Financial Statements 2021

BURGO
GROUP

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The Burgo Group Structure

91.70%
BG Holding srl

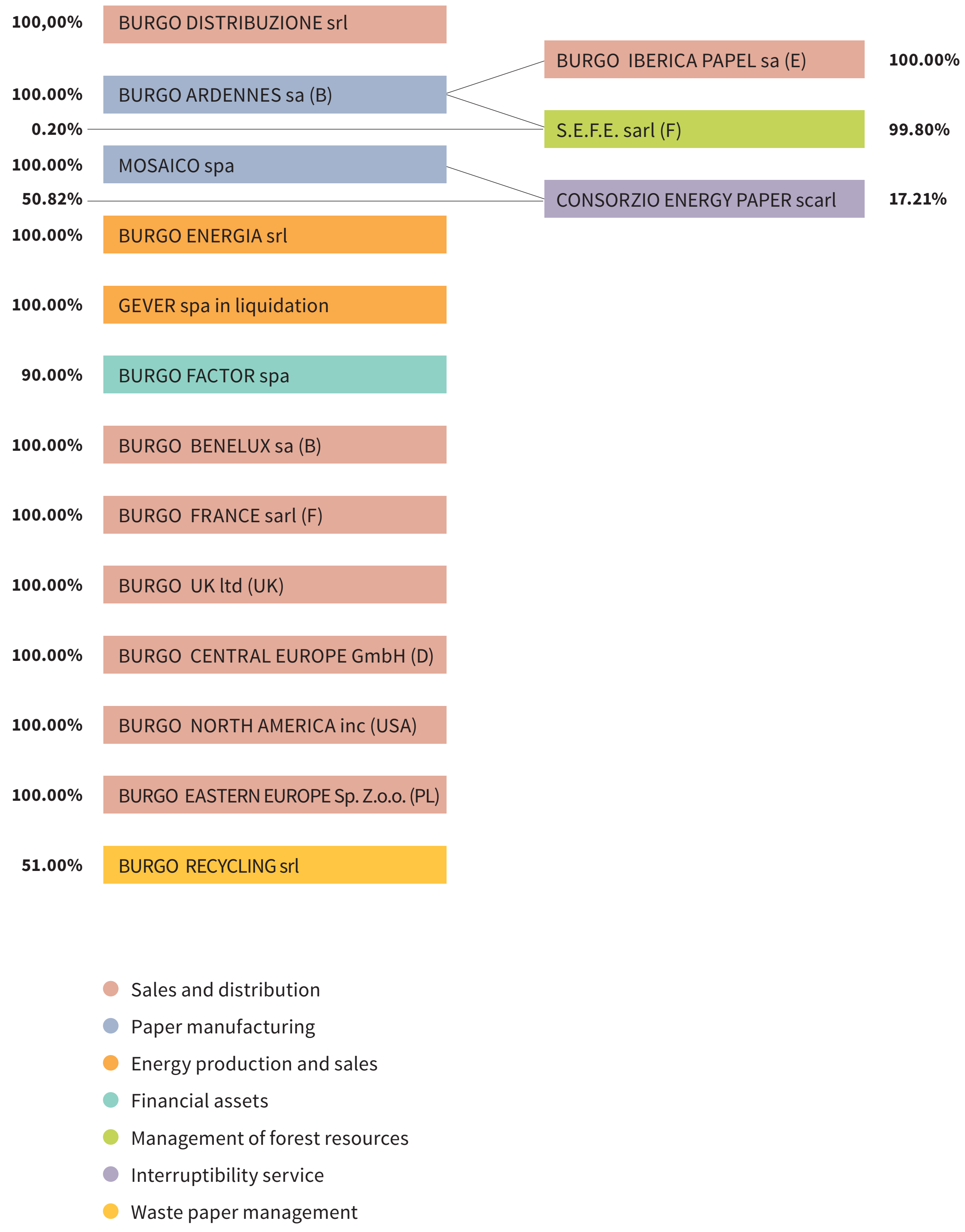
4.03%
Mediobanca spa

2.13%
Allegro
(Generali Financial Holdings FCP-FIS Sub-Fund1)

2.13%
Italmobiliare spa

0.01%
Third Party Shareholders

Equity investments



Burgo Group spa

Honorary Chairman
Giuseppe Lignana

Board of Directors
(three years 2020-2022)

Chairperson
Alberto Marchi

Deputy Chairman
Francesco Conte

Chief Executive Officer
Ignazio Capuano

Directors
Clemente Rebecchini
Francesco Capurro
Lorenzo Marzotto
Matteo Guglielmo D'Alberto

Board of Statutory Auditors
(three years 2020 - 2022)

Chairperson
Roberto Spada

Regular Auditors
Fedele Gubitosi
Franco Corgnati

Alternate Auditors
Fabio Gallio
Luca Zoani

Independent Auditing Firm
(three years 2019 - 2021)
EY spa

Burgo Group spa

Registered office in Altavilla Vicentina (VI)
Share capital € 90,000,000.00
fully paid up
Tax ID and
Vicenza Business Registry no.: 13051890153

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POWER
PASSION

Report on Operations

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| 1 | The Group and the 2021 market

Globally, the year 2021 was characterised by a good recovery of the world economy, supported by a recovery in consumption and international trade.
In the final part of the year, the worsening of the COVID-19 health emergency, following the spread of the Omicron variant, had some consequences on the economic recovery, fortunately mitigated by the massive vaccination campaigns carried out in the previous months.
The recovery manifested itself in different ways according to the countries and sectors, showing fairly uneven growth trends.
One of the factors that characterised 2021 was the increase in the prices of raw materials and energy, which led to the return to the scene of generalised inflation in many economies.
The sustained demand - which came to form in the various markets more quickly than expected - following the gradual return of the health emergency was in fact not satisfied by an adequate growth in supply, which continued to suffer from the negative effects of new pandemic waves, which have forced states to implement new restrictive measures.
In this context, some raw materials have reached prices that had not been recorded for over twenty years.
Compared to the lows recorded in the first part of 2020, at the end of December 2021 the increases were double or triple digits for all raw materials, including, for example, natural gas, brent, coal, aluminium and copper.
The situation was exacerbated by other geopolitical, climatic and contingent factors such as, for example, the blockage of the Suez Canal which further undermined the logistics chain, already severely tested by the pandemic.

In this regard, we note the dizzying increase in transport costs, sea freight rates and container rental.
Another driver of the price increase was the increase in demand concentrated on some raw materials linked to the achievement of the objectives related to the ecological transition.
Based on initial estimates, the recovery led to an annual increase in world GDP equal to +5.9%.

This recovery - much faster than any other recovery following other crises in the past - has affected both advanced and emerging economies.
Among the largest countries, China - the only one to have recorded positive growth in 2020 - recorded a variation of +8.1%.
In the rest of the world, with reference to the individual geographic areas, the USA recorded an increase in GDP of +5.6%, Japan of +1.6%, while in the Euro Zone the increase was +5.1%.

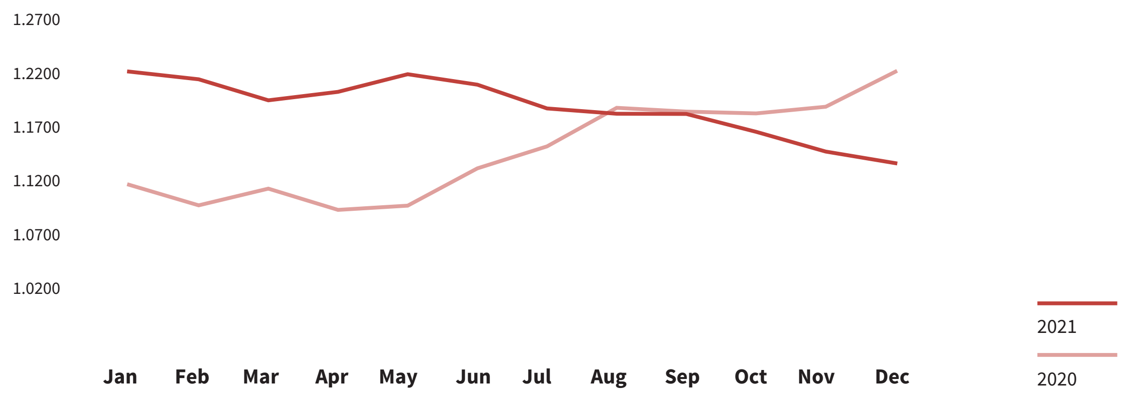
On an annual level, Germany recorded the lowest increase in GDP among the main economies of the Euro Zone, with +2.5% compared to +6.7% in France and +4.5% in Spain.
In Italy, the annual increase in GDP is estimated at around +6.3%, with a dynamic that saw moderate growth in the first quarter of +0.3%, the second and third quarters in a more sustained recovery respectively equal to +2.7% and +2.6% and a sharp slowdown in the fourth quarter, reflecting the resurgence of the pandemic in addition to persistent supply difficulties for businesses.

The Italian recovery was driven by the increase in industrial production and by a sharp rise in domestic consumption.
The dynamics were particularly positive starting from the spring in the sectors of expenditure for trade services, transport, accommodation and in general the entire service sector, which benefited from the less restrictive measures.
The contribution of the construction sector is always positive thanks to the support of incentives.

World trade, which was affected by the protectionist pressures developed in previous years, has regained vigour and started to grow again.
Political regulators and central banks keep implementing policies for managing the macroeconomic scenario that must be continuously adapted to the evolution of the situation.
Governments continued to apply expansionary tax and investment policies.
In this context, the ECB has pursued the application of an accommodative monetary policy, pending a stabilisation of the economy, aimed at maintaining favourable financing conditions.

The FED has applied a more cautious policy, since the end of the summer following the inflationary pressures present in the US market, returning from the faster expansionary policy with respect to the one adopted by the ECB.
Expectations of a divergence in the monetary policies of the Eurozone and the US led to a depreciation of the Euro against the US Dollar.
In the first half of the year, the Euro maintained its prices substantially around USD 1.20 per Euro with a gradual slide towards the lows of the year recorded in December 2021 with a rate of 1.13.
On average, the 2021 exchange rate saw a change of 1.18 USD per 1 Euro compared to an average exchange rate of 1.14 in 2020 with an average strengthening of +4% but with an evolution during the year that compared to the opening prices led to a depreciation of -7%.

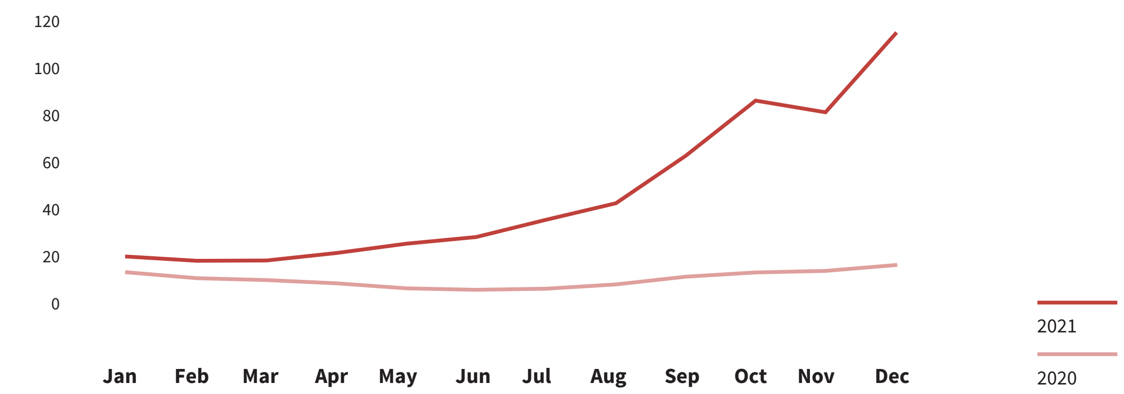
Average monthly Euro/USD exchange rate



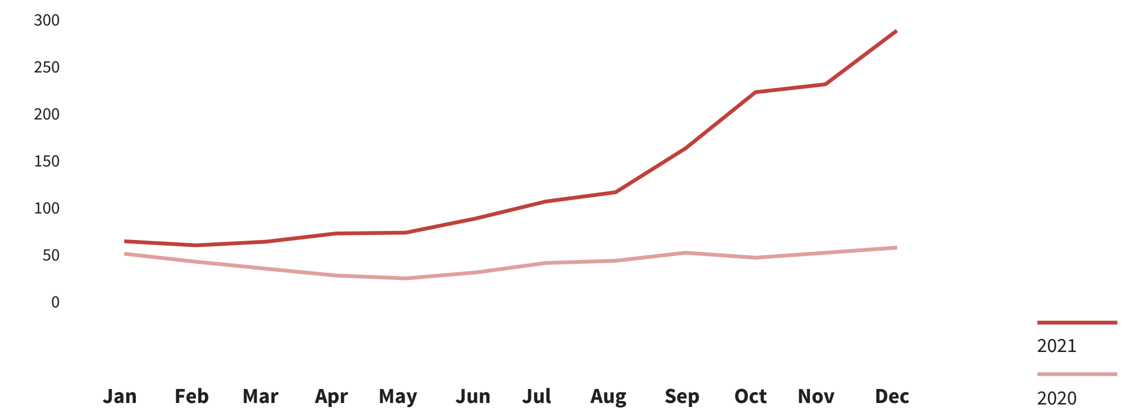
With regard to the energy markets, in 2021 the prices of all energy commodities underwent extraordinary increases in the price lists driven above all by geo-political issues. The increases recorded during the year have brought gas and electricity to levels historically never reached before. In particular, Brent rose on an annual basis to an average of 70.7 USD / bbl (43.2 USD / bbl in 2020; +63.7%).
The infra-annual trend showed, with the exception of January, prices constantly above the levels of 2020, in a progressive trend, substantially uninterrupted increase until October with a decline in autumn due to the effect of US policies on strategic reserves and then stabilised with the Omicron variant.

A similar trend was also recorded on the gas market, where prices at the main hubs reached the highest levels ever, where the annual average of prices was more than quadrupled. The PSV stood at an annual average of € 47.0/MWh (€ 10.55 MWh in 2020; +345.5%) and the TTF at € 46.5/MWh (€ 9.39/MWh in 2020; +395.2%), reaching daily peaks of € 187/MWh and € 183/MWh, respectively, both in December.
In the Italian electricity market, the average annual PUN reached its all-time high of € 125.46/MWh (€ 38.92/MWh in 2021; +222%), reversing the downward trend of recent years and recording its highest values in particular in the final quarter of year.
The PUN reached its daily peak during the month of December with a price of € 438/MWh.
The prices of EUA emission rights more than doubled, reaching average values of around € 53.6/t (€ 24.8/t in 2020; +116%). The dynamics have seen constant growth throughout the year with a final phase of 2021 which saw a rally that led to a close of the year with prices around € 80/t after hitting peaks of even € 89/t

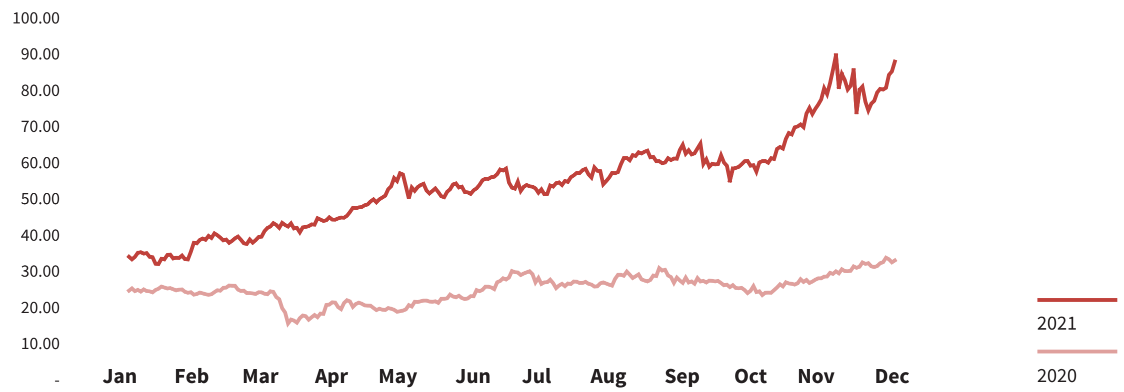
Average monthly PSV €/MWh



Average monthly PUN €/MWh



EUA €/t



The prospects of the Italian economy and the Eurozone for 2022 are strictly dependent on the evolution of the Russian-Ukrainian conflict, the trend in the prices of raw materials and energy products as well as on the evolution of the pandemic. The conflict that is developing in Europe and which involves Russia, the largest gas supplier of the old continent, which is hit by very heavy economic and financial sanctions, with the resulting migration crisis, can only have significant repercussions on the economic growth of the EU and Italy. As for inflation, which has reappeared on the economic scene after almost twenty years and which originated in Europe on the supply side, this is a further critical element that could undermine economic growth.
The policies of the European governments and the Commission, and more specifically the Draghi government, which opted for support for growth, constitute an important element of support. Remember that Italy is among the major beneficiaries of the European Next Generation EU (NGEU) support mechanism.

During the first part of 2021, the Burgo Group continued its activities in an economic context heavily affected by the health emergency, pursuing the strategy of focussing production on business segments with higher growth rates, such as special paper and cardboard production. In May, the signing of an additional medium/long-term loan facility backed by a SACE guarantee for € 150 million was finalised, which resulted in a further expansion of the sources of financing and an extension of the repayment time profile.

In October, the Group sold the Verzuolo plant. The sale, in addition to generating a quick return on the investment made in 2019 for the conversion of the plant to the production of paper for the production of cardboard packaging, enabled the group to significantly reduce the financial debt and its cost, also allowing to accelerate the repositioning process on new productions with a higher rate of growth and margins.
The resources that have been freed up will allow us to proceed swiftly with the implementation of the investments envisaged in the industrial plan.
In terms of strategic investments, the current year was mainly characterised by the progress of two projects aimed at improving the Group's energy performance in the Tolmezzo and Toscolano plants, which will be completed next year.

In 2021, the Group benefited from a robust recovery in demand, in particular for special and packaging papers; however, also the graphic paper sector recorded a positive rebound on quantities sold. In this context, total sales volumes increased by +16% compared to the previous year, while turnover increased by +37%.

The economic and financial results for the year were however negatively affected by the sharp increase in the prices of raw materials, energy and emission rights.
In particular, we note the increase in the prices of cellulose, which led to higher costs for approximately € 70 million, the increase in natural gas costs of approximately € 130 million and the cost of CO2 emission rights, increased by approximately € 20 million compared to the previous year, all phenomena that have eroded the Group's margins.
The vigorous increase in sales prices put in place by the Group constantly followed the increase in the costs of production factors, albeit with a temporal delay of a few months which did not allow to instantly compensate for the effect deriving from the increase in raw materials and of energy products.

Using comparable figures, that is excluding non-recurring charges and restructuring expenses, 2021 saw a gross margin on sales of 3.7%, down with respect to the 5.7% recorded the previous year.

In the graphic paper segment demand in 2021 increased by +2.6% globally, with a change in western Europe of +0.6%. In the other main world markets, the trend is confirmed, more pronounced in North America (+3.9%), Latin America (+9.7%) and Japan (+2.7%) and Eastern Europe (+5.4%) while the variation is more contained in Asia (1.5%) which was the region with the smallest decrease in 2020.
Within the paper for graphic use segment, the Western Europe market, which is the Group's main market, saw a decrease of -0.5% for CM, and an increase of +4.7% for CWF and +2.6% for UWF.

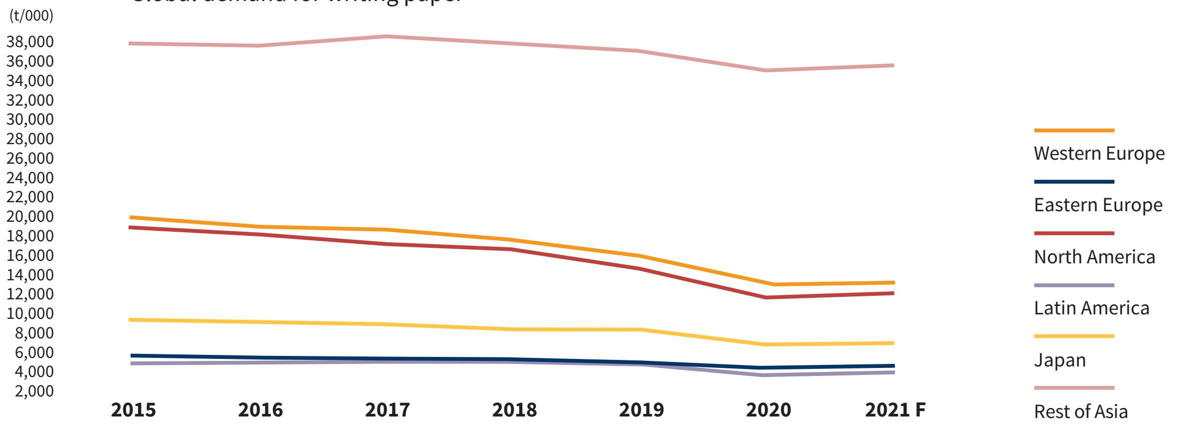
In the containerboard segment, demand confirmed a growth trend of +5.7%, with a +6.6% increase for RCCM, the segment in which the Group operates.
In Italy, demand followed the general trend of the market, improving it with a continuous positive development (+9.6%).

The year that ended, even in an unfavourable economic context with a continuous increase in the costs of production factors and the need for a run-up on the front of the increase in sales prices, confirms that the choices made and the direction taken by the Group through investments aimed at developing, through the conversion of plants, growing segments such as special papers and containerboards, were the right ones.

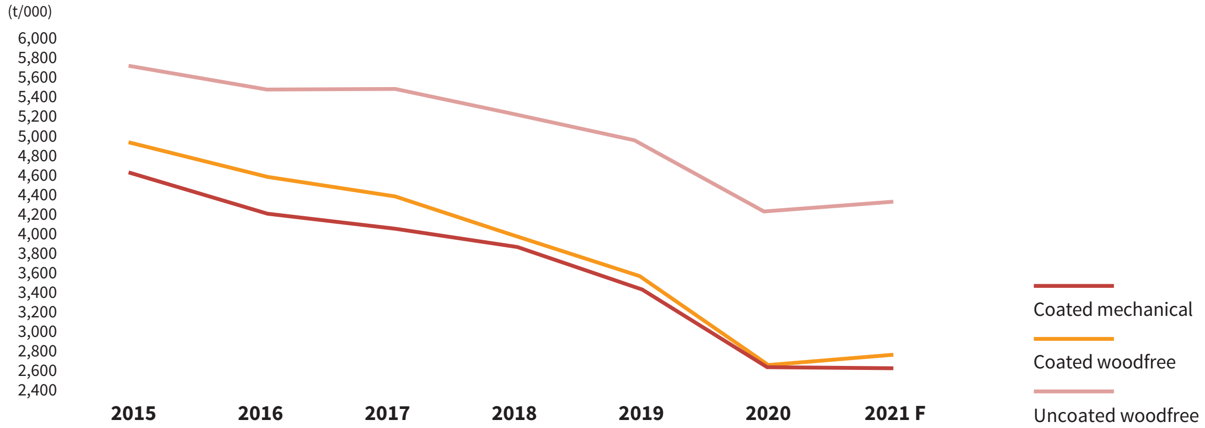
Finally, the further injection of resources for approximately € 360 million, resulting from the sale of the Verzuolo site, after the capital increase in 2020 for € 70 million, constitutes a solid basis for the future development of the Group.

Global demand for writing paper

Source: PPPC

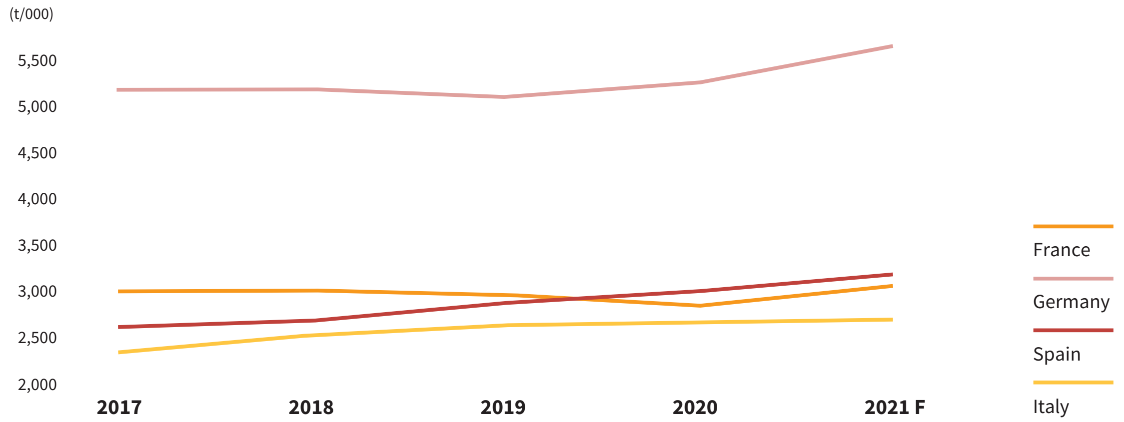


Demand - Western Europe



Demand - Western Europe Containerboard

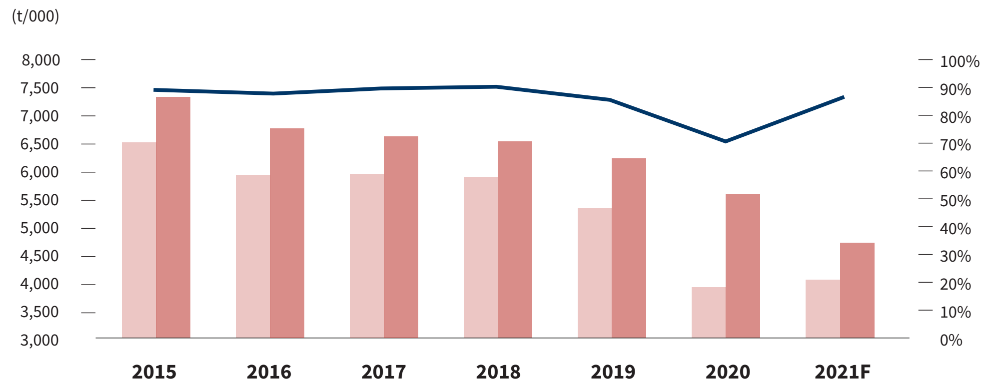
Source: CEPI Containerboard



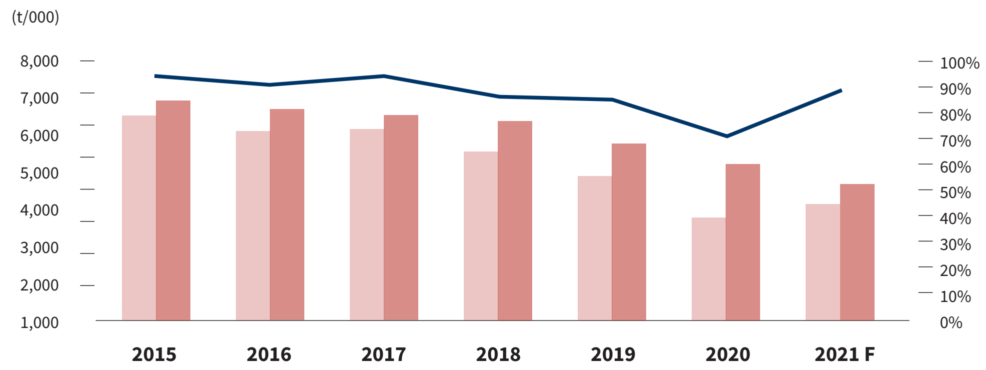
Rate of utilisation of production capacity in Western Europe

Source: Eurograph

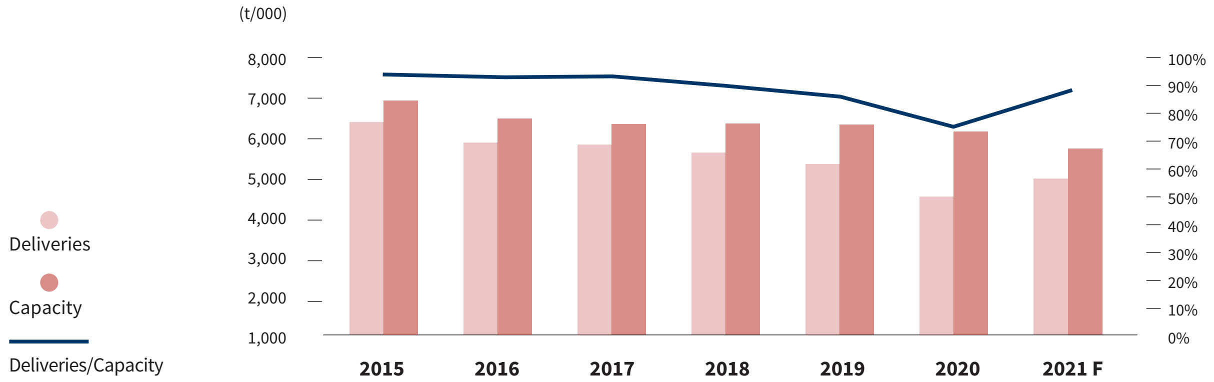
Coated mechanical



Coated woodfree



Uncoated woodfree



Development lines and management outlook

After a 2021 financial year still affected by the continuation of the COVID-19 pandemic and dominated by strong increases in the costs of raw materials, energy costs and the prices of CO emission rights, as well as characterised by a recovery in demand and a marked dynamics in the sales prices of paper products, 2022 still shows tensions in terms of costs and availability of some raw materials, as well as energy costs, which remain at historically high levels.

In addition to these factors of uncertainty are the geopolitical tensions recently resulted in the Russian-Ukrainian conflict, which increase the level of unpredictability and volatility on financial and commodity markets.

In this context, the Group will continue to dynamically manage the sales prices of its products, in order to obtain adequate remuneration for its business.
Further progress is expected in the containerboard and special paper segments, with the development of new products, in particular environmentally friendly ones, to be offered to the packaging and drink and food market.

In these two market segments, the Group finds itself in a context in which demand is lively and with a sustained growth rate.
Despite the consolidated context of structural decrease in demand on the graphic paper market, the demand trend we are witnessing, combined with the effect of the closures of some production lines of graphic papers that took place in the last period, is currently allowing for a positive balance of supply and demand.

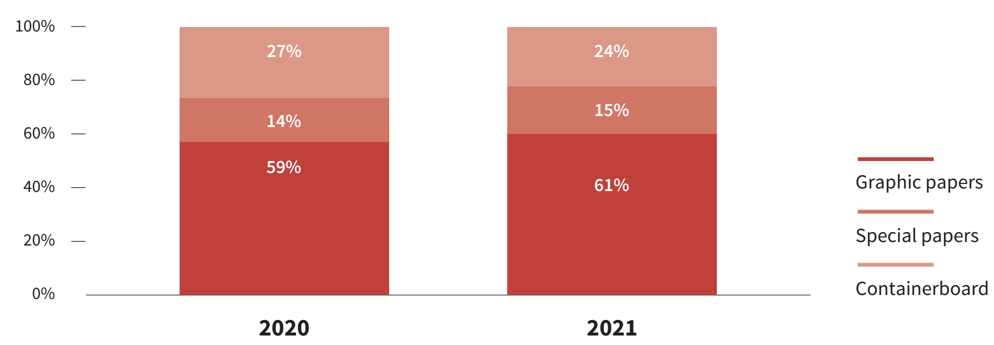
During the current year, the Group will aim to seize market opportunities by leveraging investments in new products and production and energy efficiency, in order to improve the offer portfolio, profitability and its ecological footprint.

Production

Paper production, the Group's main area of activity, amounted to 2,032,046 tones, with an increase of 14.4% compared to the previous year.
The share of containerboard was 495,143 tones with a production increased by 4.7% compared to the previous year, while the special papers produced increased by 17% and amount to 304,321 tones.
Cellulose production was 367,307 tones, an increase of 12.7%, while pulp production was 128,256 tones, an increase of 15.7%.
Finally, the production of electricity amounted to 2,074,932 MWh, an increase of 5.6%.

Production Data		**2020**	**2021**	**Variation%**
Paper	t/000	1,776	**2,032**	14.4%
Cellulose	t/000	326	**367**	12.7%
Wood pulp and Deink	t/000	111	**128**	15.7%
Electric energy	kWh/mln	1,966	**2,075**	5.6%

Paper type



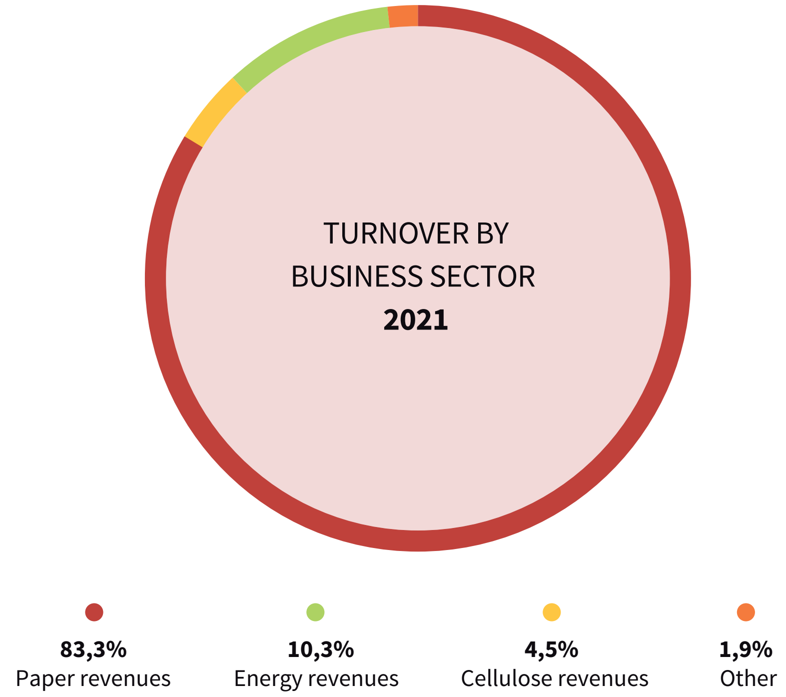
Sales

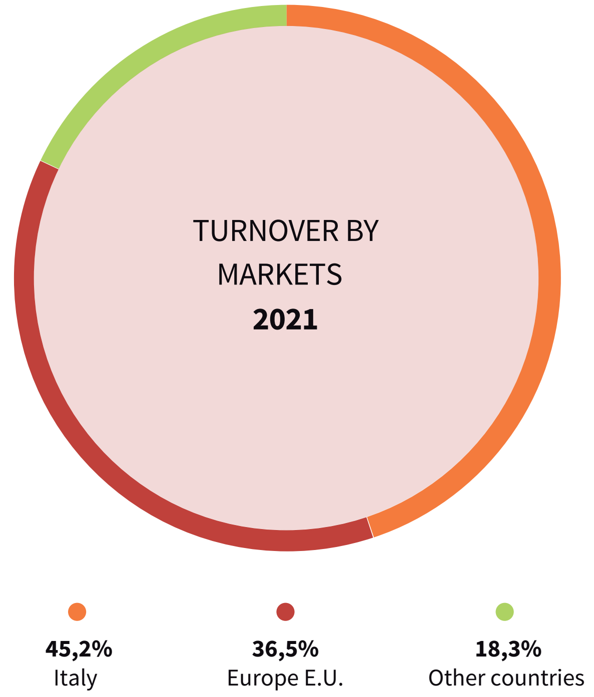
The Group's turnover amounted to € 1,745 million, an increase of 36.8% (€ 470 million) compared to 2020 equal to € 1,275 million.
Paper revenues amounted to € 1,454 million, an increase of 29% compared to the previous year, those of cellulose amounted to € 78 million, with an increase of 38%.
Energy revenues, which amount to € 180 million, have increased by 164%, while other revenues, which include sales of ligninsulfonate, have increased and amount to € 33 million compared to 2020 equal to € 24 million (+37.5%).

Business sectors €/mln	**2020**	**2021**	**Variation%**
Paper revenues	1,127	**1,454**	29.0%
% of total revenues	*88.4%*	*83.3%*	
Cellulose revenues	56	**78**	38.0%
% of total revenues	*4.4%*	*4.5%*	
Energy revenues	68	**180**	164.0%
% of total revenues	*5.3%*	*10.3%*	
Other	24	**33**	37.5%
% of total revenues	*1.9%*	*1.9%*	
	1,275	**1,745**	**36.8%**

The distribution of sales between the domestic market and exports in 2021 shows that the increase in turnover has mainly affected the other countries and Italy. The percentage incidence of sales in Italy is increasing compared to exports.

Markets €/mln	**2020**	**2021**	**Variation%**
Italy	491	**788**	60.7%
% of total revenues	*38.5%*	*45.2%*	
Europe E.U.	654	**637**	- 2.6%
% of total revenues	*51.3%*	*36.5%*	
Other countries	130	**319**	145.0%
% of total revenues	*10.2%*	*18.3%*	
	1,275	**1,745**	**36.9%**





Prices

DURING 2021

In the course of 2021, in the main European markets (Germany, France and the UK), the surveys indicated the following trends:

• The average prices of **CM** (coated mechanical papers) compared to the beginning of the year increased by approximately +16.4%.
In the main European markets, following a 2020 with a decline that ended the year at historically low levels, in 2021 prices recorded on average a stability compared to the previous year (-0.1%). After a start around historical lows, the year was characterised by an increase that continued throughout 2021, with the last months of the year in very strong progression driven by the increase in raw materials and energy

• In the **CWF** (coated woodfree) sector, the trend in the main European markets recorded an increase of about +12.8% compared to the closing price of the previous year.
The average price in 2021 was stable (+0.2%) compared to 2020.
The trend saw a gradual and constant increase in price throughout the year.

• The family of **UWF** papers (uncoated woodfree) recorded, in the main European countries, a trend similar to that of CWF ones, with a strong increase compared to the closing prices of the previous year equal to approximately +9.8% and a trend within the year of constant progression with the average price of the quarter always higher than that of the previous quarter.

• The **containerboard** segment recorded, on average in the year 2021, an increase in sales prices compared to 2020 of about +42%.
The trend was constantly increasing with in particular the 2Q of the year, where it recorded a double increase compared to the other quarters which were however characterized by significant increases. The end-of-year prices were +58.9% higher than the opening prices.

• **Specialty papers** recorded increasing average prices in 2021 compared to 2020 (indicatively +5%) with the IH decreasing compared to the closing prices of 2020 and the 2H with a strong recovery. Compared to the end of the previous year, the variation is approximately +20%.

In Italy:

• The prices of the **CM** (coated mechanical) increased at the end of the year in progression of +15% compared to the end of the year 2020.
During 2021 on average stable compared to 2020 (-1.5%).
Prices declined during Q1, resuming growth already in Q2.
During the Q4, there was a significant acceleration of the increases driven, similar to the other products by the increases in raw materials and energy products

• The family of **CWF** (coated woodfree) recorded a dynamic similar to that of the CM.
Even in the case of the CWF, prices have increased compared to the end of the previous year (+12.2%) although the average for the year is in line with that of 2020.

• In the **UWF** sector (uncoated woodfree), average prices reproduced the same dynamics as the CM and CWF segments, albeit to a lesser extent, resulting in an increase compared to the end of the previous year (+9,7%). The evolution of prices during the year was a stable increase with an acceleration during the 2H. On average, for the year there was a +0.3% increase in prices.

• The **containerboard** segment registered, in 2021 compared to 2020, a particularly significant increase in average prices (approximately +70%).
This increase is the consequence of a constant increase in prices during all quarters.
Compared to the closing prices of 2020, the increases were around +120%.

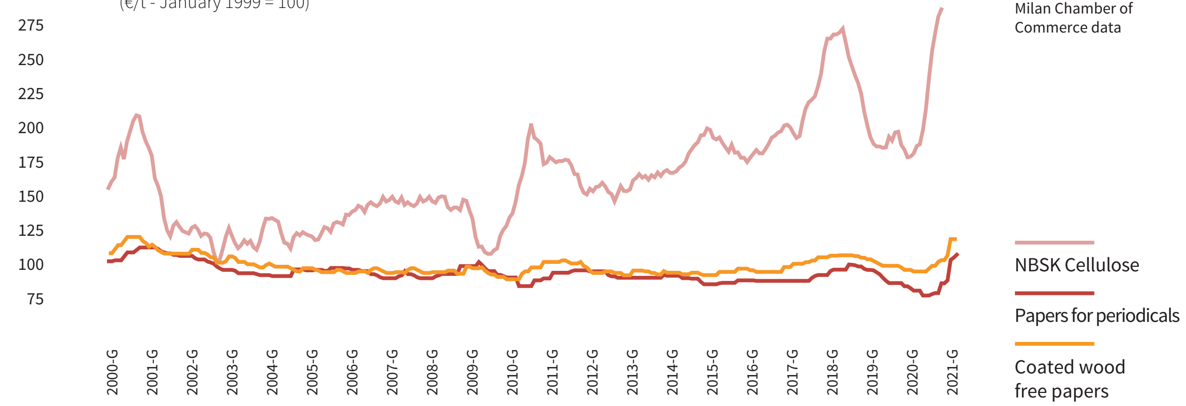
Soirce: RISI

Costs

During 2021, the average price of cellulose underwent a considerable increase compared to the previous year. NSBK long-fibre (1,243 $/t) increased with respect to the average 2020 price (850 $/t), showing a +46.2% decrease in dollars and a +41.0% in Euro. The price of eucalyptus also increased, from an average 2020 value of $ 830/t to an average price in 2021 of $ 1,047/t (+54%).
The price of standard latexes, which represent more than 80% of purchased latexes, increased by 85% on average in 2021, going from € 690 in 2020 to € 1,275 in 2021. The price of pulp has had a very variable trend, reaching a minimum at the beginning of the year and a maximum in the second quarter. The average values of 2021 were +141% compared to 2020.

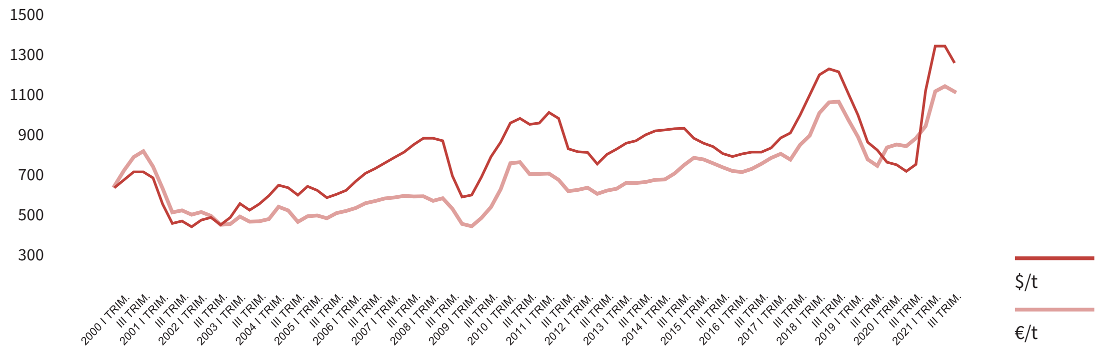
Prices for pulp and some types of paper
(€/t - January 1999 = 100)

SOURCE: Assocarta processing of PPI and Milan Chamber of Commerce data



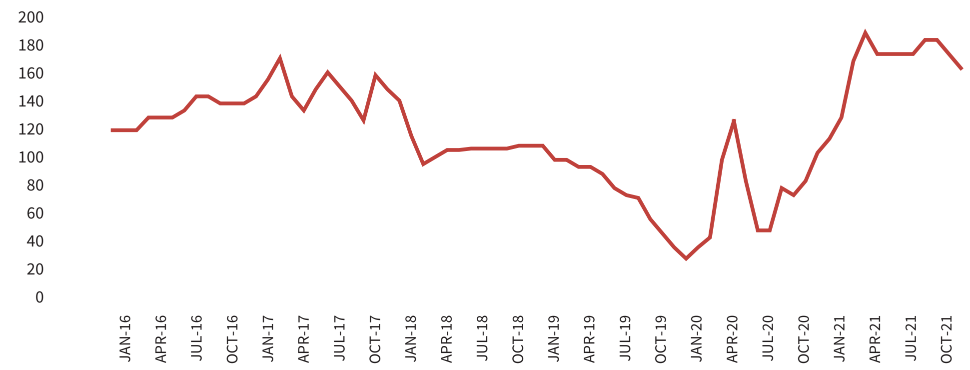
Price of NBSK cellulose
(current values)

Source: Assocarta processing of PPI data



Pulp price
($/t - 1.05 old corrugated containers)

Source: RISI



Energy

In the electricity sector, the subsidiary company Burgo Energia operates on the GME markets (MGP- previous-day market, MI-infra-daily markets and Xbid), on EEX (French, German, Italian energy futures market), on the German spot market and on bilateral trading (OTC - Over The Counter); in this context, the subsidiary Burgo Energia manages the surpluses and shortages of the Group's plants, as well as performing the function of energy management as a whole.

The Operation & Trading Division of Burgo Energia - also in 2021 - continued its activity of transferring CCC rights to third parties, intensifying the collaboration with further highly reliable counterparties and thus managing to allocate most of the volumes assigned by Terna, on the basis of production capacity, to the factories of the Burgo Group. Additionally, it continued to optimise the production assets of Burgo and Mosaico, participating in the Shipping Interconnector and in all the Group’s typical dispatching activities in the energy markets.

Over the course of 2021, Burgo Energia continued in the process of focusing its activity in the industrial sector at the service of the plants, and continued the action to expand its scope of action outside the Group by offering high technical services in energy field, in particular in the field of Demand Response.
In fact, Burgo Energia, continues its activity of technical point of contact of the Energy Paper Consortium of which it was the promoter; this Consortium, which represents one of the major operators in the electrical load shedding market in Italy, currently brings together 9 other companies in addition to the Burgo Group and Mosaico factories.
Again in the field of electricity asset management in the Demand Response sector, Burgo Energia continued to manage the participation in the UVAM project for the Group also while promoting the qualification activities of the Capacity Market project and the MSD dispatching for the years 2022 and 2023 for the Duino, Avezzano, Sora and Verzuolo plants, confirming itself as one of the leading operators in the sector at national level. In addition, the Operation & Trading area has launched a new ETRM (Energy Trading and Risk Management) system for dispatching, trading and portfolio management.

Burgo Energia managed, on behalf of the Burgo Group, the new issue of Gas Load Shedding for both winter 20-21 and winter 21-22.

The activity of the Energy Management division continued with the management of the IS050001 Energy System at the Burgo Group sites, the implementation of the Energy Management System also at the Mosaico sites and with the management of activities related to the Emission Trading System discipline

In 2021, Burgo Energia marketed electricity for 1.4 billion kWh (1.4 billion in 2020), and gas for 103 million cubic meters (66.5 million in 2020).

The Burgo Group as a whole, Italy and abroad, produced electricity for a total of 2.1 billion kWh (2.0 billion kWh in 2020), mainly for personal consumption.

Investments

As far as material investments are concerned, a total of € 47.8 million (€ 56.0 million in 2020) interventions were carried out in 2021, the amount of the more strictly technical ones was € 42.1 million.

The investment programme, consistent with the approved Business Plan, continued in all plants with interventions aimed at new products, improving production and energy efficiency, quality, safety, the environment and plant maintenance.

The new Paper Pulp Preparation line was launched at the Avezzano plant for the production of a new cardboard with a white cover.
Moreover, the design for the installation of a new shoe press with the aim of increasing production and reducing energy consumption at the same time was started.
At the Sora site, activities for the separation of water cycles aimed at producing food papers have begun and a study has also been launched for the possible production of FBB and FSB products.
The commitment to technological renewal, especially in the automation sector, has continued and will continue in the next year, introducing new automation and control systems or updates to existing ones; the programme will make it possible to overcome the main obsolescence problems, while allowing the maintenance of quality levels and the improvement of efficiency.

During 2021, the modernisation works of the cogeneration plants in Tolmezzo and Toscolano began: the difficulties of this period linked to the pandemic, the crisis of raw materials and the difficulties in the world of logistics and transport, have slightly slowed down their development.

In Tolmezzo, the main elements of the combined cycle (gas turbine, steam turbine, gas compressor, electrical transformers, steam generator) were installed in 2021; some minor activities and commissioning will be completed in 2022, expected at the beginning of the second quarter.

In Toscolano, the new steam turbine (commissioning is scheduled for January 2022) and gas turbine (start-up is also scheduled for the beginning of the second quarter of 2022) were delivered in the last weeks of the year.

Studies are continuing to improve the efficiency of cogeneration plants; studies for the replacement of the condensing turbine with a counter-pressure turbine in the Sora plant and for the replacement of the Chiampo boiler are worth mentioning.
In the energy field, programmes aimed at improving plant performance continue, with particular attention to reducing withdrawal from the national grid, maintaining and increasing energy generation efficiency, without forgetting compliance with the environmental impact parameters which are constantly monitored.
These interventions are partly supported by the so-called Energy Efficiency Certificates

As regards the conservation of the buildings, a campaign for the preservation of industrial buildings was launched, with particular attention to interventions for the safety in the face of possible seismic events. These interventions will benefit from the so-called. Sisma Bonus and currently involving the Sarego, Chiampo and Toscolano Maderno paper mills.

Investments relating to the environment and safety continued at all Group sites in compliance with the prevention and improvement programmes for the protection of the health and safety of workers, as well as environmental protection and regulatory changes.

Research and Development

The activities were mainly aimed at:

- production processes such as the development of innovative technologies to improve competitiveness;
- new products in the graphics, special and packaging fields;
- environmental sustainability.

PRODUCTION PROCESSES

The studies for the use and relative enhancement of mechanical pulps and post-consumer pulp of different origin and characterisation have had particular relevance, in particular in the field of packaging papers (virgin and recycled) and coated papers (graphic and special), all with a view to maximising their use with appropriate treatments.
With regard to non-fibrous raw materials, studies and applications continued, both at laboratory and industrial test level, of innovative products for surface deposition alternative to those of fossil origin.

NEW PRODUCTS

In the wood-containing paper segment, in the face of changed market conditions, natural products with a high thickness for publishing have been re-proposed.
For the sector of wood-free papers for inkjet printing, new types with different finishes have been developed, which are then certified for the high quality level of graphic rendering found.

In the Havana recycled packaging sector, the range of high performance cover papers has been consolidated; at the same time, always starting from brown papers, a range suitable for traditional graphic uses has been developed with which to satisfy promotional and commercial needs.
In the face of an expansion of the production plants, a new range of papers with a white cover and brown back was then introduced, again in the packaging segment.

The push to reduce plastic materials continued in the special paper sector with an increase in demand for products with sustainability characteristics, i.e. with the use of alternative fibrous materials and coatings with a lower environmental impact, which have directed the development of new products or the consolidation of those already on the market.
These requests from converters and brand owners have guided the development and marketing of new types of products, especially in the Food Service Board sector.
At the same time, the development and improvement of types of cards suitable for particular market segments and specific functional uses continued, largely designed and finalised with the direct collaboration of customers or end users.
Papers for labels, supports for playing cards, papers for rigid and flexible packaging belong to this sector.

ENVIRONMENTAL SUSTAINABILITY AND CERTIFICATIONS

With regard to the Group systems, work continued on managing the chains of custody relating to the FSC® and PEFC forest certifications.
In particular, with regard to the FSC® forest system, the verification work on wood suppliers (logs and chips) continued both on the Italian sites and for Ardennes in order to be able to count them as “Low-risk suppliers”, according to the requirements of the FSC® standard.

Control activities were also ensured for all purchases of wood and materials derived from it, in compliance with the provisions of the relevant European Regulation (EU Timber Regulation).

As regards the UNI EN 15593 certification, relating to the hygiene and safety of packaging intended for contact with food, activities were started at the Sora plant, in order to be able to obtain it consistently with the developments envisaged for the production of paper. intended for food packaging. During the year, the Blau Engel certification was also obtained for a new type of coated paper recycled from 100% post-consumer waste and compliant with specific composition requirements.

Finally, activities were carried out for the maintenance of the Burgo, Burgo Ardennes and Mosaico Ecolabel certificates, in compliance with the new criteria of the European Commission Decision 2019/70, which entered into force at the beginning of 2019.

Health, Safety and Environment (HSE)

Burgo Group believes respect for the environment, health and the protection of the workplace has always been the primary objective of the Group. In order to define the lines of action, check their application and coordinate the activities carried out at the individual sites of the Group, the HSE (Health, Safety, Environment) Department was established in 2021. This central management has the task of managing the activities relating to the company HSE Management System. In each plant, resources specifically trained and dedicated to the management of related activities are allocated.

The Burgo Group, aware of its role and responsibility towards the community and the environment in which it operates, as well as in ensuring a healthy and safe working environment for all its Collaborators and other Interested Parties, has defined an integrated Policy for HSE matters. Respect for and protection of the Environment, natural resources and Occupational Health and Safety concern the entire Organisation and constitute the foundation of the operational and market strategies and the commitment of the Company to respect the environment.

Fundamental prerequisites for activities, products and related development are:
Compatibility with the environment that hosts them and the protection of pe rsonnel and the population from adverse environmental effects.
The prevention and protection, for employees and other Interested Parties, from the risks of Occupational Health and Safety to which they may be exposed.
Compliance with current legislation and any other requirements signed in relation to environmental impact factors, with particular attention to the efficient use of energy resources, and/or the identified Occupational Health and Safety hazards as well as the voluntary regulations in which the Organisation participates.
The clear definition, within the entire Organisation, of the responsibilities in managing the protection of the Environment, energy resources and Occupational Health and Safety.
The orientation towards continuous improvement of prevention and environmental, energy and Occupational Health and Safety performance.
The availability of the necessary human, technical - instrumental and economic resources.

The above translates, annually, into specific objectives and improvement goals managed within the systems that comply with the requirements of the EMAS Regulation, the ISO 14001 standard, the ISO 50001 standard and the ISO 45001 standard.

HEALTH AND SAFETY IN THE WORKPLACE

For the Burgo Group, managing safety means first of all ensuring the safety of all people and this is done through organisation, assessment and risk management models that analyse the dangers and identify the necessary measures to avoid or reduce them.
Burgo Group's will is to prevent accidents at work and occupational diseases by guaranteeing its employees and all those who work in the factories a healthy and safe working environment. To achieve this goal, the Company has equipped itself with integrated and structured systems, within which the Company Safety Policy is defined, implemented and monitored.

Safety Meetings are periodically organised in which all the main actors participate, starting with the Employer and the RSPP (Head of the prevention and protection service). During the meeting, the results are examined by comparing them with the objectives and the necessary strategic and operational actions are defined.

The trend of injuries and near misses are periodically reviewed and checked on all the Group's plants. The purpose of the analysis of these events is designing and implementing the corrective actions necessary in order to prevent the occurrence of accident situations according to the principle of prevention.

All the above activities are carried out in close relationship with the Supervisory Body in compliance with Legislative Decree 231/2011.
The Group also undertakes to develop and implement training, information and training plans on safety and health in the workplace to spread the knowledge of safety and prevention.

ENVIRONMENTAL MANAGEMENT

Carrying out the production activity requires the management of numerous environmental aspects. The Group carried out an assessment of the impact of its activities, products and services, in order to manage and prevent environmental impacts, promoting the use of the best technologies available in all the sites in which it operates.

All the Burgo Group sites operate in compliance with the relevant European Directive and pursuant to the requirements of specific authorisations issued by the competent authorities.

INVESTMENTS IN ENVIRONMENT, HEALTH AND SAFETY

The main investment projects for HSE (health, safety and environment) management in 2021 concerned:

- the maintenance of the EMAS, ISO 14001 and ISO 450001 certifications;
- the improvement of plant and machinery safety at all Group sites;
- adjustments related to fire safety;
- the installation of life lines and fall arrest devices;
- extraordinary maintenance of effluent treatment plants.

Personnel

In the course of 2021, approximately 54,400 hours of training activity were carried out, of which approximately 21,000 related to issues relating to the Health and Safety of Workers. Group employees at 31 December 2021 totalled 3,125 units compared to 3,336 at the end of 2020.
This change is mainly attributable to the sale of the Verzuolo site.

Staff	31 Dec 2020	31 Dec 2021	Variation	Variation%
Burgo Group	1,564	**1,346**	(218)	-13.9%
Italian subsidiaries	1,141	**1,141**	-	0.0%
Foreign subsidiaries	631	**638**	7	1.1%
	3,336	**3,125**	**(211)**	**-6.3%**

The Group also makes use of temporary workers, mostly in Burgo Ardennes, which in 2021 amounted to 167 (FTE) against 123 in 2020.
The use of social safety nets in the year 2021 was more limited than in the previous year. This was also possible in relation to the exhaustion of the reasons linked to solidarity contracts (social safety net activated in 2020 at the Verzuolo plant) and to an improvement in the pandemic effects associated with work suspensions with the cause of CIGO COVID.
Redundancy fund/solidarity hours used, shown in the table below, have decreased overall, from 254,025 hours in the year 2020 to 24,471 hours in the year 2021:

Social shock absorbers hours	31 Dec 2020	31 Dec 2021	Variation	Variation%
CIGO "Covid 19"	229,792	**5,509**	-224.283	-97.6%
CIGO	-	**16,802**	16.802	100.0%
Solidarity	24,233	**2,160**	-22.073	-91.1%
	254,025	**24,471**	**-229.554**	**-90.4%**

Financial risk management policy and coverage

Financial instruments are mainly made up on the passive side of payables to financial institutions, derivative instruments that can be used to hedge interest rate, exchange and commodity risks and trade payables, while on the active side, cash and cash equivalents, investments in listed shares and securities, trade receivables and financial instruments that can be entered into to hedge interest rate and exchange rate risks.
The Group is exposed to the following risks whose objectives, policies, management processes and methods used for their assessment are set out below.

1 / CREDIT RISK
2 / LIQUIDITY RISK
3 / MARKET RISK

In each section of comments on financial statement items, the 2021 Financial Statements provide additional quantitative information.
The disclosure required by IFRS7 has been included in the Explanatory Notes of the separate financial statements and consolidated financial statements.

1 / CREDIT RISK

This represents the risk that a customer or a counterparty to a financial instrument causes a financial loss by not complying with an obligation, and mainly derives from trade receivables and financial investments.

Trade receivables and other receivables

The Group, as part of the credit management activity through a dedicated structure, uses an internal procedure with the aim of defining the creditworthiness of each customer and monitoring credit limits and past due dates. Risk control is based on constant analysis of customers with overdue items or who have exceeded their credit limits, monitored daily for activation of corrective actions, which range from blocking orders to legal action. The internal activity is supplemented by the use of market hedging instruments, such as insurance policies and assignments without recourse of receivables.
The sales activity is assisted by insurance coverage stipulated with leading first and second level credit insurance companies (top up). In 2019, Burgo Group spa obtained the certification of the credit management system according to national UNI 44:2018 and international standard TUV Rheinland CMC:2012. This certification was also issued for 2021.

Financial investments

Credit risk exposure is limited by investing exclusively in highly liquid securities and only with counterparties recognised as reliable by the market.
Furthermore, among the financial assets, there are investments in managed savings made with Italian banking counterparties of recognised reliability.

Guarantees

The Group's policies provide for the issue of financial guarantees only towards affiliates. Real guarantees are issued in some cases in the context of subsidised finance operations or for medium-term loans.

2 / LIQUIDITY RISK

Liquidity risk is the risk that the Group will have difficulty in fulfilling the obligations associated with financial liabilities.
The approach to liquidity management is aimed at guaranteeing, as much as possible, that there are always sufficient funds available to comply with obligations when maturity dates are reached. The Group performs liquidity analysis as a function of budget forecasts, determining short, medium and long-term cash flows.
The estimates are periodically reviewed to ensure that there is sufficient cash on hand to cover the expected operating costs for a period of approximately 3 months.
For short-term financial needs, short-term credit lines were available at 31 December 2021 for a total of approximately € 207 million, of which € 192 million in Italy and € 15 million in Belgium for the benefit of Burgo Ardennes. The group also has the possibility of resorting to non-recourse factoring with an overall ceiling of approximately € 60 million, in addition to a with-recourse ceiling of approximately € 9 million on Burgo Ardennes. Burgo Group also has a Revolving line available for a total of € 100 million used at 31 December 2021 for € 26 million.
For its long-term financial needs, the Group has a total of approximately € 238 million in financing. It should be noted that on 5 May 2021 the group entered into a loan agreement backed by a Sace guarantee for € 150 million. Almost simultaneously, it repaid part of the existing long-term loan for approximately € 120 million.
On 18 October 2021, Burgo Group spa proceeded, following the sale of the business unit, to a partial early voluntary repayment of the long-term loans, for a total of € 200 million equal to approximately 50% of the individual lines main products (Amortizing, Bullet and Sace guaranteed lines).

3 | MARKET RISK

Market risk is the risk that fair value or the future cash flows of a financial instrument may fluctuate following changes in market prices, due to changes in exchange rates, interest rates or the prices of equity instruments. The goal is the management and control of exposure to this risk within acceptable levels, optimising, at the same time, the return on investments.

Risk linked to interest rate fluctuations

During the year, the Group took steps to cover the interest rate fluctuation of the Pool Loan Agreement and the Loan Agreement backed by Sace guarantee. At 31/12/2021, the coverage relating to the three main loans which amount in total to € 205 million (Amortising Line, Bullet Line and Sace Guaranteed Line) is approximately 97%.

Exchange risk

In relation to sales activities, purchases and sales are made in other currencies, at present mainly in USD and GBP.
Hedging policies are therefore mainly focused on the stipulation of forward contracts against the Euro.
Furthermore, other currencies are also periodically monitored, which can be used as billing currencies on an ongoing or occasional basis.
Hedges are made on the basis of the estimate of future cash flows in foreign currency on the basis of invoicing assets and liabilities and taking into account the budget forecasts.
Exchange rate risk hedging operations are carried out to neutralise the effects induced by a change in the exchange rate on the value in Euro of a cash flow denominated in a foreign currency.
The hedging policies allow the use of forward contracts (forward sales/purchase of currency) and options on foreign exchange (right to buy/sell forward currency) to ensure more flexible hedging. Currently, exposure to foreign exchange derivatives falls within the forward type.
The hedged time period is normally three months.

Equity risk

As part of its investment activities, the Group purchases equity investments for investment purposes

Commodity risk

The strategic objective concerns the stabilisation of profit margins in terms of reducing the risk associated with the volatility of the purchase price of electricity, gas, CO_2 as well as the materials used in the production processes, in order to minimise exposure to risk and possible related losses.
With an eye to continuously reducing loss risks, the Group has the simultaneous objective of minimising costs associated with obtaining its production factors.
To this end, the Group can make use of risk hedging instruments such as purchases at fixed prices, forward purchases and financial swaps.

Burgo Group results and financial structure

The financial year 2021, which saw an increase in ordinary revenues from € 1,274.7 million to € 1,744.7 million (an increase of +36.9%), shows a decrease in the Group's results with an EBITDA Adjusted of € 64.2 million against € 72.7 million in 2020.
The year was characterised by a strong recovery in demand in all segments served by the Group, including graphic papers, and by a significant increase in production costs. In particular, compared to 2020, the increase in the prices of raw materials led to an increase in costs for the purchase of cellulose equal to approximately € 70 million, while the cost for the purchase of natural gas increased by € 130 million compared to 2020, and the cost of emission rights increased by approximately € 20 million. In the face of the sudden increase in production costs, there a marked recovery in sales prices was recorded which, however, manifested itself with a physiological delay in time.
Another element characterising the year was the sale of the Verzuolo plant for approximately € 360 million, which allowed for a capital gain of approximately € 118 million.
In financial terms, the net debt is significantly reduced at the end of 2021 compared to the previous year.
The decrease, equal to approximately € 400 million, mainly depends on the proceeds from the sale of the Verzuolo plant and the improvement in working capital.
In this context, the Group has also further strengthened its financial structure by signing a new long-term loan of € 150 million backed by a SACE guarantee before summer 2021.
The application of IFRS 16 entails, as of 31 December 2021, financial liabilities of approximately € 7 million.

Profit and Loss Statement for the Year €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Revenues	1,274,717	1,774,748	36.9%
Other income	56,915	72,951	
Total operating revenues and income	**1,331,631**	**1,817,700**	**36.5%**
Costs for materials and external services	(1,006,737)	(1,523,055)	
Personnel expenses	(176,424)	(191,868)	
Other operating costs	(34,208)	(57,008)	
Change in inventories	(43,513)	15,394	
Capitalised costs for internal work	1,910	3,015	
Total operating costs	**(1,258,971)**	**(1,753,521)**	**39.3%**
EBITDA Adjusted	**72,660**	**64,179**	**-117.7%**
Depreciation and amortisation	(72,246)	(72,161)	
Capital gains/losses on disposal of non-current assets	(664)	227	
Operating result before extraordinary and non-recurring charges and revenues	**(250)**	**(7,755)**	
Writebacks/writedowns of non-current assets	-	(19,102)	
Income/expenses of a non-recurring nature and for restructuring	(22,399)	109,249	
Operating result (EBIT))	**(22,649)**	**82,392**	
Financial expenses	(27,553)	(28,810)	
Financial income	3,225	4,306	
Profit/(loss) before tax	**(46,977)**	**57,888**	
Income taxes	(4,050)	831	
Profit/(loss) for the period	**(51,027)**	**58,719**	

Ordinary revenues achieved in 2021 amounted to € 1,744.7 million, an increase of € 470.0 million (+36.9%) compared to € 1,274.7 million in 2020. The increase is due to the increase in both volumes and sales prices of paper products and energy. In particular, paper turnover increased by € 327 million and energy turnover by € 112 million.
Other income amounted to € 73.0 million (€ 57.0 million in the previous year) due, in particular, to environmental certificates and agreements for the electricity and gas load shedding. As a whole, total operating revenue and income came to € 1,817.7 million, compared to € 1,331.6 million in 2020 (+36.5%).

The quantity of paper sold was equal to 2,086 tons, an increase of +15.7% compared to the 1,803 tons sold in 2020. Operating costs amounted to € 1,753.5 million against € 1,259.0 million in the previous year, an increase of +39.3%. Among operating costs, personnel costs amounted to € 191.9 million compared to € 176.4 million the previous year.
EBITDA Adjusted is € 64.2 million, against € 72.7 million in 2020.
In percentage terms, the gross operating margin amounts to 3.5% of turnover against 5.5% of the previous year.

Depreciation amounts to € 72.2 million, in line with the previous year.
The operating result, before non-recurring transactions, amounts to € -7.8 million compared to € -0.3 million in the previous year. Write-downs of non-current assets were made for € -19.1 million. During 2021, a strong improvement in non-recurring income and expenses which last year stood at € -22.4 million compared to a positive result in 2021 of € 109.2 million, significantly influenced by the capital gain obtained following the sale of the Verzuolo plant.

Financial charges increased from € 27.5 million in 2020 to € 28.8 million in 2021.
Financial income also increased over the course of 2021, reaching € 4.3 million with respect to € 3.2 million in 2020.
As a result of all the above, the net result, after tax assets of € 0.8 million, shows a profit of € 58.7 million against a loss of € -51.0 million in the previous year.

NON-RECURRING AND RESTRUCTURING CHARGES

To improve the comparability of amounts with the previous year, the company identifies non-recurring income and expense in the Report on Operations, indicating these separately. The aspects considered when identifying extraordinary and/or non-recurring components are:

- **Significance**
- **Nature**
- **Size and impact**

The categories identified as extraordinary and/or non-recurring components based on the Group's accounting policies are:

- Expense or income, also of financial nature, connected to significant non-recurring events or transactions, or transactions or events of an exceptional nature (e.g. natural disasters such as earthquakes, fires, floods, hurricanes, epidemics).
- Expense or income, also of financial nature, connected to extraordinary operations such as acquisitions or disposals of companies (e.g. capital gains and losses on sales of fixed assets, integration costs).
- Costs, also of financial nature, for restructuring and integration operations (e.g. costs for employee redundancy incentives, costs to close and manage facilities no longer operational, other costs which would not be incurred in the absence of the restructuring and/or integration).
- Costs for the initial start up of systems incurred to make the asset fully operational, if they cannot be capitalised and are significant.
- Write-downs/Revaluations of fixed assets and equity investments, write-downs of goodwill for impairment.
- Non-recurring financial costs.

In preparing this type of disclosure, the company took note of the practices used by its competitors, as well as by other entities operating on regulated markets. Additionally, regulatory references were considered such as the guidelines issued by the European Security Market Authority (ESMA) and CONSOB communications. Although these are not regulations the company is required to follow, they are important guidelines and references.

The indicator selected by management to represent its performance, after removing items relative to extraordinary costs and/or non-recurring operations, is the Gross Operating Margin (EBITDA). In the context of the disclosure regarding the nature and amount of the most significant cost and revenue items (IAS 1 - paragraph 97), below is a reconciliation schedule and a description of non-recurring items. The reconciliation statement of the non-recurring components attributable to discontinued operations relating to the year 2021 is then presented.

Statement of profit/(loss) for the year €/000	31 Dec 2021 PROFIT AND LOSS STATEMENT non-recurring components indicated separately	non-recurring and discontinued components	PROFIT AND LOSS STATEMENT non-recurring components not indicated separately
Revenues	1,744,748	(137,560)	1,607,188
Other income	72,951	(3,663)	69,289
Total operating revenues and income	**1,817,700**	**(141,223)**	**1,676,477**
Costs for materials and external services	(1,523,055)	122,174	(1,440,880)
Personnel expenses	(191,868)	8,346	(183,522)
Other operating costs	(57,008)	2,056	(54,953)
Change in inventories	15,394	(1,333)	14,062
Capitalised costs for internal work	3,015	-	3,015
Total operating costs	**(1,753,521)**	**131,243**	**(1,622,278)**
EBITDA Adjusted	**64,179**		
Depreciation and amortisation	(72,161)	14,265	(57,896)
Capital gains/losses on disposal of non-current assets	227	(229)	(72)
Operating result before extraordinary and non-recurring charges and revenues	**(7,755)**	**3,985**	**(3,769)**
Write-back/write-downs of non-current assets	(19,102)	-	(19,102)
Non-recurring and renovation revenues/charges	109,249	(109,249)	-
Operating result (EBIT)	**82,392**	**(105,263)**	**(22,871)**
Financial expenses	(28,810)	(1,135)	(27,675)
Financial income	4,306	-	4,306
Profit/(loss) before tax	**57,888**	**(104,128)**	**(46,204)**
Income taxes	831	(1,426)	(595)
Net result from assets held for sale and from discontinued operations	-	105,554	105,554
Profit/(loss) for the period	**58,719**	**-**	**58,719**

The non-recurring components identified refer in particular to:

- Reclassification, in compliance with IFRS 5, of the net result from discontinued operations;
- Extraordinary transaction for the sale of the Verzuolo plant and the Gever activities: income relating to the capital gain of € 118.2 million and charges related to the operation amounting to € -3.1 million;
- Non-recurring costs for start-up of Burgo Ardennes plants for € -2.0 million;
- Charges relating to provisions for reclamation and demolition at some Group factories for a total of € -3.4 million;
- Expenses relating to sites no longer operational for € -0.5 million.

Statement of equity/financial position: Assets €/mln	31 Dec 2020	31 Dec 2021	Change
Non-current assets	**833.3**	**558.0**	**(275.3)**
Property, plant and equipment	711.8	439.1	(272.8)
Intangible assets	30.9	31.3	0.5
Other non-current assets	23.8	23.9	0.1
Deferred tax assets	66.8	63.7	(3.1)
Current assets	**529.2**	**791.5**	**262.2**
Total assets	**1,362.5**	**1,349.5**	**(13.1)**

Statement of equity/financial position: Liabilities €/mln	31 Dec 2020	31 Dec 2021	Change
Shareholders' equity	**334.4**	**411.8**	**77.4**
Shareholders' equity pertaining to the Group	330.7	408.1	77.3
Shareholders' equity attributable to non-controlling interests	3.6	3.7	0.1
Non-current liabilities	**494.6**	**315.4**	**(179.2)**
Current liabilities	**533.5**	**622.2**	**88.7**
Total shareholders' equity and liabilities	**1,362.5**	**1,349.5**	**(13.1)**

Net tangible and intangible fixed assets decreased from € 742.7 million to € 470.4 million, in particular due to the sale of the Verzuolo plant and the Gever assets for € 231.6 million. In addition to the extraordinary transaction mentioned above, the change derives from the difference between investments and other intangible capitalisations for € 64.9 million, divestitures for € 15.4 million, write-downs for € 18.4 million and amortisation for € 72.2 million. During 2021, the Group continued its programme of interventions aimed at new products, as well as at improving production and energy efficiency, quality, safety, the environment and plant maintenance.

Inventories and trade receivables from customers increased by € 0.7 million and € 112.9 million respectively, trade payables to suppliers increased by € 196.5 million, helping to generate an overall reduction in operating working capital equal to € 82.9 million.

Net financial debt significantly decreased from € 454.3 million to € 53.8 million, with a decrease of € 400.5 million.
Shareholders' equity increased by € 77.4 million, from € 334.4 million to € 411.8 million. The main changes are attributable to the profit for the year for € 58.7 million and to the overall positive changes for the OCI for a total of € 18.0 million, including in particular those deriving from the positive adjustment of the CFH Reserve amounting to € 16.6 thousand.

Breakdown of net financial debt €/mln	**31 Dec 2020**	**31 Dec 2021**	**Change**
Current financial assets	103.8	220.7	116.9
Short-term financial payables	(172.2)	(58.5)	113.8
Medium/long-term financial assets	4.2	5.9	1.7
Medium/long-term financial payables	(390.0)	(221.9)	168.1
Net financial debt	**(454.3)**	**(53.8)**	**400.5**

Capital and financial structure €/mln	**31 Dec 2020**	**31 Dec 2021**	**Change**
Intangible assets	30.9	31.3	0.5
Property, plant and equipment	711.8	439.1	(272.8)
Other non-current assets:			
Equity investments	13.2	10.2	(3.1)
Other receivables and non-current assets	6.4	7.8	1.4
Net fixed assets	**762.3**	**488.4**	**(273.9)**
Inventories	194.2	194.9	0.7
Trade receivables	202.4	315.3	112.9
Trade payables	(314.5)	(510.9)	(196.5)
Working capital	**82.1**	**(0.7)**	**(82.9)**
Equity investments in current assets	0.8	-	(0.8)
Other receivables and current assets	28.1	60.6	32.5
Deferred tax assets	66.8	63.7	(3.1)
Provisions for deferred tax liabilities	(17.6)	(17.0)	0.6
Provisions for risks and charges	(55.2)	(50.2)	5.0
Other payables and non-current liabilities	(0.2)	(0.3)	(0.2)
Payables for current taxes	(6.1)	(7.5)	(1.4)
Other payables and current liabilities	(40.8)	(45.4)	(4.6)
Other operating assets and liabilities	**(24.1)**	**4.0**	**28.2**
Working capital	**58.0**	**3.3**	**(54.7)**
Invested capital, after deducting operating liabilities	**820.3**	**491.7**	**(328.6)**
Severance indemnities and other provisions related to personnel	(31.6)	(26.1)	5.6
Invested capital, after deducting operating liabilities and severance indemnities (TFR)	**788.7**	**465.6**	**(323.1)**
Share capital	(90.0)	(90.0)	-
Reserves	(281.0)	(298.6)	(17.6)
Accumulated profits/(losses) including profit/(loss) for the period	40.2	(19.5)	(59.7)
Shareholders' equity attributable to non-controlling interests	(3.6)	(3.7)	(0.1)
Own capital	**(334.4)**	**(411.8)**	**(77.4)**
Financial receivables and other non-current financial assets	4.2	5.9	1.7
Financial receivables and other current financial assets	55.2	78.1	22.9
Cash on hand and other cash equivalents	48.6	142.6	94.0
Non-current financial liabilities	(390.0)	(221.9)	168.1
Current financial liabilities	(172.2)	(58.5)	113.8
Net financial debt	**(454.3)**	**(53.8)**	**400.5**
Total coverage	**(788.7)**	**(465.6)**	**323,1**

Analysis by index	**31 Dec 2020**	**31 Dec 2021**
ROS (EBIT/Turnover)	-1.70%	4.53%
AT (Assets turnover: Turnover/Average invested capital)	0.94	1.34
ROI (EBIT/Average invested capital) = ROS x AT	**-1.59%**	**6.07%**
ROI (EBIT/Average invested capital) = ROS x AT	-1.59%	6.07%
Debt ratio (CI/CN)	4.38	3.64
Impact of non-management expense	2.25%	0.71%
ROE (ROI*CI/CN*RN/RO)	**-15.72%**	**15.74%**
ROCE (Operating income/Net average invested capital)	**-2.84%**	**13.14%**
PFN/Shareholders' equity	**1.36**	**0.13**
PFN/MOL	**6.25**	**0.84**

Parent company Burgo Group S.p.A. results and financial structure

Profit and Loss Statement for the Year €/000	**31 dec 2020**	**31 Dec 2021**	**% change**
Revenues	810,238	1,148,096	41.7%
Other income	30,534	30,046	
Total operating revenues and income	**840,771**	**1,178,142**	**40.1%**
Costs for materials and external services	(725,875)	(1,079,863)	
Personnel expenses	(73,710)	(81,479)	
Other operating costs	(13,484)	(25,879)	
Change in inventories	(26,392)	12,646	
Capitalised costs for internal work	1,119	1,903	
Total operating costs	**(838,342)**	**(1,172,672)**	**40.36%**
EBITDA Adjusted	**2,429**	**5,471**	**125.24%**
Depreciation and amortisation	(42,241)	(40,673)	
Capital gains/(losses) on disposal of non-current assets	(208)	56	
Operating result before extraordinary and non-recurring charges and revenues	**(40,020)**	**(35,146)**	
Writebacks/writedowns of non-current assets	-	(19,102)	
Income/expenses of a non-recurring nature and for restructuring	(13,575)	67,359	
Operating result (EBIT)	**(53,595)**	**13,111**	
Financial expenses	(23,052)	(28,165)	
Financial income	20,040	80,053	
Profit/(loss) before tax	**(56,607)**	**64,998**	
Income taxes	4,638	7,951	
Profit/(loss) for the period	**(51,969)**	**72,950**	

The ordinary revenues achieved in 2021 amounted to € 1,148.1 million, against € 810.2 million in 2020, recording an increase of +41.7%.
Other income was also obtained for a total of € 30 million (€ 30.5 million in the previous year) due, in particular, to environmental certificates and agreements for the electricity and gas load shedding.
As a whole, total operating revenue and income came to € 1,178.1 million, compared to € 840.8 million in 2020.

The quantity of paper sold is t 1,663,874 against t 1,395,005 of the previous year.
Total operating costs amounted to € 1,172.7 million against € 838.3 million in 2020.
Among the operating costs, the cost of personnel is € 81.5 million compared to € 73.7 million in 2020.
The gross operating margin amounted to € 5.5 million against € 2.4 million in the previous year, while depreciation and amortisation amounted to € 40.7 million against € 42.2 million in 2020.

Operating income before non-recurring transactions was negative for € -35.1 million against a negative income of € -40 million in the previous year.
Net non-recurring income/expenses were therefore recognised for € 67.4 million.
The result of financial management is positive for € 51.9 million against a negative result of € -3 million in 2020. The change is mainly due to the higher dividends received from subsidiaries, equal to € 78.5 million in 2021 against € 18.1 million in 2020.
The pre-tax result was positive for € 65 million with respect to the negative result of € -56.6 million in the previous year.

The net result shows a profit of € 73 million against a negative result of € -52 million in the previous year.

NON-RECURRING CHARGES

A reconciliation table of non-recurring items relating to the year 2021 is shown below. For the methodology, please refer to what was previously written in the comments on the consolidated income statement data.

Statement of profit/(loss) for the year €/000	**31 Dec 2021**		
	PROFIT AND LOSS STATEMENT non-recurring components indicated separately	non-recurring and discontinued components	PROFIT AND LOSS STATEMENT non-recurring components not indicated separately
Revenues	1,148,096	(157,153)	990,943
Other income	30,046	(2,733)	27,313
Total operating revenues and income	**1,178,142**	**(159,887)**	**1,018,256**
Costs for materials and external services	(1,079,863)	153,641	(926,222)
Personnel expenses	(81,479)	7,528	(73,950)
Other operating costs	(25,879)	(1,428)	(27,307)
Change in inventories	12,646	(682)	11,964
Capitalised costs for internal work	1,903	-	1,903
Total operating costs	**(1,172,672)**	**159,059**	**(1,013,613)**
EBITDA Adjusted	**5,471**		
Depreciation and amortisation	(40,673)	11,609	(29,064)
Gains/losses from non-current assets	56	-	56
Operating result before extraordinary and non-recurring charges and revenues	**(35,146)**	**10,781**	**(24,365)**
Write-back/write-downs of non-current assets	(19,102)	-	(19,102)
Non-recurring and renovation revenues/charges	67,359	(67,359)	-
Operating result (EBIT)	**13,111**	**(56,578)**	**(43,467)**
Financial expenses	(28,165)	(138)	(28,304)
Financial income	80,053	(55,556)	24,496
Profit/(loss) before tax	**64,998**	**(112,272)**	**(47,274)**
Income taxes	7,951	(3,448)	4,503
Net result from assets held for sale and from discontinued operations	-	115,720	115,720
Profit/(loss) for the period	**72,950**	**-**	**72,950**

The identified non-recurring operating income and costs refer in particular to:

- Reclassification, in compliance with IFRS 5, of the net result from discontinued operations;
- Capital gain of € 74.3 million deriving from the sale of the Verzuolo plant and charges related to the operation of € -3.1 million;
- Charges relating to provisions for reclamation and demolition at some of the Company's plants for a total of € -3.4 million;
- Charges of € -1.8 million related to the extraordinary sale of the Verzuolo plant and renegotiation of the credit lines;
- Expenses relating to sites no longer operational for € -0.5 million.

Statement of equity/financial position: Assets €/mln	**31 Dec 2020**	**31 Dec 2021**	**Change**
Non-current assets	**997.5**	**731.2**	**(266.3)**
Property, plant and equipment	446.5	197.8	(248.7)
Intangible assets	13.6	13.3	(0.3)
Other non-current assets	475.9	462.5	(13.3)
Deferred tax assets	61.5	57.6	(4.0)
Current assets	**318.7**	**487.3**	**168.5**
Total assets	**1,316.3**	**1,218.5**	**(97.8)**

Statement of equity/financial position: Liabilities €/mln	**31 Dec 2020**	**31 Dec 2021**	**Change**
Shareholders' equity	**(426.9)**	**(518.3)**	**(91.3)**
Shareholders' equity pertaining to the Group	(426.9)	(518.3)	(91.3)
Non-current liabilities	**(420.1)**	**(245.4)**	**174.7**
Current liabilities	**(469.2)**	**(454.8)**	**14.4**
Total shareholders' equity and liabilities	**(1,316.3)**	**(1,218.5)**	**97.8**

During the year, technical investments amounting to € 15.8 million were made (€ 24 million in 2020) which, added to the borrowing costs, internal works and advances on plant maintenance, bring the total to € 23.4 million.
The registration of rights of use following the application of IFRS 16 during the year amounted to € 1.2 million against € 1 million in the previous year.
The increases for intangible fixed assets amount to € 1 million (€ 0.9 million in 2020).
Trade receivables go from € 104.9 million in 2020 to € 188 million and inventories from € 80.6 million to € 79.9 million.
Trade payables increased from € 252.4 million at the end of 2020 to € 347.1 million.
Net financial debt amounted to € 105.2 million compared to € 446 million at the end of 2020, decreasing by € 340.8 million.
Shareholders' equity amounts to € 518.3 million, against € 426.9 million at the end of 2020.

Breakdown of net financial debt €/mln	**31 Dec 2020**	**31 Dec 2021**	**Change**
Current financial assets	111.4	168.3	56.9
Short-term financial payables	(192.9)	(83.5)	109.4
Medium/long-term financial assets	5.5	7.3	1.8
Medium/long-term financial payables	(369.9)	(197.2)	172.7
Net financial debt	**(446.0)**	**(105.2)**	**340.8**

Capital and financial structure €/mln	**31 Dec 2020**	**31 Dec 2021**	**Change**
Intangible assets	13.6	13.3	(0.3)
Property, plant and equipment	446.5	197.8	(248.7)
Other non-current assets:			
Equity investments	464.4	447.9	(16.6)
Other receivables and non-current assets	5.9	7.4	1.4
Net fixed assets	**930.5**	**666.4**	**(264.1)**
Inventories	80.6	79.9	(0.7)
Trade receivables	104.9	188.0	83.1
Trade payables	(252.4)	(347.1)	(94.7)
Working capital	**(66.9)**	**(79.3)**	**(12.4)**
Equity investments in current assets	0.8	-	(0.8)
Other receivables and current assets	21.1	51.1	30.1
Deferred tax assets	61.5	57.6	(4.0)
Provisions for risks and charges	(31.4)	(33.7)	(2.3)
Other payables and non-current liabilities	-	-	-
Payables for current taxes	(3.4)	(3.3)	0.0
Other payables and current liabilities	(20.5)	(20.8)	(0.3)
Other operating assets and liabilities	**28.1**	**50.8**	**22.7**
Working capital	**(38.7)**	**(28.4)**	**10.3**
Invested capital, after deducting operating liabilities	**891.8**	**637.9**	**(253.8)**
Severance indemnities and other provisions related to personnel	(18.8)	(14.5)	4.3
Invested capital, after deducting operating liabilities and severance indemnities (TFR)	**873.0**	**623.4**	**(249.5)**
Share capital	(90.0)	(90.0)	-
Reserves	(350.7)	(368.7)	(18.0)
Accumulated profits/(losses) including profit/(loss) for the period	13.8	(59.5)	(73.3)
Own capital	**(426.9)**	**(518.3)**	**(91.3)**
Financial receivables and other non-current financial assets	5.5	7.3	1.8
Securities other than equity investments	-	-	-
Financial receivables and other current financial assets	66.0	41.3	(24.7)
Cash on hand and other cash equivalents	45.4	127.0	81.6
Non-current financial liabilities	(369.9)	(197.2)	172.7
Current financial liabilities	(192.9)	(83.5)	109.4
Net financial debt	**(446.0)**	**(105.2)**	**340.8**
Total coverage	**(873.0)**	**(623.4)**	**249.5**

The performance of subsidiaries and associates

SUBSIDIARIES

Burgo Ardennes sa
(*reporting drafted pursuant to international accounting standards*)
Revenues amounted to € 322.5 million (€ 262.6 million in the previous year).
The gross operating margin amounted to € 31.7 million (€ 26.4 million in the previous year).
The net result for the year was € 7.3 million (€ 1.1 million in the previous year).

Mosaico spa
(*financial statements drafted pursuant to international accounting standards*)
Revenues amounted to € 454.0 million (€ 378.6 million in the previous year).
The gross operating margin amounted to € 5.5 million (€ 34.4 million in the previous year).
The net result for the year amounted to € -6.0 million (€ 13.8 million in the previous year).

Burgo Distribuzione srl
(*financial statements drafted pursuant to international accounting standards*)
I Revenues amounted to € 188.0 million (€ 161.9 million in the previous year).
The gross operating margin amounted to € 6.9 million (€ 2.3 million in the previous year).
The net result for the year amounted to € 4.5 million (€ 1.1 million in the previous year).

Burgo Energia srl
(*financial statements drafted pursuant to international accounting standards*)
Revenues amounted to € 174.1 million (€ 75.2 million in the previous year).
The gross operating margin amounted to € 4.2 million (€ 3.1 million in the previous year).
The net result for the year is € 2.7 million (€ 2.1 million in the previous year).

Burgo Factor spa
(*financial statements drafted pursuant to international accounting standards*)
The company managed a total of receivables of € 289.1 million (€ 225.6 million in the previous year).
The net profit for the year was € 2.3 million (€ 1.9 million in the previous year).

Gever spa (in liquidation)
(*financial statements drafted pursuant to international accounting standards*)
Revenues amounted to € 43.3 million (€ 28.1 million in the previous year).
The gross operating margin amounted to € 7.7 million (€ 4.0 million in the previous year).
The net result for the year is € 47.7 million (€ 0.4 million in the previous year).
During 2021, the company Gever spa was placed in liquidation due to the impossibility of achieving the corporate purpose following the sale of the Verzuolo plant and the related power plant.

Consorzio Energy Paper Scarl
(*financial statements drafted pursuant to national accounting standards*)
The revenues amounted to € 22.3 million, the gross operating margin amounted to € 0.0 million and the net profit for the year amounted to € 0.0 million.

Burgo Recycling srl
(*financial statements drafted pursuant to national accounting standards*)
The revenues amounted to € 0.7 million, the gross operating margin was € 0.0 million and the net profit for the year was € 0.0 million.

Other foreign companies
The foreign trading companies (Burgo Central Europe, Burgo France, Burgo Iberica Papel, Burgo UK, Burgo Benelux, Burgo North America and Burgo Eastern Europe) and SEFE achieved a net profit of € 1.8 million (€ -0.25 million in the previous year).

Relations with subsidiaries, associated companies and parent companies

The Parent Company Burgo Group spa, in addition to the institutional role of guiding and coordinating the activities of the subsidiaries and associates, has the same relationships of an instrumental nature, with the aim of grasping the maximum synergies of the Group both in terms of production and organisation and finance, and commercial relations and the provision of services, all regulated at market conditions or according to the method of sharing costs.
The Company makes or has made purchases of:

- paper and cellulose from Burgo Ardennes;
- Mosaic paper;
- electricity, gas and related services from Burgo Energia;
- electricity and steam from Gever;
- secondary raw material from Burgo Recycling;
- brokerage and sales services from Burgo Iberica Papel, Burgo Central Europe, Burgo France, Burgo UK, Burgo Benelux, Burgo Eastern Europe, Burgo North America and Burgo Distribuzione.

The Parent Company provides:

- paper products in Burgo Ardennes, Mosaico and Burgo Distribuzione;
- excess electricity produced in the power plants to Burgo Energia;
- plant services in Gever;
- load shedding service to Consorzio Energy Paper;
- administrative, fiscal, legal, financial and treasury assistance, IT services, personnel loans to all Group companies;
- guarantees in the interest of Burgo Factor, Burgo Energia, Gever and Burgo Distribuzione;
- insurance coverage for Mosaico, Burgo Factor, Burgo Distribuzione, Burgo Energia, Gever, intermediating with the companies.

Burgo Factor carries out the factoring of receivables due from the Group by suppliers.
The Consorzio Energy Paper company carries out intermediation activities for the electrical load shedding services provided to Terna.
As part of the contract for the purchase of electricity and steam from Gever, the Parent Company guaranteed the supply of gas to Gever, re-invoicing the latter for all related costs.
Burgo Group spa, in its role as central manager of the Group treasury, credits and debits the affiliates financial income and charges at market rates on correspondent current accounts.

The Company avails itself of the right to consolidate the individual debit and credit positions of Burgo Distribuzione srl, Burgo Energia srl, Gever spa, Burgo Factor spa, Mosaico spa and Burgo Recycling srl for IRES purposes and of Burgo Distribuzione srl, Burgo Energia srl, Gever spa, Mosaico spa, Consorzio Energy Paper scarl and Burgo Recycling srl (for the latter from 01/01/2022) for VAT purposes, in relation to current tax regulations.
The above relationships are indicated quantitatively in the schedule below:

Relations with related parties €/mln	Subsidiaries		Total financial statement items			
	31 Dec 2020	31 Dec 2021	31 Dec 2020	%	31 Dec 2021	%
Asset relations						
Financial receivables and other non-current financial assets	2,800	2,800	5,480	51%	7,286	38%
Trade receivables	28,459	57,771	104,942	27%	187,993	31%
Other receivables and current assets	8,079	36,274	21,052	38%	51,103	71%
Financial receivables and other current financial assets	60,515	33,806	65,983	92%	41,258	82%
Current financial liabilities	(33,319)	(37,868)	(192,925)	17%	(83,498)	45%
Trade payables	(88,457)	(71,457)	(252,401)	35%	(347,147)	21%
Other payables and current liabilities	(1,454)	(3,070)	(20,517)	7%	(20,830)	15%
Economic relationships						
Revenues	103,891	182,335	699,180	15%	990,943	18%
Other income	1,534	3,621	28,717	5%	27,313	13%
Costs for materials and external services	(211,378)	(247,640)	(622,841)	34%	(926,222)	27%
Other operating costs	(10,559)	(15,983)	(12,767)	83%	(27,307)	59%
Financial income	(16)	(131)	(22,654)	0%	(27,030)	0%
Income taxes	20,033	79,531	20,040	100%	23,223	342%
Income taxes	6,108	5,164	(2,306)	-265%	4,503	115%

Corporate governance and internal audit system

GENERAL NOTES

The Articles of Association of Burgo Group spa adopted the so-called “traditional model” (model confirmed also following the Transaction) of Corporate Governance, which consists of the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

At the date of preparation of this Report, the company's capital is equal to € 90,000,000.00 divided into 2,168,857,500 shares with no par value and divided as follows:

(**1**) BG Holding S.r.l. owns no. 1,988,794,387 Burgo shares, representing 91.70%;

(**2**) Mediobanca owns no. 87,442,365 Burgo shares, representing 4.03%;

(**3**) Italmobiliare S.p.A. owns no. 46,153,846 Burgo shares, representing 2.13%;

(**4**) Allegro S.à.r.l. (on behalf of Generali Financial Holding FCP-FIS SUB) owns no. 46,153,846 Burgo shares, representing 2.13%;

(**5**) the remaining no. 313,056 Burgo shares, representing 0.01% are owned by various shareholders.

The subsidiaries have indicated Burgo Group spa as the subject exercising the management and coordination activity pursuant to art. 2497 bis of the Italian Civil Code
The Parent Company determines, in fact, the management and strategic guidelines of the Group, elaborates and adapts the internal control model and the code of ethics, defines the general policies for financial, production, human resources, procurement and communication management and sets the objectives and procedures relating to safety and health in the workplace, quality and the environment.
Certain services are also managed centrally, including treasury, corporate secretariat, legal assistance and internal audit.
Subsidiaries maintain their operational autonomy and can concentrate their resources on their respective core business, making use of the Parent Company's resources for specialist activities, with consequent scale economies.

THE CORPORATE BODIES

(i) The Shareholders' Meeting: pursuant to art. 16 the Shareholders' Meeting, both ordinary and extraordinary, it resolves on the matters reserved to it by law.
Art. 18 establishes quorum and decision-making procedures for Shareholders' Meetings relating to Matters of the Shareholders' Meetings defined as Relevant.
The Assembly is chaired by the President of the Board of Directors and, in the event of the latter's absence, impossibility, renunciation or impediment, by the Vice President; in their absence, impossibility, renunciation or impediment, by another person designated by the Assembly itself.
Participation in the Shareholders' Meeting by means of audio-television connection is envisaged, provided that the collective decision making and the principles of good faith and equal treatment of the participants are complied with.

(ii) Board of Directors: the Company is managed by a Board of Directors consisting of 7 (seven) directors appointed on the basis of the list voting system governed by art. 22 of the Statute in force.
Those who find themselves in the conditions set out in Article 2382 of the Civil Code cannot be appointed to the office of directors and, if appointed, they lose their role.
On 30 October 2020, the Assembly appointed the Board for the three-year period 2020-2022, or until the approval of the 2022 budget, which is composed as follows:

a) dr. **A. Marchi** - *Chairman*
b) dr. **F. Conte** - *Vice-Chairman*
c) eng. **I. Capuano** - *Chief Executive Officer*
d) dr. **C. Rebecchini**
e) dr. **F. Capurro**
f) dr. **M. D'Alberto**
g) dr. **L. Marzotto**

The Board of Directors is invested with the widest powers for the ordinary and extraordinary management of the Company and is entitled to carry out all the acts it deems necessary and/or appropriate for the implementation and achievement of the corporate purposes, with the exception of what is expressly reserved for the Shareholders' Meeting by law or by the Articles of Association.

The meetings of the Board of Directors are chaired by the Chairman or, in his absence, by the Vice-Chairman or, in the event of their absence, impossibility, renunciation or impediment, by the person designated by the Board itself.
The Board of Directors is established with the presence of the majority of the directors in office and its resolutions must be passed with the favourable vote of the absolute majority of the directors present.
Art. 25-5 identifies the so-called
Relevant Board Matters which are the exclusive competence of the Board of Directors without the possibility of delegation to directors and/or special attorneys, must be taken with the presence and favourable vote of the Chairman and the Deputy Chairman.
In compliance with art. 25.6., then there are further matters for which a qualified majority is required, always obtained with the favourable vote of the Chairman, the Vice-Chairman and the representative of the so-called list C.
The Board of Directors currently in office met no. 8 times with an average meeting duration of approximately 3 hours.
The Board of Statutory Auditors always attended the meetings.

(iii) The Board of Statutory Auditors: art. 28 of the Articles of Association in force governs the methods of appointment and composition of the Board of Statutory Auditors.
On 30 October 2020, following resignation, the Burgo Group Shareholders' Meeting appointed the Board of Statutory Auditors for the three-year period 2020-2022 which is composed as follows:

a) dr. **R. Spada** - *Chairman*
b) dr. **F. Corgnati** - *Regular Auditor*
c) dr. **F. Gubitosi** - *Regular Auditor*
d) dr. **F. Gallio** - *Alternate Auditor*
e) dr. **L. Zoani** - *Alternate Auditor*

All the statutory auditors are in possession of the requisites of professionalism and integrity required by law.
For the sake of completeness, it should be noted that the Company has entrusted the statutory auditing of the accounts to the Company EY S.p.A. whose office will expire with the approval of the 2021 budget.
Therefore, the next meeting for the approval of these 2021 financial statements will also be called to confer the audit mandate.

THE INTERNAL CONTROL SYSTEM

The Company's Board of Directors has already adopted, starting from the 2003 financial year, in application of Legislative Decree 8 June 2001 no. 231, an "Organisation, management and control model" consisting in the identification and application of a set of rules of conduct, organisation and control that should constitute a control system, reasonably suitable for identifying and preventing criminally relevant conduct pursuant to Legislative Decree no. 231/2001 and subsequent amendments and additions.
The task of supervising the effective functioning and compliance with the Model, as well as proposing its updating, is entrusted to a collegial Supervisory Body which reports to the administration.
The Board of Statutory Auditors is made up of three standing members and two alternate members, whose mandate will expire on the date of approval of the financial statements at 31 December 2022.

PARTECIPATIVE FINANCIAL INSTRUMENTS

Following the Capital Increase and Refinancing Operation carried out on 29/30 October 2021, the PFI regime has been modified.
In particular, the Special Shareholders' Meeting irrevocably waived the right to convert, in whole or in part, the existing equity financial instruments into ordinary and/or preferred shares of the Company, as well as adopted a new Regulation which carried out a profound revision of the discipline of participatory financial instruments, relating to both equity and administrative rights. As part of this review, Financial Instruments have lost, in addition to, the right to convert into Company shares also any right of Governance. These equity instruments were originally subscribed through the conversion of € 200 million of debt from certain financial institutions.
The holders of Financial Instruments are specified below:

Equity financial instruments	
Mediobanca S.p.A.	130,374,542
QuattroR SGR S.p.A.	54,096,920
Banco BPM S.p.A.	15,528,538
	200,000,000

Privacy Policy LEG. D. 30 June No. 196 and GDPR 27 April 2016 no. 679

The Company adjusted to the requirements established under the European regulations prior to the deadline.

With reference to financial year 2021, there were no significant incidents regarding files containing personal data used by the company or process of the same, nor did any interested subjects indicate damages deriving from use of the same.

List of secondary offices

As required by the last paragraph of art. 2428 of the Italian Civil Code it should be noted that the Company has no secondary offices.

PAPER
POWER
PASSION

Burgo Group Consolidated Financial Statements

2

| 2 | Consolidated Balance Sheet

Statement of equity/financial position: Assets €/000	Note	31 Dec 2020	31 Dec 2021	Change
Non-current assets		**833,320**	**557,999**	**(275,321)**
Property, plant and equipment		**711,850**	**439,073**	**(272,777)**
Property, plant and equipment	1	704,218	431,447	(272,771)
Property investments	1	637	558	(79)
Right of use assets	1	6,995	7,068	73
Intangible assets		**30,862**	**31,345**	**483**
Goodwill and other intangible assets with undefined life	2	17,061	17,061	-
Intangible assets with defined life	2	13,801	14,283	483
Other non-current assets		**23,768**	**23,852**	**83**
Equity investments in other companies	3	13,240	10,174	(3,066)
Financial receivables and other non-current financial assets	3	4,156	5,884	1,728
Other receivables and non-current assets	3	6,372	7,793	1,421
Deferred tax assets		**66,840**	**63,730**	**(3,110)**
Deferred tax assets	4	66,840	63,730	(3,110)
Current assets		**529,206**	**791,453**	**262,248**
Inventories	5	194,160	194,905	745
Trade receivables	6	202,413	315,270	112,857
Other receivables and current assets	7	28,059	60,597	32,538
Equity investments	8	792	-	(792)
Financial receivables and other current financial assets	9	55,197	78,055	22,858
Cash and cash equivalents	10	48,585	142,626	94,042
Total assets		**1,362,526**	**1,349,452**	**(13,074)**

Statement of equity/financial position: Liabilities €/000	Note	31 Dec 2020	31 Dec 2021	Change
Shareholders' equity		**334,368**	**411,814**	**77,446**
Share capital	11	90,000	90,000	-
Reserves	11	280,966	298,601	17,635
Accumulated profits/(losses) including profit/(loss) for the period	11	(40,222)	19,471	59,693
Shareholders' equity attributable to non-controlling interests	11	3,624	3,741	117
Non-current liabilities		**494,625**	**315,444**	**(179,181)**
Non-current financial liabilities	12	390,031	221,908	(168,123)
Severance indemnities and other provisions related to personnel	13	31,628	26,052	(5,576)
Provisions for deferred tax liabilities	14	17,625	16,978	(647)
Provisions for risks and charges	15	55,167	50,167	(5,001)
Other payables and non-current liabilities	16	174	340	166
Current liabilities		**533,532**	**622,194**	**88,662**
Current financial liabilities	17	172,223	58,460	(113,764)
Trade payables	18	314,452	510,912	196,460
Payables for current taxes	19	6,057	7,469	1,412
Other payables and current liabilities	20	40,801	45,354	4,553
Total shareholders' equity and liabilities		**1,362,526**	**1,349,452**	**(13,074)**

Consolidated Profit and Loss Statement for the Year

Profit and Loss Statement for the Year €/000	**Note**	**31 Dec 2020**	**31 Dec 2021**	**% change**
Revenues	22	1,176,953	1,607,188	**36.6%**
Other income	23	54,517	69,289	
Total operating revenues and income		**1,231,469**	**1,676,477**	**36.1%**
Costs for materials and external services	24	(927,317)	(1,400,880)	
Personnel expenses	25	(174,984)	(183,522)	
Other operating costs	26	(31,965)	(54,953)	
Change in inventories	27	(38,669)	14,062	
Capitalised costs for internal work	28	1,486	3,015	
Depreciation and amortisation	29	(54,504)	(57,896)	
Capital gains/losses on disposal of non-current assets	30	(218)	(72)	
Writebacks/writedowns of non-current assets	31	-	(19,102)	
Total operating costs		**(1,226,172)**	**(1,699,348)**	**38.6%**
Operating result		**5,297**	**(22,871)**	**-531.7%**
Financial expenses	32	(27,155)	(27,675)	
Financial income	33	3,225	4,306	
Profit/(loss) before tax		**(18,632)**	**(46,240)**	
Income taxes	34	(10,829)	(595)	
Net result from assets held for sale and from discontinued operations	35	(21,566)	105,554	
Result for the period		**(51,027)**	**58,719**	
Attributable to:				
Profit (loss) for the period pertaining to minority shareholders		*194*	*(769)*	
Profit (loss) for the period pertaining to the Group		*(51,221)*	*59,488*	

Consolidated Schedule of Other Components of the Comprehensive Profit and Loss Statement

Schedule of other components of the comprehensive profit and loss statement €/000	**Note**	**31 Dec 2020**	**31 Dec 2021**	**% change**
A - Profit (loss) for the period		**(51,027)**	**58,719**	**-215.1%**
Other components of the comprehensive profit and loss statement:				
Other components of the comprehensive profit and loss statement to be subsequently reclassified in the annual profit and loss statement:				
Translation differences of foreign financial statements		(30)	113	
		(30)	113	
(Loss)/net profit from Cash Flow Hedge	36	2,662	23,133	
Income taxes		(742)	(6,583)	
		1,920	16,550	
(Loss)/net profit from FVOCI financial assets	36	(239)	343	
		(239)	343	
B - Total other components of the comprehensive profit and loss statement to be subsequently reclassified in the annual profit and loss statement net of taxes		**1,651**	**17,007**	
Other components of the comprehensive profit and loss statement not to be subsequently reclassified in the annual profit and loss statement:				
(Losses) gains from discounting of defined benefit plans	36	(661)	1,328	
Income taxes		159	(331)	
		(502)	996	
C - Total other components of the comprehensive profit and loss statement not to be subsequently reclassified in the annual profit and loss statement net of taxes		**(502)**	**996**	
D - Total other components of the comprehensive profit and loss statement net of taxes (B + C)		**1,149**	**18,003**	
E - Total comprehensive profit/(loss) net of taxes (D + A)		**(49,878)**	**76,723**	**-253.8%**
Attributable to:				
Minority shareholders		*194*	*(769)*	
Group (parent company shareholders)		*(50,072)*	*77,492*	

For comments on the schedule, please see note 36 “Consolidated schedule of other components of the comprehensive profit and loss statement”.

Statement of changes in consolidated shareholders' equity

Changes in shareholders' equity €/000	Share capital	Legal reserve	Non-distributable reserve from share capital reduction	IAS reserve	Reserve for equity financial instruments	Non-distributable exchange gains reserve	Other reserves	Undistributed profits - Carried forward	Result for the year	Shareholders' equity, majority shareholder	Third party reserves	Profit (loss) for the year pertaining to minority shareholders	**Total Shareholders' Equity**
Adjustment of Previous Years	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at start of previous period (*)	**20,000**	**13,149**	**138,797**	**(6,149)**	**200,000**	**1,280**	**(66,785)**	**1,151**	**9,437**	**310,881**	**3,131**	**289**	**314,301**
Destination of result - distribution of dividends	-	-	-	-	-	-	-	9,437	(9,437)	-	289	(289)	-
Net change profits (losses) directly recognised in shareholders' equity	-	-	-	1,179	-	-	-	-	-	1,179	-	-	1,179
Other changes in shareholders' equity	70,000	-	-	-	-	(475)	-	412	-	69,935	10	-	69,945
Exchange differences from translation of foreign financial statements	-	-	-	-	-	-	(30)	-	-	(30)	-	-	(30)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	(51,221)	(51,221)	-	194	(51,027)
Balances at the end of the previous period (*)	**90,000**	**13,149**	**138,797**	**(4,970)**	**200,000**	**805**	**(66,816)**	**10,999**	**(51,221)**	**330,744**	**3,430**	**194**	**334,368**
Destination of result - distribution of dividends	-	-	-	-	-	-	-	(51,221)	51,221	-	2	(194)	(192)
Net change in profits/(losses) directly recognised in shareholders' equity	-	-	-	17,890	-	-	-	-	-	17,890	-	-	17,890
Other changes in shareholders' equity	-	-	-	-	-	(369)	-	205	-	(163)	1,078	-	915
Exchange differences from translation of foreign financial statements	-	-	-	-	-	-	113	-	-	113	-	-	113
Profit/(loss) for the period	-	-	-	-	-	-	-	-	59,488	59,488	-	(769)	58,719
Balances at period end	**90,000**	**13,149**	**138,797**	**12,920**	**200,000**	**436**	**(66,702)**	**(40,017)**	**59,488**	**408,072**	**4,510**	**(769)**	**411,814**

For comments on the changes in shareholders' equity, please see note 11 "shareholders' equity".

Consolidated Cash Flow Statement

Cash Flow Statement €/000	**31 Dec 2020**	**31 Dec 2021**
A - Net initial monetary availability	**984**	**(105,729)**
B- Monetary flow from operating activities		
Net profit (loss) deriving from operating activities	(51,027)	58,719
Amortisation, depreciation, write-downs and writebacks	72,246	91,263
Writedowns and writebacks of financial assets	360	3,059
Capital (gains) losses on disposal of non-current assets	664	(227)
Capital (gains) losses from the sale of financial assets	-	(118,105)
Change in TFR and provisions for risks	(12,793)	(1,247)
Change in deferred tax assets and provision for deferred taxes	1,399	(6,264)
Profit (loss) for the period before changes in working capital	**10,849**	**27,198**
Change in inventories	43,513	(14,535)
Change in trade receivables	29,758	(112,857)
Change in trade payables	(50,378)	196,460
Change in other assets and liabilities	(3,647)	(4,196)
Change in net working capital	**19,246**	**64,871**
Total B- Monetary flow from operating activities	**30,095**	**92,070**
C - Monetary flow from investing activities		
Investments in property, plant and equipment	(51,321)	(41,802)
Other increases in property, plant and equipment	(4,772)	(6,046)
Investments in intangible assets	(948)	(1,198)
Recognition of other non-current assets	(13,059)	(13,062)
Change in equity investments	-	1,019
Revenues from sales of fixed assets	9,215	371,783
Total C - Monetary flow from investing activities	**60,886**	**310,692**
D - Monetary flow from financing activities		
Change in non-current securities and financial receivables	2	(1,728)
Change in financial receivables and other current financial assets	25,700	(22,858)
Change in current and non-current other non-financial liabilities	(995)	(9,010)
New loans	382,728	159,003
Repayment of loans	(550,739)	(324,592)
Repayment right of use loans	(2,553)	(3,467)
Changes in Shareholders' Equity	69,935	836
Total D - Monetary flow from financing activities	**(75,922)**	**(201,816)**
E - Monetary flow for the period (B + C + D)	**(106,713)**	**200,947**
Net final monetary availability (A + E)	**(105,729)**	**95,218**
Additional information:		
Interest collected during the period	3,030	3,843
Interest paid during the period	(23,720)	(26,974)
Taxes paid during the period	(3,294)	(3,137)
Dividends collected in the period	-	-

For the structure of final net monetary availability, please see note 10 "cash and other cash equivalents", which provides a reconciliation statement regarding cash and other cash equivalents.

Explanatory notes to the consolidated financial statements

GENERAL NOTES

COMPOSITION OF THE GROUP AND SCOPE OF CONSOLIDATION

The details of the consolidated companies, broken down by consolidation criterion used, with indications relating to name, registered office, capital and shares held, are shown below.

Company name	**Registered office**	**Share capital**		**Stake held**	
				%	by
Gever S.p.A. in Liquidation *(electricity and steam production)*	Altavilla Vicentina (VI)	EUR	3,120,000	100.00	Burgo Group S.p.A.
Burgo Ardennes S.a *(paper industry)*	Virton (BE)	EUR	75,000,000	99.99 0.01	Burgo Group S.p.A. Mosaico S.p.A.
Burgo Iberica Papel S.a. *(sales)*	Barcelona (ES)	EUR	268,000	100.00	Burgo Ardennes S.a
Burgo Benelux S.a.r.l. *(sales)*	Brussels (BE)	EUR	247,900	100.00	Burgo Group S.p.A.
Burgo France S.a.r.l. *(sales)*	Champeaux (FR)	EUR	600,000	100.00	Burgo Group S.p.A.
Burgo UK L.t.d. *(sales)*	Milton Keynes (UK)	GBP	250,000	100.00	Burgo Group S.p.A.
Burgo Central Europe G.m.b.h. *(sales)*	Munich (DE)	EUR	256,000	100.00	Burgo Group S.p.A.
Burgo North America L.t.d. *(sales)*	Stamford - Connecticut (USA)	USD	100,000	100.00	Burgo Group S.p.A.
Burgo Factor S.p.A. *(factoring)*	Milan	EUR	3,000,000	90.00	Burgo Group S.p.A.
Burgo Distribuzione S.r.l. *(sales)*	Altavilla Vicentina (VI)	EUR	9,060,000	100.00	Burgo Group S.p.A.
S.E.F.E. S.a.r.l. *(forest management)*	Ecouviez (FR)	EUR	76,250	99.80 0.20	Burgo Ardennes S.a Burgo Group S.p.A.
Burgo Energia S.r.l. *(energy wholesaler)*	Altavilla Vicentina (VI)	EUR	5,015,000	100.00	Burgo Group S.p.A.
Mosaico S.p.A. *(paper industry)*	Altavilla Vicentina (VI)	EUR	75,000,000	100.00	Burgo Group S.p.A.
Burgo Eastern Europe Sp zoo *(sales)*	Warsaw (POL)	PLN	5,000	100.00	Burgo Group S.p.A.
Consorzio Energy Paper s.c.a.r.l. *(energy services)*	Altavilla Vicentina (VI)	EUR	58,776	50.82 17.21	Burgo Group S.p.A. Mosaico S.p.A.
Burgo Recycling s.r.l. *(sales)*	Altavilla Vicentina (VI)	EUR	100,000	51.00	Burgo Group S.p.A.

ACCOUNTING STANDARDS AND CONSOLIDATION CRITERIA

The consolidated financial statements of Burgo Group spa at 31 December 2021 were drawn up in application of the international accounting standards promulgated by the AAV International Accounting Standard Board (IASB) and approved by the European Union, including among these also all the international standards subject to interpretation (International Accounting Standards-IAS/IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).
The Group adopted the referenced accounting standards as of 1 January 2006, with reference to Italian Legislative Decree 38 of 28 February 2005, which implemented the option found within article 5 of Regulation EC 1606/2002.
During the year, the Group continued with the process of applying the actions envisaged in the Business Plan approved in 2020 on the occasion of the capital increase and subsequently updated in 2021 following the extraordinary sale of the Verzuolo plant and of the connected powerplant.

BALANCE SHEETS

All that illustrated in the previous section is understood to be fully referenced here.
The consolidated financial situations of the Group are presented in thousands of Euro. The Euro is also the functional currency of the Group, as it is the currency in the economies in which the Group mainly operates. The financial year of the Group coincides with the calendar year (1 January - 31 December).
The preparation of the consolidated financial statements and accounting statements required the following choices as a preliminary matter:

- Statement of consolidated financial position: a form of representation was selected that distinguishes between current and non-current assets and liabilities, based on that allowed under paragraphs 60 and subsequent of IAS 1;
- statement of profit/(loss) for the year and Income Statement: it was decided to classify items by nature, holding this the most representative with respect to presentation by destination. In fact, the form selected complies with internal management and reporting methods and offers reliable and significant information for understanding the statement of profit/(loss) for the year. In addition, as of 2020 the schedules included in the Notes have been updated, with the eliminated subtotals now included in the Reports on Operations. These are now found solely in the Reports on Operations. The figures for the previous year have also been restated to offer better comparison between the two financial years;
- Cash flow statement: this is structured on the basis of the indirect method.

The Group closed the year 2021 with a profit of € 58.7 million, a net worth of € 411.8 million and a net financial debt of € 53.8 million. The consolidated financial statements have been drawn up according to the general cost principle, with the exception of derivative instruments which have been measured at fair value.

Assets and liabilities and income and expense are not offset, unless this is allowed or required under an international accounting standard or interpretation.

CONSOLIDATION STANDARDS

The consolidated financial statements include the financial statements of Burgo Group spa, the Parent Company, and of the subsidiaries of which Burgo Group spa directly or indirectly controls.
The consolidation area includes, in addition to subsidiaries, associated companies and jointly controlled companies. Control exists when the parent company has the power to determine the financial and operating policies of a company in order to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is effectively obtained by the Group and cease to be consolidated from the date on which control is transferred outside the Group.
These companies are consolidated on a line-by-line basis. Associates, in which Burgo Group spa exercises significant influence, or companies in which it exercises joint control over financial and operational policies, are valued using the equity method.
For the preparation of the consolidated data, the equity, economic and financial situations of the subsidiaries prepared at the reference date were used, in addition to the additional information useful for the transition to the principles adopted in the preparation of the consolidated financial statements, in order to allow the application of homogeneous accounting principles.
The main operations carried out for the preparation of the consolidated financial statements consist of:

- in the elimination of the book value of the equity investments held by the Parent Company and by the other companies included in the consolidation area with the related shareholders' equity, against the assumption of the assets and liabilities of the consolidated companies with the global integration method.
  The positive difference, emerging from the elimination of the cost of acquiring equity investments with the related shares of equity, is attributed to the adjustment of the specific asset items on the basis of the valuation made at the time of purchase.
  Any unallocated residue is recorded in an asset item called "goodwill", on which the impairment test is performed. Any negative residue is recorded in the profit/(loss) for the year, as required by IFRS 3 (Business combinations);
- in the elimination of reciprocal relationships between consolidated companies with the integral method and in particular:
  - transactions that give rise to payable and receivable items, as well as costs and revenues;
  - unrealised gains and losses, included in the valuation of inventories;
- in the reversal of dividends received by consolidated companies;
- in the adjustment of the book value of consolidated companies with the equity method, in order to incorporate the share of the relevant result.

FOREIGN CURRENCY TRANSACTIONS

Revenues and costs relating to foreign currency transactions are recorded at the exchange rate in effect on the date the transaction is completed.
Monetary assets and liabilities in foreign currencies are converted by applying the current exchange rate at the end of the reference period with the allocation of the exchange differences generated to the statement of profit/(loss) for the year.

FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The conversion into Euro of the items in the consolidated statement of financial position of the financial statements expressed in different currencies is carried out by applying the exchange rates at the end of the year; the items in the profit/(loss) for the year are converted into Euro using the average exchange rates for the year. Exchange rate differences, originating from the conversion at the current exchange rates at the end of the year of the items of the initial shareholders' equity and of the result for the year at average exchange rates, are charged to the consolidated shareholders' equity.
The following table shows the exchange rates applied in the conversion of financial statements in currencies other than the Euro for the financial years ended 31 December 2020 and 31 December 2021.

Exchange rates	2020		2021	
	Balance sheet (exchange rate at end of year)	Profit and loss statement (average exchange rate)	Balance sheet (exchange rate at end of year)	Profit and loss statement (average exchange rate)
US dollar	1.227	1.141	1.133	1.184
Pound sterling	0.899	0.889	0.840	0.860
Polish zloty	4.560	4.443	4.597	4.564

ACCOUNTING STANDARDS AND VALUATION CRITERIA

The consolidated financial statements at 31 December 2021 were prepared in compliance with the IAS/IFRS accounting standards for preparing individual financial statements at 31 December 2020, taking into account the amendments and new standards which took effect as of 1 January 2021, listed below.

IFRS accounting standards, amendments and interpretations applied from 1 January 2021

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company as of 1 January 2021:

- on 31 March 2021, the IASB published an amendment called "Covid- -19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" which extends the application period of the amendment issued in 2020 by one year, which provided for the lessees the right to account for the reduction in fees connected to Covid-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 was complied with.
  Therefore, the lessees who applied this option in the 2020 financial year accounted for the effects of the reductions in the rent directly in the income statement at the effective date of the reduction.
  The 2021 amendment, available only for bodies that have already implemented the amendment of 2020, applies from 1 April 2021 and early implementation is allowed.
  The implementation of these amendments did not have any effects on the Group's consolidated financial statements.
- In the light of the interbank interest rate reform for IBOR, on 27 August 2020 the IASB published the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:
  -IFRS9 Financial Instruments;
  -IAS39 Financial Instruments: Recognition and Measurement;
  -IFRS7 Financial Instruments: Disclosures;
  -IFRS4 Insurance Contracts; and
  - IFRS 16 Leases.
  All changes went into effect on 1 January 2021.
  The implementation of this amendment did not have any effects on the Group's consolidated financial statements.

IFRS accounting standards, amendments and interpretations approved by the European Union, not yet compulsorily applicable and not implemented in advance by the Group at 31 December 2021

On 14 May 2020 the IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations: these amendments are intended to update the reference to the Conceptual Framework found in IFRS 3 to the revised version, without this creating any changes to the provisions of IFRS 3.
- Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended to disallow the deduction of sale proceeds from the cost of tangible assets before its intended use.
  All sales revenues and relative costs will therefore be recognised in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in the estimate of the possible cost of a contract, all costs directly attributable to the contract must be considered.
  Consequently, the valuation of the possible costs of a contract includes not only incremental costs (e.g. the cost of materials used directly in processing), but also all costs that the company cannot avoid due to stipulation of the contract (e.g. the portion of depreciation of machines used to fulfil the contract).
- Annual Improvements 2018-2020: the amendments were made to IFRS 1 Firsttime Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.
  All the amendments take effect on 1 January 2022.
  The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the reference date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and principles described below.

- On 23 January 2020 the IASB published an amendment titled "Amendments to IAS 1 Presentation of Financial Statements:
  Classification of Liabilities as Current or Non-current".
  The document is intended to clarify the process of classifying payables and other liabilities as current or non-current.
  The amendments take effect on 1 January 2023. Early application is allowed.
  The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.
- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8".
  The amendments are aimed at improving disclosure on accounting policy in order to provide more useful information to investors and other primary users of the financial statements as well as helping companies distinguish changes in accounting estimates from changes in accounting policies. The changes will apply from 1 January 2023, but early application is allowed. The directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.
- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes:
  Deferred Tax related to Assets and Liabilities arising from a Single Transaction".
  The document clarifies how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for.
  The changes will apply from 1 January 2023, but early application is allowed.
  At the moment the directors are evaluating the possible effects of the introduction of this amendment on the consolidated financial statements of the Group.

There are no other new standards, amendments or interpretations that are effective as of the reference date of these Consolidated Financial Statements and which are likely to have a significant impact on the Group.

Below we examine in detail the criteria adopted for the following items:

TANGIBLE ASSETS

A cost sustained to acquire a property, plant, machinery or part of the same is recognised as an asset on the condition that the cost of the asset can be reliably determined and the Group can make use of the relative future economic benefits.

Real estate, plant and machinery

Assets recognised among real estate, plant and machinery are recognised at the purchase cost, including any directly attributable accessory costs, necessary to render the asset functional to the use for which it was acquired, and net of any relative depreciation accumulated and impairment losses.
Expenses sustained subsequently are added to the cost to the extent in which these expenses are able to improve the originally determined performance of the asset.
Assets recognised among real estate, plant and machinery through business combinations are measured at their fair value upon initial recognition, as determined at the time they were acquired. Subsequently, they are measured using the historic cost method.

Assets recognised among real estate, plant and machinery, with the exception of land, depreciate at constant rates throughout the course of the useful life of the asset, understood to be the estimated period during which the asset will be used by the company, starting from the moment the asset becomes available for use.
The value to be depreciated is represented by the carrying value of the asset net of any impairment and reduced by the presumable realisable value at the end of the useful life, if this is significant and can be reasonably determined.
If the asset is composed of several significant components with different useful lives, depreciation is carried out for each component, following the component approach established in IAS 16.
Spare parts of significant value relative to plant and machinery are capitalised and depreciated on the basis of the useful life of the asset to which they refer, in accordance with the indications found in IAS 16.
The book value of tangible assets is subject to verification to identify any losses in value when events or changes indicate that the book value may not be recoverable.
For newly acquired assets, the following useful lives are applied:

Useful life of newly acquired assets	**Useful life**
Industrial buildings	30 years
General plants	15 years
Specific plants	20 years
Miscellaneous equipment	4 years
Office machines and machinery	8 years
Vehicles	5 years
Electronic machines	5 years

Useful life and realisable values are reviewed every year and any changes are made prospectively. When necessary, they are applied prospectively and may involve an extension or reduction in the original amortisation/depreciation period.
Land, whether free of construction or containing civil or industrial buildings, is recognised separately and not depreciated, given that it is an element with unlimited useful life.
When an asset is disposed of or when no future economic benefit is expected, it is eliminated from the financial statements and any losses or profits are recognised in the statement of profit/(loss) for the year during the financial year in which it was eliminated.

Expenses for leasehold improvements such as expenses to remodel real estate that is not owned are capitalised in consideration of the fact that for the duration of the leasing contract the user company has control over the assets and can take advantage of their future economic benefits.
Said costs are amortised over a period equal to the lesser of that representing the residual useful life of the fixed asset and the residual duration of the leasing contract.
Pursuant to IAS 23, the Group capitalises financial expense attributable to the purchase, construction or production of a capitalisable asset.

Property investments

The item includes land, buildings or parts of non-instrumental buildings, held in order to benefit from leasing fees, increases in value or both.
Property investments are measured at cost, net of any losses due to writedowns and depreciation accumulated.

Right of use assets

This item includes the accounting measurement of contracts to which IFRS 16 applies. This item recognises leasing contracts for assets over which the Group holds control (right of use) over an asset. As discriminating factors to identify these, the following were used: the asset can be identified, there is a right to replacement of the asset, the right to obtain substantially all economic benefits deriving from use of the asset and, finally, the right to direct the use of the asset underlying the contract. The Standard establishes a single model for recognising and measuring lease contracts for the lessee, which involves recognition of the asset underlying the lease in the assets, whether operational or not, and a matching entry in the form of a financial payable.
The Group has made use of the practical expedients and exemptions allowed in paragraphs:

i) 16.5(a) in relation to short term contracts, for all asset classes (exclusion of leases with a duration of less than 12 months at the time of first time adoption from the date of first application);
ii) 16.5(b) in relation to contracts with a value of less than € 5,000;
iii) 16.15 in relation to the possibility of not separating non-lease components;
iv) The Portfolio approach was not adopted.

In particular, the Group accounts for lease contracts:

a) a right of use equal to the value of the financial liability as of the date the contract takes effect.
b) a financial liability, equal to the current value of residual future payments as of the date the contract takes effect, discounted using an average rate for each contract.

INTANGIBLE ASSETS

Intangible assets are non-monetary elements without physical substance, which can be identified and are controlled by the Group, intended to generate future economic benefits.
Intangible assets can be recognised in the accounts when it is probable that use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.
Intangible assets acquired separately are initially recognised at cost, those acquired through business combinations are measured at fair value upon initial recognition.
Expenses sustained after initial acquisition are added to the cost of the asset to the degree in which these expenses are able to generate future economic benefits.
After initial recognition, intangible assets are measured net of provisions for amortisation and any accumulated losses of value.

Goodwill and other intangible assets with undefined life

An intangible asset is considered to have undefined life when, on the basis of analysis of the relevant factors, there is no foreseeable limit on the period of use during which it is expected the asset will generate net incoming financial flows for the Group.
The Group has identified goodwill as an intangible asset with undefined useful life, which represents the positive difference between the cost of a business combination and the equity interest held by the Group in the current fair value of the assets, liabilities and potential liabilities acquired and identifiable on the purchase date.
Any negative difference (negative goodwill) is instead recognised in the statement of profit/(loss) for the year at the time of acquisition.

After initial recognition, goodwill is not amortised, but is decreased relative to any losses of value, determined in accordance with IAS 36 (impairment of assets).
Goodwill is annually subject to recoverability analysis. This may also occur more frequently if events or changes in circumstances occur which could lead to possible losses of value.
In the cases in which goodwill is assigned to a cash generating unit (or Group of units) whose assets are partially dismissed, the goodwill associated with the transferred asset is considered in order to determine any capital gains or losses deriving from the transaction, and is measured on the basis of the values of the disposed of assets, with respect to the assets still held relative to the same CGU.

Intangible assets with defined life

These assets are recognised at the acquisition or production cost, including all attributable accessory charges, and depreciated at a constant rate in relation to their utility over time, starting at the moment the asset becomes available for use.
Useful life is reviewed every year and any changes are made prospectively, when necessary. Plant and expansion costs, if recognised in the assets, as well as patent and usage rights for intellectual property are depreciated over a maximum period of five years.
Concession, license, trademark costs and those for similar rights are annually reduced as a function of the contractual duration and the limits of the presumable period of economic utilisation.

IMPAIRMENT TEST

The value of intangible assets and property, plant and equipment is subject to recoverability checks every time it is held that a lasting loss of value has occurred.
With respect to goodwill, other intangible assets with undefined useful life and other assets not available for use, impairment tests are performed at least once a year.
The test is done by comparing the book value with the greater of the fair value and the value in use of the asset. If no binding sales agreement or an active market for the asset is available, the fair value is determined on the basis of the best available information, in order to reflect the amount that the Group could obtain, at the reporting date of the financial statements, from the divestiture of the asset in a free transaction between knowledgeable and willing parties, after deducting divestiture costs.

The value in use of an asset is calculated by discounting expected cash flows from usage of the asset (both incoming and outgoing), basing financial flow projections on reasonable and sustainable suppositions, able to represent the best possible estimates by corporate management of a series of economic conditions that will exist throughout the remaining life of the asset, giving greater significance to information obtained externally from the outside. The discount rate applied reflects current market evaluations of the time value of money and the specific risks of the asset.
Measurement is done for each individual or for the smallest combination of assets (cash generating units) that generate independent incoming cash flows deriving from their utilisation. When the value determined with the impairment test is lower than the cost, the loss of value is recognised against the asset and among the costs in the statement of profit/(loss) for the year.

If in subsequent financial years the reasons behind recognising the impairment are determined to no longer exist following a new impairment test, the asset, with the exception of goodwill, is written back up to the new recoverable value, which in any case cannot exceed the value that would have existed if no loss in value had been recognised. The writeback is recognised in the statement of profit/(loss) for the year, unless the asset is recognised at the written back value, in which case the writeback is recognised in the revaluation reserve.

EQUITY INVESTMENTS VALUED AT EQUITY

This item includes equity investments in associated companies and equity investments in jointly controlled companies.
These equity investments are measured using the equity method.
Any losses exceeding shareholders' equity are recognised in the financial statements to the degree in which the investor has undertaken to fulfil legal or implicit obligations relative to the investee or, in any case, to cover its losses.

Associated companies are those over which the Group exercises significant influence, but does not have control or joint control over financial and operating policies.
The consolidated financial statements include the Group's share of the results of the associated companies,
accounted for using the equity method, starting from the date on which the significant influence begins until the moment in which this influence ceases to exist.
Unrealised infragroup profits relative to minority shareholders are eliminated relative to the portion pertaining to the Group held in the investee.
Unrealised infragroup losses relative to minority shareholders are also eliminated if they do not represent an effective lower value for the asset disposed of.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset for an entity and a financial liability or an instrument representing capital for another entity.

Financial assets

— Initial survey and evaluation

At the time of initial recognition, financial assets are classified, based on the case, on the basis of subsequent measurement methods, that is at amortised cost, at fair value through other comprehensive income or at fair value through profit and loss.

Classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows associated with the financial assets and the business model used by the Group to manage them. With the exception of trade receivables which do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial recognised in the income statement not at fair value. Trade receivables which do not contain significant financing component or for which the Group has applied the practical expedient are measured at the transaction price, determined according to IFRS 15.

For a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, it must generate cash flows associated solely with payments of principal and interest (SPPI).
Assessment of this aspect is known as the SPPI test and is performed at the individual instrument level.

The Group's business model for managing financial assets refers to the manner in which it manages its financial assets in order to generate cash flows.
The business model determines whether the cash flows derive from collecting contractual cash flows, sales of financial assets or from both.
The purchase or sale of a financial asset that requires its delivery within a period of time generally established by regulation or market conventions (so-called
standardised sale or regular way trade) is recognised on the trade date, i.e. the date on which the Group has undertaken to buy or sell the asset.

— Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulated profits and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reversal of cumulated profits and losses at the time of elimination (equity instruments);
- Financial assets at fair value through profit and loss.

Classification depends on the purpose for which the assets are acquired and held.
The Group determines classification of assets at initial recognition, verifying the category at each subsequent reporting date.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held under a business model with the objective of holding financial assets to collect contractual cash flows;
- The contractual terms of the financial asset establish cash flows at set dates representing solely payments of principal and interest.

Financial assets at amortised cost are subsequently measured using the criteria of effective interest and are subject to impairment.
Profits and losses are recognised in the income statement when the asset is eliminated, amended or remeasured.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held under a business model which has the dual objectives of collecting contractual cash flows and sale of the financial assets;
- the contractual terms of the financial asset establish cash flows at set dates representing solely payments of principal and interest.

For assets involving debt instruments measured at fair value through other comprehensive income, interest receivable, variations due to exchange differences and impairment, together with writebacks, are recognised in the income statement and calculated in the same way as financial assets measured at amortised cost. Remaining changes in fair value are recognised in other comprehensive income. At the time of elimination, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

Investments in equity instruments

At initial recognition, the Group may irrevocably decide to classify its stock investments as equity instruments recognised at fair value through other comprehensive income when they satisfy the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. Classification is done for each individual instrument. Profits and losses resulting from these financial assets are never reversed to the income statement.
Dividends are recognised as other revenues in the income statement when the right to payment has been resolved, except when the Group benefits from these amounts as recovery of part of the cost of the financial asset, in which case, the profits are recognised under OCI. Equity instruments recognised at fair value through other comprehensive income are not subject to impairment testing.

Financial assets at fair value through profit and loss

This category includes assets held for trading, assets designated at initial recognition as financial assets at fair value with changes recognised in the income statement and financial assets necessarily measured at fair value. Assets held for trading are all assets acquired to be sold or repurchased over the short term.
Derivatives, including separated ones, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.
Financial assets with cash flows which do not pass the SPPI test are classified and measured at fair value through profit and loss, regardless of the business mode.
Despite the criteria for debt instruments for classification at amortised cost or at fair value through other comprehensive income, as described above, debt instruments can be recognised at fair value through profit and loss at initial recognition if this involves the elimination or significant reduction of an accounting misalignment.

Derecognition

A financial asset (or, when applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first place (e.g. removed from the statement of the Group's equity/financial position) when:

- the rights to receive financial flows from the asset no longer exist, or
- the Group has transferred the right to receive cash flows from the asset to a third party or has taken on the contractual obligation to pay them fully and promptly and (a) has substantially transferred all risks and benefits of ownership of the financial asset or (b) has not substantially transferred nor retained all the risks and benefits of the asset, but has transferred control over the same.

In cases where the Group has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it maintains contractual rights to receive cash flows from the financial asset, but has a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it determines if and to what extent it has retained the risks and benefits inherent to ownership.
If it has neither substantially transferred nor retained all the risks and benefits or has not lost control over the same, the asset continues to be recognised in the Group's financial statements to the extent of its residual involvement with the asset in question.

In this case, the Group also recognises an associated liability.
The asset transferred and the associated liability are measured so as to reflect the rights and obligations that continue to apply to the Group.
When the entity's residual involvement is a guarantee for the transferred asset, involvement is measured on the basis of the lesser of the amount of the asset and the maximum amount of the fee received which the entity may have to repay.

Impairment of financial assets

The Group recognises impairment due to expected credit loss (ECL) for all financial assets represented by debt instruments not held at fair value through profit and loss.
ECLs are based on the difference between contractual cash flows due in compliance with the contract and all the cash flows the Group expects to receive, discounted by an approximation of the original effective interest rate. Expected cash flows include cash flows deriving from enforcement of collateral held or other credit guarantees which are an integral part of the contractual conditions. Expected losses are recognised in two phases.
Relative to credit exposures for which no significant increase in credit risk has been seen following initial recognition, it is necessary to recognise credit losses deriving from an estimate of default events likely to occur within the subsequent 12 months (12-month ECL). For credit exposures that have seen a significant increase in credit risk after initial recognition, expected losses relative to the full residual duration of the exposure must be recognised, regardless of when the default event is expected to occur ("lifetime ECL").
For trade receivables and assets deriving from contracts, the Group applies a simplified approach to calculate expected losses. Therefore, the Group does not monitor changes in credit risk but recognises the expected loss in full at each reference date.
The Group has established a matrix system based on historic information, revised to consider forward looking elements with reference to specific types of debtors and the economic environment, used as tool to determine expected losses.
For assets represented by debt instruments measured at fair value through other comprehensive income, the Group applies the simplified approach allowed for low credit risk assets. At each reporting date, the Group evaluates whether a debt instrument has low credit risk, using available information.

Financial liabilities

— Initial survey and evaluation

At initial recognition, financial liabilities are classified among financial liabilities measured at fair value through the profit and loss statement, among mortgages and loans or among derivatives designated as hedging instruments.
All financial liabilities are initially recognised at fair value, to which is added in the cases of mortgages, loans and payables, the transaction costs directly attributable to the same.
The Group's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts, guarantees granted and derivatives.

— Subsequent measurement

Measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss with changes recognised in the income statement include liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised in the income statement. Liabilities held for trading are all those kept to be sold over the short term.
This category also includes derivative financial instruments subscribed by the Company which are not designated as hedging instruments in a hedging relationship as defined under IFRS 9. Profit or loss associated with liabilities held for trading is recognised in the statement of profit/(loss). Financial liabilities are designated at fair value with changes recognised in the income statement as of the initial recognition date only if the criteria in IFRS 9 are satisfied. At initial recognition, the Group has not designated financial liabilities at fair value with changes recognised in the income statement.

Loans and receivables

This is the most significant category for the Group. After initial recognition, loans are measured using the amortised cost criteria, using the effective interest rate method. Profits and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process. The amortised cost is calculated by recognising the discount or premium on acquisition and fees or costs which are an integral part of the effective interest rate. Amortisation at the effective interest rate is recognised among financial expense in the statement of profit/(loss).

Financial guarantee liabilities

Financial guarantee liabilities issued by the company are contracts which require payment to reimburse the holder of a debt security against a loss suffered by them following the debtor not making payments at contractually established due dates. Financial guarantee contracts are initially recognised as liabilities at fair value, plus any transaction costs directly attributable to issuing of the guarantee. Subsequently, the liability is measured as the greater of the best estimate of the payment required to fulfil the guaranteed obligation as of the reporting date and the amount initially recognised, net of cumulative amortisation.

— Cancellation

A financial liability is derecognised when the obligation underlying the liability is repaid, cancelled or fulfilled. When an existing financial liability is replaced by another of by the same lender, under substantially different conditions, or the conditions for an existing liability are substantially changed, this exchange or change is recognised as the accounting derecognition of the original liability, followed by recognition of a new liability, with any differences between the book values recognised in the statement of profit/(loss) for the year.

Offsetting of financial instruments

An asset and a financial liability can be offset and the net balance recognised in the statement of financial position if there is a current legal right to offset the amounts recognised for accounting purpose and there is an intention to extinguish the residual net amount or to realise the asset and simultaneously extinguish the liability.

FINANCIAL DERIVATIVE INSTRUMENTS

As of 1 January 2019, the Group no longer makes use of the possibility to continue to make use of the provisions established in IAS 39 solely relative to hedge accounting, instead following the provisions contained in IFRS 9.
Derivatives are used with the sole purpose of hedging in order to reduce financial risks. They are measured at fair value starting on the date they are stipulated.
When a hedging transaction begins, the Group formally designates and documents the hedging relationship for which hedge accounting will be used, indicating its risk management objectives and the strategy pursued.
This document involves identifying the hedging instrument, the element of the transaction being hedged, the nature of the risk and methods the Group intends to use to measure the efficacy of the hedge in compensating for variations in the fair value of the hedged element or financial flows associated with the hedged risk (efficacy must, in fact, be measured in a reliable manner).
It is expected that these hedges are highly effective in compensating for the exposure of the hedged element to changes in the fair value of financial flows associated with the risk covered. Assessment of whether or not the hedges are effective is done continuously during the accounting periods in which they are designated as such.
Transactions which meet the criteria for hedge accounting are recognised as follows:

Fair value hedge

If a derivative is designated to hedge against exposure to variations in the fair value of an asset or liability attributable to a particular risk, profit or loss deriving from subsequent changes in the fair value of the hedging instrument is recognised in the statement of profit/(loss) for the year.
Profit or loss deriving from an adjustment in the fair value of the hedged item, relative to the portion attributable to the risk hedged against, changes the book value of this item and is recognised in the statement of profit/(loss) for the year.

Cash flow hedge

If a derivative is designated as an instrument hedging against exposure to changes in the financial flows of an asset or liability recognised in the financial statements or a transaction deemed highly probable, the effective portion of the profits or losses deriving from the fair value adjustment of the derivative is recognised in a specific shareholders' equity reserve and reclassified in the statement of profit/(loss) for the year when the effects of the transaction being hedged are recognised in the statement of profit/(loss) for the year. The profit or loss associated with this ineffective portion of the hedging is instead immediately recognised in the statement of profit/(loss) for the year.
If a hedging instrument is closed but the transaction being hedged has not yet been realised, cumulative profits and losses remain in the shareholders' equity reserve and are reclassified in the statement of profit/(loss) for the year at the time the relative transaction is realised. If the transaction being hedged is no longer deemed probable, profits or losses not yet realised and recognised in the shareholders' equity reserve are immediately recognised in the statement of profit/(loss) for the year.
If hedge accounting can no longer be applied, profits or losses deriving from the fair value measurement of the derivative are directly recognised in the statement of profit/(loss) for the year.

INVENTORIES

Inventories of raw materials, products in progress and finished products are measured at the lesser of the cost, determined using the average weighted cost method, and the net realisable value presumable from market trends.
For raw materials, market value means replacement cost. For finished and semi-finished products it means the amount the Group expects to obtain from sales in normal business operations, net of estimated costs to complete the good and sales and distribution costs it will sustain. Measurement of warehouse inventories include direct costs for materials and labour and indirect costs (variable and fixed).
Provisions for impairment of materials, finished products, spare parts and other obsolete or slow rotation stocks are calculated, taking into account future expected use and realisable value. Products in progress relative to work orders are measured using the percentage of completion, recognising costs and revenues relative to said progress to the statement of profit/(loss) for the year.
Any losses from these contracts are recognised in the statement of profit/(loss) for the year in the full amount, at the time they become known.

CASH AND OTHER EQUIVALENT CASH AND CASH EQUIVALENTS

This item indicates cash and other cash equivalents and short-term highly tradable financial investments that can be readily turned into cash and are subject to irrelevant risks in terms of variations in their value.
These financial items are recognised at their nominal value.
For the purposes of the Consolidated Statement of Cash Flows, cash and other cash equivalents are shown net of bank overdrafts as of the reporting date.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and groups of assets and liabilities for which the book value will mainly be recovered through sale, rather than through continuous use, are presented separately under other assets and liabilities in the statement of consolidated financial position. These assets, classified within a specific item in the statement of consolidated financial position, are measured at the lower of the book value and the fair value minus foreseeable sales costs. Gains and losses, net of the relative tax effects, from non-current assets disposed of or held for sale are recognised in a specific item within the statement of profit/(loss) for the year.

TRADE PAYABLES AND OTHER PAYABLES

This item includes payables due to suppliers and other liabilities, with the exception of financial liabilities which are recognised separately.
These liabilities are initially recognised at the fair value of the fee to be paid.
Subsequently, payables are measured using the amortised cost criteria, determined with the effective interest method.

BENEFITS TO EMPLOYEES

benefits due after the termination of the employment relationship are divided into defined contribution plans and defined benefit plans.
For defined contribution plans, the legal or implicit obligation of the company is limited to the amount of contributions to be paid: consequently, actuarial risk and investment risk fall to the employee.
For defined benefit plans, the company's obligation consists in granted and ensuring the agreed upon benefits for the employees: actuarial risk and investment risk fall to the company. Until 31 December 2006, the severance indemnity was classifiable among defined benefit plans. The regulations for this provision were amended by Italian Law 296 of 27 December 2006 ("2007 Financial Law"), and by subsequent Decrees and Regulations issued during the initial months of 2007.

In the light of these changes, and in particular those with reference to companies with at least 50 employees, this practice is now to be considered a defined benefit plan solely for the portions accrued prior to 1 January 2007 (and not yet liquidated as of the reporting date). Portions accruing after this date can be classified as a defined contribution plan.
The Group's obligation to finance defined benefit plans and the annual cost recognised in the statement of profit/(loss) for the year are determined by applying actuarial methodology, based on demographic hypotheses, in relation to mortality rates and turnover in the reference population and on financial hypotheses, in relation to the discount rate which reflects the value of money over time, the inflation rates, and future salary and wage levels.
The amount recognised as a liability for defined benefits indicates the current value of the obligation as of the reporting date, net of the current value of any existing program assets. The amount recognised in the statement of profit/(loss) for the year consists of the following elements:

- social security costs relative to current work performed;
- the cost of interest;
- expected returns from programme assets, if existing.

The revision of IAS 19 referenced above required the Group, as of the financial year which began on 1 January 2013, to directly recognise actuarial profits and losses relative to defined benefit plans deriving from changes in the actuarial hypotheses used or changes in plan conditions in shareholders' equity and the Statement of the other components of the comprehensive income statement.
The amount of rights accrued by employees during the year is recognised under the item personnel expenses, while the financial component, which represents the charge that the company would face if it were to finance the amount of the severance indemnity (TFR) on the market, is recognised under financial income/expense.

PROVISIONS FOR RISKS AND CHARGES

The Group allocates provisions for risks and charges when:

- there is a current obligation, legal or implied, relative to third parties and deriving from a past event;
- it is likely that the use of Group resources will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

Provisions are recognised at the value which represents the best estimate that the Group would reasonably pay to fulfil the obligation (fair value) or to transfer it to third parties, on the reporting date.

Changes in estimates are shown in the statement of profit/(loss) for the period in which the change occurred. When financial effects associated with the time forecast of the payment is significant and the payment date for the obligations can be reliably estimated, the provision is discounted using a discount rate that reflects current assessments of the cost of money in relation to time. In this case, the amount recognised in the financial statements increases each year to reflect the passage of time and this increase is recognised in the statement of profit/(loss) for the year under the item "financial expense".
Significant potential liabilities represented by the following are illustrated in the Notes:

- possible (but not probable) obligations, deriving from past events, the existence of which will only be confirmed if one or more future events occur, which are not fully under the control of the company;
- current obligations deriving from past events, for which the amount cannot be reliably estimated, or for which compliance may not involve any expense.

FOREIGN EXHANGE OR SUBJECT TO “EXCHANGE RISK”

These are registered at the current exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted using the exchange rate on the reporting date. Non-monetary items are kept at the conversion rate for the transaction, unless there is a persistent unfavourable trend in the exchange rate.
Both exchange differences generated from the repayment of items with different exchange rates relative to the conversion rate used at initial recognition, and those relative to the measurement of monetary items at the reporting date are recognised in the statement of profit/(loss) for the year.

RECOGNITION OF REVENUES AND COSTS

Revenues are measured on the basis of the payment the company believes it is entitled to receive for the sale of its products or services.
Revenues from sales of products are recognised, net of discounts, rebates or returns, when control over the assets or services is transferred to the customer.
Transfer of control occurs when the following conditions are met:

- the company does not have the possibility to make use of the goods or services, as this has been transferred to the customer;
- the significant risks and benefits associated with ownership of the goods has been transferred to the purchaser of the goods (generally upon shipment or delivery of the goods);
- the value of the revenues is reliably determined;
- the economic benefits deriving from the sale will be enjoyed by the Group;
- the costs sustained or to be sustained are reliably determined.

Revenues from services are recognised once the services are complete.

Revenues of a financial nature are recognised on an accrual basis.
Dividends are recognised at the time of their collection and are recorded in the item “Income from equity investments”.
Costs are recognised using criteria analogous to those used for the recognition of revenues, and in any case on an accrual basis.

CURRENT, ADVANCE AND DEFERRED TAXES

Income taxes are determined on the basis of estimated taxable income, with reference to the current tax regulations, in the countries in which the Group companies reside.
Forecast debt, net of any advances and withholdings, is recognised under the balance sheet liabilities in the item "current tax payables".
Taxes relative to components recognised directly under shareholders' equity are recognised directly to shareholders' equity and not in the statement of profit/(loss) for the year.
Deferred tax assets and liabilities are calculated for all temporary differences between the book value attributed to assets and liabilities in the financial statements and the value attributed to the same assets and liabilities for tax purposes, unless the temporary differences derive from:

- the initial recognition of goodwill;
- initial recognition of an asset or liability, in a transaction which:
- is not a business combination and
- does not influence accounting results nor taxable income on the date of the transaction in question;
- equity investments in subsidiaries, associates and companies under joint control, when:
- the Group is able to control the schedule for cancelling temporary taxable differences;
- it is probable that the temporary differences will not be cancelled for the foreseeable future.

Assets deriving from prepaid taxes are not recognised, in compliance with the principle of prudence, if there is no reasonable certainty of their recovery.
Additionally, their value is reviewed at the end of each period and is reduced to the extent that it is no longer probable sufficient taxable profits will be available in the future to allow full or partial use of these assets.

Deferred tax assets and liabilities are defined on the basis of the tax rates which are expected to be applied in the year in which the assets will be realised or the liabilities will be repaid, considering rates in effect or those substantially issued as of the reporting date.
Deferred tax assets and liabilities are classified among non-current assets and liabilities.

ESTIMATES AND ASSUMPTIONS

Application of certain accounting standards necessarily requires significant elements based on estimates and assumptions that are uncertain when formulated.
For the 2021 financial statements, it is held that the assumptions made were appropriate and consequently, that the financial statements were prepared with the intent of clarity and to truly and accurately represent the equity and financial situation and the economic results for the year. Within the explanatory notes, information is provided in the relevant sections about the reasons underlying decisions made, measurements taken and estimate criteria adopted in applying the international accounting standards.
In order to formulate reliable estimates and hypotheses, historic experience was used, as well as other factors deemed reasonable for the case in question, on the basis of the information available. Nonetheless, it cannot be excluded that changes in said estimates and assumptions could create significant effects on the equity and economic situation, as well as on the potential liabilities and assets reported within the financial statement disclosures, in the case that different elements of judgement arise with respect to those previously expressed. More specifically, greater use of subjective assessments on the part of company management was necessary in the following cases:

- determining impairment of goodwill, property, plant and equipment and equity investments;
- determining the fair value of financial assets and liabilities when the amounts could not be directly observed on active markets.
  In this case, the subjective elements are found in the selection of measurement models and input parameters that may not be observable on the market;
- in quantifying the provisions for risks and charges and the provisions for employee benefits, due to the uncertainty of what is required, the timing of occurrence and the actuarial assumptions used;
- estimating the recoverability of prepaid tax assets.

The presentation of these cases is provided with the intention of allowing those reading the financial statements to better understand the main areas of uncertainty, but is not in any case to suggest that alternative assumptions could be appropriate or more valid.
Estimates and assumptions are periodically reviewed and the effects of each change are shown in the statement of profit/(loss) for the period in which the change occurred.

Notes to the Consolidated Balance Sheet

NON-CURRENT ASSETS

1 | Tangible assets

The assets indicated in the following breakdown are included in this item:

Property, plant and equipment €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Property, plant and equipment	704,218	431,447	(272,771)
Property investments	637	558	(79)
Right of use assets	6,995	7,068	73
	711,850	**439,073**	**(272,777)**

— Real estate, plant and machinery

The table below shows changes occurring during the year:

Flows from property, plant and equipment €/000	Land and buildings	Plant and machinery	Industrial and sales equipment	Other assets	Fixed assets in progress	**Total**
Historic cost at start of period	**648,934**	**3,113,416**	**20,436**	**50,025**	**24,941**	**3,857,751**
Increases during period	1,415	25,698	125	1,000	19,628	47,867
Disposals during period	(4,455)	(5,393)	(58)	(518)	-	(10,425)
Revaluations, write-downs for the period	(384)	(17,979)	-	-	-	(18,363)
Conferment	(127,591)	(681,691)	(2,003)	(5,326)	(2,186)	(818,797)
Other changes	802	12,232	59	746	(10,734)	3,106
Historic cost at period end	**518,721**	**2,446,282**	**18,559**	**45,927**	**31,650**	**3,061,139**
Provision for amortisation/ depreciation at start of period	**431,872**	**2,654,965**	**19,218**	**47,478**	**-**	**3,153,533**
Amortisation/depreciation during period	9,752	57,196	448	1,428	-	68,825
Uses during period	(2,896)	(4,982)	(58)	(487)	-	(8,422)
Conferment	(60,812)	(519,182)	(1,920)	(5,286)	-	(587,201)
Other changes in the provision	0	2,680	-	278	-	2,957
Provision for amortisation/ depreciation at period end	**377,916**	**2,190,677**	**17,688**	**43,411**	**-**	**2,629,692**
Net book value at period end	**140,806**	**255,605**	**871**	**2,516**	**31,650**	**431,447**

Capitalisations made during the year amounted to € 47,847 thousand (€ 56,093 thousand in 2020) and also include other increases for € 3,015 thousand (€ 1,910 thousand in 2020 gross of the reclassification effect following the application of the IFRS 5 for € 424 thousand) relating to internal works; capitalisation of financial charges of € 514 thousand (€ 320 thousand in 2020), calculated with reference to a rate of 3.09%, in implementation of IAS 23; advances on maintenance work for € 3,847 thousand (€ 2,970 thousand in 2020).

Please refer to the Report on Operations for comments and details on investments in 2021. The largest change relates to the transfer and subsequent sale of the Verzuolo site and the connected power plant for a total net value of € 231,596 thousand.

The other movements concern the historical cost and the accumulated depreciation eliminated as a result of divestitures which amount respectively to € 10,425 thousand and € 8,422 thousand; the main transactions concern the company Burgo Group spa and in particular concern decreases due to divestitures and sales relating to obsolete plants eliminated from the accounts as a result of sales to third parties and, in some cases, periodic inventory checks.

During the period, write-downs of € 18,363 thousand were made relating to the write-down of plants and € 384 thousand relating to the write-down of part of a piece of land. At the end of the year, the residual life of the Parent Company's tangible assets was reviewed, with the necessary changes made to the depreciation plan.

— *Property investments*

Flow of property investments €/000	**Civil land**	**Civil buildings**	**Total**
Historic cost at start of period	**82**	**931**	**1,014**
Increases during period	-	-	-
Disposals during period	-	-	-
Revaluations, impairment during period	-	-	-
Conferment	(2)	(79)	(82)
Other changes	-	-	-
Historic cost at period end	**80**	**852**	**932**
Provision for amortisation/depreciation at start of period	**-**	**377**	**377**
Amortisation/depreciation during period	-	26	**26**
Uses during period	-	-	**-**
Conferment	-	(28)	**(28)**
Other changes in the provision	-	-	**-**
Provision for amortisation/depreciation at period end	**-**	**374**	**374**
Net book value at period end	**80**	**478**	**558**

During the year, the changes in civil buildings are made up of depreciation for € 26 thousand and net divestitures related to the sale of the Verzuolo plant for € 82 thousand.

— *Rights of use activities*

Right of use assets flow €/000	Commercial leases	Residential leases	Industrial leases	Vehicle leases	IT	Fixed assets in progress	**Total**
Historic cost at start of period	**4,079**	**986**	**4,570**	**1,040**	**642**	**-**	**11,316**
Increases during period	272	374	726	176	1,303	684	3,536
Disposals during period	(182)	(229)	(1,784)	(165)	(117)	-	(2,476)
Other variations	12			1			13
Historic cost at period end	**4,181**	**1,131**	**3,511**	**1,052**	**1,799**	**684**	**12,389**
Provision for amortisation/ depreciation at start of period	**(877)**	**(371)**	**(2,054)**	**(567)**	**(451)**	**-**	**(4,321)**
Amortisation/depreciation during period	(571)	(198)	(987)	(298)	(361)	-	(2,414)
Uses during period	115	89	972	135	108	-	1,419
Other variations	(4)				(1)		(5)
Provision for amortisation/ depreciation at period end	**(1,330)**	**(480)**	**(2,069)**	**(731)**	**(704)**	**-**	**(5,321)**
Net book value at period end	**2,838**	**651**	**1,446**	**322**	**1,095**	**684**	**7,068**

During 2021, increases were recorded following the opening of new leased asset contracts of € 3,536 thousand; depreciation for the period amounted to € 2,414 thousand; the divestitures of the gross historical cost which took place in the period amounted to € 2,476 thousand, against write-offs of the provision equal to € 1,419 thousand.

2 | Intangible assets

The balance is as follows:

Intangible assets €/000	31 Dec 2020	31 Dec 2021	Change
Goodwill and other assets with undefined life			
Goodwill	17,061	17,061	-
	17,061	17,061	-
intangible with defined life			
Start-up and expansion costs	0	0	0
Concessions, licenses, trademarks and similar rights	2,628	2,418	(210)
Other intangible assets	11,015	11,565	550
Fixed assets in progress and advances	157	300	143
	13,801	14,283	483
	30,862	31,345	483

Goodwill includes the goodwill recognised for the incorporation of the Valchiampo and Villorba plants of Cartiere Marchi S.p.A. during 2006 (€ 16,647 thousand) and for the acquisition of 100% of the ownership of Cavallari S.r.l., subsequently named Burgo Distribuzione S.r.l. (€ 414 thousand).

The recoverability of the goodwill is checked annually or more frequently if the conditions are met, by determining the value in use.

The goodwill is allocated to the respective cash generating units (CGU). CGUs refer to individual production sites. To determine the value in use, the present value of future cash flows was calculated, estimated by applying discount rates that reflect current market valuations of the time value of money and the specific risks of the asset, as well as terminal growth rates in line with the level of inflation.

Finally, the present value of the flows and the terminal value of the individual CGUs were compared with the invested capital of the same.

For the purpose of the impairment test, the main assumptions, in line with the current valuations of the cost of money, which take into account the specific risks of the CGUs, concern the risk-free rate of 0.77% (1.12% in 2020) , the market risk premium of 5.5% (6.0% in 2020), increased for some CGUs by a value between 1.0% and 2.5% in order to incorporate further risks of execution, the variable growth rate between 1.00% and 2.50% depending on the CGU, the pre-tax cost of debt equal to 2.00% (2.75% in 2020) and the ratio between capital and debt respectively equal to 83.62% and 16.38% (respectively 64.46% and 35.54% of the previous year) derived as the average value of a panel of comparable and listed companies in the sector.

During the year in question the impairment test performed did not indicate a need to carry out writedowns.

Below is the breakdown of residual goodwill at the end of the year for each CGU:

- Villorba € 10,837 thousand;
- Valchiampo € 5,810 thousand;
- Burgo Distribuzione € 414 thousand.

The impairment test, according to the company's policy, must also be carried out with reference to the CGUs for which, in previous years, impairment indicators have emerged. In the current year, this requirement did not occur in any case.

The Group, which is entitled to receive green certificates for the production of energy from renewable sources at the Ardennes plant, has recognised securities in the financial statements amounting to € 13,062 thousand (€ 13,059 thousand in 2020), of which € 11,565 thousand entered among assets intangible at the end of the year.

The table below shows changes occurring during the year:

Intangible assets flows €/000	Goodwill and other intangible assets with undefined life	Plant and expansion costs - historic cost	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Fixed assets in progress and advances	**Total**
Historic cost at start of period	**17,061**	**5,007**	**382**	**16,173**	**11,015**	**157**	**49,795**
Increases during period	-	-	-	786	13,062	412	14,260
Disposals during period	-	-	-	-	(12,512)	-	(12,512)
Revaluations, impairment during period	-	-	-	(739)	-	-	(739)
Other changes	-	(5,007)	(382)	650	-	(269)	(5,008)
Historic cost at period end	**17,061**	**0**	**-**	**16,871**	**11,565**	**300**	**45,797**
Provision for amortisation/ depreciation at start of period		**5,007**	**382**	**13,545**	**-**		**18,933**
Amortisation/depreciation during period		-	-	527	-		527
Uses during period		-	-	-	-		-
Other changes in the provision		(5,007)	(382)	381	-		(5,008)
Provision for amortisation/ depreciation at period end		**-**	**-**	**14,452**	**-**		**14,452**
Net book value at period end	**17,061**	**0**	**-**	**2,418**	**11,565**	**300**	**31,345**

The increases of € 14,260 thousand, in addition to including the registration of green certificates for € 13,062 thousand, include € 739 thousand relating to the registration of a real right, which was completely written off at the end of the year.

The decreases relate to the sale of green certificates amounting € 12,512 thousand.

3 | Other non-current assets

They include the following items:

— Equity investments and securities

Equity investments and securities €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Equity investments in other companies	13,240	10,174	(3,066)
	13,240	**10,174**	**(3,066)**

The item "Investments in other companies" decreased during the year due to the write-down of € 3,060 thousand made to the investment in Interconnector Energy Paper. The investment is recognised in the financial statements at a net value of € 519 thousand. The other equity investments whose recorded value is € 9,655 thousand consist of € 9,651 thousand of the share attributable to the Burgo Group, paid mainly in 2017 as part of the latest capital increase, in the Consorzio Paper Interconnector S.c.a.r.l.

— Financial receivables and other non-current financial assets

Financial receivables and other non-current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Non-current financial receivables due from others	4,156	5,884	1,728
	4,156	**5,884**	**1,728**

Financial receivables from others amount to € 5,884 thousand and are made up, among other things, of € 3,402 thousand from the financial receivable of Burgo Group from the subsidiary Consorzio Interconnector Energy Italia S.c.a.r.l. and € 1,000 thousand from a temporarily restricted deposit made by Burgo Ardennes to guarantee a loan obtained for the investment of the cookers.

— Sundry receivables and other non-current assets

Other receivables and non-current assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Non-current sundry receivables due from others	96	92	(4)
Non-current guarantee deposits	6,276	7,701	1,425
	6,372	**7,793**	**1,421**

The increase in miscellaneous receivables and other non-current assets of € 1,421 thousand compared to the previous year is mainly due to the increase in the security deposit to Terna of Burgo Group S.p.A., relating to the amounts paid monthly to the guarantee fund for the construction of the works of interconnection between Italy and the rest of Europe as part of the Interconnector procedure.

4 | Deferred tax assets

These amount to € 63,730 thousand and have decreased by € 3,110 thousand; the following explanatory detail is provided:

Deferred tax assets €/000	31 Dec 2020			31 Dec 2021		
	Taxable	Rate	(Debit)/ credit	Taxable	Rate	(Debit)/ credit
IRES						
Taxed provisions (allocated)	105,492	24.0	25,318	117,284	24.0	28,148
Derivatives	(1,487)	24.0	(357)	(25,275)	24.0	(6,066)
Discounting	(0)	24.0	(0)	(0)	24.0	(0)
IAS 19 discounting - actuarial G/L	5.415	24.0	1,300	5,953	24.0	1,429
Amortisation, depreciation and writedowns	(38,325)	24.0	(9,198)	1,964	24.0	471
30% limit financial expense	60,743	24.0	14,578	60,743	24.0	14,578
IRES losses to utilise in future financial years	173,322	24.0	41,597	130,211	24.0	31,251
Allocation of shortfall	(22,337)	24.0	(5,361)	(36,237)	24.0	(8,697)
Other items	(4,336)	24.0	(1,041)	13,753	24.0	3,301
	278,487		**66,837**	**268,396**		**64,415**
IRAP						
Taxed provisions (allocated)	36,860	3.9	1,438	38,241	3.9	1,491
Discounting	-	3.9	-	-	3.9	-
Amortisation, depreciation and writedowns	(8,698)	3.9	(339)	(7,632)	3.9	(298)
Allocation of shortfall	(22,337)	3.9	(871)	(36,237)	3.9	(1,413)
Derivatives	(1,487)	3.9	(58)	(25,663)	3.9	(1,001)
Other items	(4,407)	3.9	(172)	13,695	3.9	534
	(69)		**(3)**	**(17,595)**		**(686)**
Foreign prepaid taxes						
Other items	21	28.0	6	4	28.0	1
	21		**6**	**4**		**1**
			66,840			**63,730**

Receivables for prepaid taxes show the balance between positive and negative positions deriving from the companies for which offsetting is legally permitted.
The main differences that occurred during the year are attributable to the following phenomena:

- funds taxed for IRES and IRAP;
- amortisation and write-downs for IRES and IRAP;
- IRES losses to be used in future years;
- allocation of the deficit for IRES and IRAP.

For more details on the rate applied, see note 34 "income taxes".
It should be noted that the Parent Company's tax losses can be currently all carried forward indefinitely.
The recognition of deferred tax assets referable to a portion of the carried-forward IRES tax losses is justified by the reasonable expectation of sufficient future taxable income inferable from the economic forecasts found in the business plan.
The tax losses that generated deferred taxes, summarised by year of formation and due date, refer to the Parent Company.
The 2002, tax losses can only be used by Burgo Group spa.
The difference between the losses allocated at the end of 2020 and 2021 derives from the use of the losses themselves for the abatement of the taxable amount of the current year of Burgo Group spa, for the reduction to 20% of the net tax base of 2021 of the companies that are part of the tax consolidation and for adjustments between the estimate of the calculation of the taxes recorded in the financial statements at 31 12 2020 and the final statement.

Tax losses		2020		2021	
	maturity	loss	tax	loss	tax
2002	can be carried forward indefinitely	150,980	36,235	130,211	31,251
2008	can be carried forward indefinitely	22,341	5,362	-	-
		173,321	**41,597**	**130,211**	**31,251**

CURRENT ASSETS

5 | Inventories

Inventories €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Raw materials inventories	43,792	52,921	9,129
Stock inventories	50,131	45,020	(5,111)
Provision for impairment of stock	(14,982)	(13,643)	1,339
Raw materials, subsidiary and consumable items	**78,941**	**84,298**	**5,357**
Products in progress and semi-finished products	27,655	31,056	3,401
Products in progress	**27,655**	**31,056**	**3,401**
Finished products and goods	91,184	83,780	(7,404)
Provision for impairment of products	(3,620)	(4,229)	(609)
Finished products	**87,564**	**79,551**	**(8,013)**
	194,160	**194,905**	**745**

Inventories increased overall by € 745 thousand (in 2020 the decrease was € 43,513 thousand). The sale of the Verzuolo plant affects all types of inventories, in detail:

- raw materials and inventories increased by € 5,357 thousand (in 2020 the change was down by € 8,558 thousand). The change is mainly due to higher stock volumes and higher purchase costs due to the price increase that occurred during the year, in particular of cellulose;
- work in progress increased by € 3,401 thousand (in 2020 they had decreased by € 8,452 thousand) mainly due to higher unit book values;
- finished products decreased by € 8,013 thousand (in 2020 they had decreased by € 26,504 thousand) due to both the sale of the Verzuolo plant and the lower quantities in stock.

The value of inventories is net of the stock depreciation provision, € 13,643 thousand (€ 14,982 thousands in 2020) and product write-downs, € 4,229 thousand (€ 3,620 thousand in 2020). These provisions were adjusted during the year on the basis of the most recent assessments of the risk of non-recoverability of the value of inventories and the sales of obsolete materials that occurred during the year 2021.

6 | Trade receivables

Trade receivables €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Relative to customers	264,290	380,690	116,400
minus: provision for doubtful accounts	(61,877)	(65,420)	(3,543)
	202,413	**315,270**	**112,857**

Trade receivables do not accrue interest. It is held that the value inserted (adjusted by the provision for doubtful accounts) approximates the presumable realisable value. Provisions for bad debts in the current year amounted to € 5,438 thousand (€ 3,864 thousand in 2020), partly offset by the insurance indemnities collected during the year, while the uses of the provision amounted to € 1,896 thousand.
The following table shows the breakdown of trade receivables by geographical area.

Trade receivables by geographic area €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Italy	125,488	184,744	59,253
Europe E.U.	60,027	85,523	25,497
Other countries	16,896	45,003	28,107
	202,413	**315,270**	**112,857**

7 | Other receivables and current assets

Other receivables and current assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Current tax receivables	**10,650**	**10,639**	**(11)**
Current sundry receivables due from others	9,436	16,743	7,307
Current receivables due from social security entities	127	184	57
Current derivative assets	6,757	31,508	24,751
Other sundry receivables	**16,319**	**48,435**	**32,115**
Other assets	**1,090**	**1,524**	**434**
	28,059	**60,597**	**32,538**

Sundry receivables and other current assets increased overall by € 32,538 thousand. The main changes are consequent to the greater advances to suppliers and to the receivables for insurance reimbursements to be collected, in place at 31 12 2021, for a total of € 7,307 thousand and to the increase of € 24,751 thousand in the fair value of assets for derivative instruments, mostly due to the sharp rise in the cost of gas and emission rights.

8 | Equity investments

Equity investments €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Other equity investments	792	-	(792)
	792	**-**	**(792)**

During the year, the securities in the portfolio consisting of 105,000 Mediobanca shares were sold.

9 | Financial receivables and other current financial assets

Financial receivables and other current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Financial receivables due from others	54,030	77,119	23,089
Derivative financial assets	-	8	8
Other financial assets	1,167	927	(239)
	55,197	**78,055**	**22,858**

Financial receivables from others mainly concern:

- advance payments made to the suppliers of the Parent Company and the subsidiaries Mosaico and Burgo Ardennes by Burgo Factor for € 65,388 thousand (€ 49,697 thousand in 2020) at market rates, whose duration is on average between 30 and 90 days;
- financial receivables from factoring companies for the transfer of receivables without recourse for € 4,066 thousand (€ 1,855 thousand in 2020);
- prepayments of € 927 thousand relating to expenses related to the opening of the revolving credit facility.

10 | Cash and other cash equivalents

Cash and cash equivalents €/000	31 Dec 2020	31 Dec 2021	Change
Bank and postal deposits	48,506	142,593	94,087
Cash and cash on hand	79	34	(46)
	48,585	**142,626**	**94,042**

Cash and other cash equivalents amounted to € 142,626 thousand.
The book value corresponds to the fair value.
Below is a reconciliation table for the item "Cash and other cash equivalents" with "final net monetary availability" recognised in the cash flow statement:

Reconciliation of cash and other cash equivalents €/000	31 Dec 2020	31 Dec 2021	Change
Cash on hand and other cash equivalents	48,585	142,626	94,042
Current accounts and other loans	(154,314)	(47,409)	106,905
	(105,729)	**95,218**	**200,947**

NET ASSETS

11 | Shareholders' equity

Total consolidated shareholders' equity amounts to € 411,814 thousand (€ 334,368 thousand at 31 December 2020).
The share capital at 31 December 2021 is made up of no. 2,168,857,500 ordinary shares with no nominal value, for a total value of € 90,000,000.
The Parent Company has no treasury shares in its portfolio.
Consolidated shareholders' equity at 31 December 2021 increased by € 77,446 thousand compared to 31 December 2020 as a result of the following transactions:

- an increase due to the profit for the year of € +58,719 thousand (€ -51,027 thousand in 2020);
- an increase due to net changes in fair value on derivative financial instruments recorded according to hedge accounting for € +16,550 thousand (€ +1,918 thousand in 2020);
- an increase due to net changes in the reserve for the adjustment of financial assets at OCI fair value for € +343 thousand (€ -239 thousand in 2020);
- an increase due to net changes of € +996 thousand (€ -502 thousand in 2020) due to the discounting of the severance pay and other pension plans pursuant to IAS 19;
- an increase due to exchange differences of € +113 thousand;
- an increase due to the increase in third party reserves of Cartiere di Verzuolo, Burgo Factor and Burgo Recycling for € +915 thousand;
- a decrease of € -192 thousand due to the distribution of dividends to the minority shareholders of Burgo Factor.

For more information, see the "Statement of changes in consolidated shareholders' equity".

Reserves and profits carried forward €/000	31 Dec 2020	31 Dec 2021	Change
Non-distributable reserve from share capital reduction	138,797	138,797	-
Legal	13,149	13,149	-
Reserve for equity financial instruments	200,000	200,000	-
Non-distributable exchange gains reserve	805	436	(369)
Other reserves	238	238	-
Consolidation	(67,054)	(66,940)	113
IAS 19 reserve	(10,565)	(9,569)	996
Reserve for accounting standard change - FTA	4,013	4,686	673
Reserve for adjustment to FVOCI	331	-	(331)
Cash flow hedge reserve	1,252	17,804	16,552
	280,966	**298,601**	**17,635**
Profits (losses) carried forward reserve	10,999	(40,017)	(51,016)
	10,999	**(40,017)**	**(51,016)**

Deferred taxes relative to items directly attributed to shareholders' equity are as follows:

Deferred taxes recognised directly to shareholders' equity €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Fair value changes in cash flow hedges	(645)	(7,228)	(6,583)
Actuarial gains/(losses)	3,167	2,836	(331)
Other	1,052	1,052	-
	3,574	**(3,340)**	**(6,914)**

NON-CURRENT LIABILITIES

12 | Non-current financial liabilities

Non-current financial liabilities €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Bonds	5,525	3,825	(1,700)
Loan payables	379,387	213,405	(165,982)
Right of use liabilities	5,119	4,678	(441)
	390,031	**221,908**	**(168,123)**

During the year, the parent company repaid medium and long-term debt lines for a total of € 320,000 thousand and took out a new loan of € 150,000 thousand.
In particular, in May a new loan facility backed by a SACE guarantee of € 150,000 thousand was taken out, amortising, and a repayment of € 120,000 thousand was made, partially reversing line A, of the original € 200,000 thousand.
In October, the liquidity deriving from the sale of the Verzuolo plant made it possible to repay proportionately the three medium and long-term financial debt lines for a total of nominal € 200,000 thousand, divided as follows:
€ 40,000 thousand for partial reimbursement of line A amortizing, € 75,000 thousand for partial reimbursement of the line backed by a SACE amortising guarantee and € 85,000 thousand for partial reimbursement of line B bullet.

The residual medium and long-term lines, equal to € 213,405 thousand, are shown net of the current portion of € 9,990 thousand.
Non-current financial liabilities include:

- bond loan issued by the subsidiary Burgo Ardennes for € 3,825 thousand (€ 5,525 thousand in 2020); the loan was signed by S.R.I.W. during 2019;
- bank loan obtained from the subsidiary Burgo Ardennes for the investment of cookers for € 13,104 thousand (€ 9,951 thousand in 2020);
- payables to shareholders of the Parent Company for loans for € 107,172 thousand (€ 220,998 thousand at the end of the previous year) and MLT loans to others for € 86,078 thousand (€ 144,365 thousand at the end of the previous year);
- a non-interest bearing financing disbursed by HGM to the Parent Company for € 2,598 thousand;
- FRIE loans granted to the subsidiary Mosaico S.p.A.:
  - in 2016 from Mediocredito FVG at a subsidised variable rate which remains for € 1,021 thousand;
  - in 2021 to the subsidiary Mosaico S.p.A. from Civibank at a subsidised variable rate for € 3,359 thousand, fully recognised in long-term financial payables and not yet repayable as it is still in the disbursement phase.
- debts underwritten by S.E.F.E. for € 70 thousand;
- liability for the right of use for € 4,678 thousand.

Interest on floating rate loans is determined at interim intervals. The conditions of the fixed rate loans are kept constant until the maturity of the instrument.
For all loan payables, valued at amortised cost, it is believed that the book value reflects the fair value of the financial instrument at the end of the reporting period.

Loan payables - breakdown of maturity dates €/000	**31 Dec 2020**	**31 Dec 201**	**Change**
from 2 - 3 years	62,413	37,557	(24,856)
from 4 - 5 years	306,761	163,036	(143,725)
over 5 years	10,214	12,812	2,598
	379,387	**213,405**	**(165,982)**

Bonds - breakdown of maturity dates €/000	**31 Dec 2020**	**31 Dec 201**	**Change**
from 2 - 3 years	3,400	3,825	425
from 4 - 5 years	2,125	-	(2,125)
over 5 years	-	-	-
	5,525	**3,825**	**(1,700)**

Right of use liabilities - breakdown of maturity dates €/000	**31 Dec 2020**	**31 Dec 201**	**Change**
from 2 - 3 years	2,695	2,607	(88)
from 4 - 5 years	1,157	854	(303)
over 5 years	1,267	1,217	(50)
	5,119	**4,678**	**(441)**

Right of use liabilities - flows €/000	Balance at start of period	Decreases	Decreases for disposals	Reclassification	Increases	Balance at end of period
Non-current right of use liabilities	5,119	(118)	(806)	(1,825)	2,309	4,678
Current right of use liabilities	1,894	(2,426)	-	1,825	543	1,836
Total	**7,013**	**(2,544)**	**(806)**	**-**	**2,852**	**6,514**

13 | Severance indemnities (TFR) and other provisions relative to personnel

Severance indemnities (TFR) €/000	**31 Dec 2020**	**31 Dec 201**	**Change**
Actuarial measurement of TFR at start of period	35,334	31,628	(3,706)
Provisions	56	51	(6)
Payments	(4,266)	(2,616)	1,651
TFR discounting - IAS 19 reserve	249	439	189
TFR discounting - financial expense (income)	255	103	(152)
Transfer	-	(3,117)	(3,117)
Other changes - incoming (outgoing) transfers	(0)	(435)	(435)
	31,628	**26,052**	**(5,576)**

For actuarial measurement of the provision for severance indemnities (TFR) at 31 December 2021, on the basis of accounting standard IAS 19 an independent actuary carried out the calculation, on the basis of information provided by the Group,
In the calculation, the actuary made use of the following demographic hypotheses:

- to estimate probability of death within the group of employees subject to measurement, the RG48 survival table used by the Italian General Accounting Office to estimate pension expenses for the Italian population was used;
- to estimate probability of disability within the group of employees subject to measurement, an INPS table was used, broken down by age and sex;
- for retirement age for the generic active population, achievement of the minimum requirements established for General Obligatory Insurance was assumed;
- for the probabilities of leaving for reasons other than death, an annual frequency of 3.00% was considered (unchanged compared to the previous year);
- for the probability of advances on the severance pay, a year-by-year value of 2.00% was assumed (unchanged compared to the previous year).

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used €/000	**2020**	**2021**
Annual theoretical discounting rate	0.34%	0.98%
Annual inflation rate	0.80%	1.75%
Annual TFR increase rate	2.10%	2.81%

The validity of this data is connected to the stability of the reference regulatory situation, expected performance of interest rates on the financial market, the expected performance of salary trends, of future liquidation trends and the frequency with which employees make use of advances, which must be on average compatible with the economic/financial hypotheses made.
Based on the social security reform, for companies with more than 50 employees future portions of the TFR provision accruing no longer accumulate within the company but go to supplementary social security or the INPS treasury fund.
Therefore, projection of salaries based on given growth rates and professional roles is no longer necessary.

14 | Provision for deferred taxes

The deferred tax provision amounts to € 16,978 thousand (€ 17,625 thousand at the end of the previous year); the provision includes provisions for deferred taxes, which cannot be offset with credits for deferred tax assets.
The following explanatory detail is provided:

Deferred tax liabilities €/000	**31 Dec 2020**			**31 Dec 2021**		
	Taxable	% rate	(Debit)/ credit	Taxable	% rate	(Debit)/ credit
IRES						
Taxed provisions (allocated)	(8,507)	23.2	(1,973)	2,008	27.5	552
Derivatives	314	24.0	75	-		-
IAS 19 discounting - actuarial G/L	(1,367)	24.0	(328)	-		-
Amortisation, depreciation and writedowns	(2,497)	24.0	(599)	-		-
Allocation of shortfall	15,327	24.0	3,678	-		-
Other items	324	24.0	78	(304)	24.0	(73)
	3,594		**931**	**1,704**		**479**
IRAP						
Taxed provisions (allocated)	(3,103)	3.9	(121)	-		-
Amortisation, depreciation and writedowns	(813)	3.9	(32)	-		-
Allocation of shortfall	15,327	3.9	598	-		-
Derivatives	314	3.9	12	-		-
Other items	324	3.9	13	(1,351)	3.9	(53)
	12,049		**470**	**(1,351)**		**(53)**
Deferred foreign taxes						
Taxed provisions (allocated)	70,702	25.0	17,676	70,123	25.0	17,531
Other items	(5,867)	24.8	(1,452)	(3,973)	24.7	(980)
	64,836		**16,223**	**66,149**		**16,551**
			17,625			**16,978**

Deferred tax liabilities refer to legal entities that have a negative balance in their individual financial statements. In particular, these are Burgo Ardennes, Burgo Factor and Burgo Central Europe.

15 | Provisions for risks and charges

Provisions for risks and charges €/000	31 Dec 2020	31 Dec 2021	Change
Provision for industrial charges	29,521	28,387	(1,134)
Provision for disputes in course	12,582	12,400	(182)
Provision for supplementary customer allowance	4,079	4,265	186
Provision for restructuring charges	3,677	1,629	(2,047)
Other provisions for risks and charges	768	768	-
Provision for future personnel plans	4,540	2,717	(1,823)
	55,167	**50,167**	**(5,001)**

Below is a breakdown of changes in the provisions:

Provisions for risks and charges - changes €/000	Balance at start of period	Conferment	Increases	Decreases	Discounting	Balance at end of period
Provision for industrial charges	29,521	(4,885)	35,699	(31,948)	-	28,387
Provision for disputes in course	12,582	-	505	(687)	-	12,400
Provision for supplementary customer allowance	4,079	-	361	(174)	-	4,265
Provision for restructuring charges	3,677	-	62	(2,109)	-	1,629
Other provisions for risks and charges	768	-	-	-	-	768
Provision for future personnel plans	4,540	-	219	(270)	(1,773)	2,717
	55,167	**(4,885)**	**36,846**	**(35,189)**	**(1,773)**	**50,167**

The provision for industrial charges is aimed at:

- charges for the purchase of CO2 emission quotas for the deficits resulting from the difference between the final emissions and the allocations.
  In 2021, € 30,253 thousand was set aside (€ 14,325 thousand in 2020); uses for the year, gross of the Verzuolo transaction, amounted to € 35,692 thousand (€ 20,253 thousand in 2020);
- coverage of the expenses that it is believed will be incurred for the remediation of sludge dumps;
- charges arising from situations directly linked to production. In 2021, € 2,232 thousand were set aside relating to Burgo Ardennes for plant upgrading interventions.

The provision for disputes in course is created to deal with potential liabilities that could arise in relation to legal disputes and disputed items.
The provisions for the year are mainly due to a dispute with the Abruzzo Region.
The uses that occurred during the year are consequent to the extinction of pre-existing disputes and to the absence of the conditions found last year for provisions for disputes.
The extinction of disputes or their settlement during the year did not substantially involve contingent liabilities.

The provision for supplementary customer allowance represents the estimate of the indemnities to be paid to sales agents for interruption of the agency relationship.

The provision for restructuring charges includes the residual provisions for the expenses to be incurred for the implementation of the restructuring plan.
During the year, the fund was used for € 2,109 thousand (€ 780 thousand in 2020) against the provision of incentives to leave some employees and the reclamation of sites that are no longer productive.

Furthermore, € 62 thousand have been set aside.
The provision for other risks and charges includes provisions for other potential liabilities, different from the previous ones.

The provision for other personnel expenses includes:

- the provision for "unemployment with company contribution" concerning the subsidiary Burgo Ardennes which, as required by local legislation, must pay complementary allowances to employees with certain seniority and age requirements if the latter choose to take advantage of the pre-pension provided by the State and opt to leave the service before age envisaged for old-age retirement;
- a fund for a defined benefit pension plan through payments to an insurance company.

For the actuarial valuation at 31 December 2021 of the "unemployment fund with company contribution" based on IAS 19, the calculation of an independent actuary was used, carried out on the basis of information provided by the Group.
In the calculation, the actuary made use of the following demographic hypotheses:

- as for the probability of death, the tables in force in Belgium called "MR-3" for men and "FR-3" for women;
- for the rate of participation in early retirement, it was assumed that 5% of employees aged over 60 and 4% of employees aged between 55 and 59 for the benefit as soon as the right is acquired and that the remaining remain in service until the age of 60.
- It should be noted that in Belgium the number of years necessary to access the pension has been extended: from the current 65 years, from 2025 to 2029 it will increase to 66 years.

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used €/000	**2020**	**2021**
Annual theoretical discounting rate	-0.20%	0.00%
Annual inflation rate	1.75%	1.90%

For the actuarial valuation at 31 December 2021 of the pension plan based on IAS 19, the same basic assumptions adopted for the "unemployment fund with company contribution" were used.
Similarly to what was done for the employee severance indemnity fund, the interest cost component was recognised under financial charges.

16 | Various payables and other non-current liabilities

Trade payables €/00	**31 Dec 2020**	**31 Dec 2021**	**Change**
Non-current payables due to suppliers	174	340	166
	174	**340**	**166**

The payable relates to multi-year bonuses paid to timber suppliers by the subsidiary Burgo Ardennes for € 340 thousand.

CURRENT LIABILITIES

17 | Current financial liabilities

Current financial liabilities €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Bonds	2,013	1,700	(313)
Loan payables - current portion	9,990	6,468	(3,522)
Current accounts and other loans	154,314	47,409	(106,905)
Payables due from other lenders	3	5	2
Derivatives	-	387	387
Right of use liabilities	1,894	1,836	(58)
Other financial liabilities	4,011	655	(3,356)
	172,223	**58,460**	**(113,764)**

The reduction in bank current accounts and other loans equal to € 113,764 thousand after an increase recorded in the previous year (€ 108,015 thousand) is attributable to a lower use of the revolving credit facility with a nominal value of € 100,000 thousand, which at the end of the year was be used for € 26,000 thousand.
The current portion of debt for loans varies due to the short-term reclassification of the portion of the debt to be repaid by the end of next year.
The current portions of liabilities for rights of use amounted to € 1,836 thousand.
The item "Other financial liabilities" includes accrued interest on loans and on the use of short-term bank lines.

Interest on floating-rate loans is determined at interim intervals, while fixed-rate interest is kept constant until the maturity of the instrument.
For all loan payables valued at amortised cost it is believed that the book value approximates the fair value of the financial instrument at the end of the financial year.
It should also be noted that, at the end of the 2021 financial year, credit lines are available for short-term financial needs for a total of approximately € 207 million, of which € 192 million for BT lines in Italy and € 15 million in Belgium for Burgo Ardennes.
The Group also has the possibility of resorting to non-recourse factoring with an overall ceiling of approximately € 60 million, in addition to a with-recourse ceiling of approximately € 9 million on Burgo Ardennes.

18 | Trade payables

Trade payables €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Current payables due to suppliers	314,452	510,912	196,460
	314,452	**510,912**	**196,460**

Trade payables do not accrue interest.
The amount recognised in the financial statements approximates the market value.
The table below provides a breakdown by geographic area:

Trade payables by geographic area €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Italy	173,454	313,277	139,823
Europe E.U.	134,770	183,791	49,021
Other countries	6,228	13,844	7,616
	314,452	**510,912**	**196,460**

19 | Current tax payables

These amount to € 7,469 thousand; the item mainly includes payables to the tax authorities for taxes to be paid as withholding agent and for income taxes of Italian companies and income taxes of subsidiaries located abroad.

Current tax payables €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Tax payables, income tax	44	793	749
Tax payables, VAT	254	236	(19)
Payables for withholdings	5,049	5,257	208
Tax payables for municipal taxes	12	14	2
Other tax payables	697	1,170	472
	6,057	**7,469**	**1,412**

20 | Other payables and current liabilities These consist of the following:

Other payables and current liabilities €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Current sundry payables due to others	6,796	7,976	1,180
Payables for commissions and premiums	3,919	4,136	218
Payables due to personnel	16,675	15,701	(974)
Current payables due to social security entities	7,960	7,873	(88)
Current derivative liabilities	445	4,650	4,205
Deferred income from capital account grants	3,680	4,330	651
Other accrued expenses and deferred income	1,326	687	(639)
	40,801	**45,354**	**4,553**

The increase, of € 4,553 thousand, is due in particular to:

- increase in liabilities for fair value of current derivative instruments for € 4,205 thousand;
- decrease in payables to personnel for € 974 thousand, mainly following the sale of the Verzuolo plant.

21 | Commitments and potential liabilities

Commitments and potential liabilities €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Personal guarantees provided in favour of:			
subsidiaries	9,081	8,423	(658)
other subjects	17,691	24,112	6,421
	26,772	**32,535**	**5,763**

Notes to the consolidated profit/(loss) for the year

We illustrate the main items that have not been commented on in the statement relating to the consolidated profit/(loss) for the year. For comments on the changes in the most significant items, please refer to the analysis of the Group's income results in the Report on Operations.

22 | Revenues

Revenues €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Paper	1,037,872	1,331,929	294,057
Cellulose	55,510	77,731	22,220
Energy	57,129	145,851	88,722
Gas	4,425	24,307	19,882
Others	22,016	27,371	5,355
	1,176,953	**1,607,188**	**430,235**

Revenues increased by € 430,235 thousand (+36.6%). In particular, revenues from paper increased by 28.3%, those from cellulose increased by 40.0% while overall revenues from energy, which includes electricity and gas, increased by 155.3% and 449.3% respectively. Other revenues increased by 24.3% and include in particular revenues from the sale of ligninsulfonate for € 17,706 thousand, which increased by € 3,234 thousand compared to the previous year.

Mercati €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Italy	392,567	650,716	65.8%
Europe E,U,	654,192	637,482	-2.6%
Other countries	130,194	318,990	145.0%
	1,176,953	**1,607,188**	**36.6%**

23 | Other income

Other income €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Insurance settlements	1,789	2,640	851
Environmental certificates	30,061	27,115	(2,945)
Energy expense recovery and reimbursements	12,232	27,483	15,250
Sundry income and expense recovery	8,124	10,149	2,025
Grants for current expenses	2,310	1,902	(408)
	54,517	**69,289**	**14,772**

Other income increased by € 14,772 thousand. The change is mainly due to higher income deriving from the of electricity and gas load shedding for € 15,250 thousand. Another significant change relates to environmental certificates which decreased, in particular for the fewer white certificates obtained against energy savings. Sundry income and expense recoveries increased by € 2,025 thousand.
Sundry income includes commission income for Burgo Factor spa's factoring activity for € 1,685 thousand (€ 1,443 thousand in the previous year), an increase as a result of the higher turnover of the Group.
The item operating grants includes in particular:

- the portion pertaining to the financial year 2021 for € 606 thousand of capital grants (€ 475 thousand in 2020);
- contributions for personnel training € 169 thousand (€ 385 thousand in 2020).

24 | Purchases of materials and external services

Purchases of materials and external services €/000	**31 dic 2020**	**31 dic 2021**	**Variazione**
Purchases of raw materials, subsidiary and consumable items and goods	569,832	801,777	231,944
Transport and accessory expense on purchases	22,670	21,956	(714)
Transport and accessory expense on sales	101,783	133,017	31,234
Other industrial services	27,556	30,879	3,324
Industrial maintenance	24,579	19,170	(5,408)
Electricity and methane	151,582	368,391	216,809
Fees to independent auditing firm	380	327	(53)
Fees to statutory auditors	193	187	(7)
Other general and administrative services	27,397	24,357	(3,039)
Rentals and leases	1,346	820	(526)
	927,317	**1,400,880**	**473,563**

Purchases of materials and external services increased by € 473,563 thousand.
The most important changes concern:

- the increase in the purchase costs of raw materials, ancillaries, consumables and goods of (€ 231,944 thousand) due to higher average purchase prices for cellulose, latex, pulp for the production of containerboard and in general for all raw materials;
- the increase in the cost of energy and methane (€ 216,809 thousand) due to the increase in the average price of gas and electricity in the year 2021;
- the increase in costs for transport and ancillary costs on sales, respectively equal to € 31,234 thousand.

Energy costs are shown net of the fees to which the Group is entitled as a company with a high energy consumption.
Operating costs also include costs for rights of use relative to contracts of modest value and/or with durations of less than a year for € 820 thousand.
The table also includes non-recurring costs classified in the income statement in the Report on Operations.
Please see note 26) for a more in depth comment on the cost for CO2.

25 | Personnel costs

Personnel expense €/000	**31 dic 2020**	**31 dic 2021**	**Variazione**
Wages and salaries	113,078	119,109	6,031
Social security contributions	39,501	40,961	1,460
Expenses for defined benefit programs	6,378	6,082	(296)
Others	16,027	17,370	1,343
	174,984	**183,522**	**8,538**

Labour costs increased by € 8,538 thousand in 2021.
The increase is mainly related to the greater number of hours worked compared to the previous year in which there had been some production stoppages due to the decline in demand triggered by the Covid crisis.
Other costs include the remuneration paid to the directors and the remuneration for temporary employment services of the companies of the Group.
During 2021, temporary agency work was € 9,992 thousand (€ 7,126 thousand in 2020).
The item other costs includes premiums, early retirement and supplementary insurance for employees of the subsidiary Burgo Ardennes.
The table also includes non-recurring costs classified in the income statement presented in the Report on Operations.
For further details, please see the Report on Operations, under the item "Personnel".

26 | Other operating costs

Other operating costs €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Provisions			
for impairment of receivables	3,345	2,136	(1,209)
for industrial charges	2,618	3,980	1,362
for disputes in course	999	505	(495)
for supplementary customer allowance	387	361	(26)
for other provisions	139	-	(139)
	7,487	6,982	(505)
Other costs			
Corporate expenses, taxes and indirect taxes	12,154	14,211	2,057
Contributions and donations	1,235	1,233	(2)
Sundry costs and fair value for derivative instruments	2,573	3,909	1,336
	15,962	19,353	3,391
CO_2 certificates			
Costs for purchasing certificates	(4,134)	6,210	10,344
CO_2 allocations	12,650	22,407	9,757
	8,516	28,618	20,102
	31,965	**54,953**	**22,987**

Other operating costs increased overall by € 22,987 thousand.
In detail:

- the provisions for credit losses decrease due to the reduced occurrence of problem loans during the year, also due to the presence of credit insurance;
- the provisions for industrial charges increase;
- the provisions for disputes decrease due to the absence of new significant disputes;
- sundry costs increase mainly due to the derivative contracts entered into by Burgo Energia;
- CO2 certificates increase due to provisions to the fund, purchases expensed during the year and accounting effects deriving from the hedging policy.
  In the course of the year 2021, unlike in 2020, there was a need to adjust the fund following the increase in prices.

27 | Change in inventories

Change in inventories €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Change in inventories	(38,669)	14,062	52,731
	(38,669)	**14,062**	**52,731**

The change in inventories constitutes an operating income of € 14,062 thousand as a result of the increase in the value of the stock at the end of the year.
Please refer to note 5) Inventories for further details.

28 | Capitalised costs for internal work

Capitalised costs for internal work €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Capitalised costs	1,486	3,015	1,529
	1,486	**3,015**	**1,529**

This item includes costs for employee work, warehouse materials and other costs sustained to complete internal systems work. The increase is linked to the main investments made during the year, in particular in the Duino, Sora and Ardennes plants.
Please see the Report on Operations for more details on the main investments made during 2021.

29 | Depreciation and amortisation

Depreciation and Amortisation €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Buildings	7,918	7,956	37
Plant and machinery	41,658	45,188	3,529
Industrial equipment	518	413	(105)
Other assets	1,224	1,373	149
Buildings for civil use	24	24	0
Rights of use	2,529	2,416	(113)
Intangible assets with defined life	632	527	(105)
	54,504	**57,896**	**3,393**

Depreciation and amortisation increase due to the new investments made. Amortisation of rights of use based on application of IFRS 16 in the year 2021 amounted to € 2,416 thousand.

30 | Capital gains/losses on disposal of non-current assets

Capital gains/losses on disposal of non - current assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Capital gains	67	104	36
Capital losses	(285)	(175)	110
	(218)	**(72)**	**146**

The capital gains and losses for the year relate to the divestitures of the period.

31 | Write-backs/write-downs of non-current assets

Writebacks/writedowns on assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Land and buildings	-	384	384
Plant and machinery	-	17,979	17,979
Intangible assets with defined life	-	739	739
	-	**19,102**	**19,102**

During the year, write-downs of fixed assets were made for:

- € 384 thousand relating to a write-down of part of a piece of land;
- € 17,979 thousand relating to plant write-downs;
- € 739 thousand relating to the right in rem classified under intangible fixed assets.

32 | Financial expense

Financial expense €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Interest expense on payables due to banks	13,612	8,405	(5,207)
Discounting of severance indemnities (TFR)	255	103	(152)
Other financial expense	12,420	15,569	3,149
Exchange losses	508	492	(16)
Foreign exchange losses from IC eliminations	0	47	47
Write-downs of equity investments	360	3,060	2,700
	27,155	**27,675**	**520**

Financial charges amounted to € 27,675 thousand and decreased by € 520 thousand compared to the previous year. The main changes concern:

- financial charges from payables to banks which decreased by € 5,207 thousand due to the reduction of the medium and long-term financial debt and above all due to the income deriving from the amortised cost valuation of the debt which, following early repayments and changes to conditions, resulted in the posting of a positive debt adjustment;

- financial charges other than the previous ones increased by € 3,149 thousand, they are mainly discounts of a financial nature for short-term payments from customers, increased following the increase in turnover and charges on financial transactions, the portion pertaining to the year of commissions paid in advance against short-term credit lines and non-utilisation fees;
- write-downs of equity investments increased by € 2,700 thousand as a result of the write-down of Interconnector Energy Paper.

Financial charges recognised in 2021 following the application of IFRS 16 amounted to € 143 thousand (€ 152 thousand in 2020).
The table also includes non-recurring costs classified in the income statement presented in the Report on Operations.

33 | Financial income

Financial income €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Other financial income			
Interest income from banks	6	21	15
Interest income from long-term receivables	2,787	3,096	309
Other financial income	237	726	489
Exchange gains	195	458	263
Exchange gains on P&L elisions	0	6	5
	3,225	4,306	1,081
	3,225	**4,306**	**1,081**

Financial income amounted to € 4,306 thousand compared to € 3,225 thousand in the previous year and increased by € 1,081 thousand compared to the previous year.
The increase is mainly due to the increase in interest receivable from receivables for active factoring operations by Burgo Factor. Exchange gains increased from € 195 thousand in the previous year to € 458 thousand in 2021.

34 | Income taxes

Current taxes reflect the provision deriving from the legislation in force in the various countries in which the Group operates.
The deferred and prepaid taxes charged to the statement of profit/(loss) for the year reflect the change in the same occurred at the equity level compared to the previous year.

Income taxes €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Current taxes - IRES	8,476	5,305	(3,171)
Current taxes - IRAP	1,120	709	(410)
Current taxes - foreign companies	541	18	(524)
Deferred tax assets/liabilities - IRES	280	(4,675)	(4,955)
Deferred tax assets/liabilities - IRAP	445	(781)	(1,225)
Deferred tax assets/liabilities - foreign companies	(32)	18	50
	10,829	**595**	**(10,235)**

For illustrative purposes, the nominal rates applied in each jurisdiction are presented below.

Tax rates	**2021**
Italy	27.90%
Belgium	25.00%
France	33.33%
Spain	28.00%
Great Britain	20.00%
Germany	32.97%
Poland	19.00%
United States of America	21.00%

The reconciliation between the income taxes recorded in the statement of profit/(loss) for the year and the theoretical taxes resulting from the application of the current tax rate to pre-tax profit is as follows:

Reconciliation between income tax and theoretical tax €/000	**2020**	**2021**
Before tax results for the year	**(46,977)**	**46,240**
Theoretical tax (IRES) - Italian tax rate in effect: 24,0%	(11,275)	11,098
Current taxes (IRES) recognised in the financial statements	1,607	5,305
Deferred taxes (IRES) recognised in the financial statements	347	(4,675)
Current/deferred taxes, foreign companies	509	35
Total taxes recognised in the financial statements	**2,464**	**666**
Effective tax rate on before tax profit	(5.2%)	1.4%
Current taxes (IRAP) recognised in the financial statements - 3.9% rate in effect	1,142	709
Deferred taxes (IRAP) recognised in the financial statements - 3.9% rate in effect	444	(781)
Total (IRAP) taxes recognised in the financial statements	**1,586**	**(71)**
Effective (IRAP) tax rate on before tax profit	(3.4%)	(0.2%)
Foreign company rate change effect	-	-
Effect of the effective tax rates on foreign companies	-	-
Total taxes recognised in the financial statements	**4,050**	**595**
Effective tax rate on before tax profit	(8.6%)	1.3%

35 | Net result from assets held for sale and from discontinued operations

The net result from assets held for sale and from discontinued operations is equal to € 105,554 thousand. The line of the dedicated Income Statement includes the revenues and costs relating to the Verzuolo plant and the connected power plant, which were sold in October 2021, the costs related to the operation and the income (capital gain) deriving from the sale. In particular, in detail, the turnover for the sale of paper and energy, the other revenues, the operating costs, the depreciation and amortisation as well as the notional taxes of the perimeter to be sold have been reclassified in the Net result from discontinued operations.

Below is the net result of discontinued operations detailed by nature in the Income Statement:

Statement of profit/(loss) for the year €/000	**31 Dec 2020**	**31 Dec 2021**
Total operating income and revenues	**100,162**	**141,223**
Total operating costs	**(109,363)**	**(138,942)**
EBITDA Adjusted	**(9,200)**	**2,281**
Depreciation and amortisation	(17,743)	(14,265)
Gains/losses from non-current assets	(446)	299
Operating result before extraordinary and non-recurring charges and revenues	**(27,389)**	**(11,685)**
Operating result (EBIT)	**(27,389)**	**(11,685)**
Financial charges	(956)	(2,409)
Financial income	-	118,221
Result before taxes	**(28,345)**	**104,128**
Income taxes	6,779	1,426
Result of the period	**(21,566)**	**105,554**

36 | Schedule of other components of the consolidated comprehensive profit and loss statement

The schedule presented on page 71 illustrates the economic result that would be achieved in the case that all changes in items directly attributed to shareholders' equity passed through the statement of profit/(loss) for the year and has been adjusted to the provisions of IAS 1, indicating through grouping the items which, upon the meeting of specific conditions, will be reclassified to profit (loss) for the year and, separately, those that will not be reclassified to profit (loss) for the year.
The Group presents the following items:

- year-end fair value adjustment of hedging derivatives.
  During the year, the gross variation was positive for € 23,133 thousand, which net of taxes (€ -6,583 thousand) is equal to € 16,550 thousand.
- adjustment to the year-end market value of financial instruments.
  During the year, the Parent Company sold the shares held by Mediobanca and the resulting change in FVOCI financial assets was positive for € 343 thousand);
- profits and losses from discounting back on defined benefit plans connected to defined benefit plans allocated to a specific equity reserve: for 2021, profits of € 1,328 thousand were recognised which, net of the tax effect of € -331 thousand, they produced a positive change of € 996 thousand;
- effects of the conversion of the financial statements of foreign companies (€ +113 thousand).

Relations with related parties

Transactions with related parties, including intra-group transactions, cannot be classified as either atypical or unusual, as they fall within the ordinary course of business of the Group companies.
These operations, when not completed under standard conditions or those dictated by specific regulatory provisions, are in any case carried out under market conditions.
Related party transactions (based on the definition in IAS 24) essentially involve the exchange of goods, the provision of services or the supply and use of financial means.
The economic and equity effects of the transactions with the subsidiaries of Burgo Group spa at 31 December 2021 are described below.

Relations with related parties €/000	**Subsidiaries**		**Total financial statement items**			
	31 Dec 2020	**31 Dec 2021**	**31 Dec 2020**	**%**	**31 Dec 2021**	**%**
Asset relations						
Financial receivables and other non-current financial assets	2,800	2,800	5,480	51%	7,286	38%
Trade receivables	28,459	57,771	104,942	27%	187,993	31%
Other receivables and current assets	8,079	36,274	21,052	38%	51,103	71%
Financial receivables and other current financial assets	60,515	33,806	65,983	92%	41,258	82%
Current financial liabilities	(33,319)	(37,868)	(192,925)	17%	(83,498)	45%
Trade payables	(88,457)	(71,457)	(252,401)	35%	(347,147)	21%
Other payables and current liabilities	(1,454)	(3,070)	(20,517)	7%	(20,830)	15%
Economic relationships						
Revenues	103,891	182,335	699,180	15%	990,943	18%
Other income	1,534	3,621	28,717	5%	27,313	13%
Costs for materials and external services	(211,378)	(247,640)	(622,841)	34%	(926,222)	27%
Other operating costs	(10,559)	(15,983)	(12,767)	83%	(27,307)	59%
Financial expenses	(16)	(131)	(22,654)	0%	(27,030)	0%
Financial income	20,033	79,531	20,040	100%	23,223	342%
Income taxes	6,108	5,164	(2,306)	-265%	4,503	115%

In addition to the above transactions, as at 31 December 2021 there are medium/long-term loans, interest rate and exchange rate hedging contracts and insurance policies to cover industrial and civil risks with related parties, all stipulated at market conditions.
Existing loans with related parties amounted to a nominal amount of € 115,524 thousand at 31 December 2021 (€ 228,230 thousand at 31 December 2020).

Significant events after year end

Even in the presence of a very difficult economic and social situation, due to the conflict between Russia and Ukraine and with the persistence of the health emergency due to COVID which is gradually returning, the company's business has developed normally. The worsening of the geopolitical situation following the war between Russia and Ukraine and the tensions that have appeared in particular in the energy markets could lead to a slowdown in economic activity with consequences on the dynamics of demand, sales prices of production and costs purchase of production factors, especially energy ones, as well as an increase in credit risk with counterparties potentially affected by the consequences of the conflict.

During the first months of 2022, the company continued to carry out its business without any significant facts or events.
There are no reports to provide.

Other information

RECONCILIATION STATEMENT OF PARENT COMPANY AND GROUP RESULTS

The statement below illustrates the connection between the shareholders' equity and results for the year of Burgo Group spa and the shareholders' equity and result for the year in the consolidated financial statements.

Reconciliation between shareholders' equity and parent company and consolidated result €/000	**Shareholder' equity**		**Profit/(loss) for the period**	
	31 Dec 2020	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**
Parent Company Financial Statements	**426,944**	**518,263**	**(51,969)**	**72,950**
Elision of consolidated equity investments	(92,234)	(106,187)	20,089	64,098
Elimination of dividends from consolidated companies	-	-	(18,259)	(78,460)
Adjustments for adaptation to Group accounting standards	(399)	(389)	(888)	131
Consolidated Financial Statements	**334,311**	**411,687**	**(51,027)**	**58,719**

NUMBER OF EMPLOYEES

Number of employees	**Start of year**	**Year end**	**Average 2020**	**Average 2021**
Executives	45	44	47	46
Office Workers	869	818	880	871
Manual Worker	2,422	2,263	2,451	2,371
	3,336	**3,125**	**3,378**	**3,288**

INDEPENDENT AUDITING FEES (ART. 2427, PARAGRAPH 1, 16 BIS, ITALIAN CIVIL CODE)

Compensation for statutory auditing pursuant to article 2427, paragraph 1, no. 16 bis, Italian Civil Code €/000	**2021 Financial Statements**
Statutory auditing services for the annual accounts:	
Parent Company	120,910
Italian subsidiaries	122,014
Foreign subsidiaries	84,276
	327,200

DISCLOSURE FOR TRANSPARENCY IN PUBLIC SUBSIDIES REQUIRED BY ITALIAN LAW 124/2017, ARTICLE 1, PARAGRAPHS 125-129, AS AMENDED

Law no. 124 of 2017 (so-called annual law for the market and competition) introduced art. 1, paragraphs 125-129, new disclosure obligations regarding the transparency of received and granted public funds.
The following table highlights the information relating to contributions and other economic benefits received by Italian public administrations in the course of 2021:

Grants and loans at subsidised rates

Granting entity	Purpose	Subsidised rate	Amount financed
Ministry of Environmental Development	Grant for the Sora facility project		Total amount disbursed during 2021 equal to € 329 thousands as a subsidised loan supplement.
FVG Region through Mediocredito	Investment initiative, Italian Law 908/1955	Euribor 6M reduced by 20%, floor of 0.85%	The loan was disbursed on 26/05/2016 for € 1,767,000 thousand and on 22/12/2020 for € 1,462,456. The residual value to be repaid as of 31/12/2021 was € 1,312,737.
FVG Region through CiviBank	Investment initiatives F.R.I.E. law 908/1955	Euribor 6M - floor of 0.45%	The loan was disbursed on 7/12/2021 for € 3,359,132

Note that on the basis of the most authoritative interpretations of the stated law, any payments, general measures or tax subsidies which can be used by all companies or generally by companies within specific sectors, such as the paper sector or sector of heavy energy user companies, were not considered. While the company holds that these stances are appropriate, it also decided to indicate the following incentives in these financial statements which can be enjoyed by all companies:

- energy efficiency certificates for € 7,683 thousand;
- hydroelectric energy production incentives for € 2,465 thousand.

The amounts indicated in the above information are also reported in the financial statements of the concerned companies of the Group.

Information about the financial risk management policy

The following information, pursuant to current accounting standard IFRS 7, is aimed at illustrating the impact that financial instruments have on the amount of risk exposure, providing details on measurements and mechanisms that the Group has implemented to manage this exposure.

RELEVANCE OF FINANCIAL INSTRUMENTS WITH REFERENCE TO THE FINANCIAL POSITION AND THE ECONOMIC RESULT

The information concerning the relevance of financial instruments on the consolidated financial position and consolidated economic result is presented separately below.

RELEVANCE OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET AND FINANCIAL POSITION

The table shows for each financial asset and liability the book value recorded in the Statement of consolidated financial position.

Financial instruments €/000	**31 Dec 2020**	**31 Dec 2021**
	Book value	**Book value**
Trade receivables and other receivables	234,244	358,037
Financial receivables	55,197	78,047
Cash and cash equivalents	48,585	142,626
Derivatives:		
Assets	6,757	31,516
Liabilities	(445)	(5,037)
Lending from banks	(163,811)	(110,534)
Right of use liabilities	(7,013)	(6,514)
Loans from associated companies	(225,566)	(109,339)
Bonds and converting loans	(7,538)	(5,525)
Trade payables and other payables	(361,041)	(559,430)
Payables due to banks	(158,325)	(48,064)
	(578,163)	**(234,216)**

It should be noted that the above values under the item "derivatives" include all derivatives recorded following the hedge accounting rules regardless of the nature of the risk covered, and any derivatives for which the Group has not availed itself, although the conditions existed, of the right to use hedge accounting and derivatives recorded in FVTPL.
In the following analyses, the portion of derivatives designated to hedge the specific risk analysed will be selected from time to time.
In particular, in the liquidity risk analysis, only derivatives hedging financial liabilities are considered, excluding positions hedging the commodity risk.

After summarising the criteria and financial models used to estimate the fair value of the financial instruments shown above, further details will be provided about the individual financial items.

DERIVATIVE INSTRUMENTS

In general, the fair value of derivatives is determined on the basis of market prices, if available.
If this reference is not available/accessible, fair value estimates are made on the basis of standard financial algorithms.
In particular, the fair value of positions in foreign exchange derivatives (forwards) and commodities is calculated by discounting the difference between the contractual price and the forward price restated on the basis of market conditions at the closing date of the financial statements. For positions in derivatives on interest rates, if subscribed, different models are used depending on the type of instrument to be evaluated.
In particular:

- For interest rate swaps, the discount cash flow model is used. The fair value is determined discounting the estimated future cash flows on the basis of the interest rate conditions at the end of the reporting period;
- The Black & Scholes model is used for collars. The use of this model is widespread in practice and allows you to evaluate the fair value of the option by quantifying the probability of receiving a positive payoff.

In some cases, the company made use of appropriately verified and confirmed counterparty valuations to determine the fair value of the positions in interest rate derivatives.
For positions in commodity derivatives, the discount cash flow model is used, estimating future cash flows on the basis of market prices available at the end of the reporting period.

DETAILS ON FINANCIAL RISK HEDGING REPORTS

As part of the financial risk management processes, the Group enters into derivative contracts. Although these derivatives are traded for hedging purposes only, not all transactions are subject to hedge accounting rules.

DETAILS ON MARKET RISK HEDGING REPORTS

Among commodity exposures, the price risk deriving from the volatility of the purchase prices of electricity, gas and emission rights was managed in part through the subscription of commodity swaps and futures, recorded in compliance with hedge accounting rules, and partly with the setting of the price with the counterparty, while the price risk relating to gas was managed through fixed price contracts. As shown in the "Financial instruments" table, the fair value of derivatives generated financial assets for € 31.5 million (€ 6.8 million in the previous year) and financial liabilities for € 5.0 million (€ -0.4 million in the previous year).

INVESTMENTS IN EQUITY REPRESENTATIVE INSTRUMENTS

The fair value of the equity securities held to maturity and of the financial assets valued at FVTOCI available for sale is determined on the basis of the official stock market prices recorded at the end of the reporting period.

DEBT SECURITIES

The value of the debt securities was calculated by adding the current values, determined at the end of the reporting period, of all future cash flows including principal and interest. For the quantification of the interest rates of index-linked instruments, reference was made to the yield curve available at the end of the reporting period.

CAPITAL MANAGEMENT

No particular risks or relevant information connected to the management of the capital are reported.

FINANCIAL ASSETS

The tables below provide a breakdown of financial assets.

Non-current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**
Loans and receivables	10,529	13,678
	10,529	**13,678**

Current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**
Loans and receivables	278,912	422,406
Cash and cash equivalents	48,585	142,626
Financial assets FVOCI	792	-
Current derivative assets	6,757	31,508
Financial assets for derivatives, current	-	8
	335,046	**596,548**

Receivables and loans include trade receivables, factoring activities, temporary liquidity deposits, security deposits and sundry receivables, receivables from social security institutions and from the tax authorities.
The FVOCI financial assets, no longer present in the financial statements at 31 December 2021, represented shares listed on the Milan stock exchange.

FINANCIAL LIABILITIES

The table below provides a breakdown of financial liabilities.

Non-current financial liabilities €/000	**31 Dec 2020**	**31 Dec 2021**
Lending from banks	(158,386)	(106,231)
Loans from associated companies	(221,001)	(107,174)
Converting loan	(5,525)	(3,825)
Right of use liabilities	(5,119)	(4,678)
Other payables	(174)	(340)
	(390,205)	**(222,248)**

Current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**
Lending from banks	(5,425)	(4,304)
Loans from associated companies	(4,565)	(2,165)
Bonds	(2,013)	(1,700)
Derivatives	(445)	(5,037)
Right of use liabilities	(1,894)	(1,836)
Payables due to banks	(154,314)	(47,409)
Trade payables and other payables	(364,878)	(559,745)
	(533,532)	**(622,194)**

OTHER ADDITIONAL INFORMATION

The Group has not carried out any reclassification of financial assets by changing the valuation criteria of the same. As a consequence, no remeasurement was done. Additionally, no assets were transferred that did not involve elimination from the accounts.

IMPACTS ON THE STATEMENT OF PROFIT/(LOSS) FOR THE YEAR OF-THE FINANCIAL INSTRUMENTS

To highlight the impact financial instruments have on the result for the year, the following tables are provided.

Financial income and charges recognised in the income statement €/000	**31 Dec 2020**	**31 Dec 2021**
Income from non-equity investments	2,787	3,096
Interest receivable on current accounts	6	22
Revenues from customers	7	23
Profits on foreign exchange	195	463
Other revenues	231	702
	3,225	**4,306**
Interest payable on current accounts	(1,984)	(2,104)
Interest payable on mortgages	(11,629)	(6,301)
Charges to suppliers	(4)	(1)
Factor commissions	(523)	(544)
Foreign exchange losses	(508)	(538)
Other charges	(11,894)	(15,023)
	(26,540)	**(24,512)**
Income/(charges) from net discounting	(255)	(103)
	(23,570)	**(20,309)**

Financial income and charges recognised in Shareholders' equity €/000	**31 Dec 2020**	**31 Dec 2021**
Change in Cash Flow Hedge reserve	1,920	16,550
Change in reserve for revaluation of FVOCI securities	(239)	343
	1,681	**16,894**
measured at:		
Cash Flow Hedge Reserve	1,920	16,550
Fair value valuation reserve	(239)	343
	1,681	**16,894**

It should be noted that the change in the Cash Flow Hedge reserve is shown net of deferred taxes for the year.

CREDIT RISK

This section describes credit risk exposures and methods used to manage them in qualitative and quantitative terms.

RISK EXPOSURE

At the end of the financial year, the Group's exposure to credit risk was as follows:

Exposure to credit risk €/000	**31 Dec 2020**	**31 Dec 2021**
Financial assets FVOCI	792	-
Loans and receivables	-	2
Trade receivables and other receivables	289,441	436,081
Cash and cash equivalents	48,585	142,626
	338,817	**578,710**

TRADE RECEIVABLES AND WRITE-DOWN CREDITS

Positions are subject to individual impairment when an objective situation of partial or full non-collectability is determined, if individually significant.
For credits that are not subject to an individual devaluation, funds are allocated on a collective basis, taking into account historical experience and statistical data.
Changes in the provision for impairment of trade receivables are summarised in the table below.

Provision for impairment of financial assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Balance at start of period	(60,082)	(61,877)	(1,795)
Uses	2,069	1,896	(174)
Provisions	(3,834)	(5,439)	(1,605)
Other changes	(30)	-	30
	(61,877)	**(65,420)**	**(3,543)**

CONCENTRATION OF CREDIT RISK

As of the reporting date, the Company's exposure to credit risk was as follows:

Breakdown of risk by customer type €/000	31 Dec 2020	31 Dec 2021
End consumers	127,168	192,329
Retailers	2,673	3,228
Stock exchange	2,108	6,092
Wholesalers	26,506	60,530
Printers	40,057	48,380
Publishers	3,902	4,712
Credit institutions	49,751	143,554
Tax authorities	10,650	10,639
Others	76,003	109,248
	338,817	**578,710**

CREDIT RISK MANAGEMENT METHOD

Trade receivables and other receivables

Within the context of its normal credit management activities through the dedicated department, the Group has established an internal credit risk management process with the aim of defining every customer's creditworthiness and carefully monitoring overdue items. With regard to the assessment of creditworthiness, functional for the assignment of a credit line and the opening of a commercial relationship, the internal procedures require that qualitative and quantitative information be collected and analysed.
Customer credit levels are periodically reviewed using a process that also makes use of historic solvency information. Customers are classified according to two levels of scoring to differentiate between reliable and unreliable customers. Customers at risk are subjected to strict controls and any future orders are processed with the approval of the Credit Committee. Risk control is based on constant analysis of customers with overdue items or who have exceeded their credit limits, monitored daily for implementation of corrective actions, which range from blocking orders to legal action. During 2021, the Group hedged itself against the credit risk towards customers by entering into credit insurance contracts with leading insurance companies.

Financial investments

The Group limits its exposure to credit risk by investing exclusively in highly liquid securities and only with counterparties recognised as reliable by the market. As of 31 December 2021, the Group has no securities exposures. Among financial assets, there are managed savings investments made with Italian banking counterparties of recognised reliability.

WARRANTIES

The Group's policies provide for the issue of financial guarantees to affiliates.

MARKET RISK

Market risk is defined as the possibility that the fair value or cash flows associated with a given financial instrument fluctuate as a consequence of changes in market variables, such as exchange rates, interest rates, raw materials prices or stock market prices.
The market risk to which the Group was exposed in the year ended can be classified as follows:

- exchange risk;
- interest rate risk;
- commodity risk.

Below is an analysis of the significance of these risks and the methods used to manage them.

EXCHANGE RISK

The Group holds part of its trade receivables/payables in currencies other than the Euro, and has also underwritten short-term loans in foreign currencies.
The exchange risk management policy requires that the use of derivative instruments must be made for the sole purpose of hedging the risk.
The derivative instruments in existence as at 31 December 2021 used to manage the exchange rate risk are represented solely by forward contracts for the purchase/sale of foreign currency. Even if hedging, the accounting treatment of these derivatives does not follow the rules of hedge accounting, because the strictness of this treatment would affect the operational efficiency of the hedges.
The foreign currencies in which the Group operates are NOK, DDK, SEK, CHF, JPY, AUD, GBP and USD, with the clear prevalence of the last three which represent almost all trade items in foreign currency.

CURRENCY RISK SENSITIVITY ANALYSIS

In order to measure the possible effects on the statement of consolidated financial position and on the statement of profit/(loss) for the year attributable to changes in the exchange rate recorded at the end of the year, a change was assumed at 31 December 2021 of the value of the Euro against the foreign currencies of reference.
In particular, a shock of 10% was applied to both an increase and a decrease in the Euro exchange rate, noting the additional profit or loss compared to the market scenario of risky items which in this case are represented by trade payables and receivables as well as foreign exchange derivatives. Since the exchange rate derivatives are not recognised following the logic of hedge accounting, the impact of these transactions - like trade receivables/payables - is felt exclusively on the profit or loss for the year and therefore on the statement of profit/(loss) for the year. The net impact on the result for the year resulting from a shock of +/- 10% would have been € +543 thousand (€ -139 thousand in 2020) and € -664 thousand (€ +170 thousand in 2020), respectively.

EXCHANGE RISK MANAGEMENT METHOD

In relation to the commercial activity, the Group operates sales and purchases in foreign currencies, currently denominated mainly in USD, GBP and AUD.
Hedging policies are therefore mainly focused on the stipulation of forward contracts against the Euro. Furthermore, other currencies are also periodically monitored, which can be used as billing currencies on an ongoing basis or spot.

GENERAL ASPECTS

Hedges are made on the basis of the estimate of future cash flows in foreign currency on the basis of invoicing assets and liabilities and taking into account the budget forecasts.

EXCHANGE RATE RISK MANAGEMENT POLICIES

The peculiarities of the Group's business make it possible to draw up forecasts relating to financial events in terms of flows in foreign currencies.
The estimates of the flows must present all the formal requirements, in terms of amount, currency, date of manifestation and status relating to the probability of manifestation, necessary for the production of the exposure measures.
Exchange risk hedging operations are carried out in compliance with the principles of the so-called cash flow hedge, consisting in neutralising the effects induced by a change in the exchange rate on the value in Euro of a cash flow denominated in foreign currency. The hedging policies are managed exclusively through the use of forward contracts (forward sales/purchase of currency) and exchange options (right to buy/sell forward currency) to ensure a more flexible hedge than the forward contract.
Currently, exposure to foreign exchange derivatives falls within the forward type.

RISK OF INTEREST

The financial liabilities that expose the Group to interest rate risk are medium/long-term variable rate loans.
On the asset side, the items sensitive to interest rate risk are the shareholder financing for a company in which a shareholding classified as an equity investment in other companies is held.
These assets are classified as "held to maturity" and do not generate effects on the statement of profit/(loss) for the year/statement of consolidated financial position except as a result of cash flows collected (financial income) and (any) permanent losses in value for which recourse to impairment is necessary.
The following table identifies the positions subject to interest rate risk.

Positions with interest rate risk €/000	**31 Dec 2020**	**31 Dec 2021**
Fixed rate financial instruments		
Fixed rate loans	(25,575)	(30,216)
	(25,575)	(30,216)
Variable rate financial instruments		
Financial assets		
Non-current guarantee deposits	6,276	7,701
Financial instruments with positive FV	6,757	31,516
Loans to others	4,156	5,886
Financial liabilities		
Derivatives with negative FV	(445)	(5,037)
Variable rate loans	(375,552)	(199,534)
Current account advances	(158,325)	(48,064)
Financial leasing	(2,929)	(2,159)
	(520,062)	**(209,691)**
	(545,637)	**(239,907)**

SENSITIVITY ANALYSIS ON THE RISK OF INTEREST

An analysis was carried out to determine the impacts on the statement of profit/(loss) and on the statement of financial position caused by a parallel shift in the interest rate curve estimated at 31 December 2021 of +/- 100 basis points.
The analysis was carried out assuming that the other variables, in particular exchange rates, are constant and was carried out using the same assumptions as in 2020.
At 31 December 2021, the company had interest rate swap derivative instruments.
The hedging instruments that have a notional amount as at 31 December 2021 of € 199,800 thousand and allow the coverage of the medium and long-term debt on which the company's debt is concentrated. As a result of this, the effect on the operating result of the assets and liabilities indexed at a variable rate is to be considered insignificant.

INTEREST RISK MANAGEMENT METHOD

General aspects

As part of its economic production activity, characterised by the fact that it is a capital intensive activity, the Group makes investments for production purposes through resorting to debt. In this context, it carries out financial hedging operations according to the cash flow hedge philosophy, consisting in neutralising the effects induced by a rise in rates on the cost that the Group has to incur to service the debt. The general objectives of a hedging operation therefore respond to the management purpose of transforming a cost of variable rate debt into a fixed rate cost, or to reduce its variability.

Interest risk management policies

Medium/long-term hedges are organised on the basis of projections developed over a multi-year time span elaborated on the basis of economic and financial budgets as well as cash-flow and net financial position projections. The hedged amount can vary from 0% to 100% of the notional value of the hedged instrument and be structured for a time period that generally varies between a minimum of 3 years and a maximum of 6 years (equal to the current duration of the financing).

COMMODITY RISK

The commodity price risk is inherent in the purchase/sale of gas and in the purchase/sale of electricity and the purchase of carbon dioxide emission rights.

FUEL PRICE RISK

In order to supply its various plants with the electricity necessary for production, the Group has various contracts to purchase gas. Given the variable nature of the commodity price, the Group bears a risk deriving from the fluctuation of the procurement price from which it can partially protect itself also by setting the price with its counterparties. Through Burgo Energia, an optimisation activity is carried out on the group's energy costs. At 31 December 2021, the company had gas purchases with the following characteristics in effect:

- Fixed price purchases;
- Variable price purchases based on the spot gas price recorded on the Italian PSV market;
- Variable price purchases based on the spot gas price recorded on the European TTF market;
- Hedging derivatives for fuel and electricity price risk.

Among the exposures to commodities, the price risk deriving from the imbalance between indexed purchases and sales is partly managed, also through the subscription of commodity swaps. The use of derivative instruments was carried out by applying the hedge accounting methodology, in compliance with the provisions of IFRS 9.
The financial instruments used showed a connotation that made it possible to record according to the cash flow hedge.

ELECTRICITY PRICE RISK

In order to supply the various plants with the electricity necessary for production, the Company has an electricity purchase contract in place from the subsidiaries Burgo Energia srl. Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties.
As of 31 December 2021, the Company has not purchased electricity at a fixed price.

PRICE RISK OF CARBON DIOXIDE EMISSION RIGHTS

In order to supply the various establishments with the carbon dioxide emission rights necessary for the fulfilment of the obligations deriving from the ETS scheme, the Company has contracts for the purchase of shares from the subsidiary Burgo Energia srl.
Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties.
As of 31 December 2021, the Company has purchases emission rights at a fixed price through the subscription of forward purchases.

COMMODITY RISK SENSITIVITY ANALYSIS

In order to measure the possible effects on the Statement of financial position and on the statement of profit/(loss) for the year attributable to changes in the value of carbon dioxide emission rights, a change was assumed, as at 31 December 2021, of the value of the EUA shares of +/- 10%. The impact on the Statement of profit/(loss) for the year deriving from this shock would be respectively € -0.3 million (€ -0.3 million the previous year) and € +0.3 million (€ +0.3 million the previous year).
A sensitivity analysis is not carried out on the gas price risk and on the price of electricity since all the assets and liabilities related to them are recorded at a fixed price.

COMMODITY RISK MANAGEMENT METHOD

General aspects

The Group's strategic objective is to stabilise profit margins in terms of reducing risks associated with volatility in electricity purchase/sales prices and purchase prices of materials used in production processes, in order to minimise exposure to the correlated risk and losses. With an eye to continuously reducing loss risks, the Group has the simultaneous objective of minimising costs associated with obtaining its production factors.
When negotiating financial contracts for raw materials, the Group does not have the ability to take risk positions on the commodities market. These contracts will have the sole purpose of reducing the risk of an increase in the purchase prices of the production factors used in production processes. With reference to risk monitoring, the Group applies a quantitative measurement of risks, both with reference to the analysis of physical portfolio exposures, to the analysis of the VaR of trading activities and to the assessment of the effectiveness of transactions in derivative instruments traded with hedging purposes.

Commodity risk management policies

The management of risks related to the fluctuation of commodity prices involves the involvement of multiple administrative structures, at the level of the individual Group entity. In determining its hedging strategy and with reference to the various types of supply contracts, the Group implements mitigation strategies with the objective of stabilising its profit margin.

With reference to the procedures used to estimate exposure to risks associated with commodities, the following elements are considered:

- nominal quantities, that it is the quantity recognised within physical and financial contracts;
- fair value/stop loss, that is the amount calculated on the basis of the current value of future financial flows generated by the contract as a function of price indexing rules. Stop loss identifies the largest sustainable loss in terms of fair value; in addition to this threshold, the position must also be closed with a symmetrical contract in the opposite direction;
- the change in the value of the position following a marginal variation in the price of energy (only for variable price contracts);
- the change in the value of the position following a marginal variation in the price of the fuels (only for indexed price contracts).

LIQUIDITY RISK

Liquidity risk is the risk that the Group will have difficulty complying with its future obligations relative to financial liabilities.
The risk analysis carried out is aimed at quantifying, for each contractual maturity, the cash flows deriving from the various types of financial liabilities held by the Group on 31 December 2021.
Financial liabilities have been broken down into non-derivative financial liabilities and derivative financial liabilities, based on their nature. For the latter, given the difference in accounting treatment, it was necessary to carry out a further classification based on whether or not the derivative is classified as a hedging instrument according on the accounting standards.

Relative to cash flow maturities, given the nature of the Group's monetary cycle, it was deemed expedient to group payments into half-yearly payment buckets.
To quantify the cash flows on floating-rate index-linked liabilities, the valuation method was used based on the forward interest rates implicit in the market rate curve.
For derivative financial instruments, on the other hand, we proceeded with the following approach:

- Collar: the cash flows were estimated on the basis of the undiscounted fair value of the individual caplets/floorlets.

Below is a summary of the analysis carried out on derivative and non-derivative financial liabilities, as at 31 December 2021.

31 Dec 2021 €/000	**Book value**	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
Non-derivative financial liabilities:						
Loans	225,398	2,305	5,863	16,878	187,069	13,282
Trade payables and other payables	559,430	559,430	-	-	-	-
Right of use liabilities	6,514	1,137	843	2,245	1,287	1,002
Derivative financial liabilities:						
Derivatives	31,204	31,204	-	-	-	-
Forward foreign exchange contracts	-	-	-	-	-	-
	822,546	**594,076**	**6,706**	**19,124**	**188,356**	**14,284**

LIQUIDITY RISK MANAGEMENT METHOD

General aspects

The Group's approach to liquidity management is aimed at guaranteeing, as much as possible, that there are always sufficient funds available to comply with obligations when maturity dates are reached.

Liquidity risk management policies

The Group performs liquidity analysis as a function of budget forecasts, determining short, medium and long-term cash flows.
Estimates are periodically reviewed to ensure there is adequate on demand cash and cash equivalents to cover operating expenses forecast for the short term (around 3 months).
For short-term financial needs, credit lines were available at 31.12.2021 for a total of approximately € 207 million.
For its long-term financial needs, the Group has loans for € 238 million.

Auditing firm report

Building a better working world

Burgo Group S.p.A.

Consolidated financial statements as at December 31, 2021

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Building a better working world

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

To the Shareholders of
Burgo Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Burgo Group S.p.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report.
We are independent of the Group in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Burgo Group S.p.A. or to cease operations, or have no realistic alternative but to do so.
The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Burgo Group S.p.A. are responsible for the preparation of the Report on Operations of the Group as at December 31, 2021, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of the Group as at December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of the Group as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Verona, April 13, 2022

EY S.p.A.

Signed by: Daniele Tosi, Auditor

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

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Burgo Group Individual Financial Statements

3

| 3 | Balance Sheet

Statement of equity/financial position: Assets €	Note	31 Dec 2020	31 Dec 2021	Change
Non-current assets		**997,514,023**	**731,200,388**	**(266,313,635)**
Property, plant and equipment		**446,532,187**	**197,811,969**	**(248,720,218)**
Property, plant and equipment	1	443,415,162	195,440,876	(247,974,286)
Property investments	1	323,281	258,352	(64,928)
Right of use assets	1	2,793,744	2,112,741	(681,003)
Intangible assets		**13,598,445**	**13,333,260**	**(265,185)**
Goodwill and other intangible assets with undefined life	2	10,836,969	10,836,969	-
Intangible assets with defined life	2	2,761,476	2,496,291	(265,185)
Other non-current assets		**475,850,919**	**462,501,672**	**(13,349,246)**
Equity investments in subsidiaries	3	451,195,954	437,680,456	(13,515,498)
Equity investments in other companies	3	13,239,650	10,174,090	(3,065,560)
Financial receivables and other non-current financial assets	3	5,480,428	7,286,231	1,805,803
Other receivables and non-current assets	3	5,934,887	7,360,895	1,426,008
Deferred tax assets		**61,532,473**	**57,553,487**	**(3,978,985)**
Deferred tax assets	4	61,532,473	57,553,487	(3,978,985)
Current assets		**318,745,354**	**487,256,858**	**168,511,504**
Inventories	5	80,585,232	79,875,836	(709,395)
Trade receivables	6	104,941,764	187,992,949	83,051,185
Other receivables and current assets	7	21,051,595	51,103,041	30,051,446
Equity investments	8	791,700	-	(791,700)
Financial receivables and other current financial assets	9	65,982,980	41,258,216	(24,724,764)
Cash on hand and other cash equivalents	10	45,392,083	127,026,815	81,634,732
Total assets		**1,316,259,376**	**1,218,457,246**	**(97,802,131)**

Statement of equity/financial position: Liabilities €	Note	31 Dec 2020	31 Dec 2021	Change
Shareholders' equity		**426,943,693**	**518,262,805**	**91,319,112**
Share capital	11	90,000,000	90,000,000	-
Reserves	11	350,717,506	368,718,527	18,001,021
Accumulated profits (losses)	11	38,195,380	(13,405,295)	(51,600,675)
Profit (loss) for the year	11	(51,969,193)	72,949,573	124,918,766
Non-current liabilities		**420,115,735**	**245,395,930**	**(174,719,805)**
Non-current financial liabilities	12	369,937,748	197,232,356	(172,705,392)
Severance indemnities and other provisions related to personnel	13	18,809,511	14,507,344	(4,302,167)
Provisions for risks and charges	14	31,368,477	33,656,231	2,287,754
Other payables and non-current liabilities	15	-	-	-
Current liabilities		**469,199,948**	**454,798,510**	**(14,401,437)**
Current financial liabilities	16	192,924,684	83,497,708	(109,426,976)
Trade payables	17	252,400,986	347,147,245	94,746,260
Payables for current taxes	18	3,357,526	3,323,328	(34,199)
Other payables and current liabilities	19	20,516,752	20,830,230	313,478
Total shareholders' equity and liabilities		**1,316,259,376**	**1,218,457,246**	**(97,802,131)**

Profit and Loss Statement of the Year

Profit and Loss Statement for the Year €	Note	31 Dec 2020	31 Dec 2021	Change %
Revenues	21	**699,180,096**	**990,942,764**	**41.7%**
Other income	22	28,716,872	27,313,054	
Total operating revenues and income		**727,896,968**	**1,018,255,819**	**39.9%**
Costs for materials and external services	23	(622,841,277)	(926,222,234)	
Personnel expenses	24	(68,778,184)	(73,950,273)	
Other operating costs	25	(12,767,455)	(27,306,884)	
Change in inventories	26	(21,562,294)	11,964,319	
Capitalised costs for internal work	27	695,610	1,902,744	
Depreciation and amortisation	28	(27,493,298)	(29,064,404)	
Capital gains/losses on disposal of non-current assets	29	(208,069)	56,264	
Writebacks/writedowns of non-current assets	30	-	(19,101,870)	
Total operating costs		**(752,954,966)**	**(1,061,722,338)**	**41.0%**
Operating result		**(25,057,999)**	**(43,466,519)**	**73.5%**
Financial expenses	31	(22,654,334)	(27,029,966)	
Financial income	32	20,040,131	23,222,881	
Profit/(loss) before tax		**(27,672,201)**	**(47,273,604)**	
Income taxes	33	(2,306,420)	(4,503,167)	
Net result from assets held for sale and from discontinued operations	34	(21,990,571)	115,720,010	
Profit/(loss) for the period		**(51,969,193)**	**72,949,573**	

Schedule of other components of the comprehensive profit and loss statement

Schedule of other components of the comprehensive profit and loss statement €	Note	31 Dec 2020	31 Dec 2021	Change %
A - Profit (loss) for the period		**(51,969,193)**	**72,949,573**	**240.4%**
Other components of the comprehensive profit and loss statement to be subsequently reclassified in the annual profit and loss statement:				
Net (loss) profit from cash flow hedge		1,397,909	25,297,747	
Imposte sul reddito		(390,017)	(7,073,178)	
		1,007,893	18,224,569	
Net (loss) profit from financial assets FVOCI	35	(238,770)	343,456	
		(238,770)	343,456	
B - Total other components of the comprehensive profit and loss statement to be subsequently reclassified in the annual profit and loss net of taxes		**769,123**	**18,568,025**	
(Losses) gains from discounting of defined benefit plansti	35	(121,482)	(261,166)	
Income taxes		29,156	62,680	
		(92,327)	(198,486)	
C - Total Other components of the comprehensive profit and loss statement not to be subsequently reclassified in the annual profit and loss statement net of taxes		**(92,327)**	**(198,486)**	
D - Total other components of the comprehensive profit and loss statement net of taxes (B + C))		**676,796**	**18,369,539**	
E - Total comprehensive profit (loss) net of taxes (D +A)		**(51,292,397)**	**91,319,112**	**278.0%**

Statement of Changes in Shareholders' Equity

Changes in shareholders' equity €/000	Share capital	Legal reserve	Non-distributable reserve from share capital reduction	IAS reserve	Reserve for equity financial instruments	Non-distributable exchange gains reserve	Other reserves	Undistributed profits - Carried forward	Result for the year	**Total Shareholders' Equity**
Balances at start of previous period	**20,000**	**13,149**	**138,797**	**(2,949)**	**200,000**	**1,280**	**238**	**26,000**	**11,720**	**408,236**
Destination of result - distribution of dividends	-	-	-	-	-	-	-	11,720	(11,720)	-
Net change profits (losses) directly recognised in shareholders' equity	-	-	-	677	-	-	-	-	-	677
Other changes in shareholders' equity	70,000	-	-	-	-	(475)	-	475	-	70,000
Exchange differences from translation of foreign financial statements		-	-	-	-	-	-	-	-	- -
Profit/(loss) for the period		-	-	-	-	-	-	-	(51,969)	(51,969)
Balances at the end of the previous period	**90,000**	**13,149**	**138,797**	**(2,272)**	**200,000**	**805**	**238**	**38,195**	**(51,969)**	**426,944**
Destination of result - distribution of dividends	-	-	-	-	-	-	-	(51,969)	51,969	-
Net change in profits/(losses) directly recognised in shareholders' equity	-	-	-	18,370	-	-	-	-	-	18,370
Other changes in shareholders' equity	-	-	-	-	-	(369)	-	369	-	-
Exchange differences from translation of foreign financial statements		-	-	-	-	-	-	-	-	- -
Profit/(loss) for the period	-	-	-	-	-	-	-	-	72,950	72,950
Balances at period end	**90,000**	**13,149**	**138,797**	**16,098**	**200,000**	**436**	**238**	**(13,405)**	**72,950**	**518,263**

For comments on the changes in shareholders' equity, please see note 11 "shareholders' equity".

Cash Flow Statement

Cash Flow Statement €/000	**31 Dec 2020**	**31 Dec 2021**
A - Net initial monetary availability	**50,560**	**(74,266)**
B - Monetary flow from operating activities		
Net profit (loss) deriving from operating activities	(51,969)	72,950
Amortisation, depreciation, write-downs and writebacks	42,241	59,775
Writedowns and writebacks of financial assets	360	7,500
Capital (gains) losses on disposal of non-current assets	208	(56)
(Plus) minusvalenze da realizzo di attività finanziarie	-	(74,145)
Change in TFR and provisions for risks	(8,795)	1,252
Change in deferred tax assets and provision for deferred taxes	1,860	3,363
Profit (loss) for the period before changes in working capital	**(16,095)**	**70,637**
Change in inventories	26,392	(12,646)
Change in trade receivables	18,585	(83,051)
Change in trade payables	(31,413)	94,746
Change in trade payables	4,590	(12,229)
Change in net working capital	**18,155**	**(13,180)**
Total B- Monetary flow from operating activities	**2,060**	**57,457**
C - Monetary flow from investing activities		
Investments in property, plant and equipment	(24,370)	(17,728)
Other increases in property, plant and equipment	(4,772)	(6,046)
Investments in intangible assets	(944)	(963)
Recognition of other non-current assets	-	-
Change in equity investments	(36)	9,972
Revenues from sales of fixed assets	1,825	299,399
Total C - Monetary flow from investing activities	**(28,298)**	**284,635**
D - Monetary flow from financing activities		
Change in non-current securities and financial receivables	(70)	(1,806)
Change in financial receivables and other current financial assets	(439)	(1,985)
Change in current and non-current other non-financial liabilities	(898)	(8,873)
New loans	381,070	150,366
Repayment of loans	(547,048)	(320,420)
Repayment right of use loans	(1,203)	(1,927)
Changes in Shareholders' Equity	70,000	-
Total D - Monetary flow from financing activities	**(98,588)**	**(184,645)**
E - Monetary flow for the period (B + C + D)	**(124,826)**	**157,447**
Net final monetary availability (A + E)	**(74,266)**	**83,181**
Additional information:		
Interest received during the period	1,961	1,593
Interest paid during the perio	(20,697)	(24,442)
Taxes paid during the period	(217)	-
Dividends received during the period	18,079	79,063

For the structure of final net monetary availability, please see note 10 "cash and other cash equivalents", which provides a reconciliation statement regarding cash and other cash equivalents.

Explanatory notes to the separate financial statements

GENERAL NOTES

Burgo Group spa is a company incorporated under Italian law, registered in the Vicenza Register of Companies (no.13051890153) with registered office in Altavilla Vicentina (Vicenza) in via Piave 1. This draft budget was approved by the Board of Directors on 24 March 2022.

ACCOUNTING STANDARDS AND VALUATION CRITERIA

The Company's financial statements at 31 December 2021 were prepared in compliance with the IAS/IFRS accounting standards for preparing individual financial statements at 31 December 2020, taking into account the amendments and new standards which took effect as of 1 January 2021, listed below.

IFRS accounting standards, amendments and interpretations applied from 1 January 2021.

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company as of 1 January 2021:

- On 31 March 2021, the IASB published an amendment called "Covid- 19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" which extends the application period of the amendment issued in 2020 by one year, which provided for the lessees the right to account for the reduction in fees connected to Covid- 19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 was complied with. Therefore, the lessees who applied this option in the 2020 financial year accounted for the effects of the reductions in the rent directly in the income statement at the effective date of the reduction. The 2021 amendment, available only for bodies that have already adopted the 2020 amendment, applies from 1 April 2021 and early implementation is allowed. The adoption of these amendments had no effects on the company's financial statements.
- In the light of the interbank interest rate reform for IBOR, on 27 August 2020 the IASB published the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:
  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts;
  - IFRS 16 Leases.

All changes went into effect on 1 January 2021.
The adoption of this amendment had no effects on the company's financial statements.

IFRS accounting standards, amendments and interpretations approved by the European Union, not yet compulsorily applicable and not implemented in advance by the Group at 31 December 2021.

- On 14 May 2020 the IASB published the following amendments:
  - Amendments to IFRS 3 Business Combinations: these amendments are intended to update the reference to the Conceptual Framework found in IFRS 3 to the revised version, without this creating any changes to the provisions of IFRS 3.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended to disallow the deduction of sale proceeds from the cost of property, plant and equipment before its intended use. All sales revenues and relative costs will therefore be recognised in the income statement.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that when estimating the costs of a contract, all costs directly attributable to the contract must be considered. Consequently, the valuation of the possible costs of a contract includes not only incremental costs (e.g. the cost of materials used directly in processing), but also all costs that the company cannot avoid due to stipulation of the contract (e.g. the portion of depreciation of machines used to fulfil the contract).
  - Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to the Illustrative Examples for IFRS 16 Leases. All the amendments take effect on 1 January 2022. The directors do not expect a significant effect on the company's financial statements from the adoption of these amendments.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union.

As of the reporting date of this document, the relevant bodies of the European Union had not yet completed the approval process necessary for the adoption of the amendments and standards described below.

- On 23 January 2020, the IASB published an amendment titled “Amendments to IAS 1 Presentation of Financial Statements:
  Classification of Liabilities as Current or Non-current”. The document is intended to clarify the process of classifying payables and other liabilities as current or non-current. The amendments take effect on 1 January 2023. Early application is allowed. The directors do not expect a significant effect on the company's financial statements from the adoption of this amendment.
- On 12 February 2021, the IASB published two amendments called “Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2” and “Definition of Accounting Estimates—Amendments to IAS 8”.
  The amendments are aimed at improving disclosure on accounting policy in order to provide more useful information to investors and other primary users of the financial statements as well as helping companies distinguish changes in accounting estimates from changes in accounting policies.
  The changes will apply from 1 January 2023, but early application is allowed.
  The directors do not expect a significant effect on the company's financial statements from the adoption of these amendments.
- On 7 May 2021, the IASB published an amendment called “Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”.
  The document clarifies how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. The changes will apply from 1 January 2023, but early application is allowed. At present the Directors are evaluating the possible effects of the introduction of this amendment on the company’s financial statements.
  There are no other new standards, amendments or interpretations that are effective as of the reference date of the Company’s Financial Statements and which are likely to have a significant impact on the Group.

Below we examine in detail the criteria adopted for the following items:

TANGIBLE ASSETS

A cost sustained to acquire a property, plant, machinery or part of the same is recognised as an asset on the condition that the cost of the asset can be reliably determined and the Company can make use of the relative future economic benefits.

Real estate, plant and machinery

Assets recognised among real estate, plant and machinery are recognised at the purchase cost, including any directly attributable accessory costs, necessary to render the asset functional to the use for which it was acquired, and net of any relative depreciation accumulated and impairment losses.

Expenses sustained subsequently are added to the cost to the extent in which these expenses are able to improve the originally determined performance of the asset.

Assets recognised among real estate, plant and machinery through business combinations are measured at their fair value upon initial recognition, as determined at the time they were acquired. Subsequently, they are measured using the historic cost method.

Assets recognised among real estate, plant and machinery, with the exception of land, depreciate at constant rates throughout the course of the useful life of the asset, understood to be the estimated period during which the asset will be used by the company, starting from the moment the asset becomes available for use.
The value to be depreciated is represented by the carrying value of the asset net of any impairment and reduced by the presumable realisable value at the end of the useful life, if this is significant and can be reasonably determined.

If the asset is composed of several significant components with different useful lives, depreciation is carried out for each component, following the component approach established in IAS 16.
Spare parts of significant value relative to plant and machinery are capitalised and depreciated on the basis of the useful life of the asset to which they refer, in accordance with the indications found in IAS 16.
The book value of tangible assets is subject to verification to identify any losses in value when events or changes indicate that the book value may not be recoverable.

For newly acquired assets, the following useful lives are applied:

Useful life of newly acquired assets	Useful life
Industrial buildings	30 years
General plants	15 years
Specific plants	20 years
Miscellaneous equipment	4 years
Office machines and machinery	8 years
Vehicles	5 years
Electronic machines	5 years

Useful life and realisable values are reviewed every year and any changes are made prospectively. When necessary, they are applied prospectively and may involve an extension or reduction in the original amortisation/depreciation period. Land, whether free of construction or containing civil or industrial buildings, is recognised separately and not depreciated, given that it is an element with unlimited useful life. When an asset is disposed of or when no future economic benefit is expected, it is eliminated from the financial statements and any losses or profits are recognised in the statement of profit/(loss) for the year during the financial year in which it was eliminated. Expenses for leasehold improvements such as expenses to remodel real estate that is not owned are capitalised in consideration of the fact that for the duration of the leasing contract the user company has control over the assets and can take advantage of their future economic benefits. Said costs are amortised over a period equal to the lesser of that representing the residual useful life of the fixed asset and the residual duration of the leasing contract. Pursuant to IAS 23, the Company capitalises financial expense attributable to the purchase, construction or production of a capitalisable asset.

Property investments

The item includes land, buildings or parts of non-instrumental buildings, held in order to benefit from leasing fees, increases in value or both.
Property investments are measured at cost, net of any losses due to writedowns and depreciation accumulated.

Right of use assets

This item includes the accounting measurement of contracts to which IFRS 16 applies. This item recognises leasing contracts for assets over which the Company holds control (right of use) over an asset. As discriminating factors to identify these, the following were used: the asset can be identified, there is a right to replacement of the asset, the right to obtain substantially all economic benefits deriving from use of the asset and, finally, the right to direct the use of the asset underlying the contract. The Standard establishes a single model for recognising and measuring lease contracts for the lessee, which involves recognition of the asset underlying the lease in the assets, whether operational or not, and a matching entry in the form of a financial payable.
The Company has made use of the practical expedients and exemptions allowed in paragraphs:

i) 16.5(a) in relation to short term contracts, for all asset classes (exclusion of leases with a duration of less than 12 months at the time of first time adoption from the date of first application);
ii) 16.5(b) in relation to contracts with a value of less than € 5,000;
iii) 16.15 in relation to the possibility of not separating non-lease components;
iv) The Portfolio approach was not adopted.

In particular, the company records in relation to lease agreements:

a) a right of use equal to the value of the financial liability as of the date the contract takes effect;
b) a financial liability, equal to the current value of residual future payments as of the date the contract takes effect, discounted using an average rate for each contract.

INTANGIBLE ASSETS

Intangible assets are non-monetary elements without physical substance, which can be identified and are controlled by the Company, intended to generate future economic benefits. Intangible assets can be recognised in the accounts when it is probable that use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.
Intangible assets acquired separately are initially recognised at cost, those acquired through business combinations are measured at fair value upon initial recognition.
Expenses sustained after initial acquisition are added to the cost of the asset to the degree in which these expenses are able to generate future economic benefits.
After initial recognition, intangible assets are measured net of provisions for amortisation and any accumulated losses of value.

Goodwill and other intangible assets with undefined life

An intangible asset is considered to have undefined life when, on the basis of analysis of the relevant factors, there is no foreseeable limit on the period of use during which it is expected the asset will generate net incoming financial flows for the company.
The company has identified goodwill as an intangible asset with undefined useful life, which represents the positive difference between the cost of a business combination and the equity interest held by the company in the current fair value of the assets, liabilities and potential liabilities acquired and identifiable on the purchase date.
Any negative difference (negative goodwill) is instead recognised in the statement of profit/(loss) for the year at the time of acquisition.

After initial recognition, goodwill is not amortised, but is decreased relative to any losses of value, determined in accordance with IAS 36 (impairment of assets).
Goodwill is annually subject to recoverability analysis. This may also occur more frequently if events or changes in circumstances occur which could lead to possible losses of value. In the cases in which goodwill is assigned to a cash generating unit (or group of units) whose assets are partially dismissed, the goodwill associated with the transferred asset is considered in order to determine any capital gains or losses deriving from the transaction, and is measured on the basis of the values of the disposed of assets, with respect to the assets still held relative to the same CGU.

Intangible assets with defined life

These assets are recognised at the acquisition or production cost, including all attributable accessory charges, and depreciated at a constant rate in relation to their utility over time, starting at the moment the asset becomes available for use.
Useful life is reviewed every year and any changes are made prospectively, when necessary.
Plant and expansion costs, if recognised in the assets, as well as patent and usage rights for intellectual property are depreciated over a maximum period of five years.
Concession, license, trademark costs and those for similar rights are annually reduced as a function of the contractual duration and the limits of the presumable period of economic utilisation.

IMPAIRMENT TEST

The value of intangible assets and property, plant and equipment is subject to recoverability checks every time it is held that a lasting loss of value has occurred.
With respect to goodwill, other intangible assets with undefined useful life and other assets not available for use, impairment tests are performed at least once a year.

The test is done by comparing the book value with the greater of the fair value and the value in use of the asset.
If no binding sales agreement or an active market for the asset is available, the fair value is determined on the basis of the best available information, in order to reflect the amount that the company could obtain, at the reporting date of the financial statements, from divestiture of the asset in a free transaction between knowledgeable and willing parties, after deducting divestiture costs.

The value in use of an asset is calculated by discounting the expected cash flows (both incoming and outgoing) from the use of the asset, basing the cash flow projections on reasonable and sustainable assumptions, capable of representing the best possible estimate from the Corporate management of a series of economic conditions that will exist throughout the remaining life of the business, giving greater relevance to indications from outside.

The discount rate applied reflects current market evaluations of the time value of money and the specific risks of the asset.
Measurement is done for each individual or for the smallest combination of assets (cash generating units) that generate independent incoming cash flows deriving from their utilisation.

When the value determined with the impairment test is lower than the cost, the loss of value is recognised against the asset and among the costs in the statement of profit/(loss) for the year.
If in subsequent financial years the reasons behind recognising the impairment are determined to no longer exist following a new impairment test, the asset, with the exception of goodwill, is written back up to the new recoverable value, which in any case cannot exceed the value that would have existed if no loss in value had been recognised.
The writeback is recognised in the statement of profit/(loss) for the year, unless the asset is recognised at the written back value, in which case the writeback is recognised in the revaluation reserve.

EQUITY INVESTMENTS VALUED AT EQUITY

This item includes equity investments in associated companies and equity investments in jointly controlled companies.
These equity investments are measured using the equity method.
Any losses exceeding shareholders' equity are recognised in the financial statements to the extent that the investor is committed to fulfilling legal or implicit obligations towards of the subsidiary company or in any case to cover its losses.
Associated companies are those over which the company exercises significant influence, but does not have control or joint control over financial and operating policies.

The Company's financial statements include the portion pertaining to the Group of the results of its associated companies, accounted for using the equity method, starting on the date on which it begins to hold significant influence and until the moment in which this influence ceases to exist.
Unrealised intra-group profits towards third parties are eliminated for the company's share of the subsidiary.
Unrealised infragroup losses relative to minority shareholders are also eliminated if they do not represent an effective lower value for the asset disposed of.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset for an entity and a financial liability or an instrument representing capital for another entity.

Financial assets

— Initial survey and evaluation

At the time of initial recognition, financial assets are classified, based on the case, on the basis of subsequent measurement methods, that is at amortised cost, at fair value through other comprehensive income or at fair value through profit and loss.

Classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows associated with the financial assets and the business model used by the company to manage them.
With the exception of trade receivables which do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus transaction costs, in the case of a financial recognised in the income statement not at fair value.
Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are valued at the determined transaction price according to IFRS 15.

For a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, it must generate cash flows associated solely with payments of principal and interest (SPPI).
Assessment of this aspect is known as the SPPI test and is performed at the individual instrument level.
The company's business model for managing financial assets refers to the manner in which it manages its financial assets in order to generate cash flows.
The business model determines whether the cash flows derive from collecting contractual cash flows, sales of financial assets or from both.

The purchase or sale of a financial asset which requires delivery with a period of times either through a standardised sale or through regular way trade is recognised on the negotiation date, that is the date on which the company undertook to purchase or sell the asset.

— Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulated profits and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reversal of cumulated profits and losses at the time of elimination (equity instruments);
- Financial assets at fair value through profit and loss.

Classification depends on the purpose for which the assets are acquired and held.
The company determines classification of assets at initial recognition, verifying the category at each subsequent reporting date.

Financial assets at amortised cost (debt instruments)

The company measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held under a business model with the objective of holding financial assets to collect contractual cash flows;
- The contractual terms of the financial asset establish cash flows at set dates representing solely payments of principal and interest.

Financial assets at amortised cost are subsequently measured using the criteria of effective interest and are subject to impairment.
Profits and losses are recognised in the income statement when the asset is eliminated, amended or remeasured.

Financial assets at fair value through other comprehensive income (debt instruments)

The company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held under a business model which has the dual objectives of collecting contractual cash flows and sale of the financial assets;
- the contractual terms of the financial asset establish cash flows at set dates representing solely payments of principal and interest.

For assets involving debt instruments measured at fair value through other comprehensive income, interest receivable, variations due to exchange differences and impairment, together with writebacks, are recognised in the income statement and calculated in the same way as financial assets measured at amortised cost.
Remaining changes in fair value are recognised in other comprehensive income.
At the time of elimination, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

Investments in equity instruments

At initial recognition, the company may irrevocably decide to classify its stock investments as equity instruments recognised at fair value through other comprehensive income when the satisfy the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. Classification is done for each individual instrument. Profits and losses resulting from these financial assets are never reversed to the income statement.
Dividends are recognised as other revenues in the income statement when the right to payment has been resolved, except when the company benefits from these amounts as recovery of part of the cost of the financial asset, in which case the profits are recognised under OCI. Equity instruments recognised at fair value through other comprehensive income are not subject to impairment testing.

Financial assets at fair value through profit and loss

This category includes assets held for trading, assets designated at initial recognition as financial assets at fair value with changes recognised in the income statement and financial assets necessarily measured at fair value.
Assets held for trading are all assets acquired to be sold or repurchased over the short term.
Derivatives, including separated ones, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.
Financial assets with cash flows which do not pass the SPPI test are classified and measured at fair value through profit and loss, regardless of the business mode.
Despite the criteria for debt instruments for classification at amortised cost or at fair value through other comprehensive income, as described above, debt instruments can be recognised at fair value through profit and loss at initial recognition if this involves the elimination or significant reduction of an accounting misalignment.

— Cancellation

A financial asset (or, when applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first place (e.g. removed from the statement of the company's equity/financial situation) when:

- the rights to receive financial flows from the asset no longer exist, or
- the company has transferred the right to receive cash flows from the asset to a third party or has taken on the contractual obligation to pay them fully and promptly and (a) has substantially transferred all risks and benefits of ownership of the financial asset or (b) has not substantially transferred nor retained all the risks and benefits of the asset, but has transferred control over the same.

In cases where the company has transferred the rights to receive cash flows from an asset or has signed an agreement based on which it maintains contractual rights to receive cash flows from the financial asset, but has a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it determines if and to what extent it has retained the risks and benefits inherent to ownership.
If it has neither substantially transferred nor retained all the risks and benefits or has not lost control over the same, the asset continues to be recognised in the company's financial statements to the extent of its residual involvement with the asset in question. In this case, the company also recognises an associated liability.

The asset transferred and the associated liability are measured so as to reflect the rights and obligations that continue to apply to the company.
When the entity's residual involvement is a guarantee for the transferred asset, involvement is measured on the basis of the lesser of the amount of the asset and the maximum amount of the fee received which the entity may have to repay.

— Impairment of financial assets

The company recognises impairment due to expected credit loss (ECL) for all financial assets represented by debt instruments not held at fair value through profit and loss.
ECLs are based on the difference between contractual cash flows due in compliance with the contract and all the cash flows the company expects to receive, discounted by an approximation of the original effective interest rate.
The expected cash flows will include the cash flows deriving from the enforcement of the collateral held or other credit guarantees that are an integral part of the contractual conditions. Expected losses are recognised in two phases.
Relative to credit exposures for which no significant increase in credit risk has been seen following initial recognition, it is necessary to recognise credit losses deriving from an estimate of default events likely to occur within the subsequent 12 months (12-month ECL).

For credit exposures that have seen a significant increase in credit risk after initial recognition, expected losses relative to the full residual duration of the exposure must be recognised, regardless of when the default event is expected to occur ("lifetime ECL").
For trade receivables and assets deriving from contracts, the company applies a simplified approach to calculate expected losses. Therefore, the company does not monitor changes in credit risk but recognises the expected loss in full at each reference date.

The company has defined a matrix system based on historical information, revised to consider prospective elements with reference to the specific types of debtors and their economic environment, as a tool for determining of expected losses.
For assets represented by debt instruments measured at fair value through other comprehensive income, the company applies the simplified approach allowed for low credit risk assets. At each reporting date, the company evaluates whether a debt instrument has low credit risk, using available information.

Financial liabilities

— Initial survey and evaluation

Financial liabilities are classified, at the time of initial recognition, among financial liabilities at fair value through profit or loss, under mortgages and loans, or among derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value, to which is added in the cases of mortgages, loans and payables, the transaction costs directly attributable to the same.
The company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts, guarantees granted and derivatives.

— Subsequent measurement

Measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss with changes recognised in the income statement include liabilities held for trading and financial liabilities initially recognised at fair value with changes recognised in the income statement.
Liabilities held for trading are all those kept to be sold over the short term.
This category also includes derivative financial instruments subscribed by the Company which are not designated as hedging instruments in a hedging relationship as defined under IFRS 9.

Profit or loss associated with liabilities held for trading is recognised in the statement of profit/(loss).
Financial liabilities are designated at fair value with changes recognised in the income statement as of the initial recognition date only if the criteria in IFRS 9 are satisfied.
At initial recognition, the company has not designated financial liabilities at fair value with changes recognised in the income statement.

Loans and receivables

This is the most significant category for the company.
After initial recognition, loans are measured using the amortised cost criteria, using the effective interest rate method.
Profits and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.
The amortised cost is calculated by recognising the discount or premium on acquisition and fees or costs which are an integral part of the effective interest rate.
Amortisation at the effective interest rate is recognised among financial expense in the statement of profit/(loss).

Financial guarantee liabilities

Financial guarantee liabilities issued by the company are contracts which require payment to reimburse the holder of a debt security against a loss suffered by them following the debtor not making payments at contractually established due dates.

Financial guarantee contracts are initially recognised as liabilities at fair value, plus any transaction costs directly attributable to issuing of the guarantee.
Subsequently, the liability is measured as the greater of the best estimate of the payment required to fulfil the guaranteed obligation as of the reporting date and the amount initially recognised, net of cumulative amortisation.

— Cancellation

A financial liability is derecognised when the obligation underlying the liability is repaid, cancelled or fulfilled.
Where an existing financial liability was replaced by another of the same lender, under substantially different conditions, or the conditions of an existing liability were substantially changed, this exchange or modification is treated as an accounting cancellation of the original liability, accompanied by the recognition of a new liability, with registration in the statement of profit/(loss) for the year of any differences between the accounting values.

— Clearing of financial instruments

An asset and a financial liability can be offset and the net balance recognised in the statement of financial position if there is a current legal right to offset the amounts recognised for accounting purpose and there is an intention to extinguish the residual net amount or to realise the asset and simultaneously extinguish the liability.

FINANCIAL DERIVATIVE INSTRUMENTS

As of 1 January 2019, the company no longer makes use of the possibility to continue to make use of the provisions established in IAS 39 solely relative to hedge accounting, instead following the provisions contained in IFRS 9.
Derivatives are used with the sole purpose of hedging in order to reduce financial risks. They are measured at fair value starting on the date they are stipulated.
When a hedging transaction begins, the company formally designates and documents the hedging relationship for which hedge accounting will be used, indicating its risk management objectives and the strategy pursued. This document involves identifying the hedging instrument, the element of the transaction being hedged, the nature of the risk and methods the company intends to use to measure the efficacy of the hedge in compensating for variations in the fair value of the hedged element or financial flows associated with the hedged risk (efficacy, in fact, must be measured in a reliable manner). It is expected that these hedges are highly effective in compensating for the exposure of the hedged element to changes in the fair value of financial flows associated with the risk covered. Assessment of whether or not the hedges are effective is done continuously during the accounting periods in which they are designated as such.

Transactions which meet the criteria for hedge accounting are recognised as follows:

Fair value hedge

If a financial derivative instrument is designated as a hedge of exposure to changes in the fair value of an asset or liability attributable to a particular risk, the profit or loss resulting from subsequent changes in the fair value of the
hedging instrument is recognised in the statement of profit/(loss) for the year.
Profit or loss deriving from an adjustment in the fair value of the hedged item, relative to the portion attributable to the risk hedged against, changes the book value of this item and is recognised in the statement of profit/(loss) for the year.

Cash flow hedge

If a financial derivative instrument is designated as an exposure hedging instrument to the variability of the cash flows of an asset or liability recognized in the financial statements or of a highly probable forecast transaction, the effective portion of the profits or losses deriving from the fair value adjustment of the derivative instrument is recognised in a specific reserve shareholders' equity and reclassified in the statement of profit/(loss) for the year when the effects of the hedged transaction are recognised in the statement of profit/(loss) for the year. The profit or loss associated with this ineffective portion of the hedging is instead immediately recognised in the statement of profit/(loss) for the year. If a hedging instrument is closed but the transaction object of hedging has not yet been realised, the accumulated profits and losses remain recorded in the equity reserve and will be reclassified in the statement of profit/(loss) for the year when the related transaction is carried out.
If the transaction being hedged is no longer deemed probable, profits or losses not yet realised and recognised in the shareholders' equity reserve are immediately recognised in the statement of profit/(loss) for the year.
If hedge accounting can no longer be applied, profits or losses deriving from the fair value measurement of the derivative are directly recognised in the statement of profit/(loss) for the year.

INVENTORIES

Inventories of raw materials, products in progress and finished products are measured at the lesser of the cost, determined using the average weighted cost method, and the net realisable value presumable from market trends.
For raw materials, market value means replacement cost. For finished and semi-finished products it means the amount the company expects to obtain from sales in normal business operations, net of estimated costs to complete the good and sales and distribution costs it will sustain.

Measurement of warehouse inventories include direct costs for materials and labour and indirect costs (variable and fixed).
Provisions for impairment of materials, finished products, spare parts and other obsolete or slow rotation stocks are calculated, taking into account future expected use and realisable value.
Products in progress relative to work orders are measured using the percentage of completion, recognising costs and revenues relative to said progress to the statement of profit/(loss) for the year.
Any losses from these contracts are recognised in the statement of profit/(loss) for the year in the full amount, at the time they become known.

CASH AND OTHER EQUIVALENT CASH AND CASH EQUIVALENTS

This item indicates cash and other cash equivalents and short-term highly tradable financial investments that can be readily turned into cash and are subject to irrelevant risks in terms of variations in their value.
These financial items are recognised at their nominal value.
For the purposes of the Consolidated Statement of Cash Flows, cash and other cash equivalents are shown net of bank overdrafts as of the reporting date.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and groups of assets and liabilities for which the book value will mainly be recovered through sale, rather than through continuous use, are presented separately under other assets and liabilities in the statement of consolidated financial position. These assets, classified within a specific item in the statement of consolidated financial position, are measured at the lower of the book value and the fair value minus foreseeable sales costs.
Gains and losses, net of the relative tax effects, from non-current assets disposed of or held for sale are recognised in a specific item within the statement of profit/(loss) for the year.

TRADE PAYABLES AND OTHER PAYABLES

This item includes payables due to suppliers and other liabilities, with the exception of financial liabilities which are recognised separately. These liabilities are initially recognised at the fair value of the fee to be paid. Subsequently, payables are measured using the amortised cost criteria, determined with the effective interest method.

BENEFITS TO EMPLOYEES

Benefits due after the termination of the employment relationship are divided into defined contribution plans and defined benefit plans.

For defined contribution plans, the legal or implicit obligation of the company is limited to the amount of contributions to be paid: consequently, actuarial risk and investment risk fall to the employee.
For defined benefit plans, the company's obligation consists in granted and ensuring the agreed upon benefits for the employees: actuarial risk and investment risk fall to the company. Until 31 December 2006, the severance indemnity was classifiable among defined benefit plans.

The regulations for this provision were amended by Italian Law 296 of 27 December 2006 ("2007 Financial Law"), and by subsequent Decrees and Regulations issued during the initial months of 2007.
In the light of these changes, and in particular those with reference to companies with at least 50 employees, this practice is now to be considered a defined benefit plan solely for the portions accrued prior to 1 January 2007 (and not yet liquidated as of the reporting date). Portions accruing after this date can be classified as a defined contribution plan.

The company's obligation to finance defined benefit plans and the annual cost recognised in the statement of profit/(loss) for the year are determined by applying actuarial methodology, based on demographic hypotheses, in relation to mortality rates and turnover in the reference population and on financial hypotheses, in relation to the discount rate which reflects the value of money over time, the inflation rates, and future salary and wage levels. The amount recognised as a liability for defined benefits indicates the current value of the obligation as of the reporting date, net of the current value of any existing program assets.
The amount recognised in the statement of profit/(loss) for the year consists of the following elements:

- social security costs relative to current work performed;
- the cost of interest;
- expected returns from programme assets, if existing.

The revision of IAS 19 referenced above required the company, as of the financial year which began on 1 January 2013, to directly recognise actuarial profits and losses relative to defined benefit plans deriving from changes in the actuarial hypotheses used or changes in plan conditions in shareholders' equity and the statement of the other components of the comprehensive income statement.

The amount of rights accrued by employees during the year is recognised under the item personnel expenses, while the financial component, which represents the charge that the company would face if it were to finance the amount of the severance indemnity (TFR) on the market, is recognised under financial income/expense.

PROVISIONS FOR RISKS AND CHARGES

The company allocates provisions for risks and charges when:

- there is a current obligation, legal or implied, relative to third parties and deriving from a past event;
- it is probable that the company will need to use resources to comply with the obligation;
- a reliable estimate of the amount of the obligation can be made.

Provisions are recognised at the value which represents the best estimate that the company would reasonably pay to fulfil the obligation (fair value) or to transfer it to third parties, on the reporting date.
Changes in estimates are shown in the statement of profit/(loss) for the period in which the change occurred.

When financial effects associated with the time forecast of the payment is significant and the payment date for the obligations can be reliably estimated, the provision is discounted using a discount rate that reflects current assessments of the cost of money in relation to time.

In this case, the amount recognised in the financial statements increases each year to reflect the passage of time and this increase is recognised in the statement of profit/(loss) for the year under the item "financial expense".
Significant potential liabilities represented by the following are illustrated in the Notes:

- possible (but not probable) obligations, deriving from past events, the existence of which
will be confirmed only upon the occurrence or otherwise of one or more future events not totally under the control of the company;
- current obligations deriving from past events, for which the amount cannot be reliably estimated, or for which compliance may not involve any expense.

FOREIGN EXHANGE OR SUBJECT TO “EXCHANGE RISK”

These are registered at the current exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted using the exchange rate on the reporting date. Non-monetary items are kept at the conversion rate for the transaction, unless there is a persistent unfavourable trend in the exchange rate.

Both exchange differences generated from the repayment of items with different exchange rates relative to the conversion rate used at initial recognition, and those relative to the measurement of monetary items at the reporting date are recognised in the statement of profit/(loss) for the year.

RECOGNITION OF REVENUES AND COSTS

Revenues are measured on the basis of the payment the company believes it is entitled to receive for the sale of its products or services.
Revenues from sales of products are recognised, net of discounts, rebates or returns, when control over the assets or services is transferred to the customer.
Transfer of control occurs when the following conditions are met:

- the company does not have the possibility to make use of the goods or services, as this has been transferred to the customer;
- the significant risks and benefits associated with ownership of the goods has been transferred to the purchaser of the goods (generally upon shipment or delivery of the goods);
- the value of the revenues is reliably determined;
- the economic benefits deriving from the sale will be used by the Company;
- the costs sustained or to be sustained are reliably determined.

Revenues from services are recognised once the services are complete. Revenues of a financial nature are recognised on an accrual basis.
Dividends are recognised when they are received, under the item "Income from equity investments". Costs are recognised using criteria analogous to those used for the recognition of revenues, and in any case on an accrual basis.

CURRENT, ADVANCE AND DEFERRED TAXES

Income taxes are determined on the basis of estimated taxable income, with reference to the current tax regulations. Forecast debt, net of any advances and withholdings, is recognised under the balance sheet liabilities in the item "current tax payables".
Taxes relative to components recognised directly under shareholders' equity are recognised directly to shareholders' equity and not in the statement of profit/(loss) for the year. Deferred tax assets and liabilities are calculated for all temporary differences between the book value attributed to assets and liabilities in the financial statements and the value attributed to the same assets and liabilities for tax purposes, unless the temporary differences derive from:

- the initial recognition of goodwill;
- initial recognition of an asset or liability, in a transaction which
  - is not a business combination and
  - does not influence accounting results nor taxable income on the date of the transaction in question;
- equity investments in subsidiaries, associates and companies under joint control, when:
- the Company is able to control the schedule for cancelling temporary taxable differences;
  - it is probable that the temporary differences will not be cancelled for the foreseeable future.

Deferred tax assets are not recognised when it is not reasonably certain they will be recovered, in compliance with the principle of prudence.
Additionally, their value is reviewed at the end of each period and is reduced to the extent that it is no longer probable sufficient taxable profits will be available in the future to allow full or partial use of these assets.
Deferred tax assets and liabilities are defined on the basis of the tax rates which are expected to be applied in the year in which the assets will be realised or the liabilities will be repaid, considering rates in effect or those substantially issued as of the reporting date.
Deferred tax assets and liabilities are classified among non-current assets and liabilities

ESTIMATES AND ASSUMPTIONS

Application of certain accounting standards necessarily requires significant elements based on estimates and assumptions that are uncertain when formulated.
For the 2021 financial statements, it is held that the assumptions made were appropriate and consequently, that the financial statements were prepared with the intent of clarity and to truly and accurately represent the equity and financial situation and the economic results for the year.
Within the explanatory notes, information is provided in the relevant sections about the reasons underlying decisions made, measurements taken and estimate criteria adopted in applying the international accounting standards.
In order to formulate reliable estimates and hypotheses, historic experience was used, as well as other factors deemed reasonable for the case in question, on the basis of the information available.

Nonetheless, it cannot be excluded that changes in said estimates and assumptions could create significant effects on the equity and economic situation, as well as on the potential liabilities and assets reported within the financial statement disclosures, in the case that different elements of judgement arise with respect to those previously expressed.

More specifically, greater use of subjective assessments on the part of company management was necessary in the following cases:

- determining impairment of goodwill, property, plant and equipment and equity investments;
- determining the fair value of financial assets and liabilities when the amounts could not be directly observed on active markets.
  In this case, the subjective elements are found in the selection of measurement models and input parameters that may not be observable on the market;
- in quantifying the provisions for risks and charges and the provisions for employee benefits, due to the uncertainty of what is required, the lead times and actuarial assumptions used;
- estimating the recoverability of prepaid tax assets.

The presentation of these cases is provided with the intention of allowing those reading the financial statements to better understand the main areas of uncertainty, but is not in any case to suggest that alternative assumptions could be appropriate or more valid.
Estimates and assumptions are periodically reviewed and the effects of each change are shown in the statement of profit/(loss) for the period in which the change occurred.

Notes to the Balance Sheet

NON-CURRENT ASSETS

1 | Tangible assets

The assets indicated in the following breakdown are included in this item:

Property, plant and equipment €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Property, plant and equipment	453,415	195,441	(247,974)
Property investments	323	258	(65)
Right of use assets	2,794	2,113	(681)
	446,532	**197,812**	**(248,720)**

— Real estate, plant and machinery

The table below shows changes occurring during the year.

Flows from property, plant and equipment €/000	Land and buildings	Plant and machinery	Industrial and sales equipment	Other assets	Fixed assets in progress	**Total**
Historic cost at start of period	**446,617**	**1,948,563**	**6,192**	**30,315**	**21,201**	**2,452,887**
Increases during period	610	21,246	80	686	1,152	23,774
Disposals during period	(24)	(1,085)	(58)	(425)	-	(1,592)
Revaluations, write-downs for the period	(384)	(17,979)	-	-	-	(18,363)
Conferment	(127,540)	(597,820)	(1,796)	(5,261)	(2,168)	(734,586)
Other changes	130	371	-	(37)	(376)	88
Historic cost at period end	**319,409**	**1,353,295**	**4,418**	**25,277**	**19,809**	**1,722,208**
Provision for amortisation/ depreciation at start of period	**303,233**	**1,671,274**	**6,032**	**28,932**	**-**	**2,009,472**
Amortisation/depreciation during period	5,584	32,677	97	647	-	39,005
Uses during period	(22)	(1,005)	(58)	(423)	-	(1,508)
Conferment	(60,778)	(452,545)	(1,735)	(5,229)	-	(520,287)
Other changes	(0)	127	-	(41)	-	86
Provision for amortisation/ depreciation at period end	**248,017**	**1,250,528**	**4,336**	**23,887**	**-**	**1,526,767**
Net book value at period end	**71,392**	**102,768**	**82**	**1,390**	**19,809**	**195,441**

The decrease in the net book value of real estate, plant and machinery, for € 247,974 thousand, is mainly due to the following components:

- increases of € 23,774 thousand (€ 29,142 thousand in 2020) relating to: investments made during the year for € 17,728 thousand, please refer to the Report on Operations for their description; other increases of € 1,903 thousand relating to internal works; capitalisation of financial charges of € 297 thousand, calculated with reference to a rate of 3.09%, in implementation of IAS 23; advances on extraordinary maintenance interventions for € 3,847 thousand;
- decreases due to divestitures, net sales and write-downs of € 19,955 thousand (€ 19,539 thousand in 2020), of which the main ones are € 17,979 thousand relating to the write-down of obsolete systems at the Duino plant and € 384 thousand relating to the write-down of part of the land building plot of Bovolone;
- decreases of € 734,586 thousand in historical cost relating to the transfer of the Verzuolo plant.

The depreciation fund had a change of € 482,705 thousand (€ 22,944 thousand in 2020) which is broken down as follows:

- increases for depreciation for the year of € 39,005 thousand;
- decreases following plant decommissioning for € 1,508 thousand, as listed above;
- decreases of € 520,287 thousand relating to the transfer of the Verzuolo plant.

At the end of the year, the residual life of the company's tangible assets was reviewed, with the necessary changes made to the depreciation plan.
Fully depreciated assets still in use have a historic cost equal to € 985,363 thousand.
Pursuant to article 10 of Italian Law 72 of 19 March 1983, relative to revaluations, below is a breakdown of revaluation balances at 31/12/2021, equal to € 185,874 thousand and almost entirely depreciated.

Monetary revaluations pursuant to article 2427, no. 2, Italian Civil Code €/000	Law 576/75	Law 72/83	Law 413/91	Other	**Total**
Land and buildings	4,488	17,573	33,548	20,549	76,158
Plant and machinery	14,092	79,767		13,996	107,855
Industrial and sales equipment	89	266		83	438
Other assets	277	963		183	1,423
	18,946	**98,569**	**33,548**	**34,812**	**185,874**

— Property investments

Flow of property investments €/000	Civil land	Civil buildings	Total
Historic cost at start of period	**69**	**414**	**483**
Increases during period	-	-	-
Disposals during period	-	-	-
Revaluations, impairment during period	-	-	-
Conferment	(2)	(79)	(82)
Other changes	-	-	-
Historic cost at period end	**67**	**334**	**401**
Provision for amortisation/depreciation at start of perio	-	**160**	**160**
Amortisation/depreciation during period	-	12	12
Uses during period	-	-	-
Conferment	-	(28)	**(28)**
Other changes in the provision	-	-	-
Provision for amortisation/depreciation at period end	**-**	**143**	**143**
Net book value at period end	**67**	**191**	**258**

During the year, the changes in civil buildings are made up of depreciation for € 12 thousand and net divestitures related to the sale of the Verzuolo plant for € 54 thousand.

— Rights of use activities

Right of use assets flow €/000	Commercial leases	Residential leases	Industrial leases	Vehicle leases	IT	Total
Historic cost at start of period	**376**	**751**	**2,830**	**423**	**378**	**4,758**
Increases during period	-	112	137	16	979	1,244
Disposals during period	-	(138)	(1,083)	(14)	(11)	(1,246)
Historic cost at period end	**376**	**725**	**1,884**	**426**	**1,346**	**4,755**
Provision for amortisation/ depreciation at start of period	**(85)**	**(278)**	**(1,102)**	**(226)**	**(274)**	**(1,964)**
Amortisation/depreciation during period	(43)	(140)	(609)	(118)	(257)	(1,167)
Uses during period	-	57	413	14	5	489
Provision for amortisation/ depreciation at period end	**(128)**	**(361)**	**(1,298)**	**(330)**	**(526)**	**(2,643)**
Net book value at period end	**248**	**364**	**585**	**96**	**820**	**2,113**

During 2021 increases were recorded in the amount of € 1,244 thousand following the opening of new lease contracts, which mainly relate to material and IT equipment for € 979 thousand, industrial leases for € 137 thousand and civil for € 112 thousand; depreciation for the period amounted to € 1,167 thousand; divestitures for the period amounted to € 1,246 thousand, against provisions of € 489 thousand.

2 | Intangible assets

The balance is as follows:

Intangible assets €/000	31 Dec 2020	31 Dec 2021	Change
Goodwill and other assets with undefined life			
Goodwill	**10,837**	**10,837**	**-**
	10,837	**10,837**	**-**
Intangible assets with defined life			
Concessions, licenses, trademarks and similar rights	2,604	2,384	(220)
Fixed assets in progress and advances	157	112	(45)
	2,761	**2,496**	**(265)**
	13,598	**13,333**	**(265)**

Goodwill includes the goodwill recognised for the incorporation of the Villorba plant by Cartiere Marchi spa in 2006 (€ 10,837 thousand).
Recoverability of goodwill is verified annually or more frequently if deemed necessary, by determining the value in use. The goodwill is allocated to the respective cash generating units (CGU).
CGUs refer to individual production sites. To determine the value in use, the present value of future cash flows was calculated, estimated by applying discount rates that reflect current market valuations of the time value of money and the specific risks of the asset, as well as terminal growth rates in line with the level of inflation.
Finally, the present value of the flows and the terminal value of the individual CGUs were compared with the invested capital of the same.
For the purpose of the impairment test, the main assumptions, in line with the current assessments of the cost of money, which take into account the specific risks of the CGUs, concern the risk-free rate of 0.77% (1.12% in 2020), the market risk premium decreased with respect to the 6.00% of last year to 5.50%, increased for some CGUs from a minimum of 1% to a maximum of 2.5%, in order to incorporate further execution risks,

the variable growth rate between 1.00% and 2.50% depending on the CGU, the cost of debt before tax equal to 2.00% (2.75% in 2020) and the ratio between capital and debt respectively equal to 83.62% and 16.38% (respectively 64.46% and 35.54% last year) derived as the average value of a panel of comparable and listed companies in the sector. During the year in question the impairment test performed did not indicate a need to carry out writedowns.

Below is the breakdown of residual goodwill at the end of the year for each CGU: Villorba € 10,837 thousand.
The impairment test was also carried out with reference to the CGUs for which, in previous years, impairment indicators emerged, but in no case did the test show the need to make write-downs on the values of the assets recognised in the financial statements.
The increases, equal to € 963 thousand, relate to investments in software and user licenses for € 224 thousand and for € 739 thousand relating to an easement for a section of the railway serving the Avezzano plant, which was completely written off at the end of the year.
Depreciation for the year amounted to € 489 thousand.
The value of intangible assets fully amortised but still in use is € 8,135 thousand.

Intangible assets flows €/000	Goodwill and other intangible assets with undefined life	Concessions, licenses, trademarks and similar rights	Fixed assets in progress and advances	**Total**
Historic cost at start of period	**10,837**	**11,727**	**157**	**22,721**
Increases during period	-	739	224	963
Disposals during period	-	-	-	-
Revaluations, impairment during period	-	(739)	-	(739)
Other changes	-	269	(269)	-
Historic cost at period end	**10,837**	**11,996**	**112**	**22,945**
Provision for amortisation/ depreciation at start of period	**-**	**9,123**	**-**	**9,123**
Amortisation/depreciation during perio	-	489	-	489
Uses during period	-	-	-	-
Other changes in the provision	-	-	-	-
Provision for amortisation/ depreciation at period end	**-**	**9,612**	**-**	**9,612**
Net book value at period end	**10,837**	**2,384**	**112**	**13,333**

3 | Other non-current assets

— Equity investments and securities

They include the following items:

Equity investments and securities €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Gever S.p.A. in liquidation	17,882	4,462	(13,420)
Burgo Ardennes S.a.	292,701	292,701	-
Burgo Benelux S.a.	290	290	-
Burgo France S.a.r.l.	142	2	(140)
Burgo UK L.t.d.	388	388	-
Burgo Central Europe G.m.b.h.	377	377	-
Burgo North America L.t.d.	110	110	-
Burgo Factor S.p.A.	4,105	4,105	-
Burgo Distribuzione S.r.l.	11,530	11,530	-
S.E.F.E. S.a.	0	0	-
Burgo Energia S.r.l.	15	15	-
Consorzio Energy Paper S.c.a.r.l. -	36	30	(6)
Mosaico S.p.A.	123,620	123,620	-
Burgo Estern Europe Sp zoo	1	1	-
Burgo Recycling S.r.l.	-	51	51
Equity investments in subsidiaries	**451,196**	**437,680**	**(13,515)**
Equity investments in other companies	**13,240**	**10,174**	**(3,066)**
	464,436	**447,855**	**(16,581)**

The decrease in equity investments in subsidiaries is mainly due to a decrease of € 9,120 thousand in the equity investment in Gever spa in liquidation and a consequent write-down of € 4,300 thousand due to the extraordinary dividend paid at the end of the year and the consequent reduction in shareholders' equity and to the € 140 thousand decrease in the investment in Burgo France due to the losses accumulated by the company.
A new investment in Burgo Recycling srl for € 51 thousand is to be registered.
This is the subscription of the capital that Burgo Group spa made in the company, of which it holds 51% of the shares, and is a joint venture aimed at optimising the purchase costs of waste paper.
In equity investments in other companies, the decrease is mainly due to a write-down equal to € 3,060 recorded in the financial statements in the investment that Burgo Group spa holds in Interconnector Energy Paper, due to the fact that the latter recorded a write-down of 88.8% in its financial statements towards Monita, the company that manages the Italian power line Montenegro.

— *Investments in subsidiaries and other companies*

List of equity investments pursuant to article 2427, no, 5, Italian Civil Code €/000

Company name	Registered office	Share capital (*)		Shareholders' equity (*)	Profit (loss) (*)	Stake directly held (*)	Book value
Subsidiaries							
Gever S.p.A. in liquidation	Altavilla Vicentina (VI)	EUR	3,120	5,113	47,685	100.00	4,462
Burgo Ardennes S.a	Virton (BE)	EUR	75,000	142,083	7,313	99.99**	292,701
Burgo Benelux S.a.	Bruxelles (BE)	EUR	248	275	31	100.00	290
Burgo France S.a.r.l.	Champeaux (FR)	EUR	600	174	107	100.00	2
Burgo UK L.t.d.	Milton Keynes (UK)	GBP	250	618	102	100.00	388
Burgo Central Europe G.m.b.h.	Munich (DE)	EUR	256	873	247	100.00	377
Burgo North America L.t.d.	Stamford - Connecticut (USA)	USD	100	1,360	813	100.00	110
Burgo Factor S.p.A.	Milan	EUR	3,000	36,501	2,283	90.00	4,105
Burgo Distribuzione S.r.l.	Altavilla Vicentina (VI)	EUR	9,060	15,742	4,527	100.00	11,530
S.E.F.E. S.a	Ecouviez (FR)	EUR	76	429	54	0.20	-
Burgo Energia S.r.l.	Altavilla Vicentina (VI)	EUR	5,015	8,390	2,734	100.00	15
Mosaico S.p.A.	Altavilla Vicentina (VI)	EUR	75,000	120,281	(5,986)	100.00	123,620
Burgo Eastern Europe Sp zoo	Warsaw (POL)	PLN	5	3,744	1,787	100.00	1
Consorzio Energy Paper s.c.a.r.l.	Altavilla Vicentina (VI)	EUR	59	59	-	100.00	30
Burgo Recycling S.r.l.	Altavilla Vicentina (VI)	EUR	100	127	27	100.00	51
							437,680

(*) (*) The data of each subsidiary were taken from the 2021 financial statements or from the 2021 draft financial statements. In cases where the book value is higher than the share of shareholders' equity, even taking into account the adjustments required by the preparation of the consolidated financial statements, the higher value is justified by the unspoken values, such as goodwill, of the subsidiary. In particular, due to its significance, we would like to point out that the difference between the book value of the Burgo Ardennes investment and the related net equity (statutory net equity including the profit for the current year), equal to € 199.3 million (€ 205.4 million at 31-12-2020), originated with the allocation, on the book value of the investment, of part of the deficit resulting from the merger of Cartiere Burgo/Dieci in 2001 for a total of € 103 million. This higher value was allocated, at the level of the consolidated financial statements, to the tangible fixed assets of Burgo Ardennes on the basis of a specific exchange report. At 31 December 2021, the value of the subsidiary's shareholders' equity, expressed on the basis of the international accounting standards for the consolidated financial statements of Burgo Group spa amounts to € 142.1 million (€ 136.3 million at 31-12-2020) with a difference, compared to the carrying amount in the financial statements of the parent company, equal to € 150.6 million (€ 156.4 million at 31-12-2020) made up of the total and cumulative dividends distributed from the financial year 2001 to the financial year 2020 and the results positive achieved. Despite the profitability expressed by the subsidiary, which has always achieved operating profits, the expected cash flows for the years to come, as well as the strategic importance of the investment within the Burgo Group, an impairment test was nevertheless carried out, which did not has shown permanent losses in value (par. 12.h.i IAS 36).

(**) 100% held including indirect shares held by Mosaico spa.

(***) The company Gever SpA was placed in liquidation with resolution 13 12 2021 registered in the Register of Companies on 20 01 2022 .

— *Financial receivables and other non-current financial assets*

Financial receivables and other non-current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Non-current financial receivables due from subsidiaries	2,800	2,800	-
Non-current financial receivables due from other	2,680	4,486	1,806
	5,480	**7,286**	**1,806**

The receivable from subsidiaries, already present last year, consists of a medium-term financing granted to the subsidiary Mosaico spa for € 2,800 thousand.
The receivable from other companies, on the other hand, is mainly represented by a shareholders' loan to the Consorzio Italia Energy Interconnector, as part of the obligations deriving from the Interconnector procedure, which in 2021 was increased by € 1,806 thousand.

— *Sundry receivables and other non-current assets*

Other receivables and non-current assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Non-current guarantee deposits	0	0	-
Non-current guarantee deposits	5,935	7,361	1,426
	5,935	**7,361**	**1,426**

Sundry receivables and other non-current assets are made up of guarantee deposits for € 7,361 thousand.
The increase, equal to € 1,426 thousand, is mainly due to the increase in the security deposit with Terna as part of the Interconnector procedure, relating to the amounts paid in 2021 to guarantee the construction of the interconnection works.

4 | Deferred tax assets

They amount to € 57,553 thousand. The balance of the account includes the provisions for deferred taxes which are deemed to be offset by the payables for deferred tax liabilities. The explanatory detail is provided below:

Deferred tax assets €/000	**31 Dec 2020**			**31 Dec 2021**		
	Taxable	% rate	(Debit)/ credit	Taxable	% rate	(Debit)/ credit
IRES						
Taxed provisions (allocated)	83,426	24.0	20,022	83,425	24.0	20,022
Derivatives	(1,362)	24.0	(327)	(26,660)	24.0	(6,398)
IAS 19 discounting - actuarial G/L	5,282	24.0	1,268	4,693	24.0	1,126
Amortisation, depreciation and writedowns	(38,034)	24.0	(9,128)	(848)	24.0	(204)
30% limit financial expense	60,743	24.0	14,578	60,743	24.0	14,578
IRES losses to be used in future financial	173,322	24.0	41,597	130,211	24.0	31,251
Allocation of shortfall	(22,337)	24.0	(5,361)	(21,788)	24.0	(5,229)
Other items	(4,347)	24.0	(1,043)	11,567	24.0	2,776
	256,693		**61,606**	**241,342**		**57,922**
IRAP						
Taxed provisions (allocated)	34,632	3.9	1,351	36,287	3.9	1,415
Amortisation, depreciation and writedowns	(8,420)	3.9	(328)	(8,420)	3.9	(328)
Allocation of shortfall	(22,337)	3.9	(871)	(21,788)	3.9	(850)
Derivatives	(1,362)	3.9	(53)	(27,047)	3.9	(1,055)
Other items	(4,407)	3.9	(172)	11,520	3.9	449
	(1,894)		**(74)**	**(9,448)**		**(368)**
			61,532			**57,553**

In 2021, the Company recorded the following main effects under the item deferred tax assets:

- lower IRES tax liabilities due to the net change in provisions for non-deductible write-downs and depreciation for € 8,924 thousand;
- lower tax assets for IRES losses to be used in future years for € 10,346 thousand;
- lower IRES and IRAP tax liabilities for depreciation of assets on which the Burgo-Marchi merger deficit was allocated for € 153 thousand;
- lower IRES tax assets due to discounting of severance pay pursuant to IAS 19 (actuarial gains/losses) for € -158 thousand;
- higher IRES and IRAP tax assets on taxed provisions for € 64 thousand in particular for provisions for risks and charges;
- higher IRES and IRAP tax liabilities of € 7,072 thousand on assets for derivative instruments which, due to symmetry with the liabilities, to cover which they have been subscribed, have not been taxed.

For more details on the rate applied, see note 35 "income taxes".

It should be noted that the Company's losses can currently all be carried forward without time limits. The recognition of deferred tax assets, referable to a portion of the carry-forward IRES tax losses, is justified by the reasonable expectation of sufficient future taxable income, within the national tax consolidation, inferable from the economic forecasts found in the industrial plan.
Below is a breakdown of the tax losses recognised in the financial statements and which generated deferred taxation, net of uses for the group.

Tax losses		2020		2021	
	maturity	loss	tax	loss	tax
2002	Can be carried forward indefinitely	150,980	36,235	130,211	31,251
2008	Can be carried forward indefinitely	22,341	5,362	-	-
		173,321	**41,597**	**130,211**	**31,251**

It should be noted that the 2002 tax losses can only be used by Burgo Group spa.
The difference between the losses allocated at the end of 2020 and 2021 derives from the use of the losses for the reduction of the tax base of the current year of Burgo Group spa, for the reduction to 20% of the net tax base of 2021 of the companies part of the tax consolidation and for adjustments between the estimate of the calculation of the taxes recognised in the financial statements at 31 12 2020 and the final declaration.

CURRENT ASSETS

5 | Inventories

Inventories €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Raw materials inventories	17,414	24,826	7,412
Stock inventories	28,285	22,008	(6,277)
Provision for impairment of stock	(8,994)	(7,449)	1,545
Raw materials, subsidiary and consumable items	**36,705**	**39,385**	**2,680**
Products in progress and semi-finished products	8,933	9,640	707
Products in progress	**8,933**	**9,640**	**707**
Finished products and goods	35,859	31,997	(3,862)
Provision for impairment of products	(912)	(1,146)	(234)
Finished products	**34,947**	**30,851**	**(4,096)**
	80,585	**79,876**	**(709)**

The value of raw materials, consumables and finished products is shown net of the provision for depreciation for obsolescence for € 8,595 thousand (€ 9,906 thousand in the previous year).
This provision was adjusted during the year on the basis of the most recent assessments of the risk of not recovering the value of inventories.
The increase in the value of raw materials, equal to € 2,680 thousand, is attributable both to the increase in the purchase price and consequently to their weighted average cost at the end of the current year and to a greater quantity that offset the sale of the Verzuolo plant.
The decrease in the value of work in progress and finished products, equal to € 3,389 thousand, is due both to the sale of the Verzuolo plant and to lower quantities in stock which offset a considerable increase in the average cost of production linked to the increase of the cost of raw materials.

6 | Trade receivables

Trade receivables €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Relative to customers	111,628	163,344	51,716
minus: provision for doubtful accounts	(39,107)	(38,520)	587
	72,521	**124,824**	**52,303**
Relative to the Group companies	32,421	63,169	30,749
	32,421	**63,169**	**30,749**
	104,942	**187,993**	**83,051**

Trade receivables from third parties increased by € 52,303 thousand mainly as a result of the higher turnover recorded in the last quarter of the current year compared to the previous year.
Receivables from other companies of the Group increased by € 30,749 thousand, mainly due to higher sales to Mosaico spa, Burgo Distribuzione srl and Burgo Energia srl. Since 2021, the new company Burgo Recycling srl has entered the Group, which deals with the optimisation of the purchase costs of waste paper.
Trade receivables do not accrue interest. It is held that the value inserted (adjusted by the provision for doubtful accounts) approximates the presumable realisable value.
The provision for doubtful accounts is adequate to risk coverage requirements.
The table below provides a breakdown of trade receivables by geographic area, exclusive of infragroup transactions.

Trade receivables by geographic area €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Italy	32,516	56,619	24,103
Europe E.U.	31,882	47,992	16,110
Other countries	8,122	20,212	12,090
	72,521	**124,824**	**52,303**

7 | Other receivables and current assets

Other receivables and current assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Current tax receivables	**3,183**	**3,299**	**116**
Current sundry receivables due from subsidiarie	735	1,141	406
Current tax consolidation receivables due from subsidiaries	5,953	6,776	823
Sundry receivables due from group companies	**6,688**	**7,917**	**1,229**
Current sundry receivables due from others	6,190	10,636	4,446
Current receivables due from social security entitie	27	101	75
Current derivative assets	4,297	28,361	24,065
Other sundry receivables	**10,513**	**39,098**	**28,585**
Other assets	**668**	**789**	**121**
	21,052	**51,103**	**30,051**

Sundry receivables and other current assets increased by € 30,051 thousand.
The main changes are described in detail:

- tax credits: remain essentially unchanged, € 3,299 thousand against € 3,183 miles the previous year;
- sundry receivables from current subsidiaries: increased by € 406 thousand, due to higher VAT receivables from Mosaico spa and Burgo Distribuzione srl;
- tax consolidation receivables from subsidiaries: increase by € 823 thousand;
- sundry receivables from others: increased by € 4,446 thousand, mainly due to higher advances to suppliers and insurance reimbursements waiting to be paid;
- the bookings of assets for derivative instruments increased by € 24,065 thousand, mainly due to the sharp increase in the cost of gas and CO2 emission rights.

8 | Equity investments

Equity investments €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Other equity investments	792	-	(792)
	792	**-**	**(792)**

During the year, the securities in the portfolio consisting of 105,000 Mediobanca shares were sold.

9 | Financial receivables and other current financial assets

Financial receivables and other current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Financial receivables due from subsidiaries	60,515	33,806	(26,709)
Financial receivables due from others	4,307	6,519	2,212
Derivative financial assets	-	8	8
Other financial assets	1,161	926	(235)
	65,983	**41,258**	**(24,725)**

The balance includes, among others, financial receivables from subsidiaries which represent transitional positions in the context of coordinated treasury management (€ 33,806 thousand).
In detail, receivables from subsidiaries consist of the following positions:

- Burgo Distribuzione: € 6,203 thousand (€ 14,921 thousand at 31 December 2020);
- Burgo Factor: € 27,603 thousand (€ 12,224 thousand at 31 December 2020);
- Burgo Ardennes: € 0 thousand (€ 33,369 thousand at 31 December 2020).

The increase in financial receivables from others is due to an increase in receivables sold without recourse.
In other activities, deferrals of € 914 thousand relating to expenses related to the opening of the new *revolving credit facility* were made.

10 | Cash and other cash equivalents

Cash and cash equivalents €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Bank and postal deposits	45,369	127,013	81,644
Cash and cash on hand	23	14	(9)
	45,392	**127,027**	**81,635**

Liquidity and on demand bank deposits accrue interest at variable market rates. The book value, which represents the nominal value, is also equal to the fair value.
The increase in bank and post office deposits is due to the liquidity accrued from the sale of the Verzuolo plant.
For a comment on the change in the item Current accounts and other loans, see note 16 “Current financial liabilities”.
Below is a reconciliation table for the item "Cash and other cash equivalents" with "final net monetary availability" recognised in the cash flow statement:

Reconciliation of cash and other cash equivalents €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Cash on hand and other cash equivalents	45,392	127,027	81,635
Shared current accounts receivable	60,515	33,806	(26,709)
Shared current accounts payablei	(33,319)	(37,868)	(4,549)
Current accounts and other loans	(146,854)	(39,783)	107,070
	(74,266)	**83,181**	**126,189**

NET ASSETS

11 | Shareholders’ equity

Total shareholders’ equity amounts to € 518,263 thousand (€ 426,944 thousand at 31 December 2020).
The share capital at 31 December 2021 is made up of no. 2,168,857,500 ordinary shares with no nominal value, for a total value of € 90,000 thousand.
The company has no treasury shares in its portfolio.
Shareholders’ equity at 31 December 2021 increased by € 91,319 thousand compared to 31 December 2020 as a result of the following changes:

- for profit for the year of € 72,950 thousand;
- for changes in fair value, net of taxes, on equity investments and other securities classified in the financial statements as FVOCI which led to an increase of € 343 thousands for fair value adjustment;
- for the allocation to the reserve, net of taxes, of actuarial income in accordance with what is required by IAS 19 which resulted in a decrease of € 198 thousand;
- for the allocation to the CFH reserve, net of taxes, of fair value on financial instruments accounted for according to hedge accounting (cash flow hedge) of a positive change of € 18,225 thousand.

For more information, see the “Statement of changes in consolidated shareholders’ equity”. The table below breaks down the reserves, including profits carried forward:

Reserves and profits carried forward €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Non-distributable reserve from share capital reduction	138,797	138,797	-
Legal	13,149	13,149	-
Reserve for equity financial instruments	200,000	200,000	-
Non-distributable exchange gains reserve	805	436	(369)
Other reserves	238	238	-
IAS 19 reserve	(7,597)	(7,795)	(198)
Reserve for accounting standard change - FT	4,011	4,686	675
Reserve for adjustment to FVOCI	331	-	(331)
Cash flow hedge reserve	982	19,207	18,225
	350,718	**368,719**	**18,001**
Profits (losses) carried forward reserve	38,195	(13,405)	(51,601)
	38,195	**(13,405)**	**(51,601)**

Deferred taxes relative to items directly attributed to shareholders' equity are as follows:

Deferred taxes recognised directly to shareholders’ equity €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Fair value changes in cash flow hedges	(380)	(7.453)	(7.073)
Actuarial losses	2,140	2,203	63
	1,760	**(5,250)**	**(7,010)**

To complete the information provided about shareholders' equity, below is the schedule pursuant to article 2427, no. 7 bis of the Italian Civil Code, which provides the items composing shareholders' equity, broken down on the basis of their origin, possibility of use and whether they can be distributed, as well as uses made in previous years.
This classification takes into account the changes made to the italian civil code by Legislative Decree 18 August 2015 no. 139 and was also carried out on the basis of the indications contained in the “Operating Guide on the discipline of the distribution of profits and reserves pursuant to Legislative Decree 28 February 2005 No. 38” issued by the Italian Accounting Body.

Distributability of reserves pursuant to article 2427, no. 7 bis, Italian Civil Code €/000	**Amount**	Possibility of use	Portion available (for distribution)	
Capital reserves:				
Non-distributable reserve from share capital reduction	138,797	B	0	
SFP reserve, non-distributable	46,646	B	0	
	185,443		0	
Profit reserves:				
SFP reserve, non-distributable	153,354	B	0	
Legal reserve	13,149	B	0	
CFH reserve	19,207		0	(2)
IAS 19 reserves	(7,597)		0	(3) (5)
Reserve for adjustment to FVOCI	0		0	(4)
FTA reserve (Italian Legislative Decree	4,686	B	0	
Merger surplus	238	A, B, C	238	
Exchange reserve	436	A,B	0	
	183,275		238	
Profits (losses) carried forward reserve	(13,405)		0	(1) (5) (6)
	(13,405)		0	
	169,870		238	
	355,313		**238**	

Legenda:

A: for capital increase
B: to cover losses
C: for distribution to shareholders
D: for other statutory constraints
(1) We recall that, for the purposes of Law 488 of 1992, the 2004 profit carried forward derives in part from the reversal of accelerated depreciation charged to the statement of profit/(loss) for the year in previous years and intended to cover of the following investment programmes:
- L. 488 progr. 21165 Duino € 11,448 thousand
- L. 488 progr. 82305 Duino € 9,676 thousand

(2) Reserve for fair value adjustment of hedging derivatives and related underlying assets. This reserve is related to the accounting of cash flow hedges. In particular, these are unrealised profits and losses, net of the related tax effects, which arise from the adjustment to fair value of an instrument to hedge financial flows and the related underlying elements. It should be noted that, in application of Legislative Decree 38/2005, this reserve is subject to the unavailability regime provided for by art. 6, paragraph 1 letter b of the same decree.
(3) Reserve for gains/losses from discounting of defined benefit plans, based on that required under IAS 19.
(4) Reserve for fair value adjustment of financial assets available for sale. It should be noted that, in application of Legislative Decree No. 38/2005, this reserve is subject to the unavailability regime provided for by art. 6, paragraph 1, letter b of the same decree.
(5) The purposes for which this reserve can be used are not indicated, given that it is a negative value, which is offset by reducing the available portion of any profits carried forward.
(6) Not available for distribution to shareholders as this is a negative value.

The tax regime of the reserves is also illustrated as follows.
With regard to the reserves in tax suspension, the legal reserve is fiscally bound for € 709 thousand to the replenishment of the reserves in suspension of tax of companies incorporated in previous years. It is recalled that, for tax purposes, a constraint is established for the masses of the reserves, equal to the balance of the off-balance sheet deductions made and not yet reabsorbed, net of the related deferred taxes. This balance is estimated to be approximately € 8.2 million at the end of the year, net of deferred IRES taxes. Please note that the tax law does not provide for taxation provided that after any distribution there are available reserves of assets equal to the aforementioned net amount.

NON-CURRENT LIABILITIES

12 | Non-current financial liabilities

Non-current financial liabilities €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Loan payables	367,962	195,848	(172,113)
Right of use liabilities	1,976	1,384	(592)
	369,938	**197,232**	**(172,705)**

Right of use liabilities - flows €/000	Balance at start of period	Decreases	Decreases for disposals	Reclassification	Increases	**Balance at end of period**
Non-current right of use liabilities	1,976	(38)	(719)	(775)	940	1,384
Current right of use liabilities	866	(1,169)	-	775	303	775
Total	**2,842**	**(1,208)**	**(719)**	**-**	**1,244**	**2,159**

During the year, medium and long-term debt lines were repaid for a total of € 320,000 thousand and a new financing of € 150,000 thousand was taken out.
In particular, in May a new line of credit backed by a SACE guarantee was taken out for an amortising € 150,000 thousand, during which a partial repayment of € 120,000 thousand was made of an amortising line, of the original € 200,000 thousand, not guaranteed by SACE, previously undersigned and with a shorter repayment period.
In October, the liquidity obtained from the sale of the Verzuolo plant made it possible to repay proportionately the three medium and long-term financial debt lines for a total of nominal € 200,000 thousand, divided as follows:
€ 40,000 thousand for partial reimbursement of the amortising line, € 75,000 thousand for partial reimbursement of the line backed by an amortising SACE guarantee and € 85,000 thousand for partial reimbursement of the bullet line.
The medium and long-term lines equal to € 195,848 thousand, are shown net of the current portion of € 4,052 thousand.

Non-current financial liabilities also include:

- a subsidised loan of € 1,751 thousand (initial nominal € 3,292 thousand) and a bank loan of € 366 thousand, relating to the admission to the benefits of the Fund for Technological Innovation Law FIT 46/82 for the Sora plant;
- a non-interest bearing loan disbursed by HGM equal to € 2,598 thousand;
- liabilities for rights of use for € 1,384 thousand, following the implementation of IFRS 16.

Interest on floating rate loans is determined at interim intervals.
Almost all of the medium and long-term variable rate debt was hedged against interest rate risk. The conditions of the fixed rate loans are kept constant until the maturity of the instrument.
For all loan payables, valued at amortised cost, it is believed that the book value reflects the fair value of the financial instrument at the end of the reporting period.

Loan payables - breakdown of maturity dates €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
from 2 - 3 years	60,940	29,509	(31,431)
from 4 - 5 years	306,759	161,561	(145,198)
over 5 years	263	4,778	4,516
	367,962	**195,848**	**(172,113)**

Right of use liabilities - breakdown of maturity dates €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
from 2 - 3 years	1,361	1,134	(227)
from 4 - 5 years	496	176	(320)
over 5 years	119	74	(44)
	1,976	**1,384**	**(592)**

13 | TFR and other provisions relating to personnel

Severance indemnities (TFR) €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Actuarial measurement of TFR at start of period	21,347	18,810	(2,537)
Provisions	1	0	(1)
Payments	(2,820)	(1,610)	1,210
TFR discounting - IAS 19 reserve	121	261	140
TFR discounting - financial expense (income)	154	61	(92)
Transfer	-	(2,653)	(2,653)
Other changes - incoming (outgoing) transfers	7	(362)	(369)
	18,810	**14,507**	**(4,302)**

For actuarial measurement of the provision for severance indemnities (TFR) at 31 December 2021, on the basis of accounting standard IAS 19 an independent actuary carried out the calculation, on the basis of information provided by the Company.
In the calculation, the actuary made use of the following demographic hypotheses:

- for estimating the phenomenon of mortality within the collective of employees subject of the assessment, the RG48 survival table used by the State General Accounting Office was used to estimate the pension costs of the Italian population;
- to estimate probability of disability within the group of employees subject to measurement, an INPS table was used, broken down by age and sex;
- for retirement age for the generic active population, achievement of the minimum requirements established for General Obligatory Insurance was assumed;
- for the probabilities of leaving for reasons other than death, an annual frequency of 3.00% was considered (unchanged compared to the previous year);
- for the probability of advances on the severance pay, a year-by-year value of 2.00% was assumed (unchanged compared to the previous year).

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used €/000	**2020**	**2021**
Annual theoretical discounting rate	0.34%	0.98%
Annual inflation rate	0.80%	1.75%
Annual TFR increase rate	2.10%	2.81%

The validity of this data is connected to the stability of the reference regulatory situation, expected performance of interest rates on the financial market, the expected performance of salary trends, of future liquidation trends and the frequency with which employees make use of advances, which must be on average compatible with the economic/financial hypotheses made. Based on the social security reform, since the Company has more than 50 employees future portions of the TFR provision accruing no longer accumulate within the company but go to supplementary social security or the INPS treasury fund. Therefore, projection of salaries based on given growth rates and professional roles is no longer necessary.

14 | Provisions for risks and charges

Provisions for future risks and charges €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Provision for industrial charges	15,360	19,728	4,368
Provision for disputes in course	11,708	11,645	(63)
Provision for supplementary customer allowance	623	716	92
Provision for restructuring charges	3,677	1,567	(2,109)
	31,368	**33,656**	**2,288**

Below is a breakdown of changes in the provisions:

Provisions for risks and charges - changes €/000	Balance at start of period	Increases	Decreases	Discounting	**Balance at end of period**
Provision for industrial charges	15,360	(874)	21,746	(16,504)	19,728
Provision for disputes in course	11,708	-	505	(568)	11,645
Provision for supplementary customer allowance	623	-	92	-	716
Provision for restructuring expenses	3,677	-	-	(2,109)	1,567
	31,368	**(874)**	**22,343**	**(19,181)**	**33,656**

The provision for industrial charges aims at covering:

- expenses which it is believed will be incurred for the demolition and reclamation of the plant boilers;
- is set up to address the charges related to the CO2 quota deficit, calculated as at 31 December 2021 net of the free allocations received on an accrual basis and the purchases already made to face the deficit itself.

The provision for disputes in course is created to deal with potential liabilities that could arise in relation to legal disputes and disputed items.
The provision for supplementary customer allowance represents the updated estimate of the indemnities to be paid to sales agents for interruption of the agency relationship.
The provision for restructuring charges includes the residual provisions for the expenses to be incurred for the implementation of the restructuring plan.
During the year, € 632 thousand were used for the provision of early leaving incentives for some employees and € 1,477 thousand were used for the reclamation of sites that are no longer productive (Chieti).

15 | Other payables and non-current liabilities

During the current year, as well as in 2020, no miscellaneous payables and other liabilities were recorded in the non-current part.

CURRENT LIABILITIES

16 | Current financial liabilities

Current financial liabilities €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Loan payables - current portion	7,920	4,052	(3,868)
Current accounts and other loans	146,854	39,783	(107,070)
Payables due to subsidiaries	33,319	37,868	4,549
Derivatives	-	387	387
Right of use liabilities	866	775	(91)
Other financial liabilities	3,966	633	(3,333)
	192,925	**83,498**	**(109,427)**

The decrease in current financial liabilities is attributable to a lower use of the revolving credit facility with a nominal value of € 100,000 thousand, of which € 26,000 thousand were used at the end of the year.
Interest on floating rate loans is determined at infra-annual intervals. The conditions of the fixed rate loans are kept constant until the maturity of the instrument.
For all loan payables, valued at amortised cost, it is believed that the book value reflects the fair value of the financial instrument at the end of the reporting period.
Current shares for rights of use of € 775 have also been recognised in the balance sheet, following the application of IFRS 16.
Payables to subsidiary companies for € 37,868 thousand include payables relating to correspondence accounts with Gever spa in liquidation for € 8,877 thousand (€ 5,005 thousand in 2020), with Burgo Energia srl for € 4,345 thousand (€ 316 thousand in 2020), with Mosaico spa for € 16,375 thousand (€ 27,998 thousand in 2020) and with Burgo Ardennes for € 8,271 thousand (€ 0 thousand in 2020).
The other financial liabilities of € 633 thousand include accrued liabilities for interest accruing on loans and on the use of short-term bank lines, which registered a € 3,333 thousand decrease compared to the previous year.
It should also be noted that short-term credit lines are available for short-term financial needs for a value of approximately € 192 million, used at 31 December 2021 for a total of approximately € 92.5 million, equal to 48%.
The negative fair value at 31 December 2021 of interest rate hedging contracts of € 387 thousand is also recognised.

17 | Trade payables

Trade payables €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Current payables due to suppliers	163,713	275,425	111,712
Current trade payables due to subsidiaries	88,688	71,722	(16,966)
	252,401	**347,147**	**94,746**

Trade payables do not accrue interest.
The amount recognised in the financial statements approximates the market value.
The table below provides a breakdown by geographic area:

Trade payables by geographic area €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Italy	119,195	195,759	76,564
Europe E.U.	40,693	72,266	31,573
Other countries	3,825	7,400	3,575
	163,713	**275,425**	**111,712**

18 | Current tax payables

Current tax payables €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Tax payables, income tax	-	(13)	(13)
Tax payables, VAT	250	61	(190)
Payables for withholdings	3,104	3,275	171
Other tax payables	3	(0)	(3)
	3,358	**3,323**	**(34)**

Current tax payables amount to € 3,323 thousand. The item mainly includes payables to the tax authorities for taxes to be paid as withholding agent.
VAT payables relate to payables to the tax authorities of European countries where the company has a VAT number in the foreign country.

19 | Other payables and current liabilities

Other payables and current liabilities €/000	31 Dec 2020	31 Dec 2021	Change
Current sundry payables due to others	4,522	5,378	856
Current sundry payables due to parent companie	361	517	156
Current sundry payables due to parent companies	8	8	-
Payables for commissions and premiums	3,099	3,420	321
Current tax consolidation payables due to subsidiaries	-	1,615	1,615
Payables due to personnel	6,669	5,479	(1,190)
Current payables due to social security entiti	3,960	3,732	(228)
Current derivative liabilities	267	-	(267)
Deferred income from grants for plants	695	544	(151)
Other accrued expenses and deferred income	938	138	(800)
	20,517	**20,830**	**313**

In particular, the following must be recorded:
- increase in payables for tax consolidation of € 1,615 thousand due to the subsidiary Mosaico spa;
- decrease in payables to personnel, following the sale of the Verzuolo plant.

20 | Commitments and potential liabilities

Commitments and potential liabilities €/00	31 Dec 2020	31 Dec 2021	Change
Personal guarantees provided in favour of:			
subsidiaries	9,081	8,423	(658)
other subjects	17,691	24,112	6,421
	26,772	**32,535**	**5,763**

The guarantees given to third parties in the interest of subsidiaries are in favour of credit institutions that issue sureties on behalf of subsidiary companies.
The other guarantees consist of sureties given by banks and insurance companies as part of the normal business activity of the Company.

Notes to the Profit and Loss Statement for the Year

We illustrate the main items that have not been commented on in the statement relating to the statement of profit/(loss) for the year.
For comments on changes in the most significant items please see analysis of income results of the Company in the Report on Operations.

21 | Revenues

Revenues €/000	31 Dec 2020	31 Dec 2021	Change
Paper	663,609	924,251	260,641
Energy	22,989	53,357	30,368
Others	12,582	13,335	754
	699,180	**990,943**	**291,763**

The increase in revenues amounts to € 291,763 thousand mainly linked to the increase in paper turnover; the turnover related to energy also increased for € 30,368 thousand. The other revenues are substantially in line with the value of the previous year.
The increase in paper turnover is due both to paper volumes that increased from t 1,098 thousand in 2020 to t 1,358 thousand in 2021, and to higher average net sales prices.
Below is a breakdown of revenues by geographic area:

Markets €/000	31 Dec 2020	31 Dec 2021	Change
Italy	182,536	302,784	120,248
Europe E.U.	418,937	489,512	70,575
Other countries	97,707	198,647	100,940
	699,180	**990,943**	**291,763**

22 | Other income

Other income €/000	31 Dec 2020	31 Dec 2021	Change
Insurance settlements	1,496	1,919	423
Environmental certificates	14,668	6,469	(8,200)
Energy expense recovery and reimbursements	7,719	14,672	6,953
Sundry income and expense recovery	4,193	4,018	(175)
Grants for current expenses	640	236	(405)
	28,717	**27,313**	**(1,404)**

Other income decreased by € 1,404 thousand, in particular due to the contraction in profits for environmental certificates offset in part by higher revenues related to the proceeds deriving from the electricity and gas load shedding for the first three months of the year.
The item operating grants includes the portion pertaining to the financial year 2021 (€ 191 thousand) of grants paid in previous years.

23 | Purchases of materials and external services

Purchases of materials and external services €/000	31 Dec 2020	31 Dec 2021	Change
Purchases of raw materials, subsidiary and consumable items and goods	453,666	650,209	196,543
Transport and accessory expense on purchases	5,175	5,350	175
Transport and accessory expense on sales	55,420	81,023	25,603
Other industrial services	17,496	20,574	3,078
Industrial maintenance	8,234	7,973	(261)
Electricity and methane	68,105	148,251	80,146
Fees to independent auditing firm	158	121	(37)
Fees to statutory auditors	105	105	-
Other general and administrative services	14,350	12,680	(1,670)
Rentals and leases	132	(63)	(195)
	622,841	**926,222**	**303,381**

Purchases for materials and external services increased by € 303,381 thousand. The most important changes concern the increase in raw materials, ancillaries, consumables and goods (€ 196,543 thousand) mainly due to higher average purchase prices for cellulose, latex and pulp for the production of containerboards, transport and ancillary expenses on sales (€ 25,603 thousand), of energy products (€ 80,146 thousand) due to the increase in the average price of gas for the year 2021 compared to the same period last year.

24 | Personnel costs

Costi del personale €/000	31 Dec 2020	31 Dec 2021	Change
Wages and salaries	46,369	50,347	3,978
Social security contributions	15,944	16,614	670
Expenses for defined benefit programs	3,575	3,192	(383)
Others	2,891	3,797	906
	68,778	**73,950**	**5,172**

Personnel costs increase by € 5,172 thousand compared to the previous year and account for 7.4% of turnover (9.8% in 2020). For more details, please see the Report on Operations, under the item "Personnel". Other costs include directors' fees, temporary agency services and personnel training costs.
The increase is mainly related to the greater number of hours worked compared to last year during which, following the production stoppages resulting from the decline in demand triggered by the Covid crisis, a decrease in personnel costs was registered.

25 | Other operating costs

Other operating costs €/000	31 Dec 2020	31 Dec 2021	Change
Provisions			
for impairment of receivables	1,097	-	(1,097)
for industrial charges	103	2,000	1,897
for disputes in course	767	505	(263)
for supplementary customer allowance	50	92	42
	2,018	2,597	579
Other costs			
Corporate expenses, taxes and indirect taxes	4,181	4,561	380
Contributions, donations and fines	813	603	(210)
Losses and other costs	622	341	(282)
	5,617	5,505	(112)
CO_2 certificates			
CO_2 costs net of price setting	(2,615)	1,373	3,988
CO_2 allocations	7,747	17,832	10,085
	5,132	19,205	14,073
	12,767	**27,307**	**14,539**

Other operating costs increased by € 14,539 thousand.
For the analysis of the provisions, please refer, in addition to what is reported below, to note 14 "provisions for risks and charges" and in note 6 "Trade receivables".
Net CO2 costs for the year amounted to € 19,205 thousand (€ 5,132 thousand in 2020).
Costs for CO2 are the sum of provisions for the year (€ 17,832 thousand) made at quotations at the end of the period and other ancillary purchase costs (€ 1,373 thousand).

26 | Change in inventories

Change in inventories €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Change in inventories	(21,562)	11,964	33,527
	(21,562)	**11,964**	**33,527**

The change in inventories constitutes a revenue for the year of € 11,964 thousand as a result of the increase in stocks at the end of the period.
For a more detailed comment, see note 5 of the balance sheet.

27 | Capitalised costs for internal work

Capitalised costs for internal work €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Capitalised costs	696	1,903	1,207
	696	**1,903**	**1,207**

The item includes costs for employees, warehouse materials and other costs incurred for the internal construction of plants, which have been capitalised among tangible fixed assets. In particular, the capitalised works mainly relate to the Verzuolo, Duino and Sora plants. Please see the Report on Operations for more details on the main investments made during 2021.

28 | Depreciation

Depreciation €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Buildings	3,989	3,791	(199)
Plant and machinery	21,010	22,944	1,934
Industrial equipment	64	69	5
Other assets	642	594	(48)
Buildings for civil use	10	10	0
Rights of use	1,225	1,167	(58)
Intangible assets with defined life	553	489	(64)
	27,493	**29,064**	**1,571**

Depreciation, equal to € 29,064 thousand, increased by € 1,571 thousand, due to new investments.

29 | Capital gains/losses on disposal of non-current assets

Capital gains/losses on disposal of non-current assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Capital gains	38	86	48
Capital losses	(247)	(30)	216
	(208)	**56**	**264**

The capital gains and losses for the year relate to the divestitures of the period, especially for the renewal of the car fleet and the decommissioning of generic plants at the Sarego plant.

30 | Write-back/write-down of assets

Writebacks/writedowns on assets €/000	31 Dec 2020	31 Dec 2021	Change
Land and buildings	-	384	384
Plant and machinery	-	17,979	17,979
Intangible assets with defined life	-	739	739
	-	**19,102**	**19,102**

During the year, write-downs of fixed assets were made for:

- € 384 thousand relating to a write-down of land;
- € 17,979 thousand relating to plant write-downs;
- € 739 thousand relating to intangible assets.

31 | Financial charges

Financial expense €/000	31 Dec 2020	31 Dec 2021	Change
Interest expense on payables due to banks	12,825	7,599	(5,225)
Discounting of severance indemnities (TFR)	154	61	(92)
Interest expense on intragroup current account	16	131	115
Other financial expense	9,258	11,205	1,948
Exchange losses	42	416	374
Financial charges from sales of equity investments	-	117	117
Write-downs of equity investments	360	7,500	7,140
	22,654	**27,030**	**4,376**

During the year, financial charges to banks decreased by € 5,225 thousand, due to the reduction of medium and long-term financial debt as set out in point 12; interest payable on intragroup current accounts increased by € 115 thousand.
Financial charges other than the above increased by € 1,948 thousand and are mainly made up of financial discounts for short-term payments from customers, charges on financial transactions, the share for the year of commissions paid in advance for credit lines shortly as well as non-use fees.

32 | Financial income

Financial income €/000	31 Dec 2020	31 Dec 2021	Change
Income from equity investments			
Dividends from subsidiaries	18,079	21,630	3,551
	18,079	21,630	3,551
Other financial income			
Interest income from banks	6	18	12
Interest income on intragroup current account	1,827	1,001	(826)
Other financial income	128	573	446
	1,961	1,593	(368)
	20,040	**23,223**	**3,183**

Financial income increased by € 3,183 thousand compared to the previous year.
In detail, the main components of this revenue item are:

- dividends from subsidiary companies:
  - Burgo Ardennes € 2,500 thousand (€ 1,600 thousand in 2020);
  - Burgo Central Europe € 50 thousand (€ 200 thousand in 2020);
  - Burgo Distribuzione € 1,600 thousand (€ 1,850 thousand in 2020);
  - Mosaico € 13,000 thousand (€ 13,000 thousand in 2020);
  - Burgo Energia € 2,050 thousand (€ 1,200 thousand in 2020);
  - Burgo Factor € 1,728 thousand (€ 0 thousand in 2020);
  - Burgo Eastern Europe € 352 thousand (€ 229 thousand in 2020);
  - Gever € 350 thousand (€ 0 thousand in 2020).
- interest receivable from intragroup current accounts to subsidiary companies for € 1,001 thousand;
- other financial income mainly includes income from discounting.

33 | Income taxes

Income taxes €/000	31 Dec 2020	31 Dec 2021	Change
Current taxes - IRES	836	(793)	(1,629)
Deferred tax assets/liabilities - IRES	1,138	(2,969)	(4,107)
Deferred tax assets/liabilities - IRAP	332	(741)	(1,074)
	2,306	**(4,503)**	**(6,810)**

They include net income for current IRES from tax consolidation for € 793 thousand and deferred tax assets for € 3,710 thousand, while there are no charges/income for current IRAP.
The reconciliation between the income taxes recorded in the statement of profit/(loss) for the year and the theoretical taxes resulting from the application to pre-tax profit of the tax rate in force is as follows:

Reconciliation between income tax and theoretical tax €/000		2020		2021
Before tax results for the year*	**(56,607)**		**64,998**	
Theoretical tax (IRES) - Italian tax rate in effect: 24.0%		(13,586)		15,600
increases (temporary and permanent)	53,363		135,327	
decreases (temporary and permanent)	(56,210)		(180,652)	
	(59,454)		**19,674**	
Current taxes recognised in the financial statements		0		4,748
Charge (income) from tax consolidation		(6,108)		(9,002)
Deferred taxes (IRES) recognised in the financial statements		1,138		(2,969)
Total (IRES) taxes recognised in the financial statements		**(4,970)**		**(7,222)**
Effective tax rate (IRES) on income		**0.0%**		**(11.1%)**
Current taxes (IRAP) recognised in the financial statements - 3.9% rate in effect		0		0
Deferred taxes (IRAP) recognised in the financial statements - 3.9% rate in effect		**332**		**(741)**
Total (IRAP) taxes recognised in the financial statements		**332**		**(741)**
Total taxes recognised in the financial statements		**(4,638)**		**(7,964)**
Effective tax rate (IRES and IRAP) on before tax result		0.0%		(12.3%)

* Including non-recurring items

The increases in income are mainly of a temporary nature and without time limitations, which is why the related deferred tax assets have been allocated.
The decreases in income are instead mainly made up of dividends and other financial income 95% exempt, uses of provisions for risks and charges taxed in previous years, reversal effect relating to write-downs not deducted in the
previous years.
Please refer to note 4 “Deferred tax assets” for further comments on deferred taxes both on the different increases and decreases and on the tax losses.

34 | Net result from assets held for sale and from discontinued operations

The net result from assets held for sale and from discontinued operations is equal to € 115,720 thousand. The line of the intended income statement includes the revenues and costs relating to the Verzuolo plant sold in October 2021, the costs related to the operation and the income (capital gains) deriving from the sale.
In particular, in detail, the turnover for the sale of paper and the other revenues, the operating costs, the amortisation and the notional taxes of the perimeter to be sold have been reclassified in the net result from discontinued operations.
Below is the net result from discontinued operations detailed by nature in the Income Statement.

Detail of the result of discontinued activities	31 Dec 2020	31 Dec 2021
Total operating income and revenues	***112,874***	***159,887***
Total operating costs	***(126,106)***	***(164,689)***
EBITDA Adjusted	***(13,332)***	***(4,802)***
Depreciation and amortisation	*(14,747)*	*(11,609)*
Operating result before extraordinary and non-recurring charges and revenues	***(27,979)***	***(16,411)***
Non-recurrent and renovation revenues/charges	-	*74,262*
Operating result (EBIT)	***(27,979)***	***57,851***
Financial charges	*(956)*	*(2,409)*
Financial income	-	*56,830*
Result before taxes	***(28,935)***	***112,272***
Income taxes	*6,944*	*3,448*
Result of the period	***(21,991)***	***115,720***

35 | Schedule of other components of the comprehensive profit and loss statement

The table presented, which is located after the Income Statement at the beginning of the explanatory notes,
illustrates the theoretical economic result that would be obtained should all changes in items recognised directly in shareholders' equity be transited through the statement of profit/(loss) for the year and was adjusted to the provisions of IAS 1, with the indication, through the formation of groups, of the items which, upon the occurrence of specific conditions, will be reclassified in profit/(loss) for the year and, separately, those which will not be reclassified in profit/(loss) for the year.
The Company has the following items:

- adjustment of derivatives recognised using cash flow hedge rules to the fair value at end of year. During the year, the gross variation was positive for € 25,298 thousand, which net of taxes (€ 7,073 thousand) is equal to € 18,225 thousand.
- adjustment to the year-end market value of financial instruments. During the year, the Parent Company sold the shares in Mediobanca's portfolio and the resulting change in FVOCI financial assets was positive for € 343 thousand (see note 8 for further details);
- actuarial gains (losses) during the year which, pursuant to the revised IAS 19, are allocated to a specific shareholders' equity reserve. During the year, the gross variation was negative for € 261 thousand, which net of taxes (€ 63 thousand) is equal to € 198 thousand.

Relations with related parties

Related party transactions, including infragroup transactions, are not classified as atypical or unusual, as they are part of the Company's ordinary business.
These operations, when not completed under standard conditions or those dictated by specific regulatory provisions, are in any case carried out under market conditions.
The economic and equity effects of transactions with associated companies on the separate data of the Company Burgo Group spa as at 31 December 2021 are described below.
Related party transactions (based on the definition in IAS 24) essentially involve the exchange of goods, the provision of services or the supply and use of financial means.

Relations with related parties €/000	**Subsidiaries**		**Total financial statement items**			
	31 Dec 2020	**31 Dec 2021**	**31 Dec 2020**	**%**	**31 Dec 2021**	**%**
Asset relations						
Financial receivables and other non-current financial assets	2,800	2,800	5,480	51%	7,286	38%
Trade receivables	28,459	57,771	104,942	27%	187,993	31%
Other receivables and current assets	8,079	36,274	21,052	38%	51,103	71%
Financial receivables and other current financial assets	60,515	33,806	65,983	92%	41,258	82%
Current financial liabilities	(33,319)	(37,868)	(192,925)	17%	(83,498)	45%
Trade payables	(88,457)	(71,457)	(252,401)	35%	(347,147)	21%
Other payables and current liabilities	(1,454)	(3,070)	(20,517)	7%	(20,830)	15%
Economic relationships						
Revenues	103,891	182,335	699,180	15%	990,943	18%
Other income	1,534	3,621	28,717	5%	27,313	13%
Costs for materials and external services	(211,378)	(247,640)	(622,841)	34%	(926,222)	27%
Other operating costs	(10,559)	(15,983)	(12,767)	83%	(27,307)	59%
Financial expenses	(16)	(131)	(22,654)	0%	(27,030)	0%
Financial income	20,033	79,531	20,040	100%	23,223	342%
Income taxes	6,108	5,164	(2,306)	-265%	4,503	115%

In addition to the transactions reported on the side, as at 31 December 2021, medium/long-term loans, exchange risk hedging contracts and insurance policies aimed at covering industrial and civil risks with related parties are in place, all entered into at market conditions. Existing loans with related parties amounted to a nominal amount of € 115,524 thousand at 31 December 2021 (€ 228,230 thousand at 31 December 2020).
Compensation paid to strategic executives: the compensation paid to the Chairman and Chief Executive Officer during 2021 reached a total of € 2,043 thousand.
The Company adheres, as parent company, to the tax consolidation regime together with its subsidiaries Burgo Distribuzione srl, Burgo Energia srl, Gever spa in liquidation, Mosaico spa and Burgo Factor spa.
The first four subsidiaries also participate in the group VAT settlement in compliance with art. 73 DPR 633/72 and Ministerial Decree of 13 December 1979.

Disputes

LEGAL DISPUTE

The Company does not currently have any disputes that could have an appreciable impact on the Company's accounts.
A fund with substantially total risk coverage has been recognised for all disputes in which the company will likely lose.

TAX DISPUTE

Also with regard to tax disputes, having previously defined the previous positions, the company does not currently have situations likely to have an appreciable impact and worthy of mention.

Significant events after year end

Even in the presence of a very difficult economic and social situation, due to the conflict between Russia and Ukraine and with the persistence of the health emergency due to COVID which is gradually returning, the company's business has developed normally.
The worsening of the geopolitical situation following the war between Russia and Ukraine and the tensions that have appeared in particular in the energy markets could lead to a slowdown in economic activity with consequences on the dynamics of demand, sales prices of production and costs purchase of production factors, especially energy ones, as well as an increase in credit risk with counterparties potentially affected by the consequences of the conflict.

Proposal for approval of the financial statements and allocation of the result for the year

The financial year as at 31 December closed with a profit of € 72,949,573.05.
The Board of Directors, taking into account that the loss for the year 2020 equal to € 51,969,193.10 had been carried forward, proposes to:

- cover the loss of the previous year for € 38,195,379.97 by using the available reserve for previous years;
- cover for the difference, equal to € 13,773,813.13, the residual loss of the previous year by using, for an equal amount, the net profit for the year 2021;
- carry forward the residual net profit for the year 2021 equal to € 59,175,759.92.

Other information

NUMBER OF EMPLOYEES

Number of employees	Start of year	Year end	Average 2021	Average 2020
Executives	26	25	27	26
Office Workers	407	352	396	412
Manual Workers	1,131	969	1,074	1,159
	1,564	**1,346**	**1,497**	**1,597**

DISCLOSURE FOR TRANSPARENCY IN PUBLIC SUBSIDIES REQUIRED BY ITALIAN LAW 124/2017, ARTICLE 1, PARAGRAPHS 125-129, AS AMENDED

Law no. 124 of 2017 (so-called annual law for the market and competition) introduced art. 1, paragraphs 125-129, new disclosure obligations regarding the transparency of received and granted public funds.
The following table highlights the information relating to contributions and other economic benefits received by Italian public administrations in the course of 2021:

Grants and loans at subsidised rates

Granting entity	Purpose	Subsidised rate	Amount financed
Ministry of Environmental Development	Grant for the Sora facility project		Total amount disbursed in 2021 equal to € 329 thousand as a supplement to the subsidised loan.

Note that on the basis of the most authoritative interpretations of the stated law, any payments, general measures or tax subsidies which can be used by all companies or generally by companies within specific sectors, such as the paper sector or sector of heavy energy user companies, were not considered. While the company holds that these stances are appropriate, it also decided to indicate the following incentives in these financial statements which can be enjoyed by all companies:

- energy efficiency certificates for € 3,341 thousand
- hydroelectric energy production incentives for € 2,465 thousand

Information about the financial risk management policy

The following information, pursuant to current accounting standard IFRS 7, is aimed at illustrating the impact that financial instruments have on the amount of risk exposure, providing details on measurements and mechanisms that the company has implemented to manage this exposure.

RELEVANCE OF FINANCIAL INSTRUMENTS WITH REFERENCE TO THE FINANCIAL POSITION AND THE ECONOMIC RESULT

The information relating to the importance of financial instruments on the financial position and economic result is presented separately below.

RELEVANCE OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET AND FINANCIAL POSITION

The following table shows the book value recorded in the statement of financial position for each financial asset and liability.

Financial instruments €/000	**31 Dec 2020**	**31 Dec 2021**
	Book value	**Book value**
Financial assets available for sale	792	-
Trade receivables and other receivables	127,632	218,096
Financial receivables	71,463	48,544
Cash and cash equivalents	45,392	127,027
Derivates:		
Assets	4,297	28,361
Liabilities	(267)	(387)
Lending from banks	(150,319)	(90,564)
Right of use liabilities	(2,842)	(2,159)
Loans from associated companies	(225,563)	(109,336)
Trade payables and other payables	(276,009)	(371,301)
Current loans from associated companies	(33,319)	(37,868)
Payables due to banks	(150,819)	(40,416)
	(589,562)	**(230,003)**

It should be noted that the values under the item “derivatives” include all derivatives accounted for following the hedge accounting rules regardless of the nature of the risk covered, and any derivatives for which the company has not availed itself, although the conditions existed, of the right to use hedge accounting and derivatives accounted for in FVTPL.
In the following analyses, the portion of derivatives designated to hedge the specific risk analysed will be selected from time to time.
In particular, in the liquidity risk analysis, only derivatives hedging financial liabilities are considered, excluding positions hedging the commodity risk.

After summarising the criteria and financial models used to estimate the fair value of the financial instruments shown above, further details will be provided about the individual financial items.

DERIVATIVE INSTRUMENTS

In general, the fair value of derivatives is determined on the basis of market prices, if available. If this reference is not available/accessible, fair value estimates are made on the basis of standard financial algorithms.
In particular, the fair value of positions in foreign exchange derivatives (forwards) and commodities is calculated by discounting the difference between the contractual price and the forward price restated on the basis of market conditions at end of the reporting period.

As of 31 December, the company had positions in derivatives on currency exchange and commodities such as gas and EUA emission rights.
For positions in derivatives on interest rates, if subscribed, different models are used depending on the type of instrument to be evaluated. In particular:

- for interest rate swaps, the discount cash flow model is used. The fair value is determined by discounting the estimated future cash flows on the basis of the interest rate conditions at the end of the reporting period;
- the Black & Sholes model is used for collars. The use of this model is widespread in practice and allows you to evaluate the fair value of the option by quantifying the probability of receiving a positive payoff.

In some cases, the company made use of appropriately verified and confirmed counterparty valuations to determine the fair value of the positions in interest rate derivatives.
The company as at 31/12/2021 has positions in derivatives on interest rates to hedge the interest rate risk deriving from medium and long-term financing contracts.

DETAILS ON FINANCIAL RISK HEDGING REPORTS

As part of the financial risk management processes, the Company enters into derivative contracts. Although these derivatives are traded for hedging purposes only, not all transactions are subject to hedge accounting rules.

DETAILS ON MARKET RISK HEDGING REPORTS

Among the exposures to commodities, the price risk deriving from the volatility of gas purchase prices was managed through the signing of contracts and setting the price with the counterparty.
As shown in the "Financial instruments" table, the fair value of derivatives generated financial assets for € 28,361 thousand (€ 4,297 thousand in 2020) and financial liabilities for € 387 thousand (€ 267 thousand in 2020).

INVESTMENTS IN EQUITY REPRESENTATIVE INSTRUMENTS

The fair value of the capital securities held to maturity and of the financial assets valued at FVOCI is determined on the basis of the official stock market prices recorded at the end of the reporting period.

DEBT SECURITIES

The value of the debt securities was determined by adding the current values, determined at the end of the reporting period, of all future cash flows including principal and interest. For the quantification of the interest rates of index-linked instruments, reference was made to the yield curve available at the end of the reporting period.

CAPITAL MANAGEMENT

No particular risks or relevant information connected to the management of the capital are reported.

FINANCIAL ASSETS

The tables below provide a breakdown of financial assets.

Non-current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**
Loans and receivables	11,415	14,647
	11,415	**14,647**

Current financial assets €/000	**31 Dec 2020**	**31 Dec 2021**
Loans and receivables	187,680	251,985
Cash and cash equivalents	45,392	127,027
Financial assets FVOCI	792	-
Current derivative assets	4,297	28,361
Financial assets for derivatives, current	-	8
	238,160	**407,381**

Loans and receivables include trade receivables, financial receivables from subsidiary companies, receivables from social security institutions, receivables from tax authorities and sundry receivables. The FVOCI financial assets, no longer present in the financial statements at 31 December 2021, represented shares listed on the Milan stock exchange.

FINANCIAL LIABILITIES

The table below provides a breakdown of financial liabilities.

Non-current financial liabilities €/000	**31 Dec 2020**	**31 Dec 2021**
Lending from banks	(146,963)	(88,677)
Loans from associated companies	(220,998)	(107,172)
Right of use liabilities	(1,976)	(1,384)
	(369,938)	**(197,232)**

Current financial liabilities €/000	**31 Dec 2020**	**31 Dec 2021**
Lending from banks	(3,356)	(1,887)
Loans from associated companies	(37,884)	(40,033)
Derivatives	(267)	(387)
Right of use liabilities	(866)	(775)
Payables due to banks	(146,854)	(39,783)
Trade payables and other payables	(279,974)	(371,934)
	(469,200)	**(454,799)**

OTHER ADDITIONAL INFORMATION

The Company did not carry out any reclassification of financial assets, changing the measurement criteria relative to the same.
As a consequence, no remeasurement was done. Additionally, no assets were transferred that did not involve elimination from the accounts.

IMPACTS ON THE STATEMENT OF PROFIT/(LOSS) FOR THE YEAR OF THE FINANCIAL INSTRUMENTS

To highlight the impact financial instruments have on the result for the year, the following tables are provided.

Financial income recognised in profit and loss €/000	**31 Dec 2020**	**31 Dec 2021**
Interest income from current account	1,833	1,020
Other income	128	573
	1,961	**1,593**
Interest expense from current account	(1,975)	(2,217)
Interest expense on mortgages	(10,865)	(5,514)
Charges due to suppliers	(1)	(1)
Factoring commissions	(361)	(339)
Exchange losses	(42)	(416)
Other expense	(9,851)	(10,982)
	(23,097)	**(19,469)**
Dividends from subsidiaries and associated companies	18,079	21,630
Net income (expense) from discounting	(154)	(61)
	(3,210)	**3,693**

Financial income and expense recognised in shareholders' equity €/000	**31 Dec 2020**	**31 Dec 2021**
Change in cash flow hedge reserve	1,008	18,225
Change in FVOCI securities revaluation reserve	(239)	343
	769	**18,568**
recognised to:		
Cash flow hedge reserve	1,008	18,225
Fair value revaluation reserve	(239)	(331)
	769	**17,893**

It should be noted that the change in the Cash Flow Hedge reserve is shown net of deferred taxes for the year.

CREDIT RISK

This section describes credit risk exposures and methods used to manage them in qualitative and quantitative terms.

RISK EXPOSURE

As of the reporting date, the Company's exposure to credit risk was as follows:

Exposure to credit risk €/000	**31 Dec 2020**	**31 Dec 2021**
Financial assets FVOCI	792	-
Trade receivables and other receivables	197,934	265,706
Cash and cash equivalents	46,553	127,952
	245,279	**393,659**

TRADE RECEIVABLES AND WRITE-DOWN CREDITS

Positions are subject to individual impairment when an objective situation of partial or full non-collectability is determined, if individually significant.
For credits that are not subject to an individual devaluation, funds are allocated on a collective basis, taking into account historical experience and statistical data.
Changes in the provision for impairment of trade receivables are summarised in the table below:

Provision for impairment of financial assets €/000	**31 Dec 2020**	**31 Dec 2021**	**Change**
Balance at start of period	(38,119)	(39,107)	(988)
Uses	453	592	139
Provisions	(1,442)	(5)	1,437
Other changes	(0)	-	0
	(39,107)	**(38,520)**	**587**

CONCENTRATION OF CREDIT RISK

There are no particular risks deriving from concentration of credit, as shown in the table below.

Breakdown of risk by customer type €/000	**31 Dec 2020**	**31 dDec 2021**
End consumers	72,521	124,824
Other group companies	102,424	107,692
Credit institutions	46,553	127,952
Tax authorities	3,183	3,299
Others	20,598	29,891
	245,279	**393,659**

CREDIT RISK MANAGEMENT METHOD

Trade receivables and other receivables

Within the context of its normal credit management activities through the dedicated department, the Company has established an internal credit risk management process with the aim of defining every customer's creditworthiness and carefully monitoring overdue items. With regard to the assessment of creditworthiness, functional for the assignment of a credit line and the opening of a commercial relationship, the internal procedures require that qualitative and quantitative information be collected and analysed. Customer credit levels are periodically reviewed using a process that also makes use of historic solvency information. Customers are classified according to two levels of scoring to differentiate between reliable and unreliable customers. Customers at risk are subjected to strict controls and any future orders are processed with the approval of the Credit Committee. Risk control is based on constant analysis of customers with overdue items or who have exceeded their credit limits, monitored daily for activation of corrective actions, which range from blocking orders to legal action.
In 2021, the company hedged itself against the credit risk for Italian clients by entering into credit insurance contracts with leading insurance companies.

Financial investments

The company limits its exposure to credit risk by investing exclusively in highly liquid securities and only with counterparties recognised as reliable by the market.
As of 31 December 2021, the company has no exposure to securities.
Among financial assets, there are investments in managed savings made with Italian banking counterparties of recognised reliability.

WARRANTIES

The Company's policies provide for the issue of financial guarantees to affiliates.

MARKET RISK

Market risk is defined as the possibility that the fair value or cash flows associated with a given financial instrument fluctuate as a consequence of changes in market variables, such as exchange rates, interest rates, raw materials prices or stock market prices.
The market risk to which the Company was exposed during the year just ended can be classified as follows:

- exchange risk;
- interest rate risk;
- commodity risk.

Below is an analysis of the significance of these risks and the methods used to manage them.

EXCHANGE RISK

The Company holds part of its trade receivables/payables in currencies other than Euro; it also took out short-term loans in foreign currency.
The exchange risk management policy requires that the use of derivative instruments must be made for the sole purpose of hedging the risk.
The derivative instruments in existence as at 31 December 2020 used to manage the exchange rate risk are represented solely by forward contracts for the purchase/sale of foreign currency. Even if hedging, the accounting treatment of these derivatives does not follow the rules of hedge accounting, because the strictness of this treatment would affect the operational efficiency of the hedges. The foreign currencies in which the Company operates are NOK, DDK, SEK, CHF, JPY, PLN, AUD, GBP and USD, with the clear prevalence of the last three representing almost all trade items in foreign currency.

CURRENCY RISK SENSITIVITY ANALYSIS

In order to measure the possible effects on the statement of financial position and on the statement of profit/(loss) for the year attributable to changes in the exchange rate recorded at the end of the year, a change was assumed at 31 December 2021 of the value of the Euro against the foreign currencies of reference.
In particular, a shock of 10% was applied to both an increase and a decrease in the Euro exchange rate, highlighting the additional profit or loss compared to the market scenario of risky items which in this case are represented by trade payables and receivables as well as foreign exchange derivatives.
Since the exchange rate derivatives are not accounted for following the logic of *hedge accounting*, the impact of these transactions - like trade receivables/payables - is felt exclusively on the profit or loss for the year and therefore on the statement of profit/(loss) for the year.
The net impact on the result for the year resulting from a shock of +/- 10% would have been respectively € -2,031 thousand (€ -939 thousand in 2020) and € +2,482 thousand (€ +1,147 thousand in 2020).

EXCHANGE RISK MANAGEMENT METHOD

In relation to the commercial activity, the Company carries out sales and purchases in foreign currency, currently mainly denominated in USD, GBP and AUD.
Hedging policies are therefore mainly focused on the stipulation of forward contracts against the Euro.
Furthermore, other currencies are also *periodically monitored*, which can be used as billing currencies on an ongoing basis or spot.

GENERAL ASPECTS

Hedges are made on the basis of the estimate of future cash flows in foreign currency on the basis of invoicing assets and liabilities and taking into account *the budget forecasts*.

EXCHANGE RATE RISK MANAGEMENT POLICIES

The peculiarities of the Company's business make it possible to draw up forecasts relating to financial events in terms of flows in foreign currencies.
The estimates of the flows must present all the formal requirements, in terms of amount, currency, date of manifestation and status relating to the probability of manifestation, necessary for the production of the exposure measures.
Exchange risk hedging operations are carried out in compliance with the principles of the so-called *cash flow hedge*, consisting in neutralising the effects induced by a change in the exchange rate on the value in Euro of a *cash flow* denominated in foreign currency.
The hedging policies are managed exclusively through the use of *forward* contracts (forward sales/purchase of currency) and exchange options (right to buy/sell forward currency) to ensure a more flexible hedge than the forward contract.
Currently, exposure to foreign exchange derivatives falls within the *forward* type.

RISK OF INTEREST

The financial liabilities that expose the Company to interest rate risk are medium/long-term variable rate loans.
As far as asset are concerned, the items sensitive to interest rate risk are:

- a loan to a subsidiary company indexed to the variable 6-month Euribor rate;
- shareholder loans to a company in which a shareholding is held, classified as an equity investment in other companies.

These assets are classified as "held to maturity" and do not generate effects on the statement of profit/(loss) for the year/statement of financial position except for the effect of cash flows collected (financial income), discounting of their value and (any) permanent losses in value for which recourse to *impairment* is necessary.
The following table identifies the positions subject to interest rate risk.

Positions with interest rate risk €/000	**31 Dec 2020**	**31 Dec 2021**
Fixed rate financial instruments		
Fixed rate loans	(329)	(366)
	(329)	**(366)**
Variable rate financial instruments		
Financial assets		
Non-current guarantee deposits	5,935	7,361
Financial instruments with positive FV	4,297	28,370
Loans to associated companies	2,800	2,800
Loans to others	2,680	4,486
Financial liabilities		
Derivatives with negative FV	(267)	(387)
Variable rate loans	(375,552)	(199,534)
Current account advances	(150,819)	(40,416)
Financial leasing	(2,842)	(2,159)
	(513,768)	**(199,479)**
	(514,097)	**(199,113)**

SENSITIVITY ANALYSIS ON THE RISK OF INTEREST

An analysis was carried out to determine the impacts on the statement of profit/(loss) and on the statement of financial position caused by a parallel *shift* in the interest rate curve estimated at 31 December 2021 of +/- 100 *basis points*.
The analysis was carried out assuming that the other variables, in particular exchange rates, are constant and was carried out using the same assumptions as in 2020.
At 31 December 2021, the company had *interest rate swap* derivative instruments.
Hedging instruments have a notional amount as at 31 December 2021 of € 199,800 thousand and allow the coverage of the medium and long-term debt on which the company's debt is concentrated. As a result of this, the effect on the operating result of the assets and liabilities indexed at a variable rate is to be considered insignificant.

INTEREST RISK MANAGEMENT METHOD

General aspects

As part of its economic production activity, characterised by the fact that it is a *capital intensive* activity, the company makes investments for production purposes through resorting to debt. In this context, it carries out financial hedging operations according to the *cash flow hedge* philosophy, consisting in neutralising the effects induced by a rise in rates on the cost that the company has to incur to service the debt.
The general objectives of a hedging operation therefore respond to the management purpose of transforming a cost of variable rate debt into a fixed rate cost, or to reduce its variability.

Interest risk management policies

Medium/long-term hedges are possibly organised on the basis of projections developed over a multi-year time span elaborated on the basis of economic and financial budgets and *cash flow* and net financial position projections. The hedged amount can vary from 0% to 100% of the notional value of the hedged instrument and be structured for a time period that generally varies between a minimum of 3 years and a maximum of 6 years (equal to the current maximum duration of the financing).

COMMODITY RISK

The *commodity* risk for the company is mainly inherent in the purchase of gas and to a lesser extent in the purchase/sale of electricity and the purchase of carbon dioxide emission rights.

GAS PRICE RISK

In order to supply its various plants with the electricity necessary for production, the Company has various contracts to purchase gas.
Given the variable nature of the price of the *commodity*, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties.
At 31 December 2021, the Company had gas purchases with the following characteristics in effect:

- fixed price purchases;
- variable price purchases on the basis of the spot gas price recorded on the Italian PSV market.

DERIVATIVES HEDGING THE FUEL RISK AND THE PRICE OF ELECTRICITY

Among the exposures to commodities, the price risk deriving from the imbalance between indexed purchases and sales is partly managed, also through the subscription of *commodity* swaps. The use of derivative instruments was carried out by applying the hedge accounting methodology, in compliance with the provisions of IFRS 9.

ELECTRICITY PRICE RISK

In order to supply the various plants with the electricity necessary for production, the Company has an electricity purchase contract in place from the subsidiary company Burgo Energia srl. Given the variable nature of the price of the *commodity*, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties.
As of 31 December 2021, the Company has not purchased electricity at a fixed price.

PRICE RISK OF CARBON DIOXIDE EMISSION RIGHTS

In order to supply the various establishments with the carbon dioxide emission rights necessary for the fulfilment of the obligations deriving from the ETS scheme, the Company has contracts for the purchase of shares from the subsidiary Burgo Energia srl.
Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties.
As of 31 December 2021, the Company has purchases emission rights at a fixed price through the subscription of forward purchases.

COMMODITY RISK SENSITIVITY ANALYSIS

In order to measure the possible effects on the Statement of financial position and on the statement of profit/(loss) for the year attributable to changes in the value of carbon dioxide emission rights, a change was assumed, as at 31 December 2021, of the value of the EUA shares of +/- 10%.
The impact on the statement of profit/(loss) for the year resulting from this shock would be respectively € -0.3 million (€ -0.2 million at 31 December 2020) and € +0.3 million (€ +0.3 million at 31 December 2020).
A sensitivity analysis is not carried out on the gas price risk and on the price of electricity since all the assets and liabilities recorded in the financial statements at 31 December 2021 related to them are recorded at a fixed price.

COMMODITY RISK MANAGEMENT METHOD

General aspects

The Company's strategic objective is to stabilise profit margins in terms of reducing risks associated with volatility in electricity purchase/sales prices and purchase prices of materials used in production processes, in order to minimise exposure to the correlated risk and losses.
With an eye to continuously reducing loss risks, the Company has the simultaneous objective of minimising costs associated with obtaining its production factors.
When negotiating financial contracts for raw materials, the Company does not have the ability to take risk positions on the *commodities* market. These contracts will have the sole purpose of reducing the risk of an increase in the purchase prices of the production factors used in production processes.
Relative to risk monitoring, the Company applies a quantitative measure for risks, both with reference to analysing exposures and to measuring the efficacy of derivatives negotiated for hedging purposes.

Commodity risk management policies

Management of risks associated with oscillations in the prices of *commodities* includes the involvement of several administrative departments within the Company. These include, in addition to those already cited, the Purchasing Department and the Sales Department. In determining its hedging strategy and with reference to the various types of supply contracts, the Company implements mitigation strategies with the objective of stabilising its profit margin.

With reference to the procedures used to estimate exposure to risks associated with *commodities*, the following elements are considered:

- nominal quantities, that it is the quantity recognised within physical and financial contracts;
- *fair value/stop loss*, that is the amount calculated on the basis of the current value of future financial flows generated by the contract as a function of price indexing rules. *Stop loss* identifies the largest sustainable loss in terms of *fair value*; in addition to this threshold, the position must also be closed with a symmetrical contract in the opposite direction;
- the change in the value of the position following a marginal variation in the price of energy (only for variable price contracts);
- the change in the value of the position following a marginal variation in the price of the commodities (only for indexed price contracts).

LIQUIDITY RISK

Liquidity risk is the risk that the Company will have difficulty complying with its future obligations relative to financial liabilities.
Risk analysis is done with the aim of quantifying *cash flows* deriving from the various types of financial liabilities held by the Company at 31 December 2020, at each contractual repayment date.
Financial liabilities have been broken down into non-derivative financial liabilities and derivative financial liabilities, based on their nature. For the latter, given the difference in accounting treatment, it was necessary to carry out a further classification based on whether or not the derivative is classified as a hedging instrument according on the accounting standards.
Relative to cash flow maturities, given the nature of the Company's monetary cycle it was held expedient to group payments into half-yearly *payment buckets*.
Below is a summary of the analysis carried out on derivative and non-derivative financial liabilities as at 31 December 2020.

31 Dec 2021 €/000	**Book value**	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
Non-derivative financial liabilities:						
Loans	199,900	247	3,805	12,080	177,441	6,327
Trade payables and other payables	371,301	371,301	-	-	-	-
Right of use liabilities	2,159	408	366	1,134	176	74
Derivative financial liabilities:						
Derivatives	387	194	194	-	-	-
Forward foreign exchange contracts	-	-	-	-	-	-
	573,747	**372,150**	**4,365**	**13,214**	**177,617**	**6,402**

LIQUIDITY RISK MANAGEMENT METHOD

General aspects

The Company's approach to liquidity management is aimed at guaranteeing, as much as possible, that there are always sufficient funds available to comply with obligations when maturity dates are reached.

Liquidity risk management policies

The Company performs liquidity analysis as a function of budget forecasts, determining short, medium and long-term cash flows.
Estimates are periodically reviewed to ensure there is adequate on demand cash and cash equivalents to cover operating expenses forecast for the short term (around 3 months).
For short-term financial needs, credit lines are available for a value of approximately € 192 million used at 31 December 2021 for a total of approximately € 92.5 million, equal to 48%. Please refer to the events that occurred after the end of the financial year for changes in the availability of short-term credit lines.
For long-term financial needs, the Company has loans of approximately € 200 million (€ 376 million at 31 December 2020).

Auditing firm report

Building a better working world

Burgo Group S.p.A.

Financial statements as at December 31, 2021

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

Building a better working world

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

To the Shareholders of
Burgo Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Burgo Group S.p.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report.
We are independent of the Group in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Burgo Group S.p.A. or to cease operations, or have no realistic alternative but to do so.
The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Burgo Group S.p.A. are responsible for the preparation of the Report on Operations of Burgo Group S.p.A. as at December 31, 2021, including its consistency with the related financial

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statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Burgo Group S.p.A. as at December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Burgo Group S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Verona, April 13, 2022

EY S.p.A.

Signed by: Daniele Tosi, Auditor

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

Report of the board of statutory auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE OCCASION OF THE APPROVAL OF THE FINANCIAL STATEMENTS ENDING 31 DECEMBER 2021 DRAWN UP IN COMPLIANCE WITH ART. 2429, PAR. 2, of the Italian Civil Code

To the Shareholders of Burgo Group S.p.A.,

During the year ended 31 December 2021, our activity was inspired by the provisions of the law and the Rules of Conduct of the Board of Statutory Auditors of unlisted companies issued by the National Council of Chartered Accountants and Accounting Experts, published in December 2020 and in force from 1 January 2021.

With this report, we inform you of this activity and the results achieved.

The financial statements of Burgo Group S.p.A. as at 31.12.2021 have been submitted for your perusal, drawn up in application of the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, taking into account the amendments and new standards that came into force from 1 January 2021, which govern their drafting, which shows a positive operating result of Euro 72,949,573. The budget was made available to us within the deadline envisaged by law.

The person in charge of the statutory audit of EY S.p.A. has delivered its report dated 13 April 2022 containing an unchanged opinion.

According to what is reported in the report of the person in charge of the statutory audit, the financial statements at 31.12.2021 represent in a true and fair way the equity and financial position as well as the economic result and cash flows of your Company; in addition, it has been drawn up in compliance with international standards governing their drafting.

The Board of Statutory Auditors, not being in charge of the statutory audit, carried out on the financial statements the supervisory activities envisaged in Rule 3.8 of the"Rules of conduct of the board of statutory auditors of unlisted companies" consisting of an overall synthetic control aimed at verifying that the financial statements have been correctly drawn up. Verification of compliance with accounting data is in fact the responsibility of the person in charge of the statutory audit.

1) Supervisory activity in compliance with arts. 2403 et seq. of the Italian Civil Code

We monitored compliance with the law and the statute, compliance with the principles of proper administration and, in particular, the adequacy of the organisational structures, the administrative and accounting system and their concrete functioning.

We have participated in the shareholders' meetings and the meetings of the board of directors and, based on the information available, we have no particular findings to report. We have acquired from the administrative body in due advance and also during the meetings held, information on the general management trend and its foreseeable evolution, as well as on the most important transactions, due to their size or characteristics, performed by the company and, on the basis of acquired information, we have no particular observations to report.

The Board of Statutory Auditors points out that during the year the Company sold the Verzuolo plant for approximately Euro 360 million, which created a capital gain of approximately Euro 118 million.

We promptly exchanged data and information with the statutory auditor relevant to the performance of our supervisory activity.

We met with the supervisory body and no critical issues emerged ,with respect to the correct implementation of the organisational model, that should be highlighted in this report.

We have acquired knowledge and monitored the adequacy of the organisational structure and its concrete functioning also through the collection of information from the heads of the functions and in this regard we have no particular observations to report.

We have acquired knowledge and monitored, to the extent of our competence, the adequacy and functioning of the administration and accounting system, as well as the reliability of the latter in correctly representing management events, by obtaining information from the managers of the functions and the examination of company documents, and in this regard, we have no particular observations to report.

No complaints have been received from the shareholders pursuant to art. 2408 of the Italian Civil Code

We have not made any reports to the administrative body pursuant to and for the purposes of art. 15 of legislative decree 118/2021.

During the year, the Board of Statutory Auditors did not issue any opinions in accordance with the law.

During the supervisory activity, as described above, no other significant facts requiring mention in this report emerged.

2) Remarks on the financial statements

From what is reported in the report of the person in charge of the statutory audit, "*the financial statements provide a true and fair view of the equity and financial position of Burgo Group S.p A. as at 31.12.2021 and the economic result and cash flows for the year ended on that date in compliance with the international rules governing the drafting criteria*".

To the best of our knowledge, the directors, in drawing up the financial statements, did not derogate from the provisions of the law in compliance with art. 2423, PAR. 5 , of the Italian Civil Code,

3) Remarks and proposals regarding the approval of the financial statements

Considering the results of the activity carried out by us and the opinion expressed in the audit report issued by the person in charge of the statutory audit, we invite the Shareholders to approve the financial statements closed on 31 December 2021, as drawn up by the directors.

The Board of Statutory Auditors agrees with the proposal for the allocation of the result for the year formulated by the directors in the explanatory notes.

Milan, 13 April 2022

The Board of Statutory Auditors

Dr. Roberto Spada and Chairman
Dr. Franco Corgnati - Regular Auditor
Dr. Fedele Gubitosi - Regular Auditor

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