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Neodecortech S.p.A.

Financial Report

Financial Statements at 31 December 2019

Financial Statements prepared in accordance with IAS/IFRS

Amounts in Euro

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 the international readers.

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THE NEODECORTECH GROUP

CORPORATE OFFICERS

BOARD OF DIRECTORS IN OFFICE (1)

Chairman	Riccardo Bruno
Director, Chief Executive Officer	Luigi Cologni
Executive Director	Massimo Giorgilli
Non-Executive Director	Cristina Valentini
Independent Non-Executive Director	Paolo Pietrogrande
Independent Non-Executive Director	Paola Carrara
Independent Non-Executive Director	Laura Calini

BOARD OF STATUTORY AUDITORS (2)

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

BOARD OF DIRECTORS' COMMITTEE

(APPOINTMENTS, REMUNERATION, RISKS AND RELATED PARTY TRANSACTIONS) (3)

Chairman	Paolo Pietrogrande
Member	Paola Carrara
Member	Laura Calini

INDEPENDENT AUDITORS (4)

BDO Italia S.p.A.

(1) The Board of Directors of Neodecortech S.p.A. in office was appointed on 9 December 2019, and will remain in office for three financial years, specifically until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

The outgoing Board of Directors of Neodecortech S.p.A., appointed on 19 July 2017 and comprising Luigi Cologni (Chairman), Cristina Valentini (Deputy Chairman), Massimo Giorgilli (Managing Director), Francesco Megali (Independent Director), Andrea Soprani (Independent Director) and Livia Aliberti Amidani (Independent Director), appointed on 19 July 2017, remained in office until 8 December 2019. On 13 September 2019, Luigi Cologni was appointed Chairman of the Board of Directors, replacing the outgoing Alberto Francois. Mention should be made that the abovementioned Directors irrevocably and unconditionally resigned on 8 November 2019 from their position as members of the Board of Directors of Neodecortech S.p.A., with effect subject to the taking of office of the new governing body.

(2) 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.

(3) On 11 December 2019, the Board of Directors of Neodecortech S.p.A. set up the "Board of Directors' Committee" to carry out the tasks related to: Appointments, Remuneration, Control and Risks and Related Party Transactions. This committee replaced the previous comprising Livia Aliberti Amidani (Chairman), Francesco Megali and Andrea Soprani, appointed on 19 June 2017, who remained in office until 8 December 2019.

(4) Assignment granted on 9 December 2019 by the Ordinary Shareholders' Meeting of the Company. Nine-year audit assignment pursuant to Article 17 of Legislative Decree no. 39/2010 for financial years 2020-2028, subject to the start of trading of the Company's shares and warrants on the Mercato Telematico Azionario (MTA), possibly STAR segment.

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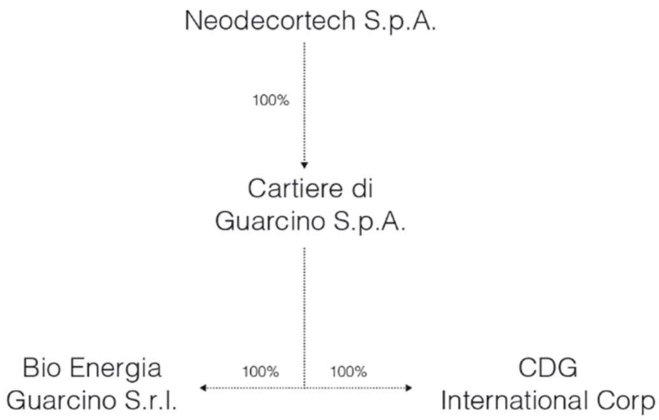
GROUP STRUCTURE

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

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

The Group's structure at 31 December 2018 and 31 December 2019 is shown below. The structure at 31 December 2019 has changed from the situation at 31 December 2018, following the disposal of the investment in CDG International Corp. on 17 October 2019.

31 DECEMBER 2018



31 DECEMBER 2019

The Group's locations are as follows:

- Neodecortech S.p.A. ("NDT"): registered office in Filago (BG), which heads up the core business of the Group, active in the printing and impregnation of paper, and in the printing of thermoplastic film.
  Neodecortech's goal is to act as a highly proactive decoration partner for its customers in the interior design and flooring industry, through constant monitoring and interpretation of new stylistic trends.
  The Parent Company performs the following functions for its subsidiaries: (i) legal and corporate affairs, (ii) administration and equity investments, (iii) strategic planning and business development.
- Cartiere di Guarcino S.p.A. ("CDG"): registered office in Guarcino (FR), specializes in the production of decorative papers that subsequently undergo other stages of processing: printing or directly impregnation with thermosetting resins and hot pressing. The company operates on the national and international markets through a network of agents.
- Bio Energia Guarcino S.r.l. ("BEG"): registered office in Guarcino (FR), owns the cogeneration plant in operation since May 2010 for the self-production of electrical and thermal energy that satisfies a large part of the energy needs of CDG.
- CDG International Corporation ("CDG International"): incorporated under U.S. law with registered office in Las Vegas, a non-operational company, consolidated in the period ended 31 December 2018. The investment in this company was sold on 17 October 2019. Therefore, at 31 December 2019, it no longer falls in the scope of consolidation.

Neodecortech employs 210 resources, of whom 5 executives, 57 white collars and managers, and 148 blue collars, including 1 executive, 2 white collars and 27 blue collars coming from the acquisition of the CorbettaFia S.r.l. BU on 1 September 2018.

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

At 31 December 2019, the Neodecortech Group employed 378 resources, including 10 executives, 109 white collars and managers, and 259 blue collars, up by 11 resources versus 367 resources at 31 December 2018.

DIRECTORS’ REPORT ON OPERATIONS

Dear Shareholders,

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

Mention should be made that the Neodecortech Group in 2019 began the process of translisting from AIM Italia to the MTA, STAR segment.

The period under review closes with a consolidated profit of € 3,961 thousand, after posting € 1,248 thousand in provisions for income tax and € 8,766 thousand in depreciation and amortization and allocations.

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

FINANCIAL HIGHLIGHTS OF THE NEODECORTECH GROUP

Before dwelling on the income statement figures from the Consolidated Financial Statements at 31 December 2019, a clearer description of such figures can be given, when comparing EBITDA at 31 December 2019 with EBITDA at 31 December 2018, by clarifying that under the 2017-2020 Stock Grant Plan, an amount equal to € 975 thousand was allocated (under personnel expense) at 31 December 2019 versus the amount of € 704 thousand allocated at 31 December 2018, with an increase of € 271 thousand. The above comments are shown in the table on the calculation of adjusted EBITDA in the Directors’ Report on Operations.

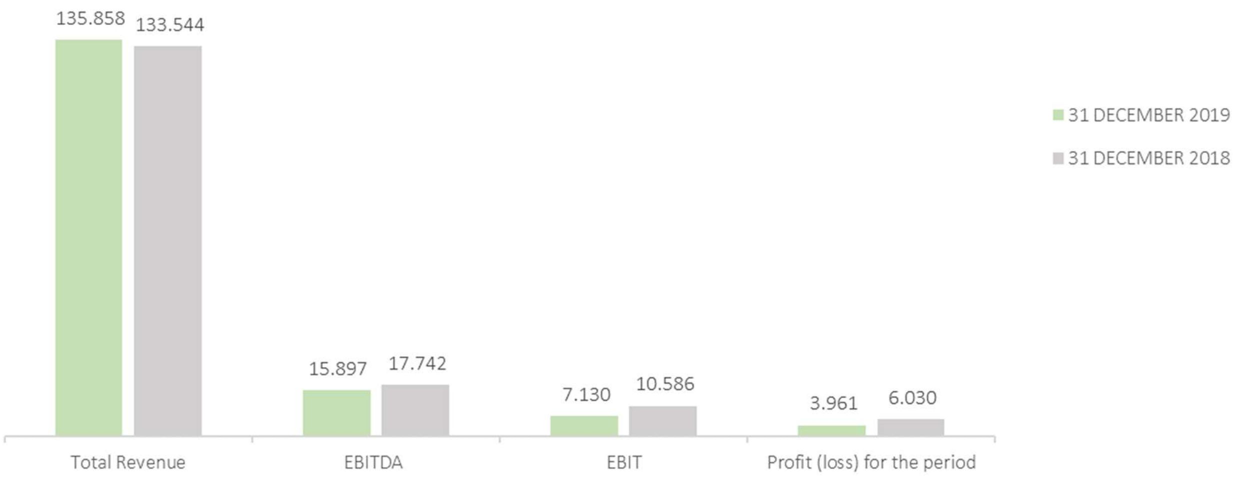
The table below shows the main income indicators expressed in € thousands at the consolidated level at 31 December 2019:

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	% ON REVENUE	31 DECEMBER 2018	% ON REVENUE	Change	% Change
Revenue from sales and services	132.985	100,0%	130.943	100,0%	2.042	1,6%
Other revenue	2.873	2,2%	2.601	2,0%	272	10,5%
Total Revenue	135.858	102,2%	133.544	102,0%	2.314	1,7%
EBITDA	15.897	12,0%	17.742	13,5%	(1.845)	(10,4%)
Amortization, depreciation	8.689	6,5%	7.157	5,5%	1.533	21,4%
EBIT	7.130	5,4%	10.586	8,1%	(3.456)	(32,6%)
Profit (loss) for the period	3.961	3,0%	6.030	4,6%	(2.069)	(34,3%)

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

In addition to the higher allocation for the Stock Grant Plan at 31 December 2019 versus 31 December 2018, the period recorded higher amortization and depreciation of € 1,533 thousand, due to new capital expenditure in tangible and intangible assets commented on in the specific section, Notes 6 and 7 of the statement of financial position.

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



Revenue from sales and services increased by 1.6% at 31 December 2019 versus the same period of the prior year.

In terms of "Other revenue" at 31 December 2019, an insurance refund of approximately € 1,438 thousand was recorded for the subsidiary Cartiere di Guarcino S.p.A., relating to a weather incident that took place in February 2019 that caused a production shutdown of 22 days. Indirect damage was therefore compensated.

The table and graph below show the breakdown of revenue from sales and services by Division at consolidated level, net of intragroup eliminations.

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	31 DECEMBER 2018	Change	% Change
Printed Decorative Paper Division	56.453	50.891	5.562	10,9%
Decorative Paper Division	47.026	50.815	(3.789)	(7,5%)
Energy Division	29.507	29.237	270	0,9%
Total	**132.985**	**130.943**	**2.042**	**1,6%**

The table shows an increase in revenue from sales and services in 2019 for the Printed Decorative Paper Division of € 5,562 thousand, a decrease for the Decorative Paper Division of € 3,789 thousand, and a slight increase of € 270 thousand for the Energy Division.

The table below shows the difference in revenue from sales and services by Division, with a comparison between 2019 and 2018.

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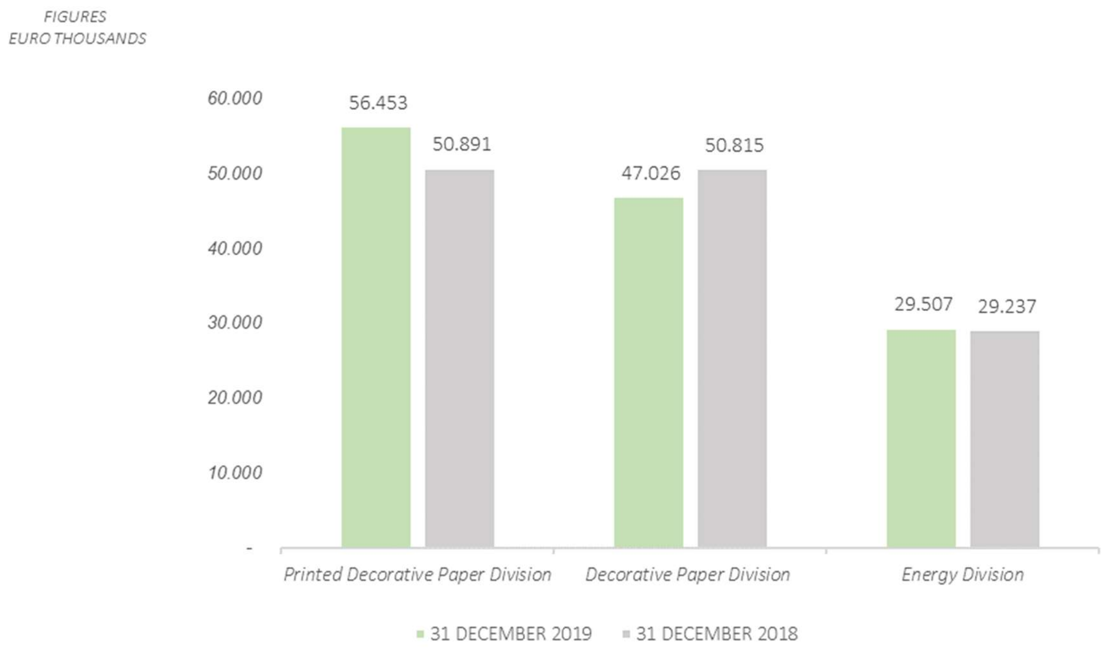
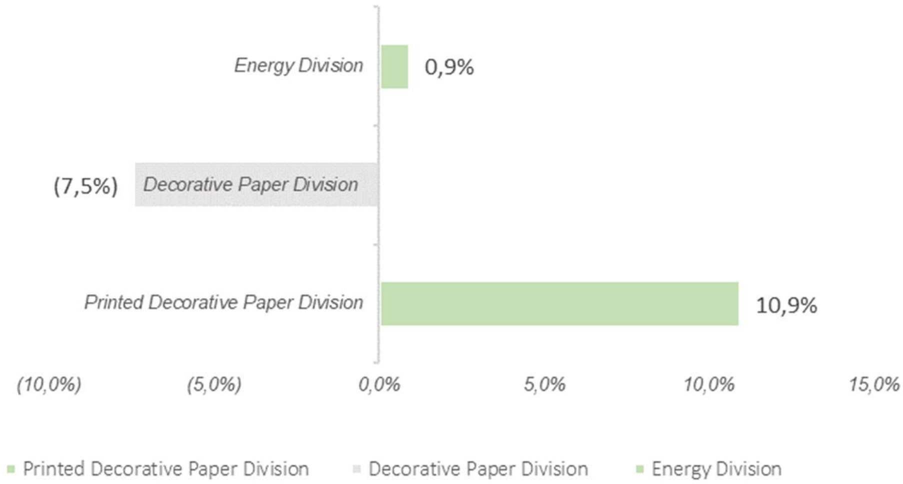


The table below shows only the changes from 31 December 2019 to 31 December 2018 by Division. The positive change in the Printed Decorative Paper Division in terms of revenue from sales and services includes the sale of Laminates, which was only for four months in 2018, and for twelve months in 2019.



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

FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	%	31 DECEMBER 2018	%	% CHG 2019/2018
Italia	33.554	33,1%	31.112	31,2%	7,8%
Europa	59.028	58,3%	56.854	57,1%	3,8%
Asia	4.478	4,4%	4.657	4,7%	(3,9%)
America	2.683	2,6%	5.125	5,1%	(47,7%)
Resto del Mondo	1.538	1,5%	1.827	1,8%	(15,8%)
Totale	**101.280**	100,0%	**99.575**	100,0%	**1,7%**
Divisione Energia	31.706		31.369		
Totale Consolidato	**132.985**		**130.943**		**1,6%**

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

THE INTERNATIONAL ECONOMIC ENVIRONMENT

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

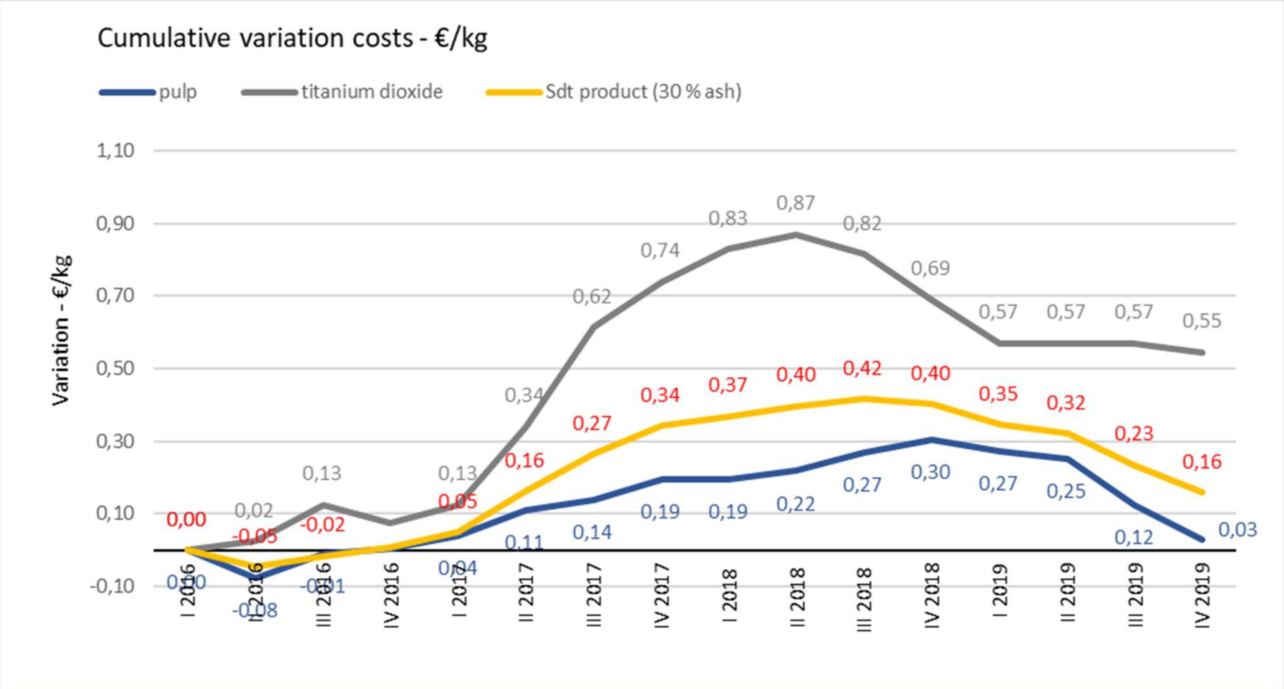
More specifically in the Euro area, the deterioration has affected all major countries in recent months: France, Italy, and Germany in particular, which is strongly intertwined with the Italian economy.

A situation clearly shown by the contraction of the EUR - PMI (Purchasing Managers Indexes), which dropped from 51.4 points recorded in December 2018 to a figure of 45.9 points in December 2019 (source: https://it.investing.com/economic-calendar/manufacturing-pmi-201).

RELEVANT SEGMENT

As for the domestic manufacturing industry as a whole, the Italian paper industry saw growth lose momentum starting from the final months of 2018; according to Assocarta, production at end 2018 closed at approximately 9.1 million tons, basically in line with the prior year (+0.1 2018/2017). In terms of value, total turnover of the sector was up by 4.2% in 2018 (€ 7.72 billion in 2018 versus € 7.40 billion in 2017), due to the increased cost of raw materials being passed along on prices.
Based on the latest figures released by Assocarta, “Paper and cardboard production in Italy from January to July [2019] suffered a 2.6% decline (versus January-July 2018), showing different trends for each segment (graphic paper -7.7%; sanitary paper -0.5%; packaging -0.5%; paper and cardboard for corrugated cardboard +1.1%), while turnover fell by 4.6% (versus January-July 2018), as a result of lower volumes produced and downward revisions of the prices of certain products under the packaging area (mainly paper and cardboard for corrugated cardboard)”, explained Girolamo Marchi, President of Assocarta at the opening of the MIAC (International Exhibition of the Paper Industry held in Lucca from 9 to 11 October 2019).
Against this backdrop, decorative paper printing too showed no particularly vibrant signs, reflecting the substantial stability recorded in 2018 and in first half 2019 by the furniture and furnishing market, from both the supplies and flooring perspective.
In the latter case, a point worth mentioning is the adverse trend affecting laminate flooring, due to the abovementioned general weakening of demand and the replacement by LVT flooring.

With regard to the two main cost components of paper - pulp and titanium dioxide - the respective prices retreated between Q2 2018 and Q4 2019, suffering the effects of the general deterioration of the global market, an oversized supply and consequent high levels of stock. However, the prices of these raw materials still remain at very high levels as seen in the graph below, which also shows the effect, in terms of cost variation, on the production of base paper with 30% TiO2.



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

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. They are intended to provide additional information to the data appearing in the financial statements and to assist Management and investors in analyzing the Group's performance. 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:

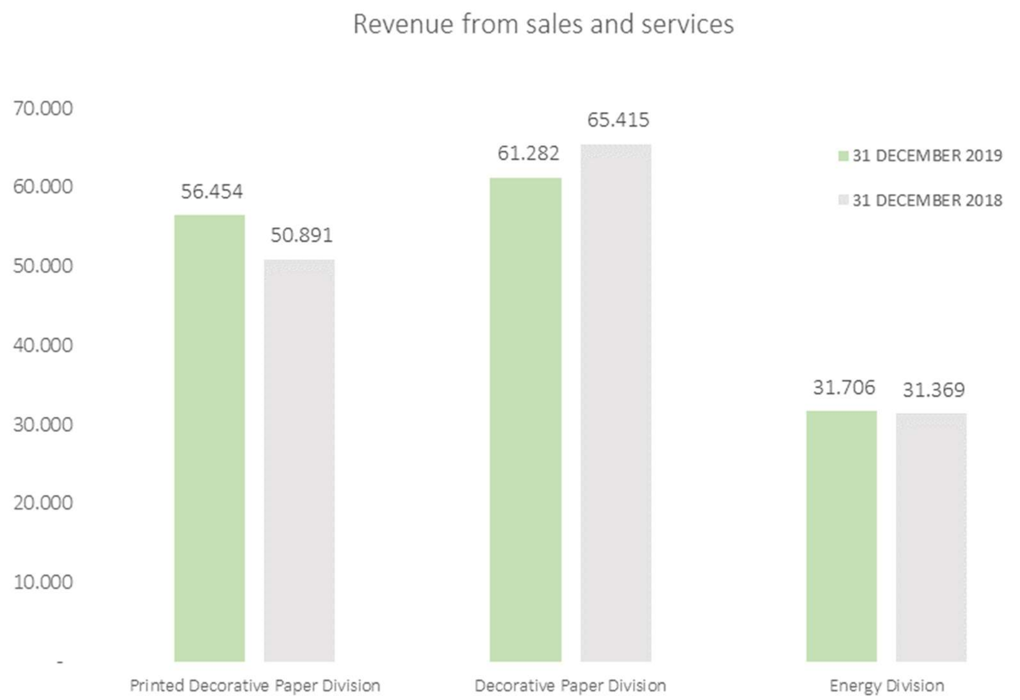
- EBITDA: an alternative performance measure not defined by IFRS but used by Management to monitor and measure its performance, as it is not affected by volatility, due to the effects of the range of criteria for determining taxable income, the amount and characteristics of the capital employed and the 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 fixed 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 2019 and at the same date of 2018, of the higher IPO costs and the provision, calculated on the basis of IFRS 2, for the assignment of shares relating to the 2017 - 2020 Stock Grant Plan. The same considerations, net of the tax effect, are reflected in the adjusted net profit.
- NET CAPITAL EMPLOYED: the sum of non-current and current assets net of financial assets, less non-current and current liabilities net of financial liabilities.
- NET FINANCIAL DEBT: the figure shown is in line with the value of net financial debt determined in accordance with the recommendations of the CESR (Committee of European Securities Regulators) of 10 February 2005 and referred to by CONSOB.

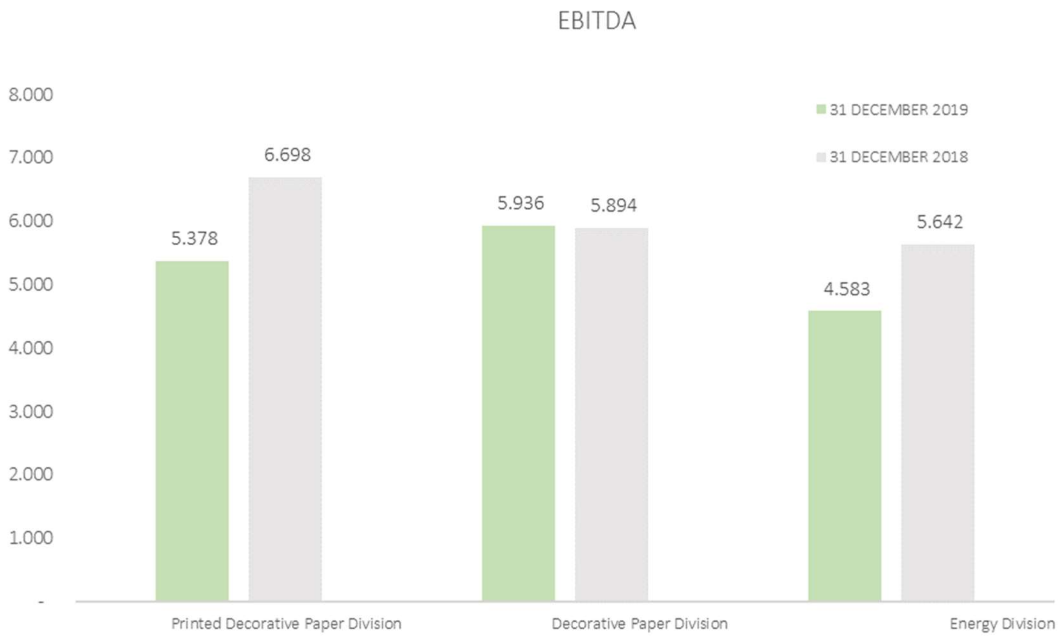
FINANCIAL HIGHLIGHTS BY BUSINESS DIVISION

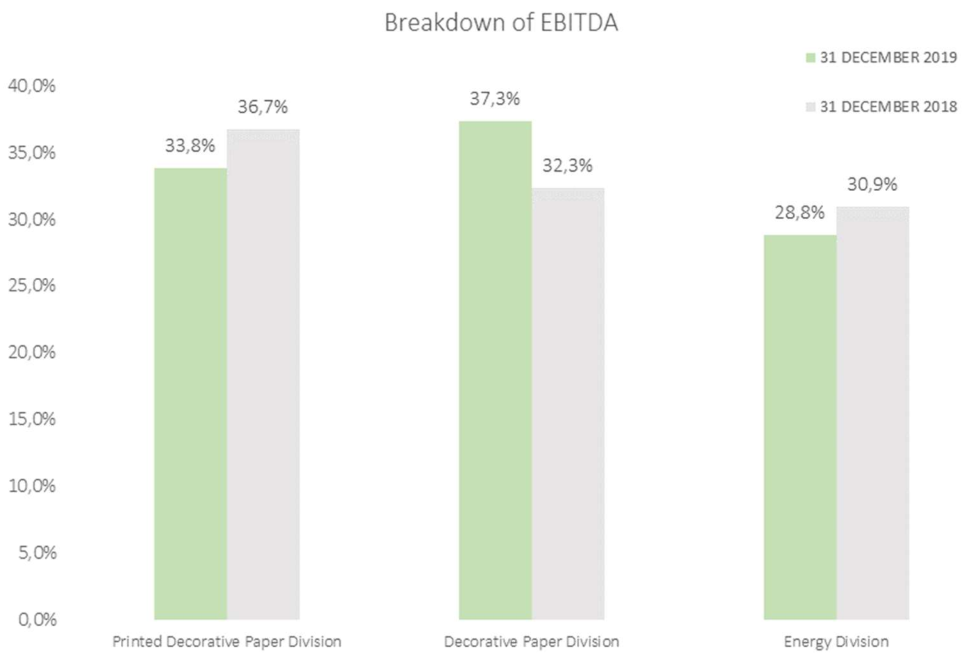
The table below shows the key figures by Division gross of Intercompany items.

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	% ON REVENUE	31 DECEMBER 2018	% ON REVENUE	Change	% Change
Printed Decorative Paper Division						
Revenue from sales and services	56.454	100,0%	50.891	100,0%	5.563	10,9%
EBITDA	5.378	9,5%	6.698	13,2%	(1.320)	(19,7%)
EBIT	2.578	4,6%	4.342	8,5%	(1.764)	(40,6%)
Profit (loss) for the period	3.961	7,0%	6.030	11,8%	(2.069)	(34,3%)
Decorative Paper Division						
Revenue from sales and services	61.282	100,0%	65.415	100,0%	(4.133)	(6,3%)
EBITDA	5.936	9,7%	5.894	9,0%	42	0,7%
EBIT	2.894	4,7%	3.600	5,5%	(706)	(19,6%)
Profit (loss) for the period	1.814	3,0%	2.562	3,9%	(748)	(29,2%)
Energy Division						
Revenue from sales and services	31.706	100,0%	31.369	100,0%	337	1,1%
EBITDA	4.583	14,5%	5.642	18,0%	(1.059)	(18,8%)
EBIT	1.885	5,9%	3.362	10,7%	(1.477)	(43,9%)
Profit (loss) for the period	726	2,3%	1.708	5,4%	(982)	(57,5%)

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




EBITDA
8.000
7.000
6.000
5.000
4.000
3.000
2.000
1.000
-
31 DECEMBER 2019
31 DECEMBER 2018
5.378
6.698
5.936
5.894
4.583
5.642
Printed Decorative Paper Division
Decorative Paper Division
Energy Division


Breakdown of EBITDA
40,0%
35,0%
30,0%
25,0%
20,0%
15,0%
10,0%
5,0%
0,0%
31 DECEMBER 2019
31 DECEMBER 2018
33,8%
36,7%
37,3%
32,3%
28,8%
30,9%
Printed Decorative Paper Division
Decorative Paper Division
Energy Division

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The Value Added Income Statement of the Parent Company Neodecortech S.p.A. (hereinafter the "Printed Decorative Paper Division") at 31 December 2019, versus the Income Statement at 31 December 2018 is shown below, together with the Income Statements of the other two subsidiaries Cartiere di Guarcino (hereinafter the "Decorative Paper Division") and Bio Energia Guarcino S.r.l. (hereinafter the "Energy Division").

	Printed Decorative Paper Division	% on Revenue	Printed Decorative Paper Division	% on Revenue	Change	% change
FIGURES IN EURO THOUSANDS	31 December 2019		31 December 2018			
Revenue from sales and services	56.454	100,0%	50.891	100,0%	5.563	10,9%
Changes in work in progress, semi-finished and finished products	484	0,9%	528	1,0%	(44)	(8,3%)
Other revenue	1.289	2,3%	1.136	2,2%	153	13,5%
Value of Production	58.226	103,1%	52.555	103,3%	5.671	10,8%
Raw and ancillary materials and consumables	(31.623)	56,0%	(28.680)	56,4%	(2.943)	10,3%
Other operating expense	(10.350)	18,3%	(8.316)	16,3%	(2.034)	24,5%
Value Added	16.253	28,8%	15.559	30,6%	694	4,5%
Personnel expense	(10.875)	19,3%	(8.861)	17,4%	(2.014)	22,7%
EBITDA	5.378	9,5%	6.698	13,2%	(1.320)	(19,7%)
Amortization, depreciation	(2.799)	5,0%	(2.356)	4,6%	(443)	18,8%
EBIT	2.578	4,6%	4.342	8,5%	(1.764)	(40,6%)
Financial components	98	0,2%	(136)	-0,3%	234	(172,1%)
Income and (Expense) on investments	1.814	3,2%	2.562	5,0%	(748)	(29,2%)
Profit (loss) before tax	4.490	8,0%	6.767	13,3%	(2.277)	(33,6%)
Income tax	(529)	0,9%	(738)	1,5%	209	(28,3%)
Profit (loss) for the period	3.961	7,0%	6.030	11,8%	(2.069)	(34,3%)

With regard to revenue from sales and services, the positive change of € 5,563 thousand is explained mainly by the increase in turnover from the production of “Laminates" following the acquisition of the CorbettaFia S.r.l. BU on 1 September 2018, therefore present at 31 December 2018 for four months only.

The percentage of raw materials on revenue was 56% in 2019, down by 0.4% versus 56.4% in the prior year.

The increase in other operating expense, amounting to € 2,034 thousand, net of higher costs for technical consultancy (€ 193 thousand), professional fees (€ 389 thousand), utilities (€ 220 thousand) and exhibitions and fairs (€ 154 thousand), is due mainly to the above acquisition of CorbettaFia S.r.l. on 1 September 2018, therefore present at 31 December 2018 for four months only.

As mentioned in the Highlights, an allocation of € 446 thousand was recognized at 31 December 2019 under “Personnel expense” for the Stock Grant Plan versus € 315 thousand at 31 December 2018. There were new hirings in 2019, especially in the production departments for approximately 10 resources.

The financial component remains influenced mainly by interest expense from the loan.

FIGURES IN EURO THOUSANDS	Decorative Paper Division 31 December 2019	% on Revenue	Decorative Paper Division 31 December 2018	% on Revenue	Change	% change
Revenue from sales and services	61.282	100,0%	65.415	100,0%	(4.133)	(6,3%)
Changes in work in progress, semi-finished and finished products	875	1,4%	(252)	0,4%	1.127	(447,2%)
Other revenue	2.017	3,3%	1.555	2,4%	462	29,7%
Value of Production	64.175	104,7%	66.718	102,0%	(2.543)	(3,8%)
Raw and ancillary materials and consumables	(37.606)	61,4%	(41.219)	63,0%	3.613	(8,8%)
Other operating expense	(10.852)	17,7%	(10.536)	16,1%	(316)	3,0%
Value Added	15.716	25,6%	14.963	22,9%	753	5,0%
Personnel expense	(9.780)	16,0%	(9.069)	13,9%	(711)	7,8%
EBITDA	5.936	9,7%	5.894	9,0%	42	0,7%
Amortization, depreciation	(3.042)	5,0%	(2.294)	3,5%	(748)	32,6%
EBIT	2.894	4,7%	3.600	5,5%	(706)	(19,6%)
Financial components	(1.218)	2,0%	(1.578)	2,4%	360	(22,8%)
Income and (Expense) on investments	564	0,9%	1.055	1,6%	(491)	(46,5%)
Exchange gains and losses	(28)	0,0%	(57)	0,1%	29	(50,9%)
Profit (loss) before tax	2.212	3,6%	3.019	4,6%	(807)	(26,7%)
Income tax	(397)	0,6%	(457)	0,7%	60	(13,1%)
Profit (loss) for the period	1.814	3,0%	2.562	3,9%	(748)	(29,2%)

The drop in revenue recorded by the Decorative Paper Division, amounting to € 4,133 thousand, was partly linked to the downward trends in raw materials, which generated a wait-and-see effect by customers on expectations of further price reductions, triggering the well-known stock cycle case, which carried a negative cyclical impact in this context.

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

The percentage of raw materials fell by 2.6% versus 2018 and was in line with expectations. As a result of the decrease in the prices of strategic raw materials (titanium dioxide and pulp), and the resolve in delaying the reversal on sales prices (a trend that moves in the opposite direction of the growth phase), the period reported a rebound in margins.

In 2019, “Personnel expense” was impacted by the recognition of stock grant costs of € 529 thousand. This item totaled € 389 thousand at 31 December 2018.

“Income and (expense) from investments" of € 564 thousand (€ 1,055 thousand at 31 December 2018) refers to the write-back of the investment in Cartiere di Guarcino S.p.A.

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	Energy Division	% on Revenue	Energy Division	% on Revenue	Change	% change
FIGURES IN EURO THOUSANDS	31 December 2019		31 December 2018			
Revenue from sales and services	**31.706**	**100,0%**	**31.369**	**100,0%**	**337**	1,1%
Other revenue	1	0,0%	187	0,6%	(186)	(99,5%)
Value of Production	**31.707**	**100,0%**	**31.556**	**100,6%**	**151**	**0,5%**
Raw and ancillary materials and consumables	(21.779)	68,7%	(21.011)	67,0%	(768)	3,7%
Other operating expense	(4.788)	15,1%	(4.110)	13,1%	(678)	16,5%
Value Added	**5.139**	**16,2%**	**6.435**	**20,5%**	**(1.296)**	**(20,1%)**
Personnel expense	(556)	1,8%	(793)	2,5%	237	(29,9%)
EBITDA	**4.583**	**14,5%**	**5.642**	**18,0%**	**(1.059)**	**(18,8%)**
Amortization, depreciation	(2.621)	8,3%	(2.280)	7,3%	(341)	15,0%
Allocations	(77)	0,2%	-	0,0%	(77)	100,0%
EBIT	**1.885**	**5,9%**	**3.362**	**10,7%**	**(1.477)**	**(43,9%)**
Financial components	(772)	2,4%	(1.191)	3,8%	419	(35,2%)
Profit (loss) before tax	**1.112**	**3,5%**	**2.171**	**6,9%**	**(1.059)**	**(48,8%)**
Income tax	(387)	1,2%	(463)	1,5%	76	(16,4%)
Profit (loss) for the period	**726**	**2,3%**	**1.708**	**5,4%**	**(982)**	**(57,5%)**

Revenue from sales and services in 2019 is basically in line with 2018. The increase in production generated by higher production efficiency contrasts with the decrease in revenue from the sale of electricity as a result of the downward trend in the price of energy.

In 2019, the percentage of "Raw and ancillary materials and consumables" increased by approximately 1.7% versus 2018, due mainly to the rise in the prices of Bio Liquids in 2019.

The growth in "Other operating expense" in 2019, amounting to € 678 thousand, is attributable mainly to the increase in CO2 allowances associated with the use of diesel for € 230 thousand, and to transport for € 216 thousand due to the purchase of part of the Bio Liquids ex-works.

The sharp decrease of the financial component, amounting to € 419 thousand, is due primarily to the decrease in loans payable and to the renegotiation of conditions with the main lenders assisting the Company.

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

	Printed Decorative Paper Division	% on Revenue	Decorative Paper Division	% on Revenue	Energy Division	% on Revenue	Aggregate	Eliminations and consolidation entries	Consolidated	% on Revenue
FIGURES IN EURO THOUSANDS	31 December 2019		31 December 2019		31 December 2019				31 December 2019	
Revenue from sales and services	**56.454**	**100,0%**	**61.282**	**100,0%**	**31.706**	**100,0%**	**149.442**	(16.457)	**132.985**	**100,0%**
Changes in work in progress, semi-finished and finished products	484	0,9%	875	1,4%		0,0%	1.359		1.359	1,0%
Other revenue	1.289	2,3%	2.017	3,3%	1	0,0%	3.307	(434)	2.873	2,2%
Value of Production	**58.226**	**103,1%**	**64.175**	**104,7%**	**31.707**	**100,0%**	**154.108**		**137.218**	**103,2%**
Raw and ancillary materials and consumables	(31.623)	56,0%	(37.606)	61,4%	(21.779)	68,7%	(91.008)	13.508	(77.501)	58,3%
Other operating expense	(10.350)	18,3%	(10.852)	17,7%	(4.788)	15,1%	(25.990)	2.894	(23.097)	17,4%
Value Added	**16.253**	**28,8%**	**15.716**	**25,6%**	**5.139**	**16,2%**	**37.108**		**36.621**	**27,5%**
Personnel expense	(10.875)	19,3%	(9.780)	16,0%	(556)	1,8%	(21.211)	488	(20.724)	15,6%
EBITDA	**5.378**	**9,5%**	**5.936**	**9,7%**	**4.583**	**14,5%**	**15.897**		**15.897**	**12,0%**
Amortization, depreciation	(2.799)	5,0%	(3.042)	5,0%	(2.621)	8,3%	(8.462)	(227)	(8.689)	6,5%
Allocations	-	0,0%	0	0,0%	(77)	0,2%	(77)		(77)	0,1%
EBIT	**2.578**	**4,6%**	**2.894**	**4,7%**	**1.885**	**5,9%**	**7.357**		**7.130**	**5,4%**
Financial components	1.912	3,4%	(654)	1,1%	(772)	2,4%	486	(2.378)	(1.892)	1,4%
Exchange gains and losses	-	0,0%	(28)	0,0%		0,0%	(28)		(28)	0,0%
Profit (loss) before tax	**4.490**	**8,0%**	**2.212**	**3,6%**	**1.112**	**3,5%**	**7.814**		**5.209**	**3,9%**
Income tax	(529)	0,9%	(397)	0,6%	(387)	1,2%	(1.313)	65	(1.248)	0,9%
Profit (loss) for the period	**3.961**	**7,0%**	**1.814**	**3,0%**	**726**	**2,3%**	**6.501**		**3.961**	**3,0%**

The following is a description of the main Intercompany transactions among Neodecortech Group companies at 31 December 2019

Revenue from sales and services:

- Cartiere di Guarcino S.p.A. sells decorative paper to Neodecortech S.p.A. for € 13,327 thousand;
- Bio Energia Guarcino S.r.l. sells energy and steam to Cartiere di Guarcino S.p.A. for a total of € 2,199 thousand, of which € 1,938 thousand for energy, € 246 thousand for steam and € 15 thousand for water.

Provision of services:

- Cartiere di Guarcino S.p.A. charges Bio Energia Guarcino S.r.l. personnel secondment costs of € 488 thousand and other services of € 368 thousand.

With regard to the remaining eliminations:

- € 2,378 thousand refer to the reversal of write-backs of investments;
- € 227 thousand of the depreciation item refer to the depreciation of the higher value attributed to the Bio Energia Guarcino S.r.l. plant on allocation of goodwill.

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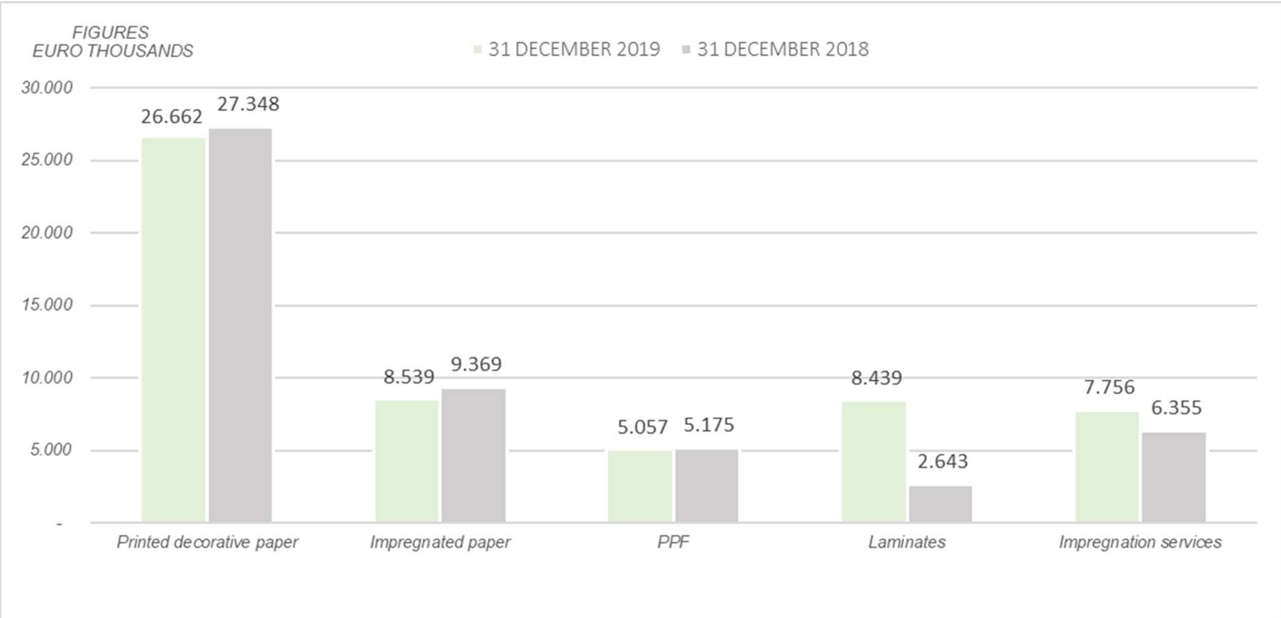
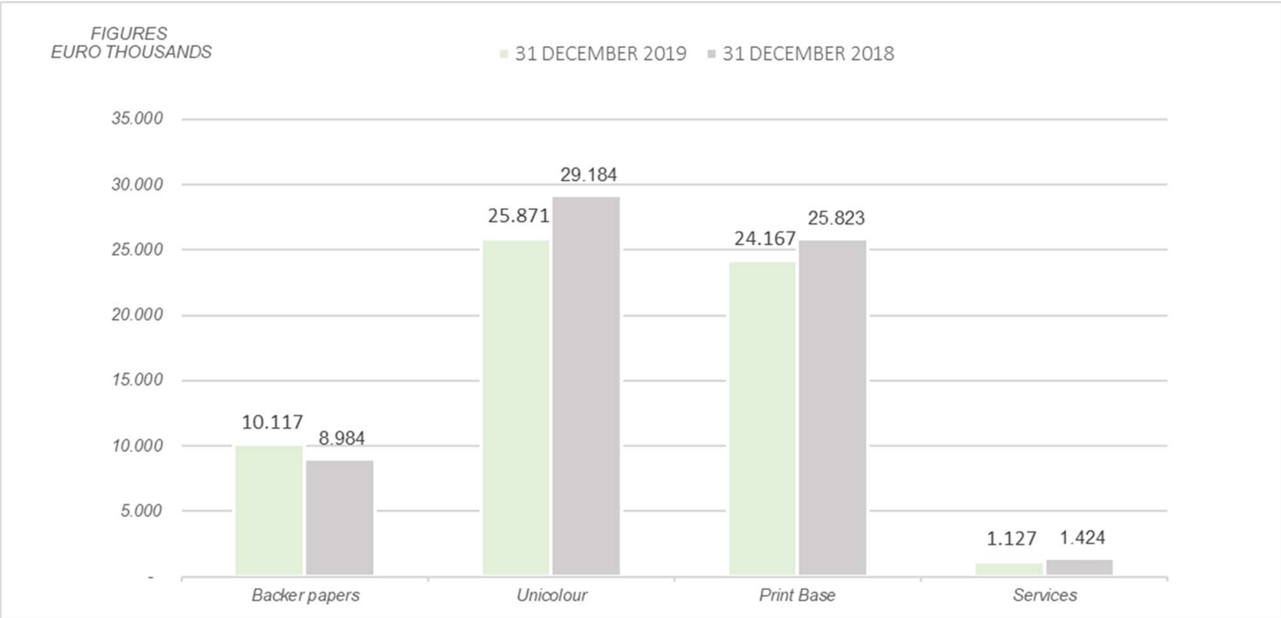
BREAKDOWN OF REVENUE BY DIVISION/PRODUCT LINE

FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Printed Decorative Paper Division	**56.454**	42,5%	**50.891**	38,9%	**5.563**	**10,9%**
Printed decorative paper	26.662	20,0%	27.348	20,9%	(686)	(2,5%)
Impregnated paper	8.539	6,4%	9.369	7,2%	(830)	(8,9%)
PPF	5.057	3,8%	5.175	4,0%	(118)	(2,3%)
Laminates	8.439	6,3%	2.643	2,0%	5.796	219,3%
Impregnation services	7.756	5,8%	6.355	4,9%	1.401	22,1%



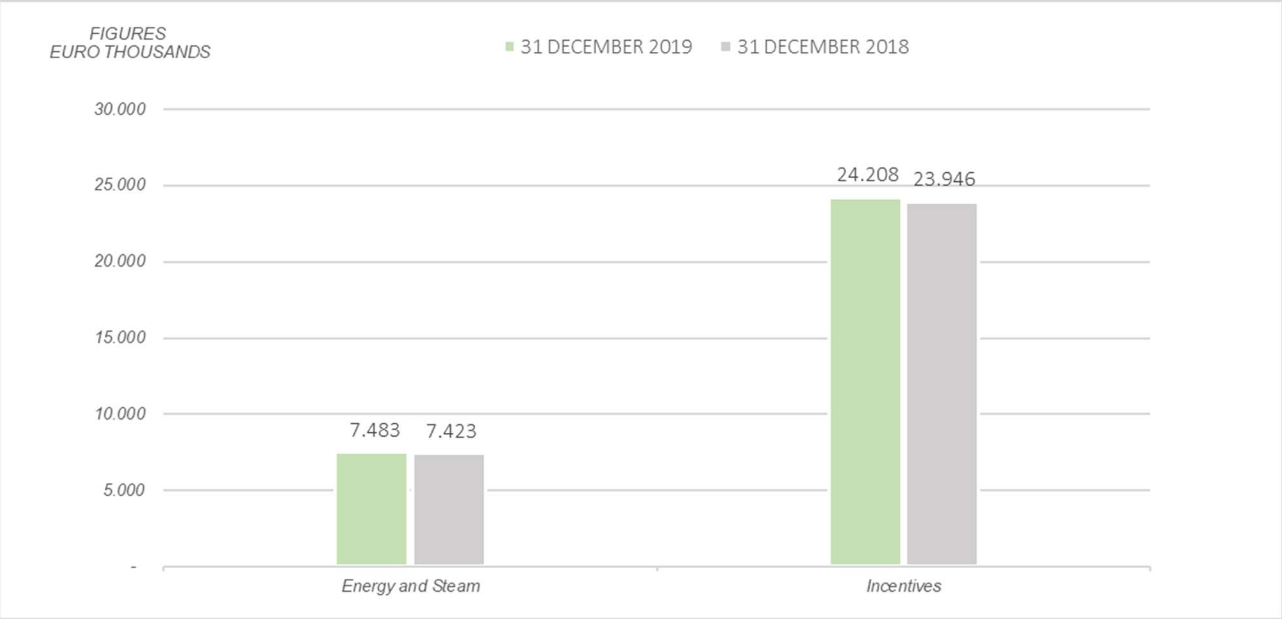
The Printed Decorative Paper Division enjoyed a robust growth at 31 December 2019 versus the same period of the prior year, propelled by the increase in laminates and impregnation services performed under contract work.

FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Decorative Paper Division	61.282	46,1%	65.415	50,0%	(4.133)	(6,3%)
Backer papers	10.117	7,6%	8.984	6,9%	1.133	12,6%
Unicolour	25.871	19,5%	29.184	22,3%	(3.313)	(11,4%)
Print Base	24.167	18,2%	25.823	19,7%	(1.656)	(6,4%)
Services	1.127	0,8%	1.424	1,1%	(297)	(20,8%)



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

FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Energy Division	**31.706**	23,8%	**31.369**	24,0%	**337**	**1,1%**
Energy and Steam	7.483	5,6%	7.423	5,7%	60	0,8%
Incentives	24.208	18,2%	23.946	18,3%	262	1,1%
Services	15	0,0%	-	0,0%	15	-



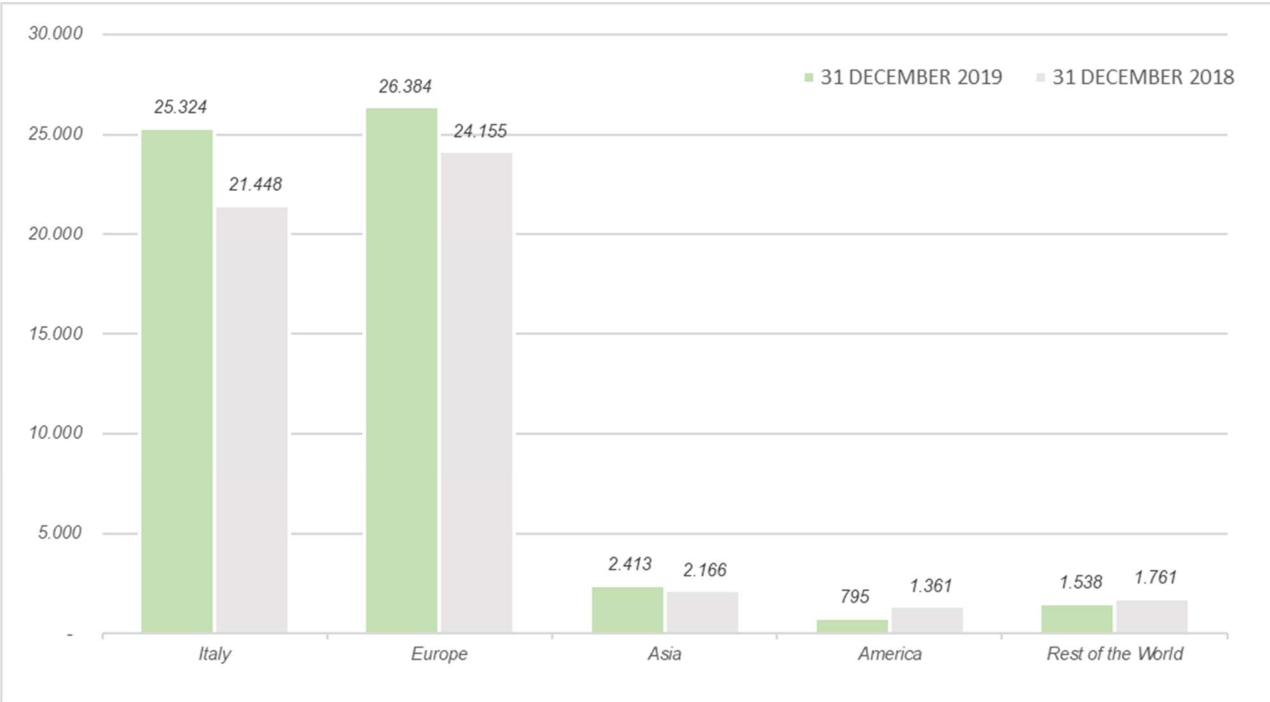
Lastly, as far as the Energy Division is concerned, the 2019 revenue figures are basically in line with those of 2018.

The table below reconciles revenue from sales and services for 2019 and the prior year.

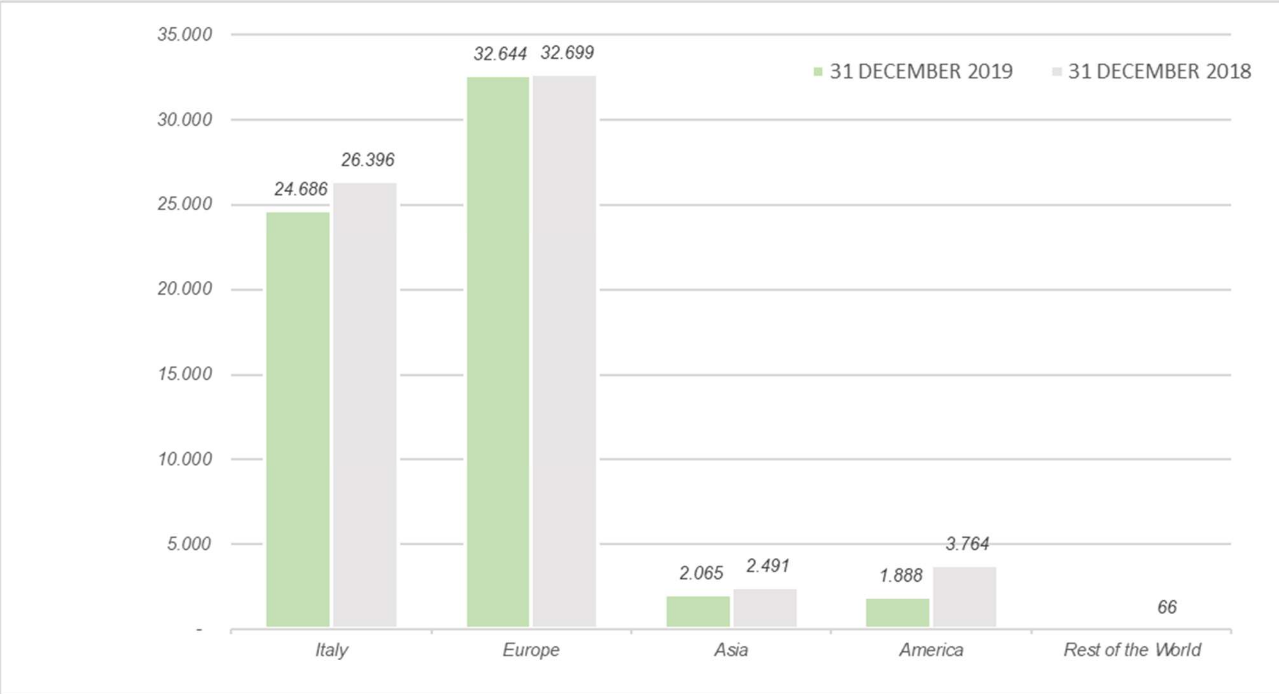
	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Total Aggregate	149.442		147.675		1.767	1,2%
Intercompany eliminations	(16.457)		(16.732)		275	-1,6%
Total	132.985		130.943		2.042	1,6%

BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA OF EACH DIVISION

FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Printed Decorative Paper Division	56.454	42,5%	50.891	38,9%	5.563	10,9%
Italy	25.324	19,0%	21.448	16,4%	3.876	18,1%
Europe	26.384	19,8%	24.155	18,4%	2.229	9,2%
Asia	2.413	1,8%	2.166	1,7%	247	11,4%
America	795	0,6%	1.361	1,0%	(566)	(41,6%)
Rest of the World	1.538	1,2%	1.761	1,3%	(223)	(12,7%)



FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Decorative Paper Division	61.282	46,1%	65.415	50,0%	(4.133)	(6,3%)
Italy	24.686	18,6%	26.396	20,2%	(1.710)	(6,5%)
Europe	32.644	24,5%	32.699	25,0%	(55)	(0,2%)
Asia	2.065	1,6%	2.491	1,9%	(426)	(17,1%)
America	1.888	1,4%	3.764	2,9%	(1.876)	(49,8%)
Rest of the World		0,0%	66	0,1%	(66)	100,0%



FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Energy Division	31.706	23,8%	31.369	24,0%	337	1,1%
Italy	31.706	23,8%	31.369	24,0%	337	1,1%

The table below shows revenue by geographical area by Division at the consolidated level, net of Intercompany items.

	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Total Aggregate	149.442		147.675		1.767	1,2%
Total Intercompany eliminations	(16.457)		(16.732)		275	-1,6%
Total	132.985		130.943		2.042	1,6%

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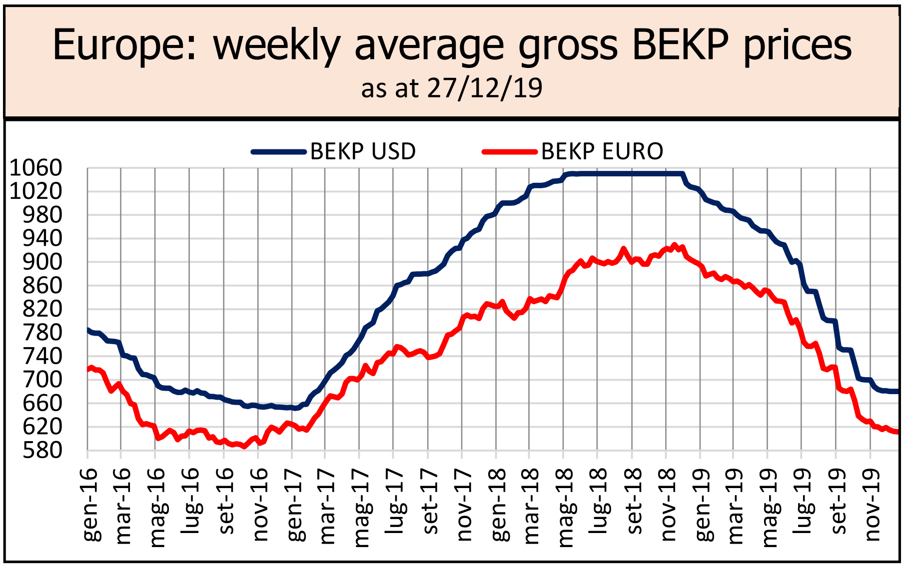
BREAKDOWN OF RAW MATERIAL CONSUMPTION BY DIVISION

FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% CHG 2019/2018
Printed Decorative Paper Division	**31.623**	40,8%	**28.680**	37,2%	2.943	**10,3%**
Untreated paper	16.652	21,5%	17.085	22,1%	(433)	(2,5%)
Resins	5.886	7,6%	5.092	6,6%	794	15,6%
Inks	1.828	2,4%	1.739	2,3%	89	5,1%
PPF	1.807	2,3%	2.102	2,7%	(295)	(14,0%)
Laminating Products	4.067	5,2%	1.100	1,4%	2.967	100,0%
Other costs	1.383	1,8%	1.563	2,0%	(180)	(11,5%)
Decorative Paper Division	**37.606**	48,5%	**41.219**	53,4%	**(3.613)**	**(8,8%)**
Pulp	8.524	11,0%	13.695	17,7%	(5.171)	(37,8%)
Bioxide	18.597	24,0%	20.680	26,8%	(2.083)	(10,1%)
Chemical products	3.637	4,7%	3.269	4,2%	368	11,3%
Other costs	6.848	8,8%	3.575	4,6%	3.273	91,5%
Energy Division	**21.779**	28,1%	**21.011**	27,2%	**768**	**3,7%**
Animal by-products	19.886	25,7%	19.382	25,1%	504	2,6%
Lub Oil	219	0,3%	258	0,3%	(39)	(15,0%)
Urea	434	0,6%	382	0,5%	52	13,5%
Diesel	949	1,2%	378	0,5%	571	151,1%
Other costs	291	0,4%	611	0,8%	(320)	(52,4%)
Intercompany eliminations	(13.508)	(17,4%)	(13.716)	(17,8%)		
Total	**77.501**	100,0%	**77.194**	100,0%	**307**	**0,4%**

Printed Decorative Paper Division and Decorative Paper Division

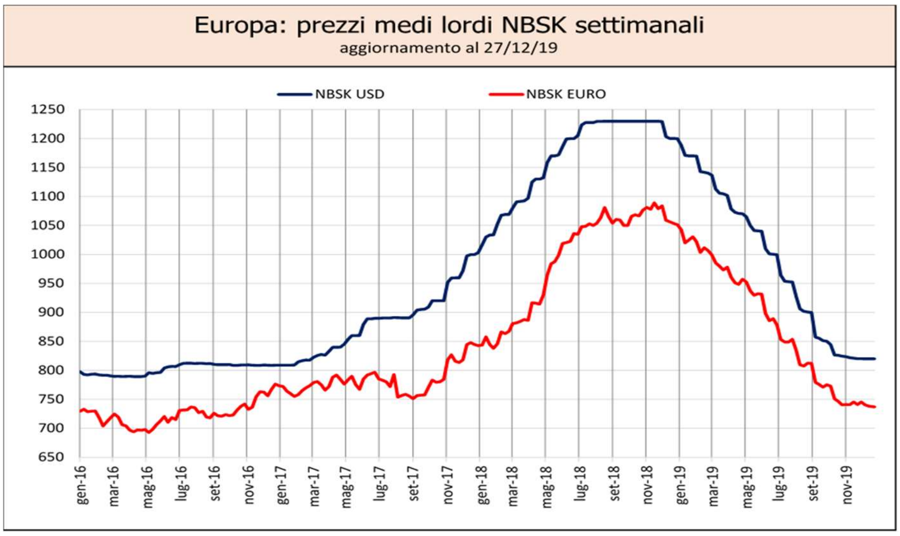
The pulp market was marked, in the two-year period 06/2016-06/2018, by a spike in prices in the magnitude of +52%, followed by a steady phase in the final part of 2018, before retreating in 2019, in light of the deteriorated economic climate and the weak demand, with consequent sharp growth in sellers' stocks. The year witnessed a drop in list prices of short fiber until October, which then steadied in the last two months of 2019, reaching a list price of USD 680 per ton. As far as long fibre is concerned, prices fell until September and then steadied in the latter part of the year. The market sentiment shows that the downward trend has finally run out of steam, therefore prices are expected to rebound in 2020, in a market however that continues to be stable in light of the current general economic climate.

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



Source FOEX

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



Source FOEX

In 2019 the price of titanium dioxide showed a slight downward trend, with demand tending to be weak in light of the general macroeconomic scenario. The market offers wide availability of titanium dioxide, thanks also to China's production of both sulphate and chlorate base products.

Below is the price range for fourth quarter 2019 versus the same period of 2018 (*ICIS*)

EUROPE CONTRACT PRICE						
			Price Range		One Year Ago	US CTS/lb
FD NWE Q4	EUR/kg	-0.05	2.50-2.75	n/c	2.65-2.94	125.83-138.41

First quarter 2020 in Europe sees a slight drop again in prices or roll over in some cases based on well supported supply and sluggish demand, given also the low season phase. The macro scenario depicts some uncertainty again on the Brexit front, while the recent US/China agreement could act as the engine for a recovery.

Source ICIS

Energy Division

In 2019, the Bio Energia Guarcino plant produced 151,160 MWh of energy, up versus 139,575 MWh in 2018. The increase is due largely to the improved efficiency of the plant, which ran with an average power of approximately 6.8 MWp versus approximately 6.4 MWp in 2018. Net of self-consumption and grid losses, the company fed 101,413 MWh into the grid, up slightly from 92,379 MWh fed in 2018, and sold to Cartiere di Guarcino 37,297 MWh, down slightly from 41,509 MWh the prior year.

November and December witnessed a lower-than-expected production, due to the use of a batch of non-compliant fuel that required various maintenance operations that will be completed for the most part in 2020 for the total restoration of the plant. A claim was opened with the insurance company of Bio Energia Guarcino and the supplier of the non-compliant batch, which reached a provisional settlement of the damage in favour of Bio Energia Guarcino, with reimbursement expected by first quarter 2020.

The energy market was down by 14.7% in 2019, with a Single National Price (PUN) of 52.32 €MWh, in line with the prices on the main power exchanges. The downward trend in the energy market mainly reflects the reduction in gas costs, which was higher only than the historical low recorded in 2016.

As for the futures market, prices for 2020 are slightly up versus last year, with a baseload of 54.25 €MWh.

The unit price of the incentive for 2019 is 92.11 €MWh, down from 98.95 €MWh in 2018.

The decrease in the unit value of the incentive is tied to the average value of energy recorded in 2018, on average higher than in 2017.

Given the energy trend in 2019, the unit price of the incentive is expected to rise in 2020.

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

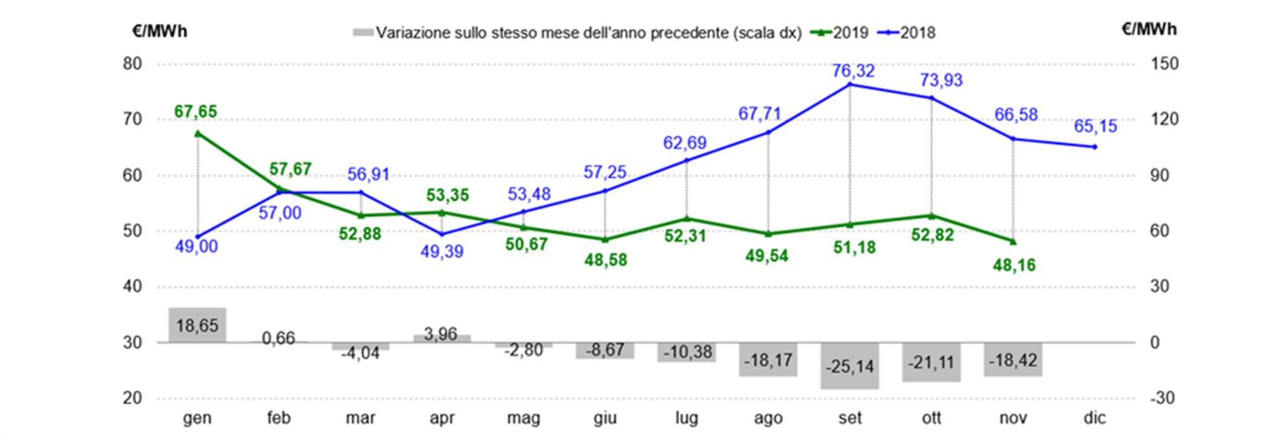
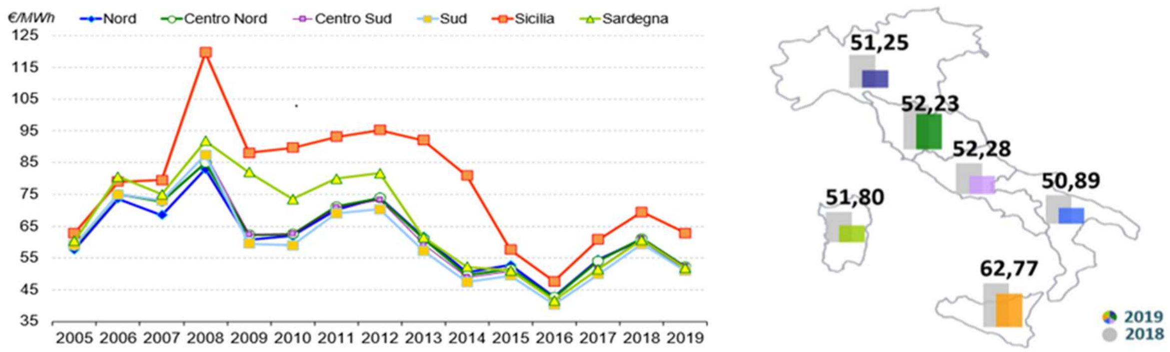


Grafico 2: MGP, prezzi di vendita Fonte: GME



In 2019 too, the subsidiary Bio Energia Guarcino made use almost exclusively of bioliquids of animal origin from the supply chain or falling under chain framework agreements. The market was basically steady in the first part of the year, growing from April onwards, and with increasing intensity in the final part. The same trend was reported for vegetable oils, in particular for palm oil, which continued to grow in the final months of the prior year.

The animal fat market continues to grow after a basically steady start to the year.

The table below summarizes the price trend of 2019 of the livestock bulletin published by Associazione Granaria di Milano.

19. Animal Fat (19)	January	February	March	April	May	June	Luglio	August	September	October	November	December	Change	% Change
FFA 2-3 -M&I 1	550	550	550	561	582	590	593	596	622	646	669	694	144,2	23%
FFA 4 - M&I 1	528	528	528	539	560	568	571	574	598	621	644	669	141,2	24%
FFA max 7 - M&I 1	499	499	499	510	531	538	539	542	563	586	609	634	134,9	24%
FFA max 10 - M&I 1	487	487	487	498	519	525	525	528	548	571	594	619	131,9	24%

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

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	31 DECEMBER 2018	Change
A. Cash	(7)	(19)	12
B. Other cash and cash equivalents	(3.468)	(6.470)	3.002
C. Securities held for trading			
D. Liquidity (A) + (B) + (C)	**(3.475)**	**(6.489)**	**3.014**
E. Current financial receivables	(63)		(63)
F. Current bank payables	15.886	18.175	(2.289)
G. Current portion of non-current debt	2.591	2.479	112
H. Other current financial payables			
H1. Current lease payable	2.027	2.028	(2)
I. Current financial debt (F)+(G)+(H)+(H1)	20.504	22.682	**(2.178)**
J. Current net financial debt (I) + (E) + (D)	16.966	16.193	**773**
K. Non-current bank payables	15.229	17.806	(2.576)
L. Bonds			
M. Other non-current payables	8.341	10.047	(1.706)
N. Non-current financial debt (K) + (L) + (M)	23.570	27.853	**(4.283)**
O. Net financial debt (J) + (N)	40.536	44.046	**(3.510)**

The table above shows that at 31 December 2019:

- Current bank payables decreased by € 2,289 thousand at 31 December 2019 versus the same period of 2018, due to the Group's lower use of bank debt;
- Non-current bank payables fell by € 3,095 thousand versus the same period of the prior year, due to the payment of loan instalments;
- Other non-current payables include payment of lease instalments by the subsidiary Bio Energia Guarcino S.r.l. for € 2,027 thousand and the effect of € 349 thousand from the application of IFRS 16;
- In 2019, the reserve relating to the recognition of the fair value of the mortgage loan derivative of € 386 thousand (€ 269 thousand at 31 December 2018) was reclassified from "Other non-current bank payables" to “Provision for risks".

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

NET FINANCIAL DEBT BY DIVISION AT 31 DECEMBER 2019

FIGURES IN EURO THOUSANDS	Printed Decorative Paper Division	Decorative Paper Division	Energy Division	Eliminations	Consolidated
A. Cash	(4)	(2)	(1)		(7)
B. Other cash and cash equivalents	(1.442)	(431)	(1.595)		(3.468)
C. Securities held for trading					
D. Liquidity (A) + (B) + (C)	**(1.446)**	**(433)**	**(1.596)**		**(3.475)**
E. Current financial receivables	(3.795)	(2.498)		6.230	(63)
F. Current bank payables	24	13.168	2.694		15.886
G. Current portion of non-current debt	1.546	844	2.701	(2.500)	2.591
H. Other current financial payables		1.721	2.009	(3.730)	-
H1. Current lease payable			2.027		2.027
I. Current financial debt (F)+(G)+(H)+(H1)	**1.570**	**15.733**	**9.431**		**20.504**
J. Current net financial debt (I) + (E) + (D)	**(3.671)**	**12.802**	**7.835**		**16.966**
K. Non-current bank payables	9.181	6.048			15.229
L. Bonds		1.500		(1.500)	-
M. Other non-current payables	5.205	14.728	3.860	(15.452)	8.341
N. Non-current financial debt (K) + (L) + (M)	**14.386**	**22.276**	**3.860**		**23.570**
O. Net financial debt (J) + (N)	**10.715**	**35.078**	**11.695**		**40.536**

With regard to the net financial debt by Division, it should be noted that the non-current financial debt of the Printed Decorative Paper Division, amounting to € 9,181 thousand, consists mainly of the mortgage loan to BPM, with a residual amount at 31 December 2019 of € 8,840 thousand.

With regard to the Decorative Paper Division, net debt of € 35,078 thousand consists mainly of long-term payables to banks for € 5,529 thousand and to the Parent Company Neodecortech S.p.A. for € 14,652 thousand (included under "Other non-current payables" for € 14,728 thousand), and of a current bank payable for € 13,168 thousand.

The Energy Division has a debt of € 2,701 thousand, € 2,500 thousand of which towards the Group company Cartiere di Guarcino S.p.A. under "current portion of non-current debt", and € 201 thousand towards Unicredit. "Other current financial payables", amounting to € 2,009 thousand, refers to a payable due to the Parent Company Neodecortech S.p.A., while the payable to leasing companies of € 2,027 thousand as the short-term portion is shown under "Current lease payables".

"Other non-current payables", amounting to € 3,860 thousand, includes the long-term portion of the lease payable of € 3,060 thousand, and the long-term portion of the payable to Cartiere di Guarcino S.p.A. of € 800 thousand.

It should be noted that no further medium/long-term loans have been taken out since 31 December 2018, while all financial commitments to related parties have been fully settled.

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

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MAIN STATEMENT OF FINANCIAL POSITION FIGURES

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

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	31 DECEMBER 2018	Change	% Change
Trade receivables	19.239	24.052	(4.813)	(20,0%)
Inventory	39.114	35.948	3.166	8,8%
Trade payables	(31.333)	(33.176)	1.843	(5,6%)
Operating NWC	**27.020**	**26.824**	**196**	**0,7%**
Other current receivables	5.294	5.761	(467)	(8,1%)
Other current payables	(4.714)	(4.260)	(454)	10,7%
Tax payables	(881)	(1.387)	506	(36,5%)
Payables from tax consolidation	(422)	(472)	50	(10,6%)
Net Working Capital	**26.297**	**26.466**	**(169)**	(0,6%)
Property, plant and equipment	78.871	76.675	2.196	2,9%
Intangible assets	2.905	3.451	(546)	(15,8%)
Other financial assets	-	2.199	(2.199)	(100,0%)
Non-current financial assets not included in NFP	1.853	1.662	191	11,5%
Other non-current assets	108	37	71	100,0%
Fixed assets	**83.738**	**84.023**	**(285)**	**(0,3%)**
Post-employment benefits	(2.887)	(2.867)	(20)	0,7%
Provisions for risks and charges	(918)	(724)	(194)	26,8%
Deferred tax assets and liabilities	(4.416)	(4.252)	(164)	3,9%
Net Capital Employed	**101.814**	**102.648**	**(834)**	**(0,8%)**
Equity	**61.277**	**58.603**	**2.674**	**4,6%**
Cash and cash equivalents	(3.475)	(6.489)	3.014	(46,4%)
Other current financial receivables	(63)	-	(63)	100,0%
Current financial liabilities	21.023	22.682	(1.659)	(7,3%)
Non-current financial liabilities	23.051	27.853	(4.802)	(17,2%)
Net Financial Debt	**40.536**	**44.046**	**(3.510)**	(8,0%)
Equity and Net Financial Debt	**101.814**	**102.648**	**(834)**	**(0,8%)**

With regard to trade receivables, there were no critical issues to report in terms of potential losses at 31 December 2019. As for the Parent Company Neodecortech S.p.A., mention should be made at 31 December 2018 of the first assignment of receivables without recourse to customers, carried out on an ongoing basis from February 2019 every month. Mention should also be made of the reclassification of approximately € 1,759 thousand from "Trade receivables" to "Other current financial receivables" in 2019 of the receivable due to Neodecortech S.p.A. from the related party Finanziaria Valentini, collected at end 2019.

With regard to inventory, mention should be made that the amount at 31 December 2019 is higher than the amount at 31 December 2018, due mainly to the advance payments of bioliquids purchased by Bio Energia Guarcino S.r.l..

For changes in property, plant and equipment, amounting to € 2,196 thousand, reference should be made to Notes 6 and 7 of the Notes to the Financial Statements.

With regard to the decrease in "other financial assets", equal to € 2,199 thousand, note should be taken of the sale by the subsidiary Cartiere di Guarcino of the shares in CDG International Corporation, the consideration of which was collected in November 2019.

With regard to the change in Net Financial Debt, reference should be made to the section on net financial debt in this Directors' Report on Operations.

DEVELOPMENTS IN 2019

Printed Decorative Paper Division - Neodecortech

In the first half of the year, in line with the general slowdown of the markets, our sales declined slightly versus the double-digit growth enjoyed in the first six months last year. This slowdown has affected not only the domestic market, but also all our regions of operation worldwide. The second half of the year, instead, saw a strong recovery which, as mentioned on pages 16 and 17 in the analysis of the sales trend of each product family and by geographical area, helped the Division post a +10.9% increase. This positive trend is still in progress.

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

Decorative Paper Division - Cartiere di Guarcino

Revenue in 2019 was in line with budget expectations, though down by € 4,133 thousand (-6.3%) versus the prior year. The drop is attributable to both a price effect (transfer to customers of part of the lower costs of raw materials) and to a volume effect (lower sales in a number of areas).

This Division too experienced a fall in sales in the first half of the year, which was partly recovered in the following six months. Mention should again be made that the decrease in turnover is attributable mainly to the lower prices of titanium dioxide and cellulose fibres, which was partly reflected in sales prices, albeit in a less than proportional manner. An increase was reported, in fact, in the company's margins, as mentioned earlier. The last two months saw a new reversal of the trend, with sales down by 9%. However, in the second half of the year, sales volumes grew by 5% versus the same period of the prior year, but only by 0.3% in terms of value, due to the different mix.

Broadly speaking, sales volumes grew in 2019 by 1.8% and decreased in value by 2.1% versus budget forecasts, due mainly to the mix and to falling sales price dynamics, as a result of lower costs for strategic raw materials, titanium dioxide and pulp.

Bio Energia Guarcino Division

In 2019, the Bio Energia Guarcino plant produced 151,160 MWh of energy, up versus 139,575 MWh in 2018. The increase is due largely to the improved efficiency of the plant, which ran with an average power of approximately 6.8 MWp versus approximately 6.4 MWp in 2018. Net of self-consumption and grid losses, the company fed 101,413 MWh into the grid, up slightly from 92,379 MWh fed in 2018, and sold to Cartiere di Guarcino 37,297 MWh, down slightly from 41,509 MWh the prior year.

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CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2019

Below are the Group's income statement figures at 31 December 2019, the comparative figures are taken from the consolidated income statement at 31 December 2018.

FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2019

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 DECEMBER 2019	% ON REVENUE	31 DECEMBER 2018	% ON REVENUE	Change	% Change
Revenue from sales and services	**132.985**	**100,0%**	**130.943**	**100,0%**	**2.041**	**1,6%**
Changes in work in progress, semi-finished and finished products	1.359	1,0%	275	0,2%	1.084	393,6%
Other revenue	2.873	2,2%	2.601	2,0%	272	10,5%
Value of Production	**137.218**	**103,2%**	**133.819**	**102,2%**	**3.399**	**2,5%**
Raw and ancillary materials and consumables	(77.501)	58,3%	(77.194)	59,0%	(307)	0,4%
Other operating expense	(23.097)	17,4%	(20.903)	16,0%	(2.194)	10,5%
Value Added	**36.621**	**27,5%**	**35.722**	**27,3%**	**899**	**2,5%**
Personnel expense	(20.724)	15,6%	(17.980)	13,7%	(2.744)	15,3%
EBITDA	**15.897**	**12,0%**	**17.742**	**13,5%**	**(1.845)**	**(10,4%)**
Amortization, depreciation	(8.689)	6,5%	(7.157)	5,5%	(1.532)	21,4%
Allocations	(77)	0,1%	0	0,0%	(77)	0,0%
EBIT	**7.130**	**5,4%**	**10.586**	**8,1%**	**(3.456)**	**(32,6%)**
Financial components	(1.893)	1,4%	(2.906)	2,2%	1.012	(34,8%)
Exchange gains and losses	(28)	0,0%	(57)	0,0%	29	(50,5%)
Profit (loss) before tax	**5.209**	**3,9%**	**7.623**	**5,8%**	**(2.414)**	**(31,7%)**
Income tax	(1.248)	0,9%	(1.593)	1,2%	345	(21,6%)
Profit (loss) for the period	**3.961**	**3,0%**	**6.030**	**4,6%**	**(2.068)**	**(34,3%)**

The percentage of the costs of raw materials and goods decreased by 0.7% from 59% to 58.3%.

Other operating expense increased in absolute terms by € 2,194 thousand versus the prior period, due mostly to the following items: technical consultancy for € 395 thousand, freight inwards for € 435 thousand, utilities for € 301 thousand and maintenance for € 396 thousand.

Value added, equal to € 36,621 thousand at 31 December 2019 (€ 35,722 at 31 December 2018), increased by 2.5% versus the prior period.

Personnel expense at 31 December 2019 amounted to € 20,724 thousand (versus € 17,980 thousand at 31 December 2018), up by € 2,744 thousand in absolute terms. The increase is attributable mainly to the allocation for the 2017-2020 Stock Grant Plan, which shows an allocation of € 975 thousand at 31 December 2019 versus € 704 thousand at 31 December 2018, € 1,207 thousand for the acquisition of the CorbettaFia S.r.l. business unit (as a change between 2019 and 2018, which included only 4 months of activity versus 12 months in 2019), and the remaining part a general use of more manpower in both operating divisions, except for the Energy Division.

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

Amortization and depreciation increased by 21.4% (from € 7,157 thousand at 31 December 2018 to € 8,689 thousand at 31 December 2019), due mainly to the increase in capital expenditure in recent years to support the development of operations.

ADJUSTED EBITDA

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

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

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

Reconciliation of EBITDA-ADJUSTED EBITDA

(Euro thousands)	31 DECEMBER 2019	31 DECEMBER 2018	Change	% CHG 2019/2018
Consolidated EBITDA before non-recurring items	15.897	17.742	(1.845)	(10,4%)
Allocation for Stock Grants	975	704	270	38,5%
Higher IPO-Translisting MTA Costs - Extraordinary Comp	1.000	600	400	66,7%
Adjusted EBITDA from consolidated	17.872	19.046	(1.173)	(6,2%)
Adjusted Net Profit	5.655	7.274	(1.618)	(22,3%)

In the period ended 31 December 2019, EBITDA including extraordinary items decreased by 10.0% versus the same period of the prior year. The item, in fact, fell from € 17,742 thousand to € 15,970 thousand.

It should also be noted that EBITDA at 31 December 2019 includes the results produced by the Laminates division (business unit acquired from CorbettaFia S.r.l.).

Lastly, in order to provide a clearer picture of the actual performance of the Group, the figures at 31 December 2019 and 31 December 2018, relating to Adjusted EBITDA, are shown below. In the light of these adjustments, adjusted EBITDA decreased by € 1,127 thousand in 2019 versus the same period of the prior year.

In addition to higher costs from the IPO and extraordinary items for € 557 thousand, 2019 also recorded higher costs for translisting to the MTA for € 443 thousand. The residual portion of translisting costs for 2020 is estimated at approximately € 560 thousand.

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MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS 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, management 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.

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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 US dollars).

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

Risks associated with interest rate fluctuations

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

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

CORPORATE GOVERNANCE

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

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

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

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

RESEARCH AND DEVELOPMENT

No new development activities were recorded in 2019.

RECONCILIATION BETWEEN PARENT EQUITY AND PROFIT AND CONSOLIDATED EQUITY AND PROFIT

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

CONSOLIDATED FIGURES IN EURO THOUSANDS	EQUITY 31 DECEMBER 2019	PROFIT (LOSS) FOR THE PERIOD 31 DECEMBER 2019	EQUITY 31 DECEMBER 2018	PROFIT (LOSS) FOR THE PERIOD 31 DECEMBER 2018
Equity and profit for the period attributable to the parent com	**61.312**	**3.961**	**58.735**	**6.030**
Elimination of the carrying amount of consolidated equity investments:				
Difference between carrying amount and pro-rata amount of equity	(34)		5	
Currency translation difference	-		(137)	
Pro-rata results of investees		2.540		3.779
Cancellation of write-downs/reinstatement of equity investments		(2.378)		(3.617)
Amortization of fair value of fixed assets (allocation of BEG goodwill)		(162)		(162)
Elimination of the effects of transactions between consolidated companies:				
Intercompany profits included in the value of closing inventory	-	-	-	-
Intercompany profits on disposal of fixed assets	-	-	-	-
Equity and profit for the period attributable to the shareholders of the parent	**61.277**	**3.961**	**58.603**	**6.030**
Non-controlling interests	-	-	-	-
Total equity	61.277	3.961	58.603	6.030

INFORMATION ON RELEVANT EXTRA-EU COMPANIES

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

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

ENVIRONMENTAL DISCLOSURE

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

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

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

  BS HOSAS 18001: 2011, occupational health and safety management certification

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

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

  MADE IN ITALY 100%, supply chain certification

  SUSTAINABILITY REPORT (2016 first year of publication).

- Cartiere di Guarcino: UNI EN ISO 9001 (2017),

  UNI EN ISO14001 (2004),

  BS HOSAS 18001 (2012),

  UNI EN ISO 50001 (2018),

FSC - CHAIN CUSTODY (2010),

PEFC (2015).

- Bio Energia Guarcino: UNI EN ISO 9001 (2015),

UNI EN ISO14001 (2012),

BS HOSAS 18001 (2016),

UNI EN ISO 50001 (2018).

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

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

HUMAN RESOURCES

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

The average number of employees in 2019 amounted to 370 resources.

INFORMATION ON THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group 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 measurement techniques to use, the Group has followed the following hierarchy:

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

Group companies determined the fair value of derivatives outstanding at 31 December 2019, using measurement techniques commonly used for instruments of the same type. The models applied for the measurement of the instruments require calculation through the *Bloomberg info provider*. Inputs used in the models are mainly represented by observable market parameters (Euro and Dollar interest rate curve and official exchange rates, at the measurement date).

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

The subsidiary Cartiere di Guarcino has the following derivative contracts in place:

- Interest Rate Swap - Interest rate hedging contract - Notional value at 31 December 2019 € 2,700,708 - Fair value at 31 December 2019 € -4,364 (€ -64,984 at 31 December 2018);

- Currency Rate - Foreign exchange hedging contract (recorded as a speculative derivative) - Notional value of payables at 31 December 2018 USD 2,673,110 - Fair value at 31 December 2019 € -26,165 (€ -1,165 at 31 December 2018);

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

- Interest Rate Swap - Interest rate hedging contract - Notional value at 31 December 2019 € 10,151,236 - Fair value at 31 December 2019 € -386,075 (€ -268,940 at 31 December 2018).
-
- Interest Rate Swap - Interest rate hedging contract - Notional value at 31 December 2019 € 514,284 - Fair value at 31 December 2019 € 22.16.

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

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

ATYPICAL AND/OR UNUSUAL TRANSACTIONS DURING THE PERIOD

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

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2019

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

BUSINESS AND MARKET OUTLOOK

Printed Decorative Paper Division - Neodecortech

Based on the earlier mentioned developments in 2019 (page 29), as far as the world market (net of China) of decorative printing is concerned, 2020 is forecast as a year of moderate growth (1-3%), with probably some slight declines in those geographies affected by macroeconomic uncertainty. At the product family level, growth is expected to be stronger in those segments that are currently setting the trend (super matt surfaces and vinyl materials), on which the Group has shifted its latest production investments.

More specifically, while staying in the general mood of the relevant market as far as the core products (printed and impregnated paper) are concerned, Neodecortech plans to strengthen its growth:

• stepping up 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, especially in those geographical areas where such product is highly coveted: USA and UK;

• expanding the Laminates family by launching both a new format (142 cm in addition to 130 cm) and with new main customers in geographical areas that are currently untapped;

• introducing the new family of anti-fingerprint products, EOS, both on paper and thermoplastic support.

On the organizational front, we expect in 2020 to complete the upgrading of our IT system in such a way as to allow us to both manage treasury at Group level and improve the internal management control system for all the companies involved.

Decorative Paper Division - Cartiere di Guarcino

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

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

Energy Division - Bio Energia Guarcino

As for Bio Energia Guarcino, the price of animal by-products is expected to be on the rise. A trend also expected for vegetable oils. On the other hand, the downward trend in the price of energy in 2019 will allow the unit value of the incentive for 2020 to increase from €MWh 92.11 to €MWh 98.4.

OTHER INFORMATION

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

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

Pursuant to Articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that the Company held 80,000 treasury shares at 31 December 2019.

CONCLUSIONS

This Consolidated Financial Report was approved by the Board of Directors for publication on 31 January 2020.

Filago (BG), 31 January 2020

The Board of Directors

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CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets CONSOLIDATED FIGURES IN EURO THOUSANDS	Notes	31 December 2019	%	31 December 2018	%	Changes	% change
Intangible assets	6	2.905	1,9%	3.451	2,2%	(546)	(15,8%)
Property, plant and equipment	7	78.871	51,5%	76.675	48,4%	2.196	2,9%
Other non-current assets	8	113	0,1%	37	0,0%	76	204,2%
Non-current financial receivables	9	1.853	1,2%	1.661	1,0%	192	11,6%
Deferred tax assets	10	2.159	1,4%	2.236	1,4%	(76)	(3,4%)
Other financial assets	11	-	0,0%	2.199	1,4%	(2.199)	(100,0%)
Non-current assets		85.902	56,1%	86.259	54,4%	(357)	(0,4%)
Inventory	12	39.114	25,6%	35.948	22,7%	3.166	8,8%
Trade receivables	13	19.239	12,6%	24.052	15,2%	(4.813)	(20,0%)
Receivables from tax consolidation	14	918	0,6%	746	0,5%	172	23,1%
Tax receivables	15	2.506	1,6%	1.490	0,9%	1.016	68,2%
Current financial receivables	16	63	0,0%	-	0,0%	63	0,0%
Other current receivables	17	1.870	1,2%	3.524	2,2%	(1.654)	(46,9%)
Cash and cash equivalents	18	3.475	2,3%	6.489	4,1%	(3.014)	(46,4%)
Current assets		67.185	43,9%	72.250	45,6%	(5.064)	*(7,0%)*
Total assets		153.087	100,0%	158.508	100,0%	(5.421)	(3,4%)

Equity and liabilities CONSOLIDATED FIGURES IN EURO THOUSANDS	Notes	31 December 2019	%	31 December 2018	%	Changes	% change
Share capital		16.203	10,6%	16.203	10,2%	-	0,0%
Share premium reserve		17.357	11,3%	17.357	11,0%	-	0,0%
Other reserves		15.002	9,8%	10.257	6,5%	4.745	46,3%
Prior years' profit (loss)		8.755	5,7%	8.757	5,5%	(2)	(0,0%)
Profit (loss) for the period		3.961	2,6%	6.030	3,8%	(2.069)	(34,3%)
Equity	28	61.277	40,0%	58.603	37,0%	2.674	4,6%
Provisions for risks and charges	19	918	0,6%	725	0,5%	193	26,7%
Deferred tax	20	6.575	4,3%	6.487	4,1%	88	1,4%
Post-employment benefits	21	2.887	1,9%	2.867	1,8%	20	0,7%
Non-current financial liabilities	22	23.051	15,1%	27.850	17,6%	(4.799)	(17,2%)
Non-current liabilities		33.431	21,8%	37.929	23,9%	(4.497)	(11,9%)
Trade payables	23	31.333	20,5%	33.176	20,9%	(1.843)	(5,6%)
Payables from tax consolidation	24	422	0,3%	472	0,3%	(50)	(10,6%)
Tax payables	25	881	0,6%	1.387	0,9%	(506)	(36,5%)
Current financial liabilities	26	21.023	13,7%	22.682	14,3%	(1.659)	(7,3%)
Other current payables	27	4.719	3,1%	4.260	2,7%	459	10,8%
Current liabilities		58.379	38,1%	61.977	39,1%	(3.598)	(5,8%)
Equity and liabilities		153.087	100,0%	158.508	100,0%	(5.421)	(3,4%)

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2019

CONSOLIDATED FIGURES IN EURO THOUSANDS	Notes	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Change	% change
Revenue from sales	**31**	**132.985**	**100,0%**	**130.943**	**100,0%**	**2.042**	**1,6%**
Changes in semi-finished and finished products	32	1.359	1,0%	275	0,2%	1.084	394,2%
Other revenue and income	33	2.873	2,2%	2.601	2,0%	272	10,5%
Raw and ancillary materials and consumables	34	(77.501)	58,3%	(77.194)	59,0%	(307)	0,4%
Personnel expense	35	(20.724)	15,6%	(17.980)	13,7%	(2.744)	15,3%
Amortization and depreciation	36	(8.689)	6,5%	(7.157)	5,5%	(1.532)	21,4%
Allocations	36	(77)	0,1%	0	0,0%	(77)	0,0%
Other operating expense	37	(23.097)	17,4%	(20.903)	16,0%	(2.194)	10,5%
EBIT		**7.130**	**5,4%**	**10.586**	**8,1%**	**(3.456)**	**(32,6%)**
Financial income	38	38	0,0%	154	0,1%	(116)	(75,3%)
Financial expense	39	(1.960)	1,5%	(3.117)	2,4%	1.157	(37,1%)
Profit (loss) before tax		**5.209**	**3,9%**	**7.622**	**5,8%**	**(2.413)**	**(31,7%)**
Direct tax on income for the period	40	(1.248)	0,9%	(1.593)	1,2%	345	(21,7%)
Profit (loss) for the period		**3.961**	**3,0%**	**6.030**	**4,6%**	**(2.069)**	**(34,3%)**
Other items of the comprehensive income statement							
Actuarial gains (losses) net of tax effect		(172)		*41*			
Total items that will not be reclassified in the income statement for the year		**(172)**		**41**			
Gains/(losses) on cash flow hedging instruments		(28)		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		**(28)**		**(36)**			
Comprehensive income (loss) for the period		**(200)**		**5**			
Profit for the period attributed to:		3.761		6.035			
Shareholders of the Parent							
Non-controlling interests							
Earnings per share (in Euro):							
Basic		30,31		46,09			
Diluted		29,06		44,76			

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CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2019

CONSOLIDATED FIGURES IN EURO THOUSANDS	31 December 2019	31 December 2018
Utile (perdita) di esercizio	3.961	6.030
Imposte sul reddito	1.001	1.381
Imposte differite /(anticipate)	247	212
Interessi passivi/(interessi attivi)	1.922	2.963
(Dividendi)		
(Plusvalenze)/minusvalenze derivanti dalla cessione di attività	(228)	(5)
1 Utile (perdita) dell esercizio prima d imposte sul reddito, interessi, dividendi e plus/minusvalenze da cessione	**6.903**	**10.590**
Rettifiche per elementi non monetari che non hanno avuto contropartita nel capitale circolante netto:		
Accantonamento TFR	22	34
Accantonamenti altri fondi	77	
Ammortamenti delle immobilizzazioni	8.689	7.157
Svalutazioni per perdite durevoli di valore		
Altre rettifiche per elementi non monetari	757	1.376
2 Flusso finanziario prima delle variazioni del ccn	**16.447**	**19.157**
Variazioni del capitale circolante netto		
Decremento/(incremento) dei crediti vs clienti	4.647	3.699
Decremento/(incremento) delle rimanenze	(3.166)	(2.682)
Incremento/(decremento) dei debiti verso fornitori	(3.143)	(2.185)
Decremento/(incremento) altri crediti	639	1.880
Incremento/(decremento) altri debiti	(863)	(576)
Altre variazioni del capitale circolante netto	5	(137)
3 Flusso finanziario dopo le variazioni del ccn	**14.567**	**19.155**
Altre rettifiche		
Interessi incassati/(pagati)	(1.518)	(1.693)
(Imposte sul reddito pagate)	(698)	(265)
(Plusvalenze)/minusvalenze derivanti dalla cessione di attività		
Dividendi incassati		
(Utilizzo dei fondi)		(546)
(Utilizzo dei fondi tfr)	(248)	(178)
4 Flusso finanziario dopo le altre rettifiche	**12.103**	**16.473**

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CONSOLIDATED FIGURES IN EURO THOUSANDS	31 December 2019	31 December 2018
A Cash flow from operations	**12.103**	**16.473**
Property, plant and equipment	(7.615)	(6.868)
(Purchase)	(7.615)	(6.868)
Disposal		
Intangible fixed assets	(368)	(860)
(Purchase)	(368)	(860)
Disposal		
Financial fixed assets	2.426	
(Purchase)	2.426	
loans granted		
Proceeds from disposal of assets	251	
B Cash flow from investing activities	**(5.306)**	**(7.728)**
Liabilities	(7.612)	(6.245)
Increase (decrease) in current bank payables	(2.326)	(1.559)
New loans	182	1.128
Repayment of loans	(3.025)	(3.209)
Increase (decrease) in non-current bank payables	(52)	
Financial liabilities to other lenders	(2.173)	(3.314)
Change in financial receivables from other lenders	(218)	710
Equity	(2.198)	(2.114)
Share capital increase		
Sale (purchase) of treasury shares	(197)	(94)
Other changes in equity	(2.001)	(2.020)
C Cash flow from financing activities	**(9.809)**	**(8.359)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(3.013)	386
Cash and cash equivalents at 1 January	6.489	6.103
Cash and cash equivalents at 31 December	3.475	6.489

To allow the comparison of the Statement of Cash Flows at 31 December 2018 with the statement at 31 December 2019, the amount of € 1,613 thousand was reclassified from "Increase (decrease) in non-current bank payables" to "Repayment of loans".

Trade receivables at end 2018 were impacted by the effects of the first assignment without recourse made by the Parent Company Neodecortech S.p.A.; subsequently, from March 2019, assignments without recourse referring to the receivables of a number of customers of the Parent Company were made on a continuous basis throughout the year.

The change in "payables to suppliers" includes a reclassification for "Suppliers fixed assets account" for the amount of € 1,613 thousand, with a balancing entry in “Investments in property, plant and equipment".

With regard to the change in financial fixed assets, on 17 October 2019, Cartiere di Guarcino S.p.A. sold its investment in CDG International Corp. to Finanziaria Valentini S.p.A. for € 2,501,370.43, recording a loss partly covered through the provision for risks of € 491,397.97 set up for such purpose and booking the residual loss of € 90,239.79 to the income statement. Consideration from the sale was collected on 13 December 2019.

With regard to financial liabilities to other lenders, the subsidiary Bio Energia Guarcino made payments to leasing companies for approximately € 2,000 thousand in 2019.

Changes in equity include the payment of dividends in the amount of € 0.156 per share and the purchase of treasury shares.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2019

CONSOLIDATED FIGURES 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 PERIOD	EQUITY	EQUITY NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 31/12/2018	**28**	16.203	(281)	17.357	19.389	(94)	6.030	58.604	-	58.604
Other items of the comprehensive income statement		-	(28)	-	(172)	-	-	(200)	-	(200)
Profit for the period		-	-	-	-	-	3.961	3.961	-	3.961
Total comprehensive income/loss for the period		**-**	**(28)**	**-**	**(172)**	**-**	**3.961**	**3.761**	**-**	**3.761**
Dividend distribution					(2.001)			(2.001)	-	(2.001)
Allocation of prior year's profit (loss)					6.030		(6.030)	-	-	-
Other changes			137		973	(197)		913	-	913
Balance at 31/12/2019	**28**	**16.203**	**(172)**	**17.357**	**24.219**	**(291)**	**3.961**	**61.277**	**-**	**61.277**

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EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ENTITY DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Group 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 publication of these consolidated financial statements was authorized by the Directors on 31 January 2020; they will be submitted to the Shareholders' Meeting for approval and subsequent filing, within the time limits of law. The Shareholders' Meeting is empowered to make changes to these Consolidated Financial Statements.

BDO Italia S.p.A. is in charge of auditing the accounts.

In the preparation of these consolidated financial statements, the same accounting standards and valuation criteria as those adopted in the preparation of the consolidated financial statements at 31 December 2018 were used, supplemented by the information in the section "Accounting standards, amendments and interpretations applied as from 1 January 2019" (with particular regard to IFRS 16, which came into force on 1 January 2019). The first-time adoption of IFRS 16 led to changes in opening equity, with no need for restatement, as allowed by the provisions of the standard with regard to the year of first-time adoption.

2. SCOPE OF CONSOLIDATION

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

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

The scope of consolidation for the year ended 31 December 2018 is as follows:

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

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

The scope of consolidation for the year ended 31 December 2019 is as follows:

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

* Controlled indirectly through Cartiere 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 Consolidated Financial Statements for the year ended 31 December 2019 have been prepared in accordance with the international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), and with the interpretations issued by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), acknowledged in the European Union pursuant to European Regulation (EC) no. 1606/2002 of 19 July 2002 and in force at the end of the year (all the above standards and interpretations are hereinafter referred to as "IAS-IFRS"). Specifically, it should be noted that the Company and the Group have made use of the option under Legislative Decree no. 38 of 28 February 2005, which governs the exercise of the options provided for by European Regulation no. 1606/2002 on international accounting standards. In particular, pursuant to Articles

3 and 4 of the above Legislative Decree, the Company and the Group have applied IAS-IFRS for the preparation of the statutory and consolidated financial statements, respectively, as from the year ended 31 December 2017.

It should additionally be noted that these consolidated financial statements have been prepared on the basis of the best knowledge of the IAS-IFRS standards and taking account of the relevant best practices; any future guidance and new interpretations will be reflected in coming years, in accordance with the manners laid down from time to time by the relevant accounting standards.

The consolidated financial statements have been prepared on a going concern basis, in accordance with paragraphs 24 and 25 of IAS 1, as the Directors have assessed the absence of financial, management, operating or other indicators that may cast significant doubts on the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

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 fair presentation of the Group'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 fair presentation of the Group's operating performance.

The Financial Statements are formed as follows:

Statement of Financial Position

The presentation of the statement 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 Group.
- 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.

The form chosen complies with internal reporting and business management methods, is in line with international practice and is therefore deemed to be more representative than the presentation by function, providing more reliable and relevant information for the industry in question.

Comprehensive Income Statement

The Statement of Other Comprehensive Income includes the changes that occurred during the year, generated by transactions other than those with the shareholders and based on specific IAS-IFRS standards. Changes in "other consolidated comprehensive gains (losses)" are shown separately from the related tax effects.

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 2019, reference should be made to the Directors' Report on Operations of the Consolidated Financial Statements.

Statement of changes in equity

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

- Allocation of Group profit for the period to non-controlling interests.
- Amount relating to transactions with owners (purchase and sale of treasury shares).
- Each item of profit and loss net of any tax effects which, as required by IAS-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.

The consolidated financial report is also accompanied by the Directors' Report on Operations, which supplements the consolidated financial statements

The Group's functional currency is the Euro, the basis for the presentation of the consolidated financial statements, which is the currency of the main country of operation of the Group; the consolidated financial statements and all amounts included in the tables in the Explanatory Notes, unless otherwise indicated, are expressed in thousands of Euro.

The consolidated financial statements have been prepared by applying the historical cost method, taking account of value adjustments where appropriate, with the exception of those items which, according to IAS-IFRS, must be recognized at fair value, as indicated in the valuation criteria and except where IAS-IFRS allow a different valuation criterion and such alternative criterion to cost has been adopted.

There are no events reported after year end that change conditions already existing at the balance sheet date or require changes in the amounts of assets and liabilities and in the result at year end.

4. USE OF ESTIMATES AND MEASUREMENTS

The preparation of the financial statements and the notes thereto, in application of the IAS-IFRS, requires Management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosures on contingent assets and liabilities as of the reporting date, as well as the amount of revenue and costs in the reporting period presented. 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.

To provide a better understanding of the Consolidated Financial Statements, the following are the most significant estimates adopted in the process of preparing the Consolidated Financial Statements, as they involve a high level of subjective judgments, assumptions and estimates relating to issues that are by their nature uncertain. Changes in the conditions underlying the judgments and assumptions made could have a material impact on subsequent results

- *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 - whose recovery in future years is considered highly probable - 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;
- *Impairment of intangible and tangible assets with finite useful life:* these assets undergo an impairment test to ascertain whether there has been an impairment, which must be recognized by means of a write-down, when there are indications of a difficulty in recovering the related net book value through use. Ascertainment of the existence of the above indicators requires the Directors to make subjective assessments based on information available within the Group and from the market, as well as statistics. Additionally, if it is determined that a potential impairment may have occurred, the Group

determines it using appropriate measurement techniques. The proper identification of the elements pointing to the existence of a potential impairment, as well as the estimates used to determine them, depend on factors that may change over time and that are subject to uncertainties and the use of estimates (growth rates, rates of return on assets, and financial projections affected by external, non-controllable variables) that affect the valuations and estimates made by the Directors;

- *Measurement of intangible and tangible assets with finite useful life:* tangible and intangible assets with finite useful life are depreciated/amortized over the estimated useful life of the related assets. The useful life of the assets is determined by the Directors at the time the asset is acquired; it is based on historical experience for similar fixed assets, market conditions and anticipations of future events that could have an impact on the useful life. Therefore, the actual useful life may differ from the estimated useful life. The Group regularly assesses technological and industry changes to update the remaining useful life. This regular update could lead to a change in the amortization/depreciation period and therefore also in the amortization/depreciation charge for future years;

- *Pension plans:* the present value of the liability for pension benefits 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:* the Group is subject to legal and tax lawsuits that may arise from complex and difficult issues, which are subject to a varying degree of uncertainty, including facts and circumstances underlying each case, jurisdiction and different applicable laws. Given the uncertainties underlying these issues, it is difficult to accurately predict the outlay that could arise from such disputes. Accordingly, after hearing the opinion of their legal and tax advisors and experts, the Directors recognize a liability from such disputes when they consider it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. This estimate implies the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects over the current estimates made by the Directors in preparing the Group's consolidated financial statements. Demonstration of such estimation uncertainty is represented by the significant impacts recognized in the 2018 financial statements, as a result of the positive settlement of judgments subject to significant uncertainty in their outcome;

- *Determination of fair value:* the fair value of certain financial assets that are not listed on active markets is determined using measurement techniques. The Group uses measurement techniques that use inputs that are directly or indirectly observable in the market at year end, related to the assets being measured. While the estimates of the abovementioned fair values are deemed reasonable, possible changes in the estimation factors on which the calculation of these values is based may produce different valuations.

5. ACCOUNTING STANDARDS ADOPTED

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

Consolidation methods

The consolidated financial statements at 31 December 2019 include the financial statements of the Parent Company Neodecortech S.p.A. and its subsidiaries.

Control can be exercised either by virtue of the direct or indirect ownership of the majority of voting rights, or as a result of the right to receive variable returns from the investments, affecting such returns and exercising one's power over the company, regardless of any equity relationships. The existence of potential voting rights exercisable at the balance sheet date is considered for the purposes of determining control.

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 - prepared and approved by the governing bodies of the individual entities - are appropriately reclassified and adjusted in order to bring them into line with the accounting standards and valuation criteria of the Parent Company. 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 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 2019 and 31 December 2018 for the translation of income statement and balance sheet items denominated in foreign currencies (source: www.bancaditalia.it)

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

Business combinations

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

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

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

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

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

With regard to transactions between entities subject to common control ("Business combinations under common control"), which fall outside the scope of application of IFRS 3 and are not regulated by other IFRS accounting standards, in Neodecortech

S.p.A., in the absence of such rules, these transactions are recognized taking account of the provisions of IAS 8, i.e. the concept of reliable and faithful presentation of the transaction and the provisions of OPI 1 (Assirevi's preliminary IFRS guidelines).

Accounting standards, amendments and IFRS interpretations applied from 1° January 2019

The following accounting standards, amendments and IFRS interpretations have been applied by the Group for the first time as from 1 January 2019:

- On 13 January 2016, IASB published IFRS 16 – *Leases*, which will replace IAS 17 – *Leases*, and the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  The standard provides a new definition of lease and introduces a criterion based on the notion of control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the right to control the use of the asset underlying the contract.

  The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. Conversely, the standard introduces no material changes for the lessor.

  The Company has chosen to apply the standard retrospectively, but has recognized the cumulative effect of applying the standard in equity at 1 January 2019 (without changing the comparative figures for 2018), in accordance with paragraphs IFRS 16:C7-C13. In particular, the Group recorded, with regard to the lease contracts previously classified as operating:

  a) a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;

  b) a right of use equal to the amount of the financial liability at the transition date, net of any accrued income and prepaid expense relating to the lease and recorded in the statement of financial position at the balance sheet date of these consolidated financial statements.

It should be noted that the weighted average incremental borrowing rate applied to financial liabilities recognized at 1 January 2019 was 2.086%.

In adopting IFRS 16, the Group made use of the exemption granted by paragraph IFRS 16:5(a) concerning short-term leases for the "plant and machinery" asset class of the subsidiary Bio Energia Guarcino S.r.l..

Likewise, the Group made use of the exemption granted by IFRS 16:5(b) concerning lease contracts for which the underlying asset is a low-value asset (i.e. the assets underlying the lease contract do not exceed € 5,000 when new). The contracts for which exemption has been applied fall mainly within the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices.

For such contracts, the introduction of IFRS 16 implied the recognition of the financial liability of the lease and the relating right of use, but lease payments are recognized in the income statement on a straight-line basis for the duration of the respective contracts.

With regard to the lease term, the Company has reviewed all the lease contracts, defining the lease term for each one, given by the "not cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was considered reasonably certain. Specifically, in the case of properties, the analysis took into account the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly company cars, the Company generally considered it unlikely that any extension or early termination clauses would be exercised given the Group's customary practice.

- On 12 December 2017, the IASB published "*Annual Improvements to IFRSs: 2015-2017 Cycle*", adopting the amendments to the standards in the context of the annual process for their improvement. The main amendments regard:

  - IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business that is a joint operation, it must re-measure previously held interests in that business. This process is not provided for when joint control is obtained.

- IAS 12 *Income Taxes*: the amendment clarifies that all the tax effects from dividends (including payments on financial instruments classified as equity) must be recognized consistently with the transaction that generated those profits (profit or loss, OCI or equity).
- IAS 23 *Borrowing costs*: the amendment clarifies that borrowings that remain outstanding even after the related qualifying asset is ready for use or sale should be calculated as part of the borrowing costs.

The adoption of this amendment had no impact on the Group's consolidated financial statements.

- On 7 February 2018, the IASB published *"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"*. The document clarifies how an entity should recognize a curtailment or settlement of a defined benefit plan. The amendments require an entity to update its assumptions and re-measure the net liability or asset arising from the plan. The amendments clarify that after such an event, an entity should use updated assumptions to measure current service cost and interest for the remainder of the reporting period following the event. The adoption of this amendment had no impact on the Group's consolidated financial statements.
- On 12 October 2017, the IASB published "*Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*". The document clarifies the need to apply IFRS 9, including the requirements on impairment, to other long-term interests in an associate or joint venture to which the equity method is not applied. The adoption of this amendment had no impact on the Group's consolidated financial statements.
- On 7 June 2017, the IASB published the interpretation *"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"*. The interpretation addresses the issue of uncertainty over income tax treatments. Specifically, the Interpretation requires an entity to analyze uncertain tax treatments (separately or as a whole, depending on their characteristics), on the assumption that the taxation authorities will examine the amounts in question, with full knowledge of all relating information. If the entity concludes that it is not probable that the taxation authority will accept the tax treatment used, the entity shall reflect the effect of the uncertainty in measuring its current and deferred income tax. Additionally, the document does not provide for any new disclosure requirements, stressing however that the entity should need to determine whether it will be necessary to provide disclosure on the Management's considerations on uncertainty from the accounting of tax, in accordance with IAS 1.

  The new interpretation has been applied as from 1 January 2019. The adoption of this amendment had no impact on the Group's consolidated financial statements.
- On 12 October 2017, the IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation". The document specifies that prepayable instruments may meet the Solely Payments of Principal and Interest ("SPPI") test, even if the reasonable additional compensation to be paid in the event of prepayment is a negative compensation for the lender. The adoption of this amendment had no impact on the Group's consolidated financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet applicable on a compulsory basis and not adopted in advance by the Company at 31 December 2019

- On 31 October 2018, the IASB published *"Definition of Material (Amendments to IAS 1 and IAS 8)"*. The document introduced a change in the definition of 'material' contained in IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of 'material' more specific and introduces the concept of 'obscured information' alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is “obscured” if it is provided in such a way as to produce for general users of financial statements an effect similar to that which would be produced if such information had been omitted or misstated.

  The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020.

  The Directors do not expect any significant impact on the Group's consolidated financial statements from the adoption of this amendment.
- On 29 March 2018, the IASB published an amendment to the "*References to the Conceptual Framework in IFRS Standards*”. The amendment is effective for periods beginning on or after 1 January 2020, but early application is allowed.

  The Conceptual Framework sets out the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework assists companies in developing accounting standards when no IFRS standard applies to a particular transaction and, more broadly, helps stakeholders to understand and interpret the Standards.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and the standards described below.

- On 26 September 2019, the IASB published the amendment "***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***". The amendment changes the new and old standards for financial instruments, IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*. The amendment changes some hedge accounting requirements in order to provide relief from the impact arising from the uncertainty brought by the IBOR reform. Additionally, the amendment requires companies to provide investors with additional information about their hedging relationships which are directly affected by these uncertainties.

  The Board followed a phased response to the reform of interest-rate benchmarks. Phase 1 focuses on the accounting effects of uncertainty in the period leading up to the reform. Phase 2, on which the Board has begun work, considers the potential consequences on the financial statements of replacing an existing benchmark with an alternative. The amendments come into force on 1 January 2020, but companies may opt for early application. Given that this amendment will be applied as from 1 January 2020, any effects will be recorded in the consolidated financial statements closed after that date.

- On 22 October 2018, the IASB published ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides a number of clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes needed to create an output.

  The amendment also introduced a concentration test, optional for the entity, to determine whether a set of activities/processes and assets purchased is not a business. If the test is successful, the set of activities/processes and assets purchased is not a business and the standard does not require further testing. If the test fails, the entity must carry out further analysis of the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added a number of explanatory examples to IFRS 3 in order to provide a clear picture of the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed.

  Given that this amendment will be applied to new acquisition transactions that will be concluded as from 1 January 2020, any effects will be recorded in the consolidated financial statements closed after that date.

- On 18 May 2017, the IASB issued **IFRS 17 – *Insurance Contracts***, intended to supersede IFRS 4 - *Insurance Contracts*.

  The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts issued. The IASB developed the standard to eliminate the inconsistencies and weaknesses of the existing accounting standards, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts, that an insurer holds.

  The new standard also sets out reporting and disclosure requirements in order to improve comparability between entities from the same sector.

  The new standard measures an insurance contract based on a General Model or a simplified version, called the Premium Allocation Approach ("PAA").

  The main features of the General Model are:

  - estimates and assumptions of future cash flows always refer to the current portion;
  - the measurement reflects the time value of money;
  - estimates involve extensive use of observable market information;
  - there is a current and explicit measurement of risk;

  - o the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and,
  - o the expected profit is recognized in the contractual coverage period, taking account of the adjustments resulting from changes in the cash flow assumptions relating to each group of contracts.

  The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects the liability to reasonably reflect an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications from application of the PAA method do not apply to the valuation of liabilities for outstanding claims, which are measured using the General Model. However, there is no need to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year of the date on which the claim occurred.

  The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

  The standard is effective as of 1 January 2021; early adoption is allowed only for those entities that adopt IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The Directors do not expect any significant impact on the Group's consolidated financial statements from the adoption of this standard.

- On 30 January 2014, the IASB published the standard ***IFRS 14 - Regulatory Deferral Accounts***, which permits only first-time adopters of IFRS to continue to account for rate regulated activities in accordance with the previous accounting standards used. As the Group is not a first-time adopter, the standard is not applicable.

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 costs and financial 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 fixed 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. Below are the rates applied for each category.

Category	Rates % Neodecortech	Rates % Cartiere di Guarcino	Rates % Bio Energia Guarcino
Industrial buildings	2%	2.5%	4%
Light constructions	10%		
Temporary and kindred constructions	10%		
Plant and equipment	9%	5.5%	
Purification plants	12%	7.5%	
Miscellaneous production equipment / laboratory	30%		
Production equipment (printing cylinders)	20%		
Furniture and ordinary office equipment	12%	8.5%	12%
Electronic office equipment	20%	14%	
Internal means of transport	16%	14%	10%
Cars and motorcycles	25%	17.5%	
Laboratory workshop maintenance		17.5%	
General plant		4.5%	15%
General equipment		6.5%	
Communications systems			20%
Weighing plant			15%
Firefighting Water System			15%
Dewatering plant			15%
Steam production plant			15%
Measurement and control system			10%
Industrial equipment			10%
Workshop and equipment			10%

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 has sufficient resources to complete its development and to use or sell the asset.

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

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

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

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

Category	Rates % Neodecortech	Rates % Cartiere di Guarcino	Rates % Bio Energia Guarcino
Patents and use of intellectual property	20%		
Other intangible fixed assets	20%	20%	20%

Intangible fixed 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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition

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

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

Impairment of financial assets

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

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

Investments in associates and other companies

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

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

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

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

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

Financial liabilities

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

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

Loans and receivables

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

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

Derecognition

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

Derivative financial instruments

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

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

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

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

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

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

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

Cash flow hedges

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

Fair value hedges

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

Inventory

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

Cash and cash equivalents

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

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

Treasury shares

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

Dividends

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

Provisions for risks and charges

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

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

Employee benefits

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

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

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

Share-based payments (Stock Grants)

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

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

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

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

Recognition of revenue and costs

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

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

- <u>*Provision of services*</u> - Revenue from service activities is recognized with regard to the service provided.
- <u>*Sale of goods*</u> - Revenue is recognized when the company has transferred to the buyer all the significant risks and rewards of ownership of the good.
- <u>*Interest*</u> - 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.r.l.. In this context, pursuant to Articles 117 et seq. of Presidential Decree 917/86, IRES is determined at an overall level by offsetting the positive and negative taxable amounts of the above companies.

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

Transactions denominated in foreign currencies

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

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

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

Earnings/(loss) per share

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

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ASSETS

6. INTANGIBLE ASSETS

(Euro thousands)	Intangible fixed assets					
	Balance at 31.12.2018	Acquisitions	Disposals	Amortization	Reval./Impairm.	Other changes	Balance at 31.12.2019
Other intangible fixed assets	3.182	283		(913)		269	2.820
Fixed assets under construction and advances	269	85	-	-	-	(269)	85
TOTAL	**3.451**	**368**	**-**	**(913)**	**-**	**-**	**2.905**

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

7. PROPERTY, PLANT AND EQUIPMENT

The table below provides details of tangible fixed assets in 2019.

It should be noted that the amounts in the table below include both assets under construction, allocated to the pertaining category, and the rights of use arising from existing lease and rental contracts under IFRS 16.

(Euro thousands)	Property, plant and equipment					
	Historical cost 31.12.2018*	Depreciation provision 31.12.2018	NBV at 31.12.2018	Historical cost 31.12.2019	Depreciation provision 31.12.2019	NBV at 31.12.2019
Land	12.082	-	12.082	12.082	-	12.082
Buildings	24.552	(5.754)	18.798	25.559	(6.448)	19.111
Work on third party assets	6.956	(2.849)	4.107	8.308	(3.993)	4.315
Plant and machinery	104.178	(66.970)	37.208	108.678	(69.501)	39.177
Equipment	19.242	(16.185)	3.057	20.408	(17.334)	3.074
Other	5.220	(3.797)	1.423	5.210	(4.098)	1.111
TOTAL	**172.229**	**(95.555)**	**76.675**	**180.246**	**(101.375)**	**78.871**

(*) amount including revaluation

Below is a breakdown of assets under construction by category.

PPE under construction and advances		
(Euro thousands)	Amount at 31.12.2019	Amount at 31.12.2018
Land		
Buildings	123	
Work on third party assets		
Plant and machinery	3.535	853
Equipment	24	
Other		100
TOTAL	**3.682**	**953**

Changes in assets and the related provision are shown below, including both assets under construction allocated to the pertaining categories and rights of use.

(Euro thousands)	Property, plant and equipment					
	Historical cost 31.12.2018	Reval./Impairm.	Acquisitions	Disposals	Other	Historical cost 31.12.2019
Land	12.082	-	-	-	-	12.082
Buildings	14.604	9.948	1.007	- 0,58	-	25.559
Work on third party assets	6.956	-	1.353	-	-	8.308
Plant and machinery	104.147	31	6.036	(1.954)	418	108.678
Equipment	19.242	0	1.166	-	-	20.408
Other	5.219	1	437	(29)	(418)	5.210
TOTAL	**162.249**	**9.980**	**10.000**	**(1.983)**	**-**	**180.246**

(Euro thousands)	Depreciation provision 31.12.2018	Reval./Impairm. (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 31.12.2019
Land	-	-	-	-	-	-
Buildings	(5.754)	-	(695)	0,26	-	(6.448)
Work on third party assets	(2.849)	-	(1.145)	-	-	(3.993)
Plant and machinery	(66.970)	-	(4.452)	1.921	-	(69.501)
Equipment	(16.185)	-	(1.149)	-	-	(17.334)
Other	(3.797)	-	(330)	29	-	(4.098)
TOTAL	**(95.555)**	**-**	**(7.771)**	**1.950**	**-**	**(101.375)**

Printed Decorative Paper Division

In 2019, the main expenditure was made in the purchase of printing cylinders, the revamping of certain machinery, and the purchase of plant required for the making of new products.

Decorative Paper Division

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

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

Energy Division

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

IFRS 16

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

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

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

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

- property
- plant
- cars.
- With regard to the options and exemptions envisaged by IFRS 16, the Group has made the following choices:

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

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

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

(Euro thousands)	Historical cost 31.12.2019	Rights of Use provision 31.12.2019	NBV at 31.12.2019
Buildings	501	(109)	393
Plant and machinery	75	(44)	31
Other	167	(60)	106
TOTAL	743	(213)	531

The movements are shown below.

(Euro thousands) Rights of Use	Historical cost 31.12.2018	Reval./Impairm. (prior years)	First-time adoption	Disposals	Other changes	Historical cost 31.12.2019
Buildings	-	-	501	-	-	501
Plant and machinery	-	-	75	-	-	75
Other	-	-	167	-	-	167
	-	-		-	-	
TOTAL	-	-	743	-	-	743

(Euro thousands)	Depreciation provision 31.12.2018	Reval./Impairm. (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 31.12.2019
Buildings	-	-	(109)	-	-	(109)
Plant and machinery	-	-	(44)	-	-	(44)
Other	-	-	(60)	-	-	(60)
	-	-		-	-	
TOTAL	-	-	(213)	-	-	(213)

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

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

(Euro thousands)	Financial liabilities		
	Balance at 01 January 2019	Payments	Balance at 31 December 2019
Buildings	501	109	393
Plant and machinery	75	44	31
Other	167	60	106
TOTAL	**743**	**213**	**531**

The amount of € 531 thousand represents the financial commitment under IFRS 16 for existing Leases and Rentals in the Neodecortech Group.

8. OTHER NON-CURRENT ASSETS

(Euro thousands)	Non-current assets					
	31 December 2019	%	31 December 2018	%	Change	% change
Other non-current receivables (security deposits)	113	100,0	37	100,0	76	204,2
Total non-current assets	**113**	**100,0**	**37**	**100,0**	**76**	**204,2**

“Other non-current assets" at 31 December 2019, amounting to € 113 thousand, includes € 112 thousand in security deposits. The increase of € 76 thousand versus 31 December 2018 is attributable to a security deposit made by the subsidiary Bio Energia Guarcino with the Customs Agency.

9. NON-CURRENT FINANCIAL RECEIVABLES

(Euro thousands)	Non-current financial receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
Non-current financial receivable	1.853	100,0	1.661	100,0	192	11,6
Total non-current financial receivables	**1.853**	**100,0**	**1.661**	**100,0**	**192**	**11,6**

“Non-current financial receivables" at 31 December 2019, amounting to € 1,853 thousand, includes the interest-bearing financial receivable from Andreotti S.p.A. of € 1,249 thousand (also present at 31 December 2018 for the amount of € 1,217 thousand), comprising principal and accrued interest. Reference should be made to the section on “non-current financial liabilities” for a description of this item.

The increase in the balance of non-current financial receivables of € 192 thousand is attributable for the most part to the non-current portion of a new financial receivable of € 160 thousand due to the Parent Company from the related party Valinvest.

This item also includes, at 31 December 2019 and 31 December 2018, a receivable of € 444 thousand due to the subsidiary Cartiere di Guarcino S.p.A. from the related party ISFRE.

10. DEFERRED TAX ASSETS

	Deferred tax assets			
(Euro thousands)	31 December 2019	31 December 2018	Change	% change
Directors' remuneration approved and not paid	4	23	(19)	(82,6)
Provisions for write-downs and risks	13	7	6	85,7
Tax recovery on adjustment of start-up and expansion	29	39	(10)	(25,6)
Tax recovery on adjustment of plant and machinery de	255	299	(44)	(14,7)
Deferred tax on derivative contracts	93	65	28	43,1
Deferred tax on employee benefits	95	41	54	131,7
Tax recovery on adjustment of research expense	64	96	(32)	(33,3)
Tax loss carryforward (BEG)	1.536	1.538		-
Other	70	128	(58)	(45,3)
Deferred tax assets	**2.159**	**2.236**	**(77)**	**(3,4)**

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 € 2,160 thousand include € 1,536 thousand for prior-years' tax losses of the subsidiary Bio Energia Guarcino S.r.l., and the residual portion attributable mainly to the tax changes applied on the amounts recognized in the financial statements in application of IAS/IFRS accounting standards.

11. OTHER FINANCIAL ASSETS

	Other financial assets					
(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
Other financial assets	-	-	2.199	100,0	(2.199)	(100,0)
Total other financial assets	**-**	**-**	**2.199**	**100,0**	**(2.199)**	**(100,0)**

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

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

On 27 October 2019, these financial products were sold to Finanziaria Valentini S.p.A. for a total of € 2,502 thousand, as they include premiums paid up to 27 October 2019. The related receivable was collected by Cartiere di Guarcino S.p.A. in November 2019.

12. INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

(Euro thousands)	Inventory					
	31 December 2019	%	31 December 2018	%	Change	% change
Raw and ancillary materials and consumables	19.239	49,2	19.480	54,2	(241)	(1,2)
Work in progress	221	0,6	119	0,3	103	86,7
Finished products	17.577	44,9	16.320	45,4	1.257	7,7
Advances	2.077	5,3	30	0,1	2.047	6.925,6
Total inventory	**39.114**	**100,0**	**35.948**	**100,0**	**3.166**	**8,8**

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; mention should be made that the amount at 31 December 2019 is higher than the amount at 31 December 2018, due mainly to the advance payments of bioliquids purchased by Bio Energia Guarcino S.r.l..

13. TRADE RECEIVABLES

(Euro thousands)	Trade receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
Trade receivables	19.501	101,4	24.308	101,1	(4.806)	(19,8)
Provision for doubtful accounts	(262)	(1,4)	(255)	(1,1)	(7)	2,9
Total trade receivables	**19.239**	**100,0**	**24.052**	**100,0**	**(4.813)**	**(20,0)**

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

14. RECEIVABLES FOR TAX CONSOLIDATION

(Euro thousands)	Receivables from tax consolidation					
	31 December 2019	%	31 December 2018	%	Change	% change
Receivables from tax consolidation	918	100,0	746	100,0	172	23,1
Total receivables from tax consolidation	**918**	**100,0**	**746**	**100,0**	**172**	**23,1**

This item refers to the receivable of the subsidiary Bio Energia Guarcino S.r.l. Reference should be made to the section "Income Tax" on page 59 of the Notes to the Financial Statements.

15. TAX RECEIVABLES

(Euro thousands)	Tax receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
VAT	2.427	96,9	1.551	104,1	876	56,5
IRAP	75	3,0	-	-	75	-
Withholdings a/c	(1)	0,0	(62)	(4,2)	62	(98,9)
Other tax receivables	5	0,2	2	0,1	3	170,4
Total tax receivables	**2.506**	**100,0**	**1.490**	**100,0**	**1.016**	**68,2**

The table above shows an increase in VAT receivables of € 1,016 thousand at 31 December 2019 versus 31 December 2018, attributable mainly to the subsidiary Bio Energia Guarcino S.r.l. as a result of the reverse-charge transactions carried out and to Neodecortech S.p.A. as usual exporter.

16. CURRENT FINANCIAL RECEIVABLES

(Euro thousands)	Current financial receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
Current financial receivables	63	100,0	-	-	63	-
Total current financial receivables	**63**	**100,0**	**-**	**-**	**63**	**-**

The change of € 63 thousand refers to the current portion of a loan granted to the related company Valinvest S.r.l. for extraordinary maintenance at the Casoli di Atri plant (formerly CorbettaFia S.r.l.). For the long-term portion of the receivable, see "Non-current financial receivables".

17. OTHER CURRENT RECEIVABLES

(Euro thousands)	Other current receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
Receivables for advance costs	12	0,7	10	0,3	2	18,0
Advances to suppliers	3	0,2	3	0,1	0,36	13,91
Prepayments and accrued income	801	42,8	1.739	49,3	(938)	(53,9)
Other	1.054	56,4	1.772	50,3	(719)	(40,5)
Total current receivables	**1.870**	**100,0**	**3.524**	**100,0**	**(1.654)**	**(46,9)**

"Other" includes receivables from social security institutions and GSE.

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18. CASH AND CASH EQUIVALENTS

	Cash and cash equivalents					
(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
Bank and post office deposits	3.468	99,8	6.470	99,7	(3.002)	(46,4)
Cash and valuables on hand	7	0,2	19	0,3	(12)	(61,4)
Total cash and cash equivalents	**3.475**	**100,0**	**6.489**	**100,0**	**(3.014)**	**(46,4)**

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

LIABILITIES

19. PROVISIONS FOR RISKS AND CHARGES

(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
	Provisions for risks and charges					
Provisions for risks and charges	918	100,0	725	100,0	193	26,7
Total provisions for risks and charges	**918**	**100,0**	**725**	**100,0**	**193**	**26,7**

At 31 December 2019, the provision for risks and charges amounted to € 918 thousand: € 435 thousand refer to a provision relating to the ISFRE shareholding held by Cartiere del Guarcino S.p.A. for both 2019 and 2018. Additionally, there is a reclassification from financial payables to other lenders to the above provision for risks, relating to the recognition of the fair value of the derivative for an amount of € 386 thousand in 2019 and € 269 thousand in 2018, in addition to € 75 thousand relating to the subsidiary Bio Energia Guarcino S.r.l., which, following the request for a Tax Roll Document from the Revenue Agency, as a result of the Due Diligence on the MTA listing, ascertained that it has an unnotified outstanding issue for such an amount.

20. DEFERRED TAX LIABILITIES

	Deferred tax liabilities			
(Euro thousands)	31 December 2019	31 December 2018	Change	% change
Deferred tax on statutory revaluations	5.403	5.441	(38)	(0,7)
Deferred tax on assets (BEG)	393	458	(65)	(14,3)
Valuation exchange gains	13	12	1	8,3
Finance lease assets	766	575	191	33,2
Other	-	1	(1)	(100,0)
Deferred tax liabilities	**6.575**	**6.487**	**88**	**1,4**

At 31 December 2019, deferred tax amounted to € 6,575 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.

21. POST-EMPLOYMENT BENEFITS

(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
	Post-employment benefits					
Post-employment benefits	2.887	100,0	2.867	100,0	20	0,7
Total post-employment benefits	**2.887**	**100,0**	**2.867**	**100,0**	**20**	**0,7**

With regard to the discounting back of the Employee Severance Indemnity, the relevant actuarial model is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to the direct experience of the Company and the Group, for others best practice has been taken into account. The technical and economic bases used are shown below.

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Below are the technical economic bases.

	31.12.2019	31.12.2018
Tasso annuo di attualizzazione	0,71%	1,54%
Tasso annuo di inflazione	1,50%	1,50%
Tasso annuo incremento TFR	2,625%	2,625%
Tasso annuo di incremento salariale	1,00%	1,00%

The table below shows the technical demographic basis.

Decesso	Tabelle di mortalità RG48 pubblicate dalla Ragioneria Generale dello Stato
Inabilità	Tavole INPS distinte per età e sesso
Pensionamento	100% al raggiungimento dei requisiti AGO adeguati al D.L. n.4/2019

Lastly, the annual turnover frequencies and severance indemnity advances.

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

22. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities

(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
MICA loans	4.855	21,1	4.741	17,0	114	0,0
BPM Mortgage Loan	9.181	39,8	10.767	38,7	(1.586)	(0,1)
Payables to shareholders	-	-	104	0,4	(104)	(1,0)
M/L loans	5.529	24,0	7.039	25,3	(1.510)	(0,2)
Lease payables	3.060	13,3	5.088	18,3	(2.028)	(0,4)
Other financial payables	427	1,9	112	0,4	315	2,8
Total non-current financial liabilities	**23.051**	**100,0**	**27.850**	**100,0**	**(4.798)**	**(0,2)**

BPM loan

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

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

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

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

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

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

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

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

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

The Company hedged the interest rate risk on the BPM Loan by subscribing an interest rate swap (IRS). The fair value of this instrument, reclassified under "Provisions for Risks and Charges" at 31 December 2019 came to a negative € 386 thousand (€ 269 thousand at 31 December 2018). The residual portion of “Derivatives Provision (IFRS 9)” refers to exchange rate derivatives of the subsidiary Cartiere di Guarcino S.p.A.

MICA Loan

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

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

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

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

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

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

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

23. TRADE PAYABLES

(Euro thousands)	Trade payables					
	31 December 2019	%	31 December 2018	%	Change	% change
Trade payables	31.333	100,0	33.176	100,0	(1.843)	(5,6)
Total trade payables	**31.333**	**100,0**	**33.176**	**100,0**	**(1.843)**	**(5,6)**

There are no trade payables due beyond 12 months.

24. PAYABLES FOR TAX CONSOLIDATION

(Euro thousands)	Payables from tax consolidation					
	31 December 2019	%	31 December 2018	%	Change	% change
Payable from tax consolidation	422	100,0	472	100,0	(50)	(10,6)
Total payables from tax consolidation	**422**	**100,0**	**472**	**100,0**	**(50)**	**(10,6)**

The payable recorded at 31 December 2019 refers to Neodecortech S.p.A. for € 267 thousand and to Cartiere di Guarcino S.p.A. for € 155 thousand. Bio Energia Guarcino has a receivable booked under "Receivables from Tax Consolidation". Reference should be made to the section "Income Tax" on page 59 of the Notes.

25. TAX PAYABLES

(Euro thousands)	Tax payables					
	31 December 2019	%	31 December 2018	%	Change	% change
VAT	0	0,0	243	17,5	(243)	(100,0)
IRAP	20	2,3	158	11,4	(138)	(87,2)
Withholdings a/c	753	85,5	660	47,6	93	14,2
Other tax payables	108	12,2	326	23,5	(218)	(66,9)
Total tax payables	**881**	**100,0**	**1.387**	**100,0**	**(506)**	**(36,5)**

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26. CURRENT FINANCIAL LIABILITIES

(Euro thousands)	Current financial liabilities					
	31 December 2019	%	31 December 2018	%	Change	% change
Current payables to banks	18.810	89,5	20.654	91,1	(1.844)	(0,1)
Payables to other lenders:	**2.213**	**10,5**	**2.027**	**8,9**	**186**	0,1
Lease payables	2.027	91,6	2.027	100,0	0	0,0
Payables to others	186	8,4	-	-	186	100,0
Total current financial liabilities	**21.023**	**100,0**	**22.682**	**100,0**	**(1.659)**	**2,9**

“Current financial liabilities" of € 21,023 thousand at 31 December 2019 includes the current principal portion of payables to banks and leasing companies, and the corresponding interest liability for the period relating to loans outstanding at the same date.

27. OTHER CURRENT PAYABLES

(Euro thousands)	Other current payables					
	31 December 2019	%	31 December 2018	%	Change	% change
Payables to social security institutions	1.362	28,9	1.265	29,7	97	7,7
Payables to employees	1.894	40,1	1.740	40,8	154	8,9
Advances received from customers	1.217	25,8	1.035	24,3	182	17,5
Other	246	5,2	202	4,7	44	21,8
Total other current payables	**4.719**	**100,0**	**4.260**	**100,0**	**459**	**10,8**

The increase in payables to employees is due mainly to the acquisition of the business unit in 2018.

28. EQUITY

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

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

The Extraordinary Shareholders' Meeting of Neodecortech S.p.A., 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 for the exercise of the subscription right of the holders of the “Neodecortech 2018-2020 Warrants” (the “Warrants”) to be issued and assigned, free of charge and without further request, to the shareholders of the Company pursuant to the resolution of the Extraordinary Shareholders' Meeting of the Company on the same date, in the ratio of 1 Warrant for each number 1 share held.

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

The maximum numbers of 13,101,500 Warrants valid for the subscription of a maximum number of 3,275,375 Conversion Shares entitles their holders to subscribe - in the manner and under the terms indicated in the relating 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 2019, the Company held 80,000 treasury shares.

On 30 April 2019, the Issuer's 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.

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CONSOLIDATED INCOME STATEMENT

31. REVENUE FROM SALES AND SERVICES

(Euro thousands)	Revenue from sales and services					
	31 December 2019	%	31 December 2018	%	Change	% change
Revenue from sales	124.959	94,0	124.283	94,9	676	0,5
Services	8.026	6,0	6.660	5,1	1.366	20,5
Total revenue from sales and services	**132.985**	**100,0**	**130.943**	**100,0**	**2.042**	**1,6**

With regard to the slight increase in turnover, reference should be made to the Directors' Report on Operations.

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

(Euro thousands)	Change in inventory					
	31 December 2019	%	31 December 2018	%	Change	% change
Change in inventory	1.359	100,0	275	100,0	1.084	394,2
Total change in inventory	**1.359**	**100,0**	**275**	**100,0**	**1.084**	**394,2**

33. OTHER REVENUE

(Euro thousands)	Other revenue					
	31 December 2019	%	31 December 2018	%	Change	% change
Contingent assets	369	12,8	164	6,3	205	125,0
Gains	239	8,3	-	-	239	0,0
Insurance reimbursements	1.438	50,1	1.096	42,1	342	31,2
Capitalization of work on time and materials basis	-	-	409	15,7	(409)	(100,0)
Exchange rate gains	77	2,7	266	10,2	(188)	(70,9)
Other revenue	749	26,1	667	25,6	83	12,4
Total other revenue	**2.873**	**100,0**	**2.601**	**100,0**	**272**	**10,4**

Other revenue, amounting to € 2,873 thousand at 31 December 2019 versus € 2,601 thousand at 31 December 2018, consists mainly in the insurance refund for the amount of € 1,438 thousand collected by the subsidiary Cartiere di Guarcino and due to the company for a weather incident that took place in February 2019.

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34. RAW AND ANCILLARY MATERIALS AND CONSUMABLES

(Euro thousands)	Raw and ancillary materials and consumables					
	31 December 2019	%	31 December 2018	%	Change	% change
Raw and ancillary materials and consumables	76.156	98,3	76.026	98,5	130	0,2
Packaging materials	1.345	1,7	1.168	1,5	177	15,2
Total raw materials	**77.501**	**100,0**	**77.194**	**100,0**	**307**	**0,4**

With regard to the slight increase of € 307 thousand in “Raw and ancillary materials and consumables", reference should be made to the information provided in the section “Breakdown of raw material consumption by division" in the Directors’ Report on Operations.

35. PERSONNEL EXPENSE

(Euro thousands)	Personnel expense					
	31 December 2019	%	31 December 2018	%	Change	% change
Wages and salaries	14.114	68,1	12.210	67,9	1.904	15,6
Social security charges	4.562	22,0	3.989	22,2	573	14,4
Post-employment benefits	854	4,1	849	4,7	5	0,6
Other personnel expense	1.194	5,8	932	5,2	262	28,1
Total personnel expense	**20.724**	**100,0**	**17.980**	**100,0**	**2.744**	**15,3**

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

36. AMORTIZATION, DEPRECIATION AND PROVISIONS

(Euro thousands)	Amortization, depreciation, and provisions					
	31 December 2019	%	31 December 2018	%	Change	% change
Other intangible assets	913	10,4	690	9,6	223	32,3
Buildings	695	7,9	578	8,1	117	20,2
Work on third party assets	1.145	13,1	815	11,4	330	40,5
Plant and machinery	4.451	50,8	3.800	53,1	651	17,1
Equipment	1.149	13,1	1.038	14,5	111	10,7
Other	336	3,8	236	3,3	100	42,4
Other provisions for risks	77	0,9	-	-	77	-
Total amortization, depreciation and provisions	**8.766**	**100,0**	**7.157**	**100,0**	**1.609**	**22,5**

“Amortization and depreciation" at 31 December 2019 was higher than the amount recorded at the same date of 2018, as a result of the amortization and depreciation resulting from the acquisition of CorbettaFia S.r.l. on 1 September 2018, amounting to € 219 thousand, and to the higher investments made by the Group in 2019, as already detailed in the Directors' Report on Operations. With regard to the allocation to the provisions for risks, reference should be made to the section "Provisions for risks and charges" in the Statement of Financial Position in these Notes.

37. OTHER OPERATING EXPENSE

(Euro thousands)	Other operating expense					
	31 December 2019	%	31 December 2018	%	Change	% change
External processing	30	0,1	65	0,3	(35)	(53,8)
Consultancy	2.696	11,7	2.301	11,0	395	17,2
Advertising and marketing	471	2,0	230	1,1	241	104,8
Bonuses and commissions	1.197	5,2	1.195	5,7	2	0,2
Transport	3.529	15,3	3.094	14,8	435	14,1
Utilities	4.771	20,7	4.470	21,4	301	6,7
Remuneration of Directors and Statutory Auditors	428	1,9	580	2,8	(152)	(26,2)
Insurance	1.180	5,1	979	4,7	201	20,5
Bank commissions	424	1,8	282	1,3	142	50,4
Reimbursements to employees	27	0,1	24	0,1	3	12,5
Travel expense	188	0,8	160	0,8	28	17,5
Sundry industrial services	3.905	16,9	3.509	16,8	396	11,3
Other services	2.156	9,3	2.145	10,3	11	0,5
Rental expense	28	0,1	42	0,2	(14)	(33,3)
Rentals and other	279	1,2	385	1,8	(106)	(27,5)
Tax and duties	872	3,8	807	3,9	65	8,1
Gifts	11	0,0	3			
Contingent liabilities	677	2,9	373	1,8	304	81,5
Exchange rate losses	55	0,2	65	0,3	(10)	(15,4)
Other operating expense	116	0,5	103	0,5	13	12,6
Write-down of current receivables	57	0,2	91	0,4	(34)	(37,4)
Total other operating expense	**23.097**	**100,0**	**20.903**	**100,0**	**2.194**	**10,5**

"Other operating expense" amounted to € 23,097 thousand at 31 December 2019 versus € 20,903 thousand at 31 December 2018. For the changes recorded, reference should be made to the individual Business Units in the Directors' Report on Operations.

38. FINANCIAL INCOME

(Euro thousands)	Financial income					
	31 December 2019	%	31 December 2018	%	Change	% change
Interest income	67	176,3	37	24,0	30,0	81,1
Financial discounts receivable	-	0,0	174	113,0	(174,0)	0,0
Exchange differences	- 29	(76,3)	(57)	(37,0)	28,0	(49,1)
Total financial income	**38**	**100,0**	**154**	**100,0**	**(116)**	**(75,3)**

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

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39. FINANCIAL EXPENSE

(Euro thousands)	Financial expense					
	31 December 2019	%	31 December 2018	%	Change	% change
Interest expense	1.810	92,3	2.210	70,9	(400)	(18,1)
Lease interest	128	6,5	170	5,5	(42)	(24,7)
Financial discounts	-	-	467	15,0	(467)	(100,0)
Other expense	22	1,1	270	8,7	(248)	(91,9)
Total financial expense	**1.960**	**100,0**	**3.117**	**100,0**	**(1.157)**	**(37,1)**

At 31 December 2019, interest expense decreased by € 400 thousand versus the same period of 2018, due to lower current debt costs, thanks to the introduction of "umbrella" facilities starting in 2019.

40. INCOME TAX

(Euro thousands)	Income Tax			
	31 December 2019		31 December 2018	
Profit (loss) before tax	5.027		7.622	
Net IRES taxable amount	911	18,1%	1.528	30,4%
Income from tax consolidation	(439)	(8,7%)	(687)	(13,7%)
IRES net of income from tax consolidation	**472**	**9,4%**	**841**	**16,7%**
IRAP for the period	528		540	
Deferred tax assets	159		259	
Deferred tax	89		(47)	
Income tax	**1.248**		**1.593**	

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

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

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

41. 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	31/12/2019	31/12/2018
Net profit attributable to the shareholders (Euro thousands)	3.961	6.030
Weighted average number of shares outstanding (n./000)	13.068	13.084
Basic earnings per share (Euro/cent.)	30,31	46,09

DILUTED EARNINGS PER SHARE	31/12/2019	31/12/2018
Net profit attributable to the shareholders (Euro thousands)	3.961	6.030,00
Weighted average number of shares outstanding (n./000)	13.068	13.084
Weighted average number of shares eligible for stock option plans (n./000)	561	387
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.629	13.471
Diluted earnings per share (Euro/cent.)	29,06	44,76

42. CONTINGENT LIABILITIES

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

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

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

With regard to the provisions of point 2) of the third paragraph of Article 2428 of the Civil Code, it should be noted that the Company is controlled, through a 63.86% stake, by Finanziaria Valentini S.p.A. Accordingly, the Company is part of a group of entities whose parent is "Finanziaria Valentini S.p.A." and whose sister companies are "Industrie Valentini S.p.A." and "Valinvest S.r.l.". Related parties also include "Valfina S.r.l." as it is directly or indirectly controlled by the Valentini Family, 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:

(Euro thousands)	Trade receivables 31 December 2019	Financial receivables 31 December 2019	Trade payables 31 December 2019	Financial payables 31 December 2019
Finanziaria Valentini		921	(15)	(422)
Industrie Valentini	100			
Valinvest		222		
Addi Manuela			(4)	
Isfre		444		
Total	100	1.587	(19)	(422)

(Euro thousands)	Revenue and income 31 December 2019	Costs and expense 31 December 2019
Finanziaria Valentini	470	(200)
Industrie Valentini	1.419	(105)
Valinvest		(128)
Addi Manuela		(6)
Gianluigi Valentini		(3)
Total	1.889	(442)

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.

“Financial receivables", amounting to € 1,143 thousand, refers mainly for € 918 thousand to the tax consolidation receivable of the subsidiary Bio Energia Guarcino S.r.l. and for € 222 thousand to the loan granted by the Parent Company to the related party Valinvest S.r.l., while "Financial payables”, amounting to € 422 thousand, refers to the tax consolidation payable of the Parent Company and the subsidiary Cartiere di Guarcino S.p.A..

Revenue and income of € 1,889 thousand include € 1,419 thousand in income from Industrie Valentini for the sale of products, € 439 thousand in income from tax consolidation (€ 288 thousand attributable to the Parent Company, € 127 thousand to Cartiere di Guarcino and € 24 thousand to Bio Energia Guarcino), and € 31 thousand in interest income from a financial receivable from Finanziaria Valentini S.p.A. totaling € 1,739 thousand, which was fully collected in 2019.

The cost of € 200 thousand refers to administrative services provided by Finanziaria Valentini to Neodecortech S.p.A., terminated on 31 December 2019.

The cost of € 105 thousand refers to a press rental agreement with Industrie Valentini, terminated by the end of 2019.

€ 128 thousand refers to the lease contract with Valinvest S.r.l. for the Casoli di Atri plant, which is also in force for coming years.

44. SEASONALITY

The Group does not record any significant seasonal changes.

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

With regard to the provisions of Article 1, paragraph 125, of Law 124/2017, regarding the obligation to provide evidence in the notes to the financial statements of any amounts of money received during the year by way of grants, contributions, paid assignments and in any case economic advantages of any kind from public administrations and from the persons referred to in paragraph 125 of the same article, mention should be made, for the situation at 31 December 2019, of the following:

IMPORTI in EURO

Soggetto percettore	Codice fiscale percettore	Soggetto erogante	Importo incassato/goduto	Data incasso/fruizione	Descrizione causale
Cartiere di Guarcino S.p.a.	01956120131	Fondirigenti	13.000,00	17/01/2019	Formazione continua
Cartiere di Guarcino S.p.a.	01956120131	Fondirigenti	8.900,00	18/01/2019	Formazione continua
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	1.946,47	31/01/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	537,37	31/01/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	7.276.807,26	31/01/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	537,37	28/02/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	1.946,47	28/02/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.604.464,68	28/02/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.402.619,51	31/03/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	10.243,69	01/04/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	517,65	01/04/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	517,65	30/04/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	1.894,56	30/04/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	I.N.P.S.	356,68	30/04/2019	Sgravi contributivi nuove assunzioni
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.361.075,13	30/04/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Fondimpresa	17.648,00	15/05/2019	Formazione continua
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.392.345,14	31/05/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.410.259,71	30/06/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Fondimpresa	2.253,20	25/07/2019	Formazione continua
Neodecortech S.p.a.	00725270151	I.N.P.S.	649,11	31/07/2019	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	1.552,95	31/07/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	5.782,80	31/07/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.500.584,70	31/07/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	I.N.P.S.	137,21	31/08/2019	Sgravi contributivi nuove assunzioni
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.431.587,08	31/08/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.461,77	02/09/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.497,20	30/09/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.497,20	30/09/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.608.383,33	30/09/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	I.N.P.S.	363,11	31/10/2019	Sgravi contributivi nuove assunzioni
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.497,20	31/10/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.662.611,22	31/10/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.239.013,33	30/11/2019	Incentivo produzione energia elettrica
Cartiere di Guarcino S.p.a.	01956120131	Fondimpresa	7.305,00	02/12/2019	Formazione continua
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	2.099,83	31/12/2019	Incentivo produzione energia elettrica
Neodecortech S.p.a.	00725270151	Gestore dei Seriizi energetici GSE S.p.A.	510,44	31/12/2019	Incentivo produzione energia elettrica
Bio Energia Guarcino S.r.l.	02454520608	Gestore dei Seriizi energetici GSE S.p.A.	1.787.272,42	31/12/2019	Incentivo produzione energia elettrica
			23.765.676,44		

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) and on 23/07/2019 the second disbursement (for a total of € 181,621.88) 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.

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OTHER SUPPLEMENTARY INFORMATION

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after year end.

INFORMATION ON AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION

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

INFORMATION ON ASSETS AND LOANS FOR A SPECIFIC TRANSACTION

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

TREASURY SHARES

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

Pursuant to Articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that, at the closing of 2018, the Group held 26,000 treasury shares, while at 31 December 2019, it held 80,000 treasury shares.

SHARES/UNITS OF THE PARENT COMPANY

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

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

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

Qualification	31.12.2019	31.12.2018
Directors	319,255	473,000
Board of Statutory Auditors	60,800	36,000
Independent Auditors	68,469	26,950

APPROVAL BY THE GOVERNING BODY

This consolidated report was approved by the Board of Directors for publication on 31 January 2020.

Filago (BG), 31 January 2020

The Board of Directors

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FINANCIAL STATEMENTS AT 31 DECEMBER 2019

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

Assets	**Notes**	31 December 2019	%	31 December 2018	%	Change	% change
Euro thousands							
Intangible assets	5	671	0,7%	543	0,6%	128	23,7%
Property, plant and equipment	6	28.213	30,1%	24.559	27,1%	3.653	14,9%
Investments	7	24.300	26,0%	21.957	24,3%	2.343	10,7%
Other non-current assets	8	17.569	18,8%	18.808	20,8%	(1.238)	(6,6%)
Deferred tax assets	9	452	0,5%	473	0,5%	(21)	(4,5%)
Non-current assets		71.205	76,1%	66.341	73,3%	4.864	7,3%
Inventory	10	8.795	9,4%	8.392	9,3%	403	4,8%
Trade receivables	11	7.462	8,0%	8.370	9,2%	(909)	(10,9%)
Tax receivables	12	817	0,9%	627	0,7%	190	30,3%
Cash and cash equivalents	13	1.446	1,5%	4.792	5,3%	(3.346)	(69,8%)
Current financial receivables	14	3.795	4,1%	1.763	1,9%	2.031	115,2%
Other receivables	15	98	0,1%	206	0,2%	(108)	(52,6%)
Current assets		22.412	23,9%	24.150	26,7%	(1.738)	(7,2%)
Total assets		93.617	100,0%	90.491	100,0%	3.126	3,5%

Equity and liabilities	**Notes**	31 December 2019	%	31 December 2018	%	Change	% change
Euro thousands							
Share capital		16.203	17,3%	16.203	17,9%	-	
Share premium reserve		17.357	18,5%	17.357	19,2%	-	
Treasury shares		(291)	(0,3%)	(94)	(0,1%)	(197)	209,1%
Other reserves		15.328	16,4%	10.483	11,6%	4.845	46,2%
Prior years' profit (loss)		8.755	9,4%	8.757	9,7%	(2)	(0,0%)
Profit (loss) for the period		3.961	4,2%	6.030	6,7%	(2.069)	(34,3%)
Equity	26	61.312	65,5%	58.735	64,9%	2.577	4,4%
Provision for risks and charges	16	386	0,4%	269	0,3%	117	43,6%
Deferred tax	17	2.387	2,6%	2.400	2,7%	(13)	(0,6%)
Post-employment benefits	18	1.209	1,3%	1.315	1,5%	(106)	(8,1%)
Non-current financial liabilities	19	14.385	15,4%	15.556	17,2%	(1.171)	(7,5%)
Non-current liabilities		18.368	19,6%	19.541	21,6%	(1.173)	(6,0%)
Trade payables	20	8.219	8,8%	6.412	7,1%	1.807	28,2%
Payables from tax consolidation	21	267	0,3%	472	0,5%	(205)	(43,4%)
Tax payables	22	441	0,5%	461	0,5%	(20)	(4,4%)
Current Financial Liabilities	23	1.466	1,6%	1.838	2,0%	(372)	(20,3%)
Payables to other lenders	24	104	0,1%	-	0,0%	104	100,0%
Financial liabilities		1.570	1,7%	1.838	2,0%	(269)	(14,6%)
Other payables	25	3.442	3,7%	3.032	3,4%	410	13,5%
Current liabilities		13.938	14,9%	12.215	13,5%	1.723	14,1%
Equity and liabilities		93.617	100,0%	90.491	100,0%	3.127	3,5%

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RECLASSIFIED STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2019

Euro thousands	31 DECEMBER 2019	31 DECEMBER 2018	Change	% change
Trade receivables	7.462	8.330	(868)	(10,4%)
Trade receivables – Intercompany	0	41	(41)	(100,0%)
Inventory	8.795	8.392	403	4,8%
Trade payables	(8.063)	(6.412)	(1.651)	25,7%
Trade payables - Intercompany	(156)	0	(156)	100,0%
Operating NWC	**8.038**	**10.350**	**(2.312)**	**(22,3%)**
Other current receivables	98	206	(108)	(52,6%)
Other current payables	(3.442)	(3.032)	(410)	13,5%
Tax receivables	817	627	190	30,3%
Tax payables	(441)	(461)	20	(4,4%)
Payables from tax consolidation	(267)	(472)	205	(43,4%)
Net Working Capital	**4.803**	**7.218**	**(2.415)**	**(33,5%)**
Property, plant and equipment	28.213	24.559	3.653	14,9%
Intangible fixed assets	671	543	128	23,6%
Financial fixed assets	24.301	21.957	2.344	10,7%
Non-current financial assets not included in NFP	1.408	1.217	192	15,7%
Non-current financial assets not included in the NFP-IC	16.152	17.582	(1.430)	(8,1%)
Other non-current assets	9	9	0	0,0%
Fixed assets	**70.754**	**65.867**	**4.887**	**7,4%**
Post-employment benefits	(1.209)	(1.315)	106	(8,1%)
Provisions for risks and charges	(386)	(269)	(117)	43,6%
Deferred tax assets and liabilities	(1.936)	(1.927)	(8)	0,4%
Net Capital Employed	**72.027**	**69.574**	2.453	3,5%
Equity	**(61.312)**	**(58.735)**	**(2.577)**	**4,4%**
Cash and cash equivalents	1.446	4.792	(3.346)	(69,8%)
Other current financial receivables	65	0	65	100,0%
Other current financial receivables IC	3.729	1.763	1.966	111,5%
Current financial liabilities	(1.570)	(1.838)	269	(14,6%)
Non-current financial liabilities	(14.385)	(15.556)	1.171	(7,5%)
Net Financial Debt	**(10.715)**	**(10.839)**	**125**	**(1,1%)**
Equity and Net Financial Debt	**(72.027)**	**(69.574)**	**(2.453)**	**3,5%**

With regard to trade receivables, the average collection period in 2019 was 45 days versus 49 days in 2018. In December 2018, the Company made its first assignment of receivables without recourse, carried out on an ongoing basis from February 2019 every month.

The increase in trade payables of € 1,561 thousand at 31 December 2019 is due mainly to payables not yet due for the purchase of tangible fixed assets (plant and machinery) amounting to approximately € 1,613 thousand.

With regard to average payment days - 41 days - no significant changes were reported from the prior year.

With regard to the change in other current payables, amounting to € 410 thousand, the year reported higher payables from deferred remuneration, due also to the personnel from the business unit acquired on 1 September 2018.

With regard to the change in tangible and intangible fixed assets, reference should be made to Notes 5 and 6 of the following Notes.

With regard to the increase in the balance of financial fixed assets, equal to € 2,417, mention should be made that investments of subsidiaries are measured using the equity method. Reference should be made to Note 7 of the following Notes for further details.

Non-current financial assets not included in the NFP (Net Financial Position) decreased in 2019 by € 1,430 thousand versus 2018, due mainly to repayments of the Intercompany Loan between the Parent Company Neodecortech S.p.A. and the subsidiary Cartiere di Guarcino S.p.A.

With regard to the provisions for risks and charges, an allocation was made for the recognition of the fair value of the derivative at 31 December 2019.

With regard to net financial debt, which changed by € 125 thousand in 2019 versus 2018, more details are provided in the section "Net financial debt at 31 December 2019".

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FINANCIAL STATEMENTS

INCOME STATEMENT AT 31 DECEMBER 2019

	Notes	31 DECEMBER 2019	%	31 DECEMBER 2018	%	Changes	% changes
Euro thousands							
Revenue from sales and services	27	**56.454**	100,0%	**50.891**	100,0%	5.563	10,9%
Changes in work in progress, semi-finished and finished products	28	484	0,9%	528	1,0%	(44)	(8,3%)
Other revenue	29	1.289	2,3%	1.136	2,2%	153	13,5%
Raw and ancillary materials and consumables	30	(31.623)	56,0%	(28.680)	56,4%	(2.944)	10,3%
Personnel expense	31	(10.875)	19,3%	(8.861)	17,4%	(2.014)	22,7%
Amortization and depreciation	32	(2.799)	5,0%	(2.356)	4,6%	(443)	18,8%
Other operating expense	33	(10.350)	18,3%	(8.316)	16,3%	(2.034)	24,5%
EBIT		**2.578**	4,6%	**4.342**	8,5%	(1.763)	(40,6%)
Financial income	34	637	1,1%	645	1,3%	(8)	(1,2%)
Income/expense on investments	34	1.814	3,2%	2.562	5,0%	(748)	(29,2%)
Financial expense	35	(540)	1,0%	(781)	1,5%	242	(30,9%)
Profit (loss) before tax		**4.490**	8,0%	**6.767**	13,3%	(2.278)	(33,7%)
Income tax	36	(529)	0,9%	(738)	1,4%	208	(28,2%)
Profit (loss) for the period		**3.961**	7,0%	**6.030**	11,8%	(2.068)	(34,3%)
Other items of the comprehensive income statement							
Actuarial gains (losses) net of tax effect		(72)		9			
Total items that will not be reclassified in the income statement for the year		**(72)**		**9**			
Gains/(losses) on cash flow hedging instruments		(89)		(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		**(161)**		**(18)**			
Comprehensive income (loss) for the period		**3.800**		**6.012**			

The increase in revenue from sales and services of € 5,563 thousand is due to the new sales mix. More specifically, it is attributable to the family of Laminates and the impregnation services of customer papers performed under contract work.

At end 2018, revenue from Laminates sales amounted to € 2,643 thousand, referring to only four months from the acquisition of the business unit on 1 September 2018, while for 2019, revenue from Laminates sales amounted to € 8,439 thousand, referring to the twelve months of 2019.

The percentage of raw and ancillary materials and consumables remained basically steady in 2019, at 56% versus 56.4% in 2018.

Personnel expense in 2019 amounted to € 10,875 thousand versus € 8,861 thousand in 2018, up by € 2,014 thousand in absolute terms, due mainly to the personnel expense of the new business unit acquired (formerly CorbettaFia S.r.l.).

"Personnel expense" also includes the allocation for Stock Grants (referring to the 2017-2020 Stock Grant Plan) for the amount of € 446 thousand in 2019 (€ 315 thousand in 2018).

Amortization and depreciation increased by € 443 thousand in 2019 versus 2018, due mainly to new capital expenditure made in 2019 both in terms of tangible fixed assets for the purchase of new plant for the launch of new products, and in terms of intangible fixed assets for the upgrade of management software; further details are found in Notes 5 and 6 of the following Notes.

Other operating expense increased by € 2,034 thousand in absolute terms versus the prior year. To allow the comparison of the amount of this item between the current and the prior year (2018), it should be noted that the portion attributable to 2019 for the business unit acquired (laminates) is equal to € 1,642 thousand, while the portion for the four months of 2018 is equal to € 572 thousand.

The actual increase, deducted from the effects of the acquisition of the business unit, of € 964 thousand is attributable mostly to the item "Utilities" for € 241 thousand, and to technical consultancy for € 503 thousand. Note 34 of this report provides more details on the main items making up other "operating expense".

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STATEMENT OF CASH FLOWS AT 31 DECEMBER 2019

Euro thousands	31 December 2019	31 December 2018
Profit (loss) for the period	3.961	6.030
Income tax	470	705
Deferred/(prepaid) tax	59	41
Interest expense/(interest income)	(97)	136
(Dividends)		
(Gains)/losses from disposal of assets	(228)	(5)
1 Profit (loss) for the period before income tax, interest, dividends and gains/losses from disposals	4.165	6.909
Adjustments for non-monetary items that had no balancing entry in net working capital:		
Allocation to post-employment benefits	19	31
Allocations to other provisions		
Depreciation of fixed assets	2.799	2.356
Write-downs for impairment losses		
Other adjustments for non-monetary items	(1.417)	(2.212)
2 Cash flow before changes in NWC	5.566	7.084
Changes in net working capital		
Decrease/(increase) in receivables from customers	909	2.984
Decrease/(increase) in inventory	(403)	(904)
Increase/(decrease) in payables to suppliers	193	707
Decrease/(increase) in other receivables	(82)	(149)
Increase/(decrease) in other payables	(167)	673
Other changes in net working capital		
3 Cash flow after changes in NWC	6.016	10.394
Other adjustments		
Interest received/(paid)	31	(136)
(Income tax paid)	(201)	(738)
(Gains)/losses from disposal of assets		
Dividends received		
(Utilization of provisions)		(52)
(Utilization of provisions for post-employment benefits)	(217)	(135)
4 Cash flow after other adjustments	5.629	9.333

Euro thousands	31 December 2019	31 December 2018
A Cash flow from operations	**5.629**	**9.333**
Property, plant and equipment	(4.100)	(3.209)
(Purchase)	(4.100)	(3.209)
Disposal		
Intangible fixed assets	(357)	(369)
(Purchase)	(357)	(369)
Disposal		
Financial fixed assets		
(Purchase)		
loans granted		
Proceeds from disposal of assets	251	
B Cash flow from investing activities	**(4.206)**	**(3.577)**
Liabilities	(2.571)	(2.507)
Increase (decrease) in current bank payables	(382)	(4.635)
New loans		
Repayment of loans	(1.588)	(777)
Increase (decrease) in non-current bank payables		
Financial liabilities to other lenders	(602)	2.905
Change in financial receivables from other lenders		
Equity	(2.198)	(2.114)
Share capital increase		
Sale (purchase) of treasury shares	(197)	(94)
Other changes in equity	(2.001)	(2.020)
C Cash flow from financing activities	**(4.768)**	**(4.621)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(3.346)	1.135
Cash and cash equivalents at 1 January	4.792	3.656
Cash and cash equivalents at 31 December	1.446	4.792

With regard to the change in receivables from customers, in December 2018 the Company made its first assignment of receivables without recourse, carried out on an ongoing basis in 2019 from February 2019 every month.

With regard to inventory, the Company continues with the process of increasing stock efficiency in terms of reduction.

The change in "payables to suppliers" includes a reclassification for "Suppliers fixed assets account" for the amount of € 1,613 thousand, with a balancing entry in “Investments in property, plant and equipment".

With regard to the change in “Tangible fixed assets", mention should be made of the higher investments made in plant and machinery for the launch of new products.

"Other changes in equity" includes both for 2019 and 2018 the distribution of “dividends".

NET FINANCIAL DEBT AT 31 DECEMBER 2019

Euro thousands	31 DECEMBER 2019	31 DECEMBER 2018	Change
A. Cash	(4)	(14)	10
B. Other cash and cash equivalents	(1.442)	(4.777)	3.336
D. Liquidity (A) + (B) + (C)	(1.446)	(4.792)	3.346
E. Current financial receivables	(3.795)	(1.763)	(2.031)
E. Current financial receivables	(3.795)	(1.763)	(2.031)
F. Current bank payables	23	586	(563)
G. Current portion of non-current debt	1.546	1.252	294
I. Current financial debt (F)+(G)+(H)+(H1)	1.570	1.838	(269)
J. Current net financial debt (I) + (E) + (D)	(3.671)	(4.717)	1.046
K. Non-current bank payables	9.181	10.767	(1.587)
M. Other non-current payables	5.205	4.789	416
N. Non-current financial debt (K) + (L) + (M) + (M1)	14.385	15.556	(1.171)
O. Net financial debt (J) + (N)	10.715	10.839	(125)

The decrease in the amount of "Other cash and cash equivalents" of € 3,336 thousand in 2019 versus 2018 is due mainly to the use of these funds in the face of higher investments made in 2019.

The increase in "Current financial receivables" of € 2,031 thousand in 2019 versus 2018 is due mainly to the Intercompany loan granted in December 2019 by the Company to the subsidiary Bio Energia Guarcino S.r.l. for € 2,000 thousand.

With regard to "Current bank payables", mention should be made of the low current bank payable at 31 December 2019 versus 31 December 2018.

With regard to the increase in the "Current portion of non-current debt", equal to € 294 thousand, mention should be made, under IFRS 16, of the amount of € 104 thousand arising from the residual current payable relating to the car rental and the lease on the Casoli plant where laminates are produced.

With regard to "Non-current bank payables", which decreased by € 1,587 thousand, mention should be made of the payment of the quarterly instalments of the mortgage loan granted by Banco Popolare di Milano.

With regard to the increase in "Other non-recurring payables", equal to € 416 thousand, mention should be made of the non-current portion of the car rental and the lease on the Casoli plant for a total of € 303 thousand, again under IFRS 16.

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STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity

FIGURES IN EURO THOUSANDS	NOTES	SHARE CAPITAL	HEDGING AND TRANSLATION RESERVES	EQUITY RESERVES	OTHER RESERVES	TREASURY SHARES	PROFIT (LOSS) FOR THE PERIOD	TOTAL EQUITY
Balance at 31/12/2018	26	16.203	(204)	17.357	19.443	(94)	6.030	58.735
Other items of the comprehensive income statement		-	(89)	-	(72)	-	-	(161)
Profit for the period		-	-	-	-	-	(6.030)	(6.030)
Total comprehensive income/loss for the period		**-**	**(89)**	**-**	**(72)**	**-**	**(6.030)**	**(6.191)**
Dividend distribution					(2.001)			(2.001)
Allocation of prior year's profit (loss)					6.030		3.961	9.991
Other changes			-		975	(197)		778
Balance at 31/12/2019	**26**	**16.203**	**(293)**	**17.357**	**24.375**	**(291)**	**3.961**	**61.312**

EXPLANATORY NOTES

1. GENERAL INFORMATION

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

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

The publication of these financial statements was authorized by the Directors on 31 January 2020; they will be submitted to the Shareholders' Meeting for approval and subsequent filing, within the time limits of law. The Shareholders' Meeting is empowered to make amendments to these Financial Statements.

BDO Italia S.p.A. is in charge of auditing the accounts.

In the preparation of these financial statements, the same accounting standards and valuation criteria as those adopted in the preparation of the financial statements at 31 December 2018 were used, supplemented by the information in the section "Accounting standards, amendments and interpretations applied as from 1 January 2019" (with particular regard to IFRS 16, which came into force on 1 January 2019). The first-time adoption of IFRS 16 led to changes in opening equity, with no need for restatement, as allowed by the provisions of the standard with regard to the year of first-time adoption.

2. GENERAL CRITERIA FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance with international accounting standards and general standards

These Financial Statements for the year ended 31 December 2019 have been prepared in accordance with the international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), and with the interpretations issued by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), acknowledged in the European Union pursuant to European Regulation (EC) no. 1606/2002 of 19 July 2002 and in force at the end of the year (all the above standards and interpretations are hereinafter referred to as "IAS-IFRS"). Specifically, it should be noted that the Company and the Group have made use of the option under Legislative Decree no. 38 of 28 February 2005, which governs the exercise of the options provided for by European Regulation no. 1606/2002 on international accounting standards. In particular, pursuant to Articles 3 and 4 of the above Legislative Decree, the Company and the Group have applied IAS-IFRS for the preparation of the statutory and consolidated financial statements, respectively, as from the year ended 31 December 2017.

It should additionally be noted that these financial statements have been prepared on the basis of the best knowledge of the IAS-IFRS standards and taking account of the relevant best practices; any future guidance and new interpretations will be reflected in coming years, in accordance with the manners laid down from time to time by the relevant accounting standards.

The financial statements have been prepared on a going concern basis, in accordance with paragraphs 24 and 25 of IAS 1, as the Directors have assessed the absence of financial, management, operating or other indicators that may cast significant doubts on the Company’s ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

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 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 fair presentation of the Company's operating performance.

The Financial Statements are formed as follows:

<u>*Statement of Financial Position*</u>

The presentation of the statement 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.

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- 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 form chosen complies with internal reporting and business management methods, is in line with international practice and is therefore deemed to be more representative than the presentation by function, providing more reliable and relevant information for the industry in question.

Comprehensive Income Statement

The Statement of Other Comprehensive Income includes the changes that occurred during the year, generated by transactions other than those with the shareholders and based on specific IAS-IFRS standards. Changes in "other consolidated comprehensive gains (losses)" are shown separately from the related tax effects.

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 2019, 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 period;
- 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 IAS-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.

The financial report is also accompanied by the Directors’ Report on Operations, which supplements the financial statements.

The Company’s functional currency is the Euro, the basis for the presentation of the consolidated financial statements, which is the currency of the main country of operation of the Company; the financial statements and all amounts included in the tables in the Explanatory Notes, unless otherwise indicated, are expressed in thousands of Euro.

The financial statements have been prepared by applying the historical cost method, taking account of value adjustments where appropriate, with the exception of those items which, according to IAS-IFRS, must be recognized at fair value, as indicated in the valuation criteria and except where IAS-IFRS allow a different valuation criterion and such alternative criterion to cost has been adopted.

There are no events reported after year end that change conditions already existing at the balance sheet date or require changes in the amounts of assets and liabilities and in the result at year end.

3. USE OF ESTIMATES AND MEASUREMENTS

The preparation of the financial statements and the notes thereto, in application of the IAS-IFRS, requires Management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosures on contingent assets and liabilities as of the reporting date, as well as the amount of revenue and costs in the reporting period presented. 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.

To provide a better understanding of the Financial Statements, the following are the most significant estimates adopted in the process of preparing the Consolidated Financial Statements, as they involve a high level of subjective judgments, assumptions and estimates relating to issues that are by their nature uncertain. Changes in the conditions underlying the judgments and assumptions made could have a material impact on subsequent results

- *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 - whose recovery in future years is considered highly probable - 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;

- *Impairment of intangible and tangible assets with finite useful life:* these assets undergo an impairment test to ascertain whether there has been an impairment, which must be recognized by means of a write-down, when there are indications of a difficulty in recovering the related net book value through use. Ascertainment of the existence of the above indicators requires the Directors to make subjective assessments based on information available within the Group and from the market, as well as statistics. Additionally, if it is determined that a potential impairment may have occurred, the Group determines it using appropriate measurement techniques. The proper identification of the elements pointing to the existence of a potential impairment, as well as the estimates used to determine them, depend on factors that may change over time and that are subject to uncertainties and the use of estimates (growth rates, rates of return on assets, and financial projections affected by external, non-controllable variables) that affect the valuations and estimates made by the Directors;

- *Measurement of intangible and tangible assets with finite useful life:* tangible and intangible assets with finite useful life are depreciated/amortized over the estimated useful life of the related assets. The useful life of the assets is determined by the Directors at the time the asset is acquired; it is based on historical experience for similar fixed assets, market conditions and anticipations of future events that could have an impact on the useful life. Therefore, the actual useful life may differ from the estimated useful life. The Group regularly assesses technological and industry changes to update the remaining useful life. This regular update could lead to a change in the amortization/depreciation period and therefore also in the amortization/depreciation charge for future years;

- *Pension plans:* the present value of the liability for pension benefits 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:* the Group is subject to legal and tax lawsuits that may arise from complex and difficult issues, which are subject to a varying degree of uncertainty, including facts and circumstances underlying each case, jurisdiction and different applicable laws. Given the uncertainties underlying these issues, it is difficult to accurately predict the outlay that could arise from such disputes. Accordingly, after hearing the opinion of their legal and tax advisors and experts, the Directors recognize a liability in relation to such disputes when they consider it probable that a financial outlay will occur and when the amount of the resulting losses can be reasonably estimated. This estimate implies the adoption of assumptions that depend on factors that may change over time and which could therefore have significant effects over the current estimates made by the Directors in preparing the Group's consolidated financial statements. Demonstration of such estimation uncertainty is represented by the significant impacts recognized in the 2018 financial statements, as a result of the positive settlement of judgments subject to significant uncertainty in their outcome;

- *Determination of fair value:* the fair value of certain financial assets that are not listed on active markets is determined using measurement techniques. The Group uses measurement techniques that use inputs that are directly or indirectly observable in the market at year end, related to the assets being measured. While the estimates of the abovementioned fair values are deemed reasonable, possible changes in the estimation factors on which the calculation of these values is based may produce different valuations.

4. ACCOUNTING STANDARDS ADOPTED

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

Accounting standards, amendments and IFRS interpretations applied from 1° January 2019

The following accounting standards, amendments and IFRS interpretations have been applied by the Company for the first time as from 1 January 2019:

- On 13 January 2016, IASB published IFRS 16 – *Leases*, which will replace IAS 17 – *Leases*, and the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  The standard provides a new definition of lease and introduces a criterion based on the notion of control (right of use) of an asset to distinguish leases from service contracts, the differences lying in: the identification of the asset, the right to replace the asset, the right to essentially receive all the financial benefits arising from the use of the asset, and the right to control the use of the asset underlying the contract.

  The standard introduces a single lessee accounting model, by which an asset under a lease, including an operating lease, is recognized in assets with an offsetting financial liability. Conversely, the standard introduces no material changes for the lessor.

  The Company has chosen to apply the standard retrospectively, but has recognized the cumulative effect of applying the standard in equity at 1 January 2019 (without changing the comparative figures for 2018), in accordance with paragraphs IFRS 16:C7-C13. In particular, the Company recorded, with regard to the lease contracts previously classified as operating:

  c) a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;

  d) a right of use equal to the amount of the financial liability at the transition date, net of any accrued income and prepaid expense relating to the lease and recorded in the statement of financial position at the balance sheet date of these financial statements.

It should be noted that the weighted average incremental borrowing rate applied financial liabilities recognized at 1 January 2019 was 2.086%.

In adopting IFRS 16, the Company made use of the exemption granted by paragraph IFRS 16:5(a) concerning short-term leases for the "plant and machinery" asset class of the subsidiary Bio Energia Guarcino S.r.l.

Likewise, the Company made use of the exemption granted by IFRS 16:5(b) concerning lease contracts for which the underlying asset is a low-value asset (i.e. the assets underlying the lease contract do not exceed € 5,000 when new). The contracts for which exemption has been applied fall mainly within the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices.

For such contracts, the introduction of IFRS 16 implied the recognition of the financial liability of the lease and the relating right of use, but lease payments are recognized in the income statement on a straight-line basis for the duration of the respective contracts.

With regard to the lease term, the Company has reviewed all the lease contracts, defining the lease term for each one, given by the "not cancellable" period together with the effects of any extension or early termination clauses, the exercise of which was considered reasonably certain. Specifically, in the case of properties, the analysis took into account the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly company cars, the Company generally considered it unlikely that any extension or early termination clauses would be exercised given the Company's customary practice.

- On 12 December 2017, the IASB published "*Annual Improvements to IFRSs: 2015-2017 Cycle*", adopting the amendments to the standards in the context of the annual process for their improvement. The main amendments regard:
    - IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business that is a joint operation, it must re-measure previously held interests in that business. This process is not provided for when joint control is obtained.
    - IAS 12 *Income Taxes*: the amendment clarifies that all the tax effects from dividends (including payments on financial instruments classified as equity) must be recognized consistently with the transaction that generated those profits (profit or loss, OCI or equity).
    - IAS 23 *Borrowing costs*: the amendment clarifies that borrowings that remain outstanding even after the related qualifying asset is ready for use or sale should be calculated as part of the borrowing costs.

  The adoption of this amendment had no impact on the Company's financial statements.

- On 7 February 2018, the IASB published *"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"*. The document clarifies how an entity should recognize a curtailment or settlement of a defined benefit plan. The amendments require an entity to update its assumptions and re-measure the net liability or asset arising from the plan. The amendments clarify that after such an event, an entity should use updated assumptions to measure current service cost and interest for the remainder of the reporting period following the event. The adoption of this amendment had no impact on the Company's financial statements.
- On 12 October 2017, the IASB published "*Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*". The document clarifies the need to apply IFRS 9, including the requirements on impairment, to other long-term interests in an associate or joint venture to which the equity method is not applied. The adoption of this amendment had no impact on the Company's financial statements.
- On 7 June 2017, the IASB published the interpretation *"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"*. The interpretation addresses the issue of uncertainty over income tax treatments. Specifically, the Interpretation requires an entity to analyze uncertain tax treatments (separately or as a whole, depending on their characteristics), on the assumption that the taxation authorities will examine the amounts in question, with full knowledge of all relating information. If the entity concludes that it is not probable that the taxation authority will accept the tax treatment used, the entity shall reflect the effect of the uncertainty in measuring its current and deferred income tax. Additionally, the document does not provide for any new disclosure requirements, stressing however that the entity should need to determine whether it will be necessary to provide disclosure on the Management's considerations on uncertainty from the accounting of tax, in accordance with IAS 1.

  The new interpretation has been applied as from 1 January 2019. The adoption of this amendment had no impact on the Company's financial statements.

- On 12 October 2017, the IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation". The document specifies that prepayable instruments may meet the Solely Payments of Principal and Interest ("SPPI") test, even if the reasonable additional compensation to be paid in the event of prepayment is a negative compensation for the lender. The adoption of this amendment had no impact on the Company's financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union but not yet applicable on a compulsory basis and not adopted in advance by the Company at 31 December 2019

- On 31 October 2018, the IASB published *"Definition of Material (Amendments to IAS 1 and IAS 8)"*. The document introduced a change in the definition of 'material' contained in IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of 'material' more specific and introduces the concept of 'obscured information' alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it is provided in such a way as to produce for general users of financial statements an effect similar to that which would be produced if such information had been omitted or misstated.

  The amendments introduced were approved on 29 November 2019 and apply to all operations after 1 January 2020.

The Directors do not expect any significant effect on the Company's financial statements from the adoption of this amendment.

- On 29 March 2018, the IASB published an amendment to the "***References to the Conceptual Framework in IFRS Standards***". The amendment is effective for periods beginning on or after 1 January 2020, but early application is allowed.

  The Conceptual Framework sets out the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework assists companies in developing accounting standards when no IFRS standard applies to a particular transaction and, more broadly, helps stakeholders to understand and interpret the Standards.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and the standards described below.

- On 26 September 2019, the IASB published the amendment "***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***". The amendment changes the new and old standards for financial instruments, IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*. The amendment changes some hedge accounting requirements in order to provide relief from the impact arising from the uncertainty brought by the IBOR reform. Additionally, the amendment requires companies to provide investors with additional information about their hedging relationships which are directly affected by these uncertainties.

  The Board followed a phased response to the reform of interest-rate benchmarks. Phase 1 focuses on the accounting effects of uncertainty in the period leading up to the reform. Phase 2, on which the Board has begun work, considers the potential consequences on the financial statements of replacing an existing benchmark with an alternative. The amendments come into force on 1 January 2020, but companies may opt for early application. Given that this amendment will be applied as from 1 January 2020, any effects will be recorded in the consolidated financial statements closed after that date.

- On 22 October 2018, the IASB published ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides a number of clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, a substantial input and process that together contribute significantly to the ability to create output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes needed to create an output.

  The amendment also introduced a concentration test, optional for the entity, to determine whether a set of activities/processes and assets purchased is not a business. If the test is successful, the set of activities/processes and assets purchased is not a business and the standard does not require further testing. If the test fails, the entity must carry out further analysis of the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added a number of explanatory examples to IFRS 3 in order to provide a clear picture of the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is allowed.

  Given that this amendment will be applied to new acquisition transactions that will be concluded as from 1 January 2020, any effects will be recorded in the consolidated financial statements closed after that date.

- On 18 May 2017, the IASB issued **IFRS 17 – *Insurance Contracts***, intended to supersede IFRS 4 - *Insurance Contracts*.

  The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts issued. The IASB developed the standard to eliminate the inconsistencies and weaknesses of the existing accounting standards, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts, that an insurer holds.

  The new standard also sets out reporting and disclosure requirements in order to improve comparability between entities from the same sector.

The new standard measures an insurance contract based on a General Model or a simplified version, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- estimates and assumptions of future cash flows always refer to the current portion;
- the measurement reflects the time value of money;
- estimates involve extensive use of observable market information;
- there is a current and explicit measurement of risk;
- the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and,
- the expected profit is recognized in the contractual coverage period, taking account of the adjustments resulting from changes in the cash flow assumptions relating to each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects the liability to reasonably reflect an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications from application of the PAA method do not apply to the valuation of liabilities for outstanding claims, which are measured using the General Model. However, there is no need to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year of the date on which the claim occurred.

The entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard is effective as of 1 January 2021; early adoption is allowed only for those entities that adopt IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The Directors do not expect any significant impact on the Company's financial statements from the adoption of this standard.

- On 30 January 2014, the IASB published the standard ***IFRS 14 - Regulatory Deferral Accounts***, which permits only first-time adopters of IFRS to continue to account for rate regulated activities in accordance with the previous accounting standards used. As the Company is not a first-time adopter, the standard is not applicable.

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 costs and financial 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 fixed 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.

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

Intangible assets

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 fixed assets	20%

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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 fixed 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 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.

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 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.

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 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.

Impairment of financial assets

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 financial income and expense 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.r.l.. 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.

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ASSETS

5. INTANGIBLE ASSETS

Intangible fixed assets

(Euro thousands)	Balance at 31.12.2018	Acquisitions	Disposals	Amortization	Reval./ Impairm.	Other changes	Balance at 31.12.2019
Other intangible fixed assets	274	272	-	(229)	-	269	586
Fixed assets under construction and advances	269	85	-	-	-	(269)	85
TOTAL	**543**	**357**	**-**	**(229)**	**-**	**-**	**671**

The increase in "Other intangible fixed assets" of € 357 thousand refers mainly to capital expenditure in software, due to the change in management packages required for the integration underway with Group companies, as well as the changes required following acquisition of the CorbettaFia S.r.l. business unit.

With regard to "other changes" amounting to € 269 thousand, these refer to the reclassification from “assets under construction" to "other intangible fixed assets" of the software programs that came into operation in 2019.

6. PROPERTY, PLANT AND EQUIPMENT

The following table shows the Net Book Value (NBV) of Property, Plant and Equipment at 31 December 2018 and 31 December 2019, including both assets under construction, allocated to the relevant category, and rights of use.

(Euro thousands)	Historical cost 31.12.2018*	Depreciation provision 31.12.2018	NBV at 31.12.2018	Historical cost 31.12.2019	Depreciation provision 31.12.2019	NBV at 31.12.2019
Land	3.680	-	3.680	3.680	-	3.680
Buildings	14.858	(3.156)	11.702	15.452	(3.557)	11.895
Work on third party assets	86	(72)	14	100	(88)	12
Plant and machinery	43.525	(38.461)	5.064	46.209	(37.359)	8.850
Equipment	18.385	(15.569)	2.816	19.535	(16.659)	2.876
Other	4.165	(2.882)	1.283	3.998	(3.098)	900
TOTAL	**84.700**	**(60.141)**	**24.559**	**88.974**	**(60.761)**	**28.213**

(*) amount including revaluation

The table below shows details of assets under construction, broken down by category, at 31 December 2018 and 31 December 2019.

PPE under construction and advances

(Euro thousands)	Amount at 31.12.2019	Amount at 31.12.2018
Land		
Buildings	88	
Work on third party assets		
Plant and machinery	3.329	575
Equipment	24	
Other		100
TOTAL	**3.441**	**675**

The table below shows changes in assets and the related provision, including both assets under construction, allocated by relevant category, and rights of use.

(Euro thousands)	Historical cost 31.12.2018	Reval./Impairm.	Acquisitions	Disposals	Other changes	Historical cost 31.12.2019
Land	3.680	-	-	-	-	3.680
Buildings	4.910	9.948	595	(1)	-	15.452
Work on third party assets	86	-	14	-	-	100
Plant and machinery	43.494	31	4.220	(1.954)	418	46.209
Equipment	18.385	0,09	1.150	-	-	19.535
Other	4.164	1	279	(29)	(418)	3.998
TOTAL	74.720	9.980	6.257	(1.983)	-	88.974

(Euro thousands)	Depreciation provision 31.12.2018	Reval./Impairm. (prior years)	Depreciation	Disposals	Other changes	Depreciation provision 31.12.2019
Land	-	-	-	-	-	-
Buildings	(3.156)	-	(401)	0,26	-	(3.557)
Work on third party assets	(72)	-	(16)	-	-	(88)
Plant and machinery	(38.461)	-	(818)	1.921	-	(37.359)
Equipment	(15.569)	-	(1.090)	-	-	(16.659)
Other	(2.882)	-	(245)	29	-	(3.098)
TOTAL	(60.141)	-	(2.571)	1.950	-	(60.761)

The main movements during the year were as follows:

- “Plant and machinery" for a total of € 4,220 thousand, for improvements to existing assets and new assets for the launch of new products;
- "Equipment" amounted to € 1,150 thousand, of which € 861 thousand for the purchase of printing cylinders;
- "Other" totaled € 279 thousand and refers to normal expenditure in the various business areas.

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

The financial effect under IFRS 16 is shown below:

(Euro thousands)		Rights of Use	
	Costo storico 31.12.2019	Fondo amm.to 31.12.2019	VNC al 31.12.2019
Buildings	481	(96)	385
Plant and machinery	0	0	0
Other	30	(10)	20
TOTAL	511	(106)	404

(Euro thousands)			Rights of Use			
	Costo storico 31.12.2018	Rivalut. / Svalut. (esercizi precedenti)	First-time adoption	Alienazioni	Altre variazioni	Costo storico 31.12.2019
Buildings	-	-	481	-	-	481
Plant and machinery	-	-	0	-	-	0
Other	-	-	30	-	-	30
	-	-		-	-	
TOTAL	-	-	**511**	-	-	**511**

(Euro thousands)	Fondo amm.to 31.12.2018	Rivalut. / Svalut. (esercizi precedenti)	Ammortamenti	Alienazioni	Altre variazioni	Fondo amm.to 31.12.2019
Buildings	-	-	(96)	-	-	(96)
Plant and machinery	-	-	0	-	-	0
Other	-	-	(10)	-	-	(10)
	-	-		-	-	
TOTAL	-	-	(106)	-	-	(106)

"Buildings" includes the lease on the Casoli plant, while "Other" includes a car rental contract;

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

(Euro thousands)		Financial liabilities	
	Balance at 01 January 2019	Payments	Balance at 31 December 2019
Buildings	481	96	385
Plant and machinery	0	0	0
Other	30	10	20
TOTAL	511	106	404

The amount of € 404 thousand represents the financial commitment under IFRS 16 for both the lease on the Casoli plant and the car rental contract.

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7. INVESTMENTS

(Euro thousands)	Investments					
	31 December 2019	%	31 December 2018	%	Change	% change
Cartiere di Guarcino investments	24.300	100,0	21.957	100,0	2.343	10,7
"CONAI" investment	0	0,0	0	0,0	-	-
Total investments	**24.300**	100,0	**21.957**	**100,0**	**2.343**	**10,7**

The investment in the subsidiary Cartiere di Guarcino S.p.A. is written back using the equity method; the "Conai" investment for both 2019 and 2018 amounts to € 0.135 thousand.

8. OTHER NON-CURRENT ASSETS

(Euro thousands)	Other non-current assets					
	31 December 2019	%	31 December 2018	%	Change	% change
Security deposits	9	0,05	9	0,05	-	-
Non-current financial receivables	**17.561**	**99,95**	**18.799**	**99,95**	**(1.238)**	**(6,6)**
Bonds towards the subsidiary Cartiere di Guarcino	1.500	15,0	1.500	8,0	-	-
Interest-bearing loan Andreotti srl	1.249	12,5	1.217	6,5	32	2,6
Loan to the subsidiary Cartiere di Guarcino	14.652	146,6	16.082	85,5	(1.430)	(8,9)
Financial receivable from related party "Valinvest"	160	1,6	-	-	160	100,0
Total other non-current assets	**17.569**	**100,0**	**18.808**	**100,0**	**(1.238)**	**(6,6)**

Among "Other non-current assets", amounting to € 17,569 thousand at 31 December 2019 (€ 18,799 at 31 December 2018), most of the change is attributable to the item "Loan to the subsidiary Cartiere di Guarcino".

The change in the latter amounts to € 1,430 thousand for repayments made by the subsidiary Cartiere di Guarcino S.p.A. to the Company, pursuant to a Framework Loan Agreement between the Parent Company Neodecortech S.p.A. and the subsidiaries Cartiere di Guarcino S.p.A. and Bio Energia Guarcino S.r.l.

Additionally, the Andreotti S.r.l. interest-bearing loan of € 1,249 thousand (also present at 31 December 2018 for € 1,217 thousand) includes principal and interest accrued.

Reference should be made to the section on "non-current financial liabilities" for a description of this item.

9. DEFERRED TAX ASSETS

(Euro thousands)	Deferred tax assets			
	31 December 2019	31 December 2018	Change	% change
Directors' remuneration approved and not paid	4	23	(19)	(82,6)
Provisions for write-downs and risks	13	7	6	85,7
Tax recovery on adjustment of start-up and expansion costs	2	-	2	-
Tax recovery on adjustment of plant and machinery depreciation	255	300	(45)	(15,0)
Deferred tax on derivative contracts	93	65	28	43,1
Deferred tax on employee benefits	41	18	23	127,8
Other	44	60	(16)	(26,7)
Deferred tax assets	452	473	(21)	(4,4)

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.

10. INVENTORY FOR RAW MATERIALS AND FINISHED PRODUCTS

(Euro thousands)	Inventory					
	31 December 2019	%	31 December 2018	%	Change	% change
Raw and ancillary materials and consumables	4.328	49,2	4.409	52,5	(81)	(1,8)
Work in progress	221	2,5	119	1,4	102	85,7
Finished products	4.246	48,3	3.864	46,0	382	9,9
Total inventory	8.795	100,0	8.392	100,0	403	4,8

The change in inventory in 2019 versus 2018 amounts to € 403 thousand despite an increase in sales revenue of € 5,563 thousand. As explained earlier in the Directors' Report on Operations, the Company adopts a policy of increasing the efficiency of its inventory in order not to freeze financial resources.

11. TRADE RECEIVABLES

(Euro thousands)	Trade receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
Trade receivables	7.629	102,2	8.530	101,9	(901)	(10,6)
Provision for doubtful accounts	(167)	(2,2)	(160)	(1,9)	(7)	4,4
Total trade receivables	7.462	100,0	8.370	100,0	(909)	(10,9)

The decrease in "Trade receivables" at 31 December 2019 versus 31 December 2018 amounts to € 901 thousand. As of 31 December 2018, the Company has made use of the assignment of receivables without recourse, carried out on an ongoing basis from February 2019 every month. Average collection days fell from 49 in 2018 to 45 in 2019.

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12. TAX RECEIVABLES

(Euro thousands)	Tax receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
Tax authorities VAT receivable A/C	798	97,7	627	100,0	171	27,3
Tax authorities IRAP A/C	19	2,3		-	19,00	100,00
Total tax receivables	**817**	**100,0**	**627**	**100,0**	**190**	**30,3**

The tax receivable for VAT arises from the fact that the Company is a "regular exporter".

13. CASH AND CASH EQUIVALENTS

(Euro thousands)	Cash and cash equivalents					
	31 December 2019	%	31 December 2018	%	Change	% change
Bank and post office deposits	1.442	99,7	4.778	99,7	(3.336)	(69,8)
Cash on hand	4	0,3	14	0,3	(10)	100,00
Total cash and cash equivalents	**1.446**	**100,0**	**4.792**	**100,0**	**(3.346)**	**(69,8)**

The decrease in cash and cash equivalents at 31 December 2019 versus 31 December 2018 is € 3,346 thousand. For comments, reference should be made to the section on the Net Financial Position in the Directors' Report on Operations.

14. CURRENT FINANCIAL RECEIVABLES

(Euro thousands)	Current financial receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
Current financial receivables	3.795	100,0	1.763	100,0	2.031	115,2
Total current financial receivables	**3.795**	**100,0**	**1.763**	**100,0**	**2.031**	**115,2**

"Current financial receivables" comprises Intercompany financial receivables, more specifically:

- from the subsidiary Cartiere di Guarcino S.p.A. for a total of € 1,720 thousand (current portion of the medium/long-term Intercompany loan including interest) versus € 1,763 thousand at 31 December 2018;
- a receivable of € 2,000 thousand from Bio Energia Guarcino S.r.l. recorded at 31 December 2019, not present at 31 December 2018;
- from the related party Valinvest S.r.l. for the current portion of the receivable for the amount of € 62 thousand at 31 December 2019.

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15. OTHER RECEIVABLES

(Euro thousands)	Other receivables					
	31 December 2019	%	31 December 2018	%	Change	% change
Advances to suppliers	3	3,1	3	1,5	0	0,0
Advance costs	12	12,2	10	4,9	2	20,0
Accrued income and prepayments	24	24,5	10	4,9	14	140,0
Other receivables	59	60,2	183	88,8	(124)	(67,8)
Total other receivables	**98**	**100,0**	**206**	**100,0**	**(108)**	**(52,4)**

"Other receivables", decreased by € 124 thousand, due mainly to the reduction in receivables from INAIL.

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LIABILITIES

16. PROVISIONS FOR RISKS AND CHARGES

(Euro thousands)	Provision for risks and charges					
	31 December 2019	%	31 December 2018	%	Change	% change
Cash Flow Hedge Reserve	386	100,0	269	100,0	117	43,5
Total provision for risks and charges	**386**	**100,0**	**269**	**100,0**	**117**	**43,5**

"Provision for risks and charges" consists solely of the allocation of the fair value of the hedging derivative financial instrument (IRS - Interest Rate Swap) relating to the existing mortgage loan agreement with Banca Popolare di Milano.

17. DEFERRED TAX LIABILITIES

	Deferred tax liabilities			
(Euro thousands)	31 December 2019	31 December 2018	Change	% change
Deferred tax on statutory revaluations	2.387	2.400	(13)	(0,5)
Deferred tax liabilities	**2.387**	**2.400**	**(13)**	**(0,5)**

Deferred tax liabilities at 31 December 2019, amounting to € 2,387 thousand, refer entirely to revaluations of the property and industrial complex.

18. POST-EMPLOYMENT BENEFITS

	Post-employment benefits					
(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
Post-employment benefits	1.209	100,0	1.315	100,0	(106)	(8,1)
Total post-employment benefits	**1.209**	**100,0**	**1.315**	**100,0**	**(106)**	**(8,1)**

In 2019, € 149 thousand were paid out for severance indemnity (TFR) and € 68 thousand for advances on severance indemnity.

With regard to the discounting back of the Employee Severance Indemnity, the relevant actuarial model is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to the direct experience of the Company and the Group, for others best practice has been taken into account. The technical and economic bases used are shown below.

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Below are the technical economic bases.

	31.12.2019	31.12.2018
Tasso annuo di attualizzazione	0,71%	1,54%
Tasso annuo di inflazione	1,50%	1,50%
Tasso annuo incremento TFR	2,625%	2,625%
Tasso annuo di incremento salariale	1,00%	1,00%

The table below shows the technical demographic basis.

Decesso	Tabelle di mortalità RG48 pubblicate dalla Ragioneria Generale dello Stato
Inabilità	Tavole INPS distinte per età e sesso
Pensionamento	100% al raggiungimento dei requisiti AGO adeguati al D.L. n.4/2019

Lastly, the annual turnover frequencies and severance indemnity advances.

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

19. NON-CURRENT FINANCIAL LIABILITIES

	Non-current financial liabilities					
(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
MICA Loan	4.854	33,7	4.742	30,5	112	2,4
BPM Mortgage Loan	9.181	63,8	10.767	69,2	(1.586)	(14,7)
Other financial payables	351	2,4	48	0,3	303	631,3
Total non-current financial liabilities	14.385	100,0	15.556	100,0	(1.171)	(7,5)

MICA Loan

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

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

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

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

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

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

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

BPM Loan

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

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

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

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

The BPM Loan may be repaid early against payment by the Issuer of a penalty equal to 4.50% of the residual capital to repay.

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

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

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

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

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With regard to the above BPM Loan, the Company hedged the interest rate risk by subscribing an interest rate swap (IRS), whose fair value at 31 December 2019 was € 386 thousand (€ 269 thousand at 31 December 2018). This amount was reclassified for both 2019 and 2018 under "Provision for risks and charges".

20. TRADE PAYABLES

(Euro thousands)	Trade payables					
	31 December 2019	%	31 December 2018	%	Change	% change
Trade payables	8.219	100,0	6.412	100,0	1.807	28,2
Total trade payables	**8.219**	**100,0**	**6.412**	**100,0**	**1.807**	**28,2**

Trade payables at 31 December 2019 include payables not yet due for the purchase of tangible fixed assets amounting to € 2,704 thousand versus zero at 31 December 2018.

21. PAYABLES FOR TAX CONSOLIDATION

(Euro thousands)	Payables from tax consolidation					
	31 December 2019	%	31 December 2018	%	Change	% change
Payable from tax consolidation	267	100,0	472	100,0	(205)	(43,4)
Total payables from tax consolidation	**267**	**100,0**	**472**	**100,0**	**(205)**	**(43,4)**

The Company has a tax consolidation agreement in place with its Parent Finanziaria Valentini.

22. TAX PAYABLES

(Euro thousands)	Tax payables					
	31 December 2019	%	31 December 2018	%	Change	% change
Tax authorities Withholdings A/C	425	96,4	357	77,4	68	19,0
Other tax payables	16	3,6	104	22,6	(88)	(84,6)
Total tax payables	**441**	**100,0**	**461**	**100,0**	**(20)**	**(4,3)**

“Tax withholdings” at 31 December 2019 and at 31 December 2018 consists mainly of withholdings from employees towards the tax authorities.

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23. CURRENT FINANCIAL LIABILITIES

	Current financial liabilities					
(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
Current financial liabilities	1.466	100	1.838	100,0	(372)	(20,2)
Total current financial liabilities	1.466	100,0	1.838	100,0	(372)	(20,2)

Bank payables consist mainly of the current payable of the mortgage loan granted by Banca Popolare di Milano for an amount of € 1,443 thousand at 31 December 2019 and € 1,252 thousand at 31 December 2018.

24. PAYABLES TO OTHER LENDERS

	Payables to other lenders					
(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
Payables to other lenders	104	100	-	-	104	100,0
Total payables to other lenders	104	100,0	-	-	104	100,0

At 31 December 2019, under IFRS 16, the current portion of the car rental for the amount of € 10 thousand and the current portion of the Casoli plant lease for € 94 thousand are recorded under "payables to other lenders".

25. OTHER PAYABLES

	Other payables					
(Euro thousands)	31 December 2019	%	31 December 2018	%	Change	% change
Social security charges payable	875	25,4	835	27,5	40	4,8
Payables to employees	1.248	36,3	991	32,7	257	25,9
Other payables	102	3,0	171	5,6	(69)	(40,4)
Payables to customers	1.217	8,5	1.035	6,7	182	17,6
Total other payables	3.442	100,0	3.032	100,0	410	13,5

26. EQUITY

Euro thousands	31/12/2018	Allocation of profit (loss)		Other changes			Profit (loss) for the period	31/12/2019
		Dividend distribution	Other allocations	Increase	Decreases	Reclassification		
Share Capital	16.203							16.203
Legal reserve	1.209		301					1.510
Share premium reserve	17.356							17.356
Extraordinary reserve	337		1.168					1.505
Equity revaluation reserve	2.916		2.562					5.478
Revaluation reserves	6.152							6.152
Hedging reserve	(204)				(89)			(293)
Retained earnings/(losses carrie	8.757	(2)						8.755
Stock grant reserve	1.425			975				2.400
OCI reserve	(49)				(72)			(121)
FTA reserve	(1.303)							(1.303)
Treasury shares reserve	(94)				(197)			(291)
Profit/(loss) for the period	6.030	(1.999)	(4.031)				3.961	3.961
Equity at 31/12/2019	**58.735**	**(2.001)**	**-**	**975**	**(358)**	**-**	**3.961**	**61.312**

The table above shows the detailed changes in equity from 31 December 2018 to 31 December 2019, specifically, the allocation of profit for the year and other changes.

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INCOME STATEMENT

27. REVENUE FROM SALES AND SERVICES

(Euro thousands)	Revenue from sales and services by product line					
	31 December 2019	%	31 December 2018	%	Change	% change
Printed decorative paper	26.662	47,2	27.348	53,7	(686)	(2,5)
Impregnated paper	8.539	15,1	9.369	18,4	(830)	(8,9)
PPF	5.057	9,0	5.175	10,2	(118)	(2,3)
Laminates	8.439	14,9	2.643	5,2	5.796	219,3
Services	7.756	13,7	6.355	12,5	1.401	22,1
Total revenue from sales and services	**56.454**	**100,0**	**50.891**	**100,0**	**5.563**	**10,9**

A slight decrease was recorded at 31 December 2019 in revenue from sales of Printed Decorative Paper, Impregnated Paper and PPF. Conversely, a sharp increase was posted in the sale of laminates for the amount of € 5,796 thousand at 31 December 2019 versus the figure recorded at 31 December 2018. This is due mainly to the fact that in the prior year revenue from the Laminates Division referred to the period from 1 September 2018 (date of acquisition of the relevant company) to 31 December 2018.

The increase in services of € 1,401 at 31 December 2019 versus 31 December 2018 is due mainly to impregnation activities on behalf of third parties.

The breakdown of revenue by geographical area is as follows:

(Euro thousands)	Revenue from sales and services by geographical area					
	31 December 2019	%	31 December 2018	%	Change	% change
Italy	25.324	44,9	21.448	42,1	3.876	18,1
Europe	26.384	46,7	24.155	47,5	2.229	9,2
Asia	2.413	4,3	2.166	4,3	247	11,4
America	795	1,4	1.361	2,7	(566)	(41,6)
Rest of the World	1.538	2,7	1.760	3,5	(222)	(12,6)
Total revenue from sales and services	**56.454**	**100,0**	**50.891**	**100,0**	**5.563**	**10,9**

The table shows the breakdown of revenue from sales and services by geographical area. An increase of € 3,876 thousand was reported at 31 December 2019 in the share of revenue from Italy versus 31 December 2018, due mainly to revenue from the sale of laminates; the European market saw an increase of € 2,229 thousand in revenue at 31 December 2019, while the other markets remained basically unchanged.

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

	Changes in work in progress, semi-finished and finished products			
(Euro thousands)	31 December 2019	31 December 2018	Change	% change
Amount at beginning of year	3.983	3.456	527	15,2
Amount at year end	4.467	3.983	484	12,1
Total change in inventory	**484**	**528**	**(44)**	**(8,4)**

Inventory at 31 December 2019 versus 31 December 2018 is down by € 44 thousand.

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29. OTHER REVENUE

(Euro thousands)	Other revenue					
	31 December 2019	%	31 December 2018	%	Change	% change
Contingent assets	287	22,3	166	14,6	121	72,9
Gains	239	18,5	7	0,6	232	3.314,3
Insurance reimbursements	2	0,2	255	22,4	(253)	(99,2)
Other revenue	761	59,0	708	62,3	53	7,5
Total other revenue	**1.289**	**100,0**	**1.136**	**100,0**	**153**	**13,5**

With regard to "Contingent assets", the change at 31 December 2019 is due mainly to extraordinary income from tax consolidation for the amount of € 100 thousand versus € 126 thousand at 31 December 2018.

30. RAW AND ANCILLARY MATERIALS AND CONSUMABLES

(Euro thousands)	Raw and ancillary materials and consumables					
	31 December 2019	%	31 December 2018	%	Change	% change
Raw and ancillary materials and consumables	30.504	96,5	28.229	98,4	2.275	8,1
Packaging materials	1.119	3,5	451	1,6	668	148,0
Total raw materials	**31.623**	**100,0**	**28.680**	**100,0**	**2.944**	**10,3**

For comments on the change in "raw and ancillary materials and consumables", reference should be made to the information provided in the Directors' Report on Operations.

31. PERSONNEL EXPENSE

(Euro thousands)	Personnel expense					
	31 December 2019	%	31 December 2018	%	Change	% change
Wages and salaries	7.454	68,5	6.085	68,7	1.369	22,5
Social security charges	2.524	23,2	2.038	23,0	486	23,8
Post-employment benefits	417	3,8	405	4,6	12	3,0
Other personnel expense	480	4,4	333	3,8	147	44,1
Total personnel expense	**10.875**	**100,0**	**8.861**	**100,0**	**2.014**	**22,7**

At 31 December 2019, the Company's headcount comprised 5 executives, 57 managers and white collars and 148 blue collars for a total of 210 resources; the change in personnel expense of € 2,014 thousand is attributable to the acquisition of the laminates business unit (CorbettaFia S.r.l.) since, at 31 December 2018, such personnel expense referred to only four months of activity (the business unit was acquired on 1 September 2018), while at 31 December 2019 related personnel expense referred to twelve months of activity.

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32. AMORTIZATION AND DEPRECIATION

(Euro thousands)	Amortization, depreciation, and provisions					
	31 December 2019	%	31 December 2018	%	Change	% change
Other intangible assets	229	8,2	129	5,5	100	77,5
Buildings	401	14,3	303	12,9	98	32,3
Work on third party assets	16	0,6	14	0,6	2	14,3
Plant and machinery	818	29,2	755	32,0	63	8,3
Equipment	1.090	38,9	985	41,8	105	10,7
Other	245	8,8	170	7,2	75	44,1
Allocations	-	-	-	-	-	-
Total amortization, depreciation and provisions	**2.799**	**100,0**	**2.356**	**100,0**	**443**	**18,8**

At 31 December 2019, the increase in amortization and depreciation versus 31 December 2018 amounted to € 443 thousand, due mainly to capital expenditure made in 2019.

33. OTHER OPERATING EXPENSE

(Euro thousands)	Other operating expense					
	31 December 2019	%	31 December 2018	%	Change	% change
External processing	30	0,3	64	0,8	(34)	(53,6)
Consultancy	2.021	19,5	1.490	17,9	531	35,7
Advertising and marketing	403	3,9	201	2,4	202	100,2
Bonuses and commissions	523	5,1	430	5,2	93	21,6
Transport	1.172	11,3	949	11,4	223	23,5
Utilities	2.278	22,0	1.680	20,2	598	35,6
Remuneration of Directors and Board of Statutory Auditors	382	3,7	511	6,1	(129)	(25,3)
Insurance	450	4,3	367	4,4	83	22,6
Bank commissions	131	1,3	77	0,9	55	71,1
Travel expense	93	0,9	64	0,8	29	45,4
Sundry industrial services	1.435	13,9	1.430	17,2	6	0,4
Other services	665	6,4	506	6,1	159	31,4
Rental expense	28	0,3	28	0,3	(1)	(2,5)
Rentals and other	161	1,6	199	2,4	(38)	(19,2)
Tax and duties	153	1,5	152	1,8	1	0,7
Gifts	6	0,1	1	0,0	5	361,6
Contingent liabilities	351	3,4	119	1,4	232	194,9
Exchange rate losses	1	0,0	4	0,0	(3)	(67,8)
Other operating expense	12	0,1	0	0,0	12	34.074,2
Write-down of current receivables	57	0,5	44	0,5	13	28,4
Total other operating expense	**10.350**	**100,0**	**8.316**	**100,0**	**2.034**	**24,5**

The change in other operating expense at 31 December 2019 amounted to € 2,034 thousand. Mention should be made of the acquisition of the laminates business unit in 2018 (1 September 2018), with a contribution of other operating expense for only four months of activity versus twelve months in 2019.

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34. FINANCIAL INCOME AND INCOME (EXPENSE) ON INVESTMENTS

(Euro thousands)	Financial income					
	31 December 2019	%	31 December 2018	%	Change	% change
Interest income	637	26,0	645	20,1	(8)	(1,2)
Income from valuation of investments	1.814	74,0	2.562	79,9	(748)	(29,2)
Total financial income	**2.451**	**100,0**	**3.207**	**100,0**	**(756)**	**(23,6)**

With regard to interest income, the increase of € 8 thousand at 31 December 2019 versus 31 December 2018 is in line with the prior year.

35. FINANCIAL EXPENSE

(Euro thousands)	Financial expense					
	31 December 2019	%	31 December 2018	%	Change	% change
Interest expense	540	100,0	617	79,0	(77)	(12,5)
Financial discounts	-	-	165	21,1	(165)	(100,0)
Total financial expense	**540**	**100,0**	**781**	**100,0**	**(242)**	**(31,0)**

At 31 December 2019, financial expense refers mainly to the cost of the mortgage loan granted by Banca Popolare di Milano for the amount of € 347 thousand versus € 380 thousand in 2018.

36. INCOME TAX

	Income Tax			
(Euro thousands)	31 December 2019		31 December 2018	
Profit (loss) before tax	4.564		6.767	
Net IRES taxable amount	2.401		3.753	
Net IRAP taxable amount	4.525		5.070	
IRES for the period	576	12,6%	901	13,3%
Income from tax consolidation	(288)	(6,3%)	(405)	(6,0%)
IRES net of income from tax consolidation	**288**	**6,3%**	**496**	**7,3%**
IRAP for the period	182		201	
Deferred tax assets	72		53	
Deferred tax	(13)		(12)	
Income tax	**529**		**738**	

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.

37. 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	31/12/2019	31/12/2018
Net profit attributable to the shareholders (Euro thousands)	3.961	6.030
Weighted average number of shares outstanding (n./000)	13.068	13.084
Basic earnings per share (Euro/cent.)	30,31	46,09

DILUTED EARNINGS PER SHARE	31/12/2019	31/12/2018
Net profit attributable to the shareholders (Euro thousands)	3.961	6.030,00
Weighted average number of shares outstanding (n./000)	13.068	13.084
Weighted average number of shares eligible for stock option plans (n./000)	561	387
Weighted average number of shares outstanding adjusted for dilution effect (n./000)	13.629	13.471
Diluted earnings per share (Euro/cent.)	29,06	44,76

38. CONTINGENT LIABILITIES

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

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

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

IMPORTI in EURO

Soggetto erogante	Importo incassato/goduto	Data incasso/fruizione	Descrizione causale
Gestore dei Seriizi energetici GSE S.p.A.	1.946,47	31/01/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	537,37	31/01/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	537,37	28/02/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	1.946,47	28/02/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	10.243,69	01/04/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	517,65	01/04/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	517,65	30/04/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	1.894,56	30/04/2019	Incentivo produzione energia elettrica
I.N.P.S.	356,68	30/04/2019	Sgravi contributivi nuove assunzioni
Fondimpresa	17.648,00	15/05/2019	formazione continua
Fondimpresa	2.253,20	25/07/2019	formazione continua
I.N.P.S.	649,11	31/07/2019	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	1.552,95	31/07/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	5.782,80	31/07/2019	Incentivo produzione energia elettrica
I.N.P.S.	137,21	31/08/2019	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	2.461,77	02/09/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	2.497,20	30/09/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	2.497,20	30/09/2019	Incentivo produzione energia elettrica
I.N.P.S.	363,11	31/10/2019	Sgravi contributivi nuove assunzioni
Gestore dei Seriizi energetici GSE S.p.A.	2.497,20	31/10/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	2.099,83	31/12/2019	Incentivo produzione energia elettrica
Gestore dei Seriizi energetici GSE S.p.A.	510,44	31/12/2019	Incentivo produzione energia elettrica
	59.447,93		

RELATED PARTY TRANSACTIONS

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..

The Company is controlled, through a 63.86% 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.r.l.". Related parties also include "Valfina S.r.l." as it is directly or indirectly controlled by the Valentini Family, and by the shareholder Luigi Valentini.

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

(Euro thousands)	Trade receivables 31 December 2019	Financial receivables 31 December 2019	Trade payables 31 December 2019	Financial payables 31 December 2019
Finanziaria Valentini		3	(15)	(267)
Industrie Valentini	100			
Valinvest		222		
Addi Manuela				
Cartiere di Guarcino		17.872	(156)	
Bio Energia Guarcino		2.009		
Total	100	20.106	(171)	(267)

(Euro thousands)	Revenue and income 31 December 2019	Costs and expense 31 December 2019
Finanziaria Valentini	319	(200)
Industrie Valentini	1.419	(105)
Valinvest		(128)
Addi Manuela		
Cartiere di Guarcino	736	(13.328)
Bio Energia Guarcino	40	
Total	2.514	(13.761)

At 31 December 2019, the "press rental" agreement with related party Industrie Valentini for an annual fee of € 140 thousand, and the "administrative services" agreement for an annual amount of € 200 thousand were terminated; at 31 December 2019, the following agreements with related parties are still in place:

- the "Tax Consolidation" agreement with Finanziaria Valentini: financial payables, amounting to € 267 thousand, represent the payable from tax consolidation and, under revenue and income from Finanziaria Valentini amounting to € 319 thousand, the income from tax consolidation amounts to € 288 thousand;
- the commercial agreement, for the sale of printed and impregnated paper, to Industrie Valentini;
- the Company's loan agreements with the subsidiaries Cartiere di Guarcino S.p.A. and Bio Energia Guarcino S.r.l.;
- the agreement on the supply of raw materials from the subsidiary Cartiere di Guarcino S.p.A. to the Parent Company;
- the lease on the Casoli plant (laminates production) for an amount of approximately € 100 thousand on an annual basis.

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OTHER SUPPLEMENTARY INFORMATION

ENVIRONMENTAL DISCLOSURE

Neodecortech S.p.A. attaches the utmost importance to ESG issues; since 2005, it has embarked on and has worked towards these issues, acquiring 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:

- UNI EN ISO 9001 (2009), quality system certification;
- UNI EN ISO14001 (2007) environmental management certification;
- BS HOSAS 18001 (2011) occupational health and safety management certification;
- UNI EN ISO 50001 (2017) energy use certification;
- FSC - CHAIN CUSTODY (2010) certification on the origin of paper used from sustainable forests;
- MADE IN ITALY 100% (2015) certification on the geographical origin of most of the raw materials used.

Lastly, this is the fourth consecutive year of the preparation of the Sustainability Report, which contains a series of non-financial information (document available on the Company website).

RISK MANAGEMENT

Broadly speaking, 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: Level I control.

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: Level II control.

A level III control is also in place with Internal Auditing, which performs specific monitoring of the correct application of company procedures duly defined in this regard.

With regard to certain specific risks, the following applies:

Price risk

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

Due to the nature of its activities, the Company is exposed to the risk of changes in the cost of raw materials used in production processes. This possibility, however, is promptly addressed by reversing its effects on sales prices, although not totally and with a time gap.

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 denominated 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 derivatives to manage the risk of fluctuations in the floating interest rate applied to existing loan agreements. These instruments fall under the contractual category of "*Interest Rate Swaps*". 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 suggestive 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, to collection activities, and to possible debt collection. Furthermore, the Issuer is committed - 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 such risk is not considered significant.

INFORMATION ON AGREEMENTS NOT RESULTING FROM THE STATEMENT OF FINANCIAL POSITION

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

INFORMATION ON ASSETS AND LOANS FOR A SPECIFIC TRANSACTION

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

INFORMATION ON THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Pursuant to Article 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 risk of interest rate changes deriving from the loan with Banco Popolare taken out in 2017.

The fair value of the derivative instrument at 31 December 2019 came to a negative € 268,940.

The Company uses measurement 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 use, the Company has followed 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 2019, using measurement techniques commonly used for instruments of the type stipulated by the Group. The models applied for the measurement of the instruments require calculation through the Bloomberg info provider. Inputs used in the models are mainly represented by observable market parameters (interest rate curve and official exchange rates, at the measurement date).

At 31 December 2019, 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.

TREASURY SHARES

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

Pursuant to Articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that, at the closing date of the period, the Group held 80,000 treasury shares.

SHARES/UNITS OF THE PARENT COMPANY

Pursuant to Article 2435-bis and Article 2428, paragraph 3, nos. 3 and 4 of the Italian Civil Code, it should be noted that in the period, the Company did not hold shares or 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 (Article 2427, paragraph 1, no. 19 bis).

Except as already specified in Note 17 (Equity), the Company has not issued any other financial instruments (Article 2427, paragraph 1, no. 19).

The Company exercises direction and coordination activities over its subsidiaries Cartiere di Guarcino S.p.A. and Bio Energia Guarcino S.r.l.. 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 remuneration of the Directors, the Board of Statutory Auditors and the Independent Auditors.

Qualification	31.12.2019	31.12.2018
Directors	319,255	473,000
Board of Statutory Auditors	36,000	27,240
Independent Auditors	42,297	26,950

EVENTS AFTER THE REPORTING PERIOD

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 December 2019 together with the Explanatory Notes and this Report thereto;
- to allocate profit for the year of €, in accordance with the proposal put forward in the Explanatory Notes to the financial statements, as follows:
- € 198,048.00 to the legal reserve;
- € 1,814,303.50 to the non-distributable revaluation reserve for equity investments recorded pursuant to Article 2426, paragraph 4, of the Italian Civil Code;
- € 60,488.14 to the extraordinary reserve;
- the remaining part of profit as a dividend for the 13,021,500 outstanding ordinary shares totaling € 1,888,117.50 and, therefore, the distribution of a unit dividend, also in consideration of the distribution of the dividend attributable to treasury shares, of € 0.145 for each entitled ordinary share, without prejudice to the fact that any change in the number of treasury shares in the Company's portfolio at the time of distribution will not affect the distribution of the unit dividend as established above, but will increase or decrease the amount allocated to the extraordinary reserve.

Filago (BG), 31/01/2020

The Board of Directors

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INDEPENDENT AUDITORS' REPORT

Neodecortech S.p.A.

Independent Auditor's Report
for the purpose of AIM's Regulation Issuers

Consolidated Financial Statements as at 31 December 2019

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

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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 31 December 2019, the income statement, 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 31 December 2019, 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, 5 February 2020

BDO Italia S.p.A.

Signed by

Gianmarco Collico
Partner

NEODECORTECH S.p.A.

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

Share Capital € 16,203,000.00 fully paid up

Bergamo Company Register: 00725270151

REA: BG-193331

Tax code: 00725270151

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REPORT OF 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 activity 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.

The financial statements for the year ended 31 December 2019 with the report on operations and the notes, together with the consolidated financial statements with the report and the notes, were made available to the Board of Statutory Auditors on 31.01.2020, with the consequent waiver by the Board of Statutory Auditors under art. 2429, paragraph 1, of the Italian Civil Code.

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

During 2019, 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. It also oversaw compliance with the law, the bylaws and the principles of correct administration.

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

- attended the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2019;
- took part in the 12 meetings held by the Board of Directors in the year, receiving 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;
- exchanged information with the controlling body of the subsidiary, with no significant data or information to be highlighted in this report;
- 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, it met 6 times. Appropriate minutes were been prepared for each meeting;
- the Board of Statutory Auditors attended three meetings of the Control and Risk Committee, two meetings of the Remuneration and Appointments Committee and one of the Related Parties Committee. The meetings produced no noteworthy data or information to mention 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. Information on the most significant transactions carried out during the period is provided in the Directors' Report on Operations and in the Notes to the Financial Statements, in which the Directors detailed the manners and reasons;

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 reports and accompanying notes to the financial statements and consolidated financial statements.

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 or not settled yet identified, 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;

i) we assessed the correct application of the procedures and provisions of the Code of Conduct in implementation of the applicable Community and national provisions on public disclosure requirements;

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 2019, the Directors' Report on Operations and the explanatory notes were approved at the meeting of the Board of Directors held last 31 January.

The financial statements and consolidated financial statements were prepared in accordance with IAS/IFRS.

The financial statements show a profit of € 3,961 thousand. The consolidated financial statements show a profit of € 3,961 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 financial statements and consolidated financial statements and their compliance with the rules governing their preparation and structure.

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.

The Directors' Report on Operations describes 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 financial statements and consolidated financial statements.

The statutory audit is entrusted to BDO Italia S.p.A., which has prepared, on today's date, its reports pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010, which 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 2019, as prepared and proposed by the Board of Directors.

Rimini, 5 February 2020

The Board of Statutory Auditors

Marinella Monterumisi - Chairman

Guido Riccardi

Marco Campidelli