

ANNUAL FINANCIAL
STATEMENTS AS AT
DECEMBER 31, 2019

GRUPPO
SANFAUSTINO

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

I N D E X

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

REPORT OF THE BOARD OF AUDITORS TO SEPARATE FINANCIAL STATEMENTS

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

REMUNERATION REPORT



**CONSOLIDATED FINANCIAL STATEMENTS
POLIGRAFICA GROUP S. FAUSTINO S.P.A.
DECEMBER 31, 2019**

INDEX

Management report

Budget formats

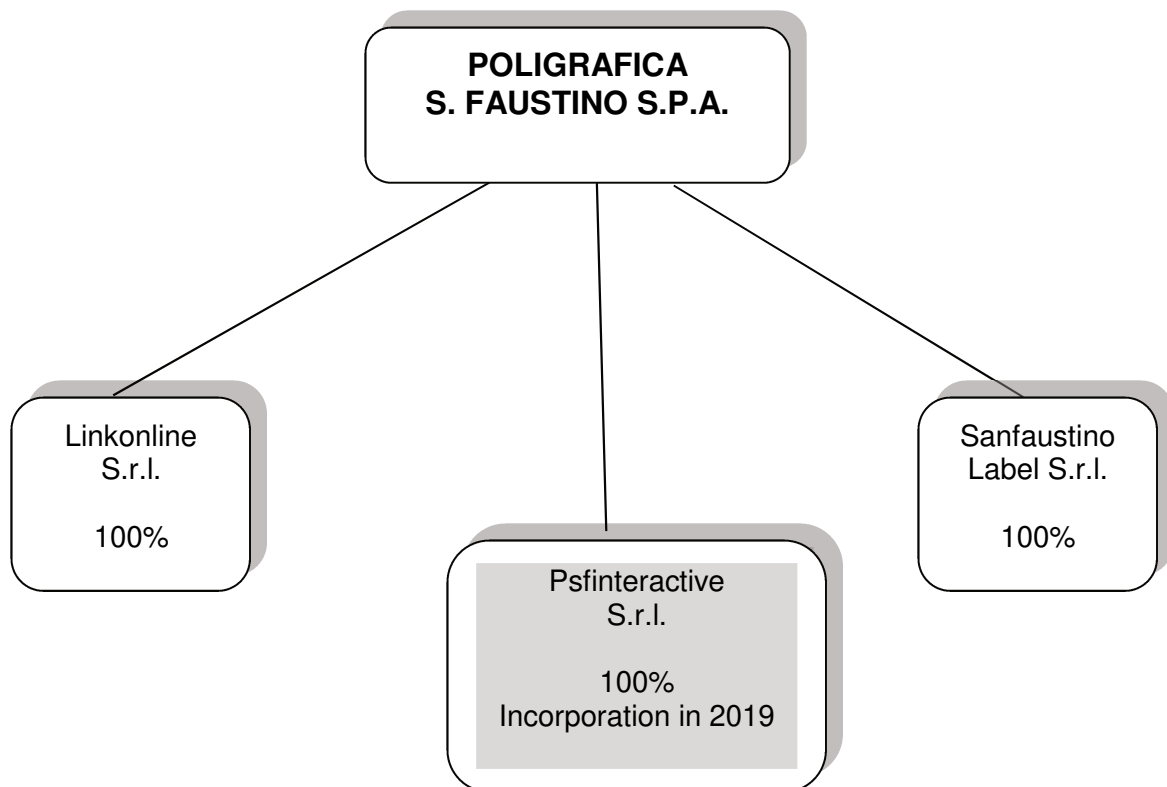
Net financial position detail

Notes to the Consolidated Financial Statements as at 31.12.2019

Certification pursuant to art. 81-ter of CONSOB regulation no. 11971/99

MANAGEMENT REPORT

GROUP STRUCTURE



POLIGRAFICA S. FAUSTINO S.P.A. : the group leader, specialized in the world of printing, direct marketing, electronic document management, e-procurement and in the creation of tools for games and competitions.

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

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

Psfinteractive S.r.l. : Digital Marketing Agency. Company merged by incorporation into Poligrafica S. Faustino S.p.a. on 06.11.2019

GROUP MANAGEMENT INFORMATION

SUMMARY OF THE PERFORMANCE OF THE YEAR

The breakdown of Group sales by production area is shown in the following table:

NET SALES (Euro million)	2019	%	2018	%
- Graphic products	35.41	66.7%	31.48	65.9%
- Web agency services	-	-	0.73	1.5%
- Commercial area	17.65	33.3	15.60	32.6%
Sales	53.06	100.0%	47.81	100.0%
(abroad)	(5.60)	(10.5%)	(4.40)	(9.2%)

(°) The activity carried out by PSFInteractive for web agency services was transferred to the Parent Company in 2019 following a merger by incorporation. The same is therefore no longer indicated both for the irrelevance and for the transfer of the related business unit.

The group turnover recorded a significant increase both in the graphics sector and in the commercial sector.

Below are the summary results of the Group's consolidated financial statements as at 31 December 2019:

CONSOLIDATED INCOME STATEMENT (Euro million)	31/12/19	%	31/12/18	%
Sales	53.06	100.0	47.81	100.0
Other operating income and revenues	0.48	0.9	0.53	1.1
Total operating revenues and income	53.54	100.9	48.34	101.1
Materials and change in inventory	(32.48)	(61.2)	(28.90)	(60.5)
Services	(11.27)	(21.2)	(11.07)	(23.2)
Payroll costs	(4.81)	(9.1)	(4.60)	(9.6)
Other net operating costs (revenues)	(2.19)	(4.1)	(1.89)	(3.9)
Total operating costs	(50.75)	(95.6)	(46.46)	(97.2)
EBITDA	2.79	5.3	1.88	3.9
Depreciation, amortization and gain/loss on non-current disposal	(1.90)	(3.6)	(1.20)	(2.5)
EBIT	0.89	1.7	0.68	1.4
Financial net income (cost)	(0.17)	(0.3)	(0.13)	(0.3)
Income before tax	0.72	1.4	0.55	1.1
Income taxes	(0.22)	(0.5)	(0.11)	(0.2)
Net result for the period	0.50	0.9	0.44	0.9
Minority interest	-	-	-	-
GROUP interest	0.50	0.9	0.44	0.9

PRODUCTION SECTOR (*)

(Euro/million)	2019	2018	Var.
Sales and other operating income	35.79	32.67	3.12
Purchases and inventory change	(18.63)	(16.84)	(1.79)
Services	(9.39)	(9.59)	0.20
Personnel costs	(3.74)	(3.59)	(0.15)
Other net operating revenues (expenses)	(1.57)	(1.23)	(0.34)
Total operating costs	(33.33)	(31.25)	(2.08)
EBITDA	2.46	1.42	1.04
Depreciation and amortization	(1.77)	(1.12)	(0.65)
EBIT	0.69	0.30	0.39
Net financial income (expense)	(0.16)	(0.12)	(0.04)
Before tax result	0.53	0.18	0.35
Tax	(0.12)	0.03	(0.15)
Net result	0.41	0.21	0.20
Minority interest	-	-	-
GROUP interest	0.41	0.21	0.20

(*) = the 2019 figure includes the aggregate (not significant) amounts from PSF Interactive at the time of the merger as reported in a specific table previously exposed. In order to make the previous year comparable, the data collected in 2018 in the Communication web-agency sector (PSFInteractive) were also aggregated, however irrelevant.

COMMERCIAL SECTOR

The following data (according to IAS-IFRS criteria) refer to the subsidiary Linkonline S.r.l., specialized in the commercial sector, and are gross of intercompany eliminations.

(importi in Euro/mln)	2019	2018	Var.
Sales and other operating income	17.75	15.68	2.07
Purchases and inventory change	(13.85)	(12.07)	(1.78)
Services	(1.88)	(1.47)	(0.41)
Personnel costs	(1.07)	(1.02)	(0.05)
Other net operating revenues (expenses)	(0.63)	(0.66)	0.03
Total operating costs	(17.43)	(15.22)	(2.21)
EBITDA	0.32	0.46	(0.14)
Depreciation and amortization	(0.12)	(0.08)	(0.04)
EBIT	0.20	0.38	(0.18)
Net financial income (expense)	(0.01)	(0.01)	-
Before tax result	0.19	0.37	(0.18)
Tax	(0.10)	(0.14)	0.04
Net result	0.09	0.23	(0.14)
(all attributable to the Group)			

MARKET EVOLUTION AND NEW STRATEGIC ORIENTATIONS

Poligrafica S. Faustino S.p.A. ended 2019 with an 8.3% increase in turnover.

The development of projects related to the Direct Marketing area will continue in 2020. The goal 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 world linked to multichannel will continue, synergistic with the other Group companies.

Sanfaustino Label S.r.l. ended 2019 with an increase in sales of 13.9% thanks also to the impulse generated in terms of further production diversifications from the significant investments made in recent years with the aim of giving ever greater impetus to sales and profitability of the labels sector.

As for Linkonline S.r.l, 2019 recorded an increase in turnover of approximately 13.1% thanks to commercial and marketing initiatives related to up and cross selling with a view to customer loyalty.

INVESTMENTS

During the year 2019, investments in tangible and intangible assets, totalling 0.73 million euros, related to 0.12 million euros for the implementation of application software and management platforms and tangible assets, with particular regard to interventions individually not relevant for the label sector for an amount of 0.34 million euro and 0.27 million for the purchase of a property. It should be added that, as a result of the application of IFRS16, rights of use totalling € 0.96 million were capitalized, of which € 0.63 million already in existence at 01/01/2019 and € 0.17 extinguished at against the early termination of a lease on a property subsequently purchased (see above).

RESEARCH AND DEVELOPMENT ACTIVITIES

During the 2019 financial year, the Group, with particular regard to the label sector, carried out development activities with internal resources.

The Group has therefore carried out research and development for technological innovation and has directed its efforts in particular on an innovative project.

These are development activities in favour of innovative solutions for the application of two-layer labels with reduced environmental impact. The total cost incurred was € 69,103, entirely charged to the income statement.

In 2019, further activities continued aimed at strengthening the online platform for reducing the timing of order collection and optimizing the delivery process.

PERSONNEL

The table below shows the breakdown of Group staff on the year-end date.

	31/12/19	31/12/18
Managers	4	4
Clerical employees	65	72
Manual workers	38	38
Total	107	114

Linkonline S.r.l. has n. 20 employees (1 executive and 19 commercial employees) at 31 December 2019 (plus one unit compared to the end of the previous year).

In the graphic production sector (consisting of the Parent Company and Sanfaustino Label), the PSF Group recorded a net decrease in staff of n. 7 units compared to the end of the previous year.

CONSOLIDATED NET FINANCIAL POSITION

Euro/mln	2019	2018
Cash and banks	9.84	5.85
Short term bank and leasing loans	(7.93)	(6.83)
Short term debt for right of use (IFRS 16)	(0.23)	
Total A) short term	1.68	(0.98)
Medium-long term bank and leasing loans	(8.21)	(6.91)
Debiti per diritti d'uso a M/L termine (IFRS 16)	(0.29)	
Total B) medium/long term	(8.50)	(6.91)
Net financial position (A+B)	(6.82)	(7.89)

The above table shows the significant reduction in net debt despite the reprocessing of leases based on IFRS 16 which brought out the debt for short and long-term usage rights.

The cash flow statement details the changes that occurred in the operating, investment and financing components which generated net positive and / or negative cash flows.

The following table reports the analysis of the equity and financial structure

CONSOLIDATED	31-dec-19 Euro/mln	31-dec-18 Euro/mln	Var. Euro/mln
A) Net current assets			
Trade receivables	17.85	16.65	1.20
Inventory	3.36	3.36	-
Other current assets	1.56	1.43	0.13
Trade payables	(16.04)	(15.02)	(1.02)
Other current liabilities	(1.58)	(1.45)	(0.13)
A) Total net current assets	5.15	4.97	0.18
B) Net fixed assets			
Intangible assets	1.25	1.78	(0.53)
Tangible assets	8.56	8.81	(0.25)
Financial investments	-	-	
Other non-current assets	1.78	1.89	(0.11)
B) Total net fixed assets	11.59	12.48	(0.89)
C) Medium- and long-term liabilities	0.99	1.10	(0.11)
D) Invested capital (A+B-C)	15.75	16.35	(0.60)
Covered by:			
E) Net financial debt			
Short term loans	8.16	6.83	1.33
Cash and banks	(9.84)	(5.85)	(3.99)
Medium/long term debt	8.50	6.91	1.59
E) Net financial debt	6.82	7.89	(1.07)
F) Equity			
Capital stock	6.16	6.16	-
Reserves	2.77	2.30	0.47
	8.93	8.46	0.47
Minority interest	0	0	
F) Total Equity	8.93	8.46	0.47
G) Total coverage (E+F)	15.75	16.35	(0.60)

FINANCIAL RISK MANAGEMENT

The Parent Company and Sanfaustino Label S.r.l. they operate in a graphic-advertising sector exclusively on order and, given the particular production typology, they must therefore adapt production and procurement policies to specific customer requests. The strong competition and the substantial lack of products with standardized price lists impose price policies often conditioned by the promotional-advertising budget made available by customers. In the past, the Group has therefore always dealt with a single reference market (promotional-advertising graphics), with a modest exception linked to the web agency activity of the subsidiary Psfinteractive S.r.l. moreover, it ended in 2019 following the incorporation and subsequent sale of the business unit. With the specific aim of further diversifying the reference markets and, in order to limit the various types of risk, in 2008 the acquisition of Linkonline Srl, a company operating in the sector of consumer products for information technology, was carried out. in particular to large retailers.

Each Group company has its own independent commercial structure which, however, responds to the logic and strategies defined centrally by the Parent Company's Management.

Although the treasury is not actually channelled to the Parent Company, the financial flows of each Company are in any case managed and managed by a centralized function. The Financial Management of the Parent Company, in addition to managing the relationship with the various and numerous Credit Institutions, also deals with the analysis of the various risks by promoting indications on credit risk, and in particular whenever there are contacts with new customers. Towards the end of 2017 Sanfaustino Label S.r.l. has entered into an insurance coverage contract on a large part of the receivables due from customers.

The exchange rate risk, given the absolute irrelevance of the transactions (active and passive) outside the Euro area, is practically zero. The raw materials supply market, however denominated in Euro, is not substantially affected by any indirect effects linked to the dollar.

As far as credit risk is concerned, above all in view of the considerable fragmentation of transactions and customers, it is to be considered limited in any case. In this regard, it should be considered that the average unit amount of the transactions is rather modest and the analysis of the past and due credit positions is delegated to a central function on a fortnightly basis; also consider the above information on insurance coverage.

As regards liquidity risk, the current financial structure, characterized by a relative indebtedness in relation to the capitalization, together with the existence of significant real estate values not burdened by constraints or mortgages, constitute objective solidity indicators that allow to guarantee adequate lines of credit.

In relation to interest rate risk: it originates from short- and long-term financial payables negotiated at both fixed and variable rates; some recently disbursed loans have been linked to specific hedging derivative instruments whose effects, however insignificant, have been directly recognized in equity.

RELATIONS WITH RELATED PARTIES

With the exception of the fees paid to the shareholders - directors, the Group has 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	(859)	2,64% (of purchase)
Active rentals	4	Not significant
Various charge backs	16	Not significant

As at December 31, 2019 the following positions were also open:

	Euro/000	Incidence %
Etichette NIKA (client)	7	Not significant
Etichette NIKA (supplier)	(326)	2,03% (of commercial debts)

Other minor related party transactions were as follows:

	Euro/000	Incidence %
receivables	4	Not significant
debts	7	Not significant
Consulting costs	73	Not significant
sales	8	Not significant

The aforementioned relationships took place at market conditions with the companies Tonki S.r.l. and Agora 35 S.r.l..

In addition, the Parent Company has used a property owned by F&F S.r.l. until December 2019. with a rental cost of approximately 30 K / Euro retracted from the beginning of the year as a right of use in application of IFRS 16. In the face of an early withdrawal from this rental, the property itself was purchased by the subsidiary Sanfaustino Label Srl for a value of 400 K / Euro. Payables due to F&F at 31 December 2019 for 2 K / euro.

NOTES ON THE PERFORMANCE OF THE GROUP COMPANIES

Poligrafica S. Faustino S.p.A. (Parent Company)

The Parent Company's turnover (10.39 million euros) recorded an increase of 8.3% compared to the sales of the previous year (9.60). It should be remembered that from 2016 it was totally entrusted to the subsidiary Sanfaustino Label S.r.l. the management of the label sector. The overall data are therefore better assessable in the comparison tables referring to the entire graphic sector, as reported above, together with the comments on the Sanfaustino Label performance developed below.

Finally, see what is detailed in the file on the separate financial statements of the Parent Company.

Subsidiaries

Below we summarize the activity carried out during the year by the subsidiaries, Sanfaustino Label S.r.l. (100%) and Linkonline S.r.l. (100%). As already reported, the subsidiary Psfinteractive S.r.l. which carried out web-agency activities was merged by incorporation on 6 November 2019 (with retroactive effect on 01/01/2019) in the Parent Company, which almost simultaneously transferred the related business unit to third parties. These operations generated irrelevant economic and equity impacts.

Sanfaustino Label S.r.l with single partner

Sanfaustino Label is concerned with the production of labels. The current year therefore recorded a turnover of 25.2 million euros, an increase (+ 13.9%) compared to 2018 (22.2 million). The cost of personnel in force (equal to 61 units at 31 December 2019) is equal to € 2.55 million. The company is still supported by the parent company both as regards the use of the occupied spaces, and for the use of indirect labor and other common costs. In fact, the parent company still bears a part of common general and administrative costs which it recharges to the pro-quota subsidiary.

The results for the 2019 financial year are summarized in an EBITDA equal to euro 1.85 million euro (it was 0.90 in 2018), an EBIT equal to euro 0.70 (it was 0.03 million euro) and a net result 0.24 (was 0.06) million euros.

Linkonline S.r.l. with single partner

Linkonline, a company specialized in the marketing of consumer products for information technology in favor of large retailers and highly qualified institutional customers: banks, insurance companies, large-scale retail chains.

In the 2019 financial year, LOL generated revenues and income of 17.76 million, slightly up (+13.0%) compared to the previous year (15.70 million in 2018) and recorded an EBITDA (according to IAS-IFRS criteria) positive for 0.32 million (0.46 in 2018). The net result is equal to a profit of 0.09 million (0.23 million in 2018).

FURTHER INFORMATION ON OWNERSHIP STRUCTURE

Based on the provisions of art. 123-bis, paragraph 3, of the Consolidated Finance Act, the information referred to in paragraphs 1 and 2 of the aforementioned article has been included in a report separate from the management report (Report on corporate governance and ownership structures) always approved by the Board of Administration.

The aforementioned document is also available on the company's website www.psf.it / investor relations / corporate governance / relations at the following address:

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

FORESEEABLE EVOLUTION

In 2020, growth strategies will remain focused on commercial activities related to the world of label & packaging (wine & spirits, promotional, industrial-product), on additional special and exclusive products (twin labels, glue paper, high-value wine labels and promotional multi-pages) and on ever greater synergies between the print and digital world (multi-channel policies).

In this regard, investment commitments have been planned aimed at further strengthening the production lines for further efficiencies.

Pending further information on the possible economic consequences deriving from the recent global health problems (COVID19), to date no direct effects on our activities have yet been identified and it is not foreseeable to quantify or evaluate their effects, trusting that any indirect effects will not generate significant impacts on the Group's equity and financial position.

The management proceeded to carry out assessments on any impacts deriving from the current crisis, reflecting these assessments on the forecast economic situations (business plan for the next 5 years).

From these analyzes, no critical issues emerged that could lead to the presumption of particular difficulties for the company to pursue its objectives and its mission with continuity.

The company has implemented risk mitigation actions to protect employees who have concerned the increase in health and hygiene procedures, also promoting, where possible, the functioning of agile and remote work and to date it is reported that no employee is infected. Therefore, to date, no significant interruption has been recorded neither in the production activity nor in the activities related to the supply chain.

Management will constantly monitor and evaluate the situation.

For the Board of Directors
President
Alberto Frigoli

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET AND FINANCIAL SITUATION

Euro (000)	Note	31/12/19	31/12/18
ASSETS			
ATTIVITA' NON CORRENTI			
Tangible fixed assets (included right of use IFRS 16)	1	8,559	8,808
Intangible assets	2	1,248	1,781
Equity investments	3	3	3
Non-current receivables	3	465	401
Deferred tax assets (prepaid taxes)	4	1,316	1,489
Total non-current assets		11,591	12,482
CURRENT ASSETS			
Inventories	5	3,362	3,362
Trade receivables	6	17,854	16,646
Tax receivables	7	645	847
Other current receivables	8	916	582
Current financial assets		0	0
Cash and banks	9	9,840	5,851
Total current assets		32,617	27,288
TOTAL ASSETS		44,208	39,770
NET EQUITY AND LIABILITIES			
NET EQUITY			
Share capital	10	6,162	6,162
Other reserves	10	(96)	(96)
Own shares	10	440	440
Retained earnings (loss)	10	2,428	1,950
<i>Total equity attributable to Holding Company</i>		<i>8,934</i>	<i>8,456</i>
<i>Minority interests</i>		<i>0</i>	<i>0</i>
Total Net Equity		8,934	8,456
NON-CURRENT LIABILITIES			
Loans	11	8,499	6,907
Employee severance indemnity and retirement reserves	12	881	861
Reserves for risks and contingencies		0	0
Deferred tax liabilities	13	110	237
Other non-current liabilities		0	0
Total non-current liabilities		9,490	8,005
CURRENT LIABILITIES			
Loans	11-14	8,158	6,832
Trade payables	15	16,040	15,022
Tax payables	16	422	322
Other payables	17	1,164	1,133
Total current liabilities		25,784	23,309
TOTAL NET EQUITY AND LIABILITIES		44,208	39,770

STATEMENT OF COMPREHENSIVE INCOME STATEMENT

Euro (000)	Note	31/12/19	31/12/18
OPERATING REVENUES			
Sales	18	53,060	47,807
Other operating income and revenues	18	477	535
Total operating revenues and income		53,537	48,342
OPERATING COSTS			
Materials	19	(32,480)	(29,094)
Change in inventory	19	0	193
Services	20	(11,265)	(11,065)
Payroll costs	21	(4,809)	(4,601)
(less) Costs for capitalized in-house work	22	0	463
Other net operating costs (revenues)	23	(2,197)	(2,353)
Total operating costs		(50,751)	(46,457)
EBITDA		2,786	1,885
Depreciation and amortization (-)	24	(1,896)	(1,202)
Capital gains (losses) on disposal of non-current assets			-
Write-downs/write backs of non-current assets			-
Other provisions			-
EBIT		890	683
Financial income	25	8	12
Financial expenses	25	(177)	(144)
BEFORE TAX RESULT		721	551
Income taxes	26	(225)	(110)
Net result for the period		496	441
Revenues referred to net equity	10		-
Costs referred to net equity	10	(18)	(17)
Profit (loss) global		478	424
Profit (loss) for the period attributable to			
Net result for Group interest		478	424
Net result for minority		0	0

The other costs and / or income charged directly to equity, without passing through the income statement, in application of IAS 39, refer to the fair value adjustment of derivative financial instruments of the IRS type of hedging on two variable rate loans.

CASH FLOW STATEMENT - CONSOLIDATED

(indirect method)	2019	2018
A. Cash flows from operating activities		
Profit (loss) of the accounting year	496	441
Taxes	225	110
interest expense / (interest income)	169	132
(Gains)/ losses on the disposal of assets	(3)	(39)
1. Profit (loss) before income taxes, interest, dividends and capital gains / losses on disposal	887	644
Allocations to provisions	105	140
Amortisation of intangible assets	1,896	1,202
Adjustments for non-cash items that had no counterpart in the NWC	2,001	1,342
2. Cash flow before changes in NWC	2,888	1,986
Decrease / (increase) in inventories	-	(192)
Decrease / (increase) in trade receivables and to the Group	(1,208)	301
Increase / (decrease) in trade payables and to the Group	1,018	171
Other changes in net working capital	(120)	(271)
Variation of NWC	(310)	9
3. Cash flow after variation of NWC	2,578	1,995
Interest received / (paid)	(169)	(139)
(taxes paid)	(60)	(348)
Use of funds	(85)	(72)
Other adjustments	(314)	(559)
Cash flow of income management (A)	2,264	1,436
B. Cash flow of investments		
Property, plant and equipment (Investments)	(1,561)	(3,988)
Price of disinvestments	176	68
Intangible assets (Investments)	(121)	(588)
Goodwill realization	395	
Shareholding and other non-current payables (Investments)	(64)	
Price of disinvestments	-	257
Cash flow from investing activities (B)	(1,175)	(4,251)
C. Cash flow from financing		
Increase in short-term borrowings from banks	68	(454)
Opening of loans and payable for usage rights	10,297	9,480
Reimbursement of loans and payable for usage rights	(7,447)	(6,086)
Third's means	2,918	2,940
Sale (purchase) of owns shares	-	(96)
Other variations	(18)	(17)
equity	(18)	(113)
Net cash flow from financing activities (C)	2,900	2,827
Increase (decrease) in cash (a ± b ± c)	3,989	12
Cash and cash equivalents at beginning of the year	5,851	5,839
Cash and cash equivalents at the end of the year	9,840	5,851

STATEMENT OF CONSOLIDATED SHAREHOLDERS 'EQUITY

Euro / 000

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
NET EQUITY	31/12/18	Destination result	Other Movements	Result	31/12/19
Capital Stock	6,162				6,162
Reserve Shares Premium	103				103
Own shares reserve	96				96
Own shares	(96)				(96)
Revaluation reserve	241				241
Legal reserve	225	2			227
Other and new reserves	1,284	439	(18)		1,705
Gain (loss) period	441	(441)		496	496
TOTAL Group equity	8,456	0	(18)	496	8,934
Minority reserves					
Minority result					
Total Minority Equity	0	0	0	0	0
TOTAL CONSOLIDATED	8,456	0	(18)	496	8,934

The change in equity recognized among other movements relates to the further negative differential recorded at the end of the year in the fair value of hedging contracts on bank loans.

NET FINANCIAL POSITION DETAIL

CONSOLIDATED NET FINANCIAL POSITION	31 Dec 19	31 Dec 18
<i>Euro (000)</i>		
LIQUIDITY AVAILABLE	9,840	5,851
DEBTS TOWARDS BANKS (SHORT TERM)	(7,065)	(5,727)
DEBTS TOWARDS OTHERS (SHORT TERM)	(862)	(1,105)
DEBTS FOR RIGHT OF USE (SHORT TERM)	(231)	-
TOTAL POSITION AT SHORT TERM (A)	1,682	(981)
DEBTS TOWARDS BANKS BEYOND THE SHORT TERM.	(6,281)	(4,113)
DEBTS TOWARDS OTHERS BEYOND THE SHORT TERM.	(1,932)	(2,794)
DEBTS FOR RIGHT OF USE BEYOND THE SHORT TERM	(286)	-
TOTAL POSITION AT MEDIUM/LONG TERM (B)	(8,499)	(6,907)
NET FINANCIAL POSITION (A+B)	(6,817)	(7,888)

In 2019, 9 new loans were initiated with credit institutions for a total of 9,340 / K euro. During the 2019 financial year, no new financial lease agreement was entered into nor are any further commitments already entered into in this regard.

The debt for rights of use, in application since 1 January 2019 on the basis of IFRS 16, regards numerous rental contracts (vehicles and equipment). Net of the effects deriving from the application of this new accounting standard, the net financial position compared with the end of the previous year would show a further improvement variation.

At the end of the year, there are no. 8 interest rate hedging derivative contracts on bank loans (5) and on finance leases (3). The fair value effects of these derivatives amounted to a total of 34 K / euro (negative) and were recorded in the shareholders' equity reserves at 31/12/2019. Compared to the end of the previous year, there was a negative integration of 18 K / Euro.

For a correct analysis of the financial dynamics, please refer to what is detailed in the cash flow statement.

In order to better define the changes in the Group's net financial position, we report in detail the financial position specifically referred to Linkonline S.r.l. (commercial sector):

LINKONLINE	31 Dec 19	31 Dec 18
NET FINANCIAL POSITION	Euro (000)	Euro (000)
LIQUIDITY AVAILABLE	2,212	913
DEBTS TOWARDS BANKS (SHORT TERM)	(1,465)	(1,170)
DEBTS TOWARDS OTHERS (SHORT TERM)	-	-
DEBTS FOR RIGHT OF USE (SHORT TERM)	(60)	-
TOTAL POSITION AT SHORT TERM (A)	687	(257)
DEBTS TOWARDS BANKS BEYOND THE SHORT TERM,		-
DEBTS TOWARDS BANKS BEYOND THE SHORT TERM,	(673)	-
DEBTS FOR RIGHT OF USE BEYOND THE SHORT TERM	(82)	-
TOTAL POSITION AT MEDIUM/LONG TERM (B)	(755)	-
NET FINANCIAL POSITION (A+B)	(68)	(257)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2019

INTRODUCTION

The consolidated financial statements for the year 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB). The reference to IFRS also includes all the existing International Accounting Standards (IAS). It is compared with data from the previous year drawn up in homogeneity of criteria. It consists of the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in shareholders' equity and commentary notes. The consolidated financial statements have been prepared on the basis of the historical cost principle except for some revaluations of tangible fixed assets in previous years.

Consolidated financial statements

The statement of financial position reports the essential content dictated by international accounting standards and is based on the distinction between current and non-current assets and liabilities, according to their aptitude for realization within, or more than 12 months from the reference date.

The statement of comprehensive income is presented on the basis of a structure by nature of costs.

The statement of financial position does not include items representative of the values relating to the assets held for sale and the assets and liabilities included in disposal groups held for sale as such cases do not exist.

As of 1.1.2019, the new IFRS 16 "Leasing" standard has been applied, replacing the previous IAS 17. For the company, the application of this principle has had effects on the different exposure and measurement with particular regard to operating leases and passive leases. Below is a table which summarizes the effects on the balance sheet and income statement. In particular, in the face of the application of the modified retrospective approach, no effects were generated on the equity as of 01/01/2019 as ROU = Debt; at an economic level, without prejudice to the different classification between the accounts (amortization and interest, rather than leases) the resulting differential effect is irrelevant (about 8 K / euro gross of the tax effect).

Effects deriving from the application of IFRS 16 with the modified retrospective approach

Patrimonial effects	01/01/2019
<i>Euro (000)</i>	
Rights of use on property (*)	199
Rights of use on vehicles	228
Rights of use on plants	209
Debts on right of use	(636)
Net effect at 01/01/2019	0

(*) = early terminated on 17 December 2019.

Economic effect on 2019 accounting year		2019
<i>Euro (000)</i>		
Location elimination		276
	EBITDA	+276
Amortizations		(272)
	EBIT	+4
Financial expenses		(12)
	Effect before taxes	(8)

AREA AND CONSOLIDATION CRITERIA

introduction

The consolidation area has changed compared to the end of the previous year due to the merger by incorporation of the company Psfinteractive S.r.l. in the Parent Company which already held 100% of the share capital and includes in detail the following companies:

Poligrafica S. Faustino S.p.A., parent company, operates essentially in the following business areas:

- various printed matter (promo-advertising, continuous forms and others);
- document management.

Sanfaustino Label S.r.l. : company specialized in the production of labels based in Castrezzato (BS). Poligrafica S. Faustino S.p.A. holds 100% of the stake.

Linkonline S.r.l.: commercial company in the sector of distribution of consumer products for information technology: Poligrafica S. Faustino S.p.A. has acquired 100% of the company shares since February 2008.

The aforementioned merger did not generate any capital and / or economic effect on the consolidated financial statements; consequently, the data are perfectly comparable with the previous year. Moreover, the sectoral data specifically referred to PSFinteractive up to the last financial year was absolutely irrelevant and below the thresholds provided for its separate indication.

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
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 subsidiaries excluded from the consolidation area.

CONSOLIDATION CRITERIA

The book value of the equity investments is eliminated against the related shareholders' equity, against the assumption of the assets and liabilities of the subsidiaries according to the global integration method; the positive or negative difference that arises from the aforementioned elimination is assessed and attributed to asset, liability and / or equity items on the basis of the specific elements that originated these differences. Any portions of shareholders' equity and operating profit pertaining to the minority shareholders of the investee companies are shown separately, respectively under the items "third party capital and reserves" and "profit attributable to third parties".

Debt and credit items and cost and revenue items between companies included in the consolidation area (full method) are eliminated. In particular, if significant, the profits and losses deriving from transactions between Group companies not yet realized towards third parties are eliminated.

Segment reporting

The sector is a distinctly identifiable part of a Group which supplies a set of homogeneous products and services (sector of activity) or which supplies products and services in a specific economic area (geographical sector). The Poligrafica S. Faustino Group, traditionally, has always operated substantially in a single sector of activity, that of customized graphic products, except for the Web Agency activity carried out by Psfinteractive Srl, which however had an insignificant incidence (lower 5%) compared to the Group's overall activities. As already mentioned, in the current year Psfinteractive S.r.l was merged by incorporation into the Parent Company. Similarly, the reference market occurs in a single geographical area (Euro area) with absolute national prevalence. After 2008, with the acquisition of Linkonline S.r.l., the Group has expanded its business sectors also in the distribution of consumer products for information technology. For sector information data, please refer to the paragraph dedicated to the performance of the year.

ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA

Accounting schedules

The statement of consolidated financial position reports the essential content dictated by international accounting standards and is based on the distinction between current and non-current assets and liabilities, according to their aptitude for realization within, or more than 12 months from the reference date.

The consolidated income statement is presented on the basis of a structure by nature of costs.

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

The statement of financial position does not include items representative of the values relating to the assets held for sale and the assets and liabilities included in disposal groups held for sale as such cases do not exist.

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

IFRS 15 "Revenues from contracts with customers": it dictated rules for the registration of revenues by introducing an approach that provides for the recognition of the proceeds only when the complete fulfilment of the contractual obligations occurs. In the face of the analyses carried out on the various contractual forms and types, the adoption of this principle has not led to impacts.

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

From 1 January 2019, the new IFRS 16 "Leasing" standard has been applied to replace the previous IAS 17. For companies and the Group, the application of this principle has had effects on the different exposure and measurement with particular regard to operating leases and passive leases. Please refer to the table above with details of the effects deriving from this new application.

The accounting principles and evaluation criteria applied in the preparation of the data are shown below.

It should be noted that the only subsidiary Linkonline S.r.l. draws up the financial statements in application of national accounting standards. Consequently, for the purpose of drafting the consolidated financial statements of Poligrafica S. Faustino SpA, the appropriate adjustments required by IAS / IFRS were made to the financial statements of Linkonline Srl, drawn up in accordance with national principles, to make it consistent with that of the parent company and proceed to aggregation of financial statements all prepared on the basis of international accounting standards.

That said, the accounting principles and valuation criteria applied in preparing consolidated data are shown below.

Property, plant and machinery

They are recorded at the cost incurred or at the revalued cost (deemed cost) net of depreciation (except for land that is not depreciated). The cost incurred corresponds to the purchase or manufacturing cost, including directly attributable costs and indirect costs inherent in internal production. The cost of the buildings includes a revaluation carried out in accordance with the law and in any case does not exceed the market value.

The depreciation rates are determined with reference to the economic-technical criterion and are calculated on a straight-line basis on the basis of the residual possibility of use of the assets, periodically checked to take account of their technical-economic degradation.

The estimated useful life in years is 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 goods and usage rights activities

Tangible fixed assets include fixed assets acquired through financial leasing, as well as incremental costs, internal and / or external, incurred for the same, at the purchase value decreased by the depreciation allowances calculated on the basis of the same criteria followed for fixed assets. The residual portions of debt payable to leasing entities are therefore recognized among short-term and medium / long-term financial liabilities, while the financial charges for the period are charged to the income statement. The activities for rights of use (IFRS 16), which concern leases on tangible assets, are amortized based on the duration of the expected lease.

Start up

Goodwill represents the difference between the purchase price incurred for the purchase of the investments and the corresponding current value of the assets and liabilities identifiable on the acquisition date. For acquisitions prior to the date of adoption of the IFRS, the Company has availed itself of the option not to adopt the retroactive method of IFRS No. 3; consequently, goodwill was recognized on the basis of the value determined by the previous accounting principles, net of the amortization accounted for up to 31/12/2003 and net of any impairment losses considered to be lasting. Starting from the transition date, goodwill, as an intangible asset with an indefinite duration, is not amortized but periodically subjected to an impairment test in order to identify any impairment, if it is recognized that there are indicators in this regard.

Other immaterial activities

The other intangible assets acquired or produced internally are recorded in the assets (based on IAS 38) on the basis of a cost determined in a reliable manner if a generation of future economic benefits is expected from their use. During the year, third party costs for further implementation of the various IT platforms were capitalized and internal costs for development activities for technological innovation on projects that boost the production offer in the field of labels in addition to other activities for new technical solutions and electronic production control. Purchase and / or production costs are amortized on a straight-line basis over their estimated useful life.

Impairment

With reference to tangible fixed assets and intangible assets on an annual basis, the existence of indications of impairment is verified; if these factors are present, on the basis of the recoverable value, the loss of value recognized in the income statement in the year of determination is determined.

Financial fixed assets

Equity investments in non-controlled or unrelated companies are recognized at purchase cost, adjusted if necessary, to take account of lasting losses.

Fixed assets are valued on the basis of their presumed realization value

Remainders

Inventories of raw materials and goods are entered at the lower of the value inferable from the market trend and the weighted average purchase cost. Work in progress and finished products, totally on order, are valued at the lower of the cost and the current value of the fees due for the completion percentages.

Credits

Receivables are entered at their presumed realization value.

Current financial assets

Any financial assets which do not constitute fixed assets and which are intended for trading are recorded at fair value with the recognition of the economic effects among financial income or charges.

Own shares

The treasury shares held by the company at the end of the year are entered at the purchase cost. As required by the international reference standards, the overall cost of treasury shares is recorded as a decrease among the shareholders' equity items. Similarly, positive and / or negative differentials deriving from transactions on the same treasury shares are entered in the reserves.

Provisions for risks and charges

Provisions for risks and charges are only intended to cover losses or debts of a specific nature, of certain or probable existence, of which, at the end of the period, the amount or duration of occurrence is undetermined. Appropriations are made only when there is a legal or implicit

obligation, it is probable that the use of resources will be necessary to fulfill the same, and an estimated reliable amount can be determined.

Employee severance indemnity (Employee benefits)

Employee severance indemnities based on the laws and employment contracts applicable to individual companies cover the amounts due and the reserves relating to the employments accrued at the end of the period, in favor of the employees, net of any advances paid. In light of the regulatory changes imposed by the 2007 financial statement, there is an almost total devolution of the shares accrued during the year, depending on the choices made by the employees of the various companies, in favor of the supplementary pension scheme or in favor of the INPS Treasury (with some exceptions, not significant, with regard to smaller companies). As a result of this operation, except for the annual revaluation quota, the severance indemnity provision is destined to gradually decrease following resignations and / or advances paid.

The application of the actuarial method envisaged by IAS 19, the effects of which (however positive on shareholders' equity) had previously been assessed as insignificant, is becoming less and less significant in light of the dynamics described above.

Debts

Payables are recorded at face value.

Loans

Loans are valued at cost net of acquisition related charges. This value is subsequently adjusted to take into account any difference between the initial cost and the refund value.

Revenue recognition

Revenues and income are recognized in the income statement if it is probable that economic benefits will flow to the Group and the related amount can be reliably determined. In particular, the revenues from the sale of the products are recognized when the transfer of the risks and benefits associated with the ownership of the goods held by the buyer has occurred

Income taxes

Taxes are determined based on an analytical calculation of the liquidable charge, for each company, according to current tax legislation. Furthermore, in the event of time differences between the recognition of costs and revenues in the income statement (according to an accrual criterion) and the moment of their deductibility / taxability for tax purposes, the related impacts have been calculated and then entered in the income statement deferred and / or prepaid taxes. The future tax benefits associated with the reported tax losses are recognized and / or maintained taking into account the conditions of reasonable realization of the same. Finally, the effects, where applicable, of deferral and / or temporal advance on the taxes resulting from the adjustments made during the consolidation are determined.

Use of estimated values

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

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

Financial instruments

The Group holds (through the Parent Company) only hedging derivatives on the interest rates of financial payables (IRS).

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

The accounting treatment adopted by the Group provides that the change in their fair value is recognized directly in equity, while any ineffective portion is entered 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 related to those of the contracts that host them and the latter are not valued at fair value, with recognition of the related profits and losses in the income statement. .

The fair value of financial instruments listed 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 based on data provided by credit institutions.

EXPLANATORY NOTES ON THE CONSOLIDATED FINANCIAL STATEMENT SITUATION AT 31.12.2019

NON-CURRENT ACTIVITIES

1. Tangible assets and rights of use

(DATA EXPRESSED IN THOUSANDS OF EURO)

Balance at 31/12/19	8.559
Balance at 31/12/18	8.808
Variation	(249)
Lands	
Historical Cost	1,047
Revaluation	0
Devaluation	0
Balance at 31/12/18	1,047
Increase	146
Disposals	0
Balance at 31/12/19	1,193
Buildings	
Cost (413/91 revaluation included for Euro 249 thousand)	6,408
Accumulated depreciation	(3,625)
Balance at 31/12/18	2,783
Acquisitions / Increase	273
Disposals	-
Depreciation	(192)
Balance at 31/12/19	2,864
Plants and machinery	
Historical Cost	15,847
Accumulated depreciation	(11,009)
Balance at 31/12/18	4,838
Increase	109
Disposals	(190)
Use funds	189
Depreciation	(1,131)
Balance at 31/12/19	3,815
Industrial and commercial facilities	
Historical cost	511
Accumulated depreciation	(483)
Balance at 31/12/18	28
Increase	4
Disposals	(88)
Use funds	88
Depreciation	(12)
Balance at 31/12/19	20

Other tangible assets	
Historical cost	1,133
Accumulated depreciation	(1,021)
Balance at 31/12/18	112
Increase	72
Disposals	(273)
Use funds	271
Depreciation	(29)
Balance at 31/12/19	153

Right of use on proprieties	
Balance at 01/01/19	198
Increase	-
Early extinctions	(171)
Use funds	-
Amortizations	(27)
Balance at 31/12/19	0

Right of use on plants and machinery	
Balance at 01/01/19	209
Increase	28
Early extinctions	-
Use funds	-
Amortizations	(84)
Balance at 31/12/19	153

Right of use on other goods (vehicles)	
Balance at 01/01/19	228
Increase	295
Early extinctions	-
Use funds	-
Amortizations	(161)
Balance at 31/12/19	362

2. Intangible assets

Balance at 31/12/19	1,248
Balance at 31/12/18	1,781
Variation	(533)

Description	Value at 31/12/18	Increase	Amort.	Other variations	Value at 31/12/19
Goodwill	1,086			(395)	691
Development costs	601	74	(186)		489
Software	94	47	(73)		68
	1,781	121	(259)	(395)	1,248

As a result of the sale of the former PSFInteractive business unit, the related goodwill equal to 395 K / euro was zeroed.

As required by IFRS 3, goodwill, as an intangible asset with an indefinite useful life, is no longer amortized systematically, but is subject to the impairment test.

Since goodwill does not generate independent cash flows, nor can it be subject to independent sale, the individual units (companies) to which the goodwill refer, have been identified as Cash Generating Units (C.G.U.).

The carrying amount of the CGU (carring value) referring to the consolidated carrying amounts as at 31/12/2019, is summarized in the following table. The values are indicated in thousands of euros:

Company	Stake	Goodwill	Other tangible and intangible assets	Accounting amount of CGU in PSF as at 31 12 2019
Linkonline S.r.l.	100%	691	70	1,123

At 31 December 2018, the "impairment" analysis was updated and conducted by an independent expert using the financial flows that can be inferred from the five-year economic-financial plans (2020-2024) approved by the Board of Directors of the subsidiary Linkonline S.r.l. on March 2, 2020 and based on reasonable and sustainable assumptions consistent with the best estimate available.

For the Sanfaustino Label S.r.l. no impairment analysis was necessary, taking into account that the related goodwill value has already been eliminated in the financial statements closed on 31/12/2012 following the results of the impairment test.

At the closing date of these financial statements, the verification of the recoverable value of the C.G.U. to which the goodwill was allocated was therefore carried out by comparing the book value of these units with the value in use represented by the present value of the future cash flows which are estimated to derive from the continuous use of an asset and from its disposal at end of its useful life.

The time horizon of projection of the flows used by Poligrafica S. Faustino S.p.A. it is equal to the plan years (2020-2024). The cash flows expected within the aforementioned period were discounted at the rate of 9.7503%, before taxes, corresponding to the weighted average cost of capital (WACC). At the end of the explicit time horizon of the plan, the company estimated the terminal value representative of the cash flows expected beyond the explicit period of the plan as perpetual capitalization of the cash flow of the last year of the plan (2024), determining the ratio between the latter and a WACCtv of 11.9901% (prudentially higher than the WACC used to discount plan flows).

Taking into account the results achieved and foreseeable results on the subsidiaries, the impairment test did not reveal any elements capable of configuring lasting losses in value.

The further increases in development (74) and software (47) costs mainly include the costs incurred for the construction and implementation of the IT platforms used also in the production management of the graphic supports. The increases in the period therefore refer to the external costs of implementing new production and commercial technologies.

3. Equity investments and other non-current receivables

Financial investments	31/12/19	31/12/18
Equity investments in other companies	3	3
Other receivables	465	401
	468	404

Equity investments in other companies include equity interests in the Conai, Corepla and Comieco consortia. Receivables from others beyond the short term consist of guarantee deposits for 2 thousand euros, 16 thousand euros receivables from the tax authorities for requests for repayment, 447 thousand euros from the residual medium / long-term receivables due from companies third parties against the sale of tangible and intangible assets and / or business units with payment plans in installments, as well as long-term prepayments on commercial transactions.

4. Receivables for prepaid and / or deferred tax assets

Balance at 31/12/19	1,316
Balance at 31/12/18	1,489
Variations	(173)

Deferred tax assets and / or deferred tax assets have undergone the following changes:

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
- reversal tax losses to compensation profits	(107)
- on 2019 fiscal loss	-
- on 2019 temporary differences	5
- of consolidation adjustments	(38)
- other reversal tax and other adjustments	(33)
Deferred tax assets as at 31.12.19	1,316

(*) = prudently not recorded in 2019 despite the tax losses of the subsidiary Sanfaustino Label as generated by hyper and super amortization

The item includes the future benefit for reported tax losses. The total amount of this component is equal to 1,177 K / Euro and is made up of the accounting balance attributable to the Parent Company, amounting to 990 K / Euro in addition to the amount of 187 K / Euro for the tax loss achieved in 2018 by Sanfaustino Label.

The difference of 139 K / Euro is 85 K / euro referable to consolidation adjustments and the remaining 54 K / Euro to residual components on various temporary recoveries.

It should be noted that the future tax benefit for the Group presents an undisclosed latent positive differential of around 0.60 million euros against reported tax losses.

The Directors believe they can confirm the recoverability of the amount entered among the assets in these financial statements in the light of the taxable amount that can also be expected for future years.

CURRENT ACTIVITIES

CURRENT ASSETS	31/12/19	31/12/18	Variation
Inventories	3,362	3,362	0
Trade receivables	17,854	16,646	1,208
Tax receivables	645	847	(202)
Other receivables	916	582	334
Cash and banks	9,840	5,851	3,989
Total current assets	32,617	27,288	5,329

In particular, at 31/12/19 Linkonline (**commercial sector**) highlights the following balances:

LINKONLINE S.r.l.	31/12/19	31/12/18	Variation
Inventories	1,451	1,188	263
Trade receivables	5,903	5,502	401
Tax receivables	43	1	42
Other receivables	31	43	(12)
Cash and banks	2,212	913	1,299
Total current assets	9,640	7,647	1,993

5. Inventories

Inventories	31/12/19	31/12/18
Raw materials	633	433
Finishing Products	432	715
Finished Products	2,297	2,214
	3,362	3,362

The item "Raw, ancillary and consumable materials" includes paper in various types, inks, plates and consumables of minor importance. The item "Finished products and goods" includes articles of internal production exclusively on order as well as marketing items and other goods to be marketed by Linkonline S.r.l..

The item "Work in progress" includes works not yet completed on 31 December.

6. Commercial credits

Balance at 31/12/19	17,854
Balance at 31/12/18	16,646
Variation	1,208

Description	31/12/19	31/12/18
Toward client:		
Italy	17,228	16,246
CEE Area	911	680
Extra-CEE Area	4	9
(less) allowance for doubtful accounts	(289)	(289)
Total	17,854	16,646

The total bad debt provision was used during the year for € 61 thousand and re-adjusted for a total amount of € 61 thousand. The overall balance set aside by the individual companies is considered adequate to cover positions of doubtful achievement, however scarcely significant. It should also be noted that since October 2017 a large part of trade receivables has been covered by insurance policies.

7. Taxes receivables

Balance at 31/12/19	645
Balance at 31/12/18	847
Variation	(202)

The detail of the item is shown below:

Receivable from the administration	31/12/19	31/12/18
VAT receivable	545	527
D.L. 66/2014 receivables	16	20
R&D L.190/2014 receivables	34	232
Ires-Irap receivables	42	68
Other receivables from administration	8	
	645	847

8. Other current receivables

Balance at 31/12/19	916
Balance at 31/12/18	582
Variation	334

The breakdown of other current receivables is shown below:

Composition	31/12/19	31/12/18
Various credits	585	257
Prepayments and accrued income	331	325
	916	582

The most significant component recorded under miscellaneous receivables refers to advances to suppliers.

Accrued income and prepayments are divided as follows:

Description	31/12/19	31/12/18
Others accrued income	56	22
Prepaid rental costs	39	59
Financial prepaid costs	207	109
Deferred on other expenses	29	135
	331	325

- Current financial assets

The Group has no non-fixed financial assets

9. Cash and cash equivalents

Description	31/12/19	31/12/18
- depositi bancari e postali	9,836	5,845
- assegni	-	-
- denaro e valori in cassa	4	6
	9,840	5,851

The balance represents cash and cash equivalents and the existence of numerals and values as of 31 December 2019. For a complete assessment of the financial dynamics, see the cash flow statement.

NET ASSETS

10. Capital and reserves

Balance at 31/12/19	8,934
Balance at 31/12/18	8,456
Variation	478

The items that make up consolidated shareholders' equity can be detailed as follows:

Equity	31/12/19	31/12/18
Capital stock	6,162	6,162
Share premium account	103	103
Own share buying reserve	96	96
Revaluation reserve	241	241
Reserves	440	440
Owns' shares	(96)	(96)
Legal reserve	227	225
Other reserves and retained earnings	1,705	1,284
Profits (loss) accumulated	496	441
Profit (loss) for the financial period	2,428	1,950
Total group equity	8,934	8,456
Capital and reserves of third parties	0	0
Period Profit (loss) of third parties	0	0
Minorities interests	0	0
Total group equity	8,934	8,456

Referring to the specific statement of changes in shareholders' equity, it should be noted that during 2018 no transactions were carried out on treasury shares which therefore remain unchanged and recorded at a cost of € 96,285.

The negative reserve on hedging derivatives measured at mark to market amounts to 34 K / euro (it was negative by 16 K / Euro at the end of the previous year).

PARENT AND CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation statement between the shareholders' equity and the result of the Parent Company and those emerging from the consolidation is shown below:

(Euro/000)	Result	Net Equity
Holding	65	7,344
Subsidiary companies result (IAS)	333	333
Effect of elimination of holdings	-	(1,143)
Other consolidation adjustment	-	2,620
Net equity and result	98	(220)
Allocation to result and minorities' result	496	8,934
Net equity and Group's result	0	0
Holding	496	8,934

Earnings per share

Below we present the result per share calculated by dividing the Group's net result for the period with the average number of shares in circulation:

Profit (loss) for share	2019	2018
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	496	441
Profit (loss) for share (In Euro unit)	0.4415	0.3925

We do not report any indication of the diluted earnings per share since the Company has not issued bonds that are convertible into equity-based financial instruments.

NON-CURRENT LIABILITIES

11.Loans

Balance at 31/12/19	8,499
Balance at 31/12/18	6,907
Variation	1,592

Description	31/12/19	31/12/18
- Amounts due to banks (medium/long term)	6,281	4,113
- Amounts due to Leasing company (medium/long term)	1,932	2,794
- Amounts due for right of use (medium/long term)	286	
	8,499	6,907

The total amount of loans granted by the Group is made up as follows:

12,294 thousand euros for mortgages with credit institutions, of which 6,281 thousand is the M / L term component (6,013 thousand at B / T);

2,794 thousand euros on financial leases whose M / L term component amounts to 1,932 thousand euros (862 thousand at B / T)

518 thousand euros from debt for rights of use (on non-financial passive leases) of which 232 in the short term and 286 in M / L. They amounted to a total of 636 thousand on 01/01/2019.

Some operations were carried out in 2019 as summarized below:

taking out of 9 loans with credit institutions for a total of 9,340 thousand euro.

no activation of financial leases

Registration at the beginning of the year of payables on user rights for 636 thousand euros.

Ignition during the year of new leases for 444 thousand euro;

Early repayment of the residual debt on the right to use property 177 thousand euros.

There are no. 8 derivative rate hedging contracts valid until the expiry date. The fair value effects of these derivatives totaled 34 K / Euro (they were equal to about 16 K / Euro at the end of the previous year) and were included in the negative equity reserves at 31/12/2019.

The expected duration of the new loans (9,340 k / euro) is broken down as follows:

Total financing	Duration
1.000 K/Euro	12 mesi
1.500 K/Euro	18 mesi
1.500 K/Euro	24 mesi
3.000 K/Euro	36 mesi
2.340 K/Euro	60 mesi

The debt for rights of use, in application since 1 January 2019 on the basis of IFRS 16, regards numerous rental contracts (vehicles and equipment).

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

12. Employee severance indemnity and pension funds

Balance at 31/12/19	881
Balance at 31/12/18	861
Variation	20

Description	Balance at 31/12/18	Utilize/Decrease	Increase	Balance at 31/12/19
Employee severance indemnity	575	(75)	40	540
Agents' termination indemnity	286	(10)	65	341
	861	(85)	105	881

13. Deferred tax liabilities

Balance at 31/12/19	110
Balance at 31/12/18	237
Variations	(127)

Deferred tax liabilities consist of 22 thousand euros of deferred tax effects on the tax clean-up already carried out in previous years, to which must be added the deferred net tax effects that arise from the consolidation records and the application of various accounting standards dictated by the IAS. The significant decrease is for 124 K / Euro related to the elimination of the deferred tax effect on the goodwill ex PSF Interactive canceled for the sale of the related business unit.

Deferred tax liabilities moved as follows during the year:

Composition	Euro/000
Deferred tax liabilities at 31.12.17	241
Return on amortizations and lands	(4)
Deferred tax liabilities at 31.12.18	237
Return on amortizations and lands	(4)
Net fiscal effect on IAS revisions in the 2019 accounting year and corresponding returns.	1
Annulment goodwill formerly Psfinteractive	(124)
Deferred tax liabilities at 31.12.19	110

Other non-current liabilities

Balance at 31/12/19	0
Balance at 31/12/18	0
Variations	0

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

CURRENT LIABILITIES

Description	31/12/19	31/12/18	Variation
Loans (short term debt)	8,158	6,832	1,326
Trade payables	16,040	15,022	1,018
Tax payables	422	322	100
Other payables	1,164	1,133	31
Total current liabilities	25,784	23,309	2,475

The dynamics of short-term loans is consistent with what has already been described above and takes into account the effects on the cash flows shown in the specific consolidated financial statements.

Similarly, to what is reported for current assets, the data specifically referable to current payables of the commercial sector is shown below (Linkonline S.r.l.):

LINKONLINE S.r.l.	31/12/19	31/12/18
Loans (short term debt)	1,465	1,170
Trade payables	5,512	4,724
Tax payables	135	71
Other payables	240	216
Total current liabilities	7,352	6,181

14. Loans (short-term portion)

Balance at 31/12/19	8,158
Balance at 31/12/18	6,832
Variation	1,326

Description	31/12/19	31/12/18
- Owed to banks - short term loans	7,065	5,727
- Debts towards Leasing company in short term	862	1,105
- Debts for right of use in short term	231	
	8,158	6,832

Payables to banks within 12 months represent the current account exposures and advances of Group companies for a total of € 1,017 thousand plus the short-term residual portion of mortgages and loans equal to € 6,048 thousand.

For further considerations, please refer to what has already been reported.

15. Accounts payable

Balance at 31/12/19	16,040
Balance at 31/12/18	15,022
Variation	1,018

Description	31/12/19	31/12/18
Trade payables:		
Italy	15,163	14,207
CEE Area	405	206
Area Extra-CEE	0	5
Towards clients of goods to deliver in different moments	472	604
Total	16,040	15,022

16. Tax payable

Balance at 31/12/19	422
Balance at 31/12/18	322
Variations	100

Description	31/12/19	31/12/18
IRPEF (personal income tax)	305	312
VAT	78	9
IRES-IRAP (corporate income taxes)	39	1
	422	322

17. Other current liabilities

Balance at 31/12/19	1,164
Balance at 31/12/18	1,133
Variation	31

Description	31/12/19	31/12/18
Owed to social institutes	382	377
Other payables	663	682
Accruals and deferred income	119	74
	1,164	1,133

Payables to others are largely made up of payables to employees for salaries and wages to be paid, additional months and accrued and unused holidays and fees to be paid to directors and other collaborators.

NOTES TO CONSOLIDATED INCOME STATEMENTS

Description	31/12/19	31/12/18	Var.
Operating revenues	53,537	48,342	5,195
Materials and change in inventory	(32,480)	(28,901)	(3,579)
Services	(11,265)	(11,065)	(200)
Personnel costs	(4,809)	(4,601)	(208)
Capitalization of internal costs	0	463	(463)
Other operating costs (net)	(2,197)	(2,353)	156
EBITDA	2,786	1,885	901
Depreciation and amortization	(1,896)	(1,202)	(694)
EBIT	890	683	207
Net financial income (expense)	(169)	(132)	(37)
BEFORE TAX RESULT	721	551	170
Income tax	(225)	(110)	(115)
NET RESULT	496	441	55

Consolidated revenues and income recorded an increase of 10.75% compared to the figure of the previous year. Despite the higher incidence of consumption, the savings and efficiencies recorded on all the other components of operating costs had a positive effect on gross margins (EBITDA), also considering the lack of capitalization and the effects of applying IFRS 16. Similar Positive feedback is recorded on EBIT despite the impact of the significant increases in depreciation and amortization related to recent investments and the application of the IFRS 16 on operating leases.

The data of the areas in which the Group operates are therefore shown below.

Production Sector (Parent Company and Sanfaustino Label)

Description	31/12/19	%	31/12/18	%	Var. 18-19
Operating revenues	35,786	100.0	32,661	100,0	3.125
Materials and change in inventory	(18,630)	(52.0)	(16,830)	(51,5)	(1.800)
Services	(9,385)	(26.2)	(9,594)	(29,4)	209
Personnel costs	(3,741)	(10.5)	(3,583)	(10,9)	(158)
Capitalization of internal costs	0	0	463	1,4	(463)
Other operating costs (net)	(1,571)	(4.4)	(1,691)	(5,2)	120
EBITDA	2,459	6.9	1,426	4,4	1.033
Depreciation and amortization	(1,770)	(5.0)	(1,124)	(3,5)	(646)
EBIT	689	1.9	302	0,9	387
Net financial income (expense)	(158)	(0.4)	(117)	(0,3)	(41)
BEFORE TAX RESULT	531	0.15	185	0,6	346
Income tax	(124)	(0.04)	29	0,1	(153)
NET RESULT	407	0.11	214	0,7	193

It should be noted that the 2019 data includes the very modest contributions linked to the web-agency sector subject to the merger of PSFInteractive into the Parent Company and subsequent transfer to third parties. Similarly, for a correct comparability, the 2018 data also reports the aggregation of the data of the production sector and the communication - web-agency sector of PSFInteractive spun off until the previous year. Having said this, the graphic production sector, as represented above, recorded growth in 2019 compared to the previous year of 9.6%.

In further comment on the sector trend, the considerations already made for the consolidated results can be well confirmed in the graphics sector data; in this regard, in fact, there was an improvement in all the indicators, with a clear recovery on gross and net margins.

Commercial Sector (LINKONLINE)

INCOME STATEMENT (gross of intercompany eliminations)

Description	31/12/19	Peso %	31/12/18	Peso %	Var.
Sales and other operating income and revenue	17,751	100.0	15,681	100.0	2,070
Materials and change in inventory	(13,850)	(78.1)	(12,071)	(77.0)	(1,779)
Services	(1,880)	(10.6)	(1,471)	(9.4)	(409)
Personnel costs	(1,068)	(6.0)	(1,018)	(6.5)	(50)
Other operating costs (net)	(626)	(3.5)	(662)	(4.2)	36
EBITDA	327	1.8	459	2.9	(132)
Depreciation and amortization	(126)	(0.7)	(78)	(0.5)	(48)
EBIT	201	1.1	381	2.4	(180)
Net financial income (expense)	(11)	(0.1)	(15)	(0.1)	4
BEFORE TAX RESULT	190	1.0	366	2.3	(176)
Income tax	(101)	(0.5)	(139)	(0.9)	38
NET RESULT	89	0.5	227	1.4	(138)

The increase in revenues and income from the commercial sector (+ 13.2%) was accompanied, however, by a higher incidence of consumption and services which, although considering the positive effects on the incidence of personnel costs and other costs operating, reduced gross margins (EBITDA) both in absolute terms and as a percentage. This reduction is reflected both in EBIT and in the final result, however positive.

18. Operating revenues and income

Accounting year 2019	53,537
Accounting year 2018	48,342
Variation	5,195
Variation %	+10.7%

Operating revenues	2019	%	2018	%
- Graphic products	35,411	66.7	31,482	65.9
- Web agency services	-		725	1.5
- Commercial area	17,649	33.3	15,600	32.6
Revenues on sales and performance	53,060	100.0	47,807	100.0
- Other revenues and proceeds	406		282	
- Regional contribution	71		253	
Other revenues and proceeds	477		535	
Total revenues and operative proceeds	53,537		48,342	

In compliance with the transparency and disclosure requirements envisaged pursuant to Law no. 124 of 4 August 2017 art. 1 paragraphs 125-129, the following is specified:

Operating grants consist of R&D Law 232/2016 grants accounted for in the 2019 financial year for 34 K / Euro which will be used in the manner envisaged to compensate other taxes during the 2020 financial year.

A similar contribution charged to the income statement for 232 K / Euro in the 2018 financial year was entirely used in compensation for other taxes during the 2019 financial year.

In addition, Sabatini Law grants of 37 K / Euro (referring to a total contribution of 186 K / Euro) commensurate with interest on a loan of 1,840 K / Euro relating to an investment were also recorded. The same are still to be collected by the Ministry of Economic Development.

OPERATING COSTS

Accounting year 2019	50,751
Accounting year 2018	46,457
Variation	4,294
Variation %	+9.2%

19. Purchases and changes in inventories

Materials and change in inventories	2019	2018
Acquisitions of raw materials, consumable stock and goods	32,480	29,094
Change in inventories	462	(331)
Change in raw materials	(462)	138
	32,480	28,901
Sales incidence	61.2%	60.5%

The higher incidence of consumption on sales is essentially related to a diversification of the production typologies and the related commercial strategies which have had an impact on sales prices.

20. Services

Services	2019	2018
Outsourcing production	2,868	2,880
Motive power	329	233
Transports	1,875	1,591
Postal charges and services	1,512	1,406
Sales commissions	3,235	3,515
Consultant fees	497	591
Other costs	949	849
Total	11,265	11,065
Sales incidence	21.2%	23.1%

21. Personnel costs

Personnel costs	2019	2018
Wages and salaries	3,423	3,314
Social security costs	1,077	1,024
Provision for severance indemnity	239	238
Other costs	70	25
Total	4,809	4,601
Variation %	+4.5%	
Sales incidence	9.1%	9.6%

Personnel costs include social security contributions, the cost of unused holidays, the thirteenth month and the provisions provided for by the Law and Collective Agreements.
The change in the overall labor cost is the effect of the Group's reorganization policies.

Employment data	31/12/19	Media	31/12/18	Media
Staff	4	4	4	4
Managers	65	68	72	72
Employees	38	38	38	37
Total	107	110	114	113

22. Costs for capitalized internal works

Costs for capitalized in-house work	2019	2018
(to deduce)	0	(463)
Total	0	(463)

23. Other net operating costs and income

Other net operating costs (revenues)	2019	2018
Passive rents and rentals	28	328
Vehicle management	309	303
Managers' fees	1,409	1,391
Statutory auditors' fees	39	38
Contingent revenues (non-recurring)	(101)	(130)
Contingent expenses (non-recurring)	142	40
Loss on non-recurrent credits (non-recurring)	-	-
Other provisions	59	89
Other generic expenses	312	294
Total Other NET operating costs (revenues)	2,197	2,353

(*) = Since the year 2019 against the application of IFRS 16, the leases that meet certain temporal and / or significance requirements have been retracted among the activities for rights of use, debts, amortization and interest expense.

The directors' fees recorded in the financial statements relate only to the fixed component of the remuneration. As regards the variable component, please refer to what is more detailed in the "Report on corporate governance and ownership structures" available on the company's website www.psf.it / Investor Relations / Corporate Governance / Reports at the following address:

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

24. Depreciation, realizations and value adjustments

Depreciation, value adjustments and realized	2019	2018
Depreciation of tangible assets (-)	(1,365)	(922)
Amortization of right of use on tangible assets (-)	(272)	-
Amortisation of intangible assets (-)	(259)	(280)
Write-downs/write backs of non-current assets	-	-
Total	(1,896)	(1,202)

For further considerations, please refer to what is reported in the schedules on changes in fixed assets

25. Financial income and expenses

Financial income	2019	2018
Bank interests receivable	1	1
Other financial income	7	11
Exchange gain	-	-
Total	8	12
Financial expenses	2019	2018
Bank interests payable	(7)	(8)
Interests on medium long term loans	(119)	(103)
Interests on financial leasing.	(38)	(32)
Interests expensive on operating leases (IFRS 16)	(10)	
Other financial charges	(3)	(1)
Losses gain		-
Total	(177)	(144)
NET FINANCIAL INCOME AND EXPENSES	(169)	(132)

The impact of the net financial components is not very significant compared to the overall economic data of the financial statements. The modest changes on the individual components are related to the opening of loans against the huge investments made and include from 2019 the effect deriving from the application of IFRS 16.

Taxes	2019	2018
IRES	(98)	(125)
IRAP	(120)	(110)
Deferred taxes reversal included	(7)	125
NET Total	(225)	(110)

OTHER INFORMATION

Compensation to directors and auditors

Based on the provisions of art. 123-ter of the Consolidated Finance Act, information relating to the company's policy on the remuneration of the members of the administrative bodies, general managers and executives with strategic responsibilities, the procedures used for the adoption and implementation of this policy as well as the remuneration of the aforementioned subjects and of the members of the control body and general managers have been included in a separate report (Remuneration Report) always approved by the Board of Directors.

The document is also available on the company website www.psf.it / Investor Relations / Corporate Governance / Reports at the following address:

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

**INFORMATION PURSUANT TO ART. 149-DUODECIES
OF THE CONSOB ISSUER REGULATION**

This prospectus prepared pursuant to art. 149-duodecies of the Consob Regulation on Issuers highlights the fees charged in the year 2019 for auditing services and for those other than auditing rendered by the auditing companies overall on the Group companies, taking into account the renewal of the assignment to another company during the 'exercise.

(euro/000)	Fees
Auditing	41
Other services	2
Total	43

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

At the date of this report there are no further events that could have a significant impact in the evaluation of the financial statement data.

**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 Maurizia Frigoli, 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 6, 2020

The account manager responsible for
the accounting documents
Mrs. Maurizia Frigoli

.....

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 (also "Poligrafica S. Faustino Group"), which comprise the balance sheet as at December 31, 2019, 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 Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of art. 9 del D. Lgs. 28 February 2005, n. 38.

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 of Linkonline srl</p> <p>Goodwill of Linkonline srl as of December 31, 2019 amounts to 691 thousand euro, equal to the 1,6% of the total assets in the consolidated financial statements.</p> <p>The Directors evaluate at least annually the presence of any impairment of goodwill subjecting it to the Impairment Test.</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>Impairment test on goodwill has been carried out by management with the support of an external appraiser asked to compare the book value of Goodwill with the estimated recoverable value determined on their capability of generating future cash flows, net of the net financial position (“Equity value”).</p> <p>Company’s notes to the consolidated financial statements as of December 31, 2019 describes the Impairment test on Goodwill in the paragraph “Intangible assets”.</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>Deferred tax assets as of December 31, 2019 amounts to 1.316 thousand euro, equal to the 3% 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>Company’s notes to the consolidated financial statements as of December 31, 2019 describes the recoverability assumptions on the deferred tax assets in the paragraph “Deferred tax assets”.</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; • 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 mathematical accuracy of the model used by the Directors;

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, 2019, 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, 2019 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, 2019 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 26, 2020

Fidital Revisione Srl

Signed by
Gianluca Pirola
(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 Euro € 6,161,592.12
REA Brescia 250377
Fiscal Code and Brescia Firms' Register 01251520175
VAT Number 00614280980

**REPORT OF THE BOARD OF AUDITORS AT CONSOLIDATED
FINANCIAL STATEMENTS – ACCOUNTING YEAR 2019**

Dear Shareholders,

the Consolidated Financial Statements of Poligrafica S. Faustino Group as at December 31, 2019 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.

Our examination which was carried out according to the principles of behavior of the College set out by the National Council of Chartered Accountants and Accounting Experts and, in accordance with the laws governing the Consolidated Financial Statements, interpreted and integrated by the correct accounting principles set out by the National Council of Chartered Accountants and Accounting Experts as well as the international accounting standards IAS / IFRS in accordance with the legislative provision in execution of European Union Regulation no. 1606 of July 18, 2002 and, again, according to the news of Legislative Decree No. 139 of August 18, 2015, containing changes in the financial statements and consolidated financial statements in implementation of Directive 2013/34 /. The report prepared by the Administrative Body on management fully and adequately provides information on management and any consideration on the assets, financial and economic aspects. In addition, intangible assets have been entered under assets according to the guidelines of the I.A.S. 38; the report contains a description of the Group's research and development activities, significant events which occurred after the closure of the financial statements for 2019, as well as some reflections on the possible evolution of management for the year 2020, also in consideration of the current health situation dictated by the Coronavirus epidemic.

The Financial Statements and the Income Statement have been confronted with the Consolidated Balance sheet of 2018 that has been remade according to the same IFRS principles for homogeneity of criteria and values.

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

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, 2019 and approved by their company organs.

The balance entries are represented with the indication and motivation, for the most significant quantitative variations of the consolidated Balance for the 2018 accounting year.

It should be noted that no complaints were received, pursuant to art. 2408 of the Italian Civil Code, neither in the parent company nor in the subsidiaries or associated companies.

The principles adopted for the consolidation of the financial statements for the year ended 31.12.2019 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 2019 accounting year.

Brescia, March 13, 2020

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 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, 2019*

INDEX

Management report

Budget formats

Net financial position detail

Notes to the Separate Financial Statements at 31.12.2019

Certification pursuant to art. 81-ter of CONSOB regulation no. 11971/99

MANAGEMENT REPORT

MARKET EVOLUTION AND NEW STRATEGIC ORIENTATIONS

COMPANY PERFORMANCE

NET SALES (Million Euro)	2019	2018	Variation
Sales	10,397	9,597	800
(abroad)	(617)	(533)	(84)

It should be remembered that since 2016, the subsidiary Sanfaustino Label S.r.l. the management of the label sector. The above data therefore refer to promotional and advertising productions on order. The overall data of the entire production sector are better assessable in the consolidated financial statements which show the sectoral data compared for the entire sector.

Below are the summary results of the financial statements of Poligrafica S. Faustino S.p.A. at December 31, 2019, compared with the data of the previous year:

Poligrafica S. Faustino S.p.A.	31/12/19	%	31/12/18	%
INCOME STATEMENT (million Euro)				
Sales	10,39	100.0%	9,60	100.0%
Other operating income and revenues	1,34	12.9%	1,25	13.0%
Total operating revenues and income	11,73	112.9%	10,85	113.0%
Materials and change in inventory	(4,88)	(47.0%)	(4,18)	(43.5%)
Services	(4,42)	(42.5%)	(4,30)	(44.8%)
Payroll costs	(0,63)	(6.1%)	(0,68)	(7.1%)
Other net operating costs (revenues)	(1,19)	(11.4%)	(1,20)	(12.5%)
Total operating costs	(11,12)	(107.0%)	(10,36)	(107.9%)
EBITDA	0,61	5.9%	0,49	5.1%
Depreciation and amortization	(0,46)	(4.4%)	(0,36)	(3.7%)
EBIT	0,15	1.5%	0,13	1.4%
Financial net income (cost)	(0,02)	(0.2%)	(0,02)	(0.3%)
Income before tax	0,13	1.3%	0,11	1.1%
Income taxes	(0,06)	(0.6%)	(0,06)	(0.6%)
Net result for the period	0,07	0.7%	0,05	0.5%

INVESTMENTS

Investments for the year totalling € 0.17 million related to modest work on plants, machinery for € 0.03 million, other assets for € 0.06 million, together with the implementation of application and management software (for 0.08 million euros). At the same time, assets were disposed of for an absolutely insignificant amount since they were largely scrapped.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2019, the research and development activity focused on the development of projects related to the paper converting and direct marketing area.

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

SAFETY, ENVIRONMENT, QUALITY

By means of the Safety Management System (SGS), a tool has been adopted which aims to:

- Maintain awareness of the consistency of the Company's mission with the principles of Occupational Health and Safety Policy;
- Establish objectives consistent with the aforementioned policy;
- Ensure the availability of adequate resources to implement the Policy.

All employees, especially managers, middle managers and supervisors for the areas of their competence, have the task of supervising and periodically ascertaining that the principles indicated above are respected.

From a dynamic point of view of the system, these objectives are constantly evolving, and the commitment of the Board of Directors is to continuously improve the health and safety of workers in the workplace, in full compliance with the laws.

On 26.08.2014 the company obtained the certification of the worker safety management system based on the OHSAS 18001: 2007 standard. On 25.08.2017 the certification was renewed for a further three years.

As part of a sustainable development policy, environmental protection is an objective of primary and constant importance for society, which is committed to its continuous improvement in all its activities.

The main corporate functions, based on the guidelines of the Board of Directors, are directly involved in the implementation of these commitments and in the definition of the measurable objectives that allow the periodic verification of the Policy by all the stakeholders, as well as the adequacy verification of the resources assigned to them.

With this in mind, on 17.06.2011 the FSC certification was obtained (it is the inspection process conducted in forests or forest plantations to evaluate how they are managed with respect to a certain set of principles and criteria of good management) issued by the Forest Steward Council, a non-profit, non-governmental organization aimed at safeguarding and improving the environment and forest resources in the world. This certification was renewed on 17.06.2016 for a further five-year period.

Furthermore, on 27.01.2014, the certification of the Environmental Management System was obtained according to the UNI EN ISO 14001 standard. On 10.09.2018, the certification was renewed until 26.01.2020 and subsequently until 26.01.2023.

Through the Quality Management System (QMS) - certified since 2000 - an increasingly high standard of efficiency is offered to meet the needs and expectations of customers, through a path of continuous improvement, in full compliance with current regulations.

On 26.03.2018 the QMS certification was renewed until 26.03.2021 according to the reference standard UNI EN ISO 9001, released on 01.03.2000.

A system has been conceived which, through the standardization of business processes and their constant monitoring, represents an undeniable added value that enhances the organization and its resources.

PERSONNEL

The table below shows the division of Poligrafica S. Faustino S.p.A. staff. on the closing date of the year:

	31/12/19	31/12/18
Managers	1	1
Clerical employees	22	26
Manual workers	3	4
Total	26	31

NET FINANCIAL POSITION

Euro/mln	2019	2018
Cash and banks	1,93	0,95
Short term bank and leasing loans	(1,15)	(1,17)
Total A)	0,78	(0,22)
Medium-long term bank and leasing loans	(1,07)	(1,43)
Total B)	(1,07)	(1,43)
Net financial position (A+B)	(0,29)	(1,65)

The following table reports the analysis of the equity and financial structure

POLIGRAFICA S. FAUSTINO S.p.A.	31-Dec-19	31-Dec-18	Variat.
	Euro/mln	Euro/mln	Euro/mln
A) Shareholders' equity of the year			
Trade receivables	5,10	5,58	
Inventories	0,23	0,44	
Other current receivables	0,26	0,39	
Trade payables	(3,70)	(3,63)	
Other payables	(0,54)	(0,52)	
A) Total shareholders' equity	1,35	2,26	
B) Net fixed assets			
Intangible assets	0,22	0,23	
Tangible fixed assets	4,01	3,99	
Financial fixed assets	1,15	1,54	
Non- current receivable	1,39	1,33	
B) Total fixed assets	6,77	7,09	
C) Funds medium/long term and non-financial liabilities	0,49	0,48	
D) Invested capital (A+B-C)	7,63	8,87	
Covered by:			
E) Net financial indebtedness			
Financial debts in short run	1,15	1,17	
Availability and financial loan in short run	(1,93)	(0,95)	
Financial debts in medium/long run	1,07	1,43	
E) Total borrowing (liquidity)	0,29	1,65	
F) Owners' equity			
Share capital	6,16	6,16	
Reserves	1,18	1,06	
F) Total own resources	7,34	7,22	
G) Total coverage (E+F)	7,63	8,87	

MANAGING OF THE FINANCIAL RISKS

The Company operates in a graphic-advertising sector exclusively on order and, given the particular production typology, must therefore adapt production and supply policies to the specific requests of customers. The strong competition and the substantial lack of products with standardized price lists impose price policies often conditioned by the promotional-advertising budget made available by customers.

In addition to managing the relationship with the various and numerous credit institutions, the financial department also deals with the analysis of the various risks by promoting indications on credit risk, and in particular whenever there are contacts with new customers.

The exchange rate risk, given the absolute irrelevance of the transactions (active and passive) outside the Euro area, is practically zero. The raw materials supply market, however denominated in Euro, is not substantially affected by any indirect effects linked to the dollar.

As far as credit risk is concerned, above all in view of the considerable fragmentation of transactions and customers, it is to be considered limited in any case. In this regard, it should be considered that the average unit amount of the transactions is rather modest, and the analysis of the past and due credit positions is delegated to a central function on a fortnightly basis.

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

Therefore, the current financial structure, characterized by a relative indebtedness in relation to the capitalization, together with the existence of significant real estate values not burdened by constraints or mortgages, constitute objective solidity indicators that allow to guarantee adequate credit lines.

In relation to interest rate risk: the same originates from short and long-term financial payables negotiated at a variable rate. Hedging derivative instruments have been activated on some loans taken out in recent years, which to date have not had significant financial impacts.

OWN SHARES

During the year, the Company did not carry out transactions on treasury shares which therefore remain unchanged and no. 15,819 treasury shares (corresponding to 1.4% of the total of 1,123,483 shares making up the share capital) for a value of 96,285 euros at an average price of 6.087 euros.

In implementation of the treasury share purchase program authorized by the Shareholders' Meeting held on April 18, 2019 Poligrafica S. Faustino S.p.A. at the beginning of 2020 it made further treasury share purchase transactions. In particular, on March 5, 2020 Poligrafica S. Faustino S.p.A. holds n. 23,973 treasury shares, equal to 2.134%, or n. 8,154 more shares than at the end of the previous year.

RELATIONS WITH GROUP COMPANIES AND RELATED PARTIES

The incidence on the balance sheet and income statement items of transactions with related parties is shown below, with the exception of the fees to Directors, Statutory Auditors and executives with strategic responsibilities which are shown in the Remuneration Report.

The Poligrafica S. Faustino Group is characterized by significant production and commercial integrations in the field of graphic designs.

In particular Poligrafica S. Faustino S.p.A. (Parent Company) has made the following transactions with other Group companies:

Sanfaustino Label S.r.l.: sales for 9 thousand euros, charge of services and miscellaneous expenses for 915 thousand euros. Charges for services and purchases were received from Sanfaustino Label for a total of € 176 thousand.

Linkonline S.r.l.: sales for 3 thousand euros and charge-back of services and miscellaneous expenses for 246 thousand euros; various purchases for 11 thousand euros and various charges for 10 thousand euros.

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

In particular, the following transactions were carried out under normal market conditions during the 2019 financial year:

	Euro/000	Incidence %
Rewards of various services	4	Not significant
Various sales	3	Not significant
Receivables from NIKA 31/12/2019	6	Not significant

Altre transazioni minori con parti correlate sono le seguenti:

	Euro/000	Incidence %
Receivables	3	Not significant
Debts	-	Not significant
Other receivables	7	Not significant

The aforementioned relationships have been maintained market conditions with the companies Tonki Srl and Agora 35 Srl.

Furthermore, the Company has used a property owned by F&F S.r.l. until December 2019. with a rental cost of approximately 30 K / Euro retracted from the beginning of the year as a right of use in application of IFRS 16. In the face of an early withdrawal from this rental, the property itself was purchased by the subsidiary Sanfaustino Label Srl for a value of 400 K / Euro. Payables due to F&F at 31 December 2019 for 2 K / euro.

SHAREHOLDINGS HELD BY DIRECTORS, STATUTORY AUDITORS, GENERAL DIRECTORS AND THEIR SPOUSES NOT LEGALLY SEPARATE AND CHILDREN

The information relating to the investments held by directors, auditors, general managers and their spouses not legally separated and minor children, has been included in the report prepared pursuant to art. 123-ter of the Consolidated Finance Act (Remuneration Report) always approved by the Board of Directors.

The aforementioned document is also available on the company website www.psf.it / Investor Relations / Corporate Governance / Reports at the following address:
http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=79

FURTHER INFORMATION ON OWNERSHIP STRUCTURE

Based on the provisions of art. 123-bis, paragraph 3, of the Consolidated Finance Act, the information referred to in paragraphs 1 and 2 of the aforementioned article has been included in a report separate from the management report (Report on corporate governance and ownership structures) always approved by the Board of Administration.

The aforementioned document is also available on the company website www.psf.it / Investor Relations / Corporate Governance / reports at the following address:
http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=79

LOCATIONS

The Company has not established secondary offices.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

At the date of this report there are no further events that could have a significant impact in the evaluation of the financial statement data.

FORESEEABLE EVOLUTION

The commercial action of Poligrafica S. Faustino S.p.A. will continue as a "Global Printing Company" that is, a player who, thanks to a team of product specialists and a robust production network, represents the ideal partner for companies to entrust with the procurement and management processes of printable communication materials, consumables and of communication in general.

A specific commitment to develop and promote multi-channel projects will continue, also in 2020.

Pending further information on the possible economic consequences deriving from the recent global health problems (COVID19), to date no direct effects on our activities have yet been identified and it is not foreseeable to quantify or evaluate their effects, trusting that any indirect effects will not generate significant impacts on the Group's equity and financial position.

The management proceeded to carry out assessments on any impacts deriving from the current crisis, reflecting these assessments on the forecast economic situations (business plan for the next 5 years).

From these analyzes, no critical issues emerged that could lead to the presumption of particular difficulties for the company to pursue its objectives and its mission with continuity.

The company has implemented risk mitigation actions to protect employees who have concerned the increase in health and hygiene procedures, also promoting, where possible, the functioning of agile and remote work and to date it is reported that no employee is infected. Therefore, to date, no significant interruption has been recorded neither in the production activity nor in the activities related to the supply chain.

Management will constantly monitor and evaluate the situation.

PROPOSAL FOR THE DESTINATION OF THE OPERATING RESULT

The Board proposes to allocate the operating profit of € 64,576 for 5% to the legal reserve and the remainder to be carried forward.

For the Board of Directors
President
Alberto Frigoli

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

**According to international accounting standards
(I.A.S./I.F.R.S)**

BUDGET SCHEMES

STATEMENT OF THE BALANCE SHEET - FINANCIAL

Euro (unit)	Note	31/12/19	31/12/18
ASSETS			
NON CURRENT ASSETS			
Tangible fixed assets (included right of use IFRS 16)	1	4,011,662	3,989,297
Intangible assets	2	216,280	233,424
Equity investments	3	1,145,618	1,536,004
Non-current receivables	3	363,455	197,454
Deferred tax assets (prepaid taxes)	3	1,033,548	1,130,733
Total non-current assets		6,770,563	7,086,912
CURRENT ASSETS			
Inventories	4	230,305	439,124
Trade receivables	5	3,091,756	2,897,788
Receivables from subsidiaries	5	2,014,595	2,685,166
Tax receivables	6	15,603	33,369
Other current receivables	7	245,427	351,366
Current financial assets			0
Cash and cash equivalents	8	1,934,331	945,400
Total current assets		7,532,017	7,352,213
TOTAL ASSETS		14,302,580	14,439,125
NET EQUITY AND LIABILITIES			
NET EQUITY			
Share capital	9	6,161,592	6,161,592
Own shares (-)	9	-96,285	-96,285
Reserves	9	441,944	441,944
Retained earnings and net result for the period	9	837,212	710,304
Total Net equity		7,344,463	7,217,555
NON-CURRENT LIABILITIES			
Loans (medium/long term)	10	1,073,131	1,431,348
Employee severance indemnity and retirement reserves	11	382,135	363,472
Risks' fund		0	0
Deferred tax liabilities	12	108,080	112,651
Other non-current liabilities		0	0
Total non-current liabilities		1,563,346	1,907,471
CURRENT LIABILITIES			
Loans (short term)	10-13	1,151,047	1,168,844
Trade payables	14	3,616,493	3,552,212
Payables to subsidiaries	14	80,959	74,951
Tax payables	15	106,441	87,302
Other payables	16	439,831	430,790
Total current liabilities		5,394,771	5,314,099
TOTAL NET EQUITY AND LIABILITIES		14,302,580	14,439,125

STATEMENT OF COMPREHENSIVE INCOME STATEMENT

Euro (unit)	Note	31/12/19	31/12/18
OPERATING REVENUES			
Sales	17	10,396,711	9,596,414
Other operating income and revenues	18	1,337,607	1,248,109
Total operating revenues and income		11,734,318	10,844,523
OPERATING COSTS			
Materials	19	(4,671,516)	(4,280,828)
Change in inventory	19	(209,542)	104,316
Services	20	(4,418,489)	(4,302,291)
Payroll costs	21	(1,192,870)	(1,202,994)
(less) Costs for capitalized in-house work		0	0
Other net operating costs (revenues)	22	(633,744)	(674,384)
Total operating costs		(11,126,161)	(10,356,181)
EBITDA		608,157	488,342
Depreciation and amortization (-)	23	(459,854)	(356,579)
Capital gains (losses) on disposal of non-current assets			
Write-downs/write backs of non-current assets			
Other provisions			-
EBIT		148,303	131,763
Financial income	24	7,373	11,383
Financial expenses	24	(27,553)	(33,288)
BEFORE TAX RESULT		128,123	109,858
Income taxes	25	(63,547)	(60,630)
Net result for the period		64,576	49,228
Profits referred to net equity	9	359	-
Costs referred to net equity	9	-	(5,044)
Profit (Loss) global		64,935	44,184

The other costs and / or income charged directly to equity, without passing through the income statement, in application of IAS 39, refer to the fair value adjustment of derivative financial instruments of the IRS type of hedging on two variable rate loans.

**CASH FLOW STATEMENT
(indirect method)**

	2019	2018
A. Cash flows from operating activities		
Profit (loss) of the accounting year	64,576	49,228
Taxes	63,547	60,630
interest expense / (interest income)	20,180	21,905
(Gains)/ losses on the disposal of assets	94,779	(61,986)
1. Profit (loss) before income taxes, interest, dividends and capital gains / losses on disposal	243,082	69,777
Allocations to provisions	26,031	29,622
Merger funds increase	3,925	
Amortisation of intangible assets (all)	459,854	356,579
Other	1,663	
Adjustments for non-cash items that had no counterpart in the NWC	491,473	386,201
2. Cash flow before changes in NWC	734,555	455,978
Decrease / (increase) in inventories	208,819	(104,317)
Decrease / (increase) in trade receivables and to the Group	476,603	433,845
Increase / (decrease) in trade payables and to the Group	70,289	(198,557)
Other changes in net working capital	42,676	377,896
Variation of NWC	798,387	508,867
3. Cash flow after variation of NWC	1,532,942	964,845
Interest received / (paid)	(20,180)	(20,651)
(taxes paid)	(27,724)	(44,784)
Use of funds	(11,293)	(42,902)
Other adjustments	(59,197)	(108,337)
Cash flow of income management (A)	1,473,745	856,508
B. Cash flow of investments		
Property, plant and equipment (Investments)	(559,739)	(373,987)
Price of disinvestments	175,779	65,719
Intangible asset (Investments)	(78,895)	(69,532)
Shareholding and other non-current payables (Investments)	(7)	-
Price of disinvestments		2,781
Cash flow from investing activities (B)	(462,862)	(375,019)
C. Cash flow from financing		
Increase in short-term borrowings from banks	(5,016)	36,866
Turning funding	969,949	500,000
repayment of loans	(1,340,947)	(1,566,157)
Third's means	(376,014)	(1,029,291)
Sale (purchase) of owns shares and other variation	62,333	(101,329)
Equity	62,333	(101,329)
Net cash flow from financing activities (C)	(313,681)	(1,130,620)
Increase (decrease) in cash (a ± b ± c)	697,202	(649,131)
Cash and cash equivalents at beginning of the year	1,237,129	1,594,531
Cash and cash equivalents at the end of the year	1,934,331	945,400

STATEMENT OF CHANGES IN SHAREHOLDERS 'EQUITY

Euro (unit)

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

NET EQUITY	31/12/2018	Destination result	Other movements	Result of accounting year	31/12/2019
Capital Stock	6,161,592				6,161,592
Own shares (-)	(96,285)				(96,285)
Own share reserve	96,285				96,285
Reserve shares premium	102,619				102,619
Revaluation reserve	241,206				241,206
Legal reserve	224,764	2,462			227,226
Merger reserve			61,973		61,973
Altre Riserve	438,146	46,766	359		485,271
Utile (perdita) periodo	49,228	(49,228)		64,576	64,576
TOTAL	7,217,555	0	62,332	64,576	7,344,463

The merger reserve includes the effects of the merger by incorporation of PSFInteractive completed on 6 November 2019.

NET FINANCIAL POSITION DETAIL

NET FINANCIAL POSITION

Euro (unit)

	31 Dec 19	31 Dec 18
LIQUIDITY AVAILABLE	1,934,331	945,400
DEBTS TOWARDS BANKS (SHORT TERM)	(1,068,447)	(1,168,844)
DEBTS TOWARDS OTHERS (SHORT TERM)	-	-
DEBTS FOR RIGHT OF USE (SHORT TERM)	(82,600)	-
TOTAL POSITION AT SHORT TERM (A)	783,284	(223,444)
DEBTS TOWARDS BANKS BEYOND THE SHORT TERM.	(958,010)	(1,431,348)
DEBTS TOWARDS OTHERS BEYOND THE SHORT TERM.	-	-
DEBTS FOR RIGHT OF USE BEYOND THE SHORT TERM	(115,121)	-
TOTAL POSITION AT MEDIUM/LONG TERM (B)	(1,073,131)	(1,431,348)
NET FINANCIAL POSITION (A+B)	(289,847)	(1,654,792)

In 2019, a new loan was opened with credit institutions for a total of 500 / K euro lasting 60 months. During the 2019 financial year, no new financial lease agreement was entered into nor are any further commitments already entered into in this regard.

The debt for rights of use, in application since 1 January 2019 on the basis of IFRS 16, regards numerous rental contracts (vehicles and equipment). Net of the effects deriving from the application of this new accounting standard, the net financial position compared with the end of the previous year would show a further improvement variation.

There are no. 2 interest rate hedging derivative contracts valid up to the expiry date of the disbursement for a total amount of original 2.5 million euros. The fair value effects of these derivatives were absolutely irrelevant and were included in the shareholders' equity reserves at 31/12/2019.

For further financial dynamics, please refer to the results on the cash flow statement.

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31.12.2019

ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA

The 2019 financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB). The reference to IFRS also includes all the existing International Accounting Standards (IAS). It is compared with data from the previous year drawn up in homogeneity of criteria. It consists of the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in shareholders' equity and commentary notes. The Parent Company's financial statements, similarly, to what has already been done for the consolidated financial statements, have been prepared on the basis of the historical cost principle except for some revaluations of tangible fixed assets in previous years.

Accounting schemes

The statement of financial position reports the essential content dictated by international accounting standards and is based on the distinction between current and non-current assets and liabilities, according to their aptitude for realization within, or more than 12 months from the reference date.

The statement of comprehensive income is presented on the basis of a structure by nature of costs.

The statement of financial position does not include items representative of the values relating to the assets held for sale and the assets and liabilities included in disposal groups held for sale as such cases do not exist.

As of 1.1.2019, the new IFRS 16 "Leasing" standard has been applied, replacing the previous IAS 17. For the company, the application of this principle has had effects on the different exposure and measurement with particular regard to operating leases and passive leases. Below is a table that summarizes the effects on the balance sheet and income statement. In particular, in the face of the application of the modified retrospective approach, no effects were generated on the equity as of 01/01/2019 as ROU = Debt; at an economic level, without prejudice to the different classification between the accounts (depreciation and interest, rather than leases) the resulting differential effect is irrelevant (about 10 K / euro gross of the tax effect).

Effects deriving from the application of IFRS 16 with the modified retrospective approach

Patrimonial effects	01/01/2019
<i>Euro (unit)</i>	
Rights of use on property (*)	198,547
Rights of use on vehicles	11,987
Rights of use on plants	136,950
Debts on right of use	(347,484)
Net effect at 01/01/2019	0

(*) = early terminated on 17 December 2019.

Economic effect on 2019 accounting year	2019
<i>Euro (unit)</i>	
Location elimination	100.935
	EBITDA
	+100.935
Amortizations	(104.797)
	EBIT
	(3.862)
Financial expenses	(6.028)
	Effect before taxes
	(9.890)

Poligrafica S. Faustino – Separate Financial Statement as at December 31, 2019

On November 6, 2019, with the completion of the merger by incorporation of PSFInteractive S.r.l. the following balance sheet and income statement effects (IAS / IFRS) have been implemented in the Parent Company:

ASSETS	06/11/2019
<i>Euro (unit)</i>	
Tangible assets	80
Goodwill	395,000
Partecipations	6
Client	66,514
Taxes receivables	37,256
Reveivables from others	639
Cash and bank	291,729

LIABILITIES	06/11/2019
<i>Euro (unit)</i>	
Pension fund	3,925
Deferred tax fund (on goowill)	124,030
Suppliers	53,563
Passive banks	687
Tax payables	3,006
Other short-term debts	1,600

Furthermore, due to the cancellation of the equity investment, an amount recognized in the merger reserve of 61,973 euros equal to the difference between the equity investment recorded for 390,392 euros and the shareholders' equity (IAS / IFRS) of the subsidiary at 01/01/2019 equal to 452,365.

The following economic data were therefore aggregated on the basis of the accounting situation on the date indicated above:

ECONOMICS DATA	06/11/2019
<i>Euro (unit)</i>	
Sales	381,830
Purchases	(184,746)
Inventories	(722)
Services	(38,116)
Personnel costs	(19,040)
Different net income and (charges) different	12,844
Net financial expenses	(2)
Economic effects	152,048

The following are the accounting principles and evaluation criteria applied in the preparation of the data:

Property, plant and machinery

They are recorded at the cost incurred or at the revalued cost (deemed cost) net of depreciation (except for land that is not depreciated). The cost incurred corresponds to the purchase or manufacturing cost, including directly attributable costs and indirect costs inherent in internal production. The cost of the buildings includes a revaluation carried out in accordance with the law and in any case does not exceed the market value

The depreciation rates are determined with reference to the economic-technical criterion and are calculated on a straight-line basis on the basis of the residual possibility of use of the assets, periodically checked to take account of their technical-economic degradation.

The estimated useful life in years is 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

Rights of use

The rights of use activities (IFRS16) that concern leases on tangible assets are depreciated based on the duration of the expected lease.

Leased goods

Tangible fixed assets include fixed assets acquired through financial leasing, as well as incremental costs, internal and / or external, incurred for the same, at the purchase value decreased by the depreciation allowances calculated on the basis of the same criteria followed for fixed assets. The residual portions of debt payable to leasing entities are therefore recognized among short-term and medium / long-term financial liabilities, while the financial charges for the period are charged to the income statement.

Intangible assets

Intangible assets acquired or produced internally are recorded under assets (based on IAS 38) on the basis of a cost determined in a reliable manner if a generation of future economic benefits is expected from their use. In particular, intangible assets include management software costs and the development costs of new products / services. Purchase and / or production costs are amortized on a straight-line basis over their estimated useful life, starting from the actual moment of their use and taking into account the related benefits.

Impairment losses

With reference to tangible fixed assets and intangible assets on an annual basis, the existence of indications of impairment is verified; if these factors are present, on the basis of the recoverable value, the loss of value recognized in the income statement in the year of determination is determined.

Financial fixed assets

Equity investments in subsidiaries are recognized at purchase cost, adjusted if necessary to take account of lasting losses. The original cost is reinstated in subsequent years, with recognition in the income statement, if the reasons for the write-downs cease to exist.

Fixed assets are valued on the basis of their presumed realization value.

Inventories

Inventories of raw materials are entered at the lower of the value inferable from the market trend and the weighted average purchase cost. Work in progress and finished products, totally on order, are valued at the lower of the cost and the current value of the fees due for the completion percentages.

Credits

Receivables are entered at their presumed realization value.

Current financial assets

Any financial assets which do not constitute fixed assets and which are intended for trading are recorded at fair value with the recognition of the economic effects among financial income or charges.

Own shares

The treasury shares held by the company at the end of the year are entered at the purchase cost. As required by the international reference standards, the overall cost of treasury shares is recorded as a decrease among shareholders' equity items.

Provisions for risks and charges

The provisions for risks and charges are only intended to cover losses or debts of a specific nature, of certain or probable existence, of which, at the end of the period, the amount or duration of occurrence is undetermined. Appropriations are made only when a legal or implicit obligation exists and an amount estimated reliably can be determined.

Employee severance indemnity (employee benefits)

Employee severance indemnities based on the laws and employment contracts applicable to individual companies cover the amounts due and the reserves relating to the employments accrued at the end of the period, in favor of the employees, net of any advances paid. In light of the regulatory changes imposed by the 2007 budget, a total devolution of the portions accrued during the year is envisaged, depending on the choices made by the employees, in favor of the supplementary pension or in favor of the INPS Treasury. As a result of this operation, except for the annual revaluation quota, the severance indemnity provision is destined to gradually decrease following resignations and / or advances paid.

The application of the actuarial method envisaged by IAS 19, already previously assessed to an insignificant extent, is becoming less and less important in relation to the dynamics described above.

Debts

Payables are recorded at face value.

Loans

Loans are valued at cost net of acquisition related charges. This value is subsequently adjusted to take into account any difference between the initial cost and the refund value.

Revenue recognition

Revenues and income are recognized in the income statement if it is probable that economic benefits will flow to the Company and the related amount can be reliably determined.

In particular, revenues from the sale of the products are recognized when the transfer of the risks and benefits associated with ownership of the goods held by the buyer has occurred.

Income taxes

The allocation for the tax debt is determined on the basis of an analytical calculation of the charge payable for the year, according to current tax legislation. Furthermore, in the case of significant

time differences between the recognition of costs and revenues in the income statement (according to an accrual criterion) and the moment of their deductibility / taxability for tax purposes, the relative deferred and / or anticipated tax impacts, including any benefit for reported losses. Finally, the effects, where applicable, of deferral and / or time advance on taxes resulting from the adjustments made for 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 estimates and assumptions both in the determination of some assets and liabilities and in the assessment of potential liabilities. The **consequent** results that will derive from the occurrence of the events could therefore differ from these estimates.

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

Financial instruments

The company only holds interest rate hedging derivatives for financial debt (IRS).

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

The accounting treatment adopted by the Company provides that the change in their fair value is recognized directly in equity, while any ineffective portion is recognized 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 related to those of the contracts that host them and the latter are not valued at fair value, with recognition of the related profits and losses in the income statement. .

The fair value of financial instruments listed 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 INDIVIDUAL ITEMS OF THE SEPARATE FINANCIAL STATEMENTS

All data are expressed in thousands of Euros, unless otherwise specified.

NON-CURRENT ACTIVITIES

1. Tangible assets and rights of use

Balance at 31/12/19	4,012
Balance at 31/12/18	3,989
Variation	23
Lands	
Historical Cost	1,047
Devaluation	0
Balance at 31/12/18	1,047
Increase	0
Disposals	0
Balance at 31/12/19	1,047
Building	
Cost (413/91 revaluation included for Euro 249 thousand)	6,408
Accumulated depreciation	(3,625)
Balance at 31/12/18	2,783
Increase	
Disposals	
Depreciation of the year	(192)
Balance at 31/12/19	2,591
Plants and machinery	
Historical Cost	7,010
Accumulated depreciation	(6,871)
Balance at 31/12/18	139
Increase	31
Net disposal	(190)
Used funds	189
Depreciation of the year	(53)
Balance at 31/12/19	116
Other fixtures, fittings, tools and equipment	
Historical cost	215
Accumulated depreciation	(215)
Balance at 31/12/18	0
Increase	-
Net disposal	(38)
Used funds	38
Depreciation of the year	-
Balance at 31/12/19	0

Other tangible assets	
Historical Cost	757
Accumulated depreciation	(737)
Balance at 31/12/18	20
Increase	58
<i>Increase from merger</i>	99
<i>Increase funds from merger</i>	(98)
Disposals	(273)
Use funds	271
Depreciation	(14)
Balance at 31/12/18	63

Right of use on proprieties	
Balance at 01/01/19	198
Increase	-
Early extinctions	(171)
Use funds	-
Amortizations	(27)
Balance at 31/12/19	0

Right of use on plants and machinery	
Balance at 01/01/19	137
Increase	28
Early extinctions	-
Use funds	-
Amortizations	(60)
Balance at 31/12/19	105

Right of use on other goods (vehicles)	
Balance at 01/01/19	12
Increase	95
Early extinctions	-
Use funds	-
Amortizations	(18)
Balance at 31/12/19	89

2. Intangible assets

Balance at 31/12/19	216
Balance at 31/12/18	233
Variations	(17)

Description	Value at 31/12/18	Increase	Amort.	Other variations	Value at 31/12/19
Development costs	230	73	(93)		210
Software	3	6	(3)		6
Goodwill formerly Psfinteractive		395		(395)	0
	233	474	(96)	(395)	216

The development costs include the costs incurred for the construction and implementation of the e-commerce IT platforms also used in the production management of the graphic supports.

It should be noted that with the merger by incorporation of the subsidiary PSFInteractive the amount of goodwill was recorded among intangible assets as resulting from the accounting situation (IAS) of the merged company. Subsequently, this goodwill was reset following the sale of the business unit related to it.

3. Equity investments and other non-current receivables

	31/12/19	31/12/18
Investment in subsidiary companies	1.143	1.533
Investment in other companies	3	3
Other non-current receivable	363	198
Deferred tax assets	1.034	1.131
	2.543	2.865

Investment in subsidiary companies	Value at 31/12/19	Value at 31/12/18	Net variations
Sanfaustino Label S.r.l.	20	20	-
Psfinteractive S.r.l.	-	390	(390)
Linkonline S.r.l.	1.123	1.123	-
	1.143	1.533	(390)

On 6 November 2019, the merger by incorporation of the subsidiary PSFInteractive, 100% owned, was completed with retroactive effect on 01/01/2019.

The corresponding IAS shareholders' equity at 31 December 2018 was recorded against the cancellation of the investment, which amounted to 452 K / Euro. From this entry, a positive differential of 62 K / Euro emerged, which flowed into a specific capital reserve.

KEY INFORMATION OF SUBSIDIARY COMPANIES:

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

Subsidiaries

Sanfaustino Label S.r.l. sole proprietorship

Registered office: Castrezzato (BS) Via Valenca, 15

Share capital: € 20,000

Net Equity at 12/31/2019: Euro 863,815 (IAS)

Net result for 2019: Euro +243.558 (IAS)

Direct ownership: 100%

Book value: € 20,000

Linkonline S.r.l. sole proprietorship

Registered office: Castrezzato (BS) Via Valenca, 15

Share capital: € 100,000

Net Equity at 12/31/2019: Euro 1,398,552 (IAS)

Net result for 2019: Euro +89.059 (IAS)

Direct ownership: 100%

Book value: 1,122,908 euros

During the year, no write-downs were made to the value of the equity investments against the results of the "impairment" analyses conducted by an independent expert.

At 31 December 2019, the "impairment" analysis was updated and conducted by an independent expert using the financial flows that can be inferred from the five-year economic-financial plans (2020-2024) approved by the Board of Directors of the subsidiary Linkonline S.r.l. on March 2, 2020 and based on reasonable and sustainable assumptions consistent with the best estimate available.

Taking into account the results achieved and foreseeable results on the subsidiary, the impairment test did not reveal any elements capable of configuring lasting losses in value.

Non-current credits

The other non-current receivables consist of guarantee deposits (€ 1 thousand), receivables for tax refunds from 2012 requests (€ 15 thousand) and medium / long-term receivables from third-party companies (€ 347 thousand) in relation to the sale of assets and other fixed assets with payment plans in instalments.

Credit for deferred tax assets

Descrizione	
Balance at 01.01.2018	1,131
Increase from merger (formerly PSFInteractive)	34
Reversal to use losses carried	(107)
Reversal on tax adjustments formerly PSFInteractive	(24)
Provision on taxed bad debt provision	-
Utilization of Taxed Account on funds credits	-
Balance at December 31, 2019	1,034

In particular, this balance is set aside on:

Tax benefit of allowance for doubtful accounts taxed	34
On reported fiscal losses	990
On others formerly PSF Interactive	10
Balance at December 31, 2019	1,034

It is considered appropriate to specify that the tax benefit deriving from past losses, as resulting from the UNICO 2019 tax return (year 2018) would also be formed in the light of the reprocessing at a rate of 24% as required by the 2016 Stability Law from financial year 2017:

	Useful fiscal losses	24% benefit
From "UNICO 2019"	6,328,566	
Use by counting the budget (*) – 24%	(445,092)	
Available residual	5,883,474	1,412,034

(*) = Based on the best estimate in the financial statements.

The above table shows that the accounting balance entered among the deferred tax assets in the financial statements is significantly lower than the actual available tax benefit.

It should be remembered, in fact, that the reference tax legislation, modified during 2011, allows the carry-over of the benefit deriving from tax losses without time limits, with the only limitation deriving from the offset of the losses up to a maximum of 80 % of taxable income for each year.

That said, the directors believe they can confirm the recoverability of the amount entered among the assets in these financial statements in the light of the taxable amount that can also be expected for the years to come.

CURRENT ACTIVITIES

Description	31/12/19	31/12/18	Variation
Inventories	230	439	(209)
Trade receivables	3,092	2,898	194
Receivables from subsidiaries	2,015	2,685	(670)
Tax receivables	16	33	(17)
Other current receivables	245	352	(107)
Cash and liquidity	1,934	945	989
Total current assets	7,532	7,352	180

4. Inventories

The inventories are so made up:

Description	Value at 31/12/19	Value at 31/12/18	Variation
Raw materials	12	18	(6)
Finishing Products	106	134	(28)
Finished Products	112	287	(175)
	230	439	(209)

5. Trade and receivables from Group companies

The balance of trade receivables from third parties is made up as follows:

Description	31/12/19	31/12/18
Toward client:		
Italy	3,114	2,994
Euro Area	138	44
Non-Euro Area	-	3
(less) Fund devaluated credits	(160)	(143)
Total	3,092	2,898

It should be noted that during the year, the allowance for doubtful accounts recorded decreases for uses of € 4 thousand; no further provisions were made on the same as the residual provision is deemed adequate to cover the bad loans. At the same time, it recorded an increase of 21 K / Euro against the residual bad debt provision of the incorporated subsidiary.

The detail of **receivables from subsidiaries** is as follows:

Subsidiary	Balance at 31/12/19	Balance at 31/12/18
Psfinteractive S.r.l. (incorporated on 2019)	0	199
Sanfaustino Label S.r.l.	1.926	2.446
Linkonline S.r.l.	89	40
	2.015	2.685

6. Tax credits

Details of **receivable from tax administration**:

Description	31/12/19	31/12/18
VAT receivable	-	6
Treasury account held	-	-
Other receivables from administration	7	-
IRAP and IRES receivables	-	18
D.L. 66/2014 receivables	8	9
Total	15	33

7. Other current receivables

The breakdown of other current receivables is shown below:

Composition	31/12/19	31/12/18
Other receivables	165	257
Accrued income and prepaid expenses	80	95
	245	352

Accrued income and prepayments are divided as follows:

Description	31/12/19	31/12/18
Prepaid expenses on commission	-	-
Prepaid expenses of retail	16	21
Other accrued	-	3
Other prepaid expenses	64	71
	80	95

8. Cash and cash equivalents

Description	31/12/19	31/12/18
- Bank deposit	1,932	944
- Credit notes	-	-
- Cash	2	1
	1,934	945

The balance represents cash and cash equivalents and the existence of numerals and values as of December 31, 2019. For a complete assessment of the financial dynamics, please refer to the cash flow statement.

9. SHAREHOLDERS 'EQUITY

In referring to the specific statement of changes in shareholders' equity, it should be noted that during the 2019 financial year no transactions were carried out on treasury shares which therefore remain unchanged at a total value of 96,285 euros.

Below is the table relating to the usability of the reserves:

Poligrafica S. Faustino – Separate Financial Statement as at December 31, 2019

Natura/Description	Value at 31/12/2019 (result not included)	Utilization possibility	Free amount	Last 3 accounting year utilization	
Euro unit				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	227,226	B	0		
Other reserves	547,244	A,B	0	(b)	

Types:

A = for capital increase

B = to cover losses

C = for distribution to shareholders

(a) = pursuant to art. 2431 of the Civil Code they cannot be distributed until the legal reserve has reached the limit of one fifth of the share capital. At 31 December 2019, this limit was equal to € 1,232,318 and therefore the availability for distribution of the share premium reserve is allowed after increasing the legal reserve for an amount equal to € 1,005,092.

(b) = In 2013, an amount equal to € 5,541,238 was used to cover losses in 2012. In 2013, other reserves were also used for € 793,729 against the 2012 loss component not already covered by the share premium reserve. In 2014, other reserves were used to smooth out the 2013 statutory loss of 475,650 euros. In 2016, other reserves were used to smooth out the 2015 statutory loss of € 35,209.

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

In the 2019 financial year, as previously reported, a positive merger reserve of 61,973 euros was entered against the merger by incorporation of the subsidiary PSFInteractive, equal to the difference between the shareholders' equity of the incorporated company and the value of the equity investment in the parent company as of 31/12/2018.

A further positive difference of € 359 is generated by the adjustment to the fair value of the hedging derivatives in place for specific loans.

NON-CURRENT LIABILITIES

Description	31/12/19	31/12/18	Variation
Loans (non-current quota)	1,073	1,431	(358)
Employee severance indemnity	169	176	(7)
Retirement reserves	213	187	26
Provisions for losses	108	113	(5)
Deferred tax liabilities	-	-	
Other non-current liabilities	-	-	
Total non-current liabilities	1,563	1,907	(344)

10. Medium-long term loans

Description	31/12/19	31/12/18	Variation
Bank loans (medium/long term)	958	1,431	(473)
Financial leasing (medium/long term)	0	0	-
Debts for right of use (medium/long term)	115	-	115
Total non current liabilities	1,073	1,431	(358)

The **total** of outstanding loans to be paid by the Company is made up as follows:

- 1,927 thousand euros for mortgages with credit institutions, of which 958 thousand is the M / L term component (969 thousand at B / T);
- 198 thousand euros from debt for rights of use (on non-financial passive leases) of which 83 in the short term and 115 in M / L. They amounted to a total of 348 thousand at 01/01/2019.

Some operations were carried out in 2019 as summarized below:

- a) taking out a loan with credit institutions for a total of € 500 thousand repayable in 60 months.
- b) no ignition / extinction of financial leases
- c) partial repayments of bank loans for € 1,069 thousand
- d) Registration at the beginning of the year of payables on usage rights for 348 thousand euros.
- e) Ignition during the year of new leases for 122 thousand euros;
- f) repayments of debts for usage rights for 95 thousand euros
- g) Extinction of the residual debt on the right to use property 177 thousand euros.

There are no. 2 interest rate hedging derivative contracts valid up to the expiry date of the disbursement for a total amount of original 2.5 million euros. The fair value effects of these derivatives were absolutely irrelevant and were included in the shareholders' equity reserves at 31/12/2019.

11. TFR and retirement funds

The change in the severance indemnity fund can be summarized as follows:

Description	Euro/000
Balance at 31/12/2018	176
Paid for INPS	-
Amount of the year	4
Paid in advance	(10)
Resignations	-
Equivalent tax	(1)
Balance at 31/12/2019	169

The change in the agent retirement fund can be summarized as follows:

Description	Euro/000
Balance at 31/12/2018	187
Provisions	22
Fund formerly PSFInteractive	4
Use	-
Balance at 31/12/2019	213

12. Deferred tax liabilities

The change in deferred tax liabilities can be summarized as follows:

Description	Euro/000
Balance at 31/12/2018	113
Provisions	-
Reversals	(5)
Fund formerly PSFInteractive on goodwill	124
Reset fund formerly PSFInteractive	(124)
Balance at 31/12/2019	108

Deferred tax liabilities are made up of deferred tax effects on the tax clean-up carried out in 2004, to which are added the deferred tax effects deriving from the application of various accounting standards dictated by IAS / IFRS. The retreatment effect at a rate of 24% (instead of 27.5%), although positive, was not accounted for as it was not considered relevant.

The provision for deferred taxes pursuant to PSFInteractive related to the goodwill recorded in the IAS financial statements of the subsidiary was eliminated following the sale of the business branch completed by the Parent Company after the merger.

CURRENT LIABILITIES

Description	31/12/19	31/12/18	Variation
Loans (current quota)	1,151	1,169	(18)
Trade payables	3,616	3,552	64
Payables to subsidiaries	81	75	6
Tax payables	107	87	20
Other payables	440	431	9
Total current liabilities	5,395	5,314	81

13. Short-term loans

Description	31/12/19	31/12/18
- Owed to banks - short term loans	95	100
- Debts towards banks in short term	973	1,069
- Debts towards Leasing company in short term	-	-
- Debts for right of use in short term	83	-
Total short-term liabilities	1,151	1,169

Please refer to what has already been highlighted in the comments on medium / long-term liabilities.

14. Trade and Group payables

The balance of **trade payables** is made up as follows:

Description	31/12/19	31/12/18
Trade payables:		
Italy	3,124	2,951
CEE Area	37	14
Area Extra-CEE	0	2
Towards clients of goods to deliver in different moments	455	585
Total	3,616	3,552

Balance of **payables to Group companies** is made up as follows:

Subsidiaries	31/12/19	31/12/18
Sanfaustino Label S.r.l.	71	69
Linkonline S.r.l.	10	6
Total	81	75

15. Tax payables

The detail of the **tax payables** is as follows:

Description	Balance at 31/12/19	Balance at 31/12/18
VAT	10	0
Irpef (a)	89	87
Ires/irap	8	0
	107	87

(a) = of which 26 thousand euros for withholding taxes on professionals and agents, collaborators and employees for 63 thousand euros.

16. Other current liabilities

The detail of the other **current liabilities**:

Description	Balance at 31/12/19	Balance at 31/12/18
To social security institutions	118	119
To personnel	129	157
To customers	26	17
To others	76	111
Accrued charges and deferred earnings	91	27
	440	431

Commitments

The Company has two interest rate hedging derivative instruments related to loans of an original € 2.5 million. The valuation of these derivatives corresponds to liabilities of approximately € 4,000 recognized as a decrease in equity reserves (they were substantially the same at the end of the previous year) with a counterpart to an increase in financial payables.

Poligrafica S. Faustino, as the Parent Company, is the custodian of umbrella credit lines that can be used by the same and / or by the subsidiaries.

Poligrafica has issued sureties, credit mandates and letters of patronage in favor of Group companies to guarantee bank loans and credit lines of the following amounts:

Amounts in Euro/000

Beneficiary	On financial leases	On financing	On credit lines	On supply contracts
Sanfaustino Label S.r.l.	2.794	8.867	12.095	42
Linkonline S.r.l.	0	1.500	4.210	-

INCOME STATEMENT

Description	31/12/19	31/12/18	Variation
Operating income and revenues	11,734	10,845	889
Materials and change in inventories	(4,881)	(4,177)	(704)
Services	(4,418)	(4,302)	(116)
Payroll costs	(1,193)	(1,203)	10
Other operating costs (revenues) -net	(634)	(675)	41
EBITDA	608	488	120
Depreciation and amortization	(460)	(356)	(104)
EBIT	148	132	16
Net financial income (expenses)	(20)	(22)	2
RESULT BEFORE TAX	128	110	18
Tax	(63)	(61)	(2)
NET RESULT	65	49	16

INFORMATION ON THE MAIN COMPONENTS OF THE INCOME STATEMENT

REVENUES AND OPERATING INCOME

Description	31/12/19	31/12/18	Variation
Revenues from sales and services	10,397	9,597	800
Other income	1,337	1,248	89
Total	11,734	10,845	889

17. Revenues from sales and services

Description	2019	2018	Variation
Graphic products	6,195	5,799	396
Documental management	1,410	1,322	88
Telephone printouts	895	1,070	(175)
Postal fees repayment	1,515	1,406	109
Revenues formerly PSFInteractive	382	-	382
Total	10,397	9,597	800

The Parent Company maintains the management of the printing and mailing service also related to document management.

Total sales for the 2019 financial year increased by 8.3% compared to the sales of the previous financial year:

The contribution of sales ex PSFInteractive (as highlighted above) is however modest.

The foreign turnover amounts to 0.62 million Euros and is equal to 5.9% of sales (it was 0.53 million Euros in 2018).

18. Other revenues and income

Description	2019	2018	Variation
Charging services to subsidiaries	1,079	1,084	(5)
Charge back services to third parties	129	60	69
Ordinary gains on disposal	2	62	(60)
Award from suppliers	115	0	115
Other revenues	12	42	(30)
Total	1,337	1,248	89

19. Purchases and changes in inventories

Description	2019	2018	Variation
Raw materials, goods and other purchases	4,671	4,281	390
Increase (decrease) in raw material inventory	7	22	(15)
Increase (decrease) in finished goods and WIP inventory	203	(126)	329
Total	4,881	4,177	704

The change in the purchase costs of raw materials, consumables and goods, although related to the change in inventory and turnover, reflects the direct procurement strategies of semi-finished products and goods to be resold.

In particular, the purchases concerned:

- raw materials in various types for 85 thousand euros;
- consumables for 12 thousand euros;
- finished and semi-finished products for 4,287 thousand euros.
- Formerly PSFInteractive purchases for 287 thousand euros

20. Services

Description	31/12/19	31/12/18	Variation
Outsourcing production	670	654	16
Motive power	261	233	28
Transports	158	167	(9)
Postal charges and services	1,512	1,406	106
Sales commissions	801	820	(19)
Other commercial costs	223	209	14
Consultant fees	373	414	(41)
Other costs	420	399	21
Total	4,418	4,302	116

21. Personnel costs

Description	31/12/19	31/12/18	Variation
Wages and salaries	855	858	(3)
Social security costs	267	264	3
Provision for severance indemnity	63	65	(2)
Other costs	8	16	(8)
Total	1,193	1,203	(10)

The item includes the entire staff cost including social security charges, the cost of unused holidays, the thirteenth month and the provisions provided for by law and collective agreements. The cost referring to employees of the incorporated company totaled 18 thousand euros

Employment data

	31/12/19	Average	31/12/18	Average
Managers	1	1	1	1
Clerical employees	22	24	26	26
Manual workers	3	4	4	5
Total	26	29	31	32

22. Other net operating costs and income

Description	31/12/19	31/12/18	Variation
Rental costs	0	30	(30)
Rental	25	107	(82)
Losses on trade receivables	-	-	
Loss on operations (non-recurrent)	-	-	
Other provisions	22	25	(3)
Directors' fees	270	251	19
Statutory auditors' fees	13	12	1
Vehicle management	39	39	-
Other generic expenses	226	225	1
Loss of alienation	97	-	97
Capitalization internal costs	-	-	-
Contingent revenues (non-recurring)	(99)	(39)	(60)
Contingent expenses (non-recurring)	41	25	16
Total	634	675	(41)

(*) = Since the year 2019 against the application of IFRS 16, the leases that meet certain temporal and / or significance requirements have been retracted among the activities for rights of use, due amortization and payable interests.

The Directors' fees recorded in the financial statements relate only to the fixed component of the remuneration. Any variable component relating to the three-year period 2019-2021 can be assessed at the end of the indicated period. For further details, please refer to the "Remuneration Report" available on the company website www.psf.it / Investor relations / Corporate Governance / Reports at the following address:

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

23. Depreciation, provisions and adjustments

Depreciation and amortization	31/12/19	31/12/18
Amortization of properties, plants, machineries and other goods	259	260
Amortization of assets for right of use (*)	105	-
Amortization of intangible assets	96	97
Total depreciation and amortization	460	357
Other provisions and adjustments	-	-
Total	460	357

Depreciation on tangible assets includes an amount for the depreciation of the financial (7) and operating (105) leased assets retracted as required by the previous IAS no. 17 and the new IFRS16.

24. Financial income and charges

Financial income	31/12/19	31/12/18
Bank interests receivable	-	-
Interest income from Group companies	-	-
Other interest and exchange rate differences	7	11
Total financial income	7	11
Financial expenses	31/12/19	31/12/18
Bank interests payable	-	-
Interests on medium long-term loans	(21)	(33)
Interests on financial leasing costs	-	-
Interests on operating leases (IFRS16)	(6)	-
Interests expenses and foreign exchange differences	-	-
Total financial expenses	(27)	(33)
NET Financial income and expenses	(20)	(22)

25. taxes

	31/12/19	31/12/18
IRES of the accounting year	(27)	(7)
IRAP	(35)	(20)
Active IRES turnaround from tax losses	(107)	(44)
Tax reset of deferred tax liabilities on goodwill of the transferred business branch	124	-
Reversal of deferred tax assets formerly PsfInteractive	(24)	-
Other deferred tax income (cost) including	6	10
Total taxes	(63)	(61)

The link between the statutory result and the taxable income is shown below:

Table of reconciliation between result and fiscal purposes

2019

(Euro/000)

Result before tax	128
Variation	
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"	(4)
Permanent differences (increase)	517
Permanent differences (reduction)	(102)
Total net variation	428
IRES Taxable income	556
Decrease for fiscal losses (80%)	(445)

Net IRES Taxable income	111
Fees (IRES) 24%	27
Taxable Income IRAP	911
IRAP (3.9%)	36

For further details and considerations, refer to the information in the tables referring to the movements of receivables and payables for deferred tax assets and liabilities.

RELATIONS WITH SUBSIDIARY COMPANIES

In order to represent the dynamics of the integrations at Group level, the economic transactions carried out by Poligrafica S. Faustino S.p.A. are summarized below. with its subsidiaries.

Revenues and other operating income	31/12/19	31/12/18
Sales, re-debts and service to:		
- Sanfaustino Label S.r.l.	922	878
- Psfinteractive S.r.l. (incorporated on 2019)	-	103
- Linkonline S.r.l.	250	132
Total	1.172	1.113
Operating costs	31/12/19	31/12/18
Purchases and other charges from:		
- Sanfaustino Label s.r.l.	176	214
Purchases and other charges from:		
- Linkonline S.r.l.	20	14
Services from:		
- Psfinteractive S.r.l. (incorporata)	-	5
Total	196	233

To the related company Etichette Nika S.r.l. during the 2019 financial year there are no orders for processing as since the labels have been transferred to the subsidiary Sanfaustino Label. Labels Nika were billed for sales and services for a total amount of € 7 thousand. All transactions with subsidiaries and related companies are carried out according to market conditions and conditions.

INFORMATION PURSUANT TO ART. 149-DUODECIES OF THE CONSOB ISSUER REGULATION

This prospectus prepared pursuant to art. 149-duodecies of the Consob Issuers Regulation highlights the fees charged in the year 2019 for auditing services and for those other than auditing.

(euro/000)	Fees
Auditing	27
Other services	-
Total	27

PROPOSAL FOR THE DESTINATION OF THE OPERATING RESULT

The Board proposes to allocate the operating profit of € 64,576 for 5% to the legal reserve and the remainder to be carried forward.

Certification of the financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and additions

1. The undersigned Alberto Frigoli, Emilio Frigoli and Giuseppe Frigoli as managing directors and Maurizia Frigoli as manager responsible for preparing the corporate accounting documents of the company Poligrafica S. Faustino S.p.A., certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, n. 58:

- Adequacy in relation to the characteristics of the company and
- The actual application,

of the administrative and accounting procedures for the preparation of the financial statements at 31 December 2019.

2. In this regard, no significant aspects emerged relating to situations of particular managerial or strategic interest or the existence of problems / anomalies also found in the context of the effective application of the procedures.

3. We also certify that the financial statements:

a) have been prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and subsequent amendments;

b) corresponds to the results of the books and accounting records of the individual companies taking into account the non-accounting consolidation records;

c) has been drawn up in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Boards and, as far as we know, is suitable for providing a true and correct representation of the equity, economic and financial situation of the issuer and of all the companies included in the Consolidation.

3.1 The management report includes a reliable analysis of the management trend and result, as well as the situation of the issuer and the group of companies included in the consolidation, together with the description of the main risks and uncertainties to which they are exposed.

Castrezzato, March 6, 2020

The account manager responsible for
the accounting documents
Maurizia Frigoli

.....

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 (also "Company"), which comprise the balance sheet as at December 31, 2019, 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, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the measures issued in implementation of art. 9 del D. Lgs. 28 February 2005, n. 38.

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
Impairment test on Investments

Investment as of December 31, 2019 amounts to 1.146 thousand euro (equal to the 8% of the total assets in the separated financial statements) of which 1.123 thousand euro related to Linkonline Srl.

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.

Impairment test on investments has been carried out by management with the support of an external appraiser asked to compare the *Carrying value* of the participated companies and the estimated recoverable value determined on their capability of generating future cash flows, net of the net financial position ("*Equity value*").

Company's notes to the separated financial statements as of December 31, 2019 describes the Impairment test on investments in the paragraph "Investments".

Deferred tax asset recoverability

Deferred tax assets as of December 31, 2019 amounts to 1.034 thousand euro, equal to the 7,2% of the total assets in the separated financial statements.

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.

Company's notes to the separated financial statements as of December 31, 2019 describes the recoverability assumptions on the deferred tax assets in the paragraph "Deferred tax assets".

Audit procedures

In particular, we carried out the following procedures:

- 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.

In particular, we carried out the following procedures:

- Assessment of mathematical accuracy of the model and of the main assumptions used to forecast future taxable income;
- 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 mathematical accuracy of the model used by the Directors;

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, 2019, 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, 2019 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, 2019 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 26, 2020

Fidital Revisione Srl

Signed by
Gianluca Pirola
(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, 2019
(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 31.12.2019 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 year ended 31.12.2019 showed the completion of the investments started in the previous year in the form of interventions on new plants and the related implementation of the management software. The research and development activity was carried out exclusively through the use of internal resources and great attention was paid to the Safety Management System.

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 31.12.2019 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 31.12.2019, we monitored the observance of the law and the articles of By-laws.

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 function's 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.

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.

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 31.12.2019 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 Board of Statutory Auditors, also on the basis of contacts with the independent auditing firm appointed Fidital Revisione srl, has no comments to make on the Company's financial statements for the 2019 financial year.

On declaration of the Directors, there are no assignments to subjects linked to the company Fidital Revisione srl from continuous relationships. Furthermore, no statutory opinions have been issued by the Independent Auditors.

In the accounting year ended 31.12.2019 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 2019 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*.

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 31/12/2019

The Board of Auditors is favourable of the approval of the Balance Sheet as at December 31, 2019.

Brescia, March 13, 2020

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: 2019

Date of approval of the Report: March 6, 2020

S U M M A R Y

GLOSSARY	4
1. ISSUER'S PROFILE	5
2. INFORMATION ABOUT OWNERSHIP (pursuant art. 123-bis, paragraph 1, TUF) as at 31/12/2019	6
a) Composition of share capital (pursuant art. 123-bis, comma 1, letter a), TUF)	6
b) Restrictions to the transferring of shares (pursuant art. 123-bis, paragraph 1, letter b), TUF)	6
c) Relevant participants to the Capital (pursuant art. 123-bis, paragraph 1, letter c), TUF)	6
d) Special rights (pursuant art. 123-bis, paragraph 1, letter d), TUF)	6
e) Employees shareholding: modality right to vote (pursuant art. 123-bis, paragraph 1, letter e), TUF)	7
f) Restriction in the right to vote (pursuant art. 123-bis, paragraph 1, letter f), TUF)	8
g) Shareholders' agreements (pursuant art. 123-bis, paragraph 1, letter g), TUF)	8
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)	8
i) Appointment to increase the social capital and authorization to own share buying (pursuant art. 123-bis, paragraph 1, letter m), TUF)	8
l) Management and coordination (pursuant art. 2497 and subsequent C.C.)	9
3. COMPLIANCE (pursuant art. 123-bis, paragraph 2, letter a), TUF) ...	9
4. BOARD OF DIRECTORS	9
4.1. <i>APPOINTMENT AND SUBSTITUTION (pursuant art. 123-bis, paragraph 1, letter l), TUF)</i>	9
4.2. <i>COMPOSITION (pursuant article 123-bis, paragraph 2, letter d), TUF)</i> .	11
4.3. <i>ROLE OF THE BOARD OF DIRECTORS (pursuant art. 123-bis, paragraph 2, letter d), TUF)</i>	16
4.4. <i>EXECUTIVE DIRECTORS</i>	18
4.5. <i>OTHER EXECUTIVE DIRECTORS</i>	19
4.6. <i>INDEPENDENT DIRECTORS</i>	19
4.7. <i>LEAD INDEPENDENT DIRECTOR</i>	21
5. TREATMENT OF CORPORATE INFORMATION	21

6. COMMITTEE WITHIN THE BOARD (pursuant art. 123-<i>bis</i>, paragraph 2, letter d), TUF)	22
7. APPOINTMENTS COMMITTEE	22
8. REMUNERATION COMMITTEE	23
9. REMUNERATION OF DIRECTORS	23
10. CONTROL AND RISK COMMITTEE	23
11. INTERNAL CONTROL SYSTEM	25
11.1. <i>DIRECTOR IN CHARGE OF INTERNAL CONTROL SYSTEM</i>	27
11.2. <i>RESPONSABILE FOR THE INTERNAL AUDIT FUNCTION</i>	27
11.3. <i>MANAGING MODEL AS ITALIAN LEGISLATIVE DECREE No. 231/2001</i> ...	28
11.4. <i>AUDITING FIRM</i>	29
11.5. <i>MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL AND OTHER ROLES AND FUNCTIONS OF BUSINESS</i>	29
11.6. <i>COORDINATION AMONG PEOPLE INVOLVED IN THE INTERNAL CONTROL SYSTEM AND RISK MANAGING</i>	29
12. DIRECTORS' INTEREST AND TRANSACTION WITH RELATED PARTIES	30
13. APPOINTMENT OF AUDITORS	31
14. AUDITORS (pursuant art. 123-<i>bis</i>, paragraph 2, letter d), TUF)	33
15. RELATIONSHIP WITH THE SHAREHOLDERS	35
16. SHAREHOLDERS' MEETING (pursuant art. 123-<i>bis</i>, paragraph 2, letter c), TUF)	35
17. MORE CORPORATE GOVERNANCE PRACTICES (pursuant art. 123-<i>bis</i>, paragraph 2, letter d), TUF)	36
18. CHANGE FROM THE ACCOUNTING YEAR'S CLOSURE	36
19. CONSIDERATIONS ON THE LETTER OF DECEMBER 19, 2019 OF THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE	36
TABLE 1 – INFORMATION ABOUT OWNERSHIP	38
TABLE 2 – BOARD OF DIRECTORS AND COMMITTEES STRUCTURE	39
TABLE 3 – BOARD OF AUDITORS STRUCTURE	41

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 – STAR Segment 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 account's 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 6, 2020 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 PMI pursuant to art. 1, paragraph 1, lett. w-quater.1 of the TUF and art. 2-ter of the Issuers Regulation.

For the capitalization and turnover value, please refer to the list of SMEs that has been 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 31/12/2019

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.

Such shares give right to vote in the ordinary and extraordinary assemblies of the company according to law and chart norms and give further administrative and patrimonial rights predicted by the law for vote right actions.

Issuer's share negotiates 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)

Regarding 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 24.04.2015 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 fully attributed 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 15.05.2015 has defined the criteria for its maintaining in compliance with the applicable regulations (the procedure for registration is available on the website www.psf.com / Investor Relations / Corporate Governance / Loyalty Share) and appointed the Account Manager responsible for the accounting document as the 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-d, 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 notify the public and Consob of the total amount of voting rights, pursuant to art. 85-bis, paragraph 4-bis of the Consob Issuers Regulation within the fifth market day open from the end of each calendar month during which it ascertained an increase or decrease in this amount as well as within 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 is 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 18, 2019 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 ways indicated with the art. 132 of TUF and the 144-bis paragraph 1 of the Issuer Regulation and accepted market practice.

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.

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

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 shareholders represent at least the percentage of the social capital fixed by the law or Consob with own rules. With Consob Managerial Determination No. 28 of January 30, 2020 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 shareholder 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 a 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 for the first renewal of the board after the beginning of validity of the law 120/2011, and will be one fifth of the components to be elected. For the second and third renewal after the above-mentioned term, the members of the least representative genre will be instead elected an will be 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.

All the lists must have the candidacy of at least one independent person, or two in case the Board is made of more than 7 members. 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 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 in the cases happened after the first, second and third renewal of the board after one year of validity of law 120/2011.

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 18, 2019 appointed the members of the Board of Directors whose members will remain in office until the approval of the financial statements for the 2021 financial year.

The Board was made up of thirteen directors, five of whom represented the less represented gender pursuant to Law 120/2011 (i.e. Ilaria Frigoli, Maurizia Frigoli, Elisa Frigoli, Maristella Pedrinelli and Francesca Cropelli).

On the occasion of the appointment, only a list was presented by Alberto Frigoli, Giuseppe Frigoli, Emilio Frigoli, Francesco Frigoli and Giovanni Frigoli who obtained 100% of the votes of the voting capital (100% voting capital of the capital present at the Shareholders' Meeting) . The following

candidates for the office of director were indicated in the aforementioned list: Alberto Frigoli, Giuseppe Frigoli, Emilio Frigoli, Francesco Frigoli, Giovanni Frigoli, Alberto Piantoni, Carlo Alberto Carnevale Maffé, Andrea Collalti, Ilaria Frigoli, Maurizia Frigoli, Elisa Frigoli, Maristella Pedrinelli and 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).

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

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 non-executive Director in the subsidiaries companies Sanfaustino Label S.r.l., specialised in printing of labels and of Linkonline S.r.l., leader in distribution of consumer products for informatics.

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. After the Board's decision to put on solvability the company, a liquidator has been appointed.

He is also Chairman and CEO of subsidiary company Sanfaustino Label S.r.l. (specialised in printing of labels) and Linkonline S.r.l. (leader in distribution of consumer products for informatics).

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 and Director of Linkonline S.r.l., leader in distribution of consumer products for informatics.

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 and of Linkonline S.r.l., leader in distribution of consumer products for informatics.

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."

In February 2008 he was appointed managing director of Linkonline S.r.l., a company leader in the distribution of consumer products for office. 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.

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 April 2010 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.

He has taught in international programs at Columbia University's Graduate School of Business, New York University's Stern School of Business, Wharton School, University of Pennsylvania, HEC Paris, Steinbeis University Berlin, MISB Mumbai (India) and St. Mary's College of California.

He has collaborated with the Steering Committee "E-business Policies" of the European Commission DG Enterprise. He is a director at Poligrafica S. Faustino S.p.A. since April 2004 and United Ventures SGR S.p.A. from December 2015; both hold the role of Independent Director. He is the president of ASM Energia Spa, a company of the A2A group. He is an Independent Director of national and international companies in the Technology, Media and Finance sector. He works as a strategic advisor for leading national and international companies both in the industrial and financial sectors, and for CEFRIEL, Research Center of the Milan Polytechnic, with which he collaborates on technological innovation projects in the banking, industrial and ecosystem sector digital. He was a director of the ABI LAB (Italian Banking Association) Management Committee and member of the Scientific Committee of the Telecom Italia Foundation, ANIE Confindustria and Assodigitale. He is a member of the Editorial Board of Harvard Business Review Italy. He regularly contributes to various national and international newspapers and television, and is the conductor of an economic analysis broadcast on Radio Capital of the publishing group GEDI - La Repubblica.

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 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.

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 and member of the Board of vigilance of Anas International.

He also holds the position of standing auditor of the company Fiera di Roma S.p.A. and Chairman of the board of statutory auditors of Areti S.p.A. (formerly Acea Distribuzione) as well as, since April 2012, an independent director of Poligrafica S. Faustino S.p.A ..

ILARIA FRIGOLI

Born in Ponte dell'Olio (PC) 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 Padova 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 Padova, 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) 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) 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.

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, United Ventures SGR S.p.A., independent director, and ASM Energia Spa, A2A group company, president;
- Andrea Collalti, Standing Auditor at Areti S.p.A. (ex Acea Distribuzione), Fiera di Roma S.p.A. and Gamenet Group 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 quality manager, assisted where necessary by the company affair department, furthermore, also, in consultation with the Chairman, 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 nine times, with a medium duration of one hour and half. For the present accounting year five meetings have been planned, two of which held on January 27 and March 6, 2020.

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:

- 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.

The Board, at its meeting on March 6, 2017, examined the organizational, administrative and accounting structure of the Issuer and of the companies of strategic importance, particularly with regard to the internal control system. In that activity, the Board has made use:

- the support of the Control and Risk Committee of the head of the internal audit function for the organizational assessment;
- the Manager Responsible for preparing corporate accounting documents for the administrative set-valued and recorded.

The Shareholders' Meeting, on 18 April 2019, determined the number of members of the board of directors in thirteen, appointed the members of the board of directors for the three-year period 2019-2021 and determined the overall compensation due to the entire administrative body. The Board, which met on 10 May 2019, in accordance with the proposals of the Remuneration Committee and having heard the opinion of the Board of Statutory Auditors, determined the

remuneration of the individual directors (fixed remuneration) as well as the parameters for the payment of the incentive remuneration in favor of the directors delegates and the related measure.

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 March 6, 2020. During the Year, as verified by the Board upon approval of the 31.12.2019 budget draft, the operations carried out with related parties all fall within the scope of exclusion provided for by art. 4, lett. "E" (transactions with or between subsidiaries) and "f" (ordinary transactions concluded at conditions equivalent to market or standard conditions) of the "Procedure for transactions with related parties" currently in force (for more details see the following 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.

During the year, there are two transactions that the Board deemed of strategic importance: the merger by incorporation into Poligrafica S. Faustino S.p.A. of the wholly owned company Psfinteractive S.r.l. whose project was approved by the Board with resolution of 24 May 2019 and the sale of the "Digital Market Agency" business branch by Poligrafica approved with resolution of 28.10.2019

The Board, on November 8, 2019 has considered its dimension, composition and working of the Board itself and its committees, included the number of independent Directors equal to three (as per art. IA.2.13.6 of the Market Instructions) conforming to the social object and has also considered that, in consideration of the size and structure of the company, it does not deem it necessary to appoint a nomination committee or other committees other than those provided for in the Corporate Governance Code

For the purposes of self-assessment, the Board has made use of exclusively internal functions without resorting to the help of external consultants.

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 18, 2019, 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 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 is an executive director: Giovanni Frigoli.

He 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..

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 Rules of the Market and art. IA.2.10.6 of Rules of the Market Instruction 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 through 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.

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 (08.03.2019) and during the Exercise (18.04.2019).

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 2019 to analyze the budget plan, in May 2019 to analyze the merger plan of Psfinteractive and in November 2019 to evaluate the benefits of the sale of the branch company "Digital Market Agency".

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 18.04.2019 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.

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, on 26.08.2016 to adapt the procedure to the provisions of art. 18 of MAR and most recently on 06.03.2020.

The essential aspects of the procedure are:

- definition and qualification of the privileged information;
- 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 Account Manager responsible for the accounting document.

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 Code, approved by the Board on 12.11.2008, was subsequently amended on 28.08.2012, 26.08.2016 and 06.03.2020:

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 Account Manager responsible for the accounting document;
- 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 8, 2019, in view of the size and organizational structure of the Company, has identified that it was unnecessary to establish an internal committee 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 8, 2019, 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 18.04.2019, 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 18.04.2019 members of the Control and Risk Committee were appointed that, 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)
- Ilaria Frigoli (non-executive director)

During the Exercise the Committee has been collected four 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 6.

Functions of the control committee and risk

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 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. In particular, it has a favourable opinion on the new administrative and accounting procedures prepared by the manager responsible for financial reporting pursuant the article 154-*bis* of TUF;
- 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.

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. moreover, it ended in 2019 following the incorporation and subsequent sale of the business unit.

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

As regards liquidity risk, the current financial structure, characterized by a relative indebtedness in relation to the capitalization, together with the existence of significant real estate values not burdened by constraints or mortgages, constitute objective solidity indicators that allow to guarantee adequate lines of credit.

In relation to interest rate risk: the same originates from short and long term financial payables negotiated at both fixed and variable rates; some recently disbursed loans have been linked to specific hedging derivative instruments whose effects, however insignificant, have been directly recognized in equity.

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 08.11.2019 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 31.12.2019, 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

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., 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 adjustment 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 19.04.2019, 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 18.04.2019, 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 09.11.2012, the Board appointed Massimiliano Frigoli (formerly Head of Internal Audit since 14.03.2005), 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 responsible of the management control).

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 of the analysis in performing risks with the goal of the HACCP manual installation and, therefore, the achievement of the BRC certification.

Since no events of particular relevance occurred during the Financial Year, no report was prepared by the person in charge of the internal audit function in this regard.

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 19.03.2008 the Board has adopted the Organization, Managing and Control Model according to Legislative Decree no. 231/01 and the Ethic Code.

The Model was updated by the Board on 29.08.2008, 20.02.2009, 13.11.2009 and 14.11.2014.

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.

The Board gave the function of Vigilance Organism to the Control and Risk Committee. Following the renewal of the Board on 18.04.2019, 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 (Model)

http://investor.psf.it/it/page.asp?id_sez=48&id_sub=56&id_com=81 (Ethical Code)

The subsidiary Sanfaustino Label S.r.l. approved its code of ethics on 30.12.2015 and Model 231 on 27.12.2018.

Linkonline S.r.l., on the other hand, approved its ethical code on 10.03.2016.

11.4. AUDITING FIRM

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 14.11.2006 Mrs. Cristina Capitanio Manager executive responsible for the preparation of the Company's accounting documents.

Following the resignation presented by Rag. Cristina Capitanio consequent to the achievement of retirement and with effect from 31.01.2020, the Board, having acquired the mandatory opinion of the Board of Statutory Auditors and verified the possession of the requirements of integrity and professionalism provided for by current legislation and by the company by-laws, resolved on 27.01.2020 to appoint Maurizia Frigoli to replace him with effect from 1 February 2020.

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 12.11.2010 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 15.01.2018 and las modified on 06.03.2020.

The above procedure determines the rules governing the identification, approval and enforcement of related party transactions entered 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 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;
- 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 that 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. 28 of January 30, 2020) 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 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.

If the division of genres criterion is not respected, the members of the least represented genre that obtained bigger quota will be instead elected for the first renewal of the board after the beginning of validity of the law 120/2011, and will be one fifth of the components to be elected.

For the second and third renewal after the above mentioned term, the members of the least representative genre will be instead elected and will be 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 with the limitation of the cases that are present after the first, second and third renewal of the board after one year of the validity of the above mentioned law.

14. AUDITORS (pursuant art. 123-bis, paragraph 2, letter d), TUF)

The Shareholders' meeting on 18.04.2019 has appointed a new Board of Auditors to hold office until the approval of the budget for the year 2021.

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. 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 4 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 (13.05.201) the independence has been evaluated by using the 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 the Board on 18.04.2019.

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, must 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.

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 12.10.2017.

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 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.

Since 2001 he is associate to the "Studio Bisesti ed Associati" of Brescia. 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, dal 2020 appointment of single auditor at the municipality of Ossoa (Mi).

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 06.03.2020 identified the Account Manager responsible for the accounting document 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 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 during the Meeting. It may be provided a single answer to questions with the same content.

[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.

Eight members of the Board of Directors participated in the only Shareholders' Meeting held during the financial year on April 18, 2019. 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 19, 2019 OF THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations made by the Corporate Governance Committee by letter dated December 19, 2019 were brought to the attention of the Board of Directors at the meeting of January 27,

2020.

With reference to the three main areas on which the Committee called for better adhesion by the issuers, the Board highlighted the following:

1) Sustainability of business activity (recommendation 1):

The Sanfaustino Group considers the social aspect of the company and the responsibility deriving from it to be of great importance. For this reason, it operates with a view to safeguarding the health and safety of workers and turns its constant commitment to compliance with social responsibility. The Group pursues internally, both in its daily operations and in strategic perspective, the full realization of the requirements required by the SA8000 (Social Accountability) Standard. The firm team's firm conviction is the importance of a correct and transparent management of its "human assets" and raising awareness among management, suppliers, employees and external collaborators, in compliance with the principles of social responsibility set out in the SA8000 standard. (Social Accountability). Having said this, the Board has constant attention to the issue of sustainability of business activities in defining strategies and remuneration policy.

2) Quality of the information to the board of directors (recommendation 2): the terms identified as congruous by the Board were respected (at least one week and in any case never less than three days). The confidentiality requirements have been protected without compromising the completeness, adequacy and timeliness of the information flows.

3) Independence of the directors (recommendation 3): all the requirements of the TUF, of the Stock Exchange Regulations and of the Self-Discipline Code have been respected, with the exception that, for the independent directors Carlo Alberto Carnevale Maffé and Alberto Piantoni, the requirement that does not having held the office of director of the Issuer for more than nine years in the past twelve years. The Board of Statutory Auditors verified the correct application of the independence criteria. The Corporate Governance Report sets out the reasons and criteria on the basis of which the Board considers independence also for ultra-nine-year positions.

4) Remuneration of non-executive directors and members of the control body (recommendation 4): the Board considers the remuneration established in favor of non-executive directors and auditors adequate, in light of the required and profuse commitment and the skills and professionalism. It does not consider it appropriate to provide for differentiated compensation for the members of the committees.

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.

Report on Corporate Governance and ownership structure

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	18.04.2019	Approval of 2021 fin. statements	M	X				-	9/9				
CEO ♦	Giuseppe Frigoli	1951	13.03.1998	18.04.2019	Approval of 2021 fin. statements	M	X				-	9/9				
CEO ♦	Emilio Frigoli	1955	13.03.1998	18.04.2019	Approval of 2021 fin. statements	M	X				-	9/9				
Exec. Director	Giovanni Frigoli	1960	14.11.1998	18.04.2019	Approval of 2021 fin. statements	M	X				-	9/9				
Exec. Director	Francesco Frigoli	1953	14.11.1998	18.04.2019	Approval of 2021 fin. statements	M	X				-	9/9				
Indepen. Director ■ ●	Alberto Piantoni	1956	21.04.2004	18.04.2019	Approval of 2021 fin. statements	M			X	X	-	9/9	4/4	M	2/2	M
Indepen. Director ●	Carlo Alberto Carnevale Maffé	1961	30.04.2004	18.04.2019	Approval of 2021 fin. statements	M			X	X	1	9/9	4/4	P	2/2	P
Indepen. Director	Andrea Collalti	1966	20.04.2012	18.04.2019	Approval of 2021 fin. statements	M			X	X	1	9/9				
Non exec Director	Ilaria Frigoli	1985	23.04.2013	18.04.2019	Approval of	M		X			-	9/9	4/4	M	2/2	M

Report on Corporate Governance and ownership structure

					2021 fin. statements												
Non exec Director	Maurizia Frigoli	1984	23.04.2013	18.04.2019	31.01.2020	M		X			-	9/9					
Non exec Director	Elisa Frigoli	1983	23.04.2013	18.04.2019	Approval of 2021 fin. statements	M		X			-	9/9					
Non exec Director	Maristella Pedrinelli	1956	29.04.2016	18.04.2019	Approval of 2021 fin. statements	M		X			-	9/9					
Non exec Director	Francesca Cropelli	1974	29.04.2016	18.04.2019	Approval of 2021 fin. statements	M		X			-	9/9					

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: 9

Control and Risk Committee: 4

Remuneration Committee: 2

- director in charge of internal control system and managing risks.
- ◆ 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.**

Report on Corporate Governance and ownership structure

(*) 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, 2019

Name	Position	Company
Carlo Alberto Carnevale Maffè	Independent Director	United Ventures SGR S.p.A.
	Chairman	ASM Energia S.p.A.
Andrea Collalti	Auditor	Fiera di Roma S.p.A.
	Auditor	Gamenet Group S.p.A.
	Chairman of Auditor	Areti S.p.A.

TABLE 3 – BOARD OF AUDITORS STRUCTURE

Position	Name	Year of birth	Date first appointment*	In charge since	In charge until	List **	Indep. Of Code	Board's of auditor meeting	Other charges ***
Chairman	Francesco Curone	1961	13.03.1998	18.04.2019	Approval of 2021 fin. statements	M	X	4/4	6
Effective Member	Mariagrazia Bisesti	1969	23.04.2013	18.04.2019	Approval of 2021 fin. statements	M	X	4/4	0
Effective Member	Umberto Bisesti	1973	13.03.1998	18.04.2019	Approval of 2021 fin. statements	M	X	4/4	4
Alternate	Umberto Bisesti	1968	13.03.1998	18.04.2019	Approval of 2021 fin. statements	M	X	-	N.A.
Alternate	Annamaria Fontana	1977	29.04.2016	18.04.2019	Approval of 2021 fin. statements	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: 4

* 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.)

Report on Corporate Governance and ownership structure

** 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, 2019

Name	Position	Company
Bisesti Umberto (1973)	Auditor member	Linkonline S.r.l.
	Auditor member	Sanfaustino Label S.r.l.
	Auditor	Milmonty S.r.l.
	Auditor	New Pipe S.r.l.
Curone Francesco	Auditor member	Linkonline S.r.l.
	Auditor member	Sanfaustino Label S.r.l.
	Auditor member	Gedit S.p.A.
	Auditor member	Steltronic S.p.A.
	Auditor	Metalltrade S.r.l.
	Auditor	Mepa S.r.l.

Report on Corporate Governance and ownership structure

** 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, 2019

Name	Position	Company
Bisesti Umberto (1973)	Auditor member	Linkonline S.r.l.
	Auditor member	Sanfaustino Label S.r.l.
	Auditor	Milmonty S.r.l.
	Auditor	New Pipe S.r.l.
Curone Francesco	Auditor member	Linkonline S.r.l.
	Auditor member	Sanfaustino Label S.r.l.
	Auditor member	Gedit S.p.A.
	Auditor member	Steltronic S.p.A.
	Auditor	Metalltrade S.r.l.
	Auditor	Mepa S.r.l.



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 6, 2020

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 2020;
- Section II: Remuneration Statement for 2019.

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 18, 2019, 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.

Remuneration Report

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 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 half hour. For the 2020 accounting year two meetings were scheduled in an already held on March 6.

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 enough 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.

Remuneration Report

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;
- 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 policy 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 2020 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 18, 2019, Alberto Frigoli, Giuseppe Frigoli and Emilio Frigoli have been appointed Managing directors with the attribution of full powers in ordinary and

Remuneration Report

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.

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

There are no executive directors within the Company.

However, Giovanni Frigoli should be considered executive director as CEO of the subsidiaries Linkonline S.r.l. and Sanfaustino Label S.r.l. which are both considered strategically relevant for the Group.

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.

Remuneration Report

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.

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 2018, and information relating the shares in the Company owned themselves.

Remuneration Report

Remuneration paid to members of the Board of Directors

The Shareholders' meeting held on April 18, 2019 has determined the total remuneration payable to the Board of Directors in the amount of € 221,288.00 start from 1st May of 2019.

The Board of Directors, which met on May 10, 2019, 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, Ilaria 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..

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

The above data refer to the net profit that will be achieved in the three-year period 2019-2021.

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 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 18, 2019, 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

Remuneration Report

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 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 2019 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	01.01.2019 31.12.2019	Approval of 2021 Financial Statement									
Remuneration at the company drawing up the financial statements				118						118		
Remuneration at subsidiaries and affiliates				0						0		
Total				118						118		
Giuseppe Frigoli	CEO	01.01.2019 31.12.2019	Approval of 2021 Financial Statement									
Remuneration at the company drawing up the financial statements				0						0		
Remuneration at subsidiaries and affiliates				307.5						307.5		
Total				307.5						307.5		
Emilio Frigoli	CEO	01.01.2019 31.12.2019	Approval of 2021 Financial Statement									
Remuneration at the company drawing up the financial statements				0						0		
Remuneration at subsidiaries and affiliates				307.5						307.5		
Total				307.5						307.5		
Francesco Frigoli	Director	01.01.2019 31.12.2019	Approval of 2021 Financial Statement									
Remuneration at the company drawing up the financial statements				0						0		
Remuneration at subsidiaries and affiliates				130						130		
Total				130						130		
Giovanni Frigoli	Director	01.01.2019 31.12.2019	Approval of 2021 Financial Statement									
Remuneration at the company drawing up the financial statements				0						0		
Remuneration at subsidiaries and affiliates				307.5						307.5		
Total				307.5						307.5		
Alberto Piantoni	Director	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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	

- * assignment ceased with effect from 31.01.2020 following the presentation of the resignation from the office of director

Remuneration paid to Board of Auditors

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	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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	01.01.2019 31.12.2019	Approval of 2021 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 31.12.2018	No. of shares purchased	No. of shares sold	No. of shares held as at 31.12.2019
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