

**STAR SPA**

VIA ALESSANDRIA 37/B -  
 15122 VALLE SAN BARTOLOMEO (AL)  
 Share Capital 500,000.00 euros fully paid up.  
 Reg. Imp. 01255170050 Rea 208355  
 C.F. and P.IVA 01255170050

**Report on the management of the financial statements as at 31/12/2019**

Dear Shareholders,  
 the year ended on 31/12/2019 shows a profit of 1,346,901 euros.

**Operating conditions and business development**

Your company operates in the field of translation and interpreting, automation of translation processes and language technologies, technical editing and content engineering, dedicated IT development, and print-on-demand.

Pursuant to art. 2428 it should be underlined that the activity is carried out at the head office in Valle San Bartolomeo and at the local units in Asti, Turin, Pistoia, Maranello and La Spezia.

From a legal point of view, the company directly controls the following companies that carry out activities that are complementary and/or functional to the group's core business.

Company	shareholding	control	activities
Star Log Srl	60%	60%	logistics
Star Egeineering Srl	100%	100%	process engineering
Star Comunicacao Ltd	75%	75%	technical authoring printing
Cal Comunicaçao	75%	75%	logistics
STAR USA LLC	100%	100%	translation, authoring (in start up)
STAR Gmbh Austria	100%	100%	technical authoring (in start up)
AD Studio Srl	100%	100%	technical authoring
RES Srl	100%	100%	technical authoring
Star Albania	100%	100%	technical authoring

**Operating performance****General economic trends**

From a commercial point of view, the past year was characterized by the consolidation of all the activities that represent the company's core business, which resulted in a significant increase in turnover.

At the same time, the activities of overseas subsidiaries were stepped up with the completion of an important contract with an automotive and capital goods company and the acquisition by the subsidiary, STAR USA LLC, of a translation company, which will enable significant penetration of the American market.

During the year, the Board of Directors took the important decision to start the process of listing the company on AIM Italia, a strategic and economic operation.

The company's presence on this trading system would offer an important opportunity for development in both financial terms and in terms of image, since the negotiation of the company's financial instruments on the stock exchange system makes it possible, on the one hand, to raise capital to a suitable extent to meet the company's development needs and, on the other, allows the company to have better visibility and, therefore, an undoubted return on its image in the sector to which it belongs.

This process should be concluded by April of this year in the face of intense work carried out by the Administrative Management, trusting in a positive response.

### Research and development activities

Pursuant to article 2428, paragraph 3, number 1, the following information is acknowledged:

During 2019, as well as in 2015, 2016, 2017 and 2018, as in part already formally explained in the report on operations of the Parent Company's previous individual financial statements, the Group carried out research and development projects, eligible for subsidies pursuant to article 3 of Decree no. 174 of May 29, 2015 of the Ministry of Economy and Finance (pursuant to Decree Law 145/2013 converted into Law 190/2014). As a leading Group in the field of language and translation services, both on the national and international geographic market, we have in fact implemented Experimental Development Projects, where the development activity consisted in the conceptual definition and implementation of new products, processes or services.

The Group has developed high value-added editorial technologies in the various Business Areas (Editorial, Language Services, After Sales), succeeding in developing innovative ideas and applications of already existing services, as well as co-developing - also with dedicated internal resources - and increasing the potential and integration of the software already available and creating new integrated platforms.

It is the Group's intention to continue to boost the development of new activities characterized by a degree of innovation with respect to its reference market, through a series of initiatives that will primarily involve human resources, external consultants and technical equipment.

### Performance of operations in the sectors in which the company operates

As far as your company is concerned, the past financial year must be considered positive.

The Company has increased its market share in both the translation and print/editorial sectors and has increased revenue in the defense sector significantly.

### Summary of financial statements (figures in Euros)

	31/12/2019	31/12/2018	31/12/2017
Revenues	41,203,041	34,928,826	29,382,855
	2,731,754	2,428,541	1,523,093
Gross operating income (EBITDA)			
Operating income (EBIT)	2,065,520	1,799,666	2,229,460
Profit (loss) for the year	1,346,901	1,673,377	1,943,014
Fixed assets	5,370,614	4,827,759	2,817,680
Total equity	7,913,580	6,966,680	5,793,302
Net financial position	(15,098,003)	(6,724,917)	(6,754,982)

The following table shows the results achieved over the last three years in terms of value of production, EBITDA and earnings before tax.

	31/12/2019	31/12/2018	31/12/2017
value of production	41,120,475	34,884,928	29,396,206
EBITDA	2,731,754	1,616,601	1,523,093
Profit before tax	2,213,027	2,123,357	2,446,901

### Main income data

The Company's reclassified Income Statement compared with that of the previous year is as follows (in euros):

	31/12/2019	31/12/2018	Change
Net revenues	41,203,041	34,928,826	6,274,215
External costs	27,902,135	24,708,581	3,287,481
Value Added	13,300,906	10,314,172	2,986,734
Personnel costs	10,569,152	7,885,631	2,683,521
<b>EBITDA</b>	<b>2,731,754</b>	<b>2,428,541</b>	<b>303,213</b>
Amortisation, depreciation, write-downs and other provisions	666,234	628,875	37,359
<b>Operating profit (loss)</b>	<b>2,065,520</b>	<b>1,799,666</b>	<b>265,854</b>
Financial income and charges	147,507	323,691	(176,184)
<b>Profit (loss) before non-recurring items</b>	<b>147,507</b>	<b>323,691</b>	<b>(176,184)</b>

Revaluations and write-downs			
<b>Profit before tax</b>	<b>2,213,027</b>	<b>2,123,357</b>	<b>89,670</b>
Income taxes	866,126	449,980	416,146
<b>Net profit (loss)</b>	<b>1,346,901</b>	<b>1,673,377</b>	<b>(326,476)</b>

In order to provide a clearer picture of the Company's earnings performance, the table below shows certain profitability indicators compared with the same indicators for previous years' financial statements.

	<b>31/12/2019</b>	<b>31/12/2018</b>
Net ROE	17.02%	24.02%
Gross ROE	27.96%	30.48%
ROI	6%	7%
ROS	5%	5%

### Main balance sheet data

The reclassified Balance Sheet of the Company compared with the previous year's figures is as follows (in Euros):

	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Change</b>
Net intangible fixed assets	1,499,405	1,532,645	(33,240)
Net property, plant and equipment	946,201	662,952	283,249
Equity investments and other financial fixed assets	2,568,794	2,564,651	4,143
<b>Capital assets</b>	<b>5,014,400</b>	<b>4,760,248</b>	<b>254,152</b>
Inventories	52,478	143,580	(91,102)
Trade receivables	21,781,998	19,281,522	2,500,476
Other receivables	5,721,192	1,552,427	4,168,765
Accrued income and prepaid expenses	673,840	433,533	240,307
<b>Short-term operating assets</b>	<b>28,229,508</b>	<b>21,411,062</b>	<b>6,818,446</b>
Trade payables	3,629,410	4,968,900	(1,339,490)
Payments on account			
Tax and social security payables	1,131,553	753,385	378,168
Other payables	3,460,835	4,647,921	(1,187,086)
Accrued expenses and deferred income	16,696	450,954	(434,258)
<b>Short-term operating liabilities</b>	<b>8,238,494</b>	<b>10,821,160</b>	<b>(2,582,666)</b>
<b>Net working capital</b>	<b>19,991,014</b>	<b>10,589,902</b>	<b>9,401,112</b>
Employee severance indemnity	1,892,901	1,583,088	309,813
Taxes and social security payables (beyond the year)			
Other medium- and long-term liabilities	100,930	75,465	25,465
<b>Medium/long-term liabilities</b>	<b>1,993,831</b>	<b>1,658,553</b>	<b>335,278</b>
<b>Invested Capital</b>	<b>23,011,583</b>	<b>13,691,597</b>	<b>9,319,986</b>
Net equity	(7,913,580)	(6,966,680)	(946,900)
Medium/long-term net financial position	(2,032,695)	67,511	(2,100,206)
Short-term net financial position	(13,065,308)	(6,792,428)	(6,272,880)
<b>Equity and net financial debt</b>	<b>(23,011,583)</b>	<b>(13,691,597)</b>	<b>(9,319,986)</b>

The reclassified balance sheet shows the company's financial soundness (i.e. its ability to maintain a financial balance in the medium/long term).

In order to provide a better description of the company's financial solidity, the table below shows some balance sheet ratios relating both to (i) the methods of financing medium/long-term loans and (ii) the composition of the sources of financing, compared with the same ratios for the financial statements of previous years.

	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Primary structural margin (equity-fixed assets)	2,830,466	2,138,921	2,975,622
Primary structural quotient (capital/fixed assets)	1.56	1.44	2.06
Secondary structural margin (permanent sources of capital / fixed assets)	6,925,706	3,797,474	4,452,866
Secondary Structure Quotient	2.36	1.79	2.58

## Financial highlights

The net financial position as at 31/12/2019, was as follows (in Euros):

	31/12/2019	31/12/2018	Change
Bank deposits	1,568,153	1,000,776	567,377
Cash and other valuables on hand	3,361	4,244	(883)
<b>Cash on hand</b>	<b>1,571,514</b>	<b>1,005,020</b>	<b>566,494</b>
<b>Current financial assets</b>			
Bonds and convertible bonds (within the next financial year)			
Due to shareholders for loans (within the next financial year)	14,924,322	7,797,448	7,126,874
Due to banks (within one year )			
Due to other financial institutions (within one year )			
Advances for foreign payments	(287,500)		(287,500)
Short-term portion of loans Financial receivables			
<b>Short-term financial payables</b>	<b>14,636,822</b>	<b>7,797,448</b>	<b>6,839,374</b>
<b>Net short-term financial position</b>	<b>(13,065,308)</b>	<b>(6,792,428)</b>	<b>(6,272,880)</b>
Bonds and convertible bonds (beyond the subsequent year)			
Due to shareholders for loans (beyond the next financial year)	2,101,409		2,101,409
Due to banks (beyond the next financial year)			
Due to other financial institutions (beyond the subsequent year)			
Advances for foreign payments	(68,714)	(67,511)	(1,203)
Long-term portion of loans Financial receivables			
<b>Medium and long-term net financial position</b>	<b>(2,032,695)</b>	<b>67,511</b>	<b>(2,100,206)</b>
<b>Net financial position</b>	<b>(15,098,003)</b>	<b>(6,724,917)</b>	<b>(8,373,086)</b>

In order to provide a better description of the financial situation, the table below shows some balance sheet ratios, compared with the same ratios relating to the financial statements of previous years.

	31/12/2019	31/12/2018	31/12/2017
Primary liquidity	1.26	1.19	1.28
Secondary liquidity	1.26	1.20	1.29
Indebtedness	2.15	2.84	2.73
Coverage rate of fixed assets	1.47	1.77	2.52

The primary liquidity ratio is 1.26. The company's financial situation is to be considered good. The secondary liquidity ratio is 1.26. The value assumed by the net working capital is certainly satisfactory in relation to the amount of current payables. The debt ratio is 2.15. The amount of debt is considered significant in relation to existing shareholders' equity. The coverage ratio of fixed assets of 1.47 shows that the amount of consolidated shareholders' equity and debt is appropriate in relation to the amount of fixed assets. Shareholders' equity together with consolidated payables are considered to be of an appropriate amount in relation to the amount of fixed assets.

## Environmental and personnel information

Taking into account the social role of the company as also highlighted by the document on the management report of the Consiglio Nazionale dei Dottori Commercialisti e degli esperti contabili (National Council of Chartered Accountants and Accounting Experts), it is deemed appropriate to provide the following information regarding the environment and personnel.

### Staff

No on-the-job deaths occurred during the year among personnel listed in the register.

During the year, there were no serious accidents at work involving serious or very serious injuries to personnel listed in the register of employees.

During the year there were no charges relating to occupational illnesses on employees or former employees and mobbing cases.

## Investments

During the year, investments were made in the following areas:

<b>Fixed assets</b>	<b>Acquisitions during the year</b>
Land and buildings	
Plant and machinery	13,600
Industrial and commercial equipment	1,280
Other assets	295,367

The most significant item in fixed assets, "Other assets", consists of expenses for the construction of new offices in front of the company's headquarters; these works are financed by means of a building lease stipulated with UBI Leasing Spa.

#### **Relations with subsidiary, associated, parent and sister companies**

The following table shows the data from the latest approved financial statements of the subsidiaries, understood to be those companies in which STAR Spa holds the majority of votes that can be exercised at the Shareholders' Meeting (art.2359 of the Italian Civil Code)

#### **Details of long-term investments in subsidiaries**

Name	City or foreign state	Tax code (for Italian companies)	Capital in euro	Profit (loss) last year in euro	Shareholders' equity in euros	Share held in euros	Share held in %	Book value/corresponding credit balance
STAR LOG	ASTI	01495260059	10,000	(192,674)	245,718	6,000	60	6,000
STAR COMUNICACAO	Brazil		320,704	1,553,843	2,631,312	240,528	75	379,679
CAL COMUNICACAO	Brazil		110,725	(7,454)	33,009	83,043	75	122,228
STAR ENGINEERING	Maranello (MO)	02436770065	40,000	587,834	765,852	40,000	100	674,920
STAR AUSTRIA GMBH	Austria	ATU71651312	35,000	47,039	62,808	35,000	100	199,350
STAR USA LLC	USA		6,114	222,744	3,276,247	6,114	100	292,474
AD STUDIO SRL	Lugo (RA)	02552920395	10,000	17,040	61,696	10,000	100	10,000
RES SRL	Valle SB Alessandria	10111260013	10,000	36,214	394,178	10,000	100	880,000
STAR ALBANIA	ALBANIA		4,106	(3,767)	339	4,106	100	4,143
<b>Total</b>								2,568,794

The company has had the following dealings with subsidiary group companies

COMPANY	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	TRADE PAYABLES	TRADE REVENUES	TRADE COSTS
STAR LOG SRL			2,328	764,089	2,089	4,521,821
STAR ENGINEERING			58,565	73,512	22,436	405,606
AD STUDIO SRL			60,190	182,000	48,811	1,090,894
RES SRL			427	630,083	350	1,045,950
STAR AUSTRIAGMBH			2,920	15,000	2,920	370,000
STAR ALBANIA SHPK				30,000		30,000
STAR USA LLC			4,217,388			
STAR COMUNICACAO LTD			49,833			
<b>TOTAL</b>			4,391,651	1,694,684	76,606	7,464,271

The company had the following dealings with associated group companies

COMPANY	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	TRADE PAYABLES	TRADE REVENUES	TRADE COSTS
DANTE SRL	287,500		69,412	37,036	1,267	1,520,710
STAR AG			56,889	241,126	60,111	579,116
STAR AG TAIWAN BRANCH				9,317		26,061
STARCZECH S.R.O.			582	5,594	4,245	322,195
STAR DEUTSCHLAND GMBH			59,581	-	240,131	41,758
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA				2,873		8,752
STAR EGITTO MIDDLE EAST LTD CAIRO				2,275		37,955
STAR GMBH				893		2,017
STAR GROUP AMERICA, LLC			2,118	6,244		
STAR GROUP SCANDINAVIA AB			1,867	9,926	30,019	23,355
STAR HUNGARY KFT				15,464	16	90,399
STAR INFORMATION ENGINEERING S.L.				14,438	33	79,937
STAR Information Services & Tools S.R.L.				12,747	25	76,084
STAR Information Services Ltd. Sti.			112			
STAR J&M FINNLAND OY				284		1,401
STAR JAPAN TOKYO			3,615	12,628	9,564	158,866
STAR KOREA AG				2,290		16,497
STAR PARIS			18,639	3,844	41,931	30,865
STAR POLONIA				7,926		182,006
STAR PREVAJALSKE STORITVE D.O.O Ljubljana				64,611		272,163
STAR SA			11,828	110	75,152	75
STAR SERV.LING.LDA				45,886		196,125
STAR SERVICIOS LINGUISTICOS			444	5,739	3,299	44,432
STAR Software, Translation, Artwork, Recording GmbH			956		820	-
STAR SOFTWARE INDONESIA				3,249		26,427
STAR SOFTWARE SHANGHAI CO. LTD				23,706		208,300
STAR SPB - RUSSIA				7,498		27,737
STAR TECH SRL				40		
STAR TECHNOLOGY SOLUTIONS			13,965	354	21,611	504
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD				556		20,123
STAR TURCHIA INF.SERVICES LTD STI				2,250		1,609
STAR UK LIMITED			1,086	7,057	2,735	65,295
STAR VERTALINGEN BV				694		5,557
STAR VIETNAM TRANSLATION & SOFTWARE CO., LTD.				578		3,068
<b>Total</b>	<b>287,500</b>	<b>-</b>	<b>241,094</b>	<b>547,230</b>	<b>490,958</b>	<b>4,069,388</b>

These transactions, which do not include any atypical and/or unusual operations, are conducted on an arm's

length basis.

### Information on risks and uncertainties pursuant to art. 2428, paragraph 3, point 6-bis of the Italian Civil Code

#### Credit

The company's receivables are carefully monitored, and the credit risk is deemed to be covered by the related provision of €457,747

#### Liquidity

Note:

- lines of credit exist to meet liquidity needs;
- the company holds deposits with credit institutions to meet liquidity needs;
- there are no significant concentrations of liquidity risk on either the side of financial assets or sources of funding.
- Collection terms are adjusted to payment terms

#### Market risk

The effects of possible changes on the income statement in relation to relevant risk variables are limited and acceptable for each of the following components:

- interest rate risk
- price risk
- exchange rate risk

Given the limited risks, the company has no hedging activities in place.

Key risks are continuously monitored by the Chairman of the Board of Directors.

#### Information on own shares

It should be underlined that as at the closing date of these Financial Statements, the Company did not hold any of its own shares and/or shares and quotas of parent companies, including through trust companies or third parties.

#### Foreseeable evolution of operations

Activity in the first few months of this year confirms a trend in line with last year and the prospect of a positive result.

We thank you for the trust you have placed in us and invite you to approve the financial statements as presented.

### CONSOLIDATED FINANCIAL STATEMENTS

For the second year the company prepares consolidated financial statements for the STAR S.p.A. Group, as the limits established by Legislative Decree no. 127/1991 were exceeded, showing consolidated net income attributable to the Group of 2,373,474 euros.

The STAR S.p.A. Group carries out activities of production and translation of technical documentation, interpreting, automation of editorial processes, dedicated IT development, printing on demand and stands out for its competence and experience.

During the year, business dealings with the associated companies Dante s.r.l., STAR AG and other minor subsidiaries of STAR AG were conducted on an arm's length basis.

During the year, the STAR S.p.A. Group consolidated its revenues and significantly expanded its translation, technical editing and printing activities following major contracts with leading companies in the automotive sector.

Almost all the companies of the Group close the 2019 financial year in profit, with good performances, consolidating their market positions and investing significantly in both R&D and new printing technologies to be always competitive in the market and provide their customers with targeted and quality services.

During the year, STAR Group S.p.A. developed Research and Development Projects, eligible for subsidies pursuant to Article 3 of Decree no. 174 of May 29, 2015 of the Ministry of Economy and Finance.

It was decided to consider this activity worthy of recognition in the current financial statements both for tax purposes, with the consequent determination of a Research and Development Credit to be used as compensation, and for accounting purposes, with the recognition of income under "Other revenues" equal to € 1,574,604 (activities carried out by STAR S.p.A., STAR Engineering s.r.l., STAR Log s.r.l. and AD Studio s.r.l.). This resulted in the recognition of a research and development credit in these financial statements,

against the full recognition in the income statement of the eligible costs underlying the accounting.  
 In July 2019, through STAR USA LLC, 100% of Techworld Language Services Inc. was acquired, whose core business is translation services in the North American market.  
 In the second half of 2019, STAR Albania was established and is specializing in technical writing services with good results.  
 As for FY 2020, operations are continuing smoothly and on budget.  
 The Consolidated Financial Statements include the individual financial statements of the Parent Company STAR S.p.A. and of those companies in which STAR S.p.A. directly or indirectly holds the majority of voting rights at the Ordinary General Meeting.

The separate/individual financial statements of the following subsidiaries have been consolidated on a line-by-line basis:

<u>Company</u>	<u>Registered office</u>	<u>Currency</u>	<u>Share capital</u>	<u>Shareholding % interest</u>	
		<u>Y</u>			
STAR LOG S.R.L.	ASTI - ITALY	Euro	10,000	Direct	60%
STAR ENGINEERING S.R.L.	MARANELLO (MO) - ITALY	Euro	40,000	Direct	100%
RES S.R.L.	ALESSANDRIA - ITALY	Euro	10,000	Direct	100%
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE - BRAZIL	Real	1,448,205	Direct	75%
CAL COMUNICACAO LTDA	BELO HORIZONTE - BRAZIL	Real	500,000	Direct	75%
AD STUDIO S.R.L.	LUGO (RA) - ITALY	Euro	10,000	Direct	100%
STAR USA LLC	DOVER - DELAWARE - U.S.A.	USD	5,000	Direct	100%
TECHWORLD LANGUAGE SERVICES INC.	TROY - MICHIGAN - U.S.A.	USD	890	Indirect	100%
STAR GMBH	LINZ - AUSTRIA	Euro	35,000	Direct	100%
STAR ALBANIA SHPK	TIRANA - ALBANIA	Lek	500,000	Direct	100%

The financial statements of each subsidiary, already approved by its governing bodies, were used for consolidation purposes, adjusted where necessary to bring them into line with the Parent Company's accounting standards.

It should be noted that STAR USA LLC has prepared its own consolidated financial statements in which Techworld Language Services Inc.'s data is included as of the date it acquired control (July 15, 2019): for consolidation purposes, these sub-consolidated financial statements have been used.  
 Through STAR Comunicacao e Servicos Ltda, two other minor companies are held that have not been consolidated due to the immateriality of their financial statement data:

- GRAPHIC AND EDITORIAL STARCOM LTDA - COLIBRI', capital stock Reais 475,000, 75% owned, based in Bairro Novo Riacho;
- STAR COMUNICACAO E SERVICOS - SCP, equal partnership between STAR Comunicacao e Servicos Ltda and STAR do Brasil (controlled by STAR AG), share capital Reais 1,000, 50% owned, based in Betim.

All specific information is contained in the Notes to the Financial Statements prepared by the administrative body.

In compliance with art. 30 of Legislative Decree no. 127/1991, the reference date of the Consolidated Financial Statements coincides with that of the Parent Company's individual financial statements, i.e. 31/12/2019. All the financial statements of the companies included in the scope of consolidation coincide with the calendar year and are closed on 31/12/2019, as are those of the consolidating Parent Company.

#### **Fulfilments pursuant to articles 375 and 377 of Legislative Decree 14/2019 (Business Crisis Code)**

On March 16, 2019, the Corporate Crisis Code, which amended Article 2086 of the Civil Code, came into force, thereby placing the onus on the Administrative Body to verify the adequacy of organizational structures in order to prevent the onset of any corporate crisis. This must be done at least every 6 months.

The company has an adequate organisational chart, also in view of the planned listing, and has adequate instruments for the constant monitoring of the company's activities, its economic and financial performance and a management control system.

The indicators relating to negative or below-par shareholders' equity and the DSGR (Debt Service Coverage Ratio) do not reveal any critical aspects.

Saint Bartholomew Valley, March 12, 2020

Chairman of the Board of Directors Lorenzo  
Mondo



The undersigned Giovanni Zingarini, pursuant to art. 31 paragraph 2-quinquies of Law 340/2000, declares that this document is in conformity with the original deposited with the company.

# STAR SPA

Balance sheet as at 31-12-2019

ID data	
Headquarters in	15122 VALLE SAN BARTOLOMEO (AL) VIA ALESSANDRIA 37/B
Tax ID No	01255170050
REA Index number	AL 208355.
VAT No.	01255170050
Share capital in Euro	500,000 fully paid up
Legal form	COMPANY LIMITED BY SHARES (SPA)
Company in liquidation	no
Single member company	no
Company subject to management and coordination by another party	no
Group membership	yes
Name of the parent company	STAR AG
Country of the parent company	SWITZERLAND (CH)

## Balance Sheet

	31-12-2019	31-12-2018
<b>Balance sheet</b>		
Assets		
<b>B) Fixed assets</b>		
I) Intangible fixed assets		
1) start-up and expansion costs	830,853	1,107,804
3) industrial patent rights and intellectual property rights	2,857	7,254
4) industrial patents and intellectual property rights	157,105	187,019
6) assets under development/construction and payments on account	184,667	-
7) others	323,923	230,568
Total intangible assets	1,499,405	1,532,645
II) Property, plant and equipment		
1)land and buildings	223,264	224,023
2)plant and machinery	18,275	7,196
3)industrial and commercial equipment	17,645	27,434
4)other assets	451,302	269,199
5)assets under development/construction and payments on account	235,715	135,100
Total property, plant and equipment	946,201	662,952
III) Financial fixed assets		
1)equity investments		
a)subsidiaries	2,568,794	2,564,651
Total equity investments	2,568,794	2,564,651
2)receivables		
b)from associates		
due within the next financial year	287,500	-
Total receivables from associated companies	287,500	-
d-bis) from others		
due after the next financial year	68,714	67,511
Total receivables from others	68,714	67,511
Total receivables	356,214	67,511
Total financial fixed assets	2,925,008	2,632,162
<b>Total fixed assets (B)</b>	<b>5,370,614</b>	<b>4,827,759</b>
<b>C) Current assets</b>		
I. Inventories		
4)finished products and goods	52,478	143,580
Total inventories	52,478	143,580
II. Receivables		
1)from customers		
due within the next financial year	21,781,998	19,281,522
Total trade receivables	21,781,998	19,281,522
2)from subsidiaries		
due within the next financial year	4,391,652	227,850
Total receivables from subsidiaries	4,391,652	227,850
3)from associates		
due within the next financial year	241,094	231,392
Total receivables from associated companies	241,094	231,392
5-bis) tax receivables		
due within the next financial year	720,389	735,091
Total tax receivables	720,389	735,091
5-ter) prepaid taxes	97,476	97,476
5-quater) from others		
due within the next financial year	270,581	260,618

Total receivables from others	270,581	260,618
<b>Total receivables</b>	<b>27,503,190</b>	<b>20,833,949</b>
<b>IV. Cash on hand</b>		
1) bank and postal deposits	1,568,153	1,000,776
3) cash and cash equivalents	3,361	4,244
<b>Total cash and cash equivalents</b>	<b>1,571,514</b>	<b>1,005,020</b>
<b>Total current assets (C)</b>	<b>29,127,182</b>	<b>21,982,549</b>
<b>D) Accruals and deferrals</b>	<b>673,840</b>	<b>433,533</b>
<b>Total assets</b>	<b>35,171,636</b>	<b>27,243,841</b>
<b>Liabilities</b>		
<b>A) Net equity</b>		
I. Capital	500,000	500,000
IV. Legal reserve	100,000	100,000
<b>VI. Other reserves, indicated separately</b>		
Extraordinary reserve	5,944,512	4,671,135
Capital contributions	2,846	2,846
Misc. other reserves	19,321 <sup>(1)</sup>	19,322
<b>Total other reserves</b>	<b>5,966,679</b>	<b>4,693,303</b>
<b>IX. Profit (loss) for the year</b>	<b>1,346,901</b>	<b>1,673,377</b>
<b>Total net equity</b>	<b>7,913,580</b>	<b>6,966,680</b>
<b>B) Provisions for risks and charges</b>		
1) pensions and similar obligations	50,930	25,465
4) others	50,000	50,000
<b>Total provisions for risks and charges</b>	<b>100,930</b>	<b>75,465</b>
<b>C) Employee severance indemnity</b>	<b>1,892,901</b>	<b>1,583,088</b>
<b>D) Payables</b>		
4) borrowings from banks		
due within the next financial year	14,924,322	7,797,448
due after the next financial year	2,101,409	-
<b>Total due to banks</b>	<b>17,025,731</b>	<b>7,797,448</b>
7) trade payables		
due within the next financial year	3,629,410	4,968,900
<b>Total trade payables</b>	<b>3,629,410</b>	<b>4,968,900</b>
9) payables to subsidiaries		
due within the next financial year	1,694,685	2,235,266
<b>Total payables to subsidiaries</b>	<b>1,694,685</b>	<b>2,235,266</b>
10) payables to associated companies		
due within the next financial year	547,230	946,762
<b>Total payables to associated companies</b>	<b>547,230</b>	<b>946,762</b>
12) tax payables		
due within the next financial year	730,499	428,691
<b>Total taxes payable</b>	<b>730,499</b>	<b>428,691</b>
13) due to social security institutions		
due within the next financial year	401,054	324,694
<b>Total payables to social security institutions</b>	<b>401,054</b>	<b>324,694</b>
14) other payables		
due within the next financial year	1,218,920	1,465,893
<b>Total other payables</b>	<b>1,218,920</b>	<b>1,465,893</b>
<b>Total Payables</b>	<b>25,247,529</b>	<b>18,167,654</b>
<b>E) Accruals and deferrals</b>	<b>16,696</b>	<b>450,954</b>
<b>Total liabilities</b>	<b>35,171,636</b>	<b>27,243,841</b>

(1)

<b>Misc. other reserves</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Amnesty reserve	19,321	19,321
Euro roundings account		1

## Income Statement

	31-12-2019	31-12-2018
<b>Income Statement</b>		
A) Value of production		
1) revenues from sales and services	39,887,939	34,210,813
2) change in inventories of work in progress, semi-finished and finished products	(82,566)	(43,898)
5) other revenues and income		
grants related to income	707,622	665,277
others	607,480	52,736
Total other revenues and income	1,315,102	718,013
<b>Total value of production</b>	<b>41,120,475</b>	<b>34,884,928</b>
B) Cost of production		
6) raw and ancillary materials, consumables and goods	1,005,950	337,467
7) services	25,500,866	23,296,186
8) use of third party assets	687,693	637,249
9) personnel		
a) wages and salaries	7,759,416	5,878,798
b) social security contributions	2,311,466	1,626,469
c) employees' leaving entitlement	434,948	338,847
e) other costs	63,322	41,517
Total personnel costs	10,569,152	7,885,631
10) amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	513,156	438,836
b) depreciation of tangible fixed assets	127,613	96,112
d) writedowns of receivables included in current assets and cash equivalents	-	93,927
Total amortisation, depreciation and write-downs	640,769	628,875
12) provisions for risks	25,465	-
14) sundry operating expenses	625,060	299,854
<b>Total cost of production</b>	<b>39,054,955</b>	<b>33,085,262</b>
Difference between value and cost of production (A - B)	2,065,520	1,799,666
C) Financial income and charges		
15) income from equity investments		
from subsidiaries	300,000	390,498
Total income from equity investments	300,000	390,498
16) other financial income		
d) income other than the above		
others	293	919
Total income other than the above	293	919
<b>Total other financial income</b>	<b>293</b>	<b>919</b>
17) interest and other financial expense		
others	147,606	68,649
Total interest and other financial expense	147,606	68,649
17-bis) foreign exchange gains and losses	(5,180)	923
Total financial income and expense (15 + 16-17 + - 17-bis)	147,507	323,691
<b>Profit (loss) before tax (A - B + - C + - D)</b>	<b>2,213,027</b>	<b>2,123,357</b>
20) Current, deferred and prepaid income tax for the year		
current taxes	684,229	449,980
prior year taxes	181,897	-

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Total current and deferred income tax assets and liabilities	866,126	449,980
21) Profit (loss) for the year	1,346,901	1,673,377

## Cash flow statement, indirect method

	31-12-2019	31-12-2018
<b>Cash flow statement, indirect method</b>		
<b>A) Cash flow from operating activities (indirect method)</b>		
Profit (loss) for the year	1,346,901	1,673,377
Income taxes	866,126	449,980
Interest expense/(income)	147,313	67,730
(Dividends)	(300,000)	(390,498)
(Gains)/Losses from disposal of assets	-	582
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposal	2,060,640	1,801,171
<b>Adjustments for non-cash items that did not have a balancing entry in net working capital</b>		
Provisions	460,413	364,312
Depreciation/amortisation of fixed assets	640,769	534,948
Total adjustments for non-monetary items that did not have a balancing entry in net working capital	1,101,182	899,260
2) Cash flow before changes in net working capital	3,161,522	2,700,431
<b>Change in net working capital</b>		
Decrease/(Increase) in inventories	91,102	43,898
Decrease/(Increase) in receivables from customers	(2,396,629)	(3,404,811)
increase/(Decrease) in payables to suppliers	(1,339,490)	1,416,080
Decrease/(Increase) in accrued income and prepaid expenses	(240,307)	(35,702)
increase/(Decrease) in accrued expenses and deferred income	(434,258)	(42,633)
Other decreases/(Other increases) in net working capital	(4,968,071)	2,697,101
Total change in net working capital	-	673,933
3) Cash flow after changes in net working capital	(6,144,131)	3,374,364
<b>Other adjustments</b>		
Interest received/(paid)	(147,313)	(67,730)
(Income taxes paid)	(857,740)	(412,638)
Dividends received	300,000	390,498
(Use of provisions)	(228,982)	(67,101)
Cash flow from operating activities (A)	(7,078,166)	3,217,393
<b>B) Cash flow from investment activities</b>		
<b>Property, plant and equipment</b>		
(Investments)	(410,862)	(266,509)
Divestments	-	1,309
<b>Intangible fixed assets</b>		
(Investments)	-	(1,514,756)
<b>Financial fixed assets</b>		
(Investments)	(292,846)	(974,881)
Cash flow from investing activities (B)	(1,183,623)	(2,754,837)
<b>C) Cash flow from financing activities</b>		
<b>Loan funds</b>		
increase/(Decrease) in short-term payables to banks	3,368,269	126,079
Financing	7,400,593	-
(Repayment of loans)	(1,540,579)	-
<b>Own funds</b>		
Paid capital increase	-	(1)
(Dividends and interim dividends paid)	(400,000)	(500,000)
Cash flow from financing activities (C)	8,828,283	(373,922)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	566,494	88,634
<b>Cash and cash equivalents at beginning of year</b>		
Bank and postal deposits	1,000,776	912,454



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Cash and cash equivalents	4,244	3,933
Total cash and cash equivalents at beginning of year	1,005,020	916,387
Cash and cash equivalents at end of year		
Bank and postal deposits	1,568,153	1,000,776
Cash and cash equivalents	3,361	4,244
Total cash and cash equivalents at end of year	1,571,514	1,005,020

## Notes to the financial statements for the year ended 12/31/2019

### Notes to the accounts, initial part

Dear Shareholders

These financial statements, submitted for your examination and approval, show a profit for the year of € 1,346,901.

Your company carries out the activities of production and translation of technical documentation, interpreting, automation of editorial processes, dedicated IT development, printing on demand and stands out for its competence and experience, as well as for its great commitment to the search for new and innovative solutions.

During the year, only commercial relationships at market conditions were maintained with the associated companies DANTE S.r.l. and STAR AG. Turnover for services rendered by DANTE S.r.l. amounted to € 1,490,000.00 and related to consulting in the areas of finance, technical management, human resources, marketing, external relations and insurance consulting.

The turnover referred to services rendered to STAR AG in 2019 amounted to € 60,111.25, the amount of services received from STAR AG in 2019 amounted to € 578,115.73.

#### **Research and development activities**

During the year STAR S.p.A. developed Research and Development Projects, eligible for subsidies pursuant to Article 3 of Decree no. 174 of May 29, 2015 of the Ministry of Economy and Finance.

It was decided to consider this activity worthy of recognition in the current financial statements both for tax purposes, with the consequent determination of a Research and Development Credit to be used as compensation, and for accounting purposes, with the recognition of an extraordinary income under "Other revenues" of € 707,622, booking this amount to item A5) Other revenues and income - b) Operating grants.

This has entailed recognition of a research and development receivable in these financial statements, all on the assumption that the eligible costs underlying the calculation are fully recognized in the income statement.

#### **Significant events during the year**

During fiscal year 2019, your company consolidated and significantly developed its translation, technical editing and printing activities with important clients whose negotiations began in the second half of fiscal year 2018, activities that were further strengthened with the purchase by the subsidiary STAR USA LLC of the entire stake in the company TECHWORLD LANGUAGE SERVICES INC based in the USA whose core business is translation and with the completion of a major contract with CNH USA.

In the second half of the year the company began the activities aimed at applying for the admission of the company's shares to AIM Italia, taking into account that the presence on said trading system would offer an important development both in financial terms and in terms of image.

#### **Preparation criteria**

The criteria used in the preparation and measurement of the financial statements for the year ended 31/12/2018 take into account the changes introduced into the national legislation by Legislative Decree 139/2015, through which Directive 2013/34/EU was implemented. As a result of Legislative Decree 139/2015, the national accounting standards OIC were amended.

These Financial Statements comply with the provisions of Articles 2423 et seq. of the Italian Civil Code, as illustrated by these notes, which have been drawn up in accordance with Article 2427 of the Italian Civil Code and constitute, pursuant to and for the purposes of Article 2423, an integral part of the Financial Statements.

Carrying amounts are shown in Euro units by rounding off the relevant amounts. Any rounding differences were posted to the item "Euro rounding reserve" under shareholders' equity. Pursuant to article 2423, paragraph 6, of the Italian Civil Code, the Notes to the Financial Statements were drawn up in euros.

The notes to the financial statements present information about the balance sheet and income statement items in the order in which the related items are shown on the respective financial statement schedules.

### **Basis of preparation**

(Ref. art. 2423-bis C.C )

The valuation of the items in the financial statements was carried out in accordance with the general criteria of prudence and competence, with a view to the continuation of the business.

The application of the principle of prudence entailed the individual valuation of the elements making up the individual items of assets or liabilities, in order to avoid offsetting losses that should be recognized with profits that should not be recognized because they were not realized.

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

In application of the principle of materiality, the requirements for recognition, measurement, presentation and disclosure were not complied with when their observance would have an irrelevant effect on the true and fair view.

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

Recognition and presentation of items in the financial statements has been made taking into account the substance of the transaction or contract.

## **Exceptional cases pursuant to art. 2423, fifth paragraph, of the Italian Civil Code**

(Ref. art. 2423, fifth paragraph, C.C.)

There were no exceptional circumstances that made it necessary to resort to derogations pursuant to art. 2423, paragraph 5 of the Italian Civil Code.

## **Changes in accounting principles**

The Company has not changed its accounting policies.

## **Comparability and fit issues**

A decision was made to move employee accruals related to vacation, 14th and contributions from accrued expenses to other payables; to make the figure comparable, the change was also made for the year 2018.

## **Measurement criteria applied**

Ref. art. 2426, first paragraph, Civil Code and accounting standards OIC 12.

### **Fixed assets**

#### **Intangible fixed assets**

These are recorded at the historical cost of acquisition and shown net of amortization charged directly to the individual items.

Start-up and expansion costs benefiting future periods have been capitalized with the consent of the Board of Statutory Auditors. Start-up and expansion costs are amortized over a period not exceeding five years.

Licenses and software are amortized at an annual rate of 33.33%.

The costs of creating the website are amortized at an annual rate of 20%.

Leasehold improvements are depreciated at rates dependent on the duration of the lease of the property being improved. No development costs and/or assets in progress relating to Research and Development projects capitalized pursuant to OIC 24 have been recorded.

If, irrespective of the depreciation/amortisation already recorded, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

#### **Tangible fixed assets**

They are recorded at purchase or production cost and adjusted by the corresponding accumulated depreciation.

Ancillary charges and costs incurred in using the asset were taken into account in the value recorded in the financial statements, reducing the cost of trade discounts and cash discounts of a significant amount.

The depreciation quotas charged to the Income Statement have been calculated on the basis of the criterion of the residual useful life of the assets, taking into account their use, destination and economic-technical duration, a criterion which we consider to be well represented by the following rates, which have not been modified with respect to the previous year and which are reduced by half in the year the assets enter service:

Asset type	% Amortisation/Depreciation
Buildings	3%
Plant and machinery	15%
Equipment	15%
Furniture	12%
Electronic office machines	20%
Trucks	20%

The item land/buildings relates to a building plot currently used as a parking lot.

If, irrespective of the depreciation/amortisation already recorded, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

There are no tangible assets with monetary or economic revaluation.

There are no capitalized borrowing costs.

### Receivables

The amortised cost rule has not been applied as the effects are irrelevant for the purposes of giving a true and fair view; therefore, receivables are shown at their estimated realizable value.

The nominal value of receivables is adjusted to their estimated realizable value by means of a specific allowance for doubtful accounts, taking into account the existence of indicators of impairment.

### Payables

The amortised cost rule has not been applied as the effects are irrelevant for the purposes of giving a true and fair view; payables are therefore shown at their nominal value.

### Accruals and deferrals

They have been determined in accordance with the criterion of actual accrual for the period.

For long-term accruals and deferrals, the conditions that determined their original booking were verified, adopting the appropriate changes where necessary.

### Inventories

Raw and ancillary materials and finished products are recorded at purchase cost and the valuation criterion is unchanged from the previous year.

### Equity investments

Shareholdings in controlled subsidiaries, entered under financial fixed assets, are valued at purchase or subscription cost.

Investments recorded as fixed assets represent a long-term, strategic investment by the company.

Investments recorded at acquisition cost were not written down because they were not impaired.

### Provisions for risks and charges

These are set aside to cover losses or payables whose existence is certain or likely, but whose amount or date of occurrence could not be determined at the end of the financial year.

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

Contingent liabilities have been recorded in the financial statements and posted to the provisions since they are considered probable and the amount of the related charge can be reasonably estimated.

### Provision for severance pay

The provision represents the actual debt accrued to employees in accordance with the law and current labor contracts, considering all forms of remuneration of an ongoing nature.

The fund does not include the indemnities accrued as of January 1, 2007 and destined for complementary pension schemes pursuant to Legislative Decree no. 252 of December 5, 2005 (Fondo Fonte, Intesa San Paolo Vita, Mediolanum, Alleata Previdenza etc.)

**Income Taxes**

Taxes are provided for on an accruals basis and therefore represent provisions for taxes settled for the year, determined in accordance with current rates and regulations.

**Revenue recognition**

Revenue from sales of products is recognized at the time of transfer of risks and rewards, 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 recognized on an accruals basis.

Revenues and income, costs and charges relating to transactions in foreign currency are determined at the exchange rate in force on the date on which the transaction is carried out.

## Notes to the accounts, assets

### Fixed assets

#### Intangible fixed assets

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
1,499,405	1,532,645	(33,240)

Changes in intangible fixed assets

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

	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Industrial patents and intellectual property rights	Intangible fixed assets in progress and advances	Other intangible fixed assets	Total intangible assets
<b>Value at start of year</b>						
<b>Cost</b>	1,384,755	150,352	1,029,592	-	408,196	2,972,895
<b>Amortisation/depreciation (accumulated)</b>	276,951	143,098	842,573	-	177,628	1,440,250
<b>Book value</b>	1,107,804	7,254	187,019	-	230,568	1,532,645
<b>Changes during the year</b>						
<b>Increases due to acquisitions</b>	-	-	70,473	184,667	224,775	479,915
<b>Amortisation/depreciation for the year</b>	276,951	4,397	100,387	-	131,420	513,156
<b>Total changes</b>	(276,951)	(4,397)	(29,914)	184,667	93,355	(33,240)
<b>Value at end of year</b>						
<b>Cost</b>	1,384,755	150,352	1,100,065	184,667	558,047	3,377,886
<b>Amortisation/depreciation (accumulated)</b>	553,902	147,495	942,960	-	234,124	1,878,481
<b>Book value</b>	830,853	2,857	157,105	184,667	323,923	1,499,405

During the 2019 financial year, € 224,776 was recorded in deferred costs under item B7 other intangible assets, for the acquisition of a contract with a major US customer with a three-year term, the amortization of which amounted to € 74,925 is calculated over the contractual term and was charged directly to the account.

#### **Breakdown of start-up and expansion costs and development costs**

(Ref. art. 2427, first paragraph, no. 3, Civil Code)

The breakdown of start-up and expansion costs and the reasons for their recognition are shown below.

#### **Start-up and expansion costs**

Description of costs	Value 31/12/2018	Amortisation/depreciation for the year	Value 31/12/2019
Start up costs	1,107,804	276,951	830,853
<b>Total</b>	<b>1,107,804</b>	<b>276,951</b>	<b>830,853</b>

It should be noted that in accordance with OIC 24, during 2018 start-up costs related to new activities linked to new contracts with leading customers in the automotive sector for € 1,384,755 were recorded under item B11. No development costs and/or assets in progress have been recorded relating to Research and Development projects capitalized pursuant to OICc 24.

#### Property, plant and equipment

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
946,201	662,952	283,249

### Changes in property, plant and equipment

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under construction and advances	Total property, plant and equipment
<b>Value at start of year</b>						
<b>Cost</b>	226,300	18,920	99,951	823,490	135,100	1,303,761
<b>Amortisation/depreciation (accumulated)</b>	2,277	11,724	72,517	554,291	-	640,809
<b>Book value</b>	224,023	7,196	27,434	269,199	135,100	662,952
<b>Changes during the year</b>						
<b>Increases due to acquisitions</b>	-	13,600	1,280	295,367	100,615	410,862
<b>Amortisation/depreciation for the year</b>	759	2,521	11,069	113,264	-	127,613
<b>Total changes</b>	(759)	11,079	(9,789)	182,103	100,615	283,249
<b>Value at end of year</b>						
<b>Cost</b>	226,300	32,520	101,230	1,087,467	235,715	1,683,232
<b>Amortisation/depreciation (accumulated)</b>	3,036	14,245	83,585	636,165	-	737,031
<b>Book value</b>	223,264	18,275	17,645	451,302	235,715	946,201

The item "Assets under construction and advances" includes € 235,715.00 relating to the start of work on the construction of new offices in front of the Company's headquarters; this work will be financed through a property lease.

### **Real estate leasing**

#### Lease transactions

	Amount
<b>Total amount of leased assets at year end</b>	1,885,141
<b>Depreciation that would have been charged during the year</b>	56,554
<b>Present value of installments of fees not yet due at year end</b>	1,313,458
<b>Financial charges for the year based on the effective interest rate</b>	76,344

#### Financial fixed assets

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
2,925,008	2,632,162	292,846

#### Movements in equity investments, other securities and derivative financial instruments held as fixed assets

	Equity investments in subsidiaries	Total investments equity
<b>Value at start of year</b>		
<b>Cost</b>	2,564,651	2,564,651
<b>Book value</b>	2,564,651	2,564,651
<b>Changes during the year</b>		
<b>Increases due to acquisitions</b>	4,143	4,143
<b>Total changes</b>	4,143	4,143
<b>Value at end of year</b>		
<b>Cost</b>	2,568,794	2,568,794
<b>Book value</b>	2,568,794	2,568,794

The increase is due to the incorporation of Star Albania SHPK, 100% owned by Star Italia.

## Equity investments

Investments in subsidiaries recorded as fixed assets represent a long-term, strategic investment by the company and are valued at purchase/subscription cost.

Equity investments were not written down due to impairment and there were no cases of "reversal of impairment".

The positive change relates to the incorporation of Star Albania, a company operating in the technical editing sector.

The following additional information is provided for investments in subsidiaries:

- the financial statements used for valuation purposes are the financial statements for the year, given that the closing dates of the financial years of the Parent Company and the investee companies almost all coincide.
- the exchange rate used for the Balance Sheet is that reported by the Bank of Italy as of 31/12/2019, whilst the average exchange rate for the year was used for the Income Statement.

Most of the subsidiaries end fiscal year 2019 in profit, with good performances, consolidating their market positions and investing significantly in both R&D and new printing technologies to be always competitive in the market and provide their customers with targeted and quality services.

No fixed investments have undergone a change in destination.

There are no restrictions on the availability of any investment by the participating company, nor are there any stock options or other privileges.

No investee company approved any paid or unpaid capital increases during the year.

No significant transactions were carried out with investee companies.

## Changes in and maturity of long-term receivables

	Value at start of year	Changes during the year	Value at end of year	Portion due within the year	Portion due after the end of the year
Long-term receivables due from associated undertakings	-	287,500	287,500	287,500	-
Non-current receivables due from others	67,511	1,203	68,714	-	68,714
<b>Total long-term receivables</b>	<b>67,511</b>	<b>288,703</b>	<b>356,214</b>	<b>287,500</b>	<b>68,714</b>

Long-term receivables from associated companies refer to a short-term loan from Dante srl, the others refer to guarantee deposits.

## Details of long-term investments in subsidiaries

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Capital in euro	Net income (loss) for the latest period in euros	Shareholders' equity in euros	Share held in euros	Share held in %	Book value or corresponding credit
STAR LOG	ASTI	01495260059	10,000	(192,674)	245,718	6,000	60.00%	6,000
STAR COMUNICACAO	Brazil		320,704	1,149,591	2,201,017	240,528	75.00%	379,679
CAL COMUNICACAO	Brazil		110,725	(7,625)	33,009	83,043	75.00%	122,228
STAR ENGINEERING	MARANELLO (MO)	02436770065	40,000	587,834	765,852	40,000	100.00%	674,920
STAR AUSTRIA GMBH	Austria	ATU71651312	35,000	47,039	62,808	35,000	100.00%	199,350
STAR USA LLC	USA		6,114	222,744	3,276,247	6,114	100.00%	292,474
AD STUDIO SRL	LUGO (RA)	02552920395	10,000	17,040	61,696	10,000	100.00%	10,000
RES SRL	ALEXANDRIA - VALLEY SAN BARTOLOMEO	10111260013	10,000	36,214	394,178	10,000	100.00%	880,000
STAR ALBANIA	ALBANIA		4,106	(3,767)	339	4,106	100.00%	4,143
<b>Total</b>								<b>2,568,794</b>

## Breakdown of long-term receivables by geographical area

The breakdown of receivables as at 31/12/2019 by geographical area is shown in the table below (article 2427, paragraph 1, no. 6, Italian Civil Code).



Geographical area	Long-term receivables due from associated undertakings	Non-current receivables due from others	Total long-term receivables
Italy	287,500	68,714	356,214
<b>Total</b>	<b>287,500</b>	<b>68,714</b>	<b>356,214</b>

Value of financial fixed assets

	Book value
Receivables from associated companies	287,500
Receivables due from others	68,714

## Details of the value of long-term receivables due from associated undertakings

Description	Book value
SHORT-TERM FINANCING DANTE	287,500
<b>Total</b>	<b>287,500</b>

## Details of the value of long-term receivables due from others

Description	Book value
SECURITY DEPOSITS	68,714
<b>Total</b>	<b>68,714</b>

## Current assets

### Inventory

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
52,478	143,580	(91,102)

Closing inventories are valued at purchase cost; the valuation criteria adopted is unchanged from the previous year.

	Value at start of year	Change during the year	Value at end of year
Finished products and goods	143,580	(91,102)	52,478
<b>Total inventories</b>	<b>143,580</b>	<b>(91,102)</b>	<b>52,478</b>

### Current receivables

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
27,503,190	20,833,949	6,669,241

Changes in and maturity of receivables posted to current assets

	Value at start of year	Change during the year	Value at end of year	Portion due within the year
Receivables due from customers included in current assets	19,281,522	2,500,476	21,781,998	21,781,998
Receivables due from subsidiary undertakings included in current assets	227,850	4,163,802	4,391,652	4,391,652
Receivables due from associated undertakings posted to current assets	231,392	9,702	241,094	241,094
Current tax receivables	735,091	(14,702)	720,389	720,389

<b>Deferred tax assets posted to current assets</b>	97,476	-	97,476	
<b>Receivables due from others included in current assets</b>	260,618	9,963	270,581	270,581
<b>Total receivables posted to current assets</b>	20,833,949	6,669,241	27,503,190	27,405,714

The company has exercised the option not to use the amortized cost method to receivables in cases where the effects are immaterial, such as receivables due within 12 months; receivables are therefore valued at their estimated realizable value.

For FY 2019, it was decided to also highlight relationships with affiliated companies (Dante plus the various Star group companies).

It should be noted that the item "Receivables from clients" includes € 3,885,706 relating to bills sold to the factoring company and the SBF.

No deferred tax assets have been provided for 2019; the amount of €97,476 relates to advance IRES allocated in previous years following a provision for doubtful accounts in excess of the tax-deductible limit.

Tax credits include Research and Development Credits for the year 2019 in the amount of € 707,622.00. The amount refers to the benefit resulting from the incurring of costs classifiable as research and development credits in the period indicated above.

In receivables from others amounting to € 270,581, € 236,145 relates to the accrued severance indemnities of SDS employees. This business unit has been leased by Star for a period of three years and the same amount has been recorded under liabilities in the item "Employee severance indemnities". At the end of the lease contract and in case of return of the branch of business to the company SDS srl, the amounts will be offset.

#### Breakdown of receivables posted to current assets by geographical area

The breakdown of receivables as at 31/12/2019 by geographical area is shown in the table below (article 2427, paragraph 1, no. 6, Italian Civil Code).

Geographical area	Italy	EU receivables	Non-EU receivables	Total
<b>Receivables due from customers included in current assets</b>	20,097,453	1,400,958	283,587	21,781,998
<b>Receivables due from subsidiary undertakings included in current assets</b>	121,511	2,920	4,267,221	4,391,652
<b>Receivables due from associated undertakings posted to current assets</b>	69,412	97,216	74,466	241,094
<b>Current tax receivables</b>	720,389	-	-	720,389
<b>Deferred tax assets posted to current assets</b>	97,476	-	-	97,476
<b>Receivables due from others included in current assets</b>	270,581	-	-	270,581
<b>Total receivables posted to current assets</b>	21,376,822	1,501,094	4,625,274	27,503,190

Description	Allowance for doubtful accounts pursuant to art. 2426 of the Italian Civil Code	Provision for write-downs pursuant to Art. 106 of Presidential Decree 917/1986	Total
Balance as at 31/12/2018	356,150	205,444	561,594
Use during the year		103,847	103,847
<b>Balance as at 31/12/2019</b>	<b>356,150</b>	<b>101,597</b>	<b>457,747</b>

The allowance for doubtful accounts was used for an amount of €103,847 relating to the taking over of a loss by AD Studio S.r.l. of the same amount, which is uncollectible. An analysis of the risk of uncollectible receivables revealed that the allowance for doubtful accounts already set aside was adequate.

#### Cash on hand

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
1,571,514	1,005,020	566,494

Value at start of year	Change during year	Value at end of year
------------------------	--------------------	----------------------

<b>Bank and postal deposits</b>	1,000,776	567,377	1,568,153
<b>Cash and other valuables on hand</b>	4,244	(883)	3,361
<b>Total cash and cash equivalents</b>	1,005,020	566,494	1,571,514

The balance represents cash and cash equivalents and the existence of cash and valuables at the end of the fiscal year.

## Accrued income and prepaid expenses

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
673,840	433,533	240,307

At 31/12/2019 there are prepaid expenses of € 432,398 with a duration of more than five years relating to the existing property lease and the maxi rent of the new building under construction.

	Value at start of year	Change during the year	Value at end of year
<b>Prepaid expenses</b>	433,533	240,307	673,840
<b>Total accrued income and prepaid expenses</b>	433,533	240,307	673,840

This item can be broken down as follows (Article 2427, first paragraph, no. 7, Italian Civil Code).

Description	Amount
Real estate lease deferrals existing contract	164,398
Prepaid expenses expenses tel,insurance,car rental fees	160,008
Multi-year prepaid expenses: rent SDS, Zingarini/Oneto for transformation Spa, maxi fee new leasing contract	349,435
Other of insignificant amount	(1)
	<b>673,840</b>

## Notes, liabilities and shareholders' equity

### Net equity

(Ref. art. 2427, first paragraph, nos. 4, 7 and 7-bis, Civil Code)

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
7,913,580	6,966,680	946,900

### Changes in shareholders' equity items

	Value at start of year	Allocation of prior year's earnings		Other changes		Profit (loss) for the year	Value at end of year
		Allocation of dividends	Other uses	Increases	Decreases		
Capital	500,000	-	-	-	-	-	500,000
Legal reserve	100,000	-	-	-	-	-	100,000
Other reserves							
Extraordinary reserve	4,671,135	400,000	-	1,673,377	-	-	5,944,512
Capital contributions	2,846	-	-	-	-	-	2,846
Misc. other reserves	19,322	-	-	-	1	-	19,321
Total other reserves	4,693,303	400,000	-	1,673,377	1	-	5,966,679
Profit (loss) for the year	1,673,377	-	1,346,901	-	1,673,377	1,346,901	1,346,901
Total net equity	6,966,680	400,000	1,346,901	1,673,377	1,673,378	1,346,901	7,913,580

## Details of the various other reserves

Description	Amount
Amnesty reserve	19,321
Total	19,321

### Availability and use of shareholders' equity

Shareholders' equity items are broken down according to their origin, possibility of utilization, distributability and utilization in the previous three years (article 2427, paragraph 1, no. 7-bis, of the Italian Civil Code) as follows

	Amount	Possible uses	Amount available	Summary of uses made in the three previous years for other reasons
Capital	500,000	B	-	-
Legal reserve	100,000	A,B	-	-
Other reserves				
Extraordinary reserve	5,944,512	A,B,C,D	5,944,512	1,100,000
Capital contributions	2,846	A,B,C,D	2,846	-
Misc. other reserves	19,321		19,321	-
Total other reserves	5,966,679		5,966,679	1,100,000
	Amount	Possible uses	Amount available	Summary of uses made in the three previous years for other reasons
Total	6,566,679		5,966,679	1,100,000
Residual distributable amount			5,966,679	

Legend: A: for capital increase B: for coverage of losses C: for distribution to shareholders D: for other statutory constraints E: other

## Origin, possibility of utilization and distributability of the various other reserves

Description	Amount	Possible uses	Amount available
Amnesty reserve	19,321	A,B,C,D	19,321
<b>Total</b>	<b>19,321</b>		

Legend: A: for capital increase B: for coverage of losses C: for distribution to shareholders D: for other statutory constraints E: other

### Formation and use of shareholders' equity items

As required by Article 2427, paragraph 1, number 4) of the Italian Civil Code, the following information is provided:

	Share capital	Legal reserve	Extraord. reserve	Reserve Law 289/2002	Payments on account of capital increase	Profit (loss) for the year	Total
<b>At the beginning of the previous year</b>	500,000	100,000	3,228,121	19,321	2,846	1,943,014	5,793,302
Allocation of the result for the year							
allocation of dividends			500,000				500,000
other uses			(2)				(1)
Other changes							
increases			1,943,016			1,673,377	3,616,393
decreases						1,943,014	1,943,014
Previous year's result						1,673,377	
<b>At the end of the previous year</b>	500,000	100,000	4,671,135	19,321	2,846	1,673,377	6,966,680
Allocation of the result for the year							
allocation of dividends			400,000				400,000
other uses						1,346,901	1,346,901
Other changes							
increases			1,673,377				1,673,377
decreases			1			1,673,377	1,673,378
Result for the current year						1,346,901	
<b>At the end of the current financial year</b>	500,000	100,000	5,944,512	19,321	2,846	1,346,901	7,913,580

In equity, the following items are present:

Reserves or other funds which, in the event of distribution, do not form part of the shareholders' taxable income regardless of the period of formation.

Reserves	Added Value
Capital contributions	2,846
	<b>2,846</b>

## Provisions for risks and charges

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

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
100,930	75,465	25,465

	Provision for pensions and similar obligations	Other provisions	Provisions for risks and charges
Value at start of year	25,465	50,000	75,465
Changes during the year			
Provision for the year	25,465	-	25,465
Total changes	25,465	-	25,465
Value at end of year	50,930	50,000	100,930

Provisions for risks and charges are made up as follows:

Provision for severance equal to €50,930.

Provision of €50,000 set aside in previous years for commercial risks and prudently maintained. Increases relate to provisions for the year.

As at 31-12-2019, the mark-to-market of € 10,090 of the hedging interest rate swap, relating to the loan disbursed in 2019 by Intesa Sanpaolo for € 3,000,000, was not set aside in the specific provision for risks and charges (item B.3 of liabilities), as a balancing entry to the reserve for hedging transactions of expected cash flows (item A.VII of equity), nor were the related deferred tax assets calculated: this is in application of the principle of relevance, which states that the obligations concerning recognition, measurement, presentation and disclosure may not be complied with when their observance would have an irrelevant effect for the purposes of providing a true and fair view of the Company's economic and financial situation and assets.

## Employee severance indemnity

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

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
1,892,901	1,583,088	309,813

	Employee severance indemnity
Value at start of year	1,583,088
Changes during the year	
Provision for the year	434,948
Use during the year	125,135
Total changes	309,813
Value at end of year	1,892,901

The provision set aside represents the actual debt accrued to employees in accordance with the law and current labor contracts, taking into account all forms of remuneration of an ongoing nature.

The provision corresponds to the total of the individual indemnities accrued up to 31 December 2006 in favour of employees at the closing date of the financial statements, net of advances paid, and is equal to the amount that would have been payable to employees if they had terminated their employment on that date.

The fund does not include the indemnities accrued as of January 1, 2007, destined for supplementary pension schemes pursuant to Legislative Decree no. 252 of December 5, 2005 (Fondo Fonte, Intesa Sanpaolo Vita, Mediolanum, Alleata Previdenza etc.)

## Payables

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
25,247,529	18,167,654	7,079,875

### Changes and maturity of payables

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

	Value at start of year	Change during the year	Value at end of year	Portion due within the year	Portion due after the end of the year
Borrowings from banks	7,797,448	9,228,283	17,025,731	14,924,322	2,101,409

<b>Trade payables</b>	4,968,900	(1,339,490)	3,629,410	3,629,410	-
<b>Due to subsidiaries</b>	2,235,266	(540,581)	1,694,685	1,694,685	-
<b>Payables to associated companies</b>	946,762	(399,532)	547,230	547,230	-
<b>Tax payables</b>	428,691	301,808	730,499	730,499	-
<b>Due to social security institutions</b>	324,694	76,360	401,054	401,054	-
<b>Other payables</b>	1,465,893	(246,973)	1,218,920	1,218,920	-
<b>Total Payables</b>	18,167,654	7,079,875	25,247,529	23,146,120	2,101,409

The most significant payables as of 12/31/2019 consist of the following:

- the amount due to banks as of 31/12/2019 equal to € 17,025,731 includes a medium-term loan granted by Intesa Sanpaolo for € 2,564,531 and short-term loans granted by Intesa Sanpaolo and Banco BPM for € 3,229,100; 2,930,000 relating to invoices transferred to the Factor company, € 6,435,717 relating to invoice advance accounts with Passadore, CRASTI, Banca Popolare di Novara, Unicredit, Intesa Sanpaolo and UBI; the remainder relates to so-called "hot money", i.e. short-term loan transactions used by the company to cover very short-term requirements.
- payables due to suppliers amount to € 3,629,410; the Company has exercised the option not to use the amortized cost method and/or not to discount payables as the due date does not extend beyond one year. Payables are therefore recorded at nominal value.
- tax payables amounting to € 730,499 only include liabilities for certain and determined taxes; the item "Tax payables" includes payables for IRES tax of € 65,200 and IRAP tax of € 105,451, net of advances paid during the year.

### Breakdown of payables by geographical area

The breakdown of Payables as at 31/12/2019 by geographical area is shown in the table below (article 2427, paragraph 1, no. 6 of the Italian Civil Code).

Geographical area	Payables to subsidiaries	Payables to associated companies	Tax payables	Due to social security institutions	Other payables	Payables
Italy	1,649,685	37,035	730,499	401,054	1,218,920	24,692,334
Payables to EU suppliers	15,000	136,988				151,988
Payables to non-EU suppliers	30,000	302,150				332,050
Invoices to be received EU		59,024				59,024
Invoices to be received non-EU		12,033				12,033
Geographical area	Payables to subsidiaries	Payables to associated companies	Tax payables	Debts facesocial security institutions	Other payables	Payables
Total	1,694,685	547,230	730,499	401,054	1,218,920	25,247,529

Geographical area	Total
<b>Borrowings from banks</b>	17,025,731
<b>Trade payables</b>	3,629,410
<b>Due to subsidiaries</b>	1,694,685
<b>Payables to associated companies</b>	547,230
<b>Tax payables</b>	730,499
<b>Due to social security institutions</b>	401,054
<b>Other payables</b>	1,218,920
<b>Payables</b>	25,247,529

### Debts backed by collateral on company assets

The following payables are not secured by collateral on corporate assets (article 2427, first paragraph, no. 6, Civil Code):

	Debts not backed by collateral	Total
<b>Borrowings from banks</b>	17,025,731	17,025,731
<b>Trade payables</b>	3,629,410	3,629,410

Due to subsidiaries	1,694,685	1,694,685
Payables to associated companies	547,230	547,230
Tax payables	730,499	730,499
Due to social security institutions	401,054	401,054
Other payables	1,218,920	1,218,920
<b>Total Payables</b>	<b>25,247,529</b>	<b>25,247,529</b>

## Accrued expenses and deferred income

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
16,696	450,954	(434,258)

The decrease is justified by the fact that the personnel accruals were moved to the item other payables.

	Value at start of year	Change during year	Value at end of year
Accrued expenses	10,954	5,742	16,696
Deferred income	440,000	(440,000)	-
<b>Total accrued expenses and deferred income</b>	<b>450,954</b>	<b>(434,258)</b>	<b>16,696</b>

The decrease is due to the recognition in the income statement of revenues of € 440,000 billed in advance in 2018 but actually realized in the current year.

Description	Amount
Other of insignificant amount	16,696
Description	Amount
	16,696

Represents charges made to the credit card in December but charged to the checking account in January, employee expense reports, and bank fees.

As of 31/12/2019, there are no accruals or deferrals with a duration of more than five years.



## Notes, income statement

### Value of production

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
41,120,475	34,884,928	6,235,547

Description	31/12/2019	31/12/2018	Change
Revenues from sales and services	39,887,939	34,210,813	5,677,126
Change in inventories of finished products	(82,566)	(43,898)	(38,668)
Other revenues and income	1,315,102	718,013	597,089
<b>Total</b>	<b>41,120,475</b>	<b>34,884,928</b>	<b>6,235,547</b>

The change is closely related to the matters discussed in the Management Report on Operations.

"Other revenues", amounting to € 1,315,102, are attributable for € 707,622 to the research and development credit recognized in the 2019 financial statements in the income statement for the entire reporting period, which is similar in substance to operating grants, given the recognition in the income statement of all the underlying subsidized expenses. Operating grants are components that result in a reduction in the costs and expenses of core business activities. They are posted to item A5 "Other revenues and income" in the Income Statement, on an accruals basis and in the period in which the right to receive them arises with certainty.

### Breakdown of revenues from sales and services by category of activity

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

Business sector	Current year value
Services	39,887,939
<b>Total</b>	<b>39,887,939</b>

### Breakdown of revenues from sales and services by geographical area

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

Geographical area	Current year value
Italy	34,552,592
EU REVENUE	3,625,568
NON-EU REVENUES	1,709,779
<b>Total</b>	<b>39,887,939</b>

### Costs of production

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
38,991,172	33,085,262	5,905,91

Description	31/12/2019	31/12/2018	Change
Raw and ancillary materials and goods	1,005,950	337,467	668,483
Services	25,500,866	23,296,186	2,204,680
Leased assets	687,693	637,249	50,444
Wages and salaries	7,759,416	5,878,798	1,880,618
Social security contributions	2,311,466	1,626,469	684,997
Employees' leaving entitlement	434,948	338,847	96,101
Other personnel costs	63,322	41,517	21,805
Amortisation	513,156	438,836	74,320
Depreciation	127,613	96,112	31,501
Write-downs of receivables in current assets		93,927	(93,927)

Provisions for risks	25,465		25,465
Sundry operating expenses	561,277	299,854	261,423
<b>Total</b>	<b>38,991,172</b>	<b>33,085,262</b>	<b>5,905,910</b>

### Cost of raw materials, ancillary materials, consumables and goods for resale and Cost of services

They are closely related to the information provided in the section of the Report on Operations and the performance of Item A (Value of Production) of the Income Statement.

### Personnel costs

This item includes all expenses for employees, including merit payments, changes in category, contingency payments, the cost of unused vacation time and provisions pursuant to legislation and collective labour agreements.

### Depreciation of tangible fixed assets

Depreciation has been calculated on the basis of the useful life of the asset and its exploitation during the production phase.

## Financial income and expense

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
147,507	323,691	(176,184)

Description	31/12/2019	31/12/2018	Change
Equity investments	300,000	390,498	(90,498)
Income other than the above	293	919	(626)
(Interest and other financial expenses)	(147,606)	(68,649)	(78,957)
Exchange gains (losses)	(5,180)	923	(6,103)
<b>Total</b>	<b>147,507</b>	<b>323,691</b>	<b>(176,184)</b>

Income from equity investments refers to dividends received from Star

### Breakdown of interest and other financial expense by type of debt

	Interest and other financial expenses
<b>Borrowings from banks</b>	136,732
<b>Others</b>	10,873
<b>Total</b>	<b>147,606</b>

Description	Others	Total
Bank interest	79,271	79,271
Supplier interests	268	268
Average interest on credit	48,238	48,238
Discounts or financial charges	9,223	9,223
Interest on loans	10,605	10,605
Rounding	1	1
<b>Total</b>	<b>147,606</b>	<b>147,606</b>

### Other financial income

Description	Others	Total
Bank and post office interest	291	291
Other income	2	2
<b>Total</b>	<b>293</b>	<b>293</b>

## Value adjustments to financial assets and liabilities

No adjustments were made to the value of financial assets and liabilities

### Information on the fair value of derivative financial instruments

Reference should be made to the provisions for risks and charges.

## Current, deferred and prepaid income taxes for the period

Balance as at 31/12/2019	Balance as at 31/12/2018	Change
929,909	449,980	479,929

Taxes	Balance as at 31/12/2019	Balance as at 31/12/2018	Change
<b>Current taxes:</b>	684,229	449,980	234,249
IRES	449,903	329,957	119,946
IRAP	234,326	120,023	114,303
<b>Prior year taxes</b>	181,897		181,897
<b>Total</b>	<b>866,126</b>	<b>449,980</b>	<b>416,146</b>

Taxes for the year have been recorded.

Previous years' taxes refer to the repayments made following the adhesion to the GDF PVC of 27 /06/2019.

### Deferred tax assets/liabilities

No deferred tax assets have been provided for 2019; the sum of €97,476 regards advance IRES charged in previous years following provisions to the allowance for doubtful accounts for amounts in excess of the tax-deductible limit.

## Notes, other information

### Employment figures

The average number of staff, broken down by category, underwent the following changes with respect to the previous year.

Staff	31/12/2019	31/12/2018	Change
Executives	2	2	
Middle managers	8	5	3
Office workers	227	199	28
Manual workers	2	2	
Others		11	(11)
<b>Total</b>	<b>239</b>	<b>219</b>	<b>20</b>

The national employment contract applied is that for the commerce, tertiary, distribution and services sector

	Average number
<b>Executives</b>	2
<b>Middle managers</b>	8
<b>Office workers</b>	227
<b>Manual workers</b>	2
<b>Total Employees</b>	239

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

	Directors	Statutory auditors
<b>Fees</b>	437,945	22,047

### Fees to the statutory auditor or auditing company

In accordance with the law, the fees for the year for services provided by the Independent Auditors and entities belonging to their network are shown:

	Added Value
<b>Legal audit of annual accounts</b>	15,500
<b>Total fees due to the statutory auditor or the auditing firm</b>	15,500

### Categories of shares issued by the company

The share capital is made up as follows (article 2427, first paragraph, no. 17 and 18, Civil Code).

Stocks/Quotas	Number	Nominal value in Euro
Ordinary Shares	500,000	1
<b>Total</b>	<b>500,000</b>	

### Commitments, guarantees and contingent liabilities not shown on the balance sheet

These are the lease installments due on the two property leases.

	Amount
<b>Commitments</b>	2,111,648

### Information on transactions with related parties

Our company is 50% owned by the company Star AG based in Switzerland and has investments in subsidiaries in Italy and abroad; during 2019, only commercial transactions were conducted on an arm's length basis. A short-term loan is in progress to the associated company DANTE S.r.l., which will be repaid in the first months of the current year.

### Categories of shares issued by the company

The share capital is made up as follows (article 2427, first paragraph, no. 17 and 18, Civil Code).

Stocks/Quotas	Number	Nominal value in Euro
Ordinary Shares	500,000	1
Total	<b>500,000</b>	

### Details of other financial instruments issued by the company

(Ref. art. 2427-bis, first paragraph, no. 1, Civil Code)

The Company has not issued any derivative financial instruments.

### Information on assets and financing allocated to a specific business

The loan of € 3,000,000 granted by Mediocredito Centrale through Intesa Sanpaolo, was entirely used for the purchase of the company TECHWORLD LANGUAGE SERVICES INC based in the USA through the subsidiary Star Usa LLC.

### Information on agreements not shown in the balance sheet

(Ref. art. 2427, first paragraph, no. 22-ter, Italian Civil Code)

The company has no agreements in place that are not reflected in the Balance Sheet.

### Information on significant events after the end of the financial year

After the end of the year, all the activities linked to the process of listing on AIM Italia intensified, entailing a series of checks (fiscal, tax, legal, financial, contractual, etc.) by the auditors appointed by the company with a view to quantifying the value of the group.

In January the process for the merger of the subsidiary RES S.r.l. into your company began with effect from January 1, 2020 and this operation will reasonably be completed in early April.

On January 10, 2020 1 Agenzia delle Entrate di Alessandria carried out access at the offices of the company in Via Alessandria n.37/b Valle San Bartolomeo (AL) to initiate an audit relating to the tax periods 2017-2018 concerning the use in compensation of the tax credit for research and development activities as per Art.3, paragraph 1, D.L. 23/12/2013 n.145 and sms.

At the time of drawing up the draft financial statements, the audit has not yet been completed and as no formal notice of dispute has yet been served, it is not possible to accurately quantify the related risk.

### Information ex art. paragraph 125 of the law August 4, 2017 n.124

It should be noted that income from tax credits for research and development activities pursuant to Legislative Decree 145/2013, recorded by the company for a total of € 707,622.30, is recorded in the 2019 financial year. Income of €665,277.07 was also recognized under this heading in 2018.

Star Spa also received € 25,559.71 in 2019 as a grant for training aid for the M. O.L.E.(Migliorare l'Organizzazione, il Lavoro e l'Efficienza)-Continuing Education program, pursuant to the "Regulations for Interprofessional Funds for Continuing Education for the Granting of State Aid," provided by M.I.S.E. through Fondimpresa.

### Firms that prepare the financial statements of the larger/smaller set of firms to which you belong as a subsidiary

Pursuant to the law, we provide the information required by Article 2427, first paragraph, no. 22 quinquies and sexies) of the Italian Civil Code.

	Better together
Company Name	STAR AG

City (if in Italy) or foreign country	SWITZERLAND
Tax code (for Italian companies)	CHE- 02.892.540
Place of filing of the consolidated financial statements	SWITZERLAND

## Proposed allocation of profits or coverage of losses

It is proposed to the shareholders' meeting that the profit for the year be allocated in this way:

Operating result as at 31/12/2019	Euro	1,346,901
5% to legal reserve	Euro	
to extraordinary reserve	Euro	1,346,901
to dividend	Euro	

These notes have been prepared in accordance with the provisions of the Italian Civil Code and accounting standards. In order to comply with publication requirements in the Companies Register, once approved, it will be converted to XBRL format; therefore, there may be some formal changes necessary to make this note compatible with the filing format.

These financial statements, which comprise the Balance Sheet, Income Statement, Notes to the Financial Statements and Cash Flow Statement, present a true and fair view of the Company's assets and liabilities, financial position and results of operations for the period and reflect the underlying accounting records.

San Bartolomeo Valley, March 12, 2020

Chairman of the Board of Directors Lorenzo  
Mondo

## Statement of Budget Compliance

The undersigned Dr. Giovanni Zingarini, pursuant to art. 31 paragraph 2-quinquies of Law 340/2000, declares that this document is in conformity with the original deposited with the company.

## STAR SPA GROUP

VIA ALESSANDRIA 37/B - 15122 VALLE SAN BARTOLOMEO (AL) Share Capital 500,000.00 euros fully paid up.

Reg. Imp. 01255170050 Rea 208355  
C.F. and P.IVA 01255170050

### Management report on the consolidated financial statements as at 31/12/2019

Dear Shareholders,

the financial year ended on 31/12/2019 reports a consolidated net income of €2,503,326, of which €2,351,550 is attributable to the Group.

#### Operating conditions and business development

The STAR S.P.A. Group operates in the field of translation and interpreting, automation of translation processes and language technologies, technical editing and content engineering, dedicated IT development, and printing on demand.

Pursuant to art. 2428 of the Italian Civil Code, we inform you that the activity is carried out at the head office in Alessandria fraz. Valle San Bartolomeo and at the local units in Asti, Turin, Pistoia, Maranello and La Spezia. In addition, through consolidated foreign subsidiaries, business is conducted in the U.S.A./North America (STAR U.S.A.), Austria (STAR GMBH), Brazil (STAR Comunicacao) and Albania (STAR Albania, incorporated in 2019).

From a legal point of view, the Parent Company directly or indirectly controls the following companies that carry out activities that are complementary and/or functional to the Group's Core Business. The table below summarizes specific locations and activities of the individual consolidated companies.

<u>Company</u>	<u>Registered office</u>	<u>Activity</u>
STAR LOG S.R.L.	ASTI - ITALY	logistics
STAR ENGINEERING S.R.L.	MARANELLO (MO) - ITALY	process engineering
RES S.R.L.	ALESSANDRIA - ITALY	technical authoring
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE - BRAZIL	technical authoring printing
CAL COMUNICAÇÃO LTDA	BELO HORIZONTE - BRAZIL	logistics
AD STUDIO S.R.L.	LUGO (RA) - ITALY	technical authoring
STAR USA LLC	DOVER - DELAWARE - U.S.A.	translation, authoring (in start up)
TECHWORLD LANGUAGE SERVICES INC.	TROY - MICHIGAN - U.S.A.	translation, authoring
STAR GMBH	LINZ-AUSTRIA	technical authoring (in start up)
STAR ALBANIA SHPK	TIRANA-ALBANIA	technical authoring

#### Operating performance

##### Overall performance

From a commercial standpoint, fiscal year 2019 was characterized by the consolidation/development of all activities falling under the Group's Core Business, generating a significant increase in net revenues (+Euro 8.2 million, of which Euro 2.6 million due to the acquisition of Techworld Language Services Inc. as of July 15, 2019).

Activities abroad were also stepped up with the completion of an important multi-year contract with a leading group in the automotive and capital goods sector in the American market.

During the year, the Parent Company's Board of Directors took the important decision to begin the process of listing the Company on AIM Italia, a strategic operation for business development. The presence of the

Parent Company on this trading system would offer an important development opportunity in both financial and image terms because the trading of financial instruments on the stock exchange system allows, on the one hand, to raise capital to a suitable extent to meet its business development needs and, on the other hand, it allows the Parent Company to have a better visibility and, therefore, an undoubted image return in the sector to which it belongs.

This process should be concluded by April of this year in the face of intense work carried out by the Administrative Management, trusting in a positive response.

### Research and development activities

Pursuant to article 2428, paragraph 3, number 1 of the Italian Civil Code, the following disclosures are made.

During 2019, as well as in 2015, 2016, 2017 and 2018, as in part already formally explained in the Report on Operations of the Parent Company's previous individual financial statements, the Group carried out research and development projects, eligible for subsidies pursuant to article 3 of Decree no. 174 of May 29, 2015 of the Ministry of Economy and Finance (pursuant to Decree Law 145/2013 converted into Law 190/2014).

As a leading Group in the field of language and translation services, both on the domestic and international markets, we have in fact implemented Experimental Development Projects, where the development activity consisted in the conceptual definition and implementation of new products, processes or services.

The Group has developed high value-added editorial technologies in the various Business Areas (Editorial, Language Services, After Sales), succeeding in developing innovative ideas and applications of already existing services, as well as co-developing - also with dedicated internal resources - and increasing the potential and integration of already available software and creating new integrated platforms.

It is the Management's intention to continue to give impetus in subsequent years to the development of new activities characterized by a strong content of innovation with respect to its reference market, through a series of initiatives that will primarily involve internal human resources, external consultants and technical equipment.

In detail, research and development activities were supported by the Parent Company, STAR Engineering, STAR Log and AD Studio.

### Operating performance in the sectors in which the Group operates

FY 2019 should be understood to be very positive.

The Group increased its market share in both the translation and print/editorial sectors and significantly increased revenues in the defense sector.

### Summary of the consolidated financial statements (figures in Euros)

	31/12/2019	31/12/2018	Change	% Change
Revenues	53,559,745	43,927,994	9,631,751	21.9%
Gross operating margin (M.O.L. or EBITDA)	5,932,731	5,025,405	907,326	18.1%
Operating income (EBIT)	4,208,144	3,768,974	439,170	11.7%
Consolidated net income	2,503,326	2,604,373	-101,047	-3.9%
Consolidated net income attributable to the Group	2,351,550	1,942,103	409,447	21.1%
Fixed assets	10,771,813	7,225,844	3,545,969	49.1%
Total equity	10,480,175	8,933,115	1,547,060	17.3%
Shareholders' equity attributable to the Group	9,754,306	7,940,768	1,813,538	22.8%
Net financial position	16,692,180	7,920,433	8,771,747	110.7%

### Main income data

The reclassified Income Statement compared with that of the previous year is as follows (in euros):

	31/12/2019	31/12/2018	Change	% Change
Net revenues	53,559,745	43,927,994	9,631,751	21.9%



Changes in inventories and increases in fixed assets	153,923	378,017	-224,094	-59.3%
External costs	- 29,149,865	25,831,464	-3,318,401	12.8%
<b>Value added</b>	<b>24,563,803</b>	<b>18,474,547</b>	<b>6,089,256</b>	<b>33.0%</b>
Personnel costs	- 18,643,417	13,374,321	-5,269,096	<b>39.4%</b>
<b>EBITDA</b>	<b>5,920,386</b>	<b>5,100,226</b>	<b>820,160</b>	<b>16.1%</b>
Amortisation, depreciation, write-downs and other provisions	- 1,712,242	1,331,252	-380,990	28.6%
<b>Operating profit (loss)</b>	<b>4,208,144</b>	<b>3,768,974</b>	<b>439,170</b>	<b>11.7%</b>
Financial income and charges	- 247,878	182,837	-65,041	35.6%
<b>Profit (loss) before non-recurring items</b>	<b>3,960,266</b>	<b>3,586,137</b>	<b>374,129</b>	<b>10.4%</b>
Revaluations and write-downs	-	-	-	-
<b>Profit before tax</b>	<b>3,960,266</b>	<b>3,586,137</b>	<b>374,129</b>	<b>10.4%</b>
Income taxes	- 1,456,940	981,764	-475,176	48.4%
<b>Net profit (loss)</b>	<b>2,503,326</b>	<b>2,604,373</b>	<b>-101,047</b>	<b>-3.9%</b>

In order to provide a clearer picture of the Group's earnings performance, the table below shows certain profitability indicators compared with the same indicators for the consolidated financial statements of the previous year.

	31/12/2019	31/12/2018
ROE	23.9%	29.2%
ROI	4.0%	7.9%
ROS	3.5%	6.4%

ROE is calculated with reference to total equity.

ROI and ROS are calculated without taking into account non-characteristic income (among which stand out in the two financial years are the contributions for operating income against tax credits accrued for research and development activities - € 1,574,604 in 2019 and € 901,521 in 2018).

### Main balance sheet data

The Group's reclassified Balance Sheet compared with the previous year's figures is as follows (in euros):

	31/12/2019	31/12/2018	Change	% Change
Net intangible fixed assets	5,810,104	2,968,962	2,841,142	<b>95.7%</b>
Net property, plant and equipment	4,550,692	4,189,371	361,321	8.6%
Equity investments and other financial fixed assets	18,831	-	18,831	-
<b>Capital assets</b>	<b>10,379,627</b>	<b>7,158,333</b>	<b>3,221,294</b>	<b>45.0%</b>
Inventories	658,567	558,490	100,077	17.9%
Trade receivables	25,785,457	20,460,165	5,325,292	26.0%
Payables to associated companies	588,714	439,634	149,080	<b>33.9%</b>
Other receivables	2,275,781	2,259,781	16,000	0.7%
Accrued income and prepaid expenses	787,255	505,437	281,818	55.8%
<b>Short-term operating assets</b>	<b>30,095,774</b>	<b>24,223,507</b>	<b>5,872,267</b>	<b>24.2%</b>
Trade payables	- 5,662,147	- 7,303,355	1,641,208	-22.5%
Payables to associated companies	- 715,466	- 957,862	242,396	-25.3%
Payments on account	- 1,760	- 574	-1,186	206.6%
Tax and social security payables	- 1,852,752	- 1,286,212	-566,540	44.0%
Other payables	- 1,995.92	- 2,145,263	149,338	-7.0%
Accrued expenses and deferred income	- 272,250	- 514,130	241,880	-47.0%
<b>Short-term operating liabilities</b>	<b>- 10,500,300</b>	<b>- 12,207,396</b>	<b>1,707,096</b>	<b>-14.0%</b>

<b>Net working capital</b>	<b>19,595,474</b>	<b>12,016,111</b>	<b>7,579,363</b>	<b>63.1%</b>
Employee severance indemnity	- 2,644,612	- 2,188,448	-456,164	20.8%
Taxes and social security payables (beyond the subsequent year)	-	-	-	-
Other medium- and long-term liabilities	- 158,133	- 132,448	-25,685	19.4%
<b>Medium/long-term liabilities</b>	<b>- 2,802,745</b>	<b>- 2,320,896</b>	<b>-481,849</b>	<b>20.8%</b>
<b>Invested Capital</b>	<b>27,172,356</b>	<b>16,853,548</b>	<b>10,318,808</b>	<b>61.2%</b>
Net equity	- 10,480,175	- 8,933,115	-1,547,060	17.3%
Medium/long-term net financial position	- 3,431,651	- 1,725,060	-1,706,591	98.9%
Short-term net financial position	- 13,260,530	- 6,195,373	-7,065,157	114.0%
<b>Equity and net financial debt</b>	<b>- 27,172,356</b>	<b>- 16,853,548</b>	<b>10,318,808</b>	<b>61.2%</b>

The reclassified balance sheet shows the Group's financial strength (i.e. its ability to maintain a financial balance in the medium/long term).

In order to provide a better description of the Group's financial solidity, the table below shows some balance sheet ratios relating both to (i) the methods of financing medium/long-term loans and (ii) the composition of the sources of funding, compared with the same ratios for the financial statements of previous years.

	<b>31/12/2019</b>	<b>31/12/2018</b>
Primary structural margin (equity-fixed assets)	- 4,139	1,707,271
Primary structural quotient (capital/fixed assets)	1.00	1.24
Secondary structural margin (permanent sources of capital / fixed assets)	6,334,944	5,820,738
Secondary Structure Quotient	<b>1.52</b>	<b>1.80</b>

### Financial highlights

The net financial position as at 31/12/2019 compared to the previous year is as follows (in Euros):

	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Change</b>
Bank deposits	3,402,622	3,341,045	61,577
Cash and other valuables on hand	9,981	20,834	- 10,853
<b>Cash on hand</b>	<b>3,412,603</b>	<b>3,361,879</b>	<b>50,724</b>

### Current financial assets

Bonds and convertible bonds (within the year)	-	-	-
Due to shareholders for loans (within the year)	-	-	-
Due to banks (within one year)	- 16,875,076	- 9,476,676	- 7,398,400
Due to other financial institutions (within the year)	- 85,557	- 80,576	- 4,981
Advances for foreign payments	-	-	-
Short-term portion of loans	-	-	-
Financial receivables	287,500	-	287,500
<b>Short-term financial payables</b>	<b>- 16,673,133</b>	<b>- 9,557,252</b>	<b>- 7,115,881</b>

<b>Net short-term financial position</b>	-	<b>13,260,530</b>	-	<b>6,195,373</b>	-	<b>7,065,157</b>
Bonds and convertible bonds (beyond the financial year)		-		-		-
Due to shareholders for loans (beyond the year)		-		-		-
Due to banks (beyond the next financial year)	-	2,386,364	-	557,041	-	1,829,323
Due to other financial institutions (beyond the year)	-	1,149,973	-	1,235,530	-	85,557
Advances for foreign payments		-		-		-
Long-term portion of loans		-		-		-
Financial receivables		104,687		67,511		37,176
<b>Medium and long-term net financial position</b>	-	<b>3,431,650</b>	-	<b>1,725,060</b>	-	<b>1,706,590</b>
<b>Net financial position</b>		<b>16,692,180</b>		<b>7,920,433</b>		<b>8,771,747</b>

In order to provide a better description of the financial situation, the table below shows some balance sheet ratios, compared with the same ratios for the previous year.

	31/12/2019	31/12/2018
Primary liquidity	1.20	1.24
Secondary liquidity	1.22	1.27
Indebtedness	1.96	1.27
Primary coverage rate of fixed assets	0.97	1.24
Secondary coverage rate of fixed assets	1.55	1.80

The primary liquidity ratio, which does not consider inventories among working capital, is equal to 1.20. The Group's short-term financial capacity is therefore considered satisfactory.

The secondary liquidity ratio is 1.22. The value assumed by the net working capital is certainly satisfactory in relation to the amount of current payables.

The debt ratio is 1.96. The amount of payables is to be considered balanced in relation to existing equity.

From the primary coverage rate of fixed assets, equal to 0.97, it appears that the amount of shareholders' equity is to be considered appropriate in relation to the amount of fixed assets. In fact, the company's own funds, without taking into account medium- to long-term debts, are on their own able to cover almost all the fixed assets. When medium- to long-term debt is also considered, the index increases to 1.55.

### **Environmental and personnel information**

Taking into account the social role of the company, as also highlighted by the document on the management report of the National Council of Chartered Accountants, it is deemed appropriate to provide the following information regarding the environment and personnel.

#### **Environment**

Given the nature of the Group's activities, there are no significant impacts on the environment.

#### **Staff**

During the year, there were no deaths at work of personnel registered in the register.

During the year, there were no serious accidents at work involving serious or very serious injuries to personnel listed in the register of employees.

During the year there were no charges relating to occupational illnesses of employees or former employees and/or mobbing cases.

#### **Investments**

During the year, capital expenditure was made in the following categories

<b>Fixed assets</b>	<b>Acquisitions during the year</b>
Land and buildings	150,120
Plant and machinery	417,601
Industrial and commercial equipment	61,980
Other assets	408,156
Assets under development/construction and payments on account	100,615
<b>TOTAL</b>	<b>1,138,472</b>

The most significant item among fixed assets under construction is work on the construction of new offices in front of the Parent Company's headquarters; these works are financed by means of a building lease stipulated with UBI Leasing Spa.

#### **Relations with subsidiaries, associated companies, parent companies and sister companies**

##### **Details of long-term investments in subsidiaries**

Through STAR Comunicacao e Servicos Ltda, the company GRAFICA E EDITORA STARCOM LTDA - COLIBRI', share capital Reais 475,000, 75% indirectly owned, based in Bairro Novo Riacho, is controlled. Receivables from the same amounted to 311,386 euros, while payables amounted to 50,333 euros, including 46,719 euros to cover losses/reconstitute shareholders' equity.

The company had dealings with the following associated companies.

##### **Receivables due from associated undertakings**

DANTE SRL	69,412
STAR AG	54,391
STAR DEUTSCHLAND GMBH	50,622
STAR GROUP AMERICA, LLC	2,118
STAR JAPAN CO., LTD	2,789
STAR SA	9,149
STAR PARIS	13,388
STAR SERVICIOS LINGUISTICOS	215
STAR TECHNOLOGY SOLUTIONS	13,253
STAR GROUP SCANDINAVIA AB	1,645
STAR Information Services Ltd. Sti.	112
STAR UK LIMITED	767
STAR CZECH S.R.O.	162
STAR Software, Translation, Artwork,	956
STAR ARGENTINA	58,349
	<b>277,328</b>

A short-term loan of 287,500 euros was also granted to the associated undertaking, DANTE S.r.l., which will be repaid in the first few months of the current year.

##### **Payables to associated companies**

DANTE SRL	210,228
STAR AG	240,126
STAR GROUP AMERICA LLC	7,596
STAR TECH SRL	40
STAR CZECH S.R.O.	88
STAR TRANSLATION & SOFTWARE THAILAND	437
STAR INFORMATION ENGINEERING S.L.	12,554
STAR SPB - RUSSIA	6,484
STAR POLONIA ZLOTY	1,555
STAR VIETNAM TRANSLATION & SOFTWARE	578
STAR J&M FINNLAND OY	284
STAR SERV.LINGUISTICOS LDA	42,968
STAR VERTALINGEN BV	694
STAR SA	110
STAR AG TAIWAN BRANCH	8,420
STAR Information Services & Tools S.	11,263
STAR UK LIMITED	6,235
STAR HUNGARY KFT	14,102
STAR POLAND EURO	394
STAR GMBH	893
STAR KOREA AG	2,257
STAR JAPAN TOKYO	11,822
STAR SOFTWARE SHANGHAI CO. LTD	19,216
STAR TECHNOLOGY SOLUTIONS	324
STAR SOFTWARE INDONESIA	354
STAR PREVAJALSKE STORITVE D.O.O Ljub	27,053
STAR EGITTO MIDDLE EAST LTD CAIRO	2,275
STAR GROUP SCANDINAVIA AB	9,727
STAR DO BRASIL LOCALIZACAO E TECNOLO	2,872
STAR SERVICIOS LINGUISTICOS	5,739
STAR PARIS	2,678
STAR COMUNICACAO E SERVICOS - SCP	15,767
	<b>665,133</b>

#### Revenues from associated companies

ASSOCIATED COMPANY	EU	NON EU	ITALY	TOTAL
DANTE SRL			1,267	1,267
STAR AG		60,111		60,111
STAR CZECH S.R.O.	4,245			4,245
STAR DEUTSCHLAND GMBH	240,131			240,131
STAR GROUP SCANDINAVIA AB	30,019			30,019
STAR HUNGARY KFT	16			16
STAR INFORMATION ENGINEERING S.L.	33			33
STAR Information Services & Tools S.R.L.	25			25
STAR JAPAN CO., LTD		9,564		9,564
STAR PARIS	41,931			41,931
STAR SA		75,152		75,152
STAR SERVICIOS LINGUISTICOS	3,299			3,299
STAR Software, Translation, Artwork, Recording GmbH	820			820
STAR TECHNOLOGY SOLUTIONS	21,611			21,611
STAR UK LIMITED	2,735			2,735
	<b>344,864</b>	<b>144,827</b>	<b>1,267</b>	<b>490,958</b>

**Costs from associated companies**

ASSOCIATED COMPANY	EU	NON EU	ITALY	TOTAL
DANTE SRL			1,721,104	1,721,104
STAR AG		156,507	346,872	503,379
STAR AG TAIWAN BRANCH		26,061		26,061
STAR CZECH S.R.O.	322,195			322,195
STAR DEUTSCHLAND GMBH	41,758			41,758
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA		8,752		8,752
STAR EGITTO MIDDLE EAST LTD CAIRO		37,955		37,955
STAR GMBH	2,017			2,017
STAR GROUP SCANDINAVIA AB	23,355			23,355
STAR HUNGARY KFT	90,399			90,399
STAR INFORMATION ENGINEERING S.L.	79,937			79,937
STAR Information Services & Tools S.R.L.			76,084	76,084
STAR J&M FINNLAND OY	1,401			1,401
STAR JAPAN TOKYO		158,866		158,866
STAR KOREA AG		16,497		16,497
STAR PARIS	30,865			30,865
STAR POLAND EURO	182,006			182,006
STAR PREVAJALSKE STORITVE D.O.O Liubliana	272,163			272,163
STAR SA		75		75
STAR SERV.LINGUISTICOS LDA	196,125			196,125
STAR SERVICIOS LINGUISTICOS	44,432			44,432
STAR SOFTWARE INDONESIA		26,427		26,427
STAR SOFTWARE SHANGHAI CO. LTD		208,300		208,300
STAR SPB - RUSSIA		27,737		27,737
STAR TECHNOLOGY SOLUTIONS	504			504
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD		20,123		20,123
STAR TURCHIA INF.SERVICES LTD STI		1,609		1,609
STAR UK LIMITED	65,295			65,295
STAR VERTALINGEN BV	5,557			5,557
STAR VIETNAM TRANSLATION & SOFTWARE CO., LTD.		3,068		3,068
	1,358,010	691,976	2,144,060	4,194,046

During the year, commercial transactions were carried out with the associated companies Dante s.r.l., STAR AG and other companies controlled by STAR AG for the provision of services on an arm's length basis.

There were no atypical and/or unusual transactions, meaning those not regulated by normal market conditions.

<b>Information on risks and uncertainties pursuant to art. 2428, paragraph 3, point 6-bis, of the Italian Civil Code:</b>
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**Credit risk**

The Group's receivables are closely monitored; the credit risk is deemed to be adequately covered by the related allowance for doubtful accounts.

**Liquidity risk**

Note:

- there are adequate lines of credit to meet liquidity needs;
- the Group holds deposits with credit institutions to meet its liquidity needs;
- there are no significant concentrations of liquidity risk on either the side of financial assets or sources of funding.
- the terms of collection are adjusted to those of payment

**Market risk**

The effects of possible changes on the income statement, in relation to the relevant risk variables, are limited and acceptable for each of the following components:

- interest rate risk;
- price risk;
- exchange rate risk.

Given the limited risks, the Group has no hedging activities in place except for the interest rate swap related to the medium/long-term loan disbursed in 2019 by Intesa San Paolo for €3,000,000, aimed at the acquisition of Techworld Language Services Ind.

Key risks are continuously monitored by the Board of Directors.

### **Information on own shares**

It should be pointed out that as of the closing date of these Financial Statements, the Parent Company did not hold any of its own shares and/or shares and/or quotas of parent companies, either directly or through trust companies or third parties.

### **Foreseeable evolution of operations**

Activity in the first few months of this year confirms a trend in line with last year and the prospect of a positive result.

We thank you for the trust you have placed in us and invite you to approve the consolidated financial statements as presented.

### **CONSOLIDATED FINANCIAL STATEMENTS**

For the second year the Parent Company has prepared consolidated financial statements for the STAR S.p.A. Group, as the limits established by Legislative Decree no. 127/1991 have been exceeded.

### **Fulfillments pursuant to articles 375 and 377 of Legislative Decree 14/2019 (Business Crisis Code)**

On March 16, 2019, the Corporate Crisis Code, which amended Article 2086 of the Civil Code, came into force, thereby placing the onus on the Administrative Body to verify the adequacy of organizational structures in order to prevent the onset of any corporate crisis. This must be done at least every 6 months. The Parent Company and the consolidated companies have an adequate organizational chart, also in view of the planned listing, and have adequate instruments for the constant monitoring of the company's activities, its economic and financial performance and a management control system.

The indicators relating to negative or below-par shareholders' equity and the DSCR (Debt Service Coverage Ratio) do not reveal any critical aspects.

Valle San Bartolomeo, 12/03/2020

Chairman of the Board of Directors  
Lorenzo Mondo

The undersigned Dr. Giovanni Zingarini, pursuant to art. 31 paragraph 2-quinquies of Law 340/2000, declares that this document is in conformity with the original deposited with the company.

**STAR S.P.A.**

Consolidated Financial Statements as at 31-12-2019

ID data	
Headquarters in	ALESSANDRIA
Tax ID No	01255170050
REA Index number	AL 208355
VAT No.	01255170050
Share capital in Euro	500,000
Legal form	JOINT STOCK COMPANY (SPA)
Company in liquidation	no
Single member company	no
Company subject to management and coordination by another party	no
Group membership	no



## Consolidated Balance Sheet

	31-12-2019	31-12-2018
Balance sheet		
Assets		
B) Fixed assets		
I.Intangible fixed assets		
1) start-up and expansion costs	805,412	1,069,061
3) industrial patent rights and intellectual property rights	20,901	48,718
4) industrial patents and intellectual property rights	293,601	200,683
5) goodwill	4,053,867	1,313,548
6) assets under development/construction and payments on account	184,667	-
7) others	451,656	336,952
Total intangible assets	5,810,104	2,968,962
II.Property, plant and equipment		
1) land and buildings	2,052,863	1,948,745
2) plant and machinery	935,470	920,644
3) industrial and commercial equipment	605,133	562,955
4) other assets	721,511	621,927
5) assets under development/construction and payments on account	235,715	135,100
Total property, plant and equipment	4,550,692	4,189,371
III.Financial fixed assets		
1) equity investments		
a) subsidiaries	0	-
b) associates	18,831	-
Total equity investments	18,831	-
2) receivables		
b) from associates		
due within the next financial year	287,500	-
Total receivables from associated companies	287,500	-
d-bis) from others		
Total receivables from others	104,687	67,511
Total receivables	392,187	67,511
Total financial fixed assets	411,018	67,511
Total fixed assets (B)	10,771,813	7,225,844
C) Current assets		
I -Inventories		
1) raw and ancillary materials and consumables	75,629	-
4)finished products and goods	582,938	558,490
Total inventories	658,567	558,490
II -Receivables		
1)from customers		
due within the next financial year	25,785,457	20,436,670
due after the next financial year	0	23,495
Total trade receivables	25,785,457	20,460,165
2)from subsidiaries		
due within the next financial year	311,386	-
Total receivables from subsidiaries	311,386	-
3)from associates		
due within the next financial year	277,328	439,634
Total receivables from associated companies	277,328	439,634

5-bis) tax receivables		
due within the next financial year	1,767,172	1,162,270
due after the next financial year	0	2,408
Total tax receivables	1,767,172	1,164,678
5-ter) prepaid taxes	149,320	110,191
5-quater) from others		
due within the next financial year	359,289	940,830
due after the next financial year	0	44,082
Total receivables from others	359,289	984,912
Total receivables	28,649,952	23,159,580
IV -Cash on hand		
1) bank and postal deposits	3,402,622	3,341,045
3) cash and cash equivalents	9,981	20,834
Total cash and cash equivalents	3,412,603	3,361,879
Total current assets (C)	32,721,122	27,079,949
D) Accruals and deferrals	787,255	505,437
Total assets	44,280,190	34,811,230
Liabilities		
A) Net equity attributable to owners of the Parent		
I - Capital	500,000	500,000
IV - Legal reserve	100,000	100,000
VI - Other reserves, indicated separately		
Extraordinary reserve	5,944,512	4,671,135
Capital contributions	2,846	2,846
Consolidation reserve	834,702	877,754
Reserve from translation differences	1,375	(172,391)
Misc. other reserves	19,321	19,321
Total other reserves	6,802,756	5,398,665
IX - Profit (loss) for the year	2,351,550	1,942,103
Total equity attributable to owners of the parent	9,754,306	7,940,768
Minority interests		
Capital and reserves attributable to minority interests	574,093	330,077
Profit (loss) attributable to minority interests	151,776	662,270
Total equity attributable to minority interests	725,869	992,347
Total consolidated net equity	10,480,175	8,933,115
B) Provisions for risks and charges		
1) pensions and similar obligations	50,930	25,465
2) for taxes, including deferred taxes	57,203	47,406
4) others	50,000	59,577
Total provisions for risks and charges	158,133	132,448
C) Employee severance indemnity	2,644,612	2,188,448
D) Payables		
4) borrowings from banks		
due within the next financial year	16,875,076	9,476,676
due after the next financial year	2,386,364	557,041
Total due to banks	19,261,440	10,033,717
5) borrowings from other lenders		
due within the next financial year	85,557	80,576
due after the next financial year	1,149,973	1,235,530
Total borrowings from other lenders	1,235,530	1,316,106
6) advances		
due within the next financial year	1,760	-

due after the next financial year	-	574
Total advances	1,760	574
7) trade payables		
due within the next financial year	5,662,147	7,303,355
Total trade payables	5,662,147	7,303,355
9) payables to subsidiaries		
due within the next financial year	50,333	-
Total payables to subsidiaries	50,333	-
10) payables to associated companies		
due within the next financial year	665,133	957,862
Total payables to associated companies	665,133	957,862
12) tax payables		
due within the next financial year	1,197,567	753,549
Total taxes payable	1,197,567	753,549
13) due to social security institutions		
due within the next financial year	655,185	532,663
Total payables to social security institutions	655,185	532,663
14) other payables		
due within the next financial year	1,995,925	2,145,263
Total other payables	1,995,925	2,145,263
Total Payables	30,725,020	23,043,089
E) Accruals and deferrals	272,250	514,130
Total liabilities	44,280,190	34,811,230

## Consolidated income statement

	31-12-2019	31-12-2018
<b>Income Statement</b>		
A) Value of production		
1) revenues from sales and services	51,126,324	42,916,399
2) change in inventories of work in progress, semi-finished and finished products	153,923	(57,075)
4) internal work capitalized	-	435,092
5) other revenues and income		
grants related to income	1,574,604	901,521
others	858,817	110,074
Total other revenues and income	2,433,421	1,011,595
Total value of production	53,713,668	44,306,011
B) Cost of production		
6) raw and ancillary materials, consumables and goods	3,585,846	3,293,342
7) services	23,302,207	21,219,902
8) use of third party assets	1,428,090	864,782
9) personnel		
a) wages and salaries	14,113,946	10,122,218
b) social security contributions	3,520,151	2,649,490
c) employees' leaving entitlement	674,104	544,182
e) other costs	335,216	58,431
Total personnel costs	18,643,417	13,374,321
10) amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	981,101	658,836
b) depreciation of tangible fixed assets	718,021	572,130
d) writedowns of receivables included in current assets and cash equivalents	13,120	100,286
Total amortisation, depreciation and write-downs	1,712,242	1,331,252
11) changes in inventories of raw, ancillary and consumable materials and goods	(25,791)	(49,838)
12) provisions for risks	25,465	25,465
14) sundry operating expenses	834,048	477,811
Total cost of production	49,505,524	40,537,037
Difference between value and cost of production (A - B)	4,208,144	3,768,974
C) Financial income and charges		
16) other financial income		
d) income other than the above		
others	38,541	8,825
Total income other than the above	38,541	8,825
Total other financial income	38,541	8,825
17) interest and other financial expense		
others	280,650	192,359
Total interest and other financial expense	280,650	192,359
17-bis) foreign exchange gains and losses	(5,769)	697
Total financial income and expense (15 + 16-17 + - 17-bis)	(247,878)	(182,837)
Profit (loss) before tax (A - B + - C + - D)	3,960,266	3,586,137
20) Current, deferred and prepaid income tax for the year		
current taxes	1,260,935	984,543
prior year taxes	181,897	-
Deferred tax assets and liabilities	14,108	(2,779)

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Total current and deferred income tax assets and liabilities	1,456,940	981,764
21) Consolidated net income (loss) for the year	2,503,326	2,604,373
Result attributable to the group	2,351,550	1,942,103
Profit (loss) attributable to minority interests	151,776	662,270

## Consolidated cash flow statement, indirect method

	31-12-2019	31-12-2018
Cash flow statement, indirect method		
A) Cash flow from operating activities (indirect method)		
Profit (loss) for the year	2,503,326	2,604,373
Income taxes	1,456,940	981,764
Interest expense/(income)	242,109	183,534
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposal	4,202,375	3,769,671
Adjustments for non-cash items that did not have a balancing entry in net working capital		
Provisions	699,569	569,647
Depreciation/amortisation of fixed assets	1,699,122	1,230,966
Total adjustments for non-monetary items that did not have a balancing entry in net working capital	2,398,691	1,800,613
2) Cash flow before changes in net working capital	6,601,066	5,570,284
Change in net working capital		
Decrease/(Increase) in inventories	(100,077)	(74,652)
Decrease/(Increase) in receivables from customers	(5,325,293)	(1,692,882)
increase/(Decrease) in payables to suppliers	(1,641,208)	(567,250)
Decrease/(Increase) in accrued income and prepaid expenses	(281,818)	(23,365)
increase/(Decrease) in accrued expenses and deferred income	(241,880)	770,976
Other decreases/(Other increases) in net working capital	(120,302)	2,566,478
Total change in net working capital	(7,710,578)	979,305
3) Cash flow after changes in net working capital	(1,109,512)	6,549,589
Other adjustments		
Interest received/(paid)	(242,109)	(183,534)
(Income taxes paid)	(1,456,940)	(984,543)
(Use of provisions)	(227,517)	(161,377)
Total other adjustments	(1,926,566)	(1,329,454)
Cash flow from operating activities (A)	(3,036,078)	5,220,135
B) Cash flow from investment activities		
Property, plant and equipment		
(Investments)	(1,138,472)	(1,025,793)
Divestments	59,130	-
Intangible fixed assets		
(Investments)	(733,607)	(2,436,866)
Financial fixed assets		
(Investments)	(343,507)	-
(Acquisition of subsidiaries net of cash and cash equivalents)	(3,065,933)	(840,590)
Cash flow from investing activities (B)	(5,222,389)	(4,303,249)
C) Cash flow from financing activities		
Loan funds		
increase/(Decrease) in short-term payables to banks	6,663,161	653,612
Financing	3,000,000	557,041
(Repayment of loans)	(516,045)	(394,176)
Own funds		
(Dividends and interim dividends paid)	(830,059)	(500,000)
Cash flow from financing activities (C)	8,317,057	316,477
Increase (decrease) in cash and cash equivalents (A ± B ± C)	58,590	1,233,363
Exchange rate effect on cash and cash equivalents	(7,866)	

Cash and cash equivalents at beginning of year		
Bank and postal deposits	3,341,045	2,119,571
Cash and cash equivalents	20,834	8,945
Total cash and cash equivalents at beginning of year	3,361,879	2,128,516
Cash and cash equivalents at end of year		
Bank and postal deposits	3,402,622	3,341,045
Cash and cash equivalents	9,981	20,834
Total cash and cash equivalents at end of year	3,412,603	3,361,879
Acquisition or sale of subsidiaries		
Total fees paid or received	(3,283,344)	(880,000)
Part of the fees consisting of cash and cash equivalents	(3,283,344)	(880,000)
Cash acquired or disposed of through acquisition/disposal of subsidiaries	217,411	10,268
Book value of assets/liabilities acquired or sold	638,128	63,519

## **STAR S.p.A. GROUP**

Registered office in Via Alessandria 37/B - fraz. Valle San Bartolomeo -15122 ALESSANDRIA (AL)  
Share capital Euro500,000,000.00 fully paid up.

### **Notes to the Consolidated Financial Statements as of 31/12/2019**

#### **Introduction**

The STAR Group Consolidated Financial Statements as at December 31, 2019 include the financial statements of the parent company STAR S.P.A. and of the Group companies directly or indirectly controlled by it.

The Consolidated Financial Statements as at December 31, 2019 represent the second consolidated financial statements of STAR Group S.p.A., prepared since the limits provided for by Legislative Decree 127/1991 have been exceeded for two consecutive years.

#### **Activities performed**

The STAR S.p.A. Group carries out activities of production and translation of technical documentation, interpreting, automation of editorial processes, dedicated IT development, printing on demand and is distinguished by its competence and experience.

During the year, business dealings with the associated companies Dante s.r.l., STAR AG and other minor subsidiaries of STAR AG were conducted on an arm's length basis.

During the year, the STAR S.p.A. Group consolidated its revenues and significantly expanded its translation, technical editing and printing activities following major contracts with leading companies in the automotive sector. The Group closes fiscal year 2019 in profit, with good performances, consolidating its market positions and investing significantly in both R&D and new printing technologies to be always competitive in the market and provide its customers with targeted and quality services.

#### **Research and development activities**

During the year, STAR Group S.p.A. developed Research and Development Projects, eligible for subsidies pursuant to Article 3 of Decree no. 174 of May 29, 2015 of the Ministry of Economy and Finance. It was decided to consider this activity worthy of recognition in the current financial statements both for tax purposes, with the consequent determination of a Research and Development Credit to be used as compensation, and for accounting purposes, with the recognition of income under "Other revenues" equal to € 1,574,604 (activities carried out by STAR S.p.A., STAR Engineering s.r.l., STAR Log s.r.l. and AD Studio s.r.l.). This resulted in the recognition of a research and development credit in these financial statements, against the full recognition in the income statement of the eligible costs underlying the accounting.

#### **Significant events during the year**

In July 2019, through STAR USA LLC, 100% of Techworld Language Services Inc. was acquired, whose core business is translation services in the North American market.

In the second half of 2019, STAR Albania was established and is specializing in technical writing services with good results.

As for FY 2020, operations are continuing smoothly and on budget.



## Preparation criteria

The Consolidated Financial Statements of STAR S.p.A. Group have been prepared in accordance with art. 25 et seq. of Legislative Decree 127/1991 and include the Balance Sheet, Income Statement, Cash Flow Statement and the Notes to the Financial Statements, which form an integral part thereof.

The year ended 12/31/2019 is the second year from which the requirement to prepare Consolidated Financial Statements begins.

In addition to the attachments required by law, reconciliations are provided between the net result and shareholders' equity of the consolidating company and the respective values resulting from the Consolidated Financial Statements.

The criteria used in the preparation and measurement of the financial statements for the year ended 31/12/2019 take into account the changes introduced into the national legal system by Legislative Decree 139/2015, through which Directive 2013/34/EU was implemented.

Carrying amounts are shown in Euro units by rounding off the relevant amounts. Any rounding differences were posted to the item "Euro rounding reserve" under shareholders' equity.

These Notes provide the data and information required by Article 38 of Legislative Decree 127/1991. The Notes to the Financial Statements present information on items in the Balance Sheet and Income Statement in the order in which the relevant items are shown in the respective financial statements.

## Consolidation area and methods

The Consolidated Financial Statements include the individual financial statements of the Parent Company STAR S.p.A. and of those companies in which STAR S.p.A. directly or indirectly holds the majority of voting rights at the Ordinary General Meeting.

The separate/individual financial statements of the following subsidiaries have been consolidated on a line-by-line basis:

<u>Company</u>	<u>Registered office</u>	<u>Currency</u>	<u>Social capital</u>	<u>Participation</u>	<u>Interest %</u>
STAR LOG S.R.L.	ASTI - ITALY	Euro	10,000	Direct	60%
STAR ENGINEERING S.R.L.	MARANELLO (MO) - ITALY	Euro	40,000	Direct	100%
RES S.R.L.	ALESSANDRIA - ITALY	Euro	10,000	Direct	100%
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE - BRAZIL	Real	1,448,205	Direct	75%
CAL COMUNICACAO LTDA	BELO HORIZONTE - BRAZIL	Real	500,000	Direct	75%
AD STUDIO S.R.L.	LUGO (RA) - ITALY	Euro	10,000	Direct	100%
STAR USA LLC	DOVER - DELAWARE - U.S.A.	U.S.\$	5,000	Direct	100%
TECHWORLD LANGUAGE SERVICES INC.	TROY - MICHIGAN - U.S.A.	USD	890	Indirect	100%
STAR GMBH	LINZ-AUSTRIA	Euro	35,000	Direct	100%
STAR ALBANIA SHPK	TIRANA-ALBANIA	Lek	500,000	Direct	100%

The basis of consolidation changed with respect to the previous period following the acquisition of Techworld Language Services Inc and the incorporation of Star Albania. It should be noted that STAR USA LLC has prepared its own consolidated financial statements in which Techworld Language Services Inc.'s data is included as of the date it acquired control (July 15, 2019): for consolidation purposes, these sub-consolidated financial statements have been used.

The financial statements of each subsidiary, already approved by its governing bodies, were used for consolidation purposes, adjusted where necessary to bring them into line with the Parent Company's accounting standards.

The subsidiary STAR Comunicacao e Servicos Ltda, holds two minor companies that have not been consolidated due to the immateriality of their financial statement data:

- GRAPHIC AND EDITORIAL STARCOM LTDA - COLIBRI', capital stock Reais 475,000, 75% owned, based in Bairro Novo Riacho;
- STAR COMUNICACAO E SERVICOS - SCP, equal partnership between STAR Comunicacao e Servicos Ltda and STAR do Brasil (controlled by STAR AG), share capital Reais 1,000, 50% owned, based in Betim.

## Reference Date

In compliance with art. 30 of Legislative Decree no. 127/1991, the reference date of the Consolidated Financial Statements coincides with that of the Parent Company's individual financial statements, i.e. 31/12/2019. All the financial statements of the companies included in the scope of consolidation coincide with the calendar year and are closed on 31/12/2019, as are those of the consolidating Parent Company.

## Consolidation principles and criteria

The financial statements used for consolidation purposes are the individual financial statements of the individual companies, as approved by their respective General Meetings and/or equivalent bodies; if they have not yet been approved by the Shareholders' Meeting, the draft financial statements prepared by the respective administrative bodies were used. These financial statements are reclassified and adjusted, where necessary, in order to bring them into line with the accounting standards and valuation criteria of the Parent Company, which are in line with those laid down in the Italian Civil Code and issued by OIC. In preparing the Consolidated Financial Statements, the assets and liabilities shown in the Balance Sheet and the income and expenditure shown in the Income Statement of companies consolidated on a line-by-line basis are included in full. Receivables and payables as well as income and charges and profits and losses originating from transactions between consolidated companies are eliminated. In this regard, it should be noted that transactions between Group companies during the year were carried out under normal market conditions.

The difference at the date of acquisition of control between the book value of the investee company and the corresponding fraction of shareholders' equity, which are eliminated, if positive, is posted to the higher value of the consolidated assets of the investee company, including goodwill, if this is justified by the substance of the transaction, otherwise it is deducted from the consolidation reserves under liabilities. If the difference is negative, it is posted to the shareholders' equity item "Consolidation reserve" or to a specific "Consolidation reserve for future risks and charges", in compliance with the criterion contained in Article 33, paragraph 3 of Legislative Decree 127/91. The difference is charged to the Fund when losses or liabilities are expected from the consolidated investee.

The "Provisions" and "Allowances for risks and charges" thus determined are charged to the Income Statement in relation to the economic performance of the investee companies or amortized by applying the criterion indicated in the section "Accounting policies" below.

The amount of capital and reserves of subsidiaries pertaining to minority shareholders is recorded in shareholders' equity under an item entitled "capital and reserves of minority shareholders"; the portion of net income (loss) for the period pertaining to minority interests is shown under the item "net income (loss) for the period pertaining to minority interests".

The income statement shows separately the minority interest in net income.

Balance sheet and income statement relationships between the Companies included in the scope of consolidation have been totally eliminated. Gains and losses arising from transactions between Consolidated Companies, which are not realized from transactions with third parties, are eliminated. During pre-consolidation any items of exclusive tax relevance are eliminated and the related deferred taxes are provided for.

It should be noted that leased assets have been accounted for in accordance with the provisions of international accounting standard IFR 16 (financial method), which envisages recording the leased assets under assets, net of depreciation, and the amount of the residual principal under payables

## Conversion of individual financial statements expressed in currencies other than the Euro

Financial statements denominated in currencies other than the Euro are converted:

- to the year-end exchange rate for assets and liabilities in the balance sheet;
- at the average exchange rate for the period for positive and negative income components in the income statement;
- at the historical exchange rate at the time of their formation for the equity reserves.

The difference between the result for the period translated at the average exchange rate for the income statement and the result for the period translated at the spot exchange rate for the shareholders' equity

items, as well as the effects on assets and liabilities deriving from fluctuations in exchange rates at the beginning and end of the period, are allocated to the shareholders' equity item "Reserve for foreign exchange differences".

The exchange rates used are listed in the table below:

<u>Currency</u>	<u>Spot rate</u>		<u>Average rate</u>	
	<u>31/12/2019</u>	<u>31/12/2018</u>	2019	2018
U.S. Dollar to 1 Euro	1.1234	1.145	1.1195	1.181
Brazilian Real to 1 Euro	4.5157	4.444	4.4134	4.3085
Albanian Lek to 1 Euro	121.77		121.77	

### **Measurement criteria**

The valuation of the items in the financial statements was carried out in accordance with the general criteria of prudence and competence, with a view to the continuation of the business.

The application of the principle of prudence entailed the individual valuation of the elements making up the individual items of assets or liabilities, in order to avoid offsetting losses that should be recognized with profits that should not be recognized because they were not realized.

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

In application of the principle of relevance, the obligations relating to recognition, measurement, presentation and disclosure have not been complied with when their observance would have an irrelevant effect for the purposes of giving a true and fair view.

Continuity in the application of the valuation criteria over time is a necessary element for the purposes of comparability of the financial statements in the various periods.

The recognition and presentation of items in the financial statements has been made taking into account the substance of the transaction or contract (principle of substance over form).

### **Exceptional cases pursuant to art. 2423, fifth paragraph, of the Italian Civil Code**

There were no exceptional circumstances that required recourse to exemptions pursuant to article 2423, paragraph 5, of the Italian Civil Code.

### **Changes in accounting principles**

There have been no changes in accounting policies.

### **Comparability and fit issues**

Certain items in the Consolidated Financial Statements for the previous year have been reclassified for the sake of consistency.

### **Fixed assets**

#### **Intangible fixed assets**

They are recorded at purchase or production cost, revalued if necessary in accordance with the law, net of depreciation and write-downs. Amortization using the direct method is carried out in accordance with the following Group criteria:

- start-up and expansion costs, and development costs with multi-year utility are amortized over a period of 5 years;
- research and advertising costs are normally charged to the income statement.

Industrial patents and intellectual property rights, licenses, concessions and trademarks are amortized at an annual rate of 33.33 %.

Leasehold improvements are depreciated at rates that depend on the duration of the contract. If, irrespective of the depreciation already recorded, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

## Property, plant and equipment

They are recorded at purchase or production cost, revalued if necessary in accordance with the law, net of depreciation and write-downs.

The depreciation quotas charged to the Income Statement have been calculated on the basis of the criterion of the residual useful life of the assets, taking into account their use, destination and economic-technical duration, a criterion which we consider to be well represented by the following rates, which have not been modified with respect to the previous year and which are reduced by half in the year the assets enter service:

- Land and buildings: 3%
- Lightweight constructions: 10%
- Plant and machinery: 15.5%
- Alarm, fire prevention and air conditioning systems: 30%
- Industrial and commercial equipment: 25%
- Office furniture: 12%
- Office machines: 20%
- Cars: 25%
- Trucks: 20%
- Forklifts: 10%
- Lifting equipment: 15%

If, irrespective of the depreciation already recorded, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation. Tangible fixed assets are only revalued if permitted by law (special, general or sector). No discretionary or voluntary revaluations were carried out, and the valuations carried out are limited to the objectively determined value in use of the asset itself.

Maintenance costs are expensed during the year if they are ordinary in nature, or capitalized if they increase the value of the asset, and depreciated in accordance with the depreciation rate for the asset itself.

Assets held under finance leases are recorded under technical fixed assets in the relevant classes and are depreciated, as owned assets, on a straight-line basis over their residual useful lives. As a balancing entry to the asset, short and medium-term payables to the lessor financial institution are recorded; rentals are reversed from lease and rental costs and the interest accruing during the period is recorded under financial charges. In this way, a representation of the leasing transaction is obtained according to the so-called "financial method" provided for by the international accounting standard IFRS 16, which better represents the economic substance of the leasing contracts in place.

## Financial fixed assets

Investments in unconsolidated subsidiaries and associated companies are valued using the equity method.

Equity investments in other companies are posted at purchase or subscription cost, adjusted if necessary for impairment losses.

Financial receivables are recorded at nominal value, adjusted if necessary for any lasting losses in value

## Inventories

Raw and ancillary materials and finished products are recorded at the lower of purchase and/or production cost and market value and/or estimated realizable value.

## Receivables

Receivables are recorded in the financial statements according to the amortized cost criterion, taking into account the time factor and their presumed realizable value. The amortized cost criterion is not applied when the effects are insignificant, i.e. when the transaction costs, commissions paid between the parties and any other difference between the initial value and the value at maturity are insignificant or if the receivables are short-term (i.e. with a maturity of less than 12 months).

The value of receivables is adjusted to their estimated realizable value by means of a specific

allowance for doubtful accounts, taking into account the existence of indicators of impairment. The amount of the write-down is recognized in the income statement.

### **Cash on hand**

Cash and cash equivalents at the end of the fiscal year are valued at nominal value, which approximates fair value. Cash denominated in foreign currency is valued at the year-end exchange rate.

### **Accruals and deferrals**

They have been determined in accordance with the criterion of actual accrual for the period.

### **Provisions for risks and charges**

These are set aside to cover losses or payables whose existence is certain or likely, but whose amount or date of occurrence could not be determined at the end of the financial year. In the valuation of these provisions, the general criteria of prudence and competence were respected, and no generic risk provisions without economic justification were set up.

Contingent liabilities have been recorded in the financial statements and posted to the provisions since they are considered probable and the amount of the related charge can be reasonably estimated.

Provisions for risks and charges are recorded with priority in the cost items of the income statement of the relevant classes (B, C or D). Whenever this correlation between the nature of the provision and one of the items in the above classes is not feasible, the provisions for risks and charges are posted to items B12 and B13 in the Income Statement.

### **Provision for severance pay**

Represents the actual debt accrued to employees in accordance with applicable law and labor agreements. This liability is subject to revaluation by means of indices. This item includes the amount due to employees for severance indemnities accrued up to the month prior to the date on which each employee expressly or tacitly chose the fund to which to allocate the accruing severance indemnities, pursuant to Legislative Decree no. 252 of 5 December 2005 and subsequent amendments and additions. In fact, it should be noted that, following the entry into force of the above-mentioned decree, the following were taken into account:

- (i) the employees' decision to allocate the severance indemnity fund to a pension fund (private or professional);
- (ii) of employees' decision to keep their severance pay with their employer.

### **Payables**

Payables are recorded according to the amortized cost method, taking into account the time factor. The amortized cost criterion is not applied to payables if its effects are insignificant. Generally, the effects are considered insignificant for short-term payables (i.e. with maturities of less than 12 months).

Any discounting of trade payables is only carried out if the nominal value of the payables significantly exceeds the market price of the goods purchased with a short-term payment and if the extension granted significantly exceeds the following year.

Amounts due for vacations accrued by employees and deferred remuneration, including amounts due to social security institutions, are provided for on the basis of the amount that would be payable in the event of termination of employment at the balance sheet date.

### **Conversion criteria for values expressed in foreign currency**

Receivables and payables originally expressed in foreign currency are aligned with the exchange rates at the balance sheet date. Any hedging transactions are taken into account.

## Revenue and cost recognition

Revenue from product sales is recognized upon transfer of ownership, which is normally identified with delivery or shipment.

Revenues from services and those of a financial nature are recognized on an accruals basis.

Revenues and income, costs and charges relating to transactions in foreign currency are determined at the exchange rate in force on the date on which the transaction is carried out.

Income and expenses relating to sale/purchase transactions with the obligation to sell at a future date, including the difference between the forward price and the spot price, are recorded for the portion pertaining to the period.

## Income Taxes

Income taxes include all taxes calculated on the taxable income of individual Group companies.

Income taxes are recognized in the income statement,

Other non-income related taxes, such as property taxes, are included in other operating expenses.

Deferred taxes are provided using the global liability allocation method. They are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount in the consolidated financial statements. Deferred tax assets on tax losses and temporary differences are recognized to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to apply, under the respective laws of the countries in which the Group operates, in the periods in which the temporary differences will be realized or settled.

## Cash flow statement

The Statement of Cash Flows has been prepared in accordance with the format indicated in article 2425 bis of the Italian Civil Code and with the instructions given in OIC 10.

## Employment figures

The average number of employees of the companies consolidated on a line-by-line basis is shown separately by category.

COMPANY	NO. OF EMPLOYEES AS AT 31/12/2018					NO. OF EMPLOYEES AS AT 31/12/2019				
		executives	middle managers	office workers	manual workers		executives	middle managers	office workers	manual workers
STAR S.P.A.	208	2	6	198	2	239	2	8	227	2
STAR ENGINEERING	52			51	1	65			64	1
AD STUDIO	22			22		22			22	
RES	15			15		15			15	
STAR LOG	33			12	21	38			12	26
STAR GMBH	4			4		3			3	
STAR ALBANIA						31			31	
STAR USA LLC	2			2		2			2	
TECHWORLD						19			19	
STAR COMUNICACAO	40			40		59			45	14
<b>TOTAL</b>	<b>376</b>	<b>2</b>	<b>6</b>	<b>344</b>	<b>24</b>	<b>493</b>	<b>2</b>	<b>8</b>	<b>440</b>	<b>43</b>

For completeness, it should be noted that the subsidiary GRAFICA E EDITORA STARCOM LTDA- COLIBRI' (not fully consolidated) had 18 employees in 2019.

## Activities

### B) Fixed assets

#### I. Intangible fixed assets

Changes in this item are as follows:

<u>Description</u>	<u>31/12/2018</u>	<u>Increases</u>	<u>Amortisation</u>	<u>Reclassification</u>	<u>31/12/2019</u>	
Start-up and expansion costs	1,069,061	-	-	271,118	7,470	805,412
Industrial patent rights and intellectual property rights	48,718	-	-	27,817		20,901
Industrial patents and intellectual property rights	200,684	272,782	-	179,865		293,601
Goodwill	1,313,548	3,088,636	-	340,847	7,470	4,053,867
Assets under construction/development	-	184,667				184,667
Others	336,952	276,159	-	161,456		451,655
<b>Total intangible assets</b>	<b>2,968,963</b>	<b>3,822,244</b>	<b>-</b>	<b>981,103</b>	<b>-</b>	<b>5,810,104</b>

The composition of the balance as of 12/31/2018 is as follows:

	<u>Historical cost</u>	<u>Accumulated amortisation/deprecia tion</u>	<u>Net value</u>
Start-up and expansion costs	1,336,917	267,856	1,069,061
Industrial patent rights and intellectual property rights	277,130	228,412	48,718
Industrial patents and intellectual property rights	1,050,179	849,496	200,683
Goodwill	1,877,713	564,165	1,313,548
Others	541,735	204,783	336,952
	<b>5,083,674</b>	<b>2,114,712</b>	<b>2,968,962</b>

Goodwill is allocated among the investee companies as follows:

	<u>Historical cost</u>	<u>Accumulated amortisation/depreciation</u>	<u>Net value</u>
RES s.r.l.	816,481	163,296	653,185
Star Engineering S.r.l.	590,318	413,223	177,095
STAR U.S.A.	287,889	96,605	191,284
Techworld Language Services	3,088,636	154,943	2,933,693
STAR Gmbh	164,350	65,740	98,610
	<b>4,947,674</b>	<b>893,807</b>	<b>4,053,867</b>

Goodwill originates from the allocation of the positive difference resulting from the elimination of the cost of investments against the shareholders' equity of companies consolidated on a line-by-line basis at the date of acquisition, where justified by the nature and substance of the transaction. Goodwill is amortized over 10 years and is subject to impairment testing to identify any impairment losses. Specifically:

- RES: the goodwill at the date of acquisition (2018) amounts to 816,481 euros and is justified by the fact that RES is a high-performing company in the technical drafting sector in which the Group operates. The purchase of RES was made by DANTE s.r.l., a company that holds 50% of the shares of the Parent Company STAR S.p.A., but is supported by a sworn expert's report certifying that the sale price is fair;
- STAR Engineering: the goodwill derives from the acquisition in 2013 of Wayred s.r.l., subsequently merged into STAR Engineering s.r.l.; goodwill as of the date of acquisition amounted to 590,318 euros and is justified by the fact that Wayred held supply contracts with an important customer in the high-end automotive sector; the contract was therefore acquired by the STAR Group and is still active.

The primary increase in 2019 is goodwill related to Techworld Language Services Inc. which was acquired by STAR USA on July 15, 2019. This goodwill is amortized over 10 years and in 2019 the amortization rate is measured at 6 months because in the Consolidated Financial Statements, the revenues and expenses of the investee are assumed from the date control is acquired.

No tax effect has been calculated on the goodwill recorded in the Consolidated Financial Statements, as such goodwill is only valid for statutory purposes and has no tax implications.

Assets under construction mainly refer to charges incurred for the launch of the listing procedure for the Parent Company's shares.

During fiscal year 2019, the parent company recognized € 224,776 in deferred costs under item B7 other

intangible assets, for the acquisition of a contract with a major US customer with a three-year term, the amortization of which amounted to € 74,925 is calculated over the contractual term and was charged directly to the account.

It should be noted that in accordance with OIC 24, during 2018 start-up costs related to new activities linked to new contracts with leading customers in the Automotive sector amounting to € 1,384,755 were recorded under item B11.

Pursuant to article 10 of Law no. 72/1983, it should be noted that no monetary revaluation has ever been carried out on intangible fixed assets.

## II. Property, plant and equipment

Changes in this item are as follows:

<u>Description</u>	<u>31/12/2018</u>	<u>Increases</u>	<u>Decrease</u>	<u>Depreciation</u>	<u>31/12/2019</u>
Land and buildings	1,948,745	150,120		-46,002	2,052,863
Plant and machinery	920,644	417,601		-402,775	935,470
Industrial and commercial equipment	562,955	61,980		-19,802	605,133
Other assets	621,927	408,156		-249,442	721,511
Assets under development/construction and payments on account	135,100	100,615	-59,130		235,715
	<b>4,189,371</b>	<b>1,138,472</b>	<b>-59,130</b>	<b>-718,021</b>	<b>4,550,692</b>

Land and buildings also includes land and buildings held by the Parent Company under lease agreements for the following net book values:

- land Euro 377,028
- buildings €1,078,300

Tangible fixed assets do not include any allocation of consolidation differences arising from the elimination of the investment account against the shareholders' equity of subsidiaries.

Assets under construction include € 235,715 relating to the start of work on the construction of new offices in front of the Company's headquarters; this work will be financed through a property lease.

### **Total revaluations of tangible fixed assets at year end (Ref. art. 2427, first paragraph, no. 2, Civil Code)**

Pursuant to article 10 of Law no. 72/1983, it should be noted that no monetary revaluation of tangible fixed assets has ever been carried out, nor have any departures from statutory valuation criteria been made.

## III. Financial fixed assets

### Participations

Investments in subsidiary undertakings refer to GRAFICA E EDITORA STARCOM LTDA - COLIBRI', valued at zero in the separate financial statements of the subsidiary undertaking, Starcom Comunicacao.

Equity investments in associated undertakings refer to STAR COMUNICACAO E SERVICOS - SCP, an equal partnership between STAR Comunicacao e Servicos Ltda and STAR do Brasil (controlled by STAR AG), valued using the equity method at €18,831 in the separate financial statements of the subsidiary Starcom Comunicacao.

### Receivables



Long-term receivables are broken down as follows:

<u>Description</u>	<u>31/12/2019</u>	<u>31/12/2018</u>	<u>Change</u>		<u>Within 12 months</u>	<u>After 12 months</u>
Associated company Dante s.r.l.	287,500	0	287,500	of which	287,500	0
From others	104,687	67,511	37,176	of which	37,176	67,511
	<u>392,187</u>	<u>67,511</u>	<u>324,676</u>		<u>324,676</u>	<u>67,511</u>

All long-term receivables are due from counterparties located in Italy.

The carrying value of receivables reasonably approximates their fair value.

## C) Current assets

### I. Inventory

This item consists of the following:

<u>Description</u>	<u>31/12/2019</u>	<u>31/12/2018</u>	<u>Change</u>
Raw and consumable materials	75,629		75,629
Finished products and goods	582,938	558,490	24,448
	<u>658,567</u>	<u>558,490</u>	<u>100,077</u>

### II. Receivables

Consolidated receivables, after elimination of intercompany values, are broken down by maturity as follows.

<u>Description</u>	<u>Balance 31--12-2019</u>				<u>Balance as at 31-12-2018</u>	<u>Change</u>
	<u>Within 12 months</u>	<u>After 12 months</u>	<u>Over 5 years</u>	<u>Total</u>		
From customers	25,785,457			25,785,457	20,460,165	5,325,292
To/from subsidiaries not consolidated on a line-by-line basis	311,386			311,386	-	311,386
From associates	277,328			277,328	439,634 -	162,306
For tax receivables	1,767,172			1,767,172	1,164,678	602,494
Deferred tax assets/liabilities		149,320		149,320	110,191	39,129
From others	359,289			359,289	984,912 -	625,623
	<u>28,500,633</u>	<u>149,320</u>	<u>-</u>	<u>28,649,953</u>	<u>23,159,580</u>	<u>5,490,373</u>

Trade receivables are recorded net of the allowance for doubtful accounts.

The breakdown of receivables by geographical area is as follows:

<u>Description</u>	<u>Italy</u>	<u>EU</u>	<u>Non EU</u>	<u>Total</u>
From customers	21,874,456	1,469,590	2,441,411	25,785,457
To/from subsidiaries not consolidated on a line-by-line basis			311,386	311,386
From associates	69,412	90,269	117,647	277,328
Tax receivables	1,753,262	6,234	7,676	1,767,172
Deferred tax assets	105,880		43,440	149,320
From others	350,596		8,693	359,289
	<u>24,153,606</u>	<u>1,566,093</u>	<u>2,930,253</u>	<u>28,649,952</u>

Receivables from subsidiaries not consolidated on a line-by-line basis refer to receivables from GRAFICA E EDITORA STARCOM LTDA - COLIBRI'.

Amounts due from associated undertakings may be broken down as follows:

DANTE SRL	69,412
STAR AG	54,391
STAR DEUTSCHLAND GMBH	50,622
STAR GROUP AMERICA, LLC	2,118
STAR JAPAN CO., LTD	2,789
STAR SA	9,149
STAR PARIS	13,388
STAR SERVICIOS LINGUISTICOS	215
STAR TECHNOLOGY SOLUTIONS	13,253
STAR GROUP SCANDINAVIA AB	1,645
STAR Information Services Ltd. Sti.	112
STAR UK LIMITED	767
STAR CZECH S.R.O.	162
STAR Software, Translation, Artwork,	956
STAR ARGENTINA	58,349
	<u>277,328</u>

The change in deferred tax assets (from € 110,191 in the previous year to € 149,320 at December 31, 2019) is attributable to the credit in Techworld's financial statements of € 43,440 and the use of € 4,311 resulting from consolidation adjustments. The residual portion of the receivable, amounting to €97,478, was provided for in previous years by the Parent Company and relates to deferred tax assets allocated following provisions for doubtful accounts in excess of the tax deductible limit.

Tax credits include research and development tax credits for the year 2019 of € 1,574,604. The amount refers to the benefit resulting from the incurring of costs classifiable as research and development credits in the period indicated above.

In receivables from others, € 236,145 relates to the accrued severance indemnities of SDS employees. This branch of business has been leased by STAR S.p.A. for a period of three years and the same amount has been charged to liabilities under the item "Employee Severance Indemnity". At the end of the lease contract and in case of return of the branch of business to the company SDS srl, the amounts will be offset.

### III. Cash on hand

Description	<u>31/12/2019</u>	<u>31/12/2018</u>	<u>Change</u>
Bank and postal deposits	3,402,622	3,341,045	61,577
Cash and cash equivalents	9,981	20,834 -	10,853
	<u>3,412,603</u>	<u>3,361,879</u>	<u>50,724</u>

The balance represents cash and cash equivalents and the existence of cash and valuables at the end of the fiscal year.

For further details on changes in cash and cash equivalents, see the Statement of Cash Flows.

### Accrued income and prepaid expenses

They represent the liaison items for the financial year calculated on an accruals basis and consist exclusively of prepaid expenses. As of December 31, 2019, they are detailed as follows:

Description	
Real estate lease deferrals existing contract	164,398
Prepaid expenses expenses tel,insurance,car rental fees	258,683
Multi-year prepaid expenses: sDS rent, Zingarini/Oneto for Spa transformation, maxi fee new leasing contract	364,174
	<u>787,255</u>

As of 12/31/2019, there are prepaid expenses of €432,398 with a duration of more than five years related to the existing real estate lease and the maxi-fee for the new building under construction.

## Liabilities

### A) Net equity

Description	31/12/2018	Allocation of previous year's result		Other changes		Profit (loss) for the year	31/12/2019
		Allocation of dividends	Allocation to reserve	Increases	Decrease		
Share capital	500,000						500,000
Legal reserve	100,000						100,000
Extraordinary reserve	4,671,135		1,273,377				5,944,512
Capital contributions	2,846						2,846
Amnesty reserve	19,321						19,321
Consolidation reserve	877,754			268,726	- 311,778		834,702
Reserve for foreign exchange translation differences	172,391			173,766			1,375
Profit (loss) for the year	1,942,103	- 400,000	- 1,542,103			2,351,550	2,351,550
<b>Total equity of the Group</b>	<b>7,940,768</b>	<b>- 400,000</b>	<b>- 268,726</b>	<b>442,492</b>	<b>- 311,778</b>	<b>2,351,550</b>	<b>9,754,306</b>
Capital and reserves attributable to minority interests	330,077			244,016			574,093
Profit (loss) attributable to minority interests	662,270	- 430,059	- 232,211			151,776	151,776
<b>Total equity attributable to minority interests</b>	<b>992,347</b>	<b>- 430,059</b>	<b>- 232,211</b>	<b>244,016</b>		<b>151,776</b>	<b>725,869</b>
<b>Total net equity</b>	<b>8,933,115</b>	<b>- 830,059</b>	<b>- 500,937</b>	<b>686,508</b>	<b>- 311,778</b>	<b>2,503,326</b>	<b>10,480,175</b>

The consolidation reserve includes reserves for prior years' profits earned by subsidiaries and is net of amortization of goodwill pertaining to previous years.

### Reconciliation between the Parent Company's statutory financial statements and the consolidated financial statements

The following table shows a reconciliation of shareholders' equity of the Parent Company STAR S.p.A. and consolidated shareholders' equity:

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2019					
	NET			PROFIT/LOSS 2019	NET
	EQUITY 2018	DIVIDENDS	AND SCOPE CHANGES		EQUITY 2019
<b>STAR S.P.A.</b>	<b>6,966,681</b>	<b>(400,000)</b>	<b>0</b>	<b>1,346,900</b>	<b>7,913,581</b>
Operating results of pro-rata subsidiaries				1,456,113	1,456,113
Intercompany dividends				(300,000)	(300,000)
Pro-quota reserves of subsidiary companies' profits	1,657,603		(311,778)		1,345,825
Amortisation of goodwill	(552,960)			(185,904)	(738,864)
Intragroup profits net of tax effect	(28,957)			7,239	(21,718)
Leasing accounting with the financial method	122,508			25,319	147,827
Alignment of intercompany costs / revenues	(51,716)			1,883	(49,833)
Exchange rate differences on conversion of foreign currency items	(172,391)		173,766		1,375
<b>CONSOLIDATED FINANCIAL STATEMENTS - GROUP SHARE</b>	<b>7,940,768</b>	<b>(400,000)</b>	<b>(138,012)</b>	<b>2,361,660</b>	<b>9,764,306</b>

### B) Provisions for risks and charges

The breakdown of this item is as follows.

Description	31/12/2018	Provisions	Uses	31/12/2019
Pensions and similar obligations	25,465	25,465		50,930
Provision for taxes, including deferred taxes	47,406	9,797		57,203
Others	59,577	-	9,577	50,000

The "Retirement reserve" refers to the reserve for severance indemnities of the Parent Company's Directors.

The provision for deferred tax liabilities relates to the tax effect on the recognition of the lease of the building in accordance with IFRS 16 (financial methodology).

The risk provision of €50,000 set aside in previous years for commercial risks has been prudently maintained.

As of December 31, 2019, the parent company has not set aside in the specific provision for risks and charges (liability item B.3) the mark-to-market of 10,090 euros of the hedging interest rate swap, related to the loan disbursed in 2019 by Intesa San Paolo for 3,000,000 euros, as a balancing entry to the reserve for hedging transactions of expected cash flows (equity item A.VII), nor has it calculated the related deferred tax assets: this is in application of the principle of relevance, which provides that the obligations regarding recognition, measurement, presentation and disclosure may not be complied with when their observance would have an irrelevant effect in order to provide a true and fair view of the Group's economic and financial situation and assets.

### C) Employee severance indemnity

<u>The accrued provision represents the actual liability at 12/31/2019 to employees in service at that date, net of advances paid. The change is as follows:</u>	
Balance as at 12/31/2018	2,188,448
Provisions	674,104
Uses	<u>-217,940</u>
Balance as at 31-12-2019	<u>2,644,612</u>

### D) Payables

Consolidated payables, after elimination of intercompany amounts, are broken down by maturity as follows:					
	Balance 31-12-2019		Balance as at 31-12-2018	Change	
	Within 12 months	More than 12 months	Total		
		Over 5 years			
Borrowings from banks	16,875,076	2,386,364	19,261,440	10,033,717	9,227,723
Borrowings from other lenders	85,557	1,149,973	1,235,530	1,316,106	- 80,576
Payments on account	1,760		1,760	574	1,186
Trade payables	5,662,147		5,662,147	7,303,355	1,641,208
Payables to unconsolidated subsidiaries	50,333		50,333	-	50,333
Payables to associated companies	665,133		665,133	957,862	- 292,729
Tax payables	1,197,567		1,197,567	753,549	444,018
Due to social security institutions	655,185		655,185	532,663	122,522
Other payables	1,995,925		1,995,925	2,145,263	- 149,338
	27,188,683	3,536,337	- 30,725,020	23,043,089	7,681,931

Amounts due to banks as of 31/12/2019 include a medium-term loan granted by Intesa San Paolo for 2,564,531 euros and short-term loans granted by Intesa San Paolo and Banco BPM for 3,229,100 euros; Euro 2,930,000 refer to loans from Factor companies, Euro 6,435,717 refer to invoice advance accounts with various credit institutions; the remainder relates to so-called "hot money", short-term loan transactions used to cover very short-term requirements.  
The item "Due to other financial institutions within or after 12 months" includes payables due to leasing companies in relation to fixed assets (land and buildings) acquired under finance leases.

As of December 31, 2019, "Accounts Payable to Suppliers" primarily includes payables arising from the purchase of services and goods intended directly for the production of finished goods and services.

Payables due to subsidiaries not consolidated on a line-by-line basis are all due to GRAFICA E EDITORA STARCOM LTDA - COLIBRI'.

The item "Due within 12 months" primarily regards amounts due for withholding tax, VAT and income tax.

The balance of other payables includes accruals for deferred compensation of employees, so for consistency, the amount relating to 31-12-2018 has been reclassified, which in the 2018 Consolidated Financial Statements was instead included in accrued expenses in the amount of 986,780 Euros.

There are no debts secured by collateral on corporate assets.

Payables are broken down by geographical area as follows:

	Italy	EU	Non EU	Tritola
Borrowings from banks	19,261,440			19,261,440
Borrowings from other lenders	1,235,530			1,235,530
Payments on account	1,760			1,760
Trade payables	5,410,588	36,262	215,297	5,662,147
Payables to non-consolidated subsidiaries in full.			50,333	50,333
Payables to associated companies	210,228	340,046	114,859	665,133
Tax payables	990,688	5,373	201,506	1,197,567
Due to social security institutions	628,326	157	26,702	655,185

Other payables	1,892,102	15,593	88,230	1,995,925
	29,630,662	397,431	696,927	30,725,020

Payables due to associated undertakings may be broken down as follows:

DANTE SRL	210,228
STAR AG	240,126
STAR GROUP AMERICA LLC	7,596
STAR TECH SRL	40
STAR CZECH S.R.O.	88
STAR TRANSLATION & SOFTWARE THAILAND	437
STAR INFORMATION ENGINEERING S.L.	12,554
STAR SPB - RUSSIA	6,484
STAR POLONIA ZLOTY	1,555
STAR VIETNAM TRANSLATION & SOFTWARE	578
STAR J&M FINNLAND OY	284
STAR SERV.LINGUISTICOS LDA	42,968
STAR VERTALINGEN BV	694
STAR SA	110
STAR AG TAIWAN BRANCH	8,420
STAR Information Services & Tools S.	11,263
STAR UK LIMITED	6,235
STAR HUNGARY KFT	14,102
STAR POLAND EURO	394
STAR GMBH	893
STAR KOREA AG	2,257
STAR JAPAN TOKYO	11,822
STAR SOFTWARE SHANGHAI CO. LTD	19,216
STAR TECHNOLOGY SOLUTIONS	324
STAR SOFTWARE INDONESIA	354
STAR PREVAJALSKE STORITVE D.O.O Ljub	27,053
STAR EGITTO MIDDLE EAST LTD CAIRO	2,275
STAR GROUP SCANDINAVIA AB	9,727
STAR DO BRASIL LOCALIZACAO E TECNOLO	2,872
STAR SERVICIOS LINGUISTICOS	5,739
STAR PARIS	2,678
STAR COMUNICACAO E SERVICOS - SCP	15,767
	<b>665,133</b>

#### E) Accrued expenses and deferred income

These represent the liaison items for the year calculated on an accruals basis, and consist of accrued interest payable on the lease contract for 6,582 euros and the remainder of deferred income for revenues paid in advance but pertaining to the following year.

The decrease is mainly due to the recognition in the income statement of revenues of €440,000 invoiced in advance in 2018 but actually realized in 2019.

The item does not include accruals for deferred compensation of employees, recorded under the item other payables, therefore for consistency the amount related to 31-12-2018 was reclassified, which in the 2018 Consolidated Financial Statements was instead included in accrued expenses for € 986,780.

As of 31/12/2019, there are no accruals or deferrals with a duration of more than five years.

#### Income Statement

#### A) Value of production

The breakdown of the value of production by business sector is as follows:

<b>Business sector</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Change</b>
Revenues from translation and interpreting	17,306,547	13,685,185	3,621,362
Revenues from authoring	22,088,818	19,977,028	2,111,790
Revenues from printing	5,659,283	4,935,903	723,380
Misc. services	6,071,676	4,318,283	1,753,393
<b>Total</b>	<b>51,126,324</b>	<b>42,916,399</b>	<b>8,209,925</b>

The breakdown of the value of production by geographical area is as follows:

<b>Geographical area</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Change</b>
Italy	37,564,751	35,828,390	1,736,361
EU	3,801,080	1,850,417	1,950,663
NON EU	9,760,493	5,237,592	4,522,901
<b>Total</b>	<b>51,126,324</b>	<b>42,916,399</b>	<b>8,209,925</b>

Revenues earned from related parties are as follows:

<b>ASSOCIATED COMPANY</b>	<b>EU</b>	<b>NON EU</b>	<b>ITALY</b>	<b>TOTAL</b>
DANTE SRL			1,267	1,267
STAR AG		60,111		60,111
STAR CZECH S.R.O.	4,245			4,245
STAR DEUTSCHLAND GMBH	240,131			240,131
STAR GROUP SCANDINAVIA AB	30,019			30,019
STAR HUNGARY KFT	16			16
STAR INFORMATION ENGINEERING S.L.	33			33
STAR Information Services & Tools S.R.L.	25			25
STAR JAPAN CO., LTD		9,564		9,564
STAR PARIS	41,931			41,931
STAR SA		75,152		75,152
STAR SERVICIOS LINGUISTICOS	3,299			3,299
STAR Software, Translation, Artwork, Recording Gmbh	820			820
STAR TECHNOLOGY SOLUTIONS	21,611			21,611
STAR UK LIMITED	2,735			2,735
	344,864	144,827	1,267	490,958

"Other revenues", amounting to € 2,433,421, are attributable for € 1,574,604 to the research and development credit recognized in the 2019 financial statements in the income statement for the entire reporting period, which is similar in substance to operating grants, given the recognition in the income statement of all the underlying subsidized expenses. Operating grants are components that result in a reduction in the costs and expenses of core business activities. They are posted to item A5 "Other revenues and income" in the Income Statement, on an accruals basis and in the period in which the right to receive them arises with certainty.

## **B) Costs of production**

Costs of production are all inherent in the production of revenues and accrued during the period. The column for fiscal year 2018 presents the reclassification of the provision for TFM due to the directors of the Parent Company to line item No. 12 in the statement of operations.

<b>DESCRIPTION</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>CHANGES</b>
FOR RAW MATERIALS, SUPPLIES AND GOODS FOR RESALE	3,585,846	3,293,342	292,504
FOR SERVICES	23,302,207	21,219,902	2,082,305
LEASES AND RENTALS	1,428,090	864,772	563,318
WAGES AND SALARIES	14,113,946	10,122,218	3,991,728
SOCIAL SECURITY CONTRIBUTIONS	3,520,151	2,649,490	870,661
EMPLOYEES' LEAVING ENTITLEMENT	674,104	544,182	129,922
OTHER PERSONNEL COSTS	335,216	58,431	276,785

AMORTIZATION OF INTANGIBLE FIXED ASSETS	981,101	658,836	322,265
DEPRECIATION OF TANGIBLE FIXED ASSETS	718,021	572,130	145,891
WRITE-DOWN OF RECEIVABLES	13,120	100,286 -	87,166
CHANGES IN INVENTORIES OF RAW MATERIALS	25,791 -	49,838	24,047
PROVISIONS FOR RISKS	25,465	25,465	-
SUNDRY OPERATING EXPENSES	834,048	477,811	356,237
TOTAL COSTS OF PRODUCTION	49,505,524	40,537,027	8,968,497

### Cost of raw materials, ancillary materials, consumables and goods for resale and Cost of services

They are closely related to the information provided in the section of the Report on Operations and the performance of Item A (Value of Production) of the Income Statement.

### Personnel costs

This item includes all expenses for employees, including merit payments, changes in category, contingency payments, the cost of unused vacation time and provisions pursuant to legislation and collective labour agreements.

### Depreciation of tangible fixed assets

Depreciation has been calculated on the basis of the useful life of the asset and its exploitation during the production phase.

Costs recorded with related parties are as follows:

ASSOCIATED COMPANY	EU	NON EU	ITALY	TOTAL
DANTE SRL			1,721,104	1,721,104
STAR AG		156,507	346,872	503,379
STAR AG TAIWAN BRANCH		26,061		26,061
STAR CZECH S.R.O.	322,195			322,195
STAR DEUTSCHLAND GMBH	41,758			41,758
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA		8,752		8,752
STAR EGITTO MIDDLE EAST LTD CAIRO		37,955		37,955
STAR GMBH	2,017			2,017
STAR GROUP SCANDINAVIA AB	23,355			23,355
STAR HUNGARY KFT	90,399			90,399
STAR INFORMATION ENGINEERING S.L.	79,937			79,937
STAR Information Services & Tools S.R.L.			76,084	76,084
STAR J&M FINNLAND OY	1,401			1,401
STAR JAPAN TOKYO		158,866		158,866
STAR KOREA AG		16,497		16,497
STAR PARIS	30,865			30,865
STAR POLAND EURO	182,006			182,006
STAR PREVAJALSKE STORITVE D.O.O Ljubljana	272,163			272,163
STAR SA		75		75
STAR SERV.LINGUISTICOS LDA	196,125			196,125
STAR SERVICIOS LINGUISTICOS	44,432			44,432
STAR SOFTWARE INDONESIA		26,427		26,427
STAR SOFTWARE SHANGHAI CO. LTD		208,300		208,300
STAR SPB - RUSSIA		27,737		27,737
STAR TECHNOLOGY SOLUTIONS	504			504
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD		20,123		20,123
STAR TURCHIA INF.SERVICES LTD STI		1,609		1,609
STAR UK LIMITED	65,295			65,295
STAR VERTALINGEN BV	5,557			5,557
STAR VIETNAM TRANSLATION & SOFTWARE CO., LTD.		3,068		3,068
	1,358,010	691,976	2,144,060	4,194,046



## C) Financial income and expense

### Breakdown of interest and other financial expense by type of debt

DESCRIPTION	
Bank interest	97,711
Supplier interests	268
Interest on loans and leasing	157,244
Discounts or financial charges	25,306
Interest on deferred taxes	121
<b>TOTAL FINANCIAL EXPENSES</b>	<b>280,650</b>

### Current, deferred and prepaid income taxes for the year

DESCRIPTION	
Current taxes:	
IRES	589,290
IRAP	335,651
Income taxes of foreign subsidiaries	335,993
Deferred taxes	9,797
Deferred tax assets	4,311
Taxes relating to prior periods	181,898
	<b>1,456,940</b>

Taxes for previous years refer to the repayments made following acceptance of the GDF PVC of 27/06/2019 received by the parent company.

### Deferred tax assets/liabilities

Changes in Group deferred tax assets are shown below:

	Taxable value		Deferred tax assets	
Taxed bad debt provision	406,150		97,476	
Maintenance expenses	5,412		1,510	
Reversal of intra-group transfer margin	40,161		11,205	
Balance 31 December 2018	<b>451,723</b>		<b>110,191</b>	
Change in the scope of consolidation	173,459		43,440	
(Uses)/Accruals 2019				
Maintenance expenses	-	5,412	-	1,510
Reversal of intra-group transfer margin	-	10,039	-	2,801
Total (uses/provisions)	-	15,451	-	4,311
Taxed bad debt provision	406,150		97,476	
Reversal of intra-group transfer margin	30,122		8,404	
Techwold goodwill amortization	173,459		43,440	
Balance 31 December 2019	<b>436,272</b>		<b>149,320</b>	

### Information on financial instruments issued by the company

The Group has not issued any financial instruments.

### Information on the fair value of derivative financial instruments

Reference should be made to the notes to the liability item "Allowances for risks and charges".

### Information on financial fixed assets recorded at a value higher than fair value

No financial assets are recorded in the consolidated financial statements at a value greater than their fair value.

**Information on transactions carried out with related parties (ref. art. 38, first paragraph, letter o-quinquies), Legislative Decree no. 127/1991)**

Transactions with related parties were mainly with STAR AG, Dante s.r.l. and companies in which they hold investments. These transactions were carried out at conditions in line with market conditions. Details are provided in the notes to the various balance sheet and income statement items.

A short-term loan was granted to the associated undertaking DANTE S.r.l., which will be repaid in the early months of the current year (see note on financial fixed assets).

**Information on agreements not shown in the balance sheet (ref. art. 38, first paragraph, letter o-sexies), Legislative Decree no. 127/1991)**

There are no agreements not reflected on the Balance Sheet that need to be reported.

**Information on the fees payable to the Independent Auditors (ref. art. 38, paragraph 1, letter o-septies), Legislative Decree no. 127/1991)**

For the year ended 12/31/2019, the accrued fees for services rendered by the Independent Auditors amounted to:

- statutory audit of the statutory and consolidated financial statements, including the half-yearly report: €72,500;
- other audit services (pro-forma statements): €7,500;
- other attestation services (R&D tax credit): €6,000.

**Information pursuant to Article 1, paragraph 125 of Law No. 124 of August 4, 2017**

Income from tax credits for research and development activities pursuant to Legislative Decree no. 145/2013, recorded by the Parent Company and the subsidiaries STAR Log S.r.l., STAR Engineering S.r.l. and AD Studio s.r.l. for a total of € 1,574,604 to be charged to 2019, was recorded. Also in 2018, income totalling €901,521 was recorded under this heading (STAR S.p.A., STAR Log S.r.l. and STAR Engineering S.r.l.).

STAR S.p.A. also received €25,559.71 in 2019 as a grant, for training aid, M.O.L.E. program. (Improving Organization, Work and Efficiency) - Continuing Education, pursuant to the "Regulations for interprofessional funds for continuing education for the granting of state aid", provided by the M.I.S.E. through Fondimpresa.

**Significant events occurring after the end of the financial year and business outlook for 2020**

After the end of the year, all the activities linked to the process of listing on AIM Italia were intensified, entailing a series of checks (fiscal, tax, legal, financial, contractual, etc.) by the auditors appointed by the company with a view to quantifying the Group's value.

In January the process for the merger of the subsidiary RES S.r.l. into your company began with effect from January 1, 2020 and this operation will reasonably be completed in early April.

Please be advised that business continues to run smoothly and on budget.

On January 10, 2020, the Alessandria Tax Revenue Office accessed the offices of the company in Via Alessandria no. 37/b Valle San Bartolomeo (AL) to initiate an audit relating to the 2017-2018 tax periods concerning the use of the tax credit for research and development activities in compensation as per Art.3, paragraph 1, Law Decree no. 145 of 23/12/2013 and sms.

At the time of drawing up the draft financial statements, the audit has not yet been completed and as no formal notice of dispute has yet been served, it is not possible to accurately quantify the related risk.

**Firms that prepare the financial statements of the larger/smaller set of firms to which you belong as a subsidiary**

Pursuant to the law, we provide the information required by Article 2427, paragraph 1, no. 22quinquies and sexies) of the Italian Civil Code.

	Better together
Company Name	STAR AG
City (if in Italy) or foreign country	SWITZERLAND
Tax ID No	CHE-02.892.540
Place of filing of the consolidated financial statements	SWITZERLAND

### Other information

Pursuant to the law, it should be noted that in the financial year ended on 31/12/2019, remuneration of EUR 437,945 was paid to the Board of Directors of the parent company, while the remuneration due to the members of the Board of Statutory Auditors amounted to EUR 22,047. There are no advances or other benefits paid to the above parties

These consolidated financial statements, which comprise the balance sheet, income statement, cash flow statement and notes, present a true and fair view of the Company's financial position and results of operations, and correspond to the accounting records of the Parent Company and the information provided by the businesses included in the consolidation.

Alessandria, February 14, 2020

Chairman of the Board of Directors

Lorenzo Mondo

The undersigned Dr. Giovanni Zingarini, pursuant to art. 31 paragraph 2-quinquies of Law 340/2000, declares that this document is in conformity with the original deposited with the company.