NIKOLAUS BAGNARA S.P.A. - A.G.

Statutory Financial Statements as at 31/12/2019

Registry details	
Domiciled in	APPIANO SULLA STRADA DEL VINO
Tax code	00211420211
REA no.	BOLZANO77007
VAT no.	00211420211
Share capital in euros	516,500.00 fully paid-up
Legal form	JOINT-STOCK COMPANY
Main sector of activity (ATECO)	237010
Company in liquidation	no
Company with a single shareholder	no
Company subject to another person's direction and coordination activities	no
Name of the company or entity carrying out direction and coordination activities	
Membership of a group	no
Name of the parent company	
Country of the parent company	
Entry no. in the register of cooperatives	

PARENT'S ACCOUNTS FOR CLIFFORD LTD - NO. 04649060
AUDIT EXEMPTION NOTE ON PAGE 4.

Amounts are stated in euros

CERTIFIED AS A TRUE AND ACCURATE TRANSLATION OF THE ORIGINAL DOCUMENT.
CERTIFIED TO BE A TRUE COPY

I certify that this is a true copy of the original

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Company Reg. n. 5260622

Rolando Mauriello
28/11/2020

MONDAY

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COMPANIES HOUSE

Financial Statements as at 31/12/2019

BALANCE SHEET

ASSETS	31/12/2019	31/12/2018
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE		
Total receivables from shareholders for payments still due (A)	**0**	**0**
B) FIXED ASSETS		
I – Intangible fixed assets		
1) Formation and expansion costs	11,615	0
3) Industrial patent and intellectual property rights	36,142	53,715
5) Goodwill	47,500	0
Total intangible fixed assets	95,257	53,715
II – Tangible fixed assets		
1) Land and buildings	13,564,067	14,069,057
2) Plant and machinery	2,342,693	2,611,684
3) Industrial and commercial equipment	338,867	326,125
4) Other assets	638,480	575,633
5) Assets under construction and payments on account	40,000	46,826
Total tangible fixed assets	16,924,107	17,629,325
III – Financial fixed assets		
1) Interests in		
a) Subsidiary companies	855,546	880,546
b) Related companies	114,304	364,304
d-bis) Other companies	11,697	11,697
Total interests (1)	981,547	1,256,547
Total financial fixed assets (III)	981,547	1,256,547
Total fixed assets (B)	**18,000,911**	**18,939,587**
C) CURRENT ASSETS		
I) Inventories		
1) Raw, subsidiary and consumable materials	13,578,059	12,842,745
5) Payments on account	903,741	580,020
Total inventories	14,481,800	13,422,765
II) Receivables		
1) From customers		
Due within the following financial year	6,607,035	7,427,552
Total receivables from customers	6,607,035	7,427,552
2) From subsidiary companies		
Due within the following financial year	4,566,030	4,424,942
Total receivables from subsidiary companies	4,566,030	4,424,942
3) From related companies		
Due within the following financial year	2,002,642	1,802,523
Total receivables from related companies	2,002,642	1,802,523
5-bis) Tax receivables		
Due within the following financial year	373,777	172,179
Total tax receivables	373,777	172,179
5-ter) Prepaid taxes	59,101	64,942
5-quater) From others		
Due within the following financial year	187,571	272,882
Due after the following financial year	74,267	100,775
Total receivables from others	261,838	373,657
Total receivables	13,870,423	14,265,795
III - Financial assets other than fixed assets		

Total financial assets other than fixed assets	0	0
IV – Liquid assets		
1) Bank and post office deposits	15,075	59,786
3) Cash and cash equivalents	4,107	2,520
Total liquid assets	19,182	62,306
Total current assets (C)	**28,371,405**	**27,750,866**
D) ACCRUED INCOME AND PREPAID EXPENSES	**629,715**	**631,427**
TOTAL ASSETS	**47,002,031**	**47,321,880**

BALANCE SHEET

LIABILITIES	**31/12/2019**	**31/12/2018**
A) EQUITY		
I – Capital	516,500	516,500
II – Share appreciation reserve	0	0
III – Revaluation reserves	6,106,688	6,106,688
IV – Legal reserve	103,300	103,300
V – Statutory reserves	0	0
VI – Other reserves, indicated separately		
Extraordinary reserve	8,023,850	6,812,398
Capital contribution payments	287,481	287,481
Reserve following reduction in share capital	130,000	130,000
Merger reserve	39,577	0
Unrealized exchange gains reserve	206,208	150,579
Sundry other reserves	149,654	105,975
Total other reserves	8,836,770	7,486,433
VII – Reserve for expected cash flow hedge transactions	0	0
VIII – Profits/(losses) carried forward	0	0
IX – Profit/(loss) for the financial year	1,222,822	1,379,743
Loss covered over the financial year	0	0
X – Negative reserve for treasury shares in portfolio	0	0
Total equity	**16,786,080**	**15,592,664**
B) PROVISIONS FOR RISKS AND EXPENSES		
2) For taxes, including deferred taxes	598,704	579,839
4) Other	115,733	142,066
Total provisions for risks and expenses (B)	**714,437**	**721,905**
C) SEVERANCE PAYMENTS	**988,845**	**913,288**
D) PAYABLES		
3) Payables to shareholders for loans		
Due within the following financial year	416,537	350,960
Due after the following financial year	778,500	868,500
Total payables to shareholders for loans (3)	1,195,037	1,219,460
4) Bank payables		
Due within the following financial year	8,577,270	11,188,771
Due after the following financial year	8,202,626	7,827,849
Total bank payables (4)	16,779,896	19,016,620
6) Payments on account		
Due within the following financial year	938,828	1,010,901
Total payments on account (6)	938,828	1,010,901
7) Trade payables		
Due within the following financial year	5,547,297	5,355,476
Total trade payables (7)	5,547,297	5,355,476
9) Payables to subsidiary companies		
Due within the following financial year	0	13,264

Total payables to subsidiary companies (9)	0	13,264
10) Payables to related companies		
Due within the following financial year	511,174	73
Total payables to related companies (10)	511,174	73
12) Tax payables		
Due within the following financial year	177,040	204,905
Total tax payables (12)	177,040	204,905
13) Payables to pension and social security institutions		
Due within the following financial year	260,113	227,816
Total payables to pension and social security institutions (13)	260,113	227,816
14) Other payables		
Due within the following financial year	796,925	723,078
Due after the following financial year	2,229,428	2,213,881
Total other payables (14)	3,026,353	2,936,959
Total payables (D)	**28,435,738**	**29,985,474**
E) ACCRUED EXPENSES AND DEFERRED INCOME	**76,931**	**108,549**
TOTAL LIABILITIES	**47,002,031**	**47,321,880**

FOR THE YEAR ENDING 31/12/2019 THE COMPANY WAS ENTITLED TO EXEMPTION FROM AUDIT UNDER SECTION 479 A OF THE COMPANIES ACT 2006 RELATING TO SUBSIDARY COMPANIES

PROFIT AND LOSS ACCOUNT

	31/12/2019	31/12/2018
A) PRODUCTION VALUE:		
1) Revenues from sales and services	35,495.846	36,916,476
5) Other revenues and income		
Grants for current expenses	85,300	157,600
Other	1,138,295	841,504
Total other revenues and income	1,223,595	999,104
Total production value	**36,719,441**	**37,915,580**
B) PRODUCTION COSTS:		
6) Raw, subsidiary and consumable materials and goods	15,305,697	15,274,292
7) Services	12,127,558	13,874,205
8) Use of third party property	688,231	660,172
9) Employees:		
a) Salaries and wages	3,766,723	3,530,416
b) Social security expenses	1,272,363	1,167,129
c) Severance payments	258,670	247,404
e) Other costs	-18,881	5,742
Total employee costs	5,278,875	4,950,691
10) Amortization, depreciation and write-downs:		
a) Amortization of intangible fixed assets	33,320	33,688
b) Depreciation of tangible fixed assets	720,729	614,786
d) Write-down of current asset and liquid asset receivables	121,443	191,685
Total amortization, depreciation and write-downs	875,492	840,159
11) Variation in inventories of raw, subsidiary and consumable materials and goods	-714,693	-728,627
12) Apportionments for risks	42,927	46,474
14) Sundry management expenses	635,967	352,113
Total production costs	**34,240,054**	**35,269,479**
Difference between production value and costs (A-B)	**2,479,387**	**2,646,101**
C) FINANCIAL INCOME AND EXPENSES:		
16) Other financial income:		
a) From receivables entered in the fixed assets		
Other	86,064	68,222
Total financial income from receivables entered in the fixed assets	86,064	68,222
d) Income other than from the foregoing		
Other	41,771	37,735
Total income other than from the foregoing	41,771	37,735
Total other financial income	127,835	105,957
17) Interest and other financial expenses		
Other	664,164	693,104
Total interest and other financial expenses	664,164	693,104
17-bis) Exchange-rate gains and losses	56,600	-52,272
Total financial income and expenses (C) (15+16-17+-17-bis)	**-479,729**	**-639,419**
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS AND LIABILITIES:		
19) Write-downs:		
a) Of interests	250,000	0
Total write-downs	250,000	0
Total adjustments to value of financial assets and liabilities (18-19)	**-250,000**	**0**
PROFIT/(LOSS) BEFORE TAX (A-B+-C+-D)	**1,749,658**	**2,006,682**

20) Current, deferred and prepaid income taxes for the financial year		
Current taxes	522,646	655,979
Deferred and prepaid taxes	4,190	-29,040
Total current, deferred and prepaid income taxes for the financial year	526,836	626,939
21) OPERATING PROFIT/(LOSS)	**1,222,822**	**1,379,743**

CASE FLOW STATEMENT (INCOME FLOW WITH THE INDIRECT METHOD)	Current financial year	Previous financial year
A. Cash flow deriving from operations (indirect method)		
Profit/(loss) for the financial year	**1,222,822**	**1,379,743**
Income taxes	526,836	626,939
Interest payable/(receivable)	536,329	587,147
(Dividends)	0	0
(Gains)/Losses deriving from the sale of assets	(174,277)	(83,181)
1. Profit/Loss) for the financial year, before income tax, interest, dividends and gains/losses from sales	**2,111,710**	**2,510,648**
Adjustments for non-monetary items that have no counterpart in the net working capital		
Apportionments to provisions	201,558	200,790
Fixed asset amortization and depreciation	754,049	648,474
Write-downs due to impairment	0	0
Adjustments to value of financial assets and liabilities of derivative financial instruments not involving monetary movements	0	0
Other adjustments upwards/(downwards) for non-monetary items	222,328	117,210
Total adjustments for non-monetary items that have no counterpart in the net working capital	1,177,935	966,474
2. Cash flow prior to variations in the net working capital	**3,289,645**	**3,477,122**
Variations in the net working capital		
Decrease/(Increase) in inventories	(1,059,035)	(305,383)
Decrease/(Increase) in receivables from customers	666,950	(638,512)
Decrease/(Increase) in trade payables	167,870	74,646
Decrease/(Increase) in accrued income and prepaid expenses	1,712	(86,542)
Increase/(Decrease) in accrued expenses and deferred income	(59,756)	37,474
Other decreases / (Other increases) in net working capital	325,173	455,013
Total variations in net working capital	42,914	(463,304)
3. Cash flow following variations in net working capital	**3,332,559**	**3,013,818**
Other adjustments		
Interest received/(paid)	(207,313)	(247,076)
(Income tax paid)	(668,680)	(583,744)
Dividends received	0	0
(Utilization of provisions)	(166,898)	(147,485)
Other collections/(payments)	0	0
Total other adjustments	(1,042,891)	(978,305)
Cash flow from operations (A)	**2,289,668**	**2,035,513**
B. Cash flow deriving from investment activities		
Tangible fixed assets		
(Investments)	0	(1,966,947)
Disinvestments	193,965	89,915
Intangible fixed assets		

(Investments)	(74,862)	(42,464)
Disinvestments	0	0
Financial fixed assets		
(Investments)	0	(33,612)
Disinvestments	230,669	0
Financial assets not tied-up		
(Investments)	0	0
Disinvestments	0	0
(Acquisition of business branches net of liquid assets)	0	0
Transfer of business branches net of liquid assets	0	0
Cash flow from investment activities (B)	**349,772**	**(1,953,108)**
C. Cash flow deriving from financing activities		
Third party resources		
Increase/(Decrease) in short-term bank payables	(2,611,501)	684,515
Arrangement of loans	0	977,890
(Repayment of loans)	(42,562)	0
Own resources		
Increase in capital for payment	0	0
(Repayment of capital)	(29,406)	(2,052,749)
Sale (Purchase) of treasury shares	0	0
(Dividends and interim dividends paid)	0	0
Cash flow from financing activities (C)	**(2,683,469)**	**(390,344)**
Increase (decrease) in liquid assets (A ± B ± C)	**(44,029)**	**(307,939)**
Exchange-rate effect on liquid assets	905	18,847
Liquid assets at start of year		
Bank and post office deposits	59,786	350,319
Cheques	0	0
Cash and cash equivalents	2,520	1,079
Total liquid assets at start of year	**62,306**	**351,398**
Of which not freely usable	0	0
Liquid assets at year end		
Bank and post office deposits	15,075	59,786
Cheques	0	0
Cash and cash equivalents	4,107	2,520
Total liquid assets at year end	19,182	62,306
Of which not freely usable	**0**	**0**

Notes on the statutory financial statements as at 31/12/2019

INTRODUCTION

The financial statements closed at 31/12/2018, of which these notes form an integral part pursuant to article 2423, paragraph 1, of the Italian Civil Code, correspond to the results shown in the accounting statements regularly kept and are drawn up in accordance with articles 2423, 2423 ter, 2424, 2424 bis, 2425, 2425 bis and 2425 ter of the Italian Civil Code, according to principles of preparation laid down by article 2423 bis and valuation criteria referred to in article 2426 of the Italian Civil Code.

PRINCIPLES OF PREPARATION

In order to prepare the financial statements clearly and provide a true and fair view of the asset and financial position and economic result in accordance with article 2423 bis of the Italian Civil Code:

- We assessed the individual items prudently on a going concern basis;
- We only included profits actually made during the course of the financial year;
- We determined income and expenses based on accrual, regardless of their financial appearance;
- We included all risks and losses accruing, even if they became known after year end;
- We considered separately, for the purposes of the relative valuation, different items included in the various items of the financial statements;
- We maintained the valuation criteria adopted in relation to the previous financial year unchanged.

The following financial statement assumptions referred to in OIC [Italian Standards Setter] 11 par. 15 were also observed:

a) prudence;

b) principle of a going concern;

c) substantial representation;

d) accrual;

e) consistent valuation criteria;

f) relevance;

g) comparability.

Principle of a going concern

With regard to this principle, the valuation of the financial statement items was made on a going concern basis and therefore taking into account the fact that the business constitutes a functioning economic complex intended to generate income, at least for the foreseeable future (12 months as from the reference date of closure of the financial statements).

No significant uncertainties arose regarding the valuation on a going concern basis and no reasonable alternatives to a suspension of business were identified.

The financial statements are drawn up in euros.

EXCEPTIONAL CASES PURSUANT TO ARTICLE 2423, PARAGRAPH 5, OF THE ITALIAN CIVIL CODE

No exceptional events were established making it necessary to have recourse to the departures referred to in article 2423, paragraph 5, of the Italian Civil Code.

CHANGES IN ACCOUNTING STANDARDS

No changes in accounting standards occurred during the financial year.

CORRECTION OF SIGNIFICANT ERRORS

No significant errors made in previous financial years emerged.

PROBLEMS OF COMPARABILITY AND ADAPTATION

There are no items in the assets and liabilities that fall under more than one item in the draft financial statements.

Pursuant to article 2423 *ter*, paragraph 5, of the Italian Civil Code, no problems of comparability and adaptation of the items of the financial statements for the current financial year to those of the previous financial year emerged.

VALUATION CRITERIA APPLIED

The criteria applied in the valuation of the financial statement items, set out below, comply with the provisions of article 2426 of the Italian Civil Code.

The valuation criteria referred to in article 2426 of the Italian Civil Code comply with those used in preparing the financial statements for the previous financial year.

Intangible fixed assets

Intangible fixed assets are recognized, within the limit of the recoverable value, at acquisition or internal production cost, including all directly attributable ancillary charges, and are systematically amortized at constant rates in relation to the residual possibility of use of the asset.

Pursuant to OIC 24 par. 37, acquisitions with deferred payment under conditions other than those normally applied on the market are recognized at the value corresponding to the amount payable determined pursuant to OIC 19.

Industrial patent rights and intellectual property rights are amortized based on their presumed duration of use, which may not exceed that fixed by the licence agreements, however.

Assets under construction include intangible assets in the course of construction. These costs are included in this item until title to the right is acquired or the project is completed. Upon the occurrence of these conditions, the corresponding values are restated in the relevant intangible fixed asset items.

Assets under construction are not subject to amortization.

Fixed assets whose value at the year-end date is permanently lower than the residual cost to be amortized are recognized at that lower value; this is not maintained if the reasons for the adjustment made cease to apply in subsequent financial years.

The recognition and valuation of items included in the category of intangible fixed assets were made with the consent of the Board of Statutory Auditors, where provided for by the Italian Civil Code.

Tangible fixed assets

Tangible fixed assets are recorded at the date of transfer of risks and benefits connected with the assets acquired and are recognized, within the limit of the recoverable value, at acquisition or production cost net of the relative accumulated depreciation, including all directly attributable ancillary costs and charges, indirect costs relating to internal production and charges relating to the financing of internal manufacture borne during the manufacturing period and for the period for which the asset may be used.

Assets for which payment is deferred compared to normal market conditions are recognized, based on the amortized cost criterion, at the value corresponding to the amount payable determined pursuant to OIC 19 'Payables'.

The costs borne on assets existing for the purposes of the expansion, modernization and improvement of structural items, and those borne to increase their correspondence with the purposes for which they were purchased and non-routine maintenance, as provided for by OIC 16 par. 49-53, have only been capitalized in the presence of a significant, measurable increase in the production capacity or useful life.

For these assets, depreciation has been applied in a unified manner to the new book value taking the residual useful life into account.

For tangible fixed assets comprising a set of coordinated assets, as provided for by OIC 16 par. 45-46, the values of the individual assets were determined in order to identify the various durations of their useful lives.

Tangible fixed assets acquired free of charge, as provided for by OIC 16 par. 47-48, have been recognized based on the market value with a corresponding entry 'A.5 Other revenues and income' in the profit and loss account.

Financial expenses have been capitalized, where appropriate, as provided for by OIC 16 par. 41-44, as:

- They are expenses actually borne and objectively determinable and fall within the limit of the recoverable value of the reference assets;
- The capitalized expenses do not exceed the financial expenses, net of the temporary investment

of funds acquired on loan, in relation to the realization of the asset and borne during the financial year;

- The financial expenses on funds acquired on loan have generally been capitalized within the limits of the portion attributable to the fixed assets under construction;
- The capitalized expenses relate solely to those assets requiring a significant construction period.

The cost of the fixed assets whose use is limited in time is systematically depreciated every financial year at constant rates in relation to the residual possibility of use, specifically indicating the depreciation and possible write-downs applied; rates have been applied that reflect the result of the technical depreciation plans, confirmed by business reality and reduced by 50% for acquisitions made during the financial year, as the conditions provided for by OIC 16 par. 61 apply to these based on economic and technical rates determined in relation to the residual possibility of use.

Depreciation applies from the time at which the assets become available and ready for use; in accordance with OIC 16 par. 70, the depreciation plans are revised in the event of a change in the residual possibility of use.

All assets, including those temporarily not used, have been depreciated, except for those whose use is not exhausted, comprising land, non-essential buildings and structures.

Based on the provisions of OIC 16 par. 60, if the value of the buildings also incorporates the value of the land on which they are built, the value of the building has been shown separately.

Obsolete assets and those no longer used or usable in the production cycle, based on OIC 16 par. 80, have not been depreciated and have been valued at the lower of the net book value and the recoverable value.

The rates applied are as follows:

Buildings: 3%-4%

Plant and machinery: 10%-15%

Industrial and commercial equipment: 10%

Other assets:

- Furniture and fittings: 12%
- Electronic office machinery: 20%
- Motor vehicles: 25%
- Lorries: 20%
- Improvements to third party property: rate based on the term of the lease agreement.

The cost has not been revalued applying monetary revaluation laws.

Public grants for plant and current expenses

The grants for plant expenses provided by the Autonomous Province of Bolzano have been

recognized, in accordance with OIC 16 par. 87, as they have been substantially definitively acquired.

They have been recognized applying the indirect method and therefore recognized in the item of the profit and loss account 'A5 Other revenues and income', and deferred by accrual to subsequent financial years, by recognition of the grant in a suitable item of the deferred income.

The grants provided for current expenses have been recognized in the income components.

Financial lease transactions

In accordance with statutory legislation in force, financial lease transactions are recognized based on the 'equity method' which provides for rental income to be booked in the profit and loss account based on accrual.

The adoption of the 'financial methodology' would have led to the rates of impairment of the assets acquired by leasing, commensurate with the period of use, and the interest on the residual capital financed being booked in the profit and loss account instead of the rental income, as well as the recognition of the assets on the assets side of the balance sheet and the residual debt on the liabilities side.

The specific section of the notes contains information on the effects of the 'financial methodology'.

Interests

Interests are classified in the fixed assets or in the current assets depending on their intended use.

Long-term interests

Long-term interests have been valued by attributing to each interest the cost specifically borne, plus charges directly allocated and any write-off of loans made in favour of companies in which an interest is held, as well as payments made to cover the losses implementing the appropriate resolution of the shareholders' meeting.

Pursuant to article 2426, point 3, of the Italian Civil Code, in the event of permanent impairment, defined and determined based on OIC 21 par. 31-41, the cost is adjusted.

During the financial year in which the conditions determining an adjustment to value in the previous financial year(s) cease to apply, the value will be reinstated, determined based on OIC 21 par. 42-43.

Receivables recognized in the financial fixed assets are stated at the presumed realizable value.

This value was determined by adjusting the nominal value of the receivables existing so as to take all risks of non-realization into account.

Inventories

In order to value inventories, two of the criteria permitted by article 2426, point 10) of the Italian Civil Code were adopted. In particular:

- For raw and subsidiary materials, consumables and goods held for resale, the LIFO criterion was adopted; as usual the valuation of blocks of marble and granite in stock in the yards was particularly complex. Following careful analyses, several blocks were found not to comply with the morphological characteristics of structure and/or form expected, compared to the time of acquisition from the quarries; in fact, purchases may also take place during extraction, or the production may be purchased per cubic metre over a certain period in lots that cannot always be calculated. In many cases, therefore, depending on the type of the aforesaid materials, a valuation was made that took the market value into account, as it is appreciably lower than the purchase cost;
- For semi-finished and end products and for works in progress during the course of the year, the criterion of the cost obtained by valuation of the raw material was adopted with the criterion described above, to which all costs directly attributable to the product or the work in progress were added in relation to the production or works executed.

Receivables

Receivables are classified either in the fixed assets or in the current assets depending on the intended use / origin thereof for ordinary business, and are recognized at the presumed realizable value.

Amounts falling due within and after the financial year were subdivided with regard to the contractual or legal due date, also taking into account facts and events that may give rise to a change in the original due date, the debtor's realistic capacity to fulfil the obligation within the contractual periods and the timespan within which it is reasonably considered that the amount receivable may be collected.

Pursuant to article 2426, paragraph 1, point 8), of the Italian Civil Code, receivables are recognized based on the amortized cost criterion, except for receivables for which the effects of applying the amortized cost, pursuant to article 2423, paragraph 4, of the Italian Civil Code, are irrelevant (falling due within 12 months).

Based on the principle of relevance recalled above, receivables have not been discounted if the interest rate presumable from the contractual conditions is not significantly different from the market interest rate.

Receivables for which the amortized cost criterion was not applied have been recognized at the presumed realizable value.

Receivables, regardless of the application of the amortized cost or otherwise, are represented in the financial statements net of recognition of a bad debt provision to cover receivables considered to be written off, as well as the general risk regarding the remaining receivables, based on estimates made based on past experience, the trend of the age of the receivables due, the general and sectoral economic situation and the country risk, and on events occurring after year end that affect the

values at the date of the financial statements.

For receivables backed by guarantees, the effects of enforcement of the guarantees have been taken into account and, for any insured receivables, only the portion not covered by the insurance has been taken into account.

An apportionment was also made to a specific provision for risks with regard to the estimated returns of goods or products by customers and discounts and reductions it is presumed will be granted at the time of collection, based on experience and on any other useful information.

Notes on the application of Legislative Decree 139/2015

The company made use of the right (OIC 15 par. 89) not to apply the amortized cost and discounting criterion to receivables recognized in the financial statements as at 31 December 2015, and therefore these criteria were only applied to receivables recognized as from 1 January 2016. These receivables are valued at the presumed realizable value.

Tax receivables and prepaid tax assets

The item 'Tax receivables' includes certain amounts determined deriving from receivables for which a realizable right exists by repayment or offsetting.

The item 'Prepaid taxes' includes prepaid tax assets determined based on the temporary differences in tax losses that may be deducted or carried forward, applying the estimated rate in force at the time such differences will be repaid.

Any prepaid tax assets connected with a tax loss have been recognized in the presence of reasonable certainty as to their future recovery, demonstrated by tax planning for a reasonable period of time anticipating sufficient taxable income to make use of the losses that may be carried forward and/or by the presence of sufficient taxable temporary differences to absorb the losses that may be carried forward.

Liquid assets

Liquid assets are recognized at their nominal value.

Accruals and deferrals

Accruals and deferrals have been recognized based on the principle of time accrual and include income/expenses accruing during the financial year and payable in subsequent financial years and income/expenses incurred by year end but accruing in subsequent financial years.

Therefore only the portions of expenses and income common to two or more financial years are recognized, the amount of which varies based on time.

At year end, the conditions determining the initial recognition were found to have been observed, making the necessary adjustments to value, where appropriate, also taking the time factor and possible recoverability into account.

Accrued income, similar to operating receivables, has been valued at the presumed realizable

value, applying a write-off in the profit and loss account if that value is lower than the book value. Accrued expenses, similar to payables, have been valued at the nominal value.

For deferred expenses, a valuation of the future economic benefit related to the deferred costs has been applied. If that benefit is lower than the portion deferred, the value has been adjusted.

Equity

The share capital has been recognized at the nominal value of the shares subscribed for by the shareholders, relating to transactions on capital already completed.

Reserves are recognized at nominal value.

Provisions for risks and expenses

The provisions for risks represent the liabilities connected with situations existing at the date of the financial statements, but whose occurrence is only probable.

The provisions for expenses represent certain liabilities related to negative income components accruing during the financial year but whose actual date of payment falls in the following financial year.

The estimating process is applied at and/or adjusted to the closing date of the financial statements based on past experience and on any useful information available.

In accordance with OIC 31 par. 19, as the criterion of classification by nature of costs has to prevail, the apportionments to provisions for risks and expenses are recognized in the items of management assets to which the transaction relates (characteristic, accessory or financial).

Provisions for retirement pensions and similar obligations

These represent the liabilities connected with the apportionments for supplementary retirement pensions and for lump-sum indemnities payable to employees, independent workers and collaborators, by law or contract, at the time of termination of employment.

The apportionment for the year is determined, also based on estimates, to allow the progressive adaptation of the relative provision to the overall portion accrued at year end.

Provisions for taxes, including deferred taxes

This includes liabilities for probable taxes deriving from non-final assessments and disputes in progress, and liabilities for deferred taxes determined based on the taxable temporary differences, applying the estimated rate in force at the time such differences will be repaid.

Pursuant to OIC 25, par. 53-85, the provision for deferred taxes also includes deferred taxes deriving from extraordinary transactions, the revaluation of assets and untaxed reserves that have not been recognized in the profit and loss account or in the equity.

With regard to the untaxed reserves that would be liable to tax in the event of distribution to shareholders, deferred taxes have not been calculated since, pursuant to OIC 25 par. 64, reasons exist to consider that they will not be used with procedure such as to give rise to cases of taxability.

Severance payments

Severance payments are recognized observing the provisions of the legislation in force and correspond to the Company's actual commitment vis-à-vis individual employees at the closing date of the financial statements, minus advances paid.

Payables

Pursuant to article 2426, paragraph 1, point 8), of the Italian Civil Code, payables are recognized based on the amortized cost criterion, except for payables for which the effects of the application of the amortized cost, pursuant to article 2423, paragraph 4, of the Italian Civil Code, are irrelevant (falling due within 12 months). Based on the aforesaid principle of accrual, payables have not been discounted if the interest rate deduced from the contractual conditions is not significantly different from the market interest rate.

The 'time factor' referred to in article 2426, paragraph 1, point 8) has also been taken into account, discounting payables falling due after 12 months in the event of a significant difference between the actual interest rate and the market rate.

Payables for which the amortized cost criterion has not been applied have been recognized at nominal value.

Amounts falling due within and after the financial year have been subdivided with regard to the contractual or legal due date, taking into account any facts and events that may give rise to a change in the original due date as well.

Payables originating from acquisitions of goods are recognized at the time of transfer of the risks, expenses and benefits; those relating to services are recognized at the time of provision of the service, and financial and other payables at the time the obligation vis-à-vis the other party arises.

Tax payables include liabilities for certain, fixed taxes and withholdings applied as a substitute, and not yet paid at the date of the financial statements, and, if offsetting is permitted, are recognized net of payments on account, withholdings on account and tax receivables.

Notes on the application of Legislative Decree 139/2015

The company has made use of the right (OIC 19 par. 90) not to apply the amortized cost and discounting criterion to payables recognized in the financial statements as at 31 December 2015, and therefore these criteria have been applied solely to payables recognized as from 1 January 2016. These payables are valued at nominal value.

Values in foreign currency

Assets and liabilities in foreign currency, if present, are recognized at the spot exchange rate at the year-end date, the relative exchange-rate gains and losses being allocated to the profit and loss account. In the event of a net gain deriving from the adjustment for currency, the portion not absorbed by the possible loss for the financial year is recognized in a suitable reserve

undistributable until the time of realization.

Non-monetary assets and liabilities in foreign currency, if present, are recognized at the exchange rate in force at the time of acquisition and, pursuant to OIC 26 par. 31, at the time of preparing the financial statements, this cost is compared, according to the reference accounting standards, with the recoverable value (fixed assets) or with the value that may be deduced from the market trend (current assets).

With regard to the provisions of article 2427, point 6-*bis*, of the Italian Civil Code, following the year end, unrealized exchange-rate differences, if valued at the date of 25.02.2020 and without taking into account the changes in equity occurring during the period 01.01.2020-25.02.2020, present a positive net balance of €356,933 (calculated with the exchange rate at year end, they present a positive net balance of €354,418).

Expenses and income

These are recognized according to the principle of prudence and financial accrual.

Economic and financial transactions with group companies and with related counterparties are performed under normal market conditions.

FURTHER INFORMATION

The specific sections of the notes illustrate the criteria with which article 2423, paragraph 4, has been implemented in the event of non-observance with regard to recognition, valuation, presentation and information, when the observance thereof is irrelevant for the purposes of providing a true and fair view.

The standards and recommendations published by the Organismo Italiano di Contabilità (OIC) have been observed, supplemented, where they fall short, by generally accepted international standards (IAS/IFRS and USGAAP), in order to provide a true and fair view of the asset and financial position and the economic result for the financial year.

With the merger document dated 5 December 2019, the Company absorbed the subsidiary "Bagnara Stonecare S.r.l.". This transaction took effect for civil and tax purposes as from 10 December 2019.

INFORMATION ON THE BALANCE SHEET

ASSETS

RECEIVABLES FROM SHAREHOLDERS

No receivables from shareholders are recognized for payments outstanding at the year-end date.

FIXED ASSETS

Intangible fixed assets

Intangible fixed assets amount to €95,257 (€53,715 in the previous financial year).

The composition and movements of the individual items are shown below:

	Formation and expansion costs	Industrial patent rights and intellectual property rights	Concessions, licences, trade marks and similar rights	Goodwill	Total intangible fixed assets
Value at start of year					
Cost	18,991	271,669	38,887	0	329,547
Amortization (Accumulated amortization)	18,991	217,954	38,887	0	275,832
Financial statement value	0	53,715	0	0	53,715
Changes during the financial year					
Increases owing to acquisitions	16,956	9,614	0	48,292	74,862
Amortization over the year	5,341	27,187	0	792	33,320
Total changes	11,615	-17,573	0	47,500	41,542
Value at year end					
Cost	48,289	281,282	38,887	95,000	463,458
Amortization (Accumulated amortization)	36,674	245,140	38,887	47,500	368,201
Financial statement value	11,615	36,142	0	47,500	95,257

Further information is provided below.

Composition of the item "Other intangible fixed assets"

There are no "Other intangible fixed assets" recognized.

Composition of the "formation and expansion costs" and of the "development costs"

With regard to the provisions of article 2427, paragraph 1, point 3), of the Italian Civil Code, the composition of the formation and expansion costs and of the development costs is shown below.

Composition of the formation and expansion costs:

	Description	Value at start of year	Increases during the	Amortization over the	Other decreases	Total changes	Value at year end

			financial year	financial year			
	Bagnara Stonecare Srl merger costs	0	15,326	5,108	0	10,218	10,218
	Bagnara Stonecare Srl formation costs	0	1,630	233	0	1,397	1,397
Total		0	16,956	5,341	0	11,615	11,615

Composition of development costs:

No development costs are recognized.

Tangible fixed assets

Tangible fixed assets amount to €16,924,107 (€17,629,325 in the previous financial year).

The composition and movements of the individual items are shown below:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under construction and payments on account	Total tangible fixed assets
Value at start of year						
Cost	8,944,189	4,038,413	741,038	1,576,812	46,826	15,347,278
Revaluations	7,022,077	0	0	0	0	7,022,077
Depreciation (accumulated depreciation)	1,897,209	1,426,729	414,913	1,001,179	0	4,740,030
Financial statement value	14,069,057	2,611,684	326,125	575,633	46,826	17,629,325
Changes during the financial year						
Increases owing to acquisitions	42,212	72,302	65,139	211,752	0	391,405
Reclassifications (of financial statement value)	6,826	0	0	0	-6,826	0
Decreases owing to sales and disposals (in the financial statement value)	375,893	0	0	0	0	375,893
Depreciation over the financial year	178,135	341,293	52,397	148,904	0	720,729
Other changes	0	0	0	-1	0	-1
Total changes	-504,990	-268,991	12,742	62,847	-6,826	-705,218
Value at year end						
Cost	15,635,786	4,110,715	819,810	1,802,230	40,000	22,408,541
Depreciation (accumulated depreciation)	2,071,719	1,768,022	480,943	1,163,750	0	5,484,434
Financial statement value	13,564,067	2,342,693	338,867	638,480	40,000	16,924,107

Further information is provided below.:

Composition of the item "Other assets"

The item "Other assets" amounting to €638,480 is composed of the following:

	Description	Value at start of year	Changes during the financial year	Value at year end
	Office furniture and ordinary machinery	232,231	-17,167	215,064
	Electronic office machinery	83,692	76,125	159,817
	Cars	48,893	11,529	60,422
	Lorries	14,307	-5,356	8,951
	Improvements to third party property	196,510	-2,284	194,226
Total		575,633	62,847	638,480

Financial lease transactions

Information on the financial lease transactions is provided below, pursuant to Article 2427, paragraph 1, point 22 of the Italian Civil Code, with regard to the effects on 'equity' and on the 'operating profit/loss':

The table below shows the aforesaid information with regard to the individual contracts existing:

	Description	Leasing company contract reference	Current value of instalments not yet due	Relevant interest payable	Historical cost	Accumulated amortization at start of year	Amortization during the financial year	Adjustments to value for the financial year	Book value
	Land with equipment Rivoli Veronese	Unicredit Leasing Spa - IF/13252115	307,975	12,994	890,504	0	0	0	0
	Granite production plant	SG Leasing - SI 341382	27,251	7,952	620,000	217,000	62,000	0	341,000
	Land with equipment Cavaion Veronese	Cassa Rurale Renon Soc.Coop.-n 00019263	869,531	16,419	1,381,000	0	0	0	0
	Digital control bridge cutter	SG Leasing - SS 381780	167,424	2,396	235,380	11,769	23,538	0	200,073
	Edge polisher	SG Leasing - SS 381781	115,476	1,224	150,000	0	7,500	0	142,500
	Cutting and shaping centre	SG Leasing - SS 381782	96,359	1,350	132,620	6,631	13,262	0	112,727
	Power Jet cutting machine	Natixis Lease - n. 7191	69,954	1,089	115,000	5,750	11,500	0	97,750
	Power Jet cutting machine	Natixis Lease - n. 7287	75,060	1,089	115,000	5,750	11,500	0	97,750
Total			1,729,030	44,513	3,639,504	246,900	129,300	0	991,800

Financial fixed assets

Interests, other securities and derivative financial instruments receivable

The interests included in the financial fixed assets amount to €981,547 (€1,256,547 in the previous financial year).

The financial fixed assets essentially comprise interests in the following at year end:

- in five subsidiary companies, of which two are British operating in the mining sector, one is American with a significant interest in a company operating in the sector and two Spanish operating in the production and marketing of marble and granite blocks, slabs and tiles;
- in two foreign related companies, one operating in the quarry sector and the other in the production and marketing of marble and granite blocks, slabs and tiles;
- in one resident company, operating in the handling sector, with the loading and unloading of blocks in particular; and in two consortia and two associations with regard to the insignificant shares recognized.

The composition and movements of the individual items are shown below:

	Interests in subsidiary companies	Interests in related companies	Interests in other companies	Total interests
Value at start of year				
Cost	880,546	364,304	11,697	1,256,547
Financial statement value	880,546	364,304	11,697	1,256,547
Changes during the financial year				
Decreases due to disposals (in financial statement value)	25,000	0	0	25,000
Write-downs during the financial year	0	250,000	0	250,000
Total changes	-25,000	-250,000	0	-275,000
Value at year end				
Cost	855,546	364,304	11,697	1,231,547
Write-downs	0	250,000	0	250,000
Financial statement value	855,546	114,304	11,697	981,547

The decrease relates to the merger of the subsidiary "Bagnara Stonecare S.r.l.", formalized with the deed of 05/12/2019 and taking effect on 09/12/2019.

Non-current receivables

No receivables are recognized in the financial fixed assets.

Interests in subsidiary companies

Details of the interests in subsidiary companies are set out below, pursuant to article 2427, paragraph 1, point 5, of the Italian Civil Code:

	Name	Town, if in Italy, or foreign State	Tax code (for Italian enterprises)	Capital in euros	Profit (Loss) in last financial year in euros	Equity in euros	Portion held in euros	Portion held as a %	Financial statement value or correspondi ng receivable

	Bagnara Holding Company Inc.	Georgia - (USA)	445	-76,192	1,810,803	437	100.00	740,671
	Clifford Limited Ltd	London - (United Kingdom)	7,304	11,311	20,364	7,167	100.00	7,535
	Sheringham Limited	Romford, (United Kingdom)	3,000	-12,726	-41,125	2,000	66.67	1,001
	Azul Aran S.L.	Barcelona (Spain)	6,010	-8,367	231,204	6,010	100.00	102,020
	Intenia S.L.	Lleida (Spain)	4,000	1,057	7,004	4,000	100.00	4,319
Total								855,546

Interests in related companies

Details of the interests in related companies are set out below, pursuant to article 2427, paragraph 1, point 5, of the Italian Civil Code:

	Name	Town, if in Italy, or foreign State	Tax code (for Italian enterprises)	Capital in euros	Profit (Loss) in last financial year in euros	Equity in euros	Portion held in euros	Portion held as a %	Financial statement value or corresponding receivable
	Shin Bagnara Co. Ltd.	Seoul - (South Korea)		254,575	7,956	2,037,367	127,287	50.00	112,332
	C.R.G. Quarries (PVT) Ltd.	Mutoko (Zimbabwe)		3	-96,639	-1,631,105	1	33.00	1,972
Total									114,304

With regard to C.R.G. Quarries (PVT) Ltd. in which an interest is held, it is noted that a suitable write-down provision was apportioned during the financial year to adjust the book value thereof.

That company, which specializes in the extraction of granite, owns a quarry in Zimbabwe from which substantial quantities of high-quality materials are extracted ("Nero Assoluto") and is a constant and certain source of supply as all the material extracted is reserved for shareholders. However, having assessed the situation of growing political instability that has characterized that African country for some time, it was considered appropriate to prudentially adjust the book value by cancelling it.

Pursuant to article 2361, paragraph 2, of the Italian Civil Code, it is noted that the company does not hold interests involving unlimited liability.

Non-recurrent receivables – Distribution by geographical area

At the year end in question, there are no non-current receivables recognized in the financial statements, on which account the distribution thereof by geographical area is omitted, pursuant to

article 2427, paragraph 1, point 6, of the Italian Civil Code.

Non-current receivables – Repurchase agreements

The Company does not have any non-current receivables deriving from transactions providing for the purchaser's repurchase obligation, pursuant to article 2427, paragraph 1, point 6-*ter*, of the Italian Civil Code.

Financial fixed assets recognized at a value higher than the fair value

Pursuant to Article 2427-*bis*, paragraph 1, point 2, of the Italian Civil Code, there are no financial fixed assets recognized at a value higher than their fair value.

CURRENT ASSETS

Inventories

Goods are recognized in the inventories at the time of transfer of the risks and benefits connected with the goods purchased, and consequently include goods existing in the company's warehouses, excluding those received from third parties for which no property rights have been acquired (under approval, in course of manufacture, on consignment), goods owned by third parties (under approval, in course of manufacture, on consignment) and goods in transit if the risks and benefits connected with the goods purchased have already been transferred.

The inventories included in the current assets amount to €14,481,800 (€13,422,765 in the previous financial year).

The composition and movements of the individual items are shown below:

	Value at start of year	Change during the financial year	Value at year end
Raw, subsidiary and consumable materials	12,842,745	735,314	13,578,059
Payments on account	580,020	323,721	903,741
Total inventories	13,422,765	1,059,035	14,481,800

Tangible fixed assets held for sale

There are no tangible fixed assets held for sale.

Receivables

The receivables included in the current assets amount to €13,870,423 (€14,265,795 in the previous financial year).

The composition is shown below:

	Due within the following financial year	Due after the financial year	Total nominal value	(Provisions for risks/bad debts)	Net value

From customers	7,681,376	0	7,681,376	1,074,341	6,607,035
From subsidiary companies	4,566,030	0	4,566,030	0	4,566,030
From related companies	2,002,642	0	2,002,642	0	2,002,642
Tax receivables	373,777	0	373,777		373,777
Prepaid taxes			59,101		59,101
From other parties	187,571	74,267	261,838	0	261,838
Total	14,811,396	74,267	14,944,764	1,074,341	13,870,423

Receivables – Breakdown by due date

Details of receivables subdivided by due date are set out below, pursuant to article 2427, paragraph 1, point 6, of the Italian Civil Code:

	Value at start of year	Change during the financial year	Value at year end	Portion falling due within the financial year	Portion falling due after the financial year	Of which the residual term exceeds 5 years
Receivables from customers recognized in the current assets	7,427,552	-820,517	6,607,035	6,607,035	0	0
Receivables from subsidiary companies recognized in the current assets	4,424,942	141,088	4,566,030	4,566,030	0	0
Receivables from related companies recognized in the current assets	1,802,523	200,119	2,002,642	2,002,642	0	0
Tax receivables recognized in the current assets	172,179	201,598	373,777	373,777	0	0
Prepaid tax assets recognized in the current assets	64,942	-5,841	59,101			
Receivables from other parties recognized in the current assets	373,657	-111,819	261,838	187,571	74,267	0
Total receivables recognized in the current assets	14,265,795	-395,372	13,870,423	13,737,055	74,267	0

Receivables – Distribution by geographical area

Details of the subdivision of receivables recognized in the current assets by geographical area are set out below, pursuant to article 2427, paragraph 1, point 6), of the Italian Civil Code:

	Total			
Geographical area		Italy	EU	Non-EU
Receivables from customers recognized	6,607,035	3,138,945	1,352,752	2,115,338

in the current assets				
Receivables from subsidiary companies recognized in the current assets	4,566,030	0	3,348,413	1,217,617
Receivables from related companies recognized in the current assets	2,002,642	0	0	2,002,642
Tax receivables recognized in the current assets	373,777	373,777	0	0
Prepaid tax assets recognized in the current assets	59,101	59,101	0	0
Receivables from other parties recognized in the current assets	261,838	261,838	0	0
Total receivables recognized in the current assets	13,870,423	3,833,661	4,701,165	5,335,597

Receivables – Repurchase transactions

There are no receivables recognized in the current assets deriving from transactions providing for the purchaser's repurchase obligation, pursuant to article 2427, paragraph 1, point 6-ter, of the Italian Civil Code.

Financial assets

There are no financial assets recognized in the current assets.

Interests in subsidiary companies

There are no interests in subsidiary companies recognized in the current assets, pursuant to article 2427, paragraph 1, point 5) of the Italian Civil Code.

Interests in related companies

There are no interests in related companies recognized in the current assets, pursuant to article 2427, paragraph 1, point 5) of the Italian Civil Code.

Liquid assets

The liquid assets included in the current assets amount to €19,182 (€62,306 in the previous financial year).

The composition and movements of the individual items are shown below:

	Value at start of year	Change during the financial year	Value at year end
Bank and post office deposits	59,786	-44,711	15,075
Cash and cash equivalents	2,520	1,587	4,107
Total liquid assets	62,306	-43,124	19,182

ACCRUED INCOME AND DEFERRED EXPENSES

Accrued income and deferred expenses amount to €629,715 (€631,427 in the previous financial year).

The composition and movements of the individual items are shown below:

	Value at start of year	Change during the financial year	Value at year end
Deferred expenses	631,427	-1,712	629,715
Total accrued income and deferred expenses	631,427	-1,712	629,715

Composition of the accrued income and deferred expenses

No accrued income is recognized.

The deferred expenses mainly relate to costs incurred for insurances, subscriptions, other services and prepaid lease instalments accruing in subsequent financial years.

Capitalized financial expenses

There are no financial expenses attributed to the financial year at values recognized in the Balance Sheet assets, pursuant to Article 2427, paragraph 1, point 8, of the Italian Civil Code.

To supplement the information provided on the Balance Sheet assets, the 'Write-downs owing to impairment' and 'Revaluations of tangible and intangible fixed assets' are set out below.

Write-downs owing to impairment of tangible and intangible fixed assets

Pursuant to Article 2427, paragraph 1, point 3-*bis*, of the Italian Civil Code, no impairment has been applied to the intangible and tangible fixed assets.

Revaluation of intangible and tangible fixed assets

The Company has not effected any revaluation of the intangible and tangible fixed assets, pursuant to Article 10 of Law 72/1983.

In 2008, however, the Company made use of the possibility introduced by Decree 185/08 (converted into Law No. 2 of 28 January 2009) to revalue, solely for statutory purposes, depreciable commercial properties and the corresponding land recognized in its assets at 31.12.2007, whose book value was lower than the market value.

By means of the aforesaid revaluation, the residual book value of the property belonging to the category of depreciable property equal to €1,135,020 was prudentially adjusted to the market value of €3,643,323 and that of the property belonging to the category of non-depreciable property equal to €1,640,883 to the market value of €5,932,349.

The revaluation was made according to the legal indications and the value of the revalued property does not exceed the limit identified based on the factors and criteria referred to in article 11, section 2, of Law No. 342/2000 expressly recalled by Decree Law No. 185/2008.

The accounting method used is that providing for the revaluation of the historical cost with the resulting lengthening of the depreciation period.

INFORMATION ON THE BALANCE SHEET

LIABILITIES AND EQUITY

EQUITY

The equity existing at year end is equal to €16,786,080 (€15,592,664 in the previous financial year).

The tables below indicate the changes made during the financial year to the individual items forming the Equity and details of the item 'Other reserves'.

In particular, the profit for the financial year amounting to €1,379,743 was apportioned, in the sum of 5%, corresponding to €68,987 to the distribution to shareholders, while the residual sum of €1,310,756 was apportioned to the Extraordinary Reserve. An amount equal to €43,765 was appropriated from the Extraordinary Reserve and apportioned to the Reserve "for prepaid taxes" and an amount equal to €55,629 was appropriated from the Extraordinary Reserve and apportioned to the " Unavailable reserve owing to unrealized foreign exchange differences".

	Value at start of year	Allocation of dividends	Other apportionments	Increases
Capital	516,500	0	0	0
Revaluation reserves	6,106,688	0	0	0
Legal reserve	103,300	0	0	0
Other reserves				
Extraordinary reserve	6,812,398	68,987	1,379,743	0
Capital contribution payments	287,481	0	0	0
Share capital reduction reserve	130,000	0	0	0
Merger reserve	0	0	0	39,577
Reserve for unrealized gains on foreign currency translations	150,579	0	0	55,629
Sundry other reserves	105,975	0	0	43,675
Total other reserves	7,486,433	68,987	1,379,743	138,881
Profit/(loss) for the financial year	1,379,743	0	-1,379,743	0
Total equity	15,592,664	68,987	0	138,881

	Decreases	Reclassifications	Operating profit	Value at year end
Capital	0	0		516,500
Revaluation reserves	0	0		6,106,688
Legal reserve	0	0		103,300
Other reserves				
Extraordinary reserve	99,304	0		8,023,850
Capital contribution payments	0	0		287,481
Share capital reduction reserve	0	0		130,000
Merger reserve	0	0		39,577
Reserve for unrealized gains on foreign currency translations	0	0		206,208
Sundry other reserves	0	4		149,654

Total other reserves	99,304	4		8,836,770
Profit/(loss) for the financial year	0	0	1,222,822	1,222,822
Total equity	99,304	4	1,222,822	16,786,080

	Description	Amount
	Reserve for provisional contributions pursuant to article 55 of the TUIR *[Income Tax Consolidation Act]*	84,710
	Prepaid tax reserve	64,942
	Roundings	2
Total		149,654

For a better understanding of the changes in equity, the movements made in the equity items in the previous financial year are set out below:

	Value at start of year	Allocation of dividends	Other apportionments	Increases
Capital	516,500	0	0	0
Revaluation reserves	6,106,688	0	0	0
Legal reserve	103,300	0	0	0
Other reserves				
Extraordinary reserve	7,622,629	2,000,000	1,002,163	187,606
Capital contribution payments	287,481	0	0	0
Share capital reduction reserve	130,000	0	0	0
Reserve for unrealized gains on foreign currency translations	329,814	0	0	0
Sundry other reserves	114,350	0	0	0
Total other reserves	8,484,274	2,000,000	1,002,163	187,606
Profit/(loss) for the financial year	1,054,908	0	-1,054,908	0
Total equity	16,265,670	2,000,000	-52,745	187,606

	Decreases	Reclassifications	Operating profit	Value at year end
Capital	0	0		516,500
Revaluation reserves	0	0		6,106,688
Legal reserve	0	0		103,300
Other reserves				
Extraordinary reserve	0	0		6,812,398
Capital contribution payments	0	0		287,481
Share capital reduction reserve	0	0		130,000
Reserve for unrealized gains on foreign currency translations	179,235	0		150,579
Sundry other reserves	8,371	-4		105,975
Total other reserves	187,606	-4		7,486,433
Profit/(loss) for the financial year	0	0	1,379,743	1,379,743
Total equity	187,606	-4	1,379,743	15,592,664

Availability and use of equity items

The information required by article 2427, paragraph 1, point 7-*bis*, of the Italian Civil Code on the specification of equity items with regard to their origin, possibility of use and distributability and use in previous financial years can be deduced from the statements below:

	Amount	Origin/nature	Possibility of use	Portion available	Summary of uses made in the previous three financial years – to cover losses	Summary of uses made in the previous three financial years – for other reasons
Capital	516,500	Shareholders' contribution		0	0	0
Revaluation reserves	6,106,688	Other nature	A-B-C	6,106,688	0	0
Legal reserve	103,300	Profits	B	103,300	0	0
Other reserves						
Extraordinary reserve	8,023,850	Profits	A-B-C	8,023,850	0	2,000,000
Capital contribution payments	287,481	Shareholders' contribution	A-B	287,481	0	0
Share capital reduction reserve	130,000	Other nature	A-B-C	130,000	0	0
Merger reserve	39,577	Profits	A-B-C	39,577	0	0
Reserve for unrealized gains on foreign currency translations	206,208	Profits	A-B	206,208	0	0
Sundry other reserves	149,654	Profits	A-B-C	149,654	0	0
Total other reserves	8,836,770			8,836,770	0	2,000,000
Total	15,563,258			15,046,758	0	2,000,000
Residual portion distributable				15,046,758		
Legend: A: for increase in capital B: to cover losses C: for distribution to shareholders D: for other requirements laid down by the articles E: other						

	Description	Amount	Origin/nature	Possibility of use	Portion available	Summary of uses made in the previous three financial years – to cover losses	Summary of uses made in the previous three financial years – for other reasons	Legend: A: for increase in capital B: to cover losses C: for distribution to shareholders D: for other requirements laid down by the articles E: other
	Reserve for provisional contributions pursuant to article 55 of the TUIR *[Income Tax Consolidation Act]*	84,710	Other nature	A-B-C	84,710	0	0	
	Prepaid tax reserve	64,942	Profits	A-B-C restricted	64,942	0	0	
	Roundings	2			0	0	0	

Total		149,654			

Reserve for expected cash flow hedging transactions

No reserve for expected cash flow hedge transactions is provided for.

To supplement the information supplied on equity, further information is provided below.

Revaluation reserves

The revaluation reserve is composed as follows:

	Value at start of year	Use to cover losses	Other movements	Value at year end
Law no. 2/2009	6,106,688	0	0	6,106,688
Other revaluations				
Total revaluation reserves	6,106,688	0	0	6,106,688

PROVISIONS FOR RISKS AND EXPENSES

The provisions for risks and expenses are recognized in the liabilities for a total of €714,437 (€721,905 in the previous financial year).

The composition and movements of the individual items are shown below:

	Provision for retirement pensions and similar obligations	Provision for taxes, including deferred taxes	Derivative financial instruments payable	Other provisions	Total provisions for risks and expenses
Value at start of year	0	579,839	0	142,066	721,905
Changes during the financial year					
Apportionment during the financial year	0	33,429	0	42,927	76,356
Use during the financial year	0	14,564	0	69,260	83,824
Total changes	0	18,865	0	-26,333	-7,468
Value at year end	0	598,704	0	115,733	714,437

The other provisions for risks and expenses include the "Provision for restoration and clean-up works" for €72,806, deriving from the reclassification in the financial statements of the Provision for depreciation of the land and the Provision for risks on receivables for the residual amount of €42,927.

With regard to information on the movements in the "Provision for deferred taxes", see the section "Current, deferred and prepaid taxes on operating profit".

SEVERANCE PAYMENTS

Severance payments are recognized in the liabilities for a total of €988,845 (€913,288 in the

previous financial year).

The composition and movements of the individual items are shown below:

	Severance payments
Value at start of year	913,288
Changes during the financial year	
Apportionment during the financial year	158,631
Use during the financial year	83,084
Other changes	10
Total changes	75,557
Value at year end	988,845

PAYABLES

Payables are recognized in the liabilities for a total of €28,435,738 (€29,985,474 in the previous financial year).

The composition of the individual items is shown below:

	Value at start of year	Changes during the financial year	Value at year end
Payables to shareholders for loans	1,219,460	-24,423	1,195,037
Payables to banks	19,016,620	-2,236,724	16,779,896
Payments on account	1,010,901	-72,073	938,828
Payables to suppliers	5,355,476	191,821	5,547,297
Payables to subsidiary companies	13,264	-13,264	0
Payables to related companies	73	511,101	511,174
Tax payables	204,905	-27,865	177,040
Payables to pension and social security institutions	227,816	32,297	260,113
Other payables	2,936,959	89,394	3,026,353
Total	29,985,474	-1,549,736	28,435,738

Payables – Breakdown by due date

Details of the payables subdivided by due date are provided below, pursuant to article 2427, paragraph 1, point 6, of the Italian Civil Code:

	Value at start of year	Change during the financial year	Value at year end	Portion falling due within the financial year	Portion falling due after the financial year	Of which over a term of more than 5 years
Payables to shareholders for loans	1,219,460	-24,423	1,195,037	416,537	778,500	0
Payables to banks	19,016,620	-2,236,724	16,779,896	8,577,270	8,202,626	2,258,361
Payments on account	1,010,901	-72,073	938,828	938,828	0	0

Payables to suppliers	5,355,476	191,821	5,547,297	5,547,297	0	0
Payables to subsidiary companies	13,264	-13,264	0	0	0	0
Payables to related companies	73	511,101	511,174	511,174	0	0
Tax payables	204,905	-27,865	177,040	177,040	0	0
Payables to pension and social security institutions	227,816	32,297	260,113	260,113	0	0
Other payables	2,936,959	89,394	3,026,353	796,925	2,229,428	0
Total payables	29,985,474	-1,549,736	28,435,738	17,225,184	11,210,554	2,258,361

Payables – Distribution by geographical area

Details of the payables subdivided by geographical area are provided below, pursuant to article 2427, paragraph 1, point 6, of the Italian Civil Code:

	Total			
Geographical area		Italy	EU	Non-EU
Payables to shareholders for loans	1,195,037	1,195,037	0	0
Payables to banks	16,779,896	16,779,896	0	0
Payments on account	938,828	283,927	111,990	542,911
Payables to suppliers	5,547,297	3,945,482	601,456	1,000,359
Payables to related companies	511,174	0	0	511,174
Tax payables	177,040	177,040	0	0
Payables to pension and social security institutions	260,113	260,113	0	0
Other payables	3,026,353	3,026,353	0	0
Payables	28,435,738	25,667,848	713,446	2,054,444

Payables backed by real guarantees on company assets

Payables backed by real guarantees on company assets are shown below, pursuant to article 2427, paragraph 1, point 6), of the Italian Civil Code.

	Payables backed by mortgages	**Total payables backed by real guarantees**	**Payables not backed by real guarantees**	**Total**
Payables to shareholders for loans	0	0	1,195,037	1,195,037
Payables to banks	5,048,391	5,948,391	10,831,505	16,779,896
Payments on account	0	0	938,828	938,828
Payables to suppliers	0	0	5,547,297	5,547,297
Payables to related companies	0	0	511,174	511,174
Tax payables	0	0	177,040	177,040
Payables to pension and social security institutions	0	0	260,113	260,113
Other payables	0	0	3,026,353	3,026,353
Total payables	5,948,391	5,948,391	22,487,347	28,435,738

Payables – Repurchase agreements

No payables deriving from transactions providing for the purchaser's repurchase obligation are recognized in the financial statements, pursuant to article 2427, paragraph 1, point 6-*ter*, of the Italian Civil Code.

Loans provided by shareholders

The information concerning loans provided by company shareholders is provided below, pursuant to article 2427, paragraph 1, point 19-*bis*, of the Italian Civil Code.

These are interest- and non-interest-bearing loans, with and without maturity dates and with no subordination obligation.

The company holds loans falling due within 12 months for an amount equal to €416,537 and loans falling due after 12 months for an amount equal to €778,500.

Debt restructuring

The Company has not performed any debt restructuring transactions.

ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income are recognized in the liabilities for a total of €76,931 (€108,549 in the previous financial year).

The composition and movements of the individual items are shown below:

	Value at start of year	Change during the financial year	Value at year end
Accrued expenses	27,359	779	28,138
Deferred income	81,190	-32,397	48,793
Total accrued expenses and deferred income	108,549	-31,618	76,931

Composition of the accrued expenses and deferred income

The accrued expenses relate to the portion of bank interest payable accruing during the financial year in question.

Deferred income relates to the portions of contributions received from the autonomous Province of Bolzano accruing in subsequent years for €13,935 and the remaining amount of €34,858 to portions of interest contributions pursuant to the Sabatini Law not yet accrued at the date of closure of the financial statements.

INFORMATION ON THE PROFIT AND LOSS ACCOUNT

PRODUCTION VALUE

Revenues from sales and services – Distribution by business category

With regard to the provisions of article 2427, paragraph 1, point 10), of the Italian Civil Code, the distribution of revenues by business category is shown in the tables below:

	Business category	Value for the current financial year
	Provision of services	250,156
	Sale of raw and subsidiary materials and semi-finished products	35,245,690
Total		35,495,846

Revenues from sales and services – Distribution by geographical area

With regard to the provisions of article 2427, paragraph 1, point 10), of the Italian Civil Code, the geographical distribution of revenues is shown below.

	Geographical area	Value for the current financial year
	Italy	12,591,049
	EU	11,269,791
	Non-EU	11,635,006
Total		35,495,846

Other revenues and income

Other revenues and income are recognized in the production value in the profit and loss account for a total of €1,223,595 (€999,104 in the previous financial year).

The composition of the individual items is shown below:

	Value for the previous financial year	Change	Value for the current financial year
Grants for current expenses	157,600	-72,300	85,300
Other			
Commission receivable	569	-569	0
Property income	159,023	-11,348	147,675
Reimbursement of expenses	420,909	-57,453	363,456
Insurance reimbursements	8,415	-240	8,175
Non-financial gains	88,006	86,271	174,277
Contingent assets	38,343	-29,209	9,134
Reinstatement of value of previous write-downs	9,706	175,387	185,093
Capital grants (portions)	6,405	-3,494	2,911
Other revenues and income	110,128	137,446	247,574

Total other	841,504	296,791	1,138,295
Total other revenues and income	999,104	224,491	1,223,595

PRODUCTION COSTS

Costs of services

The costs of services are recognized in the production costs in the profit and loss account for a total of €12,127,558 (€13,874,205 in the previous financial year).

The composition of the individual items is shown below:

	Value for the previous financial year	Change	Value for the current financial year
Transport	3,845,491	-812,087	3,033,404
Storage	50,621	-9,159	41,462
External production	6,409,777	-845,677	5,564,100
Electricity	257,214	51,654	308,868
Water	55,081	6,129	61,210
Maintenance and repair costs	372,169	-56,311	315,858
Services and technical advice	379,722	-27,012	352,710
Directors' fees	310,258	12,294	322,552
Commission payable	618,079	3,768	621,847
Advertising	524,204	-67,501	456,703
Legal expenses and advice	74,532	-9,548	64,984
Telephone expenses	99,469	11,328	110,797
Insurances	69,724	941	70,665
Entertainment expenses	18,462	2,472	20,934
Travel and transfer expenses	343,012	7,761	350,773
Costs of training, preparation and refresher courses	19,924	-11,328	8,596
Other	426,466	-4,371	422,095
Total	13,874,205	-1,746,647	12,127,558

Costs of use of third party property

The costs of use of third party property are recognized in the production costs of the profit and loss account for a total of €688,231 (€660,172 in the previous financial year).

The composition of the individual items is shown below:

	Value for the previous financial year	Change	Value for the current financial year
Rental and leases	250,491	-31,161	219,330
Movable property leasing fees	409,681	59,220	468,901

Total	660,172	28,059	688,231

Sundry management expenses

The sundry management expenses are recognized in the production costs in the profit and loss account for a total of €635,967 (€352,113 in the previous financial year).

The composition of the individual items is shown below:

	Value for the previous financial year	Change	Value for the current financial year
ICI *[local property tax]* / IMU *[single municipal tax]*	99,277	-543	98,734
Registration tax	1,518	749	2,267
Losses on receivables	0	167,442	167,442
Subscriptions to journals, newspapers, etc.	104	28,927	29,031
Contingent liabilities	36,422	126,070	162,492
Non-financial capital losses	4,825	-4,825	0
Other management expenses	209,967	-33,966	176,001
Total	352,113	283,854	635,967

FINANCIAL INCOME AND EXPENSES

Investment income

With regard to the provisions of article 2427, paragraph 1, point 11), of the Italian Civil Code, it is noted that there is no investment income other than from dividends.

Interest and other financial expenses – Distribution by type of payables

With regard to the provisions of article 2427, paragraph 1, point 12, of the Italian Civil Code, the subdivision of the item "interest and other financial expenses" is shown in the table below:

	Interest and other financial expenses
Payables to banks	438,775
Other	225,389
Total	664,164

Exchange rate gains and losses

Information on the subdivision of exchange rate gains and losses deriving from the valuation at year end compared to those actually realized is provided below:

	Portion subject to valuation	Portion realized	Total

Exchange rate gains	135,962	99,171	235,133
Exchange rate losses	-12,248	190,781	178,533

EXCEPTIONAL INCOME

As provided for by article 2427, paragraph 1, point 13), of the Italian Civil Code, it is noted that there is no exceptional income.

EXCEPTIONAL EXPENSES

As provided for by article 2427, paragraph 1, point 13), of the Italian Civil Code, it is noted that there are no exceptional expenses.

CURRENT, DEFERRED AND PREPAID INCOME TAXES

The composition of the individual items is shown below:

	Current taxes	Taxes relating to previous financial years	Deferred taxes	Prepaid taxes	Income (expenses) resulting from acceptance of the tax consolidation/tax transparency system
IRES *[corporate income tax]*	391,239	0	33,429	29,230	
IRAP *[regional business tax]*	131,407	0	0	9	
Total	522,646	0	33,429	29,239	0

The tables below, prepared based on the indications suggested by OIC 25, contain the information required by article 2427, paragraph 1, point 14), letters a) and b), of the Italian Civil Code.

In particular, they contain information on the summary values of the movement during the financial year in the 'Overall prepaid and deferred taxes', on the composition of the deductible temporary differences giving rise to 'Prepaid tax assets', on the composition of the taxable temporary differences giving rise to 'Deferred tax liabilities' and information on the use of tax losses. The temporary differences for which no deferred tax has been recognized are also specified.

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	243,906	21,108
Total taxable temporary differences	2,222,338	1,921,818
Net temporary differences	1,978,432	1,900,710
B) Tax effects		
Provision for deferred (prepaid) taxes at start of year	449,554	65,343
Deferred (prepaid) taxes during the financial year	25,271	-565
Provision for deferred (prepaid) taxes at year end	474,825	64,778

Description	Amount at end of previous financial year	Change occurring during the financial year	Amount at end of financial year	IRES rate	Tax effect of IRES	IRAP rate	Tax effect of IRAP
Bad debt provision and non-deductible apportionment for risks on receivables	270,594	-63,652	206,942	24.00	49,666	0	0
Difference in amortization for tax and statutory purposes of goodwill belonging to former Bagnara Stonecare Srl	0	21,108	21,108	24.00	5,066	2.68	565
Tax losses made by former Bagnara Stonecare Srl	0	15,856	15,856	24.00	3,805	0	0

Description	Amount at end of previous financial year	Change occurring during the financial year	Amount at end of financial year	IRES rate	Tax effect of IRES	IRAP rate	Tax effect of IRAP
Capital gains – Ordinary	110,100	78,604	188,704	24.00	45,289	0	0
Contingencies from reversal of tax-related entries - Amortization	111,816	0	111,816	24.00	26,836	0	0
Statutory revaluation of immovable property	1,921,818	0	1,921,818	24.00	461,236	3.40	65,343

OTHER INFORMATION

Employment figures

Information on employees is provided below, pursuant to article 2427, paragraph 1, point 15), of the Italian Civil Code:

	Average number
Managers	3
Executives	3
Office workers	56
Manual workers	45
Total employees	107

Fees, advances and sums granted to corporate bodies

Information on the fees, advances and sums granted to directors and auditors is provided below, pursuant to article 2427, paragraph 1, point 16), of the Italian Civil Code:

	Directors	Auditors
Fees	270,000	33,526

Fees payable to the statutory auditor or to the auditing company

Information on the fees payable to the statutory auditor is provided below, pursuant to article 2427, paragraph 1, point 16-*bis)* of the Italian Civil Code.

	Value
Statutory audit of the annual accounts	6,947
Total fees payable to the statutory auditor or to the auditing company	6,947

Classes of shares issued by the company

The information required by article 2427, paragraph 1, point 17), of the Italian Civil Code concerning details of the shares forming the company capital and the number and nominal value of the shares subscribed during the financial year can be found in the tables below:

	Description	Initial quantity, number	Initial quantity, nominal value	Shares subscribed during the financial year, number	Shares subscribed during the financial year, nominal value	Final quantity, number	Final quantity, nominal value
	Ordinary shares	9,700	501,005	0	0	9,700	501,005
	Preference shares	300	15,495	0	0	300	15,495
Total		10,000	516,500	0	0	10,000	516,500

At the extraordinary shareholders' meeting held on 20 February 2018, the shareholders decided to create one class of preference shares and one class of ordinary shares.

Securities issued by the company

Pursuant to article 2427, paragraph 1, point 18), of the Italian Civil Code, it is noted that the company has not issued any shares granting full rights or convertible bonds.

Financial instruments

Pursuant to Article 2427, paragraph 1, point 19), of the Italian Civil Code, it is noted that the company has not issued any financial instruments and consequently the fair value, amount and nature are not indicated, pursuant to Article 2427-*bis*, paragraph 1, point 1), of the Italian Civil Code.

Commitments, guarantees and potential liabilities not recognized in the balance sheet

Pursuant to Article 2427, paragraph 1, point 9), of the Italian Civil Code, the table below shows the commitments, guarantees and potential liabilities not recognized in the balance sheet:

	Amount
Commitments	1,751,671
Guarantees	266,736

Guarantees

The bank guarantees issued are registered in favour of the Bolzano and Verona Customs Agency to guarantee the customs transactions performed in the internal customs warehouses without the payment of VAT for an overall amount equal to €179,520, as well as guarantees issued to customers in respect of the early release of testing guarantee withholdings for an overall amount equal to €87,216.

Other memorandum accounts

With regard to the financial lease agreements in progress, the amount of rental income and price for the purchase option still payable are shown in the memorandum accounts relating to commitments.

Information on assets and loans assigned to a specific deal

There are no assets assigned to a specific deal, pursuant to article 2447-*bis* of the Italian Civil Code.

Nor has any loan been assigned to a specific deal, pursuant to article 2447-*decies* of the Italian Civil Code.

Related-party transactions

Pursuant to article 2427, paragraph 1, point 22-*bis*), of the Italian Civil Code, it is noted that no transactions have been performed with managers, directors, auditors or shareholders of the company or subsidiary, related or parent companies or companies subject to the control of the latter, in accordance with the indications supplied by the Italian accounting standards.

During the course of the financial year in question, significant transactions were concluded with related parties. These were financial and commercial transactions, involving the purchase and sale of goods and services, performed with subsidiary and directly or indirectly related companies, performed under normal market conditions.

	Related party	Nature of the relationship	Trade receivables	Financial receivables	Trade payables
	AZUL ARAN S.L.	Commercial/Financial	613,762	2,023,615	0
	BROAD RIVER QUARRIES L.L.C.	Commercial	120,408	0	21,843
	BAGNARA HOLDING COMPANY INC.	Financial	0	1,217,617	0
	SHIN BAGNARA CO., LTD	Commercial	569,672	0	0
	TERMINALE FERROV. VALPOLICELLA S.P.A.	Commercial	0	0	0
	INTENIA S.L.	Financial	0	44,000	0
	CLIFFORD LIMITED	Financial	0	695,285	0
	SHERINGHAM LIMITED	Commercial/Financial	0	585,512	0
	BAGNARA STONECARE S.R.L.	Commercial	0	0	0
	C.R.G. QUARRIES	Commercial	208,294	0	489,331
	SLABCO	Commercial	1,104,263	0	0

Revenues from sales and services	Costs of raw materials, goods, etc.
24,510	226,605
30,454	276,453
0	0
10,573	0
0	7,574
0	0
0	0
0	0
60,454	48,357
163,236	2,137,526
1,189,125	4,373

Agreements not resulting from the balance sheet

The company has not arranged any agreements not shown in the Balance Sheet, pursuant to article 2427, paragraph 1, point 22-*ter*, of the Italian Civil Code.

Significant events occurring after the year end

With regard to significant events occurring after the year end, pursuant to article 2427, paragraph 1, point 22-*quater)*, of the Italian Civil Code, it is noted as follows.

As it is known, since the month of January 2020 on the Chinese market and gradually since the month of March 2020 in the rest of the world, the scenario has been characterized by the spread of COVID-19 (known as "Coronavirus"), a global pandemic.

This event, which occurred after the year end, is not deemed to have an impact on the financial statement values, or in any event not such as to give rise to a change therein.

Your company has been subject to the restrictive measures imposed by the Government owing to the current health emergency and was therefore forced to totally suspend production and sales activities for the period 26.03 - 13.04. Administrative activities continued, albeit to a reduced extent and remotely.

In this operating context, all necessary procedures have been implemented to safeguard the jobs of our employees/collaborators and the continuity of business activities.

The company filed an application for inclusion in the *Cassa integrazione ordinaria* [wage guarantee fund] for a period of five weeks and a series of employee protection measures were promptly implemented, developing a plan for responding to the specific crisis, including smart working for administrative employees.

Your company is monitoring the development of the situation in order to minimize the social impacts and impacts on health and safety at work, as well as economic, capital and financial impacts, by defining and implementing flexible action plans aimed at ensuring prompt action.

While in the presence of general uncertainty over the development of the current pandemic, based

on the information currently available, the impact on business was not deemed to be significant in the first six months of the current year, and no progressive impact is anticipated in the second six months.

Overall, revenues are expected to be down by approximately 10-12% in the first six months of 2020, offset by a proportional reduction in variable costs and by a careful reduction in overheads, where possible.

With regard to potential scenarios of financial tension, the company management constantly monitors current and prospective liquidity and, at the current date, no significant impact is recorded on the collection or payment activities; the liquidity available is in line with financial planning and appears to be adequate to cover both current and prospective operating requirements.

In this respect, it is noted that the company has prudently accepted the ABI moratorium for the suspension of payment of instalments on the existing bank loans.

Taking into account the company's current capitalization, no particular negative economic effects such as to cause the company to cease to operate on a going concern basis are anticipated either.

Name and registered office of the companies preparing the consolidated financial statements of the larger/smaller group of companies of which it forms part

The company is not required to prepare the consolidated financial statements.

Place in which a copy of the consolidated financial statements is available

Pursuant to article 2427, paragraph 1, point 22-*sexies)*, of the Italian Civil Code, the consolidated financial statements have not been prepared for the reasons stated above.

Derivative financial instruments

Pursuant to article 2427-*bis*, paragraph 1, point 1), of the Italian Civil Code, it is noted that the company has not used any derivative financial instruments.

Information on the companies or entities carrying out direction and coordination activities – article 2497-*bis* of the Italian Civil Code

The company is not subject to the direction and coordination of companies or entities.

Information on start-ups, even for social purposes, and innovative SMEs

No information to be provided.

Information pursuant to article 1, paragraph 125, of Law no. 124 of 4 August 2017

With regard to article 1, paragraph 125, of Law 124/2017, it is noted that in 2019 the company received contributions and/or subsidies from public administrations.

It is noted that, in general, this aid has to be published on the following *Registro Nazionale degli Aiuti di Stato* [National State Aid Register] (RNA) website:

https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx

In particular, in this situation the contributions paid have not been published as they were granted

prior to the entry into force of the Law.

For greater clarity, the aid and subsidies recalled above are detailed below.

Supplier: Autonomous Province of Bolzano

Tax code: 00390090215

Reason for contribution: contribution for internationalization – participation in shows.

Amount paid on 30/05/2019: €59,000.00.

Supplier: Autonomous Province of Bolzano

Tax code: 00390090215

Reason for contribution: contribution for internationalization – participation in shows.

Amount paid on 11/09//2019: €76,800.00

Supplier: Autonomous Province of Bolzano

Tax code: 00390090215

Reason for contribution: contribution for internationalization – participation in shows.

Amount paid on 11/09/2019: €5,600.00

Apportionment of the operating profit

Pursuant to article 2427, paragraph 1, point 22-*septies)*, of the Italian Civil Code, we propose:

- to approve the statutory financial statements as at 31/12/2019 with a profit equal to €1,222,822.00;
- to distribute an amount equal to 5% of the profit for the financial year corresponding to €61,141.10 to shareholders in proportion to the portions of capital held by them, as provided for by the amended article 29.2 of the articles of association;
- to apportion the residual amount of the profit equal to €1,161,680.90 to the "Extraordinary Reserve";
- to release an amount equal to €5,841.00 from the "Prepaid tax reserve" apportioning it to the "Extraordinary Reserve", so that the "Restricted reserve" corresponds to the amount receivable for prepaid taxes recognized in the balance sheet assets for €59,101.00;
- to tie up a portion of the "Extraordinary Reserve" equal to €148,210.00 apportioning it to the "Unavailable reserve due to unrealized exchange rate differences" so that the Unavailable reserve corresponds to the unrealized positive exchange rate differences recognized in the profit and loss account equal to €354,418.00.

Chairman of the Board of Directors

Bruno Bagnara

NIKOLAUS BAGNARA S.P.A. - A.G.

Management Report as at 31/12/2019

Registry details	
Domiciled in	APPIANO SULLA STRADA DEL VINO
Tax code	00211420211
REA no.	BOLZANO77007
VAT no.	00211420211
Share capital in euros	516,500.00 fully paid-up
Legal form	JOINT-STOCK COMPANY
Main sector of activity (ATECO)	237010
Company in liquidation	no
Company with a single shareholder	no
Company subject to another person's direction and coordination activities	no
Name of the company or entity carrying out direction and coordination activities	
Membership of a group	no
Name of the parent company	
Country of the parent company	
Entry no. in the register of cooperatives	

Amounts are stated in euros

Shareholders,

The financial statements closed as at 31/12/2019, which we present to you for the relevant approval, closed with a net profit of €1,222,822, after posting ordinary amortization, depreciation and impairment of €875,492 and current, deferred and prepaid taxes totalling €526,836.

Despite the fact that globally the building and fittings sector is currently experiencing very moderate growth and the inclusion of alternative products is generating substantial competition for natural stone, the profit for the financial year should certainly be deemed to be satisfactory and further consolidates those made in previous years.

The financial year in question saw a downturn in the production value of just over 3%, accompanied by a simultaneous reduction in production costs of approximately 1%.

The net financial management remains negative in absolute terms but is substantially in line with that of the previous financial year.

Bank interest payable was in line with 2018 values while interest on loans was slightly down. No new debt positions were opened.

The exchange rate trend has clearly improved on the previous financial year, recording a positive balance of €56,600. More specifically, the portion realized remains negative while the unrealized portion presents a positive balance.

In this report, we provide information on the situation and management trend in order to provide you with a complete and clear picture of your Company.

The information we are required to provide under article 2428 of the Italian Civil Code is as follows.

Trend in the sector

Your Company continues to operate primarily in the production and marketing of marble, granite, porphyry and natural stone, dealing mostly in the purchase of blocks which are then transformed and marketed as slabs.

Alongside these activities, which are carried out in the Cavaion and Volargne establishments, it markets untreated blocks, in the Rivoli and Carrara establishments, always based on a marked diversification of the materials offered, with an ever expanding supply market both nationally and internationally.

Finished products are produced at the Appiano S.S.D.V. establishment; there, the sale and laying of natural stone and ceramic tiles are aimed both at the local market and at supporting the commercial network abroad.

These activities have been carried out in recent years and currently represent a stable business sector for your Company.

Management trend

In the current financial year, sales recorded an overall downturn of approximately 3.8%.

In Italy in particular, sales of finished products and slabs were down, while sales of blocks recorded an increase of 8%.

Abroad on the other hand, in contrast to the domestic market, a downturn was seen in the sale of blocks, while a good increase was recorded in the sale of finished products and slabs and in the fittings sector (kitchen and bathroom worktops).

Approximately 35% of sales were made to national customers and 65% on the foreign markets, with a downturn in sales to non-EU countries and Italy countered by a significant increase in revenues from EU countries.

Always notable is the Company's commitment to the extraction of materials from quarries owned and/or used by subsidiary and associated companies in Zimbabwe for "Nero Assoluto" stone, in Spain for "Azul Aran" stone and in USA for "Silver Cloud" stone.

In these locations we maintain a presence of expert, trusted personnel who monitor the extraction operations so as to be able to offer customers our exclusive high-quality stone and promptly satisfy market demand in terms of quantity.

The search for new areas of supply and new materials continues, in order to add new opportunities to existing commercial agreements, such as in Brazil, China, USA and India, that will allow us not only to maintain the results achieved to date but even to be able to improve on them.

2019 saw us exhibit at the largest world fairs in the sector such as the Marmomacc in Verona and the Xiamen-Stone in Xiamen (China).

In order to provide a better picture of the management trend and result, the tables below provide a reclassification of the Profit and Loss Account with added value, a reclassification of the Balance Sheet by functional divisions and on a financial basis and the most significant balance sheet indicators.

Reclassified Profit and Loss Account	31/12/2019	31/12/2018
Sales revenues	35,495,846	36,916,476
Internal production	85,300	157,600
Operating production value	**35,581,146**	**37,074,076**
Operating external costs	27,435,824	29,080,146
Value added	**8,145,322**	**7,993,930**
Employee costs	5,278,875	4,950,691
Gross operating margin	**2,866,447**	**3,043,239**
Amortization, depreciation and apportionments	918,419	886,633
Operating profit/(loss)	**1,948,028**	**2,156,606**

Profit/(loss) made by the accessory division	301,658	80,482
Profit/(loss) made by the financial division (net of financial expenses)	(65,565)	53,685
Normalized EBIT	**2,184,121**	**2,290,773**
Profit/(loss) made by the extraordinary division	229,701	409,013
Integral EBIT	**2,413,822**	**2,699,786**
Financial expenses	664,164	693,104
Gross profit/(loss)	**1,749,658**	**2,006,682**
Income taxes	526,836	626,939
Net profit/(loss)	**1,222,822**	**1,379,743**

Fixed asset financing indicators	**31/12/2019**	**31/12/2018**
Equity minus fixed assets	(1,880,797)	(4,036,937)
Fixed asset to equity ratio	0.90	0.79
Equity plus (non-current liabilities minus non-current assets)	11,033,039	8,508,486
Fixed asset to equity and medium-long term debt ratio	1.59	1.43

Financing structure indicators	**31/12/2019**	**31/12/2018**
Debt to equity ratio	1.80	2.03
Debt (long-term interest bearing) to equity ratio	1.08	1.30

Balance sheet by functional divisions	**31/12/2019**	**31/12/2018**
USES		
Operating invested capital	45,390,769	45,433,906
- Operating liabilities	12,164,087	11,384,587
Net operating invested capital	33,226,682	34,049,319
Non-operating uses	1,611,262	1,887,974
Net invested capital	**34,837,944**	**35,937,293**
SOURCES		
Equity	16,786,080	15,592,664
Financial payables	18,051,864	20,344,629
Financing capital	**34,837,944**	**35,937,293**

Profitability indicators	**31/12/2019**	**31/12/2018**
Net ROE	7.28%	8.85%
Gross ROE	10.42%	12.87%
ROI	4.65%	4.84%
ROS	6.15%	6.21%

Financial balance sheet	31/12/2019	31/12/2018
FIXED ASSETS	**18,666,877**	**19,629,601**
Intangible fixed assets	686,956	642,954
Tangible fixed assets	16,924,107	17,629,325
Financial fixed assets	1,055,814	1,357,322
CURRENT ASSETS	**28,335,154**	**27,692,279**
Stocks	13,637,160	12,907,687
Deferred liquidity	14,678,812	14,722,286
Immediate liquidity	19,182	62,306
INVESTED CAPITAL	**47,002,031**	**47,321,880**
EQUITY	**16,786,080**	**15,592,664**
Share capital	516,500	516,500
Reserves	16,269,580	15,076,164
CONSOLIDATED LIABILITIES	**12,913,836**	**12,545,423**
CURRENT LIABILITIES	**17,302,115**	**19,183,793**
FINANCE CAPITAL	**47,002,031**	**47,321,880**

Solvency indicators	31/12/2019	31/12/2018
Current assets minus current liabilities (CCN)	11,081,832	8,589,676
Current ratio	164.23%	144.97%
Cash margin	(2,555,328)	(4,318,011)
Cash ratio	85.19%	77.4%

Environment and employees

Pursuant to article 2428 paragraph 2 of the Italian Civil Code, information on the environment and employees is provided below.

With regard to environmental issues, your Company has planned its environmental investment activities within the perspective of eco-efficiency by controlling the disposal of sludge and chips resulting from production in general and, where possible, relies on advisors and external companies to guarantee the correct disposal of both "normal" and special waste.

Internally, all necessary and possible measures are taken for the disposal of such production waste to have as little environmental impact as possible; the machinery for the disposal of waste is subject to periodic inspections to guarantee the correct functioning thereof and on building sites waste is disposed of by specialist firms.

With regard to employees, your Company has undertaken all necessary initiatives for the protection of workplaces for some time, as provided for by Legislative Decree no. 81 of 9 April, known as the

"Consolidated Safety Act" and by subsequent additional and correcting decrees, reforming the entire legislation in force on health and safety at work.

In particular, taking into account the specific nature of the activities carried out as well, it has taken all necessary measures laid down to ensure the safety of the workplaces, equipment, plant and machinery used and protective devices used by workers.

As required, we also carried out a risk assessment and drew up the relevant document (DVR) which is constantly checked and updated. Finally, we appointed persons responsible for prevention and the protection of safety and to constantly provide the necessary information and training for workers with specific training courses.

The Company also relies on specific advisors to set up a business organization system aimed at guaranteeing achievement of the health and safety objectives, minimizing the risks to which employees may be exposed.

Details of the number and turnover of employees are provided below.

	Initial number of employees	Recruitments during the financial year	Resignations / dismissals during the financial year	Changes of grade +/(-)	Final number of employees	Average employees during the financial year
Employees with a contract for an indefinite period						
Executives	0	0	0	3	3	2
Office workers	39	1	5	-3	32	36
Manual workers	29	0	2	0	27	28
Total employees with a contract for an indefinite period	68	1	7	0	62	66
Employees with a fixed-term contract						
Executives	1	0	0	0	1	1
Office workers	17	8	2	0	23	20
Manual workers	14	9	4	0	19	17
Total employees with a fixed-term contract	32	17	6	0	43	38
Other employees						
Directors	3	0	0	0	3	3
Total other employees	3	0	0	0	3	3
Total	103	18	13	0	108	107

Description of the main risks and uncertainties to which the Company is exposed

Pursuant to article 2428 point 1 of the Italian Civil Code, it is noted that, in carrying out its activities, the Company is partially exposed to financial risks essentially connected with the management of credit and the risk regarding liquidity and the variation in cash flows and interest

rates.

With regard to the credit risk it is noted that the Company operates by trying to select counterparties considered solvent on the market and by constantly monitoring their state of health.

Several credit positions held in respect of foreign customers still remain to be monitored, for which the procedure has been activated for the recovery of bad debts through lawyers and debt recovery companies and to set aside a suitable bad debt provision.

With regard to the liquidity risk, the only financial liabilities are represented by the debt to banks; this position is constantly monitored by dedicated management software and the prevailing risk is currently connected with the possible volatility of interest rates.

Taking into account the fact that, for most of its activities, the Company operates with foreign countries, we need to consider the potential country risk, particularly with regard to relations with Zimbabwe, Africa.

The Company is currently involved in minor civil disputes. With regard to the formal notices of assessment served in 2016 relating to findings regarding the 2012-2015 period, the Company has settled the notices of assessment issued by the Bolzano Revenue Agency for all the annual periods.

Financial instruments

Pursuant to article 2428 point 6-*bis*) of the Italian Civil Code, with regard to information on the Company's use of financial instruments and significant data for the assessment of the asset and financial position and economic result for the financial year, it is noted that no financial instruments referred to in the aforesaid legislation exist.

Research and development activities

Given the characteristics of the Company management, no research and development activities have been carried out directly, although surveys and studies are conducted on the market, the development of market techniques and new technologies to pay the utmost attention to the level of Company productivity, in the production and marketing of both marble and granite and substitutes.

Particular attention is paid to searching for new materials to extend the range offered and in particular to new production techniques with high-precision machinery.

Investments

In 2019, to supplement and integrate the substantial investment made in 2018 (slab resin coating line), and to guarantee the best quality of production and the Company's technological growth plan, the "RFID Warehouse", Cavaion Veronese, came into operation.

The acronym RFID (Radio-Frequency IDentification) relates to a technology for the identification and/or automatic storage of information, based on the data storage capacity of particular media

known as tags or transponders and on the capacity of the latter to respond to remote questions by means of suitable fixed or portable devices known as readers.

The readers are currently positioned at the entry to and exit from the production lines; plans are underway for the expansion of the reading stations so as to complete the logistical management of the warehouse and monitor the movement and allocation of each individual slab in real time.

A new platform for the upgrading of the data server has also been installed.

Relations with subsidiary, related, parent and associated companies

Relations with foreign related, subsidiary and sister companies are strictly commercial in nature.

The total trade receivables recognized in respect of subsidiary and related companies as at 31.12.2019 amount to a total of approximately €2,002,000 for the sale of products and to approximately €614,000 for advances on future supplies.

Interest-bearing and non-interest-bearing loans are granted to subsidiary companies for €4,287,000 while there are no receivables due from related companies.

Trade payables to subsidiary companies amount to approximately €511,000 at year end while no trade payables to related companies are recognized.

The aforesaid commercial relations produced revenues from the sale of blocks, slabs and finished products and for services in the sum of €1,478,000 and costs for the purchase of blocks and for services totalling €2,701,000. With regard to relations established, it is noted that transactions are performed under market conditions.

Treasury shares and shares/units in parent companies

The Company does not hold any treasury shares or shares in parent companies, either directly or through trust companies or intermediaries. In this respect, there is nothing to add with regard to movements of treasury shares or shares or units in parent companies.

Foreseeable management trend

The Company's primary objective is to target new markets where opportunities for business expansion and potential are present; we consider that the search for new international markets in which we are not yet present and the consolidation of those in which we are already leaders are major and necessary prerogatives to be able to withstand competition and constantly grow the production structure of Nikolaus Bagnara S.p.a.

With regard to managerial choices, we constantly strive to look for new high-quality materials and particular production in order to expand the range of products and services offered to be able to satisfy the requirements of an increasingly demanding and strongly developing market.

In the first four months of 2020, turnover was negatively impacted by the total forced suspension of production and sales activities during the period 26.03 - 13.04 owing to the current health emergency due to the spread of Covid-19.

With regard to the future, while in the presence of general uncertainty over the development of the current pandemic, based on the information currently available, the impact on business is not considered to be significant in the first half of the year and no developing impact is anticipated for the second six-month period.

In 2020, no significant investments are planned beyond the ordinary and constant renewal of plant and equipment. The purchase of a robot for the cutting and forming of marble and natural stone is currently being finalized.

The hardware and software forming the information system and the relevant Company data security and protection systems are constantly implemented and updated.

Apart from what has been stated above on the emergency due to the current pandemic, the Board of Directors is not aware of any particular aspects or situations that might have a significant adverse effect on the management trend of your Company.

Secondary offices

Pursuant to article 2428 paragraph 4 of the Italian Civil Code, it is noted that the Company does not have any secondary offices; as in the previous financial years, it carries out its activities in the establishments of Volargne, Municipality of Dolcè (VR), Massa (MS), Cavaion Veronese (VR) and Rivoli Veronese (VR).

Approval of the financial statements

We propose to approve the financial statements closed as at 31/12/2019 with the relevant notes and the management report and, pursuant to article 2427, paragraph 1, point 22-*septies)* of the Italian Civil Code, we propose:

- to apportion the operating profit of €1,222,822.00 for an amount equal to 5% corresponding to €61,141.10 in favour of the shareholders in proportion to the capital units held by them, as provided for by the amended article 29.2 of the articles of association, and to apportion the residual amount of the profit equal to €1,161,680.90 to the "Extraordinary Reserve";
- to release an amount equal to €5,841.00 from the "Prepaid tax reserve", apportioning it to the "Extraordinary Reserve", so that the "Prepaid tax reserve" corresponds to the prepaid tax receivable recognized in the balance sheet assets for €59,101.00;

to apportion part of the "Extraordinary Reserve" equal to €148,210.00 to the "Unavailable reserve for unrealized exchange rate differences" so that the unavailable reserve corresponds to the unrealized exchange rate gains recognized in the profit and loss account equal to €354,418.00.

Appiano S.S.D.V. 28 May 2020

For the Board of Directors

Chairman

(Bruno Bagnara)

DR. WALTER PISON
ACCOUNTANT – STATUTORY AUDITOR

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 of 27 JANUARY 2010

To the Shareholders' Meeting of the Company
NIKOLAUS BAGNARA S.P.A.

Report on the statutory audit of the statutory financial statements

Opinion

I have audited the attached statutory financial statements of the company Nikolaus Bagnara S.p.A., comprising the balance sheet as at 31 December 2019, the profit and loss account, the cash flow statement for the financial year ended at that date and the notes.

In my opinion, the statutory financial statements provide a true and fair view of the company's asset and financial position as at 31 December 2019 and the economic result and the cash flow for the financial year ended at that date in accordance with the Italian standards governing the preparation criteria.

Factors forming the basis of my opinion

I performed the audit in accordance with the International Standards on Auditing (ISA) for Italy. My responsibilities according to those standards are further described in the section of this report entitled Auditor's responsibility for the audit of the statutory financial statements. I am independent from the company in accordance with the standards and principles of ethics and independence applicable to the statutory audit of the financial statements under Italian law.

I believe that I obtained sufficient and appropriate evidence on which to base my opinion.

Directors' responsibility for the statutory financial statements

The directors are responsible for preparing the statutory financial statements so that they provide a true and fair view in accordance with the Italian standards governing the preparation criteria and, in accordance with the law, for that part of the internal control considered necessary by them to ensure that the preparation of the financial statements does not give rise to significant errors due to fraud or unintentional behaviour or events.

The directors are responsible for assessing the company's capacity to continue to operate as a going concern and, in preparing the statutory financial statements, for the appropriateness of the use of the going concern basis, and for adequate information on the matter. The directors use the going concern basis in preparing the statutory financial statements unless they have determined that the conditions exist for the liquidation of the company or for the interruption of business or unless they have realistic alternatives to those options.

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- **Auditor's responsibility for the audit of the statutory financial statements**

My objectives are to be reasonably sure that the statutory financial statements overall do not contain significant errors, due to fraud or to unintentional behaviour or events, and to issue an audit report that includes my opinion. Reasonable certainty is deemed to mean a high level of certainty which, however, does not guarantee that an audit performed in accordance with the ISA for Italy will always identify a significant error, if it exists. Errors may derive from fraud or from unintentional behaviour or events and are deemed to be significant if one may reasonably expect that, individually or overall, they are of such a nature as to affect the economic decisions taken by the users based on the statutory financial statements.

Within the scope of the audit performed in accordance with the ISA for Italy, I exercised professional judgment and I maintained professional scepticism throughout the audit. Moreover:

- I identified and assessed the risks of significant errors in the statutory financial statements, due to fraud or to unintentional behaviour or events; I drew up and implemented audit procedures in response to those risks; I obtained sufficient, appropriate evidence on which to base my opinion. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error deriving from unintentional behaviour or events, as fraud may involve the existence of collusion, forgery, deliberate omissions, misleading representations or distortions of internal control;
- I acquired an understanding of the internal control relevant for the purposes of the audit in order to draw up audit procedures appropriate to the circumstances and not to express an opinion on the efficacy of the company's internal control;
- I assessed the appropriate nature of the accounting standards used and the reasonable nature of the accounting estimates made by the directors, including the relevant information notice;
- I reached a conclusion on the appropriate nature of the use made by the directors of the going concern basis and, based on the evidence acquired, on the possible existence of significant uncertainty over events or circumstances that may give rise to significant doubts as to the company's capacity to continue to operate as a going concern. In the event of significant uncertainty, I am required to draw attention in the audit report to the relevant information on the financial statements or, if that information is inadequate, to reflect that circumstance in formulating my opinion. My conclusions are based on the evidence acquired up to the date of this report. Subsequent events or circumstances may cause the company to cease to operate as a going concern, however;
- I assessed the presentation, structure and content of the statutory financial statements overall, including the information notice, and whether the statutory financial statements represent the transactions and the underlying events so as to provide a true and fair view;
- I informed the persons responsible for governance, identified at an appropriate level as required by the ISA for Italy, among other aspects, of the scope and timing planned for the audit and the significant results emerging, including any significant shortcomings in the internal control identified during the course of the audit.

Report on other legal and regulatory provisions

The directors of Nikolaus Bagnara S.p.A. are responsible for preparing the report on the management of Nikolaus Bagnara S.p.A. as at 31/12/2019, including its consistency with the relevant statutory financial statements and its compliance with the legal provisions.

I carried out the procedures indicated in ISA for Italy no. 720B in order to express an opinion on the consistency of the management report with the statutory financial statements of Nikolaus Bagnara S.p.A. as at 31/12/2019 and on its compliance with the legal provisions, and to issue a declaration on any significant errors.

In my opinion, the management report agrees with the statutory financial statements of Nikolaus Bagnara S.p.A. as at 31/12/2019 and is drawn up in accordance with the legal provisions.

With regard to the declaration referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued based on a knowledge and understanding of the business and the relevant context acquired during the course of the audit, I have nothing to report.

STATUTORY AUDITOR

Walter Pison

Bolzano, 12 June 2020

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