in order to make the Group's results comparable, the comparative income statement figures presented in the consolidated financial report are taken from the pro-forma consolidated income statement at 31 December 2017, as approved by the Board of Directors on 29 March 2018.

NEO DECOR TECH

FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2018*

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	% ON REVENUE	31 DECEMBER 2017	% ON REVENUE	Change	% CHANGE
Revenue from sales and services	**130.943**	**100,0%**	**123.497**	**100,0%**	7.446	**6,0%**
Changes in work in progress, semi-finished and finished products	275	0,2%	2.519	2,0%	(2.244)	(89,1%)
Other revenue	2.437	1,9%	3.998	3,2%	(1.561)	(39,0%)
Value of Production	**133.655**	**102,1%**	**130.014**	**105,3%**	**3.641**	**2,8%**
Raw and ancillary materials and consumables	(77.194)	59,0%	(79.366)	64,3%	2.173	(2,7%)
Other operating expense	(20.530)	15,7%	(17.989)	14,6%	(2.541)	14,1%
Value Added before non-recurring events	**35.931**	**27,4%**	**32.659**	**26,4%**	3.272	10,0%
Personnel expense	(17.980)	13,7%	(17.490)	14,2%	(490)	2,8%
EBITDA before non-recurring events	**17.951**	**13,7%**	**15.169**	**12,3%**	**2.782**	**18,3%**
Amortization, depreciation	(7.157)	5,5%	(6.296)	5,1%	(861)	13,7%
Allocations	-	0,0%	-	0,0%	-	0,0%
EBIT before non-recurring events	**10.794**	**8,2%**	**8.873**	**7,2%**	**1.921**	**21,7%**
Non-recurring components	(209)	0,2%	(942)	0,8%	733	(77,9%)
EBIT	**10.586**	**8,1%**	**7.931**	**6,4%**	**2.655**	**33,5%**
Financial components	(2.906)	2,2%	(2.968)	2,4%	62	(2,1%)
Exchange gains and losses	(57)	0,0%	220	0,2%	(277)	(126,0%)
Result before tax	**7.623**	**5,8%**	**5.183**	**4,2%**	**2.440**	**47,1%**
Income tax	(1.593)	1,2%	(1.120)	0,9%	(473)	42,2%
Profit/(loss) for the year	**6.030**	**4,6%**	**4.063**	**3,3%**	**1.968**	48,4%

(*) showing the non-recurring components of contingent assets and liabilities

Value added before non-recurring events (€ 35,931 thousand in 2018), calculated on revenue from sales and services, increased by 10% versus the prior year. The percentage of costs of raw materials and goods decreased (from 64.3% to 59%), thanks to the effect of the reversal (which ended in 2018), due to increases in raw materials in 2017, on sales prices. Other operating expense increased in absolute terms versus the prior year (€ 2,541 thousand), due mainly to "Utilities" (which increased from € 3,384 thousand in 2017 to € 4,470 thousand in 2018, up 15.1%), owing not only to the tariff effect, but also to the combined increase in turnover and quantities produced. Personnel expense in 2018 amounted to € 17,980 thousand (versus €17,490 thousand at 31 December 2017), up approximately € 490 thousand in absolute terms. The percentage on revenue is basically in line with 2017. In personnel expense, the cost of the Stock Grants was booked at € 704 thousand in 2018 and € 696 thousand in 2017.

Amortization and depreciation increased by 13.7% (from € 6,296 thousand in 2017 to € 7,157 thousand in 2018), due to the policy of increasing capital expenditure in recent years to support the development of operations. These increases mainly involve tangible fixed assets. EBIT before non-recurring items came to € 10,794 thousand, improving versus the prior year (€ 8,873 thousand euro), with a percentage change of 21.7%.

ADJUSTED EBITDA

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

Reconciliation EBITDA-ADJ EBITDA

(in Euro thousands)

	31 December 2018	31 December 2017	Change
Consolidated EBITDA net of non-recurring items	17.951	15.169	2.782
Higher IPO Costs - Stock Grants - Extraordinary Compensation	1.095	65	1.030
			-
Adj. Ebitda consolidated	**19.046**	**15.234**	**3.812**
Adjusted Net Profit	**7.274**	**4.833**	**2.441**

In the year ended 31 December 2018, EBITDA increased versus the same period of the prior year from € 15,169 thousand to € 17,951 thousand, up 15.2%.

The increase is due mainly to the increase in turnover at 31 December 2018.

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. However, in order to provide a clearer presentation of the actual performance of the Group, the figures at 31 December 2018 and 31 December 2017, relating to Adjusted EBITDA, i.e. EBITDA adjusted by the non-recurring cost and revenue components, by higher IPO costs and by the provision, calculated on the basis of IFRS 2, for the assignment of the shares referred to the 2017 - 2020 Stock Grant Plan, as resolved by the Shareholders' Meeting of 23 June 2017, are shown below. These adjustments, net of the related tax effect, are reflected in Adjusted Net Profit.

As a result of the aforementioned adjustments, Adjusted EBITDA improves by € 3,812 thousand versus 2017. Accordingly, Adjusted Net Profit shows an improvement of € 2,441 thousand versus 2017.

NEO
DECOR
TECH

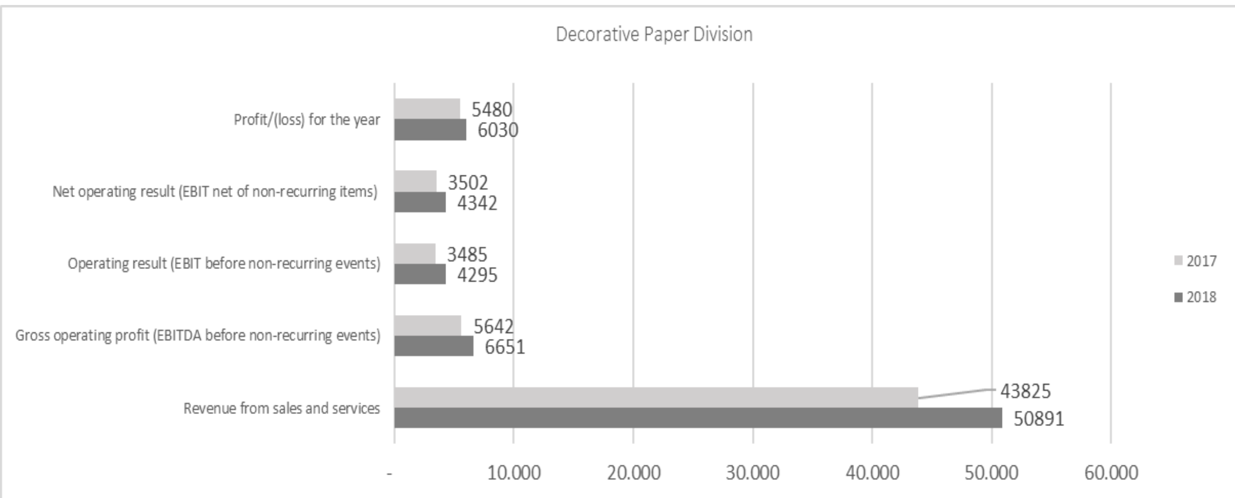
2018 FINANCIAL HIGHLIGHTS BY BUSINESS DIVISION

The table below shows the key figures by Division gross of Intercompany items, highlighting the impact of non-recurring items.

FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	% ON REVENUE	31 DECEMBER 2017	% ON REVENUE	Changes	% CHANGE
Decorative Paper Division						
Revenue from sales and services	50.891	100,0%	43.825	100,0%	7.066	16,1%
Gross operating profit (EBITDA before non-recurring events)	6.651	13,1%	5.642	12,9%	1.009	17,9%
Operating result (EBIT before non-recurring events)	4.295	8,4%	3.485	8,0%	810	23,2%
Net operating result (EBIT net of non-recurring items)	4.342	8,5%	3.502	8,0%	840	24,0%
Profit/(loss) for the year	6.030	11,8%	5.480	12,5%	550	10,0%
Paper Division						
Revenue from sales and services	65.415	100,0%	67.376	100,0%	(1.961)	(2,9%)
Gross operating profit (EBITDA before non-recurring events)	6.058	9,3%	5.118	7,6%	940	18,4%
Operating result (EBIT before non-recurring events)	3.764	5,8%	3.151	4,7%	613	19,5%
Net operating result (EBIT net of non-recurring items)	3.600	5,5%	2.507	3,7%	1.093	43,6%
Profit/(loss) for the year	2.562	3,9%	1.499	2,2%	1.063	70,9%
Energy Division						
Revenue from sales and services	31.369	100,0%	26.401	100,0%	4.968	18,8%
Gross operating profit (EBITDA before non-recurring events)	5.733	18,3%	4.421	16,7%	1.312	29,7%
Operating result (EBIT before non-recurring events)	3.453	11,0%	2.249	8,5%	1.204	53,5%
Net operating result (EBIT net of non-recurring items)	3.362	10,7%	1.922	7,3%	1.440	74,9%
Profit/(loss) for the year	1.708	5,4%	987	3,7%	721	73,0%

Decorative Paper Division

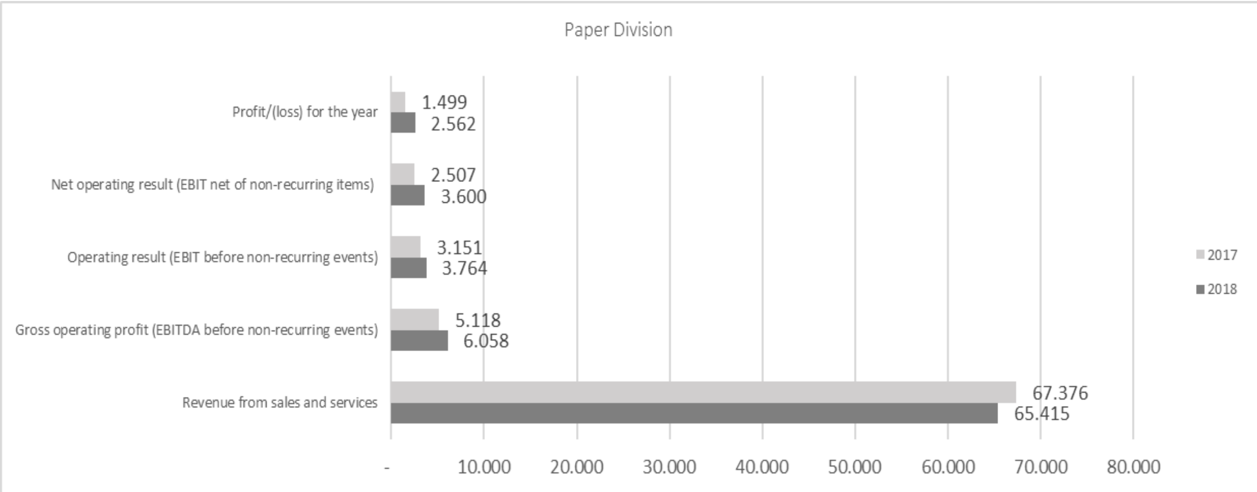
Decorative Paper posted an increase in revenue from sales and services of € 7,066 thousand at 31 December 2018 versus 31 December 2017, thanks mainly to the increased quantities produced/sold and to the acquisition of the CorbettaFia S.r.l. business unit, which resulted in a turnover of € 2,643 thousand for the laminates area; EBITDA increased by €1,009 thousand at 31 December 2018 versus 31 December 2017, due mainly to the increase in revenue and EBITDA contributed by the Laminates product (deriving from the acquisition of CorbettaFia S.r.l.) amounting to € 708 thousand.



NEO
DECOR
TECH

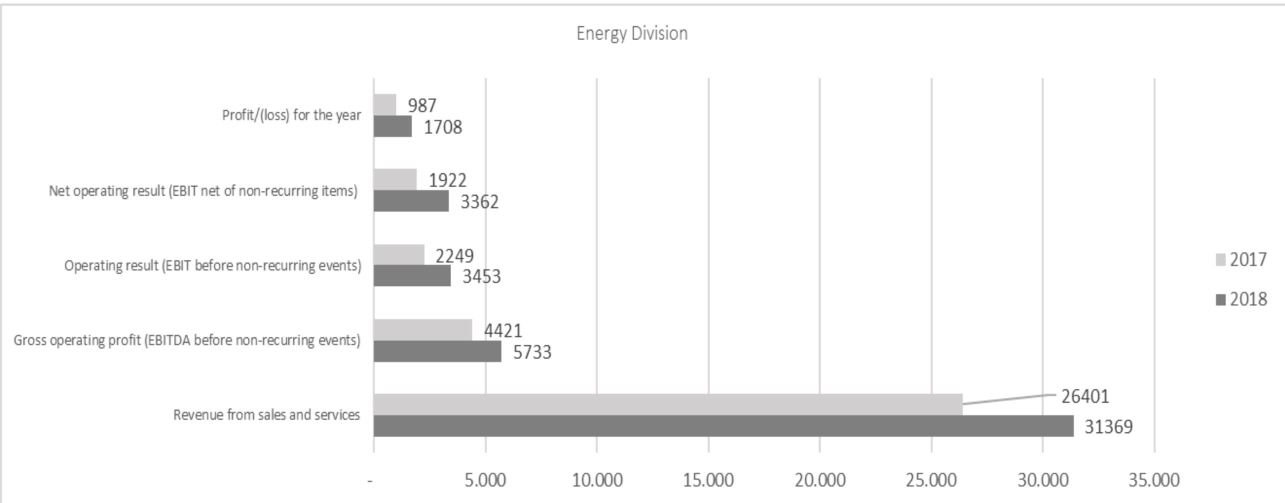
Paper Division

The Paper Division witnessed a decrease in revenue from sales and services of € 1,961 thousand at 31 December 2018 versus 31 December 2017, due partly to the decrease of the European market; EBITDA increased by € 940 thousand at 31 December 2018 versus 31 December 2017, despite the drop in turnover due to completion of the process of reversing the sales price of the increase of the raw material, a process started in 2017 but not completed.



Energy Division

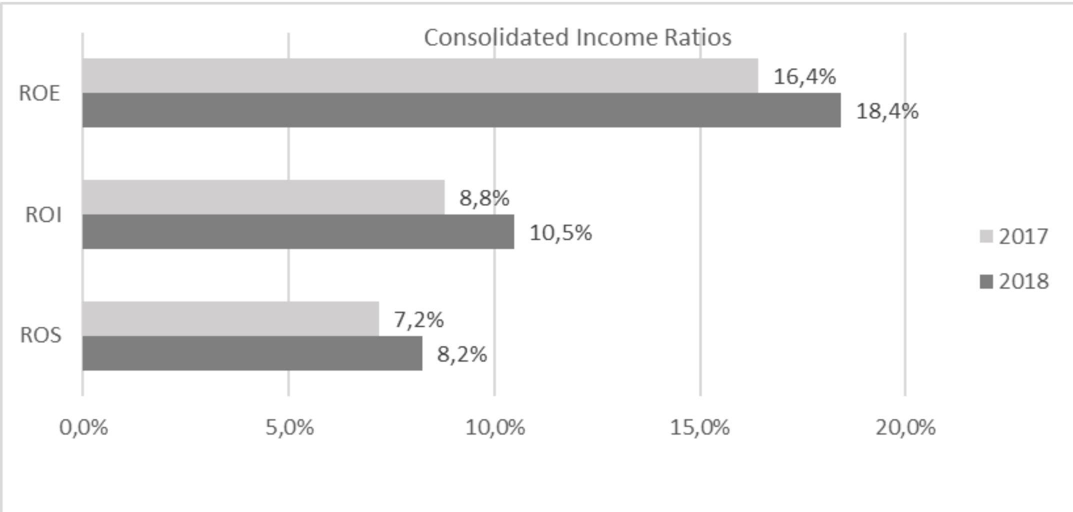
The Energy Division recorded an increase in revenue from sales and services of € 4,968 thousand at 31 December 2018 versus 31 December 2017, due mainly to higher production hours in 2018 versus 2017; EBITDA increased by € 1,312 thousand at 31 December 2018 versus 31 December 2017, due mainly to the decrease in the percentage of raw materials on turnover at 31 December 2018 versus 31 December 2017, as a result of the drop in the cost of raw materials in 2018 versus 2017.



NEO DECOR TECH

CONSOLIDATED INCOME RATIOS

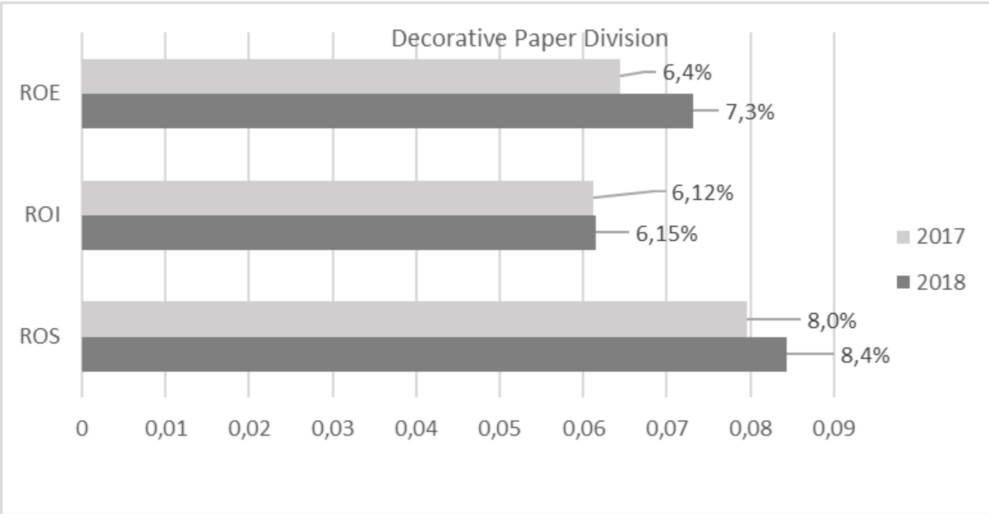
Net of extraordinary items	31 DECEMBER 2018	31 DECEMBER 2017
ROS	8,2%	7,2%
ROI	10,5%	8,8%
ROE	18,4%	16,4%



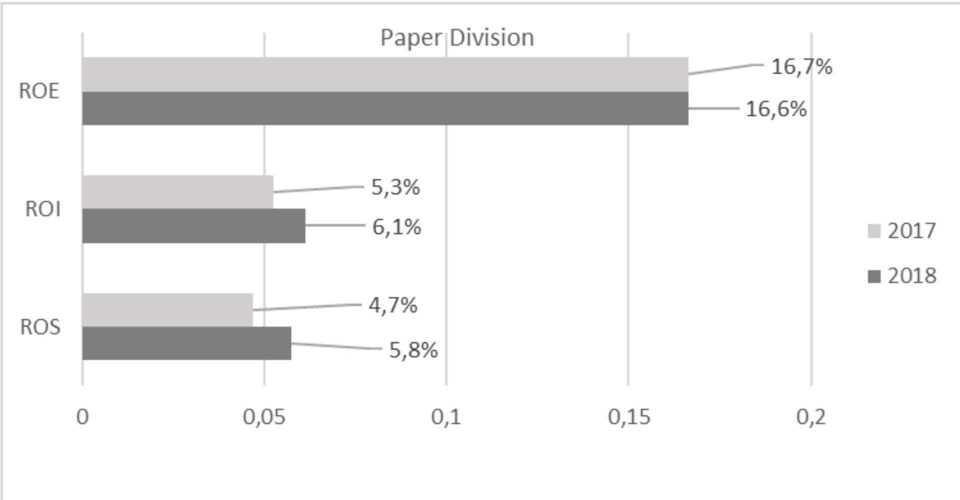
INCOME RATIOS BY DIVISION

Net of extraordinary items

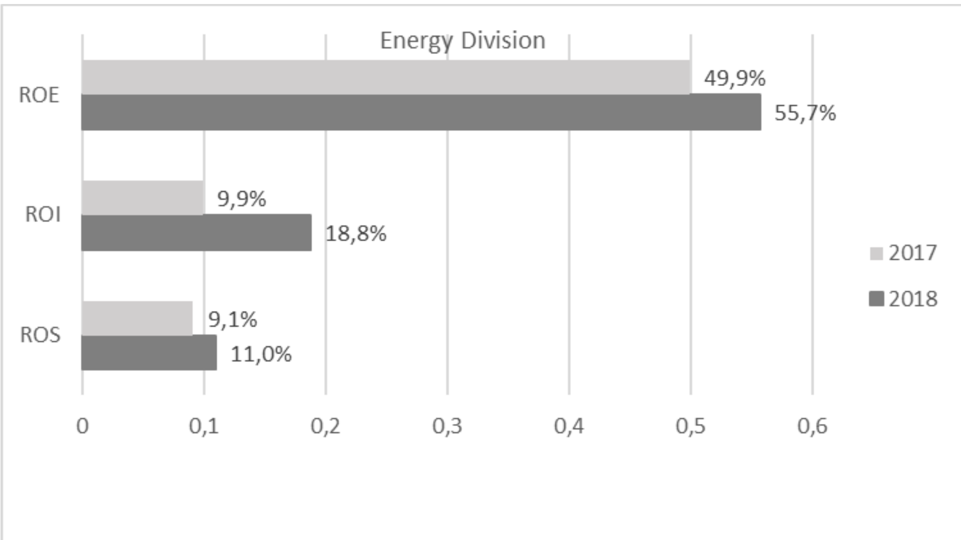
Decorative Paper Division	31 DECEMBER 2018	31 DECEMBER 2017	Paper Division	31 DECEMBER 2018	31 DECEMBER 2017	Energy Division	31 DECEMBER 2018	31 DECEMBER 2017
ROS	8,4%	8,0%	ROS	5,8%	4,7%	ROS	11,0%	9,1%
ROI	6,15%	6,12%	ROI	6,1%	5,3%	ROI	18,8%	9,9%
ROE	7,3%	6,4%	ROE	16,6%	16,7%	ROE	55,7%	49,9%



Decorative Paper Division
ROE
6,4%
7,3%
ROI
6,12%
6,15%
ROS
8,0%
8,4%
0
0,01
0,02
0,03
0,04
0,05
0,06
0,07
0,08
0,09
2017
2018



Paper Division
ROE
16,7%
16,6%
ROI
5,3%
6,1%
ROS
4,7%
5,8%
0
0,05
0,1
0,15
0,2
2017
2018



Energy Division
ROE
49,9%
55,7%
ROI
9,9%
18,8%
ROS
9,1%
11,0%
0
0,1
0,2
0,3
0,4
0,5
0,6
2017
2018

NEO
DECOR
TECH

RECLASSIFIED CONSOLIDATED INCOME STATEMENT ON A VALUE-ADDED BASIS AT 31 DECEMBER 2018

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2018

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	% ON REVENUE	31 DECEMBER 2017	% ON REVENUE	Change	% change
Revenue from sales and services	**130.943**	**100,0%**	**123.497**	**100,0%**	**7.446**	**6,0%**
Changes in work in progress, semi-finished and finished products	275	0,2%	2.520	2,0%	(2.244)	(89,1%)
Other revenue	2.601	2,0%	4.240	3,4%	(1.640)	(38,7%)
Value of Production	**133.819**	**102,2%**	**130.257**	**105,5%**	**3.563**	**2,7%**
Raw and ancillary materials and consumables	(77.194)	59,0%	(79.366)	64,3%	2.173	(2,7%)
Other operating expense	(20.903)	16,0%	(19.175)	15,5%	(1.729)	9,0%
Value Added	**35.723**	**27,3%**	**31.716**	**25,7%**	**4.007**	**12,6%**
Personnel expense	(17.980)	13,7%	(17.490)	14,2%	(491)	2,8%
Gross operating profit	**17.742**	**13,5%**	**14.226**	**11,5%**	**3.516**	24,7%
Amortization, depreciation	(7.157)	5,5%	(6.296)	5,1%	(861)	13,7%
Allocations	-	0,0%	-	0,0%	-	0,0%
EBIT	**10.586**	**8,1%**	**7.931**	**6,4%**	**2.655**	**33,5%**
Financial components	(2.906)	2,2%	(2.968)	2,4%	62	(2,1%)
Exchange gains and losses	(57)	0,0%	220	-0,2%	(277)	(125,9%)
Result before tax	**7.623**	**5,8%**	**5.183**	**4,2%**	**2.440**	**47,1%**
Income tax	(1.593)	1,2%	(1.120)	0,9%	(472)	42,2%
Profit/(loss) for the year	**6.030**	**4,6%**	**4.063**	**3,3%**	**1.968**	**48,4%**

The table shows a 6% increase in total net revenue, driven by the sharp rise in total revenue in the Decorative Paper Division and the Energy Division.

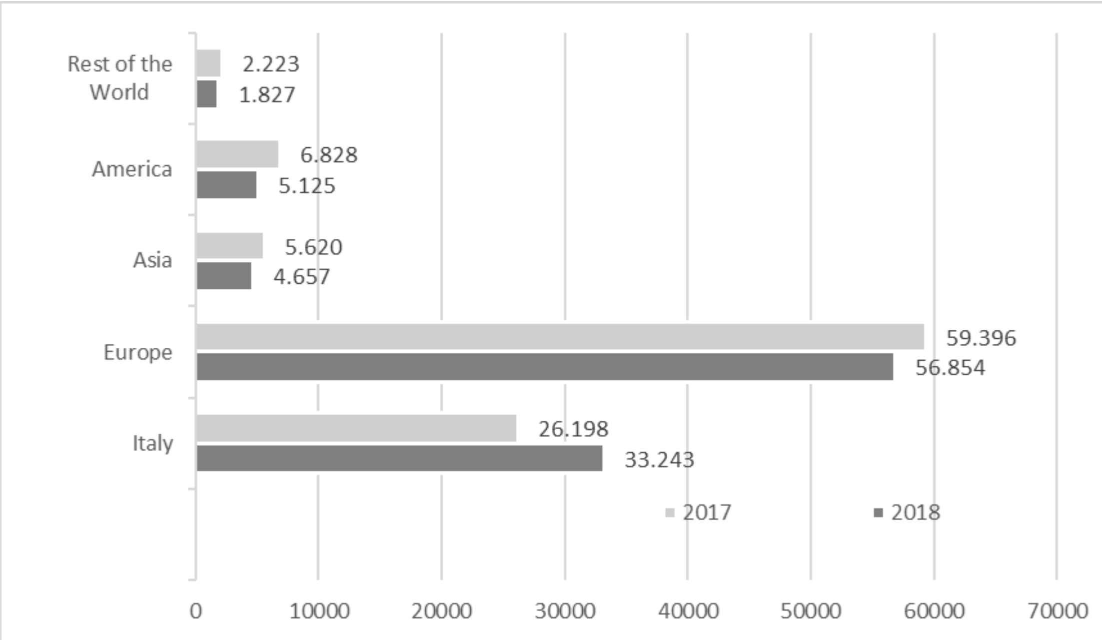
In the Decorative Paper Division, the biggest contribution came from the significant increase in revenue from the sale of PPF, printed plastic film, and printed paper: all sales were concentrated mainly in Italy and Europe. Mention should be made of the initial contribution brought by the products from the new Texte brand: laminates. This result is attributable to the acquisition of the business unit from CorbettaFia S.r.l.

As far as the Energy Division is concerned, the increase recorded is attributable to the higher number of operating hours of the 3 motor-generators. Result achieved thanks to improvements made on the plants.

NEO
DECOR
TECH

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

FIGURES IN EURO THOUSANDS - FORMER ENERGY DIVISION	31 DECEMBER 2018	%	31 DECEMBER 2017	%	CHG % 2018/2017
Italy	33.243	32,7%	26.198	26,1%	26,9%
Europe	56.854	55,9%	59.396	59,2%	(4,3%)
Asia	4.657	4,6%	5.620	5,6%	(17,1%)
America	5.125	5,0%	6.828	6,8%	(24,9%)
Rest of the World	1.827	1,8%	2.223	2,2%	(17,8%)
Total	**101.706**	100,0%	**100.265**	100,0%	1,4%
Energy Division	29.237		23.232		
Total consolidated	130.943		123.497		



NEO DECOR TECH

BREAKDOWN OF REVENUE BY DIVISION/PRODUCT LINE

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	%	31 DECEMBER 2017	%	Change	VAR % 2018/2017
Decorative Paper Division	**50.891**	38,9%	**43.825**	35,5%	**7.066**	**16,1%**
Decorative Paper	27.348	20,9%	24.289	19,7%	3.059	12,6%
Impregnated Paper	9.369	7,2%	10.753	8,7%	(1.384)	(12,9%)
PPF	5.175	4,0%	3.588	2,9%	1.587	44,2%
Laminates	2.643	2,0%	-	0,0%	2.643	100,0%
Services	6.355	4,9%	5.194	4,2%	1.161	22,4%
Paper Division	**65.415**	50,0%	**67.376**	54,6%	**(1.961)**	**(2,9%)**
Baccker	7.968	6,1%	6.547	5,3%	1.420	21,7%
Unicolori	29.184	22,3%	34.108	27,6%	(4.925)	(14,4%)
Base Stampa	25.823	19,7%	25.162	20,4%	662	2,6%
Underlay	570	0,4%	525	0,4%	45	8,6%
Kraft	446	0,3%	-	0,0%	446	100,0%
Services	1.424	1,1%	1.033	0,8%	391	37,9%
Energy division	**31.369**	24,0%	**26.402**	21,4%	**4.967**	**18,8%**
Energy and Steam	31.369	24,0%	26.402	21,4%	4.967	18,8%
Services						
Intercompany eliminations	(16.732)		(14.106)			
Total	**130.943**	100,0%	**123.497**	100,0%	**7.446**	**6,0%**

BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA OF THE INDIVIDUAL DIVISIONS

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	%	31 DECEMBER 2017	%	Change	CHG % 2018/2017
Decorative Paper Division	**50.891**	38,9%	**43.825**	35,5%	**7.066**	16,1%
Italy	21.448	16,4%	16.441	13,3%	5.007	30,5%
Europe	24.155	18,4%	20.652	16,7%	3.503	17,0%
Asia	2.166	1,7%	2.323	1,9%	(157)	(6,8%)
America	1.361	1,0%	2.186	1,8%	(825)	(37,7%)
Rest of the World	1.761	1,3%	2.223	1,8%	(462)	(20,8%)
Paper Division	**65.415**	50,0%	**67.376**	54,6%	**(1.961)**	(2,9%)
Italy	26.396	20,2%	20.693	16,8%	5.703	27,6%
Europe	32.699	25,0%	38.744	31,4%	(6.045)	(15,6%)
Asia	2.491	1,9%	3.297	2,7%	(806)	(24,5%)
America	3.764	2,9%	4.642	3,8%	(878)	(18,9%)
Rest of the World	66	0,1%	-	0,0%	66	100,0%
Energy Division	**31.369**	24,0%	**26.402**	21,4%	**4.967**	18,8%
Italy	31.369	24,0%	26.402	21,4%	4.967	18,8%
Europe						
Asia						
America						
Rest of the World						
Intercompany eliminations	(16.732)		(14.106)			
Total	**130.943**	100,0%	**123.497**	100,0%	**7.446**	6,0%

The figures in the table regarding the Decorative Paper Division show a sharp rise in sales in Italy, thanks both to the greater penetration among Italian panel builders of our printed paper sales under the Confalonieri brand, and by adding the sales of the Text brand laminate (formerly CorbettaFia) for September - December. Sales in Europe soared upwards, propelled by the strong increase in PPF sales.

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

Lastly, the Energy Division reported a strong rise, due entirely to the increase in electricity produced. Production in fact, increased from approximately 110,000 Mwh in 2017 to approximately 140,000 Mwh in 2018.

NEO
DECOR
TECH

BREAKDOWN OF RAW MATERIAL CONSUMPTION BY DIVISION

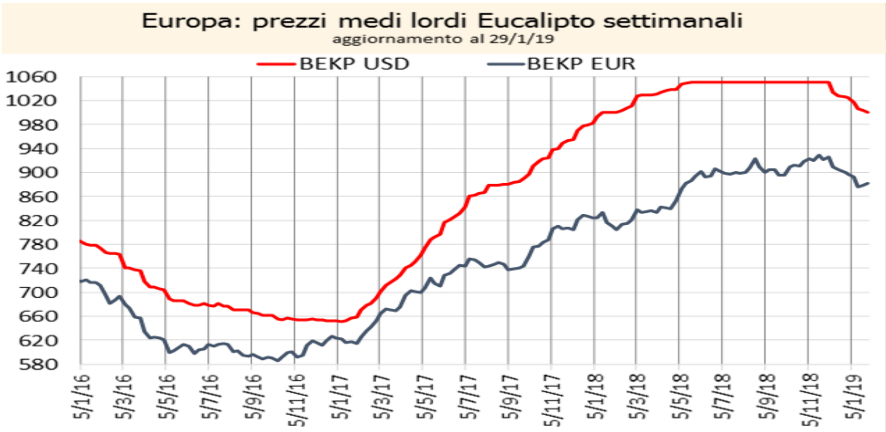
CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	%	31 DECEMBER 2017	%	Changes	CHG % 2018/2017
Decorative Paper Division	**27.529**	35,7%	**23.526**	29,6%	**4.003**	17,0%
Untreated paper	17.085	22,1%	15.134	19,1%	1.951	12,9%
Resins	5.092	6,6%	4.650	5,9%	442	9,5%
Inks	1.739	2,3%	1.543	1,9%	196	12,7%
Pvc	2.102	2,7%	1.742	2,2%	360	20,6%
Lamination	1.100	1,4%	-	0,0%	1.100	100,0%
Other costs	412	0,5%	457	0,6%	(45)	(9,9%)
Paper Division	**41.219**	53,4%	**45.228**	57,0%	**(4.009)**	(8,9%)
Pulp	13.695	17,7%	14.172	17,9%	(477)	(3,4%)
Bioxide	20.680	26,8%	24.634	31,0%	(3.954)	(16,1%)
Chemical products	3.269	4,2%	3.264	4,1%	5	0,2%
Other costs	3.575	4,6%	3.158	4,0%	417	13,2%
Energy Division	**21.011**	27,2%	**20.370**	25,7%	**641**	3,1%
Animal by-products	19.382	25,1%	19.289	24,3%	93	0,5%
Lub Oil	258	0,3%	169	0,2%	89	52,5%
Urea	382	0,5%	262	0,3%	120	45,8%
Diesel	378	0,5%	456	0,6%	(78)	(17,1%)
Other costs	611	0,8%	194	0,2%	417	214,9%
Intercompany eliminations	(12.565)		(9.758)			
Total	**77.194**	100,0%	**79.366**	100,0%	**(2.173)**	(2,7%)

Untreated Paper Division

The pulp market started the year pointing upwards in the wake of 2017, with increases in both short and long fibre, and with a general downward renegotiation of discounts.

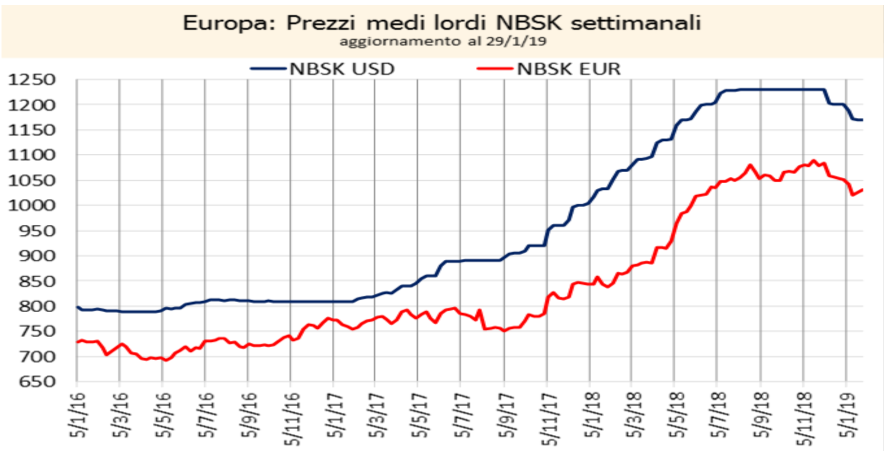
On the short fibre front, prices basically steadied at a gross USD 1050 per tonne, then began to drop in the last two months, closing the year at a gross 1000 USD per tonne. The downturn was fiercely opposed by the majority of sellers, who were willing even to shed large volumes in order not to cave in to prices. Negotiations continued in the opening months of 2019, with calls for a reduction by buyers on the one hand and strong resistance from the main sellers on the other. A noteworthy point is the market support stance adopted by Suzano, who completed the acquisition of Fibria at end 2018, becoming the largest market player. On the market merger front, APP's bid to complete the acquisition of Eldorado is still in standby mode.

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



As for long fibre, growth was stronger, after suffering the harsh weather conditions in Scandinavia and the good demand from China, committed to reviewing the rules for importing waste as part of its pollution reduction policy. Long fibre ended the year with a more significant drop on average than for short fibre, following the same downward trend in the first few months of 2019.

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



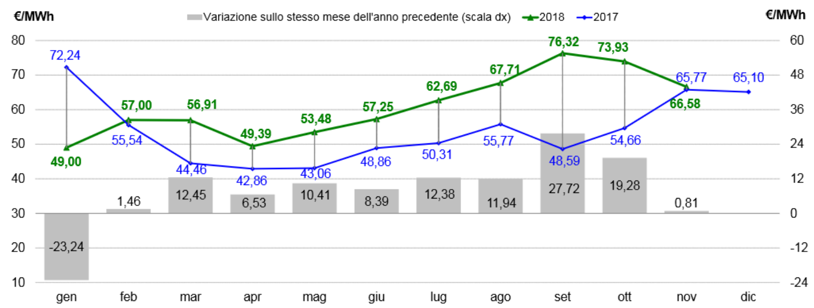
Energy Division

In 2018, the Bio Energia Guarcino plant produced 139,575 MWh, up from 109,894 MWh in 2017. Net of self-consumption and grid losses, the company fed 92,379 MWh into the grid, up from 57,743 MWh in 2017, and sold 41,509 MWh to Cartiere di Guarcino, in line with the prior year.

As far as the energy market is concerned, in 2018 the PUN rose to € 61.31 MWh, up 13.6%, continuing the upward trend started in 2016. Growth related mainly to the increased cost of generation, of gas in particular .

As a result, the unit price of the incentive decreased, against the backdrop of a growing energy market, from € 107.34 per MWh in 2017 to € 98.95 per MWh in 2018

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



The price of animal by-products (ABPs) fell in the first part of the year and then rebounded in the third quarter and beginning of the fourth quarter, and contracted again at the end of 2018 until stabilizing.

The table below summarizes the prices for the 12 months of the livestock bulletin published by Associazione Granaria di Milano.

GRASSI ANIMALI	gennaio	febbraio	marzo	aprile	maggio	giugno	luglio	agosto	settembre	ottobre	novembre	dicembre
Sego 2-3 FFA-MIU 1 - FAC 7-9	672,5	637,5	600,0	558,8	522,5	512,5	518,2	554,0	573,8	580,3	582	562,5
Grasso acidità 4 - MIU 1	647,5	612,5	575,0	538,8	502,5	492,5	497,5	532,0	551,8	558,3	560,3	540,5
Grasso max 7 FFA - MIU 1	623,0	590,3	555,0	518,8	482,5	472,5	474,2	502,0	521,8	528,3	530	512,5
Grasso max 10 FFA - MIU 1	616,0	583,3	548,0	511,8	475,5	465,5	465,5	490,0	509,8	516,3	518,3	500,5

NEO
DECOR
TECH

MAIN STATEMENT OF FINANCIAL POSITION FIGURES

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31.12.2018

Reclassified Consolidated Statement of Financial Position (Euro thousands)	31 December 2018	31 December 2017	Change	% Change
Trade receivables	24.052	26.333	(2.281)	(8,7%)
Inventory	35.948	32.127	3.821	11,9%
Trade payables	(33.176)	(33.597)	421	(1,3%)
Operating NWC	**26.824**	**24.863**	**1.961**	**7,9%**
Other current receivables	5.761	6.895	(1.134)	(16,4%)
Other current payables	(4.260)	(3.599)	(660)	18,3%
Tax payables	(1.859)	(1.220)	(639)	52,3%
Net Working Capital	**26.466**	**26.938**	**(472)**	(1,8%)
Property, plant and equipment	76.675	72.563	4.112	5,7%
Goodwill		1.293	(1.293)	(100,0%)
Intangible assets	3.451	3.280	171	5,2%
Other financial assets	2.199	2.074	125	6,0%
Non-current financial assets not included in the NFP	1.662	1.665	(3)	-0,2%
Other non-current assets	37	-	37	100%
Fixed assets	**84.023**	**80.874**	**3.149**	**3,9%**
Post-employment benefit provisions	(2.867)	(2.905)	37	(1,3%)
Provisions for risks and charges	(456)	(457)	1	-0,2%
Deferred tax assets and liabilities	(4.252)	(3.512)	(740)	21,1%
Net Capital Employed	**102.916**	**100.939**	**1.977**	**2,0%**
Equity	**58.603**	**54.029**	**4.574**	**8,5%**
Cash and cash equivalents	(6.489)	(6.104)	(386)	6,3%
Other current financial receivables		(868)	868	100,0%
Current financial liabilities	20.654	22.048	(1.394)	(6,3%)
Non-current financial liabilities	30.149	31.834	(1.685)	(5,3%)
Net Financial Debt	**44.314**	**46.910**	**(2.596)**	(5,5%)
Equity and Net Debt	**102.916**	**100.939**	**1.977**	**2,0%**

The table presenting Operating Net Working Capital shows a decrease in receivables at 31 December 2018 versus 31 December 2017, thanks to the efficient process of managing and disposing of receivables, despite the increase in turnover.

The increase in inventory is due mainly to the effect of the Pre-Buying transaction carried out by the Paper Division at the end of the year, in order to obtain the raw materials required for its production needs at a more affordable price.

With regard to Goodwill, it was allocated to the higher value of the Energy Division's machinery.

NEO
DECOR
TECH

MAIN INDICATORS OF THE FINANCIAL SITUATION

NET FINANCIAL DEBT

The Group's net financial position at 31 December 2018 can be summarized as follows:

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 December 2018	31 December 2017	Changes
A. Cash	(19)	(11)	(8)
B. Cash equivalents	(6.470)	(6.093)	(377)
C. Financial assets held for trading			0
D. Liquidity (A) + (B) + (C)	**(6.489)**	**(6.104)**	(385)
E. Current financial receivables	-	(868)	868
F. Current bank payables	18.175	17.323	852
G. Current portion of non-current debt	2.479	2.510	(31)
H. Other current financial liabilities			
H1. Current payable for leases	2.028	2.216	(188)
I. Current financial debt (F)+(G)+(H)+(H1)	22.682	22.048	634
J. Current net debt (I) + (E) + (D)	16.193	15.076	1.117
K. Non-current bank loans	17.806	18.455	(649)
L. Bonds issued	-	567	(567)
M. Other non-current financial liabilities	10.315	12.812	(2.497)
			0
N. Non-current financial debt (K) + (L) + (M) + (M1)	28.121	31.834	(3.713)
O. Net debt (J) + (N)	44.314	46.910	(2.596)

Total financial debt at 31 December 2018 amounted to € 44,314 thousand, down € 2,596 thousand versus 31 December 2018.

In 2018, the company continued to meet its financial obligations on time in terms of repayment of loans, leases and total repayment of the bond issue.

NEO
DECOR
TECH

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

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

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

OPERATING RISKS

Risks associated with the general economic situation

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

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

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

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

Risks associated with sales on international markets

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

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

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

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

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

Risks associated with the ability to propose innovative products

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

Risks associated with management

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

NEO
DECOR
TECH

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). On 26 March 2019, the Board of Directors approved the 2018 Report on Corporate Governance and Ownership Structure pursuant to Article 123-bis of the TUF.

This Report, published on the website, is attached hereto 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 the year the subsidiary Cartiere di Guarcino S.p.A. completed the three-year project launched on 2.01.2015, extended until 30.04.2018, on the "*Research and development of an innovative line of decorative papers for new applications and alternative uses, oriented towards* *environmental protection and produced using cutting-edge and highly efficient technologies, capable of generating productivity increases, lower pollution and lower production of waste".*

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 year with the corresponding consolidated figures.

CONSOLIDATED FIGURES IN EURO THOUSANDS	EQUITY 31 DECEMBER 2018	PROFIT/(LOSS) FOR THE YEAR 31 DECEMBER 2018	EQUITY 31 DECEMBER 2017	PROFIT/(LOSS) FOR THE YEAR 31 DECEMBER 2017
Equity and profit for the year of parent company	**58.735**	**6.030**	**54.115**	**5.480**
Elimination of carrying amount of consolidated equity investments:				
Difference between carrying amount and pro-rata amount of equity	5		(86)	
Currency translation difference	(137)		-	
Pro-rata results of investees		3.779		1.070
Cancellation of write-downs/reinstatement of equity investments		(3.617)		(1.070)
Amortization of fair value of fixed assets (allocation of BEG goodwill)		(162)		
Elimination of the effects of transactions between consolidated companies:				
Intercompany profits included in the value of closing inventory	-	-	-	-
Intercompany profits on disposal of fixed assets	-	-	-	-
Equity and profit for the year attributable to the shareholders of the parent	**58.603**	**6.030**	**54.029**	**5.480**
Non-controlling interests	-	-	-	-
Total equity	58.603	6.030	54.029	5.480

TRANSACTIONS WITH ASSOCIATES, PARENTS AND COMPANIES CONTROLLED BY PARENTS

Transactions carried out by Neodecortech S.p.A. and other Group companies with related parties, as identified by IAS 24, including transactions with subsidiaries and associates, are neither atypical nor unusual and fall within the ordinary course of business of the Company. These transactions were carried out on market terms. It should be noted that transactions with subsidiaries are not shown as they are derecognized at the consolidation level, while transactions with related parties at 31 December 2017 are shown.

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

FIGURES IN EURO THOUSANDS	revenue at 31 December 2018	costs at 31 December 2018
Finanziaria Valentini		(380)
Industrie Valentini	(1.598)	(140)
Luigi Valentini		(73)
Lv Commodity Service		(134)
Addi Emanuela		(4)
ISFRE		
Valinvest	(57)	(8)
Total	(1.655)	(738)

FIGURES IN EURO THOUSANDS	Receivables at 31 December 2018	Payables at 31 December 2018
Finanziaria Valentini		(1.174)
Industrie Valentini	1.263	(35)
Luigi Valentini		(104)
Lv Commodity Service		(20)
Addi Emanuela		
ISFRE	444	
Valinvest	57	(63)
Total	1.764	(1.396)

INFORMATION ON RELEVANT EXTRA-EU COMPANIES

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

Specifically:

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

ENVIRONMENTAL DISCLOSURE

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

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

With regard to environmental targets and policies, in 2018 the Group continued to implement the targets and guidelines contained in its corporate environmental policy.

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

HUMAN RESOURCES

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

The average number of employees in 2018 amounted to 367 units.

NEO
DECOR
TECH

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 December 2018, 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 art. 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 December 2018.

The subsidiary Cartiere di Guarcino has the following hedging contracts:

- Interest Rate Swap - Interest rate hedging contract - Notional value at 31/12/2018 € 3,108,985 - Fair value at 31/12/2018 € -64,984 (€ -124,991 at 31 December 2017)
- Currency Rate - Foreign exchange hedging contract - Notional value of payables at 31/12/2018 USD 4,030,000 - Fair value at 31/12/2018 € -1,165 (€ -94,447 at 31 December 2017)

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

- Interest Rate Swap - Interest rate hedging contract - Notional value at 31/12/2017 € 12,000,000 - Fair value at 31/12/2018 € -268,940 (€ -233,969 at 31 December 2017)

At 31 December 2018, 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 YEAR

There were no transactions that could be classified as such in 2018.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2018 AND OUTLOOK FOR 2019

No significant events occurred after 31 December 2018.

BUSINESS AND MARKET OUTLOOK

Decorative paper division - Neodecortech

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

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

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

PPF is the product family that posted the strongest increase (+44.2%) in 2018 versus a 12.6% growth reported by printed paper.

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

Paper Division - Cartiere di Guarcino

Neodecortech reports the same market trends as Cartiere di Guarcino. The first two months, however, remain within budget. Since March, instead, orders have dropped. Compounding this situation are the uncertain dynamics on the trend of raw materials, which generate a wait-and-see effect by customers on expectations of price reductions, triggering the well-known stock cycle case, which carries a negative cyclical impact in this context.

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

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

Energy Division - Bioenergia Guarcino

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

NEO
DECOR
TECH

DIRECTORS' REPORT ON OPERATIONS OF NEODECORTECH S.p.A.

FINANCIAL HIGHLIGHTS

Income statement at 31 December 2018 showing non-recurring items

	31 DECEMBRE 2018	% ON SALES	31 DECEMBRE 2017	% ON SALES	Variation	Var %
Revenue from sales and services	50.891	**100,0%**	43.825	**100,0%**	7.066	**16,1%**
Changes in work in progress, semi-finished and finished products	528	1,0%	386	0,9%	142	36,9%
Altri Ricavi	970	1,9%	452	1,0%	518	114,5%
Value of Production	**52.389**	**102,9%**	**44.663**	**101,9%**	**7.726**	**17,3%**
Raw and ancillary materials and consumables	(28.680)	56,4%	(24.301)	55,5%	(4.379)	18,0%
Other operating expense	(8.197)	16,1%	(6.361)	14,5%	(1.836)	28,9%
Value Added before non-recurring events	**15.512**	**30,5%**	**14.001**	**31,9%**	**1.511**	**10,8%**
Personnel expense	(8.861)	17,4%	(8.358)	19,1%	(502)	6,0%
EBITDA before non-recurring events	**6.651**	**13,1%**	**5.642**	**12,9%**	**1.009**	**17,9%**
Amortization, depreciation	(2.356)	4,6%	(2.157)	4,9%	(199)	9,2%
Allocations					0	
EBIT before non-recurring events	**4.295**	**8,4%**	**3.486**	**8,0%**	**810**	**23,2%**
Non-recurring components	47	0,1%	17	0,0%	30	177,3%
EBIT	**4.342**	**8,5%**	**3.502**	**8,0%**	**839**	**24,0%**
Financial components	2.426	4,8%	2.329	5,3%	97	4,2%
Exchange gains and losses					0	
Result before tax	**6.768**	**13,3%**	**5.832**	**13,3%**	**936**	**16,1%**
Income tax	(738)	1,4%	(352)	0,8%	(386)	109,8%
Profit/(loss) for the year	**6.030**	**11,8%**	**5.480**	**12,5%**	**550**	**10,0%**

Revenue from sales and services saw an increase in turnover in absolute terms of € 7,066 thousand (+16.1%) at 31 December 2018 versus 31 December 2017, due to increased sales volumes (as shown in the table of the breakdown of turnover by product line)

"Other revenue" was up due mainly to the reimbursement of a weather claim for approximately € 255 thousand.

The +0.9% change in the percentage of raw materials on revenue from sales and services is due mainly to the new sales mix with the introduction of the "Laminates" product.

The increase in operating expense at 31 December 2018 versus 31 December 2017 of € 1,836 thousand is due mainly to higher post-IPO consultancy expenses of € 481 thousand, higher utility costs of approximately € 460 thousand and higher costs from the acquisition of the CorbettaFia S.r.l. business unit (acquired on 1 September 2018)

With regard to personnel expense, the acquisition costs for CorbettaFia S.r.l. were approximately € 545 thousand at 31 December 2018; personnel expense, therefore, net of this item (€ 545 thousand) at 31 December 2018, was in line with 31 December 2017. It should be noted that personnel expense both at 31 December 2018 and at 31 December 2017 comprises provisions for the 2017-2020 Stock-Grant plan of € 315 thousand at 31 December 2018 and € 331 thousand at 31 December 2017.

In terms of profit before tax, the acquisition of CorbettaFia S.r.l. at 31 December 2018 contributed € 598 thousand (profit before tax for the period from 1 September 2018 to 31 December 2018)

MAIN STATEMENT OF FINANCIAL POSITION FIGURES

Reclassified Balance Sheet at 31 December 2018 of Neodecortech Spa:

NEO
DECOR
TECH

In Euro thousands	31 December 2018	31 December 2017	CHANGE
	-		
Trade receivables	8.330	9.110	(781)
Trade receivables – Intercompany	41	3	37
Inventory	8.392	6.349	2.043
Trade payables	(6.412)	(3.692)	(2.720)
Trade payables - Intercompany	0	(10)	10
Operating NWC	**10.350**	**11.760**	**(1.410)**
Other current receivables	206	98	108
Receivable from Tax Consolidation			
Tax receivables	627	586	41
Other current payables	(3.050)	(2.225)	(825)
Tax payables	(461)	(357)	(104)
Payable for tax consolidation	(472)	(207)	(265)
Net Working Capital	**7.200**	**9.655**	**(2.455)**
Property, plant and equipment	24.559	21.684	2.876
Intangible assets	543	303	240
Non-current financial assets	21.957	19.007	2.950
Financial assets			
Non-current financial assets not included in the NFP	1.217	1.185	32
Non-current financial assets not included in NFP - IC	17.582	8.328	9.254
Other non-current assets	9	9	0
Fixed assets	**65.867**	**50.515**	**15.352**
Post-employment benefit provisions	(1.315)	(1.312)	(3)
Provisions for risks and charges			0
Deferred tax assets and liabilities	(1.927)	(1.892)	(35)
Net Capital Employed	**69.826**	**56.967**	**12.859**
Equity	**(58.735)**	**(54.115)**	**(4.620)**
Cash and cash equivalents	4.792	3.656	1.135
Other current financial receivables		868	(868)
Other current financial receivables IC	1.763	13.567	(11.804)
Current financial liabilities to banks	(1.820)	(3.398)	1.578
Current financial liabilities to other lenders		(750)	750
Current financial liabilities IC			
Non-current financial liabilities to banks	(10.080)	(11.318)	1.239
Non-current financial liabilities to IC			
Non-current financial liabilities to other lenders	(5.745)	(5.476)	(269)
Net Financial Debt	**(11.091)**	**(2.851)**	**(8.239)**

"Inventory" increased at 31 December 2018 versus 31 December 2017, due mainly to the increase in turnover and to the acquisition of the inventory of the CorbettaFia S.r.l. business unit for the amount of approximately € 1,138 thousand

Likewise, payables increased at 31 December 2018 versus 31 December 2017, while the acquisition value of tangible fixed assets at 31 December 2018 was approximately € 1,890 thousand. With regard to the increase in non-current financial assets not included in the NFP, these refer solely to the novation of the receivable of Neodecortech Spa from its parent company Cartiere di Guarcino.

For net debt, reference should be made to the considerations made above and below on the Net Financial Position.

NEO
DECOR
TECH

NET FINANCIAL DEBT

FIGURES IN EURO THOUSANDS	31 December 2018	31 December 2017	Changes
A. Cash	(14)	(6)	(8)
B. Cash equivalents	(4.778)	(3.650)	(1.128)
C. Financial assets held for trading			0
D. Liquidity (A) + (B) + (C)	**(4.792)**	**(3.656)**	(1.136)
E. Current financial receivables	(1.763)	(14.435)	12.672
F. Current bank payables	568	2.788	(2.220)
G. Current portion of non-current debt	1.252	1.360	(108)
H. Other current financial liabilities			0
H1. Current payable for leases			0
I. Current financial debt (F)+(G)+(H)+(H1)	1.820	4.148	(2.328)
J. Current net debt (I) + (E) + (D)	**(4.735)**	**(13.943)**	9.209
K. Non-current bank loans	10.767	11.318	(551)
L. Bonds issued	-	567	(567)
M. Other non-current financial liabilities	5.058	4.909	149
			0
N. Non-current financial debt (K) + (L) + (M) + (M1)	15.825	*16.794*	(969)
O. Net debt (J) + (N)	11.091	2.851	8.240

The change in short-term financial receivables of € 12,672 at 31 December 2018 versus 31 December 2017 is due mainly to the novation of the payable to the subsidiary Cartiere di Guarcino with the shift of the financial receivable from current to non-current. With regard to "Current bank payables", the year under review saw a lower use of borrowings, due mainly to the cash flows generated by Company operations in 2018 and repayment of part of the receivable from the subsidiary Cartiere di Guarcino for € 4,700 thousand.

With regard to "Non-current bank payables", the quarterly instalments of the mortgage loan with BPM were paid.

Lastly, at 31 December 2018, full payment was made of the Bond to a related party for both the current and non-current portions of € 1,317 thousand.

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 2018. 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 activities of others.

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

NEO
DECOR
TECH

CONCLUSIONS

Dear Shareholders, in light of the considerations made in the points above and of the information appearing in the Explanatory Notes, we invite you:

- to approve the Financial Statements for the year ended 31/12/2018 together with the Explanatory Notes and this Report thereto;
- to allocate profit for the year of € 6,029,770.29, in accordance with the proposal put forward in the Explanatory Notes to the financial statements, as follows:
  - € 301,488.55 to the legal reserve;
  - € 2,562,041.79 to the non-distributable revaluation reserve for equity investments recorded pursuant to Article 2426, paragraph 4, of the Italian Civil Code;
  - € 1,165,689.08 to the extraordinary reserve;
  - the remaining part of profit as a dividend for the 13,075,500 outstanding ordinary shares totaling € 2,000,551.50 and, therefore, the distribution of a unit dividend, also in consideration of the distribution of the dividend attributable to treasury shares, of € 0.153 for each entitled ordinary share, without prejudice to the fact that any change in the number of treasury shares in the company's portfolio at the time of distribution will not affect the distribution of the unit dividend as established above, but will increase or decrease the amount allocated to the extraordinary reserve.

Filago (BG), 26/03/2019

For the Board of Directors

The Chairman

Alberto Francois

____

NEO
DECOR
TECH

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (Euro thousands)	Notes	31 December 2018	%	31 December 2017	%	Changes
Property, plant and equipment	7	76.675	48,4%	72.563	46,6%	4.112
Goodwill	8	-	0,0%	1.293	0,8%	(1.293)
Intangible assets	9	3.451	2,2%	3.280	2,1%	171
Other non-current assets	10	37	0,0%	36	0,0%	1
Non-current financial receivables	11	1.661	1,0%	1.629	1,0%	32
Pre-paid tax assets	12	2.236	1,4%	2.499	1,6%	(263)
Other financial assets	13	2.199	1,4%	2.074	1,3%	125
Non-current assets		**86.259**	54,4%	**83.374**	53,5%	**2.885**
Inventory	14	35.948	22,7%	32.127	20,6%	3.821
Trade receivables	15	24.799	15,6%	26.333	16,9%	(1.534)
Tax receivables	16	1.490	0,9%	3.230	2,1%	(1.740)
Current financial receivables	17	-	0,0%	866	0,6%	(866)
Other receivables	18	3.524	2,2%	3.666	2,4%	(142)
Cash and cash equivalents	19	6.489	4,1%	6.104	3,9%	385
Current assets		**72.250**	45,6%	**72.326**	46,5%	**(76)**
Total assets		**158.509**	100,0%	**155.700**	100,0%	**2.809**

Equity and liabilities (Euro thousands)		31 December 2018	%	31 December 2017	%	Changes
Share capital		16.202	10,2%	16.203	10,4%	(1)
Share premium reserve		17.257	10,9%	17.357	11,1%	(100)
Other reserves		10.357	6,5%	6.235	4,0%	4.122
Prior years' profit (loss)		8.757	5,5%	8.754	5,6%	3
Profit/(loss) for the year		6.030	3,8%	5.480	3,5%	550
Equity	**28**	**58.603**	37,0%	**54.029**	34,7%	**4.574**
Provisions for risks and charges	20	455	0,3%	457	0,3%	(2)
Deferred tax	21	6.487	4,1%	6.012	3,9%	475
Post-employment benefit provisions	22	2.867	1,8%	2.905	1,9%	(38)
Non-current financial liabilities	23	28.120	17,7%	31.834	20,4%	(3.714)
Non-current liabilities		**37.929**	23,9%	**41.208**	26,5%	**(3.279)**
Trade payables	24	33.176	20,9%	33.255	21,4%	(79)
Payables for tax consolidation	24	472	0,3%	341	0,2%	131
Tax payables	25	1.387	0,9%	1.220	0,8%	167
Current financial liabilities	26	22.682	14,3%	22.048	14,2%	634
Other payables	27	4.260	2,7%	3.599	2,3%	661
Current liabilities		**61.977**	39,1%	**60.463**	38,8%	**1.514**
Equity and liabilities		**158.509**	100,0%	**155.700**	100,0%	**2.809**

CONSOLIDATED INCOME STATEMENT

	NOTES	31 DECEMBER 2018	%	31 DECEMBER 2017	%	changes	Changes %
Revenue from sales and services	29	**130.943**	**100,0%**	**85.681**	**100,0%**	**45.262**	**52,8%**
Changes in work in progress, semi-finished and finished products	29 bis	275	0,2%	(3.281)	-3,8%	3.556	-108,4%
Other revenue	30	2.601	2,0%	2.391	2,8%	210	8,8%
Raw and ancillary materials and consumables	31	(77.194)	59,0%	(54.466)	63,6%	(22.728)	41,7%
Personnel expense	32	(17.980)	13,7%	(13.153)	15,4%	(4.828)	36,7%
Amortization, depreciation	33	(7.157)	5,5%	(4.321)	5,0%	(2.835)	65,6%
Allocations							
Other operating expense	34	(20.903)	16,0%	(12.999)	15,2%	(7.904)	60,8%
EBIT		**10.586**	**8,1%**	**6.413**	**7,5%**	**4.172**	**65,1%**
Financial income	35	154	0,1%	280	0,3%	(126)	-45,1%
Financial expense	36	(3.117)	2,4%	(2.129)	2,5%	(988)	46,4%
Result before tax		**7.622**	**5,8%**	**6.411**	**7,5%**	**1.211**	**18,9%**
Income tax	37	(1.593)	1,2%	(931)	1,1%	(661)	71,0%
		0	0,0%	0	0,0%		
Profit/(loss) for the year		**6.030**	**4,6%**	**5.480**	**6,4%**	**550**	**10,0%**
Other items of the comprehensive income statement							
Actuarial gains (losses) net of tax effect		41	-	26			
Total items that will not be reclassified in the income statement for the year		**41**	**-**	**26**			
Profit/(loss) on cash flow hedging instruments		33					
Gains/(losses) on the translation of the financial statements of consolidated companies in currencies other than the Euro		(69)					
Total items that will or may be reclassified in the income statement for the year	**-**	**36**		**-**			
Comprehensive income (loss) for the year		**5**	**-**	**26**			
Profit for the year to be attributed to:							
Shareholders of the Parent		6.035		5.454			
Non-controlling interests		-					
Earnings per share (Euro/Cent):							
Base		49,84					
Diluted		48,41					

Following the Consolidation on 15 June 2017, the income statement at 31 December 2018 is compared with the income statement at 31 December 2017, pointing out that the income statement at 31 December 2018 refers to the Neodecortech Group for the 12 months of 2018, for all the companies belonging to the Group, while the figures at 31 December 2017 represent the Neodecortech Group, where the Parent Company (Neodecortech spa) presents a 12-month income statement (2017), while the parent companies Cartiere di Guarcino and Bio Energia for only six months.

NEO DECOR TECH

CONSOLIDATED STATEMENT OF CASH FLOWS

in Euro thousands	31 December 2018	31 December 2017
Profit (loss) for the year	6.030	5.480
Income tax	1.381	931
Deferred/(prepaid) tax	212	
Interest expense/(interest income)	2.963	1.849
(Dividends)		
(Gains)/losses from disposal of assets	(5)	138
1 Profit (loss) for the year before income tax, interest, dividends and gains/losses on disposal	**10.590**	**8.260**
Adjustments for non-monetary items that had no balancing entry in net working capital:		
Provision for post-employment benefits	34	
Allocations to other provisions		139
Depreciation of fixed assets	7.157	4.321
Write-downs for impairment losses		
Other adjustments for non-monetary items	1.376	
2 Cash flow before changes in NWC	**19.157**	**12.720**
Changes in net working capital		
Decrease/(increase) in receivables from customers	3.699	9.106
Decrease/(increase) in receivables from customers - Intercompany		
Decrease/(increase) in inventory	(2.682)	(4.597)
Increase/(decrease) in payables to suppliers	(2.185)	3.883
Increase/(decrease) in trade payables - Intercompany		
Decrease/(increase) in other receivables	1.880	(2.499)
Increase/(decrease) in other payables	(576)	(5.745)
Other changes in net working capital	(137)	(2.716)
3 Cash flow after changes in NWC	**19.155**	**10.152**
Other adjustments		
Interest received/(paid)	(1.693)	(1.849)
(Income tax paid)	(265)	(827)
(Gains)/losses from disposal of assets		
Dividends received		
(Utilization of provisions)	(546)	(612)
(Utilization of provisions for post-employment benefits)	(178)	
4 Cash flow after other adjustments	**16.473**	**6.864**

NEO DECOR TECH

A Cash flow from operations	**16.473**	**6.864**
Property, plant and equipment	(6.868)	(4.461)
(Capital expenditure)	(6.868)	(4.461)
Disposals		
Intangible assets	(860)	(3.184)
(Capital expenditure)	(860)	(3.184)
Disposals		
Non-current financial assets		
(Capital expenditure)		
loans granted		
B Cash flow from investing activities	**(7.728)**	**(7.645)**
Liabilities	**(6.245)**	**(3.051)**
Increase (decrease) in current bank borrowings	(1.559)	(4.927)
New loans	1.128	11.928
Repayment of loan	(1.926)	(10.052)
Increase (decrease) in non-current bank borrowings	(1.283)	
Financial liabilities to other lenders	(3.314)	
Financial liabilities to IC		
Change in financial receivables from other lenders	710	
Change in financial receivables - intercompany		
Equity	**(2.114)**	**10.403**
Share capital increase		11.403
Sale (purchase) of treasury shares	(94)	
Other changes in equity	(2.020)	(1.000)
C Cash flow from financing activities	**(8.359)**	**7.352**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**386**	**6.572**

Cash and cash equivalents 1 January 2018 Consolidated	**€ 6,103**
Cash and cash equivalents 31 December 2018 Consolidated	**€ 6,489**

In the Statement of Cash Flows, the changes shown have been suitably adjusted in relation to the acquisition of the business unit made in the year

NEO
DECOR
TECH

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2018

CONSOLIDATED FIGURES IN EURO THOUSANDS	NOTES	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT								
		SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT/(LOSS) FOR THE YEAR	EQUITY	EQUITY NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 31/12/2017	28	16.203	(178)	17.357	15.167	-	5.480	54.029	-	54.029
Other items of the comprehensive income statement		-	(36)	-	41	-	-	5	-	5
Profit for the year		-	-	-	-	-	6.030	6.030	-	6.030
Total comprehensive income (loss) for the year		**-**	**(36)**	**-**	**41**	**-**	**6.030**	**6.035**	**-**	**6.035**
Dividend distribution					(2.003)			(2.003)	-	(2.003)
Allocation of prior year's result					5.480		(5.480)	-	-	-
Other changes			(68)		704	(94)		542	-	542
Balance at 31/12/2018	28	**16.203**	**(282)**	**17.357**	**19.389**	**(94)**	**6.030**	**58.603**	**-**	**58.603**

NEO
DECOR
TECH

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ENTITY DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2. SCOPE OF CONSOLIDATION

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

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

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

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

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

Statement of compliance with international accounting standards and general standards

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

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

Reporting formats

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

It should be noted that the comparative income statement figures at 31.12.2017 reflect the Parent Company's Income Statement for the full year 2017 and the Income Statements of the conventionally consolidated companies for the second half of 2017 only, as the Group was formed on 15.06.2017 (in application of IAS 10).

For this reason, the consolidated income statement figures at 31.12.2018 are not fully comparable with the relating figures presented in the financial statements of the prior year.

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 year 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 2018, 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 year to non-controlling interests.
- Amounts relating to transactions with owners (purchase and sale of treasury shares).
- Each item of profit and loss net of any tax effects which, as required by IFRS, are alternatively allocated directly to equity (profits or losses from the purchase and sale of treasury shares, actuarial profits and losses generated by the measurement of defined benefit plans), or have a balancing entry in an equity reserve (share-based payments for stock grant plans).
- Movements in fair value reserves for derivative instruments to hedge future cash flows, net of any tax effect.

4. USE OF ESTIMATES AND MEASUREMENTS

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

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

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

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

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

5. MAIN ACCOUNTING STANDARDS ADOPTED

The accounting standards adopted in the consolidated financial statements at 31 December 2018 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 December 2018 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 December 2018 and 31 December 2017 for the translation of income statement and balance sheet items denominated in foreign currencies (source: www.bancaditalia.it)

EUR/USD	31/12/2018	31/12/2017
Statement of financial position balances	1.1450	1.1993
Income statement balances	1.1810	1.1293

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 amounts 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 2017, the following accounting standards are applicable 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 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 will therefore record 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 standards published but not adopted yet

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

This standard, which is not yet mandatory for the preparation of these financial statements, supersedes IAS 17 (Leases) and related interpretations and will be applied by the Group as from 1 January 2019.

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

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

The standard provides two exemptions for recognition by lessees:

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

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

Non-current tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Assets under finance leases

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

Depreciation

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

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

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

Goodwill

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

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

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

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

Non-current intangible assets

Development costs and other intangible assets

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

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

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

NEO
DECOR
TECH

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.

<u>Loans and receivables</u>

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).

<u>Derecognition</u>

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 2018, 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 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.

6. SEGMENT REPORTING

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenue and incur expense (including revenue and expense relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision make to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Specifically, the operating segments of the Neodecortech Group are identified by the specific activities carried out by the three main legal entities of the Group based on their respective distinct lines of business.

The term "operating segment" or "division" is synonymous with "business unit".

The operating segments of the Neodecortech Group are as follows:

- Decorative paper: this includes the production activities of the parent company Neodecortech involving the segments of impregnation, printing of paper and plastic film;
- Paper: this includes the production activities of the subsidiary Cartiere di Guarcino involving the segment of decorative technical paper;
- Energy: this includes the cogeneration of electricity and steam by the subsidiary Bio Energia Guarcino involving the segment of energy.

NEO
DECOR
TECH

INCOME STATEMENT BY DIVISION

In Euro thousands	Decorative Paper Division	% on Revenue	Paper Division	% on Revenue	Energy Division	% on Revenue	ELIMINATIONS and ADJUSTMENTS	CONSOLIDATED	% on Revenue
Revenue from sales and services	**50.891**	**100,0%**	**65.415**	**100,0%**	**31.369**	**100,0%**	**(16.732)**	**130.943**	**100,0%**
Changes in work in progress, semi-finished and finished products	528	1,0%	(252)	*(0,4%)*	0	0,0%	0	275	0,2%
Other revenue	970	1,9%	1.555	2,4%	187	0,6%	(275)	2.437	1,9%
Value of Production	**52.389**	**102,9%**	**66.718**	**102,0%**	**31.556**	**100,6%**	**(17.007)**	**133.655**	**102,1%**
Raw and ancillary materials and consumables	28.680	56,4%	41.219	63,0%	21.011	67,0%	(13.716)	77.194	59,0%
Other operating expense	8.197	16,1%	10.372	15,9%	4.019	12,8%	(2.057)	20.530	15,7%
Value Added before non-recurring events	**15.512**	**30,5%**	**15.127**	**23,1%**	**6.526**	**20,8%**	**(1.234)**	**35.931**	**27,4%**
Personnel expense	8.861	17,4%	9.069	13,9%	793	2,5%	(743)	17.980	13,7%
EBITDA before non-recurring events	**6.651**	**13,1%**	**6.058**	**9,3%**	**5.733**	**18,3%**	**(491)**	**17.951**	**13,7%**
Amortization, depreciation	2.356	4,6%	2.294	3,5%	2.280	7,3%	227	7.157	5,5%
Allocations	0	0,0%	0	0,0%	0	0,0%	0	0	0,0%
EBIT before non-recurring events	**4.295**	**8,4%**	**3.764**	**5,8%**	**3.453**	**11,0%**	**(718)**	**10.794**	**8,2%**
Non-recurring components	(47)	-0,1%	164	0,3%	91	0,3%	0	209	0,2%
EBIT	**4.342**	**8,5%**	**3.600**	**5,5%**	**3.362**	**10,7%**	**(718)**	**10.586**	**8,1%**
Financial components	(2.426)	-4,8%	523	0,8%	1.191	3,8%	3.617	2.906	2,2%
Exchange gains and losses	0	0,0%	57	0,1%	0	0,0%	0	57	0,0%
Result before tax	**6.767**	**13,3%**	**3.019**	**4,6%**	**2.171**	**6,9%**	**(4.336)**	**7.622**	**5,8%**
Income tax	738	1,4%	457	0,7%	463	1,5%	(65)	1.593	1,2%
Profit/(loss) for the year	**6.030**	**11,8%**	**2.562**	**3,9%**	**1.708**	**5,4%**	**(4.270)**	**6.030**	**4,6%**

I

STATEMENT OF FINANCIAL POSITION BY DIVISION

In Euro thousands	Decorative Paper Division	Paper Division	Energy Division	Eliminations and	Consolidated
Property, plant and equipment	24.559	35.991	14.535	1.589	76.675
Other assets	18.808	1.255	17	(18.382)	1.698
Other assets	41.238	11.571	1.622	(48.298)	6.133
Non-current assets	66.341	50.445	16.182	(46.709)	86.259
Inventory	8.392	25.932	1.624	-	35.948
Other tax receivables	-	2	-	-	2
Cash and cash equivalents	4.792	1.263	419	16	6.489
Other receivables	206	1.005	2.314	-	3.525
Current assets	24.150	40.880	12.252	(5.031)	72.251
Assets	**90.491**	**91.325**	**28.434**	**(51.740)**	**158.509**
Equity attributable to the shareholders of the	58.735	21.964	6.204	(28.300)	58.603
Equity	58.735	21.964	6.204	(28.300)	58.603
Deferred tax	2.400	3.373	256	458	6.487
Post-employment benefit provisions	1.315	1.539	13	-	2.867
Financial liabilities	15.825	24.392	6.285	(18.382)	28.121
Non-financial liabilities					
Trade payables	6.884	18.595	8.930	(761)	33.648
Tax payables	461	553	374	-	1.387
Other payables	3.050	1.188	22	-	4.260
Current liabilities	12.215	39.130	15.656	(5.025)	61.977
Equity and liabilities	**90.491**	**91.325**	**28.434**	**(51.740)**	**158.509**

BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA BY OPERATING SEGMENT

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	%	31 DECEMBER 2017	%	Change	CHG % 2018/2017
Decorative Paper Division	**50.891**	38,9%	**43.825**	35,5%	**7.066**	16,1%
Italy	21.448	16,4%	16.441	13,3%	5.007	30,5%
Europe	24.155	18,4%	20.652	16,7%	3.503	17,0%
Asia	2.166	1,7%	2.323	1,9%	(157)	(6,8%)
America	1.361	1,0%	2.186	1,8%	(825)	(37,7%)
Rest of the World	1.761	1,3%	2.223	1,8%	(462)	(20,8%)
Paper Division	**65.415**	50,0%	**67.376**	54,6%	**(1.961)**	(2,9%)
Italy	26.396	20,2%	20.693	16,8%	5.703	27,6%
Europe	32.699	25,0%	38.744	31,4%	(6.045)	(15,6%)
Asia	2.491	1,9%	3.297	2,7%	(806)	(24,5%)
America	3.764	2,9%	4.642	3,8%	(878)	(18,9%)
Rest of the World	66	0,1%	-	0,0%	66	100,0%
Energy Division	**31.369**	24,0%	**26.402**	21,4%	**4.967**	18,8%
Italy	31.369	24,0%	26.402	21,4%	4.967	18,8%
Europe						
Asia						
America						
Rest of the World						
Intercompany eliminations	(16.732)		(14.106)			
Total	**130.943**	100,0%	**123.497**	100,0%	**7.446**	6,0%

NEO DECOR TECH

ASSETS

7. PROPERTY, PLANT AND EQUIPMENT

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

(in Euro thousands)	Historical cost 31.12.2017	Revaluation/write-down (prior years)	Acquisitions	Disposals	Other changes	Historical cost 31.12.2018
Land	12.082					12.082
Buildings	14.347	9.948	258			24.552
Work on third party assets	5.440		1.515			6.956
Plant and machinery	98.002	31	4.474	(146)	1.816	104.178
Equipment	17.743		1.500	(1)		19.242
Other	4.205	1	1.041	(26)		5.220
TOTAL	**151.818**	**9.980**	**8.788**	**(174)**	**1.816**	**172.229**

(in Euro thousands)	Depreciation provision 31.12.2017	Revaluation/write-down (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 31.12.2018
Land	0					0
Buildings	(5.176)		(578)			(5.754)
Work on third party assets	(2.034)		(815)			(2.849)
Plant and machinery	(63.266)		(3.799)	127		(66.938)
Equipment	(15.149)		(1.038)	1		(16.185)
Other	(3.610)		(238)	25		(3.823)
TOTAL	**(89.235)**	**0**	**(6.467)**	**154**	**0**	**(95.548)**

The amount of € 1,816 thousand shown in the column "Other changes in plant and machinery" refers to the allocation of goodwill relating to the Energy Division (see note 8). The amount, recorded in accordance with available estimates, is recorded gross of the corresponding deferred tax liabilities, which, on the other hand, have been charged to the specific provision.

Paper Division

Incremental upgrading was carried out in 2018 to mainly improve plant productivity, 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:

Laboratory, Optimization of energy vectors: specifically, final commissioning of the new high-efficiency thermal power plant and change in piping; Pulp preparation plant: plant changes for material recovery and yield improvement; Upgrades to the paper machine: optimization on the flat table and press area; Purification plant: revamping of panel boards and purification process control; Infrastructure: unit flooring.

Energy Division

Improvements were made in 2018 to the leased systems in order to increase productivity, heightening the level of safety in operation and extending automation.

Capital expenditure involved mainly the following areas:

Environmental/health/workplace safety: this category includes a series of improvements in the area of safety and performance gains, linked mainly to the system for reducing polluting emissions into the atmosphere, in order to further improve the operational efficiency of the cogeneration plant;

Performance improvements in reliability/efficiency of ancillary equipment: this category includes improvements to ancillary equipment such as turbochargers and switchboards used for increasing plant productivity, in the sense of higher production versus the default state, by comparing the production set-up in the scenarios without and with improvement;

Automation & digitization: this category includes improvements to the IT systems of the cogeneration plant, in order to achieve efficiency gains in daily operations and thus increase productivity, leveraging on remote control and fast remedy actions, which also allow the plant's production capacity to be increased versus the default state;

Performance improvements in reliability/efficiency of motor-generators: this category includes improvements to motor-generators, required to increase plant productivity (the increase in productivity is conditional upon an increase in production capacity, which is twofold as it is achieved both through greater availability and greater capacity).

Decorative Paper Division

In 2018, the main expenditure was made in the purchase of printing cylinders.

8. GOODWILL

	31 December 2018	%	31 December 2017	%	Change	% change
Goodwill	-	-	1.293	100,0	(1.293)	(100,0)
Goodwill	-		1.293	100,0	(1.293)	(100,0)

The surplus (€ 1,292 thousand) arising in 2017 from the first-time consolidation of the BEG investment, in light of the analyses carried out, was allocated in 2018 as an increase to the Energy Division's machinery item and subject to an 8-year depreciation, in line with the plans adopted (end of plan 2025).

9. INTANGIBLE ASSETS

(in Euro thousands)	Historical cost 31.12.2017	Acquisitions	Disposals	Depretaion	Revaluation/write-down (prior years)	Other changes	Depreciation provision 31.12.2018
Devolopment Cost	70	409	0	(508)	0	2.834	2.805
Other Intangible Assets	376	451	0	(182)	0	0	646
Assets under Construction	2.834	0	0	0	0	(2.834)	0
TOTALE	**3.280**	**860**	**0**	**(690)**	**0**	**0**	**3.451**

With regard to development costs capitalized with the approval of the Board of Statutory Auditors, as required by the Italian Civil Code and accounting standards, the recoverable value of development costs attributable to the Paper Division, for the purposes of their recording, was determined by the Directors through the calculation of value in use. By its very nature, this method requires the Directors to make significant assessments of the trend in operating income flows during the period used for the calculation, as well as of the discount rate of these income flows. The Company was assisted by external experts (Managers&Partners) in the calculation of impairment.

Operating income flows for future years were estimated on the basis of an analysis to determine the specific increases in terms of margins - EBITDA - deriving from cost savings (energy, steam and titanium) and from the sale of new products (Sincro and Velvet).

The recoverable value of the development costs capitalized by the Paper Division was ascertained by determining the value in use, understood as the present value of future income flows - NOPAT - relating to the results achieved by these development activities, calculated in accordance with the income method.

Expected future income flows have been determined on the basis of conservative data and referred to the Paper CGU under current conditions, and exclude the estimate of future flows that could result from restructuring plans or other structural changes.

The following factors were taken into account in determining the WACC discount rate (9.18%):

- for the long-term return on risk-free investments, reference was made to the 10-year Eurirs rate of 0.97% (February 2019) plus the country risk premium of 2.63% (CRP Italy 2019 - Damodaran);
- the systematic risk coefficient (β - equal to 0.90) was estimated on the basis of a selected sample of European listed companies in the Home furnishing sector (Damodaran 2018);
- for the specific risk premium (MRP), a value of 8.59% was assumed (Damodaran - MRP2018);
- lastly, as a gross cost of debt, a rate of 5.11% was considered, estimated on the basis of a selected sample of European listed companies in the Home furnishing sector (Damodaran 2018).

The following table shows the result of the impairment test carried out:

CONSOLIDATED DATA IN THOUSANDS OF EURO (NDT GROUP - PAPER DIVISION)	31 December 2018
Recoverable amount Development costs (VR)	5,860
Carrying amount Development costs (VC)	2,805
Difference (impairment)	**+3,055**

In order to ascertain the value resulting from a hypothetical change in the WACC, the effects of an increasing simulation of the discount rate are shown below

	Wacc	Value
Base case	9.18%	5,860
Worst case 1	10.18%	5,691
Worst case 2	11.18%	5,529

10. OTHER NON-CURRENT ASSETS

"Other non-current assets" at 31 December 2018, amounting to € 37 thousand, includes a security deposit.

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Other non-current receivables (security deposits	37	100,0	36	100,0	1	2,8
Total non-current financial receivables	37	100,0	36	100,0	1	2,8

NEO
DECOR
TECH

11. NON-CURRENT FINANCIAL RECEIVABLES

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Non-current financial receivable	1.661	100	1.629	100	32	2,0
Total non-current financial receivables	**1.661**	**100,0**	**1.629**	**100,0**	**32**	**2,0**

“Other non-current assets" at 31 December 2018, amounting to € 1,661 thousand, includes the Interest-Bearing Financial Receivable from Andreotti S.p.A., comprising principal and interest accrued at 31 December 2018, amounting to € 1,217 thousand, and € 444 thousand as a receivable from/Isfre of Cartiere di Guarcino. The change is due to interest accrued on the Interest-Bearing Financial Receivable from Andreotti S.p.A.

12. PRE-PAID TAX ASSETS

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	31 DECEMBER 2017	Change	Change %
Directors' remuneration approved and not paid	23	58	(35)	(60,3%)
Provisions for write-downs and risks	7	-	7	-
Tax recovery on adjustment of start-up and expansion cc	39	57	(18)	(31,6%)
Tax recovery on adjustment of plant and machinery depr	300	343	(43)	(12,5%)
Deferred tax on derivative contracts	65	79	(14)	(17,7%)
Deferred tax on employee benefits	41	58	(17)	(29,3%)
Tax recovery on adjustment of research expense	96	139	(43)	(30,9%)
Tax loss carryforward (BEG)	1.538	1.566	(28)	(1,8%)
Other	127	199	(72)	(36,2%)
Deferred tax assets	**2.236**	**2.499**	**(263)**	**(10,5%)**

Management has recognized deferred tax assets up to the value which it considers their recovery likely for. In determining the items, budget results and forecasts for subsequent years were taken into account. Deferred-tax assets of € 2,234 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.

13. OTHER FINANCIAL ASSETS

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Other financial assets	2.199	100,0	2.074	100,0	125	6,0
Total non-current financial receivables	**2.199**	**100,0**	**2.074**	**100,0**	**125**	**6,0**

In the period March-May 2015, CDG International took out financial products consisting of 12 life insurance policies for eleven people, with an average age of 74 and an average life expectancy of 13.29 years (June 2016 report by AVS Underwriting, LLC). 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 412 thousand (average annual premium of the first 7 years from the signing of the contract) and USD 597 thousand (average annual premium of the following years up to LE).

At 31 December 2018, total premiums paid amounted to € 2,199 thousand, including the purchase price and the premiums paid.

CDG International has appointed Q Capital Strategies, LLC to sell this Financial Product.

14. INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

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. The 22.6% increase in raw materials and consumables versus 31 December 2017 is due mainly to the Pre-Buying carried out by the Paper Division at the end of the year.

	31 December 2018	%	31 December 2017	%	Change	% change
Raw and ancillary materials and consumables	19.479	54,2	15.884	49,4	3.595	22,6
Finished products	16.439	45,7	16.181	780,2	258	1,6
Advances	30	0,1	62	3,0	(32)	100,0
Total inventory	35.948	100,0	32.127	100,0	3.821	11,9

15. TRADE RECEIVABLES

The table below provides a breakdown of this item at 31 December 2018:

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Trade receivables	24.544	99,0	26.131	99,2	(1.587)	(6)
Provision for doubtful accounts	255	1,0	202	0,8	54	26,6
Total Trade Receivables	24.799	100,0	26.333	100,0	(1.534)	(5,8)

Trade receivables at 31 December 2018 decreased versus the same period of 2017, due mainly to improved collection, which incorporated an improvement in DSO.

16. TAX RECEIVABLES

The table above shows VAT receipts of € 1,470 thousand in 2018 from the subsidiary BEG.

	31 December 2018	%	31 December 2017	%	Change	% change
VAT	1.488	99,9	2.958	91,6	(1.470)	(49,7)
IRES			121	3,7	(121)	(100,0)
IRAP			139	4,3	(139)	(100,0)
Withholdings a/c			10	0,3	(10)	(100,0)
Other tax receivables	2	0,1	2	0,1	0	0,0
Total tax receivables	1.490	100,0	3.230	100,0	(1.740)	(53,9)

17. CURRENT FINANCIAL RECEIVABLES

	31 December 2018	%	31 December 2017	%	Change	% change
Current financial receivable	-	0	866	53,2	(866)	- 100,0
Total current financial receivables	-	100,0	866	100,0	(866)	(100)

The decrease in current financial receivables is due to the collection of the receivable from Industrie Valentini.

18. OTHER CURRENT RECEIVABLES

The table below provides a breakdown of this item at 31 December 2018:

	31 December 2018	%	31 December 2017	%	Change	% change
Receivables for advance costs	10	0,3	7	0,2	3	42,9
Advances to suppliers	3	0,1	1	0,0	2	200,0
Prepayments and accrued income	1.739	49,3	2.677	73,0	(938)	(35,0)
Other	1.772	50,3	981	26,8	791	80,6
Total current receivables	3.524	100,0	3.666	100,0	(142)	(3,9)

Other receivables at 31 December 2018 include GSE withholdings of € 602 thousand versus € 364 thousand at 31 December 2017: these items refer to the typical activities of the Energy division.

NEO
DECOR
TECH

19. CASH AND CASH EQUIVALENTS

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

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Bank and post office deposits	6.470	99,7	6.093	99,8	377	6,2
Cash and valuables on hand	19	0,3	11	0,3	8	72,7
Total cash and cash equivalents	**6.489**	**100,0**	**6.104**	**100,0**	**385**	**6,3**

LIABILITIES

20. PROVISIONS FOR RISKS AND CHARGES

	31 December 2018	%	31 December 2017	%	Change	% change
Provisions for Risks and Charges	455	27,4	457	28,1	(2)	- 0,4
Total provisions for risks and charges	**455**	**100,0**	**457**	**100,0**	**(2)**	**(0)**

21. DEFERRED TAX LIABILITIES

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	31 DECEMBER 2017	Change	Change %
Deferred tax on statutory revaluations	5.441	5.478	(37)	-0,7%
Deferred tax on assets (BEG)	458	-	458	-
Valuation exchange gains	12	25	(13)	-52,0%
Finance lease assets	576	371	205	55,3%
Other	-	138	(138)	-100,0%
Deferred tax liabilities	**6.487**	**6.012**	**475**	**7,9%**

At 31 December 2018, deferred tax amounted to € 6,487 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.

22. POST-EMPLOYMENT BENEFIT PROVISIONS

.

	31 December 2018	%	31 December 2017	%	Change	% change
Post-employment benefit provisions	2.867	44,2	2.905	48,3	(38)	- 1,3
Total Post-Employment Benefits	**2.867**	**100,0**	**2.905**	**100,0**	**(38)**	**(1,3)**

The balance refers to the severance indemnity of NDT, CDG and BIO ENERGIA

23. NON-CURRENT FINANCIAL LIABILITIES

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

(Euro thousands)	31 December 2018	%	31 December 2017	%	Change	% change
MICA loans	4.741	16,9	4.628	14,5	113	2,5
Bond		-				
Mortgage Loan BPM	10.767	38,3	11.318	35,6	(551)	(4,9)
Medium/long-term loans		-				
Payables for leases		-				
Payables to shareholders	104	0,4	968	3,0	(865)	(89,3)
Derivatives Provision (IAS 39)	335	1,2	453	1,4	(118)	(26,1)
M/L loans	7.039	25,0	7.137	22,4	(98)	(1,4)
Payables for leases	5.088	18,1	7.282	22,9	(2.195)	(30,1)
Other financial payables	47	0,2	47	0,1	0	0,2
Total current financial liabilities	**28.121**	**100,0**	**31.834**	**100,0**	**(3.713)**	**(11,7)**

BPM loan

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

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

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

The BPM Loan carries a nominal annual interest rate convertible on a variable quarterly basis and automatically determined as 2.400 points above the Euribor (Euro Interbank Offered Rate) at 3 base months 365 - previous month's percentage average (simple arithmetic average of the quotes per currency reported each day at 11 a.m., Central European Time, by the Euribor management committee). The current month applies the average of the previous calendar month; the rate is therefore updated every month effective from the beginning of the calendar month. If the rate cannot be determined, the 3-month

LIBOR relating to the Euro, quoted on the second working day prior to the end of each calendar quarter in the event of an increase or decrease in this last reference parameter, will be taken into consideration as a benchmark; the interest rate will be adjusted to the extent of the changes that have occurred since 1 January, 1 April, 1 July, 1 October following the above change, and will remain in force for the duration of each calendar quarter. Additionally, the Issuer undertakes to pay deferred interest, calculated at the previously indicated rate, from the date of signing of the BPM Agreement until 30 June 2018, which must be paid in arrears through repayment of 5 instalments, falling due on 30 June 2017, 30 September 2017, 31 December 2017, 31 March 2018 and 30 June 2018, in the amount of € 23 thousand for the first and € 62 thousand each.

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

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

The Company hedged the interest rate risk on this loan by subscribing an interest rate swap (IRS). The fair value of this instrument at 31 December 2018 came to a negative € 346 thousand.

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

24. TRADE PAYABLES

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Trade payables	33.176	98,6	33.255	99,0	(79)	(0,2)
Payable for tax consolidation	472	1,4	341	1,0	131	38,4
Total trade and other payables	33.648	100,0	33.596	100,0	52	0,2

Trade payables amounted to € 33,648 thousand at 31 December 2018 and include only liabilities to suppliers for the purchase of goods and services.

There are no trade payables due beyond 12 months.

The amount due for tax consolidation, amounting to € 472 thousand, refers to the portion of the payable due to Finanziaria Valentini by Neodecortech.

NEO
DECOR
TECH

25. TAX PAYABLES

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

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
VAT	243	17,5	(176)	(14)	419	(238,1)
IRAP	158	11,4	209	17,1	(51)	(24,4)
Withholdings a/c	659	47,5	658	53,9	1	0,2
Other tax payables	327	23,6	529	43,4	(202)	(38,2)
Total tax payables	1.387	100,0	1.220	100,0	167	13,7

Other tax payables at 31 December 2018 for Bio Energia Guarcino include liabilities accrued for excise duties.

26. CURRENT FINANCIAL LIABILITIES

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

(Euro thousands)	31 December 2018	(a)	31 December 2017	(b)	change	% change
Current payables to banks	20.654	91,1	19.082	86,5	1.572	8,2
Payables to other lenders:	2.027	8,9	2.966	13,5	(938)	(31,6)
IRS coverage provision		-				
Payables for leases	2.027	8,9	1.818	8,2	209	11,5
Payables to shareholders						
Payables to Valfina						
Bond (Current portion)			750	3,4	(750)	(100,0)
Payables to shareholders			248		(248)	(100,0)
Payables to Others			149		(149)	(100,0)
Total current financial liabilities	22.682	100,0	22.048	100,0	634	2,9

“Current financial liabilities" of € 23,333 thousand at 31 December 2018 includes the current principal portion of the payable and the interest liability for the period of the loans outstanding at 31 December 2018.

NEO
DECOR
TECH

27. OTHER CURRENT PAYABLES

The table below shows a breakdown of other non-tax current payables at 31 December 2018:

(in Euro thousands)

	31 December 2018	(a)	31 December 2017	(a)	Change	% change
Payables to social security institutions	1.265	29,7	1.019	28,3	246	24,1
Payables to employees	1.740	40,8	1.592	44,2	148	9,3
Advances received from customers	1.035	24,3	684	19,0	351	51,3
Accrued expense and deferred income	18	0,4	61	1,7	(43)	(70,5)
Other	202	4,7	243	6,8	(41)	(16,9)
Total other payables	**4.260**	**100,0**	**3.599**	**100,0**	**661**	**18,4**

The increase in "Payables to personnel", "Payables to social security institutions" and "Payables to tax authorities for withholding taxes" is due mainly to the acquisition of the business unit during the year.

28. 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 surcharge 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 December 2018, the share capital amounts to € 16,203,000 and is divided into 13,101,500 shares with no indication of their nominal value.

<u>*Warrant issue valid for subscribing to ordinary shares of Neodecortech S.p.A.*</u>

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 number 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.

29. PURCHASE AND SALE OF TREASURY SHARES

At 31 December 2018, the Company held 26,000 treasury shares

NEO
DECOR
TECH

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.

30. STOCK OPTION PLANS

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

CONSOLIDATED INCOME STATEMENT

The following tables show the results at 31 December 2018 versus the results at 31 December 2017; as a result of the consolidation on 30 June 2017, the comparison between 31 December 2018 and 31 December 2017 is made without providing any comment on the comparison, as the figures at 31 December 2018 refer to the Neodecortech Group for the 12 months of 2018, while the figures at 31 December 2017 represent the Neodecortech Group, where the Parent Company (Neodecortech spa) presents a 12-month income statement (2017), while the parent companies Cartiere di Guarcino and Bio Energia for only six months, i.e. from the consolidation date to 31 December 2017.

29 REVENUE FROM SALES AND SERVICES

The table below details the item in question with regard to the six-month period ended 31 December 2018:

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Revenue from sales	124.283	94,91	79.994	93,36	44.290	55,4
Services	6.659	5,09	5.687	6,64	972	17,1
Total revenue from sales and services	**130.943**	**100,0**	**85.681**	**100,0**	**45.262**	**52,8**

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

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Changes in work in progress, semi-finished and finished products	275	6,9	(3.281) -	108,5	3.556	(108,4)
Total change inventory	**275**	**100,0**	**(3.281)**	**100,0**	**3.556**	**(108,4)**

30 OTHER REVENUE

This item amounted to € 2,601 thousand at 31 December 2018 and is composed as follows:

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Contingent assets	164	6,31	258	10,78	(94)	(36,3)
Insurance reimbursement	1.096	42,13	263	11,00	833	316,7
Capitalization of work on time and materials basis	409	15,72	940	39,32	(531)	(56,5)
Exchange rate gains	265	10,19	296	12,38	(31)	(10,5)
Other revenue	667	25,64	634	26,52	33	5,2
Total other revenue	**2.601**	**100,0**	**2.391**	**100,0**	**210**	**8,8**

31 CONSUMPTION OF RAW AND ANCILLARY MATERIALS AND CONSUMABLES

The item at 31 December 2018 amounted to € 77,194 thousand and included the costs detailed in the table below:

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Raw and ancillary materials and consumables	76.027	98,49	53.665	98,53	22.361	41,7
Packaging materials	1.167	1,51	801	1,47	366	45,8
Total raw materials	**77.194**	**100,0**	**54.466**	**100,0**	**22.728**	**41,7**

32 PERSONNEL EXPENSE

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Wages and salaries	12.210	67,91	8.345	63,45	3.865	46,3
Social security charges	3.989	22,19	3.024	22,99	965	31,9
Post-employment benefits	849	4,72	665	5,05	184	27,7
Other personnel expense	932	5,18	1.119	8,51	(187)	(16,7)
Total personnel expense	**17.980**	**100,0**	**13.153**	**100,0**	**4.828**	**36,7**

Other personnel expense includes the provision for stock grants.

NEO
DECOR
TECH

33 AMORTIZATION, DEPRECIATION AND PROVISIONS

The following table shows a breakdown of the various items:

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Other intangible assets	690	9,63	288	6,66	402	139,6
Buildings	578	8,07	480	11,12	97	20,2
Work on third party assets	815	11,38	705	16,31	110	15,6
Plant and machinery	3.800	53,09	1.782	41,23	2.018	113,3
Equipment	1.038	14,50	889	20,57	149	16,7
Other	238	3,32	178	4,11	60	33,7
Total amortization and depreciation	7.157	100,0	4.321	100,0	2.835	65,6

“Amortization and depreciation" totaled € 7,157 thousand at 31 December 2018.

34 OTHER OPERATING EXPENSE

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Consultancy	2.303	11,02	1.149	8,84	1.154	100,5
Bonuses and commissions	1.195	5,71	679	5,23	515	75,8
Transport	3.094	14,80	2.013	15,49	1.080	53,7
Utilities	4.470	21,38	2.604	20,03	1.865	71,6
Remuneration of Directors and Statutory Auditors	580	2,77	416	3,20	164	39,3
Insurance	979	4,68	709	5,45	270	38,0
Sundry industrial services	3.509	16,78	2.162	16,63	1.347	62,3
Other services	2.145	10,26	361	2,78	1.784	494,4
Rentals and other	385	1,84	205	1,58	181	88,2
Tax and duties	807	3,86	479	3,68	328	68,6
Contingent liabilities	373	1,78	1.175	9,04	(802)	(68,3)
Other costs	1.065	5,09	1.047	8,05	18	1,7
Total other operating expense	20.903	100,0	12.999	100,0	7.904	60,8

“Other operating expense" amounted to € 20,903 thousand at 31 December 2018.

35 FINANCIAL INCOME

The table below details the item in question with regard to the six-month periods ended 31 December 2018:

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Financial income	154	100	280	100	(126)	(45,1)
Total financial income	**154**	**100,0**	**280**	**100,0**	**(126)**	**(45,1)**

Financial income includes financial discounts obtained from suppliers for 14-day payments.

36 FINANCIAL EXPENSE

The table below provides a breakdown of financial expense:

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Interest expense	2.380	76,36	1.257	59,03	1.123	89,4
Financial discounts	467	14,98	189	8,89	278	146,8
Other expense	270	8,66	683	32,08	(413)	(60,5)
Total financial expense	**3.117**	**100,0**	**2.129**	**100,0**	**988**	**46,4**

37 INCOME TAX

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2018		31 DECEMBER 2017	
Profit (loss) before tax	7.622		6.411	
IRES for the year	1.528	20,05%	315	4,13%
Income from tax consolidation	(687)	(9,01%)	(97)	(1,27%)
IRES net of income from tax consolidation	**841**	**11,03%**	**218**	**2,86%**
IRAP for the year	540		315	
Deferred tax assets	259		345	
Deferred tax	(47)		53	
Prior years' income tax			-	
Income tax	**1.593**		**931**	

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.

The effective tax rate in 2018, gross of estimated consolidated tax income of € 2,068 thousand, is 25%.

If, on the other hand, income from tax consolidation is considered, the tax rate is 21%.

NEO
DECOR
TECH

38 EARNINGS PER SHARE

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

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

Basic earnings per share are calculated as follows:

EARNINGS PER SHARE	31/12/2018	31/12/2017
Net profit attributable to the shareholders (Euro thousands)	6.030	5.480
Weighted average number of shares outstanding (n./000)	13.084	13.102
Basic earnings per share (Euro/cent.)	46,09	41,83

DILUTED EARNINGS/LOSS PER SHARE	31/12/2018	31/12/2017
Net profit attributable to the shareholders (Euro thousands)	6.030	5.480
Weighted average number of shares outstanding (n./000)	13.084	13.102
Weighted average number of shares eligible for stock option plans (n./000)	387	187
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.471	13.289
Diluted earnings per share (Euro/cent.)	44,76	41,24

39 CONTINGENT LIABILITIES

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

40 RELATED PARTY TRANSACTIONS

Neodecortech Spa is controlled by Finanziaria Valentini Spa.

The statement of financial position and income statement balances arising from the Group's transactions with related parties in 2018 are shown below.

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

FIGURES IN EURO THOUSANDS	revenue at 31 December 2018	costs at 31 December 2018
Finanziaria Valentini		(380)
Industrie Valentini	(1.598)	(140)
Luigi Valentini		(73)
Lv Commodity Service		(134)
Addi Emanuela		(4)
ISFRE		
Valinvest	(57)	(8)
Total	(1.655)	(738)

FIGURES IN EURO THOUSANDS	Receivables at 31 December 2018	Payables at 31 December 2018
Finanziaria Valentini		(1.174)
Industrie Valentini	1.263	(35)
Luigi Valentini		(104)
Lv Commodity Service		(20)
Addi Emanuela		
ISFRE	444	
Valinvest	57	(63)
Total	1.764	(1.396)

41 SEASONALITY

The Group does not record any significant seasonal changes.

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

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

NEO DECOR TECH

Importi in euro

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

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

43 ACQUISITION OF CORBETTAFIA BUSINESS UNIT

For the purposes of assessing the appropriateness of the acquisition of this business unit, the Company made use of a specific appraisal report drawn up on 23 July 2018 by Marco Petrucci - an independent expert.

The price agreed between the parties for the sale amounts to € 180 thousand

ACQUISITION COPRBETTAFIA SRL

TANGIBLE ASSESTS	1.890	CURRENT LIABILITIES	1852
INVENTORY	1.139	SUPPLIERS	2037
TRADE RECEIVABLES	2.226	POST EMPLOYMENTS BENEFIT	106
OTHER RECEIVABLES	34	NON CURENT LIABILITIES	743
		OTHER LIABILITIES	371
TOTAL ASSETS	**5.289**	**TOTAL LIABILITIES**	**5.109**
		NET VALUE	**180**

OTHER SUPPLEMENTARY INFORMATION

EVENTS AFTER THE YEAR END

No significant events occurred after year end

INFORMATION ON AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION

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

INFORMATION ON ASSETS AND LOANS FOR A SPECIFIC TRANSACTION

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

TREASURY SHARES

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

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

SHARES/UNITS OF THE PARENT COMPANY

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

NEO
DECOR
TECH

INFORMATION RELATING TO THE REMUNERATION OF THE BOARD OF DIRECTORS, BOARD OF TATUTORY 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	**31.12.2018**	**31.12.2017**
Directors	473,000	324,319
Board of Statutory Auditors	36,000	27,240
Independent Auditors	26,950	26,950

APPROVAL BY THE GOVERNING BODY

This consolidated report was approved by the Board of Directors for publication on 26 March 2019.

Filago (BG), 26 March 2019

For the Board of Directors

The Chairman

Alberto Francois

____

FINANCIAL STATEMENTS AT 31 DECEMBER 2018

FINANCIAL STATEMENTS

Income statement at 31 December 2018

in Euro thousands	notes	31 DECEMBER 2018	% on revenue	31 DECEMBER 2017	% on revenue	Changes	% change
Revenue from sales and services	26	**50.891**	**100%**	**43.825**	**100%**	**7.066**	**16,1%**
Changes in work in progress, semi-finished and finished products	27	528	1%	386	1%	142	36,9%
Other revenue	28	1.136	2%	695	2%	441	63,4%
Consumption of raw, ancillary and consumable materials	29	28.680	56%	24.301	55%	4.379	18,0%
Personnel expense	30	8.861	17%	8.358	19%	502	6,0%
Depreciation	31	2.356	5%	2.157	5%	199	9,2%
Allocations	31	0	0%	0	0%	0	0,0%
Other operating expense	32	8.316	16%	6.587	15%	1.729	26,2%
EBIT		**4.342**	**9%**	**3.502**	**8%**	**839**	**24,0%**
Financial income	33	3.207	6%	3.405	8%	(198)	-5,8%
Financial expense	34	781	2%	1.076	2%	(295)	-27,4%
Profit (loss) before tax		6.767	13%	5.832	13%	936	16,0%
Income tax	35	738	1%	352	1%	386	109,8%
Profit/(loss) for the year		**6.030**	**12%**	**5.480**	**13%**	**550**	**10,0%**
Other items of the comprehensive income statement							
Actuarial gains (losses) net of tax effect		9		12			
Total items that will not be reclassified in the income statement for the year							
Gains/(losses) on cash flow hedging instruments		(27)					
Gains/(losses) on the translation of the financial statements of consolidated companies in currencies other than the Euro							
Total items that will or may be reclassified in the income statement for the year		(18)		12			
Comprehensive income (loss) for the year		6.012		5.492			
Profit for the year attributable to:							
Shareholders of the Parent							
Non-controlling interests							

The increase in revenue from sales and services is attributable to the new sales mix and partly (€ 2.7 thousand) to the acquisition of the new business unit. The percentage of the costs of raw materials and goods increased (56% against 55%) and is essentially due to the new mix introduced with the acquisition of the above business unit. Personnel expense in 2018 amounted to € 8,861 thousand (versus € 8,358 thousand at 31 December 2017), an increase in absolute terms of approximately € 502 thousand due exclusively to personnel expense for the new business unit. The percentage on revenue decreased by 1.7% versus 2017 due to the price effect on sales prices. Personnel expense also includes the provision for stock grants amounting to € 315 thousand in 2018 and € 331 thousand in 2017. Other operating expense increased in absolute terms versus the prior year (€ 1,729 thousand, of which € 572 thousand for the new business unit), due mainly to Utilities (which increased from € 1,220 thousand in 2017 to € 1,679 thousand in 2018, up 37.6%), attributable not only to the tariff effect, but mostly to the increase in turnover (in terms of quantity produced).

NEO
DECOR
TECH

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

In Euro thousands	Notes	31 December 2018	%	31 December 2017	%
Property, plant and equipment	5	24.559	*27,1%*	21.684	*25,4%*
Goodwill					
Intangible assets	6	543	*0,6%*	303	*0,4%*
Equity investments	7	21.957	*24,3%*	19.007	*22,3%*
Other non-current assets	8	9	*0,0%*	9	*0,0%*
Non-current financial receivables	9	18.799	*20,8%*	9.513	*11,2%*
Pre-paid tax assets	10	473	*0,5%*	521	*0,6%*
Available-for-sale assets					
Non-current assets		**66.341**	***73,3%***	**51.036**	***59,8%***
Inventory	11	8.392	*9,3%*	6.349	*7,4%*
Trade receivables	12	8.370	*9,2%*	9.113	*10,7%*
Tax receivables	13	627	*0,7%*	586	*0,7%*
Current financial receivables	14	1.763	*1,9%*	14.435	*16,9%*
Other current assets	15	206	*0,2%*	98	*0,1%*
Cash and cash equivalents	16	4.792	*5,3%*	3.656	*4,3%*
Current assets		**24.150**	***26,7%***	**34.238**	***40,2%***
Total assets		**90.491**	***100,0%***	**85.274**	***100,0%***
Share capital		16.203	*17,9%*	16.203	*19,0%*
Legal reserve		1.209	*1,3%*	935	*1,1%*
Share premium reserve		17.262	*19,1%*	17.357	*20,4%*
Extraordinary reserve		337	*0,4%*	52	*0,1%*
Equity revaluation reserve		2.916	*3,2%*		*0,0%*
Payment for share capital increase		6.152	*6,8%*	6.152	*7,2%*
Hedging reserve		(204)	*(0,2%)*	(178)	*(0,2%)*
Retained earnings/(losses carried forward)		8.757	*9,7%*	8.755	*10,3%*
Stock options reserve		1.425	*1,6%*	722	*0,8%*
OCI reserve		(49)	*(0,1%)*	(58)	*(0,1%)*
FTA reserve		(1.303)	*(1,4%)*	(1.303)	*(1,5%)*
Profit/(loss) for the year		6.030	*6,7%*	5.480	*6,4%*
Equity	25	**58.735**	***64,9%***	**54.115**	***63,5%***
Deferred tax	18	2.400	*2,7%*	2.412	*2,8%*
Post-employment benefit provisions	19	1.315	*1,5%*	1.312	*1,5%*
Non-current financial liabilities	20	15.825	*17,5%*	16.795	*19,7%*
Non-current liabilities		**19.541**	***21,6%***	**20.520**	***24,1%***
Trade payables	21	6.884	*7,6%*	3.909	*4,6%*
Tax payables	22	461	*0,5%*	357	*0,4%*
Financial liabilities	23	1.820	*2,0%*	4.148	*4,9%*
Other current liabilities	24	3.050	*3,4%*	2.225	*2,6%*
Current liabilities		**12.215**	***13,5%***	**10.639**	***12,5%***
Equity and liabilities		**90.491**		**85.274**	***100,0%***

NEO
DECOR
TECH

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2018

In Euro thousands	31 DECEMBER 2018	31 DECEMBER 2017
Profit (loss) for the year	6.030	5.480
Income tax	705	351
Deferred/(prepaid) tax	41	
Interest expense/(interest income)	136	587
(Dividends)		
(Gains)/losses from disposal of assets	(5)	138
1 Profit (loss) for the year before income tax, interest, dividends and gains/losses on disposal	**6.909**	**6.419**
Adjustments for non-monetary items that had no balancing entry in net working capital:		
Provision for post-employment benefits	31	
Allocations to other provisions		46
Depreciation of fixed assets	2.356	2.157
Write-downs for impairment losses		
Other adjustments for non-monetary items	(2.212)	(2.938)
2 Cash flow before changes in NWC	**7.084**	**5.863**
Changes in net working capital		
Decrease/(increase) in receivables from customers	2.984	3.443
Decrease/(increase) in receivables from customers - Intercompany		
Decrease/(increase) in inventory	(904)	(181)
Increase/(decrease) in payables to suppliers	707	979
Increase/(decrease) in trade payables - Intercompany		
Decrease/(increase) in other receivables	(149)	(272)
Increase/(decrease) in other payables	673	(324)
Other changes in net working capital		1.095
3 Cash flow after changes in NWC	**10.394**	**10.424**
Other adjustments		
Interest received/(paid)	(136)	(587)
(Income tax paid)	(738)	(352)
(Gains)/losses from disposal of assets		
Dividends received		
(Utilization of provisions)	(52)	(612)
(Utilization of provisions for post-employment benefits)	(135)	
4 Cash flow after other adjustments	**9.333**	**8.873**

A Cash flow from operations	**9.333**	**8.873**
	-	
Property, plant and equipment	(3.209)	(1.838)
(Capital expenditure)	(3.209)	(1.838)
Disposals		111
Intangible assets	(369)	(191)
(Capital expenditure)	(369)	(191)
Disposals		
Non-current financial assets		
(Capital expenditure)		(16.090)
loans granted		
B Cash flow from investing activities	**(3.577)**	**(18.008)**
Liabilities	(2.507)	2.329
Increase (decrease) in current bank borrowings	(4.635)	451
New loans		11.929
Repayment of loans	(777)	(10.051)
Increase (decrease) in non-current bank borrowings		
Financial liabilities to other lenders	(481)	
Change in financial receivables from other lenders	3.386	
Equity	(2.114)	11.403
Share capital increase		11.403
Sale (purchase) of treasury shares	(94)	
Other changes in equity	(2.020)	(1.000)
C Cash flow from financing activities	**(4.621)**	**12.731**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	1.135	3.595
Cash and cash equivalents at 1 January	3.656	61
Cash and cash equivalents at 31 December	4.792	3.656

NEO
DECOR
TECH

NET FINANCIAL DEBT AT 31 DECEMBER 2018

FIGURES IN EURO THOUSANDS	31 December 2018	31 December 2017	Changes
A. Cash	(14)	(6)	(8)
B. Cash equivalents	(4.778)	(3.650)	(1.128)
C. Financial assets held for trading			0
D. Liquidity (A) + (B) + (C)	**(4.792)**	**(3.656)**	(1.136)
E. Current financial receivables	(1.763)	(14.435)	12.672
F. Current bank payables	568	2.788	(2.220)
G. Current portion of non-current debt	1.252	1.360	(108)
H. Other current financial liabilities			0
H1. Current payable for leases			0
I. Current financial debt (F)+(G)+(H)+(H1)	1.820	4.148	(2.328)
J. Current net debt (I) + (E) + (D)	**(4.735)**	**(13.943)**	9.209
K. Non-current bank loans	10.767	11.318	(551)
L. Bonds issued	-	567	(567)
M. Other non-current financial liabilities	5.058	4.909	149
			0
N. Non-current financial debt (K) + (L) + (M) + (M1)	15.825	*16.794*	(969)
O. Net debt (J) + (N)	11.091	2.851	8.240

The change in “Current financial receivables” of € 12,672 at 31 December 2018 versus 31 December 2017 is due mainly to the novation of the payable to the subsidiary Cartiere di Guarcino with the shift of the financial receivable from current to non-current.

With regard to "Current bank payables", the year under review saw a lower use of borrowings, due mainly to the cash generated by the Company in 2018 and repayment of part of the receivable from the subsidiary Cartiere di Guarcino for € 4,700 thousand.

With regard to "Non-current bank payables", the quarterly instalments of the mortgage loan with BPM were paid.

Lastly, at 31 December 2018, full payment was made of the Bond to a related party for both the current and non-current portions of € 1,317 thousand.

NEO DECOR TECH

STATEMENT OF CHANGES IN EQUITY

IN EURO THOUSANDS	NOTES	SHARE CAPITAL	HEDGING RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	NET PROFIT/(LOSS) FOR THE YEAR	TOTAL EQUITY
	28	16.203	(178)	17.357	15.253	-	5.480	54.115
Other items of the comprehensive income statement		-	(26)	-	9	-	-	(17)
Profit for the year		-	-	-	-	-	6.030	6.030
Total comprehensive income (loss) for the year		**-**	**(26)**	**-**	**9**	**-**	**6.030**	**6.013**
Dividend distribution					(2.003)			(2.003)
Allocation of prior year's result					5.480		(5.480)	-
Other changes					704	(94)		610
Balance at 31/12/2018	28	**16.203**	**(204)**	**17.357**	**19.443**	**(94)**	**6.030**	**58.735**

EXPLANATORY NOTES

1. GENERAL INFORMATION

Neodecortech S.p.A. (hereinafter also the "Company") is a company under Italian law, with registered office in Filago (BG) in Strada Provinciale 2. 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.

These financial statements were approved by the Board of Directors on 26 March 2019.

The company also prepares consolidated financial statements.

2. GENERAL CRITERIA FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance with international accounting standards and general standards

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

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

Reporting formats

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

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

Statement of Financial Position

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

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

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

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

Income Statement

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

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

The bottom of the income statement shows the components that make up the result for the year 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 include 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 2018, reference should be made to the Directors' Report on Operations.

Statement of changes in equity

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

- Allocation of profit for the year to non-controlling interests.
- Amounts 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.

3. 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 tax liability requires Management to measure transactions whose tax implications are not certain at the balance sheet date.
- *Measurement of intangible assets with finite useful life* (development costs and other fixed assets): The useful life and depreciation criteria of these assets are reviewed annually.
- *Pension plans*: The present value of the pension liability depends on a number of factors that are determined by actuarial methods using certain assumptions. The assumptions regard the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, and the mortality and resignation rates. Any change in the above assumptions could have significant effects on the liability for pension benefits.
- *Measurement of provisions for risks:* In the normal course of business, the Company is 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 measurements 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.

4. MAIN ACCOUNTING STANDARDS ADOPTED

The accounting standards adopted in the financial statements at 31 December 2018 have been applied like-for-like like also to the comparative period. The main accounting standards used in the preparation of these financial statements are shown below.

New accounting standards

As mentioned in the financial statements for the year ended 31 December 2017, the following accounting standards are applicable 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 Company.

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 Company has not opted for the restatement of comparative information.

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 Company. Specifically, the Company 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 Company for their management.

Impairment

IFRS 9 requires the Company 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 Company has opted for a simplified approach and will therefore record the expected losses on all trade receivables based on their residual contractual duration. However, The Company continues to take analytical account of the specific nature of the sector and of certain customers in its evaluations.

Hedge accounting

If the Company 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 Company.

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 Company:

- 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 standards published but not adopted yet

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

This standard, which is not yet mandatory for the preparation of these financial statements, supersedes IAS 17 (Leases) and related interpretations and will be applied by the Company 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 Company with regard to operating leases for office equipment such as photocopiers, currently recorded in the financial statements under "Other operating costs");
- short-term leases (e.g. leases with a term of 12 months or less).

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

Non-current tangible assets

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

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

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

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

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

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

Costs incurred after the purchase of the assets and the cost of replacing certain parts of the assets recorded in this category are added to the carrying amount of the item to which they refer and capitalized only if they increase the future economic benefits inherent in the asset itself, and are therefore depreciated based on 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.

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.

Depreciation rates applied and representing the useful life of the related assets are as follows.

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

Non-current intangible assets

<u>*Intangible assets*</u>

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.

The following are the annual rates applied by the Company:

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

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

<u>*Initial recognition and measurement*</u>

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 Company for their management. With the exception of trade receivables that do not contain a significant financing component, the Company 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 Company'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.

<u>*Subsequent measurement*</u>

NEO
DECOR
TECH

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 Company. The Company 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 Company 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.

<u>Derecognition</u>

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 Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company 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.

<u>Impairment of financial assets</u>

The Company 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 Company 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 Company applies a simplified approach to the calculation of expected losses. The Company 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 subsidiaries

Investments in subsidiaries are accounted at equity, in accordance with IAS 27.

Under this method, the carrying amount of the investment is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss for the period is recognized in the investor's profit or loss for the period.

Distributions received from subsidiaries are recorded as a reduction in the carrying amount of the investment.

If there is evidence of events indicating impairment, the value of the investments is subject to impairment testing in accordance with the provisions of IAS 36. The original amount is reinstated in subsequent years if the reasons for the write-down no longer apply.

The risk arising from any losses in excess of cost is recognized as a provision to the extent that the Company is obliged or intending to be liable.

Impairment losses

An investment is impaired when its carrying amount exceeds its recoverable amount. The carrying amounts of investments are measured whenever there are clear internal or external signs indicating the possibility of an impairment of the investments or of a group of investments, as set out in IAS 36 - Impairment of Assets.

Specifically, indicators to assess whether an investment has suffered an impairment loss include the case where the parent company has recognized a dividend received from the investment and there is evidence that:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the subsidiary's net assets, including associated goodwill;

or

- the dividend exceeds the total comprehensive income of the subsidiary in the year to which the dividend relates.

Recoverable value is the higher of fair value less costs to sell and value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

Value in use is the present value of the future cash flows expected to be derived from an asset.

In determining value in use, the estimated future cash flows are discounted to their current value using a rate gross of tax that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by recognizing an impairment loss in the income statement.

When an impairment loss no longer applies, the carrying amount of the asset is increased to the new value deriving from the estimate of its recoverable value, but not beyond the original cost, recovering the reversal of the impairment loss in the Income Statement.

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 Company share therein are not recognized, unless the Company 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 Company. 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 Company 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 Company documents the hedging relationship to which it intends to apply hedge accounting, its risk management targets and the strategy pursued.

As from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Company 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 Company actually hedges and the quantity of the hedging instrument that the Company 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 the Company 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 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 Company'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 consideration, in the event of re-issue, is recognized in the share premium reserve.

Dividends

The 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, the Company pays contributions to both public and private pension funds on a mandatory, contractual or voluntary basis. The Company does 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 Company is entitled to a repayment or a reduction in future payments.

Share-based payments (Stock Grants)

Company 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 Company expects to be paid, by applying the tax rate in force at the balance sheet date to the taxable income of the 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 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 financial statements are expressed in Euro, which is the functional and presentation currency used by the 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 Company determines the earnings per share and diluted earnings per share in accordance with IAS 33 - *Earnings per Share*. Earnings per share are calculated by dividing the Company's net profit or loss by the weighted average number of shares outstanding during the relevant period, excluding treasury shares. Diluted earnings are calculated by dividing the Company's profit or loss adjusted to take account of any effects, net of tax for the year, of any rights with diluted effects by the weighted average number of shares outstanding during the relevant period, excluding treasury shares and equivalent securities (options) with dilutive effect.

EXPLANATORY NOTES

ASSETS

NEO DECOR TECH

5. PROPERTY, PLANT AND EQUIPMENT

In Euro thousands	Historical cost 31.12.2018	Depreciation provision 31.12.2018	VNC at 31.12.2018
Land	3.680		3.680
Buildings	14.858	(3.156)	11.702
Work on third party assets	86	(72)	14
Plant and equipment	43.525	(38.461)	5.064
Equipment	18.385	(15.569)	2.816
Other	4.165	(2.882)	1.283
TOTAL	84.700	(60.141)	24.559

In Euro thousands	Historical cost 31.12.2017	Acquisition of Corbetta BU	Revaluation/Impairment	Acquisitions	Disposals	Other	Historical cost 31.12.2018
Land	3.680						3.680
Buildings	4.793		9.948	117			14.858
Work on third party assets	86						86
Plant and equipment	41.124	1.798	31	701	(130)		43.525
Equipment	16.907	20		1.460	(1)		18.385
Other	3.175	71	1	945	(26)		4.165
TOTAL	69.765	1.890	9.980	3.223	(157)		84.700

In Euro thousands	Depreciation provision 31.12.2017	Acquisition of Corbetta BU	Revaluation/Impairment	Depreciation	Disposals	Other	Depreciation provision 31.12.2018
Buildings	(2.854)			(303)			(3.156)
Work on third party assets	(57)			(14)			(72)
Plant and equipment	(37.828)			(755)	121		(38.461)
Equipment	(14.585)			(985)	1		(15.569)
Other	(2.736)			(171)	25		(2.882)
TOTAL	(58.061)			(2.228)	148		(60.141)

The main movements during the year were as follows:

- "Equipment" for € 1,460 thousand, of which € 1,200 thousand for the purchase of printing cylinders;
- “Other", for € 945 thousand, of which € 517 thousand for capital expenditure in progress, while the residual costs refer to normal expenditure in the various business areas.
- “Plant and machinery" for a total of € 701 thousand, for improvements made to the existing assets;
- As shown in the table below, € 1,890 thousand refers to the acquisition of the Corbetta Fia S.r.l. business unit in Casoli di Atri (Te)

In accordance with revised IAS 23, no borrowing costs were capitalized as property, plant and equipment during the year

6. INTANGIBLE ASSETS

In Euro thousands	Balance at 31.12.2017	Acquisitions	Disposals	Depreciation	Revaluation/Impairment	Other changes	Balance at 31.12.2018
Other intangible assets	303	369		(129)			543
TOTAL	303	369		(129)			543

"Other intangible assets", amounting to €369 thousand, refers mainly to capital expenditure in software, due to the change in management solutions, as a result of the integration underway with Group companies, and of the changes required following acquisition of the Corbetta Fia S.r.l. business unit.

7. INVESTMENTS

In Euro thousands	Balance at 31.12.2017	Increases	Increases for stock options (IFRS 2)	Disposals	Revaluation/Impairment	Other	Balance at 31.12.2018
"CONAI" investment							
Cartiere di Guarcino investment	19.007		389		2.562		21.957
TOTAL	19.007		389		2.562		21.957

8. OTHER NON-CURRENT ASSETS

In Euro thousands	Balance at 31.12.2018	Balance at 31.12.2017	Difference
Security deposits with third parties	9	9	
TOTAL	9	9	

The amounts refer to guarantee deposits paid.

9. NON-CURRENT FINANCIAL RECEIVABLES

In Euro thousands	Balance at 31.12.2018	Balance at 31.12.2017	Difference
Financial assets from Group companies	17.582	8.328	9.254
Financial assets from others	1.217	1.185	32
TOTAL	18.799	9.513	9.285

Non-current financial assets, amounting at 31 December 2018 to € 18,799 thousand, include € 17,582 thousand for financial assets from group companies and € 1,217 thousand for financial assets from others.

The former are composed of:

- € 1,500 thousand relating to the transfer to Neodecortech S.p.A. of the Cartiere di Guarcino S.p.A. Bond to Luigi Valentini in 2017;

- € 16,081 thousand representing the portion due beyond the next year of the loans granted to the subsidiary Cartiere di Guarcino S.p.A., in relation to the proposed novation granted towards end 2018

NEO
DECOR
TECH

10. PRE-PAID TAX ASSETS

FIGURES IN EURO THOUSANDS	31 DECEMBER 2018	31 DECEMBER 2017	Change	Change %
Directors' remuneration approved and not paid	23	23	-	0,0%
Provisions for write-downs and risks	7	-	7	-
Tax recovery on adjustment of start-up and expansion costs	-	10	(10)	(100,0%)
Tax recovery on adjustment of plant and machinery depreciation	300	344	(44)	(12,8%)
Deferred tax on derivative contracts	65	56	9	16,1%
Deferred tax on employee benefits	18	24	(6)	(25,0%)
Other	60	64	(4)	(6,3%)
Deferred tax assets	473	521	**(48)**	**(9,2%)**

Management has recognized deferred tax assets up to the value which it considers their recovery likely for. In determining the items, budget results and forecasts for subsequent years were taken into account.

11. INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

In Euro thousands	Balance at 31.12.2018	Balance at 31.12.2017	Difference
Raw and ancillary materials and consumables	4.409	2.894	1.515
Work in progress	119		119
Finished products	3.865	3.456	409
TOTAL	8.392	6.349	2.043

12. TRADE RECEIVABLES

In Euro thousands	Balance at 31.12.2018	Acquisition of Corbetta BU	Balance at 31.12.2017	Difference
Receivables from customers: Italy	4.831	2.241	4.901	(70)
Receivables from customers: Foreign	2.338		2.802	(464)
Intragroup trade receivables	41		3	37
Receivables from related parties	1.320		1.545	(225)
Provision for doubtful accounts	(160)	(8)	(138)	(22)
TOTAL	8.370	2.232	9.113	(743)

At 31 December 2018, "Receivables from related parties" included the trade receivable from Industrie Valentini for € 1,263 thousand and the trade receivable from Valinvest for € 57 thousand

Movements in the provision for doubtful accounts are as follows:

In Euro thousands	Balance at 31.12.2018	Balance at 31.12.2017
Opening balance	138	119
Utilizations in the year	(31)	
Allocation for the year	44	18
Acquisition of Corbetta BU	8	
TOTAL final balance	160	138

NEO
DECOR
TECH

The company insures most of its trade receivables; the allowance for impairment is calculated each year in order to express the estimated realizable value of the receivables recorded in the financial statements

13. TAX RECEIVABLES

In Euro thousands	Balance at 31.12.2018	Balance at 31.12.2017	Difference
VAT	627	438	190
IRAP		139	(139)
Other tax receivables	()	10	(10)
TOTAL	627	586	41

14. CURRENT FINANCIAL RECEIVABLES

In Euro thousands	Balance at 31.12.2018	Balance at 31.12.2017	Difference
Financial assets from Group companies	1.763	13.567	(11.804)
Financial assets from third parties		868	(868)
TOTAL	1.763	14.435	(12.672)

"Financial assets from Group companies" consists solely of the portion due by 31 December 2019, also in relation to the proposed novation mentioned in point 9

15. OTHER CURRENT ASSETS

In Euro thousands	Balance at 31.12.2018	Acquisition of Corbetta BU	Balance at 31.12.2017	Difference
Sundry advances	13		9	4
Other receivables	59	14	72	(13)
Advance payments to social security institutions (INAIL)	124	19	6	117
Prepayments	10	1	10	()
Insurance				
TOTAL	206	34	98	108

16. CASH AND CASH EQUIVALENTS

In Euro thousands	Balance at 31.12.2018	Acquisition of Corbetta BU	Balance at 31.12.2017	Difference
Cash on hand	14	2	6	8
Bank and post office deposits	4.777	5	3.650	1.127
TOTAL	4.792	7	3.656	1.135

NEO DECOR TECH

LIABILITIES

17. PROVISIONS FOR RISKS AND CHARGES

There is no provision for risks and charges

18. DEFERRED TAX LIABILITIES

In Euro thousands	Balance at 31.12.2017	Increases	Decreases	Effect on P&L of tax rate reduction	Other	Balance at 31.12.2018
Revaluation of the value of real estate LD 185/08	2.412		(12)			2.400
TOTAL	2.412		(12)			2.400

19. POST-EMPLOYMENT BENEFIT PROVISIONS

In Euro thousands	Balance at 31.12.2017	Acquisition of Corbetta BU	Allocations	Payments	Other	Balance at 31.12.2018
Blue collars	777	67	19	(75)		789
White collars	422	32	8	(33)		429
Managers						
Executives	14	6				21
Employee benefits - IAS 19	99				(23)	76
TOTAL	1.312	106	27	(108)	(23)	1.315

20. NON-CURRENT FINANCIAL LIABILITIES

In Euro thousands	Balance at 31.12.2018	Balance at 31.12.2017	Difference
Payables to banks	10.767	11.318	(551)
Payables to other lenders	5.058	5.476	(419)
TOTAL	**15.825**	**16.795**	**(970)**

The following table shows the breakdown of payables to banks, showing interest rates charged:

In Euro thousands	Original date of payable	Original amount of payable	Key rate	Due within 1 year	Due date from 1 to 5 years	Due beyond 5 years	Covenants
Banco Popolare di Milano	26-mag-17	12.000	Euribor 3M + 2.4%	1.239	6.591	3.559	N/A
TOTAL		**12.000**		**1.239**	**6.591**	**3.559**	

Payables to other lenders consist mainly of payables arising from the accounting, in accordance with the financial method, of leases.

21. TRADE PAYABLES

In Euro thousands	**Balance at 31.12.2018**	**Acquisition of Corbetta BU**	**Balance at 31.12.2017**	**Difference**
Payables to suppliers: Italy	6.181	2.037	3.481	2.700
Payables to suppliers: Foreign - EU			(61)	61
Payables to suppliers: Other Countries			12	(12)
Payables to parents	80		45	35
Payables to related parties			47	(47)
Payables to subsidiaries			10	(10)
Payables to intermediaries	151		167	(16)
Payables for tax consolidation	472		207	265
TOTAL	**6.884**		**3.909**	**2.975**

The amount due for tax consolidation, amounting to € 472 thousand, refers to the portion of the payable due to Finanziaria Valentini by Neodecortech.

22. TAX PAYABLES

In Euro thousands	**Balance at 31.12.2018**	**Acquisition of Corbetta BU**	**Balance at 31.12.2017**	**Difference**
IRAP	87			87
Other tax payables	16	21	2	15
Withholding tax for employees/associates	357	21	355	2
TOTAL	**461**	**42**	**357**	**104**

23. CURRENT FINANCIAL LIABILITIES

In Euro thousands	**Balance at 31.12.2018**	**Acquisition of Corbetta BU**	**Balance at 31.12.2017**	**Difference**
Financial payables to shareholders			750	(750)
Payables to banks	568	1.859	2.788	(2.220)
Payables to banks for loans	1.252	744	610	642
TOTAL	**1.820**	**2.603**	**4.148**	**(2.328)**

NEO
DECOR
TECH

24. OTHER CURRENT LIABILITIES

In Euro thousands	**Balance at 31.12.2018**	**Acquisition of Corbetta BU**	**Balance at 31.12.2017**	**Difference**
Payables for wages and salaries	530	124	495	35
Payables to pension and security institutions	785	41	555	230
Payables to directors and statutory auditors	116		121	(5)
Other payables to personnel	104	271	20	84
Payables for holidays and leaves	461	82	315	147
Accrued expense and deferred income	18		61	(43)
Other payables	1.035	2	659	376
TOTAL	**3.050**	**520**	**2.225**	**825**

25. EQUITY

In Euro thousands	**31/12/2017**	**Allocation of result**	**Dividend distribution**	**Hedging reserve for derivatives**	**Treasury shares**	**OCI reserve**	**Other changes**	**Profit/(loss) for the year**	**31/12/2018**
Share capital	16.203								16.203
Legal reserve	935	274							1.209
Share premium reserve	17.357				(94)				17.262
Extraordinary reserve	52	285							337
Equity revaluation reserve		2.916							2.916
Payment for share capital increase	6.152								6.152
Hedging reserve	(178)			(27)					(204)
Retained earnings/(losses carried forward)	8.755						2		8.757
Stock options reserve	722					704			1.425
OCI reserve	(58)					9			(49)
FTA reserve	(1.303)								(1.303)
Profit/(loss) for the year	5.480	(3.475)	(2.005)					6.030	6.030
Company equity at 31.12.2018	54.115		(2.005)	(27)	(94)	713		6.030	58.735

PURCHASE AND SALE OF TREASURY SHARES

At 31 December 2018, the company held no. 26,000 treasury shares, for a total value of € 94 thousand

INCOME STATEMENT

26. REVENUE FROM SALES AND SERVICES

The table below shows the breakdown of revenue by business segment:

In Euro thousands	31 December 2018	%	31 December 2017	%	**Difference**	**% change**
Decorative paper	27.348	53,7%	24.289	55,42%	3.059	12,6%
Impregnated paper	9.369	18,4%	10.753	24,54%	(1.384)	-12,9%
PPF	5.175	10,2%	3.588	8,19%	1.587	44,2%
Laminates	2.643	5,2%	-	0,00%	2.643	100,0%
Services	6.355	12,5%	5.194	11,85%	1.161	22,4%
TOTAL	**50.891**	**100,0%**	**43.825**	**100,0%**	**7.066**	**16,1%**

The breakdown of revenue by geographical area is as follows:

In Euro thousands	31 December 2018	%	31 December 2017	%	**Change**	**% change**
Italy	21.448	42,1%	16.441	37,5%	5.007	30,5%
Europe	24.155	47,5%	20.652	47,1%	3.503	17,0%
Asia	2.166	4,3%	2.323	5,3%	-157	-6,8%
America	1.361	2,7%	2.186	5,0%	-825	-37,7%
Rest of the World	1.761	3,5%	2.223	5,1%	-462	-20,8%
TOTAL	**50.891**	**100,0%**	**43.825**	**100,0%**	**7.066**	**16,1%**

27. CHANGE IN INVENTORY OF SEMI-FINISHED AND FINISHED PRODUCTS

In Euro thousands	31 December 2018	31 December 2017	Change	% change
Finished products	528	386	142	36,9%
- *Value at beginning of the year*	3.456	3.070	386	12,6%
- *Value at year end*	3.983	3.456	528	15,3%
TOTAL	528	386	142	**36,9%**

NEO
DECOR
TECH

28. OTHER REVENUE

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Contingent assets	166	14,59	243	34,93	(77)	(31,7)
Other revenue	970	85,41	452	65,07	518	114,5
Total other revenue	**1.136**	**100,0**	**695**	**100,0**	**441**	**63,4**

29. CONSUMPTION OF RAW AND ANCILLARY MATERIALS AND CONSUMABLES

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Raw and ancillary materials and consu	28.229	98,43	23.847	98,13	4.382	18,4
Packaging materials	451	1,57	454	1,87	(4)	(0,8)
Total raw materials	**28.680**	**100,0**	**24.301**	**100,0**	**4.378**	**18,0**

30. PERSONNEL EXPENSE

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Wages and salaries	6.085	68,67	5.587	66,84	498	8,9
Social security charges	2.038	23,00	1.926	23,04	112	5,8
Post-employment benefits	405	4,58	410	4,90	(4)	(1,1)
Other personnel expense	333	3,76	437	5,22	(104)	(23,7)
Total personnel expense	**8.861**	**100,0**	**8.358**	**100,0**	**502**	**6,0**

At year end, the Company employed 193 resources (156 in 2017), 37 more than at 31/12/2017, and the average number of employees in the year was 175 (161 in 2017), 14 more than in 2017. The increase in personnel is explained mainly by the acquisition of the CorbettaFia S.r.l. business unit.

NEO DECOR TECH

31. AMORTIZATION, DEPRECIATION AND PROVISIONS

	31 December 2018	%	31 December 2017	%	Change	% change
Other intangible assets	129	5,46	127	5,88	2	1,4
Buildings	303	12,85	301	13,96	2	0,5
Work on third party assets	14	0,61	14	0,67	0	0,0
Plant and equipment	755	32,03	732	33,94	23	3,1
Equipment	985	41,81	856	39,70	129	15,0
Other	171	7,24	126	5,85	44	35,2
Total amortization and deprecia	**2.356**	**100,0**	**2.157**	**100,0**	**199**	**9,2**

32. OTHER OPERATING EXPENSE

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Consultancy	1.490	17,92	1.009	15,32	481	47,6
Advertising and marketing	201		352			
Bonuses and commissions	430	5,17	311	4,72	119	38,2
Transport	949	11,41	844	12,82	105	12,4
Utilities	1.680	20,20	1.221	18,53	459	37,6
Remuneration of Directors and Statuto	511	6,15	358	5,44	153	42,8
Insurance	367	4,42	328	4,99	39	11,8
Sundry industrial services	1.430	17,19	1.064	16,16	366	34,4
Other services	506	6,08	434	6,59	71	16,4
Rentals and other	199	2,40	89	1,35	110	124,5
Tax and duties	152	1,83	150	2,27	3	1,8
Contingent liabilities	119	1,43	226	3,43	(107)	(47,4)
Other costs	282	3,39	201	3,05	82	40,7
Total other operating expense	**8.316**	**100,0**	**6.587**	**100,0**	**1.729**	**26,2**

Other operating expense increased in absolute terms versus the prior year (€ 1,729 thousand, of which € 572 thousand for the new business unit), due mainly to Utilities (which increased from € 1,220 thousand in 2017 to € 1,679 thousand in 2018, up 37.6%), attributable not only to the tariff effect, but mostly to the increase in turnover (in terms of quantity produced).

33. FINANCIAL INCOME

	31 December 2018	%	31 December 2017	%	Change	% change
Interest income	471	14,69	300	8,81	171	57,1
Financial discounts receivable	174	5,42	189	5,56	(15)	(8,1)
Income from investments	2.562	79,89	2.916	85,64	(354)	(12,1)
Total financial income	**3.207**	**100,0**	**3.405**	**100,0**	**(198)**	**(5,8)**

34. FINANCIAL EXPENSE

(in Euro thousands)

	31 December 2018	%	31 December 2017	%	Change	% change
Interest expense	617	78,90	709	65,90	(93)	(13,1)
Financial Discounts	165	21,10	367	34,10	(202)	(55,1)
Other expense	-	-	-	-	0	#DIV/0!
Total financial expense	**781**	**100,0**	**1.076**	**100,0**	**(295)**	**(27,4)**

35. INCOME TAX

FIGURES IN EURO THOUSANDS	31 DECEMBER 2018		31 DECEMBER 2017	
Profit (loss) before tax	6.767		5.832	
Net IRES taxable amount	3.753		1.445	
Net IRAP taxable amount	5.070		2.911	
IRES for the year	901	13,31%	347	5,13%
Income from tax consolidation	(405)	(5,98%)	(139)	(2,05%)
IRES net of income from tax consolidation	**496**	**7,33%**	**208**	**3,07%**
IRAP for the year	201		114	
Deferred tax assets	53		42	
Deferred tax	(12)		(12)	
Prior years' income tax	-		-	
Income tax	**738**		**352**	

36. EARNINGS PER SHARE

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

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	**31/12/2018**	**31/12/2017**
Net profit attributable to the shareholders (Euro thousands)	6.030	5.480
Weighted average number of shares outstanding (n./000)	13.084	13.102
Basic earnings per share (Euro/cent.)	46,09	41,83

DILUTED EARNINGS/LOSS PER SHARE	**31/12/2018**	**31/12/2017**
Net profit attributable to the shareholders (Euro thousands)	6.030	5.480
Weighted average number of shares outstanding (n./000)	13.084	13.102
Weighted average number of shares eligible for stock option plans (n./000)	387	187
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.471	13.289
Diluted earnings per share (Euro/cent.)	44,76	41,24

37. CONTINGENT LIABILITIES

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

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

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

Importi in euro

Soggetto erogante	Importo incassato/goduto	Data incasso/fruizione	Descrizione causale
Gestore dei Seriizi energetici GSE S.p.A.	436,51	31/01/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	11.362,54	31/01/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	113,10	31/01/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	1.818,96	31/01/2018	Incentivo produzione energia elettrica
INPS	625,55	16/02/2018	Sgravi contributivi nuove assunzioni
INPS	250,00	16/02/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	16.112,01	28/02/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	436,51	28/02/2018	Incentivo produzione energia elettrica
INPS	572,89	16/03/2018	Sgravi contributivi nuove assunzioni
INPS	250,00	16/03/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	578,07	29/03/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	2.100,69	29/03/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	228,04	29/03/2018	Incentivo produzione energia elettrica
INPS	611,99	16/04/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	2.328,73	20/04/2018	Incentivo produzione energia elettrica
INPS	579,05	16/05/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	2.328,73	31/05/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	5.310,60	31/05/2018	Incentivo produzione energia elettrica
INPS	623,99	16/06/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	2.314,53	29/06/2018	Incentivo produzione energia elettrica
INPS	889,19	16/07/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	2.576,52	31/07/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	9.060,10	31/07/2018	Incentivo produzione energia elettrica
INPS	780,78	16/08/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	2.314,53	31/08/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	575,69	31/08/2018	Incentivo produzione energia elettrica
INPS	603,98	16/09/2018	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	2.156,48	01/10/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	545,16	01/10/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	2.156,48	31/10/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	545,16	31/10/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	545,16	30/11/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	2.156,48	30/11/2018	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	22.327,86	31/12/2018	Incentivo produzione energia elettrica
	96.216,06		

Transactions carried out by Neodecortech S.p.A. with related parties, as identified by IAS 24, including transactions with subsidiaries and associates, are neither atypical nor unusual and fall within the ordinary course of business of the Company. These transactions were carried out on market terms. With regard to the provisions of point 2), third paragraph, of Article 2428 of the Italian Civil Code, it should be noted that the Company directly controls Cartiere di Guarcino S.p.A. and indirectly, through the latter, Bio Energia Guarcino S.r.l. and CDG International Corp.

NEO
DECOR
TECH

The Company is controlled, through a 73% stake, by Finanziaria Valentini S.p.A.. Accordingly, the Company is part of a group of entities whose parent is "Finanziaria Valentini S.p.A." and whose affiliates are "Industrie Valentini S.p.A." and "Valinvest S.p.A.". Related parties also include "Valfina S.p.A." and "Corbetta Fia S.r.l." as they are directly or indirectly controlled by the Valentini Family, and by the shareholder Luigi Valentini. Specifically, it should be noted that at the balance sheet date, the outstanding transactions with these companies can be summarized as follows:

FIGURES IN EURO THOUSANDS	revenue at 31 December 2018	costs at 31 December 2018
Finanziaria Valentini		(380)
Industrie Valentini		(140)
Luigi Valentini	1.598	(58)
Lv Commodity Service		
Addi Emanuela		
ISFRE		
Valinvest	57	(8)
Total	1.655	(586)

FIGURES IN EURO THOUSANDS	Receivables at 31 December	Payables at 31 December
Finanziaria Valentini		(517)
Industrie Valentini	1.263	(35)
Luigi Valentini		
Lv Commodity Service		
Addi Emanuela		
ISFRE		
Valinvest	57	(63)
Total	1.320	(615)

ACQUISITION OF CORBETTAFIA BUSINESS UNIT

For the purposes of assessing the appropriateness of the acquisition of this business unit, the Company made use of a specific appraisal report drawn up on 23 July 2018 by Marco Petrucci - an independent expert.

The price agreed between the parties for the sale amounts to € 180 thousand

ACQUISITION COPRBETTAFIA SRL

TANGIBLE ASSESTS	1.890	CURRENT LIABILITIES	1852
INVENTORY	1.139	SUPPLIERS	2037
TRADE RECEIVABLES	2.226	POST EMPLOYMENTS BENEFIT	106
OTHER RECEIVABLES	34	NON CURENT LIABILITIES	743
		OTHER LIABILITIES	371
TOTAL ASSETS	**5.289**	**TOTAL LIABILITIES**	**5.109**
		NET VALUE	**180**

AMOUNTS RECEIVED FROM PUBLIC ADMINISTRATION

With regard to the provisions of art. 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, the Company certifies that it has received the following amounts:

NEO DECOR TECH

OTHER SUPPLEMENTARY INFORMATION

ENVIRONMENTAL DISCLOSURE

Neodecortech attaches the utmost importance to environmental impact; since 2005, it has acquired a series of system certifications that offer tangible proof of its resolve and of the transparency and correctness of its business activities. The list of certifications obtained and relating year of awarding is given below:

- Neodecortech S.p.A.: UNI EN ISO 9001 (2009), UNI EN ISO14001 (2007), BS HOSAS 18001 (2011), UNI EN ISO 50001 (2017), FSC - CHAIN CUSTODY (2010) and lastly MADE IN ITALY 100% (2015)

With regard to environmental targets and policies, in 2018 the Company continued to implement the targets and guidelines contained in its corporate environmental policy.

Additionally, in 2017, the Province of Bergamo gave specific indications and instructions regarding the Integrated Environmental Authorization (IEA) of NEODECORTECH, which were incorporated by NEODECORTECH in the management of legislative, regulatory and procedural aspects.

Also in 2017 and within the time limits of law of 30 April 2017, the following documents were drawn up and recorded: MUD 2017 and AIDA 2017 software registration for IEA.

Additionally, the audits of UNI EN ISO 14001 and FSC - CHAIN CUSTODY certifications, conducted by CER-TIQUALITY, recognized and certified by ACCREDIA, were positive without any Non-Compliance.

RISK MANAGEMENT

The Company'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 Company in order to create the conditions for their coverage, insurance and assessment of the residual risk.

Price risk

The Company prepares its financial figures in Euro, however, in relation to its business model, part of its costs and revenue is expressed in US Dollars.

Exchange rate risk

The Company prepares its financial figures in Euro, however, in relation to its business model, part of its costs and revenue is expressed in US Dollars.

This exposes the Company to the risk of fluctuations in the Euro against this currency. Although such risk is mitigated by the fact that the Company incurs part of its costs and earns part of its revenue in US Dollars, the Company uses exchange rate hedging contracts to hedge its activities, based on independent assessments of market conditions and foreseeable developments.

Interest rate risk

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

The Company uses financial instruments, Interest Rate Swaps, to manage the risk of fluctuations in interest rates. It is Company policy to convert part of its floating rate debt to fixed rate debt to normalize the financial payments. These instruments are referred to as cash flow hedges. Further information on the financial instruments used is provided in the notes.

Credit risk

The Company’s current assets, with the exception of inventory, are primarily trade receivables.

Revenue relates mainly to contract business where prices are based on the production batch. In addition, the exercise of contract activities is subject to possible significant changes in revenue in the short term. Consequently, the increase or decrease in revenue in a given period may not be indicative of revenue trends over the long term. While the Company 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 Company itself.

The Issuer and the Company are committed to careful monitoring and debt collection activities. Furthermore, the Issuer reiterates its commitment - where possible and considering the practices of its market of operation - to the meticulous management of trade receivables in order to minimize collection times and credit risk, also through a policy of advance payments and guarantees.

Liquidity risk

Liquidity risk is the risk that an entity is unable to raise the required financial resources to cover its short-term operations.

In order to mitigate liquidity risk, Company debt is mostly medium/long-term.

The net current financial position ensures sufficient financial resources to support short-term operations and is such that the liquidity risk is not considered significant.

INFORMATION ON AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION

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

INFORMATION ON ASSETS AND LOANS FOR A SPECIFIC TRANSACTION

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

INFORMATION ON THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Pursuant to art. 2427 bis, paragraph 1, number 1) of the Italian Civil Code, notice is given that the Company uses hedging derivatives. Specifically, it has an Interest Rate Swap in place to fully hedge the interest tax risk deriving from the loan with Banco Popolare taken out in 2017.

The fair value of the derivative instrument at 31 December 2018 came to a negative € 268,940.

The Company uses measurement 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 valuation techniques to be used, the Company 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);
- use of measurement techniques based mainly on observable market parameters;
- use of measurement techniques based mainly on unobservable market parameters.

The Company determined the fair value of derivatives outstanding at 31 December 2018, 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 (interest rate curve and official exchange rates, at the measurement date).

At 31 December 2018, the Company measured fair value not using inputs that resulted in the financial instruments being categorized in Level 3 of the fair value hierarchy.

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

The fair value of the portfolio of interest rate derivatives is calculated using internal measurement models that maximize the use of observable market data, including interest rates, interest rate curves and spot exchange rates.

NEO
DECOR
TECH

TREASURY SHARES

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

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

SHARES/UNITS OF THE PARENT COMPANY

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

OTHER INFORMATION REQUIRED BY THE CIVIL CODE

Under the Italian Civil Code, the Company is not financed by shareholders with interest-bearing loans (art. 2427, par. 1, no. 19 bis).

Except as already specified in Note 26 (Equity), the Company has not issued any other financial instruments (article 2427, paragraph 1, no. 19).

Pursuant to Article 2497-bis, paragraph 4 of the Italian Civil Code, mention should be made that the Company exercises management and coordination activities over its subsidiaries Cartiere di Guarcino S.p.A., Bio Energia Guarcino S.r.l. and CDG International Corp. There is no need herein to indicate the references of the above companies, as the Neodecortech Group is subject to the obligation of consolidated financial statements. All the elements required to assess the dealings with the above companies are explained in detail in the statements.

UNDERTAKINGS THAT PREPARE THE FINANCIAL STATEMENTS OF THE LARGER/SMALLER BODY OF UNDERTAKINGS THEY ARE PART OF AS SUBSIDIARIES

In accordance with Article 2427, numbers 22-quinquies and 22-sexies of the Italian Civil Code, the following table indicates the name and registered office of the undertaking preparing the consolidated financial statements, of the larger or smaller body of undertakings, of which the company is part as a consolidated company. It also indicates the place where the copy of the consolidated financial statements is available:

Larger body	
Company name	Finanziaria Valentini S.p.A.
Place	Rimini
Tax code	03842170403
Place of filing of the consolidated financial statements	Rimini

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	**31.12.2018**	**31.12.2017**
Directors	473,000	324,319
Board of Statutory Auditors	36,000	27,240
Independent Auditors	26,950	26,950

EVENTS AFTER THE YEAR END

No significant events occurred after year end.

PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

Dear Shareholders, in light of the considerations made in the points above and of the information appearing in the Explanatory Notes, we invite you:

- to approve the Financial Statements for the year ended 31/12/2018 together with the Explanatory Notes and this Report thereto;
- to allocate profit for the year of € 6,029,770.29, in accordance with the proposal put forward in the Explanatory Notes to the financial statements, as follows:
- € 301,488.55 to the legal reserve;
- € 2,562,041.79 to the non-distributable revaluation reserve for equity investments recorded pursuant to Article 2426, paragraph 4, of the Italian Civil Code;
- € 1,165,689.08 to the extraordinary reserve;
- the remaining part of profit as a dividend for the 13,075,500 outstanding ordinary shares totaling € 2,000,551.50 and, therefore, the distribution of a unit dividend, also in consideration of the distribution of the dividend attributable to treasury shares, of € 0.153 for each entitled ordinary share, without prejudice to the fact that any change in the number of treasury shares in the company's portfolio at the time of distribution will not affect the distribution of the unit dividend as established above, but will increase or decrease the amount allocated to the extraordinary reserve.

Filago (BG), 26/03/2019

For the Board of Directors

The Chairman

Alberto Francois

____

INDEPENDENT AUDITORS' REPORT

Neodecortech S.p.A.

INDEPENDENT AUDITOR'S REPORT
FOR THE PURPOSE OF AIM'S REGULATION ISSUERS

Consolidated Financial Statements as at December 31, 2018

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

Report on the audit of the consolidated financial statements

FOR THE PURPOSE OF AIM'S REGULATION ISSUERS

To the shareholder of
Neodecortech S.p.A.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Neodecortech Group (the Group), which comprise the statement of financial position as at December 31, 2018, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of opinion

We have conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the ***auditor's responsibilities for the audit of the consolidated financial statements*** section of this report. We are independent of the Group in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

This report is not issue under any legal requirement, the management of the Parent Company, Neodecortech S.p.A., have prepared the consolidated financial statement on a voluntay basis for the purpose of AIM's regulation issuers.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and, within the limits of the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) 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 consolidated 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 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 Group'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 Group'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 Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions in a manner that achieves fair presentation.

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.

Bologna, April 12, 2019

BDO Italia S.p.A.

Gianmarco Collico
Partner

Neodecortech S.p.A.

Independent auditor's report pursuant to
article 14 of Legislative Decree n. 39

Financial Statements as at December 31, 2018

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 auditor's report pursuant to article 14 of Legislative Decree n. 39

To the shareholder of
Neodecortech S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Neodecortech S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2018, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of opinion

We have conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the financial statements* section of this report. We are independent of the company in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and, within the limits of the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions in a manner that achieves fair presentation;
- Obtained sufficent appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 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 legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10.

The directors of Neodecortech S.p.A. are responsible for the preparation of the report on operations of Neodecortech S.p.A. as at 12/31/2018, including its consistency with the financial statements and the compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the financial statements of Neodecortech S.p.A. as at 12/31/2018 and on its compliance with the applicable laws and regulations, and in order to assess whether its contain material misstatements.

In our opinion, the report on operations is consistent with the financial statements of Neodecortech S.p.A. as at 12/31/2018 and is compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, April 12, 2019

BDO Italia S.p.A.

Gianmarco Collico
Partner

NEO
DECOR
TECH

NEODECORTECH S.p.A.

Registered office in Filago (BG), Via Provinciale, 2

Share Capital € 16,302,000.00 fully paid up

Bergamo Company Register: 00725270151

REA: BG-193331

Tax code: 00725270151

****

REPORT BY THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

PURSUANT TO ART. 2429 OF THE ITALIAN CIVIL CODE

****

Dear Shareholders,

the Board of Statutory Auditors, pursuant to art. 2429, paragraph 2, of the Italian Civil Code, is called upon to refer to the Shareholders' Meeting on the supervisory activities carried out in fulfilment of its tasks, on the results of the year, and to put forward observations and proposals regarding the financial statements and their approval.

1. Supervisory activities pursuant to art. 2403 et seq. of the Italian Civil Code

During the year ended 31 December 2018, the Board of Statutory Auditors carried out the supervisory tasks as required by law, in accordance with the provisions of law and the rules of conduct of the Board of Statutory Auditors recommended by the Italian Accounting Profession.

We oversaw compliance with the law, the Company bylaws and the principles of correct administration.

In order to acquire the information required to perform its supervisory tasks, the Board of Statutory Auditors:

- took part in the 14 meetings held by the Board of Directors in the year, obtaining information on the general performance of operations and the outlook, as well as on the transactions having a significant impact on the balance sheet, income statement and cash flows carried out by the company and its subsidiaries and, based on the information acquired, has no particular observations to make;
- met and exchanged information with the control body of the subsidiary, with no significant data or information to be highlighted in this report;
- met and exchanged information with the Supervisory Body, with no significant data or information to be highlighted in this report;
- exchanged information with the independent auditors BDO appointed to carry out the statutory audit, with no significant data or information to be highlighted in this report;
- during the year, four meetings were held with related minutes;
- the Board of Statutory Auditors attended three meetings of the Control and Risk Committee and one meeting of the Remuneration and Appointments Committee (with no significant data or information to be highlighted in this report).

Based on the above supervisory tasks, we can reasonably attest to the following:

a) the transactions approved and implemented by the Directors comply with the law and the Bylaws, and do not appear to be openly incautious, risky, in potential conflict of interest or in conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets. Your Directors have provided details on the procedures and reasons for these transactions in the Directors' Report on Operations and in the Notes to the Financial Statements;

b) we acquired knowledge of and oversaw, to the extent of our responsibilities, the adequacy of the company's organizational structure and compliance with the principles of correct administration, having no particular observations to make in this regard;

c) we assessed and oversaw the adequacy of the internal control system and the administrative-accounting system, deeming it reliable to correctly represent operations;

d) we did not find any transactions which, owing to their nature or size, were atypical or could be defined as unusual, carried out by the company, with third parties, with group companies or with related parties;

e) we found that there were ordinary transactions between group companies and with related parties, verifying the existence and observance of suitable procedures to ensure that the transactions in question are duly documented, regulated according to normal market conditions and in the company's interest. These transactions are duly described by the directors in the Financial Statements, the Directors' Report on Operations and in the Notes to the Consolidated Financial Statements, to which reference should be made;

f) in the performance of the supervisory tasks, as described above, no further significant facts emerged requiring mention in this report, nor were omissions and/or reprehensible actions and/or irregularities not remedied identified, or not yet settled, such as to be reported to the Shareholders' Meeting or brought before a Court;

g) no complaints were received from shareholders pursuant to art. 2408 of the Italian Civil Code, nor were complaints received from third parties;

h) no opinions required by law were issued during the year.

2. Observations and proposals regarding the financial statements and their approval

The draft Financial Statements, the Consolidated Financial Statements for the year ended 31 December 2018 and the Directors' Report on Operations were approved at the meeting of the Board of Directors held last 26 March.

The separate and consolidated financial statements have been prepared in accordance with IAS/IFRS.

The Financial Statements show a profit of € 6,030 thousand. The consolidated financial statements show a profit of € 6,030 thousand, all attributable to the Group.

As the Board of Statutory Auditors has no responsibility for the statutory audit of the accounts, it oversaw the general layout of the separate and consolidated financial statements and their compliance with the rules governing their preparation.

The Board of Statutory Auditors also ascertained their compliance with the facts and information that came to its attention in the performance of its tasks. In this regard, the Board of Statutory Auditors has no particular observations to make.

To the best of our knowledge, the Directors, in preparing the financial statements, did not depart from the provisions of law pursuant to art. 2423, paragraph four, of the Italian Civil Code.

In their Report on Operations, the directors describe the main risks to which the company is exposed: risks associated with the external market, strategic and operational risks, financial risks, legal and compliance risks. Guarantees given, commitments and other contingent liabilities are commented on in the notes to the separate and consolidated financial statements.

As explained by the Directors, transactions with related parties took place at normal market conditions, taking into account the characteristics of the goods sold and the services provided. In this regard, no conflicts of interest were identified, nor were openly incautious and risky transactions carried out, such as to jeopardize the financial position, results of operations and cash flows of the Company and/or the Group.

The statutory audit is entrusted to BDO Italia S.p.A., which has prepared its reports pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010, reports that do not contain any issues of note and/or explanatory comments, nor related observations or limitations, and therefore the opinion issued is positive.

3. Conclusions

Based on the above and to the best of the knowledge of the Board of Statutory Auditors, we believe that there are no reasons to prevent your approval of the draft financial statements for the year ended 31 December 2018, as prepared and proposed by the Board of Directors.

Rimini, 12 April 2019

The Board of Statutory Auditors

Marinella Monterumisi - Chairman

Guido Riccardi

Marco Campidelli