FINANCIAL STATEMENTS

2022

BURGO GROUP

Financial statements at 31 December 2022

Burgo Group structure

91.70%
BG Holding S.r.l.

4.03%
Mediobanca S.p.A.

2.13%
Ocorian Fund Management S.à r.l.
(Generali Financial Holding FCP-FIS SUB)

2.13%
Italmobiliare S.p.A.

0.01%
Minority Shareholders[1]

Note that the Burgo Group S.p.A. holds under management no. 1,968 shares on behalf of unknown shareholders

Equity investments

100.00%	BURGO DISTRIBUZIONE S.r.l.
100.00%	BURGO ARDENNES S.A. (B)
0.20%	S.E.F.E. S.à r.l. (F)
100.00%	MOSAICO S.p.A.
50.82%	CONSORZIO ENERGY PAPER S.c.a.r.l.
100.00%	BURGO ENERGIA S.r.l.
100.00%	GEVER S.p.A. in liquidation
90.00%	BURGO FACTOR S.p.A.
100.00%	BURGO BENELUX S.A. (B)
100.00%	BURGO FRANCE S.à r.l. (F)
100.00%	BURGO UK Ltd (UK)
100.00%	BURGO CENTRAL EUROPE GmbH (D)
100.00%	BURGO NORTH AMERICA Inc (USA)
100.00%	BURGO EASTERN EUROPE Sp. z o.o. (PL)
51.00%	BURGO RECYCLING S.r.l.
100.00%	CARTIERA DUINO S.r.l.

BURGO ARDENNES S.A. (B):

BURGO IBERICA PAPEL S.A. (E)	100.00%
S.E.F.E. S.à r.l. (F)	99.80%

MOSAICO S.p.A.:

CONSORZIO ENERGY PAPER S.c.a.r.l.	17.21%

- Sales and distribution
- Paper manufacturing
- Energy production and sales
- Financial assets
- Forestry resource management
- Interruptibility service
- Pulp management

Burgo Group S.p.A.

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 2022 - 2024)
EY S.p.A.

Burgo Group S.p.A.

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

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REPORT ON OPERATIONS

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The Group and the market

The last year was characterised by the global challenges associated with the geopolitical uncertainty arising from the conflict between Russia and Ukraine. The war had negative repercussions on global economic growth, which according to the latest calculations stands at 3.1% for 2022, with a downward projection for 2023.
Another characteristic element of 2022 was the spike in inflation which, after remaining in line with the targets set by the central banks for many years, soared to very high rates. The OECD average for the year just ended is expected to be around 9.4%. The very high inflation rate negatively impacted growth prospects, also as a result of the countermeasures adopted by the central banks. The rise in energy prices was only one of the causes behind the inflationary dynamics, as other factors such as the reorganisation of global supply chains and the reshoring of certain manufacturing activities after the pandemic, as well as the effects of certain energy transition policies also contributed to the inflationary peaks reached in 2022.

The monetary policies adopted by the central banks - particularly by the FED and the ECB - aimed at stabilising prices are having the negative collateral consequence of slowing economic growth globally and in the Eurozone as a result of restrictive policies. In Europe, the increase in public spending to support European economies combined with the rise in interest rates poses another challenge to the finances of Member States, particularly those with a high level of public debt.

In a context dominated by the uncertainties caused by the war between Russia and Ukraine and with the aftermath of the Covid-19 pandemic not yet entirely overcome, the impacts of the economic sanctions imposed by western countries on Russia are particularly significant and have been met with countermeasures, further exacerbating tensions on the energy markets. Oil and natural gas prices rose respectively by around 50% and 400% in 2022. The drop in prices, at least compared to the peaks, recorded towards the end of the year was due to falling demand and mild weather, which resulted in lower natural gas consumption.

It should also be noted that the price rises were not restricted to energy products and were seen across a great number of other commodities such as wheat, palm oil, and starch.

Another phenomenon that characterised the past year was the problems seen on global supply chains. Critical issues that impacted the world economy during the most acute phase of the pandemic in 2020 continued to persist, resulting in slowdowns along

the value chains. In particular, in the first part of the year supply chains continued to be affected by problems associated with an uneven global economic recovery. However, these pressures showed signs of improvement in the second half of the year: delivery times fell, port congestion improved and order backlogs were cleared. The drop in energy prices towards the end of the year and the improvement in the supply chain situation, along with the reduction in demand, caused the producer price index (PPI) to fall somewhat in the latter part of the year, although a return towards the targets set by the central banks may still be some way off.

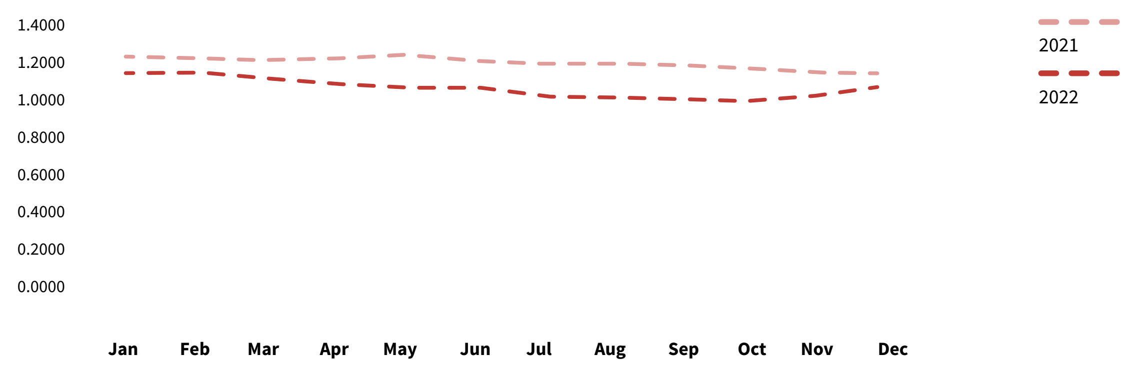
With regard to the macroeconomic events that affected the Group's core markets in 2022, it should be noted that on the European and Italian markets, inflation was not only influenced by the increased prices of energy and other commodities, but also by the dynamics of the services sector, which was more stable. The prospects of downward inflation that emerged in the latter part of the year are partially held back by the weight of these two components, giving rise to the assumption that overall inflation will fall but will nonetheless remain at significantly higher levels than in previous years. In Italy, the trend of the Industrial Production Index, while not returning to pre-pandemic levels, showed clear signs in 2022 that the country's industrial system is withstanding the effects of the geopolitical and macroeconomic turmoil, albeit with the variations that characterise the system as a whole. Finally, a note on consumer confidence: while the outbreak of the war between Russia and Ukraine and increasing concerns about rising prices initially led to a pronounced drop in confidence in 2022, there were hints of recovery in the latter part of the year with the first signs that inflation may fall in the coming months.

Focusing on Italy, GDP growth in 2022 is currently valued at +3.8%, with sustained growth in the first two quarters of the year and a progressive slowdown in the third and fourth quarters. The increase in domestic household demand and investment demand was a strong positive force in this regard, continuing the positive post-pandemic trend. Meanwhile, exports - which typically contribute positively to GDP - were more than offset by higher imports in 2022. The 2023 forecasts provided by macroeconomic models point towards a major reduction in growth, particularly at the start of the year, due to the slowdown of the global economy, the reduction in investments and the negative impacts of interest rate hikes. However, price tensions are expected to ease as inflation is set to move towards the targets set by the central banks, in part due to the halt on energy price rises.

Forecasts are nevertheless exposed to a highly uncertain scenario and there are considerable upside and downside risks. Factors such as geopolitical tensions, energy price variations, reduced tensions along the supply chain, the monetary policy adopted by the ECB, household consumption trends, investments and the implementation of the NRRP may lead to major changes in 2023. In this geopolitical and macroeconomic context, at the time of writing the 2023 outlook for Italy estimates GDP growth at 0.6% and inflation at 7.1%, compared to +8.2% in the previous year.

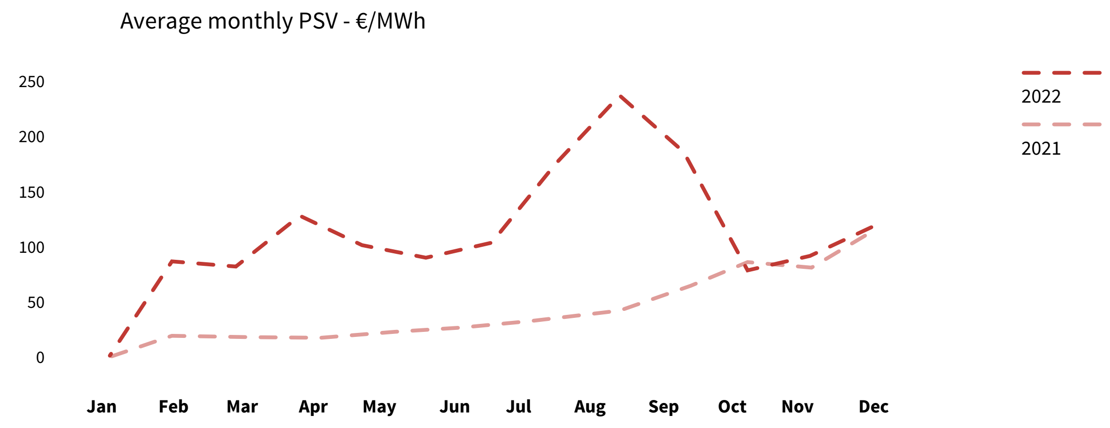
The policy adopted by the FED - which was quicker to raise interest rates than the ECB - led to the progressive depreciation of the Euro against the US Dollar in 2022 until October of the same year, at which point the Euro began to recover. On average, the 2022 exchange rate was USD 1.053 to EUR 1, compared to an average exchange rate in 2021 of USD 1.18 to EUR 1, with an average depreciation of the Euro of 10.8%. Compared to the 2022 opening prices, which stood at USD 1.14 to EUR 1, the value of the Euro was down by 6.1% at year-end (USD 1.067 to EUR 1).

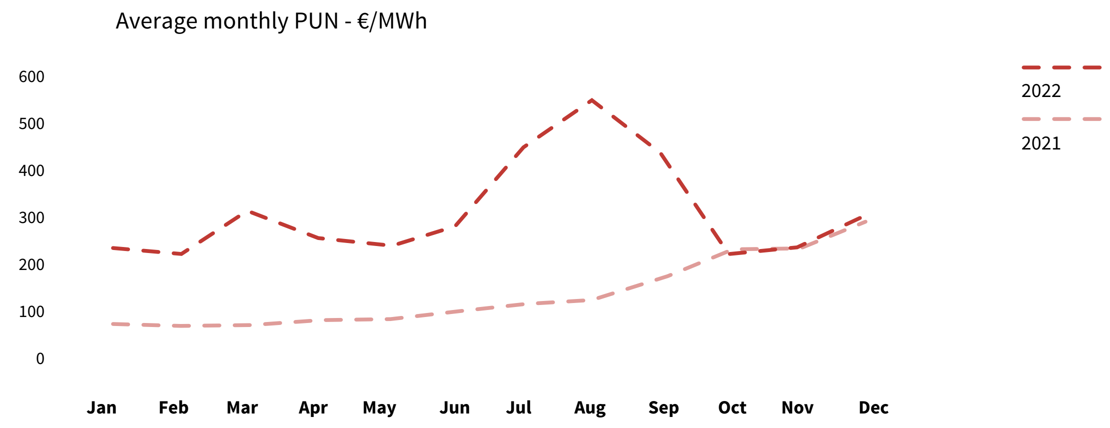
EUR/USD Exchange Rate - monthly average

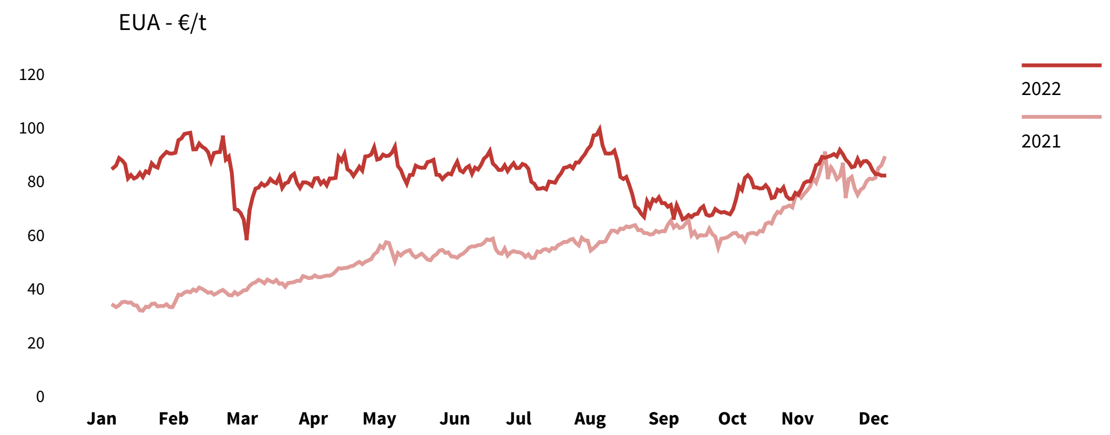


Energy markets in 2022 were characterised by extremely high prices across all energy commodities, which recorded unprecedented price increases that were significantly influenced by geopolitical tensions. The increases in the year led natural gas and electricity to reach record levels.

In particular, Brent crude oil rose year-on-year to an average of USD 103.8/bbl (USD 70.7/bbl in 2021; +47%). The year-on-year trend shows prices that are consistently higher than 2021 levels, with the highest peaks recorded in March and June and a gradual retreat towards the values of the beginning of the year during the second half of the year. A similar trend was witnessed on the natural gas market, where the prices of the main hubs reached record highs, setting a new consecutive all-time high in 2022 after the previous record set in 2021. The annual dynamic saw an initial high in March and then new highs in the summer, coinciding with Russia's supply cuts in connection with tensions associated with the war. The Italian PSV price averaged €125.4/MWh (€47.0 MWh in 2021; +166.8%) while the TTF price averaged €124.7/MWh (€46.5/MWh in 2021; +168.2%), with annual peaks in August and a monthly average of around €230/MWh. On the Italian electricity market, the average annual PUN (National Single Price) reflected the natural gas trend to reach an all-time high of €303.95/MWh (€125.46/MWh in 2021; +142.3%), continuing the upward trend already started in 2021. The PUN peaked in August at €543/MWh, gradually fell in the following months after the reduction in gas prices and then rose again, especially between the end of November and the first half of December, as a result of new rises in gas prices.







In 2022 the Burgo Group conducted its business amid a highly uncertain economic and geopolitical context, dealing with tensions on the energy and raw materials markets and continuing its strategy to focus production on business segments characterised by higher growth rates such as speciality and packaging papers. In August the Group laid the foundations for the sale (completed in early 2023) of the Duino facility which specialised in the production of graphic paper. The operation, which followed the sale in 2021 of the Verzuolo plant, will help to accelerate the process to reposition the Group's business on production areas with higher growth rates and better margins.

In the first part of the year the Group benefited from very strong demand: this was partly due to the temporary drop in production among several northern European manufacturers due to industrial action in the first months of the year, as well as to the lower influx of paper from competitors in Asia as a result of general problems in the global supply chain. In the second half of the year demand fell due to destocking actions by many clients. In this context, total sales volumes at Group level, considering the same reporting boundary, fell by 9.9% compared to the previous year, especially due to the drop in demand for graphic paper which fell significantly after the summer.

As mentioned in detail above, the year was characterised by significant pressures caused by rising costs of raw materials and energy. In particular, compared to the previous year, the higher prices of raw materials resulted in increased costs of approximately € 243 million while the increase in natural gas and CO2 emission rights costs had an impact of around € 194 million and € 9 respectively.

To offset these negative trends, commercial actions were taken on both prices and the sales mix which, along with measures to optimise supplies and improve productivity, enabled the Group to record a 29.9% increase in turnover compared to 2021 (considering the same reporting boundary this increase was +40.9%) and a gross margin of 13.4%, a sharp increase on the 3.5% recorded in the previous year on comparable data (excluding non-recurring charges and restructuring expenses). Margins measured on the Group's pulp and paper turnover also increased from 4.2% in 2021 to 16.2% in the current financial year.

On the debt front, the financial situation showed a marked improvement compared to previous years, with the Group ending the year with a positive net financial position of around € 12 million.

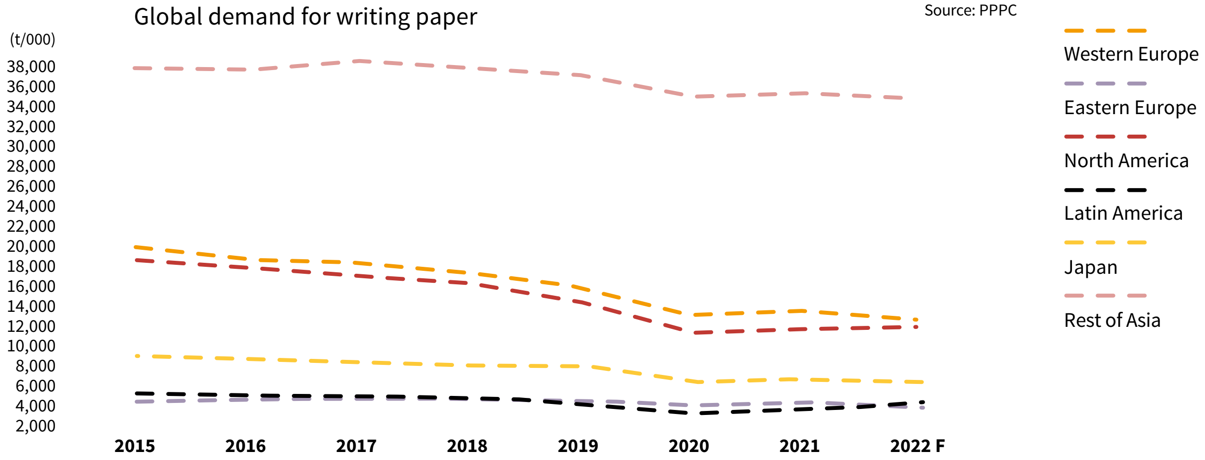
In the graphic paper segment, an area where the Burgo Group is progressively reducing its presence but which nonetheless continues to represent its core business segment, in 2022 demand fell by 1.3% globally (+2.9% in 2021) and by 6% in Western Europe (+3.4% in 2021). Performance on the other main global markets showed the following trends: North America +2.3% (compared to +2.9% in 2021), Latin America +16.5% (compared to +12.3% in 2021), Japan -3.1% (compared to +1.7% in 2021), Eastern Europe -10.8% (compared to +7.2% in 2021), China -7.5% (compared to +0.7% in the previous year). Within the graphic paper sector, the Western European market, which represents the Group's main market, recorded declines across all segments: CM -13.8%, CWF -0.2% and UWF -3.0%.

In the containerboard segment, characterised for many years by constant growth, the first signs of a decline emerged in 2022 compared to 2021 linked to the macroeconomic context, with a fall of -3.7% (compared to +5.4% in the previous year).

Despite the extremely complex macroeconomic and geopolitical context and the many critical issues and risks associated with it, the positive performance achieved has confirmed the validity and strength of the strategic decisions and direction taken by the Group through investments to develop growing sectors such as speciality paper and packaging, and through the pursuit of a long-term sustainability target.

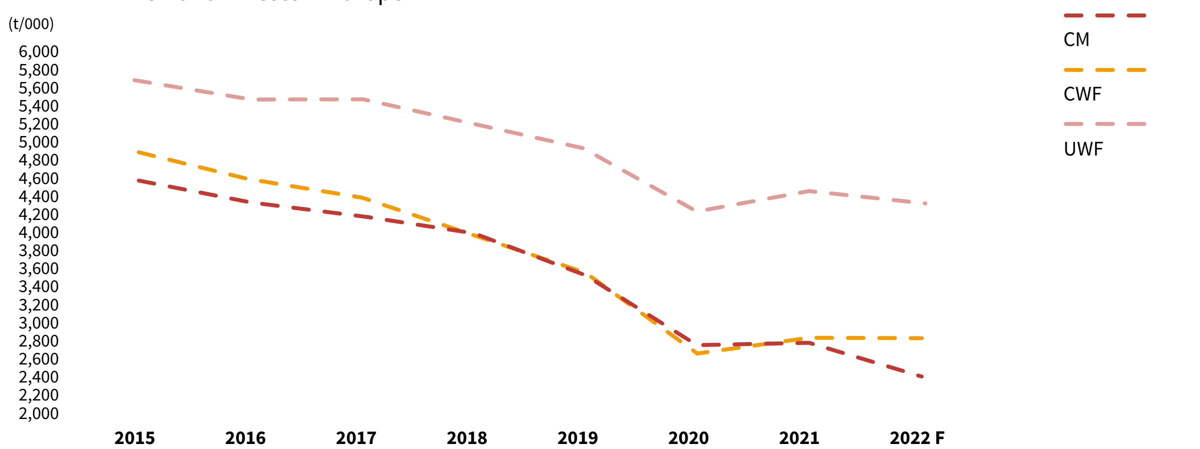
Global demand for writing paper

Source: PPPC



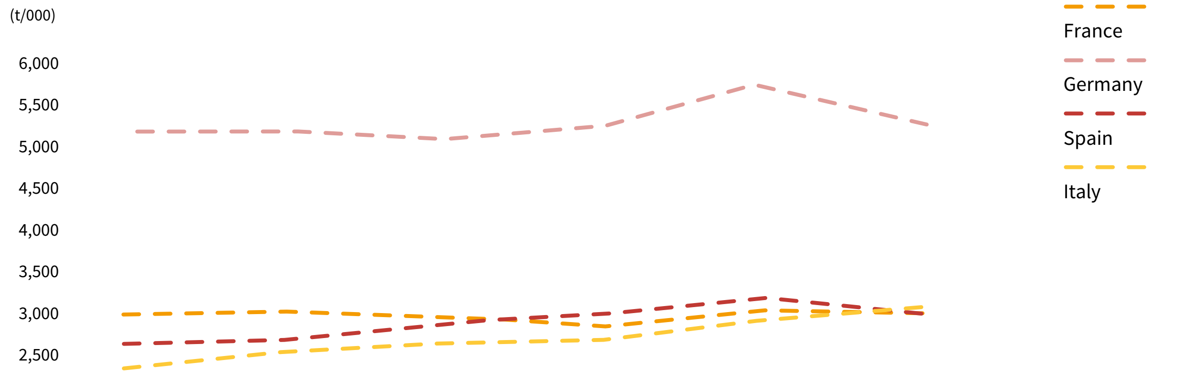
Demand - Western Europe

Source: PPPC



Demand – Western Europe Containerboard

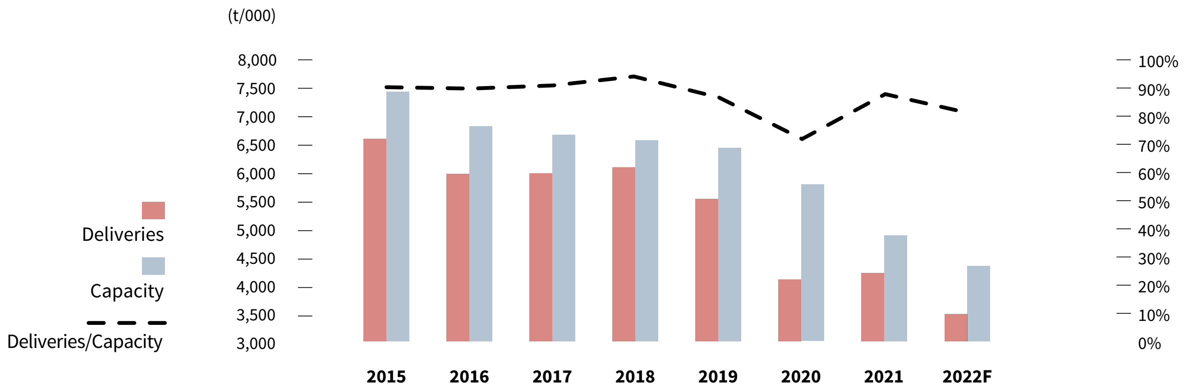
Source: CEPI Containerboard



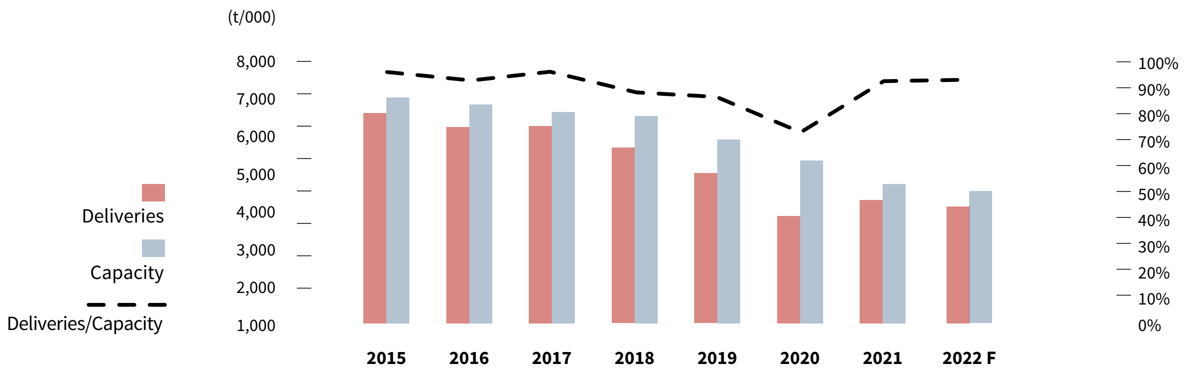
Use rate of production capacity in Western Europe

Coated mechanical

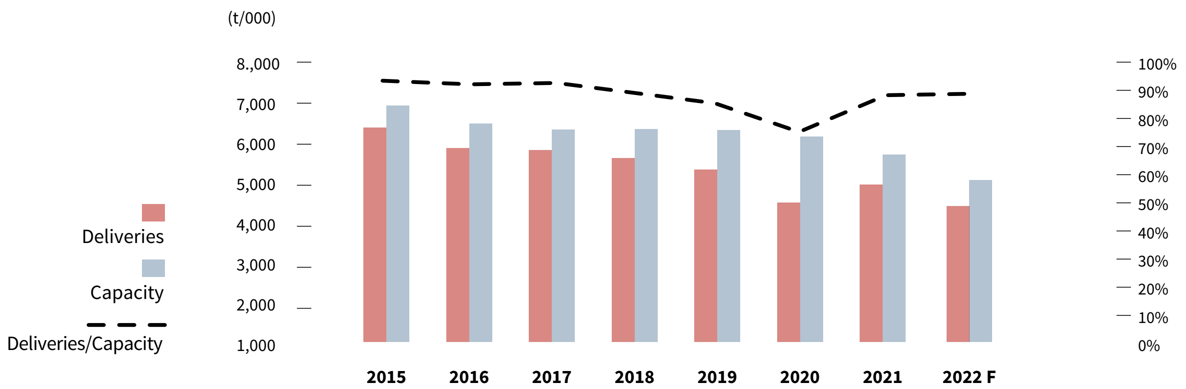
Source: Eurograph



Coated woodfree paper



Uncoated woodfree



Development lines and management outlook

After a 2022 financial year characterised by the unforeseen Russia-Ukraine war and the resulting geopolitical uncertainty, tensions created by rising energy costs and inflation, and the slowdown of global economic growth which had finally begun to overcome the consequences of the Covid-19 pandemic, in 2023 there continues to be pronounced geopolitical instability associated with the war in Ukraine and the rising tensions between the US and China, as well as concerns surrounding the cost of energy and certain raw materials.

In this context, the Group is continuing its strategy to focus on business sectors with a higher growth rate, such as speciality paper and packaging, with the sale of the Duino site, finalised at the beginning of 2023, also contributing to this process.
Considering the inflationary trend and possible shortages in certain production elements that are crucial to its business, the Group is continuing to manage, diversify and carefully monitor its sources of raw materials and natural gas. As regards product sales, the Group will manage its product portfolio in such a way as to ensure that its activities are properly remunerated, also taking into account the more cautious purchasing trends that are likely to be adopted by our customers in 2023.

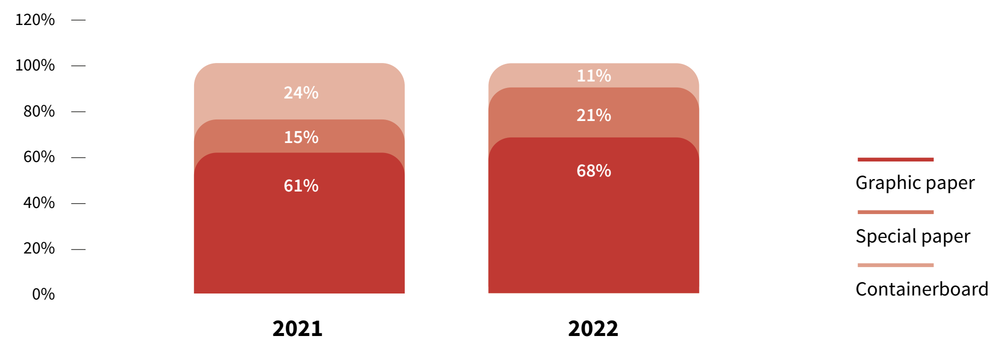
Finally, during the year the Group will continue to implement its investment programme, aimed at product diversification and improving production and energy efficiency, with a view to improving our range of products, overall profitability and environmental footprint.

The Group's production

Paper production, the Group's main area of business, amounted to **1,547,525 tonnes** (2,032,046 t in 2021) with a negative change of 23.8% with respect to the previous year. This variation particularly reflects the reduction in the reporting boundary following the exclusion of the Verzuolo plant in 2021. Considering the same reporting boundary (i.e., excluding the Verzuolo plant for the period between January to September 2021), the negative change was 9.9%.
Containerboard represented **163,963 t**, with production down by 66.9% compared to the previous year (considering the same reporting boundary, i.e., excluding the production of the Verzuolo plant for 2021, the negative change was 9.1%), while speciality paper production increased by 7.3% and stood at **326,585 t** (304,321 t in 2021).
Production of cellulose came to **348,141 tonnes** (367,307 t in 2021), down by 5.2%, while wood pulp production totalled **87,225 t** (128,256 t in 2021), showing a decrease of 32%.
Finally, electricity production amounted to **1,572,195 MWh** (2.074.932 MWh in 2021), down by 24.2% (considering the same reporting boundary, excluding the 2021 production of the Verzuolo plant, the negative change was 11%).

Production Data		2021	2022	Change%
Paper	t/000	2,032	**1,548**	-23.8%
Cellulose	t/000	367	**348**	-5.2%
Wood pulp and Deink	t/000	128	**87**	-32.0%
Electricity	kWh/mln	2,075	**1,572**	-24.2%

Type of paper



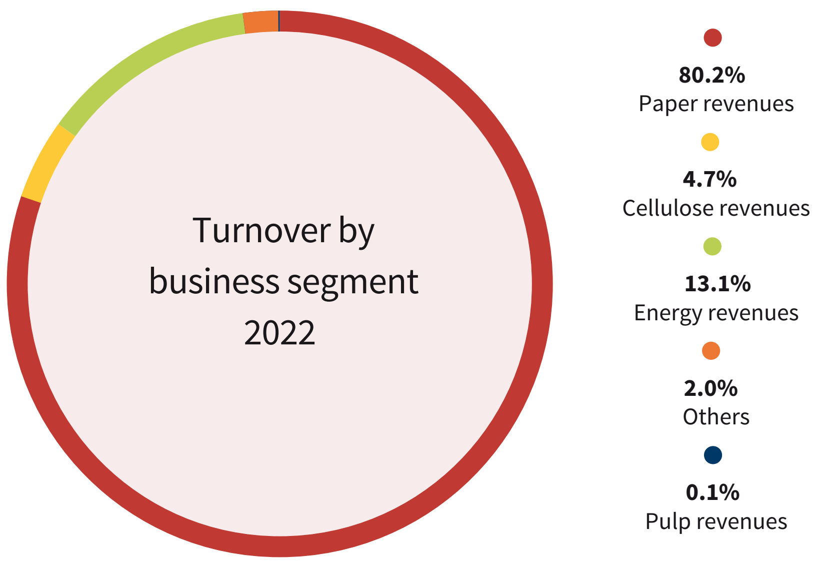
The Group's sales

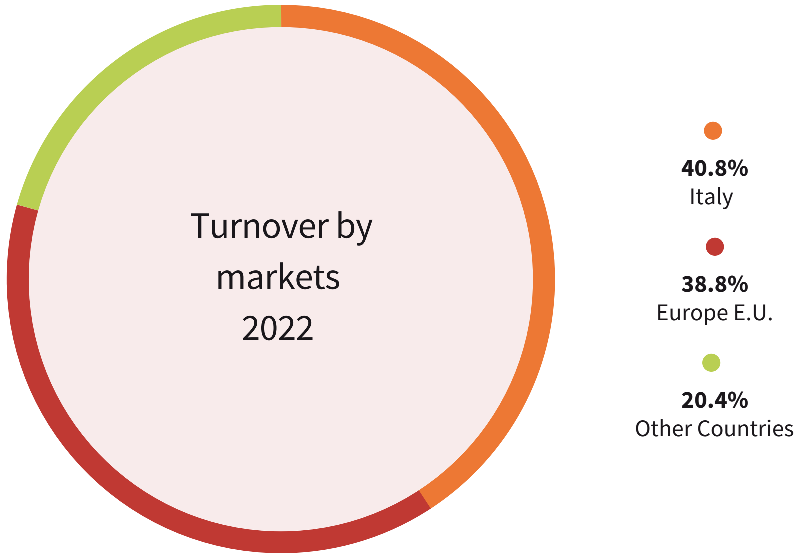
Group turnover amounted to € 2,307 million, up by 32.2% (€ 562 million) with respect to 2021, when the figure was € 1,745 million. Paper revenues totalled € 1,849 million, up by 27.2% with respect to the previous year. Cellulose revenues came to € 107 million, showing a positive change of 38.2%. Energy revenues, which totalled € 302 million, rose by 67.9%, while other revenues, including sales of ligninsulphonate, increased by 39.3% to € 46 million (against € 33 million in 2021).
Please note that in 2022 revenues of € 2 million were generated from the sale of pulp by the subsidiary Burgo Recycling, which entered into operation as of the end of 2021.
Considering the same reporting boundary, revenues increased by 40.5% in the paper sector and 43.6% across the board.

Business sectors €/mln	**2021**	**2022**	**Change%**
Paper revenues	1,454	**1,849**	27.2%
% of total revenues	*83.3%*	*80.2%*	
Pulp revenues	-	**2**	100.0%
% of total revenues	*0.0%*	*0.1%*	
Cellulose revenues	78	**107**	38.2%
% of total revenues	*4.5%*	*4.7%*	
Energy revenues	180	**302**	67.9%
% of total revenues	*10.3%*	*13.1%*	
Others	33	**46**	39.3%
% of total revenues	*1.9%*	*2.0%*	
	1,745	**2,307**	**32.2%**

The breakdown of sales between the internal market and exports shows that in 2022 the increase in turnover mainly regarded sales in Europe and Other Countries. The percentage of sales in Italy with respect to exports fell.

Markets €/mln	**2021**	**2022**	**Change%**
Italy	788	**942**	19.5%
% of total revenues	*45.2%*	*40.8%*	
Europe E.U.	637	**894**	40.3%
% of total revenues	*36.5%*	*38.8%*	
Other countries	319	**470**	47.5%
% of total revenues	*18.3%*	*20.4%*	
	1,745	**2,307**	**32.2%**





Market prices

In 2022, surveys in the main European Countries (specifically Germany, France and the UK) indicated the following market price trends to offset the effects of rising raw material and energy costs:

• Average prices for **CM** (coated mechanical papers) increased by around 50%. After the increase in 2021 that by year-end resulted in a recovery from the falls in the previous year, average prices in 2022 rose by a further 70%. The year was characterised by price increases at the start of the year, continuing the trend seen in late 2021, with a strong progression driven by increases in raw materials and energy costs, followed by a second half of the year where prices stabilised considerably.

• In the **CWF** sector (coated woodfree) prices rose by around 60% compared to the year-end of the previous year, driven by rising raw material and energy costs. The trend saw prices gradually and steadily increase throughout the year, with a more pronounced dynamic in the first half of the year, which decreased in the second half of the year with signs of stabilisation emerging by year-end.

• The **UWF** (uncoated woodfree) sector showed a similar trend to CWF, but at lower volumes. Prices were around 50% higher than at year-end of the previous year and the trend during the year was constant, with the average price for each quarter always above that of the previous quarter and, as seen with other papers, stabilising towards the end of the year.

• The **containerboard** segment saw an average 40% increase in sales prices during 2022 with respect to 2021. The trend was consistently upwards in the first half of the year and downwards in the second half of the year. Prices at year-end were generally in line with those at the start of the year.

• Average prices in the **Speciality Paper** segment in 2022 were higher than in 2021 (indicatively by 50%), with growth recorded in all four quarters of the year compared to the previous period and a more pronounced trend in the second half of the year. Compared to the end of the previous year, the change was around +40%.

The market in Italy:

• Prices of **CM** (coated mechanical papers) were up by around 60% at year-end compared to the end of 2021. Throughout 2022, prices were higher on average than in 2021 (+75%): following increases in the prices of raw materials and energy, prices rose sharply during the first quarter and continued with smaller increases during the following quarters. Finally, in the final quarter prices generally began to stabilise.

• The **CWF** (coated woodfree) range showed a similar trend to the CM papers range. Prices for CWF papers were up compared to year-end of the previous year (around +60%), and the average prices of the year were up by the same percentage.

• In the **UWF** (uncoated woodfree) segment, average prices followed the same trend as the CM and SWF segments, although to a lesser extent, with a +40% increase with respect to the previous year. Prices rose throughout the year with more significant increases in the first six months than in the second of the year. The average price increase in the year was around 40%.

• Average prices in the **containerboard** segment rose considerably in the first part of 2022 before falling in the second half of the year. Prices at the end of this year were higher than year-end prices in 2021.

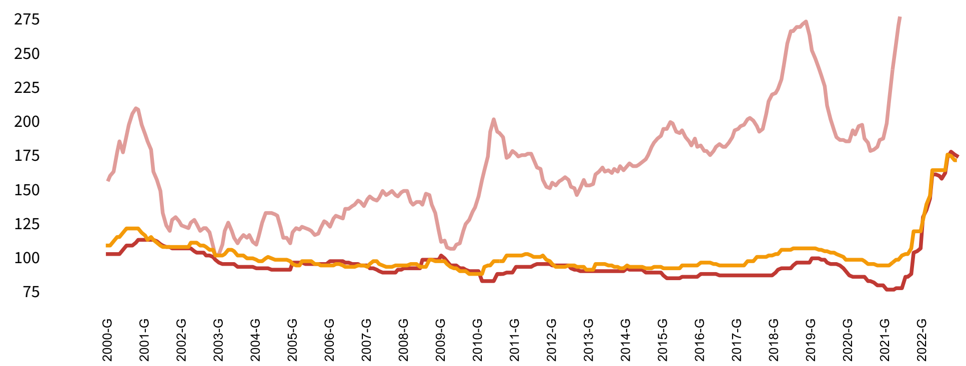
• The **Speciality Paper** segment in Italy showed a similar trend to the dynamics in Europe.

Source: various surveys on certain representative products conducted by the trade press.

Costs

In 2022, the upward trend in the average price of cellulose continued. NSBK long-fibre ($ 1,427/t) increased with respect to the average 2021 price ($ 1,243/t), showing a 14.8% decrease in dollars and a 29.3% in Euros. The price of eucalyptus also increased, going from an average of $ 1,047/t in 2021 to an average price of $ 1,308/t in 2022 (+24.9%). The price for standard latex, representing more than 80% of latex acquired, increased by an average of around 25% in 2020, rising to € 1,587 in 2022 from € 1,275 in 2021. The price of pulp rose in the first six months, peaking at € 195/t, and fell sharply in the second six months to reach a generally stable minimum value of € 65/t. Average values in 2022 were 12% less than in 2021.

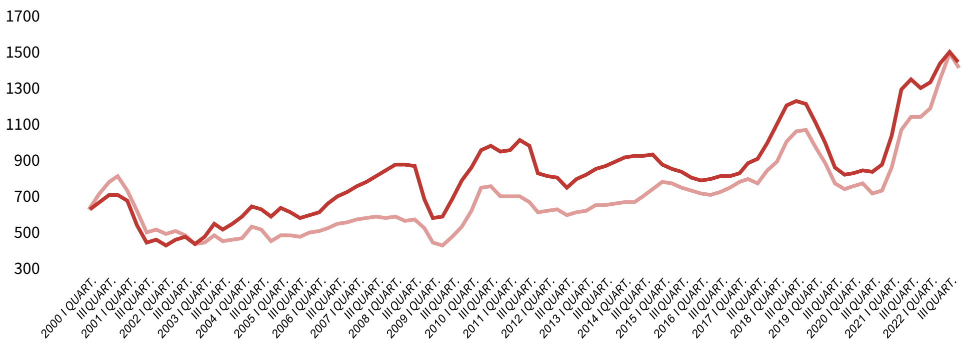
Price of cellulose and some types of paper
(€/tonne – January 1999 = 100)



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

NSBK cellulose
Papers for magazines
Coated woodfree papers

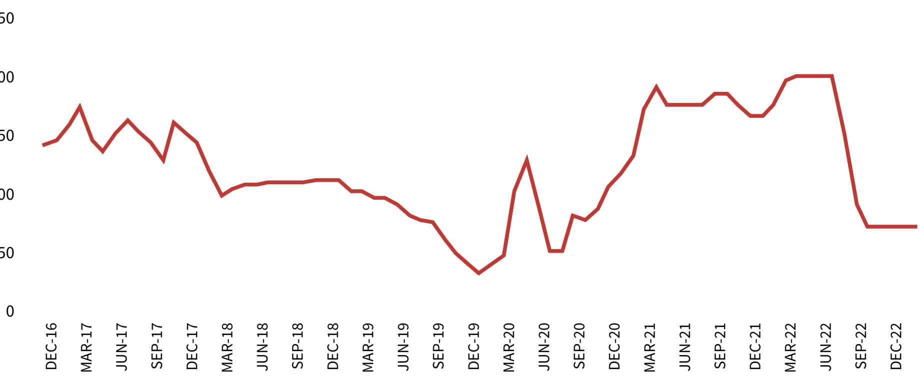
Price of NSBK cellulose
(current values)



Source: Assocarta processing of PPI data

$/t
€/t

Price of Pulp
(€/tonne – 1.05 old corrugated containers)



Source: RISI

Energy

The Group operates in the energy sector through its subsidiary Burgo Energia S.r.l., which manages all of the Group's energy aspects through its “Energy Management” and “Operation and Trading” business areas.

In 2022, given the volatility and growing problems on the energy markets, Burgo Energia operated in several particularly complex areas. The development and volatility of natural gas prices put energy supplies under extreme pressure, also as a result of the termination of the gas supply by the traditional supplier of the plants in Avezzano, Duino, Sora and Villorba (Burgo Group S.p.A.), and Lugo (Mosaico S.p.A.). The supply issues associated with the challenges in obtaining natural gas in Italy were overcome thanks to the intervention of Burgo Energia, which enabled the Group to take effective action and replace the traditional supplier by procuring supplies directly on the stock markets (GME and EEX) or by operating through bilateral agreements with leading market operators. In this context, Burgo Energia started operating a gas storage facility. This enabled greater diversification of the supply mix for the winter period and generated economic benefits for the Group.

In 2022, Burgo Energia also continued its process to focus its business activities on serving the plants; in particular, it continued to manage the Group's participation in the Capacity Market project and the MSD dispatching service for the Duino, Avezzano and Sora power plants (belonging to the Group) and for the Verzuolo plant (which left the scope of consolidation in 2021 following the sale to the Smurfit Kappa Group). It also continued to handle the technical management of the Energy Paper Consortium, consolidating its position as one of the leading electrical load interruptibility service providers.

Furthermore, Burgo Energia managed the participation of the Group's plants in the Gas Interruptibility service for the 2021-2022 winter period, a particularly critical service given the gas availability situation in Italy, and prepared the participation in the Peak Interruptibility and Voluntary Volume Interruptibility service for the 2022-2023 winter period, in compliance with Italian Ministerial Decree 464/22.

Through its “Energy Management” unit, Burgo Energia worked with other Group departments to handle the complex procedures to obtain the tax credits available to energy and gas-intensive companies, a mechanism introduced by art. 15 of the "Sostegni-Ter" decree and continued by other decrees to cover the entire year 2022.

The ISO 50001 Energy Management System certification process was completed for the Mosaico Treviso and Chiampo sites, while the remaining uncertified sites will be certified in 2023.

The “Operation and Trading” department continued its activities to optimise the production assets operated by Burgo and Mosaico, participating in all dispatching activities on the energy markets and in the virtual and financial interconnector service.

Considering its operations in Italy and abroad, the Burgo Group produced a total of 1,572 GWh of electricity (2,075 GWh in 2021 - 1,768 GWh excluding the Verzuolo plant), mainly for self-consumption, and consumed a total of 433 million m^3 of gas (577 million m^3 in 2021 - 495 million m^3 not including the Verzuolo plant). Burgo Energia sold electricity totalling 860 billion kWh (1,396 in 2021) and gas totalling 127 million m^3 (103 million m^3 in 2021).

Investments

In terms of total investments in property, plant and equipment made during the course of 2022, totalling € 48.6 million (€ 47.8 million in 2021). Investments in intangibles came to € 2.8 million, plus fixed assets for right of use and leasing totalling € 4.6 million.

In line with the approved Business Plan, the investments programme enabled the continuation of the modernisation and technological improvement processes launched in previous years. The new investments enabled the technological innovations to production lines necessary to maintain and constantly improve product quality, and represent a commitment to constantly improve energy efficiency, quality, safety, the environment and plant maintenance at all production sites.

At the Avezzano site, works continued to design a new shoe press with the aim of increasing production while also reducing energy consumption.

At the Sora site, water cycle separation works for the production of paper for food use were completed, while planning was started to convert line 2 to the production of food packaging products.

The design and preliminary activities for the installation of a new biological treatment plant at the Villorba facility were completed.

To optimise the production of playing cards, at the Lugo paper mill a new laminator was designed and partially installed.

The commitment to technological renovation in the automation sector continued and will continue to be pursued in the coming year, introducing more efficient automation and control systems or modernising existing ones. This programme will make it possible to avoid the main issues of obsolescence, while simultaneously achieving higher quality levels and improving efficiency.

On 2022, the two main energy projects entered the decisive phase.

In particular, in Toscolano, tests were carried out in the first half of 2022 on both the steam and gas turbines, and in the second half of the year the investment entered into full commercial operation, achieving the projected operating parameters.

Similarly, the cogeneration power stations at Tolmezzo passed the commissioning phase and entered into commercial operation in the final quarter of 2022.

Studies on new projects also continued, with the aim of improving the performance of cogeneration plants, both in terms of efficiency and the reduction of natural gas consumption. In particular, two new steam turbines were studied, one for Sora and one for Villorba, with the possibility of benefiting from the Energy Efficiency Certificates for High Yield Cogeneration plants (TEE-CAR).

With regard to energy, a topic that is closely linked to emissions, preliminary analyses were conducted on projects aimed at reducing emissions and contributing to the global commitment to achieve full carbon neutrality. The approach to sustainability using biomass systems is currently being examined and will lead to the implementation of major projects as part of the ongoing energy transition process.

As regards building safety, the programme to improve the seismic resistance of the Group's facilities continued with actions to increase the level of structural safety at the Chiampo and Toscolano Maderno production plants.

Environmental and safety investments continued at all Group locations, in compliance with workplace health and safety prevention and improvement programs, as well as relative to environmental protection and regulatory developments.

As well as these technical investments, improvements were also made in the IT sector, some of which were aimed at consolidating the cyber security strategy with initiatives to protect the Group from potential digital threats. Meanwhile, the technological upgrading of the Group's operating systems, software and infrastructure networks continued.

Research and development

Activities were mainly focussed on:

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

PRODUCTION PROCESSES

One important area of study regarded the use and optimisation of mechanical pulps obtained by different processes and from post-consumer waste of various origins and types, particularly in the field of packaging papers (virgin and recycled) and coated papers (graphic and speciality), with a view to maximising their use by applying the appropriate treatments.

In terms of non-fibrous raw materials, studies and applications continued both in the lab and with industrial tests, involving innovative products for surface coatings to reduce the use of fossil-based materials.

NEW PRODUCTS

In general, the main driver in the Group's development of new products was product sustainability, understood as the design of new or existing products with a minimum or reduced environmental impact.

This process involved both the graphic and speciality paper segments, focusing in particular on recyclability and compostability.

In the woodfree paper sector, specifically the inkjet segment, new technologies with different finishes (either surface-treated or coated) were developed and certified for their high level of print quality.

In the havana recycled packaging sector, the range of kraft papers was expanded to meet the performance requirements normally demanded of papers made from virgin fibres.

The drive to reduce the use of fossil fuels and conventional plastic materials has been particularly prevalent in the speciality paper sector where there has been a significant increase in demand for more sustainable products. The use of alternative fibrous materials from plant recycling and water-based coatings with a lower environmental impact has driven the development of new or existing products firmly in this direction, both for the label sector and for flexible packaging and food packaging.

ENVIRONMENTAL SUSTAINABILITY AND CERTIFICATION

As regards the Group's management systems, the actions associated with the ISO 9001 quality management system and the chain of custody for the FSC® and PEFC (PEFC/18-32-20) forestry certifications continued.

For the FSC® forestry system, the wood supplier (logs and chips) audit process was continued at the Group’s Italian sites and in Ardennes, confirming their classification as “Low risk suppliers” according to the criteria of the FSC® standard. In this regard, audits on all purchases of wood and wood-derivative products were also carried out based on the EU Timber Regulation.

As regards UNI EN 15593 relative to the management of hygiene in the production of packaging for foodstuffs, the actions at the Sora facility were concluded with the award of the relative certification. The same process was also launched for the Avezzano plant so that this site can soon be certified for the production of paper for food packaging.

Finally, actions were implemented to maintain the Ecolabel certifications held by Burgo, Burgo Ardennes and Mosaico according to the new criteria issued under Commission Decision (EU) 2019/70, entered into force as of 2019, while activities were carried out to draft the environmental product declarations (Paper Profile/Carbon Footprint) for all major papers produced by the Burgo, Mosaico and Burgo Ardennes facilities.

Health, Safety and Environment (HSE)

The Burgo Group is fully aware of its role and responsibility to the community and the environment in which it operates, and to guaranteeing access to a healthy and safe working environment for all of its collaborators and other stakeholders. With this in mind, the Group considers Health, Safety and Environment (HSE) to be an integral part of a sustainable development model able to protect and guarantee the rights of future generations.

In line the principles enshrined in its Code of Ethics, the Group believes the protection of the environment and the health and safety of its workers to be fundamental values to be upheld throughout its activities.
The HSE Department established at the headquarters in Altavilla Vicentina is responsible for managing and standardising all activities regarding the Group's HSE Management System, defining action plans, monitoring their application, and coordinating the activities carried out at individual production sites. At each facility, HSE aspects are managed by specially trained and appointed personnel.

The Burgo Group has defined an Integrated HSE Policy which states that the respect for and protection of the environment, natural resources and occupational health and safety are issues that concern the entire organisation and constitute the foundation of the Company's operational and market strategies and environmental commitments.
To optimise the existing system, in 2022 the integrated and systemic approach to HSE was consolidated according to the reference standards (e.g., EMAS Regulation, ISO 14001, ISO 45001) used to implement the company management system. In particular, key aspects were revised and strengthened, focusing in particular on context analysis, risk opportunity analysis, stakeholder engagement, and the continuous improvement of company processes and management systems, with a view to ensuring a more integrated approach to sustainability.
Following this analysis, specific activities, initiatives, programmes and projects were directed towards various system areas to mitigate risks and promote the embracing of new opportunities. This translates into specific goals and improvement targets, defined on an annual basis and managed as part of the management systems with regular status monitoring.

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety represents an indispensable value for the Group. Managing occupational safety above all means guaranteeing the health of all stakeholders, and is pursued through risk organisation, assessment and management models that analyse hazards and identify the measures necessary to avoid or reduce them.
The Burgo Group aims to prevent occupational accidents and illnesses by providing its employees and all those who work in its sites with a safe and secure working environment. To reach this target, the Group has adopted integrated and structured systems which provide for the definition, implementation and monitoring of the Company Safety Policy.

The Group's HSE Committee meets once a month to promote HSE as a key priority for the company as a whole, to review monthly performance and KPIs on HSE aspects, to analyse serious incidents (e.g., accidents/injuries), to share updates, news and projects, and to take decisions on new improvement actions.
Safety Meetings are held periodically and are attended by all key stakeholders, including the Employer and the Prevention and Protection Service Officer (RSPP). At the meeting, the results are compared with the targets and the necessary strategic and operational measures are defined.
All accidents, including near misses, are analysed promptly and in detail, involving all relevant departments and personnel and identifying the root cause of the incident in order to define the appropriate preventive actions.

In 2022 the 12 principles for a “new” culture of safety were identified and promoted. These principles are aimed at raising awareness and strengthening understanding on safety issues at all levels, providing indications on the correct approach to safety (e.g., safety when working as a team, the application of the 4 Ps (pause for thought, prevent, plan, protect) before starting each work task, etc.) and operating guidelines for managing specific activities.

To support the promotion of a culture inspired by safety and prevention, the Burgo Group is committed to developed and implementing training and information programmes on occupational health and safety. In addition to mandatory training, the Group launched the *Vision Zero* initiative at the end of 2022, an interactive training course for site personnel aimed at increasing individual awareness of the ability to recognise risks and adopt safe preventative behaviour.
All of the above activities were conducted in close relation with the Supervisory Board pursuant to Legislative Decree 231/2011.

ENVIRONMENTAL MANAGEMENT

The Group has conducted an assessment of the impact of its actions, products and services in order to manage and prevent negative environmental impacts, promoting the use of the best available technologies at all of the sites in which it operates. All Burgo Group sites operate in compliance with the reference European Directives and according to the provisions of specific authorisations issued by competent bodies, and are subject to periodic audits by the relevant authorities to confirm compliance with the legal and regulatory requirements defined in the authorisations.
At each site an Environmental Management System has been implemented and maintained, and periodic internal audits are conducted to monitor the level of application and compliance, and the status of the relative improvement actions and targets.
Due to the nature of its business, the Group's production activities require the management of several environmental aspects. In particular, monitoring and improvement actions refer to:

- energy consumption, with the definition of several investment and process efficiency projects;
- the use of water resources with reduced water consumption policies;
- the management of waste and by-products as part of the circular economy;
- GHG emissions with the adoption of the best available technologies (BAT) published in the reference documents issued by the European Union.

INVESTMENTS IN HSE

The main investment projects aimed at HSE management in 2022 regarded:

- adaptations related to fire safety;
- the maintenance of the EMAS, ISO 14001 and ISO 45001 certificates;
- improvements to plant and machine safety at all Group sites;
- the installation of lifelines and anti-fall devices;
- the installation of energy consumption reduction systems (e.g., installation of high efficiency engines);
- water cycle management;
- extraordinary maintenance on sewage treatment works.

Personnel

In 2022, around 47,000 hours of training were provided, of which 18,350 linked to worker safety and health aspects.

Group employees in the employee register at 31 December 2022 totalled 3,096, compared to 3,125 at the end of 2021 (not including temporary workers).

Personnel at 31 December	31 Dec 2021	31 Dec 2022	Change	Change%
Burgo Group	1,346	**1,316**	(30)	-2.2%
Italian subsidiaries	1,141	**1,145**	4	0.4%
Foreign subsidiaries	638	**635**	(3)	-0.5%
	3,125	**3,096**	**(29)**	**-0.9%**

The Group also makes use of temporary workers, for the most part at Burgo Ardennes, which in 2022 had 190 (FTE), compared to 167 in 2021.

The use of the social safety net in 2022 was higher than in the previous year.
The use of the CIGO, which was relied on very little at the start of the year, increased due to greater use towards the end of the year.
Redundancy fund/solidarity hours used, as reported in the table below, increased overall from 24,471 hours in 2021 to 118,012 hours in 2022:

Social safety net hours	31 Dec 2021	31 Dec 2022	Change	Change%
CIGO "Covid 19"	5,509	-	5,509	-100.0%
CIGO	16,802	118,012	101,210	602.4%
Solidarity	2,160	-	2,160	-100.0%
	24,471	**118,012**	**93,541**	**382.3%**

To offset the rising cost of living, during the year the Group paid out additional payments on top of basic salary amounting to around €3 million.

Financial risk management policy and coverage

Financial instruments in terms of liabilities mainly consist of payables due to financial institutions, derivatives that can also be used to coverage interest rate, exchange rate and commodities risks and trade payables. On the assets side, they consist of cash and cash equivalents, investments in listed shares and securities, trade receivables and financial instruments that can be stipulated as hedges against interest rate and exchange rate risks.
The Group is exposed to the following risks indicated below. This section outlines the objectives, policies, management processes and methods used to assess them:

1 • CREDIT RISK
2 • LIQUIDITY RISK
3 • MARKET RISK

In each section of comments on financial statement items, the 2022 Financial Statements provide additional quantitative information.
The disclosure required under IFRS 7 was included within the Notes to the individual 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

Within the context of its credit management activities through the dedicated department, the Group has established an internal process with the aim of defining every customer's creditworthiness and carefully monitoring credit limits and overdue items. 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. Internal activities are further supported by instruments of coverage available on the market, including insurance policies and without recourse transfer of receivables. Sales are supported by insurance coverage stipulated with major insurance companies for first and second level credit (top up).

In 2022, Burgo Group S.p.A. and Mosaico S.p.A. renewed the certification of the credit management system with regards to the domestic UNI 44:2018 standard and the international standard TUV Rheinland CMC:2012. At the end of 2022 the Burgo Group had also obtained certification of the credit management system for its subsidiary Burgo Distribuzione S.r.l.

Financial investments

Exposure to credit risk is limited by exclusively investing in securities with high liquidity and only with counterparties recognised as reliable by the market.
Additionally, financial assets also include managed savings investments made with Italian banks known to be reliable.

Guarantees

Group policies allow for the issuing of financial guarantees only relative to associated companies. Collateral is also provided in certain cases, relative to subsidised finance operations or for medium-term financing.

2 • LIQUIDITY RISK

Liquidity risk is the risk that the Group will have difficulty complying with its obligations relative to 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.
Estimates are periodically reviewed to ensure there is adequate on demand cash and cash equivalents to cover operating expenses forecast for a period of around 3 months.
To meet short-term financial needs as at 31 December 2022, short-term credit lines were available, totalling around € 230.5 million, of which € 206.5 million in Italy and € 24 million in Belgium available to Burgo Ardennes. The Group also has access the without-recourse factoring lines with a total limit, increased during 2022, of about € 97 million, in addition to a limit with recourse of about € 8 million on Burgo Ardennes.

The Burgo Group also has access to a Revolving line totalling € 100 million that was unused as at 31 December 2022.
For long-term financial requirements, the Group has loans of around € 233 million.
It should be noted that time deposits have been opened for the remuneration management of cash in current accounts. As at 31 December 2022 time deposits totalled € 42 million.

3 • MARKET RISK

Market risk is the risk that the fair value or future financial flows associated with a financial instrument fluctuate following a change in market prices, a change in exchange rates, interest rates or the prices of equity instruments. The objective is to manage and control exposure to this risk, keeping it within acceptable levels, while simultaneously optimising returns on investments.

Risk associated with interest rate fluctuations

The Group hedged against the interest rate fluctuations on the pool loan contract and the Sace-guaranteed loan contract. As at 31 December 2022, hedging on the three main loans totalling € 201.4 million (Amortising Line, Bullet Line and Sace-guaranteed Line) was approximately 97%.

Exchange risk

In relation to sales activities, purchases and sales are made in other currencies, at present mainly in USD and GBP.
Therefore, hedging policies are mainly focussed on stipulating futures contracts against the euro.
Additionally, other currencies are periodically monitored, which may be used in invoices on a continuous or occasional basis.
Hedges are carried out on the basis of estimates of future financial flows in currencies on the basis of invoices payable and receivable, and taking budget forecasts into account.
Exchange risk hedging transactions are carried out to neutralise the effects induced by changes in the exchange rate on the value in euro of cash flows denominated in foreign currencies.

Hedging policies allow use of forward contracts and options relative to exchange rates, to guarantee the most flexible coverage. Currently, exposure to exchange rate derivatives falls within the forward category.
The period of coverage for hedges is normally three months.

Equity risk

In the context of its investment activities, the Group purchases equity investments for investment purposes.

Commodity risk

The strategic objective is to stabilise profit margins in terms of reducing risks associated with volatility in the prices of gas, electricity, CO2 and materials used in production processes, in order to minimise exposure to risk and possible associated 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 that end, the Group may make use of instruments to cover risk, including fixed price purchases, forward purchases and financial swaps.

Burgo Group results and financial structure

In 2022 there was an increase in **operating revenues and proceeds** from € 1,817.7 million in 2021 to € 2,361.9 million in 2022 (up 29.9%), with Group performance considerably up with an **EBITDA Adjusted** of € 316.7 million, compared to € 64.2 million in 2021. Considering the same reporting boundary, the increase in turnover was € 685.4 million (+40.9%).
The first part of the year was characterised by extremely robust demand in all areas served by the Group, including graphic paper, falling after the summer break.
The year was also marked by a significant increase in production costs, continuing the strong upward trend that began in 2021. Specifically, compared to 2021, the increase in raw material prices led to an increase in costs of about € 243 million, while the cost of natural gas procurement increased by about € 194 million (partially offset by tax credits granted during the year to energy and gas companies) and the cost of emission rights increased by about € 9 million. To confront the increase in production costs, the Group continued to pursue its policy to recover potential losses on sales prices.
Another significant event in the year was the sale of the Duino plant, which was finalised at the start of January 2023.
In financial terms, **net debt** at the end of the year showed a positive balance of € 11.7 million, a significant reduction from the previous year. This improvement, which amounted to about € 65.5 million, was mainly due to the cash flow from the margins realised during the year, which more than offset the cash absorption of working capital, due to an increase in the value of inventories and the contraction in the payment terms of natural gas supplies resulting from the radical restructuring in gas procurement methods as of October 2022 (for more details see the “Energy” chapter).
At 31 December 2022, application of IFRS 16 led to financial liabilities of € 8.7 million.

Profit and loss statement for the year €/000	**31 Dec 2021**	**31 Dec 2022**	**Change%**
Revenues	1,744,748	2,306,977	**32.2%**
Other income	72,951	54,893	
Total operating revenues and income	**1,817,700**	**2,361,870**	**29.9%**
Costs for materials and external services	(1,523,055)	(1,854,720)	
Personnel expense	(191,868)	(196,347)	
Other operating costs	(57,008)	(83,746)	
Change in inventories	15,394	88,848	
Capitalised costs for internal work	3,015	839	
Total operating costs	**(1,753,521)**	**(2,045,125)**	**16.6%**
EBITDA Adjusted	**64,179**	**316,744**	**393.5%**
Amortisation	(72,161)	(51,646)	
Capital gains/losses on disposal of non-current assets	227	1,461	
EBIT before non-recurring expenses and income	**(7,755)**	**266,560**	
Writebacks/writedowns of non-current assets	(19,102)	(20,102)	
Income/expenses of a non-recurring nature and for restructuring	109,249	(5,921)	
Operating result (EBIT)	**82,392**	**240,538**	
Financial expense	(28,810)	(41,344)	
Financial income	4,306	6,661	
Before tax result	**57,888**	**205,854**	
Income taxes	831	(48,101)	
Profit/(loss) for the period	**58,719**	**157,753**	

Revenues from ordinary operations in 2022 amounted to € 2,307 million, up by € 562.2 million (+32.2%) with respect to the € 1,744.7 million seen in 2021. Considering the same reporting boundary, the variation in turnover was € +699.8 million (+43.5%). The increase is due to the increase in retail prices of paper and energy products which more than offset the reduction in volumes. In particular, the paper turnover increased by € 326 million (€ 518.9 million considering the same reporting boundary, or 39%) while energy turnover was € 103 million.
The increase in retail prices was a direct result of the severe pressure on production costs that continued the strong upward trend set in 2021 and showed double-figure growth throughout 2022.
Other income totalled € 54.9 million (€ 73 million the previous year) due, in particular, to environmental certificates and electricity and gas interruptibility agreements. Considering the same reporting boundary, other income in 2022 fell by € 14.4 million (-20.8%). As a whole, total operating revenue and income came to € 2,361.9 million, compared to € 1,817.7 million in 2021 (+29.9%).

The amount of paper sold totalled 1,533 thousand t, down by 26.5% with respect to the 2,086 thousand t sold in 2021. This variation reflects the sale of the Verzuolo plant in October 2021 (considering the same reporting boundary the reduction was 170 thousand t, or -9.9%). **Operating expenses** totalled € 2,045.1 million against € 1,753.5 million the previous year, an increase of 16.6%. Within operating costs, personnel amounted to € 196.3 million, compared to € 191.9 million the previous year.
EBITDA Adjusted was € 316.7 million, compared with € 64.2 million in 2021 (considering the same reporting boundary, EBITDA in 2021 was € 54.2 million). In percentage terms, EBITDA amounted to 13.4% of sales, compared to 3.5% the previous year. Margins measured on the Group's pulp and paper turnover also increased from 4.2% in 2021 to 16.2 % in 2021.

Depreciation and amortisation amounted to € 51.7 million, down from the previous year mainly due to the sale of the Verzuolo plant last year.
The **operating result, before non-recurring transactions**, amounted to € 267 million, compared to € -7.8 million the previous year.
Writedowns on non-current assets totalled € -20.1 million.
Non-recurring income and expense in 2022 amounted to € -5.9 million, compared to € 109.3 million last year due to the capital gains associated with the sale of the Verzuolo plant.

Financial expense increased from € 28.8 million in 2021 to € 41.3 million in 2022, due to higher financial discounts also resulting from the assignment of tax credits to financial institutions for energy and gas companies. **Financial income** also increased to € 6.7 million in 2022 from € 4.3 million in 2021.
As a consequence of the above, **net profit**, after taxes for the year of € -48 million, came to € 157.8 million, compared to profit of € 58.7 million the previous year.

NON-RECURRING EXPENSE AND RESTRUCTURING COSTS

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;
- Writedowns/writebacks on fixed assets and equity investments, goodwill writedowns due to impairment;
- Non-recurring financial expense.

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.
Below is a schedule reconciling non-recurring components relative to 2022.

Profit and Loss Statement for the Year €/000	31 Dec 2022 PROFIT AND LOSS STATEMENT including non-recurring and discontinued components	non-recurring and discontinued components	PROFIT AND LOSS STATEMENT excluding non-recurring and discontinued components
Revenues	2,306,977	(228,074)	2,078,903
Other income	54,893	(3,953)	50,941
Total operating revenues and income	**2,361,870**	**(232,026)**	**2,129,844**
Costs for materials and external services	(1,854,720)	174,504	(1,680,216)
Personnel expense	(196,347)	11,092	(185,255)
Other operating costs	(83,746)	7,830	(75,916)
Change in inventories	88,848	(6,690)	82,158
Capitalised costs for internal work	839	(15)	824
Total operating costs	**(2,045,125)**	**186,720**	**(1,858,405)**
EBITDA Adjusted	**316,744**		
Amortisation	(51,646)	4,500	(47,146)
Capital gains/losses from realisation of non-current assets	1,461	-	1,461
EBIT before non-recurring expenses and income	**266,560**	**(40,806)**	**225,754**
Writebacks/writedowns of non-current assets	(20,102)	-	(20,102)
Income/expenses of a non-recurring nature and for restructuring	(5,921)	5,921	(0)
Operating result (EBIT)	**240,538**	**(34,885)**	**205,652**
Financial expense	(41,344)	1,472	(39,872)
Financial income	6,661	-	6,661
Before tax result	**205,854**	**(33,325)**	**172,529**
Income taxes	(48,101)	10,914	(37,188)
Net profit/(loss) from assets held for sale and from discontinued operations	-	22,500	22,500
Profit/(loss) for the period	**157,753**	**-**	**157,753**

The non-recurring and discontinued components identified refer mainly to:

- the reclassification under IFRS 5 of net income from discontinued operations;
- the extraordinary sales operation of the Duino plant, resulting in capital losses of € 5.2 million;
- expenses totalling € 0.2 million deriving from other extraordinary operations;
- expenses for discontinued operating facilities for € 0.4 million;

Statement of equity/financial position: Assets €/mln	31 Dec 2021	31 Dec 2022	Change
Non-current assets	**558.0**	**476.4**	**(81.6)**
Property, plant and equipment	439.1	387.8	(51.3)
Intangible assets	31.3	18.7	(12.7)
Other non-current assets	23.9	23.0	(0.8)
Deferred tax assets	63.7	46.9	(16.8)
Current assets	**791.5**	**852.2**	**60.7**
Assets held for sale and discontinued operations	**-**	**45.4**	**45.4**
Total assets	**1,349.5**	**1,373.9**	**24.4**

Statement of equity/financial position: Liabilities €/mln	31 Dec 2021	31 Dec 2022	Change
Shareholders' Equity	**411.8**	**520.0**	**108.2**
Shareholders' equity pertaining to the Group	408.1	516.1	108.0
Shareholders' equity attributable to non-controlling interests	3.7	3.9	0.1
Non-current liabilities	**315.4**	**320.6**	**5.2**
Current liabilities	**622.2**	**524.3**	**(97.9)**
Liabilities related to assets held for sale and to discontinued operations	**-**	**9.0**	**9.0**
Total shareholders' equity and liabilities	**1,349.5**	**1,373.9**	**24.4**

Net tangible and intangible **fixed assets** decreased from € 470.4 million to € 406.5 million, mainly due to the sale of the Duino plant (the value of which is reported under Assets held for sale). As well as the extraordinary operation above that generated a loss of € 40.6 million, the variation is due to the difference between tangible and intangible investments totalling € 56.1 million, divestments of € 4.3 million, write-downs of € 20.1 million, depreciation of € 51.7 million and, finally, a net change of € -3.1 million for green certificates associated with Burgo Ardennes. In 2022 the Group continued its investment programme aimed at developing new products, improving production and energy efficiency, quality, safety, plant maintenance, and upgrading and strengthening the Group's IT software and hardware.

Inventories increased by € 84.7 million, while **trade receivables from customers** decreased by € 36 million and **trade payables to suppliers** decreased by € 100.5 million, mainly as a result of the contraction in the payment terms for natural gas supplies due to the radical change in gas procurement methods as of October 2022 (for more details see the "Energy" chapter), contributing to an overall increase in **operating working capital** of € 149.2 million.

Net financial debt was positive at € 11.7 million, compared to € -53.8 million in the previous year.

Shareholders' equity increased by € 108.2 million from € 411.8 million to € 520 million. The main changes are attributable to the profit for the year of € 157.8 million, overall negative changes to OCI totalling € 6.8 million, including in particular those resulting from the negative adjustment of the CFH reserve, and the payment of dividends in the amount of € 42.5 million.

Breakdown of net financial debt €/mln	31 Dec 2021	31 Dec 2022	Change
Current financial assets	220.7	260.6	39.9
Short-term financial payables	(58.5)	(34.2)	24.3
Medium/long-term financial assets	5.9	6.0	0.1
Medium/long-term financial payables	(221.9)	(220.7)	1.2
Net financial debt	**(53.8)**	**11.7**	**65.5**

Capital and financial structure €/mln	31 Dec 2021	31 Dec 2022	Change
Intangible assets	31.3	18.7	(12.7)
Property, plant and equipment	439.1	387.8	(51.3)
Other non-current assets:			
Equity investments	10.2	7.2	(3.0)
Other receivables and non-current assets	7.8	9.9	2.1
Net fixed assets	**488.4**	**423.5**	**(64.9)**
Inventories	194.9	279.6	84.7
Trade receivables	315.3	279.3	(36.0)
Trade payables	(510.9)	(410.4)	100.5
Working capital	**(0.7)**	**148.5**	**149.2**
Other receivables and current assets	60.6	32.7	(27.9)
Deferred tax assets	63.7	46.9	(16.8)
Provision for deferred taxes	(17.0)	(16.1)	0.8
Provisions for future risks and charges	(50.2)	(65.9)	(15.8)
Other payables and non-current liabilities	(0.3)	(0.5)	(0.2)
Current tax payables	(7.5)	(19.7)	(12.3)
Other payables and non-current liabilities	(45.4)	(60.0)	(14.7)
Assets held for sale and discontinued operations	-	45.4	45.4
Liabilities related to assets held for sale and to discontinued operations	-	(9.0)	(9.0)
Other operating assets and liabilities	**4.0**	**(46.4)**	**(50.4)**
Working capital	**3.3**	**102.1**	**98.8**
Invested capital, after deducting operating liabilities	**491.7**	**525.6**	**33.9**
Severance indemnities and other provisions related to personnel	(26.1)	(17.3)	8.7
Invested capital, after deducting operating liabilities and severance indemnities (TFR)	**465.6**	**508.2**	**42.6**
Share Capital	(90.0)	(90.0)	-
Reserves	(298.6)	(260.9)	37.7
Accumulated profits/(losses) including profit/(loss) for the period	(19.5)	(165.2)	(145.7)
Shareholders' equity attributable to non-controlling interests	(3.7)	(3.9)	(0.1)
Own capital	**(411.8)**	**(520.0)**	**(108.2)**
Financial receivables and other non-current financial assets	5.9	6.0	0.1
Financial receivables and other current financial assets	78.1	147.0	68.9
Cash and cash equivalents	142.6	113.6	(29.0)
Non-current financial liabilities	(221.9)	(220.7)	1.2
Current financial liabilities	(58.5)	(34.2)	24.3
Net financial debt	**(53.8)**	**11.7**	**65.5**
Total coverage	**(465.6)**	**(508.2)**	**(42.6)**

Analysis by index	31 Dec 2021	31 Dec 2022
ROS (EBIT/Turnover)	4.53%	11.29%
AT (Assets turnover: Turnover/Average invested capital)	1.34	1.56
ROI (EBIT/Average invested capital) = ROS x AT	**6.07%**	**17.66%**
Debt ratio (CI/CN)	3.64	3.43
Impact of non-management expense	0.71	0.66
ROE (ROI*CI/CN*RN/RO)	**15.74%**	**39.78%**
ROCE (Operating income/Net average invested capital)	**13.14%**	**49.40%**
PFN/Shareholders' equity	**0.13**	**-0.02**
PFN/MOL	**0.84**	**-0.04**

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

Profit and loss statement for the year €/000	31 Dec 2021	31 Dec 2022	Change %
Revenues	1,148,096	1,471,182	**28.1%**
Other income	30,046	20,492	
Total operating revenues and income	**1,178,142**	**1,491,674**	**26.6%**
Costs for materials and external services	(1,079,863)	(1,211,628)	
Personnel expense	(81,479)	(76,320)	
Other operating costs	(25,879)	(53,488)	
Change in inventories	12,646	38,273	
Capitalised costs for internal work	1,903	177	
Total operating costs	**(1,172,672)**	**(1,302,986)**	**11.1%**
EBITDA Adjusted	**5,471**	**188,688**	**3349.1%**
Amortisation	(40,673)	(25,174)	
Capital gains/(losses) on disposal of non-current assets	56	1,461	
EBIT before non-recurring expenses and income	**(35,146)**	**164,975**	
Writebacks/writedowns of non-current assets	(19,102)	(12,861)	
Income/expenses of a non-recurring nature and for restructuring	67,359	(5,832)	
Operating result (EBIT)	**13,111**	**146,282**	
Financial expense	(28,165)	(30,222)	
Financial income	80,053	21,222	
Before tax result	**64,998**	**137,281**	**111.2%**
Income taxes	7,951	(17,965)	
Profit/(loss) for the period	**72,950**	**119,316**	

Revenues from ordinary operations in 2020 amounted to € 1,471.2 million, against € 1,148.1 million in 2021, an increase of 28.1%. Considering the same reporting boundary, the positive change was € 480.2 million, +48.5%.
Additionally, other income totalling € 20.5 million was seen, in particular coming from environmental certificates and Interruptibility agreements (€ 30 million the previous year).
As a whole, **total operating revenue and income** came to € 1,491.7 million, compared to € 1,178.1 million in 2021. Considering the same reporting boundary, the positive change was € 473.4 million, +46.5%.
The volume of paper sales was 1,154 thousand t, compared to 1,664 thousand t in the previous year (considering the same reporting boundary the reduction was 112 thousand t, or 11.4%).
Total **operating costs** came to € 1,303 million against € 1,172.7 million in 2021. Within operating costs, personnel costs amounted to € 76.3 million, compared to € 81.5 million in 2021.
The **gross operating margin (EBITDA)** was € 188.7 million against € 5.5 million the previous year, **amortisation and depreciation** amounted to € 25.2 million against € 40.7 million in 2021.
Operating income, before non-recurring transactions amounted to € 165 million, against the negative amount of € 35.1 million the previous year.
Therefore, **net non-recurring income/expense** of € -5.9 million and writedowns of € 12.7 million were recorded.
The result of **financial management** was negative at € 9 million, against the positive € 51.9 million recorded in 2021. The change is mainly due to lower dividends received from subsidiaries, the capital gain from the sale of the Verzuolo plant in 2021, and the effect of higher financial discounts also resulting from the sale to financial institutions of tax credits provided for energy and gas companies. The **before tax result** was positive at € 137.3 million, against the positive € 65 million recorded the previous year.
The **net result** is profit of € 119.3 million, compared to profit of € 72.9 million the previous year.

NON-RECURRING EXPENSE

The reconciliation table below shows non-recurring and discontinued components in 2022. For methodology, please see that indicated above in the comments on the consolidated profit and loss statement figures.

Profit and loss statement for the year €/000	**31 Dec 2022** PROFIT AND LOSS STATEMENT including non-recurring and discontinued components	non-recurring and discontinued components	PROFIT AND LOSS STATEMENT excluding non-recurring and discontinued components
Revenues	1,471,182	(228,074)	1,243,108
Other income	20,492	(3,953)	16,539
Total operating revenues and income	**1,491,674**	**(232,026)**	**1,259,647**
Costs for materials and external services	(1,211,628)	174,504	(1,037,124)
Personnel expense	(76,320)	11,092	(65,228)
Other operating costs	(53,488)	7,830	(45,659)
Change in inventories	38,273	(6,690)	31,582
Capitalised costs for internal work	177	(15)	162
Total operating costs	**(1,302,986)**	**186,720**	**(1,116,266)**
EBITDA Adjusted	**188,688**		
Amortisation	(25,174)	4,500	(20,674)
Capital gains/losses from realisation of non-current assets	1,461	-	1,461
EBIT before non-recurring expenses and income	**164,975**	**(40,806)**	**124,169**
Writebacks/writedowns of non-current assets	(12,861)	-	(12,861)
Income/expenses of a non-recurring nature and for restructuring	(5,832)	5,832	-
Operating result (EBIT)	**146,282**	**(34,974)**	**111,308**
Financial expense	(30,222)	1,560	(28,662)
Financial income	21,222	-	21,222
Before tax result	**137,281**	**(33,413)**	**(103,868)**
Income taxes	(17,965)	10,914	(7,052)
Net profit/(loss) from assets held for sale and from discontinued operations	-	22,500	22,500
Profit/(loss) for the period	**119,316**	**0**	**119,316**

The net result from discontinued assets and liabilities relates to the Duino plant, the sale of which was finalised at the beginning of 2023.
The non-recurring operating income and costs identified refer in particular to:

- the reclassification under IFRS 5 of net income from discontinued operations;
- capital losses of € 5.2 million resulting from the sale of the Duino plant;
- expenses totalling € 0.2 million deriving from other extraordinary operations;
- expenses for discontinued operating facilities for € 0.4 million;

Statement of equity/financial position: Assets €/mln	**31 Dec 2021**	**31 Dec 2022**	**Change**
Non-current assets	**731.2**	**646.6**	**(84.6)**
Property, plant and equipment	197.8	150.8	(47.0)
Intangible assets	13.3	2.1	(11.2)
Other non-current assets	462.5	458.5	(4.0)
Deferred tax assets	57.6	35.1	(22.4)
Current assets	**487.3**	**549.0**	**61.7**
Assets held for sale and discontinued operations	**-**	**45.4**	**45.4**
Total assets	**1,218.5**	**1,240.9**	**22.4**

Statement of equity/financial position: Liabilities €/mln	**31 Dec 2021**	**31 Dec 2022**	**Change**
Shareholders' equity	**(518.3)**	**(585.2)**	**(66.9)**
Shareholders' equity pertaining to the Group	(518.3)	(585.2)	(66.9)
Non-current liabilities	**(245.4)**	**(246.9)**	**(1.5)**
Current liabilities	**(454.8)**	**(399.8)**	**55.0**
Liabilities related to assets held for sale and to discontinued operations	**-**	**(9.0)**	**(9.0)**
Total shareholders' equity and liabilities	**(1,218.5)**	**(1,240.9)**	**(22.4)**

During the year **technical investments** totalling € 18.2 million were made (€ 15.8 million in 2021). Together with capitalisation of financial expense, internal work and advances on plant maintenance, these bring the total to € 22.8 million. Recognition of rights of use due to application of IFRS 16 during the year amounted to € 0.7 million, compared to € 1.2 million in the previous year. Increases relative to intangible fixed assets amounted to € 1.1 million (€ 1 million in 2021). **Trade receivables** went from € 188 million in 2021 to € 169.3 million and **warehouse** inventories went from € 79.9 million to € 113 million. **Payables due to suppliers** decreased from € 347.1 million at the end of 2021 to € 256.3 million, mainly as a result of the contraction in the payment terms for natural gas supplies due to the radical change in gas procurement methods as of October 2022.
Net financial debt came to € 54.3 million, compared to € 105.2 million at the end of 2021, a decrease of € 50.9 million.
Shareholders' equity amounted to € 585.2 million against € 518.3 million at the end of 2021.

Breakdown of net financial debt €/mln	**31 Dec 2021**	**31 Dec 2022**	**Change**
Current financial assets	168.3	228.8	60.5
Short-term financial payables	(83.5)	(100.3)	(16.8)
Medium/long-term financial assets	7.3	7.4	0.1
Medium/long-term financial payables	(197.2)	(190.1)	7.1
Net financial debt	**(105.2)**	**(54.3)**	**50.9**

Capital and financial structure €/mln	31 Dec 2021	31 Dec 2022	Change
Intangible assets	13.3	2.1	(11.2)
Property, plant and equipment	197.8	150.8	(47.0)
Other non-current assets:			
Equity investments	447.9	441.6	(6.2)
Other receivables and non-current assets	7.4	9.4	2.1
Net fixed assets	**666.4**	**604.0**	**(62.3)**
Inventories	79.9	114.0	34.1
Trade receivables	188.0	169.3	(18.7)
Trade payables	(347.1)	(256.3)	90.8
Working capital	**(79.3)**	**26.9**	**106.2**
Other receivables and current assets	51.1	36.9	(14.2)
Deferred tax assets	57.6	35.1	(22.4)
Provisions for future risks and charges	(33.7)	(48.5)	(14.8)
Current tax payables	(3.3)	(11.9)	(8.6)
Other payables and non-current liabilities	(20.8)	(31.2)	(10.4)
Assets held for sale and discontinued operations	-	45.4	45.4
Liabilities related to assets held for sale and to discontinued operations	-	(9.0)	(9.0)
Other operating assets and liabilities	**50.8**	**16.8**	**(34.1)**
Working capital	**(28.4)**	**43.7**	**72.1**
Invested capital, after deducting operating liabilities	**637.9**	**647.7**	**9.8**
Severance indemnities and other provisions related to personnel	(14.5)	(8.3)	6.2
Invested capital, after deducting operating liabilities and severance indemnities (TFR)	**623.4**	**639.4**	**16.0**
Share Capital	(90.0)	(90.0)	-
Reserves	(368.7)	(328.0)	40.7
Accumulated profits/(losses) including profit/(loss) for the period	(59.5)	(167.1)	(107.6)
Own capital	**(518.3)**	**(585.2)**	**(66.9)**
Financial receivables and other non-current financial assets	7.3	7.4	0.1
Financial receivables and other current financial assets	41.3	142.6	101.4
Cash and cash equivalents	127.0	86.2	(40.9)
Non-current financial liabilities	(197.2)	(190.1)	7.1
Current financial liabilities	(83.5)	(100.3)	(16.8)
Net financial debt	**(105.2)**	**(54.3)**	**50.9**
Total coverage	**(623.4)**	**(639.4)**	**(16.0)**

Performance of subsidiaries and associated companies

SUBSIDIARIES

Burgo Ardennes S.A.
(reporting prepared in accordance with the international accounting standards)
Revenues amounted to € 423.9 million (€ 322.5 million the previous year).
The gross operating margin (EBITDA) was € 32.7 million, against € 31.7 million the previous year.
Net profits for the year came to € 8.7 million, against € 7.3 million the previous year.

Mosaico S.p.A.
(financial statements prepared in accordance with the international accounting standards)
Revenues amounted to € 687.8 million (€ 454.0 million the previous year).
The gross operating margin (EBITDA) was € 72.7 million, against € 5.5 million the previous year.
Net profits for the year came to € 40.7 million, against € -6.0 million the previous year.

Burgo Distribuzione S.r.l.
(financial statements prepared in accordance with the international accounting standards)
Revenues amounted to € 244.9 million (€ 188.0 million the previous year).
The gross operating margin (EBITDA) was € 9.0 million, against € 6.9 million the previous year.
Net profits for the year came to € 5.9 million, against € 4.5 million the previous year.

Burgo Energia S.r.l.
(financial statements prepared in accordance with the international accounting standards)
Revenues amounted to € 346.4 million (€ 174.1 million the previous year).
The gross operating margin (EBITDA) was € 12.3 million, against € 4.2 million the previous year.
Net profits for the year came to € -1.9 million, against € 2.7 million the previous year.

Burgo Factor S.p.A.
(financial statements prepared in accordance with the international accounting standards)
The company managed total receivables equal to € 304 million (€ 289.1 million the previous year).
Net profits for the year came to € 3.1 million, against € 2.3 million the previous year.

Gever S.p.A. in liquidation
(financial statements prepared in accordance with the international accounting standards)
Revenues amounted to € 0.0 million (€ 43.3 million the previous year).
The gross operating margin (EBITDA) was € -0.02 million, against € 7.7 million the previous year.
Net profits for the year came to € -0.1 million, against € 47.7 million the previous year.
The company was put into liquidation in the previous year due to the impossibility of achieving the corporate purpose following the sale of the Verzuolo plant and the relative power plant.

Consorzio Energy Paper S.c.a.r.l.
(financial statements prepared in accordance with national accounting standards)
Revenues totalled € 19.8 million, the gross operating margin (EBITDA) was € 0.0 million and the net result for the year was € 0.0 million.

Burgo Recycling S.r.l.
(financial statements prepared in accordance with national accounting standards)
Revenues totalled € 2.7 million (€ 0.7 in the previous year), the gross operating margin (EBITDA) was € 0.2 million and the net result for the year was € 0.15 million.

Other foreign companies
The foreign sales companies (Burgo Central Europe, Burgo France, Burgo Ibérica Papel, Burgo UK, Burgo Benelux, Burgo North America, Burgo Eastern Europe) and SEFE achieved a positive net result as a whole, equal to € 0.9 million (€ 1.8 million the previous year).

Relations with subsidiaries, associated companies and parent companies

The parent company Burgo Group S.p.A., in addition to its institutional role providing management and coordination for its subsidiaries and associated companies, also has instrumental relationships with these same companies, with the objective of achieving maximum synergy within the Group both relative to production and organisational and financial aspects, including sales and service relationships, all of which are governed under market conditions or using cost breakdown methodology.
The Company purchases:

- paper and cellulose from Burgo Ardennes;
- paper from Mosaico;
- electricity, gas and correlated services from Burgo Energia;
- secondary raw materials from Burgo Recycling;
- brokering and sales services from Burgo Ibérica Papel, Burgo Central Europe, Burgo France, Burgo UK, Burgo Benelux, Burgo Eastern Europe, Burgo North America and Burgo Distribuzione.

The parent company supplies:

- paper products to Burgo Ardennes, Mosaico and Burgo Distribuzione;
- excess electricity produced in the power plants to Burgo Energia;
- Interruptibility service from Consorzio Energy Paper;
- administrative, tax, legal, financial and treasury, IT services and personnel seconding to all Group companies;
- guarantees in the interests of Burgo Factor, Burgo Energia, Gever, Burgo Distribuzione and Burgo Recycling;
- insurance coverage to Mosaico, Burgo Factor, Burgo Distribuzione, Burgo Energia, serving as an intermediary with the companies.

Burgo Factor provides factoring services for receivables due to the Group from its suppliers.
Consorzio Energy Paper provides brokering services for the electrical load interruptibility service provided to Terna.
Burgo Group S.p.A., as the manager of the Group's centralised treasury, credits and debits associated companies with regards to financial income and expense at market rates, in shared current accounts.

The Company makes use of the ability to consolidate the individual items receivable and payable relative to Burgo Distribuzione S.r.l., Burgo Energia S.r.l., Gever S.p.A., Burgo Factor S.p.A., Mosaico S.p.A. and Burgo Recycling S.r.l for IRES purposes and to Burgo Distribuzione S.r.l., Burgo Energia S.r.l., Gever S.p.A., Mosaico S.p.A., Consorzio Energy Paper S.c.a.r.l. and Burgo Recycling S.r.l. for VAT purposes, according to the applicable tax regulations in force.
The above relationships are indicated quantitatively in the schedule below:

Relations with related parties €/000	**Subsidiaries**		**Total financial statement items**			
	31 Dec 2021	**31 Dec 2022**	**31 Dec 2021**	**%**	**31 Dec 2022**	**%**
Equity relationships						
Financial receivables and other non-current financial assets	2,800	2,800	7,286	38%	7,407	38%
Trade receivables	57,771	79,633	187,993	31%	169,278	47%
Other receivables and current assets	36,274	19,557	51,103	71%	36,927	53%
Financial receivables and other current financial assets	33,806	72,859	41,258	82%	142,611	51%
Current financial liabilities	(37,868)	(89,714)	(83,498)	45%	(100,312)	89%
Trade payables	(71,457)	(79,768)	(347,147)	21%	(256,319)	31%
Other payables and non-current liabilities	(3,070)	(7,177)	(20,830)	15%	(31,245)	23%
Economic relationships						
Revenues	182,335	333,380	990,943	18%	1,243,108	27%
Other income	3,621	10,882	27,313	13%	16,539	66%
Costs for materials and external services	(247,640)	(416,435)	(926,222)	27%	(1,037,124)	40%
Other operating costs	(15,983)	(32,873)	(27,307)	59%	(45,659)	72%
Financial expense	(131)	(0)	(27,030)	0%	(28,662)	0%
Financial income	79,531	19,723	23,223	342%	21,222	93%
Income taxes	5,164	18,506	4,503	115%	(7,052)	-262%

Corporate Governance and internal audit system

GENERAL INFORMATION

The Burgo Group S.p.A. Articles of Association adopts the “traditional model” of corporate governance (also after the Operation), consisting of a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.
At the time of writing, the share capital of the Company was € 90,000,000.00, consisting of 2,168,857,500 shares with no nominal value, and subdivided as follows:

(1) BG Holding S.r.l. held 1,988,794,387 Burgo shares, representing a 91.70% stake;
(2) Mediobanca S.p.A. held 87,442,365 Burgo shares, representing a 4.03% stake;
(3) Italmobiliare S.p.A. held 46,153,846 Burgo shares, representing a 2.13% stake;
(4) Ocorian Fund Management S.à r.l. (Generali Financial Holding FCP-FIS SUB) held 46,153,846 Burgo shares, representing a 2.13% stake;
(5) Burgo Group S.p.A. held 1968 shares in trust. These shares are the result of the failure of shareholders to exercise the right of conversion into ordinary shares issued by Cartiere Burgo S.p.A. (now Burgo Group S.p.A.) attributed to them at the time of the residual takeover bid intended to exclude the company from the stock market managed by Borsa Italiana S.p.A. on 14/08/2000;
(6) the remaining 311,088 Burgo shares, representing 0.014%, were held by various shareholders.

Subsidiary companies under art. 2359 of the Italian Civil Code have indicated that Burgo Group S.p.A. is the subject which provides management and coordination pursuant to article 2497 bis of the Italian Civil Code. In fact, the parent company determines the management and strategic guidelines for the Group, defines the general policies for financial, production, HR, procurement and communication management, and sets the objectives and procedures relative to occupational health and safety, quality and the environment. The company Burgo Group S.p.A. also provides management services including treasury, company secretariat, legal assistance and internal audit services.
The subsidiaries maintain operational independence and can concentrate their resources on their respective core businesses, making use of the parent company's resources for specialised activities, achieving the consequent economies of scale.

THE GOVERNING BODIES

(i) Shareholders' Meeting: pursuant to article 16, the Shareholders' Meeting, both extraordinary and ordinary, resolves on the matters reserved to it under the law. Article 18 establishes the quorums and decision-making procedures for Shareholders' Meetings involving issues defined as Significant. The Shareholders' Meeting is presided over by the Chairman of the Board of Directors and, in case of absence, inability, renunciation or impediment, by the Deputy Chairman. In case of their absence, inability, renunciation or impediment, another person designated by the Shareholders' Meeting itself shall preside.
Participation in the Shareholders' Meeting using audio/video connection tools is allowed on the condition that the collegial method is respected, as well as the principles of good faith and equal treatment of participants.

(ii) Board of Directors: the Company is administered by a Board of Directors consisting of 7 (seven) directors appointed on the basis of a list system, governed by article 22 of the Articles of Association in effect.
Those who find themselves in the conditions established under article 2382 of the Civil Code cannot be appointed as Directors and, if they already hold such office, shall cease to hold it.
On 30 October 2020, the Shareholders' Meeting appointed the Board for the 2020-2022 period, that is until approval of the 2022 financial statements, as follows:

a) **A. Marchi** – *Chairman*
b) **F. Conte** – *Deputy Chairman*
c) **I. Capuano** – *CEO*
d) **C. Rebecchini**
e) **F. Capurro**
f) **M. D'Alberto**
g) **L. Marzotto**

The Board of Directors is granted the widest ordinary and extraordinary administrative powers over the Company and can carry out all actions it deems necessary and/or expedient to implement and achieve company goals, with the sole exception of matters which under the law or the Articles of Association are expressly reserved for the Shareholders' Meeting.

Board of Directors meetings are presided over by the Chairman or, in their absence, by the Deputy Chairman or, in the case of their absence, inability, renunciation or impediment, by a person designated by the Board itself.
The Board of Directors is validly constituted if a majority of directors in office are present and resolutions are made with a vote in favour by an absolute majority of directors present.
Article 25.5 identifies the "Significant Board Matters" which are the sole responsibility of the Board of Directors and cannot be delegated to directors and/or special representatives and must be decided upon with the Chairperson and Deputy Chairperson present and voting in favour.
Pursuant to article 25.6. there are also additional matters for which a qualified majority is required, again obtained with a vote in favour from the Chairman, the Deputy Chairman and the representative from the "C-list".
The Board of Directors currently in office met 6 times with an average meeting duration of 3 hours.
The Board of Statutory Auditors always took part in these meetings.

(iii) Board of Statutory Auditors: article 28 of the Articles in Association in effect govern the methods used to appoint the Board of Statutory Auditors and its structure.
On 30 October 2020, after resignations were received, the Burgo Group Shareholders' Meeting appointed the Board of Statutory Auditors for 2020-2022, or until the approval of the 2022 Financial Statements, as follows:

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

All auditors hold the professional and ethical requirements established under the law.
Finally, with the Resolution of 12 May 2022 the Company appointed EY S.p.A. to conduct the independent audit of its accounts for the 2022-2024 period. This appointment will expire with the approval of the 2024 Financial Statements.

INTERNAL AUDIT SYSTEM

The Company's Board of Directors adopted, already in financial year 2003, in application of Italian Legislative Decree 231 of 8 June 2001, an "Organisation, Management and Control Model", which serves to identify and apply a collection of behavioural, organisational and control rules which constitute a control system reasonably able to identify and prevent conduct associated with corporate liability pursuant to Italian Legislative Decree 231/2001, as amended.
The Model consists of a General Section and 17 Special Sections accompanied by operational protocols/management procedures integrated with internal certification systems.
The responsibility of monitoring the effective functioning and observance of the Model, as well as proposing updates, is assigned to a collegial Oversight Committee, which reports to the Chairperson.
The Board of Statutory Auditors consists of three regular auditors and two alternate auditors. Their terms will expire on the date the financial statements at 31 December 2022 are approved.

EQUITY FINANCIAL INSTRUMENTS

Following the Capital Increase Operation and refinancing carried out on 29/30 October 2020, the SFP regime was also changed.
More specifically, the Special Meeting of SFP Holders irrevocably renounced their right to convert the existing equity financial instruments, entirely or partially, into ordinary and/or privileged Company shares, and adopted a new Regulation which profoundly changed the regulations for the equity financial instruments, both in terms of equity and administrative rights. As part of this, the Financial Instruments lost the right to be converted into Company shares and all Governance rights.
These equity instruments were originally subscribed through the conversion of € 200 million of debt by certain financial institutions.
With the Resolution adopted on 30 November 2022, the Burgo Group S.p.A. Shareholders' Meeting approved the distribution of a total gross dividend of € 42,510,015.00, to be paid no later than 31 December 2022 and divided as follows in accordance with the provisions of the Articles of Association and related annexes:

1) € 8,502,003.00 as a gross dividend paid to shareholders at the rate of € 0.003920038 per share;
2) € 34,008,012.00 as a Distribution pursuant to Article 6(b)(i) of the Burgo Group S.p.A. Equity Instrument Issue Rules, paid pro rata to holders of the Equity Financial Instruments, out of the Reserve for Equity Financial Instruments consisting of profit reserves.

Therefore, at the time of writing, equity instruments totalled € 165,991,988, divided as follows:

Equity financial instruments	
Mediobanca S.p.A.	108,205,647
QuattroR SGR S.p.A.	44,898,277
Banco BPM S.p.A.	12,888,064
	165,991,988

Business crisis and insolvency code

Pursuant to Italian Legislative Decree 14/2019 (Business Crisis and Insolvency Code), the Company adopts an organisational, administrative and accounting structure appropriate to the nature of its business such to enable the early detection of business crises and the implementation of appropriate action.

Privacy protection, Italian legislative decree 196 of 30 June and GDPR, no. 679 of 27 April 2016

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

With reference to financial year 2022, 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 final paragraph of article 2428 of the Italian Civil Code, note 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	Notes	31 Dec 2021	31 Dec 2022	Change
Non-current assets		**557,999**	**476,365**	**(81,634)**
Property, plant and equipment		**439,073**	**387,751**	**(51,322)**
Property, plant and equipment	1	431,447	378,103	(53,344)
Property investments	1	558	429	(129)
Right of use assets	1	7,068	9,219	2,151
Intangible assets		**31,345**	**18,681**	**(12,663)**
Goodwill and other intangible assets with undefined life	2	17,061	6,224	(10,837)
Intangible assets with defined life	2	14,283	12,457	(1,826)
Other non-current assets		**23,852**	**23,006**	**(845)**
Equity investments in other companies	3	10,174	7,174	(3,000)
Financial receivables and other non-current financial assets	3	5,884	5,951	66
Other receivables and non-current assets	3	7,793	9,881	2,088
Deferred tax assets		**63,730**	**46,926**	**(16,804)**
Deferred tax assets	4	63,730	46,926	(16,804)
Current assets		**791,453**	**852,161**	**60,707**
Investories	5	194,905	279,592	84,687
Trade receivables	6	315,270	279,281	(35,989)
Other receivables and current assets	7	60,597	32,666	(27,931)
Financial receivables and other current financial assets	8	78,055	146,995	68,941
Cash and cash equivalents	9	142,626	113,627	(29,000)
Assets held for sale and discontinued operations	10	**-**	**45,360**	**45,360**
Total assets		**1,349,452**	**1,373,886**	**24,434**

Statement of equity/financial position: Liabilities €/000	Notes	31 Dec 2021	31 Dec 2022	Change
Shareholders' equity		**411,814**	**519,975**	**108,161**
Share Capital	11	90,000	90,000	-
Reserves	11	298,601	260,908	(37,693)
Accumulated profits/(losses) including profit/(loss) for the period	11	19,471	165,177	145,706
Shareholders' equity attributable to non-controlling interests	11	3,741	3,890	149
Non-current liabilities		**315,444**	**320,602**	**5,157**
Non-current financial liabilities	12	221,908	220,677	(1,230)
Severance indemnities and other provisions related to personnel	13	26,052	17,340	(8,712)
Provision for deferred taxes	14	16,978	16,136	(841)
Provisions for future risks and charges	15	50,167	65,949	15,782
Other payables and non-current liabilities	16	340	499	159
Current liabilities		**622,194**	**524,295**	**(97,899)**
Current financial liabilities	17	58,460	34,155	(24,305)
Trade payables	18	510,912	410,375	(100,537)
Current tax payables	19	7,469	19,723	12,254
Other payables and non-current liabilities	20	45,354	60,043	14,689
Liabilities related to assets held for sale and to discontinued operations	21	**-**	**9,013**	**9,013**
Total shareholders' equity and liabilities		**1,349,452**	**1,373,886**	**24,434**

Consolidated Profit and Loss Statement for the Year

Profit and loss statement for the year €/000	**Notes**	**31 Dec 2021**	**31 Dec 2022**	**Change %**
Revenues	23	1,452,026	2,078,903	**43.2%**
Other income	24	63,102	50,941	
Total operating revenues and income		**1,515,128**	**2,129,844**	**40.6%**
Costs for materials and external services	25	(1,249,380)	(1,680,216)	
Personnel expense	26	(171,862)	(185,255)	
Other operating costs	27	(46,728)	(75,916)	
Change in inventories	28	17,032	82,158	
Capitalised costs for internal work	29	2,555	824	
Amortisation	30	(49,771)	(47,146)	
Capital gains/(losses) on disposal of non-current assets	31	(72)	1,461	
Writebacks/writedowns of non-current assets	32	(1,123)	(20,102)	
Total operating costs		**(1,499,349)**	**(1,924,191)**	**28.3%**
Operating result		**15,778**	**205,652**	**1203.4%**
Financial expense	33	(26,317)	(39,872)	
Financial income	34	4,306	6,661	
Before tax result		**(6,233)**	**172,441**	
Income taxes	35	(5,881)	(37,188)	
Net profit/(loss) from assets held for sale and from discontinued operations	36	70,833	22,500	
Profit/(loss) for the period		**58,719**	**157,753**	
Attributable to:				
Profit (loss) for the period pertaining to minority shareholders		*(769)*	*381*	
Profit (loss) for the period pertaining to the Group		*59,488*	*157,372*	

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

Schedule of other components of the comprehensive profit and loss statement €/000	**Notes**	**31 Dec 2021**	**31 Dec 2022**	**Change %**
A - Profit/(loss) for the period		**58,719**	**157,753**	**169%**
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 from foreign financial statements		113	56	-50%
		113	56	
Net (loss) profit from cash flow hedge	37	23,133	(14,545)	-163%
Income taxes		(6,583)	4,814	
		16,550	(9,730)	
Net (loss) profit from financial assets FVOCI	37	343	-	-100%
		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		**17,007**	**(9,674)**	**-157%**
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	37	1,328	3,918	
Income taxes		(331)	(950)	
		996	2,968	
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		**996**	**2,968**	
D - Total other components of the comprehensive profit and loss statement net of taxes (B + C)		**18,003**	**(6,706)**	**-137%**
E - Total comprehensive profit (loss) net of taxes (D + A)		**76,723**	**151,046**	**97%**
Attributable to:				
Profit (loss) pertaining to minority shareholders (Minority shareholders)		*(769)*	*381*	
Profit (loss) pertaining to the Group (parent company shareholders)		*77,446*	*150,665*	

For comments on the schedule, please see note 37 "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	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	**Group shareholders' equity**
Adjustments, Previous Years					-			-	-		-	-		-
Balances at start of 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 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 end of previous period	**90,000**	**13,149**	**138,797**	**-**	**12,920**	**200,000**	**436**	**(66,702)**	**(40,017)**	**59,488**	**408,072**	**4,510**	**(769)**	**411,814**
Destination of result - distribution of dividends		3,647			-	(34,008)	(436)	-	47,775	(59,488)	(42,510)	(991)	769	(42,732)
Net change profits (losses) directly recognised in shareholders' equity					(6,763)			-	-		(6,763)	-		(6,763)
Other changes in shareholders' equity	(0)	-	(138,797)	138,797				(190)	47		(143)	(10)	-	(153)
Exchange differences from translation of foreign financial statements					-			56	-		56	-		56
Profit/(loss) for the period					-			-	-	157,372	157,372	-	381	157,753
Balances at period end	**90,000**	**16,797**	**-**	**138,797**	**6,158**	**165,992**	**-**	**(66,836)**	**7,805**	**157,372**	**516,085**	**3,509**	**381**	**519,975**

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

Consolidated Cash Flow Statement

Cash Flow Statement €/000	**31 Dec 2021**	**31 Dec 2022**
A - Net initial monetary availability	**(105,729)**	**95,218**
B- Monetary flow from operating activities		
Net profit (loss) deriving from operating activities	58,719	157,753
Amortisation, depreciation, write-downs and writebacks	91,263	71,747
Writedowns and writebacks of financial assets	3,059	3,000
Capital gains/(losses) on disposal of non-current assets	(227)	(1,461)
Capital (gains) losses on disposal of financial assets	(118,105)	5,191
Change in TFR and provisions for risks	(1,247)	14,471
Change in deferred tax assets and provision for deferred taxes	(6,264)	19,220
Profit (loss) for the period before changes in working capital	**27,198**	**269,920**
Change in inventories	(14,535)	(88,848)
Change in trade receivables	(112,857)	35,989
Change in trade payables	196,460	(100,537)
Change in other assets and liabilities	(4,196)	21,266
Change in net working capital	**64,871**	**(132,129)**
Assets held for sale and discontinued operations	**-**	**(1)**
Total B- Monetary flow from operating activities	**92,070**	**137,791**
C - Monetary flow from investing activities		
Investments in property, plant and equipment	(41,802)	(48,633)
Other increases in property, plant and equipment	(6,046)	210
Investments in intangible assets	(1,198)	(2,809)
Recognition of other non-current assets	(13,062)	(13,542)
Change in equity investments	1,019	-
Revenues from sales of fixed assets	371,783	22,510
Total C - Monetary flow from investing activities	**310,692**	**(42,264)**
D - Monetary flow from financing activities		
Change in non-current securities and financial receivables	(1,728)	(66)
Change in financial receivables and other current financial assets	(22,858)	(51,843)
Change in current and non-current other non-financial liabilities	(9,010)	7,177
New loans	159,003	7,820
Repayment of loans	(324,592)	(10,766)
Repayment right of use loans	(3,467)	(4,621)
Dividends distributed and/or resolved	-	(42,510)
Changes in Shareholders' Equity	836	-
Total D - Monetary flow from financing activities	**(201,816)**	**(94,810)**
E - Monetary flow for the period (B + C + D)	**200,947**	**717**
Net final monetary availability (A + E)	**95,218**	**95,935**
Additional information:		
Interest received during the period	3,843	5,142
Interest paid during the period	(26,974)	(34,477)
Taxes paid during the period	(3,137)	(20,414)
Dividends received during the period	-	-

For the structure of final net monetary availability, please see note 9 "Cash and other cash equivalents", which provides a reconciliation statement regarding cash and other cash equivalents.

Explanatory notes to the Consolidated financial statements

GENERAL INFORMATION

GROUP STRUCTURE AND SCOPE OF CONSOLIDATION

Details of consolidated companies, broken down by the consolidation criteria used, with information about company name, registered office, equity and stake held, are provided below.

List of companies consolidated on a line by line basis

Company name	**Registered office**	**Share Capital**		**Stake held**	
				%	by
Gever S.p.A. in liquidation	Altavilla Vicentina (VI)	EUR	100,360	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)*	Barcellona (ES)	EUR	268,000	100.00	Burgo Ardennes S.A.
Burgo Benelux S.A. *(sales)*	Virton (BE)	EUR	247,900	100.00	Burgo Group S.p.A.
Burgo France S.à r.l. *(sales)*	Champeaux (FR)	EUR	600,000	100.00	Burgo Group S.p.A.
Burgo UK Ltd *(sales)*	Milton Keynes (UK)	GBP	250,000	100.00	Burgo Group S.p.A.
Burgo Central Europe GmbH *(sales)*	Munich (Germany)	EUR	256,000	100.00	Burgo Group S.p.A.
Burgo North America Inc *(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.à 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. z o.o. *(sales)*	Varsavia (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.
Cartiera Duino S.r.l. *(paper industry)*	Altavilla Vicentina (VI)	EUR	10,000	100.00	Burgo Group S.p.A.

ACCOUNTING STANDARDS AND CONSOLIDATION CRITERIA

The consolidated financial statements for Burgo Group S.p.A. at 31 December 2022 were prepared by applying the international accounting standards issued by the International Accounting Standard Board (IASB) and approved by the European Union, including among these the international subjects subject to interpretation (International Accounting Standards – IAS/IFRS) and interpretations issued by 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 to implement the actions defined in the Business Plan approved at the time of the capital increase in 2020 and subsequently updated in 2022.

FINANCIAL STATEMENT SCHEDULES

All that illustrated in the previous section is understood to be fully referenced here.
The Group's consolidated financial situations are shown in thousands of euro. The euro is also the functional currency used by the Group, given that it is the currency used in the economies in which the Group mainly operates.
The Group's fiscal year coincides with the calendar year (1 January - 31 December).
Preparation of the consolidated financial statements and accounting schedules required the following choices:

- **Consolidated Balance Sheet**: 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;
- **Consolidated Profit and Loss 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 profit and loss statement 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 Report on Operations schedules;
- **Cash flow statement**: this is structured on the basis of the indirect method.

The Group ended financial year 2022 with profits of € 157.8 million, shareholders' equity of € 520 million and net financial debt with a positive balance of € 11.7 million.
The consolidated financial situations were prepared using the general cost principle, with the exception of financial assets, measured in accordance with IFRS 9, and derivatives, 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 S.p.A., the parent company, and those of subsidiaries over which Burgo Group S.p.A. holds direct or indirect control.
In addition to the subsidiaries, the scope of consolidation also includes associated companies and companies under joint control.
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 business.
Subsidiaries are consolidated starting on the date on which control is effectively obtained by the Group and consolidation ceases on the date on which control is transferred outside of the Group.
These companies are consolidated on a line by line basis.
Associated companies, over which Burgo Group S.p.A. exercises significant influence, or companies for which it exercises joint control over financial and operating policies, are measured using the equity method.
In preparing the consolidated figures, the equity, economic and financial situations of subsidiaries as prepared at the reporting date were used, as well as additional information useful for the translation to the standards adopted in preparing the consolidated financial statements, in order to allow for application of homogeneous accounting standards.
The main operations carried out in preparing the consolidated financial statements are:

- elimination of the book value of equity investments held by the parent company and other companies within the scope of consolidation with the relative shareholders' equity, while taking on the assets and liabilities of companies consolidated with the line by line method. Positive differences emerging from the purchase cost of the equity investments with the relative shares of shareholders' equity are recognised as adjustments to the relevant assets item on the basis of the assessment carried out at the time of purchase. Any residual amount not allocated is recognised in an assets item called "goodwill", which is subject to an impairment test. Any negative residual amounts are recognised in the annual profit and loss statement, as envisaged under IFRS 3 (business combinations);
- elimination of reciprocal relationships between companies consolidated using the line by line method, specifically:
  - transactions that give rise to receivables and payables, as well as costs and revenues;
  - unrealised gains and losses, included in measurements of inventories;
- reversal of dividends received from consolidated companies;
- adjustment of the carrying value of companies consolidated using the equity method, in order to include the portion of the pertinent result.

OPERATIONS IN FOREIGN CURRENCIES

Revenues and costs relative to operations in foreign currencies are recorded at the exchange rate in effect at the time the operation was completed. Monetary assets and liabilities in foreign currencies are converted by applying the current exchange rate on the reporting date for the reference period, attributing any exchange differences generating to the annual profit and loss statement.

FINANCIAL STATEMENTS OF FOREIGN COMPANIES

Translation into euro of items in the consolidated balance sheet for financial statements expressed in currencies other than the euro is done by applying the exchange rates at the end of the year. Items in the annual profit and loss statement are translated into euro using the average exchange rates for the year. Exchange differences originating from the translation into current end of year exchange rates of items in the initial shareholders' equity and the results of the year to average exchange rates are recognised in consolidated shareholders' equity. The table below shows the exchange rates applied when translating financial statements in currencies other than the euro for financial years ending on 31 December 2021 and 31 December 2022.

Exchange rates	2021		2022	
	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	1.133	1.184	1.067	1.053
Pound sterling	0.840	0.860	0.887	0.853
Polish zloty	4.597	4.564	4.681	4.686

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The consolidated financial statements at 31 December 2022 were prepared in compliance with the IAS/IFRS accounting standards for preparing individual financial statements at 31 December 2021, taking into account the amendments and new standards which took effect as of 1 January 2022, listed below.

IFRS accounting standards, amendments and interpretations applied as of 1 January 2022

For the preparation of these Consolidated Financial Statements, the Group has adopted for the first time certain accounting standards and amendments effective for financial years beginning on or after 1 January 2022, a list of which is provided below, noting that these changes have not affected the balance sheet and income statement amounts shown:

- On 14 May 2020 the IASB published the following amendments:
  - ***Amendments to IFRS 3 Business Combinations***: the amendments are intended to update the reference to the Conceptual Framework in IFRS 3 to the revised version, without making any changes to the provisions.
  - ***Amendments to IAS 16 Property, Plant and Equipment***: the amendments are intended to disallow deduction of proceeds from the cost of PPE 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 depreciation rate of the machinery used to fulfill 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.

IFRS accounting standards, amendments and interpretations approved by the European Union, not yet obligatorily applicable and not adopted in advance by the Group at 31 December 2022

Below are the main accounting standards and interpretations approved by the European Union which are not applicable as at 31 December 2022 (as they are due to come into force as of 1 January 2023) and for which the Group has not opted for early application in the cases provided for:

- On 18 May 2017, the IASB published **IFRS 17 - Insurance Contracts**, which is intended to replace IFRS 4 - Insurance Contracts.
  The goal of the new standard is to ensure that undertakings provide relevant information that accurately represents the rights and obligations arising from insurance contracts issued.
- On 09 December 2021 the IASB published an amendment entitled "**Amendments to IFRS 17 Insurance Contracts**: ***Initial Application of IFRS 17 and IFRS 9 – Comparative Information***". The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for users of the financial statements.
- On 12 February 2021, the IASB published two amendments entitled "***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 intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish between changes in accounting estimates and accounting policy changes. The amendments take effect on 1 January 2023 but early application is allowed.
- On 07 May 2021 the IASB published an amendment entitled "**Amendments to IAS 12 Income Taxes:** ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". The document clarifies how to account for deferred taxes on certain operations that may generate assets and liabilities of equal amount, such as leasing and dismantling operations. The amendments take effect on 1 January 2023 but early application is allowed.

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***" and on 31 October 2022 published an amendment entitled "***Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants***". The documents are intended to clarify the process of classifying payables and other liabilities as current or non-current. The amendments take effect on 1 January 2024. Early application is allowed.
- On 22 September 2022 the IASB published an amendment entitled "***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback***". The document requires the seller/lessee to value the lease liability deriving from a sale and leaseback translation so as not to recognise an income or loss on the retained right of use. The amendments take effect on 1 January 2024 but early application is allowed.

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:

PROPERTY, PLANT AND EQUIPMENT

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.

Property, plant and equipment

Assets recognised among property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment, 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 property, plant and equipment 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 profit and loss statement 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 scope of 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, relative to lease contracts the Group recognises

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 annual profit and loss statement 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.
Relative 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, if disposing of the asset in a free transaction between knowledgeable and willing parties, after deducting disposal 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.
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 annual profit and loss statement.
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 annual profit and loss statement, unless the asset is recognised at the written back value, in which case the writeback is recognised in the revaluation reserve.

EQUITY INVESTMENTS MEASURED 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 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 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 recognition and measurement*

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 which requires delivery either through a standardised sale or through regular way trade is recognised on the negotiation date, that is the date on which the Group 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 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 testing. 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 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 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 misalignmentle.

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 situation) 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 recognition and measurement*

At initial recognition, financial liabilities are classified among financial liabilities measured at fair value through profit and loss, 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 Group 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 profit and loss statement.
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 profit and loss statement.

Financial guarantee liabilities

Financial guarantee liabilities issued by the Group 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.

Derecognition

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 profit and loss statement for the year.

Offsetting of financial instruments

An asset and a financial liability can be offset and the net balance recognised in the balance sheet 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.

DERIVATIVES

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 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 annual profit and loss statement.
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 annual profit and loss statement.

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 annual profit and loss statement when the effects of the transaction being hedged are recognised in the annual profit and loss statement. The profit or loss associated with this ineffective portion of the hedging is instead immediately recognised in the annual profit and loss statement. If a hedging instrument is closed by the transaction being hedged has not yet been realised, cumulative profits and losses remain in the shareholders' equity reserve and are reclassified in the annual profit and loss statement 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 annual profit and loss statement.
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 annual profit and loss statement.

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 annual profit and loss statement.
Any losses from these contracts are recognised in the annual profit and loss statement in the full amount, at the time they become known.

CASH AND OTHER 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.

ASSETS AND LIABILITIES 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 consolidated balance sheet.
These assets, classified within a specific item in the consolidated balance sheet, 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 annual profit and loss statement.

TRADE PAYABLES AND MISCELLANEOUS 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.

EMPLOYEE BENEFITS

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 not 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 annual profit and loss statement 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 annual profit and loss statement consists of the following elements:

- social security costs relative to current work performed;
- interest expense;
- expected returns from program 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 schedule of other components of the comprehensive profit and loss 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 probable that the Group 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 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 profit and loss statement 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 annual profit and loss statement 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.

ITEMS IN OTHER CURRENCIES 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 annual profit and loss statement.

RECOGNITION OF REVENUES AND COSTS

Revenues are measured on the basis of the payment the Group 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 Group 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 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 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, PREPAID 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 annual profit and loss statement.
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:

- 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.

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 2022 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;
- quantifying provisions for risks and charges and provisions for employee benefits, due to the uncertainty of that required, survival times and actuarial hypotheses 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 profit and loss statement for the period in which the change occurred.

Consolidated Balance Sheet

NON-CURRENT ASSETS

1 | Property, plant and equipment

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

Property, plant and equipment €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Property, plant and equipment	431,447	378,103	(53,344)
Property investments	558	429	(129)
Right of use assets	7,068	9,219	2,151
	439,073	**387,751**	**(51,322)**

— Property, plant and equipment

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	**518,721**	**2,446,282**	**18,559**	**45,927**	**31,650**	**3,061,139**
Increases during period	895	19,425	127	614	27,572	48,633
Disposals during period	(4,150)	(3,653)	(73)	(1,404)	-	(9,281)
Revaluations, impairment during period	(400)	(8,865)	-	-	-	(9,265)
Other changes	(117,456)	(440,496)	(1,976)	(496)	(33,025)	(593,449)
Historic cost at period end	**397,611**	**2,012,693**	**16,636**	**44,641**	**26,197**	**2,497,778**
Provision for amortisation/ depreciation at start of period	**377,916**	**2,190,677**	**17,688**	**43,411**	**-**	**2,629,692**
Amortisation/depreciation during period	6,063	37,565	369	1,435	-	45,432
Uses during period	(4)	(3,579)	(70)	(1,381)	-	(5,034)
Other changes in the provision	(101,573)	(445,071)	(2,012)	(1,758)	-	(550,415)
Provision for amortisation/ depreciation at period end	**282,401**	**1,779,591**	**15,975**	**41,707**	**-**	**2,119,675**
Net book value at period end	**115,209**	**233,102**	**662**	**2,934**	**26,197**	**378,103**

Capitalisation carried out during the year amounted to € 48,633 thousand (€ 47,867 thousand in 2021) and also included other increases for € 375 thousand relative to internal work; capitalisation of financial expense equal to € 396 thousand (€ 514 thousand in 2021), calculated with reference to a rate of 3.09%, implementing IAS 23; and advances on maintenance work for € 4,787 thousand (€ 3,847 thousand in 2021).
Please see the Report on Operations for comments and details on investments in 2022.
The most significant change in the item "Other Changes" refers mainly to the transfer and subsequent sale, concluded in January 2023, of the Duino site for a total net value of € 39,676 thousand, which was reclassified under assets held for sale.
The main transactions involve Burgo Group S.p.A and, in particular, refer to decreases due to disposals and sales of obsolete systems eliminated for accounting purposes after sales to third parties and, in some cases, after periodic inventory checks. During the year total writedowns came to € 9,265 thousand. In particular, please note that writedowns on plant and machinery at various production plants amounted to € 8,865 thousand and mainly referred to the suspension of production on line 5 at the Lugo plant for € 4,001 thousand.
At the end of the year, the residual life of the parent company's property, plant and equipment was reviewed, with the necessary changes made to the depreciation plans.

— *Property investments*

Flow of property investments €/000	Civil land	Civil buildings	Total
Historic cost at start of period	**80**	**852**	**932**
Increases during period	-	-	-
Disposals during period	(0)	-	(0)
Revaluations, impairment during period	-	-	-
Transfer	-	-	-
Other changes	-	(172)	(172)
Historic cost at period end	**80**	**680**	**760**
Provision for amortisation/depreciation at start of period	**-**	**374**	**374**
Amortisation/depreciation during period	-	19	19
Uses during period	-	-	-
Transfer	-	-	-
Other changes in the provision	-	(62)	(62)
Provision for amortisation/depreciation at period end	**-**	**331**	**331**
Net book value at period end	**80**	**349**	**429**

During the year, changes involving civil real estate consisted of depreciation of € 19 thousand and the reclassification of assets held for sale of the Duino plant for the amount of € 105 thousand.

— *Right of use assets*

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	**4,181**	**1,131**	**3,511**	**1,053**	**1,828**	**684**	**12,389**
Increases during period	185	141	3,744	430	151		4,651
Disposals during period	(251)	(140)	(20)	(217)	(82)		(711)
Other changes	-	-	489	(14)	(38)	(684)	(247)
Historic cost at period end	**4,115**	**1,132**	**7,723**	**1,252**	**1,860**	**-**	**16,082**
Provision for amortisation/ depreciation at start of period	**(1,337)**	**(480)**	**(2,069)**	**(730)**	**(705)**		**(5,321)**
Amortisation/depreciation during period	(565)	(192)	(888)	(269)	(373)		(2,286)
Uses during period	251	76	7	200	11		544
Other changes	-	-	175	14	11		199
Provision for amortisation/ depreciation at period end	**(1,651)**	**(596)**	**(2,775)**	**(785)**	**(1,056)**	**-**	**(6,863)**
Net book value at period end	**2,463**	**536**	**4,948**	**468**	**804**	**-**	**9,219**

During 2022 increases were recorded in the amount of € 4,651 thousand following the opening of new leasing contracts. Amortisation during the period totalled € 2,286 thousand. Disposals of gross historic cost during the period totalled € 711 thousand, against writeoffs of the provision equal to € 544 thousand.

2 | Intangible assets

The balance is as follows:

Intangible assets €/000	31 Dec 2021	31 Dec 2022	Change
Goodwill and other assets with undefined life			
Goodwill	**17,061**	**6,224**	**(10,837)**
	17,061	**6,224**	**(10,837)**
Intangible assets with defined life			
Concessions, licenses, trademarks and similar rights	2,418	1,855	(563)
Other intangible assets	11,565	10,167	(1,398)
Fixed assets in progress and advances	300	435	135
	14,283	**12,457**	**(1,826)**
	31,345	**18,681**	**(12,663)**

The item goodwill includes that recognised through the incorporation of the Valchiampo plant and for the acquisition of 100% of Cavallari S.r.l., subsequently renamed Burgo Distribuzione S.r.l. (€ 414 thousand).
In 2022 the goodwill recognised for the incorporation of the Villorba plant operated by Cartiere Marchi S.p.A. in 2006 was fully written down to the amount of € 10,837 thousand.
Recoverability of goodwill is verified annually or more frequently if deemed necessary, by determining the value in use.
Goodwill is allocated to the respective cash generating units (CGU). CGUs refer to individual production sites. To determine the value in use, the current value of future financial flows was calculated, estimated by applying discounting rates that reflect current market values of the temporal value of money and the specific risks of the business, as well as terminal growth rates in line with inflation levels.
Finally, the current value of the flows and the terminal value of the individual CGUs was compared with the capital invested in them.
For the purposes of the impairment test, the main assumptions, in line with current measurements of the cost of money, which take into account the specific risks of the CGUs, involve the risk-free rate of 3.75% (0.77% in 2021), a market risk premium that remained unchanged on the previous year at 5.50% (increased from a minimum of 0% to a maximum of 2.5% to incorporate other risks for certain CGUs), a variable growth rate between 2.00% and 2.50% based on the CGU, the cost of debt before taxes of 1.78% (2.00% in 2021) and the ratio between equity and debt, respectively equal to 85.89% and 14.11% (respectively 83.62% and 16.38% the previous year) derived as the average value of a panel of comparable listed companies in the same sector.

During the year the impairment test highlighted the need to record the writedown of goodwill allocated to the Villorba plant due to the sharp increase in WACC recorded in the year compared to previous years and linked to market parameters.

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

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

Additionally, the impairment test was carried out with reference to CGUs for which indicators of impairment were identified in previous years, but in no case did the test indicate a need to carry out writedowns on the amounts recognised in the balance sheet.

The Group, which has the right to receive green certificates against the production of energy from renewable sources at the Ardennes plant, recognised securities totalling € 13,542 thousand in the balance sheet (€ 11,565 thousand in 2021), reclassified under intangible assets at year-end.
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	Concessions, licenses, trademarks and similar rights	Other intangible assets	Fixed assets in progress and advances	Total
Historic cost at start of period	**17,061**	**0**	**16,871**	**11,565**	**300**	**45,797**
Increases during period	-	-	791	15,238	323	16,351
Disposals during period	-	-	-	(16,636)	-	(16,636)
Revaluations, impairment during period	(10,837)	-	-	-	-	(10,837)
Other changes	-	-	(567)	-	(188)	(755)
Historic cost at period end	**6,224**	**0**	**17,094**	**10,167**	**435**	**33,921**
Provision for amortisation/ depreciation at start of period		**-**	**14,452**	**-**		**14,452**
Amortisation/depreciation during period		-	787	-		787
Uses during period		-	-	-		-
Other changes in the provision		-	-	-		-
Provision for amortisation/ depreciation at period end		**-**	**15,239**	**-**		**15,239**
Net book value at period end	**6,224**	**0**	**1,855**	**10,167**	**435**	**18,681**

The increases of € 16,351 thousand include the recognition of green certificates in the amount of € 13,542 thousand as well as € 2,809 thousand related mainly to activities in the IT sector, some of which were aimed at strengthening the cyber security strategy, as well as the technological upgrade of operating systems and applications.

The decreases relate to the sale of green certificates relative to Burgo Ardennes for € 16,636 thousand.

3 | Other non-current assets

These include the items indicated below:

— Equity investments and securities

Equity investments and securities €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Equity investments in other companies	10,174	7,174	(3,000)
	10,174	**7,174**	**(3,000)**

The item “Equity investments in other companies” decreased during the year due to the € 3,000 thousand writedown made to the equity investment in Paper Interconnector S.c.a.r.l., in line with the recovery prospects on the investment.
This equity investment is recognised in the financial statements with a net value of € 6,651 thousand.

Other equity investments to the amount of € 523 thousand mainly consist of the Burgo Group's share of the Interconnector Energy Paper for € 519 thousand.

— Financial receivables and other non-current financial assets

Financial receivables and other non-current financial assets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Non-current financial receivables due from others	5,884	5,951	66
	5,884	**5,951**	**66**

Financial receivables due from others total € 5,951 thousand, of which € 3,402 thousand for the financial receivable due to Burgo Group relative to the investee Consorzio Interconnector Energy Italia S.c.a.r.l. and € 1,000 thousand for a term deposit made by Burgo Ardennes to guarantee a loan obtained for the cooker investment.

— Other receivables and non-current assets

Other receivables and non-current assets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Non-current sundry receivables due from others	92	86	(6)
Non-current guarantee deposits	7,701	9,795	2,095
	7,793	**9,881**	**2,088**

The increase in other receivables and non-current assets of € 2,088 thousand compared to the previous year is mainly due to the increase in the guarantee deposit made with Terna relative to the Interconnector procedure, for amounts paid during 2022 to guarantee the execution of interconnection work.

4 | Deferred tax assets

Deferred tax assets amount to € 46,926 thousand, a decrease of € 16,804 thousand. Below is a detailed explanation:

Deferred tax assets €/000	31 Dec 2021			31 Dec 2022		
	Taxable	% rate	(Debit)/credit	Taxable	% rate	(Debit)/credit
IRES						
Taxed provisions (allocated)	117,284	24.0	28,148	124,551	24.0	29,892
Derivatives	(25,275)	24.0	(6,066)	(10,326)	24.0	(2,478)
IAS 19 discounting - actuarial G/L	5,953	24.0	1,429	1,383	24.0	332
Amortisation, depreciation and writedowns	1,964	24.0	471	9,635	24.0	2,312
30% limit financial expense	60,743	24.0	14,578	11,161	24.0	2,679
IRES losses to be used in future financial years	130,211	24.0	31,251	40,328	24.0	9,679
Allocation of shortfall	(36,237)	24.0	(8,697)	(31,352)	24.0	(7,524)
Other items	13,753	24.0	3,301	37,334	24.0	8,960
	268,396		**64,415**	**182,714**		**43,851**
IRAP						
Taxed provisions (allocated)	38,241	3.9	1,491	60,173	3.9	2,347
Amortisation, depreciation and writedowns	(7,632)	3.9	(298)	7,671	3.9	299
Allocation of shortfall	(36,237)	3.9	(1,413)	(31,352)	3.9	(1,223)
Derivatives	(25,663)	3.9	(1,001)	5,784	3.9	226
Other items	13,695	3.9	534	36,535	3.9	1,425
	(17,595)		**(686)**	**78,812**		**3,074**
Prepaid foreign taxes						
Other items	4	28.0	1	4	28.0	1
	4		**1**	**4**		**1**
			63,730			**46,926**

Deferred tax assets show the balance between positions receivable and payable deriving from companies for which offsetting is legally allowed.
During the year deferred tax credits fell by € 16,804 thousand. The main differences seen during the year can be attributed to the following phenomena:

- provisions taxed for IRES and IRAP purposes, whose recognised deferred tax assets increased by € 2,599 thousand;
- amortisation/depreciation and impairment for IRES and IRAP, an increase in deferred tax assets of € 2,438 thousand;
- IRES losses to be used in future financial years which decreased by € 21,572 thousand;
- non-deductible financial expenses whose IRES deferred tax assets decreased by € 11,900 thousand;
- allocation of shortfalls for IRES and IRAP whose deferred tax liabilities decreased by € 1,363 thousand;

For more details about the applicable rate, please see note 36 "income taxes".
Note that the tax losses of the parent company can currently all be carried forward indefinitely.
Recognition of deferred tax assets relative to a portion of IRES tax losses that can be carried forward is justified by a reasonable expectation of sufficient future taxable income, based on the economic forecasts found in the industrial plan.
Tax losses which led to tax losses, summarised by year of creation and maturity, relate to the parent company. 2002 tax losses can only be used by Burgo Group S.p.A.
The difference between the losses accrued at the end of 2021 and 2022 derives from the use of these losses to reduce Burgo Group S.p.A.'s taxable base for the current year and for adjustments between the estimated tax calculation recorded in the Financial Statements as at 31 December 2021 and the final tax return.
Deferred tax assets refer to legal entities which have a negative balance in their individual financial statements. Specifically, these refer to the Burgo Group, Burgo Distribuzione, Burgo Energia, Mosaico and Gever.

Tax losses €/000		2021		2022	
	maturity	loss	tax	loss	tax
2002	can be carried forward indefinitely	130,211	31,251	40,328	9,679
		130,211	**31,251**	**40,328**	**9,679**

CURRENT ASSETS

5 | Inventories

Inventories €/000	31 Dec 2021	31 Dec 2022	Change
Raw materials inventories	52,921	85,777	32,856
Stock inventories	45,020	41,705	(3,314)
Provision for impairment of raw materials and stocks	(13,643)	(17,966)	(4,323)
Raw materials, subsidiary and consumable items	**84,298**	**109,516**	**25,218**
Products in progress and semi-finished products	31,056	39,337	8,281
Products in progress	**31,056**	**39,337**	**8,281**
Finished products and goods	83,780	146,977	63,197
Provision for impairment of products	(4,229)	(16,239)	(12,010)
Finished products	**79,551**	**130,738**	**51,187**
	194,905	**279,592**	**84,687**

Warehouse inventories increased overall by € 84,687 thousand (in 2021 the change was € +745 thousand).
The value of raw materials, stocks, consumables and finished products is shown net of the provision for obsolescence for € 34,205 thousand (€ 17,872 thousand the previous year) and increased due to the high value of the inventories.
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 € 32,856 thousand, is mainly attributable to an increase in purchase prices (+38%), with a consequent increase in the average weighted cost at the end of the year.

The decrease in the value of inventories of € 3,314 thousand is mainly due to the reclassification of the portion of inventories attributable to the Duino plant as part of the recognition of operating assets held for sale under IFRS 5 (€ 4,160 thousand) in a separate line under assets; net of this change the value would have been positive at € 846 thousand.

The increase in the value of products in progress and finished products of € 8,281 thousand and € 63,197 thousand respectively, is due both to higher quantities in stock and to an increase in the average production cost linked to the increase in the cost of raw materials and energy.

6 | Trade receivables

Trade receivables €/000	31 Dec 2021	31 Dec 2022	Change
Relative to customers	380,690	335,751	(44,939)
Provision for doubtful accounts	(65,420)	(56,470)	8,950
	315,270	**279,281**	**(35,989)**

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.
Allocations to the provision for doubtful accounts during the year amounted to € 7,832 thousand (€ 5,438 thousand in 2021) while uses of the provision came to € 16,782 thousand following the write-off of certain positions that were no longer due.
The table below provides a breakdown of trade receivables by geographic area.

Trade receivables by geographic area €/000	31 Dec 2021	31 Dec 2022	Change
Italy	184,744	155,808	(28,936)
Europe E.U.	85,523	70,431	(15,093)
Other countries	45,003	53,042	8,039
	315,270	**279,281**	**(35,989)**

7 | Other receivables and current assets

Other receivables and current assets €/000	31 Dec 2021	31 Dec 2022	Change
Current tax receivables	**10,639**	**15,547**	**4,909**
Current sundry receivables due from others	16,743	10,470	(6,273)
Current receivables due from social security entities	184	150	(34)
Current derivative assets	31,508	2,832	(28,676)
Other sundry receivables	**48,435**	**13,452**	**(34,983)**
Other assets	**1,524**	**3,667**	**2,143**
	60,597	**32,666**	**(27,931)**

Other receivables and current assets decreased as a whole by € 27,931 thousand.
Current tax receivables increased by € 4,909 thousand, mainly due to a larger VAT credit from the tax authorities.
With regard to other receivables, the main changes were due to lower advances to suppliers and lower receivables for insurance compensation to be collected, outstanding as at 31 December 2022, for a total of € 6,273 thousand, and the decrease of € 28,676 thousand in the fair value of derivative assets.

8 | Financial receivables and other current financial assets

Financial receivables and other current financial assets €/000	31 Dec 2021	31 Dec 2022	Change
Financial receivables due from others	77,119	129,575	52,455
Derivative financial assets	8	16,711	16,703
Other financial assets	927	709	(218)
	78,055	**146,995**	**68,941**

Financial receivables due from others mainly regard:

- advances paid to suppliers of the parent company and the subsidiaries Mosaico and Burgo Ardennes by Burgo Factor for € 60,471 thousand (€ 65,388 thousand in 2021) at market rates, the average duration of which falls between 30 and 90 days;
- financial receivables due from factoring companies to the Parent Company and the subsidiary Mosaico, for the recourse transfer of receivables for € 14,461 thousand (€ 4,066 thousand in 2021);
- time deposit accounts totalling € 51,876 thousand, of which € 44,002 thousand established in the year at the Parent Company.

Financial assets for current derivatives amounted to € 16,711 thousand to cover medium- to long-term credit lines.

9 | Cash and other cash equivalents

Cash and cash equivalents €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Bank and postal deposits	142,593	113,595	(28,998)
Cash and cash on hand	34	32	(1)
	142,626	**113,627**	**(29,000)**

Cash and other cash equivalents totalled € 113,627 thousand. The book value is equal to the fair value.
Below is a reconciliation table for the item "Cash and other cash equivalents" with net monetary availability recognised in the cash flow statement:

Reconciliation of cash and other cash equivalents €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Cash and cash equivalents	142,626	113,627	(29,000)
Current accounts and other loans	(47,409)	(17,692)	29,717
	95,218	**95,935**	**717**

10 | Assets held for sale and discontinued operations

This item includes all assets held for sale.
The assets shown in the table below are to be transferred to Cartiera Duino S.r.l. as of 01 January 2023, and are detailed as follows:

Statement of equity/financial position: Assets €/000	**31 Dec 2022**
Non-current assets	**41,192**
Property, plant and equipment	**39,828**
Property, plant and equipment	39,676
Property investments	105
Right of use assets	48
Intangible assets	**755**
Intangible assets with defined life	755
Other non-current assets	**1**
Financial receivables and other non-current financial assets	1
Deferred tax assets	**607**
Deferred tax assets	607
Current assets	**4,168**
Inventories	4,161
Other receivables and current assets	6
Cash and cash equivalents	1
Total assets	**45,360**

SHAREHOLDERS' EQUITY

11 | Shareholders' equity

Total consolidated shareholders' equity amounted to € 519,975 thousand (€ 411,814 thousand at 31 December 2021).
Share capital at 31 December 2022 consisted of 2,168,857,500 ordinary shares with no nominal value, for a total value of € 90,000 thousand.
The parent company has no treasury shares in its portfolio.
Consolidated shareholders' equity at 31 December 2022 increased by € 108,161 thousand with respect to 31 December 2021, as a consequence of the following main changes:

- an increase due to profits for the year of € 157,753 thousand (€ +58,719 thousand in 2021);
- an decrease due to net fair value changes in financial derivatives recognised using hedge accounting for € 9,730 thousand (€ +16,550 thousand in 2021);
- an increase for net changes equal to € 2,968 thousand (€ +996 thousand in 2021) due to discounting of TFR and other social security plans pursuant to IAS 19;
- a decrease due to the distribution of dividends of € 42,510 thousand, of which € 34,008 thousand from the Equity Instruments reserve component of profit reserves and € 8,502 thousand from the profits carried forward reserve.

Please note that following the Board resolutions adopted in 2022, the non-distributable reserve from share capital reduction, amounting to € 138,797 thousand, was made available.

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

Reserves and profits carried forward €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Non-distributable reserve from share capital reduction	138,797	-	(138,797)
Distributable reserve from share capital reduction	-	138,797	138,797
Legal	13,149	16,797	3,647
Reserve for equity financial instruments	200,000	165,992	(34,008)
Non-distributable exchange gains reserve	436	-	(436)
Other reserves	238	48	(190)
Consolidation	(66,940)	(66,884)	56
IAS 19 reserve	(9,569)	(6,601)	2,968
Reserve for accounting standard change - FTA	4,686	4,686	-
Cash Flow Hedge reserve	17,804	8,073	(9,730)
	298,601	**260,908**	**(37,693)**
Profits (losses) carried forward reserve	(40,017)	7,805	47,822
	(40,017)	**7,805**	**47,822**

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

Deferred taxes recognised directly to shareholders' equity €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Fair value changes in cash flow hedges	(7,228)	(2,414)	4,814
Actuarial gains/(losses)	2,836	1,886	(950)
Others	1,052	1,052	-
	(3,340)	**525**	**3,865**

NON-CURRENT LIABILITIES

12 | Non-current financial liabilities

Non-current financial liabilities €/000	31 Dec 2021	31 Dec 2022	Change
Bonds	3,825	2,125	(1,700)
Loan payables	213,405	212,075	(1,330)
Right of use liabilities	4,678	6,478	1,800
	221,908	**220,677**	**(1,230)**

Non-current financial liabilities include:

- bond loan issued by the subsidiary Burgo Ardennes for € 2,125 thousand (€ 3,825 thousand in 2021); the loan was subscribed by S.R.I.W. in 2019;
- bank loan obtained by the subsidiary Burgo Ardennes for the cooker investment of € 10,979 thousand (€ 13,104 thousand in 2021);
- amounts due to Parent Company shareholders due after the end of the year and valued at amortised cost at € 104,957 thousand (€ 107,172 thousand at the end of the previous year) and MLT loans to others for € 84,158 thousand (€ 86,078 thousand at the end of the previous year);
- a subsidised loan of € 1,751 thousand (initial nominal value of € 3,292 thousand) and a bank loan of € 366 thousand, relative to the admission to receive the benefits of the Fund for Technological Innovation, Law FIT 46/82 for the Sora plant, granted to the Parent Group;
- FRIE mortgages granted to the subsidiary Mosaico S.p.A.:
  - in 2016 by Mediocredito FVG at a subsidised variable rate, with a residual amount of € 1,021 thousand;
  - in 2021 by Civibank at a subsidised variable rate, with a residual amount of € 11,162 thousand. Please note that during the year the subsidiary Mosaico received the second instalment, amounting to € 7,803 thousand, and at the same time fully repaid the € 5,000 thousand of the previous subsidised loan granted by Civibank.
- payables subscribed by S.E.F.E. for € 87 thousand;
- liabilities for rights of use of € 6,478 thousand.

Interest on variable rate loans was determined every six months. The conditions for fixed rate loans remained constant through to maturity of the instruments. For all payables relative to loans, valued at the amortised cost, it is held that the book value reflects the fair value of the financial instrument as of the reporting date.

Loan payables - breakdown of maturity dates €/000	31 Dec 2021	31 Dec 2022	Change
from 2 - 3 years	37,557	38,419	861
from 4 - 5 years	163,036	163,363	327
over 5 years	12,812	10,292	(2,519)
	213,405	**212,075**	**(1,331)**

Bonds - breakdown of maturity dates €/000	31 Dec 2021	31 Dec 2022	Change
from 2 - 3 years	3,825	2,125	(1,700)
from 4 - 5 years	-	-	-
over 5 years	-	-	-
	3,825	**2,125**	**(1,700)**

Right of use liabilities - breakdown of maturity dates €/000	31 Dec 2021	31 Dec 2022	Change
from 2 - 3 years	2,607	3,200	593
from 4 - 5 years	854	1,876	1,022
over 5 years	1,217	1,402	185
	4,678	**6,478**	**1,800**

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	4,678	(42)	(136)	(2,234)	4,211	6,478
Current right of use liabilities	1,836	(2,238)	-	2,234	387	2,218
Total	**6,514**	**(2,280)**	**(136)**	**0**	**4,598**	**8,696**

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

TFR €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Actuarial measurement of TFR at start of period	31,628	26,052	(5,576)
Allocations	51	21	(29)
Payments	(2,616)	(2,556)	60
TFR discounting - IAS 19 reserve	439	(2,968)	(3,407)
TFR discounting - financial expense (income)	103	242	140
Sale	(3,117)	-	3,117
Other changes - incoming (outgoing) transfers	(435)	(3,453)	(3,017)
	26,052	**17,340**	**(8,712)**

Other changes include € 3,483 thousand related to the reclassification to liabilities of assets held for sale for IFRS 5 purposes at the Duino plant.

For actuarial measurement of the provision for severance indemnities (TFR) at 31 December 2022, 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 probability of departure for reasons other than death, an annual frequency of 3.00% was considered (unchanged with respect to the previous year);
- for the probability of TFR advances, a yearly value of 2.00% was assumed (unchanged with respect to the previous year).

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used	**2021**	**2022**
Annual theoretical discounting rate	0.98%	3.63%
Annual inflation rate	1.75%	2.30%
Annual TFR increase rate	2.81%	3.23%

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 provision for deferred taxes amounted to € 16,136 thousand (€ 16,978 thousand at the end of the previous year). This provision includes amounts allocated for deferred taxes that cannot be compensated for with deferred tax assets.
Below is a breakdown:

Deferred tax liabilities €/000	**31 Dec 2021**			**31 Dec 2022**		
	Taxable	% rate	(Debit)/ credit	Taxable	% rate	(Debit)/ credit
IRES						
Taxed provisions (allocated)	2,008	27.5	552	2,008	27.5	552
Other items	(304)	24.0	(73)	(974)	24.0	(234)
	1,704		**479**	**1,034**		**318**
IRAP						
Other items	(1,351)	3.9	(53)	(974)	3.9	(38)
	(1,351)		**(53)**	**(974)**		**(38)**
Deferred foreign taxes						
Taxed provisions (allocated)	70,123	25.0	17,531	63,048	25.0	15,762
Other items	(3,973)	24.7	(980)	297	31.6	94
	66,149		**16,551**	**63,345**		**15,856**
			16,978			**16,136**

Deferred tax liabilities refer to legal entities which have a negative balance in their individual financial statements. Specifically, these were Burgo Ardennes, Burgo Factor and Burgo Central Europe.

15 | Provisions for risks and charges

Provisions for future risks and charges €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Provision for industrial charges	28,387	42,402	14,015
Provision for disputes in course	12,400	13,980	1,580
Provision for supplementary customer allowance	4,265	4,742	477
Provision for restructuring charges	1,629	639	(990)
Other provisions for risks and charges	768	1,875	1,107
Provision for future personnel plans	2,717	2,310	(407)
	50,167	**65,949**	**15,782**

Below a breakdown and information about changes in the provisions is provided:

Provisions for future risks and charges - changes €/000	Balance at start of period	Increases	Decreases	**Balance at end of period**
Provision for industrial charges	28,387	48,052	(34,038)	42,402
Provision for disputes in course	12,400	1,649	(69)	13,980
Provision for supplementary customer allowance	4,265	525	(48)	4,742
Provision for restructuring charges	1,629	-	(990)	639
Other provisions for risks and charges	768	1,139	(32)	1,875
Provision for future personnel plans	2,717	-	(407)	2,310
	50,167	**51,367**	**(35,584)**	**65,949**

The **provision for industrial charges** is intended to cover:

- charges associated with the CO2 quota deficit, calculated at 31/12/2022 after free allocations received on an accrual basis and acquisitions already made to deal with the deficit in question. During the year, provisions of € 32,873 thousand and utilizations of € 21,709 thousand were recognised to the Parent Company. The provision as at 31 December stands at € 2,297 million (€ 13,462 million in the previous year);
- costs associated with the toll manufacturing contract, incurred at the time of sale of the Duino plant, for a total of € 25,270 thousand to the Burgo Group;
- costs to be incurred for the demolition and redevelopment of certain production facilities and for the management of rubbish dumps for a total amount of € 3,579 thousand to Burgo Ardennes, and € 6,300 to the Burgo Group;
- charges emerging from situations directly associated with production for € 4,956 thousand to Burgo Ardennes.

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** is an estimate of the indemnities to be paid to sales agents for interruption of the agency relationship.

The **provision for restructuring costs** at the Burgo Group includes provisions made for expenses to be sustained to carry out the restructuring plan. During the year this was used for € 990 thousand to provide redundancy incentives for employees.

The **provision for other risk and charges** includes allocations for other potential liabilities, other than those above.

The **provision for other personnel expenses** includes:

- the provision "unemployment fund with company contribution" refers to the subsidiary Burgo Ardennes which, as required under local regulations, must pay supplementary indemnities to employees with certain work seniority and age requirements, if they choose to make use of the pre-pension provided by the government and decide to leave work prior to the age established for old-age pensioning;
- a provision for a defined social security plan determined through payments to an insurance company.

For actuarial measurement of the "unemployment fund with company contribution" at 31 December 2022, 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:

- for probability of death, the tables in effect in Belgium, specifically MR-3 for men and FR-3 for women;
- for the rate of adhesion to pre-pensioning it was assumed that 5% of employees over 60 and 4% of employees between 55 and 59 would opt for the benefit as soon as possible, and that the rest would remain in service until reaching 60.

Please note that in Belgium the pension age was increased: between 2025 and 2029 it will rise from the current 65 years to 66 years.

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used	2021	2022
Annual theoretical discounting rate	0.00%	3.50%
Annual inflation rate	1.90%	2.20%

For the actuarial assessment of the social security plan at 31 December 2022 on the basis of accounting standard IAS 19, the same basic hypotheses adopted for the "provision for unemployment fund with company contribution" were used.
Similar to that done for the provision for employee severance indemnities, the interest cost component was recognised among financial expense.

16 | Other payables and non-current liabilities

Other payables and non-current liabilities €/000	31 Dec 2021	31 Dec 2022	Change
Non-current payables due to suppliers	340	499	159
	340	**499**	**159**

The payable refers to multi-year premiums paid to suppliers of wood by the subsidiary Burgo Ardennes, for € 499 thousand.

CURRENT LIABILITIES

17 | Current financial liabilities

Current financial liabilities €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Bonds	1,700	1,700	-
Loan payables - current portion	6,468	11,117	4,649
Current accounts and other loans	47,409	17,692	(29,717)
Payables due from other lenders	5	17	13
Derivatives	387	43	(345)
Right of use liabilities	1,836	2,218	383
Other financial liabilities	655	1,367	712
	58,460	**34,155**	**(24,305)**

The € 24,305 thousand reduction in current financial liabilities is mainly due to the reduced use of the revolving credit facility of a nominal € 100,000 thousand, which remained entirely unused at the end of the year.

The current portion of payables relative to loans changed due to the reclassification of the portion of debt to be paid by the end of the next year in the short-term area. Please note that current payables to shareholders of the Parent Company, valued at amortised cost, stood at € 4,829 thousand.

The current portion of right of use liabilities amount to € 2,218 thousand.

The item "Other financial liabilities" includes interest expense payable accruing on medium to long-term loans and the use of short-term credit lines.

Interest on variable rate loans is determined half-yearly, while that for fixed rate loans remained constant until the instrument matured. For all payables relative to loans, valued at the amortised cost, it is held that the book value approximates the fair value of the financial instrument as of the reporting date.

It should also be noted that, at the end of the 2022 financial year, credit lines totalling around € 223 million were available to meet short-term financial needs, of which € 206.5 million were for BT lines in Italy and € 16 million in Belgium for Burgo Ardennes, utilised as at 31 December 2022 for a total of about € 60.4 million or 27.2%, most of which related to unsecured lines.

The Group also has access to without-recourse factoring lines with a total limit of about € 93 million, in addition to a limit with recourse of about € 8 million on Burgo Ardennes.

18 | Trade payables

Trade payables €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Current payables due to suppliers	510,912	410,375	(100,537)
	510,912	**410,375**	**(100,537)**

Trade payables do not accrue interest. The amount recognised in the financial statements approximates the market value.

The significant reduction in trade payables of € 100,537 thousand compared to the previous year is mainly due to the contraction in the payment terms for natural gas supplies as a result of the radical change in gas procurement methods that took place as of October 2022, as well as to the slowdown in business during the final part of the year and the resulting lower purchase volumes.

The table below provides a breakdown by geographic area:

Trade payables by geographic area €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Italy	313,277	186,202	(127,075)
Europe E.U.	183,791	215,185	31,394
Other countries	13,844	8,988	(4,856)
	510,912	**410,375**	**(100,537)**

19 | Current tax payables

These amounted to € 19,723 thousand. The item mainly includes payables due to the tax authorities for substitute taxes and income taxes for Italian companies and foreign subsidiaries.

Current tax payables €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Tax payables, income tax	793	13,852	13,059
Tax payables, VAT	236	285	50
Payables for withholdings	5,257	4,719	(538)
Tax payables for municipal taxes	14	38	24
Other tax payables	1,170	828	(342)
	7,469	**19,723**	**12,254**

20 | Other payables and current liabilities

Other payables and current liabilities, as follows:

Other payables and current liabilities €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Current sundry payables due to others	7,976	9,386	1,410
Payables for commissions and premiums	4,136	6,974	2,837
Payables due to personnel	15,701	22,836	7,134
Current payables due to social security entities	7,873	7,304	(569)
Current derivative liabilities	4,650	8,703	4,053
Deferred income from capital account grants	4,330	3,711	(620)
Other accrued expenses and deferred income	687	1,131	444
	45,354	**60,043**	**14,689**

The increase of € 14,689 thousand, is due in particular to:

- increase in liabilities for the fair value of current derivative instruments for € 4,053 thousand;
- increase in payables due to personnel mainly due to the allocation of higher variable remuneration components at year-end.

21 | Liabilities related to assets held for sale and to discontinued operations

This item includes all liabilities held for sale. The assets shown in the table below are to be transferred to Cartiera Duino S.r.l. as of 01 January 2023, and are detailed as follows:

Statement of equity/financial position: Liabilities €/000	**31 Dec 2022**
Non-current liabilities	**8,699**
Non-current financial liabilities	25
Severance indemnities and other provisions related to personnel	3,484
Other provisions for risks and charges	5,191
Current liabilities	**314**
Current financial liabilities	24
Other payables and non-current liabilities	291
Total shareholders' equity and liabilities	**9,013**

22 | Commitments and potential liabilities

Commitments and potential liabilities €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Personal guarantees provided in favour of:			
subsidiaries	8,423	36,579	28,156
other subjects	24,112	19,339	(4,773)
	32,535	**55,918**	**23,383**

Consolidated Profit and Loss statement for the Year

Below are the main items which were not commented on relative to the consolidated profit and loss statement. For comments on changes in the most significant items, please see the analysis of the Group's income results in the Report on Operations.
Due to the provisions of IFRS 5, the Statement of Profit and Loss for the year, in the comparative column for 2021, has been restated purely to isolate the effects of the sale of the Duino plant. The restatement of the comparative data only regarded the reclassification of the income statement components referring to the sold asset and did not impact the net result for the year.

23 | Revenues

Revenues €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Paper	1,186,588	1,658,143	471,554
Cellulose	77,731	107,444	29,713
Pulp	-	2,224	2,224
Energy	136,225	249,298	113,073
Gas	24,307	15,985	(8,322)
Others	27,175	45,810	18,635
	1,452,026	**2,078,903**	**626,877**

The increase in revenues by € 626,877 thousand (+43%) was mainly due to the increase in paper sales, which amounted to € 471,554 thousand; energy-related revenues also increased by € 113,073 thousand (+83%), pulp sales revenues by € 29,713 thousand (+38%), and other revenues by € 18,635 thousand (+69%). The increase in paper sales was due to higher average net sales prices, which offset the lower volumes sold, which went from 1,557 thousand tonnes in 2021 to 1,366 thousand tonnes in 2022 (-12.3%) on a like-for-like basis. The increase in retail prices was a direct result of the severe pressure on production costs that continued the strong upward trend set in 2021 and showed double-figure growth throughout 2022.

Energy revenues rose sharply as a result of the increase in the average sales price, which, as noted in the introductory notes to the Report on Operations, rose significantly throughout 2022, as a consequence of the rise in energy costs in general and the cost of natural gas in particular. Cellulose sales also increased due to the same market drivers in the wake of higher production resource prices.
Below is a breakdown of revenues by geographic area:

Markets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Italy	587,894	797,864	209,969
Europe E.U.	575,938	846,448	270,510
Other countries	288,194	434,591	146,397
	1,452,026	**2,078,903**	**626,877**

24 | Other income

Other income €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Insurance settlements	2,640	4,924	2,284
Environmental certificates	27,115	19,634	(7,481)
Energy expense recovery and reimbursements	21,311	18,282	(3,029)
Sundry income and expense recovery	10,134	5,562	(4,571)
Grants for current expenses	1,902	2,538	636
	63,102	**50,941**	**(12,161)**

Other income decreased by € 12,161 thousand, particularly following the reduction in profits for environmental certificates for € 7,481 thousand, for which the entitlement period on some projects has expired, and lower miscellaneous income amounting to € 4,571 thousand due to lower contingent assets recognised in the Financial Statements at year-end compared to 2021. Income from Gas and Electricity Interruptibility also fell by € 3,029 thousand as a result of lower interruptibility volumes available and minor interruptions during the year.
Other income includes commissions receivable for Burgo Factor S.p.A. factoring business for € 1,681 thousand (€ 1,685 thousand the previous year).

25 | Purchases of materials and external services

Purchases of materials and external services €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Purchases of raw materials, subsidiary and consumable items and goods	717,496	875,861	158,366
Transport and accessory expense on purchases	21,487	24,662	3,175
Transport and accessory expense on sales	121,429	156,404	34,975
Other industrial services	25,447	47,553	22,106
Industrial maintenance	16,909	26,907	9,998
Electricity and methane	321,775	515,859	194,084
Fees to independent auditing firm	273	350	77
Fees to statutory auditors	187	199	12
Other general and administrative services	23,677	29,087	5,410
Rentals and leases	701	3,333	2,632
	1,249,380	**1,680,216**	**430,835**

Purchases of materials and external services increased by € 430,835 thousand. The most significant changes involved the higher cost of raw materials, ancillary materials, consumables and goods (€ 158,366 thousand), mainly due to higher average purchase costs for raw materials - including pulp, wood, latex and pulp - as well as transport and ancillary expenses on sales (€ 34,975 thousand) and energy products (€ 194,084 thousand). This was due to the sharp increase in the average price of natural gas and electricity in 2022 compared to the previous year and affected both gas and electricity purchased for consumption by the production plants, and gas and electricity purchased for resale by the subsidiary Burgo Energia S.r.l. The cost incurred for electricity and methane gas related to the paper business was partially offset by tax credits granted to energy-intensive businesses.

26 | Personnel expenses

Personnel expense €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Wages and salaries	111,611	117,107	5,496
Social security contributions	38,515	39,721	1,205
Expenses for defined benefit programs	5,373	5,775	402
Others	16,362	22,652	6,290
	171,862	**185,255**	**13,393**

Personnel expenses increased by € 13,393 thousand with respect to the previous year, accounting for 8.9% of turnover (11.8% in 2021). For more details, please see the Report on Operations, under the item "Personnel".
Other costs include fees to directors, temporary work and expenses for personnel training. The increase in personnel costs is mainly attributable to supplements to basic remuneration, granted by the company management to offset the rising cost of living, and the increase in personnel costs at the plant in Belgium, the cost of which is indexed to inflation.
Other costs include fees paid to directors and fees paid for temporary work provided within the companies of the Group. During 2022 fees paid for temporary work services totalled € 11,258 thousand (€ 9,992 thousand in 2021).
The item other costs includes premiums, pre-pensions and complementary insurance for employees of the subsidiary Burgo Ardennes.
For more details, please see the Report on Operations, under the item "Personnel".

27 | Other operating costs

Other operating costs €/000	31 Dec 2021	31 Dec 2022	Change
Provisions			
for doubtful accounts	2,136	7,832	5,696
for industrial charges	3,980	28,614	24,634
for disputes in course	505	2,540	2,036
for supplementary customer allowance	361	525	164
	6,982	**39,512**	**32,530**
Other costs			
Corporate expenses, taxes and indirect taxes	13,347	12,500	(848)
Derivative financial liabilities at fair value	-	874	874
Contributions, donations and sundry costs	1,228	1,129	(99)
Losses and other costs	3,905	1,618	(2,287)
	18,480	**16,120**	**(2,360)**
CO2 certificates			
CO2 costs net of price setting	(1,142)	(1,425)	(283)
CO2 allocations	22,407	21,709	(698)
	21,266	**20,284**	**(982)**
	46,728	**75,916**	**29,188**

Other operating costs increased by € 29,188 thousand.
More specifically:

- provisions for future credit losses were increased, especially for the expected credit loss component due to the deterioration of the macroeconomic situation. However, the provision is limited by the existence of credit insurance;
- provisions for industrial expenses increased; in particular, in the year there were provisions associated with the toll manufacturing contract, signed at the time of the sale of the Duino plant, for a total of € 25,270 thousand;
- provisions for legal disputes did not result in significant reserves due to the absence of new significant disputes;

28 | Change in inventories

Change in inventories €/000	31 Dec 2021	31 Dec 2022	Change
Change in inventories	17,032	82,158	65,126
	17,032	**82,158**	**65,126**

The change in inventories led to revenues for the year of € 82,158 thousand, following the increase in the value of stock at the end of the year. See note 5) Inventories for more details.

29 | Capitalised costs for internal work

Capitalised costs for internal work €/000	31 Dec 2021	31 Dec 2022	Change
Capitalised costs	2,555	824	(1,731)
	2,555	**824**	**(1,731)**

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 at the Sora, Avezzano and Tolmezzo sites. Please see the Report on Operations for more details on the main investments made during 2022.

30 | Depreciation and amortisation

Amortisation €/000	31 Dec 2021	31 Dec 2022	Change
Buildings	6,170	6,063	(107)
Plant and equipment	38,858	36,217	(2,641)
Industrial equipment	412	369	(43)
Other assets	1,369	1,435	66
Buildings for civil use	19	19	-
Right of use	2,416	2,256	(160)
Intangible assets with defined life	527	787	260
	49,771	**47,146**	**(2,625)**

Depreciation and amortisation of € 47,146 thousand, down from the previous year, was affected by the completion of the depreciation of certain assets that had reached the end of the depreciation process during the previous year.

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

Capital gains/losses from realisation of non-current assets €/000	31 Dec 2021	31 Dec 2022	Change
Capital gains	104	1,491	1,387
Capital losses	(175)	(30)	146
	(72)	**1,461**	**1,533**

Capital gains/losses related to disposals in the year, especially the capital gains from the sale of land in Chieti and Marzabotto.

32 | Writebacks/writedowns of non-current assets

Writebacks/writedowns on assets €/000	31 Dec 2021	31 Dec 2022	Change
Land and buildings	384	400	16
Plant and equipment	-	8,865	8,865
Goodwill and other assets with undefined life	-	10,837	10,837
Intangible assets with defined life	739	-	(739)
	1,123	**20,102**	**18,979**

During the year, significant write-downs were made on fixed assets, as follows:

- € 400 thousand relative to a write-down of part of a plot of land;
- € 8,865 thousand relative to write-downs on machinery at certain facilities operated by the Burgo Group S.p.A. and Mosaico S.p.A.;
- € 10,837 thousand relative to the write-down of the goodwill recorded on the Villorba plant. The write-down was calculated based on the impairment test conducted during the year.

33 | Financial expense

Financial expense €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Interest expense on payables due to banks	8,405	9,267	863
TFR discounting	103	242	140
Other financial expense	14,211	26,229	12,017
Exchange losses	538	1,134	596
Write-downs of equity investments	3,060	3,000	(60)
	26,317	**39,872**	**13,555**

Financial expense amounted to € 39,872 thousand, showing a € 13,555 thousand increase with respect to the previous year. The main changes involved:

- financial expense from payables due to banks increased by € 863 thousand. The increase is attributable to the effect of the valuation of medium- and long-term liabilities according to the amortised cost method, which in 2021, unlike the current year, generated a gain of €5,183 thousand following the revision of the loan agreement. Net of this item, interest expense fell by € 4,320 thousand due to the lower debt and lower average interest rate for the year;
- financial expense other than the above increased by € 12,017 thousand. This mainly comprised:
  - financial discounts for short-term customer payments, which, being related to paper and pulp turnover, increased as a result of the growth in turnover;
  - the year's portion of fees paid in advance for the availability of short-term credit facilities (revolving credit facility);
  - costs for discounting and from fees charged on the transfer of tax credits to energy-intensive companies;
  - costs for sureties, which increased during the year as a result of the higher guarantees required to operate on the energy markets.
- write-downs of equity investments in companies during 2022 involved in the Interconnector procedure amounting to € 3,000 thousand.

Following application of IFRS 16, financial expense recognised in 2022 amounted to € 120 thousand (€ 143 thousand in 2021).

34 | Financial income

Financial income €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Interest income from banks	21	168	147
Interest income from long-term receivables	3,096	3,951	855
Other financial income	726	1,023	297
Exchange gains	463	1,519	1,055
	4,306	**6,661**	**2,354**

Financial income amounted to € 6,661 thousand, compared to € 4,306 thousand the previous year and increased with respect to the previous year by € 2,354 thousand. The increase is mainly due to:

- the increase in interest income from receivables for factoring transactions receivable by Burgo Factor S.p.A. for € 855 thousand;
- increase in exchange gains, going from € 463 thousand the previous year to € 1,519 thousand in 2022.
- increase in interest income on bank deposits received during the year.

35 | Income taxes

Current taxes reflect the amount allocated relative to the regulations in effect in the various countries in which the Group operates.

Miscellaneous current taxes include the 2022 and 2023 surplus profit contributions of the subsidiary Burgo Energia S.r.l., amounting to € 8,130 thousand and € 2,097 thousand, respectively. Please note that the surplus profit contribution for 2022 was fully paid by the end of the current year; the contribution for 2023 has not yet been paid. Deferred tax assets and liabilities recognised in the annual profit and loss statement reflect the changes in the same occurring at the equity level, with respect to the previous year. The taxes below do not include the portion attributable to the profit for assets held for sale or discontinued operations in line with the provision of IFRS 5. In this regard, please refer to the comment on the Statement of Profit and Loss on the disclosure of assets held for sale and discontinued operations.

Income taxes €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Current taxes - IRES	10,592	(1,888)	(12,480)
Current taxes - IRAP	709	8,674	7,964
Current taxes - foreign companies	18	654	637
Other taxes	-	10,227	10,227
Deferred tax assets/liabilities - IRES	(4,675)	22,272	26,947
Deferred tax assets/liabilities - IRAP	(781)	(2,577)	(1,796)
Deferred tax assets/liabilities - foreign companies	18	(176)	(194)
	5,881	**37,188**	**31,306**

By way of illustration, below are the nominal rates applied in each jurisdiction.

Tax rates	**2022**
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%

Reconciliation of income taxes recognised in the annual profit and loss statement and theoretical taxes resulting from application of the tax rate in effect on before tax profit is as follows:

Reconciliation between income tax and theoretical tax €/000	**2021**	**2022**
Before tax profit for the year recorded to the Statement of Profit and Loss	**46,240**	**172,441**
Theoretical tax (IRES) - Italian tax rate in effect: 24.0%	11,098	41,386
Current taxes (IRES) recognised in the financial statements	5,305	(1,888)
Deferred taxes (IRES) recognised in the financial statements	(4,675)	22,272
Current/deferred taxes, foreign companies	35	479
Total taxes recognised in the financial statements	**666**	**20,863**
Effective tax rate on before tax profit	1.4%	12.1%
Current taxes (IRAP) recognised in the financial statements - 3.9% rate in effect	709	8,674
Deferred taxes (IRAP) recognised in the financial statements - 3.9% rate in effect	(781)	(2,577)
Total taxes (IRAP) recognised in the financial statements	**(71)**	**6,097**
Effective (IRAP) tax rate on before tax profit	(0.2%)	3.5%
Taxes - CORPORATE TAX - Total recognised in the financial statements	**595**	**26,960**
Effective tax rate on before tax profit	1.3%	15.6%
Other taxes (Surplus profit contributions)	0	10,227
Taxes - TOTAL recognised in the financial statements before IFRS 5 taxes	**595**	**37,188**
Effective tax rate on before tax profit	1.3%	21.6%
Taxes classified under Net result from assets held for sale/discontinued operations	5,287	10,914
TOTAL taxes recognised in the financial statements	**5,881**	**48,101**
Before tax profit for the year including the portion reclassified under IFRS 5	**84,844**	**205,854**
Effective tax rate on before tax profit	**6.9%**	**23.4%**

36 | Net profit/(loss) from assets held for sale and from discontinued operations

Net profit from assets held for sale and discontinued operations amounted to € 22,500 The line item in the Statement on Profit and Loss for discontinued operations includes revenues and costs regarding:

- the Verzuolo plant and associated power plant (2021) sold in October 2021, the costs associated with the transaction, and the proceeds (capital gain) deriving from the sale;
- the Duino plant (2021 and 2022), the sale of which was concluded in January 2023.

Specifically, paper and energy sales, miscellaneous revenues, operating costs, depreciation and amortisation, and notional taxes on the amount subject to sale were reclassified under the net result from discontinued operations.
The net result from discontinued operations is shown below, broken down as per the items of the Statement of Profit and Loss.

Profit and loss statement for the year €/000	**31 Dec 2021**	**31 Dec 2022**
Total operating revenues and income	**302,572**	**232,139**
Total operating costs	**(312,837)**	**(187,475)**
EBITDA Adjusted	**(10,265)**	**44,664**
Amortisation	(22,390)	(4,500)
Capital gains/losses from realisation of non-current assets	299	-
EBIT before non-recurring expenses and income	**(32,356)**	**40,164**
Writebacks/writedowns of non-current assets	(17,979)	-
Operating result (EBIT)	**(50,334)**	**40,164**
Financial expense	(3,767)	(6,751)
Financial income	118,221	-
Before tax result	**64,121**	**33,413**
Income taxes	6,713	(10,914)
Profit/(loss) for the period	**70,833**	**22,500**

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

The schedule presented on page 61 illustrates the economic result that would be achieved in the case that all changes in items directly attributed to shareholders' equity passed through the annual profit and loss statement 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 negative for € 14,545 thousand, which net of taxes (€ 4,814 thousand) is equal to - € 9,730 thousand.
- profits and losses from discounting of defined benefit plans associated with defined benefit plans recognised within a specific shareholders' equity reserve: in 2022 profits of € 3,918 thousand were recognised which, net of tax effects of € 950 thousand (negative), led to a positive change of € 2,968 thousand;
- the effects of translating the financial statements of foreign companies (€ + 56 thousand).

Relations with related parties

Related party transactions, including infragroup transactions, are not classified as atypical or unusual, as they are part of the ordinary business of the Group's 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. Below are the economic and equity effects of transactions with subsidiaries of Burgo Group S.p.A. related parties at 31 December 2022.

Relations with related parties €/000	**Subsidiaries**		**Total financial statement items**			
	31 Dec 2021	**31 Dec 2022**	**31 Dec 2021**	**%**	**31 Dec 2022**	**%**
Equity relationships						
Financial receivables and other non-current financial assets	2,800	2,800	7,286	38%	7,407	38%
Trade receivables	57,771	79,633	187,993	31%	169,278	47%
Other receivables and current assets	-	19,557	51,103	71%	36,927	53%
Financial receivables and other current financial assets	33,806	72,859	41,258	82%	142,611	51%
Current financial liabilities	(37,868)	(89,714)	(83,498)	45%	(100,312)	89%
Trade payables	(71,457)	(79,768)	(347,147)	21%	(256,319)	31%
Other payables and non-current liabilities	(3,070)	(7,177)	(20,830)	15%	(31,245)	23%
Economic relationships						
Revenues	182,335	333,380	835,781	22%	1,243,108	27%
Other income	3,621	10,882	21,126	17%	16,539	66%
Costs for materials and external services	(247,640)	(416,435)	(774,722)	32%	(1,037,124)	40%
Other operating costs	(15,983)	(32,873)	(19,082)	84%	(45,659)	72%
Financial expense	(131)	(0)	(25,672)	1%	(28,662)	0%
Financial income	79,531	19,723	23,222	342%	21,222	93%
Income taxes	5,164	18,506	(784)	-659%	(7,052)	-262%

In addition the transactions reported above, at 31 December 2022 there were medium/long-term loans, interest rate and exchange rate hedging contracts and insurance policies covering industrial risks and civil liability with related parties, all stipulated at market conditions.

As at 31 December 2022, loans with related parties amounted to a nominal € 113,359 thousand (€ 115,524 thousand at 31 December 2021), including the amount to be repaid within and after year-end.

Significant events after year end

After a 2022 financial year characterised by the unforeseen Russia-Ukraine war and the resulting geopolitical uncertainty, tensions created by rising energy costs and inflation, and the slowdown of global economic growth which had finally begun to overcome the consequences of the Covid-19 pandemic, in 2023 there continues to be pronounced geopolitical instability associated with the war in Ukraine and the rising tensions between the US and China, as well as concerns surrounding the cost of energy and certain raw materials.
During the initial months of 2023, the Group continued to carry out its business without any significant transactions or events. Apart from the aforementioned finalisation of the sale of the Duino plant to the Mondi Group, which took place on 12 January 2023, there are no other significant events to report.

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 S.p.A. 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	**Shareholders' equity**		**Profit/(loss) for the period**	
	31 Dec 2021	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**
Parent Company Financial Statements	**518,263**	**585,170**	**72,950**	**119,316**
Elision of consolidated equity investments	(106,187)	(64,913)	64,098	57,311
Elimination of dividends from consolidated companies	-	-	(78,460)	(18,814)
Adjustments for adaptation to Group accounting standards	(262)	(282)	131	(60)
Consolidated Financial Statements	**411,814**	**519,975**	**58,719**	**157,753**

NUMBER OF EMPLOYEES

Number of employees	**Start of year**	**End of year**	**Average 2021**	**Average 2022**
Managers	44	44	46	44
Employees	818	808	871	811
Manual Workers	2,263	2,244	2,371	2,259
	3,125	**3,096**	**3,288**	**3,114**

Net of employees at the Duino plant, total employees at year-end stood at 2,888 resources.

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

Compensation for statutory auditing pursuant to article 2427, paragraph 1, no. 16 bis, Italian Civil Code €	**2022 Financial Statements**
Statutory auditing services for the annual accounts:	
Parent Company	125,046
Italian subsidiaries	137,575
Foreign subsidiaries	99,709
	362,330

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

Italian Law 124 of 2017 (the annual market and competition law) introduced new disclosure requirements relative to transparency in public subsidies received and granted, in article 1, paragraphs 125-129.
The following schedule provides information about grants and other economic advantages received from Italian public administrations during 2022:

Subsidised rate loans

Granting entity	Purpose	Subsidised rate	Amount financed
FVG Region through Mediocredito	F.R.I.E 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 31/12/2022 was € 1,021,017.
FVG Region through CiviBank	F.R.I.E Investment initiative, Italian Law 908/1955	Euribor 6M - 0.45% floor	The loan was disbursed on 07/12/2021 for € 3,359,132 thousand and on 21/04/2022 for € 7,802,637

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 Group holds that these stances are appropriate, it also decided to indicate the following contributions which can be enjoyed by all companies in these financial statements:

- energy efficiency certificates for € 4,385 thousand;
- hydroelectric energy production incentives for € 412 thousand.

The amounts indicated in the disclosure above are also shown in the financial statements of the relevant Group companies.

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.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS RELATIVE TO THE EQUITY AND FINANCIAL SITUATION AND ECONOMIC RESULT

Below is information regarding the significance of financial instruments relative to the consolidated equity situation and the consolidated economic result is provided separately.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS TO THE EQUITY AND FINANCIAL SITUATION

The table shows the book value recognised for each financial asset and liability in the consolidated balance sheet.

Financial Instruments €/000	**31 Dec 2021** **Book value**	**31 Dec 2022** **Book value**
Trade receivables and other receivables	358,037	324,947
Financial receivables	78,047	130,284
Cash and cash equivalents	142,626	113,627
Derivatives:		
Assets	31,516	19,543
Liabilities	(5,037)	(8,746)
Non-current assets held for sale	-	45,360
Lending from banks	(110,534)	(113,403)
Right of use liabilities	(6,514)	(8,696)
Loans from associated companies	(109,339)	(109,789)
Bonds and converting loans	(5,525)	(3,825)
Trade payables and other payables	(559,430)	(481,954)
Payable to banks	(48,064)	(19,059)
	(234,216)	**(111,711)**

Note that the amounts shown under the "derivatives" item include all derivatives recognised using hedge accounting rules regardless of the nature of risk hedged against, and any derivatives for which the Group did not make use of the right to use hedge accounting and derivatives recognised at fair value through profit and loss.
The analysis below shows the portion of derivatives designated as hedges against the specific risk analysed, on a case by case basis.
In particular, in analysing liquidity risk, only derivatives which hedge against financial liabilities are included, excluding positions which hedge against 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.

DERIVATIVES

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 forward exchange rate and commodity derivatives is calculated by discounting the difference between the contractual price and the end price, redetermined on the basis of market conditions on the reporting date.
For interest rate derivatives, when recognised, different models are used based on the type of instrument being evaluated. In particular:

- For interest rate swaps, the discount cash flow model is used. Fair value is determined by discounting estimated future cash flows on the basis of interest rate conditions at the reporting date;
- The Black & Scholes model is used for collars. Use of this model is common practice and makes it possible to assess the fair value of the option, quantifying the probability of receiving a positive payoff.

In some cases, the Group used appropriately verified and confirmed counterparties to determine the fair value of valuation interest rate derivative positions.
For commodity derivatives, the discount cash flow model is used, estimating future cash flows on the basis of market prices available at the reporting date.

DETAILS ON FINANCIAL RISK HEDGING INSTRUMENTS

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

DETAILS ON MARKET RISK HEDGING INSTRUMENTS

Among commodity exposures, price risk deriving from volatility in electricity, has and emission rights purchase prices was partially managed through the establishment of commodity swaps and futures, recognised based on hedge accounting rules, and in part through setting prices with counterparties.
As shown in the table "financial instruments", the fair value of derivatives generated financial assets of € 19.5 million (€ 31.5 million the previous year) and financial liabilities for € 8.7 million (€ 5 million the previous year).

INVESTMENTS IN EQUITY INSTRUMENTS

The fair value of equity instruments held to maturity and financial assets at FVTOCI held for sale is determined on the basis of official stock market listings obtained on the reporting date.

DEBT SECURITIES

The value of debt securities is calculated by adding together the current values, determined on the reporting date, of all future cash flows, including capital and interest. To quantify the portion of interest held in indexed instruments, the rate curve available at the reporting date was used.

CAPITAL MANAGEMENT

No particular risks nor significant information was identified relative to capital management.

FINANCIAL ASSETS

The tables below provide a breakdown of financial assets.

Non-current financial assets €/000	**31 Dec 2021**	**31 Dec 2022**
Loans and receivables	13,678	15,832
	13,678	**15,832**

Current financial assets €/000	**31 Dec 2021**	**31 Dec 2022**
Loans and receivables	422,406	439,399
Cash and cash equivalents	142,626	113,627
Current derivative assets	31,508	2,832
Financial assets for derivatives, current	8	16,711
Assets held for sale	-	45,360
	596,548	**617,929**

Receivables and loans include trade receivables, factoring business, temporary cash deposits, guarantee deposits and other receivables and receivables due from social security institutions and tax authorities.

FINANCIAL LIABILITIES

The table below provides a breakdown of financial liabilities.

Non-current financial liabilities €/000	**31 Dec 2021**	**31 Dec 2022**
Lending from banks	(106,231)	(107,115)
Loans from associated companies	(107,174)	(104,960)
Non-current bonds	(3,825)	(2,125)
Right of use liabilities	(4,678)	(6,478)
Other payables	(340)	(499)
	(222,248)	**(221,177)**

Current financial liabilities €/000	**31 Dec 2021**	**31 Dec 2022**
Lending from banks	(4,304)	(6,288)
Loans from associated companies	(2,165)	(4,829)
Bonds	(1,700)	(1,700)
Derivatives	(5,037)	(8,746)
Right of use liabilities	(1,836)	(2,218)
Payable to banks	(47,409)	(17,692)
Trade payables and other payables	(559,745)	(482,822)
Liabilities related to discontinued operations	-	(9,013)
	(622,194)	**(533,309)**

OTHER ADDITIONAL INFORMATION

The Group 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.

IMPACT OF FINANCIAL INSTRUMENTS ON THE ANNUAL PROFIT AND LOSS STATEMENT

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

Financial income and expense recognised in the profit and loss statement €/000	**31 Dec 2021**	**31 Dec 2022**
Income from securities in fixed assets, not equity investments	3,096	3,951
Interest income from current account	22	168
Income from customers	23	16
Exchange gains	463	1,519
Sundry income	702	1,007
	4,306	**6,661**
Interest expense from current account	(2,104)	(536)
Interest expense on mortgages	(6,301)	(8,732)
Charges due to suppliers	(1)	(15)
Factoring commissions	(544)	(1,065)
Exchange losses	(538)	(1,134)
Other expense	(13,665)	(25,149)
	(23,154)	**(36,630)**
Dividends from subsidiaries and associated companies	-	0
Net income (expense) from discounting	(103)	(242)
	(18,951)	**(30,212)**

Income components recognised under Shareholders' Equity €/000	**31 Dec 2021**	**31 Dec 2022**
Change in cash flow hedge reserve	16,550	(9,730)
Change in FVOCI securities revaluation reserve	343	-
	16,893	**(9,730)**

Note that the change in the Cash Flow Hedge reserve is shown net of deferred taxes accruing during 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 Group's exposure to credit risk was as follows:

Exposure to credit risk €/000	**31 Dec 2021**	**31 Dec 2022**
Loans and receivables	2	-
Trade receivables and other receivables	436,081	455,232
Cash and cash equivalents	142,626	113,627
	578,710	**568,858**

TRADE RECEIVABLES AND IMPAIRMENT OF RECEIVABLES

Positions are subject to individual impairment when an objective situation of partial or full non-collectability is determined, if individually significant. Relative to receivables not subject to individual impairment, provisions are allocated on a collective basis, taking historical experience and statistical data into account.

Changes in the provision for impairment of trade receivables are summarised in the table below.

Provision for impairment of financial assets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Balance at start of period	(61,877)	(65,420)	(3,543)
Uses	1,896	16,782	14,886
Allocations	(5,439)	(7,832)	(2,393)
	(65,420)	**(56,470)**	**8,950**

CONCENTRATION OF CREDIT RISK

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

Breakdown of risk by customer type €/000	**31 Dec 2021**	**31 Dec 2022**
End consumers	192,329	169,152
Retailers	3,228	5,650
Stock market	6,092	6,561
Wholesale	60,530	47,549
Printers	48,380	56,282
Publishers	4,712	2,329
Credit institutions	143,554	114,336
Tax authorities	10,639	15,547
Others	109,248	159,694
	578,710	**577,102**

CREDIT RISK MANAGEMENT METHODS

Trade receivables and other receivables

Within the context of its normal credit management activities through the dedicated department, the Group has instituted an internal credit risk management process with the aim of defining every customer's creditworthiness and carefully monitoring credit limits and overdue items. Regarding measurement of creditworthiness, functional to assignment of credit and the creation of commercial relationships, internal procedures require the collection and analysis of qualitative and quantitative information. Customer credit levels are periodically reviewed using a process that also makes use of historic solvency information. Customers are classified based on a two level scoring system, that differentiates between reliable and non-reliable customers. At-risk customers are subject to strict controls and any future orders are only fulfilled after approval by 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 application of corrective actions, which range from blocking orders to legal action.
In 2022, the Group protected itself from credit risk from customers by stipulating credit insurance contracts with leading insurance companies.

Financial investments

The Group limits its exposure to credit risk by exclusively investing in securities with high liquidity and only with counterparties recognised as reliable by the market. As at 31 December 2022 the Group had no security exposures. Financial assets include time deposit investments made with Italian banks known to be reliable.

GUARANTEES

Group policies allow for the issuing of financial guarantees for associated companies.

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 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 Group holds some of its trade receivables/payables in currencies other than the euro.
The exchange risk management policy establishes that derivatives should only be used to hedge against risk. Derivatives existing at 31 December 2022 used to manage exchange risk include only futures contract to purchase/sell foreign currencies. Even if these serve hedging purposes, these derivatives are not recognised using hedge accounting, as the rigidity of this treatment would negative impact the operational efficiency of the hedges.
The foreign currencies used by the Group are AUD, JPY, NOK, DDK, SEK, CHF, GBP and USD, with the latter two currencies representing almost the entirety of trade items in foreign currencies.

SENSITIVITY ANALYSIS RELATIVE TO EXCHANGE RISK

In order to measure the possible effects of changes in the exchange rate obtained at the reporting date on the consolidated balance sheet and annual profit and loss statement, a variation in the value of the euro with respect to the reference foreign currencies at 31 December 2022 was hypothesised.
Specifically, a 10% upward and downward shock in the Euro exchange rate was applied, recognising the additional profit or loss with respect to the market scenario to risky items, which in this case were represented by trade payables and receivables and exchange rate derivatives.
Since the exchange rate derivatives are not recognised using hedge accounting, the impact of these transactions - similar to trade payables/receivables - is seen solely in the profit or loss for the year and hence in the annual profit and loss statement.
The net impact on the result from the year deriving from a +/- 10% shock would have been, respectively, € +3,242 thousand (€ +543 thousand in 2021) and € -4,024 thousand (€ -664 thousand in 2021).

EXCHANGE RISK MANAGEMENT METHODS

In relation to sales activities, the Group makes purchases and sales other currencies, at present mainly in USD and GBP. Therefore, hedging policies are mainly focussed on stipulating futures contracts against the euro.
Additionally, other currencies are periodically monitored, which may be used in invoices on a continuous or occasional basis.

GENERAL ASPECTS

Hedges are carried out on the basis of estimates of future financial flows in currencies on the basis of invoices payable and receivable, and taking budget and/or forecasts into account.

EXCHANGE RISK MANAGEMENT POLICIES

The special nature of the Group's business allows it to make forecasts relative to financial issues relative to flows in foreign currencies.
Estimates of flows must meet all the formal requirements relative to amount, currency, date of manifestation and status relative to the probability of manifestation, necessary when producing exposure measurements.
Exchange risk hedging transactions are carried out in compliance with cash flow hedge principles, which amount to neutralising the effects induced by changes in the exchange rate on the value in euro of cash flows denominated in foreign currencies.
Hedging policies are managed exclusively through the use of forward contracts and options relative to exchange rates, to guarantee more flexible coverage with respect to forward contracts. Currently, exposure to exchange rate derivatives falls within the forward category.

INTEREST RATE RISK

Financial liabilities which expose the Group to interest rate risk are medium/long-term variable rate loans.
With regard to assets, items exposed to interest rate risk consist of a shareholders' loan to a company in which an equity investment is held, classified among equity investments in other companies.
These assets are classified as "held to maturity" and do not generate effects on the annual profit and loss statement/consolidated balance sheet if not due to effects of cash flows received (financial income) or any lasting losses of value which make recognition of impairment necessary.
The table below identifies positions subject to interest rate risk.

Positions with interest rate risk €/000	**31 Dec 2021**	**31 Dec 2022**
Fixed rate financial instruments		
Fixed rate loans	(30,216)	(24,531)
	(30,216)	**(24,531)**
Variable rate financial instruments		
Financial assets		
Non-current guarantee deposits	7,701	9,795
Financial instruments with positive FV	31,516	19,543
Loans to others	5,886	5,951
Financial liabilities		
Derivatives with negative FV	(5,037)	(8,746)
Variable rate loans	(199,534)	(209,455)
Current account advances	(48,064)	(19,059)
Right of use liabilities	(2,159)	(1,724)
	(209,690)	**(203,695)**
	(239,906)	**(228,226)**

SENSITIVITY ANALYSIS RELATIVE TO INTEREST RISK

Analysis was done to determine the impacts of a +/- 100 basis point shift in the estimated interest rate curve at 31 December 2022 on the annual profit and loss statement and balance sheet.
Analysis was done supposing that the other variables, in particular exchange rates, remained constant and was done using the same suppositions as in the previous year.
As at 31 December 2022 the Group held interest rate swap derivatives.
As at 31 December 2022, hedging instruments had a notional value of € 196,250 thousand and provided almost full coverage of the medium- and long-term payables that form the majority of the Group's debt. As a result, the effect on the result for the year of variable-rate indexed assets and liabilities is not significant.

INTEREST RISK MANAGEMENT METHODS

General aspects

In the context of its own economic production, which is capital intensive, the Group makes investments for production purposes by taking out loans. In this context, it carries out cash flow hedge transactions, which serve to neutralise the effects of an increase in the rates on the cost the Group must pay to service its debts. The general objectives of a hedging operation therefore can be summarised as transforming the cost of a variable rate debt to the cost of a fixed rate debt, or to reduce the extent to which it is variable.

Interest risk management policies

Medium/long-term hedges are organised on the basis of projections over a multi-year period prepared on the basis of economic and financial budgets, cash flow projections and net financial position. The amount hedged may vary between 0% to 100% of the notional value of the instrument hedged and be structured for a period of time that in general ranges from a minimum of 3 years to a maximum of 6 years (up to the current maturity of the loans).

COMMODITY RISK

Commodity price risk arises for purchases/sales of gas and purchases/sales of electricity and rights to emit carbon dioxide.

GAS AND ELECTRICITY 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 price of the commodity, the Group suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by setting prices with counterparties. Group energy costs are optimised through the subsidiary Burgo Energia.
As at 31 December 2022, the Group had gas purchases with the following characteristics:

- Fixed price purchases;
- Variable price purchases on the basis of the spot gas price recorded on the Italian PSV market;
- Variable price purchases on the basis of the spot gas price recorded on the European TTF market;
- Hedging derivatives on gas price risk.

In order to supply its various plants with the electricity necessary for production, the Group has a contract to purchase electricity through its subsidiary Burgo Energia S.r.l. Given the variable nature of the price of electricity, the Group is exposed to 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 at 31 December 2022, the Group had no fixed price electricity sales.

Within commodity exposures, price risk deriving from an imbalance between indexed purchases and sales is partly managed through the subscription of a commodity swap. Derivative financial instruments on commodities outstanding at the end of the year were almost entirely accounted for using hedge accounting, in accordance with IFRS 9.

CARBON DIOXIDE EMISSION RIGHTS PRICE RISK

In order to supply its various plants with the rights to issue carbon dioxide, needed to comply with the obligations deriving from the ETS scheme, the Group has signed purchase contracts with the subsidiary Burgo Energia S.r.l. Given the variable nature of the price of the commodity, the Group 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. Derivative financial instruments on commodities outstanding at the end of the year were accounted for using hedge accounting, in accordance with IFRS 9.

SENSITIVITY ANALYSIS RELATIVE TO COMMODITY RISK

In order to measure the possible effects of changes in the value of carbon dioxide emission rights, in the balance sheet and annual profit and loss statement, a +/-10% change in the value of EUA prices was hypothesised at 31 December 2022. The impact on the annual profit and loss statement deriving from this type of shock would be € -0.1 million (€ -0.3 million in the previous year) and € +0.1 million (€ +0.3 million in the previous year). Sensitivity analysis is not done for gas and electricity price risk, because all the assets and liabilities associated with these are recognised at a fixed price.

COMMODITY RISK MANAGEMENT METHODS

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.
Relative to risk monitoring, the Group applies a quantitative measure for risks, both with reference to analysing physical portfolio exposures to VaR analysis of trading activities, and when measuring the efficacy of derivatives negotiated for hedging purposes.

COMMODITY RISK MANAGEMENT POLICIES

Management of risks associated with oscillations in commodities prices involves several administrative departments, at the individual Group company level.
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.
Risk analysis is done with the aim of quantifying cash flows deriving from the various types of financial liabilities held by the Group at 31 December 2022, 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 Group's monetary cycle it was held expedient to group payments into half-yearly payment buckets.
To quantify cash flows on liabilities index at variable rates, the measurement method based on forward interest rates implicit in the market rate curve was used.
For derivatives, the following approach was used:

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

Below is a summary of analysis done on derivative financial liabilities and non-derivative financial liabilities, at 31 December 2022.

31 Dec 2022 €/000	Book value	0 -6 months	7 -12 months	from 2 to 3 years	from 4 to 5 years	more than 5 years
Non-derivative financial liabilities:						
Loans	223,192	5,148	5,969	38,419	163,363	10,292
Bonds	3,825	850	850	2,125	-	-
Trade payables and other payables	483,322	483,322	-	-	-	-
Right of use liabilities	8,696	1,163	1,055	3,200	1,876	1,402
Derivative financial liabilities:						
Derivatives	8,703	4,351	4,351	-	-	-
Currency futures contracts	43	43	-	-	-	-
	727,780	**494,877**	**12,225**	**43,744**	**165,239**	**11,694**

LIQUIDITY RISK MANAGEMENT METHODS

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).
To meet short-term financial needs as at 31 December 2022, short-term credit lines were available, totalling around € 230.5 million, of which € 206.5 million in Italy and € 24 million in Belgium available to Burgo Ardennes.
For its long-term financial needs, the Group's loans and bonds recorded on the balance sheet, both for the short-term and long-term portion, totalled € 227 million. Loans are valued at amortised cost, the nominal value of which is approximately € 233 million.

Report of the independent auditing firm

Building a better working world

Burgo Group S.p.A.

Consolidated financial statements as at December 31, 2022

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, 2022, 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, 2022, 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, 2022, 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, 2022 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, 2022 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 12, 2023

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.

BURGO GROUP
INDIVIDUAL FINANCIAL STATEMENTS
3

3

Balance Sheet

Statement of equity/financial position: Assets €	Notes	31 Dec 2021	31 Dec 2022	Change
Non-current assets		**731,200,388**	**646,560,260**	**(84,640,128)**
Property, plant and equipment		**197,811,969**	**150,832,342**	**(46,979,627)**
Property, plant and equipment	1	195,440,876	149,007,252	(46,433,624)
Property investments	1	258,352	143,681	(114,671)
Right of use assets	1	2,112,741	1,681,408	(431,332)
Intangible assets		**13,333,260**	**2,109,298**	**(11,223,962)**
Goodwill and other intangible assets with undefined life	2	10,836,969	-	(10,836,969)
Intangible assets with defined life	2	2,496,291	2,109,298	(386,993)
Other non-current assets		**462,501,672**	**458,486,507**	**(4,015,165)**
Equity investments in subsidiaries and in other companies	3	437,680,456	434,457,427	(3,223,029)
Equity investments in other companies	3	10,174,090	7,174,090	(3,000,000)
Financial receivables and other non-current financial assets	3	7,286,231	7,406,597	120,366
Other receivables and non-current assets	3	7,360,895	9,448,393	2,087,498
Deferred tax assets		**57,553,487**	**35,132,113**	**(22,421,374)**
Deferred tax assets	4	57,553,487	35,132,113	(22,421,374)
Current assets		**487,256,858**	**548,955,402**	**61,698,544**
Inventories	5	79,875,836	113,987,471	34,111,635
Trade receivables	6	187,992,949	169,278,378	(18,714,571)
Other receivables and current assets	7	51,103,041	36,927,106	(14,175,936)
Financial receivables and other current financial assets	8	41,258,216	142,610,973	101,352,757
Cash and cash equivalents	9	127,026,815	86,151,474	(40,875,340)
Assets held for sale and discontinued operations	10	**-**	**45,373,670**	**45,373,670**
Total assets		**1,218,457,246**	**1,240,889,332**	**22,432,086**

Statement of equity/financial position: Liabilities €	Notes	31 Dec 2021	31 Dec 2022	Change
Shareholders' equity		**518,262,805**	**585,170,217**	**66,907,412**
Share Capital	11	90,000,000	90,000,000	-
Reserves	11	368,718,527	328,023,116	(40,695,411)
Accumulated profits (losses)	11	(13,405,295)	47,831,143	61,236,438
Profit and loss for the year	11	72,949,573	119,315,958	46,366,385
Shareholders' equity attributable to non-controlling interests	11	-	-	-
Non-current liabilities		**245,395,930**	**246,905,610**	**1,509,680**
Non-current financial liabilities	12	197,232,356	190,123,153	(7,109,203)
Severance indemnities and other provisions related to personnel	13	14,507,344	8,289,013	(6,218,331)
Provisions for future risks and charges	14	33,656,231	48,493,445	14,837,214
Current liabilities		**454,798,510**	**399,800,023**	**(54,998,488)**
Current financial liabilities	15	83,497,708	100,312,419	16,814,711
Trade payables	16	347,147,245	256,319,143	(90,828,102)
Current tax payables	17	3,323,328	11,922,979	8,599,652
Other payables and non-current liabilities	18	20,830,230	31,245,482	10,415,252
Liabilities related to assets held for sale and to discontinued operations	19	**-**	**9,013,482**	**9,013,482**
Total shareholders' equity and liabilities		**1,218,457,246**	**1,240,889,332**	**22,432,086**

Profit and Loss Statement for the Year

Profit and loss statement for the year €	Notes	31 Dec 2021	31 Dec 2022	Change%
Revenues	21	835,780,678	1,243,108,481	**48.7%**
Other income	22	21,126,041	16,538,968	
Total operating revenues and income		**856,906,719**	**1,259,647,449**	**47.0%**
Costs for materials and external services	23	(774,722,073)	(1,037,123,675)	
Personnel expense	24	(62,290,498)	(65,228,255)	
Other operating costs	25	(19,082,085)	(45,658,555)	
Change in inventories	26	14,934,652	31,582,273	
Capitalised costs for internal work	27	1,442,475	162,477	
Amortisation	28	(20,939,155)	(20,674,251)	
Capital gains/(losses) on disposal of non-current assets	29	56,264	1,461,105	
Writebacks/writedowns of non-current assets	30	(1,123,110)	(12,860,730)	
Total operating costs		**(861,723,529)**	**(1,148,339,613)**	**33.3%**
Operating result		**(4,816,811)**	**111,307,836**	**-2410.8%**
Financial expense	31	(25,671,945)	(28,661,968)	
Financial income	32	23,222,421	21,222,256	
Before tax result		**(7,266,335)**	**103,868,124**	**-1529.4%**
Income taxes	33	(783,675)	(7,051,930)	
Net profit/(loss) from assets held for sale and from discontinued operations	34	80,999,583	22,499,763	
Profit/(loss) for the period		**72,949,573**	**119,315,958**	**63.6%**

Schedule of other components of the comprehensive profit and loss statement

Schedule of other components of the comprehensive profit and loss statement €	Notes	31 Dec 2021	31 Dec 2022	Change%
A - Profit/(loss) for the period		**72,949,573**	**119,315,958**	**63.6%**
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:				
Net (loss) profit from cash flow hedge		25,297,747	(16,334,203)	
Income taxes		(7,073,178)	5,200,624	
		18,224,569	(11,133,580)	
Net (loss) profit from financial assets FVOCI	35	343,456	-	
		343,456	-	
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		**18,568,025**	**(11,133,580)**	
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	35	(261,166)	1,625,064	
Income taxes		62,680	(390,015)	
		(198,486)	1,235,048	
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		**(198,486)**	**1,235,048**	
D - Total other components of the comprehensive profit and loss statement net of taxes (B + C)		**18,369,539**	**(9,898,531)**	
E - Total comprehensive profit (loss) net of taxes (D + A)		**91,319,112**	**109,417,427**	**19.8%**

Statement of Changes in Shareholders' Equity

Changes in shareholders' equity €/000	Share capital	Legal reserve	Non-distributable reserve from share capital reduction	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**
Balances at start of 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 profits (losses) directly recognised in shareholders' equity					18,370			-	-		18,370
Other changes in shareholders' equity	-	-	-	-	-	-	(369)	-	369	-	-
Profit/(loss) for the period					-			-	-	72,950	72,950
Balances at end of previous period	**90,000**	**13,149**	**138,797**	**-**	**16,098**	**200,000**	**436**	**238**	**(13,405)**	**72,950**	**518,263**
Destination of result - distribution of dividends		3,647			-	(34,008)	(436)	-	61,236	(72,950)	(42,510)
Net change profits (losses) directly recognised in shareholders' equity					(9,899)			-	-		(9,899)
Other changes in shareholders' equity	-	-	(138,797)	138,797	-			-		-	-
Profit/(loss) for the period					-			-	-	119,316	119,316
Balances at period end	**90,000**	**16,797**	**-**	**138,797**	**6,199**	**165,992**	**-**	**238**	**47,831**	**119,316**	**585,170**

For comments on the changes in shareholders' equity, please see note 12 "Shareholders' equity".

Cash Flow Statement

Cash Flow Statement €/000	**31 Dec 2021**	**31 Dec 2022**
A - Net initial monetary availability	**(74,266)**	**83,181**
B- Monetary flow from operating activities		
Net profit (loss) deriving from operating activities	72,950	119,316
Amortisation, depreciation, write-downs and writebacks	59,775	38,035
Writedowns and writebacks of financial assets	7,500	3,200
Capital gains/(losses) on disposal of non-current assets	(56)	(1,461)
Capital (gains) losses on disposal of financial assets	(74,145)	5,191
Change in TFR and provisions for risks	1,252	13,728
Change in deferred tax assets and provision for deferred taxes	3,363	27,015
Profit (loss) for the period before changes in working capital	**70,637**	**205,023**
Change in inventories	(12,646)	(38,273)
Change in trade receivables	(83,051)	18,715
Change in trade payables	94,746	(90,828)
Change in other assets and liabilities	(12,229)	(1,447)
Change in net working capital	**(13,180)**	**(111,834)**
Assets held for sale and discontinued operations	**-**	**(1)**
Total B- Monetary flow from operating activities	**57,457**	**93,188**
C - Monetary flow from investing activities		
Investments in property, plant and equipment	(23,774)	(23,030)
Investments in intangible assets	(963)	(1,060)
Change in equity investments	9,972	3,010
Revenues from sales of fixed assets	299,399	5,676
Total C - Monetary flow from investing activities	**284,635**	**(15,404)**
D - Monetary flow from financing activities		
Change in non-current securities and financial receivables	(1,806)	(120)
Change in financial receivables and other current financial assets	(1,985)	(46,190)
Change in current and non-current other non-financial liabilities	(8,873)	4,388
New loans	150,366	-
Repayment of loans	(320,420)	(6,697)
Repayment right of use loans	(1,927)	(540)
Dividends distributed and/or resolved	-	(42,510)
Total D - Monetary flow from financing activities	**(184,645)**	**(91,669)**
E - Monetary flow for the period (B + C + D)	**157,447**	**(13,885)**
Net final monetary availability (A + E)	**83,181**	**69,296**
Additional information:		
Interest received during the period	1,593	1,992
Interest paid during the period	(24,442)	(24,419)
Taxes paid during the period	-	205
Dividends received during the period	79,063	18,699

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 individual Financial statements

GENERAL INFORMATION

Burgo Group S.p.A. is an Italian company, registered with the Vicenza Business Registry (no.13051890153), with its registered offices in Altavilla Vicentina (prov. Vicenza), in via Piave 1.

These draft financial statements were approved by the Board of Directors on 27 March 2023.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The Company's financial statements at 31 December 2022 were prepared in compliance with the IAS/IFRS accounting standards for preparing individual financial statements at 31 December 2021, taking into account the amendments and new standards which took effect as of 1 January 2022, listed below.

IFRS accounting standards, amendments and interpretations applied as of 1 January 2022

For the preparation of these Financial Statements, the Company has adopted for the first time certain accounting standards and amendments effective for financial years beginning on or after 1 January 2022, a list of which is provided below, noting that these changes have not affected the balance sheet and income statement amounts shown:

- 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.

IFRS accounting standards, amendments and interpretations approved by the European Union, not yet obligatorily applicable and not adopted in advance by the group at 31 December 2022.
Below are the main accounting standards and interpretations approved by the European Union which are not applicable as at 31 December 2022 (as they are due to come into force as of 1 January 2023) and for which the Company has not opted for early application in the cases provided for:

On 18 May 2017, the IASB published ***IFRS 17 - Insurance Contracts***, which is intended to replace IFRS 4 - Insurance Contracts.
The goal of the new standard is to ensure that undertakings provide relevant information that accurately represents the rights and obligations arising from insurance contracts issued.

On 09 December 2021 the IASB published an amendment entitled "***Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information***". The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for users of the financial statements.

On 12 February 2021, the IASB published two amendments entitled "***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 intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish between changes in accounting estimates and accounting policy changes. The amendments take effect on 1 January 2023 but early application is allowed.

On 07 May 2021 the IASB published an amendment entitled "***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". The document clarifies how to account for deferred taxes on certain operations that may generate assets and liabilities of equal amount, such as leasing and dismantling operations. The amendments take effect on 1 January 2023 but early application is allowed.

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***" and on 31 October 2022 published an amendment entitled "***Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants***". The documents are intended to clarify the process of classifying payables and other liabilities as current or non-current. The amendments take effect on 1 January 2024. Early application is allowed.

On 22 September 2022 the IASB published an amendment entitled "***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback***". The document requires the seller/lessee to value the lease liability deriving from a sale and leaseback translation so as not to recognise an income or loss on the retained right of use. The amendments take effect on 1 January 2024 but early application is allowed.

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:

PROPERTY, PLANT AND EQUIPMENT

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.

Property, plant and equipment

Assets recognised among property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment, 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 property, plant and equipment 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 r4eduction 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 profit and loss statement 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 scope of 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, relative to lease contracts the company recognises

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 annual profit and loss statement 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.
Relative 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, if disposing of the asset in a free transaction between knowledgeable and willing parties, after deducting disposal 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.
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 annual profit and loss statement.

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 annual profit and loss statement, unless the asset is recognised at the written back value, in which case the writeback is recognised in the revaluation reserve.

EQUITY INVESTMENTS MEASURED 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 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 infragroup profits relative to minority shareholders are eliminated relative to the portion pertaining to the company 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 recognition and measurement

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 which do not contain significant financing component or for which the company 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 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.

— *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 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 as-

sociated 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. 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 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 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 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 recognition and measurement

At initial recognition, financial liabilities are classified among financial liabilities measured at fair value through profit and loss, 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 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 profit and loss statement.
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 profit and loss statement.

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.

— Derecognition

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 profit and loss statement for the year.

— Offsetting of financial instruments

An asset and a financial liability can be offset and the net balance recognised in the balance sheet 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.

DERIVATIVES

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 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 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 annual profit and loss statement.
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 annual profit and loss statement.

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 annual profit and loss statement when the effects of the transaction being hedged are recognised in the annual profit and loss statement. The profit or loss associated with this ineffective portion of the hedging is instead immediately recognised in the annual profit and loss statement.
If a hedging instrument is closed by the transaction being hedged has not yet been realised, cumulative profits and losses remain in the shareholders' equity reserve and are reclassified in the annual profit and loss statement 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 annual profit and loss statement.
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 annual profit and loss statement.

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 annual profit and loss statement.
Any losses from these contracts are recognised in the annual profit and loss statement in the full amount, at the time they become known.

CASH AND OTHER 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.

ASSETS AND LIABILITIES 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 consolidated balance sheet.
These assets, classified within a specific item in the consolidated balance sheet, 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 annual profit and loss statement.

TRADE PAYABLES AND MISCELLANEOUS 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.

EMPLOYEE BENEFITS

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 not 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 annual profit and loss statement 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 annual profit and loss statement consists of the following elements:

- social security costs relative to current work performed;
- interest expense;
- expected returns from program assets, if existing.

The revision of IAS 19 referenced above required the company, as of the financial year beginning 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 schedule of other components of the comprehensive profit and loss 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 profit and loss statement 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 annual profit and loss statement 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.

ITEMS IN OTHER CURRENCIES 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 annual profit and loss statement.

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, PREPAID 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 annual profit and loss statement.
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:

- 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 2022 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;
- quantifying provisions for risks and charges and provisions for employee benefits, due to the uncertainty of that required, survival times and actuarial hypotheses 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 profit and loss statement for the period in which the change occurred.

Balance Sheet

NON-CURRENT ASSETS

1 | Property, plant and equipment

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

Property, plant and equipment €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Property, plant and equipment	195,441	149,007	(46,434)
Property investments	258	144	(115)
Right of use assets	2,113	1,681	(431)
	197,812	**150,832**	**(46,980)**

— Property, plant and equipment

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	**319,409**	**1,353,295**	**4,418**	**25,277**	**19,809**	**1,722,208**
Increases during period	193	7,067	105	367	15,298	23,030
Disposals during period	(4,140)	(3,344)	(44)	(1,031)	-	(8,559)
Revaluations, impairment during period	(400)	(1,624)	-	-	-	(2,024)
Other changes	(119,569)	(456,838)	(1,996)	(1,286)	(14,755)	(594,444)
Historic cost at period end	**195,493**	**898,557**	**2,482**	**23,327**	**20,352**	**1,140,211**
Provision for amortisation/ depreciation at start of period	**248,017**	**1,250,528**	**4,336**	**23,887**	**-**	**1,526,767**
Amortisation/depreciation during period	2,137	16,246	71	600	-	19,054
Uses during period	-	(3,270)	(44)	(1,030)	-	(4,344)
Other changes in the provision	(101,573)	(445,430)	(2,012)	(1,258)	-	(550,273)
Provision for amortisation/ depreciation at period end	**148,581**	**818,074**	**2,350**	**22,199**	**-**	**991,204**
Net book value at period end	**46,913**	**80,483**	**132**	**1,128**	**20,352**	**149,007**

The decrease in the net book value of property, plant and equipment, for € 46,434 thousand, originated mainly from the following components:

- increases for € 23,030 thousand (€ 23,774 thousand in 2021) relative to: investments during the year for € 18,373 thousand (see the Report on Operations for more details); other increases for € 177 thousand relative to internal work; capitalisation of financial expense for € 225 thousand, calculated using a 1.78% rate, in implementation of IAS 23; advances on extraordinary maintenance projects for € 4,255 thousand;
- decreases for disposals, sales and write-downs of € 10,583 thousand (€ 19,955 thousand in 2021), particularly € 4,140 thousand relating to the sale of land located in Bovolone and Chieti, € 2,722 thousand relating to the scrapping of obsolete machinery at the Duino factory, and € 2,024 thousand relating to write-downs for the year;
- other changes amounting to € 594,445 thousand of historical cost (€ 628,973 thousand of gross historical cost net of € 34,528 thousand in provisions for impairment) related to the reclassification for IFRS 5 purposes of the Duino plant, which as of 31/12/2022 were classified as operating assets held for sale as part of a transfer to Cartiera Duino S.r.l.

The provision for depreciation saw a change of € 535,563 thousand (€ 482,705 thousand in 2021) which can be broken down as follows:

- increases for depreciation during the year of € 19,054 thousand;
- decreases following the disposal of systems for € 4,344 thousand, as listed above;
- decreases of € 550,273 thousand (net of the change of € 4,490 thousand resulting from amortisation in the year) related to the reclassification of operating assets held for sale as required by IFRS 5 for the Duino plant.

At the end of the year, the residual life of the company's property, plant and equipment was reviewed, with any necessary changes made to the depreciation plan.
Fully depreciated assets still in use have a historic cost equal to € 1,082,108 thousand.
Pursuant to article 10 of Italian Law 72 of 19 March 1983, relative to revaluations, below is a breakdown of revaluation balances at 31/12/2022, equal to € 173,274 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	33,474	19,618	75,153
Plant and equipment	14,092	79,767		2,408	96,267
Industrial and sales equipment	89	266		83	438
Other assets	277	963		177	1,416
	18,946	**98,569**	**33,474**	**22,285**	**173,274**

— Property investments

Flow of property investments €/000	Civil land	Civil buildings	**Total**
Historic cost at start of period	**67**	**334**	**401**
Increases during period	-	-	-
Disposals during period	(0)	-	(0)
Revaluations, impairment during period	-	-	-
Transfer	-	-	-
Other changes	-	(172)	(172)
Historic cost at period end	**67**	**162**	**230**
Provision for amortisation/depreciation at start of period	**-**	**143**	**143**
Amortisation/depreciation during period	-	5	5
Uses during period	-	-	-
Transfer	-	-	-
Other changes in the provision	-	(62)	(62)
Provision for amortisation/depreciation at period end	**-**	**86**	**86**
Net book value at period end	**67**	**77**	**144**

During the year, changes involving civil real estate consisted of depreciation of € 10 thousand and other changes for the net value of € 105 thousand associated with the application of IFRS 5.

— Right of use assets

Right of use assets flow €/000	Commercial leases	Residential leases	Industrial leases	Vehicle leases	IT	**Total**
Historic cost at start of period	**376**	**725**	**1,884**	**426**	**1,346**	**4,755**
Increases during period	-	96	360	79	141	676
Disposals during period	-	(122)	-	-	(71)	(193)
Other changes	-	-	(195)	(14)	(38)	(247)
Historic cost at period end	**376**	**699**	**2,048**	**491**	**1,377**	**4,991**
Provision for amortisation/ depreciation at start of period	**(128)**	**(361)**	**(1,298)**	**(330)**	**(526)**	**(2,643)**
Amortisation/depreciation during period	(43)	(121)	(395)	(103)	(262)	(924)
Uses during period	-	57	-	-	-	57
Other changes	-	-	175	14	11	199
Provision for amortisation/ depreciation at period end	**(170)**	**(424)**	**(1,519)**	**(420)**	**(776)**	**(3,309)**
Net book value at period end	**205**	**275**	**529**	**71**	**601**	**1,682**

During 2022, increases were recorded as a result of the signing of new contracts for leased assets or assets falling under the scope of IFRS 16 amounting to € 676 thousand, which related to: industrial leases for € 360 thousand, residential leases for € 96 thousand, vehicle leases for € 79 thousand, and IT material and equipment for € 141 thousand. Depreciation/amortisation during the year totalled € 924 thousand; disposals in the year came to € 193 thousand, against write-offs of the provision for € 57 thousand. Other variations include the reclassification for IFRS 5 purposes of contracts concerning the future sale of the Duino plant.

2 | Intangible assets

The balance is as follows:

Intangible assets €/000	31 Dec 2021	31 Dec 2022	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	2,384	1,684	(700)
Fixed assets in progress and advances	112	425	313
	2,496	**2,109**	**(387)**
	13,333	**2,109**	**(11,224)**

The goodwill item included the goodwill recognised for the incorporation of the Villorba plant in Cartiere Marchi S.p.A. in 2006 (€ 10,837 thousand), which was completed written off in the year.
Recoverability of goodwill is verified annually or more frequently if deemed necessary, by determining the value in use.
Goodwill is allocated to the respective cash generating units (CGU). CGUs refer to individual production sites. To determine the value in use, the current value of future financial flows was calculated, estimated by applying discounting rates that reflect current market values of the temporal value of money and the specific risks of the business, as well as terminal growth rates in line with inflation levels.

Finally, the current value of the flows and the terminal value of the individual CGUs was compared with the capital invested in them.
For the purposes of the impairment test, the main assumptions, in line with current measurements of the cost of money, which take into account the specific risks of the CGUs, involve the risk-free rate of 3.75% (0.77% in 2021), a market risk premium that remained unchanged on the previous year at 5.50% (increased from a minimum of 0% to a maximum of 2.5% to incorporate other risks for certain CGUs), a variable growth rate between 2.00% and 2.50% based on the CGU, the cost of debt before taxes of 1.78% (2.00% in 2021) and the ratio between equity and debt, respectively equal to 85.89% and 14.11% (respectively 83.62% and 16.38% the previous year) derived as the average value of a panel of comparable listed companies in the same sector.

During the year the impairment test highlighted the need to record the writedown of goodwill allocated to the Villorba plant due to the sharp increase in WACC recorded in the year compared to previous years and linked to market parameters.
As a result, the company had no goodwill recognised to the balance sheet under assets at year-end.
Additionally, the impairment test was carried out with reference to CGUs for which indicators of impairment were identified in previous years, but in no case did the test indicate a need to carry out writedowns on the amounts recognised in the balance sheet.
Increases, totalling € 1,060 thousand, mainly refer to investments in software and usage licenses.
Amortisation during the year was equal to € 692 thousand.
Other variations included the reclassification for IFRS 5 purposes of the sale of the Duino plant.
The value of intangible assets fully amortised but still in use was € 8,216 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**	**11,996**	**112**	**22,945**
Increases during period	-	747	313	1,060
Disposals during period	-	-	-	-
Revaluations, impairment during period	(10,837)	-	-	(10,837)
Other changes	-	(755)	-	(755)
Historic cost at period end	**0**	**11,988**	**425**	**12,413**
Provision for amortisation/ depreciation at start of period		**9,612**		**9,612**
Amortisation/depreciation during period		692		692
Uses during period		-		-
Other changes in the provision		-		-
Provision for amortisation/ depreciation at period end		**10,304**		**10,304**
Net book value at period end	**0**	**1,684**	**425**	**2,109**

3 | Other non-current assets

— Equity investments and securities

These include the items indicated below:

Equity investments and securities €/000	31 Dec 2021	31 Dec 2022	Change
Gever S.p.A in liquidation	4,462	1,243	(3,220)
Burgo Ardennes S.A.	292,701	292,701	-
Burgo Benelux S.A.	290	290	-
Burgo France S.à r.l.	2	2	-
Burgo UK Ltd	388	388	-
Burgo Central Europe GmbH	377	377	-
Burgo North America Inc	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.à r.l.	0	0	-
Burgo Energia S.r.l.	15	15	-
Consorzio Energy Paper S.c.a.r.l.	30	16	(13)
Mosaico S.p.A.	123,620	123,620	-
Burgo Eastern Europe Sp. z o.o.	1	1	-
Burgo Recycling S.r.l.	51	51	-
Equity investments in Cartiera Duino S.r.l.	-	10	10
Equity investments in subsidiaries and in other companies	**437,680**	**434,457**	**(3,223)**
Equity investments in other companies	**10,174**	**7,174**	**(3,000)**
	447,855	**441,632**	**(6,223)**

The reduction in equity investments in subsidiaries is mainly due to a reduction of € 3,220 thousand in the equity investment in Gever S.p.A., in liquidation. The change was offset by a capital repayment by the subsidiary amounting to € 3,020 thousand and a write-down of € 200 thousand.
Other changes regarded the recognition of a new equity investment in Cartiere Duino S.r.l. for € 10 thousand and the reclassification to assets held for sale, as required under IFRS 5, of part of the equity investment in Consorzio Energy Paper S.c.a.r.l.

The decrease in the item equity investments in other companies was due to a write-down to adjust the value of the investment to its presumed realisable value of € 3,000 thousand, recorded to the balance sheet under the equity investment that Burgo Group S.p.A. holds in Paper Interconnector, due to the recovery prospects of the investment.

— *Equity investments in subsidiaries and in 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	100	1,263	(90)	100.00	1,243
Burgo Ardennes S.A.	Virton (BE)	EUR	75,000	143,855	8,654	99.99**	292,701
Burgo Benelux S.A.	Virton (BE)	EUR	248	123	(143)	100.00	290
Burgo France S.à r.l.	Champeaux (FR)	EUR	600	249	75	100.00	2
Burgo UK Ltd	Milton Keynes (UK)	GBP	250	718	84	100.00	388
Burgo Central Europe GmbH	Munich (DE)	EUR	256	569	196	100.00	377
Burgo North America Inc	Stamford - Connecticut (USA)	USD	100	1,395	54	100.00	110
Burgo Factor S.p.A.	Milan	EUR	3,000	37,365	3,084	90.00	4,105
Burgo Distribuzione S.r.l.	Altavilla Vicentina (VI)	EUR	9,060	17,126	5,889	100.00	11,530
S.E.F.E. S.à r.l.	Ecouviez (FR)	EUR	76	785	356	0.20	-
Burgo Energia S.r.l.	Altavilla Vicentina (VI)	EUR	5,015	3,770	(1,927)	100.00	15
Mosaico S.p.A.	Altavilla Vicentina (VI)	EUR	75,000	163,013	40,736	100.00	123,620
Burgo Eastern Europe Sp. z o.o.	Warsaw (POL)	PLN	5	2,965	978	100.00	1
Consorzio Energy Paper S.c.a.r.l.	Altavilla Vicentina (VI)	EUR	59	59	-	51.00	16
Cartiera Duino S.r.l.	Altavilla Vicentina (VI)	EUR	10	9	(1)	100.00	10
Burgo Recycling S.r.l.	Altavilla Vicentina (VI)	EUR	100	275	148	51.00	51
							434,457

(*) The figures for each investee were taken from the 2022 financial statements of 2022 draft financial statements. In the cases in which the carrying value was higher than the portion of shareholders' equity, also taking into account adjustments required in preparation of the consolidated financial statements, the greater value is justified by unexpressed values relative to the investee, such as goodwill. More specifically, in terms of significance, we note that the differential between the carrying value of the equity investment in Burgo Ardennes S.A. and the relative recognisable shareholders' equity (statutory shareholders' equity plus profits from the current year), equal to € 196.6 million (€ 199.3 million at 31-12-2021), originated with the allocation within the carrying value of the equity investment of the portion of the shortfall arising from the Cartiere Burgo/Dieci merger in financial year 2001, for a total of € 103 million. This greater value was allocated, in the consolidated financial statements, to tangible fixed assets associated with Burgo Ardennes S.A. on the basis of a specific exchange appraisal. At 31 December 2022, the value of the subsidiary's shareholders' equity, expressed on the basis of international accounting standards for the consolidated financial statements of Burgo Group S.p.A., was € 143.9 million (€ 142.1 million at 31-12-2021) with a difference of € 148.8 million (€ 150.6 million at 31-12-2021) with respect to the carrying value in the parent company's financial statements, consisting of total and accumulated dividends distributed between financial years 2001 and 2020 and positive results achieved. Despite the profits recognised by the associated company, which has always achieved annual profits, cash flows forecast for coming years as well as the strategic importance of the equity investment within the Burgo Group, an impairment test was still performed, which did not indicate any lasting losses of value (paragraph 12.h.i IAS 36).

(**) 100% held, including the indirect shares held by Mosaico S.p.A.

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

Financial receivables and other non-current financial assets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Non-current financial receivables due from subsidiaries	2,800	2,800	-
Non-current financial receivables due from others	4,486	4,607	120
	7,286	**7,407**	**120**

The receivable due from the subsidiary, already present the previous year, consists of a medium-term loan disbursed to the subsidiary Mosaico S.p.A. for € 2,800 thousand.
On the other hand, receivables due from other companies refer to a shareholder loan to Consorzio Italia Energy Interconnector, relative to obligations deriving from the Interconnector procedure, which in 2022 was increased by € 120 thousand.

— *Other receivables and non-current assets*

Other receivables and non-current assets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Non-current sundry receivables due from others	0	0	-
Non-current guarantee deposits	7,361	9,448	2,087
	7,361	**9,448**	**2,087**

Other receivables and non-current assets consist of guarantee deposits for € 9,448 thousand. The increase, of € 2,087 thousand, is mainly due to the increase in the guarantee deposit made with Terna relative to the Interconnector procedure, for amounts paid during 2022 to guarantee the execution of interconnection work.

4 | Deferred tax assets

Deferred tax assets amounted to € 35,132 thousand. The balance in the accounts includes allocations for deferred taxes which it is held can be compensated for with deferred tax payables.

Below are the details:

Deferred tax assets €/000	**31 Dec 2021**			**31 Dec 2022**		
	Taxable	% rate	(Debit)/credit	**Taxable**	**% rate**	**(Debit)/ credit**
IRES						
Taxed provisions (allocated)	83,425	24.0	20,022	81,511	24.0	19,563
Derivatives	(26,660)	24.0	(6,398)	(10,326)	24.0	(2,478)
Discounting	-	-	-	-	-	-
IAS 19 discounting - actuarial G/L	4,693	24.0	1,126	2,150	24.0	516
Amortisation, depreciation and writedowns	(848)	24.0	(204)	-	-	-
30% limit financial expense	60,743	24.0	14,578	11,159	24.0	2,679
IRES losses to be used in future financial years	130,211	24.0	31,251	40,328	24.0	9,679
Allocation of shortfall	(21,788)	24.0	(5,229)	(17,558)	24.0	(4,214)
Other items	11,567	24.0	2,776	27,348	24.0	6,563
	241,342		**57,922**	**134,611**		**32,307**
IRAP						
Taxed provisions (allocated)	36,287	3.9	1,415	57,536	3.9	2,244
Amortisation, depreciation and writedowns	(8,420)	3.9	(328)	-	-	-
Allocation of shortfall	(21,788)	3.9	(850)	(17,558)	3.9	(685)
Derivatives	(27,047)	3.9	(1,055)	5,784	3.9	226
Other items	11,520	3.9	449	26,668	3.9	1,040
	(9,448)		**(368)**	**72,431**		**2,825**
			57,553			**35,132**

In 2022, the Company recognised the following main effects in the item deferred tax assets:

- lower tax assets for IRES losses to be used in future financial years for € 21,572 thousand due to the use in the current year;
- lower IRES tax assets due to the 30% limit on financial charges for € 11,899 thousand due to the deduction made in the current year;
- lower IRES and IRAP tax liabilities for depreciation of assets relative to which was allocated the shortfall from the Burgo-Marchi merge for € 1,180 thousand;
- lower IRES tax assets for TFR discounting pursuant to IAS 19 (actuarial gains/losses) for € 610 thousand;
- lower IRES and IRAP tax assets on taxed provisions for € 370 thousand, in particular for allocations made to provisions for risks and charges, and for other costs allocated for and not deducted;
- lower IRES and IRAP tax liabilities for € 5,201 thousand on the sum of assets and liabilities for hedging derivatives recognised almost entirely in Shareholders' equity under hedge accounting as required by IFRS 9;
- higher IRES and IRAP deferred tax assets for € 4,378 thousand, as a result of the higher taxable base of € 30,959 thousand, under Other items with temporary tax differences.

For more details about the applicable rate, please see note 35 "income taxes".
Note that the Company's losses can currently all be carried forward indefinitely.
Recognition of deferred tax assets relative to a portion of IRES tax losses that can be carried forward is justified by a reasonable expectation of sufficient future taxable income, in the context of national tax consolidation, based on the economic forecasts found in the industrial plan.
Below are the details of tax losses recognised in the financial statements, which generated deferred taxes, net of uses for the group.

Tax losses €/000		**2021**		**2022**	
	maturity	loss	tax	loss	tax
2002	can be carried forward indefinitely	130,211	31,251	40,328	9,679
		130,211	**31,251**	**40,328**	**9,679**

Please note that 2002 tax losses can only be used by Burgo Group S.p.A.
The difference between the losses accrued at the end of 2021 and 2022 derives from the use of these losses to reduce Burgo Group S.p.A.'s taxable base for the current year and for adjustments between the estimated tax calculation recorded in the Financial Statements as at 31 December 2021 and the final tax return.

CURRENT ASSETS

5 | Inventories

Inventories €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Raw materials inventories	24,826	37,903	13,077
Stock inventories	22,008	17,551	(4,456)
Provision for impairment of raw materials and stocks	(7,449)	(8,974)	(1,525)
Raw materials, subsidiary and consumable items	**39,385**	**46,481**	**7,096**
Products in progress and semi-finished products	9,640	12,658	3,018
Products in progress	**9,640**	**12,658**	**3,018**
Finished products and goods	31,997	56,787	24,790
Provision for impairment of products	(1,146)	(1,939)	(793)
Finished products	**30,851**	**54,848**	**23,997**
	79,876	**113,987**	**34,112**

The value of raw materials, consumables and finished products is shown net of the provision for obsolescence for € 10,913 thousand (€ 8,595 thousand 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 € 7,096 thousand, is mainly attributable to an increase in purchase prices (+38%), with a consequent increase in the average weighted cost at the end of the year.

The decrease in the value of inventories of € 2,946 thousand is due to the reclassification of the portion of inventories attributable to the Duino plant as part of the recognition of operating assets held for sale under IFRS 5 (€ 4,160 thousand) in a separate line under assets; net of this change the value would have been positive at € 1,215 thousand.

The increase in the value of products in progress and finished products of € 3,018 thousand and € 23,997 thousand respectively, is due both to higher quantities in stock and to an increase in the average production cost linked to the increase in the cost of raw materials and energy.

6 | Trade receivables

Trade receivables €/000	31 Dec 2021	31 Dec 2022	Change
Relative to customers	163,344	122,036	(41,308)
minus: Provision for doubtful accounts	(38,520)	(30,050)	8,471
	124,824	**91,986**	**(32,837)**
Relative to the Group companies	63,169	77,292	14,123
	63,169	**77,292**	**14,123**
	187,993	**169,278**	**(18,715)**

Trade receivables due from third parties decreased by € 41,308 thousand mainly due to lower sales during the final quarter of the year in question, compared to the previous year, and higher receivables transferred to factoring companies.
Receivables from other Group companies increased by € 14,123 thousand due to increased sales to Mosaico S.p.A., Burgo Distribuzione S.r.l. and Burgo Energia S.r.l.
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 and fell compared to the previous year due to the write-off of certain provisions that were no longer due.
The table below provides a breakdown of trade receivables by geographic area, exclusive of infragroup transactions.

Trade receivables by geographic area €/000	31 Dec 2021	31 Dec 2022	Change
Italy	56,619	36,374	(20,245)
Europe E.U.	47,992	31,610	(16,382)
Other countries	20,212	24,002	3,790
	124,824	**91,986**	**(32,837)**

7 | Other receivables and current assets

Other receivables and current assets €/000	31 Dec 2021	31 Dec 2022	Change
Current tax receivables	**3,299**	**7,455**	**4,156**
Current sundry receivables due from subsidiaries	1,141	1,039	(102)
Current tax consolidation receivables due from subsidiaries	6,776	18,518	11,742
Sundry receivables due from group companies	**7,917**	**19,557**	**11,640**
Current sundry receivables due from others	10,636	7,076	(3,560)
Current receivables due from social security entities	101	129	28
Current derivative assets	28,361	2,334	(26,028)
Other sundry receivables	**39,098**	**9,538**	**(29,560)**
Other assets	**789**	**377**	**(412)**
	51,103	**36,927**	**(14,176)**

Other receivables and current assets decreased by € 14,176 thousand. The main changes are described in detail below:

- tax receivables increased by € 4,156 thousand due to a larger VAT credit from the tax authorities;
- receivables for tax consolidation relative to subsidiaries: these increased by € 11,742 thousand mainly due to a higher receivable from the subsidiary Mosaico S.p.A.;
- other receivables due from others: these fell by € 3,560 thousand, mainly due to lower advances to suppliers and lower insurance compensation amounts to be received;
- derivative asset entries for energy costs decreased by € 26,028 thousand.

8 | Financial receivables and other current financial assets

Financial receivables and other current financial assets €/000	31 Dec 2021	31 Dec 2022	Change
Financial receivables due from subsidiaries	33,806	72,859	39,054
Financial receivables due from others	6,519	52,338	45,819
Derivative financial assets	8	16,711	16,703
Other financial assets	926	703	(223)
	41,258	**142,611**	**101,353**

Among other things, the balance includes financial receivables due from subsidiaries represent pass-through items in the context of coordinated treasury management (€ 72,859 thousand).

Specifically, receivables due from subsidiaries consist of the following positions:

- Burgo Energia S.r.l.: € 32,090 thousand (€ 0 thousand at 31 December 2021);
- Burgo Distribuzione S.r.l.: € 19,162 thousand (€ 6,203 thousand at 31 December 2021);
- Burgo Factor S.p.A.: € 21,607 thousand (€ 27,603 thousand at 31 December 2021);

The increase in financial receivables from others was due in particular to the opening of time deposit accounts for € 42,003 thousand, as well as the increase in financial receivables from factoring companies for the transfer of non-recourse receivables, which rose from € 4,006 thousand in 2021 to € 7,885 thousand in 2022.

Financial assets for current derivatives amounted to € 16,711 thousand to cover medium to long-term credit lines.

The item Other assets includes prepaid expenses totalling € 586 thousand relative to costs for the revolving credit facility.

9 | Cash and other cash equivalents

Cash and cash equivalents €/000	31 Dec 2021	31 Dec 2022	Change
Bank and postal deposits	127,013	86,142	(40,870)
Cash and cash on hand	14	9	(5)
	127,027	**86,151**	**(40,875)**

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 decrease in bank and postal deposits is due to the opening of time deposit accounts, as per the previous note.

For a comment on the change in the item current accounts and other loans, please see note 16 "Current financial liabilities".

Below is a reconciliation table for the item "Cash and other cash equivalents" with net monetary availability recognised in the cash flow statement:

Reconciliation of cash and other cash equivalents €/000	31 Dec 2021	31 Dec 2022	Change
Cash and cash equivalents	127,027	86,151	(40,875)
shared current accounts receivable	33,806	72,859	39,054
shared current accounts payable	(37,868)	(89,714)	(51,846)
Current accounts and other loans	(39,783)	(0)	39,783
	83,181	**69,296**	**(13,885)**

10 | Assets held for sale and discontinued operations

This item includes all assets held for sale. The assets shown in the table below are to be transferred to Cartiera Duino S.r.l. as of 01 January 2023, and are detailed as follows:

Statement of equity/financial position: Assets €/000	**31 Dec 2022**
Non-current assets	**41,206**
Property, plant and equipment	**39,828**
Property, plant and equipment	39,676
Property investments	105
Right of use assets	48
Intangible assets	**755**
Goodwill and other intangible assets with undefined life	755
Other non-current assets	**15**
Equity investments in subsidiaries and in other companies	13
Other receivables and non-current assets	1
Deferred tax assets	**607**
Deferred tax assets	607
Current assets	**4,168**
Inventories	4,161
Other receivables and current assets	6
Cash and cash equivalents	1
Total assets	**45,374**

SHAREHOLDERS' EQUITY

11 | Shareholders' equity

Total shareholders' equity amounted to € 585,170 thousand (€ 518,263 thousand at 31 December 2021).
Share capital at 31 December 2022 consisted of 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 2022 increased by € 66,907 thousand with respect to 31 December 2021, as a consequence of:

- profit for the year of € 119,316 thousand;
- dividend distribution of € 42,510 thousand, of which € 34,008 thousand from the Equity Instruments reserve component of profit reserves and € 8,502 thousand from the profits carried forward reserve;
- the recognition in the reserve, net of taxes, of actuarial gains based on that required under IAS 19, which led to an increase of € 1,235 thousand;
- the recognition, in the CFH reserve, net of taxes, of the fair value of financial instruments recognised using hedge accounting (cash flow hedge) for a negative change of € 11,134 thousand.

Please note that following the Board resolutions adopted in 2022, the non-distributable reserve from share capital reduction, amounting to € 138,797 thousand, was made available.
For more information, please see the "Statement of changes in shareholders' equity".
The table below breaks down the reserves, including profits carried forward:

Reserves and profits carried forward €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Non-distributable reserve from share capital reduction	138,797	-	(138,797)
Distributable reserve from share capital reduction	-	138,797	138,797
Legal	13,149	16,797	3,647
Reserve for equity financial instruments	200,000	165,992	(34,008)
Non-distributable exchange gains reserve	436	-	(436)
Other reserves	238	238	-
IAS 19 reserve	(7,795)	(6,560)	1,235
Reserve for accounting standard change - FTA	4,686	4,686	-
Cash Flow Hedge reserve	19,207	8,073	(11,134)
	368,719	**328,023**	**(40,695)**
Profits (losses) carried forward reserve	(13,405)	47,831	61,236
	(13,405)	**47,831**	**61,236**

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

Deferred taxes recognised directly to shareholders' equity €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Fair value changes in cash flow hedges	(7,453)	(2,253)	5,200
Actuarial losses	2,203	1,813	(390)
	(5,250)	**(440)**	**4,810**

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 amendments made to the Italian Civil Code by Italian Legislative Decree 139 of 18 August 2015, and was also carried out on the basis of the indications found in "Guide to regulations on distribution of profits and reserves pursuant to Italian Legislative Decree 38 of 28 February 2005", 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:				
Distributable reserve for C.S. reduction	138,797	A, B, C	138,797	
SFP reserve, distributable	46,646	B, D	46,646	
	185,443		185,443	
Profit reserves:				
SFP reserve, distributable	119,346	B, D	119,346	
Legal reserve	16,797	B	0	
CFH reserve	8,073		0	(2)
IAS 19 reserve	(6,560)		0	(3) (5)
Reserve for adjustment to FVOCI	0		0	(4)
FTA reserve (Italian Legislative Decree 38/2005 art.7 paragraph 7)	4,686	B	0	
Merger surplus	238	A, B, C	238	(7)
Reserve for unrealised exchange gains	0	A, B	0	
	142,580		119,584	
Profits (losses) carried forward reserve	47,831	A, B, C	47,831	(1)
	47,831		47,831	
	190,411		167,415	
	375,854		**352,858**	

Key:

A: for capital increase
B: to cover losses
C: for distribution to shareholders
D: for other provisions in the Articles of Association.
(1) Recall that, for the purposes of Italian Law 488 of 1992, the 2004 profit carried forward derives in part from the reversal of advance amortisation recognised in the annual profit and loss statement in previous years, destined to cover the following investment programs:
- Law 488 program 21165 Duino € 11,448 thousand
- Law 488 program 82305 Duino € 9,676 thousand.

(2) Reserve for fair value adjustment of hedging derivatives and the relative underlying assets/liabilities. This reserve is correlated with the recognition of cash flow hedges. In particular, it refers to unrealised gains and losses, net of the relative tax effects, which derive from the fair value adjustment of a cash flow hedge and its relative underlying elements. Note that, in application of Italian Legislative Decree 38/2005, this reserve is subject to the unavailability regime established under article 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. Note that, in application of Italian Legislative Decree 38/2005, this reserve is subject to the unavailability regime established under article 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 decreasing the portion available of any profits carried forward.
(6) Not available for distribution to shareholders, given that it is a negative value.
(7) Merger surplus from cancellation, comparable to a profit reserve.

The tax regime for the reserve is illustrated below.
In regards to suspended tax reserves, the legal reserve is bound for tax purposes in the amount of € 709 thousand for the reconstitution of suspended tax reserves of companies incorporated in previous years. Recall that, for tax purposes, a constraint is set on amounts in reserves, equal to the balance of off the accounts deductions made and not yet reabsorbed, net of associated deferred taxes. This balance is estimated to be around € 1 million at the end of 2022, net of deferred IRES taxes.
Recall that tax regulations do not envisage taxation, provided that after any distribution shareholders' equity reserves remain that are equal to the net amount reported above.

NON-CURRENT LIABILITIES

12 | Non-current financial liabilities

Non-current financial liabilities €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Loan payables	195,848	189,115	(6,733)
Right of use liabilities	1,384	1,008	(376)
	197,232	**190,123**	**(7,109)**

Right of use liabilities - flows €/000	Balance at start of period	Decreases	Reclassification	Increases	**Balance at end of period**
Non-current right of use liabilities	1,384	(136)	(764)	524	1,008
Current right of use liabilities	775	(926)	716	152	716
Total	**2,159**	**(1,062)**	**(49)**	**676**	**1,724**

Non-current financial liabilities include three medium-term credit lines: one amortising loan for an initial nominal value of € 200,000 thousand, one bullet loan line of an initial nominal value of € 175,000 thousand, and one SACE-backed loan of an initial nominal value of € 150,000 thousand. These amount to € 189,115 and are shown net of the current portion of € 8,523 thousand.
Non-current financial liabilities also include:

- a subsidised loan of € 1,751 thousand (initial nominal value of € 3,292 thousand) and a bank loan of € 366 thousand, relative to admission to receive the benefits of the Fund for Technological Innovation, Law FIT 46/82 for the Sora plant;
- liabilities for rights of use for € 1,008 thousand, following application of IFRS 16.

Interest on variable rate loans was determined every six months. Almost all variable rate medium and long-term loans were hedged against interest rate risk. The conditions for fixed rate loans remained constant through to maturity of the instruments. For all payables relative to loans, valued at the amortised cost, it is held that the book value reflects the fair value of the financial instrument as of the reporting date.
Payables to shareholders, due after year-end and valued at amortised cost, stood at € 104,957 thousand (€ 107,172 at year-end in the previous year).

Loan payables - breakdown of maturity dates €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
from 2 - 3 years	26,730	31,636	4,906
from 4 - 5 years	158,786	157,479	(1,307)
over 5 years	10,332	-	(10,332)
	195,848	**189,115**	**(6,733)**

Right of use liabilities - breakdown of maturity dates €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
from 2 - 3 years	1,134	757	(377)
from 4 - 5 years	176	223	48
over 5 years	74	28	(47)
	1,384	**1,008**	**(376)**

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

TFR €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Actuarial measurement of TFR at start of period	18,810	14,507	(4,302)
Allocations	0	(2)	(2)
Payments	(1,610)	(1,210)	400
TFR discounting - IAS 19 reserve	261	(1,625)	(1,886)
TFR discounting - financial expense (income)	61	136	75
Transfer	(2,653)	-	2,653
Other changes - incoming (outgoing) transfers	(362)	(3,518)	(3,156)
	14,507	**8,289**	**(6,218)**

Other changes include € 3,483 thousand related to the reclassification to liabilities of assets held for sale for IFRS 5 purposes at the Duino plant.

For actuarial measurement of the provision for severance indemnities (TFR) at 31 December 2022, 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:

- 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 probability of departure for reasons other than death, an annual frequency of 3.00% was considered (unchanged with respect to the previous year);
- for the probability of TFR advances, a yearly value of 2.00% was assumed (unchanged with respect to the previous year).

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used	**2021**	**2022**
Annual theoretical discounting rate	0.98%	3.63%
Annual inflation rate	1.75%	2.30%
Annual TFR increase rate	2.81%	3.23%

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 2021**	**31 Dec 2022**	**Change**
Provision for industrial charges	19,728	33,867	14,139
Provision for disputes in course	11,645	13,225	1,580
Provision for supplementary customer allowance	716	762	46
Provision for restructuring charges	1,567	639	(929)
	33,656	**48,493**	**14,837**

Below is a breakdown of changes in the provisions:

Provisions for future risks and charges - changes €/000	Balance at start of period	Increases	Decreases	**Balance at end of period**
Provision for industrial charges	19,728	48,052	(33,913)	33,867
Provision for disputes in course	11,645	1,649	(69)	13,225
Provision for supplementary customer allowance	716	46	-	762
Provision for restructuring charges	1,567	-	(929)	639
	33,656	**49,748**	**(34,911)**	**48,493**

The **provision for industrial charges** is intended to cover:

- expenses expected to be incurred for the demolition and redevelopment of certain production plants;
- costs associated with rubbish dump management;
- charges associated with the CO2 quota deficit, calculated at 31 December 2022 after free allocations received on an accrual basis and acquisitions already made to deal with the deficit in question; during the year, provisions of € 32,873 thousand and utilisations of € 21,709 thousand were recorded;
- costs associated with the toll manufacturing contract, incurred at the time of sale of the Duino plant, for a total of € 25,270 thousand.

The **provision for disputes in course** is created to deal with potential liabilities that could arise in relation to legal disputes and disputed items. During the year, no significant changes were recorded. The provision was recorded at €13,225 thousand.

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. Only incremental movements of € 46 thousand were made in the year and no utilisation was recorded.

The **provision for restructuring costs** includes provisions made for expenses to be sustained to carry out the restructuring plan. During the year this was used for € 929 thousand to provide redundancy incentives for employees.

CURRENT LIABILITIES

15 | Current financial liabilities

Current financial liabilities €/000	31 Dec 2021	31 Dec 2022	Change
Loan payables - current portion	4,052	8,523	4,472
Current accounts and other loans	39,783	0	(39,783)
Payables due to subsidiaries	37,868	89,714	51,846
Derivatives	387	43	(345)
Right of use liabilities	775	716	(59)
Other financial liabilities	633	1,316	684
	83,498	**100,312**	**16,815**

The € 24,305 thousand reduction in current accounts and other loans is mainly due to the reduced use of the revolving credit facility of a nominal € 100,000 thousand, which remained entirely unused at the end of the year.
Interest on variable rate loans was redetermined every six months. The conditions for fixed rate loans remained constant through to maturity of the instruments. For all payables relative to loans, valued at the amortised cost, it is held that the book value reflects the fair value of the financial instrument as of the reporting date. Additionally, the current portions of rights of use were recognised in the financial statements for € 716 thousand, in application of IFRS 16.
Payables due to subsidiaries of € 89,714 thousand include payables for current accounts held with Gever S.p.A., in liquidation, for € 1,849 thousand (€ 8,877 thousand in 2021), with Mosaico S.p.A. for € 49,525 thousand (€ 16,375 thousand in 2021) and with Burgo Ardennes S.A. for € 38,339 thousand (€ 8,271 thousand in 2021).
Please note that current payables to shareholders, valued at amortised cost, stood at € 4,829 thousand.
Other financial liabilities, equal to € 1,316 thousand, include interest expense payable accruing on medium/long-term loans and relative to the use of short-term bank credit lines.
Also note that for short-term financial needs, short-term credit lines are available totalling around € 206.5 million, and as of 31 December 2022 were used for a total of around € 45.8 million or 22.2%, all in relation to unsecured lines.

16 | Trade payables

Trade payables €/000	31 Dec 2021	31 Dec 2022	Change
Current payables due to suppliers	275,425	176,226	(99,199)
Current trade payables due to subsidiaries	71,722	80,093	8,371
	347,147	**256,319**	**(90,828)**

Trade payables do not accrue interest. The amount recognised in the financial statements approximates the market value. The significant reduction in trade payables of € 99,199 thousand compared to the figure as at 31/12/2021 is mainly due to the contraction in the payment terms for natural gas supplies as a result of the radical change in gas procurement methods that took place as of October 2022, as well as to the slowdown in business during the final part of the year and the resulting lower purchase volumes.

The table below provides a breakdown by geographic area:

Trade payables by geographic area €/000	31 Dec 2021	31 Dec 2022	Change
Italy	195,759	100,338	(95,421)
Europe E.U.	72,266	70,248	(2,018)
Other countries	7,400	5,640	(1,760)
	275,425	**176,226**	**(99,199)**

17 | Current tax payables

Current tax payables €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Tax payables, income tax	-	9,164	9,164
Tax payables, VAT	61	72	11
Payables for withholdings	3,263	2,687	(576)
	3,323	**11,923**	**8,600**

Current tax payables amount to € 11,923 thousand. The entry mainly includes income taxes (IRES and IRAP) for € 9,164 and payables to the tax authorities for taxes payable as withholding agent (€ 2,687 thousand). VAT payables refer to payables due to tax authorities in European countries in which the company holds a VAT number.

18 | Other payables and current liabilities

Other payables and current liabilities €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Current sundry payables due to others	5,378	6,671	1,293
Current sundry payables due to subsidiaries	517	987	470
Current sundry payables due to parent companies	8	8	-
Payables for commissions and premiums	3,420	2,622	(798)
Current tax consolidation payables due to subsidiaries	1,615	21	(1,595)
Payables due to personnel	5,479	8,638	3,159
Current payables due to social security entities	3,732	3,186	(546)
Current derivative liabilities	-	8,205	8,205
Deferred income from capital account grants	544	356	(188)
Other accrued expenses and deferred income	138	551	413
	20,830	**31,245**	**10,415**

Please note in particular:

- reduction in payables for tax consolidation for € 1,595 thousand to the subsidiary Mosaico S.p.A., as in 2022 the subsidiary reported a positive tax base;
- increase in payables for € 3,159 thousand due to personnel mainly due to the allocation of higher variable remuneration components at year-end.
- allocation of liabilities for current derivatives for € 8,205 thousand.

19 | Liabilities related to assets held for sale and to discontinued operations

This item includes all liabilities held for sale. The liabilities shown in the table below are to be transferred to Cartiera Duino S.r.l. as of 01 January 2023, and are detailed as follows::

Statement of equity/financial position: Liabilities €/000	31 Dec 2022
Non-current liabilities	**8,699**
Non-current financial liabilities	25
Severance indemnities and other provisions related to personnel	3,484
Provisions for future risks and charges	5,191
Current liabilities	**314**
Current financial liabilities	24
Other payables and non-current liabilities	291
Total liabilities	**9,013**

20 | Commitments and potential liabilities

Commitments and potential liabilities €/000	31 Dec 2021	31 Dec 2022	Change
Personal guarantees provided in favour of:			
subsidiaries	8,423	36,579	28,156
other subjects	24,112	19,339	(4,773)
	32,535	**55,918**	**23,383**

Guarantees provided to third parties in the interest of subsidiaries relate to credit institutions that issue sureties on the account of subsidiaries. Other guarantees consist of sureties provided by banks and insurance companies within the context of the Company's normal core business.

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Profit and Loss Statement for the Year

Below are the main items which were not commented on relative to the profit and loss statement. For comments on changes in the most significant items, please see analysis of income results in the Report on Operations. Due to the provisions of IFRS 5, the Statement of Profit and Loss for the year, in the comparative column for 2021, has been restated purely to isolate the effects of the sale of the Duino plant. The restatement of the comparative data only regarded the reclassification of the income statement components referring to the sold asset and did not impact the net result for the year.

21 | Revenues

Revenues €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Paper	778,910	1,126,111	347,201
Energy	43,731	93,213	49,482
Others	13,139	23,784	10,645
	835,781	**1,243,108**	**407,328**

The increase in revenues by € 407,328 thousand was mainly due to the increase in paper sales; energy-related revenues also increased by € 49,482 thousand, while other revenues rose by € 10,645 thousand.
The increase in paper sales was due to higher average net sales prices, which offset the lower volumes sold, which went from 1,139 thousand tonnes in 2021 to 986 thousand tonnes in 2022. The increase in retail prices was a direct result of the severe pressure on production costs that continued the strong upward trend set in 2021 and showed double-figure growth throughout 2022.
Energy revenues rose sharply as a result of the increase in the average sales price, which, as noted in the introductory notes to the Report on Operations, rose significantly throughout 2022, as a consequence of the rise in energy costs in general and the cost of natural gas in particular.

Below is a breakdown of revenues by geographic area:

Markets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Italy	226,210	532,065	305,855
Europe E.U.	433,609	448,982	15,372
Other countries	175,961	262,062	86,100
	835,781	**1,243,108**	**407,328**

22 | Other income

Other income €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Insurance settlements	1,919	3,924	2,006
Environmental certificates	6,469	2,206	(4,262)
Energy expense recovery and reimbursements	8,500	8,034	(466)
Sundry income and expense recovery	4,003	1,879	(2,124)
Grants for current expenses	236	495	260
	21,126	**16,539**	**(4,587)**

Other income decreased by € 4,587 thousand, particularly following the reduction in profits for environmental certificates for € 4,262 thousand, and lower miscellaneous income amounting to € 2,124 thousand due to lower contingent assets recognised in the Financial Statements at year-end compared to 2021.
The item grants for current expenses includes the portion accruing for 2022 (€ 495 thousand) of grants disbursed in previous years.

23 | Purchases of materials and external services

Purchases of materials and external services €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Purchases of raw materials, subsidiary and consumable items and goods	565,928	712,698	146,770
Transport and accessory expense on purchase	4,881	4,157	(724)
Transport and accessory expense on sales	69,435	90,733	21,298
Other industrial services	15,141	32,211	17,070
Industrial maintenance	5,712	7,722	2,010
Electricity and methane	101,635	174,385	72,749
Fees to independent auditing firm	121	125	4
Fees to statutory auditors	105	105	-
Other general and administrative services	11,946	14,617	2,671
Rentals and leases		371	371
	774,904	**1,037,124**	**262,220**

Purchases of materials and external services increased by € 262,402 thousand. The most significant changes involved the higher cost of raw materials, ancillary materials, consumables and goods (€ 146,770 thousand), mainly due to higher average purchase costs for raw materials - including pulp, wood, latex and pulp - as well as transport and ancillary expenses on sales (€ 21,298 thousand) and energy products (€ 72,749 thousand), the latter caused by the sharp increase in the average price of natural gas in 2022 compared to the previous year. The cost of € 174,385 thousand for electricity and methane gas was partially offset by tax credits granted to energy-intensive businesses.

24 | Personnel expenses

Personnel expense €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Wages and salaries	42,850	43,425	575
Social security contributions	14,168	14,105	(63)
Expenses for defined benefit programs	2,483	2,721	238
Others	2,789	4,976	2,187
	62,290	**65,228**	**2,938**

Personnel expenses increased by € 2,938 thousand with respect to the previous year, accounting for 5.3% of turnover (7.4% in 2021). For more details, please see the Report on Operations, under the item "Personnel".
Other costs include fees to directors, temporary work and expenses for personnel training. The increase in personnel costs is due to the supplements made to basic remuneration approved by Company management in order to offset the growing cost of living.

25 | Other operating costs

Other operating costs €/000	31 Dec 2021	31 Dec 2022	Change
Provisions			
for doubtful accounts	2,000	2,951	951
for industrial charges	-	26,344	26,344
for disputes in course	505	649	145
for supplementary customer allowance	92	46	(46)
for other provisions	-	-	-
	2,597	**29,991**	**27,394**
Other costs			
Corporate expenses, taxes and indirect taxes	3,698	3,008	(689)
Contributions, donations and sundry costs	598	632	34
Losses and other costs	337	564	227
	4,633	**4,205**	**(428)**
CO2 costs net of price setting	(5,979)	(10,246)	(4,267)
CO2 allocations	17,831	21,709	3,877
	11,853	**11,463**	**(390)**
	19,082	**45,659**	**26,576**

Other operating costs increased by € 26,576 thousand. For an analysis of allocations please see note 14 "Provisions for risks and charges" and note 6 "trade receivables".
Net CO2 costs for the year amounted to € 11,463 thousand (€ 11,853 thousand in 2021).
Please refer to the Report on Operations for a detailed breakdown of price trends for CO2-EUA certificates during the year 2022.

26 | Change in inventories

Change in inventories €/000	31 Dec 2021	31 Dec 2022	Change
Change in inventories	14,935	31,582	16,648
	14,935	**31,582**	**16,648**

The change in warehouse inventories constitute revenues for the year of € 31,582 thousand, as a consequence of the increase in stocks at the end of the period. For more detailed information, please see note 5 to the balance sheet.

27 | Capitalised costs for internal work

Capitalised costs for internal work €/000	31 Dec 2021	31 Dec 2022	Change
Capitalised costs	1,442	162	(1,280)
	1,442	**162**	**(1,280)**

This item includes costs for employee work, warehouse materials and other costs sustained to complete internal systems work, which were capitalised among property, plant and equipment. In particular, capitalised work mainly refers to the Sora and Avezzano sites.
Please see the Report on Operations for more details on the main investments made during 2022.

28 | Depreciation and amortisation

Amortisation €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Buildings	2,005	2,137	131
Plant and equipment	16,614	16,246	(368)
Industrial equipment	69	71	2
Other assets	590	600	11
Buildings for civil use	5	5	0
Right of use	1,167	924	(243)
Intangible assets with defined life	489	692	203
	20,939	**20,674**	**(265)**

Depreciation and amortisation stood at € 20,674 thousand and is in line with the previous year.

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

Capital gains/losses from realisation of non-current assets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Capital gains	86	1,480	1,393
Capital losses	(30)	(19)	11
	56	**1,461**	**1,405**

Capital gains/losses related to disposals in the year, particularly the sale of land in Chieti and Marzabotto

30 | Writebacks/writedowns of assets

Writebacks/writedowns on assets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Land and buildings	384	400	16
Plant and equipment	-	1,624	1,624
Goodwill and other assets with undefined life	-	10,837	10,837
Intangible assets with defined life	739	-	(739)
	1,123	**12,861**	**11,738**

During the year, significant write-downs were made on fixed assets, as follows:

- € 400 thousand for buildings at the Avezzano site;
- € 1,624 thousand for general plant machinery;
- € 10,837 thousand for goodwill (Villorba).

31 | Financial expense

Financial expense €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Interest expense on payables due to banks	7,599	8,741	1,142
TFR discounting	61	136	75
Interest expense on intercompany current account	131	0	(131)
Other financial expense	9,847	16,585	6,737
Exchange losses	416	-	(416)
Financial expense from disposal of equity investments	117	-	(117)
Write-downs of equity investments	7,500	3,200	(4,300)
	25,672	**28,662**	**2,990**

In the year financial charges due to banks increased by € 1,142 thousand. The increase is attributable to the effect of the valuation of medium- and long-term liabilities according to the amortised cost method, which in 2021, unlike the current year, generated a gain of € 5,183 thousand following the revision of the loan agreement. Net of this item, interest expense fell by € 8,873 thousand due to the lower debt and lower average interest rate for the year; Intercompany current account interest expense was reduced by € 131 thousand and eliminated.

Financial expense other than the above increased by € 6,737 thousand. This mainly comprised:

- financial discounts for short-term customer payments;
- income on financial transactions;
- the year's portion of fees paid in advance for the availability of short-term credit facilities (revolving credit facility);
- costs for discounting and from fees charged on the transfer of tax credits to energy-intensive companies;

Write-downs of equity investments reduced and stood as follows in 2022:

- equity investments in companies involved in the Interconnector procedure for € 3,000 thousand;
- equity investment in Gever S.p.A., in liquidation, for € 200 thousand.

32 | Financial income

Financial income €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Dividends from subsidiaries	21,629	18,699	(2,930)
	21,629	**18,699**	**(2,930)**
Other financial income			
Interest income from banks	18	157	139
Interest expense on intercompany current account	1,001	928	(73)
Other financial income	573	907	333
Exchange gains	-	531	531
	1,593	**2,523**	**930**
	23,222	**21,222**	**(2,000)**

Financial income decreased by € 2,000 thousand compared to the previous year, mainly due to lower dividends received from subsidiaries. More specifically, the main components of this item were the following:

- dividends from subsidiaries:
  - Burgo Ardennes S.A. € 8,000 thousand (€ 2,500 thousand in 2021);
  - Burgo Central Europe G.m.b.h. € 500 thousand (€ 50 thousand in 2021);
  - Burgo Distribuzione S.r.l. € 4,520 thousand (€ 1,600 thousand in 2021);
  - Mosaico S.p.A. € 0 thousand (€ 13,000 thousand in 2021);
  - Burgo Energia S.r.l. € 2,700 thousand (€ 2,050 thousand in 2021);
  - Burgo Factor S.p.A. € 1,998 thousand (€ 1,728 thousand in 2021);
  - Burgo Eastern Europe Sp. z o.o. € 377 thousand (€ 351 thousand in 2021);
  - Gever S.p.A., in liquidation, € 604 thousand (€ 350 thousand in 2021);
- interest income from intragroup current accounts relative to subsidiaries for € 928 thousand was generally stable;
- other financial income mainly refers to income from discounting;
- exchange gains for € 531 thousand.

33 | Income taxes

Income taxes €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Current taxes - IRES	4,494	(24,822)	(29,316)
Current taxes - IRAP	-	5,249	5,249
Deferred tax assets/liabilities - IRES	(2,969)	28,537	31,507
Deferred tax assets/liabilities - IRAP	(741)	(1,913)	(1,172)
	784	**7,052**	**6,268**

Taxes recorded to the balance sheet amounted to € 7,052 thousand and, like the other items listed above, were reported net of the portion attributable to discontinued operations and include the effects of the Group's IRES consolidation.

Specifically, these consist of IRES taxes for the year for the Parent Company, tax consolidation income from subsidiaries for € 24,822 thousand, current IRAP taxes for € 5,249 thousand, deferred IRES tax liabilities for € 28,537 thousand, and deferred IRAP tax assets for € 1,913 thousand.

Reconciliation of income taxes recognised in the statement of profit and loss and theoretical taxes resulting from application of the tax rate in effect on before tax profit is as follows:

Reconciliation between income tax and theoretical tax** €/000	**2021**		**2022**	
Before tax results for the year*	**(47,273)**		**103,868**	
Theoretical tax (IRES) - Italian tax rate in effect: 24%		(11,346)		24,928
increases (temporary and permanent)	135,327		115,526	
decreases (temporary and permanent)	(180,652)		(174,725)	
	(92,598)		**44,669**	
Current taxes recognised in the financial statements		4,854		20,669
Charge (income) from tax consolidation		(9,095)		(36,226)
Deferred taxes (IRES) recognised in the financial statements		(2,969)		28,537
Total (IRES) taxes recognised in the financial statements		**(7,210)**		**12,980**
Effective tax rate (IRES) on income		**15.3%**		**12.5%**
Current taxes (IRAP) recognised in the financial statements - 3.9% rate in effect		0		6,898
Deferred taxes (IRAP) recognised in the financial statements - 3.9% rate in effect		(741)		(1,913)
Total taxes (IRAP) recognised in the financial statements		**(741)**		**4,985**
Total taxes recognised in the financial statements		**(7,951)**		**17,965**
Effective tax rate (IRES and IRAP) on before tax result		16.8%		17.3%
Taxes reclassified for IFRS 5 purposes		**(3,447)**		**10,914**
Total taxes recognised in the financial statements after reclassification for IFRS 5 purposes		**(4,504)**		**7,052**
Before tax profit reclassified for IFRS 5 purposes		**112,272**		**33,413**
Before tax profit for the year including the base taxable amount reclassified under IFRS 5		**64,999**		**137,281**
Effective tax rate (IRES and IRAP) on before tax profit including effect of IFRS 5 reclassification		**(12.2%)**		**13.1%**

** (+) positive taxable amount / (-) negative taxable amount;*
*** (+) costs from taxes / (-) income from taxes;*

Increases in income, mainly consisting of provisions for risks and charges, are for the most part temporary and without time limits, which is the reason the relative deferred tax assets were allocated.

Decreases in income on the other hand mainly consist of dividends and other financial income which are 95% exempt, uses of provisions for risks and charges taxed in previous years, the reversal effect relative to writedowns not deducted in previous years, and the deduction of interest expense not deducted in previous years.

Please see note 4 "deferred tax assets" for more information on deferred taxes, relative to both other increases and decreases and tax losses.

34 | Net profit/(loss) from assets held for sale and from discontinued operations

The net result from assets held for sale is recorded here. Costs and revenues recorded in 2022 relate to assets and liabilities held for sale, effective from 1 January 2023, to Cartiera Duino S.r.l., amounting to € 22,500 thousand, and are shown in the table below. The data for 2021 includes costs and revenues relative to assets and liabilities of the Duino plant as well as those relative to the Verzuolo plant transferred in the previous year.

Assets held for sale and discontinued operations €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Revenues	**321,236**	**232,139**	**(89,096)**
Operating costs	**(376,297)**	**(187,475)**	**188,822**
Gross operating margin	**(55,061)**	**44,664**	**99,725**
Amortisation	-	(4,500)	(4,500)
EBIT before extraordinary expenses	**(55,061)**	**40,164**	**95,225**
Net financial (expenses)/income	127,325	(6,751)	(134,077)
Before tax profit from assets held for sale	**72,264**	**33,413**	**(38,851)**
Income taxes from disposals/assets held for sale	8,735	(10,914)	(19,649)
Net result from assets disposed of/held for sale	**81,000**	**22,500**	**(58,500)**

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

The schedule presented, found after the profit and loss statement at the start of the explanatory notes, illustrates the theoretical economic result that would be achieved in the case that all changes in items directly attributed to shareholders' equity passed through the annual profit and loss statement 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 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 negative for € 16,334 thousand, which net of taxes (€ 5,201 thousand) is equal to € 11,134 thousand;
- 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 positive for € 1,625 thousand, which net of taxes (€ 390 thousand) is equal to € 1,235 thousand.

The year closed with a profit of € 109,417 thousand, up compared to the € 91,319 thousand recorded in the previous year.

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.
Below are the economic and equity effects of transactions with related parties for the individual figures of Burgo Group S.p.A. at 31 December 2022.
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 2021	31 Dec 2022	31 Dec 2021	%	31 Dec 2022	%
Equity relationships						
Financial receivables and other non-current financial assets	2,800	2,800	7,286	38%	7,407	38%
Trade receivables	57,771	79,633	187,993	31%	169,278	47%
Other receivables and current assets		19,557	51,103	71%	36,927	53%
Financial receivables and other current financial assets	33,806	72,859	41,258	82%	142,611	51%
Current financial liabilities	(37,868)	(89,714)	(83,498)	45%	(100,312)	89%
Trade payables	(71,457)	(79,768)	(347,147)	21%	(256,319)	31%
Other payables and non-current liabilities	(3,070)	(7,177)	(20,830)	15%	(31,245)	23%
Economic relationships						
Revenues	182,335	333,380	835,781	22%	1,243,108	27%
Other income	3,621	10,882	21,126	17%	16,539	66%
Costs for materials and external services	(247,640)	(416,435)	(774,722)	32%	(1,037,124)	40%
Other operating costs	(15,983)	(32,873)	(19,082)	84%	(45,659)	72%
Financial expense	(131)	(0)	(25,672)	1%	(28,662)	0%
Financial income	79,531	19,723	23,222	342%	21,222	93%
Income taxes	5,164	18,506	(784)	-659%	(7,052)	-262%

In addition the transactions reported above, at 31 December 2022 there were medium/long-term loans, exchange rate hedging contracts and insurance policies covering industrial risks and civil liability with related parties, all stipulated at market conditions.
As at 31 December 2022, loans with related parties amounted to a nominal € 113,359 thousand (€ 115,524 thousand at 31 December 2021), including the amount to be repaid within and after year-end.
Fees paid to executives with strategic responsibilities: fees paid to the Chairperson and CEO in 2022 totalled € 1,722 thousand (€ 2,043 thousand in the previous year).
As Parent Company, the company participates in the IRES tax consolidation scheme together with its subsidiaries Burgo Distribuzione S.r.l., Burgo Energia S.r.l., Gever S.p.A., in liquidation, Mosaico S.p.A., Burgo Recycling S.r.l. and Burgo Factor S.p.A.; the first five subsidiaries also participate in the Group VAT settlement procedure pursuant to Article 73 of Italian Presidential Decree 633/72 and Ministerial Decree of 13 December 1979. The company Consorzio Energy Paper S.c.a.r.l. also participated in the IRES tax consolidation and Group VAT settlement up until this year but ceases to participate as of 01/01/2023 as it no longer meets the necessary requirements.

Disputes

LEGAL DISPUTES

At present, the Company is not involved in any legal disputes that could have a noticeable effect on its accounts. For all disputes in which a loss for the company is probable, a provision which substantially covers the entire risk is allocated.

TAX DISPUTES

Also with regards to tax disputes, having already settled previous cases, the company at present is not involved in any disputes which could have an appreciable impact and are worthy of note.

Significant events after year end

With 2022 being characterised by the unforeseen Russia-Ukraine war and the resulting geopolitical uncertainty, tensions created by rising energy costs and inflation, and the slowdown of global economic growth which had finally begun to overcome the consequences of the Covid-19 pandemic, in 2023 there continues to be pronounced geopolitical instability associated with the war in Ukraine and the rising tensions between the US and China, as well as concerns surrounding the cost of energy and certain raw materials. During the initial months of 2023, the company continued to carry out its business without any significant transactions or events. Apart from the aforementioned finalisation of the sale of the Duino plant to the Mondi Group, which took place on 12 January 2023, there are no other significant events to report.

Proposal for approval of the financial statements and destination of the profits for the year

The financial year ended on 31 December with profits of € 119,315,957.80.
The Board of Directors proposes to the Shareholders' Meeting the following profit allocation for 2022:

- € 1,203,119.97 to the legal reserve pursuant to Article 2430 of the Italian Civil Code;
- € 2,559,049.90 to the reserve for unrealised exchange gains;
- € 16,109,459.00 to the subsequent dividend proposal;
- € 99,444,328.93 to be carried forward.

Considering the provisions of Article 2433 of the Italian Civil Code, the Board hereby proposes the allocation to Shareholders, in the form of dividends, of a gross amount of € 80,547,297.00, divided as follows in application of the provisions of the Articles of Association and relative annexes:

1. € 64,437,838.00 in the gross unit amount of € 1.00 for each Instrument held as a Distribution pursuant to Article 6(b)(i) of the Burgo Group S.p.A. Equity Instrument Issue Rules, to be paid pro rata to holders of the Equity Financial Instruments, out of the Reserve for Equity Financial Instruments consisting of profit reserves.
2. € 16,109,459.00, paid to shareholders as a gross unit dividend of € 0.0074276245 for each share, based on the annual profit for 2022 shown above.

Other information

NUMBER OF EMPLOYEES

Number of employees	Start of year	End of year	Average 2022	Average 2021
Managers	25	24	25	27
Employees	352	339	342	396
Manual Workers	969	953	959	1,074
	1,346	**1,316**	**1,325**	**1,497**

Net of employees at the Duino plant, total employees at year-end stood at 1,108 resources.

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

Law no. 124 of 2017 (the annual market and competition law) introduced new disclosure requirements relative to transparency in public subsidies received and granted, in article 1, paragraphs 125-129.
In 2022 no grants and other economic benefits were received from Italian public administrations.
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.
The Company has also opted to indicate in these financial statements the following incentives which are accessible to all companies:

- energy efficiency certificates for € 1,795 thousand;
- hydroelectric energy production incentives for € 412 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.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS RELATIVE TO THE EQUITY AND FINANCIAL SITUATION AND ECONOMIC RESULT

Below is information regarding the significance of financial instruments relative to the equity situation and the economic result is provided separately.

SIGNIFICANCE OF FINANCIAL INSTRUMENTS TO THE EQUITY AND FINANCIAL SITUATION

The following table shows the book value recognised for each financial asset and liability in the consolidated balance sheet.

Financial Instruments €/000	**31 Dec 2021**	**31 Dec 2022**
	Book value	**Book value**
Trade receivables and other receivables	218,096	213,320
Financial receivables	48,544	150,018
Cash and cash equivalents	127,027	86,151
Derivatives:		
Assets	28,361	2,334
Liabilities	(387)	(8,247)
Non-current assets held for sale	-	45,374
Lending from banks	(90,564)	(87,852)
Right of use liabilities	(2,159)	(1,724)
Loans from associated companies	(109,336)	(109,786)
Trade payables and other payables	(371,301)	(291,283)
Current loans from associated companies	(37,868)	(89,714)
Payable to banks	(40,416)	(1,317)
	(230,003)	**(92,727)**

Note that the amounts shown under the "derivatives" item include all derivatives recognised using hedge accounting rules, regardless of the nature of risk hedged against, and any derivatives for which the Company did not make use of the right to use hedge accounting and derivatives recognised at fair value through profit and loss.
The analysis below shows the portion of derivatives designated as hedges against the specific risk analysed, on a case by case basis.
In particular, in analysing liquidity risk, only derivatives which hedge against financial liabilities are included, excluding positions which hedge against 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.

DERIVATIVES

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 forward exchange rate and commodity derivatives is calculated by discounting the difference between the contractual price and the end price, redetermined on the basis of market conditions on the reporting date.

As at 31 December the Company had derivative positions on currency exchange and commodities such as gas and EUA emission rights.
For interest rate derivatives, when recognised, different models are used based on the type of instrument being evaluated. In particular:

- for interest rate swaps, the discount cash flow model is used. Fair value is determined by discounting estimated future cash flows on the basis of interest rate conditions at the reporting date;
- the Black & Scholes model is used for collars. Use of this model is common practice and makes it possible to assess the fair value of the option, quantifying the probability of receiving a positive payoff.

In some cases, the Company used appropriately verified and confirmed counterparties to determine the fair value of valuation interest rate derivative positions.
As at 31/12/2022 the Company holds interest rate derivative positions to hedge the interest rate risk arising from medium and long-term loan agreements.

DETAILS ON FINANCIAL RISK HEDGING INSTRUMENTS

As part of its financial risk management processes the Company stipulates derivative contracts. Although these derivatives are traded solely for hedging purposes, not all transactions are subject to hedge accounting rules.

DETAILS ON MARKET RISK HEDGING INSTRUMENTS

Among commodity exposures, price risk deriving from volatility in electricity, has and emission rights purchase prices was partially managed through the establishment of commodity swaps, recognised based on hedge accounting rules, and in part through setting prices with counterparties.
Among commodity exposures, price risk deriving from volatility in the purchase prices of gas was managed by signing contracts that set prices to be paid with counterparties.
As shown in the "financial instruments" table, the fair value of derivatives generated financial assets of € 2,334 thousand (€ 28,361 in 2021) and financial liabilities for € 8,247 (€ 387 thousand in 2021).

INVESTMENTS IN EQUITY INSTRUMENTS

The fair value of equity instruments held to maturity and financial assets measured at FVOCI is determined on the basis of official stock market listings obtained on the reporting date.

DEBT SECURITIES

The value of debt securities is calculated by adding together the current values, determined on the reporting date, of all future cash flows, including capital and interest. To quantify the portion of interest held in indexed instruments, the rate curve available at the reporting date was used.

CAPITAL MANAGEMENT

No particular risks nor significant information was identified relative to capital management.

FINANCIAL ASSETS

The tables below provide a breakdown of financial assets.

Non-current financial assets €/000	**31 Dec 2021**	**31 Dec 2022**
Loans and receivables	14,647	16,855
	14,647	**16,855**

Current financial assets €/000	**31 Dec 2021**	**31 Dec 2022**
Loans and receivables	251,985	329,772
Cash and cash equivalents	127,027	86,151
Current derivative assets	28,361	2,334
Financial assets for derivatives, current	8	16,711
Assets held for sale	-	45,374
	407,381	**480,342**

Loans and receivables include trade receivables, financial receivables due from subsidiaries, receivables due from social security entities, receivables due from tax authorities and sundry receivables.

FINANCIAL LIABILITIES

The table below provides a breakdown of financial liabilities.

Non-current financial liabilities €/000	**31 Dec 2021**	**31 Dec 2022**
Lending from banks	(88,677)	(84,158)
Loans from associated companies	(107,172)	(104,957)
Right of use liabilities	(1,384)	(1,008)
	(197,232)	**(190,123)**

Current financial liabilities €/000	**31 Dec 2021**	**31 Dec 2022**
Lending from banks	(1,887)	(3,694)
Loans from associated companies	(40,033)	(94,543)
Derivatives	(387)	(8,247)
Right of use liabilities	(775)	(716)
Payable to banks	(39,783)	(0)
Trade payables and other payables	(371,934)	(292,599)
Liabilities related to discontinued operations	-	(9,013)
	(454,799)	**(408,814)**

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.

IMPACT OF FINANCIAL INSTRUMENTS ON THE ANNUAL PROFIT AND LOSS STATEMENT

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

Financial income and expense recognised in the profit and loss statement €/000	**31 Dec 2021**	**31 Dec 2022**
Interest income from current account	1,020	1,085
Exchange gains	-	531
Sundry income	573	907
	1,593	**2,523**
Interest expense from current account	(2,217)	(500)
Interest expense on mortgages	(5,514)	(8,241)
Charges due to suppliers	(1)	(15)
Factoring commissions	(339)	(662)
Exchange losses	(416)	-
Other expense	(10,982)	(19,107)
	(19,469)	**(28,526)**
Dividends from subsidiaries and associated companies	21,630	18,699
Net income (expense) from discounting	(61)	(136)
	3,693	**(7,440)**

Income components recognised under Shareholders' Equity €/000	**31 Dec 2021**	**31 Dec 2022**
Change in cash flow hedge reserve	18,225	(11,134)
Change in FVOCI securities revaluation reserve	343	-
	18,568	**(11,134)**

Note that the change in the Cash Flow Hedge reserve is shown net of deferred taxes accruing during 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 2021**	**31 Dec 2022**
Trade receivables and other receivables	266,632	346,627
Cash and cash equivalents	127,027	86,151
	393,659	**432,778**

TRADE RECEIVABLES AND IMPAIRMENT OF RECEIVABLES

Positions are subject to individual impairment when an objective situation of partial or full non-collectability is determined, if individually significant. Relative to receivables not subject to individual impairment, provisions are allocated on a collective basis, taking historical experience and statistical data into account.

Changes in the provision for impairment of trade receivables are summarised in the table below:

Provision for impairment of financial assets €/000	**31 Dec 2021**	**31 Dec 2022**	**Change**
Balance at start of period	(39,107)	(38,520)	587
Uses	592	-	(592)
Allocations	(5)	(3,000)	(2,995)
Other changes	-	11,471	11,471
	(38,520)	**(30,050)**	**8,471**

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 2021**	**31 Dec 2022**
End consumers	124,824	91,986
Other Group companies	107,692	172,508
Credit institutions	127,952	86,854
Tax authorities	3,299	7,455
Others	29,891	73,974
	393,659	**432,778**

CREDIT RISK MANAGEMENT METHODS

Trade receivables and other receivables

Within the context of its normal credit management activities through the dedicated department, the Company has instituted an internal credit risk management process with the aim of defining every customer's creditworthiness and carefully monitoring credit limits and overdue items. Regarding measurement of creditworthiness, functional to assignment of credit and the creation of commercial relationships, internal procedures require the collection and analysis of qualitative and quantitative information. Customer credit levels are periodically reviewed using a process that also makes use of historic solvency information. Customers are classified based on a two level scoring system, that differentiates between reliable and non-reliable customers. At-risk customers are subject to strict controls and any future orders are only fulfilled after approval by 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 2022, the Company covered itself against credit risk relative to Italian customers by stipulating a credit insurance contracts with major insurance companies.

Financial investments

The company limits its exposure to credit risk by exclusively investing in securities with high liquidity and only with counterparties recognised as reliable by the market.
As at 31 December 2022 the Group had no security exposures. Additionally, financial assets also include managed savings investments made with Italian banks known to be reliable.

GUARANTEES

Company policies allow for the issuing of financial guarantees for associated companies.

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 some of its trade receivables/payables in currencies other than the euro, and also has short-term loans in foreign currencies.
The exchange risk management policy establishes that derivatives should only be used to hedge against risk. Derivatives existing at 31 December 2022 used to manage exchange risk include only futures contract to purchase/sell foreign currencies. Even if these serve hedging purposes, these derivatives are not recognised using hedge accounting, as the rigidity of this treatment would negative impact the operational efficiency of the hedges.
The foreign currencies used by the Company are NOK, DDK, SEK, CHF, JPY, PLN, AUD, GBP and USD, with the final three representing almost the entirety of trade items in foreign currencies.

SENSITIVITY ANALYSIS RELATIVE TO EXCHANGE RISK

In order to measure the possible effects of changes in the exchange rate obtained at the reporting date on the balance sheet and annual profit and loss statement, a variation in the value of the euro with respect to the reference foreign currencies at 31 December 2022 was hypothesised.
Specifically, a 10% upward and downward shock in the euro exchange rate was applied, recognising the additional profit or loss with respect to the market scenario to risky items, which in this case were represented by trade payables and receivables and exchange rate derivatives.

Since the exchange rate derivatives are not recognised using hedge accounting, the impact of these transactions - similar to trade payables/receivables - is seen solely in the profit or loss for the year and hence in the annual profit and loss statement.
The net impact on the result from the year deriving from a +/- 10% shock would have been, respectively, -€2,164 thousand (-€2,164 thousand in 2021) and +€2,645 thousand (+€2,482 thousand in 2021).

EXCHANGE RISK MANAGEMENT METHODS

In relation to sales activities, the Company makes purchases and sales other currencies, at present mainly in USD, GBP and AUD. Therefore, hedging policies are mainly focussed on stipulating futures contracts against the euro.
Additionally, other currencies are periodically monitored, which may be used in invoices on a continuous or occasional basis.

GENERAL ASPECTS

Hedges are carried out on the basis of estimates of future financial flows in currencies on the basis of invoices payable and receivable, and taking budget and/or forecasts into account.

EXCHANGE RISK MANAGEMENT POLICIES

The special nature of the Company's business allows it to make forecasts relative to financial issues relative to flows in foreign currencies. Estimates of flows must meet all the formal requirements relative to amount, currency, date of manifestation and status relative to the probability of manifestation, necessary when producing exposure measurements.
Exchange risk hedging transactions are carried out in compliance with cash flow hedge principles, which amount to neutralising the effects induced by changes in the exchange rate on the value in euro of cash flows denominated in foreign currencies.
Hedging policies are managed exclusively through the use of forward contracts and options relative to exchange rates, to guarantee more flexible coverage with respect to forward contracts. Currently, exposure to exchange rate derivatives falls within the forward category.

INTEREST RATE RISK

Financial liabilities which expose the Company to interest rate risk are medium/long-term variable rate loans.
In terms of assets, items sensitive to interest rate risk are:

- a loan to a subsidiary indexed to the variable 6-month Euribor rate;
- shareholders' loans to a company in which an equity investment is held, classified among equity investments in other companies.

These assets are classified as "held to maturity" and do not generate effects on the annual profit and loss statement/balance sheet if not due to effects of cash flows received (financial income), discounting of their value or any lasting losses of value which make recognition of impairment necessary.
The table below identifies positions subject to interest rate risk.

Positions with interest rate risk €/000	**31 Dec 2021**	**31 Dec 2022**
Fixed rate financial instruments		
Fixed rate loans	(366)	(366)
	(366)	**(366)**
Variable rate financial instruments		
Financial assets		
Non-current guarantee deposits	7,361	9,448
Financial instruments with positive FV	28,370	19,045
Loans to associated companies	2,800	2,800
Loans to others	4,486	4,607
Financial liabilities		
Derivatives with negative FV	(387)	(8,247)
Variable rate loans	(199,534)	(197,272)
Current account advances	(40,416)	(1,317)
Right of use liabilities	(2,159)	(1,724)
	(199,480)	**(172,661)**
	(199,846)	**(173,027)**

SENSITIVITY ANALYSIS RELATIVE TO INTEREST RISK

Analysis was done to determine the impacts of a +/- 100 basis point shift in the estimated interest rate curve at 31 December 2022 on the annual profit and loss statement and balance sheet.
Analysis was done supposing that the other variables, in particular exchange rates, remained constant and was done using the same suppositions as in the previous year.
As at 31 December 2022 the Company held interest rate swap derivatives.
As at 31 December 2022, hedging instruments had a notional value of € 196,250 thousand and provided almost full coverage of the medium- and long-term payables that form the majority of the Company's debt. As a result, the effect on the result for the year of variable-rate indexed assets and liabilities is not significant.

INTEREST RISK MANAGEMENT METHODS

General aspects

In the context of its own economic production, which is capital intensive, the Company makes investments for production purposes by taking out loans. In this context, it carries out cash flow hedge transactions, which serve to neutralise the effects of an increase in the rates on the cost the Company must pay to service its debts. The general objectives of a hedging operation therefore can be summarised as transforming the cost of a variable rate debt to the cost of a fixed rate debt, or to reduce the extent to which it is variable.

Interest risk management policies

Medium/long-term hedges are organised on the basis of projections over a multi-year period prepared on the basis of economic and financial budgets and cash flow projections, as well as the net financial position. The amount hedged may vary between 0% to 100% of the notional value of the instrument hedged and be structured for a period of time that in general ranges from a minimum of 3 years to a maximum of 6 years (up to the current maximum maturity of the loans).

COMMODITY RISK

For the Company, commodity risk mainly exists for purchases of gas and, to a lesser extent, for purchases/sales of electricity and purchases of rights to issue carbon dioxide.

GAS AND ELECTRICITY 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 setting prices with counterparties.
At 31 December 2022, 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.

In order to supply its various plants with the electricity necessary for production, the Company has a contract to purchase electricity through its subsidiary Burgo Energia S.r.l. Given the variable nature of the price of electricity, 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 2022, the Company had no fixed price electricity purchases.

CARBON DIOXIDE EMISSION RIGHTS PRICE RISK

In order to supply its various plants with the rights to emit carbon dioxide required to comply with the obligations deriving from the ETS scheme, the Company has signed purchase contracts with the subsidiary Burgo Energia S.r.l.. 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. Derivative financial instruments on commodities outstanding at the end of the year were accounted for using hedge accounting, in accordance with IFRS 9.

SENSITIVITY ANALYSIS RELATIVE TO COMMODITY RISK

In order to measure the possible effects of changes in the value of carbon dioxide emission rights, in the balance sheet and annual profit and loss statement, a +/-10% change in the value of EUA prices was hypothesised at 31 December 2022. The impact on the annual profit and loss statement deriving from this type of shock would be -€ 0.2 million (-€ 0.3 million as at 31 December 2021) and +€ 0.2 million (+€ 0.3 million as at 31 December 2021). Sensitivity analysis is not done for gas and electricity price risk, because all the assets and liabilities recorded in the Financial Statements as at 31 December 2022 associated with these are recognised at a fixed price.

COMMODITY RISK MANAGEMENT METHODS

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 2022, 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 analysis done on derivative financial liabilities and non-derivative financial liabilities, at 31 December 2022.

31 Dec 2022 €/000	**Book value**	6 months or less	7-12 months	2-3 years	4-5 years	over 5 years
Non-derivative financial liabilities:						
Loans	197,638	3,849	4,674	31,636	157,479	-
Trade payables and other payables	291,283	291,283	-	-	-	-
Right of use liabilities	1,724	358	358	757	223	28
Derivative financial liabilities:						
Derivatives	8,204	4,102	4,102	-	-	-
Currency futures contracts	43	43	-	-	-	-
	498,892	**299,635**	**9,134**	**32,393**	**157,702**	**28**

LIQUIDITY RISK MANAGEMENT METHODS

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 totalling around € 206.5 million, and as of 31 December 2022 were used for a total of around € 45.8 million or 22.2%, all in relation to unsecured lines. Please refer to the section on significant events after the end of the year for information about developments in the availability of short-term credit lines. For its long-term financial needs, the Company's loans recorded on the balance sheet, both for the short-term and long-term portion, came to € 198 million (€ 200 million as at 31 December 2021). Loans are valued at amortised cost, the nominal value of which is € 208 million.

Report of the independent auditing firm

Building a better working world

Burgo Group S.p.A.

Financial statements as at December 31, 2022

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 Financial Statements

Opinion

We have audited the financial statements of Burgo Group S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2022 and the statement of income, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, 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 Financial Statements* section of our report.
We are independent of the Company 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 Financial Statements

The Directors are responsible for the preparation of the 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 Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company 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 Company'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, 2022, 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, 2022 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, 2022 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 12, 2023

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 FOR THE SHAREHOLDERS' MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022 PREPARED PURSUANT TO ART. 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE.

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

In the year ended 31 December 2022, our work was inspired by the legal provisions and the Rules of Conduct established for the Boards of Statutory Auditors of Unlisted Companies issued by the National Council of Accountants and Tax Advisors, published in December 2020 and in force since 1 January 2021.

This report describes the work carried out and results achieved.

The Financial Statements of Burgo Group S.p.A. as at 31 December 2022, prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, taking into account the amendments and new standards that came into force as of 1 January 2021, which govern their preparation, and which show a positive result for the year of €119,315,958, were presented for your consideration. The Financial Statements were made available to us within the statutory time period.

The appointed Independent Auditor, EY S.p.A., provided us with its report dated on 12 April 2023 without amending its opinion.

According to the Report of the Independent Auditor, the Financial Statements as at 31 December 2022 provide a true and fair representation of the financial position, operating result and cash flows of your Company and have been prepared in accordance with the international standards governing the preparation of financial statements.

The Board of Statutory Auditors, not being appointed to conduct the statutory audit, conducted the supervisory activities provided for under Rule 3.8 of the "Rules of Conduct for the Boards of Statutory Auditors of Unlisted Companies", consisting of a concise general check aimed at verifying that the Financial Statements have been properly prepared. The task of verifying compliance with the accounting data is the responsibility of the Independent Auditor.

1) Supervisory Activities pursuant to Articles 2403 *et seq.* of the Italian Civil Code

We monitored compliance with the laws, with the Articles of Association, and with the principles of sound administration and, in particular, the adequacy and proper functioning of the organisational structures and the administrative and accounting system.

We attended Shareholders' Meetings and Board Meetings and, based on the available information, have no significant findings to report. We acquired information from the Governance Board in good time and during their meetings, on general management trends and outlook, as well as on the most significant transactions carried out by the company, in terms of size and characteristics and, on the basis of the information acquired, we have no specific observations to make.

We exchanged data and information with the Independent Auditor relative to the performance of our supervisory activities in a timely manner.

We met with the Supervisory Body and no significant concerns with regard to the proper implementation of the organisational model were raised.

We acquired knowledge of and supervised the adequacy of the organisational structure and its proper functioning, including by collecting information from departmental managers, and in this regard we have no particular observations to report.

We acquired knowledge of and supervised, within the extent of our remit, the adequacy of the administrative and accounting system and its proper functioning, as well as the capacity of the latter to accurately represent the operating events, by obtaining information from departmental managers and reviewing company documents, and in this regard, we have no particular observations to report.

No complaints from shareholders pursuant to Art. 2408 of the Italian Civil Code were received.

We made no reports to the Board of Directors pursuant to Article 15 of Italian Legislative Decree 118/2021.

During the year we did not receive any reports from public creditors pursuant to and in effect of Art 25-novies of Italian Legislative Decree 14 of 12 January 2019, or pursuant to and in effect of Art. 30-sexies of Law Decree 152 of 6 November 2021, converted by Law 233 of 29 December 2021, as amended.

During the year the Board of Statutory Auditors issued an opinion on the appointment of the Independent Auditor for the financial years 2022, 2023, and 2024, formulated pursuant to Article 13 of Italian Legislative Decree 39 of 27 January 2010.

In the course of our supervisory activities, as described above, no significant information or events that would require mention in this report were identified.

2) Observations on the Financial Statements

According to the Report of the Independent Auditor, *"the financial statements provide a faithful and accurate representation of the Company's equity and financial situation as at 31 December 2022, of the operating result and of the cash flows for the year ended on that date, in compliance with the International Financial Reporting Standards adopted by the European Union"*.

To the extent of our knowledge, in preparing the financial statements, the Directors did not elect to apply any exceptions to provisions of law pursuant to Article 2423, paragraph 5 of the Italian Civil Code.

3) Observations and proposals on the approval of the Financial Statements

Considering the results of our activities and the opinion expressed in the Report of the Independent Auditor, we invite the Shareholders to approve the Financial Statements as at 31 December 2022, as prepared by the Directors.

The Board of Statutory Auditors agrees with the proposal for the allocation of the operating result formulated by the Directors in the Explanatory Notes.

Milan, 12 April 2023

The Board of Statutory Auditors

Roberto Spada - Chairman

Franco Corgnati - Regular Auditor

Fedele Gubitosi - Regular Auditor

Notes

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