



eurosuole spa

production of rubber and polyurethane soles

Civitanova Marche (MC) – ITALIA

SUSTAINABILITY REPORT 2018

Message from the CEO

Message from the CEO

Message from the CEO [102-14] [103-2] [102-20] [102-26]

2018 was another year of satisfaction for Eurosuole: we confirmed the good results achieved in previous years, thanks to the high quality of our products supplied to our customers, always with respect for all stakeholders. We have consolidated an industrial strategy based on responsible and sustainable development and innovation.

We have confirmed sustainability as a guide in our strategic choices, particularly in terms of the two fundamental themes of sustainability: people and environment. As part of a process of value creation in balance between business objectives and the needs of society, the activities of 2018 have consolidated both typical aspects of the sustainable action of Eurosuole such as the commitment to the quality of work relations and investments in the energy efficiency program, and opened new fronts of interest such as that for new projects in the environmental field, whose impact in terms of lower consumption of resources will be increasingly visible in the years to come.

The Company considers its workers an important asset to be preserved and defended, for this reason it adopts all the systems necessary to make the working environment comfortable and safe. The Company invests in updating its personnel who are informed about the application of new production techniques to ensure the development of resources and avoid accidents with irreparable consequences.

The Company is particularly sensitive to problems related to the protection and conservation of the environment. Our business model is designed to provide customers with the best quality products, made in Italy in a responsible manner. Since July 2004, the Company has obtained and continues to maintain environmental certification in accordance with ISO 14001.

The 2018 Sustainability Report is in its fourteenth edition and once again testifies to our commitment to accountability towards all stakeholders.

EUROSUOLE SPA

Our company	5
Key data	6
Governance	7
Historical background	8
Vision and mission	9
Values and ambitions	12
Management report and corporate reputation	13
Political-economic trend and risk management	15
Stakeholders	16
Materiality analysis	17
Suppliers	18
Customers	20
	22

PRODUCTS AND INNOVATION

Our products	23
Our brands	24
Capitale expenditure	25
Research and development	26
	27

FINANCIAL PROFILE

Financial highlights	30
Balance sheet	31
Income statement	32
Cash flow statement	34
Creation and distribution of added value	35
Explanatory notes	36
	38

SUSTAINABILITY

Example of good practices	54
Environment	55
Employees	56
Safety	57
Water	61
Energy	62
Waste	63
Emissions	65
Materials	68
Training	69
Family, health and society	70
Methodology	71
	72

GRI CONTENT INDEX

73

Eurosuole spa



Our company

Our company was founded in 1976 and is one of the most important Italian companies for the production of soles. We have witnessed for over forty years a constant growth, favored, in addition to the area in which we find ourselves, by the tenacity of our entrepreneurs, very serious people, completely dedicated to work, without distractions and able to compete with the whole world. Our company and our administrator have characterized:

- The essence of the city's industrial culture,*
- diplomacy applied day by day,*
- the philosophy of profit,*
- reinvested in research, development and innovation, terms that have become fashionable over time, but in via Pertini, the headquarters of our company, used and applied from the beginning.*

Our great success has been achieved thanks to our workforce, completely dedicated to achieving corporate goals. The atmosphere in the work stimulates employees to feel like an integral part of the project with a single goal, to be the leader in the sector.

What is most important to us is human relationships. This implies absolute respect for those who contribute to the success of the company, the origin or gender of our employees do not make the difference. We treat our people properly and respect contracts and agreements. This creates a work environment in which interpersonal relationships and friendships thrive vigorously.



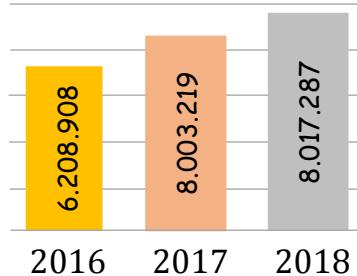


Key data

KEY DATA [102-4] [102-9] [102-10]

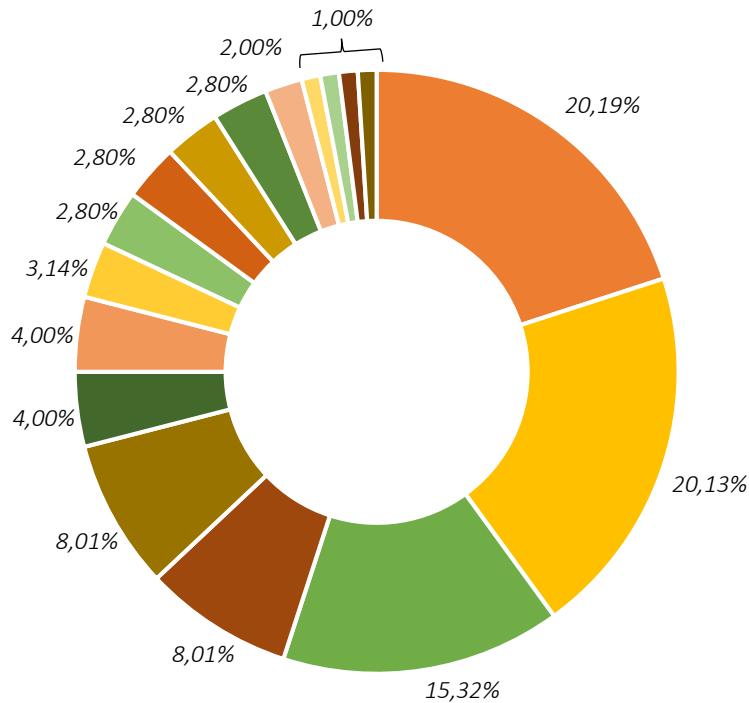
DESCRIPTION	DATA
Organization name [102-1]	Eurosuole S.p.a
Ownership [102-5]	Joint stock company
Location of general office [102-3]	Civitanova Marche, Italy
VAT code	00252600432
Brands, products and services [102-2]	Rubber and polyurethane soles
Sales net in 2018	44.741.858 €
Net profit in 2018	5.085.723 €
Share capital	5.000.000 €
Employees [102-7]	248
Surface (sqm) [102-7]	55.000
Quantity of soles produced in 2018 (pair) [102-7]	14.025.082

EBITDA



OUR SHAREHOLDERS

NAME AND SURNAME	SHARE %
Ercoli Germano	20,19%
Alessandri Elvio	20,13%
Mozzoni Gabriella*	15,32%
Renzi Matteo	8,01%
Renzi Paola	8,01%
Ercoli Raffaela	4,00%
Ercoli Silvia	4,00%
Pecorari Maria	3,14%
Alessandri Agnese	2,80%
Alessandri Federica	2,80%
Alessandri Francesco	2,80%
Alessandri Lorenzo	2,80%
Cattoglio Domenico	2,00%
Cattoglio Chiara	1,00%
Cattoglio Claudia	1,00%
Cattoglio Angela	1,00%
Cattoglio Francesco	1,00%



* The share held by this shareholder is the result of the sum of the registration in the Chamber of Commerce of the property with a nominal value of 365,553 euros and the participation of the aforementioned shareholder for 1/3 of the property with a total value of 1,201,111 euros, whose 2/3 residuals coincide with the shares owned by Renzi Paola and Renzi Matteo.



Governance

GOVERNANCE [102-18] [102-20] [102-22] [102-23] [102-24] [102-26] [102-29] [102-32] [202-2]

The top management is made up of the CEO, who make the most important economic, environmental and social decisions. The shareholders meeting votes every three years the CEO of the company (in line with the Italian law code). After 42 years, the CEO remains of fundamental importance for every decision, both for his entrepreneurial spirit and for his ability to think in the long term. The top management is involved in the decision-making process and with his charisma he is able to convey the values of the company on a daily basis, both in the workplace and outside. As can be seen from the simplified organisation chart below, at the second level of the government structure, and at the top of the functional areas, there are three managers, competent and motivated to work in line with our mission. One is the industrialization manager: he is an engineer and controls and organises the entire production at the machinery level. The second is the product manager and human resources manager, as well as RSPP. The third is the administration, finance and control manager. All the manager report to the general manager and have an executive role, the human resources manager has an executive role with regard to social issues, the industrialization manager has an executive role with regard to technical issues and the administration, finance and control manager has an executive role with economic issues. At the third level, there are the following functional areas:

- Purchasing and sustainability, led by Mrs. Gibellieri with executive role with regard to the environment.
- Production, divided into various departments; each department has its own head of department.
- Information technology, led by Cognigni.
- Sales split by Italian and Extra-EU team
- Research and development;
- Maintenance, formed by mechanics.

The business model is typical of the corporation, ie composed of a single director, shareholders' meeting and board of auditors which has the function of control.

The CEO
Germano Ercoli



Administration, finance and control manager
Piergiorgio Polenti



Product manager and human resources
Giorgio Ruffini



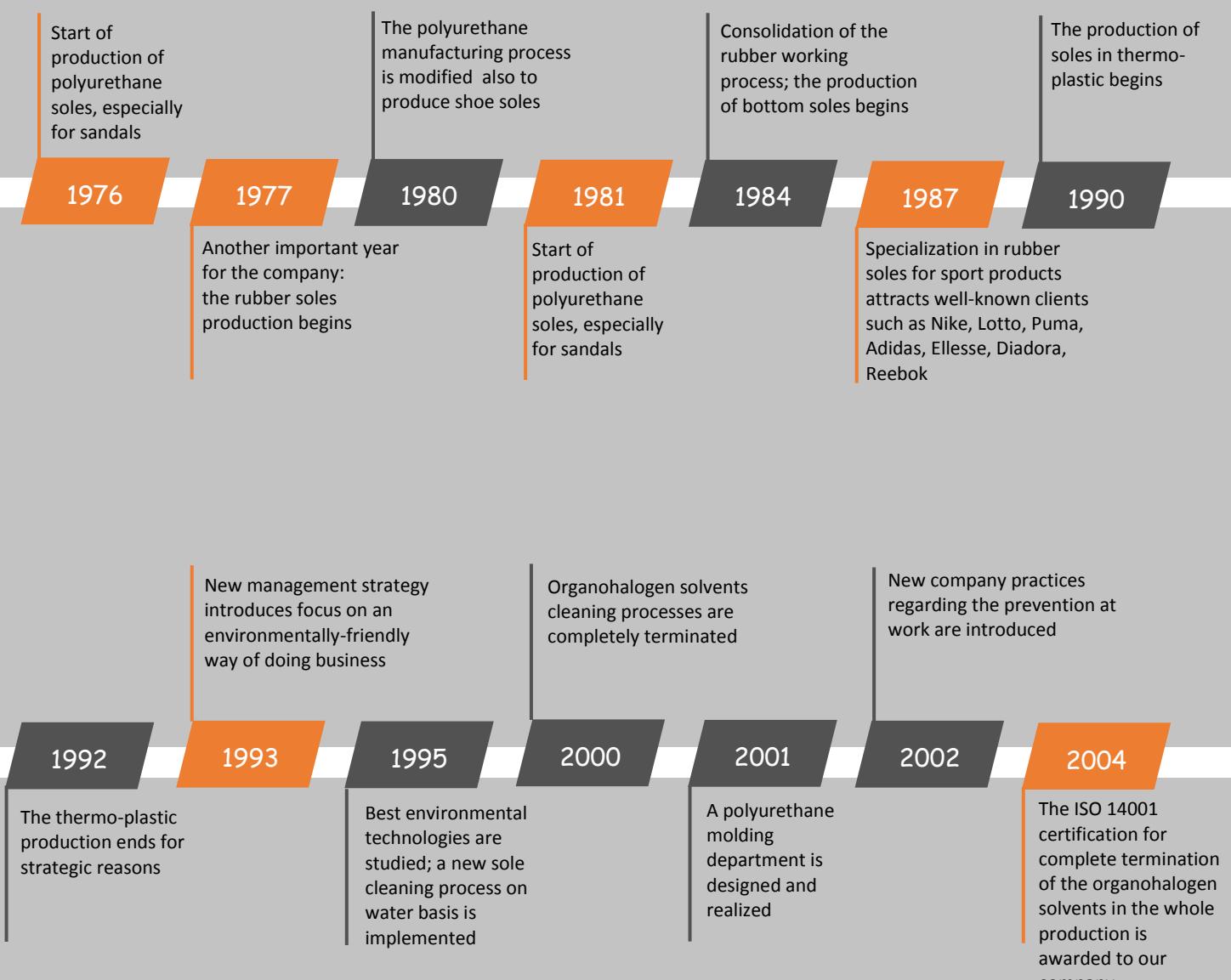
Industrialization manager
Marco Cognigni





Historical Background

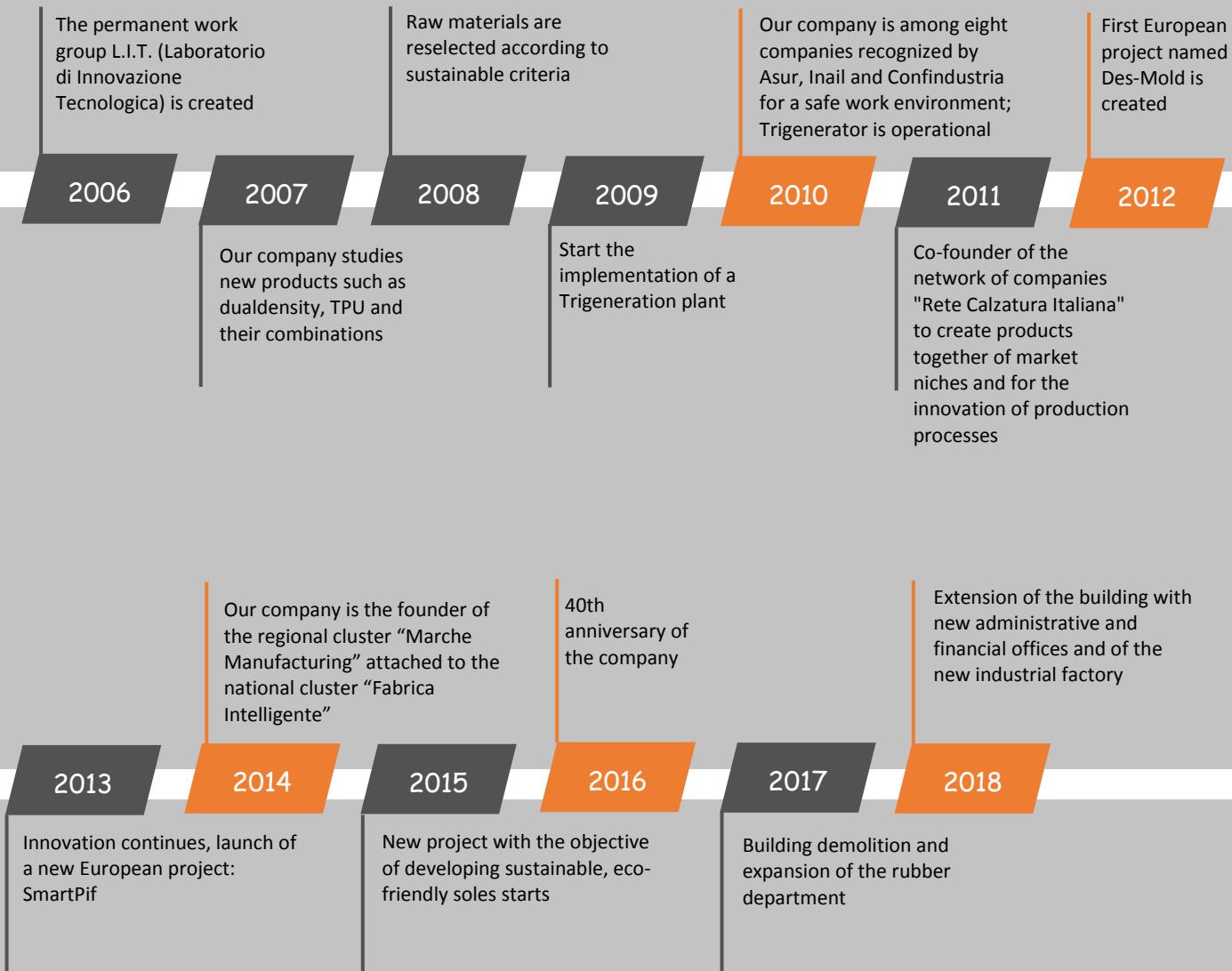
HISTORICAL BACKGROUND





Historical Background

HISTORICAL BACKGROUND







Vision and Mission

VISION AND MISSION [102-16]

BECOME THE LEADER OF
PRODUCTION OF SOLES FOR FOOTWEAR

CREATE VALUE BY OFFERING HIGH QUALITY SOLES,
INNOVATIVE, SUSTAINABLE, CUSTOMIZED
FOR THE NEEDS OF OUR CUSTOMERS.

RESPECT FUTURE GENERATIONS;
USE TECHNOLOGIES ALWAYS MORE ADVANCED, WITHOUT
LOSING THE SIGHT OF THE ENVIRONMENT.



Values and ambitions

VALUES [102-16] [103-2]



Security - Ensuring the protection of our employees, customers and the environment.



Sustainability - Consider economic, environmental and social impacts of our actions.



Innovation - Challenging and always improving our business practices and processes.



Team - Working together in an open and fair way, helping each other.



Performance - Meet the expectations of our shareholders.



Integrity - Acting with honesty, reliability and transparency.



Community - Support development and initiatives in our community.



Values and ambitions

AMBITIONS [102-16] [103-2]

BE WITHIN 2025 THE SOLES MANUFACTURER FACTORY
MOST IMPORTANT ALL OVER THE EUROPE.

TO PRODUCE OUR SOLES WITH AN ALWAYS HIGHER
PERCENTAGE OF RECYCLED MATERIAL.

INCREASE OUR STAFF BY 20% WITHIN 2025.



MANAGEMENT REPORT [103-2] [102-25] [102-31] [102-30] [102-48]

The balance sheet closes in 2018 with a net profit of Euro **5.085.723**, a strong growth compared to the previous year, growth mainly due to an improvement in industrial margin and benefits attributable to the considerable investments made and falling under the name **Industry 4.0**, growth partially offset by a reduction in other income. In 2018, we continued to work in the production of soles for footwear (Polyurethane, Rubber, Rubber/Polyurethane) and compounds and systems based on resins and synthetic polymers.

The activity is carried out in the industrial complex owned by the company located in Civitanova Marche (MC), industrial zone "A" in Via S. Pertini n.8. From a legal point of view, the company does not directly or indirectly control other companies that perform complementary and / or functional activities for its core business.

This year we celebrate 14 years since sustainability has become an important part of our business model. For this occasion we have prepared our Sustainability Report in accordance with the recognized internationally **Global Reporting Initiative (GRI Standards)**. The economic, environmental and social issues has been reviewed by the CEO once per year and the issues has been included in the management report. The report presents our performance from last year, strategic objectives, stakeholders, details on our practices regarding employees, the community, products and the environment. As in previous years, we put a strong emphasis on research and development of new sustainable products and technologies. The financial statement is reviewed every year by the auditor that according to Italian Law Code has been represented by the Statutory Board. The financial statement has been prepared according to Italian Law Code, known well as Italian "Generally Accepted Accounting" standard. Significant information given in the previous report did not change.

CORPORATE REPUTATION [102-16] [205-1] [205-3] [206-1] [307-1] [406-1] [103-2]

Every decision we make and every action we take directly and indirectly influences society, the environment, the economy and our reputation linked to these three aspects. The milestones reached by the company and the professionalism of our employees and collaborators are reflected in the idea that people have of it. These people can be our direct stakeholders, financial institutions, the state, the local community or potential customers we meet at trade shows. For this reason, we strive daily to obtain the best performance, respect the rules and, consequently, maintain an excellent reputation. In this regard, during 2018:

We operate in accordance with national and international environmental laws: since 2004 we have been **ISO 14001: 20041 certified**. The TUV Rheinland2 carries out audits within our company and checks if all the requirements are met.

We have not faced any legal action of **unfair competition, anti-trust** or monopolistic practices.

We have not detected any activity considered by the law as risk factor related to **corruption**.

There have been no cases of **discrimination**.

We have 25-year contracts with many of our customers. Customer and employee loyalty is proof of our **integrity** and **fairness**.



POLITICAL-ECONOMIC TREND [102-15]

Despite the dreams or expectations of our governments, the global economic system has suffered a sharp slowdown in the last quarter of 2018. In concrete terms, the hoped-for growth of 1.2% -1.5% at the end of 2018 stopped at just over 0.2% -0.5%. If you do not run the risk of being considered superficial, you could also be satisfied or even celebrate because the German giant at the end of last year found itself in the negative, after so many years ended brilliantly.

The slowdown in the world economy, in the last part of the year, has complicated the economic counts in our country; the most serious danger for Italy is the looming VAT increase of up to 25% which, in words, government officials are trying to avoid, but in fact it is believed that the increase is inevitable; to sterilize the safeguard clause would have a very high cost: 23 billion euros for 2020 and 29 billion for 2021. Given that with the "spending review" several economists have already been compared, so far without the slightest success, the tile of the VAT increase will hit the Italian economy, further curbing consumption and putting the Italian manufacturing system in serious difficulty.

As much as we try to secure an ever-increasing share of exports, it is good to clarify that no company lives on export alone so it is absolutely necessary to keep the internal market alive by taking the right path that is that of cutting the tax wedge, reinvigorating all employees' wages and enabling them to have greater spending power.

RISK MANAGEMENT [102-15] [102-29] [103-2]

Pursuant to the article 2428, paragraph 2, point 6-bis, of the Civil Code, the following information is provided on the use of financial instruments, useful for the purposes of assessing the financial and equity situation of our company.

- We have not entered into transactions of sale or financing with temporary sale of goods and consequent obligation of retrocession to term.
- We did not issue financial instruments and, during 2018, we did not use derivative financial instruments neither for speculative purposes nor for hedging purposes.

Credit Risk

Credit risk is mitigated by the fact that the exposure is spread over a large number of customers. We also have special insurance policies in place that cover a large part of their receivables from the risk of insolvency. As regards financial assets, it must be assumed that they have an excellent credit quality given that they are bank deposits.

Liquidity Risk

We have deposits with credit institutions that are more than adequate to meet our liquidity needs.

Market Risk

As already mentioned, we mainly produce products for the footwear sector, a market that is now mature and notoriously in crisis since years. For this reason we have intensified research and development activities aimed at creating innovative products with high technological content, able to satisfy the growing needs and demands of customers. Furthermore, this way we have the possibility of entering new markets with a qualified business card.

This, together with high quality and service standards, constitutes an important requirement that we are certain can be adequately appreciated by customers from whom we expect to be preferred to our other competitors.



Stakeholders

STAKEHOLDERS [102-40] [102-21] [102-42] [102-43] [102-44] [103-2]

2018 was a year of great importance for Eurosuole S.p.a. with significantly improved economic and qualitative results and a sustainability plan that is increasingly integrated into our corporate strategy.

In 2018 we committed ourselves to respecting the commitments made, trying to better satisfy our stakeholders; we have tried to give life to a development able to satisfy the needs of the present generations without compromising the ability of future generations to reach the same goal.

Our way of working and the choices we make are guided by the responsibility we feel for all those who have a direct or indirect interest in the effects of the business activity and therefore towards those with whom Eurosuole maintains relationships.

The will of the company and its managers is to create a process in which the exploitation of resources, the direction of investments and the orientation of technological development increase the present and future potential, for the satisfaction of human aspirations and needs. This is a moral responsibility, even before being legal, towards all those who have a direct or indirect interest in the effects of the business activity and therefore towards those with whom it has a relationship: from customers / consumers to future generations, from suppliers to employees, from citizens to shareholders, from creditors to control authorities.

Precisely for this reason a specific messaging system has been created, which allows you to communicate immediately with all interested parties. In achieving the objective in question, the role of the Internet site is central, through which the public is kept constantly updated by means of the special "News" section. The same news are also visible on our Facebook page.

INTERNAL [102-40]	ESTERNAL [102-40]
<i>Shareholders</i>	<i>Foundations</i>
<i>Employees</i>	<i>Customers</i>
<i>Managers</i>	<i>Providers</i>
	<i>Banks and insurance companies</i>
	<i>Associations</i>
	<i>Community</i>
	<i>Municipalities, provinces and regions</i>
	<i>State</i>



Materiality analysis

MATERIALITY ANALYSIS [102-46] [102-47] [102-49] [103-1] [103-2]

2018 is the fourth year in which our Integrated Report is drawn up in accordance with the GRI Standards of the Global Reporting Initiative (GRI), recognized internationally. The material topics did not change much compared to last year. Also this year we have put a strong emphasis on research and development of new sustainable products and technologies; we have also strengthened the focus on training and health of our employees.

In this paragraph, we explain the process of defining the report content and materiality.

First, we identified the relevant topics in terms of economic, environmental and social impacts we cause and contribute to.

As not all material topics are of equal importance, they are distributed inside the matrix so that their position reflects their priority.

In the assessment of material topics, we took into consideration internal and external factors:

- expectation of stakeholders;
- expectations of international entities (i.e. 14001 certification);
- CEO's goals;
- strategic plans of the highest governance's body
- local community's needs;
- respect to the environment;
- economic growth.

We divided our material topics in four macro-areas: social, safety, environment and economic/governance. The first area refers to the human aspect, both internal (CEO, shareholders and employees) and external (local community).

The second area enlighten the importance we give to safety: safety both of our employees and our products. The area "environment", as the previous year, is composed by the following material topics: emission, waste, water and energy.

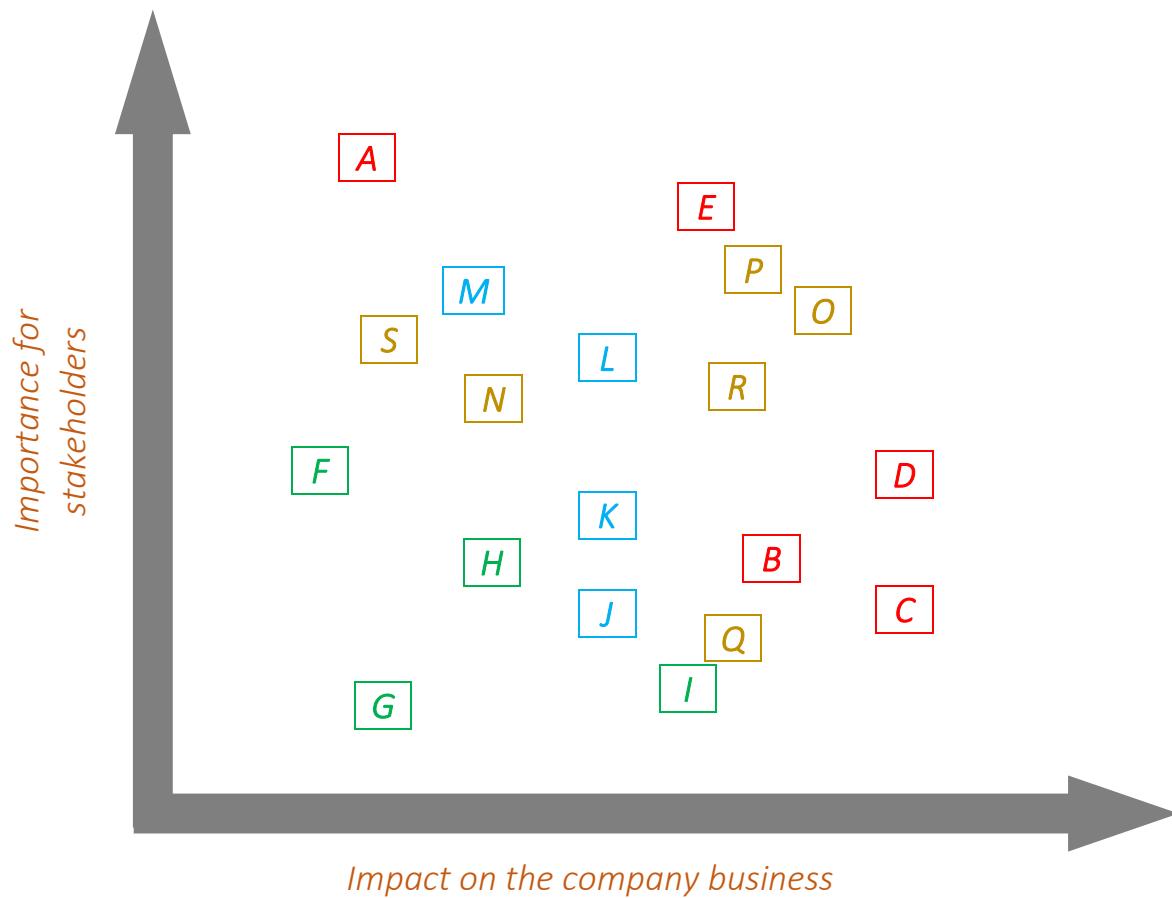
The last group regards the governance values and the economic aspects that affect the business success the most.

Against the previous year, there are not significant changes in the list of material topics nor in topic Boundaries. During 2018, among the material topics, we gave emphasis to safety at workplace, we focused on employees' welfare and we considered the infrastructure investment as material because of the expansion of our building. Regarding topic Boundaries, we mainly focused on the long-term impacts of our business activities and on the preservation of our stakeholders' interests.



Materiality analysis

We selected the ones essential to the report content, and finally, we put them in a matrix to explain how Materiality principle has been applied.



Economic/Governance

- A Shareholders satisfaction
- B CEO Leadership
- C Employee training
- D Employees welfare
- E Commitment for the local community

Environment

- F Emission reduction
- G Waste management optimization
- H Responsible use of water resource
- I Energy efficiency

Social

- J Safety at workplace
- K Product and process research and innovation
- L Responsible sourcing of raw materials
- M Product quality

Safety

- N Infrastructure investment
- O Risk prevention
- P Ethics and transparency
- Q Industry and Research networking
- R Company reputation
- S Creation of long-lasting value



Suppliers

SUPPLIERS [102-9] [204-1] [308-1] [103-2] [414-1] [414-2]

Our strategy regarding our suppliers is to find the best offers in economic terms, while guaranteeing quality, safety and compliance with sustainability requirements. In 2004 we obtained **ISO 14001 certification**. This was a clear sign of an evolved corporate culture focused on the construction of a supply chain characterized by the principles: **total quality, respect for the environment** and business ethics. The choice of suppliers and raw materials assumes a strategic weight for us; both in order to maintain our position on the international scene and to ensure compliance with the rules on worker safety and environmental protection.

We are committed to ensuring a fair procurement process. We have a formal procedure for managing suppliers and we select them with set standards on a competitive basis. We have defined clear and precise rules with suppliers and contractors who come to operate directly on our sites. We have exposed to them the rules on **waste management**, indicating the dangerous points, the current safety standards, the prevention and emergency measures, to protect the contractor's employees as well. At the end of each year, on the occasion of the management review, an assessment is made of the suppliers used during the year. On the basis of this it is decided whether to continue the relationship or stop it and identify a new supplier of the product / service in question. We always try to improve our supplier management and the sustainability of our procurement practices.

Regarding the geographic distribution of suppliers, our strategy is "**Think global, act local**". As in previous years, the majority of our suppliers are in Italy. In 2018, 88.18% of suppliers were located in Italy, while 11.82% in foreign countries. Many of our suppliers are intermediate distributors, which interpose themselves between us and the large multinationals, linked to them through stringent agreements or price cartels. The offer price of the goods, therefore, appears to be the same between different distributors. Thanks to the clarity and seriousness of these policies, to date the company has no disputes open with suppliers.

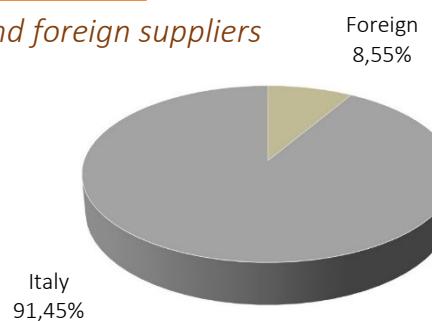
As you can see in the statistics presented below, we prefer that the suppliers are located as close as possible to our design and production centers for an **easier and faster exchange of information** with the technical office, facilitating coordination. Furthermore, the guideline is to acquire goods and services from local businesses, trusting that it brings benefits both in terms of environmental and social impact.



Suppliers

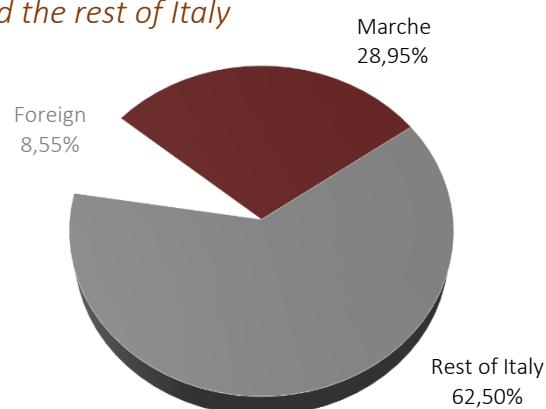
Distribution of expenditure to Italian and foreign suppliers

SUPPLIERS FOR GEOGRAPHIC POSITION AND AMOUNT (in EUR)	
Italy	€ 33.198.907
Foreign	€ 3.103.968

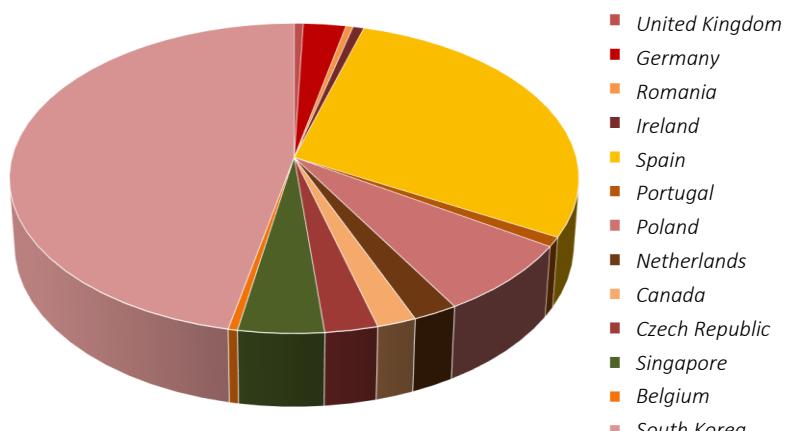


Suppliers between brands and the rest of Italy

ITALIAN SUPPLIERS BY REGION AND AMOUNT (in EUR)	
Marche	€ 10.509.419
Resto of Italy	€ 22.689.488



EXPENSES FOR FOREIGN SUPPLIERS BY REGION AND AMOUNT (in EUR)	
South Korea	€ 1.555.963
Spain	€ 735.829
Belgium	€ 199.834
Poland	€ 192.377
Singapore	€ 171.213
Germany	€ 70.357
Czech Republic	€ 68.106
Netherlands	€ 57.762
Canada	€ 50.599
Portugal	€ 1.223
Ireland	€ 300
United Kingdom	€ 150
Romania	€ 75
Total	€ 3.103.968





Customers

CUSTOMERS [102-2a] [102-6] [412-3]

The clientele is the lifeblood of the company, as they allow the work to continue in a profitable way and stimulates us to always **improve**. This is why we try to best preserve existing customers but at the same time expand the horizons towards new potential buyers. It is therefore very important to keep the quality level of the products high, so as to represent a model in the production "**Made in Italy**". We operate in a "**business-to-business**" manner. To better understand our customers' needs, we regularly analyze the specific needs and current developments in our industry. One of the typical characteristics of this market is concentration. In fact the number of our customers is around 1080 units, a much lower number as in a "business-to-customer" market. Even more relevant is the fact that the first five customers make up 47.40% of the total turnover. The relationship between the supplying company and the client tends to involve not only those in charge of the purchasing or sales function but also production, logistics, R&D, administration.

Thanks to the better quality of management and customer relations we have also found a high degree of customer loyalty. We have relationships with some of our Italian customers that have lasted for over 10 years. Our goal is to provide our customers with the best possible service, regardless of size.

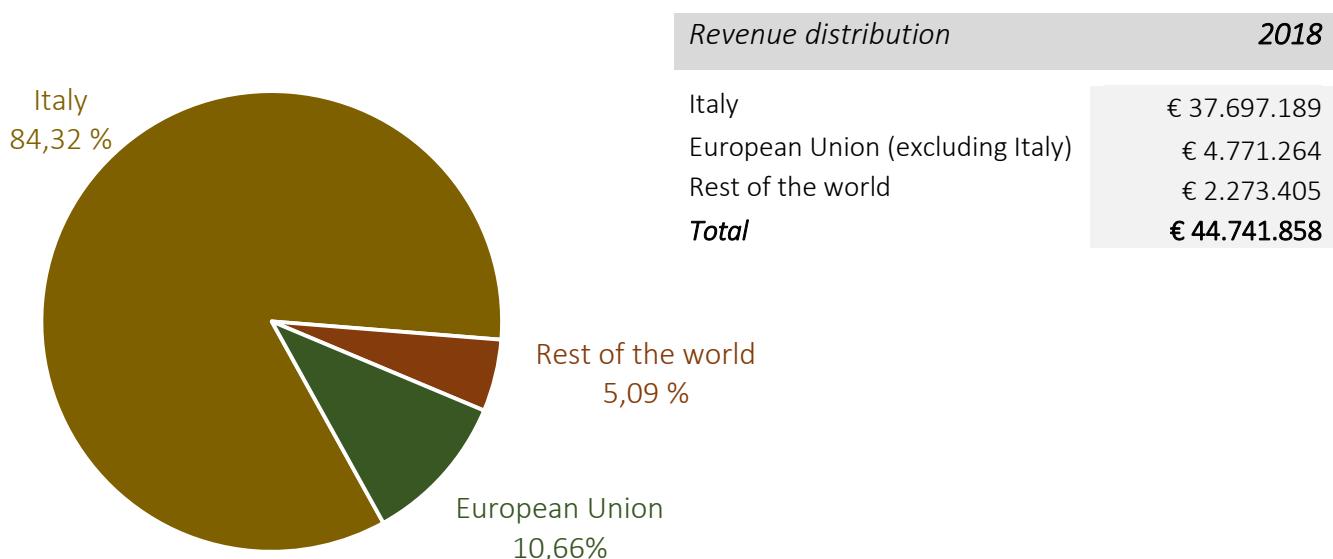
For this reason, in 2010 we decided to follow the Customer Relationship Management (CRM) management approach. This allows you to coordinate new contacts, develop relationships with existing customers, learn about and monitor purchasing behavior. In addition, CRM makes it possible to more effectively segment the customer base and rationalize its management, reduce errors and the risk of decision-making activities.

As you can see in the chart below, we use a CRM program. The commercial area staff can access the program from mobile devices at any time and place, performing remote access in total safety for the company network and its data. Information and data relating to a customer can be updated in real time and visible from all accounts. The main advantages emerged are: leaner and faster processes, greater use and sharing of information and a reduction in management costs.

Customers receive new information through our product cards. They contain detailed information on the products we offer and are intended to help customers with the purchase decision. To maintain our high standards, we carry out quality tests at the end of the production process. We have received very positive feedback from our customers so far and do everything we can to keep our customers satisfied.

Our high level standby customers propose the company to sign commercial agreement which include significant and relevant items related to ethics, human rights and sustainability.

Distribution of revenues in Italy and abroad



Products and innovation





Our products

OUR PRODUCTS [102-9] [416-1] [103-2]

Eurosoule boasts of being able to offer high quantities while maintaining high quality, while successfully promoting the true "Made in Italy" in the world. The firm's firm will is to offer its customers a versatile product capable of satisfying even very different standards in terms of customer expectation.

This translates into a great commitment to continually and rapidly renew our sample collection.

Eurosoule is also very attentive to issues of eco-sustainability and environmental impact, aware of the possible consequences for present and future generations; this is why our products respect not only the environment, but also the EEC safety standards and are TUV ISO 140001 certified.

The range of our products is wide and differentiated:

Polyurethane soles

A new generation **non-toxic** polyurethane is used which, with particular chemical-physical procedures, can be more or less expanded. This attitude makes it possible to obtain soles with characteristics of **lightness, flexibility and insulation**. The product obtained is particularly suitable for the manufacture of sandals, slippers and summer shoes.

Rubber soles

A **non-toxic elastomer** of natural or synthetic origin is used for their production. This material allows the creation of high quality products, with high performance in terms of resistance to abrasion, grip and durability.

These soles are particularly suitable for the manufacture of leisure, sports and anti-injury footwear.

Rubber/polyurethane soles

They go to combine polyurethane and rubber in a single product. These soles are in fact made by a rubber tread and an upper part in polyurethane. The destination of soles of this type is that of highly technical footwear, where there is need for the lightness of a foamed material such as polyurethane but at the same time also of the resistance of a high quality material and with strong technical characteristics such as rubber.

Dualdensity polyurethane soles

They can be two-colored. They combine the technical benefits of a product with greater grip with the possibility of satisfying higher stylistic needs.

Production of PU compounds

It is a mix of polyurethane resins with isocyanates.





Our brands

OUR BRANDS [102-2] [103-2]



The EUROSUOLE QUALITY brand represents, as the name itself states, the quality that we ensure both through our soles and in our way of working. We deeply believe that quality wins over any other strategy. We try to offer quality in every aspect of our work: from the moment we answer the phone, to the research carried out in our laboratory up to the relationship with our customers.



Gomma Leggera eurosuole

GLE (LIGHT RUBBER EUROSUOLE) The GLE brand represents our lightweight vulcanized foam soles. With GLE soles we have been able to overcome the numerous limits of vulcanized foam rubber related to the dimensional control of the manufactured product obtainable through the molding process. The technology used for this type of sole is decidedly innovative in the field of the production of soles: first of all it gives the possibility to create shapes of every type and to reduce the rejects, and consequently, the times and the costs, moreover, it assures maximum lightness to the sole.



The WELLFEET brand represents our soles made of materials resistant to hydrolysis and various climatic conditions, including high humidity. They are manufactured from a special polyurethane compound. Its technical qualities and, at the same time, its young and comfortable style allow us to satisfy even the most demanding customers. Wellfeet is a sole designed for the total well-being of the foot, a part of the body stressed every day. "The walking pleasure", the brand's slogan, communicates the effect of soft foot massage. Wellfeet soles are 100% Made in Italy.

In 2015, we filed an application for tax relief for the Wellfeet brand. This support is provided by the Patent Box, the Ministerial Decree of July 30, 2015, which allows for reduced taxation on income from intangible assets (including trademarks, patents and intellectual property). As provided for by the Decree, we have started the application for access to the prior agreement procedure (of "ruling") for the facilitated regime referred to in art. 1, paragraphs 37 to 45, of Law 190/2014, and is waiting for the conclusion of the prior agreement with the Revenue Agency. During 2018 we had several meetings with the agency and by the end of 2018 the agreement will be defined.



Capital Expenditure

CAPITAL EXPENDITURE [102-10] [203-1] [103-2]

During the year, our company mainly completed the investments concerning **the new mixing plant** in the rubber sector; the investment is technologically advanced and can count on the interconnection such that it has been brought back into the investments called **industry 4.0**.

To complete the increased production capacity, following the new rubber mixing plant, the Company completed the purchase and testing of the latest generation of interconnected and functional **injection moulding machines** for the same sector.

During the 2018 financial year, the company began work on the construction of the **new office wing**, which is expected to be completed during the 2019 financial year.

In the current financial year, the company has planned to further strengthen the rubber sector by **investing in additional injection moulding machines** and preforming machines with high technological requirements, so as to **minimise the waste of raw materials**.

To try to better serve the high-end sector, the Company has planned further investments of a transversal nature in the two sectors in which it operates, rubber and polyurethane, with the intention of establishing a true **independent, organised and highly specialised division** that can contribute to **guaranteeing the high quality standards** required by this type of clientele.

The investments will concern a machine for the production of polyurethane soles with high technological characteristics, a **mixer with smaller dimensions** that can be more flexible and easily converted, guarantee smaller quantities of orders and that can reduce the waste of raw materials to a minimum.

Increase in fixed assets	Amount (in EUR)
Land and buildings	235.017
Plant and machinery	5.643.554
Industrial and commercial equipment	806.170
Other assets	164.002
In costs with multi-year utility	26.485
In assets under construction and advances	2.011.560
TOTAL	8.886.788

The most important infrastructural investments for the three-year period 2017-2018-2019 concern the reconstruction of the demolished shed and the putting into use of the industrial factory as well as new offices that were completed during the first months of 2019.

We expect this investment to have long-term **positive impacts** on the local economy and society as increased soles production will increase the work of suppliers and have positive impacts on **employment**. This is one of the reasons why Eurosuole believes it can make a sustainable and long-term contribution to the economic and social development of our region.



Research and development

RESEARCH AND DEVELOPMENT [102-13] [103-2] [201-4]

Pursuant to Article 2428 (2) (1), the following information is acknowledged.

Coordination work for the development of the following work is entrusted to the special group set up within the company and called **L.I.T.** (Technological Innovation Laboratory).

The related costs are recognised in the income statement in the financial statements for the year in question. The works also include the activities carried out for the ordinary and periodic changes made to the products and the production process, kept duly separate as analytically indicated for each project.

From time to time and according to the area involved in the specific project, this group is integrated with technicians and specialized internal personnel and supported by **collaborations**, specially activated, with **European universities and research centers**.

The work of the group starts from the policy that, for years now, has been adopted by Eurosuole as a competitive lever for future development: the high quality of the product, respect for customer needs and maximum attention to the environment. The public grants received by the company during the year, on a cash basis, are as follows:

Project: MAP SHOES – WORK IN RETE : study and design of fellowship systems based on anthropomorphic robots for the automation of processes in the shoe industry

Name of the granting body Regione Marche

Amount received € 219.617

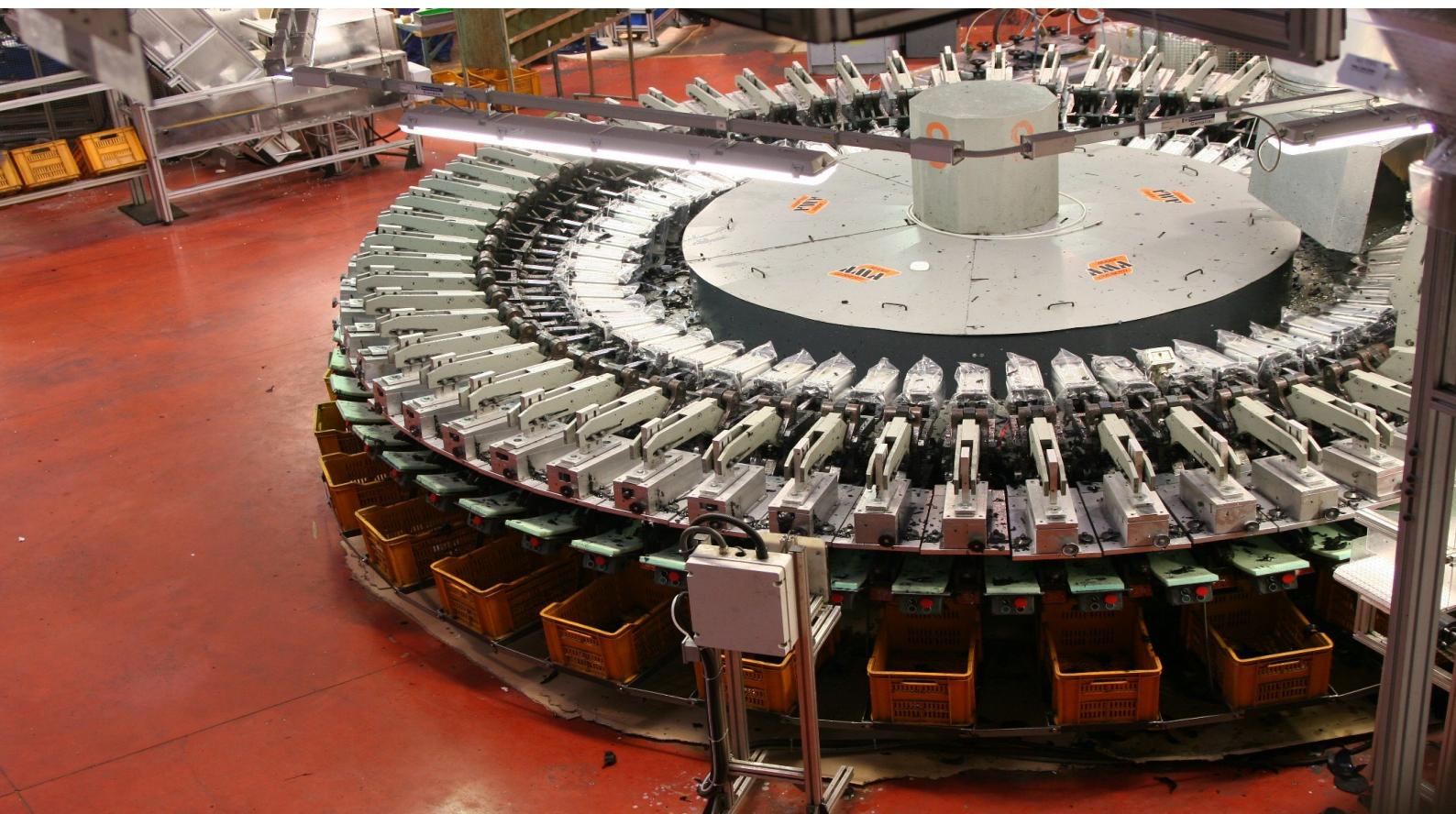
Date of receipt 19/09/2018 and 20/09/2018

Project: JEG – SUSTAINABLE SHOES FOR INNOVATIVE PEOPLE : realization products shoes "Made in italy" market presentation

Name of the granting body Regione Marche

Amount received € 35.000

Date of receipt 31/10/2018





Research and development

RESEARCH AND DEVELOPMENT

- 1) 1) PROJECT: MAP SHOES - WORK IN RETE: study and design of flexible systems based on anthropomorphic robots for the automation of processes in the shoe industry. - RESEARCH AND DEVELOPMENT [201-4]

Equipment	4.604
Consulting	0
Materials	0
Staff	27.547
General expenses	0
TOTAL	32.151

- 2) PROGETTO: SOLEution – innovative and green SOLUTIONs for the SOLE production chain – The overall objective of the project is to make the production of polymeric soles more efficient and sustainable. This translates into two objectives: a radical innovation on the material in order to achieve reduced environmental impacts, a global innovation in the production process in order to have an increase in efficiency, safety and ergonomics, and eco-sustainability. - RESEARCH AND DEVELOPMENT

Equipment	510.761
Consulting	23.050
Materials	36.217
Staff	337.898
General expenses	168.949
TOTAL	1.076.875

- 3) PROGETTO: creation of new products and related research for the development of design and prototype production. – RECURRING CHANGES

Patents	0
Consulting	9.500
Materials	180.947
Staff	585.672
General expenses	0
TOTAL	766.119

- 4) PROGETTO INDUSTRIA 4.0: new products - eco-sustainable PU soles - reduction in solvent consumption - changes to the production process for the industrialisation and marketing of products - RESEARCH AND DEVELOPMENT

Equipment	21.717
Consulting	17.260
Materials	57.848
Staff	203.382
General expenses	0
TOTAL	300.207



Research and development

- 5) PROGETTO: INDUSTRY 4.0 + LIGHT RUBBER SOLES – new materials - creation of "Made in Italy" products using innovative materials and techniques in rubber. - REPETITIVE AND ORDINARY CHANGES

Equipment	16.314
Consulting	2.500
Materials	25.559
Staff	87.959
General expenses	0
TOTAL	132.332

- 6) PROGETTO: THE LUXURY SOLE – The project aims to open a new business line dedicated to the production and marketing of luxury polyurethane soles. This new project requires the study of new materials and new flexible processes oriented towards an increasingly "tailor made" product able to meet the demands of this market. - RESEARCH AND DEVELOPMENT

Equipment	0
Consulting	36.240
Materials	158.350
Staff	258.724
General expenses	0
TOTAL	453.314

- 7) PROGETTO: SUSTAINABLE FACTORY – The project is aimed at industrializing a new sole that presents the characteristics of lightness and eco-sustainability thanks to the introduction of the latest generation plants capable of profoundly innovating the production process of the company. - INDUSTRIALISATION

Equipment	0
Consulting	35.000
Materials	10.010
Staff	54.291
General expenses	0
TOTAL	99.301

- 8) PROGETTO: JEG – SUSTAINABLE SHOES FOR INNOVATIVE PEOPLE – realization of products/shoes "Made in Italy" market presentation - RESEARCH AND DEVELOPMENT [201-4]

Equipment	0
Consulting	7.000
Materials	0
Staff	0
General expenses	0
TOTAL	7.000

Financial profile



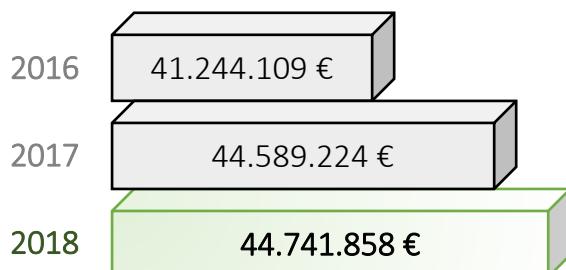


Financial highlights

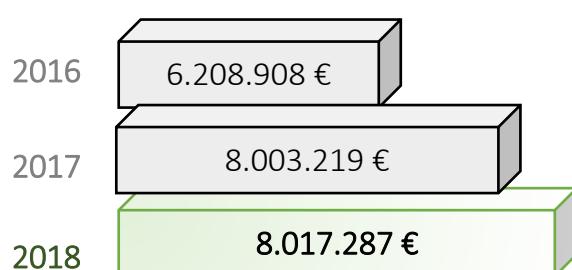
FINANCIAL HIGHLIGHTS [102-7] [103-2]

The 2018 financial statements close with a net profit still showing strong growth compared to the previous year; in addition, the highest historical EBITDA result of Euro 7.069.920 was recorded.

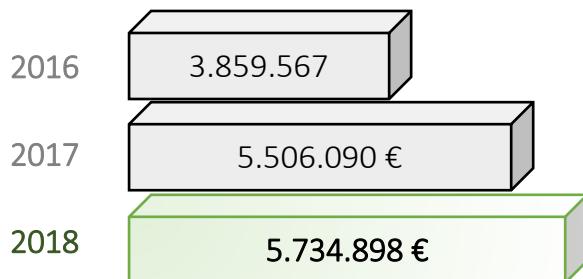
NET SALES



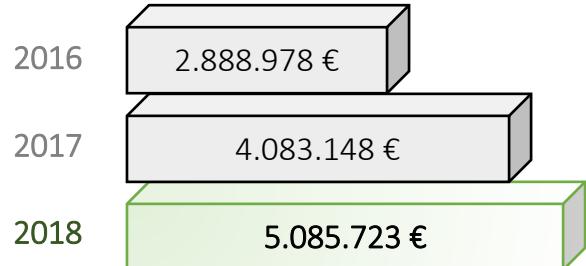
EBITDA



PROFIT BEFORE TAXES



NET PROFIT



The following data are part of the annual financial statements for the year 2018, which have been prepared in accordance with the Italian Civil Code (from art. 2423 to art. 2435) and the general principles of prudence and accrual, with a view to the continuation of the company's activities.

The aim is to communicate our core values such as transparency, long-term economic value creation, investments in infrastructure and research and development, as well as risk prevention.

PROFITABILITY	2018	2017	2016
Net ROE	0,17	0,14	0,11
Gross ROE	0,19	0,19	0,14
ROI	0,10	0,12	0,09
ROS	0,13	0,12	0,09
EBITDA	8.017.287	8.003.219	6.208.908
Profit (loss) before taxes	5.734.898	5.506.090	3.859.567
LIQUIDITY			
Primary liquidity	1,77	2,09	2,27
Secondary liquidity	2,09	2,45	2,61
FINANCIAL SOLIDITY			
Debt	0,54	0,44	2,44
Rate of coverage of fixed assets	1,92	2,35	2,56
Primary structural margin	15.612.097	18.091.847	17.563.458
Primary structural quota	1,79	2,26	2,45
Secondary structural margin	18.490.940	19.571.174	19.095.313
Primary structural quota	1,94	2,36	2,58





Balance sheet

BALANCE SHEET - Assets (in euro) [102-7]

FIXED ASSETS	2018	2017	2016
Intangible fixed assets			
industrial patents and intellectual property rights	39.841	59.783	106.924
Concessions, licenses, trademarks and similar rights	7.570	9.332	11.271
TOTAL INTANGIBLE FIXED ASSETS	47.411	69.115	118.195
Tangible fixed assets			
land and buildings	9.421.421	9.501.259	7.875.365
plant and machinery	7.506.984	2.954.584	2.660.457
industrial and commercial equipment	279.002	282.930	472.436
other assets	157.486	77.871	113.180
assets under construction and advances	2.215.160	892.092	620.086
TOTAL TANGIBLE FIXED ASSETS	19.580.053	13.708.736	11.741.524
TOTAL FIXED ASSETS	19.627.464	13.777.851	11.859.719
CURRENT ASSETS [102-7]			
Inventories			
raw, ancillary and consumable materials	3.089.834	2.500.533	2.085.960
work in progress and semi-finished goods	710.307	711.714	746.385
finished products and goods	1.532.999	1.484.118	1.162.879
TOTAL INVENTORIES	5.333.140	4.696.365	3.995.224
Receivables from customers			
from customers due within one year	15.280.702	14.909.435	14.226.708
tax receivables due within one year	2.457.158	1.938.468	1.452.046
tax receivables due beyond one year	77.991	108.728	225.503
deferred tax assets	409.061	479.844	333.930
receivables from others due within one year	851.992	326.047	497.582
receivables from others due beyond one year	-	453.405	-
TOTAL RECEIVABLES	19.076.904	18.215.927	16.735.769
Cash and cash equivalent			
bank and postal deposits	10.759.435	10.333.537	10.163.766
cash and valuables on hand	9.776	2.993	5.066
TOTAL CASH AND CASH EQUIVALENTS	10.769.211	10.336.530	10.168.832
TOTAL CURRENT ASSETS	35.179.255	33.248.822	30.899.825
Accruals and referrals			
Accruals and referrals	25.287	67.637	60.045
TOTAL ASSETS	54.832.006	47.094.310	42.819.589





Balance sheet

BALANCE SHEET - Liabilities (in euro) [102-7]

LIABILITIES	2018	2017	2016
Equity			
Share capital	5.000.000	5.000.000	5.000.000
valuation reserves	399.225	399.225	399.225
legal reserve	1.000.000	1.000.000	1.000.000
extraordinary reserve	18.982.606	17.099.459	15.510.480
difference from rounding off to the nearest euro unit	(2)	(1)	(3)
reserves in tax suspension	2.336.107	2.336.107	2.336.107
other reserves	2.513.893	2.513.893	2.513.893
profit (loss) for the year	5.085.723	4.083.148	2.888.978
TOTAL NET EQUITY	35.317.552	32.431.831	29.648.680
Provisions for risks and charges			
provisions for pensions and similar obligations	295.811	282.429	268.043
TOTAL PROVISIONS FOR RISKS AND CHARGES	295.811	282.429	268.043
Employee termination indemnity			
Employess termination indemnity	964.633	1.196.898	1.263.812
TOTAL SEVERANCE INDEMNITIES	964.633	1.196.898	1.263.812
Debts			
payables to banks due within one year	105.132	-	-
payables to banks due beyond one year	1.628.399	-	-
payments on account due within one year	1.000	3.543	51
trade payables due within one year	13.020.109	9.868.665	9.103.371
tax payables due within one year	511.366	947.390	309.383
payables to social security institutions due within one year	793.577	827.107	794.190
other payables due within one year	2.204.427	1.536.447	1.432.059
TOTAL DEBTS	18.264.010	13.183.152	11.639.054
TOTAL EQUITY AND LIABILITIES	54.832.006	47.094.310	42.819.589



Income statement

INCOME STATEMENT [102-7]

2018 2017 2016

A) Production value		2018	2017	2016
revenues from sales and services		44.741.858	44.589.224	41.244.109
Change in inventories of work in progress, semi-finished and finished goods		47.475	286.568	226.386
operating grants		805.828	1.233.505	1.042.157
other		141.539	148.251	192.929
TOTAL VALUE OF PRODUCTION		45.736.700	46.257.548	42.705.581
B) Production cost				
for raw, ancillary and consumable materials and goods for resale		20.416.768	19.957.899	16.867.991
for services		7.133.186	7.798.724	8.116.931
for use of third party assets		3.024	1.434	1.086
wages and salaries		7.520.009	7.624.316	7.288.925
social security contributions		2.443.587	2.477.039	2.396.580
severance indemnity		421.201	411.066	399.437
other personnel costs		163.931	74.011	174.884
amortisation of intangible fixed assets		48.189	56.264	66.776
depreciation of tangible fixed assets		2.300.494	2.414.116	2.352.403
write-down of receivables included in current assets - cash and cash equivalents		37.794	91.071	36.500
change in inventories of work in progress, semi-finished and finished goods		(589.302)	(414.573)	36.652
provisions for risks		13.381	14.386	14.019
other operating charges		155.834	218.956	1.163.667
TOTAL PRODUCTION COSTS		40.068.096	40.724.709	38.915.851
Difference between value and production cost (A-B)		5.668.604	5.532.839	3.789.730
other financial income		50.607	57.463	59.379
other financial charges		-	-	10.458
foreign exchange gains and losses		15.687	(84.212)	0
TOTAL INCOME AND EXPENSES		66.294	(26.749)	69.837
PROFIT BEFORE TAXES		5.734.898	5.506.090	3.859.567
current taxes		839.765	1.449.430	823.580
taxes relating to previous years		(261.374)	119.426	0
deferred and prepaid taxes		70.784	(145.914)	147.009
PROFIT FOR THE YEAR		5.085.723	4.083.148	2.888.978





Cash flow statement

CASH FLOW STATEMENT

	2018	2017	2016
profit (loss) for the year	5.085.723	4.083.148	2.888.978
income taxes	649.175	1.422.942	970.589
interest payable/(receivable)	(50.607)	(57.463)	(59.379)
(gains)/losses on disposal of assets	(32.335)	(16.181)	901.723
1) Profit (loss) for the year before income taxes, interest, dividends and gains/losses on disposal	5.651.956	5.432.446	4.701.911
Adjustments for non-monetary items that did not have a balancing entry in net working capital			
allocation to provisions	33.485	35.394	32.679
depreciation of fixed assets	2.348.683	2.470.380	2.419.179
other upward (downward) adjustments for non-monetary items	(86.336)	(787.180)	681.274
TOTAL ADJUSTMENTS FOR NON-MONETARY ITEMS THAT DID NOT HAVE A BALANCING ENTRY IN THE NET WORKING CAPITAL	2.295.832	1.718.594	3.133.132
2) cash flow before changes in net working capital	7.947.788	7.151.040	7.347.856
Changes of the net working capital			
Decrease/(increase) in inventories	(636.775)	(701.141)	263.038
Decrease/(increase) in trade receivables	(371.267)	(682.727)	(725.027)
increase/(decrease) in trade payables	3.151.444	(110.007)	(1.220.669)
Decrease/(increase) in accrued income and prepaid expenses	42.350	(7.592)	3.788
Decrease/(increase) in accrued expenses and deferred income	-	-	(1.399.182)
Other decreases/(other increases) in net working capital	516.008	127.287	(3.078.052)
TOTAL CHANGES IN NET WORKING CAPITAL	2.701.760	(1.374.180)	4.756.991
3) Cash flow after changes in net working capital	10.649.548	5.776.860	263.038
Other adjustments			
interest received/(paid)	50.607	57.463	59.379
(income taxes paid)	(1.684.183)	(161.587)	(1.954.859)
(use of funds)	(262.369)	(87.922)	(155.216)
TOTAL OTHER ADJUSTMENTS	(1.895.945)	(192.046)	(2.050.696)
CASH FLOW FROM OPERATING ACTIVITIES (A)	8.753.603	5.584.814	2.706.295
Tangible fixed assets			
(investments)	(8.860.303)	(4.130.775)	(3.030.997)
divestitures	32.335	20.843	67.115
Intangible fixed assets			
(investments)	(26.485)	(7.184)	(57.617)
divestitures	-	-	-
CASH FLOW FROM INVESTMENT MANAGEMENT (B)	(8.854.453)	(4.117.116)	(3.021.399)
Resource of others			
raising of loans	1.733.531	-	-
Own resources			
(dividends and interim dividends paid)	(1.200.000)	(1.300.000)	(1.750.000)
CASH FLOW FROM FINANCIAL MANAGEMENT (C)	533.531	(1.300.000)	(1.750.000)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A ± B ± C)	432.681	167.698	(2.065.104)
initial bank and postal deposits	10.333.537	10.163.766	12.230.164
initial cash and cash equivalents	2.993	5.066	3.772
TOTAL CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10.336.530	10.168.832	12.233.936
final bank and postal deposits	10.759.435	10.333.537	10.163.766
final cash and cash equivalents	9.776	2.993	5.066
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10.769.211	10.336.530	10.168.832





Creation and distribution
of added value

CREATION OF ADDED VALUE [201-1] [103-2]	2018	2017	2016
Production revenues			
revenues from sales and services	44.741.858	44.589.224	41.696.881
changes in inventories of work in progress, semi-finished and finished goods	47.475	286.568	(226.386)
other revenues	947.367	1.381.756	1.235.086
TOTAL PRODUCTION VALUE	45.736.700	46.257.548	42.705.581
Intermediate production costs			
costs of raw materials and services	26.802.490	27.185.602	25.022.660
provisions for risks	13.381	14.386	14.019
other operating costs	108.736	109.865	851.071
TOTAL INTERMEDIATE COSTS OF PRODUCTION	26.924.607	27.309.853	25.887.750
CHARACTERISTIC GROSS VALUE ADDED	18.812.093	18.947.695	16.817.831
Extraordinary and accessories components			
financial income	66.294	(26.749)	69.837
TOTAL EXTRAORDINARY COMPONENTS AND ACCESSORIES	66.294	(26.749)	69.837
TOTAL GROSS VALUE ADDED	18.878.387	18.920.946	16.887.668
Amortization and depreciation	2.386.477	2.561.451	2.455.679
TOTAL NET VALUE ADDED	16.491.910	16.359.495	14.431.989

DISTRIBUTION OF VALUE ADDED [201-1]	2018	2017	2016
staff	10.548.728	10.586.432	10.259.826
public administration (taxes)	649.175	1.422.942	970.589
company remuneration (profit)	5.085.728	4.083.148	2.888.978
Community			
membership fees	20.934	21.289	21.926
local taxes	87.802	87.802	77.088
other contributions (*)	99.543	157.882	213.582
TOTAL VALUE OF COMMUNITY CONTRIBUTION	208.279	266.973	312.596
TOTAL DISTRIBUTED NET VALUE ADDED	16.491.910	16.359.495	14.431.989

(*) other contributions	2018	
associations of social utility	500	0,5%
sports associations	91.123	91,6%
O.N.L.U.S.	7.570	0,3%
contributions to universities	350	7,6%

[102-12] Our contributions for sports associations go to **Fiorentina Calcio**, which plays in Serie A, **Lube Volley**, which in 2017 won the fourth championship in its history, **Anthropos** which organizes sports activities for children with disabilities. Moreover, the association relies on our constant annual support for the management of the means of transport with which the children move to the premises where they carry out sporting activities. The funds allocated to social service associations are mainly to: **ANFFAS** (National Association of Families of Children with Intellectual and/or Relational Disabilities); **ANT** (National Association of Cancer); **Croce verde** in Civitanova Marche, to which we donated an ambulance in 2016; **Caritas** Diocese, which receives a considerable amount of funds every year. These are used for a canteen dedicated to people in our community with financial difficulties, who are not able to cover the basic expenses themselves. In addition, we have contributed to a project to renovate the premises of Caritas.





Formation criteria

These financial statements comply with the provisions of Articles 2423 and following the commercial code as shown in these explanatory notes to the Financial Statements, which, drawn up pursuant to Article 2427 of the same, form an integral part of them.

Any rounding differences are shown under the item "Rounding reserve in euro" under Shareholders' Equity and "Rounding difference to euro unit" under "Extraordinary income and expenses" in the Income Statement.

Evaluation criteria [102-56] [102-11]

(Article 2427, first paragraph, no. 1, of the Italian Civil Code and accounting principle OIC 12)

The criteria used in the preparation of the financial statements as at 31/12/2018 do not differ from those used for the preparation of the financial statements of the previous year, in particular in the valuations and continuity of the same principles.

The items in the financial statements have been valued in accordance with the general criteria of prudence and accrual, on a going concern basis and taking into account the economic function of the asset or liability considered.

The application of the principle of prudence has led to the individual valuation of the elements making up the individual items or items of assets or liabilities, in order to avoid compensation between losses that should have been recognised and profits not to be recognised because they were not realised.

In accordance with the accrual principle, the effect of transactions and other events has been recorded in the accounts and attributed to the year to which the transactions and events refer, and not to the year in which the related cash movements take place (receipts and payments).

The continuity of application of the valuation criteria over time is a necessary element for the comparability of the financial statements in the various years.

The valuation was carried out taking into account the economic function of the asset or liability element considered, which expresses the principle of the prevalence of substance over form - mandatory where not expressly in conflict with other specific regulations on the financial statements - allowing the representation of transactions according to the economic reality underlying the formal aspects.



Explanatory notes

Explanatory notes, intangible fixed assets

INTANGIBLE FIXED ASSETS

Description	DEC 31, 2018	DEC 31, 2017	Changes
Intangible fixed assets	47.411	69.115	(21.704)
TOTAL	47.411	69.115	(21.704)

These are entered at the historical cost of acquisition and shown net of the amortisation made in the course of the financial years and charged directly to the individual items.

The costs recorded are reasonably correlated with a useful life spanning several years and are systematically amortised in relation to their residual possibility of use, proceeding as follows:

- The software is depreciated at one-fifth of its original cost.

- Trademarks, however, of small amount, to the extent of one tenth of the cost in view of the period of waiting usefulness of the same.
- Industrial patents to the extent of one third of the original cost.

In all cases, the technique of direct allocation was used to reduce the related costs without the creation of a specific fund. During the year, no financial charges were allocated to these asset items.

Statement of changes in intangible assets	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Total intangible fixed assets
Value at the beginning of the year			
Cost	59.783	9.332	69.115
Balance sheet value	59.783	9.332	69.115
Changes during the year			
Increases for acquisitions	26.485	-	26.485
Depreciation for the year	46.427	1.762	48.189
Total changes	(19.942)	(1.762)	(21.704)
Value at the end of the year			
Cost	39.841	7.570	47.411
Balance sheet value	39.841	7.570	47.411

PRECEDENTS REVALUATIONS, AMORTIZATIONS AND DEVELOPMENTS (Ref. art. 2427, first paragraph, no. 2, Civil Code)

Intangible assets have never been written down and/or revalued.



Explanatory notes

Explanatory notes, assets

TANGIBLE FIXED ASSETS

Description	DEC 31, 2018	DEC 31, 2017	Changes
Tangible fixed assets	19.580.053	13.708.736	5.871.317
TOTAL	19.580.053	13.708.736	5.871.317

Buildings	3%
Moulds	40%
Miscellaneous and minute equipment	40%
Vehicles and internal means of transport	20%
General and chemical plants	7,50%
Rubber plants	10%
General machinery	12,50%
Office furniture, furnishings and machines	12,00%
Specific machinery and equipment PU	12,50%
Rubber machinery	15,00%
Electrical and electronic office machines	20,00%

Depreciation was calculated on the basis of the useful life of the asset and its use in the production phase. Depreciation charged to the income statement was calculated on the basis of the expected use, destination and economic-technical duration of the assets, on the basis of the criterion of the residual possibility of use.

For assets whose residual value was lower than the amount obtainable by applying the previous rates, this residual amount was expensed.

Capital goods of a modest unit amount (not exceeding Euro 516.46) were fully expensed during the year, given their almost constant repetition over time.

Land and the areas underlying and appurtenant to the buildings owned were not depreciated as they are considered assets not subject to deterioration and have an unlimited useful life.

Depreciation thus calculated is consistent with the behaviour of our company in previous years and takes into account the residual possibility of use of the assets.

Given the structural changes to the tax rules for calculating depreciation, introduced with effect from the tax period following that in progress at 31/12/2007, the depreciation thus calculated and charged to the income statement was lower than that fiscally allowed, this lower amount represents a decrease in taxable income for IRES with the generation of the corresponding current and prepaid taxes.



Explanatory notes

<i>Overview of movements in intangible assets</i>	Lands and buildings	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under development and advances	Total intangible fixed assets
Value at the beginning of the year						
Cost	12.851.366	21.845.875	17.139.307	1.797.716	892.092	54.526.356
Revaluations	220.845	907.522	1.866	94.141	-	1.224.374
Depreciation	3.570.952	19.798.813	16.858.242	1.813.986	-	42.041.994
Balance sheet value	9.501.259	2.954.584	282.930	77.871	892.092	13.708.736
Changes during the year						
Increases for acquisitions	235.017	5.643.554	806.170	164.002	2.011.560	8.860.303
Reclassifications (of carrying amount)	-	-	-	-	(688.492)	(688.492)
Depreciation for the year	314.855	1.091.154	810.098	84.387	-	2.300.494
Total change	(79.838)	4.552.400	(3.928)	79.615	1.323.068	5.871.317
Value at the end of the year						
Cost	13.086.383	27.348.196	17.578.503	1.898.707	2.215.160	62.126.949
Revaluations	220.845	907.522	1.866	94.141	-	1.224.374
Depreciation	3.885.807	20.748.734	17.301.367	1.835.362	-	43.771.270
Balance sheet value	9.421.421	7.506.984	279.002	157.486	2.215.160	19.580.053

TOTAL REVALUATION OF TANGIBLE FIXED ASSETS AT THE END OF THE YEAR

(Ref. art. 2427, first paragraph, no. 2, Civil Code)

Tangible fixed assets have been revalued on the basis of specific Laws without ever proceeding to discretionary or voluntary revaluations; it should also be noted that no financial charges have ever been charged to these asset items.

Pursuant to article 10 of Law no. 72/1983, the following table lists the tangible fixed assets, recorded in our financial statements as at 31/12/2018, on which revaluations have been carried out in derogation of the statutory valuation criteria:

Description	Revaluation, law n.72/1983	Revaluation, law n.413/1991	Revaluation, law n.342/2000	Revaluation, law n.350/2003	Total revaluations
Land and buildings	110.775	110.070	-	-	220.845
Plant and machinery	69.792	-	556.267	281.463	907.522
Industrial and commercial equipment	1.866	-	-	-	1.866
Other assets	11.932	-	48.959	33.250	94.141
Total	194.365	110.070	605.226	314.713	1.224.374

The second column of the above table shows the revaluation carried out in 1983 pursuant to Law no. 72/83. The amounts indicated in the table are made up of the difference between the revaluation of the historical cost of the assets and the revaluation of the related accumulated depreciation. The third, fourth and fifth columns show the revaluations carried out respectively in 1991 pursuant to Law 413/1991, in 2000 pursuant to Law 342/2000 and in 2003 pursuant to Law 350/2003. The amounts indicated therein have been added to the historical cost of the individual assets.

FINANCIAL LEASING TRANSACTIONS (TENANT)

We have never used the instrument of Financial Leasing, therefore, the additional information required on the subject by article 2427, first paragraph, no. 22 of the Italian Civil Code should not be provided.



Explanatory notes

Explanatory notes, current assets

INVENTORIES

Inventories of raw materials, auxiliaries and finished products are recorded at the lower of purchase or manufacturing cost and market value, using the following valuation methods:

- Raw materials are valued at the weighted average purchase cost for the year.
- Work in progress is valued on the basis of the costs incurred during the year.
- Finished products are valued on the basis of the relative cost of production.

- Sundry and consumable materials are valued at purchase cost.

Given the trend in the relative prices, a small part of the raw materials was valued at market value at the balance sheet date, as it was lower than the criterion of the "weighted average purchase cost for the year" that we adopted. This method of operation is prescribed by current civil regulations and also complies with the relevant tax regulations.

Description	Value at the beginning of the year	Change during the year	Value at the end of the year
Raw, ancillary and consumable materials	2.500.533	589.301	3.089.834
Work in progress and semi-finished products	711.714	(1.407)	710.307
Finished products and goods	1.484.118	48.881	1.532.999
Total inventories	4.696.365	636.775	5.333.140

RECEIVABLES IN CURRENT ASSETS

These are shown at their estimated realisable value, having reduced the nominal value of the provisions made to cover estimated losses.

Description	DEC 31, 2018	DEC 31, 2017	Changes
Receivables	19.076.904	18.215.927	860.977
Total	19.076.904	18.215.927	860.977

CHANGE IN RECEIVABLES RECORDED UNDER CURRENT ASSETS

	Value at the beginning of the year	Change during the year	Value at the end of the year	Amount due within this year	Amount due after this year
Receivables	14.909.435	371.267	15.280.702	15.280.702	-
Tax receivables	2.047.196	487.953	2.535.149	2.457.158	77.991
Deferred taxes	479.844	(70.783)	409.061		
Other receivables	779.452	72.540	851.992	851.992	-
Total	18.215.927	860.977	19.076.904	18.589.852	77.991



Explanatory notes

Tax receivables are composed in this way:

Tax receivables	<i>Within 12 months</i>	<i>Above 12 months</i>
Tax authorities C/VAT receivable	542.923	-
Tax authorities C/ reimbursement from IRAP	11.858	-
Tax authorities C/tax credit in compliance with the regulation no. 91/2014	-	250.933
Tax authorities C/tax credit in compliance with the regulation no. 190/2014	215.779	-
TOTAL	770.560	250.933

Deferred tax assets relate to deductible temporary differences. For an analysis of this item, reference should be made to the relevant paragraph in these explanatory notes.

Other receivables	<i>Within 12 months</i>	<i>Above 12 months</i>
MIUR Contributions/credits	262.948	-
INAIL credit balance	2.925	-
Guarantee deposits	22.491	-
Suppliers of our credit balances and/or credits to be received	14.146	-
Advances to service providers	11.038	-
Others of various amounts	23.045	-
TOTAL	336.593	-

Breakdown of current receivables by geographical area

(Ref. art. 2427, first paragraph, no. 6, Civil Code)

Geographical Area	Italy	European Union (E.U.)	Countries outside E.U.	Devaluation	Total
Receivables from customers included in current assets	13.937.007	430.039	1.145.104	(231.448)	15.280.702
Tax receivables included in current assets	2.535.149	-	-	-	2.535.149
Deferred tax assets recognised as current assets	409.061	-	-	-	409.061
Receivables from others recorded under current assets	851.403	589	-	-	851.992
Total receivables recorded under current assets	17.732.620	430.628	1.145.104	(231.448)	19.076.904

Receivables included in the current assets related to transaction with obbligation of retrocession.

No receivables recorded in the balance sheet refer to transactions with an obligation to repay forward. The nominal value of the receivables was adjusted to their estimated realizable value by means of a specific provision for doubtful accounts, which changed as follows during the year:

Description	DEVALUATION ARTICLE 2426 C.C.	DEVALUATION ARTICLE 106 DPR 917/86	Total
Balance at 31/12/2017	149.278	64.103	213.381
Use during the year	-	(19.727)	(19.727)
Provision for the year	-	37.794	37.794
Balance at 31/12/2018	149.278	82.170	231.448

The financial statements as at 31/12/2018 show trade receivables (net of the allowance for doubtful accounts) totalling Euro 15,280,702, most of which are covered by an insurance policy against the risk of insolvency. No provisions have been made for credit risks on the amounts insured.





Explanatory notes

CASH AND CASH EQUIVALENT

	Value at the beginning of the reporting period	Changes	Value at the end of the reporting period
Banks and postal deposits	10.333.537	425.898	10.759.435
Cash	2.993	6.783	9.776
Total	10.336.530	432.681	10.769.211

Nota integrativa, ratei e risconti attivi

These are determined according to the criterion of the actual accrual period of the year. For those of multi-year duration, the conditions that had determined their original recording were verified.

These measure income and expenses whose accrual is anticipated or postponed with respect to the cash and/or documental event; they do not depend on the date of payment or collection of the related income and expenses, common to two or more financial years and spread over time.

At the end of 2018, there were no accruals or deferrals with a duration of more than five years.

ACCRAULS AND REFERRALS

	Value at the beginning of the reporting period	Changes	Value at the end of the reporting period
Accruals and referrals	67.637	(42.350)	25.287
Total	67.637	(42.350)	25.287

The breakdown of this item at year-end is as follows:

(Ref. art. 2427, first paragraph, no. 7, Civil Code)

Description	Value
Software support fees	15.284
Office machine rental	6.120
Advertising costs	581
Others	3.302
Total	25.287



Explanatory notes

Explanatory notes, equity and liabilities

(Ref. art. 2427, first paragraph, no. 4, 7 and 7-bis, Civil Code)

EQUITY

Balance at 31/12/2018	Balance at 31/12/2017	Changes
35.317.552	32.431.831	2.885.721

Changes in shareholders' equity items

Value at the beginning of the year	Allocation of previous year's result		Other changes		Operating result	Value at the end of the year
	Allocation of dividends	Other destinations	Increases	Decreases		
Capital	5.000.000	-	-	-	-	5.000.000
Revaluation reserves	399.225	-	-	-	-	399.225
Legal reserve	1.000.000	-	-	-	-	1.000.000
Others						
Extraordinary reserve	17.099.459	-	-	2.883.147	1.000.000	18.982.606
Miscellaneous other reserves	4.849.999	-	-	-	1	4.849.998
Total other reserves	21.949.458	-	-	2.883.147	1.000.001	23.832.604
Profit (loss) for the year	4.083.148	1.200.000	(2.883.148)	-	-	5.085.723
Total shareholders' equity	32.431.831	1.200.000	(2.883.148)	2.883.147	1.000.001	5.085.723
						35.317.552

Details of the various other reserves

Description	Value
Reserve fund for tax suspension	2.336.107
Rounding difference	(2)
Reserve realization of network program subject to tax	2.513.893
Total	4.849.998



Explanatory notes

Availability and use of shareholders' equity

	Value	Possibility of use	Available quota	Summary of uses made in the previous three years
				For other reasons
Capital	5.000.000	B	-	-
Revaluation reserves	399.225	A,B	-	-
Legal reserve	1.000.000	A,B	-	-
Other reserves				
Extraordinary reserve	18.982.606	A,B,C,D	18.982.606	3.700.000
Various other reserves	4.849.998		2.513.893	-
Total other reserves	23.832.604		21.496.499	3.700.000
Total	30.231.829		21.496.499	3.700.000
Remaining value for distribution			21.496.499	

Legend of possibility of use:

- | | |
|--------------------------------------|------------------------------------|
| A: for capital increase; | D: for other statutory constraints |
| B: to cover losses; | E: other |
| C: for distribution to shareholders; | |

Origin, possibility of use and distribution of the various other reserves

	Value	Possibility of use	Value available
Provisions for reserves subject to tax suspension	2.336.107	B	-
Difference from rounding to euro unit	(2)		-
Others	2.513.893	A,B,C,D	2.513.893
Total	4.849.998		

Legend of possibility of use:

- | | |
|--------------------------------------|------------------------------------|
| A: for capital increase; | D: for other statutory constraints |
| B: to cover losses; | E: other |
| C: for distribution to shareholders; | |

Breakdown of the item Revaluation reserves item:

Shareholders' equity includes Euro 399.225 in the Revaluation Reserve set up pursuant to Law 350/2003 which, in the event of distribution, will form part of the company's taxable income.

Breakdown of the item Tax suspensions:

Shareholders' equity includes Euro 2,336,107 in the Reserve set up pursuant to Article 42, paragraph 2, of Decree Law No. 78/2010 which, in the event of its use for purposes other than to cover operating losses, will form part of the company's taxable income.

Breakdown of other reserves:

Shareholders' equity includes Euro 2,513,893 in the Reserve set up pursuant to Article 42, paragraph 2c, of Decree Law No. 78/2010 through the allocation of part of the profits earned in 2013 and 2014. As the related tax benefits have expired, this reserve has normally been subject to taxation and, if used, will not form part of the company's taxable income.





Explanatory notes

Reserves incorporated in the share capital:

Reserves or other funds that, in the event of distribution, are included in taxable income, regardless of the period of formation, for a free increase in share capital with use of the reserve as per the relative resolution of the extraordinary shareholders' meeting:

<i>Reserves</i>	<i>Date of evaluation</i>	<i>Value</i>
Reserve for Monetary Adjustment Law 72/1983	25/07/1986	295.993
Revaluation Reserve pursuant to Law 413/1991	13/10/2001	92.793
Revaluation reserve Law no. 342/2000	13/10/2001	930.932
Fund for Higher VAT Deductions art. 8 Law no. 675/1977	13/10/2001	2.670
Fund for Higher VAT Deductions art. 55 Law no. 526/1982	13/10/2001	8.975
Fund for Higher VAT Deductions art. 15 Law no. 130/1983	13/10/2001	24.913
Reserve Reserve Contribution Law 696/1983	13/10/2001	21.649
Reserve Reserve Contribution Law 399/1987	13/10/2001	30.664
Total		1.408.889

PROVISION FOR RISK

	<i>Provision for pensions and similar obligations</i>	<i>Total provisions for risks and charges</i>
Value at the beginning of the year	282.429	282.429
Changes		
Provision during the year	13.381	13.381
Other changes	1	1
Total changes	13.382	13.382
Value at the end of the year	295.811	295.811

These are set aside to cover losses or debts that are certain or likely to exist, but whose amount or date of occurrence could not be determined at the balance sheet date.

In the valuation of these provisions, the general criteria of prudence and accrual were respected and no general risk provisions without economic justification were set up.

The item includes only the provision for customer indemnities potentially due to agents on the basis of existing agency contracts. The increases relate to indemnities accrued during the year.

SEVERENCE INDEMNITIES FOR THE EMPLOYEES

(Ref.art. 2427, first paragraph, no. 4, Civil Code)

<i>Reserve for employee severance indemnities</i>	
Value at the beginning of the year	1.196.898
Changes	
Provision during the year	20.104
Use during the year	262.369
Total changes	(242.265)
Value at the end of the year	954.633

The provision for severance indemnities represents the actual amount due to employees in accordance with the law and current employment contracts, taking into account all forms of remuneration of a continuous nature.

It corresponds to the total of the individual indemnities accrued at the balance sheet date, net of advances paid and the amount allocated to the Supplementary Pension Funds and the INPS Treasury Fund, and is equal to the amount that would have been payable to employees in the event of termination of employment on that date.





Explanatory notes

LIABILITIES

(Ref. Art. 2427, first paragraph, no. 4, Civil Code)

The company has availed itself of the right not to use the amortised cost criterion and not to discount the debts, given the insignificance of the relative effects, in order to give a true and fair view.

The accounting policies adopted provide for:

the non-discounting of payables due in less than 12 months;

the non-discounting of payables in the event that the effective interest rate is not significantly different from the market interest rate.

the non-application of the amortised cost criterion for payables due in less than 12 months;

the non-application of the amortised cost criterion in the event that transaction costs, commissions and any other difference between the initial value and the value at maturity are immaterial.

Therefore, payables are stated at their nominal value.

Variation and due of the liabilities

The maturity of payables is broken down as follows (article 2427, first paragraph, no. 6 of the Italian Civil Code)

	Value at the beginning of the year	Changes	Value at the end of the year	Amount due within one year	Amount due after one year	Of which residual maturity of more than 5 years
Payables to banks	-	1.733.531	1.733.531	105.132	1.628.399	772.061
Advances	3.543	(2.543)	1.000	1.000	-	-
Payables to suppliers	9.868.665	3.151.444	13.020.109	13.020.109	-	-
Tax payables	947.390	(436.024)	511.366	511.366	-	-
Payables to pension and social security institutions	827.107	(33.530)	793.577	793.577	-	-
Other payables	1.536.447	667.980	2.204.427	2.204.427	-	-
Total debts	13.183.152	5.080.858	18.264.010	16.635.611	1.628.399	882.061

The following is specified:

- The item "Due to banks" includes the amount of the subsidised loan granted at the end of November 2018 by Mediocredito Centrale S.P.A. and related to the research and development activity carried out under the "Second Sustainable Industry Announcement of Ministerial Decree 15/10/2014". For this financing, no preliminary costs or commissions of any kind or type were incurred.
- The item "Advances" includes advances received from customers for supplies still to be made.
- Trade payables are recorded net of trade discounts, while cash discounts are recorded at the time of payment. The nominal value of these payables has been adjusted on the occasion of returns or rebates (invoicing adjustments) to the extent defined with the counterparty.
- The item "Tax payables" only includes liabilities for certain and determined taxes and therefore, in this case, the amount of withholding taxes and the balance due for IRAP for the year.
- The item "Other payables" refers almost entirely to the amount of amounts accrued by employees and paid in the following year.



Explanatory notes

Breakdown of liabilities by geographical area

(Ref. art. 2427, first paragraph, no. 6, Civil Code)

The breakdown of Payables at 31/12/2018 by geographical area is shown in the table below.

	Italy	E.U. Countries	Extra E.U. Countries	Total
Payables to banks	1.733.531	-	-	105.132
Advances	-	-	1.000	1.000
Payables to suppliers	12.040.519	442.691	536.899	13.020.109
Tax payables	511.366	-	-	511.366
Payables to pension and social security institutions	793.577	-	-	793.577
Other payables	2.203.305	1.122	-	2.204.427
Total debts	17.282.298	443.818	537.899	18.264.010

Liabilities backed by the guarantee of our assets:

No debt recorded in the balance sheet is backed by guarantees on the company's assets (Ref. art. 2427, first paragraph, no. 6, Civil Code)

Liabilities related to the obligation of retrocession:

No liabilities recorded in the balance sheet refer to transactions with an obligation to reverse to the end of the year.

Explanatory notes, income statement

PRODUCTION VALUE

Balance at 31/12/2018	Balance at 31/12/2017	Change
45.736.700	46.257.548	(520.848)

Description	31/12/2018	31/12/2017	Changes
Revenues from sales and services	44.741.858	44.689.224	152.634
Changes in inventories of products	47.475	286.568	(239.093)
Changes in work in progress on orders			
Increases in fixed assets for internal work			
Other revenues and income	947.367	1.381.756	(434.389)
Total	45.736.700	46.257.548	(520.848)

Revenue recognition:

Revenues from the sale of products are recognised at the time of transfer of ownership, which is normally identified with the delivery or shipment of the goods.

Revenues of a financial nature and those deriving from the provision of services are recognised on an accrual basis.

There are no revenues relating to sales and purchases with the obligation to sell back to the end of the year.



Explanatory notes

Breakdown of revenues from sales and services by business category:

(Ref. Art. 2427, first paragraph, no. 10, Civil Code)

The breakdown of revenues by sector is not significant since we produce materials that can be classified in the same category and type of product.

<i>Activity</i>	<i>Current value</i>
Sales of goods	230.148
Product sales	44.511.710
Total	44.741.858

Breakdown of revenues from sales and services by geographical area:

(Ref. Art. 2427, first paragraph, no. 10, Civil Code)

<i>Activity</i>	<i>Current value</i>
Italy	37.660.418
E.U. countries	4.493.695
Extra-EU countries	2.587.745
Total	44.741.858

The change recorded is closely linked to the performance of the company's activities and to the information provided in the Report on Operations.

Grants on operating accounts, reclassified under the item "other revenues and income", mainly relate to costs incurred for research and development activities carried out during the year and also include the related tax credit.

Explanatory notes, income statement

PRODUCTION COSTS

Details of production costs and related changes compared to the previous year:

<i>Description</i>	<i>31/12/2018</i>	<i>31/12/2017</i>	<i>Changes</i>
Raw materials, auxiliaries and merchandise	20.416.768	19.957.899	458.869
Services and Facilities	7.133.186	7.798.724	(665.538)
Use of third party assets	3.024	1.434	1.590
Wages and salaries	7.520.009	7.624.316	(104.307)
Social security charges	2.443.587	2.477.039	(33.452)
Provision for employee severance indemnities	421.201	411.066	10.135
Other personnel costs	163.931	74.011	89.920
Amortisation of intangible assets	48.189	56.264	(8.075)
Depreciation of tangible fixed assets	2.300.494	2.414.116	(113.622)
Write-down of current receivables	37.794	91.071	(53.277)
Change in inventories of raw materials	(589.302)	(414.573)	(174.729)
Provision for risks	13.381	14.386	(1.005)
Other operating expenses	155.834	218.956	(63.122)
Total	40.068.096	40.724.709	(656.613)





Explanatory notes

COSTS OF RAW MATERIALS, ANCILLARY MATERIALS, CONSUMABLES, GOODS AND SERVICES

They are closely related to the Report on Operations and the performance of point A (Value of production) of the Income Statement.

COSTS FOR USE OF THIRD PARTY ASSETS

These include the cost incurred for the occasional use, for hire and the like, of vehicles and equipment used in the activity.

PERSONNEL COSTS

The item includes all expenses for employees, including improvements in merit, category changes, contingency changes, cost of untaken holidays, legal provisions and collective agreements, as well as the cost of temporary work.

OTHER OPERATING CHARGES

This item represents a residual item of the core business area where the negative income components that have not been classified under other items have been included.

PROVISION FOR RISKS

This is only the provision for supplementary indemnities for agents.

AMORTISATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

Reference should be made to the information already provided in the sections on fixed assets.

WRITE-DOWNS OF RECEIVABLES INCLUDED IN CURRENT ASSETS AND OF CASH AND CASH EQUIVALENTS

Trade receivables, with the exception of those covered by insurance policies, were subject to a risk coefficient of 0.50%, for a total of Euro 37.794, within the limits also of the amount granted for tax purposes. During the year, an amount of Euro 19.727 was expensed for losses on receivables incurred, fully covered by the use of pre-existing provisions for doubtful accounts for tax purposes.

It is considered that the amounts set aside, also taking into account the residues of previous years, are sufficient to cover the foreseeable risk of insolvency.

FINANCIAL INCOME AND CHARGES

Balance at 31/12/2018	Balance at 31/12/2017	Change
66.294	(26.749)	93.043

Details:

Description	31/12/2018	31/12/2017	Changes
From participating companies			
From receivables recorded as fixed assets			
From securities recorded as fixed assets			
From securities included in current assets			
Income other than the above (interest income)	50.607	57.463	(6.856)
(Interest and other financial charges)			
Foreign exchange translation gains (losses)	15.687	(84.212)	99.899
Total	66.294	(26.749)	93.043

Details of the item "Foreign exchange gains (losses)":

Description	31/12/2018
Gains on exchange rates achieved	18.688
Exchange losses suffered	(14.741)
Exchange gains arising from the year-end valuation component	11.740
Foreign exchange losses arising from the year-end valuation component	
Total	15.687





Explanatory notes

CRITERIA FOR CONVERTING VALUES EXPRESSED IN FOREIGN CURRENCIES

These financial statements include a payable to a foreign supplier originally expressed in a foreign currency and a foreign currency bank account. Both items have been aligned with the exchange rates prevailing at the balance sheet date.

Between the end of the financial year and the date of preparation of the financial statements, there were no changes in exchange rates that had a significant effect on the items in the financial statements.

Other financial income

Classification by type of other financial income

	Subsidiaries companies	Associated companies	Parent companies	Undertakings subject to the control of parent companies	Others	Total
Bank interest					48.700	48.700
Interest on loans						
Miscellaneous interests					1.907	1.907
Rounding						
Total					50.607	50.607

INCOME TAXES FOR THE YEAR

Taxes have been recorded on an accruals basis and therefore represent:

- The amounts of taxes paid or to be paid for the year, determined according to the rates and regulations in force.
- The amounts of taxes relating to previous years. As already pointed out in the first part of this document, the Company, having reached agreement on the "Patent Box", has calculated the estimated benefit for the period 2015-2017 and allocated it to this item, while the estimated result for the year 2018 has reduced the taxable income for the year.
- The amount of deferred taxes or taxes paid in advance in relation to temporary differences arising or cancelled during the year.

Taxes	31/12/2018	31/12/2017	Changes
Current taxes	839.765	1.449.430	(609.665)
IRES	522.801	1.124.333	(601.532)
IRAP	316.964	325.097	(8.133)
Taxes relating to previous years	(261.374)	119.426	(380.800)
Deferred taxes	70.784	(145.914)	216.698
IRES	70.784	(145.914)	216.698
IRAP			
Total	649.175	1.422.942	(773.767)

The significant reduction in the tax rate is due, in addition to the recognition of the tax benefit associated with the optional regime of the "Patent Box", to the significant tax benefits of the so-called super and hyper depreciation, from which the company has benefited by virtue of the heavy investments made in recent years, most of which fall within the scope of Industry 4.0





Explanatory notes

Deferred tax assets and liabilities

(Ref. art. 2427, first paragraph, no. 14, Civil Code)

Given that there is no deferred tax liability, it should be noted that:

- Deferred tax assets have been calculated according to the global allocation criterion, taking into account the cumulative amount of all the temporary differences and the IRES and IRAP rates presumably in force in the years in which these differences will be eliminated.
- Deferred tax assets have been recognized because there is a reasonable certainty that, in the years in which the deductible temporary differences against which they were recognized will be reversed, taxable income will not be less than the differences that will be reversed.

The evolution of deferred tax assets during the year was as follows:

Description	Anticipated IRES	Anticipated IRAP	Total
Initial balance of taxes from previous years	473.850	5.994	479.844
Utilisation 2018 taxes from previous years	(56.187)		(56.187)
Deferred tax assets formed in 2018	(14.597)		(14.597)
Rounding	1		1
Deferred tax assets at 31/12/2018	403.067	5.994	409.061

The algebraic sum of deferred tax assets formed in 2018 and the use of those formed in previous years has been included, for the amount of € 74.784, in item 20 of the income statement as an increase in taxes for the year. The final balance as at 31/12/2018 has been entered among the assets in the Financial Statements and precisely under item C.II.5 ter "Deferred tax assets". The main temporary differences that led to the recognition of deferred and prepaid taxes are shown in the following tables together with their effects.

Recognition of deferred and prepaid taxes and consequent effects

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	1.679.443	145.144
Net temporary differences	(1.679.443)	(145.144)
B) Tax effects		
Deferred (prepaid) taxes for the year	(403.067)	-
Provision for deferred (prepaid) taxes at the end of the year	(403.067)	(5.994)

Details of deductible temporary differences

	Amount at the end of the previous year	Change in during the year	Amount at the end of the year	IRES rate	IRES value	IRAP rate	IRAP value
Higher civil depreciation than physically allowed	1.679.953	(234.110)	1.445.843	24%	347.002	-	-
Provisions for possible losses on receivables	149.277	-	149.277	24%	35.827	-	-
Civil provisions for agents' indemnities	145.144	-	145.144	24%	34.835	4,13%	4,13%
Advance payments deducted on a cash basis	-	(60.821)	(60.821)	24%	(14.597)	-	-





Explanatory notes

Explanatory notes, other information

Employment data

(Ref. Art. 2427, first paragraph, n.15, Civil Code)

	Average number
Executives	3
Employees	35
Workers	210
Total	248

The national employment contract applied is that of the rubber and plastic industry. Compared to the previous year, the average number of employees increased by two from 202 in 2017 to 204 in 2018.

Fees, advances and credits granted to directors and statutory auditors and commitments undertaken on their behalf

	Administrators	Mayors
Remuneration	389.178	24.759

Fees to the Statutory Auditor or Audit Firm

L The statutory audit of the accounts is carried out by our Board of Statutory Auditors, as provided for in the Articles of Association.

Categories of shares issued by the company

At the balance sheet date, the share capital consisted of 5,000,000 ordinary shares with a par value of €1 each.

	Final consistency, number	Final consistency, nominal value
Ordinary shares	5.000.000	1
Total	5.000.000	-

Sustainability





Example of good practice



OUR ECO-SUSTAINABLE JOURNEY [102-15] [102-19] [103-3 category: environmental]

Sustainability has been an important part of our business model for 14 years. Over the 40 years of our existence, we have significantly improved our procurement and production processes in terms of environmental friendliness, safety and sustainability. We continue our research to implement new practices that are more environmentally and health friendly. In 2018, the main sustainability activities can be divided into five areas: employees, research and development, environment, supply chain and community. Raffaella is responsible for monitoring social and environmental aspects and identifying Eurosuole's sustainability projects and initiatives.

Raffaella Gibellieri.



RAFFAELLA GIBELLIERI

Environmental Management System Manager (SGA)

In 2000 he began to follow the aspects related to environmental issues, for which Eurosuole was increasingly interested. This is how Raffella becomes responsible for the environmental system, attending courses that guarantee it an increase in its preparation in terms of safeguarding the territory.

OUR ECO-SUSTAINABLE JOURNEY

Over the course of more than forty years of our existence, we have significantly improved our production processes with regard to the eco-compatibility and sustainability of our practices. Among the main achievements in the field of sustainability and safety we find:

- ISO 14001.
- **Recognition** by ASUR, INAIL and Confindustria for a safe working environment.
- Construction of a trigeneration plant, which contributes to greater energy efficiency.
- Introduction of a single water-based cleaning process, eliminating hazardous chemicals.
- Creation of the **company policy**, ensuring that every single product is free from carcinogenic, mutagenic and teratogenic substances.

Closed-loop production system, constantly reusing water for cooling.

- Various initiatives and activities to support our employees and the community.

We are currently working on several projects with the aim of developing more sustainable soles, using, for example, recycled materials. In addition, we want to increase the consistency of our practices in relation to international standards. For over 4 years, we have been preparing the integrated report in accordance with the GRI Standards.



Environment

ENVIRONMENT^[103-2]

"Eurosoule S.p.A. believes that the environment is a central objective not only of economic and social policies but also of industrial activities, in the conviction that the commitment to sustainable development, as well as a value of business ethics, is also an important variable in the company's management strategy. The continuous improvement of its environmental performance is therefore consistently pursued by Eurosoule as an essential condition for us to speak of "sustainable development".

In full compliance with current national and EU laws and environmental regulations, Eurosoule is committed to carrying out its sole production activities responsibly.

At any time, the methods adopted to carry out this activity guarantee the safety and health of employees and the population and ensure that any negative effect on the environment is reduced to a minimum. This, in our reality, means producing in the best way, always with the aim of saving energy and natural resources. It also means analysing each stage of the production process in the search for increasingly eco-compatible alternatives with the essential objective of creating products that have added value for the customer in terms of quality, durability and composition. Eurosoule is committed to reducing all types of pollution, trying to apply strategies that reduce the environmental risks due to its activities and adopting a system of prevention and protection through effective emergency plans.

The above words are a summary of our environmental policy.

Our environmental policy is fundamental to defining and achieving our objectives, as well as safeguarding the local community and preserving the environment. For this reason, we promote its dissemination among our suppliers, customers and other stakeholders. Contractors working on the site on behalf of Eurosoule S.p.A. are required to apply environmental standards in accordance with our environmental policy. In selecting suppliers, preference will also be given to those who operate under an environmental management system.

The correct management of the above mentioned environmental issues is considered a fundamental factor for the development of the company and Eurosoule considers environmental certification the essential expression of the validity of an organised, structured and systematic Environmental Management System. The EMS is a fundamental tool for defining and achieving the company's objectives and represents a guarantee for the population living near our plants, for the surrounding area and, more generally, for the entire ecosystem.

For several years we have kept a "Register of Environmental Aspects and Impacts", a document that we update whenever significant changes occur that affect the environment and that highlights year by year improvements in sustainability.

We have also developed a "Register of Environmental Non-Compliances and Emergencies" which we update each time a non-compliance occurs. This is an evaluation tool and an opportunity for continuous improvement for the company.



Employees

EMPLOYEES [102-8] [102-41] [401-1] [405-1] [103-2]

We continue to invest in our staff, with the aim of creating a welcoming and pleasant working environment. We believe that this approach not only motivates employees to work professionally, but also contributes to achieving the desired economic and social outcome.

We are aware that investment in skills development and specific training is the key to success in a competitive environment such as our industry.

We organise the training and ensure that our employees attend the courses regularly. In addition, we distribute information material to them so that they can increase and deepen their general knowledge. Finally, we believe very much in dialogue, and we try to solve in person or over the phone the issues that arise every day, as it is the most effective way. The added value we create through our business is used primarily for employee compensation, training and well-being.

An essential element in any relationship is trust. Our company is in fact the result of the recognition of management skills and of the respect and recognition of each individual employee. People in management positions help to create a fair and open working environment in which employees work together and support each other.

The current employment situation in Italy and, more generally, in Europe does not show a very optimistic view. However, our company takes the working conditions of its employees seriously and has not cut back on social services at all. In fact, we voluntarily offer some free services to improve the work/life balance of our staff.

Our incentive system has proved effective so far. It has encouraged employees to limit absenteeism and to focus their efforts on achieving the company's mission.

The company does not have significant changes in employees based on their seasonality.

The company does not have non-employee workers.





Employees

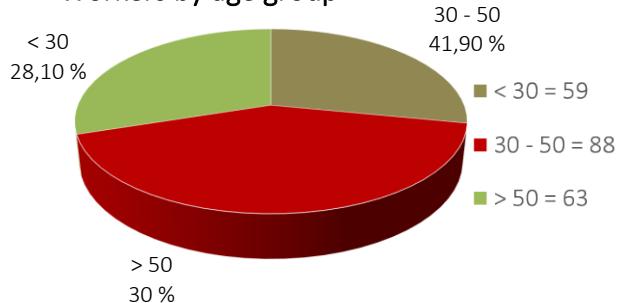
In 2018 our workforce increased by 1 person; the driving factors are the increase in production of soles and the increase in turnover; Qualified figures have increased since the trend is the increase in automation which reduces simple tasks but requires personnel who deal with the organization and planning of work.

Employees (with temporary employees)	2018		2017	
	Male	Female	TOTAL	TOTAL
Employees with fixed-term contracts	69	1	70	48
Employees with permanent contracts	143	35	178	192
Full-time employees	210	35	245	237
Part-time employees	2	1	3	3
TOTAL	212	36	248	240

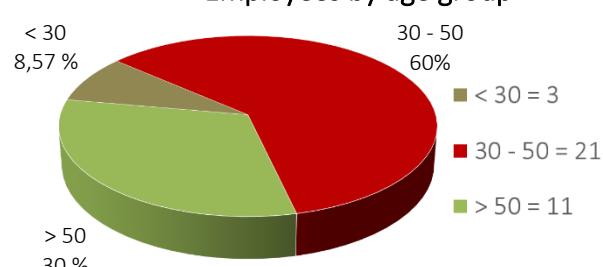
EMPLOYEES BY CATEGORY AND GENDER

	VALUE		PERCENTAGE	
	MALE	FEMALE	MALE	FEMALE
Workers	182	28	86,67%	13,33%
Employees	27	8	77,14%	22,86%
Manager	3	0	100%	0%

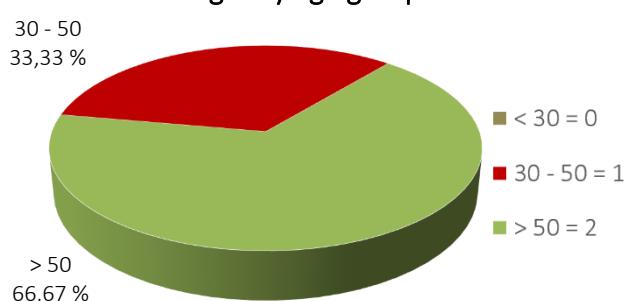
Workers by age group



Employees by age group



Manager by age group





Employees

Diversity in the workplace [102-38] [401-2]

Particular attention, as far as human resources are concerned, is paid to the enhancement of diversity. We support equal opportunities for all employees and treat them with respect for diversity.

The issue of integration and equal opportunities for all citizens is a very topical one, given the many migrations across Europe. We are aware that the overall employment situation in Italy is difficult and Italian citizens themselves find it difficult to find a job. However, we recognise the need to give equal opportunities and the possibility of a dignified life to all.

Since the beginning of our activity, we have pursued a policy of non-discrimination. As you can see in the table below, our team is very international, obviously taking into account the size of our company. Thanks to the respectful behavior between employees and management, we have managed to create a very friendly work environment, in which people feel almost like a family. We believe that valuing diversity in terms of age, gender, culture and physical abilities has many advantages for the working atmosphere and can be a good example for other companies.

COUNTRY OF ORIGIN BY TYPE OF CONTRACT		
	Fixed-term contract	Permanent contract
Albania	1	0
Argentina	0	0
Australia	0	0
Bangladesh	0	0
Bosnia and Herzegovina	0	0
Canada	0	0
India	0	5
Italy	58	149
Kosovo	0	0
Macedonia	1	0
Morocco	0	2
Moldova	0	0
Nigeria	0	1
Pakistan	3	10
Poland	0	0
Dominican Republic	0	0
Romania	0	2
Senegal	7	8

NEW ASSUMMENTS by sex	
Male	56
Female	0
TOTAL	56

NEW ASSUMMENTS by age group	
Under 30 years	42
30-50 years	10
Over 50 years	4

NEW ASSUMMENTS by country of origin	
Italy	49
Pakistan	1
Senegal	6
Albania	0
India	0
Macedonia	0
Morocco	0
Romania	0

The table of recruitment by age group shows that we have mainly hired young people to whom we have provided initial general training on safety that they had not attended before working with us.

In 2018 the company benefited from the facilities provided by law 190/2014, on the subject of the hiring of young people, for a total of 134,010 euros. The main reason for the lack of balance between female and male employees is closely related to the type of activity we perform. The Company provides benefits to full-time employees as well as temporary or part-time employees

TURNOVER

During 2018, we recorded a turnover compensation rate of 1.25%.





Employees

Remuneration [102-35] [102-36] [202-1] [405-2]

All our employees, regardless of their contractual status, enjoy the same benefits.

In Italy there is no minimum wage, or rather, the minimum wage is that provided for by the national collective labour agreement for the specific category. The CCNL is a type of employment contract stipulated at national level between the respective social partners, i.e. the organisations representing employees and the associations representing employers. It lays down the basic parameters and rules to be followed by individual employment contracts. Our company adheres to the National Rubber and Plastics Contract, which presents the salary scales with the various levels, from the basic level to the maximum level.

Performance award

Since 1994, in addition to the national collective agreement, we have established a **second-level** agreement. This agreement, among other elements, also provides for a **premium** linked to collective and individual productivity gains. The premium is divided into two components. The first is linked to the "trend in turnover in the first half of the year" indicator to be distributed according to attendance, while the second component refers to quality and is calculated on the basis of returns on goods in relation to months of work, for a total of 880 euro. In 2018, a total premium of €149,725 was paid.

The following hours are included in the calculation of the hours worked:

- Ordinary hours actually worked;
- Hours of rest for blood donation;
- Hours of rest for bone marrow donation;
- Hours of accident at work not caused by negligence on the part of the worker;
- Hours of compulsory maternity;
- Hours allowed per hour pursuant to Law 104/92;
- Hours of trade union leave and trade union assemblies.

Equal pay for men and women

At Eurosuole we support equality between the sexes and equal opportunities: we guarantee the same remuneration for the same level of management.



Safety

SAFETY [403-1] [403-2] [403-3] [403-4] [403-5] [403-6] [403-7] [403-8] [403-9] [403-10] [103-2]

We believe that all investments to improve safety in the workplace, from training courses to advanced safety mechanisms and equipment, are essential. At least once a year, safety professionals (RSPP, ASPP, RLSA, the competent doctor, the external consultant, the supervisors and the management) meet to analyse the risk assessment document and the general trend of safety in the workplace. The company invests in updating its staff, who are trained in the application of new production techniques in order to prevent possible risk situations. A training and information policy is in place which takes place at the time of recruitment, at each change of job, at the introduction of new chemical agents and plants. During the year, there was no damage to the environment and no sanctions or penalties were imposed for environmental offences or damage. The company is equipped with an occupational health and safety management system. The company signs every year a collective bargaining agreement which includes all matters share and agrees with trade unions

ACCIDENTS AND ABSENTEEISM	2018	2017	2016
Number of accidents at work	2	1	0
Number of on-going accidents	1	1	0
Days of absence due to an accident at work	30	9	0
Days of absence due to an accident in transit	4	44	0
Frequency index for occupational accidents *	4,37	2,12	0
Frequency index for ongoing accident *	2,18	2,12	0
Severity index for accidents at work **	0,0063	0,0019	0
Severity index for ongoing accident **	0,0009	0,0093	0
Hours worked per capita	1.847	1.907	1.940
Total hours worked	458.019	471.100	465.809
Average hours of illness per capita (employees/workers)	30,97/49,72	6,63/46,00	41,51/41,82
Rate of absenteeism due to illness (employees/workers) in %	1,68/2,2	0,34/2,36	20,09/2,10
Average hours of accidents at work per capita (employees/workers)	0/1,12	0/0,25	0/0
Absenteeism rate due to accidents at work (employees/workers) in %	0/0,060	0/0,013	0/0

* number of accidents per million hours worked.

** number of working days lost due to accidents per hundred hours worked.

During the year, there were no deaths at work or serious accidents resulting in serious or very serious injuries to employees; there were no charges for occupational diseases against employees or former employees or causes of mobbing.



Water

WATER [303-1] [303-2] [303-3] [303-4] [103-2] [306-1] [306-5]

For the water supply we use the well and the aqueduct. The meters at the water collection points directly measure the volume of water extracted from the two types of sources.

The well derives water from the Chienti river bed; the company has been authorized to draw water from the Marche Region for thirty years. For some years now, we have had a closed-loop production system that constantly reuses the water for cooling.

This means that the **well water** is used exclusively for the recharging of the closed-loop system and for the irrigation of the company's green areas. The total volume of water taken from the well amounts to 8,210 m³ and from the table below you can see that consumption has decreased compared to last year.

For **aqueduct water** consumption is not attributable to the production process but to the toilets and therefore not related to parameters related to production activity.

In 2018, the value of water consumption from the aqueduct fell sharply (about 35%), for an awareness of staff against waste and some technical measures on sanitary facilities (eg timers in the showers).

Please note that the effluents-related contents in GRI 306: Effluents and Waste 2016 (Disclosures 306-1 and 306-5) have been updated and can be found in GRI 303: Water and Effluents 2018.

WATER CONSUMPTION (in CBM)	2018	2017	2016
Total water consumption from the well	8.210	5.690	5.760
Total water consumption from the aqueduct	3.735	5.742	4.932
TOTAL WATER CONSUMPTION	11.945	11.432	10.692

WATER CONSUMPTION (in CBM/PAIR OF SOLES PRODUCED)	2018	2017	2016
Total water consumption from the well (internal acceptability level: 0.0005)	0,0006	0,0004	0,0004
Total water consumption from the aqueduct (internal acceptability level: 0.0003)	0,0003	0,00041	0,00037
TOTAL WATER CONSUMPTION	0,0009	0,00081	0,00077



Energy

ENERGY [302-1] [302-2] [302-3] [302-4] [302-5] [103-2]

Year by year we strive for efficient use of energy. Although we do not yet use energy from renewable sources, we optimise energy consumption through a tri-generator that produces its own energy. The plant is powered by the methane we buy. In fact, part of the methane we buy is used for the trigenerator, which in turn produces energy, while the rest of the methane is used for heating, which requires machinery and equipment. The thermal energy produced by our tri-generator is also used for heating during the winter season. The heating is generated by our heating system and is mainly used for production machinery. Office heating, on the other hand, comes from heat pumps powered by electricity. To avoid gaps caused by the tri-generator, such as insufficient heating of production systems, we have created a back-up line powered by diathermic oil and with a suitable heat exchanger, which comes into operation when there is a need for heating and the tri-generation line fails. All the electrical and thermal vectors made available by trigeneration are used. When they are not sufficient to meet the demand from the systems, the thermal power plants and the withdrawal of electricity purchased externally are automatically put into operation. The power plants minimize their weekend use thanks to a mechanism that started four years ago.

The production of soles requires high energy consumption. The tri-generator has proven to be an optimal solution for the efficient supply of hot and cold electricity on an annual basis. All these efforts show that, although we are a company that needs a high amount of energy, we are able to follow environmental policies that make our business sustainable. Our trigeneration plant has obtained the CAR certification issued by the Italian institute GSE (which manages the national energy services).

Monthly we monitor the consumption of energy (electricity and natural gas), water (wells, aqueducts) and other significant environmental indicators through an accurate data collection and calculation based on invoices and meter readings. We use TEP as a unit of measurement because it allows us to homogenize MW and m³. In 2018 we were able to reduce the energy consumption compared to the previous year also considering the increase in soles produced. The amount of electricity consumed consists of both the electricity we buy and the electricity we produce internally.

The data relating to waste are calculated in accordance with Legislative Decree 152/2006, part III, Environmental regulations.

Energy consumption* (GJ)	2018	2017	2016
Electricity (Purchased + Self-Produced)	92.796,814	99.687.708	95.919,588
Heating	35.696,078	33.703,740	36.467,028
Total energy consumption	128.492,892	133.391,448	132.386,616

Energy consumption* (GJ)	2018	2017	2016
Methane consumption	85.536,324	86.792,364	90.183,672
Electricity consumption	42.956,568	46.599,084	42.202,944
Total energy consumption	128.492,892	133.391,448	132.386,616
Methane consumption in Gj/1.000 pairs of soles produced	6,100	6,121	6,791
Electricity consumption in Gj/1.000 pairs of soles produced	3,060	3,287	3,178
Total energy consumption in GJ/1.000 pairs of soles produced	9,160	9,408	9,969

(*) It refers to non-renewable sources





Energy

The programme for monitoring energy consumption (electricity, methane) and water consumption (wells, aqueduct) is carried out by collecting data through monthly readings and billing accounting documents. As far as trigeneration is concerned, the working profile identified in previous years has been modified, as new machinery has been introduced which has required greater electrical and thermal consumption and a reshaping of the use of cogenerators. Therefore, the two time bands have been abolished and the cogenerators are active 24 hours a day, thus providing about 1200 kW of power per hour on an average demand of 1400 kWh.

It should be remembered that the operating logic of the cogenerators is 'electric tracking'; this means that the machines are modulated in the power produced so that they satisfy, without ever exceeding, the electrical demand of the plant.

The management of the plants foresees that most of the heating of the production rooms during the winter season takes place through the use of the thermal energy LT (low temperature) made available by the trigeneration plant. In order to prevent trigeneration stoppages leading to a lack of heating in the production rooms, a back-up line powered by diathermic oil and with a suitable heat exchanger has been created, which starts operating when there is a need for heating and the trigeneration line is no longer in use. All the electrical and thermal vectors made available by the trigeneration are used and when they are not sufficient to satisfy the request coming from the plants, the thermal power plants and the withdrawal of electricity from the operator automatically start working, thanks to the integration of the trigeneration to the existing plants.

The punctual management of thermal power stations, which began in the previous year, was maintained over the weekends, trying to limit consumption to a minimum, even shutting down the systems if the outside temperatures allowed it.

The table of consumption and energy indicators shows that in 2018 there was a decrease in total TOE both in absolute value and with respect to the production of soles. In the last three years, therefore, there has been a positive trend of improvement in the efficiency of energy resource consumption, which is returning to values similar to 2015.

Our trigenerator





Waste

WASTE [303-2] [306-2] [306-4] [103-2]

The total amount of waste produced in 2018 compared to the total number of soles produced remained constant compared to last year, as also shown by the indicator that evaluates hazardous waste.

The percentage of waste sent for recovery decreased compared to 2017 and has been decreasing in recent years. In 2018, however, this figure was influenced by the extraordinary waste produced during the restructuring and expansion activities, with equipment decommissioned and greater maintenance carried out.

The results of the 2018 and 2017 indices show a decrease in the production of waste per pair of soles compared to 2016, when there was an increase in production characterised by an increase in the production of rubber soles, with the relative waste, and an increase in the waste produced by extraordinary maintenance work and internal cleaning of the departments that have been relocated and by restructuring activities underway. As far as hazardous waste is concerned, the increase recorded in 2017, maintained in 2018, is justified by an intensification of water spare parts for washing machines (CER 070601*) as it was necessary to use cleaner water in the closed cycle for work in progress. The company reports every kind of hazardous waste transported, treated and the methodologies adopted.

Indicators		2018	2017	2016
Waste production	Gr/pairs of soles produced	144,53	144,45	156,08
Production of hazardous waste	Gr/pairs of soles produced	31,45	31,69	27,04
Waste sent for recovery	% waste sent for recovery	34,07	35,20	44,93

Waste (in kg)	2018	2017	2016
Total hazardous waste	441.069	449.346	365.802
Total non-hazardous waste	1.585.966	1.598.649	1.707.216

The table below shows the destination of both hazardous and non-hazardous waste. The method of destination is chosen by our company in agreement with the company that provides the service of delivery of waste, based on the type of waste.

CER Code	Description	State physique	Dangerousness	Origin	Recovery/ Disposal
070213	Waste plastics GM and PU waste (wastes not otherwise specified)	Non-powverulent solid	none	finishing molding PU molding GM molding compounds	D1
070215	Dirty cleaning additive	fluid	none	PU molding	D9
070217	Silicone oil (ref. containing silicones other than 070216*)	Liquid/muddy	none	washers	D9

070299	GM and PU waste (waste not otherwise specified)	Non-powverulent solid	none	finishing molding PU molding GM molding compounds	D1
070299	Synthetic GM waste (wastes not otherwise specified)	Non-powverulent solid	none	finishing moulding rubber	R13, R3
080112	Waste paint and varnish (other than 080111*)	Non-powverulent solid	none	finishing	D9
080112	Dust abatement painting	Non-powverulent solid	none	finishing	D9
080318	Cartridges for laser printers, ink jets, needles (plastic packaging) with traces of toner	Non-powverulent solid	none	the whole establishment	D9
120105	Resin abatement and carding powders	powdery solid	none	carding/modelling	D9
150101	Paper and cardboard packaging	Non-powverulent solid	none	from any activity	R13, R3
150102	Plastic packaging	Non-powverulent solid	none	from any activity	R13, R3
150103	Wooden packaging	Non-powverulent solid	none	from any activity	R13, R3
150104	Metal packaging	Non-powverulent solid	none	PU moulding paint formulation	R13, R4
150106	Mixed material packaging	Non-powverulent solid	none	PU molding workshop maintenance	R13
150203	Filtering materials	Non-powverulent solid	none	washers	D9
150203	Rags, Absorbent Material	Non-powverulent solid	none	Finishing department Formulation department Paints department Workshop	D9
160214	Discarded equipment (other than 160209* and 160213*)	Non-powverulent solid	none	the whole establishment	R13
170402	Aluminium	Non-powverulent solid	none	from any activity	R13
170405	Iron and steel	Non-powverulent solid	none	from any activity	R13, R4
200306	Waste from sewer cleaning	liquid	none	clogging sewer	D8
130105*	Emulsified water (non-chlorinated emulsions)	liquid	HP14	GM moulding	D9
070601*	Waste water from washing machines (non-chlorinated emulsions)	liquid	HP14	washing	D9
070308*	Waste colour pastes (other bottoms and reaction residues)	liquid	HP14	PU molding	D9

070214*	Dust abatement rubber dosing (waste produced by additives containing dangerous substances)	dusty	HP14	GM compounds	R12
080119*	Waste water-based varnish (suspended. Aqueous cont. Paints and varnishes)	liquid	HP3	finishing paint formulation	D9
140605*	Paint sludge (sludges containing other solvents)	muddy palatable	HP3-HP4-HP5-HP10	finishing paint formulation	D9
140605*	Distillation sludge (sludge containing other solvents)	muddy palatable	HP3-HP4-HP5-HP10-HP14	distillation	D9
140603*	Primer waste (other solvents and solvent mixes)	liquid	HP3-HP4	finishing	R12
140603*	Solvent washing filters (other solvents and solvent mixtures)	liquid	HP14	PU molding	D9
140603*	Solvent washing moulds (other solvents and solvent mixtures)	liquid	HP04-HP10-HP14	PU molding	D9
080117*	Paint residues and colour pastes (sludges from removal of paints and varnishes containing solvents org. and other substances)	Non-powverulent solid	HP3-HP14	finishing PU molding	D9
080409*	Waste adhesive (waste adhesives and sealants, solvent-cont. org. and other peric. substances)	liquid	HP3-HP4	finishing	D9
160601*	Lead-acid batteries	Non-powverulent solid	HP4-HP5-HP6-HP8-HP-13-HP14	maintenance workshop	R13
150110*	Hazardous packaging	Non-powverulent solid	HP14	formulation of paints	D9
150111*	Empty spray cans	Non-powverulent solid	HP3-HP5	from any activity	D9
160506*	Laboratory chemicals	liquid	HP3-HP6	PU formulation	D9
160213*	Discarded equipment (other than 160209* and 160212)	Non-powverulent solid	HP14	departments	R13
130205*	Spent oil (mineral engine oil scraps, non-chlorinated gears)	liquid	HP5-HP14	maintenance workshop and compound department	R13



Emissions

EMISSIONS [305-7 point a-iv] [103-2]

The table shows the fugitive air emissions from raw materials during 2018. It can be seen that all values are within acceptable limits. Each year Eurosuole aims to reduce volatile organic compounds (VOCs). The amount of VOCs caused by dyes has decreased although the amount used in production has increased. In addition, although we have increased the use of paint to meet fashion trends and the needs of our customers, we have managed to reduce the amount of solvents, which have a greater impact on the environment.

Raw materials (kg)	2018		2017		2016	
	Quantity	COV	Quantity	COV	Quantity	COV
Additives	6.575	4.218	5.569	3.524	4.568	2.871
Dyes	509	13	665	35	548	75
Pigments	13.398	5.283	10.537	4.647	10.794	4.671
Resins	75.900	61.313	76.141	61.950	53.567	42.697
Solvents	175.281	175.281	158.607	158.607	155.875	155.875
Paints	5.133	3.353	5.533	3.480	5.622	2.839
Detachers	25.867	17.245	27.069	17.892	29.718	22.280
Paint sold to third parties	80.680	61.290	86.660	66.842	80.500	52.240
INDICATORS				2018	2017	2016
Quantity of solvent used in gr/pair of soles produced				17,71	17,64	17,41
Quantity of paint used in gr/pair of soles produced				42,22	39,25	37,92
VOC on paint used (%)				89,72	88,28	88,95
Scheduled maintenance on emission abatement equipment (in working hours)				660	463	1181
Percentage of painted soles/soles produced				41,96%	44,85%	44,47%
Percentage of internally painted soles				47,28%	45,40%	43,28%

From the analysis of the internal reports that report the recordings of the ordinary maintenance of the systems for reducing emissions into the atmosphere, no emergency situations emerge at the plants. In 2018, however, the usual preventive extraordinary maintenance operations were carried out on the abatement plants in order to avoid malfunctions during the year, in particular:

-**Engines and impellers:** control of all the intake motors and balancing of the impellers serving all the emission chimneys.
-**Compounds department:** control of the efficiency of the sleeve plant for the abatement of the dusts of the dosing and mixing plant.

-**PU moulding:** cleaning of the pipes and the precipitation towers for the abatement and recovery of the silicone,

-**Finishing:** cleaning of the pipes of the paint dust abatement system.

The indices relating to emissions into the atmosphere relate to solvent consumption and are derived from the raw material consumption data managed with a four-monthly solvent plan and summary for the entire calendar year. The comparison is always made with the previous year. The first index evaluates the quantity of total solvents used compared to the entire production volume. This ratio is slightly higher than in 2017, with a slight upward trend in recent years and below the value of internal acceptability. The second index concerns the quantity of raw materials used for the formulation of paints and the finishing activity compared to the painted pairs. In 2018 this index shows a further increase compared to previous years. The increase in these two indices can be correlated to the fact that in recent years there has been an increase in demand for thicker soles, i.e. soles with a larger volume and surface area, which obviously lead to an increase in the painted surface. These demands are strongly related to customers and the market, which are often influenced by fashion trends. The third index is maintained to characterise the quality of the raw materials used. This shows an increase in 2018 compared to 2017, which represents a greater presence of solvent in the raw material paint used. The objective over the years has been to be able to apply a water-based paint more in order to lower the VOC content of raw materials, but working the Eurosuole on customer orders, while offering this type of finish, can not impose itself significantly on the market, so the fluctuations will always be minimal. In fact, in recent years the trend has been towards full and fluo colours with several layers that can only be carried out using solvent-based paints.

The fourth index counts the number of hours worked for maintenance operations. In 2018, the number of hours increased due to the shifting of the lines, the modification of the abatement systems (introduction of bag filters in the coating).





Materials

MATERIALS [102-9] [301-1] [303-2] [417-1] [103-2]

We are willing to offer full access to information about the characteristics of our products. Our purchasing and waste department provides customers with the origin of components, composition and destination of products.

For the identification and labelling of our products, we provide:

- The date of manufacture;
- The lot;
- Product traceability;
- The name of the product.

In line with the values of **transparency, integrity and responsible sourcing of raw materials**, we are able to offer a clear assessment of the life cycle of the soles to our customers, if required. It must be stressed that our soles are an intermediate product and that therefore it is the responsibility of the shoe manufacturer, who assembles the sole to the other parts of the shoe and sells the finished product, to adequately inform the final consumer. We are committed to monitoring and evaluating every type of sole we produce and we can say that they do not cause significant environmental impacts in the distribution chain.

TOTAL PRODUCTION MATERIALS (KG) Non-renewable	
2018	2017
8.041.288	8.801.937

TOTAL PACKAGING MATERIALS (KG) Non-renewable	
2018	2017
476.153	494.141

Compared to the previous year, the total amount of production materials, in 2018 has increased; this figure is linked to the increase in the production of soles.



Training

TRAINING [102-27] [404-1] [404-2] [403-5] [103-2]

Eurosuole believes that on-the-job training is the key to improving employees' skills and competences. In 2018, a total of 1.389 hours of training were provided on the various relevant company aspects such as: workplace safety, the safe management of environmental aspects and the security of Cyber Security data. Environmental training also has a very widespread method of delivery as it is carried out in steps. In the first step RSA provides information on the various general environmental aspects concerning the company, in the second step the department heads have the task of updating all the competent employees so as to touch on topics such as waste management, emissions regulations, the management of chemicals, labelling, transport of hazardous substances and symbols of danger in a detailed and specific way as required by the department in which the work is carried out.

AVERAGE HOURS OF TRAINING	
Total employees	5,60



Family, health and society

FAMILY [103-2] [401-3]

We are aware of the importance of the relationship between family life and work, and we are therefore trying to offer help here too. In 2018, five employees applied for and received parental leave, one of whom was a woman and the rest a man. With the exception of one leave which continues to be active in 2019, the others who have taken it have returned to work after the end of the period granted and are still in force. As a result, after parental leave, the rate of return to work is 80%. In addition to respectful working conditions, for several years now we have been taking care of their school-age children during the summer season by offering our employees, in collaboration with **Le Tate**, an association specialising in leisure activities for children, free summer camps. These summer camps offer a healthy program for children during the holidays through educational and recreational activities. The service aims to help our employees who have children and who may have difficulty combining work and their management during the summer season.

HEALTH [403-6] [103-2]

Employee health is a key element. In 2017 we renewed the agreement signed with Istituto Villa dei Pini-Santo Stefano giving the opportunity to all employees, or alternatively to a family member, to perform instrumental diagnostic examinations such as: lung CT, breast ultrasound and MRI of the prostate, and to have access to discounts on other examinations.

In 2018, we reconfirmed our participation in the Workplace Health Promotion (WHP) programme. The program, introduced by the World Health Organization, aims to reduce the risk factors most involved in the genesis of chronic non-communicable diseases by promoting healthy lifestyles in the workplace. The program is the result of a collaboration between the Marche Region, Asur Marche, the Regional Health Agency (ARS) and companies, and is implemented at regional level.

The Workplace Health Promotion Programme of the Marche Region provides for the development of activities (good practices) in 5 thematic areas: nutrition, physical activity, tobacco smoking, alcohol and cancer screening programmes; the aim is to:

- Increase the consumption of fruit and vegetables
- Reduce excessive salt consumption
- Reduce the number of smokers
- Extending the protection of passive smoking
- Reduce the consumption of alcohol at risk
- Increase people's physical activity
- Promote adherence to oncology screenings.



For the year 2018, Eurosuole has chosen the fight against tobacco smoking and the promotion of cancer screenings by implementing a programme of internal initiatives to inform, raise awareness and involve its employees. We firmly believe that we can contribute to the development of a healthy society in the long term, starting from within the company.

COMPANY [102-12] [102-13] [103-2] [413-1]

We support the local community: our contribution every year is directed to sport, culture and non-profit associations. We also believe in the potential of young people, who believe that building a healthy and happy society is possible. Step by step, through small initiatives, we can create a culture of safety and health. Social and relationship capital is one of the most important in our business model. That is why we not only make investments related to our industry, but we promote the overall development of the community, through various projects.

Consistent with our objectives of prosperity and growth, we recognise our responsibility to our stakeholders and the society in which they live. Our strategy is therefore developed according to their needs, including social, cultural and educational initiatives to improve the living conditions of the local population and to protect vulnerable groups. We contribute every year to sport, culture, social welfare organisations and non-profit social welfare organisations (O.N.L.U.S.). The families of our employees are also part of society: we want their children and future generations to grow up in a prosperous and sustainable reality. That is why supporting society is one of our values and we are committed to influencing it positively.

Metodology

METODOLOGY

GRI STANDARDS REFERENCE:

This report has been prepared in accordance with the GRI Standards: Core option [102-54]

ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS: Supervisory Board [102-45]

EXTERNALLY-DEVELOPED PRINCIPLES THAT WE ENDORSE: GRI Standards, Italian Civil Code (from art 2423 to art 2435), I.Re.M (Imprese responsabili nelle Marche), OIC (Organismo Italiano di Contabilità) [102-12]

REPORTING PERIOD: January 1, 2018 – December 31, 2018 [102-50]

REPORTING CYCLE: Annual [102-52]

DATE OF PREVIOUS REPORT: Integrated Report 2017 [102-51]

CONTACT FOR QUESTIONS REGARDING THE REPORT OR ITS CONTENTS:

bilancio.integrato@eurosuole.com [102-53]

ROLE OF THE HIGHEST GOVERNANCE BODY IN THE SUSTAINABILITY REPORTING [102-32]:

The General Manager decides the materiality matrix and check that all material topics are included in it, supervises the elaboration of the sustainability report and finally approves it.

GRI CONTENT INDEX SERVICE: The report was submitted for the GRI Content Index Service, and GRI confirmed the accuracy of the GRI Standards Content Index.

The Board of Statutory Auditors, acting as Statutory Auditors of Eurosuole SpA, confirm that the company prepares each year the sustainability report, produced according to the Global Reporting Initiative (GRI) model, which confirmed the accuracy of its compliance with the GRI 103 standards, for Social Responsibility reporting published on the company website at www.eurosuole.com. [102-56]



For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.
The service was performed on the English version of the report.

GRI content index [102-55]

GRI Standard	Page number	Notes	Omissions
GRI 101: FOUNDATION 2016			
GRI 102: GENERAL DISCLOSURES 2016			
PROFILE OF THE ORGANIZATION			
102-1 Name of the organization	7		
102-2 Activities, brands, products and services	7,25		
102-3 Location of headquarters	7		
102-4 Countries in which the company operates	7		
102-5 Ownership structure and legal form	7		
102-6 Markets served	22		
102-7 Size of the organisation	7,31,32,33 34		
102-8 Information about employees and other workers	57		
102-9 Description of the supply chain	7,20,24,69		
102-10 Significant changes in the supply chain and organisation	7,26		
102-11 Explanation of the application of the prudential approach	37		
102-12 External initiatives	36,71,72		
102-13 Membership in associations	27,71		
STRATEGY			
102-14 Statement by the Chief Executive Officer	3		
102-15 Description of the main impacts, risks and opportunities	16,55		
ETHICS AND INTEGRITY			
102-16 Values, principles, standards and rules of conduct	12,13,14,15		
102-17 Reporting mechanisms and ethical concerns		Information unavailable We do not have any internal or external formal mechanism of seeking advice about ethical and lawful behavior. The company is going to be implemented the new governance model as of D.Lgs. 231/2001 of Italian Law in order to reach the goal.	
			https://www.gazzettaufficiale.it/eli/id/2001/06/19/001G0293/sg

GRI Standard	Page number	Notes	Omissions
GOVERNANCE			
102-18 Governance structure of the company	8		
102-19 Delegation processes from the highest governance body	55		
102-20 Economic, environmental and social responsibility of an executive	3,8		
102-21 Consultation of stakeholders on economic, environmental and social issues	17		
102-22 Composition of the highest governance body and its committees	8		
102-23 Chairmanship of the highest governance body	8		
102-24 Appointment and selection process of the highest governance body	8		
102-25 Conflict of interest	15		
102-26 Role of the highest governance body in defining goals, values and strategy	3,8		
102-27 Collective knowledge of the highest governing body	70		
102-28 Assessment of the performance of the highest governance body			<u>Not Applicable</u> At the moment we do not have any evaluating process of the highest governance body regarding economic, environmental and social topics
102-29 Identification and management of economic, environmental and social impacts	8,16		
102-30 Effectiveness of the risk management process	15		
102-31 Review of economic, environmental and social issues	15		
102-32 Role of high governance in sustainability reporting	8,72		
102-33 Criticality communication			<u>Information unavailable</u> The company is going to be implemented (probably by the year 2020) the new governance model as of D.Lgs. 231/2001 of Italian Law in order to reach the goal. https://www.gazzettaufficiale.it/eli/id/2001/06/19/001G0293/sg
102-34 Nature and number of criticalities reported			<u>Information unavailable</u> The company is going to be implemented (probably by the year 2020) the new governance model as of D.Lgs. 231/2001 of Italian Law in order to reach the goal. https://www.gazzettaufficiale.it/eli/id/2001/06/19/001G0293/sg
102-35 Remuneration policy	60		
102-36 Process for defining remuneration	60		
102-37 Stakeholder involvement in determining remuneration			<u>Confidentiality constrains</u> At the moment the governance of the company does not foresee remuneration committee since it is not mandatory for not listed company as Eurosuole.
102-38 Annual total compensation rate	59		
102-39 Percentage increase in the annual compensation rate			<u>Confidentiality constrains</u> At the moment the governance of the company does not foresee remuneration committee since it is not mandatory for not listed company as Eurosuole.

GRI Standard	Page number	Notes	Omissions
STAKEHOLDER ENGAGEMENT			
102-40 Stakeholder group list	17		
102-41 Percentage of employees covered by collective agreements	57		
102-42 Process for identifying and selecting stakeholders	17		
102-43 Approach to stakeholder engagement	17		
102-44 Key issues and concerns raised	17		
REPORTING PROCESS			
102-45 Entities included in the consolidated balance sheet	72		
102-46 Definition of report contents and limits related to the themes	18		
102-47 List of material themes	18		
102-48 Redefinition of information	15		
102-49 Changes in material themes	18		
102-50 Changes in material themes	72		
102-51 Date of most recent report	72		
102-52 Reporting periodicity	72		
102-53 Contacts related to requests on the report	72		
102-54 Declaration of compliance with the GRI Standard	72		
102-55 GRI Index	73		
102-56 External Assurance	72		.

GRI Standard	Page number	Notes	Omissions
MATERIAL TOPICS			
ECONOMIC TOPIC			
<i>GRI 103: MANAGEMENT APPROACH 2016 -> This reference to the management approach and its disclosures (103-1, 103-2, 103-3) cover all the material topics of GRI 201, GRI 202, GRI 203, GRI 204, GRI 205, GRI 206.</i>			
103-1 Explanation of the material subject and its limits	18		
103-2 Management approach and its components	3,13,14,15, 16, 17,20,24,25 ,26, 27,31,36		
103-3 Assessment of the management approach			<u>Information unavailable</u> The Company is going to be implemented the tool for identifying, preventing and controlling corruption risks "Organisational Model 231" (including the Code of Ethics) that will be approved by the Shareholders Meeting. Organisational Model 231 will cover all Business Units of the Company. The company will have this information in the next reporting period.
GRI 201: ECONOMIC PERFORMANCE 2016			
201-1 Direct economic value generated and distributed	36	[201-1b] <u>Not applicable</u> Added value by country, region, market is not relevant	
201-2 Direct economic value generated and distributed			<u>Information unavailable</u> At this stage the organisation has not planned a method for assessing risks and opportunities due to climate change. The company will have this information in the next reporting period.
201-3 Coverage of pension plans defined by the organisation			<u>Not applicable</u> Italian labour law does not foresee pensions plans.
201-4 Financing received from the Public Administration	28,28,29		
GRI 202: MARKET PRESENCE 2016			
202-1 Ratio of standard salary of new recruits by gender to local minimum salary	60		
202-2 Percentage of senior managers employed in the local community	8		
GRI 203: INDIRECT ECONOMIC IMPACTS 2016			
203-1 Infrastructure and services provided	26		
203-2 Main indirect economic impacts			<u>Not applicable</u> Are not significant
GRI 204: PROCUREMENT PRACTICES 2016			
204-1 Percentage of expenditure concentrated on local suppliers	20		
GRI 205: ANTI-CORRUPTION 2016			
205-1 Operations analyzed with respect to risks related to corruption	15		
205-2 Communication and training on anti-corruption procedures and policies			<u>Information unavailable</u> The Company is going to be implemented the tool for identifying, preventing and controlling corruption risks "Organisational Model 231" (including the Code of Ethics) that will be approved by the Shareholders Meeting. Organisational Model 231 will cover all Business Units of the Company. The company will have this information in the next reporting period.
205-3 Corruption incidents and actions taken			<u>Not applicable</u> The company has had zero corruption incidents.
GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016			
206-1 Legal actions for anti-competitive behaviour, antitrust and monopolistic practices	15		

GRI Standard	Page number	Notes	Omissions
ENVIRONMENTAL TOPIC			
<i>GRI 103: MANAGEMENT APPROACH 2016 -> This reference to the management approach and its disclosures (103-1, 103-2, 103-3) cover all the material topics of GRI 301, GRI 302, GRI 303, GRI 304, GRI 305, GRI 306, GRI 307, GRI 308.</i>			
103-1	18		
Explanation of the material subject and its limits			
103-2	15,20,56,57, 61,62, 63,65,68,69		
Management approach and its components			
103-3	55		
Assessment of the management approach			
GRI 301: MATERIALS 2016			
301-1	69		
Raw materials used by weight or volume			
301-2		Information unavailable	
Percentage of materials used that come from recycled material		The company is going to be implemented this kind of ratio in next assessment of ISO 14001-	
		The company will have this information in the next reporting period.	
301-3		Information unavailable	
Regenerated products and related packaging materials		The company is going to be implemented this kind of information in next assessment of ISO 14001	
		The company will have this information in the next reporting period.	
GRI 302: ENERGY 2016			
302-1	63		
Energy consumption within the organisation			
302-2	63		
Energy consumption outside the organisation			
302-3	63		
Energy intensity			
302-4	63		
Reduction of energy consumption			
302-5	63		
Reducing the energy consumption of products and services			
GRI 303: WATER AND EFFLUENTS 2018			
303-1	62		
Interactions with water as a shared resource			
303-2	62,65,69		
Management of water discharge-related impacts			
303-3	62		
Water withdrawal			
303-4	62		
Water discharge			
303-5		Information unavailable	
Water consumption		The company is going to be implemented this kind of ratio in next assessment of ISO 14001	
		The company will have this information in the next reporting period.	
GRI 304: BIODIVERSITY 2016			
304-1		Not applicable	
Operational sites owned, leased, managed in, or adjacent to, protected areas and area of high biodiversity value outside protected areas.		We do not own nor our operations are placed in areas of importance for biodiversity.	
304-2		Not applicable	
Significant impacts of activities, products and services of biodiversity		We do not own nor our operations are placed in areas of importance for biodiversity.	
304-3		Not applicable	
Habitants protected or restores		We do not own nor our operations are placed in areas of importance for biodiversity.	
304-4		Not applicable	
IUCN Red List species and national conservation list species with habitants in areas affected by operations		We do not own nor our operations are placed in areas of importance for biodiversity.	

GRI Standard	Page number	Notes	Omissions
GRI 305: EMISSIONS 2016			
305-1 Direct GHG emissions (Scope 1)			<u>Information unavailable</u> The company is going to be implemented this kind of information in next assessment of ISO 14001 The company will have this information in the next reporting period.
305-2 Indirect GHG emissions (Scope 2)			<u>Information unavailable</u> The company is going to be implemented this kind of information in next assessment of ISO 14001 The company will have this information in the next reporting period.
305-3 Other indirect GHG emissions (Scope 3)			<u>Information unavailable</u> The company is going to be implemented this kind of information in next assessment of ISO 14001 The company will have this information in the next reporting period.
305-4 GHG emission intensity			<u>Information unavailable</u> The company is going to be implemented this kind of information in next assessment of ISO 14001 The company will have this information in the next reporting period.
305-5 Reduction of GHG emissions			<u>Information unavailable</u> The company is going to be implemented this kind of information in next assessment of ISO 14001 The company will have this information in the next reporting period.
305-6 Emissions of ozone-depleting substances (ODS)			<u>Information unavailable</u> The company is going to be implemented this kind of information in next assessment of ISO 14001 The company will have this information in the next reporting period.
305-7 NO, SO, and other significant emissions	68		[305-7 a – i] [305-7 a – ii] [305-7 a – iii] [305-7 a – v] [305-7 a – vi] [305-7 a – vii] [305-7 b] [305-7 c] <u>Information unavailable</u> The company is going to be implemented this kind of information in next assessment of ISO 14001 The company will have this information in the next reporting period.
GRI 306: EFFLUENTS AND WASTE 2016			
306-1 Total water discharges by quality and destination	62		
306-2 Total weight of waste by type and method of disposal	65		
306-3 Accidental losses			Not applicable The company has not detected any significant spill.
306-4 Transport of hazardous waste	65		
306-5 Water bodies affected by discharges and/or run-off	62		
GRI 307: ENVIRONMENTAL COMPLIANCE 2016			
307-1 Non-compliance with environmental laws and regulations	15		
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016			
308-1 New suppliers evaluated on the basis of environmental criteria	20		
308-2 Negative environmental impacts in the supply chain and actions taken			<u>Information unavailable</u> The Company is going to be implemented the tool for identifying, preventing and controlling corruption risks "Organisational Model 231" (including the Code of Ethics) that will be approved by the Shareholders Meeting. Organisational Model 231 will cover all Business Units of the Company. The company will have this information in the next reporting period.

GRI Standard	Page number	Notes	Omissions
SOCIAL TOPIC			
<i>GRI 103: MANAGEMENT APPROACH 2016 -> This reference to the management approach and its disclosures (103-1, 103-2, 103-3) cover all the material topics of GRI 401, GRI 402, GRI 403, GRI 404, GRI 405, GRI 406, GRI 407, GRI 408, GRI 409, GRI 410, GRI 411, GRI 412, GRI 413, GRI 414, GRI 415, GRI 416, GRI 417, GRI 418, GRI 419.</i>			
103-1 Explanation of the material subject and its limits	18		
103-2 Management approach and its components	15,17,18,20, 24,26,27,36, 57,61,69,70, 71		
103-3 Assessment of the management approach			Information unavailable The Company is going to be implemented the tool for identifying, preventing and controlling corruption risks "Organisational Model 231" (including the Code of Ethics) that will be approved by the Shareholders Meeting. Organisational Model 231 will cover all Business Units of the Company. The company will have this information in the next reporting period.
GRI 401: EMPLOYMENT 2016			
401-1 Total number and number of hires and turnover rate	57		
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	59		
401-3 Parental leave	71		
GRI 402: LABOR-MANAGEMENT RELATIONS 2016			
402-1 Minimum notice period for operational changes			Not applicable Notice period depends on the nature of the operational change. For this reason, we do not have decided a general formal minimum notice period. Nonetheless, being a medium-size company let us promptly inform employees on operational changes.
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018			
403-1 Occupational health and safety management system	61		
403-2 Hazard identification, risk assessment, and incident investigation	61		
403-3 Occupational health services	61		
403-4 Worker participation, consultation, and communication on occupational health and safety	61		
403-5 Worker training on occupational health and safety	61		
403-6 Promotion of worker health	61		
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	61		
403-8 Workers covered by an occupational health and safety management system	61		
403-9 Work-related injuries	61		
403-10 Work-related ill health	61		

GRI Standard	Page number	Notes	Omissions
GRI 404: TRAINING AND EDUCATION 2016			
404-1 Average hours of training per employee per year	70		
404-2 Competence management and end-of-career management programmes	70		
404-3 Percentage of employees receiving regular career development and results reports			Information unavailable Internal procedures to assess employees and to plan their development are in progress. The company will have this information in the next reporting period.
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016			
405-1 Composition of the governing bodies and subdivision of employees	57		
405-2 Ratio of basic male and female salary	60		
GRI 406: NON-DISCRIMINATION 2016			
406-1 Accidents related to discrimination and actions taken	15		
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016			
407-1 Operations and suppliers where the right to freedom of association and collective bargaining may be at risk			<u>Not Applicable</u> All employees are covered by a collective bargaining at national level. This agreement shows that the violation of freedom of association and collective bargaining is not at risk (art. 39 of Italian Constitution); we have, moreover, a company internal agreement that gives additional benefits for all employees. https://www.brocaldi.it/costituzione/parte-i/titolo-iii/art39.html
GRI 408: CHILD LABOUR 2016			
408-1 Operations and suppliers at significant risk for incidents involving child labour			<u>Not Applicable</u> We do not hire minors Reference law: <ul style="list-style-type: none">- Law number 977 of 17 October 1967 https://www.gazzettaufficiale.it/eli/id/1967/11/06/067U0977/sg- Law number 296 of 27 December 2006 https://www.gazzettaufficiale.it/eli/id/2007/01/11/07A00183/sg- Article number 37 of Italian Constitution https://www.brocaldi.it/costituzione/parte-i/titolo-iii/art37.html
GRI 409: FORCED OR COMPULSORY LABOR 2016			
409-1 Operations and suppliers at significant risk for cases of forced or compulsory labour			<u>Not Applicable</u> We did not register any risk of compulsory or forced labour during 42 years of business.
GRI 410: SECURITY PRACTICES 2016			
410-1 Security personnel trained in human rights procedures and policies			<u>Not applicable</u> We have only guardians who attend safety-training courses; we don't have a proper security personnel.
GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016			
411-1 Incidents of violations involving rights of indigenous peoples			<u>Not Applicable</u> Our activity does not involve indigenous peoples.
GRI 412: HUMAN RIGHTS ASSESSMENT 2016			
412-1 Number and percentage of areas of operation subject to human rights audits			<u>Information unavailable</u> The company is going to implement the new governance model as of D.Lgs. 231/2001 of Italian Law in order to reach the goal. The company will have this information in the next reporting period. https://www.gazzettaufficiale.it/eli/id/2001/06/19/001G0293/sg
412-2 Training of employees on human rights policies and procedures			<u>Information unavailable</u> At this time, the company does not have any human rights policies. With reference to the respect and protection of human rights, a subject considered material by Legislative Decree 254/2016, the Company refers to two main sources: the Universal Declaration of Human Rights, approved by the United Nations Assembly in 1948 and the corporate Code of Ethics (which will be implemented in line with D.Lgs. 231) and which will take up the issues most directly related to the business activity. These are protected rights in all countries where advanced labor legislation is applied and in which a model of modern well-being is developed, as happens in European countries where Eurosole operates. Even though our company has reasonably assessed that it is not exposed to risks deriving from the lack of respect for human rights, we are in any case developing and implementing a specific policy in this regard, considering that the scrupulous application of the legislation in force and the activity exercised by the control management are sufficient to face any risks deriving from this area; the company will have this information in the next reporting period.
412-3 Significant investment agreements and contracts that include human rights clauses or that are subject to related valuation	22		

GRI Standard	Page number	Notes	Omissions
GRI 413: LOCAL COMMUNITIES 2016			
413-1 Operation with implementation of community engagement programs, impact assessment and development	71	Every year we support the local community and we developed our strategy according to its needs through social, cultural and educational initiatives in order to improve the living conditions of local people and to protect vulnerable groups; 1.3% of the total added .value is distributed to local communities.	
413-2 Operations with current and potential significant negative impacts on local communities			Not Applicable The company does not carry out activities that have significant negative, potential and current impacts on local communities
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016			
414-1 New suppliers evaluated on the basis of social criteria	20		
414-2 Negative social impacts in the supply chain and actions taken	20		
GRI 415: PUBLIC POLICY 2016			
415-1 Political contributions			Not Applicable The company does not make political contributions.
GRI 416: CUSTOMER HEALTH AND SAFETY 2016			
416-1 Assessment of the health and safety impact of product and service categories	24		
416-2 Operation with implementation of community engagement programs, impact assessment and development			Not Applicable During the year 2018, there were no cases of non-compliance in the company regarding the health and safety impacts of products and services, in fact the company has never received any type of fine or sanction, there have never been cases of non-compliance with the regulations that lead to a warning and even cases of non-compliance with the codes of self-regulation.
GRI 417: MARKETING AND LABELING 2016			
417-1 Requirements for product and service information and labelling	69		
417-2 Non-compliance regarding product and service information and labelling			Not Applicable The organization has not found any non-compliance regarding product and service information and labelling
417-3 Non-compliance incidents involving marketing communications			Not Applicable The organization has not found any non-compliance incidents involving marketing communications
GRI 418: CUSTOMER PRIVACY 2016			
418-1 Established complaints regarding breaches of customer privacy and loss of customer data			Not Applicable No violation of customers' privacy occurred because we did not received any complaints regarding privacy.
GRI 419: SOCIO-ECONOMIC COMPLIANCE 2016			
419-1 Failure to comply with social and economic laws and regulations			Not Applicable The organization has not detected any cases of non-compliance with laws and regulations in the social and economic area.

CERTIFICATE

The Certification Body TÜV Rheinland Italia S.r.l.

certifies, in accordance with the TÜV Rheinland Group procedures, that the Company

**EUROSUOLE S.p.a.
Z.I. "A" - Via S. Pertini, 8
I - 62012 Civitanova Marche (MC)**

has established and applies an environmental management system
for the following scope:

Production and sale of shoe soles in polyurethane, rubber and rubber/polyurethane, of polyurethane compounds and paints for shoe soles by: rubber moulding, polyurethane moulding, painting. EA 14

Through an Audit, Report No. 0911604, proof has been furnished that the environmental management system fulfils the requirements of the standard

UNI EN ISO 14001:2004

evaluated according to the requirements of the Document ACCREDIA RT-09.

Certificate Registration No. 39 104 0911604.

This Certificate is valid from 2016-07-23 to 2018-09-14.

The reference date for all the next audits is (day-month): 22-07.

Milan, 2016-07-27. First Certification: 2016-07-23

Elio Sollett

The certification responsible
TÜV Rheinland Italia S.r.l., Via E. Mattei, 3 - I - 20010 Pogliano Milanese (MI)



SGQ N° 083A SGA N° D52D
Membro degli Accordi di Mutuo Riconoscimento: EA, IAF e ILAC
Signatory of EA, IAF and ILAC Mutual Recognition Agreement

www.tuvitalia.com



Our UNI EN ISO 14001 Certification



EUROSUOLE S.p.A.

VIA S.PERTINI, 8, ZONA INDUSTRIALE "A"

CIVITANOVA MARCHE (MC), ITALIA

www.eurosuele.com

***GRAPHICS AND CONTENT:** Mattia Ciccola*

***FOR INFORMATIONS:** info@eurosuele.com*