

ANNUAL FINANCIAL
STATEMENTS AS AT
DECEMBER 31, 2018

GRUPPO
SANFAUSTINO

BUSINESS COMMUNICATION / LABEL&PACKAGING / GED / E-PROCUREMENT / SERVIZI DI STAMPA

I N D E X

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

REPORT OF THE AUDITING FIRM TO CONSOLIDATED FINANCIAL STATEMENT

REPORT OF THE BOARD OF AUDITORS TO CONSOLIDATED FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS OF POLIGRAFICA S. FAUSTINO S.P.A.

REPORT OF THE AUDITING FIRM TO SEPARATE FINANCIAL STATEMENT

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REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

REMUNERATION REPORT

GRUPPO
SANFAUSTINO

**POLIGRAFICA S. FAUSTINO S.P.A. GROUP
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018**

I N D E X

Directors' Report on Operations

Balance Sheet

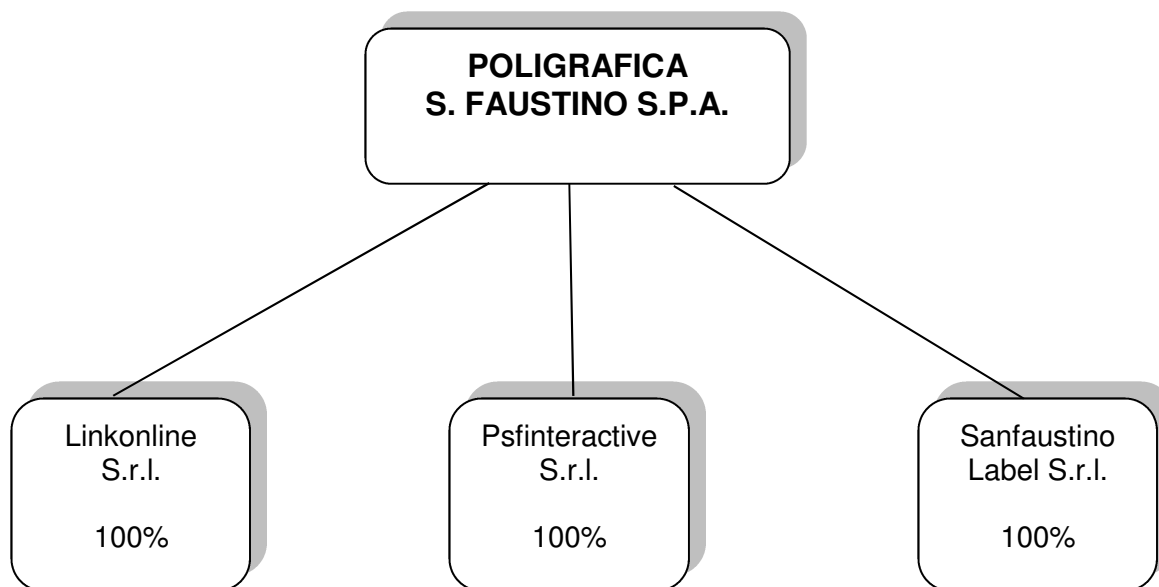
Details of Net Financial Position

Illustrative notes to Consolidated Financial Statement as at 31.12.2018

Certification pursuant the article 81-ter of Consob Issuer Regulation No. 11971/99

DIRECTORS' REPORT ON OPERATIONS

THE GROUP



POLIGRAFICA S. FAUSTINO S.P.A.: the holding, specialized in the world of print, direct marketing, electronic document management, e-procurement and implementation of tools for games and competitions.

Linkonline S.r.l.: specialized in e-procurement for the supply of material consumption for large-scale distribution.

Psfinteractive S.r.l.: Digital Market Agency.

Sanfaustino Label S.r.l.: specialized in the production of labels and packaging.

INFORMATION ON GROUP MANAGEMENT

FINANCIAL AND ECONOMICS HIGHLIGHTS

A breakdown of sales by business is provided in the table below:

NET SALES (Euro million)	2018	%	2017	%
- Graphic products	31.48	65.9%	31.45	65.7%
- Web agency services	0.73	1.5%	1.27	2.7%
- Commercial area	15.60	32.6%	15.15	31.6%
Sales	47.81	100.0%	47.87	100.0%
(abroad)	(4.40)	(9.2%)	(3.77)	(7.7%)

The group business volume did not record significant changes except for a temporary drop in web agency services whose contribution is in any case marginal.

Below are economic highlights for the Group at December 31, 2018:

CONSOLIDATED INCOME STATEMENT (Euro million)	31/12/18	%	31/12/17	%
Sales	47.81	100.0	47.87	100.0
Other operating income and revenues	0.53	1.1	0.94	1.9
Total operating revenues and income	48.34	101.1	48.81	101.9
Materials and change in inventory	(28.90)	(60.5)	(28.23)	(59.0)
Services	(11.07)	(23.2)	(11.49)	(24.0)
Payroll costs	(4.60)	(9.6)	(4.40)	(9.2)
Other net operating costs (revenues)	(1.89)	(3.9)	(2.46)	(5.1)
Total operating costs	(46.46)	(97.2)	(46.58)	(97.3)
EBITDA	1.88	3.9	2.23	4.6
Depreciation, amortization and gain/loss on non-current disposal	(1.20)	(2.5)	(0.80)	(1.7)
EBIT	0.68	1.4	1.43	2.9
Financial net income (cost)	(0.13)	(0.3)	(0.08)	(0.1)
Income before tax	0.55	1.1	1.35	2.8
Income taxes	(0.11)	(0.2)	(0.44)	(0.9)
Net result for the period	0.44	0.9	0.91	1.9
Minority interest	-	-	-	-
<i>GROUP interest</i>	<i>0.44</i>	<i>0.9</i>	<i>0.91</i>	<i>1.9</i>

The allocation of the results for detailed sector highlights separately the communication web-agency sector, while less than 5% of total revenues, provide a better assessment of group dynamics.

PRODUCTIVE GRAPHIC AREA

(Euro/million)	2018	2017	Var.
Sales and other operating income	31.94	32.32	(0.38)
Purchases and inventory change	(16.34)	(15.84)	(0.50)
Services	(9.48)	(9.87)	0.39
Personnel costs	(3.56)	(3.25)	(0.31)
Other net operating revenues (expenses)	(1.18)	(1.81)	0.63
Total operating costs	(30.56)	(30.77)	0.21
EBITDA	1.38	1.55	(0.17)
Depreciation and amortization	(1.12)	(0.68)	(0.44)
EBIT	0.26	0.87	(0.61)
Net financial income (expense)	(0.12)	(0.05)	(0.07)
Before tax result	0.14	0.82	(0.68)
Tax	0.04	(0.25)	0.29
Net result	0.18	0.57	(0.39)
Minority interest	-	-	-
GROUP interest	0.18	0.57	(0.39)

COMMERCIAL AREA

The following data refer to the subsidiary Linkonline S.r.l., specialized in the commercial sector, and are gross of intercompany eliminations.

(Euro/mln)	2018	2017	Var.
Sales and other operating income	15.68	15.21	0.47
Purchases and inventory change	(12.07)	(11.50)	(0.57)
Services	(1.47)	(1.40)	(0.07)
Personnel costs	(1.02)	(1.11)	0.09
Other net operating revenues (expenses)	(0.66)	(0.63)	(0.03)
Total operating costs	(15.22)	(14.64)	(0.58)
EBITDA	0.46	0.57	(0.11)
Depreciation and amortization	(0.08)	(0.12)	0.04
EBIT	0.38	0.45	(0.07)
Net financial income (expense)	(0.01)	(0.02)	0.01
Before tax result	0.37	0.43	(0.06)
Tax	(0.14)	(0.18)	0.04
Net result	0.23	0.25	(0.02)
<i>(all attributable to the Group)</i>			

COMMUNICATION WEB AGENCY AREA

The following data refer to the subsidiary Psfinteractive S.r.l. and are gross of intercompany eliminations.

(Euro/mln)	2018	2017	Var.
Sales and other operating income	0.73	1.27	(0.54)
Purchases and inventory change	(0.50)	(0.88)	0.38
Services	(0.11)	(0.22)	0.11
Personnel costs	(0.03)	(0.03)	-
Other net operating revenues (expenses)	(0.05)	(0.03)	(0.02)
Total operating costs	(0.69)	(1.16)	0.47
EBITDA	0.04	0.11	(0.07)
Depreciation and amortization	-	(0.01)	0.01
EBIT	0.04	0.10	(0.06)
Net financial income (expense)	-	-	-
Before tax result	0.04	0.10	(0.06)
Tax	(0.01)	(0.01)	
Net result	0.03	0.09	(0.06)
<i>(all attributable to the Group)</i>			

MARKET EVOLUTION AND NEW STRATEGIC FOCUSES

Poligrafica S. Faustino S.p.A. closed the 2018 financial year with a 7.5% drop in turnover.

In 2019 the development of projects related to the Direct Marketing and services area, which began in the second half of 2017, will continue. The objective is to grow in a segment where PSF has a great competitive advantage: a mix of digital services and media production. In particular, great focus will be given to companies that can express medium volumes, in addition to traditional large players. The development of the multi-channel world will continue, which is synergistic with the other companies of the Group.

Sanfaustino Label S.r.l. closed the 2018 financial year with an increase in sales of 3.2%: in particular, during the 2018 financial year significant investments were made in production means with the aim of giving ever greater impetus to the sales and profitability of the labels sector.

As regards Linkonline S.r.l. 2018 recorded an increase in turnover of approximately 3% thanks to commercial and marketing initiatives related to up and cross selling in a perspective of customer loyalty.

INVESTMENTS

During the 2018 accounting year, investments amounting to a total of Euro 4.58 million concerned Euro 0.46 million in internal development activities as specified below, Euro 0.13 million for the implementation of application software and management platforms and tangible fixed assets, with particular regard to specific systems for the label sector, for an amount of Euro 3.99 million.

RESEARCH AND DEVELOPMENT ACTIVITIES

During the 2018 financial year, with particular regard to the labels sector, the Group carried out development activities with internal resources.

In particular, the development focused on technological innovation and in particular on projects carried out in the Castrezzato plant called:

- **Project 1** - Development activities in favour of the expansion of the product range: rotary opaque colours, oenological collars, lens-effect label, labels for the cosmetic sector, high-definition labels with cast gold processing: 210 K / Euro.

- **Project 2** - Development activities in favour of an innovative MO-4 machine characterized by high flexibility and production efficiency: 173 K / euro.
- **Project 3** - Development activities in favour of innovative technical solutions to allow an efficient application of two-layer labels: 38 K / Euro.
- **Project 4** - Development of a new electronic control system for colours not visible to the naked eye: 42 K / Euro.

For the development of these projects the Group therefore sustained, during 2018, costs related to activities carried out internally with employees for a total of 463,361 euros. It is hoped that the positive outcome of these innovations will generate good results in terms of turnover with favourable repercussions on the Group's economy.

For these activities, the subsidiary Sanfaustino Label S.r.l. intends to make use of the tax credit pursuant to art. 1, paragraph 70-72, of the Law of December 30, 2018 No. 145.

In 2018 further activities continued aimed at strengthening the online platform for reducing the timing of order collection and optimization of the delivery process.

PERSONNEL

The table below indicates the Group personnel as at year's end:

	31/12/18	31/12/17
Managers	4	4
Clerical employees	72	73
Manual workers	38	34
Total	114	111

Linkonline S.r.l has n. 19 employees (1 manager and 18 salespeople) as at December 31, 2018 (minus 2 compared to the previous year).

The PSF Group, in the field of productive graphics area (formed by Holding and Sanfaustino Label), record a net increase of staff equal to n. 5 units compared to the previous year.

Finally Psfinteractive maintains the staff of 1 employee.

CONSOLIDATED NET FINANCIAL POSITION

Euro/mln	2018	2017
Cash and banks	5.85	5.84
Short term bank and leasing loans	(6.83)	(5.38)
Total A) short term	(0.98)	0.46
Medium-long term bank and leasing loans	(6.91)	(5.42)
Total B) medium/long term	(6.91)	(5.42)
Net financial position (A+B)	(7.89)	(4.96)

The change in total net debt is closely correlated with the increase in the exposure to working capital and the significant boost on investments.

The cash flow statement sets out in detail the changes occurred in operating income, investment and financing that generated positive and / or net negative net cash flows.

The table below provides a breakdown of the consolidated balance sheet structure

CONSOLIDATED	31-Dec-18	31-Dec-17	Var.
	Euro/mln	Euro/mln	Euro/mln
A) Net current assets			
Trade receivables	16.65	16.95	(0.30)
Inventory	3.36	3.17	0.19
Other current assets	1.43	0.94	0.49
Trade payables	(15.02)	(14.85)	(0.17)
Other current liabilities	(1.45)	(1.37)	(0.08)
A) Total net current assets	4.97	4.84	0.13
B) Net fixed assets			
Intangible assets	1.78	1.47	0.31
Tangible assets	8.81	5.77	3.04
Financial investments	-	-	-
Other non-current assets	1.89	2.04	(0.15)
B) Total net fixed assets	12.48	9.28	3.20
C) Medium and long term liabilities	1.10	1.03	0.07
D) Invested capital (A+B-C)	16.35	13.09	3.26
Covered by:			
E) Net financial debt			
Short term loans	6.83	5.38	1.45
Cash and banks	(5.85)	(5.84)	(0.01)
Medium/long term debt	6.91	5.42	1.49
E) Net financial debt	7.89	4.96	2.93
F) Equity			
Capital stock	6.16	6.16	-
Reserves	2.30	1.97	0.33
	8.46	8.13	0.33
Minority interest	0	0	
F) Total Equity	8.46	8.13	0.33
G) Total coverage (E+F)	16.35	13.09	3.26

FINANCIAL RISK MANAGING

The Holding and Sanfaustino Label S.r.l. work in the graphic-promotional sector exclusively on demand and, considering the particular productive typology, must adjust the production and the provisioning politics to the specific requests of the clients.

The strong competitors and the lack of standard pricelist-products determine the necessity to have price politics that are often influenced by the promotional budget at the clients' disposal. Till the end of the previous accounting year, the Group Poligrafica S. Faustino has always had only one reference market (the promotional one), with a modest exception of the communication agency activity of the controlled Psfinteractive. With the precise goal to diversify the reference markets and, in order to limit the different risk typologies, in 2008 Poligrafica S. Faustino S.p.A. acquired Linkonline S.r.l., company that operates in the consumables sector that are destined to the retail sector, in particular large-scale distribution.

Each company of the Group is commercially autonomous but responds to strategies that are planned by the Direction of the Holding.

Similarly, each company has a financial autonomy; although the treasury is not correctly canalised on the Group, the financial fluxes of each company are managed by a central function. The financial direction of the Group manages the relations among different banks and analyses the different risks and offers indications about the credit risks, and in particular each time there are contracts with new clients. The financial management 's activity is concerned with keeping the relations with many banks and carries on the analysis of different risks favouring indications on the credit risks, and in particular when there are contacts with new clients. Towards the end of 2017 the company Sanfaustino Label S.r.l. has stipulated an insurance coverage contract on a substantial part of the receivables due from customers.

The change risk, given the absolute irrelevance of the transactions (both passive and active) also beyond the Euro area, is equal to zero. The supplying market of raw materials isn't affected by indirect consequences bound to the dollar.

As far as the credit risk is concerned, above all in front of the huge costs of the transactions and of the clients is limited. It is to be considered that the medium unity amount of the transitions is modest and the analysis of the credit positions already expired or soon to be expired are linked to a fortnight expiry date; also consider the above on insurance coverage.

About the liquidity risk, the relationship between own and others' money has always been positive particularly considering the Holding.

Nonetheless the present financial structure, characterised by modest debts in relation to the capitalisation, together with the existence of significant real estate investments free from bonds and mortgages, determine objective solidity indicators that guarantee the possibility to enter into new credit lines, if necessary.

Concerning the interest rate risk, it is generated by short and long term fixed and flexible rate financial debts; only one component referring to three loan recently has been joined to a derivative hedging instrument whose effects have been recorded directly in equity.

RELATED PARTIES

Except for the fees paid to members - directors, the Group made significant transactions with the related company Etichette Nika S.r.l..

In particular, during the year, the following transactions were carried out under normal market conditions:

	Euro/000	Incidence %
Various purchase	(967)	3.32% (of purchase)
Active rentals	3	Not significant
Various charge backs	6	Not significant

As at December 31, 2018 the following positions were also open:

	Euro/000	Incidence %
Etichette NIKA (client)	1	Not significant
Etichette NIKA (supplier)	(337)	2.24% (of commercial debts)

Other minor transactions with related parties are as follows:

	Euro/000	Incidenza %
receivables	5	Not significant
debts	16	Not significant
costs for rents	30	Not significant
Consulting costs	64	Not significant
sales	6	Not significant

The aforementioned reports were carried out under market conditions with the companies F&F S.r.l., Tonki S.r.l. and Agora 35 S.r.l..

ECONOMIC HIGHLIGHTS OF GROUP COMPANIES

Poligrafica S. Faustino S.p.A. (Holding)

The figure for the Holding turnover amounted to 9.60 million, decreased of 7.5% compared to the previous year (10.38). It should be pointed out that from 2016 the management of the labels sector has been completely handled by the subsidiary Sanfaustino Label S.r.l.. The overall data are therefore better evaluable in comparison tables referring to the entire graphic arts sector, as above described, together with comments on Sanfaustino Label that are exposed here below.

Finally, reference should be reported in the dossier on the separate financial statements of the Holding.

Subsidiaries

Here below we are summarizing the accounting period's activity of the subsidiary companies Sanfaustino Label S.r.l. (100%), Linkonline S.r.l. (100%) and Psfinteractive S.r.l. (100%).

Sanfaustino Label S.r.l. sole proprietorship

Sanfaustino Label produces labels.

From 01.01.2016 the production and marketing activities concerning labels has restarted after the production reorganization that established the division of formerly centralized production areas on the Holding. The current accounting year therefore recorded a turnover of Euro 22.2 million, an increase (+ 3.2%) compared to 2017 accounting year (21.5 mln).

The cost of the personnel employed (equal to 63 units as at December 31, 2018) amounted to 2.36 million euro. The company is currently still supported by the Holding both as regards the use of the occupied space, and for the use of indirect labour. The Holding is still has a significant portion of common general and administrative costs that are recharged pro-rata to the subsidiary company.

The results of 2018 accounting year are summarized in EBITDA of Euro 0.90 million (was Euro 0.80 million in 2017), EBIT of Euro 0.03 million (was 0.40) and net profit of Euro 0.06 million (was 0.31). The income statement includes a component of internal development costs capitalized for euro 0.46 million and at the same time, however, suffers the impact of investments on higher depreciation and financial charges.

Linkonline S.r.l. sole proprietorship

Linkonline, company specialized in the trade of consumption products, has offered the group the chance to realize new synergies in the services sectors for the great distribution and the highly qualified institutional clients: banks, assurance companies, large-scale distribution.

In the accounting year 2018 LOL reported revenues of 15.70 million, a slight increase (+3.1%) compared to the previous accounting year (15.23 million in 2017) and recorded a positive EBITDA of 0.46 million (0.57 in 2017). The final net result amounted to a profit of 0.23 million (0.25 million in 2017).

Psfinteractive S.r.l. sole proprietorship

Psfinteractive is the communication agency of Poligrafica S. Faustino Group.

The financial year ended 31.12.2018 showed a production value of Euro 0.7 million and a positive final net result of Euro 0.03 million. Given the absolute irrelevance of the data within the Group, the company remains in economic balance.

FURTHER INFORMATION ABOUT OWNERSHIP STRUCTURE

As required by art. 123-*bis* of the “*Testo Unico della Finanza*”, the information referred to in paragraphs 1 and 2 of such article have been submitted in a separate report from the annual report (Report on corporate governance and ownership structures) always approved by the Board of Directors.

The above document is also available on the website of Company’s website at www.psf.it / Investor Relations / Corporate Governance / Reports

http://investor.psf.it/uk/page.asp?id_sez=48&id_sub=56&id_com=79

FORESEEABLE BUSINESS DEVELOPMENT

In 2019 we will focus the commercial activities related to the label & packaging world (wine & spirits, promotional, industrial-product) on special and exclusive products (twin label paper glue, high value wine labels and promotional multipage labels) and, for the rest of the Group, on synergies between the print and digital world for multi-channel policies.

On behalf of the Board of Directors
The Chairman
Alberto Frigoli

CONSOLIDATED BALANCE SHEET

STATEMENTS OF PATRIMONIAL – FINANCIAL SITUATION	31/12/18	31/12/17
ASSETS Euro (.000)		
NON CURRENT ASSETS		
Tangible fixed assets	8,808	5,770
Intangible assets	1,781	1,473
Equity investments	3	3
Non-current receivables	401	658
Deferred tax assets (prepaid taxes)	1,489	1,381
Total non-current assets	12,482	9,285
CURRENT ASSETS		
Inventories	3,362	3,170
Trade receivables	16,646	16,947
Tax receivables	847	358
Other current receivables	582	586
Current financial assets	0	0
Cash and banks	5,851	5,839
Total current assets	27,288	26,900
TOTAL ASSETS	39,770	36,185
NET EQUITY AND LIABILITIES		
NET EQUITY		
Share capital	6,162	6,162
Other reserves	440	440
Own shares	(96)	-
Retained earnings (loss)	1,950	1,526
<i>Total equity attributable to Holding Company</i>	<i>8,456</i>	<i>8,128</i>
<i>Minority interests</i>	<i>0</i>	<i>0</i>
Total Net Equity	8,456	8,128
NON-CURRENT LIABILITIES		
Loans	6,907	5,419
Employee severance indemnity and retirement reserves	861	793
Reserves for risks and contingencies	0	0
Deferred tax liabilities	237	241
Other non-current liabilities	0	0
Total non-current liabilities	8,005	6,453
CURRENT LIABILITIES		
Loans	6,832	5,380
Trade payables	15,022	14,851
Tax payables	322	328
Other payables	1,133	1,045
Total current liabilities	23,309	21,604
TOTAL NET EQUITY AND LIABILITIES	39,770	36,185

COMPLESSIVE INCOME STATEMENTS	31/12/18	31/12/17
Euro (.000)		
OPERATING REVENUES		
Sales	47,807	47,865
Other operating income and revenues	535	942
Total operating revenues and income	48,342	48,807
OPERATING COSTS		
Materials	29,094	28,790
Change in inventory	(193)	(561)
Services	11,065	11,487
Payroll costs	4,601	4,399
(less) Costs for capitalized in-house work	(463)	-
Other net operating costs (revenues)	2,353	2,465
Total operating costs	46,457	46,580
EBITDA	1,885	2,227
Depreciation and amortization (-)	(1,202)	(803)
Capital gains (losses) on disposal of non-current assets	-	-
Write-downs/write backs of non-current assets	-	-
EBIT	683	1,424
Financial income	12	28
Financial expenses	(144)	(106)
BEFORE TAX RESULT	551	1,346
Income taxes	(110)	(441)
Net result for the period	441	905
Revenues referred to net equity	-	2
Costs referred to net equity	(17)	-
Profit (loss) global	424	907
Profit (loss) for the period attributable to		
Net result for Group interest	424	907
Net result for minority	0	0

During 2018 an amount of Euro 17 thousand was allocated directly in equity without going through the income statement in accordance with IAS 39 regarding the method of accounting for cash flow hedges, in respect of a derivative type of IRS coverage on a variable rate.

CONSOLIDATED CASH FLOW STATEMENTS

(indirect method)	2018	2017
A. Cash flows from operating activities		
Profit (loss) of the accounting year	441	905
Taxes	110	441
interest expense / (interest income)	132	78
(Gains)/ losses on the disposal of assets	(39)	(252)
1. Profit (loss) before income taxes, interest, dividends and capital gains / losses on disposal	644	1,172
Allocations to provisions	140	142
Amortisation of intangible assets	1,202	803
Adjustments for non-cash items that had no counterpart in the NWC	1,342	945
2. Cash flow before changes in NWC	1,986	2,117
Decrease / (increase) in inventories	(192)	(561)
Decrease / (increase) in trade receivables and to the Group	301	(1,355)
Increase / (decrease) in trade payables and to the Group	171	1,078
Other changes in net working capital	(271)	(142)
Variation of NWC	9	(980)
3. Cash flow after variation of NWC	1,995	1,137
Interest received / (paid)	(139)	(76)
(taxes paid)	(348)	(401)
Use of funds	(72)	(56)
Other adjustments	(559)	(533)
Cash flow of income management (A)	1,436	604
B. Cash flow of investments		
Property, plant and equipment (Investments)	(3,988)	(2,402)
Price of disinvestments	68	806
Intangible asset (Investments)	(588)	(164)
Shareholding and other non-current payables Price of disinvestments	257	(295)
Cash flow from investing activities (B)	(4,251)	(2,055)
C. Cash flow from financing		
Increase in short-term borrowings from banks	(454)	533
Turning funding repayment of loans	9,480	5,492
	(6,086)	(3,776)
Third's means	2,940	2,249
Sale (purchase) of owns shares	(96)	-
Other variations	(17)	2
equity	(113)	2
Net cash flow from financing activities (C)	2,827	2,251
Increase (decrease) in cash (a ± b ± c)	12	800
Cash and cash equivalents at beginning of the year	5,839	5,039
Cash and cash equivalents at the end of the year	5,851	5,839

TABLE OF MOVEMENTS IN CONSOLIDATED EQUITY

Euro/000

CONSOLIDATED NET EQUITY	31/12/16	Destination result	Other Movements	Result	31/12/17
Capital Stock	6,162				6,162
Reserve Shares Premium	199				199
Own shares reserve	794		(794)		0
Own shares	(794)		794		0
Revaluation reserve	241				241
Legal reserve	211	5			216
Other and new reserves	234	169	2		405
Gain (loss) period	174	(174)		905	905
TOTAL Group equity	7,221	0	2	905	8,128
Minority reserves					
Minority result					
Total Minority Equity	0	0	0	0	0
TOTAL CONSOLIDATED	7,221	0	2	905	8,128

TABLE OF MOVEMENTS IN CONSOLIDATED EQUITY

Euro/000

CONSOLIDATED NET EQUITY	31/12/17	Destination result	Other Movements	Result	31/12/18
Capital Stock	6,162				6,162
Reserve Shares Premium	199		(96)		103
Own shares reserve	0		96		96
Own shares	0		(96)		(96)
Revaluation reserve	241				241
Legal reserve	216	9			225
Other and new reserves	405	896	(17)		1,284
Gain (loss) period	905	(905)		441	441
TOTAL Group equity	8,128	0	(113)	441	8,456
Minority reserves					
Minority result					
Total Minority Equity	0	0	0	0	0
TOTAL CONSOLIDATED	8,128	0	(113)	441	8,456

DETAIL OF NET FINANCIAL POSITION

CONSOLIDATED NET FINANCIAL POSITION

Euro (000)

NET FINANCIAL POSITION	31 Dec 18	31 Dec 17
LIQUIDITY AVAILABLE	5,851	5,839
DEBTS TOWARDS BANKS (SHORT TERM)	(5,727)	(4,881)
DEBTS TOWARDS OTHERS (SHORT TERM)	(1,105)	(499)
TOTAL POSITION AT SHORT TERM (A)	(981)	459
DEBTS TOWARDS BANKS BEYOND THE SHORT TERM.	(4,113)	(4,426)
DEBTS TOWARDS OTHERS BEYOND THE SHORT TERM.	(2,794)	(993)
TOTAL POSITION AT MEDIUM/LONG TERM (B)	(6,907)	(5,419)
NET FINANCIAL POSITION (A+B)	(7,888)	(4,960)

During the year n. 6 new medium / long-term loans for an overall amount of Euro 6,000 thousand have been started, the repayment of which is currently envisaged over a maximum period of 60 months.

The debts towards other financiers at short and middle term are exclusively made of funds deriving from financial allocations on plants and machineries whose payback is now predicted within 60 months. During the year we were lit 5 new financial leasing contracts of a total original value of Euro 3,480 thousand.

For a correct analysis of the financial dynamics please see to what is shown in more details in the statement of cash flows.

In order to better define the changes in the Group's net financial position, we are here below detailing the financial position specifically attributable to Linkonline S.r.l. (commercial sector, most relevant after the graphic sector):

NET FINANCIAL POSITION	31 Dec 18	31 Dec 17
LINKONLINE	Euro (000)	Euro (000)
LIQUIDITY AVAILABLE	913	972
DEBTS TOWARDS BANKS (SHORT TERM)	(1,170)	(1,118)
DEBTS TOWARDS OTHERS (SHORT TERM)	-	-
TOTAL POSITION AT SHORT TERM (A)	(257)	(146)
DEBTS TOWARDS BANKS BEYOND THE SHORT TERM,	-	(507)
DEBTS TOWARDS BANKS BEYOND THE SHORT TERM,	-	(507)
TOTAL POSITION AT MEDIUM/LONG TERM (B)	-	(507)
NET FINANCIAL POSITION (A+B)	(257)	(653)

EXPLANATORY NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2018

PREMISE

The 2018 consolidated accounting period report has been made following the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The reference to the IFRS also includes all the International Accounting Standards (IAS) in force. This was compared with the consolidated data of the previous accounting period that were collected with an homogeneity of principles. It is formed by the balance sheet, the profit and loss account, the statement of sources and application of funds, variations of shareholder's equity sheet and the comment notes. The consolidated profit and loss account was issued according to the principle of the historic cost except for some revaluations of the material fixed assets in the previous accounting periods.

AREA BASIS APPLICATION OF THE INTERNATIONAL ACCOUNTING PRINCIPLES

Premise

The consolidation area hasn't changed compared to the previous year and includes the following companies:

Poligrafica S. Faustino S.p.A., holding company, operates mostly in 3 business areas:

- printed forms (promotional items, business papers and others);
- documental managing.

Sanfaustino Label S.r.l.: it deals with the production of labels and is seated in Castrezzato (BS). Poligrafica S. Faustino S.p.A. holds 100%.

Linkonline S.r.l.: it is a commercial society that is active in the distribution of consumption computer products: Poligrafica S. Faustino S.p.A. acquired the 100% in February 2008.

Psfinteractive S.r.l. is a Group's company, controlled for 100% by Poligrafica S. Faustino, involved in communication activities through telematics webs, in the elaboration of multimedia communication projects.

List of companies

Holding	Head office	Capital Stock
Poligrafica S. Faustino S.p.A.	Castrezzato	Euro 6,161,592.12

Subsidiaries consolidated with integral method	Head office	Capital Stock		Control
Psfinteractive S.r.l.	Castrezzato	Euro 20,000	100%	Direct
Sanfaustino Label S.r.l.	Castrezzato	Euro 20,000	100%	Direct
Linkonline S.r.l.	Castrezzato	Euro 100,000	100%	Direct

There are no other companies excluded from the consolidation.

BASIS OF CONSOLIDATION

The accounting value of shares is cancelled in favour of the net balance, following the acquirement of gains and losses of the controlled companies according to the global integration method; both positive and negative differences that come from such elimination is evaluated and attributed to positive and negative assets and/or to the net patrimony balance according to the specific elements that have originated such differences. Minority shareholders' interests in equity or net income, if any, are classified separately, under "minority reserves" and "minority result".

Intercompany payables and receivables as well as income and expenses relating to the companies included in consolidation (on a line by line basis) are deleted. In particular, income or loss, if significant, resulting from intercompany transactions with third parties that has not been realized yet, is deleted.

Segment information

A segment is a distinctly identifiable part of a Group which supplies a combination of related products and services (business segment) or supplies products and service in a specific economic area (geographical segment). The PSF Group substantially operates in just one business segment (personalized graphic products), except for the web agency activity performed by Psfinteractive which, however, is not relevant (less than 5%) compared with total Group activity. Similarly the market business area involves Euro area with local market absolute priority. Starting from 2008 first quarter, after the acquisition of Linkonline S.r.l., company for the distribution of consumption products for computers, all the data referred this company are given separately. Please see about this what was reported in the Group's going.

ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA

Accounting tables and schemes

Consolidated balance-sheet includes the minimum content required by international accounting standards which consists of the distinction in current and non-current assets and liabilities, based on the expectation to be realized within or after 12 months from the balance sheet date.

Income statement is based on the structure by nature.

The income statements is presented on the basis of a structure for what kind of cost.

The cash-flow statements is prepared on the basis of the indirect method.

The statement of financial position does not include items representing the values relating to assets held for sale and assets and liabilities included in disposal groups held for sale as there are no such cases.

With regard to the new international accounting standards applied for the first time starting from 1st January 2018, the following should be noted:

IFRS 15 "Revenues from contracts with customers": has set rules for the recognition of revenues by introducing an approach that provides the recognition of income only when the complete fulfilment of contractual obligations occurs. In view of the analyses carried out on the various forms and types of contracts, the adoption of this principle did not have any impact.

IFRS 9 "Financial instruments": has dictated new classification models and from which valuation of financial assets. In view of the analyses carried out, the adoption of this principle has not identified quantitative impacts.

From January 1, 2019, the new IFRS 16 "Leasing" must be applied, which will replace the current IAS 17. For the company and for the Group, the application of this standard will affect the different exposure and valuation with particular regard to operating leases and to passive leases. A work

team was therefore set up to collect the data and the contractual and quantitative information necessary for the correct application of this principle. This preliminary analysis shows a foreseeable improvement effect currently not yet exactly quantified on the EBITDA and to a lesser extent on the EBIT and a simultaneous increase in activity (for the right of use) in the face of further indebtedness originating from the exposure of the total commitments discounted on the aforementioned lease agreements.

Below are the accounting principles and valuation criteria applied in the preparation of the data.

We inform that company controlled by Poligrafica S. Faustino S.p.A. prepare the report in application of international accounting standards except for Sanfaustino Label which, since 2016 applies the same principles of the Holding. For the purposes of preparing the consolidated financial statements of Poligrafica S. Faustino S.p.A., the financial statements of the company Psfinteractive and Linkonline, prepared in accordance with national principles, some appropriate adjustments required by IAS/IFRS have been made to conform with that of the parent and to proceed with the aggregation of all financial statements prepared according to international accounting standards.

Property, plant and equipment

They are stated at cost or revaluated cost (deemed cost) net of accumulated depreciation (except for land which is not depreciated). The cost of purchase or production includes additional charges and the direct and indirect production costs. Building cost includes a revaluation undertaken in the past based on a specific monetary revaluation regulation. Anyway, the revaluated cost does not exceed the market value of buildings.

Depreciation of tangible assets is computed on a straight line basis set on the residual useful life of assets and their impairment. A review is periodically carried out to assess impairment of assets.

The estimated useful lives in years are as follows:

Types	Useful life
Buildings	33
Light buildings	10
Plants	10
Particular plants and machineries	4-7
Other fixtures and fittings, tools and equipment	4-5
Furniture	8
Electronic Machines	5
Transport machines	4-5
Value increasing on third's goods	(according to duration of the allocation contract)

Leased assets

Fixed assets acquired via finance lease contracts are accounted for using the financial method and are shown among assets at purchased value less depreciation applying the same policy followed for owned tangible assets. Set against this the amounts payable to the leasing companies are posted among short and medium/long-term payables. In addition the portion of interest relating to the period is posted among financial expenses.

Goodwill

Goodwill is the difference between the purchase price and fair value of subsidiaries' identifiable assets and liabilities on the date of acquisition.

As regards acquisitions completed prior to the date of IFRS adoption, PSF decided for not applying IFRS No. 3 (concerning business combination) and consequently goodwill emerging in relation to past acquisition has not been recalculated following the option provided by IFRS No.1. Therefore

goodwill has been posted in accordance with Italian GAAP net of amortisation posted as up to December 31, 2003 and net of any losses due to a permanent reduction in value.

As from transition date, goodwill is not amortized – since it is an intangible asset with an indefinite useful life- but it is periodically subject to impairment test to check for any reduction in value.

Other intangible assets

According to IAS No. 38, other intangible assets, acquired or internally produced, are booked only if it is probable that the use of asset will generate future economic benefits. During the year the costs were capitalized by third parties for further implementation of the various IT platforms. and internal costs for development activities for technological innovation on projects that give impetus to the expansion of the production offer in the field of labels as well as other activities for new technical solutions and electronic control over production. Booked costs are amortized on a straight line basis and set on their estimated useful life and/or future use.

Impairment of asset value

With reference to tangible and intangible assets, at each balance-sheet date the Group performs an impairment test in order to verify the existence of impairment losses; when the booked value exceeds the recoverable amount the impairment losses are charged to the income statement of the period.

Financial assets

Investments in not relevant companies are stated at purchase cost, adjusted, when needed, to reflect impairment, if any.

Debt securities are valued at their realizable value.

Inventories

Inventories are stated at the lower of market value and purchase or production cost. The individual items of inventory, to which different valuation methods have been applied, are valued at cost, calculated using the weighted average cost method.

Receivables

Receivables are stated for the value expected to be collected.

Current financial assets

Financial assets not held on a permanent basis are carried at the higher of purchase cost and the amount expected to be received upon sale of the same (“fair value” based on market prices). Differences arising from value market comparison are charged to income statement.

Owns’ shares

Owns’ shares held by the company at the end of the accounting year are registered with the buying cost. As required by the reference International principles, the total cost of the owns’ shares is registered as diminishing values in the net patrimony. Similarly, the positive and/or negative differentials deriving from the transactions of the own shares are enlisted among the reserves.

Reserves for risks and contingencies

Provisions for risks and charges are only intended to cover losses or payables of a specific nature, of certain or probable existence, but whose amount or duration of contingency are not fixed at the end of the period. Appropriations are only made when there is a legal or implicit obligation, it is probable that the use of resources will be necessary to fulfil it, and a reliable estimate can be determined.

Employee severance indemnity (Employee benefits)

The employee severance indemnity represents the amount accrued by staff pursuant to the provisions of legal provisions and current labor contracts, net of any advance payments, if any. the normative variations imposed by 2007 National financial law oblige that from 2007 companies a

total devolution of the shares achieved during the accounting year, according to the employees' choices of each company in favour of a complementary assurance or in favor of the INPS (with non-purpose full exception for less important subsidiary). Thanks to this, except for the share of annual revaluation, the severance indemnity fund is destined to diminish slowly as a consequence of dismissals and or sums paid in advance.

The application of the IAS 19, previously evaluated in a not significant way (positive effect on net equity), is less important considering the above described aspects.

Payables

Payables are stated at their face value.

Loans

Loans are initially recognised at cost, net of related cost of acquisition. This value is adjusted to allow for any difference between initial cost and repayment value.

Revenue recognition

Revenues are posted net of return sales, discounts, allowances and bonuses, as well as of the taxes and duties directly associated with sale of goods and rendering of services.

Sales revenues are recognised when the company has transferred the significant risks and rewards associated with ownership of the goods.

Income taxes

Provisions for tax liabilities are determined based on analytical calculations of taxes payable in the current financial year by individual companies in compliance with current tax legislation. In addition, should there be any temporary un-deductible income and expenses, booked on an accrual basis, the related prepaid/deferred taxes are posted to the income statement. Deferred tax assets arising from fiscal loss were detected in face of new regulation on tax deferred, give the specific requirements of reasonable of the same. Similarly deferred and prepaid tax arising from consolidation and IFRS adjustments are posted to the income statement too

Useful of estimated values

The preparation of the separate financial statements and the explanatory notes required the use of estimations and assumptions both in the determination of certain assets and liabilities and in the valuation of potential liabilities. The consequent results that will derive from the occurrence of the events could therefore differ from these estimates.

The estimations and assumptions considered are reviewed on a continuous basis and the effects of any changes as a consequence are recorded in the financial statements.

Financial instruments

The company holds only hedging derivatives on interest rates on financial payables (IRS).

The aforementioned derivatives (for which the relationship between the derivative and the hedged item is met and the effectiveness of the hedge is formally documented) cover the risk of changes in the cash flows of the items being hedged (cash flow hedges).

The accounting treatment adopted by the Company envisages that the change in their fair value is recognized directly in equity, while any ineffective portion is recorded directly in the income statement.

The amounts recognized directly in equity are presented in the comprehensive income statement.

Any implicit derivatives included in other contracts are treated as separate derivatives when their risks and characteristics are not strictly correlated with those of the host contracts and these are not measured at fair value, with the recognition of the related gains and losses on the income statement. .

The fair value of financial instruments quoted on an active market is based on market prices at the balance sheet date. The fair value of instruments not listed on an active market is determined using specific valuation techniques with the support of data provided by credit institutions.

EXPLANATORY NOTES ON THE CONSOLIDATED FINANCIAL POSITION SITUATION AS AT 31.12.2018

NON-CURRENT ASSETS

(DATA IN THOUSAND EURO)

- Buildings, plants and machinery

Balance at 31/12/18	8,808
Balance at 31/12/17	5,770
Variation	3,038
Lands	
Historical Cost	1,047
Revaluation	0
Devaluation	0
Balance at 31/12/17	1,047
Increase	0
Disposals	0
Balance at 31/12/18	1,047
Buildings	
Cost (413/91 revaluation included for Euro 249 thousand)	6,072
Accumulated depreciation	(3,436)
Balance at 31/12/17	2,636
Acquisitions / Increase	336
Disposals	-
Depreciation	(189)
Balance at 31/12/18	2,783
Plants and machinery	
Historical Cost	12,894
Accumulated depreciation	(10,934)
Balance at 31/12/17	1,960
Increase	3,606
Disposals	(653)
Use funds	625
Depreciation	(700)
Balance at 31/12/18	4,838
Industrial and commercial facilities	
Historical cost	511
Accumulated depreciation	(473)
Balance at 31/12/17	38
Increase	2
Disposals	(2)
Use funds	2
Depreciation	(12)
Balance at 31/12/18	28

Other tangible assets	
Historical cost	1,094
Accumulated depreciation	(1,005)
Balance at 31/12/17	89
Increase	45
Disposals	(6)
Use funds	6
Depreciation	(22)
Balance at 31/12/18	112

- Intangible assets

Balance at 31/12/18	1,781
Balance at 31/12/17	1,473
Variation	308

Description	Value at 31/12/17	Increase	Amort.	Other variation	Value at 31/12/18
Goodwill	1,086				1,086
Development costs	254	532	(185)		601
Software	133	56	(95)		94
	1,473	588	(280)		1,781

As in the IFRS 3 the goodwill as intangible asset with indefinite lives is not systematically amortized anymore but follows the impairment test.

Because goodwill does not generate independent cash flows, or may be subject to separate sale, the individual units (companies) to which the goodwill is referred, have been identified as Cash Generating Unit (CGU).

The accounting amount of CGU (carrying value) referred to the consolidated financial statements as at 31/12/2018, is summarized in the table below. Values are shown in thousands of Euro:

Company	Stake	Goodwill	Other tangible and intangible assets	Accounting amount of CGU in PSF as at 31 12 2018
Linkonline S.r.l.	100%	691	87	1,123
Psfinteractive S.r.l.	100%	395	1	390

As at December 31, 2018, the “impairment” analysis was replaced and led by an expert employee by using the financial fluxes excreted by the economic and financial plans of 5 year duration (2019-2023) approved by the Boards of Directors of the controlled companies Linkonline S.r.l. and Psfinteractive S.r.l. dated March 4, 2019 and based on reasonable principles and coherently sustainable with the best evaluation.

For the CGU Sanfaustino Label S.r.l., any required impairment test has not made, taking into account the related goodwill has already been eliminated in the financial statements as of 31/12/2012 after the results of the impairment test.

At the closure date of this Financial Statements, the verification of the recoverable value of the CGU to which the starting were allocated, was made by confronting the accounting value of such unities with the usage value represented by the actual value of the future financial fluxes that it is evaluated will be commonly used by one company and by the dismissing of the same at the end of its life.

The expected cash flows within the aforementioned period (2019-2023) were discounted at a rate of 9.7908%, before tax, corresponding to the weighted average cost of capital (WACC). The company estimated at the end of the explicit period of the plan, the terminal value representative of the expected cash flows over the planning period of the plan as a perpetual capitalization of cash flow last year of the plan (2023), by determining the ratio between the latter and a WACCtv of 12.0315% (conservatively higher than the WACC used to discount the flows of the plan).

Taking into account the results and predictable results on the subsidiaries, the impairment test are not disclosed anything to configure evidence of impairment losses.

During the 2018 financial year, the subsidiary Sanfaustino Label carried out development activities for technological innovation and focused its efforts in particular on projects considered particularly innovative, carried out at the Castrezzato plant, called:

- **Project 1** - Development activities in favour of the expansion of the product range: rotary opaque colours, oenological collars, lens-effect label, labels for the cosmetic sector, high-definition labels with cast gold processing: 210 K / Euro.
- **Project 2** - Development activities in favour of an innovative MO-4 machine characterized by high flexibility and production efficiency: 173 K / euro.
- **Project 3** - Development activities in favour of innovative technical solutions to allow an efficient application of two-layer labels: 38 K / Euro.
- **Project 4** - Development of a new electronic control system for colours not visible to the naked eye: 42 K / Euro.

For the development of these projects the Group therefore sustained, during 2018, costs related to activities carried out internally with employees for a total of 463,361 Euro.

It is hoped that the positive outcome of these innovations will generate good results in terms of turnover with favourable repercussions on the Group's economy. To support the recoverability of this investment, a five-year economic-financial plan has been drawn up which shows significant expected net cash flows.

For these activities, the subsidiary Sanfaustino Label S.r.l. intends use of the tax credit pursuant to art. 1, paragraph 70-72, of the Law of December 30, 2018 No. 145.

Further development costs (69) and software (56) collect the costs for the building up and implementation of IT platforms of e-commerce that are used also in the productive managing of the graphic supports. Increases in the related period are referred to the external costs of implementation of new production and commercial technologies.

- Investments and other non-current credits

Financial investments	31/12/18	31/12/17
Equity investments in other companies	3	3
Other receivables	401	658
	404	661

Investments in other companies relate to small interests in the consortia Conai, Corepla and Comieco. The receivables towards others beyond the short term are constituted by supplying securities for Euro 1 thousand, Euro 18 thousand tax credits for reimbursement claims and for Euro 382 thousand of the residual value in a medium to long term boasted by a third companies in the face of sale of fixed assets, intangible assets and / or business units with installment payment plans, in addition to long-term prepaid expenses on commercial transactions.

- Credits for taxes anticipated and/or active postponements

Balance at 31/12/18	1,489
Balance at 31/12/17	1,381
Variation	108

The credits for taxes anticipated and/or active postponements had the following modifications:

Deferred tax assets as at 31.12.14	1,677
- reversal tax losses to compensation profits	(117)
- on 2015 temporary differences	21
- other reversal tax and other adjustments	(27)
Deferred tax assets as at 31.12.15	1,554
- reversal tax losses to compensation profits	(149)
- on 2016 temporary differences	10
- of consolidation adjustments	180
- other reversal tax and other adjustments	(60)
Deferred tax assets as at 31.12.16	1,535
- reversal tax losses to compensation profits	(113)
- on 2017 temporary differences	-
- of consolidation adjustments	(28)
- other reversal tax and other adjustments	(13)
Deferred tax assets as at 31.12.17	1,381
- reversal tax losses to compensation profits	(44)
- on 2018 fiscal loss	187
- on 2018 temporary differences	-
- of consolidation adjustments	(28)
- other reversal tax and other adjustments	(7)
Deferred tax assets as at 31.12.18	1,489

The overall benefit of tax losses concerns accounting exclusively the Holding (1,131) and increased due to the contribution of 187 K / Euro against the tax loss recorded on Sanfaustino Label.

It should be noted that the future tax benefit for the Group shows a latent positive differential not registered for Euro 0.58 million.

The Directors believe they can confirm the recoverability of the amount recorded in the assets in this balance sheet in light of the foreseeable taxable income also for future years.

The additional amounts for a total of Euro 171 thousand originate from temporary tax recoveries of various kinds for Euro 47 thousand and from Euro 124 thousand as deferred tax assets from negative consolidation adjustments.

CURRENT ASSETS

CURRENT ASSETS	31/12/18	31/12/17	Variation
Inventories	3,362	3,170	192
Trade receivables	16,646	16,947	(301)
Tax receivables	847	358	489
Other receivables	582	586	(4)
Cash and banks	5,851	5,839	12
Total current assets	27,288	26,900	388

In particular as at December 31, 2018 Linkonline (**commercial area**) points out the following data:

LINKONLINE S.r.l.	31/12/18	31/12/17	Variation
Inventories	1,188	1,345	(157)
Trade receivables	5,502	5,300	202
Tax receivables	1	43	(42)
Other receivables	43	29	14
Cash and banks	913	972	(59)
Total current assets	7,647	7,689	(42)

- **Inventories**

Inventories	31/12/18	31/12/17
Raw materials	433	415
Finishing Products	715	624
Finished Products	2,214	2,131
	3,362	3,170

The "Raw materials and consumables" item includes various types of papers, inks and less important consumables.

The "finished goods and goods for resale" item includes articles in-house produced as well as other resale goods such as easy reading other goods to commercialise of Linkonline S.r.l..

The "Work in progress" includes work in progress includes goods in the process and contracts for web services not yet completed by 31 December.

- **Accounts receivables**

Balance at 31/12/18	16,646
Balance at 31/12/17	16,947
Variation	(301)

Description	31/12/18	31/12/17
Toward client:		
Italy	16,246	16,581
CEE Area	680	608
Extra-CEE Area	9	69
(less) allowance for doubtful accounts	(289)	(311)
Total	16,646	16,947

The overall receivables devaluation fund was used during the year for Euro 47 thousand and revaluated for a total amount of Euro 25 thousand. The total balance put aside by the individual companies is considered sufficient to cover positions of dubious accomplishment, however not very significant. It should also be noted that since October 2017 a substantial part of trade receivables has been covered by insurance policies.

- **Taxes receivables**

Balance at 31/12/18	847
Balance at 31/12/17	358
Variation	489

Details of receivable from tax administration:

Receivable from the administration	31/12/18	31/12/17
VAT receivable	527	192
D.L. 66/2014 receivables	20	23
R&S L.190/2014 receivables	232	95
Ires-Irap receivables	68	48
	847	358

- Other current receivables

Balance at 31/12/18	582
Balance at 31/12/17	586
Variation	(4)

Details of other receivables:

Composition	31/12/18	31/12/17
Various credits	257	299
Prepayments and accrued income	325	287
	582	586

Details of prepayments and accrued income:

Description	31/12/18	31/12/17
Others accrued income	22	-
Prepaid rental costs	59	68
Financial prepaid costs	109	111
Deferred on other expenses	135	108
	325	287

- Current financial activities

The group has no financial activities that are not fixed assets.

- Cash at bank and in hand

Description	31/12/18	31/12/17
Banks	5,845	5,828
Credit notes	-	-
Cash	6	11
	5,851	5,839

The balance represents cash on hand and at banks and similar items at December 31, 2018. The change of Cash/Bank balances is adequately explained in the consolidated cash – flow statement.

NET EQUITY

Balance at 31/12/18	8,456
Balance at 31/12/17	8,128
Variation	328

The elements that determine the Shareholder's equity may be so listed:

Equity	31/12/18	31/12/17
Capital stock	6,162	6,162
Share premium account	103	199
Own share buying reserve	96	-
Revaluation reserve	241	241
Reserves	440	440
Owns' shares	(96)	-
Legal reserve	225	216
Other reserves and retained earnings	1,284	405
Profits (loss) accumulated	441	905
Profit (loss) for the financial period	1,854	1,526
Total group equity	8,456	8,128
Capital and reserves of third parties	0	0
Period Profit (loss) of third parties	0	0
Minorities interests	0	0
Total group equity	8,456	8,128

In referring to the specific statement of changes in equity, we inform that during the year the Company purchased n. 15,819 own shares for a value of Euro 96,285.

The negative reserve on hedging derivatives measured at the mark to market amounted to Euro 16 thousand (positive by Euro 1 K at the end of the previous year).

FROM HOLDING TO CONSOLIDATED EQUITY AND RESULT

Here below there is the reconciliation prospect between the net equity and the Holding result and those emerging from this consolidation:

(Euro/000)	Result	Net Equity
Holding	49	7,218
Subsidiary companies result (IAS)	318	318
Effect of elimination of holdings	-	(1,533)
Other consolidation adjustment	-	2,773
Net equity and result	74	(320)
Allocation to result and minorities' result	441	8,456
Net equity and Group's result	0	0
Holding	441	8,456

Result for share

Details of result for share calculated dividing Group's net result by number of issued shares:

Profit (loss) for share	2018	2017
Total ordinary shares	1,123,483	1,123,483
Total preference share	0	0
Average number of ordinary shares	1,123,483	1,123,483

Average number of preference shares	0	0
Net result Euro/000	441	905
Profit (loss) for share <i>(In Euro unit)</i>	0.3925	0.8055

There is no indication of diluted earnings per share as the Company has not issued bonds convertible into equity instruments.

NON-CURRENT LIABILITIES

- Loans

Balance at 31/12/18	6,907
Balance at 31/12/17	5,419
Variation	1,488

Description	31/12/18	31/12/17
- Amounts due to banks (medium/long term)	4,113	4,426
- Amounts due to Leasing company (medium/long term)	2,794	993
	6,907	5,419

Medium and long-term loans comprehend:

- Euro 4,113 thousand per quota to M/L of loans with credit institutions, decreased by 313 K/Euro during the accounting year.
- Euro 2,794 thousand for medium to long term portion of finance leases were increased of Euro 1,801 thousand after the starting of 5 new financial leases contracts with an original value of 3,840 thousand euro.

New loans from banks were obtained during the year for a total amount of originating 6,000 K/Euro (for 6 loans) so constituted:

Total financing	Duration
500 K/Euro	12 months
1.500 K/Euro	18 months
500 K/Euro	24 months
500 K/Euro	36 months
2.500 K/Euro	48 months
500 K/Euro	60 months

With regard to 6 loans obtained in the past accounting year (3 of which are finance leases), derivative contracts were signed with hedging rates to apply until the deadline. The effects of fair value of such derivatives were overall equal to 17 K/Euro and have been included among the reserves in shareholders' equity at 31/12/2018.

There are no covenants on financial debts that could lead to the loss of the term benefit.

- Employee severance indemnity and retirement reserves

Balance at 31/12/18	861
Balance at 31/12/17	793
Variation	68

Description	Balance at 31/12/17	Utilize/Decrease	Increase	Balance at 31/12/18
Employee severance indemnity	562	(63)	76	575
Agents' termination indemnity	231	(8)	63	286
	793	(71)	139	861

- **Deferred tax liabilities**

Balance at 31/12/18	237
Balance at 31/12/17	241
Variation	(4)

Deferred taxes liabilities are composed for Euro 26 thousand by fiscal postponed effects on the fiscal operations already made in the previous accounting period, to whom the postponed net fiscal effects that originate from the funding structures and by the application of different accounting principles following the IAS. In particular the deferred tax effect amounting to Euro 124 thousand on the goodwill of Psfinteractive is included

In particular, deferred tax liabilities were:

Composition	Euro/000
Deferred tax liabilities at 31.12.14	243
Return on amortizations and lands	(5)
Net fiscal effect on IAS revisions in the 2015 accounting year and corresponding returns.	5
Deferred tax liabilities at 31.12.15	243
Return on amortizations and lands	(5)
Net fiscal effect on IAS revisions in the 2016 accounting year and corresponding returns.	4
Deferred tax liabilities at 31.12.16	242
Return on amortizations and lands	(4)
Net fiscal effect on IAS revisions in the 2017 accounting year and corresponding returns.	3
Deferred tax liabilities at 31.12.17	241
Return on amortizations and lands	(4)
Deferred tax liabilities at 31.12.18	237

- **Other non-current liabilities**

Balance at 31/12/18	0
Balance at 31/12/17	0
Variation	0

At the end of the accounting year there are no debt positions beyond the 12 months.

CURRENT LIABILITIES

Description	31/12/18	31/12/17	Variation
Loans (short term debt)	6,832	5,380	1,452
Trade payables	15,022	14,851	171
Tax payables	322	328	(6)
Other payables	1,133	1,045	88
Total current liabilities	23,309	21,604	1,705

The dynamic of the short term payments is coherent with what has been above described and considers the effects on the financial fluxes underlined in the specific consolidated balance sheet.

Similarly to what reported for current assets, Here is the data specifically attributable to the commercial sector (Linkonline S.r.l.):

LINKONLINE S.r.l.	31/12/18	31/12/17
Loans (short term debt)	1,170	1,118
Trade payables	4,724	4,585
Tax payables	71	75
Other payables	216	230
Total current liabilities	6,181	6,008

- Bank loans

Balance at 31/12/18	6,832
Balance at 31/12/17	5,380
Variation	1,452

Description	31/12/18	31/12/17
- Owed to banks - short term loans	5,727	4,881
- Debts towards Leasing company in short term	1,105	499
	6,832	5,380

The debts towards the banks within 12 months represent the passive exposures of the Group's companies for about Euro 967 thousand. The remaining quote in brief term, of the loans for Euro 4,760 thousand.

For further considerations you can see what has been reported about the loans between non-current liabilities

- Accounts payable

Balance at 31/12/18	15.022
Balance at 31/12/17	14.851
Variation	171

Description	31/12/18	31/12/17
Trade payables:		
Italy	14,207	13,876
CEE Area	206	233
Area Extra-CEE	5	4
Towards clients of goods to deliver in different moments	604	738
Total	15,022	14,851

- Tax payable

Balance at 31/12/18	322
Balance at 31/12/17	328
Variation	(6)

Poligrafica S. Faustino Group – Consolidated Financial Statement as at December 31, 2018

Description	31/12/18	31/12/17
IRPEF (personal income tax)	312	292
VAT	9	0
IRES-IRAP (corporate income taxes)	1	36
	322	328

- Other current liabilities

Balance at 31/12/18	1,133
Balance at 31/12/17	1,045
Variation	88

Description	31/12/18	31/12/17
Owed to social institutes	377	360
Other payables	682	636
Accruals and deferred income	74	49
	1,133	1,045

Debts towards the others are almost totally formed by debts towards the employees for salaries to pay, holidays and fees for the Directors and others collaborator.

NOTES TO CONSOLIDATED INCOME STATEMENTS

Description	31/12/18	31/12/17	Var.
Description	48,342	48,807	(465)
Operating revenues	(28,901)	(28,229)	(672)
Materials and change in inventory	(11,065)	(11,487)	422
Services	(4,601)	(4,399)	(202)
Capitalization of internal costs	463	-	463
Other operating costs (net)	(2,353)	(2,465)	112
EBITDA	1,885	2,227	(342)
Depreciation and amortization	(1,202)	(803)	(399)
EBIT	683	1,424	(741)
Net financial income (expense)	(132)	(78)	(54)
BEFORE TAX RESULT	551	1,346	(795)
Income tax	(110)	(441)	331
NET RESULT	441	905	(464)

Consolidated revenues and income show a slight decrease (1%) compared to the previous year. The higher incidence of consumption and other net costs and income, despite the recognition of capitalized internal costs, had negative effects on gross margins (EBITDA) both in absolute terms and as a percentage of operating revenues and income. A similar trend was recorded by EBIT, which also suffered the impact of significant increases in depreciation related to new and significant investments.

Here below there are the data of three areas in which the Group operates:

Productive GRAPHIC Area (Holding and Sanfaustino Label)

Description	31/12/18	%	31/12/17	%	Var. 17-18
Operating revenues	31,936	100.0	32,324	100.0	(388)
Materials and change in inventory	(16,332)	(51.2)	(15,846)	(49.0)	(486)
Services	(9,484)	(29.7)	(9,867)	(30.5)	383
Personnel costs	(3,558)	(11.1)	(3,253)	(10.1)	(305)
Capitalization of internal costs	463	1.4	-	-	463
Other operating costs (net)	(1,639)	(5.1)	(1,808)	(5.6)	169
EBITDA	1,386	4.3	1,550	4.8	(164)
Depreciation and amortization	(1,123)	(3.5)	(676)	(2.1)	(447)
EBIT	263	0.8	874	2.7	(611)
Net financial income (expense)	(117)	(0.3)	(57)	(0.2)	(60)
BEFORE TAX RESULT	146	0.5	817	2.5	(671)
Income tax	38	0.1	(251)	(0.8)	289
NET RESULT	184	0.6	566	1.7	(382)

The graphic production sector recorded a slight decline in revenues (-1.2%) which, together with the higher incidence of consumption and personnel costs, had a significant impact on the reduction of margins, while taking into account the capitalization of internal development costs of new techniques and production types. These dynamics and above all the significant increase in amortization on new investments have affected EBIT and pre-tax profit.

Commercial Area (LINKONLINE)

INCOME STATEMENT before intercompany eliminations

Description	31/12/18	%	31/12/17	%	Var.
Sales and other operating income and revenue	15,681	100.0	15,212	100.0	469
Materials and change in inventory	(12,071)	(77.0)	(11,501)	(75.6)	(570)
Services	(1,471)	(9.4)	(1,400)	(9.2)	(71)
Personnel costs	(1,018)	(6.5)	(1,114)	(7.4)	96
Other operating costs (net)	(662)	(4.2)	(628)	(4.1)	(34)
EBITDA	459	2.9	569	3.7	(110)
Depreciation and amortization	(78)	(0.5)	(119)	(0.8)	41
EBIT	381	2.4	450	2.9	(69)
Net financial income (expense)	(15)	(0.1)	(22)	(0.1)	7
BEFORE TAX RESULT	366	2.3	428	2.8	(62)
Income tax	(139)	(0.9)	(177)	(1.2)	38
NET RESULT	227	1.4	251	1.6	(24)

The increase in revenues from the commercial sector (+ 3.1%) was accompanied, however, by a greater incidence of consumption which, despite considering the exactly compensatory effects on changes in other operating costs, generated a decline in EBITDA both in absolute value and in percentage. This reduction is reflected both on EBIT and on the final result, however positive.

Communication Area (Psfinteractive)

Description	31/12/18	%	31/12/17	%	Var.
Sales and other operating income and revenue	725	100.0	1,271	100.0	(546)
Materials and change in inventory	(498)	(68.7)	(882)	(69.4)	384
Services	(110)	(15.2)	(220)	(17.3)	110
Personnel costs	(25)	(3.4)	(32)	(2.5)	7
Other operating costs (net)	(52)	(7.2)	(29)	(2.3)	(23)
EBITDA	40	5.5	108	8.5	(68)
Depreciation and amortization	(1)	(0.1)	(8)	(0.6)	7
EBIT	39	5.4	100	7.9	(61)
Net financial income (expense)	-	-	1	0.1	(1)
BEFORE TAX RESULT	39	5.4	101	8.0	(62)
Income tax	(9)	(1.3)	(13)	(1.0)	4
NET RESULT	30	4.1	88	7.0	(58)

The total figures for the communication sector still remain irrelevant on the volume of business of the Group, but are still explained for better segment information.

REVENUES AND OPERATIVE PROCEEDS

2018 Accounting year	48,342
2017 Accounting year	48,807
Variation	(465)
Variation %	-0.9%

Operating revenues	2018	%	2017	%
- Graphic products	31,482	65.9	31,448	65.7
- Web agency services	725	1.5	1,269	2.7
- Commercial area	15,600	32.6	15,148	31.6
Revenues on sales and performance	47,807	100.0	47,865	100.0
- Other revenues and proceeds	285		847	
- Regional contribution	250		95	
Other revenues and proceeds	535		942	
Total revenues and operative proceeds	48,342		48,807	

Operating grants include an amount of 232 K / Euro relating to tax benefits on development activities plus Sabatini contributions of 18 / K Euro.

OPERATIVE COSTS

2018 Accounting year	46,457
2017 Accounting year	46,580
Variation	(123)
Variation %	-0.3%

Here below the main components of the operative costs:

Materials and change in inventories	2018	2017
Acquisitions of raw materials, consumable stock and goods	29,094	28,790
Change in inventories	(331)	(96)
Change in raw materials	138	(465)
	28,901	28,229
Sales incidence	60.5%	59.0%

The greater incidence of consumption on sales is related both to the change in the prices of raw materials and to the greater uses for the start-up phases of the new plants.

Services	2018	2017
Outsourcing production	2,880	2,994
Motive power	233	270
Transports	1,591	1,455
Postal charges and services	1,406	1,465
Sales commissions	3,515	4,080
Consultant fees	591	524
Other costs	849	699
Total	11,065	11,487
Sales incidence	23.1%	24.0%

Personnel costs	2018	2017
Wages and salaries	3,314	3,180
Social security costs	1,024	977
Provision for severance indemnity	238	224
Other costs	25	18
Total	4,601	4,399
Variation %	+4.6%	+18.8%
Sales incidence	9.6%	9.2%

The personnel costs included all staff costs, including social charges, the costs of unused holidays allowances, additional bonuses and the allowances provided for by law and collective agreements. The change in the cost of the total labour is the effect of policies for the reorganization of the Group with the goal of significant recoveries in terms of productive efficiency.

Employment data	31/12/18	Average	31/12/17	Average
Staff	4	4	4	4
Managers	72	72	73	71
Employees	38	37	34	33
Total	114	113	111	108

Costs for capitalized in-house work	2018	2017
(to deduce)	(463)	-
Total	(463)	-

On the capitalization of internal costs for innovative and technological development, reference should be made to the details reported in the commentary on the increase in intangible assets.

Other net operating costs (revenues)	2018	2017
Passive rents and rentals	328	328
Vehicle management	303	292
Managers' fees	1,391	1,327
Statutory auditors' fees	38	26
Contingent revenues (non-recurring)	(130)	(211)
Contingent expenses (non-recurring)	40	47
Loss on non-recurrent credits (non-recurring)	-	-
Other provisions	89	90
Other generic expenses	294	566
Total Other net operating costs (revenues)	2,353	2,465

The Directors' remuneration recorded in the financial statements relate solely to the fixed component of the remuneration. With regard to the variable component please refer to the more detailed information in the "Report on Remuneration" available on the website of Company's website at [www.psf.it / Investor Relations / Corporate Governance / Reports](http://www.psf.it/InvestorRelations/CorporateGovernance/Reports):

http://investor.psf.it/uk/page.asp?id_sez=48&id_sub=56&id_com=79

Depreciation, value adjustments and realized	2018	2017
Depreciation of tangible assets (-)	(922)	(585)
Amortisation of intangible assets (-)	(280)	(218)
Write-downs/write backs of non-current assets	-	-
Total	(1,202)	(803)

For further considerations on the amortization and depreciation please see table of movements in tangible and intangible assets.

Financial income	2018	2017
Bank interests receivable	1	2
Other financial income	11	26
Exchange gain	-	-
Total	12	28

Financial expenses	2018	2017
Bank interests payable	(8)	(6)
Interests on medium long term loans	(103)	(83)
Interests on financial leasing.	(32)	(16)
Other financial charges	(1)	(1)
Losses gain	-	-
Total	(144)	(106)
NET FINANCIAL INCOME AND EXPENSES	(132)	(78)

The increase in the net financial component is related to the opening of new loans against the large investments.

Taxes	2018	2017
IRES	(125)	(169)
IRAP	(110)	(118)
Deferred taxes reversal included	125	(154)
NET Total	(110)	(441)

OTHER DISCLOSURES

Fees of Directors and Statutory Auditors

Considering the art. 123-ter of the “*Testo Unico della Finanza*”, the relative information to policy of the company in the matter of remuneration of the members of the administration organs, of the general managers and of the leaders with strategic responsibilities, the procedures used for the adoption and the performance of such policy and the remuneration of the above mentioned subjects and of the members of the supervisory organ and the general managers have been inserted in a distinguished relation (Report on the Remuneration) always approved by the Board of Directors.

The above document is also available on the website of Company’s website at www.psf.it / Investor Relations / Corporate Governance / Reports:

http://investor.psf.it/uk/page.asp?id_sez=48&id_sub=56&id_com=79

DISCLOSURE ACCORDING TO ARTICOLO 149-DUODECIES OF CONSOB ISSUER REGULATION

Pursuant to article 149-*duodecies* of Consob Issuer Regulation, the fees paid in 2018 for auditing services and other than auditing furnished by the Independent Auditors for holding and subsidiaries company, considering the renewal of the assignment to another company during the accounting year, are set forth in the schedule below.

(euro/000)	Fees
Auditing	72
Other services	-
Total	72

**SUBSEQUENTS EVENTS AFTER THE CLOSURE OF THE
ACCOUNTING PERIOD**

There are no further events after the closure of the year that may have an impact on the data concerned in the present survey.

**Certification pursuant the article 81-ter of Consob Issuer Regulation no. 11971
of May 14, 1999 and subsequent changes and additions**

1. We, Alberto Frigoli, Emilio Frigoli and Giuseppe Frigoli, declare herewith as managing directors, together with Cristina Capitanio, account manager responsible for the accounting documents of Poligrafica S. Faustino S.p.A., confirm (considering all stated of art. 154-bis, paragraph 3 and 4, of Italian Legislative Decree no. 58 of February 24, 1998) as follows:

- the adequacy concerning the company characteristics and
- the factual application,

of the administrative and accounting procedures for the forming of the Consolidated Financial Statements as at December 31, 2018.

2. This concerning, no aspects of particular managing or strategic or existence of anomalies and problems also seen in the effecting procedure application emerged.

3. Herewith it is also confirmed that

3.1 Consolidated Financial Statements:

- a) it is made up in conformity with the international accounting principles acknowledged by the European Community according to the Regulation (CE) n. 1606/2002 of the European Parliament and Council, of July 19, 2002;
- b) corresponds to the results of the accounting reports and books;
- c) is made according to the International Financial Reporting Standards of the International Accounting Standards Board. It is furthermore apt to give a faithful representation of the patrimonial situation of the issuer and of the whole of the companies included in the consolidating.

3.2 The Directors' Report on Operation includes a reliable analysis of the going and the result of management, as well as the issuer situation and all subsidiaries, together with the description of the principal risks and uncertainties.

Castrezzato, March 8, 2019

The account manager responsible for
the accounting documents
Mrs. Cristina Capitanio

.....

Managing Directors

Mr. Alberto Frigoli

.....

Mr. Emilio Frigoli

.....

Mr. Giuseppe Frigoli

.....

**INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE
DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION
537/2014**

To the Shareholders of
Poligrafica S. Faustino Spa

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**Opinion**

We have audited the consolidated financial statements of Poligrafica S. Faustino Spa and its subsidiaries ("Poligrafica S. Faustino Group"), which comprise the balance sheet as at December 31, 2018, the income statement and other components of the comprehensive income statement, the cash flow and changes in shareholders' equity for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Poligrafica S. Faustino Spa in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; therefore, we do not provide a separate opinion on these matters.

Key audit matters	Audit procedures
<p>Impairment test on Goodwill</p> <p><i>Company's notes to the consolidated financial statements as of December 31, 2018 describes the Impairment test on goodwill in the paragraph "Intangible assets".</i></p> <p>Goodwill as of December 31, 2018 amounts to 1.086 thousand euro (691 thousand euro related to Linkonline Srl and 395 thousand euro related to Psfinteractive Srl), equal to the 2,7% of the total assets in the consolidated financial statements.</p> <p>Impairment test on goodwill has been carried out by management with the support of an external appraiser asked to compare the book value with the estimated recoverable value determined on the capability of generating future cash flows from each single CGU involved.</p> <p>We concluded that the impairment test process constitutes a key audit matter considering the subjectivity of estimates used to determine future cash flows, as well as the discount rate (WACC) and the growth rate.</p>	<p>In particular, we carried out the following procedures:</p> <ul style="list-style-type: none"> • Assessment of the reasonableness of main assumptions used to forecast the cash flows for each separated CGU involved; • analysis of actual values, compared with the original plans, in order to understand the nature of variations and the reliability of the budgeting process; • assessment of the reasonableness of the discount rate (WACC) and the growth rate; • assessment of mathematical accuracy of the model used to determine estimated recoverable value of the goodwill; • assessment of the sensitivity analysis; • assessment of compliance with applicable accounting standards, of the procedures implemented by Management for the impairment test; • assessment of compliance with applicable accounting standards of the information disclosed by the Company with reference to the impairment test.
<p>Deferred tax asset recoverability</p> <p><i>Company's notes to the consolidated financial statements as of December 31, 2018 describes the recoverability assumptions on the deferred tax assets in the paragraph "Credits for taxes anticipated".</i></p> <p>Deferred tax assets as of December 31, 2018 amounts to 1.489 thousand euro, equal to the 3,7% of the total assets in the consolidated financial statements.</p> <p>We concluded that the analysis on the recoverability of the deferred tax assets constitutes a key audit matter considering the subjectivity of estimates used to determine future taxable income.</p>	<p>In particular, we carried out the following procedures:</p> <ul style="list-style-type: none"> • Assessment of mathematical accuracy of the model and of the main assumptions used to forecast future taxable income; • assessment of the sensitivity analysis.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by European Union and, within the terms established by law, for such internal control as the

Directors determine is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Poligrafica S. Faustino 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 they have identified the existence of the conditions for the liquidation of the Poligrafica S. Faustino Spa or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Poligrafica S. Faustino 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.

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

- We identified and assessed the risk of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not 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.
- We obtained an 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 Poligrafica S. Faustino Group's internal control.
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- We concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Poligrafica S. Faustino Group's ability to continue 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 consolidated 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 Poligrafica S. Faustino Group to cease to continue as a going concern.
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Poligrafica S. Faustino Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Poligrafica S. Faustino Group's audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, 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. We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and we informed them about any relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards. From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Poligrafica S. Faustino Spa has appointed us on April 13, 2017 as auditors of the Poligrafica S. Faustino Group for the years from December 31, 2017 to December 31, 2025. We declare that we have not provided prohibited non-audit services referred to in art. 5 par.1 of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit. We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Poligrafica S. Faustino Spa are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Poligrafica S. Faustino Group as at December 31, 2018, including its consistency with the related consolidated financial statements and its compliance with the law. We have carried out the procedures set forth in the Auditing Standard (ISA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Poligrafica S. Faustino Group as at December 31, 2018 and on its compliance with the law, as well as to make a statement about any eventual material misstatements. In our opinion, the above-mentioned report on operation and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Poligrafica S. Faustino Spa as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Company and of the related context acquired during the audit, we have nothing to report.

Statement in accordance with art 4 of CONSOB regulation in application of Legislative Decree n. 254 of December 30, 2016

The Directors of Poligrafica S. Faustino Spa have chosen to follow the exemption from the preparation of the non-financial statements in accordance to legislative Decree n. 254 of December 30, 2016.

Brescia, Italy
March 27, 2019

Fidital Revisione Srl
Signed by
Roberto Ferrari
(partner)

This report has been translated into the English language solely
for the convenience of international readers

POLIGRAFICA S. FAUSTINO SPA
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Fiscal Code and Brescia Firms' Register 01251520175
VAT Number 00614280980

**REPORT OF THE BOARD OF AUDITORS AT CONSOLIDATED
FINANCIAL STATEMENTS – ACCOUNTING YEAR 2018**

Dear Shareholders,

the Consolidated Financial Statements of Poligrafica S. Faustino Group as at December 31, 2018 has been carried out by the Holding Poligrafica S. Faustino S.p.A. in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and is composed by the Statements of Patrimonial Situation, by the Income Statement, by the Cash-flow Statements, by the tables of movements in equity and by the comment notes.

The Directors' Report on Operations provides the details about the managing and, in particular, the considerations about the patrimonial, fiscal and financial aspects. Moreover, the immaterial immobilizations have been inscribed as positive values following the instructions of the I.A.S. 38; the report includes the description of the Group's research and development activities, of the relevant events occurred after the closure of the 2018 accounting Balance sheets and some short considerations on the predictable evolution of the 2019 managing evolution.

The Board of Auditors has purchased a documentation examination and has declared it correct and in conformity with the present civil norms.

The Financial Statements and the Income Statement have been confronted with the Consolidated Balance sheet of 2017 that has been remade according to the same IFRS principles for homogeneity of criteria and values.

The Board of Auditors acknowledges that the consolidated companies, of which we give a list with the details at the art. 39 of the Legislative Decree 127/91, have been justly found out and following the art. 26 of the Legislative Decree.

The Group's consolidated financial statements reports the Balance sheets of the companies included in the consolidated, all closed at December 31, 2018 and approved by their company organs.

The explicative notes contain all the most significant evaluation criteria that coincide with those of the Holding, compared with those elaborated by the 2016 accounting year.

The balance entries are represented with the indication and motivation, for the most significant quantitative variations of the consolidated Balance for the 2017 accounting year.

The principles adopted for the consolidation of the financial statements for the year ended 31.12.2018 are those used for the previous year and have not changed.

In particular:

- a) the participations in companies included in the consolidation have been deleted as a consequence of their net equity fractions, following the global integration method, art. 31, paragraph 2, a);

- b) the eventual shares of the economic result and the net equity of the subsidiaries of other people's competence are expressed in specific entries of the Income Statements and Statements of Patrimonial Situation, art. 31 paragraph 3 and 4;
- c) the costs and revenues have been deleted, the credits and debts among the companies included in the consolidation sheet and the proceedings and significant losses after operations among companies not yet accomplished at the balance date, art. 31 paragraph 2 b), c) d);
- d) the possible ratifications of the balance sheets to delete fiscal posts and other ratifications of consolidation considering their postponed fiscal effect.

The Board of Auditors, considering the intercourses with the Auditing Firm Fidital Revisione S.r.l., doesn't have any remarks to do on the Group's consolidated balance for the 2018 accounting year.

Brescia, March 27, 2019

On behalf of the Board of Auditors

Dr. Francesco Curone
(signed on the original)

This report has been translated into the English language solely for the convenience of International readers. The Italian original remains the definitive version

POLIGRAFICA
SANFAUSTINO

POLIGRAFICA S. FAUSTINO S.P.A.
25030 CASTREZZATO (BS) - Via Valenca, 15
Capital stock fully paid Euro 6.161.592,12
Fiscal Code and No. of "Registro Imprese of Brescia"
01251520175
R.E.A. of Brescia No. 250377

SEPARATE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018

I N D E X

Directors' Report on Operations

Balance Sheet

Details of Net Financial Position

Illustrative Notes to Separate Financial Statement as at 31.12.2018

Certification pursuant the article 81-ter of Consob Issuer Regulation No. 11971/99

DIRECTORS' REPORT ON OPERATIONS

MARKET EVOLUTION AND NEW STRATEGIC FOCUSES

NET SALES (Million Euro)	2018	2017	Variation
Sales	9,596	10,379	(783)
(abroad)	(533)	(446)	+87

Please note that since 2016, the management of the label sector was attributed to the subsidiary Sanfaustino Label S.r.l. . The above data therefore refer to promo-advertising production on order. The overall data of the entire production segment can be better assessed in the consolidated financial statements which shows the sectoral data compared for the entire sector.

Here below the results of the balance sheet of Poligrafica S. Faustino S.p.A. at December 31, 2018, compared with the previous accounting year's data:

Poligrafica S. Faustino S.p.A.	31/12/18	%	31/12/17	%
INCOME STATEMENT (million Euro)				
Sales	9.60	100.0%	10.38	100.0%
Other operating income and revenues	1.25	13.0%	2.07	19.9%
Total operating revenues and income	10.85	113.0%	12.45	119.9%
Materials and change in inventory	(4.18)	(43.5%)	(4.86)	(46.8%)
Services	(4.30)	(44.8%)	(4.65)	(44.8%)
Payroll costs	(0.68)	(7.1%)	(0.97)	(9.3%)
Other net operating costs (revenues)	(1.20)	(12.5%)	(1.22)	(11.8%)
Total operating costs	(10.36)	(107.9%)	(11.70)	(112.7%)
EBITDA	0.49	5.1%	0.75	7.2%
Depreciation and amortization	(0.36)	(3.7%)	(0.39)	(3.7%)
EBIT	0.13	1.4%	0.36	3.5%
Financial net income (cost)	(0.02)	(0.3%)	(0.02)	(0.2%)
Income before tax	0.11	1.1%	0.34	3.3%
Income taxes	(0.06)	(0.6%)	(0.16)	(1.6%)
Net result for the period	0.05	0.5	0.18	1.7

The significant change in other revenues and operating income is mainly due to the allocation of common costs and services that PSF charged to other Group companies, particularly with regard to administrative costs, general and still centralized marketing even gradually decreasing as a result of the company reorganization in progressive completion.

INVESTMENTS

Investments for the exercise are equal to Euro 0.44 million and have regarded the increase of plants and machineries for Euro 0.03 million beyond interventions on estate facilities for Euro 0.34 million together with the implementation of application and management software (for 0.07 million euro). At the same time, assets worth Euro 0.06 million were disposed of.

RESEARCH AND DEVELOPMENT

During 2018 R&D activity will focus on the development of projects related to the paper industry (pop up and promotional tools), direct marketing with inserts and supports related to the world of loyalty.

This activity was carried out exclusively with the use of internal resources.

SAFETY, ENVIRONMENT, QUALITY

By means of the Management System for Security, was adopted a tool that has the purpose of:

- maintaining awareness of the consistency of the company's mission with the principles of policy for health and safety at work;
- establish objectives consistent with the above policy;
- ensuring the availability of adequate resources to the implementation of the Policy.

All employees, and in particular the managers and the Area responsible people, must monitor and check periodically that the above mentioned principles are observed.

Such goals, in a system dynamical optic, are constantly evolving and the commitment of the Board of Directors is to get a continuing improvement in welfare and safety matters concerning the workers by respecting the law.

On August 26, 2014 the company has obtained the certification of the management system of safety of workers according to the standard OHSAS 18001: 2007. On 25.08.2017 the certification was renewed for further three years.

For a sustainable development, the environment protection is a primary goal for PSF that is engaged in its continuous getting better.

The most important company functions, following the guidelines of the Board of Directors, is directly involved in the achievement of this commitment and in the definition of measurable goals that may allow to verify periodically such politics by all the interest bearers, and to verify the adequacy of the resources to them destined.

After this said, on 17.06.2011 FSC certification has been obtained (the inspection process is conducted in forests or forest plantations to assess how these are handled with respect to a given set of principles and criteria of good management) issued by Forest Steward Council, a non-governmental, non-profit organization, aimed at the preservation and improvement of the environment and forest resources in the world. This certification was renewed on June 17, 2016 for further 5 years.

On 27.01.2014, furthermore, the certification of the environmental Management System according to the UNI EN ISO 14001 has been obtained. As per 10.01.2018 the certification was renewed till 26.01.2020.

Through the Quality Managing Direction – certified in 2000 – Poligrafica S. Faustino wants to offer a higher efficiency standard to satisfy the necessities and expectations of its clients, through a continuous improving way, fully observing the laws.

On 26.03.2018 has been renewed till 26.03.2021 the quality management system certification according to the standard UNI EN ISO 9001, issued on 01.03.2000.

A system has been conceived that represents an important surplus that evaluates the organisation and its resources through the standardisation of the company processes.

PERSONNEL

The table below indicates Poligrafica S. Faustino personnel as at year's end:

	31/12/18	31/12/17
Managers	1	1
Clerical employees	26	26
Manual workers	4	5
Total	31	32

NET FINANCIAL POSITION

Euro/mln	2018	2017
Cash and banks	0.95	1.59
Short term bank and leasing loans	(1.17)	(1.58)
Total A)	(0.22)	0.01
Medium-long term bank and leasing loans	(1.43)	(2.04)
Total B)	(1.43)	(2.04)
Net financial position (A+B)	(1.65)	(2.03)

In the table below are the analysis of the financial structure:

POLIGRAFICA S. FAUSTINO S.p.A.	31-Dec-18	31-Dec-17	Var.
	Euro/mln	Euro/mln	Euro/mln
A) Shareholders' equity of the year			
Trade receivables	5.58	6.02	(0.44)
Inventories	0.44	0.33	0.11
Other current receivables	0.39	0.58	(0.19)
Trade payables	(3.63)	(3.83)	0.20
Other payables	(0.52)	(0.48)	(0.04)
A) Total shareholders' equity	2.26	2.62	(0.36)
B) Net fixed assets			
Intangible assets	0.23	0.26	(0.03)
Tangible fixed assets	3.99	3.88	0.11
Financial fixed assets	1.54	1.54	-
Non- current receivable	1.33	1.49	(0.16)
B) Total fixed assets	7.09	7.17	(0.08)
C) Funds medium/long term and non-financial liabilities	0.48	0.49	(0.01)
D) Invested capital (A+B-C)	8.87	9.30	(0.43)
Covered by:			
E) Net financial indebtedness			
Financial debts in short run	1.17	1.58	(0.41)
Availability and financial loan in short run	(0.95)	(1.59)	0.64
Financial debts in medium/long run	1.43	2.04	(0.61)
E) Total borrowing (liquidity)	1.65	2.03	(0.38)
F) Owners' equity			
Share capital	6.16	6.16	0
Reserves	1.06	1.11	(0.05)
F) Total own resources	7.22	7.27	(0.05)
G) Total coverage (E+F)	8.87	9.30	(0.43)

FINANCIAL RISK MANAGING

The Company works in the graphic-promotional sector exclusively on demand and, considering the particular productive typology, must adjust the production and the provisioning politics to the specific requests of the clients.

The financial management's activity is concerned with keeping the relations with many banks and carries on the analysis of different risks favouring indications on the credit risks, and in particular when there are contacts with new clients.

The change risk, given the absolute irrelevance of the transactions (both passive and active) also beyond the Euro area, is equal to zero. The supplying market of raw materials isn't affected by indirect consequences bound to the dollar.

As far as the credit risk is concerned, above all in front of the huge costs of the transactions and of the clients is limited. It is to be considered that the medium unity amount of the transitions is modest and the analysis of the credit positions already expired or soon to be expired are linked to a fortnight expiry date.

As regards the liquidity risk: the ratio between own resources and third-party assets has always been balanced and in particular on the Company the net financial position has improved.

Nonetheless the present financial structure, characterised by modest debts in relation to the capitalisation, together with the existence of significant real estate investments free from bonds and mortgages, determine objective solidity indicators that guarantee the possibility to enter into new credit lines, if necessary.

Concerning the interest rate risk, it is generated by short and long term flexible rate. On several loans started out in the last two year, hedging derivatives were activated that still have not seen any major financial impact

OWNS' SHARES

During the year the Company purchased n. 15,819 own shares (corresponding to 1.4% of the total of 1,123,483 shares making up the share capital) for a value of Euro 96,285 at an average price of Euro 6.087.

RELATIONS WITH GROUP COMPANIES AND RELATED PARTIES

The impact on the balance sheet and income statement items of transactions with related parties is shown below, with the exception of fees paid to Directors, Board of Auditors and executives with strategic responsibilities that are set out in the Remuneration Report.

Poligrafica S. Faustino S.p.A. Group is characterized by important productive and commercial integrations in the field of the graphic realizations.

In particular, Poligrafica S. Faustino S.p.A. (Holding) made the following transactions with other companies of the Group:

Sanfaustino Label S.r.l.: sales for Euro 18 thousand, chargeback services and miscellaneous expenses for Euro 859 thousand. From Sanfaustino Label were charges for services and purchases for a total of 214 thousand euro.

Psfinteractive S.r.l.: sales for printed matter and other services for Euro 2 thousand, re-debts of common costs for Euro 101 thousand, obtained manufacturing and services for Euro 5 thousand.

Linkonline S.r.l.: sales for Euro 6 thousand and re-debts for services and expenses for Euro 126 thousand, buying for Euro 6 thousand, charges for Euro 8 thousand.

Except for the fees paid to members - directors, PSF made significant transactions with the related company Etichette Nika S.r.l..

With Etichette Nika during the accounting year, the following transactions were carried out under normal market conditions:

	Euro/000	Incidence %
Rewards of various services	3	Not significant
Various sales	1	Not significant

Other minor transactions with related parties are as follows:

	Euro/000	Incidence %
Receivables	2	Not significant
Debts	9	Not significant
Costs for rent	30	Not significant
Other receivables	6	Not significant

The aforementioned reports were carried out under market conditions with the companies F&F S.r.l., Tonki S.r.l. and Agora 35 S.r.l..

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGER AND THEIR SPOUSES (EXCL. THOSE LEGALLY SEPARATED) AND UNDER AGE CHILDREN

Information about shares held by Directors, Statutory Auditors, General Managers and their spouses are included in the Report prepared by art. 123-ter of the “*Testo Unico della Finanza*”, (Report on Remuneration) always approved by the Board of Directors.

The above document is also available on the website of society at www.psf.it / Investor Relations / Corporate Governance / Reports:

http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=79

ADDITIONAL INFORMATION ON THE OWNERSHIP

As required by art. 123-bis of the “*Testo Unico della Finanza*”, the information referred to in paragraphs 1 and 2 of such article have been submitted in a separate report from the annual report (Report on corporate governance and ownership structures) always approved by the Board of Directors.

The above document is also available on the website of society at www.psf.it / Investor Relations / Corporate Governance / Reports:

http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=79

SEATS

The company doesn't have secondary or other seats.

SUBSEQUENT EVENTS AFTER THE CLOSURE OF THE ACCOUNTING PERIOD

There are no further events after the closure of the year that may have an impact on the data concerned in the present report.

FORESEEABLE BUSINESS DEVELOPMENT

We confirm, as well as in the previous two years, the commercial action strengthening of "Global Printing Company" that is a player which thanks to a team of product specialists, brokers experts, and a robust production network, could be the ideal partner for companies to undertake the procurement and management of communication printable materials, consumable materials and communication in general.

It will continue even in 2019, a specific development efforts and promoting projects related to multi-channel, which is the result of synergies with other companies in the Group

PROPOSAL FOR RESULT ALLOCATION

The Board proposes that the profit for the year amounted to Euro 49,228, as of 5% to the legal reserve and the remaining earnings.

On behalf of the Board of Directors
The Chairman
Alberto Frigoli

POLIGRAFICA S. FAUSTINO S.p.A.
SEPARATE FINANCIAL STATEMENTS

According to I.A.S./I.F.R.S
(I.A.S./I.F.R.S)

FINANCIAL STATEMENTS

STATEMENT OF PATRIMONIAL – FINANCIAL SITUATION

Euro (unit)	31/12/18	31/12/17
ASSETS		
NON CURRENT ASSETS		
Tangible fixed assets	3,989,297	3,878,584
Intangible assets	233,424	260,930
Equity investments	1,536,004	1,536,004
Non-current receivables	197,454	319,235
Deferred tax assets (prepaid taxes)	1,130,733	1,174,796
Total non-current assets	7,086,912	7,169,549
CURRENT ASSETS		
Inventories	439,124	334,807
Trade receivables	2,897,788	3,304,228
Receivables from subsidiaries	2,685,166	2,712,571
Tax receivables	33,369	190,904
Other current receivables	351,366	391,064
Current financial assets	0	0
Cash and cash equivalents	945,400	1,594,531
Total current assets	7,352,213	8,528,105
TOTAL ASSETS	14,439,125	15,697,654
NET EQUITY AND LIABILITIES	31/12/18	31/12/17
NET EQUITY		
Share capital	6,161,592	6,161,592
Own shares (-)	-96,285	0
Reserves	441,944	441,944
Retained earnings and net result for the period	710,304	666,119
Total Net equity	7,217,555	7,269,655
NON-CURRENT LIABILITIES		
Loans (medium/long term)	1,431,348	2,044,979
Employee severance indemnity and retirement reserves	363,472	376,752
Risks' fund	0	0
Deferred tax liabilities	112,651	117,222
Other non-current liabilities	0	0
Total non-current liabilities	1,907,471	2,538,953
CURRENT LIABILITIES		
Loans (short term)	1,168,844	1,584,504
Trade payables	3,552,212	3,779,508
Payables to subsidiaries	74,951	46,212
Tax payables	87,302	83,241
Other payables	430,790	395,581
Total current liabilities	5,314,099	5,889,046
TOTAL NET EQUITY AND LIABILITIES	14,439,125	15,697,654

INCOME STATEMENT

Euro (unit)	31/12/18	31/12/17
OPERATING REVENUES		
Sales	9,596,414	10,379,460
Other operating income and revenues	1,248,109	2,069,481
Total operating revenues and income	10,844,523	12,448,941
OPERATING COSTS		
Materials	(4,280,828)	(4,783,243)
Change in inventory	104,316	(81,820)
Services	(4,302,291)	(4,649,282)
Payroll costs	(1,202,994)	(1,216,059)
(less) Costs for capitalized in-house work	0	0
Other net operating costs (revenues)	(674,384)	(970,792)
Total operating costs	(10,356,181)	(11,701,196)
EBITDA	488,342	747,745
Depreciation and amortization (-)	(356,579)	(388,503)
Capital gains (losses) on disposal of non-current assets		
Write-downs/write backs of non-current assets		
Other provisions	-	-
EBIT	131,763	359,242
Financial income	11,383	25,319
Financial expenses	(33,288)	(45,534)
BEFORE TAX RESULT	109,858	339,027
Income taxes	(60,630)	(158,567)
Net result for the period	49,228	180,460
Profits referred to net equity		2,428
Costs referred to net equity	(5,044)	-
Profit (Loss) global	44,184	182,888

Other income recognized directly in equity, without going through the income statement in accordance with IAS 39 relating to the fair value of the derivative of IRS type of coverage on two floating rate loan.

**CONSOLIDATED CASH FLOW STATEMENTS
(indirect method)**

	2018	2017
A. Cash flows from operating activities		
Profit (loss) of the accounting year	49,228	180,460
Taxes	60,630	158,567
interest expense / (interest income)	21,905	20,215
(Gains)/ losses on the disposal of assets	(61,986)	(251,993)
1. Profit (loss) before income taxes, interest, dividends and capital gains / losses on disposal	69,777	107,249
Allocations to provisions	29,622	30,026
Amortisation of intangible assets	356,579	388,503
Adjustments for non-cash items that had no counterpart in the NWC	386,201	418,529
2. Cash flow before changes in NWC	455,978	525,778
Decrease / (increase) in inventories	(104,317)	81,820
Decrease / (increase) in trade receivables and to the Group	433,845	1,820,470
Increase / (decrease) in trade payables and to the Group	(198,557)	(265,154)
Other changes in net working capital	377,896	(259,688)
Variation of NWC	508,867	1,377,448
3. Cash flow after variation of NWC	964,845	1,903,226
Interest received / (paid)	(20,651)	(21,149)
(taxes paid)	(44,784)	(98,349)
Use of funds	(42,902)	(753)
Other adjustments	(108,337)	(120,251)
Cash flow of income management (A)	856,508	1,782,975
B. Cash flow of investments		
Property, plant and equipment (Investments)	(373,987)	(802,357)
Price of disinvestments	65,719	802,161
Intangible asset (Investments)	(69,532)	(110,054)
Shareholding and other non-current payables (Investments)	-	-
Price of disinvestments	2,781	-
Cash flow from investing activities (B)	(375,019)	(110,250)
C. Cash flow from financing		
Increase in short-term borrowings from banks	36,866	(200,424)
Turning funding	500,000	750,000
repayment of loans	(1,566,157)	(2,271,369)
Third's means	(1,029,291)	(1,721,793)
Sale (purchase) of owns shares and other variation	(101,329)	2,428
Equity	(101,329)	2,428
Net cash flow from financing activities (C)	(1,130,620)	(1,719,365)
Increase (decrease) in cash (a ± b ± c)	(649,131)	(46,640)
Cash and cash equivalents at beginning of the year	1,594,531	1,641,171
Cash and cash equivalents at the end of the year	945,400	1,594,531

TABLES OF MOVEMENTS IN EQUITY

Euro (unit)

NET EQUITY	31/12/2016	Destination result	Other movements	Result of accounting year	31/12/2017
Capital Stock	6,161,592				6,161,592
Own shares (-)	(793,802)	793,802			0
Own share reserve	793,802	(793,802)			0
Reserve shares premium	198,904				198,904
Revaluation reserve	241,206				241,206
Legal reserve	211,365	4,376			215,741
Other reserves	186,181	83,143	2,428		271,752
Gain (loss) period	87,519	(87,519)		180,460	180,460
TOTAL	7,086,767	0	2,428	180,460	7,269,655

TABLES OF MOVEMENTS IN EQUITY

Euro (unità)

NET EQUITY	31/12/2017	Destination result	Other movements	Result of accounting year	31/12/2018
Capital Stock	6,161,592				6,161,592
Own shares (-)	0		(96,285)		(96,285)
Own share reserve	0		96,285		96,285
Reserve shares premium	198,904		(96,285)		102,619
Revaluation reserve	241,206				241,206
Legal reserve	215,741	9,023			224,764
Other reserves	271,752	171,437	(5,043)		438,146
Gain (loss) period	180,460	(180,460)		49,228	49,228
TOTAL	7,269,655	0	(101,328)	49,228	7,217,555

Other costs charged directly to equity, without going through the income statement, pursuant to IAS 39 relate to the adjustment to fair value of derivative financial instruments of the type of IRS coverage on two floating rate loans.

DETAILS OF NET FINANCIAL POSITION

NET FINANCIAL POSITION

Euro (unit)

NET FINANCIAL POSITION	31 Dec 18	31 Dec 17
LIQUIDITY AVAILABLE	945,400	1,594,531
DEBTS AT SHORT TERM TO BANKS	(1,168,844)	(1,582,868)
DEBTS AT SHORT TERM TO OTHER BACKERS	-	(1,636)
TOTAL POSITION AT SHORT TERM (A)	(223,444)	10,027
DEBTS BEYOND SHORT TERM TO BANKS	(1,431,348)	(2,044,979)
DEBTS BEYOND SHORT TERM TO OTHER BACKERS	-	-
TOTAL POSITION AT MEDIUM / LONG TERM (B)	(1,431,348)	(2,044,979)
NET FINANCIAL POSITION (A+B)	(1,654,792)	(2,034,952)

Short-term loans are made up of current account overdrafts and advances of Euro 100 thousand, deriving from current portions of loans and loans of Euro 1,069 thousand. The amounts due to other lenders relating to financial leasing contracts are fully reimbursed and no new contracts have been stipulated in the year.

Medium / long-term loans are made up as follows:

- 1,431 thousand euros for the M / L portion of loans with credit institutions, down by 614 K / Euro compared to the end of the previous year.

During the year, a single new loan was raised for an amount of 500 K / Euro expiring in December 2023 (60 months).

There remain no. 2 derivative contracts hedging interest rates up to the expiry date provided for the disbursement for a total amount of original Euro 2.5 million. The effects of the fair value of these derivatives were absolutely irrelevant and were included in the shareholders' equity reserves at 31/12/2018.

For further financial information, please see the cash flow statement table.

ILLUSTRATIVE NOTES TO SEPARATE FINANCIAL STATEMENT AT 31.12.2018

ACCONUTING STANDARDS AND VALUTATION CRITERIA

The 2018 accounting year statements was carried according to the International Financial reporting Standards (IFRS) of the International Accounting Standards Board (IASB). This includes also all the valid International Accounting Standards (IAS). Homogeneous criteria are used also for the previous accounting year. It is made by the balance sheet, the financial and income statement, the variations of the net balance and by the notes of comment. The Holding balance sheet, similarly to the net consolidated statements, was carried out according to the historic costs except for some evaluations of the material immobilizations in the previous accounting years.

Financial and income Statement tables

In the balance sheet there is the essential content based on International accounting principles and has the distinction between current and non-current assets and liabilities, according to their attitude to get realized within 12 months since the reference date.

The income statement is developed according to a cost-based structure.

The statement of financial position does not include items representing the values relating to assets held for sale and assets and liabilities included in disposal groups held for sale as there are no such cases

With regard to the new international accounting standards applied for the first time starting from 1st January 2018, the following should be noted:

IFRS 15 "Revenues from contracts with customers": has set rules for the recognition of revenues by introducing an approach that provides the recognition of income only when the complete fulfilment of contractual obligations occurs. In view of the analyses carried out on the various forms and types of contracts, the adoption of this principle did not have any impact.

IFRS 9 "Financial instruments": has dictated new classification models and from which valuation of financial assets. In view of the analyses carried out, the adoption of this principle has not identified quantitative impacts.

From 1st January 2019, the new IFRS 16 "Leasing" must be applied, which will replace the current IAS 17. For the company and for the Group, the application of this standard will affect the different exposure and valuation with particular regard to operating leases and to passive leases. A work team was therefore set up to collect the data and the contractual and quantitative information necessary for the correct application of this principle. This preliminary analysis shows a foreseeable improvement effect currently not yet exactly quantified on the EBITDA and to a lesser extent on the EBIT and a simultaneous increase in activity (for the right of use) in the face of further indebtedness originating from the exposure of the total commitments discounted on the aforementioned lease agreements.

Below are the accounting principles and valuation criteria applied in the preparation of the data.

Buildings, plants and machinery

They are stated at cost or revaluated cost (deemed cost) net of accumulated depreciation (except for land which is not depreciated). The cost of purchase or production includes additional charges and the direct and indirect production costs. Building cost includes a revaluation undertaken in the past based on a specific monetary revaluation regulation. Anyway, the revaluated cost does not exceed the market value of buildings.

Depreciation of tangible assets is computed on a straight line basis set on the residual useful life of assets and their impairment. A review is periodically carried out to assess impairment of assets.

Tangible assets include an amount (not significant) related to implementation cost of leased building, depreciated on a straight line basis set on the residual time of lease contract.

The useful life is calculated on years and is:

Types	Useful life
Buildings	33
Light buildings	10
Plants	10
Particular plants and machineries	4-7
Other fixtures and fittings, tools and equipment	4-5
Furniture	8
Electronic Machines	5
Transport machines	4-5

Leased assets

Fixed assets acquired via finance lease contracts are accounted for using the financial method and are shown among assets at purchased value less depreciation applying the same policy followed for owned tangible assets. Set against this the amounts payable to the financial lessor are posted among short- and medium/long-term payables. In addition the portion of interest relating to the period is posted among financial expenses.

Intangible assets

According to IAS No. 38, other intangible assets, acquired or internally produced, are booked only if it is probable that the use of asset will generate future economic benefits and when the asset cost can be measured reliably. In particular are included costs for software management and development costs of new products/services. Booked costs are amortized on a straight line basis and set on their estimated useful life and/or future use, starting from the effective moment of their use and considering the correlated benefits.

Impairment of asset value

With reference to tangible and intangible assets, at each balance-sheet date the Company performs an impairment test in order to verify the existence of impairment losses; when the booked value exceeds the recoverable amount the impairment losses are charged to the income statement of the period.

Financial non-current assets

Investments are stated at purchase cost, adjusted, when needed, to reflect impairment, if any. The original cost is reinstated in subsequent years, with recognition in the income statement, if the reasons for the write-downs no longer apply.

Debt securities are valued at their realizable value.

Inventories

Inventories are stated at the lower of market value and purchase or production cost. The individual items of inventory, to which different valuation methods have been applied, are valued at cost, calculated using the weighted average cost method.

Receivables

Receivables are stated for the value expected to be collected

Current financial assets

Financial assets not held on a permanent basis are carried at the higher of purchase cost and the amount expected to be received upon sale of the same ("fair value" based on market prices). Differences arising from value market comparison are charged to income statement.

Owns' shares

Owns' shares held by the company at the end of the accounting year are registered with the buying cost. As required by the reference International principles, the total cost of the owns' shares is registered as diminishing values in the net equity.

Reserves for risks and contingencies

Provisions for risks and charges are only intended to cover losses or payables of a specific nature, of certain or probable existence, but whose amount or duration of contingency are not fixed at the end of the period. Appropriations are only made when there is a legal or implicit obligation, it is probable that the use of resources will be necessary to fulfil it, and a reliable estimate can be determined.

Employee severance indemnity (Employee benefit)

The employee severance indemnity represents the amount accrued by staff pursuant to the provisions of legal provisions and current labour contracts, net of any advance payments, if any. The normative variations imposed by 2007 National financial law oblige that from 2007 companies a total devolution of the shares achieved during the accounting year, according to the employees' choices in favour of a complementary assurance or in favour of the INPS. Thanks to this, except for the share of annual revaluation, the severance indemnity fund is destined to diminish slowly as a consequence of dismissals and or sums paid in advance.

The application of the IAS 19, previously evaluated in a not significant way, is less important considering the above described aspects.

Payables

Payables are stated at their face value.

Loans

Loans are initially recognised at cost, net of related cost of acquisition. This value is adjusted to allow for any difference between initial cost and repayment value.

Revenue recognition

Revenues are posted net of return sales, discounts, allowances and bonuses, as well as of the taxes and duties directly associated with sale of goods and rendering of services.

Sales revenues are recognised when the company has transferred the significant risks and rewards associated with ownership of the goods.

Income taxes

The allocation for the tax liability is determined on the basis of an analytical calculation of the payable cost for the year, according to the current tax legislation. Furthermore, in the case of significant time differences between the allocation to the income statement of costs and revenues (according to a criterion of competence) and the time of their deductibility / taxability for tax purposes, the relative deferred and / or prepaid tax impacts, including any benefit for reported losses. Finally, the effects, where applicable, of the deferral and / or temporal advance on taxes resulting from the adjustments made to the application of IAS / IFRS accounting standards are determined.

Use of estimated values

The preparation of the separate financial statements and the explanatory notes required the use of estimations and assumptions both in the determination of certain assets and liabilities and in the valuation of potential liabilities. The consequent results that will derive from the occurrence of the events could therefore differ from these estimates.

The estimations and assumptions considered are reviewed on a continuous basis and the effects of any changes as a consequence are recorded in the financial statements.

Financial instruments

The company holds only hedging derivatives on interest rates on financial payables (IRS).

The aforementioned derivatives (for which the relationship between the derivative and the hedged item is met and the effectiveness of the hedge is formally documented) cover the risk of changes in the cash flows of the items being hedged (cash flow hedges).

The accounting treatment adopted by the Company envisages that the change in their fair value is recognized directly in equity, while any ineffective portion is recorded directly in the income statement.

The amounts recognized directly in equity are presented in the comprehensive income statement. Any implicit derivatives included in other contracts are treated as separate derivatives when their risks and characteristics are not strictly correlated with those of the host contracts and these are not measured at fair value, with the recognition of the related gains and losses on the income statement. .

The fair value of financial instruments quoted on an active market is based on market prices at the balance sheet date. The fair value of instruments not listed on an active market is determined using specific valuation techniques with the support of data provided by credit institutions.

EXPLANATORY NOTES TO THE SINGLE ITEMS OF SEPARATE FINANCIAL STATEMENTS

All amounts are in thousand Euro, unless otherwise and specific indication.

NON-CURRENT ASSETS

- Lands, buildings and machineries

Balance at 31/12/18	3,989
Balance at 31/12/17	3,879
Variation	110

Lands

Historical Cost	1,047
Devaluation	0
Balance at 31/12/17	1,047
Increase	0
Disposals	0
Balance at 31/12/18	1,047

Building

Cost (413/91 revaluation included for Euro 249 thousand)	6,072
Accumulated depreciation	(3,436)
Balance at 31/12/17	2,636
Increase	336
Disposals	-
Depreciation of the year	(189)
Balance at 31/12/18	2,783

Plants and machinery

Historical Cost	7,593
Accumulated depreciation	(7,420)
Balance at 31/12/17	173
Increase	32
Net disposal	(615)
Used funds	611
Depreciation of the year	(62)
Balance at 31/12/18	139

Other fixtures, fittings, tools and equipment

Historical cost	215
Accumulated depreciation	(214)
Balance at 31/12/17	1
Increase	-
Net disposal	(1)
Used funds	1
Depreciation of the year	(1)
Balance at 31/12/18	0

Other tangible assets	
Historical Cost	757
Accumulated depreciation	(735)
Balance at 31/12/17	22
Increase	6
Net disposal	(6)
Used funds	6
Depreciation of the year	(8)
Balance at 31/12/18	20

- Intangible assets

Balance at 31/12/18	233
Balance at 31/12/17	261
Variation	(28)

Description	Value at 31/12/17	Increase	Amortiz.	Other variation	Value at 31/12/18
Development costs	254	68	(92)		230
Software	7	1	(5)		3
	261	69	(97)		233

The development costs include the costs for the construction and implementation of the informatics platforms of e-commerce used also in the managing of the graphic supports.

- Investments and other non-current receivable

	31/12/18	31/12/17
Investment in subsidiary companies	1,533	1,533
Investment in other companies	3	3
Other non-current receivable	198	319
Deferred tax assets	1,131	1,175
	2,865	3,030

Investment in subsidiary companies	Value at 31/12/18	Value at 31/12/17	Net variation
Sanfaustino Label S.r.l.	20	20	-
Psfinteractive S.r.l.	390	390	-
Linkonline S.r.l.	1,123	1,123	-
	1,533	1,533	-

KEY INFORMATION OF SUBSIDIARY COMPANIES:

(Financial statement data according to the Italian accounting principles, which have been applied adjustment required by IAS / IFRS)

Subsidiaries

Psfinteractive S.r.l. sole proprietorship

Registered Office: Castrezzato (BS) Via Valenca, 17
Capital Stock: Euro 20,000
Shareholders' equity at 31/12/2018: Euro 452,365 (IAS)
2018 net result: Euro +29,991 (IAS)
Company Interest: 100%
Book Value: Euro 390,392

Sanfaustino Label S.r.l. sole proprietorship

Registered Office: Castrezzato (BS) Via Valenca, 15
Capital Stock: Euro 20,000
Shareholders' equity at 31/12/2018: Euro 371,400 (IAS)
2018 net result: Euro +206,246 (IAS)
Company Interest: 100%
Book Value: Euro 20,000

Linkonline S.r.l. sole proprietorship

Registered Office: Castrezzato (BS) Via Valenca, 15
Capital Stock: Euro 100,000
Shareholders' equity at 31/12/2018: Euro 1,309,494 (IAS)
2018 net result: Euro +227,395 (IAS)
Company Interest: 100%
Book Value: Euro 1,122,908

During the accounting year no changes were made to the write-down the value of investments compared to the results of the analysis of "impairment" conducted by an independent expert.

As at December 31, 2018, the "impairment" analysis was replaced and led by an expert employee by using the financial fluxes excreted by the economic and financial plans of 5 year duration (2019-2023) approved by the Boards of Directors of the subsidiaries company Linkonline S.r.l. and Psfinteractive S.r.l. dated March 4, 2019 and based on reasonable principles and coherently sustainable with the best evaluation.

Taking into account the results achieved and the foreseeable results on the subsidiaries, no impairments emerged from the impairment test that could result in further lasting losses in value compared to the adjustments already made.

Other non-current payables

The other non-current credits are comprised of guarantee deposits (Euro 1 thousand), credits for tax refunds from 2012 instances (Euro 15 thousand) and medium and long-term receivables from third parties (Euro 182 thousand) in relation to the sale of assets and other fixed assets with instalment payment plans.

Credit for deferred tax assets

Description	
Balance at 01.01.2018	1,175
Reversal to use losses carried	(44)
Taxed Account on funds credits	-

Utilization of Taxed Account on funds credits	-
Balance at December 31, 2018	1,131

In particular, this balance is put aside on:

Tax benefit of allowance for doubtful accounts taxed	34
On reported fiscal losses	1,097
Balance at December 31, 2018	1,131

It is important to notice that the fiscal recipient that derives from previous losses, as it results from incomes declaration “UNICO 2018” (year 2017) would be as follows also considering the reprocessing at a rate of 24% as required by the “2016 Stability Law” starting from 2017 accounting year.

	Useful fiscal losses	24% benefit
From “UNICO 2018”	6,495,452	
Use by counting the budget (*) – 24%	(183,596)	
Available residual	6,311,856	1,514,845

(*) = on the basis of the best estimate within the Financial Statements.

To The above described benefits the deferred tax effect on taxed provisions for doubtful debts (34,261 euro equal to 24% of 142,754) and additional effects of ROL surpluses and interests not budgeted must be also added.

From the above table it is shown how the account balance recorded under deferred tax budget turns out to be significantly lower than the actual tax benefit available.

It is recalled, in fact, that the relevant tax regulations, as amended in 2011, allow the carry of the benefit arising from tax losses with no time limit, with the only restriction arising from countervailing losses up to a maximum of 80 % of the taxable income of each year.

This considered, the directors believe that we can confirm the recoverability of the amount recorded as assets in these financial statements also considering the predictable tax base also for the years to come.

- CURRENT ASSETS

Description	31/12/18	31/12/17	Variation
Inventories	439	335	104
Trade receivables	2,898	3,304	(406)
Receivables from subsidiaries	2,685	2,713	(28)
Tax receivables	33	191	(158)
Other current receivables	352	391	(39)
Cash and liquidity	945	1,594	(649)
Total current assets	7,352	8,528	(1,176)

The inventories are so made up:

Description	Value at 31/12/18	Value at 31/12/17	Variation
Raw materials	18	40	(22)
Finishing Products	134	118	16
Finished Products	287	177	110
	439	335	104

The trade receivables towards third parties is:

Description	31/12/18	31/12/17
Toward client:		
Italy	2,994	3,413
Euro Area	44	38
Non-Euro Area	3	21
(less) Fund devaluated credits	(143)	(168)
Total	2,898	3,304

Please note that during the year, the provision for bad debts recorded decreases for use amounted to Euro 25 thousand; no further provisions were made since the remaining provision is considered adequate to cover non-performing items.

The detail of receivables from subsidiary companies is:

Subsidiary	Balance at 31/12/18	Balance at 31/12/17
Psfinteractive S.r.l.	199	356
Sanfaustino Label S.r.l.	2,446	2,317
Linkonline S.r.l.	40	40
	2,685	2,713

Details of receivable from tax administration:

Description	31/12/18	31/12/17
VAT receivable	6	133
Treasury account held	-	-
IRAP receivables	18	48
D.L. 66/2014 receivables	9	10
Total	33	191

Details of other current receivables:

Composition	31/12/18	31/12/17
Other receivables	257	295
Accrued income and prepaid expenses	95	96
	352	391

Details of **accrued and prepaid expenses**:

Description	31/12/18	31/12/17
Prepaid expenses on commission	-	-
Prepaid expenses of retail	21	25
Other accrued	3	-
Other prepaid expenses	71	71
	95	96

- **Cash and cash equivalents**

Description	31/12/18	31/12/17
- Bank deposit	944	1,587
- Credit notes	-	-
- Cash	1	7
	945	1,594

Poligrafica S. Faustino – Separate Financial Statement as at December 31, 2018

The amount includes the liquidity and the existence of cash and values as at December 31, 2018. For a full evaluation of the financial dynamics, please see the cash flow statement.

- NET EQUITY

When referring to the specific statement of changes in equity, it should be noted that during the 2018 financial year, No. 15,819 own shares and entered for a total value of Euro 96,285.

Here below the informative table about the utilization of reserves:

Natura/Description	Value at 31/12/2018	Utilization possibility	Free amount	Last 3 accounting year utilization	
Euro unit	(result not included)			Loss coverage	(result not included)
Capital stock	6,161,592		0		
Capital reserve					
Share premium account reserve	102,619	A, B; C	(a)	(b)	(c)
Revaluation reserve	241,206	A, B, C	241,206		
Profit reserve					
Legal Reserve	224,764	B	0		
Other reserves	438,146	A,B	0	(b)	

Legend:

A = for capital increase

B = for loss cover

C = for dividend distribution

(a) = according to the art. 2431 of civil code, share premium account may not be distributed until the legal reserve equal 20% of capital stock. As at December 31, 2018 the limit was 1,232,318 Euro and therefore share premium account will be available after increasing legal reserve of Euro 1,007,554.

(b) = In 2013 we used the same reserve to cover losses for the year 2012 (Euro 5,541,238). In 2013 were also used for other reserves Euro 793,729 against the loss component 2012 is not already covered by the share premium reserve. During 2014 accounting year other reserves have been used to level the loss of 2013 equal to Euro 475,650. During 2016 other reserves have been used to cover 2015 loss equal to Euro 35,209.

(c) = The share premium reserve was used in 2018 for Euro 96,285 in respect of purchase of own shares for the same amount.

- NON-CURRENT LIABILITIES

Description	31/12/18	31/12/17	Variation
Loans (non-current quota)	1,431	2,045	(614)
Employee severance indemnity	176	215	(39)
Retirement reserves	187	162	25
Provisions for losses	113	117	(4)
Deferred tax liabilities	-	-	
Other non-current liabilities	-	-	
Total non-current liabilities	1,907	2,539	(632)

Medium/long term loans are made up as follows:

- Euro 1,431 thousand per quota to M/L of loans by credit institutions, decreased by 614 K/euro compared to the previous year.

During the accounting year a new loan was activated for an amount of 500 K/euro expiring in December 2023 (60 months).

N. 2 rate hedging derivatives contracts up to the expiry date of the disbursement for a total amount of 2.5 million euro remain in place. The effects of fair value of such derivatives gave absolutely irrelevant results and have been included among the reserves in shareholders' equity at 31/12/2018.

Variation **employee severance indemnity**:

Description	Euro/000
Balance at 31/12/2017	215
Paid for INPS	
Amount of the year	4
Paid in advance	(25)
Resignations	(17)
Decreases by direct employees transition	
Equivalent tax	(1)
Balance at 31/12/2018	176

The change in the **pension fund agents** is summarized below:

Description	Euro/000
Balance at 31/12/2017	162
Provisions	25
Use	-
Balance at 31/12/2018	187

Deferred **tax liabilities** variations:

Description	Euro/000
Balance at 31/12/2017	117
Provisions	-
Use	(4)
Balance at 31/12/2018	113

Liabilities for deferred taxes are determined by deferred tax effects on the fiscal cleaning of 2004 and net for the fields component together with the deferred tax effects arising from the application of different accounting principles according to IAS/IFRS. The reprocessing effect at the current rate of 24% (instead of 27.5%), although positive has not been registered as not considered relevant.

- CURRENT LIABILITIES

Description	31/12/18	31/12/17	Variation
Loans (current quota)	1,169	1,584	(415)
Trade payables	3,552	3,780	(228)
Payables to subsidiaries	75	46	29
Tax payables	87	83	4
Other payables	431	396	35
Total current liabilities	5,314	5,889	(575)

The short-term funds consist of uncovered c/c to and the current portion of c/advances amounting to Euro 100 thousand, the current portion of loans and financing for Euro 1,069 million. The debts

to other lenders relating to financial leasing contracts are totally reimbursed and no new contract has been stipulated in the accounting year.

There are no covenants on financial debts that could lead to the loss of the term benefit.

Here below the details for the **trade payables**:

Description	31/12/18	31/12/17
Trade payables:		
Italy	2,951	3,044
CEE Area	14	14
Extra-CEE area	2	4
Advance payment from clients	585	718
Total	3,552	3,780

Here below the detail for the **debts to subsidiary companies**:

Subsidiary	31/12/18	31/12/17
Psfinteractive S.r.l.	-	1
Sanfaustino Label S.r.l.	69	39
Linkonline S.r.l.	6	6
Total	75	46

Here below the detail for the **tax payables**:

Description	Balance at 31/12/18	Balance at 31/12/17
VAT	0	0
Irpef (a)	87	83
Ires	0	0
Irap	0	0
	87	83

(a) = including Euro 23 thousand for withholding on payments to professionals, associates and employees for Euro 64 thousand.

The detail for **other payables**:

Description	Balance at 31/12/18	Balance at 31/12/17
To social security institutions	119	126
To personnel	157	138
To customers	17	10
To other	111	117
Accrued charges and deferred earnings	27	5
	431	396

Engage

The Company has entered into three hedge derivatives related to loans rates of Euro 2.5 million. The valuation of these derivatives corresponds to activities of Euro 4 thousand allocated as an increase in capital reserves (liabilities were Euro 1 thousand the previous year), with the offsetting decrease in financial debts.

Poligrafica S. Faustino, as the Holding, as operator of the credit lines of the umbrella-type that can be used by itself and/or its subsidiaries.

Poligrafica has given sureties, credit mandates and letters of patronage in favour of the Group as guarantee for bank loans and lines of credit institutions the following amounts:

Euro/000

Beneficiary	On financial leases	On financing	On credit lines	On supply contracts
Sanfaustino Label S.r.l.	3,899	5,854	12,095	302
Linkonline S.r.l.	0	507	4,210	-
Psfinteractive S.r.l.	0	0	894	-

INCOME STATEMENT

Description	31/12/18	31/12/17	Variation
Operating income and revenues	10,845	12,449	(1,604)
Materials and change in inventories	(4,177)	(4,865)	688
Services	(4,302)	(4,649)	347
Payroll costs	(1,203)	(1,216)	13
Other operating costs (revenues) -net	(675)	(971)	296
EBITDA	488	748	(260)
Depreciation and amortization	(356)	(389)	33
EBIT	132	359	(227)
Net financial income (expenses)	(22)	(20)	(2)
RESULT BEFORE TAX	110	339	(229)
Tax	(61)	(159)	98
NET RESULT	49	180	(131)

NOTES TO MAIN COMPONENTS OF THE INCOME STATEMENTS

OPERATING INCOME AND REVENUES

Description	31/12/18	31/12/17	Variation
Revenues from sales and services	9,597	10,379	(782)
Other income	1,248	2,070	(822)
Total	10,845	12,449	(1,604)

The total sales of 2018 accounting year register a decrease of 7.5% in comparison with the previous accounting year.

Description	2018	2017	Variation
Graphic products	6,869	7,582	(713)
Documental management	1,322	1,331	(9)
Postal fees repayment	1,406	1,466	(60)
Total	9,597	10,379	(782)

The Holding maintains the managing of the press services and posting correlated with the managing documentation.

The export sales amounted to Euro 0.53 million equal to 5.5% of sales (it was Euro 0.45 million in 2017).

Other revenues (Euro 1,248 thousand) came from service re-payables towards other subsidiaries (1,084), services re-debts to third parts (60), appreciation on disposal (62) and other revenues (42).

MATERIAL PURCHASES AND CHANGE IN INVENTORIES

Description	2018	2017
Raw materials, goods and other purchases	4,281	4,783
Increase (decrease) in raw material inventory	22	58
Increase (decrease) in finished goods and WIP inventory	(126)	24
Total	4,177	4,865

The change in the cost of purchase of raw materials, consumables and goods, even if related to the change in inventories and the volume of business, reflects the strategies of direct and semi-finished goods for resale.

In particular, purchases were for:

- raw materials of various types for Euro 83 thousand;
- consumables for Euro 23 thousand;
- semi-finished and finished products to Euro 4,175 thousand.

COST FOR SERVICES

Description	31/12/18	31/12/17	Variation
Outsourcing production	654	867	(213)
Motive power	233	270	(37)
Transports	167	177	(10)
Postal charges and services	1,406	1,465	(59)
Sales commissions	820	887	(67)
Other commercial costs	209	216	(7)
Consultant fees	414	362	52
Other costs	399	405	(6)
Total	4,302	4,649	(347)

PERSONNEL'S COST

Description	31/12/18	31/12/17
Wages and salaries	858	880
Social security costs	264	267
Provision for severance indemnity	65	67
Other costs	16	2
Total	1,203	1,216

The item is made up of all staff costs, including social charges, the costs of unused holiday allowances, additional bonuses and the allowances provided for by law and collective agreements.

Staff numbers

	31/12/18	Average	31/12/17	Average
Managers	1	1	1	1
Clerical employees	26	26	26	26
Manual workers	4	5	5	5
Total	31	32	32	32

OTHER OPERATING COSTS (REVENUES)

Description	31/12/18	31/12/17	Variation
Rental costs	30	30	-
Rental	107	142	(35)
Losses on trade receivables	-	-	
Loss on operations (non-recurrent)	-	-	
Other provisions	25	26	(1)
Directors' fees	251	244	7
Statutory auditors' fees	12	13	(1)
Vehicle management	39	95	(56)
Other generic expenses	225	221	4
Loss of alienation	-	299	(299)
Capitalization internal costs	-	-	
Contingent revenues (non-recurring)	(39)	(119)	80
Contingent expenses (non-recurring)	25	20	5
Total	675	971	(296)

The directors' remuneration recorded in the financial statements relate solely to the fixed component of the remuneration. The variable component relating to the 2016 – 2018 three-year period has not matured. For further information please refer to the more detailed information in the "Report on Remuneration" available at company's internet website www.psf.it / Investor Relations / Corporate Governance / Report at following address:

http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=79

AMORTIZATIONS, DEPRECIATION AND VALUE ADJUSTMENTS

Depreciation and amortization	31/12/18	31/12/17
Depreciation of fixed assets	260	290
Amortization of intangible assets	97	98
Total depreciation and amortization	357	388
Provisions for losses subsidiaries (Psfinteractive)	-	-
Total	357	388

Depreciation of fixed assets include Euro 16 thousand related to assets acquired by leasing contracts, as required by IAS N.17.

FINANCIAL INCOME AND EXPENSE

Financial income	31/12/18	31/12/17
Bank interests receivable	-	-
Interest income from Group companies	-	1
Other interest and exchange rate differences	11	24
Total financial income	11	25
Financial expenses	31/12/18	31/12/17
Bank interests payable	-	-
Interests on medium long term loans	(33)	(44)
Interests on financial leasing costs	-	(1)
Interests expenses and foreign exchange differences	-	-
Total financial expenses	(33)	(45)
NET Financial income and expenses	(22)	(20)

TAXES

	31/12/18	31/12/17
IRES of the accounting year	(7)	(25)
IRAP	(20)	(25)
IRES (corporate income tax)	(44)	(113)
Other deferred tax income (cost) including	10	4
Total taxes	(61)	(159)

Here below the table of reconciliation between income statement result and income (loss) for fiscal purposes:

Table of reconciliation between result and fiscal purposes

2018

Euro/000)

Result before tax	110
<u>Variation</u>	
Write-off of depreciation (not acceptable for fiscal purposes)	17
Temporary differences on advance "FSC"	-
Other temporary differences	-
Return of temporary differences on advance "FSC"	-
Permanent differences (increase)	113
Permanent differences (reduction)	(10)
Total net variation	120
IRES Taxable income	230
Decrease for fiscal losses (80%)	(184)
ACE deduction	(16)
Net IRES Taxable income	30
Fees (IRES) 24%	7
Taxable Income IRAP	507
IRAP (3.9%)	20

For more details, refer to tables of movements of credits and debits for deferred tax assets and liabilities.

TRANSACTION WITH SUBSIDIARY COMPANIES

In order to illustrate the integrated activities into the Group, here below the economical transitions made by Poligrafica S. Faustino S.p.A. with its subsidiary companies.

Revenues and other operating income	31/12/18	31/12/17
Sales, re-debts and service to:		
- Sanfaustino Label S.r.l.	878	1.079
- Psfinteractive S.r.l.	103	245
- Linkonline S.r.l.	132	133
Total	1,113	1,457

Operating costs	31/12/18	31/12/17
Purchases and other charges from:		
- Sanfaustino Label S.r.l.	214	162
Purchases and other charges from:		
- Linkonline S.r.l.	14	12
Services from:		
- Psfinteractive S.r.l.	5	88
Total	233	262

During the 2018 financial year there were no work orders for the related company Etichette Nika S.r.l. due to the fact that, being labels, the commercial relationship was transferred to the subsidiary Sanfaustino Label. In Etichette Nika, sales and services were invoiced for a total amount of Euro 4 thousand. All transactions with subsidiaries and related parties are conducted in a manner and according to market conditions.

DISCLOSURE ACCORDING TO ARTICLE 149-DUODECIES OF CONSOB ISSUER REGULATION

Pursuant to article 149-*duodecies* of Consob Issuer Regulation, the fees paid in 2017 for auditing services and other than auditing furnished by two Independent Auditor against the reassignment of the assignment, are set forth in the schedule below.

(euro/000)	Fees
Auditing	41
Other services	-
Total	41

PROPOSAL FOR RESULT ALLOCATION

The Board proposes to allocate the profit for the year equal to Euro 49,228 as to 5% to the legal reserve and the remainder to the new one.

**Certification pursuant the article 81-ter of Consob Issuer Regulation n. 11971
of May 14, 1999 and subsequent changes and additions**

1. We, Alberto Frigoli, Emilio Frigoli and Giuseppe Frigoli, declare herewith as managing directors, together with Cristina Capitanio, account manager responsible for the accounting documents of Poligrafica S. Faustino S.p.A., confirm (considering all stated of art. 154-bis, paragraph 3 and 4, of Italian Legislative Decree no. 58 of February 24, 1998) as follows:

- the adequacy concerning the company characteristics and
- the factual application,

of the administrative and accounting procedures for the forming of financial statements as at December 31, 2018.

2. This concerning, no aspects of particular managing or strategic or existence of anomalies and problems also seen in the effecting procedure application emerged.

3. Herewith it is also confirmed that

3.1 Financial Statements

a) it is made up in conformity with the international accounting principles acknowledged by the European Community according to the Regulation (CE) n. 1606/2002 of the European Parliament and Council, of July 19, 2002;

b) corresponds to the results of the accounting reports and books;

c) is made according to the International Financial Reporting Standards of the International Accounting Standards Board. It is furthermore apt to give a faithful representation of the patrimonial situation of the issuer and of the whole of the companies included in the consolidating.

3.2 The Directors' Report on Operations includes a reliable analysis of the going and the result of management, as well as the issuer situation and all subsidiaries, together with the description of the principal risks and uncertainties.

Castrezzato, March 8, 2019

The account manager responsible for
the accounting documents
Mrs. Cristina Capitanio

.....

Managing Directors

Mr. Alberto Frigoli

.....

Mr. Emilio Frigoli

.....

Mr. Giuseppe Frigoli

.....

**INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE
DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION
537/2014**

To the Shareholders of
Poligrafica S. Faustino Spa

REPORT ON THE AUDIT OF THE SEPARATED FINANCIAL STATEMENTS**Opinion**

We have audited the financial statements of Poligrafica S. Faustino Spa ("Company"), which comprise the balance sheet as at December 31, 2018, the income statement and other components of the comprehensive income statement, the cash flow and changes in shareholders' equity for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Poligrafica S. Faustino Spa in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; therefore, we do not provide a separate opinion on these matters.

Key audit matters	Audit procedures
<p>Impairment test on Investments</p> <p><i>Company's notes to the separated financial statements as of December 31, 2018 describes the Impairment test on investments in the paragraph "Investments".</i></p> <p>Investment as of December 31, 2018 amounts to 1.536 thousand euro (20 thousand euro related to Sanfaustino Label Srl, 390 thousand euro related to Psfinteractive Srl, 1.123 thousand euro related to Linkonline Srl and 3 thousand to Other Companies), equal to the 10,7% of the total assets in the separated financial statements.</p> <p>Impairment test on investments has been carried out by management with the support of an external appraiser asked to compare the carrying amount of the participated companies and the estimated recoverable value determined on their capability of generating future cash flows.</p> <p>We concluded that the impairment test process constitutes a key audit matter considering the subjectivity of estimates used to determine future cash flows, as well as the discount rate (WACC) and the growth rate.</p>	<p>In particular, we carried out the following procedures:</p> <ul style="list-style-type: none"> • Assessment of the reasonableness of main assumptions used to forecast the cash flows; • analysis of actual values, compared with the original plans, in order to understand the nature of variations and the reliability of the budgeting process; • assessment of the reasonableness of the discount rate (WACC) and the growth rate; • assessment of mathematical accuracy of the model used to determine estimated recoverable value of the participated companies; • assessment of the sensitivity analysis; • assessment of compliance with applicable accounting standards, of the procedures implemented by Management for the impairment test; • assessment of compliance with applicable accounting standards of the information disclosed by the Company with reference to the impairment test.
<p>Deferred tax asset recoverability</p> <p><i>Company's notes to the separated financial statements as of December 31, 2018 describes the recoverability assumptions on the deferred tax assets in the paragraph "Deferred tax assets".</i></p> <p>Deferred tax assets as of December 31, 2018 amounts to 1.131 thousand euro, equal to the 7,8% of the total assets in the separated financial statements.</p> <p>We concluded that the analysis on the recoverability of the deferred tax assets constitutes a key audit matter considering the subjectivity of estimates used to determine future taxable income.</p>	<p>In particular, we carried out the following procedures:</p> <ul style="list-style-type: none"> • Assessment of mathematical accuracy of the model and of the main assumptions used to forecast future taxable income; • assessment of the sensitivity analysis.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by European Union and, within the terms established by law, for such internal control as the

Directors determine is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- We identified and assessed the risk of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not 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.
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- We concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, 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.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and we informed them about any relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Poligrafica S. Faustino Spa has appointed us on April 13, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 par.1 of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Poligrafica S. Faustino Spa are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Poligrafica S. Faustino Spa as at December 31, 2018, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (ISA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Poligrafica S. Faustino Spa as at December 31, 2018 and on its compliance with the law, as well as to make a statement about any eventual material misstatements.

In our opinion, the above-mentioned report on operation and some specific information contained in the report on corporate governance and the ownership structure are consistent with the financial statements of Poligrafica S. Faustino Spa as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Company and of the related context acquired during the audit, we have nothing to report.

Brescia, Italy
March 27, 2019

Fidital Revisione Srl
Signed by
Roberto Ferrari
(partner)

This report has been translated into the English language solely
for the convenience of international readers

POLIGRAFICA S. FAUSTINO SPA
Seated in 25030 CASTREZZATO (Brescia), Via Valenca No. 15
Capital stock € 6,161,592.12
REA Brescia 250377

Fiscal Code and Brescia Firms' Register 01251520175 VAT Number 00614280980

Report of the Board of Auditors at Financial Statements as at December 31, 2018
(pursuant the article 153 of Legislative Decree 58/1998 and the article 2429,
paragraph 3, of Civil Code)

Dear Shareholders,

during the accounting year ended at 31.12.2018 the Board of Auditors has accomplished its vigilance duties in the planned terms by the present regulation and by the CONSOB communication of April 6, 2001.

The 2018 accounting year was strongly characterized by the presence of significant investments in plant engineering and machinery in order to prepare adequate production lines capable of supporting the growth forecasts consolidated over the last few years. The financial statements closed as at 31.12.2018 are consequently influenced by these investments also as a consequence of the inevitable accessory start-up and start-up costs of the production plant.

The prospects of access to markets that have not been explored up until now appear to be concrete and practically viable.

Relevant operations

The other relevant operations of the company and its subsidiaries have been correctly illustrated in the Directors' Report on Operations drafted by the Board of Directors and also retrace the matters now exposed regarding the volume of investments made in the accounting year.

Unusual or atypical operations

During the accounting year ended 31.12.2018 there are no atypical or unusual transactions to the writer Board of Auditors.

Transaction with subsidiaries company or with related parts

The transaction among group companies are of the ordinary kind and are essentially made of mutual exchanges of organising and marketing/commercial services. We remark that the operations among group companies:

- have been regulated by applying normal conditions determined by objective criteria that reflect the effective function of the services;
- have been properly under contract between the various corporate entities concerned.

Information required by the Consob Communication of April 6, 2001

During the accounting year ended 31.12.2018, we monitored the observance of the law and the articles of By-laws.

The Board of Directors, every 3 months, provided details on the most relevant financial, commercial and economical operations carried out by the Company. The Board of Auditors, therefore, believes that he can reasonably ensure that the shares resolved and implemented comply with the law and the By-laws and are not openly imprudent or under conflict of interest or in

contrast with decisions passed by the Shareholders' Meeting or such to damage the integrity of the corporate assets.

We have watched out in order to guarantee that the managing structure of the company is conformed to the principles of correct administration and to the instructions given to the controlled companies as per art. 114, paragraph 2 of Legislative Decree no. 58/1998.

This happens thanks to the collection of information from the administrative functions managers and meetings with the Auditing Firm aimed at a mutual exchange of data and relevant information.

As far as this is concerned, there are no particular remarks to be done.

Control was carried out on the administrative and accounting system through the collection of information received from the heads of the respective functions, from the examination of the company documents and from the analysis of the results of the work carried out by the Independent Auditors, as well as checking the activity of the responsible of the internal control.

The Supervisory Body, established pursuant to Legislative Decree 8 June 2001, n. 231, he continued in his own activity, during which he found no anomalies or reprehensible facts, reporting their own verification results when drafting specific internal reports.

In the Boards of Director of the subsidiaries companies there are directors and/or managers of the Holding that guarantee a coordinated direction and a flux of constant news, also supported by accounting details.

We have found out that the company is able to fulfil the communication duties as required by the law, as disposed in the art. 114 of Legislative Decree no. 58/1998.

The Directors' Report on Operations, with regard to its content, its form and its proper establishment, is conform to the present norms and coherent with the deliberations of the Board of Directors and the results of the accounting balance; it contains a complete report of the operations and activities of the accounting year ended 31.12.2018 and on operations among group companies.

The financial statements and the consolidated financial statements have been carried out following the instruments prescript by the present norms.

The Auditing Firm Fidital Revisione S.r.l. has issued the reports on the financial statements and the consolidated financial statements. The same do not contain any relief or references.

In the accounting year ended 31.12.2018 Fidital Revisione S.r.l. has developed for the companies of the Group the compulsory accounting activities. From Auditing Firm no comments have been issued.

On request of the Directors no links have been found between the Group and the Auditing Firm.

The Board of Auditors verified the correct application of the criteria and the procedures adopted by the Board of Directors to evaluate annually the independence of its members, making knows the results of such tests in its report to the Shareholders' meeting.

We have released statements according to art. 2389 of the Civil Code.

The company has joined the New Self-Discipline Code issued by the Corporate Governance of the listed companies by be Italian Stock Exchange.

The vigilance activity of the Board of Auditors has been reported in meetings kept during 2018 accounting year.

We have also taken part to meetings of the Board and internal committees established.

During the supervisory activity carried out and on the basis of the information obtained by the Independent Auditors, no omissions, or reprehensible facts, or irregularities, or in any case facts were found significant enough to require reporting to the supervisory bodies or mention in the present report.

We have deposited at the Legal seat the files of the people in charge as per articles 153 of Legislative Decree no. 58/1998 and 144-*quinquiesdecies* of the Consob Issuer Regulation prepared in accordance with annex 5-*bis*.

The Board of Auditors has moreover watched out about the independence of the Auditing Firm, checking the respect of the normative dispositions concerned.

During the accounting year there haven't had other accounting control services for the issuer or for the controlled by the aforesaid company.

During the carrying out of the activity, the Board of Auditors had a function coordination of Control Committee and Risk through an exchange of information with the responsible for the Internal Audit function and through the participation of the chairman of Board of Auditors in every meeting.

Meeting Proposals - Balance sheet as at 31/12/2018

The Board of Auditors is favourable of the approval of the Balance Sheet as at December 31, 2018.

Brescia, March 27, 2019

On behalf of the Board of Auditors
Dr. Francesco Curone

*This report has been translated into the English language solely for the convenience of International readers.
The Italian original remains the definitive version*



REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

According to article 123-*bis* TUF

(traditional administration and control model)

Issuer: POLIGRAFICA S. FAUSTINO S.P.A.

Website: www.psf.it

Exercise covered by the Report : 2018

Date of approval of the Report: March 8, 2019

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GLOSSARY

Code / Self-discipline Code: Self-discipline Code of quoted company approved on July 2018 by committee for corporate governance and approved by Borsa Italiana Sapa, Abi, Ania, Assogestioni, Assonime and Confindustria.

Cod. Civ. / C.C.: Civil Code.

Board: Board of Directors of Poligrafica S. Faustino S.p.A..

Issuer or Company: Poligrafica S. Faustino S.p.A..

Exercise: the accounting year covered by the report.

Group: Poligrafica S. Faustino Group.

Instructions to the Market Rules: the Instructions to the Regulations for Organized and Managed Markets by the Italian Stock Exchange S.p.A. .

MAR: UE Regulation No. 596/2016 (Market Abuse Regulation)

Consob Issuer Regulation: Regulation issued by Consob with decision n. 11971/1999 in matter of issuers.

Consob Market Regulation: Regulation issued by Consob with decision n. 20249/2017 in matter of markets.

Regulation Correlated parts Consob: the regulation issued by Consob with deliberation n.17221 of 12 March 2010 (as next modified) in matter of correlated parts.

Report: Report on corporate governance relation and ownership structure as required by art. 123-*bis* TUF.

By-laws: By-laws of Poligrafica S. Faustino latest changed by Extraordinary Shareholders' meeting of 13.04.2017.

TUF: Italian Legislative Decree of February 24, 1998, n. 58 (*Testo Unico della Finanza*)

1. ISSUER'S PROFILE

Poligrafica S. Faustino S.p.A., company listed at the MTA – Segment STAR of the Italian Stock Exchange S.p.A., accepted the Code. The Governance Structure is based on the traditional organizing model and is formed by the following organs: Shareholders' meeting, Board of directors (operating through the executive Directors and is assisted by the control committee and risk and committee for the remuneration), Board of Auditors and Auditing Firm.

The **Shareholders Meeting** is the organ that, with its deliberations, expresses the shareholders' will. The decisions taken in conformity with the law and the Code are for all the shareholders, the agreeing and disagreeing included, except for the latter the recess right when permitted. The meeting is summoned according to the law dispositions that concern all companies with quoted titles in matters that the law reserve to them.

The **Board of Directors**, and the single delegated counsellors, have the function to define the strategic addresses of the company and of the Group to it related and has the responsibility to manage. For this they have the greatest powers to achieve all the acts that they consider opportune to reach the company's aims, with the only exception of those that are expressly reserved to the meeting.

The **Board of Auditors** watch over the law observance and of the By-laws and has control functions on the managing and has to watch on: respect of the principles of good administration; adequacy of the organized structure of the company; the modality of a concrete actuation of the Code; correctness of the operations with correlated parts; the connection of the dispositions imparted to the controlled in relation with the bounds of communication to the market of privileged information. It must not be concerned with the accounting control, which is under the responsibility of an Auditing Firm appointed by the Shareholders' meeting among those enlisted in the CONSOB list.

The **Auditing Firm** analyses the regularity of the accounts and the correct recording of the managing facts of the accounts sheets and the consolidated balance sheet and that they are conformed to the norms. The revision company does also further services that have been given by the Board of directors, if they are not compatible with the accounting duties.

The Report illustrate corporate governance structure examined by Board on March 8, 2019 and give integrative information required by the law rules in matters of governance and ownership assets. In particular, the Holding thinks that the *Corporate Governance* System meets the needs and the recommendations of the Code and this considering the dimension and articulation of its own organs.

According to the art. 89-*bis* of Consob Issuers Regulation, in the following articles a detailed analysis is supplied on the respect of the conformity to the Code to which the company is part and the limited cases in which the Board of Directors has decided to accomplish or not to accomplish the applicative principles and criteria, giving the relative motivation..

The Issuer falls within the definition of an SME pursuant to art. 1, paragraph 1, lett. w-*quater*.1 of the TUF and of the art. 2-*ter* of the Issuers Regulation.

For the value of capitalization and turnover, see the list of SMEs that will be published on the Consob website pursuant to art. 2-*ter*, paragraph 2 of the Consob Issuers Regulation.

The Corporate Governance Report can be found at company's website (www.psf.it / Investor Relations / Corporate Governance / Reports).

In the section Investor Relations / Corporate Governance / By-laws, it is also available the By-laws updated versions.

2. INFORMATION ABOUT OWNERSHIP (pursuant art. 123-bis, paragraph 1, TUF) as at 31/12/2018

a) Composition of share capital (pursuant art. 123-bis, comma 1, letter a), TUF)

At the date of approval of this Report, the subscribed and fully paid-up share capital amounts to Euro 6,161,592.12, divided into n. 1,123,483 ordinary shares, without nominal value, corresponding, pursuant to Article 120, paragraph 1 and Article 7 of the By-laws, to n. 1,661,641 voting rights.

The structure of the share capital is detailed in Table 1, reported in the appendix to this Report. In this regard it is recalled that, as better specified under letter d) of this paragraph, the Extraordinary Shareholders' Meeting of April 24, 2015 resolved, pursuant to art. 127-quinquies of the Consolidated Law on Finance and of Law Decree 91/2014 converted into Law 116/2014, the introduction in the Company's Articles of Association of the mechanism for the increase of voting rights and that Article 120, paragraph 1 of the TUF, in the context of regulates the disclosure obligations of significant shareholdings, provides that in companies whose bylaws allow the increase of voting rights, by share capital is meant the total number of voting rights.

Issuer's share negotiate on MTA Market – STAR Segment of Italian Stock Exchange.

There are no incentives plans with a stock sharing base (stock option, stock gran, etc.) that imply increases, also free, of the social capital.

b) Restrictions to the transferring of shares (pursuant art. 123-bis, paragraph 1, letter b), TUF)

There are no restrictions to the transferring of shares.

c) Relevant participants to the Capital (pursuant art. 123-bis, paragraph 1, letter c), TUF)

With regard to the significant shareholdings please refer to Table n. 1 attached to this Report.

d) Special rights (pursuant art. 123-bis, paragraph 1, letter d), TUF)

The Extraordinary Shareholders' Meeting of April 24, 2015 amended Article 7 of the By-laws in order to introduce the so called vote "Plus" in accordance with art. 127-quinquies of the TUF.

The shares of increased vote, also known by the term "loyalty share" have been introduced in Italy with Decree Law 91/2014, converted into Law 116/2014 (competitiveness decree). In this way, it has overcome the traditional principle of "one share - one vote", because it is possible to express, according to the Articles of By-law, a vote superior to one but not bigger than two, and this with reference to the actions that one shareholder has held for a consecutive period of not less than twenty-four months after inclusion in a special list.

Dimension of the benefit, vesting period and legitimizing real law.

The benefit of the increased vote is attributed to the fullest extent of the law, i.e. a double vote per share exclusively in favour of the owner with the right to vote.

To enjoy the benefit the share must have belonged to the same shareholder for a continuous period of at least twenty-four months from the date of registration in the Special Register (i.e. the minimum period by art. 127-quinquies, paragraph 1, TUF) referred to below.

Establishment of a Special List, legitimacy to enlist and recognition to refuse the benefit.

A special list was set up - Special List - to be held in accordance with article 143-quater of the Issuers Regulation at the headquarters of the Company. The Board on May 15, 2015 has defined the criteria for its maintaining in compliance with the applicable regulations (the procedure for

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registration is available on the website www.psf / Investor Relations / Corporate Governance / Loyalty Share) and appointed the Corporate Affairs person in charge of keeping and managing the said Special List.

The appointee will provide the registration and updating of the list according to a monthly basis. All registration requests received each month, will be noted in the list on the 5th trading day of the month, and in any event within the record date envisaged by current regulations. These schedules will, however, be appropriate in any subsequent regulatory action in the matter.

The Shareholder requesting the registration in the Special List must present proper documentation and release a special certificate for more effective verification of the legitimacy assumptions.

The registered person can always request cancellation (total or partial) from the Special List, as can always give up the benefit of double voting that is eventually matured.

The cancellation, however, achieved when there are no more reasons for the increase of the vote.

Transfer (direct or indirect) of the real right of eligibility and of extraordinary operations of the Company (capital increase). Effects on the regulation of the benefit of double voting.

According to art. 127-quinquies, paragraphs 3 and 4 of the TUF, the benefit of the vote plus is deleted if the share is transferred after payment or for free, as well as in case of direct or indirect sale of controlling stakes in companies or entities that hold shares of plus vote exceeding the limit provided by Article 120, paragraph 2, of the TUF.

The right to vote plus is kept in case of succession to the death while lapses in the case of merger and division of the owner of the shares. As regards, however, the assumptions of the capital increase, the benefit is extended proportionally much in the case of free capital increase, as in the case of capital increase with new contributions.

Effects of the increase of voting for the purpose of quorum of the meeting and for the exercise of minority rights.

The increase voting also computes to determine the constitutive and deliberative quorum that refer to the capital tax rates.

Otherwise, the voting increase has no effect on other rights accruing from voting under certain capital rates.

The Company will communicate to the public and Consob the total amount of voting rights, pursuant to art. 85-bis, paragraph 4-bis of the Consob Issuer Regulation by the fifth market day opened at the end of each calendar month during which it ascertained an increase or decrease in this amount as well as by the day following the date indicated in the article 83-sexies, paragraph 2, of the TUF (record date).

e) Employees shareholding: modality right to vote (pursuant art. 123-bis, paragraph 1, letter e), TUF)

There are no regulated systems of shareholding of the employees.

f) Restriction in the right to vote (pursuant art. 123-bis, paragraph 1, letter f), TUF)

There are no restriction in the vote right.

g) Shareholders' agreements (pursuant art. 123-bis, paragraph 1, letter g), TUF)

Issuer doesn't know agreements according to the art. 122 TUF.

h) Clauses of change of control (pursuant art. 123-bis, paragraph 1, letter h), TUF) and disposition concerning OPA (pursuant articles 104, paragraph 1-ter and

104-bis, paragraph 1)

The Issuer hasn't concluded significant agreements yet that acquire efficiency and that extinguish or that can be modified in case of a control of the signing society.

The company's By-laws doesn't involve:

- exceptions to the dispositions on passivity rule of art. 104, paragraph 1 and 1-bis of TUF;
- the application of the rules of neutralisation of art. 104-bis, paragraph 2 and 3 of TUF.

i) Appointment to increase the social capital and authorization to own share buying (pursuant art. 123-bis, paragraph 1, letter m), TUF)

The Board has not been delegated to increase the social capital as per art. 2443 of Cod. Civ. and cannot issue participative financial instruments.

Shareholders' meeting of Poligrafica S. Faustino S.p.A. of April 13, 2018 has authorised, according to the art. 2357 of C.C., the acquirement of one or more solutions until the previous day in which the shareholders' meeting will approve the 2018 balance sheet and with a maximum period of 18 months, for a maximum of 224,696 ordinary shares, and in any case to such an extent that at any time the maximum number of treasury shares held in execution of this and other resolutions never exceeds the fifth part of the share capital, taking into account the treasury shares that the company already had in its portfolio and any shares held by the subsidiaries, for a unit price that is not less than the official stock price of the Poligrafica S. Faustino share on the day prior to the day on which the purchase transaction is made, reduced by 25% or more official stock exchange price on the day prior to the day on which the purchase transaction is made, increased by 25%, it being understood that:

- the unit price does not exceed the highest price between the price of the last independent transaction and the price of the highest current independent purchase offer in the location where the purchase is made;
- in terms of volumes, the daily purchase quantities cannot exceed 25% of the average daily volume of exchanges of the Poligrafica S. Faustino stock in the 20 trading days prior to the purchase dates.

For the actuation of the resolution it was given the Board of directors and the Chairman and his managing directors, separately or through specialized intermediaries, the permission to acquire the company shares under the above exposed conditions, with the steps that are approved by the company, according to the pro tempore legislation in force and, in particular, of the art. 132 of the TUF, of the art. art. 144-bis, paragraph 1, of the Issuers' Regulation and accepted market practices.

The Chairman and Managing Directors has been authorised, without time limits, following art. 2357-ter C.C., separately or through specialized intermediaries, to dispose in every moment, of all or of a part, in one or more solutions, also before having finished the acquisitions, of the own shares, acquired according to the present disposition, both through alienation of these in the Stock exchange or through institutional investors, both through an offer to the public, to the shareholders and to the employees. As both correspondence to the acquisition of shares in the company investments policy, giving to the Directors the possibility to decide, each time, within the norms, the terms, the ways and conditions that will be considered opportune. This considering that the minimum price won't have to be inferior to the minor or the buying prices of the shares already owned. The authorisation as in this point is granted without time limits.

The purchase of own shares authorized by the Shareholders' Meeting is not instrumental to reducing the share capital.

On the closing date of the Year, the Issuer had in its portfolio n. 15,819 own shares.

1) Management and coordination (pursuant art. 2497 and subsequent C.C.)

The Issuer is not subject to management and coordination pursuant to article 2497 and following of the Civil Code.

The Company delivers activities of direction and coordination on the following companies:

- Sanfaustino Label S.r.l. sole proprietorship
- Linkonline S.r.l. sole proprietorship
- Psfinteractive S.r.l. sole proprietorship

We explain that:

- the information required by art. 123-*bis*, first paragraph, letter i) ("Agreements between the company and directors ... providing for compensation in case of resignation or dismissal without just cause or if their employment ceases because of a public offering purchase ") are explained in Report on Remuneration published pursuant the art. 123-*ter* of TUF;

- the information required by art. 123-*bis*, first paragraph, letter l) ("the rules governing the appointment and replacement of directors ... and the amendment of the By-laws, if different from the laws and regulations applicable in the alternative") are discussed in the section of the report devoted to the board of directors (Section 4.1.);

3. COMPLIANCE (pursuant art. 123-*bis*, paragraph 2, letter a), TUF)

The Issuer has adhered to the Corporate Governance Code by adopting the measures deemed necessary or appropriate for the adjustment of its Corporate Governance system and the organization according to the criteria set forth in the Code considering in particular the company dimensions and the shareholders' composition.

The Code is available on Borsa Italiana website:

<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>

The Issuer and its controlled with strategic relevance (Linkonline S.r.l. and Sanfaustino Label S.r.l.) are not subject to non-Italian law disposals that influence the structure corporate governance of the same issuer.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND SUBSTITUTION (pursuant art. 123-*bis*, paragraph 1, letter l), TUF)

The Board of Directors is appointed according to lists given to the shareholders in which the candidates must be listed following a progressive number and in which the candidates that have the requisites of independence fixed by the law must be also listed.

Each shareholder and the members of the same group, and those tied by an agreement according to art. 122 of TUF, cannot offer, neither through a third person or company, more than a list and each candidate cannot be in only one list with the risk of ineligibility.

Each list must contain a number of candidates that is not bigger than that of the components of the administrative organ for which they cannot be nominated.

All the lists that include a number of candidates equal or superior to three must respect the division of the genres. For the first new Board of directors after one year from the beginning of validity of the Law 120/2011, the least represented genre must be equal to one fifth of the total of the components to be elected. For the second and third renewal after the above mentioned term the least represented genre must be equal to one third of the components to be elected.

The right to form the lists can be made only by the shareholders that alone or with other

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shareholders represent at least the percentage of the social capital fixed by the law or Consob with own rules. With Consob Managerial Determination No. 13 of January 24, 2019 the percentage for Poligrafica S. Faustino must be 4.5%.

The lists, undersigned by the shareholders', must be registered at the legal matters office at least 25 days before that fixed for the meeting in the first convocation correlated by:

- the professional and personal curricula of the candidates,
- the declarations with which the single candidates accept their nomination and stop, under their own responsibility, the non-presence of aspects prescribed by the law and by the rules for the members of the administrative organs and to possess the ability to qualify as independents according to the present norms;
- the information regarding the shareholders that have deposit them with the indication of the percentage totally taken off;
- the certification released by the intermediary according to the senses of the law normative, testing the quality of the shareholders and the legitimating of the accounting year of the social rights. This certification can also be produced after the filing of the lists provided by the deadline for publication of the same ones (21 days before the date of the Shareholders' meeting).

Every shareholders can introduce or concur to the presentation of a single list and vote a single list.

Shareholders vote on sheets on which is indicated the name of the shareholder.

At the end of the voting, the obtained votes on the lists are divided for progressive numbers from one to the number of the Directors to elect. The quotients so obtained are given to the candidates of each list, according to the order that is scheduled and disposed in an unique decreasing ranking.

The elects are those who, till the concurrence of the number of Directors to be elect, those who have obtained the highest quotients, considering that it will have to be appointed Director the candidate who is listed on the top of the list of minority that has obtained the bigger number of votes and that is not linked, even indirectly, with the partners who have prepared and voted a list that resulted first for number of votes. So, in case the candidate hasn't obtained the required quotient for being elected, he will be anyway nominated Director while the candidate of the first list that has obtained the lowest quotient won't be elected.

If the division of genres criterion is not respected, the members of the least represented genre that obtained bigger quota will be instead elected (one third of the total amount of the components to be elected).

At least one of the components of the Board of directors, or two in case the number of the Directors to be elected is superior to seven, must have the independence features that are fixed for the auditors at art. 148, paragraph 3 of TUF and by the Code. However, given that the Company is admitted to trading on the STAR segment of Borsa Italiana S.p.A. and that, in order to maintain this qualification, an adequate number of independent directors must be present on the administrative body (Article 2.2.3 of the Market Rules), as envisaged by art. IA2.10.6 of the Instructions to the Market Rules, that is to say at least 2 independent directors for Boards of Directors made up of 8 members, at least 3 independent Directors for Boards of Directors made up of 9 to 14 members and at least 4 independent directors for Boards of Directors composed of over 14 members.

All the lists presented must therefore contain the candidacy of the minimum number of independent directors based on the provisions of art. IA2.10.6 of the Instructions to the Market Rules. In case no one of the candidates with the independence requisites reaches the necessary quotient for being elected, it will be appointed he or they who have the independence requisites

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and who have reported the highest quotient. In this last option, he who would have been elected according to the criteria exposed in the first part of the previous comma, won't be elected.

The Chairman will be the candidate that is listed at the first place who has obtained the biggest number of votes.

If more candidates have obtained the same quotient, the candidate of the list who has not elected any Director or that has elected the lowest number of candidates, will be elected. In case no one of the lists have elected an Director or all have elected the same number of Directors, the candidate of that list that has obtained the highest number of votes is elected. In case of equality of votes and in case of equality of quotation, a new election must be made, and the candidate that obtains the simple majority of the votes is the elected one.

In case more lists have been prepared and voted, the lists that haven't achieved a percentage of votes at least equal to the half of that required for the presentation of the lists selves will not take into consideration.

In case only one list has been prepared, the Shareholders' meeting votes on this list and if this obtains the relative majority, the candidates listed in progressive order are elected, till the number fixed by the meeting is reached. The candidate indicated at the first place of the list is elected president of the Board of Directors.

The Directors last three social years and precisely till the shareholders' meeting summoned for the approval of the last accounting year balance sheet for which they were appointed and are eligible.

If during the accounting year one or more Directors are missing, the solution to follow is in the art. 2386 of the C.C.. in the respect of the criteria for representatively of the least represented genre.

Rules on the appointment and replacement of directors and the amendment of the By-laws, other than laws and regulations applicable in the alternative are not applicable.

Success plan [Non-adherence to criterion 5.C.2. of the Code]

The Board has not adopted any plan for the succession of executive directors since it did not consider that the identification of subjects to whom to assign such a role, or the adoption of criteria for the relative selection, can be made in advance of the time when replacement was necessary. The appointment of a new executive administrator demands, ad hoc valuations.

4.2. COMPOSITION (pursuant Article 123-bis, paragraph 2, letter d), TUF)

The ordinary Shareholders' meeting held on April 29, 2016 has appointed the members of the Board of Directors that will remain in office until the date of approval of the financial statements for 2018.

The number of components amounted to 13 including 5 Directors, i.e. Iliaria Frigoli, Maurizia Frigoli, Elisa Frigoli, Maristella Pedrinelli e Francesca Cropelli representing the less represented gender in accordance with Law 120/2011.

In this occasion only a list has been introduced by Alberto Frigoli, Giuseppe Frigoli, Emilio Frigoli, Francesco Frigoli and Giovanni Frigoli that has received the 100% of the votes of the voting capital (voting capital 100% of the capital present at the meeting). The following candidates have been indicated in the aforementioned list as director: Alberto Frigoli, Giuseppe Frigoli, Emilio Frigoli, Francesco Frigoli, Giovanni Frigoli, Alberto Piantoni, Carlo Alberto Carnevale Maffé, Andrea Collalti, Iliaria Frigoli, Maurizia Frigoli, Elisa Frigoli, Maristella Pedrinelli e Francesca Cropelli.

The curricula of the Board are available on the website of the Issuer (www.psf.it / Corporate Governance / Corporate Bodies / Board of Directors).

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During the financial year, the composition of the Board remained unchanged. No Director has ceased to hold the position of director.

Personal and professional characteristics of each director (Article 144-decies of the Issuers Regulation)

ALBERTO FRIGOLI

Born in Chiari (BS) on November 15, 1949 where he lives; he is married with 4 children.

In January 1981, he takes part to the setting up of Poligrafica S. Faustino S.r.l. of which he is appointed Chairman and director. In 1987 the Board of Directors appoints him managing director with full powers in ordinary and extraordinary administration. The extraordinary Shareholders' meeting of March 13, 1998, which approves development into a stock company, confirms him in all his functions. In April 2001 he was appointed managing director with full powers of ordinary and extraordinary administration. Which it has accomplished to date.

He is also Chairman of subsidiary company Psfinteractive S.r.l., a company involved in the communication agency activities, non-executive Director of other subsidiaries companies Sanfaustino Label S.r.l., specialised in printing of labels and Director of Linkonline S.r.l., Italian specialist in the supply of self-consumption material for the large-scale distribution.

GIUSEPPE FRIGOLI

Born in Chiari (BS) Chiari on August 6, 1951 where he lives; married with 3 children.

In January 1981, he takes part to the setting up of Poligrafica S. Faustino S.r.l. of which he is appointed director. In 1987 the Board of directors appoints him managing director with full powers in ordinary and extraordinary administration. The extraordinary shareholder meeting on March 13, 1998, which approves development into a stock company, confirms him in all his functions. In April 2001 he is appointed managing director with full powers in ordinary and extraordinary administration, which he has accomplished regularly so far.

In December 1997, he takes part to the setting up of the Company "BB S.r.l.", seated in Castrezzato, of which he is appointed director. Since March 28, 2001 is no longer Chairman but simply managing director. This company, already holds "CASAROSSO" mark, trade in all its forms by means of an Internet site about all goods that are normally sold in a supermarket and as tables product I do XIV included. Since 2001, BB S.r.l. dedicated to the development of a new platform B2B called "CANTOALTO" Specifically dedicated to the field of graphic arts.

He is also Chairman and CEO of subsidiary company Sanfaustino Label S.r.l. (specialised in printing of labels) and Linkonline S.r.l. (Italian specialist in the supply of self-consumption material for the large-scale distribution) as well as Managing Director of Psfinteractive S.r.l. (communication agency).

EMILIO FRIGOLI

Born in Chiari on August 15, 1955 where he lives; he is married with 3 children.

In January 1981, he takes part to the setting up of Poligrafica S. Faustino S.r.l. of which he is appointed director. The extraordinary Shareholders meeting of March 13, 1998, which approves development into a stock company, confirms him in all his functions. In march 1999 he is appointed managing director for trade relation with customers. In April 2001 he is appointed managing director with full powers in ordinary and extraordinary administration, which he has accomplished regularly so far.

He is also Managing Directors of subsidiary company Sanfaustino Label S.r.l., specialised in printing of labels, Director of Linkonline S.r.l., Italian specialist in the supply of self-consumption material for the large-scale distribution and Director of Psfinteractive S.r.l., a company involved in the communication agency activities.

FRANCESCO FRIGOLI

Born in Chiari on June 3, 1953 and lives in Cologne (Bs); he is married with 2 children.

In December 1997, he takes part to the setting up of the Company BB S.r.l.", seated in Castrezzato, of which he is appointed director. This company, already holds "CASAROSSO" mark, trade in all its forms by means of an Internet site about all goods that are normally sold in a supermarket and as tables product I do XIV included. Since 2001 BB S.r.l. dedicates itself to the development of a new B2B platform called "CANTOALTO" specifically dedicated to the graphic arts industry, which is still used by Poligrafica S. Faustino S.p.A. In that company he served as CEO until December 2011.

After being appointed Poligrafica S. Faustino S.p.A. adviser in November 1998, he is given the delegation for activities for the press and media sector in March 1999. From April 2001 to 2012 he has not held any executive office and has served on the Committee for Internal Control and the Remuneration Committee.

In April 2013 he received the delegation for research and development activities is obliged to report to CEOs about possible agreements to be concluded.

He is also Directors of subsidiary company Sanfaustino Label S.r.l., specialised in printing of labels, of Linkonline S.r.l., Italian specialist in the supply of self-consumption material for the large-scale distribution and of Psfinteractive S.r.l., a company involved in the communication agency activities.

GIOVANNI FRIGOLI

Born in Chiari (BS) on April 29, 1960 and lives in Coccaglio (BS); married with 3 children.

In November 1998 he is appointed director of "Poligrafica S. Faustino S.P.A.". In March 1999 Mr. Giovanni Frigoli is appointed managing director for marketing. Since April 2001 he is non-executive Director and from February 2012 he is Executive administrator with delegation to search for strategic suppliers/partners for the company. The delegation was confirmed following the renewal of the Board of Directors on 23.04.2013.

He participated to the establishment of the company Dedalus S.r.l. where he served as managing director until January 2011. The company took the production and wholesale and retail of paper items of any kind as well as the production of paper tissues called "Todo Modo." It ceased from office in January 2001 he was appointed director in the said company, called today Psfinteractive S.r.l. (then Mediattiva S.r.l.), which now has the object of communication-Agency that manages and realize internet sites, development and delivery of web applications for e-commerce B2B and B2C.

In February 2008 he was appointed managing director of Linkonline S.r.l., Italian specialist in the supply of self-consumption material for the large-scale distribution. It holds that office without interruption until today.

Since November 2015 he served as Managing Director with powers of ordinary management in the contracted Sanfaustino Label S.r.l., specialized in the production of labels.

ALBERTO PIANTONI

Born in Chiari (BS) on April 6, 1956; married with a son, he took a degree in Economical politics at the faculty of Economics of the University of Modena.

He is member of the Symbola committee for the PIQ definition (Internal Quality product) which is intended to become a measurement instrument of the Italian quality as combination of innovation, technology, research, creativity and territorial skills. On June 27, 2007 he is nominated *project manager* of third Project of industrial innovation of *Made in Italy* Sponsored by the Ministry of Economic Development.

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From 2004 he has been independent Director of Poligrafica S. Faustino S.p.A. and, since April 2007, lead independent director.

He has been CEO of Bialetti Industrie S.p.A. (company quoted at the Italian Stock Exchange) and of different companies of the Bialetti Group, in Italy and Abroad, as Girmi S.p.A., Bialetti Industrie France sarl, Bialetti Spain S.I., Bialetti Deutschland GmbH till the beginning of April 2008. Since April 2008 he is non-executive director at Bialetti Industrie S.p.A. and is managing Director at Richard Ginori 1735 S.p.a. (Company quoted at the Italian Stock Exchange) until December 2009. From March 2010 until July 2011 he has been Managing Director of Revolution S.p.A. (formerly Gruppo Sistemi 2000 S.r.l.) of Ancona.

From May 2011 until December 31, 2014 he was CEO of Missoni S.p.A..

In the month of November 2016 he was appointed Managing Director of the Mille Miglia S.r.l..

CARLO ALBERTO CARNEVALE MAFFE'

Born in Vigevano (PV) on September 9, 1961, married with a son.

Is Lecturer in Company Strategies at the Company Direction School of the Bocconi University where he was founder and coordinator of the Master in Business Strategies(MISA). He is responsible for the "Business Strategy" teaching at the Bachelor in International Economics and Management. He teaches at "Media MBA" of the Steinbeis University in Berlin and at the "Master in Intelligence" of the University of Malta, and has teacher at the Graduate School of Business of the Columbia University, at the Stern School of Business of New York University and Wharton School, University of Pennsylvania.

He is member of the Steering Committee "E-Business Policies" of the European Commission DG Enterprise. He is member of columnist of Editorial Board di Harvard Business Review Italy. He works for different national and international newspapers such as CNBC International/Class CNBC "Il Sole24 Ore". He is member of the scientific committee of Assodigitale. He is also Director at Poligrafica S. Faustino S.p.A. since April 2004 and United Ventures SGR S.p.A. from December 2015; he plays, in both, the role of independent director.

He is Advisory Board of National High tech companies. He has published many books and company cases and is regularly present with interviews, articles and comments on some of the most important economic and financial International editions such as The Economist, Time, Harvard Business Review Italy, Business Week, Wall Street Journal, Financial Times, New York Times, International Herald Tribune, Les Echos.

ANDREA COLLALTI

Was born in Rome on November 22, 1966, married and graduated in Economics at Rome's University *La Sapienza* and is taking a further degree in law at the same university. He attended post-graduation courses about European fiscal norms and commercial laws at the Luiss Schhol of Management.

He is fiscal counsellor member of the Accounting revisors and member of the arbiters at the Consob. He owns a professional office for fiscal, commercial and administrative advice in Rome. He is a receiver at the court of Rome and is technical counsellor at the civil section.

He works in the company, strategic, fiscal and financial counselling sector, in the company evaluations, in particular in the managing of company relations with the public sector for the managing and inspection of infrastructure financing.

He is an expert in the starting up of dossiers for infrastructure financings at the Ministry of Economics, C.I.P.E., the Ministry of infrastructures and economic development.

He is an expert in International fiscal planning and worked for many national and International companies.

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At this moment he is the Chairman of the Board of Auditors of Fandango and Auditor of Gamenet S.p.A. (AAMS dealer for slot machines and gaming), Gamenet Scommesse S.p.A (AAMS dealer for online betting), Gamenet Entertainment S.p.A. and Chairman of the Board of Auditors of Techrain S.p.A..

He is also Commissioner of Covisoc (FIGC), member of the surveillance committee of Eutelia S.p.A. in Extraordinary administration appointed by the Ministry of Economic Development, member of Board of Auditors of the Italian Federation of Sports on Ice (FISI) and member of the Board of vigilance of Anas International.

He also holds the office of statutory auditor of the company Fiera di Roma S.p.A.) and Chairman of the Board of Auditors of Areti S.p.A. (Acea Distribuzione) and, since April 2012, as an independent director of Poligrafica S. Faustino S.p.A..

ILARIA FRIGOLI

Born in Ponte dell'Olio (PC) on June 2, 1985 and living in Milan, has a degree in "Psychology of personality and interpersonal relationships" at the University of Padua and at the same University he received the degree in "social Psychology, work and communication", has passed the state exam in 2012 for the exercise of the profession of psychologist. In 2012 he attended a Master Inter between the University of Padua and the University of Brescia "*Mediation as an operational tool within the areas of family, criminal, community, civil and commercial matters*". She has specialized in psychotherapy since December 2018 and is a freelance psychologist and psychotherapist.

From 2011 to February 2013 he collaborated with the Department of Applied Psychology at the Faculty of Psychology of the University of Padua as a designer and analyst. In the same period he also worked with the company Pragmata S.r.l. of Padua, active in the field of consulting organizations, as a consultant entrepreneurial, administrative, managerial and business planning. From 2017 he worked as a freelance psychologist (private practice).

From the month of March 2013 is working with the company To Italy S.r.l. as a Project Manager.

In April 2013 was appointed counselor of Poligrafica S. Faustino S.p.A. where he serves as non-executive director and member of the control committee and risk and the remuneration committee..

MAURIZIA FRIGOLI

Born in Chiari (BS) on December 12, 1984 where she lives.

In 2003, she obtained a diploma in accounting at the Technical Institute of Brescia "Marco Polo". From 2010 to 2011 she collaborated with the company BB S.r.l. as an accounting office. Subsequently, from November 2011 till today she performs the same functions in Poligrafica S. Faustino S.p.A..

In April 2013 she was appointed counselor of Poligrafica S. Faustino S.p.A. where she serves as non-executive director.

ELISA FRIGOLI

Born in Chiari (BS) on December 5, 1983 and lives in Brescia, married with two children.

In 2002 she obtained a scientific degree at the "Liceo Leonardo" Brescia, and in 2008, she graduated from the University of Urbino in Communication Sciences.

From 2008 till 2010 she was owner of the workshop of digital printings Droplab in Brescia and since 2012 she is partner of P.I.N.A. S.a.s..

In April 2013 she was appointed counselor of Poligrafica S. Faustino S.p.A. where she serves as non-executive director.

MARISTELLA PEDRINELLI

Born in Chiari (BS) on September 11, 1956 and lives in Cologne (BS); married with two children. In 1973 she graduated as a company accountant at the Brescia IPC.

Starting from July 1994, he assumed the position of Vice-Chairman of the Board of Directors of F&F S.r.l, a company whose object is the following activities: real estate in general through the purchase, sale, exchange, lease, management, administration for own account or for account others of movable and immovable property; publishing activities of any kind; of marketing activities; the organization and management of promotional initiatives and specialized advertising and promotional activities, as well as data processing, also on behalf of third parties, through mechanographic centers. He still holds that position.

In April 2016 she was appointed counselor of Poligrafica S. Faustino S.p.A. where she serves as non-executive director.

FRANCESCA CROPELLI

Born in Chiari (BS) on March 28, 1974 where she lives; she is married with 3 children.

In 1993 she graduated as a company expert and correspondent in foreign languages at the Commercial Technical Institute "L. Einaudi " of Chiari.

From 1998 to 2006 he worked as a sales / marketing employee at Conbipel S.p.A..

In April 2016 she was appointed counselor of Poligrafica S. Faustino S.p.A. where she serves as non-executive director.

Diversity policies (pursuant to article 123-bis, paragraph 2, letter d) -bis)

The Board has not adopted any diversity policy in relation to the composition of the administrative and management bodies in relation to aspects such as age, gender composition and training and professional development. The Issuer, in fact, pursuant to art. 123-bis, paragraph 5-bis, of the TUF has exercised the right to omit the publication of the aforementioned information since, at the closing date of the financial year, it did not exceed any of the following parameters:

- a) balance sheet total: € 20,000,000;
- b) total revenues from sales and services: € 40,000,000;
- c) average number of employees during the financial year equal to two hundred and fifty.

Limitation of charges

[Non-adherence to criterion 1.C.3. of the Code] The Board, after analyzing the positions held by individual directors, hasn't defined the general criteria about the number of positions in administration and control roles in other companies as it was considered that, even without a limitation, the role of the Director of the issuer has always been made in a proper way regarding the charge received from each director.

The Board can anyway anticipate in every moment some limitations if necessary.

Below we disclose the offices of director or auditor held in other listed companies, financial, banking, insurance or other large companies:

- Carlo Alberto Carnevale Maffè, Independent Director at the Sicav United Ventures SGR S.p.A.;
- Andrea Collalti, Statutory Auditor at Areti S.p.A. (formerly Acea Distribuzione) and Fiera di Roma S.p.A..

Induction Programme

The Board Chairman has deliberated that the administrators, after their appointment and during their term may take part to initiatives that are aimed to give them an adequate know how of the activity sector in which the Issuer operates, of the company dynamics and their evolution, the correct risk management principles, and their norm context.

Such initiatives, in particular, were possible during meetings with the Marketing director and commercial directors (also for the controlled companies) of the different business areas in which the company operates aimed to explain the business areas in which the company operates (business communication, label&packaging, documental electronic managing, printing and e-procurement), the new approach modalities with the real and potential clients and the offer of new products.

The head of corporate affairs, assisted where necessary by the quality manager, furthermore, also, in consultation with the President, provided all Directors with adequate and exhaustive information about the changes to the regulatory framework of reference in the sector in which the Issuer operates.

4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant art. 123-bis, paragraph 2, letter d), TUF)

During the Exercise, the Board of directors summoned five times, with a medium duration of one hour and a quarter. For the present accounting year five meetings have been planned, two of which held on January 21 and March 8, 2019.

The Chairman, through the Secretary of the Board (the role played by the head of corporate affairs) has assured timely and complete pre-meeting information, using appropriate methods to preserve the confidentiality of the data and information provided. Specifically, before each meeting it will be sent to all Directors a draft document to be approved together with information relating to the items on the agenda. Such documentation is delivered to the hands or sent via an e-mail notice of about 1 week, but not less than three days before the meeting date. During the Year, the notice has been complied and there were no urgent demands that disclosure was given only in the board meeting.

The meetings are conducted under the guidance and coordination of the Chairman who care that the items on the agenda are assured as long as necessary to allow a constructive debate. The Chairman encourages individual delegate directors that, each in his mandate, report about the activities carried out during the reporting period.

The meetings are open to the participation of parties outside the Board. All meetings of the year were attended, following an invitation of the Chairman, the head of corporate affairs and the manager responsible for preparing the financial reports.

Pursuant the art. 19 of By-laws, the administrative organ has plenty powers for the ordinary and extra ordinary managing of the company, without exceptions and has the faculty of making all the acts that he considers necessary for the achievement of the company goals, with the exclusion of those that are reserved by the law to the shareholders meeting. Considering what is written in the art. 2 and art. 23 of the By-laws, other functions of the administrative organ are the deliberations concerning:

- a) the merge, in the cases previewed by the articles 2505 and 2505-*bis* of the Civil Code;
- b) the reduction of the capital in case of withdrawal of one of the partners;
- c) the adjustment of the By-laws at normative disposals;
- d) the emission of ordinary bonds.

The Board's duties concern the examination and approval:

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- the strategic, operational and financial Issuer, and the periodic monitoring of their implementation;
- the strategic, industrial and financial group of which the Issuer and the periodic monitoring of their implementation;
- of the issuer government system;
- of the structure of the Group.

At the meeting of March 6, 2018, the Board assessed the adequacy of the general organizational, administrative and accounting structure of the Issuer and of the companies of strategic importance, with particular regard to the internal control system. As part of this activity, the Board made use of:

- the support of the Control and Risk Committee and the head of the internal audit function for the assessment of the organizational structure;
- of the Manager in charge of preparing the corporate accounting documents for the assessment of the administrative and accounting structure.

The Shareholders' Meeting, dated April 13, 2018, has determined the total remuneration due to the entire Board. Subsequently, on the same date, the Board on May 11, 2018, in accordance with the proposals of the Remuneration Committee and after consultation with the Board of Auditors, determined the remuneration of individual directors (fixed fee) as well as the parameters for the payment of incentive remuneration in favour of the executive directors and the relative measurement.

The Board has evaluated the general going of the managing, considering the information received from the delegated organs, and confronting quarterly the results obtained with those planned.

The Board has the power to review and approve the operations of the Issuer and its subsidiaries when these have a significant strategic, economic, equity or financial importance for the Issuer.

It is provided a reservation in favour of the Board, prior examination and approval of related party transactions of the Issuer and its subsidiaries in the cases mentioned in the Procedure for Related Party Transactions approved by the Board on November 12, 2010 and subsequently amended on 15.01.2018. During the Year, as verified by the Board upon approval of the 31.12.2017 budget draft, no transactions with related parties carried out were considered of major importance (for further details see the art. 12 of this Report).

Not having considered it appropriate to establish general criteria for identifying transactions of significant strategic, economic, equity and financial importance for the Issuer, the Board has reserved the right to evaluate, from time to time and in the specific case, the identification of these operations for which, in any case, the Board is responsible for every decision in this regard. During the year, no operations had such characteristics.

The Board, on November 9, 2018 has considered its dimension, composition and working of the Board itself and its committees, included the number of independent Directors equal to 3 (as per art. IA.2.13.6 of the Instruction to the Market Rules) conforming to the social object. For the purposes of self-assessment, the Board has made use of exclusively internal functions without resorting to the help of external consultants. In light of the results of the evaluation, the Board did not consider it appropriate to express to the shareholders, prior to the appointment of the new board scheduled for the approval of the 2018 financial statements, guidelines on the managerial and professional figures whose presence is deemed appropriate. Subsequently, however, on 8 March 2019, it decided to propose to the shareholders' meeting to maintain the number of members of the board and the remuneration envisaged for the administrative body.

The Shareholders' meeting hasn't authorised, as a general rule, derogations to the prohibition of concurrence as in the art. 2390 C.C..

4.4. EXECUTIVE DIRECTORS

Managing Directors

With the Board resolution of April 29, 2016, the Chairman and the Directors Giuseppe Frigoli and Emilio Frigoli were granted proxies. The powers of ordinary and extraordinary administration have been attributed to them, except for those expressly prohibited in art. 2381 C.C..

These are to be considered as the main responsible of the company (Chief Executive Officer):

- Giuseppe Frigoli (administrative manager, purchasing, personnel, production)
- Emilio Frigoli (sales manager)

The absence of limits for the delegation attributed is justified by the particular society asset and by the activity developed by them within the Issuer. The Board, anyway, can in every moment decide any kind of operation.

Interlocking directorate

[Non-adherence to criterion 2.C.5 of the Code] The Board has decided not to join the application criterion 2.C.5. of the Code, subject to evaluation from time to time and specifically the possible situation of interlocking directorate, taking account of potential conflicts of interest that may occur.

It should be noted, however, that at the date of this report the situation of interlocking directorate is not occurring.

Chairman of the Board of Directors

The Chairman, despite having received the delegation for the ordinary and extraordinary administration, is no longer to be considered, by virtue of actually performed function, the main responsible for the management of the Issuer.

He, in addition to the organization of the work of the Board and of liaison between executive and non-executive directors during the year, has been busy preparing and coordinating the activities of the managing directors and executives in the definition and elaboration of the main strategies business of the Company and the Group, with the help and support of executives in charge of specific areas of intervention.

Informative to the Board

The Chairman, assisted by the Lead Independent Director, shall ensure that all materials submitted to the Board be given in time to the documentation and information necessary for evaluation and conscious decision of the topics covered. Documents relating to agenda items, in particular, is immediately sent to the Directors, when available, by the manager responsible for preparing corporate accounting documents or the head of corporate affairs. Each Director has the right to request further information and additions deemed necessary and appropriate.

The Managing Directors have kept informed regularly the Board about the activities made quarterly.

4.5. OTHER EXECUTIVE DIRECTORS

Within the Board there are two executive directors: Giovanni Frigoli and Francesco Frigoli.

The first one is to be considered as an executive director as Managing Director of the subsidiary Linkonline S.r.l. with powers of ordinary and extraordinary administration and Managing Director of the subsidiary Sanfaustino Label S.r.l., companies having strategic importance for the Group, as well as having received, on April 29, 2016, the responsibility for search and contact suppliers / strategic partners for the Company.

The second is executive director of the Company by virtue of the power delegated by the Board on April 29, 2016 for research and development.

4.6. INDEPENDENT DIRECTORS

Pursuant the articles 147-ter, par. 4 and 148, paragraph 3 of TUF and according to art. 2.2.3, par. 3, letter m) of Market Rules and art. IA.2.10.6 of Instruction to the Market Rules and art. 3 of Code, there are three Independent Auditors in the Board (Prof. Carlo Alberto Carnevale Maffé, Dr. Alberto Piantoni and Dr. Andrea Collalti) who:

- a. don't controls, directly or indirectly, the issuer also through subsidiaries, trustees or through a third party, or is able to exercise over the issuer dominant influence;
- b. don't participates in a shareholders' agreement through which one or more persons may exercise a control or considerable influence over the Issuer;
- c. there haven't been in the previous 3 accounting years relevant figures (the Chairman, the legal representative, the Board chairman, a managing director or a manager with strategic responsibility) of the issuer or of one mutually controlled company or of one entity that together with others may control the Issuer or may strongly influenced it;
- d. don't have, and didn't have, directly or indirectly (for example trough controlled companies or where there are relevant people as per point c) as partner or consultant) a relevant commercial, financial and professional relation or subordinate relationships:
 - with the issuer, with one controlled and with relevant figures as indicated at point c) that precedes , the similar;
 - with a subject that, also together with others through a company agreement, may control the issuer, with other relevant figures as indicated at point c) that precedes, of the similar;
- e. considering what stated at the d) point, who don't have relationships of independent or subordinate work and other relationships of professional and patrimonial nature that may interfere with the independence:
 - with the Issuer, with its controlled and with companies mutually controlled;
 - with the directors of the issuer;
 - with figures that are linked with parental ties within the fourth grade of the company's Directors;
- f. they haven't receives, or haven't received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration compared to the "fixed" remuneration of non-executive director of the issuer, including the participation in incentive plans linked to the company's performance, including stock option plans;
- g. they weren't a director of the Issuer for more than nine years in the last twelve years;
- h. they didn't vest with the executive director office in another company in which an executive director of the Issuer holds the office of director;
- i. they aren't shareholder or quota-holder or director of a legal entity belonging to the same network as the company appointed for the accounting audit of the issuer;
- j. they weren't a close relative of a person who is in any of the positions listed in the above paragraphs and there are no parents, relatives and other people within the 4th grade of the Directors of the Issuer, of the controlled companies, of the mutual controlled companies.

* With reference to the requirement in sub letter g), it is to be indicated that the Board recognized that the directors Alberto Piantoni and Carlo Alberto Carnevale Maffé satisfy the requirements of independence , even if they are holding the office of directors of the Company for more than nine of the last twelve years, as a consequence of the in light of independent judgment and demonstrate their professional qualities.

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The Board considers the existence and permanence of the above mentioned requisites following the information that those who are concerned must give under their own responsibility and the information at disposal of the Board.

The requisites of independence of the art. 3 of the Code and art. 148, comma 3, lett. b) and c), of the TUF of the independent Directors have been examined by the Board in occasion of their appointment (April 29, 2016) and during the Exercise (March 6, 2018).

In making the above evaluations, the Board applied all the criteria provided by the Code and the TUF (except for what above indicated with reference to the requirement of letter "g").

During the Exercise, there haven't been situations that determined the disappearance of the above mentioned requisites for the independent Directors.

The Board of Auditors has verified the correct application of the principles and procedures for the yearly evaluation of the independence of the independent directors, publishing the results in the report to the shareholders' meeting.

The independent directors met in the absence of the other directors in February 2018 to analyse the budget plan and in November 2018 to assess the benefits and development prospects deriving from the completion of the investments in the machinery.

In accordance with Art. 5 of the Code, the directors who have indicated the suitability to qualify as independent are committed to maintain independence during the term of office and, where appropriate, to resign. This is without prejudice, however, the possibility for the Board to provide for the immediate co-optation of the same Director.

4.7. LEAD INDEPENDENT DIRECTOR

On April 29, 2016 the Board has confirmed Dr. Alberto Piantoni as lead independent director.

During the accounting Year, he has called the meeting of the independent directors to discuss issues from time to time considered of interest for the functioning of the Board or management of the company (for the concerned topics see art. 4.6 of the present Report).

He has also worked with the President to ensure that the directors were recipients of complete information flows and timely information regarding adoption of resolutions by the Board and its exercise of the powers of management, address and control of the Company and the Group.

5. TREATMENT OF CORPORATE INFORMATION

The transmission of communications and information out of the Company, and the price sensitive ones in particular, is made only by the Chairman and by the managing director and, by order of them, by Investor Relations Manager (Dr. Anna Lambiase) in cooperation with company affairs department (lawyer Emanuele Nugnes).

The Chairman and the managing director make sure that information, complete and proper, pass promptly and fully to control organs, market and public.

Reserved information and register of the people who have access to the privileged information

The Board, on August 29, 2008, has approved new procedure about management reserved information systems, treatment and disclosure as per articles 114 and 115-*bis* of TUF; art. 66, 152-*bis* and following ones of Issuer Regulation and art. 4 of Code. The procedure was updated on November 11, 2011 and most recently, on August 26, 2016 to adapt the procedure to the provisions of art. 18 of MAR.

The essential aspects of the procedure are:

- definition and qualification of the privileged information;

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- secrecy obligation for everybody who comes in contact with such information, following what is written in the ethical code;
- managing modality of information and data;
- prevision of an applicative procedure and different special procedures used in specific hypothesis;
- the Regulation of the Register of the persons with access to confidential information that records the people who, because of their working or professional activity or because of their duties, have access to confidential information (new version in force since 26.08.2016). The Register, kept in electronic format and prepared according to the template provided by the Implementing Regulation (EU) 2016/347, is structured into two distinct sections:
 - A - occasional Section (one for each of Privileged Information. A new section is added every time a new Privileged Information is detected).
 - B - Permanent Section (supplementary section in which the data of the people who always have access to all privileged information are reported);
- prevision of a report activity towards the Vigilance organ.

The responsible for the conservation and updating of the register is the Company Affairs Department Manager

The procedure is available on the Issuer's website in the Investor Relations / Corporate Governance section at the following address:

http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=78

Internal dealing

The Code of Conduct for Internal Dealing is intended to regulate the manner and timing of notification to Consob, the Company and the public about the transactions involving the Company's shares or other financial instruments linked to them by the relevant persons and persons closely associated with them within the rules of MAR, the Delegate Commission Regulation (EU) 2016/522 (hereinafter RE 522), the Execution Regulation (EU) 2016/523 (hereinafter RE 523) and Consob Communication n. 0061330 of 1st July 2016.

The aforementioned Code, approved by the Board on November 12, 2008, was subsequently amended on August 28, 2012 and August 26, 2016.

The Code is developed as follows:

- definition of relevant people and shareholders and people connected to them;
- definition of financial instruments and its application fields;
- individuation of the person in charge of the receiving, managing and diffusion to the market of information on the operations in the person of the Company Affairs Department Responsible;
- determination of the modalities and communication timing of the operations;
- identification of a period of 30 calendar days (black-out period) preceding the board meeting called to approve the accounting data for the period - draft financial statements, abbreviated half-yearly report, interim management report during which it is prohibited for relevant persons and persons closely associated with them to carry out transactions on securities or any instruments related to the shares issued by the company (black-out period);
- possibility to adopt remedies in case of violation of the Code of Behaviour;
- prevision of a report activity towards the Vigilance Organ.

The Code is available on the Issuer's website in the Investor Relations / Corporate Governance section at the following address:

http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=83

6. COMMITTEE WITHIN THE BOARD (pursuant art. 123-bis, paragraph 2, letter d), TUF)

The Board, during its meeting on November 9, 2018, in view of the size and organizational structure of the Company, has identified that it was unnecessary to establish an internal committees with proposing and consulting functions other than those covered by the Code.

7. APPOINTMENTS COMMITTEE

[Not adherence to principle 5.P.1. of the Code] The Board, in its meeting on November 9, 2018, due to its ownership of the company and its organizational structure does not see the need to establish, within it, a Appointments Committee.

This choice is related to the recognition of the Company as a system characterized by a low level of shareholders, and the presence of ownership structure concentrated in a few subjects.

Candidates for the office of Director are proposed by list vote in the manner prescribed in the By-laws, ensuring wide participation to all shareholders. It was therefore not considered appropriate to constitute the nomination committee.

8. REMUNERATION COMMITTEE

Following the appointment of the new Board of Directors by the Shareholders Meeting held on April 29, 2016, the Board, by resolution adopted on the same date, has appointed the following internal advisers as members of the Remuneration Committee (unchanged composition compared to the previous year):

- Carlo Alberto Carnevale Maffè - Chairman (independent)
- Alberto Piantoni (independent)
- Ilaria Frigoli (non-executive)

In accordance with the provisions of the Code, the Committee is therefore composed of non-executive directors, mostly independent.

Following the appointment, there were no changes in the composition of the Committee.

Directors Alberto Piantoni and Carlo Alberto Carnevale Maffè have experience in accounting and financial matters deemed appropriate by the Board at the time of appointment in the light of their previous professional experience.

The information relating to the role and functioning of the Committee are contained in the Remuneration Report published in art. 123-ter of TUF, to which reference is made.

9. REMUNERATION OF DIRECTORS

Information regarding directors' remuneration are set out in the Remuneration Report published pursuant to art. 123-ter of TUF, to which reference is made.

10. CONTROL AND RISK COMMITTEE

Composition and functioning of Control and Risk Committee (pursuant art. 123-bis, paragraph 2, letter d), TUF)

On April 29, 2016 members of the Control and Risk Committee were appointed hat, in accordance with the provisions of the Code, is composed of non-executive directors, a majority of independent directors:

- Carlo Alberto Carnevale Maffè – Chairman (independent director)
- Alberto Piantoni (independent director)

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- Ilaria Frigoli (non-executive director)

During the Exercise the Committee has been collected two times, to them also the Chairman of the Board of Auditors and the responsible of internal audit took part and the manager of drafting the official documents were invited to attend for the issues they were of their concern.

The meetings had an average duration of about an hour and were reported. The Chairman, therefore, will give information on the first next Board of Directors.

For the current year three meetings were scheduled in an already held on March, 8.

Functions of the Control and Risk Committee

The Control and Risk Committee has been given the functions as at art. 7 of Code, beyond that of helping the board of directors in making the functions of the same Code.

In particular, the Committee has the following duties:

- provide the Board with an opinion prior to the performance of duties delegated to it by the Code regarding internal control and risk management (binding opinion in the case of decisions relating to appointment, dismissal, remuneration and allocation of resources of the responsible internal audit function);
- evaluate, together with the manager responsible for preparing the financial reports and, after auctioned the statutory auditor and the board of auditors, the correct application of accounting principles and, in the case of groups, their consistency for the purpose of preparing the consolidated financial statements;
- express opinions on specific aspects regarding the identification of key business risk;
- examine the periodic reports, relating to the evaluation of the system of internal control and risk management, and those of particular relevance prepared by the internal audit function;
- monitor the independence, adequacy, effectiveness and efficiency of the internal audit function;
- ask the internal audit function to perform some checks on specific operating areas, given notification to the chairman of the supervisory board;
- report to the Board, at least every six months, upon approval of the annual financial report and statements, about its activities and the adequacy of the system of internal control and risk management;
- express reasoned opinion binding to the Company in connection with the completion of related party transactions and the convenience and substantial correctness of the related conditions;
- support with adequate preparatory work the evaluations and decisions of the Board concerning the management of risks arising out of acts prejudicial to which the Board has become aware;
- perform the functions of a Vigilance Organism.

The Control and Risk Committee must fulfil its duties together with the Board of Auditors, with the person in charge of the internal control and the executive Director on charge of the internal control system.

During the Exercise, the Control and Risk Committee has fulfilled a monitoring action for the control system in particular about:

- purchasing of the job plan of the responsible for the internal audit function;
- evaluation and monitoring of the adequacy of the accounting administrative procedures, the managing procedure for the managing, the treatment and communication to the external of the privileged information;
- the evaluation, together with the deputy Manager for the drafting of the accounting documents, of the correct use of the accounting principles and their homogeneity for the aims of the consolidated balance.
- activities concerning the role of Vigilance Organism.

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During the meetings planned for the approval of the balance draft and the half-yearly survey, the Committee has informed the Board about the activity made and about the adequacy of the internal control system.

During the Committee meetings the board of auditors chairman has always taken part.

The control committee has the faculty to access to all the information and company functions necessary for the development of its duties and to use external advisors with what decide the Board if necessary.

A certain quantity of resources at disposal of the Board hasn't been determined; the chairman can require every moment that the executive Director monitor the internal control system, the production of resources that are necessary for the fulfilment of its duties. However, the expenditure maximum for the use of independent experts on the occasion of the release of the opinion requested by the Board in connection with related party transactions cannot be greater than € 30,000.00 for each operation.

11. INTERNAL CONTROL SYSTEM

It belongs to the Board the responsibility of the internal control system, understood as all processes aimed at monitoring the efficiency of business operations, the reliability of financial reporting, respect for legality and safeguards of company assets, and the measurement, managing and monitoring of the risk.

Issuer and the relevant subsidiary Sanfaustino Label S.r.l. work in the graphic-promotional sector exclusively on demand and, considering the particular productive typology, must adjust the production and the provisioning politics to the specific requests of the clients. The strong competitors and the lack of standard pricelist-products determine the necessity to have price politics that are often influenced by the promotional budget at the clients' disposal. Till the end of the previous accounting year, the Group has always had only one reference market (the promotional one), with a modest exception of the web agency activity of the subsidiary Psfinteractive S.r.l.. With the precise goal to diversify the reference markets and, in order to the different risk typologies, in 2008 the Issuer acquired Linkonline S.r.l., company that operates in the consumables sector that are destined to the retail sector. Through such operation, Poligrafica S. Faustino has undertaken a development strategy that was aimed at the collecting of all possible synergies with particular attention to the commercial integration on loyal customers..

Each company of the Group is commercially autonomous but responds to strategies that are planned by the Direction of the Holding.

Similarly, each company has a financial autonomy; although the treasury is not correctly canalised on the Group, the financial fluxes of each company are managed by a central function. The financial direction of the Group manages the relations among different banks and analyses the different risks and offers indications about the credit risks, and in particular each time there are contracts with new clients.

The change risk, given the absolute irrelevance of the transactions (both passive and active) also beyond the Euro area, is equal to zero. The supplying market of raw materials isn't affected by indirect consequences bound to the dollar.

The credit risk, above all in front of the huge costs of the transactions and of the clients, is limited. It is to be considered that the medium unity amount of the transitions is modest and the analysis of the credit positions already expired or soon to be expired are linked to a fortnight expiry date.

Furthermore, the subsidiary Sanfaustino Label signed an insurance policy against commercial credit risks with a leading insurance company.

About the liquidity risk: the relationship between own and others' money has always been positive with particular regard to the Issuer. The net financial position does not denote situations

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of particular risk. It should be noted, in particular, a further increase in total group net debt at 31st December 2018 compared to the previous year related to the significant investment boost.

This notwithstanding, the financial structure, characterised by modest debts in relation to the capitalisation, together with the existence of significant real estate investments free from bonds and mortgages, determine objective solidity indicators that guarantee the possibility to adequate credit lines.

In relation to the interest rate risk, this derives from short-term and long-term financial debts negotiated at both fixed and floating rates; only one component referring to three recently disbursed loans was flanked by specific hedging derivatives.

The Board, also according information gave during the Exercise from the Control Committee and Risk, evaluated effectiveness and actual functioning of the internal control system and risk management with respect to the company and its risk profile, as well as its effectiveness. In particular, the Head of Corporate Affairs at the Board meeting of November 9, 2018 reported that as part of the legal aspects and compliance, with particular reference to the legal risk control and non-compliance, including the risk the commission of criminal offenses against or on behalf of the Issuer, during the year there were no particular issues or other circumstances worthy of note. The Board, therefore, on the occasion, assessed the correct functioning of the system of internal controls and risk management, both within the Company sustainability of the Company in the middle- long term; no relevant circumstances that require the adoption of specific measures for the protection of the Issuer and the information to the market were found.

System of risk management and internal controls involved in relation to the financial reporting process, including consolidated, if applicable (pursuant art. 123-bis, paragraph 2, letter b), TUF)

With reference to the preparation of financial statements and consolidated financial statements, the administrative and accounting procedures established by the manager responsible for preparing corporate accounting documents in accordance with accounting standards are applied. This management is to ensure the reliability, accuracy, reliability and timeliness of financial reporting itself through internal procedures valid for the parent and subsidiaries and to ensure an activity of regular monitoring regularly and checking the accounting information widespread to the market.

The internal control system is structured so as to ensure the analysis of economic and financial importance, and control over resources and their uses.

The instruments are designed to verify:

- the accuracy of accounting records, paying particular attention to the evaluation of trade receivables, tangible and intangible assets, participation in inventories and, in general, the criteria for assessing applications to the annual budget and other types of periodic financial reporting to provide a faithful image of the financial position, financial and economic performance of the company;
- Computer systems;
- approval of business operations by the parties responsible for their approval and proper recording in the books.

Prepaid are undertaken primarily through the inspection of documents and of the surveys and the obtaining of information by managers and executive directors.

For the impairment test, in particular, procedures to estimate rather articulate account of the estimated cash flows and earnings for future years are being developed on the base of the approved forecast by several boards of directors that have the responsibility to elaborate the plan about the course of the relative CGU, to which the starter to be evaluated is concerned.

Internal controls have been such as to avoid situations of risk assessment processes for the

evaluation of claims and inventories.

The administrative function of the Group leader elaborates some economic/patrimonial situations with regularity about the salary course of the group leader and of the controlled companies that are subordinated to the attention of the executive Directors. The main purpose of monthly reports of the salaries is that to monitor the course of the turnover, the costs, the marginality in terms of EBITDA and EBIT, and to estimate the course of the net financial position and the medium incidence of the debts.

The data of the interim reports are confronted with the historical data. The abnormal, unexpected or mainly meaningful differences in terms of value are inquired by the manager responsible for the writing of accounting records and the outcomes are subordinated to the attention of the general executive manager.

On the approval of the quarterly, half-year report and the draft budget, the Board will assess the adequacy and effectiveness of the system of internal control based on information communicated by the executive in charge of internal control and the control of the provost Procedure. During the Exercise, this assessment has always given positive results.

Regarding the preparation of financial statements, as at 31.12.2018, the consolidation area (unchanged in comparison to the previous exercise) is so composed:

- Sanfaustino Label S.r.l. sole proprietorship
- Linkonline S.r.l. sole proprietorship
- Psfinteractive S.r.l. sole proprietorship

Sanfaustino Label S.r.l., starting from 2016, writes the accounting balance sheet in accordance with International IAS / IFRS. The subsidiary Linkonline S.r.l. and Psfinteractive S.r.l., however, prepare their financial statements in accordance with national accounting standards. For the subsequent preparation of financial statements of Issuer, these budgets are applied on a non-accounting adjustments required by the application of IAS / IFRS in order to aggregate all financial statements prepared by the same international principles. The accuracy of these corrections is verified through comparison with the corrections made in the previous period and analysis of individual budget items in order to identify further corrections.

The keeping of the subsidiaries of the administration is entrusted to the same structure of the parent at the headquarters of Castrezzato. The monitoring of the internal control system of the subsidiaries is consistent with that expected on Issuer, with the aim to provide the data required for the preparation of consolidated financial information reliable, accurate and timely.

11.1. DIRECTOR IN CHARGE OF INTERNAL CONTROL SYSTEM

The Board, on April 29, 2016, confirmed the attribution for the role of director in charge of overseeing the functioning of the internal control system to Mr. Giuseppe Frigoli.

Pursuant the applicative criterion 7.C.4. of Code, he:

- identified the main business risk, taking into account the characteristics of the activities; carried out by the issuer and its subsidiaries, and submit them periodically to the review of the Board;
- accomplished the guidelines defined in the board of administrators, taking care of the projects, realisation and inner control system managing and risk managing by verifying the adequacy and proficiency;
- the adaptation of the system to changes in operating conditions and the legislative and regulatory framework;
- has the power to ask the internal audit function to perform checks on specific areas of operation and about the compliance with the rules and procedures in the execution of business operations,

given notification to the Chairman of the Board, the Chairman of the Control and Risk Committee and the chairman of the Board of Auditors;

- communicated to the Board about the problems and critical points appeared during the developing of its activity or that has been acknowledged so that the Board can take its decisions.

On April 29, 2016, the board also confirmed Mr. Giuseppe Frigoli as employer as per art. 2, paragraph 1, lett. b) of Legislative Decree no. 81/2008 (role since 29/08/2013)

11.2. RESPONSABLE FOR THE INTERNAL AUDIT FUNCTION

At its meeting on November 9, 2012, the Board appointed Massimiliano Frigoli, responsible for the internal audit function on the proposal of the internal control system person and after evaluation of the requirements of professionalism, organization and independence (despite the relationship with the managing directors and executives) and with the approval of the Committee for Internal Control (now Control and Risk Committee) and after the consulting the board of auditors.

The above mentioned person is not responsible for any operating within the Issuer and does not report to the Council (works within the subsidiary Linkonline as head of customer service and management of IT processes).

During the year the head of the internal audit function, in accordance with Art. 7.C.5. of the Code,

- he checked, both on an ongoing and in relation to specific needs and in compliance with international standards, the operation and the suitability of the system of internal control and risk management, through an audit plan, approved by the Board of Directors, based on a structured analysis and ranking of the main risk;

- he had direct access to all relevant information for the engagement;

- has periodically reported on the activities carried out, the methods used to manage the risks as well as compliance with the plans defined for their reduction, as well as an evaluation of the system of internal control and risk management and informed the chairman of the Board of Auditors, the Audit and Risk Committee and the Board as well as the administrator in charge of the system of internal control and risk management;

- he has occurred as part of the audit plan, the reliability of information systems including accounting systems.

He also carried out the following activities:

- the analysis of the timing and definition of the productive process;

- analysis of compliance on health and safety of workers at work;

- analysis of internal control processes;

- support to the technical office and the quality office in carrying out the risk analysis for the purpose of updating the HACCP manual and, therefore, maintaining the BRC certification.

As no particularly significant events occurred during the year, in this regard no report was prepared by the head of the internal audit function.

No precise amount of the financial resources has been planned at his disposal as he uses of the Issuer's company structures.

11.3. MANAGING MODEL AS ITALIAN LEGISLATIVE DECREE No. 231/2001

On March 19, 2008 the Board has adopted the Organization, Managing and Control Model according to Legislative Decree no. 231/01 and the Ethic Code.

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The Model was updated by the Board on August 29, 2008, February 20, 2009, November 13, 2009 and November 14, 2014.

The Model is made of a General Part in which, after having exposed the general guidelines of the Decree, the components of the model are illustrated with reference to the vigilance board, the personnel training and the Model and ethical code diffusion within the company, the discipline system and the measures adopted in case of failing observance of the prescriptions, the verifications that the Model and procedures will have to endure.

The special part takes into consideration the following kinds of offences

- offences against the Public Administration;
- company offences;
- market abuse;
- against the security on work;
- crimes of recycling, receiving, use of money and goods of illegal provenience;
- informatics crimes and illicit treatment of the data.
- accounting fraud;
- inducement not to make statements or to make false statements to the court;
- environmental crime.

In particular, a whistleblowing tool is provided that allows anyone (employees and contractors, suppliers and any other person who has had or intends to do business with the Company) to report hypotheses of illegal conduct or irregularities, violations of rules, violations of Model 231, violations of the Code of Ethics and in any case violations of company procedures and provisions in general. This tool allows the sending of reports without the obligation to register or to declare one's personal details. If the informant chooses to indicate his personal details, his privacy is guaranteed.

The Board gave the function of Vigilance Organism to the Control and Risk Committee. Following the renewal of the Board on April 29, 2016, these assignments at the ends of the said Committee were confirmed, and did not consider the opportunity to give the supervisory body functions to the Board of Auditors.

Model and Ethic Code are available on Issuer website www.psf.it / Investor Relations / Corporate Governance:

http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=80 (Modello)

http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=81 (Codice Etico)

In both companies, the identification of risk areas is also being finalized, which is a preparatory activity for the preparation of the Model 231 and its adoption is expected by the end of 2018.

Sanfaustino Label S.r.l., on December 27, 2018, adopted the 231 Model which will be adopted, during 2019, also by Linkonline S.r.l..

11.4. AUDITING FIRM DI REVISIONE

On April 13, 2017, proposed by the Board of Auditors, was appointed for the audit of financial statements, consolidated financial statements and half year for the period 2017 – 2015 to Auditing Firm "Fidital Revisione S.r.l." seated in Milano, via Vittor Pisani No. 19.

11.5. MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL AND OTHER ROLES AND FUNCTIONS OF BUSINESS

The Board, pursuant the art. 23 of By-laws, appoint, after a non-binding opinion of the Board of

Auditors, the executive responsible for the preparation of the Company's account documents chosen among people of experience in the accounting and financial field and possessing the requisites of honourably required by the present norms for the control organ members. The board watches out that the deputy manager has the adequate powers and can accomplish his duties. The attributions and responsibilities of the deputy manager are determined by the law.

The Board, in order to get conformed to the art. 154-*bis* of the TUF and in conformity of By-laws, appointed during the meeting on November 14, 2006 Mrs. Cristina Capitanio Manager executive responsible for the preparation of the Company's accounting documents.

Such choice seemed to be the most suitable because of the professional skills and abilities together with the fact that she is already Administrative Director and that the Board has full trust in her.

11.6. COORDINATION AMONG PEOPLE INVOLVED IN THE INTERNAL CONTROL SYSTEM AND RISK MANAGING

The coordination among the different roles involved in the internal control system and risk managing is accomplished with the help of the responsible of the company affairs office together with the manager for the issue of the accounting documents.

12. DIRECTORS' INTEREST AND TRANSACTION WITH RELATED PARTIES

On November 12, 2010 it was approved the "Procedure for transactions with related parties"(effective from the 1st January 2011) prepared as per art. 4 of the Regulation laying down rules on related party transactions adopted by Consob with resolution no. 17221 of March 12, 2010, as amended and Article 2391-*bis* of Civil Code and art. 9.C.1. of Code of Conduct. The Procedure was updated on January 15, 2018.

The above procedure determines the rules governing the identification, approval and enforcement of related party transactions entered into by the Company, directly or through subsidiaries, in order to ensure transparency and fairness in both substantively and procedural operations of the same.

In order to ensure the correct identification of the parties qualifying as Related Parties, the Company has set up a specific "Related Parties List" containing the indication of the parties qualified as Related Parties and of all the data useful for their identification.

The keeping and management of the aforementioned List is entrusted to the Head of the Corporate Affairs Office who is responsible for the constant updating, also with the assistance of the Manager in charge of drafting the accounting documents and other company functions.

By January 30 of each year the subjects referred to in letters a) and d) of art. 2 - definition of a Related Party - inform the Corporate Affairs Office of any information regarding their quality as a Related Party by completing the attached template to the Procedure under the name "A" and they are required to promptly report any change related to the information already communicated.

The Company, having the dimensional requirements contained in the definition of the small companies within the meaning of Consob Regulation 17221/2010, has used the facility to establish a simplified procedure which applies equally to the operations of major and minor importance, subject to the following grounds for exclusion:

- a. transactions for smaller amounts, i.e. those with a value less than Euro 120,000 provided it hasn't the risk factors related to the characteristics of the operation and on the assumption that these transactions may have a significant impact on the financial position of the Company;

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- b. compensation plans based on financial instruments approved by the Shareholders' meeting under art. 114-*bis* of the TUF and operations executive, especially considering the relevant shareholders' meeting and the strict reporting regime applicable;
- c. Shareholders' meeting resolutions referred to in the art. 2389, paragraph 1 of the Civil Code relating to fees payable to members of the Board of Directors as well as decisions regarding the remuneration of directors charged with special powers that are included in the total amount determined in advance by the shareholders as per art. 2389, paragraph 3 of the Civil Code and the fees payable to members of the Board of Auditors;
- d. resolutions on the remuneration of directors and advisers appointed to particular positions, other than resolutions mentioned under letter c), as well as management personnel, provided that:
 - the Company adopts a remuneration policy
 - the Board for the remuneration is involved in the definition of the above mentioned policy;
 - a report setting out the remuneration policy has been submitted to the advisory vote of the Shareholders' meeting;
 - the remuneration is coherent with such policy.
- e. the transactions with or between controlled companies, controlled also jointly, by Poligrafica provided that in the controlled companies by the Issuer there are significant interest in the correlated parts of the company. The interests that come from the simple share of one or more Directors or managers with strategic responsibilities between Issuer and its subsidiary companies are not qualified as significant.
- f. the ordinary operations, i.e. those that are within the operating activity and of the connected financial activity that are accomplished according to equal conditions to those of the market or standard.

The authority to decide on the related party transactions is up to the Board that must receive, in advance, timely and complete news in relation to the characteristic features of the transactions with related parties, such as the nature of the relationship, their executive modalities, their conditions, also economic, for their achievement, the interest, and the underlying reasons and potential risk for the Company.

The Board shall act on transactions with related parties, upon the reasoned opinion of the Control and Risk Committee of the Company for the transaction on the interest and convenience and fairness of its conditions.

In order to issue its opinion, the Control and Risk Committee must also receive adequate and complete information about the transactions and the elements characteristic of the operations. The Audit Committee may be assisted, at the expense of the Company, by one or more independent experts who are not related.

The Board and Board of Auditors should receive full disclosure at least quarterly on the execution of transactions with related parties.

If the transaction involves the interests of one of the Directors of Poligrafica, the Director who is in the condition of a related party of the operation shall immediately inform in detail the Board of the existence of the interest as per art. 2391 of the Civil Code and will not participate to the deliberations. Should the Board of Directors consider it desirable, however, to participate to the preparatory stage and to the deliberation of the Director, the same could allow, after hearing the Board of Auditors, the participation of the Director concerned, who however, should refrain from voting.

The deliberations of the Board of Directors regarding transactions with related parties shall give the reasons to justify the interest of the Company, the reasons, convenience and fairness of the

same operations for the Company and the Group.

13. APPOINTMENT OF AUDITORS

The appointment of the Board of Auditors is made according to lists introduced to the shareholders in which the candidates must not be more than the auditors to be elected and are listed following a progressive order. The list is formed by two sections:

- one for the candidates for the role of effective Auditor;
- the other for the candidates to the role of alternate Auditor.

All the lists that include a number of candidates equal or superior to three must respect the criterion of genres division. For the first renewal of the Syndicate collegium after one year of validity of the Law 120/2011, the least represented genre must be equal to at least one fifth of the total of components to be elected.

For the second and third renewal after the above indicated term, the least represented genre must be equal to one third of the components to elect.

They have the right to present the lists only to the shareholders that, alone or together with others, are shareholders with vote right and who represent at least a percentage of the capital in the entity decided by Consob with a own regulation for the appointment of the organs of administration according to art. 147-ter of TUF. With Consob Managerial Determination (issue n. 20273 of January 24, 2019) that the percentage for Poligrafica must be 4.5%.

Each shareholder and all the shareholders belonging to the same group and the partners that support a Shareholders' agreement that implies shares of the issuer cannot present , also through a third person, more than one list and vote different lists.

Each candidate can be present in only one list. The candidates that have already auditors functions in other five quoted companies cannot be elected as auditors. The same for those who are Directors in the controlled or controlling companies and who have roles of administration and control beyond the limits settled by the Consob with own regulation. The outgoing auditors are re-eligible.

The undersigned lists by the partner or by the partners that present them must be registered at the company seat at least 25 days before the fixed day for the Shareholders' meeting in first call and this will be mentioned in the summoning call. Together with each list, within the above mentioned term, there are deposited:

- information concerning the identity of the partners who have presented the lists with indication of the percentage of participation totally held;
- a certification of the intermediaries in which the ownership of such partnership is shown. This certification can also be produced after the filing of the lists provided by the deadline for publication of the same ones (21 days before the date of the Shareholders' meeting).
- a declaration of the partners, different from those who hold a participation of control or of relative majority, which attests the absence of relationships of links with the latter ones as attested by the Consob;
- a fully detailed report about the personal and professional features of the candidates;
- the declarations with which the single candidates accept the appointment and attest, under their own responsibility, the insistence of causes for the ineligibility and incompatibility and the existence of the requisites settled by the norms for their positions.

The list for which the instructions here mentioned have not been observed is considered as if has not been presented.

In case at the expiring date of the presentation of the lists, only one list has been deposited, i.e. only lists presented by partners linked by them as stated in the Consob norms, there can be

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presented lists till the 3rd day after such date. In such case the limits implied by the chart for the presentation of the lists are reduced to half.

Here are the procedures for the auditors' election:

1) two effective members and one deputy are elected from the list that that has collected most votes, following a progressive order;

2) the remaining effective member and the deputy member are elected in a progressive order from the second list that has obtained most votes in Shareholders' meeting, among the lists presented and voted by partners that are not linked even indirectly with reference partners, as in art.148 of TUF that have presented and voted the list which resulted first for number of votes.

The effective member taken from the second list that has obtained most votes is appointed chairman of the Board of Auditors.

If the division of genres criterion is not respected, the members of the least represented genre that obtained bigger quota will be instead elected (one third of the total amount of the components to be elected).

If the application of the criterion of division between the genres doesn't offer a number of components to be reserved to the least represented genre, such number is rounded to the superior unity.

In case non one from this list has obtained a major number of votes than the others, or in case more lists have obtained the same number of votes, a new voting will be immediately made between the lists that have obtained the same number of votes.

In case of substitution of one auditor, the substitute belonging to the same list of the ceased one. When the Shareholders' meeting must appoint of effective and/or substitutive auditors, necessary for the integration in the Board of Auditors, here are the proceedings:

- in case there is the substitution of the auditors elected by the majority, the appointment happens through a relative majority without list restraint;
- in case the auditors elected in the minority must be substituted, the Shareholders' meeting will substitute them with a majority vote choosing them among the candidates in the minority list to which belonged the auditor to be substituted that is in the minority list that has reported the second entity of votes.

If the application of these proceedings won't allow, for every reason, the substitution of the minority appointed auditors, the Shareholders' meeting will proceed with the voting by relative majority.

The substitution must be accomplished according to the criteria as per bill 120/2011 for the presence of the least represented genre.

14. AUDITORS (pursuant art. 123-bis, paragraph 2, letter d)

The Shareholders' meeting on April 29, 2016 has appointed a new Board of Auditors to hold office until the approval of the budget for the year 2018.

In this occasion it was only presented a list by Alberto Frigoli, Giuseppe Frigoli, Emilio Frigoli, Francesco Frigoli and Giovanni Frigoli who got the 100% of the votes of the voting capital (voting capital 100% of the capital present at the meeting). Their curricula are available on the website of the Issuer ([www.psf.it/Corporate Governance/Company Organs/Board of Auditors](http://www.psf.it/Corporate%20Governance/Company%20Organs/Board%20of%20Auditors)). No changes in the composition of the Board of Auditors occurred during the year.

During the Exercise, the Auditors' Board was summoned 5 times with an average duration of about 4 hours for each meeting. For the current year were scheduled 4 meetings.

In the first meeting after the appointment the independence has been evaluated by using the

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same principles required by the code for the Directors. The remaining of the independence requisites for its members has been also taken into consideration during the Exercise by them on March 6, 2018.

With reference to the requirement sub letter. g) of the preceding Article. 4.6, it is reported that the Board of Auditors acknowledged that members Umberto Bisesti and Francesco Curone are in possession of the independence requirements, although holding the office of auditor of the Company for more than nine of the last twelve years, considering the autonomy of demonstrated judgment and their professional qualities.

In case the Auditor, by himself or by others, had an interest in a determined operation of the issuer, has to inform quickly and exhaustively the other auditors and the chairman about the nature, origin and entity of his interest.

The Board of Auditors proposed the Shareholders' Meeting to confer the mandate for the revision of the financial statements, the consolidated financial statements and the half-yearly report to Fidital Revisione S.r.l. and monitored the independence of the same, verifying compliance with the relevant regulations. During the accounting year, no services other than accounting control were performed in favour of the Issuer or the subsidiaries by the auditing company.

The Chairman of the Board of Directors took care that the Auditors, after their appointment and during the mandate, took part in initiatives aimed at providing them with adequate knowledge of the business sector in which the Issuer operates, of the company dynamics and their evolution, as well as of the regulatory framework of reference.

These initiatives, in particular, were implemented by meetings with the Director of marketing and sales managers (including its subsidiaries) of the various areas aimed at explaining the business areas in which the Company operates (business communication, packaging & labels, electronic document management, printing and e-procurement), the new methods of approach with the current / potential customers and the offering of new products. The Auditors were also informed about the main aspects of the BRC certification obtained by Sanfaustino Label S.r.l. on October 12, 2017.

The corporate affairs manager, at last, in agreement with the Chairman, has provided all the suitable auditors some exhaustive information about the changes in the legal and regulatory framework of the sector in which the Issuer operates.

Diversity policies (pursuant to article 123-bis, paragraph 2, letter d) -bis)

The Board has not adopted any diversity policy in relation to the composition of the Board of Auditors in relation to aspects such as age, gender composition and training and professional development.

The Issuer, in fact, pursuant to art. 123-bis, paragraph 5-bis, of the TUF has exercised the right to omit the publication of the aforementioned information since, at the closing date of the financial year, it did not exceed any of the following parameters:

- a) balance sheet total: € 20,000,000;
- b) total revenues from sales and services: € 40,000,000;
- c) average number of employees during the financial year equal to two hundred and fifty.

Personal and professional features of each Auditor (art. 144-decies of the Issuer Regulation)

FRANCESCO CURONE (Chairman)

Born in Lonigo (VI) on December 2, 1961 is seated in Sabbio Chiese (BS).

He got his degree in economics at the University of Brescia in 1989 and is member of the

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Accounts order of Brescia since 1993 and of the Accounting auditors register since 1999.

Since 1991 he is auditor in different companies, two of which are Linkonline S.r.l. and Sanfaustino Label S.r.l..

UMBERTO BISESTI (Effective member)

Born in Palazzolo sull'Oglio (BS) on March 10, 1973 where he lives.

He got his degree in Accounting at the I.T.C Einaudi of Chiari and after that the qualification for the free profession of account . Since 1999 he is member of the register of the account auditors and private practice.

From 2001 to 2016 he collaborated as an associate with the "*Studio Bisesti ed Associati*" of Brescia. Since 2007 he has been a founding member of "*Bisesti & Partners*". He is also auditor in the subsidiaries Linkonline S.r.l. and Sanfaustino Label S.r.l..

In 2012 he qualified as a mediator / civil conciliator ex Legislative Decree. N. 28/2010 and since 2015 he is accredited local authorities auditor.

MARIAGRAZIA BISESTI (Effective member)

Born in Verolanuova (BS) on 31.12.1969 she lives in Brescia.

She got her degree in Accounting and Commercial at the ITC Don Primo Mazzolari Verolanuova and, subsequently, the qualification for the profession. Since 1995 she is registered in the Register of Auditors.

She is owner of "*Studio Bisesti ed Associati*" in Brescia which deals mainly of tax consultancy, accounting for ordinary artists and professionals , assistance and tax advice, administration of companies, financial statements, reclassifications and analysis, processing of tax forms, personnel administration, corporate restructuring.

15. RELATIONSHIP WITH THE SHAREHOLDERS

The Board is going to survey the shareholders' all the information and the administrative documents quickly. A continuous relationship with the market will be set out, considering the laws and norms for the communication of privileged information. The company is going to tend to avoid informative discrepancies in order to grant homogeneity in keeping the financial community informed. The Company offers its availability for all information for the financial community on the internet site www.psf.it in the area Investor Relations.

The Board on November 9, 2012 identified the responsible of the company affairs department as responsible of the relationship with the Shareholders. In carrying out its task, he will coordinate with Dr. Anna Lambiase, Investor Relations Manager of the Issuer.

16. SHAREHOLDERS' MEETING (pursuant art. 123-bis, paragraph 2, letter c), TUF)

Pursuant to Article 83-*sexies* of Legislative Decree No. 58/98 and art. 10 of By-laws, the right to participate in the Shareholders' meeting and the exercise of the voting right is established by a notice to the Company, carried out by the intermediary in accordance with his accounting records, in favour of the person who has the right to vote, according to the evidence at the end of the accounting day of the seventh trading day preceding the date of the Shareholders' Meeting; recordings made on credit and debit accounts after that time are not relevant to the legitimate exercise of the right to vote at the meeting. Those who are holders of shares of the Company only after that date will not be entitled to attend and vote at the Meeting. The communication of the above mentioned intermediary must reach the company by the end of the third trading day preceding the date of the Shareholders' Meeting. The entitlement to attend and vote is legitimate if all communications are received by the Company beyond that date, provided

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that it happens by the beginning of the meeting of the single convocation.

Those who are entitled to participate in the Meeting may appoint a representative by way of a proxy given in writing means, pursuant to the applicable laws, by signing the proxy form issued at the request of the person entitled by the authorized intermediaries or the form available at the Company's registered office, as well as on the company website, at www.psf.it.

The proxy may be transmitted to the Company by registered mail at the Company's registered office or by certified electronic mail (address specified in the notice).

If the representative delivers or transmits a copy of the proxy to the Company, he/she shall certify, under his/her own responsibility, the conformity of the proxy to the original document, as well as the identity of the delegating person.

During each meeting, it is the Company's faculty to designate, in accordance with art. 135-undecies of the TUF and art. 11, paragraph 2-bis of the By-laws, the Designated Representative as a subject to which the person entitled to vote, entitled by the law, may delegate for free with instructions to vote as long as it is received by the same person within the end of the second day of open market prior to the date of the Shareholders' Meeting, on first call. Any proxy given to Designated Representative shall not have effect with regard to those proposals, for which no voting instructions have been given. Within the same term, the proxy voting and the vote instructions are revocable. The proxy form is available at the Company's registered office as well as on the company website at www.psf.it.

The Board strives to provide shareholders with adequate information necessary for them to take decisions issued by the Shareholders' Meeting. Pursuant the art. 127-ter of Legislative Decree. N. 58/98 and art. 11-bis of the By-laws, the shareholders have the right to propose questions related to the agenda, up to three days before the Meeting, by sending a registered letter at the registered office of the Company to the attention of Company Affairs, or by PEC to the email certified address affarisocietari@psfpec.it or by fax at 030.7049913, and the request must be accompanied with the information necessary to permit their identification. The questions received before the Meeting will be answered at the latest during the Meeting. It may be provided a single answer to questions with the same content. It is not due to no response when the requested information is already available in the "Questions and Answers" site [www.psf.it/Investor Relations/Shareholders' Meeting](http://www.psf.it/InvestorRelations/Shareholders%20Meeting).

[Non-adherence to criterion 9.C.3 of the Code] With reference to the precise Shareholders' Meeting operation, it is specified that the Company has not adopted regulations because the law and the By-laws as well as the normal procedural invitations to the shareholders from the Chairman was considered appropriate to ensure the efficient running of the meeting. The President directs the debate, giving the speech's turn to directors, auditors or survivors who have requested it. Each shareholder may intervene only once on each agenda item. To encourage the widest possible participation, the time available for each project must be in a not exceeding time-limit, as a rule, of five minutes. The last answers the Chairman of the Meeting declare the discussion closed.

Six members of the Board of Directors participated in the only Shareholders' Meeting held during the financial year on April 13, 2018. On this occasion, the Board reported on the activities carried out and planned and took steps to ensure that shareholders have adequate information on the elements necessary for them to be able, with full knowledge of the facts, to take the decisions within the competence of the Shareholders' Meeting.

During the accounting year there are not been meaningful variations neither in the capitalization of the shares market of the Issuer nor in the composition of its social structure.

17. MORE CORPORATE GOVERNANCE PRACTICES (pursuant art. 123-bis, paragraph 2, letter d), TUF)

The Issuer does not apply additional corporate governance practices beyond those described in the preceding paragraphs of this Report.

18. CHANGE FROM THE ACCOUNTING YEAR'S CLOSURE

There haven't been changes in the structure of corporate governance from the closure of the Exercise.

19. CONSIDERATIONS ON THE LETTER OF DECEMBER 21, 2018 OF THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations made by the Corporate Governance Committee by letter dated December 21, 2018 were brought to the attention of the Board of Directors at the meeting of January 21, 2019.

With reference, in particular, to the three main areas on which the Committee called for better adherence by the issuers, the Board highlighted the following:

1) Pre-board information

The terms identified as reasonable by the Board were respected (at least one week and never less than three days).

Confidentiality requirements have not compromised the adequacy and timeliness of the information flows that precede the Board meetings.

2) Application of the independence criteria defined by the Code and supervision by the control bodies regarding their correct application

All the requisites envisaged by the TUF, the Stock Exchange Regulations and the Corporate Governance Code have been respected, except for two of the three independent directors of the Company, of the requirement that they did not hold the office of director of the Issuer for more than nine years in the last twelve years.

The Board of Statutory Auditors verified the correct application of the aforementioned independence criteria.

3) Board review

The effectiveness of its functioning is also included in the evaluations carried out by the Board. The Board also contributed to defining the strategic plans and monitored the performance of the management and the adequacy of the internal control and risk management system.

4) Remuneration policies

Greater weight was given to the variable component compared to the fixed component and claw-back clauses were introduced, which provided the return of the paid remuneration components that have been determined on the basis of data revealed clearly wrong.

On the other hand, as regards the payment of end-of-service compensation, the Board has decided, for the moment, not to proceed with the introduction, although this is allowed by the remuneration policy.

TABLE 1 – INFORMATION ABOUT OWNERSHIP

CAPITAL STOCK STRUCTURE				
Type of shares	N. shares	% related to capital	Negotiate	Rights and obligation
Ordinary shares	1,123,483	100	MTA Market – STAR Segment of Italian Stock Exchange	Rights and obligations as per law and by-laws.

RELEVANT PARTICIPANTS TO THE CAPITAL			
Declarant	Direct shareholder's	Amount % of ordinary capital (*)	Amount % of voting capital (**)
Alberto Frigoli	Alberto Frigoli (***)	9.596	13.101
Giuseppe Frigoli	Giuseppe Frigoli (***)	9.535	13.018
Emilio Frigoli	Emilio Frigoli (***)	9.585	13.086
Francesco Frigoli	Francesco Frigoli (****)	9.796	13.227
Giovanni Frigoli	Giovanni Frigoli (***)	9.605	13.113
Andrea Collalti	Andrea Collalti	5.411	3.694

(*) Total number of ordinary shares: 1,123,483.

(**) Share capital expressed in n. of voting rights pursuant to art. 120, paragraph 1 of the TUF and the provisions of art. 7 of the Articles of Association: 1,661,641

(***) Shareholder who, since 11 July 2017, has received the increase in voting rights.

(****) Shareholder who, since 11 July 2017, has received the increase in voting rights limited to n. 107,629 shares.

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TABLE 2 – BOARD OF DIRECTORS AND COMMITTEES STRUCTURE

Board of Directors													Control Committee and Risk		Remuneration Committee	
Position	Name	Year of birth	Date of 1 st appointment *	In charge from	In charge until	List **	Exec.	Non exec.	Indep.	TUF Indep.	Other charge ***	(*)	(*)	(**)	(*)	(**)
Chairman and CEO	Alberto Frigoli	1949	13.03.1998	29.04.2016	Approval of 2018 Finan. Statement	M	X				-	5/5				
CEO ♦	Giuseppe Frigoli	1951	13.03.1998	29.04.2016	Approval of 2018 Finan. Statement	M	X				-	5/5				
CEO ♦	Emilio Frigoli	1955	13.03.1998	29.04.2016	Approval of 2018 Finan. Statement	M	X				-	5/5				
Exec. Director	Giovanni Frigoli	1960	14.11.1998	29.04.2016	Approval of 2018 Finan. Statement	M	X				-	5/5				
Exec. Director	Francesco Frigoli	1953	14.11.1998	29.04.2016	Approval of 2018 Finan. Statement	M	X				-	5/5				
Indep. Director ■ ●	Alberto Piantoni	1956	21.04.2004	29.04.2016	Approval of 2018 Finan. Statement	M			X	X	-	5/5	2/2	M	2/2	M
Indep. Director ●	Carlo Alberto Carnevale Maffé	1961	30.04.2004	29.04.2016	Approval of 2018 Finan. Statement	M			X	X	1	5/5	2/2	P	2/2	P
Indep. Director	Andrea Collalti	1966	20.04.2012	29.04.2016	Approval of 2018 Finan. Statement	M			X	X	1	4/5				
Non exec. Director ●	Ilaria Frigoli	1985	23.04.2013	29.04.2016	Approval of 2018 Finan. Statement	M		X			-	5/5	2/2	M	2/2	M
Non exec. Director	Maurizia Frigoli	1984	23.04.2013	29.04.2016	Approval of 2018 Finan. Statement	M		X			-	5/5				

Report on Corporate Governance and ownership structure

Non exec. Director	Elisa Frigoli	1983	23.04.2013	29.04.2016	Approval of 2018 Finan. Statement	M		X			-	5/5				
Non exec. Director	Maristella Pedrinelli	1956	29.04.2016	29.04.2016	Approval of 2018 Finan. Statement	M		X			-	5/5				
Non exec. Director	Francesca Cropelli	1974	29.04.2016	29.04.2016	Approval of 2018 Finan. Statement	M		X			-	5/5				

Quorum required for the presentation of lists by minority shareholders for the election of one or more members pursuant the art. 147-ter TUF: 4.5%

Number of meetings held during the year: 5

Control and Risk Committee: 2

Remuneration Committee: 2

● director in charge of internal control system and managing risk.

◆ CEO.

■ Lead Independent Director (LID).

* the date of first appointment of each director is the date in which the director has been appointed for the first time (ever) in the Issuer's Board of Directors (not considered periods prior to 13.03.1998, the date of conversion of the Company in SpA)

** This column shows the list from which it was derived each director ("M": majority slate; "m" minority list; "Board": the list submitted by the Board).

*** This column shows the number of positions as director or auditor held by the person in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies.

(*) This column shows the attendance of directors at meetings of the Board and Committees of the total number of meetings which he could participate.

(**) This column shows the status of adviser within the Committee: "P": President; "M": member

Offices held in other company as at December 31, 2018

Name	Charge	Company
Carlo Alberto Carnevale Maffè	Independent Director	United Ventures SGR S.p.A.
Andrea Collalti	Effective Auditor	Fiera di Roma S.p.A.
	Chairman of the Board of Auditor	Areti S.p.A.

Report on Corporate Governance and ownership structure

TABLE 3 – BOARD OF AUDITORS STRUCTURE

Position	Name	Year of birth	Date first appoint.*	In charge since	In charge until	List **	Indep. Of Code	Board of auditor meeting	Other charges ***
Chairman	Francesco Curone	1961	13.03.1998	29.04.2016	Approval of 2018 Finan. Statement	M	X	5/5	6
Effective Member	Mariagrazia Bisesti	1969	23.04.2013	29.04.2016	Approval of 2018 Finan. Statement	M	X	5/5	0
Effective Member	Umberto Bisesti	1973	13.03.1998	29.04.2016	Approval of 2018 Finan. Statement	M	X	5/5	2
Alternate Member	Umberto Bisesti	1968	13.03.1998	29.04.2016	Approval of 2018 Finan. Statement	M	X	-	N.A.
Alternate Member	Annamaria Fontana	1977	29.04.2016	29.04.2016	Approval of 2018 Finan. Statement	M	X	-	N.A.

Quorum required for the presentation of lists by minority shareholders for the election of one or more members pursuant the art. 148 TUF: 4,5%

Number of meetings held during the year: 5

* the date of first appointment of each Auditor is the date in which the director has been appointed for the first time (ever) in the Issuer's Board of Auditors (not considered periods prior to 13.03.1998, the date of conversion of the Company in S.p.A.)

** This column shows the list from which it was derived each director ("M": majority slate; "m" minority list.

*** This column shows the number of charges held by the person in other companies pursuant the art. 148-bis TUF.

Office in other company as at December 31, 2018

Name	Position	Company
Bisesti Umberto (1973)	Effective Member	Linkonline S.r.l.
	Effective Member	Sanfaustino Label S.r.l.
Curone Francesco	Effective Member	Linkonline S.r.l.
	Effective Member	Sanfaustino Label S.r.l.
	Effective Member	Gedit S.p.A.
	Effective Member	Marcello Gabana S.p.A.
	Effective Member	Società Sportiva Gabeca Pallavolo S.p.A.
	Effective Member	Steltronic S.p.A.

REMUNERATION REPORT

Pursuant to art. 123-ter TUF and art. 84-*quater* of the CONSOB Issuers Regulation

Issuer: POLIGRAFICA S. FAUSTINO S.P.A.

Website: www.psf.it

Date of approval: March 8, 2019

GLOSSARY

Meeting / Shareholders' Meeting: the Shareholders' meeting of Poligrafica S. Faustino S.p.A.

Code / Self-discipline Code: Self-discipline Code of quoted company approved on July 2018 by committee for corporate governance and approved by Borsa Italiana Sapa, Abi, Ania, Assogestioni, Assonime and Confindustria.

Cod. Civ. / C.C.: Civil Code.

Board: Board of Directors of Poligrafica S. Faustino S.p.A..

Issuer or Company: Poligrafica S. Faustino S.p.A..

Exercise: the accounting year covered by the report.

Group: Poligrafica S. Faustino Group.

Consob Issuer Regulation: Regulation issued by Consob with decision n. 11971/1999 in matter of issuers.

Consob Regulation Related Parties: the regulation issued by Consob with deliberation n.17221 of 12 March 2010 (as next modified) in matter of correlated parts.

TUF: Italian Legislative Decree of February 24, 1998, n. 58 ("*Testo Unico della Finanza*").

INTRODUCTION

The Remuneration Policy, which sets out the objectives pursued and the principles that are the basis of the determination of the remuneration of the administrative, general managers and managers with strategic responsibilities, has been approved by the Board of Directors on March 8, 2019 at the proposal of the Remuneration Committee met on the same date.

This Remuneration Report (the "Report") is divided into two sections:

- Section I: Remuneration policy for 2019;
- Section II: Remuneration Statement for 2018.

The Report was prepared pursuant to art. 123-ter of the TUF and art. 84-quater of the Consob Issuers Regulation. It was drafted in accordance with art. 6 of the Code of Conduct.

As provided by Consob Related Parties Regulation no. 17221, as implemented in the procedure adopted by the Company on November 12, 2010, the approval of the Remuneration Policy by the Shareholders' Meeting exempts the Company from applying the above procedure for transactions with related parties in the deliberations on the remuneration of directors and key management personnel, provided the latter are consistent with the Remuneration Policy.

The report for the year 2018, presented for information to the shareholders, provides a final on remuneration highlighting consistency with the policy on remuneration approved by the Company in the previous year.

SECTION I

Those involved in the preparation and approval of the Remuneration Policy

The main parties and bodies involved in the preparation and approval of the Remuneration Policy are the Shareholders' Meeting, the Board of Directors, the Remuneration Committee and the Board of Auditors.

Shareholders' Meeting:

- determines the remuneration of the members of the Board of Directors, the Executive Committee, if appointed, and the Board of Auditors pursuant to Article 2364, paragraph 1, no. 3) Civil Code;
- give an advisory opinion, ruling not binding, on the policy concerning the remuneration of the members of the administrative, general and key management personnel directors with reference at least to the next accounting year and on the procedures used for the introduction and optimization of such policy as well as on the procedures used for the adoption and optimization of this policy defined by the Board of Directors upon proposal of the Remuneration Committee pursuant to art. 123-ter, paragraph 6 of the TUF;
- decide on any remuneration plans based on shares or other financial instruments intended for directors, employees and collaborators, including the managers with strategic responsibilities, pursuant to Article 114-bis of the TUF.

Board of Directors:

- constitutes an internal Remuneration Committee composed of non-executive directors, most of whom are independent; at least one member of the Committee must possess sufficient knowledge and experience in financial matters;
- determines the remuneration of directors holding particular positions, after consulting the Board of Auditors and on the proposal of the Remuneration Committee;
- defines, on the proposal of the Remuneration Committee, the Remuneration Policy;
- approve the Remuneration Report, prepared in accordance with the criteria and application principles of art. 6 of the Code of Conduct, to be submitted to the shareholders;
- prepares, with the assistance of the Compensation Committee, any plans of remuneration based on shares or other financial instruments intended for directors, employees and collaborators, including the managers with strategic responsibilities, submit them for approval of Shareholders' meeting pursuant to Article 114-*bis* of TUF and will ensure its implementation.

Remuneration Committee, established within the Board of Directors since 2001 in accordance with the Code of Conduct, is composed exclusively of non-executive directors, most of whom are independent; at least one member of the Committee must possess sufficient knowledge and experience in financial matters.

Following the renewal of the Board of Directors, the Board by resolution of April 29, 2016, appointed the following internal directors as members of the Remuneration Committee:

- Carlo Alberto Carnevale Maffé - Chairman (independent)
- Alberto Piantoni (independent)
- Ilaria Frigoli (non-executive)

The composition remained unchanged in comparison to the previous year.

In accordance with the Code, the Committee is therefore composed of non-executive directors, the majority independent.

Following the appointment, there were no changes in the composition of the Committee.

Directors Alberto Piantoni and Carlo Alberto Carnevale Maffè have experience in accounting and

Remuneration Report

finance considered appropriate by the Board of Directors at the time of appointment in the light of their previous professional experience.

The Remuneration Committee shall meet whenever its Chairman deems appropriate, i.e. when a request is made by at least one component and, in any case, with appropriate frequency for the proper performance of their duties.

During the Exercise the Committee has been collected two times. The average length of meetings was about three quarters of an hour. For the 2019 accounting year two meetings were scheduled in an already held on March 8.

The Remuneration Committee:

- makes proposals to the Board of Directors regarding the remuneration of executive directors and those who hold particular positions or which are assigned specific powers;
- submits to the Board of Directors proposals on the remuneration of executive directors and on the correct identification and assessment of the performance targets;
- makes proposals to the Board of Directors on the adoption of the remuneration policy;
- supports the Board of Directors in the preparation and implementation of any compensation plans based on shares or other financial instruments;
- periodically assesses the adequacy, overall consistency and concrete application of the Remuneration Policy;
- examine and submit to the Board of Directors report on the remuneration paid to members of the administration and control.

The Committee may accede to the information and functions necessary for the accomplishing of its duties and use external consultants, within the terms expressed by the Board when necessary.

The documentation and information available (and in any case, those necessary) are transmitted to all members of the Remuneration Committee with sufficient time to express the meeting.

For the validity of the meetings of the Compensation Committee it is required the presence of a majority of members in office and the resolutions are passed by an absolute majority of the members present. The meetings of the Remuneration Committee may be held by means of telecommunication, and are duly recorded and transcribed into a specific.

No financial resources have been destined to the Committee as it uses the Issuer's structures to fulfil its duties.

The Remuneration Policy has therefore been outlined and approved by the Remuneration Committee and the Board of Directors.

The **Board of Auditors** expresses its opinion on the proposals of remuneration of executive directors, and more generally, of the directors holding particular positions, checking the consistency of the proposals themselves with the Remuneration Policy.

Aims and outline of the Remuneration Policy and description of the policies on fixed and variable components of remuneration

The remuneration of Directors, general managers and managers with strategic responsibilities is defined so as to ensure a total compensation structure able to recognize the value of professional actors to enable an appropriate balance of fixed and variable components with the goal of creating sustainable value in the medium and long term and to ensure a direct link between pay and specific performance objectives.

In particular, the guidelines which inspired the remuneration policy are based on the following criteria:

- the fixed component and the variable component shall take account of the strategic objectives and the related business risks undertaken by the Company;
- the variable component is a maximum;

Remuneration Report

- the fixed component is sufficient to reward the performance of the person concerned if the variable is not paid for the failure to achieve their goals;
- in evaluating the suitability of the fixed component to remunerate the service of the person concerned, it is taken into account also what may be perceived by the same in the other Group companies;
- performance goals are predetermined, measurable and linked to the creation of shareholder value in the medium to long term;
- the payment of the variable component is deferred for an appropriate period at the time of maturity;
- the provision of contractual arrangements that allow the Company to request the return, in whole or in part, of the components of the remuneration paid, calculated on the basis of data that will be revealed later manifestly erroneous;
- the amount of the incentive to be paid to each person involved is determined based on the achievement of results actually pursued.

In the event of the interruption worker's relationship with the Group for reasons other than just cause, the orientation of the Company is to find agreements to define the relationship in a consensual way.

It is possible to provide for the CEOs compensation in case of termination of administration the amount that, as a rule, and except in exceptional cases, may not exceed an amount corresponding to 40% of its fixed remuneration to the same total recognized over of office.

The payment of a specific allowance may be recognized, moreover, always after evaluation of the competent bodies, in the following cases:

- termination by the Company without good cause;
- termination by the Administrator for cause, meaning, without limitation, the substantial change in the role or to his assignments and / or cases of cd. Opa "hostile."

In the above assumptions the allowance is equal to two years of gross annual remuneration (fixed component).

In the definition of the remuneration policy, the Company has not used as a reference remuneration policies implemented by other companies and did not avail itself of the assistance of independent experts.

Main changes compared to the previous year

The Remuneration Policy in 2019 confirms, both in terms of principles of remuneration structures, the setting applied in the previous accounting year.

Remuneration of Directors

Managing Directors

With a deliberation of the Board on April 29, 2016, Alberto Frigoli, Giuseppe Frigoli and Emilio Frigoli have been appointed Managing directors with the attribution of full powers in ordinary and extraordinary administration, except for those expressly prohibited in art. 2381 C.C..

The remuneration of CEOs, determined according to the size and structure of the Company is as follows:

- a fixed component, determined to a significant extent, conform to the position and effort required and, in any case, as to be sufficient to reward performance in the event that the variable component is not paid due to failure to achieve the objectives set out infra;
- a variable component related to the attainment of the objectives - economic performance - measured and related to the creation of value for shareholders over the medium term, as a rule not less than 36 months.

Remuneration Report

The amount of the fixed and variable component is determined annually by the Board of Directors, upon recommendation made by the Remuneration Committee, according to the actual achievement of the objectives and the tasks assigned. For the evaluation of the suitability of the fixed component of the reward of the CEOs should the variable component not be paid for the failure to achieve the assigned objectives it must also be considered the fixed compensation possibly received by the same persons in the other Group companies.

The variable component will be paid every three years to achieve the goals set by the Board of Directors (according to the parameters on the consolidated results of the Group) with deferred payment at the end of the determined period.

The variable component may not exceed 50% of the amount set for the fixed compensation (taking as a reference total amount paid in the three years). In respect of the above mentioned parameters above-mentioned, it is possible to predict stock-based compensation plans.

The costs incurred by the Managing Directors for the performance of their duties are reimbursed by the Company.

The Remuneration Policy does not provide for the payment of non-monetary benefits.

Executive Directors

The Board of Directors, by resolution of April 29, 2016, has given specific powers to the Directors Francesco Frigoli (research and development) and Giovanni Frigoli (for research and contact suppliers / strategic partners for the Company).

The remuneration of Executive Directors, determined according to the size and structure of the Company is as follows:

- a fixed component, determined to a significant extent, conform to the position and effort required and, in any case, as to be sufficient to reward performance in the event that the variable component is not paid due to failure to achieve the objectives set out infra;
- a variable component related to the attainment of the objectives - economic performance - measured and related to the creation of value for shareholders over the medium term, as a rule not less than 36 months.

The amount of the fixed and variable component is determined annually by the Board of Directors, upon recommendation made by the Remuneration Committee, according to the actual achievement of the objectives and the tasks assigned. For the evaluation of the suitability of the fixed component of the reward of the CEOs should the variable component not be paid for the failure to achieve the assigned objectives it must also be considered the fixed compensation possibly received by the same persons in the other Group companies.

The variable component will be paid every three years to achieve the goals set by the Board of Directors (according to the parameters on the consolidated results of the Group) with deferred payment at the end of the determined period.

The variable component may not exceed 30% of the amount set for the fixed compensation (taking as a reference total amount paid in the three years). In respect of the above mentioned parameters above-mentioned, it is possible to predict stock-based compensation plans.

The costs incurred by the Executive Directors for the performance of their duties are reimbursed by the Company.

The Remuneration Policy does not provide for the payment of non-monetary benefits.

Non-executive Directors

All non-executive directors are paid only a fixed amount.

Remuneration Report

For the Directors called to participate in the Control and Risk Committee and the Remuneration Committee, both made up of non-executive directors, there is no provision for the payment of additional remuneration or an attendance fee.

The costs incurred by the Non-executive Directors for the performance of their duties are not reimbursed by the Company.

The Remuneration Policy does not provide for the payment of non-monetary benefits.

Remuneration of key managers with strategic Responsibilities

The remuneration of key management personnel is established in accordance with the principles described for CEOs and consists of:

- a fixed component, determined to a significant extent, conform to the position and effort required and, in any case, as to be sufficient to reward performance in the event that the variable component is not paid due to failure to achieve the objectives set out infra
- a variable component related to the attainment of the objectives - economic performance - measured and related to the creation of value for shareholders over the medium/long term, as a rule not less than 36 months.

The variable component is equal to a predetermined percentage of the fixed gross annual salary of generally not less than 20% of that remuneration.

The Remuneration Policy does not provide for the payment of non-monetary benefits.

The costs incurred by the key managers with strategic responsibilities for the performance of their duties are reimbursed by the Company.

Incentive mechanisms of the Head of the Internal Audit and the Manager responsible for preparing corporate accounting documents

In relation to the Head of the Internal Audit function, please note that this being outside the Company, it is not expected in his favor any incentive.

Regarding the Manager responsible, however, it is not expected any incentive as the fixed fee paid is considered in any case enough and coherent with the assigned tasks

SECTION II

This section is divided into two parts and shows, using the attached tables in the second part, the remuneration of the members of the administrative and control in line with the Remuneration Policy 2017, and information relating the shares in the Company owned themselves.

Remuneration paid to members of the Board of Directors

The Shareholders' meeting held on April 13, 2018 has determined the total remuneration payable to the Board of Directors in the amount of € 221,288 start from 1st May of 2018.

The Board of Directors, which met on May 11, 2018, set the fixed compensation to the extent specified below (unchanged in comparison to the previous Exercise):

- Alberto Frigoli (Chairman and CEO): € 118,000.00
- Alberto Piantoni, Carlo Alberto Carnevale Maffé, Andrea Collalti, Iliaria Frigoli, Maurizia Frigoli, Elisa Frigoli, Maristella Pedrinelli, Francesca Cropelli (Non-executive Directors): € 12,911.00.

No fixed remuneration was determined for directors Giuseppe Frigoli, Emilio Frigoli, Francesco Frigoli and Giovanni Frigoli taking into consideration what they received as fixed remuneration from the subsidiaries Linkonline S.r.l. and Sanfaustino Label S.r.l..

Remuneration Report

Coherently with the provisions of the Remuneration Policy, part of the remuneration of the executive directors is linked to the results achieved by the Issuer. This variable part, determined by the Board of Directors on proposal of the Remuneration Committee, is determined as follows:

- for each CEO

Net Result	Variable payment
€ 3,500,000	€ 80,000
€ 4,000,000	€ 90,000
€ 4,500,000	€ 100,000
€ 5,000,000	€ 150,000

- for each executive Director

Net Result	Variable payment
€ 3,500,000	€ 60,000
€ 4,000,000	€ 65,000
€ 4,500,000	€ 70,000
€ 5,000,000	€ 100,000

It should be noted that, at the end of the three-year period, the pre-established objectives were not achieved, consequently the variable remuneration in favour of the executive and delegated directors was not accrued.

The calculated values were carried out taking into consideration the consolidated data recorded in the 2016 - 2018 period.

Additional remuneration for committee participation were not paid.

During the year, the directors have received the remunerations indicated in "Table 1 - Scheme 7-bis" attached below.

Remuneration of the Board of Auditors

The gross annual remuneration payable to the Board of Auditors was approved by Shareholders, on the occasion of the appointment of the Auditors, which took place on April 29, 2016, taking into account the commitment required, the importance of the role as well as the dimensional and sectorial characteristics of the company, in proportion to sales and service revenues, i.e. an amount equal to 0.050% of the predicted value for the president and of 0.033% for the effective members.

Remuneration of key managers with strategic responsibilities

At the date of approval of this report there are no Key managers or general managers in the company

All decisions with strategic implications are taken by the executive directors in accordance with the responsibilities of the Board of Directors.

Indemnity for resignation, dismissal or termination of employment (pursuant the art. 123-bis, par. 1, letter i) TUF)

No agreements have been signed between the Company and the directors which provide

Remuneration Report

indemnity fees in case of resignation or dismissal / termination without just cause or if the employment relationship is terminated following a takeover bid.

During the 2018 accounting year any director has not quitted his office.

Incentive plans based on financial instruments

Incentive plans based on financial instruments have not been approved.

Table 1 Scheme 7-bis

Remuneration paid to Directors

Name and Surname	Position	Office holder's period of service	Term of office expiry	Fixed remuneration	Committee membership remuneration	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance indemnity for end of office or termination of employment
						Bonuses and other incent.	Profit sharing					
Alberto Frigoli	Chairman and CEO	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				114.7						114.7		
Remuneration at subsidiaries and affiliates				0						0		
Total				114.7						114.7		
Giuseppe Frigoli	CEO	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				0						0		
Remuneration at subsidiaries and affiliates				300.8						300.8		
Total				300.8						300.8		
Emilio Frigoli	CEO	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				0						0		
Remuneration at subsidiaries and affiliates				300.8						300.8		
Total				300.8						300.8		
Francesco Frigoli	Director	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				0						0		
Remuneration at subsidiaries and affiliates				126.7						126.7		
Total				126.7						126.7		
Giovanni Frigoli	Director	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				0						0		
Remuneration at subsidiaries and affiliates				300.8						300.8		
Total				300.8						300.8		
Alberto Piantoni	Director	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				12.9						12.9		
Remuneration at subsidiaries and affiliates				0						0		

Total				12.9						12.9	
Carlo Alberto Carnevale Maffé	Direct or	01.01.2018 31.12.2018	Approval of 2018 Financial Statement								
Remuneration at the company drawing up the financial statements				12.9						12.9	
Remuneration at subsidiaries and affiliates				0						0	
Total				12.9						12.9	
Andrea Collalti	Direct or	01.01.2018 31.12.2018	Approval of 2018 Financial Statement								
Remuneration at the company drawing up the financial statements				12.9						12.9	
Remuneration at subsidiaries and affiliates				0						0	
Total				12.9						12.9	
Iliaria Frigoli	Direct or	01.01.2018 31.12.2018	Approval of 2018 Financial Statement								
Remuneration at the company drawing up the financial statements				12.9						12.9	
Remuneration at subsidiaries and affiliates				0						0	
Total				12.9						12.9	
Maurizia Frigoli	Direct or	01.01.2018 31.12.2018	Approval of 2018 Financial Statement								
Remuneration at the company drawing up the financial statements				12.9				17.5	30.4		
Remuneration at subsidiaries and affiliates				0				0	0		
Total				12.9				17.5	30.4		
Elisa Frigoli	Direct or	01.01.2018 31.12.2018	Approval of 2018 Financial Statement								
Remuneration at the company drawing up the financial statements				12.9						12.9	
Remuneration at subsidiaries and affiliates				0						0	
Total				12.9						12.9	
Maristella Pedrinelli	Direct or	01.01.2018 31.12.2018	Approval of 2018 Financial Statement								
Remuneration at the company drawing up the financial statements				12.9						12.9	
Remuneration at subsidiaries and affiliates				0						0	
Total				12.9						12.9	
Francesca Cropelli	Direct or	01.01.2018 31.12.2018	Approval of 2018 Financial Statement								
Remuneration at the company drawing up the financial statements				12.9						12.9	
Remuneration at subsidiaries and affiliates				0						0	
Total				12.9						12.9	

Compensi corrisposti ai componenti dell'organo di controllo

Name and Surname	Position	Office holder's period of service	Term of office expiry	Fixed remuneration	Committee membership remuneration	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance indemnity for end of office or termination of employment
						Bonuses and other incent.	Profit sharing					
Francesco Curone	Chairman	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				5						5		
Remuneration at subsidiaries and affiliates				8						8		
Total				13						13		
Umberto Bisesti	Effective Member	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				3.3						3.3		
Remuneration at subsidiaries and affiliates				8.5						8.5		
Total				11.8						11.8		
Mariagrazia Bisesti	Effective Member	01.01.2018 31.12.2018	Approval of 2018 Financial Statement									
Remuneration at the company drawing up the financial statements				3.3						3.3		
Remuneration at subsidiaries and affiliates				0						0		
Total				3.3						3.3		

Scheme 7-ter

Shareholdings held by directors, auditors and chief executive officers

Name and Surname	Position	Subsidiary	No. of shares held as at 31.12.2017	No. of shares purchased	No. of shares sold	No. of shares held as at 31.12.2018
Alberto Frigoli	Chairman and CEO	Poligrafica S. Faustino S.p.A.	107,807	0	0	107,807
Giuseppe Frigoli	CEO	Poligrafica S. Faustino S.p.A.	107,127	0	0	107,127
Emilio Frigoli	CEO	Poligrafica S. Faustino S.p.A.	107,686	0	0	107,686
Francesco Frigoli	Director	Poligrafica S. Faustino S.p.A.	110,059	0	0	110,059
Giovanni Frigoli	Director	Poligrafica S. Faustino S.p.A.	107,909	0	0	107,909
Alberto Piantoni	Director	Poligrafica S. Faustino S.p.A.	0	0	0	0
Carlo Alberto Carnevale Maffé	Director	Poligrafica S. Faustino S.p.A.	0	0	0	0
Andrea Collalti	Director	Poligrafica S. Faustino S.p.A.	60,791	0	0	60,791
Ilaria Frigoli	Director	Poligrafica S. Faustino S.p.A.	0	0	0	0
Maurizia Frigoli	Director	Poligrafica S. Faustino S.p.A.	0	0	0	0
Elisa Frigoli	Director	Poligrafica S. Faustino S.p.A.	0	0	0	0
Maristella Pedrinelli	Director	Poligrafica S. Faustino S.p.A.	0	0	0	0
Francesca Cropelli	Director	Poligrafica S. Faustino S.p.A.	0	0	0	0
Francesco Curone	Chairman of Board of Auditor	Poligrafica S. Faustino S.p.A.	0	0	0	0
Umberto Bisesti	Effective member	Poligrafica S. Faustino S.p.A.	0	0	0	0
Mariagrazia Bisesti	Effective member	Poligrafica S. Faustino S.p.A.	0	0	0	0