2020 | FINANCIAL STATEMENTS

BURGO GROUP

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

BURGO
GROUP

The Burgo Group Structure

91.70% BG Holding srl*

4.03% Mediobanca spa

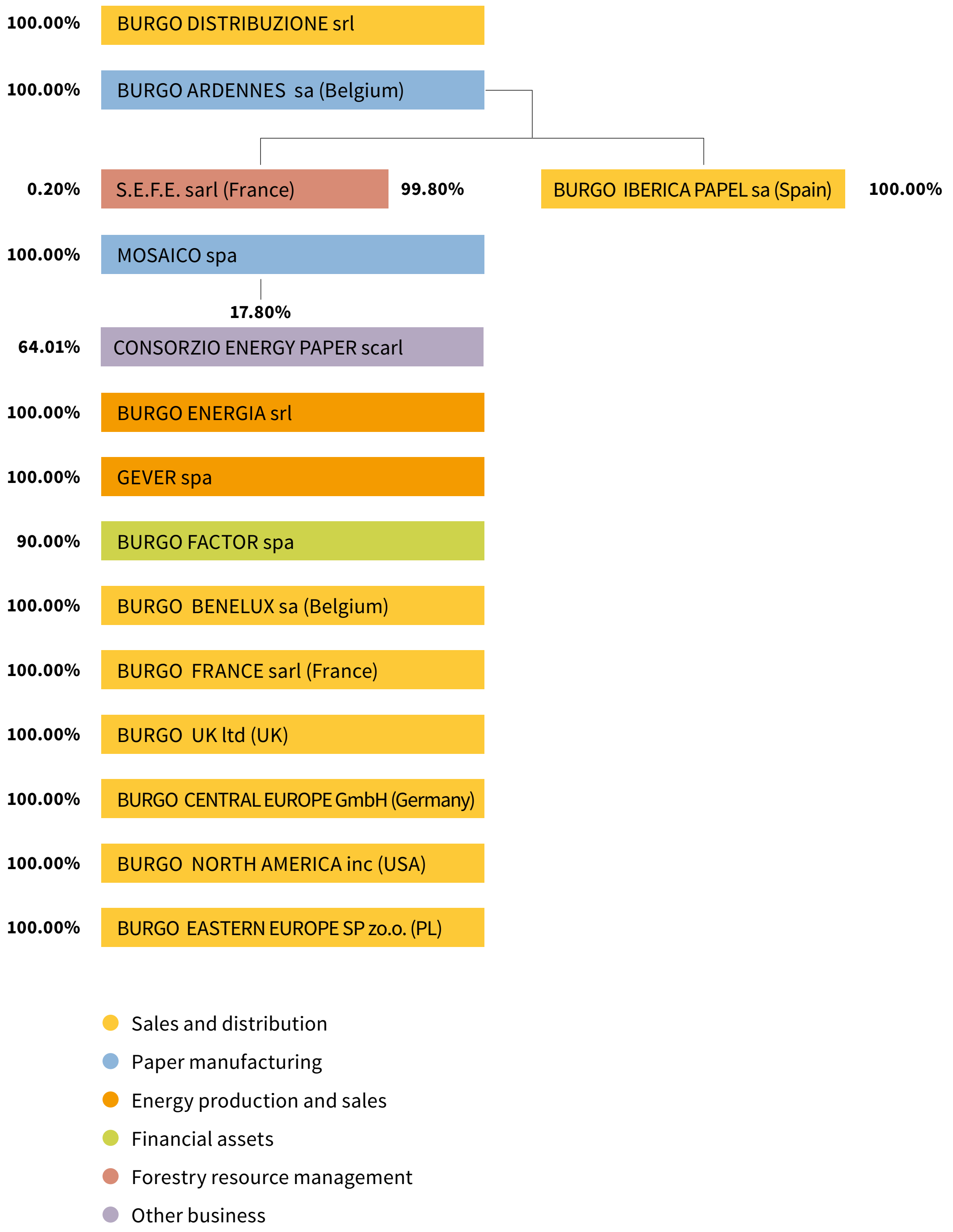
2.13% Allegro (Generali Financial Holdings FCP-FIS Sub-Fund1)

2.13% Italmobiliare spa

0.01% Minority Shareholders

* 0.7% was acquired by BG Holding srl on 27/01/2021. As at 31/12/2020, Unicredit S.p.A. held the equity investment.

Equity investments



Burgo Group spa

Honorary Chairman
Giuseppe Lignana

Board of Directors
(three years 2020-2022)

Chairperson
Alberto Marchi

Deputy Chairman
Francesco Conte
(in office as of 30/10/2020)

Chief Executive Officer
Ignazio Capuano

Directors

Clemente Rebecchini
(in office as of 30/10/2020)
Francesco Capurro
(in office as of 30/10/2020)
Lorenzo Marzotto
Matteo Guglielmo D'Alberto
(in office as of 30/10/2020)

Alessandro Foti
(in office until 30/10/2020)
Enrico Laghi
(in office until 30/10/2020)
Pietro Manzonetto
(in office until 30/10/2020)

Board of Statutory Auditors
(three years 2020 - 2022)

Chairperson
Roberto Spada
(in office as of 30/10/2020)

Regular auditors
Fedele Gubitosi
(chairman until 30/10/2020)
Franco Corgnati
Gaetano Terrin
(in office until 30/10/2020)

Alternate auditors
Fabio Gallio
Luca Zoani

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

Burgo Group spa

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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PAPER
POWER
PASSION

1 | Report on Operations

1

The Group and the Market in 2020

At the global level, 2020 was notable for the Covid-19 health emergency that arose during the first part of the year. The pandemic cause an annual reduction in global GDP of -3.5%. This negative change, more than double that seen in the 2009 financial crisis, affected both advanced and emerging economies. Of the major countries only China, the first to be affected by Covid-19, saw growth. Nonetheless, the +2.3% registered was lower than the figure the previous year. In the rest of the world, Covid-19 initially hit at the end of the first quarter, fully impacting the global economy during the second quarter of 2020. On the other hand, the third quarter of the year saw a vigorous but incomplete recovery. In the autumn, Europe was hit by a second wave of contagion, while the United States also saw a third wave. The impact felt during the second half of the year again weighed down the economy, although to a lesser degree than during the first wave. The manufacturing and construction sectors were the most resilient, while the services sector was negatively affected. In terms of individual geographic areas, the US saw a -3.4% decrease in GDP, Japan recorded a -5.1% decline while the Eurozone saw a decrease of -7.3%. The pandemic arose in a situation in which the frictions between the United States and China, Brexit and western sanctions imposed on Russia had created tensions with negative reflections on growth prospects at the global level. Based on the most recent indicators, in the Eurozone economic activity was also weakened during the final part of the year, when contagion returned followed by more severe containment measures. On an annual basis, among the main economies of the area Germany saw the smallest GDP drop at -5.5%, compared to -9.3% in France and -11.1% in Spain. In Italy the GDP decrease is estimated at -8.9%, with a trend that saw decreases of -5.5% and -13% during the first and second quarters, respectively, against a leap upwards of +15.9% during the third quarter, driven by excellent recoveries in both exports and in national demand. This trend was particularly positive in the construction sector thanks to the support offered by tax incentives (known as 110%), while in sectors of commerce, transport, tourism and restaurants the recovery was only partial.

Given the shock which affected the entire world simultaneously, individual countries were not able to attenuate the impact of the crisis through exports. In fact, demand decreased in all areas of the world. In this context, global commerce, which had been suffering from protectionist impulses in previous years, fell by -9.6%. Like economic activity, international commerce slowed during the first half and began a recovery during the second half of the year. At the end of December, the EU and the UK reached a last minute agreement regarding their future trade relations, which made it possible to avoid negative consequences such as the establishment of customs tariffs and limits on exports. In any case, commerce with the United Kingdom will be slowed by customs formalities and other non-tariff based obstacles. Additionally, the rapid drop in demand throughout the world led to a significant drop in oil prices, initially exacerbated by a price war between Russia and Saudi Arabia. Weak oil prices served as an important factor with regards to the inflation rate which saw a substantial slowdown in all economies, with the Eurozone recording a rate of +0.2% and the United States +0.8%. In the face of the crisis, governments and central banks implemented unprecedented measures both in terms of size and speed of implementation, in order to prevent the recession from turning into a deep depression. In addition to healthcare objectives, these measures were also intended to stabilise financial markets, maintain employment levels and guarantee liquidity for the market.

During 2020, the euro/dollar exchange rate saw an average of 1.14, with the European currency slightly stronger than the previous year (+2%). After a first quarter during which the euro saw a weakening trend, reaching the minimum of 1.07, the rest of the year saw a continuous appreciation of the European currency, which ended the year at a maximum value of 1.23.

In terms of energy markets, during the year of the Covid-19 pandemic prices for the main energy commodities in Europe continued with the decreases seen in 2019, reaching the lowest levels since at least 2005. In particular, crude fell below $42/barrel (-35%). The infra-annual trend showed, with the exception of January, prices that were constantly below 2019 levels, progressively falling until April when values among the lowest ever were seen, followed by a progressive recovery in subsequent months. A similar trend was seen on the gas market, where prices at the main hubs saw the lowest levels ever, with PSV at € 10.55/MWh (-35%) and the TTF at € 9.39/MWh (-31%), as did electricity hubs, where Italy recorded its historic minimum with € 38.92/MWh (-26%). Also for gas and electricity the average decrease in prices was attenuated by the general rise seen during the second half of the year. Prices for EUA emission rights saw average values of around € 25/t, in line with the previous year. After stability during the initial months of the year, a dramatic drop was seen reaching minimum values of € 15/t, followed by a constant recovery with a record price of € 33/t registered in December.

Prospects for the Italian economy and the Eurozone in 2021 are heavily dependent on the evolution of the pandemic, the measures adopted to fight the spread of contagion and actions implemented to mitigate impacts on economic activity. A rapid vaccination campaign is also fundamental for the recovery, which will make it possible to bring contagion under control by mid-2021. The European funds made available through NGEU will provide fundamental support for this in the Eurozone. Monetary and financial policy conditions should remain favourable. The continuation of low interest rates and the support measures adopted by the government, which largely mitigated liquidity and insolvency risks for companies during the year, should make it possible to ensure, again in 2021, that the repercussions of the crisis on business debt and credit quality remain limited and do not lead to significant tightening of lending conditions.

During the first part of the year, the Burgo Group continued its activities in an economic context heavily affected by the health emergency, pursuing the strategy of focussing production on business segments with higher growth rates, such as special paper and cardboard production. In the context of these development guidelines, after the conversion completed in the final months of 2019, the containerboard production line at the Verzuolo plant began operating in January 2020, the second step of Burgo Group repositioning process, after Avezzano. In terms of strategic investments, the current year also saw the completion of the project to replace the cooking line at the Belgian plant in Ardennes, which began operating at the beginning of the second half.

Another fundamental step in the growth, development and evolution of the Burgo Group was also completed during the year, as a new majority shareholder entered the shareholding structure - the investment fund QuattroR. Through the establishment of the holding company BG Holding, QuattroR and the historic shareholder HGM obtained 91% (which increased to 91.7% in the first few days of 2021) of shares, through a € 70 million capital increase which strengthened the Group's equity and financial structure, creating the conditions to dissolve the recovery plan pursuant to article 67 of the 2015 Bankruptcy Law, for which the debt has been entirely repaid. At the same time, the company refinanced itself with a different debt structure and lower amounts, with the pleasing addition of 2 new credit institutions which support the Group. At present, the Group can count on a total of around € 700 million in short and medium-term credit lines.

The economic and financial results for the year were negatively influenced by the health emergency which exploded at the beginning of 2020. The Group saw a significant reduction in demand, in particular for paper for graphic use. The other two segments in which the Group operates, special paper and containerboard, did not see a significant decrease in demand due to the crisis. In this context, turnover fell by -22%, with margins also negatively impacted by the change in volume. Using comparable figures, that is excluding non-recurring charges and restructuring expenses, 2020 saw a gross margin on sales of 5.9%, down with respect to the 7.9% recorded the previous year.

Total sales volumes were down by -9.8% with respect to the previous year. Volumes of containerboard went against trend, showing notable growth after the start-up of the Verzuolo plant following conversion of the old line. Hence, the year ended with a loss for the year, interrupting the positive trend recorded by the Group since 2015.

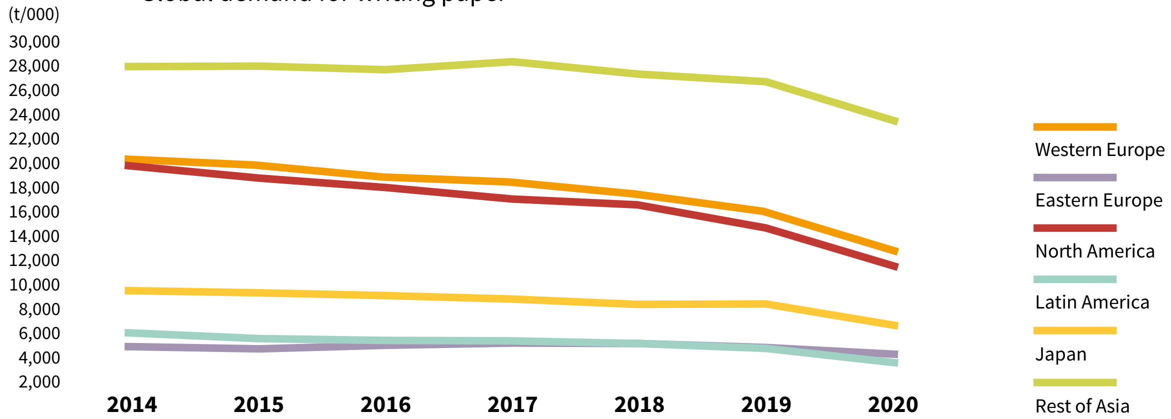
In the graphic paper segment demand in 2020 fell by -18.1% globally, with a change in western Europe of -20.5%. In the other global markets, the trend was even stronger in North America (-21.8%), Latin America (-29.4%) and Japan (-21.8%) and more contained in Eastern Europe (-12.8%) and Asia (-12.2%). Within the paper for graphic use segment, the Western Europe market, which is the Group's main market, saw a decrease of -23.7% for CM, -27.6% for CWF and -17.9% for UWF.

In the containerboard segment, demand confirmed a growth trend of +1.9%, with a +2.3% increase for RCCM, the segment in which the Group operates. In Italy, demand followed the general market trend, with a small increase (+1.7%).

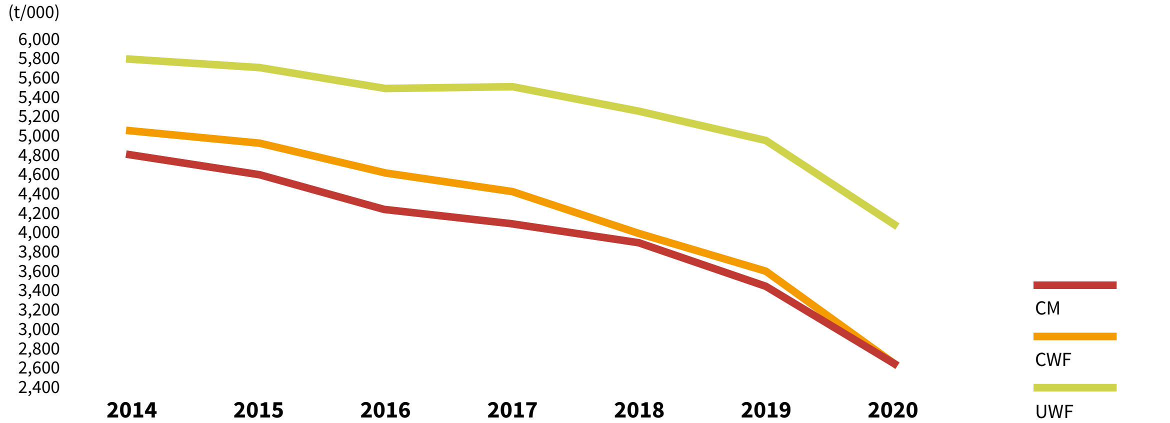
Despite the difficulties, the past year confirms the quality of the decisions and strategy undertaken by the Group, with investments in growing segments such as special paper and containerboard.

Global demand for writing paper

Source: PPPC

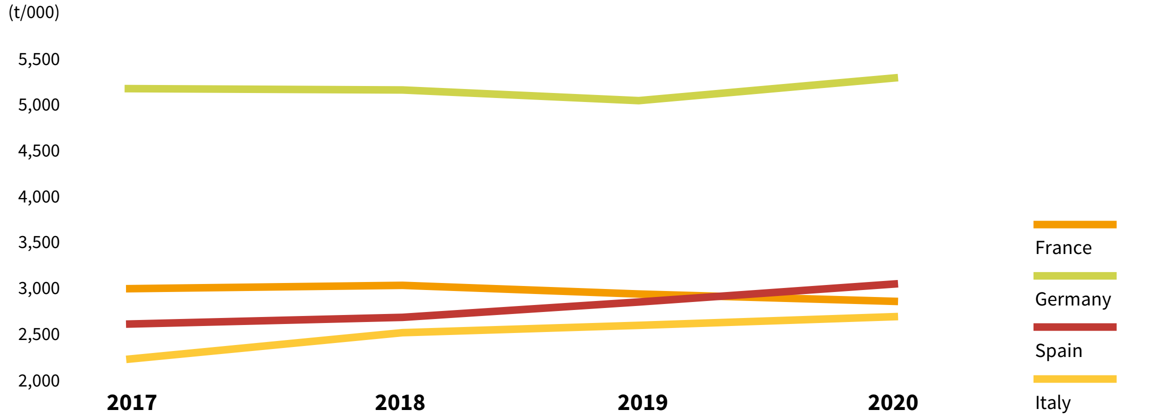


Demand - Western Europe



Demand - Western Europe Containerboard

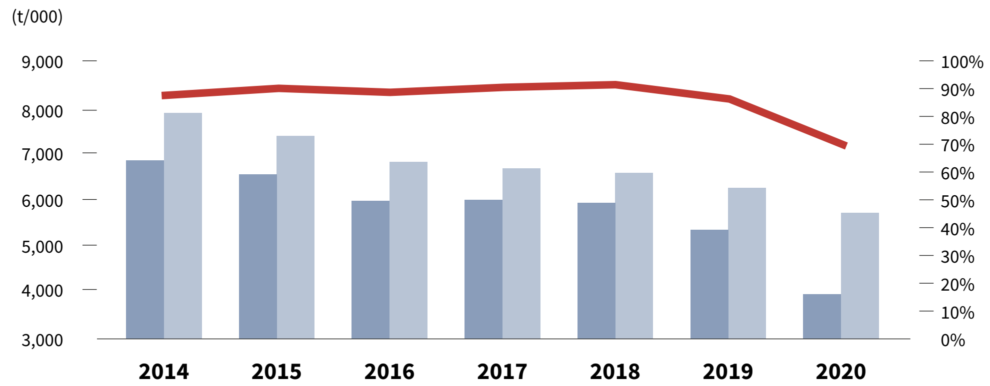
Source: CEPI Containerboard



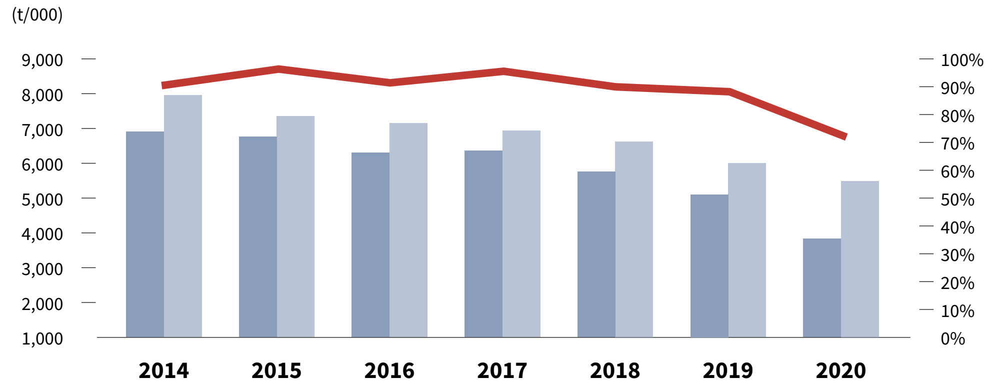
Utilisation rate of production capacity in Western Europe

Source: Eurograph

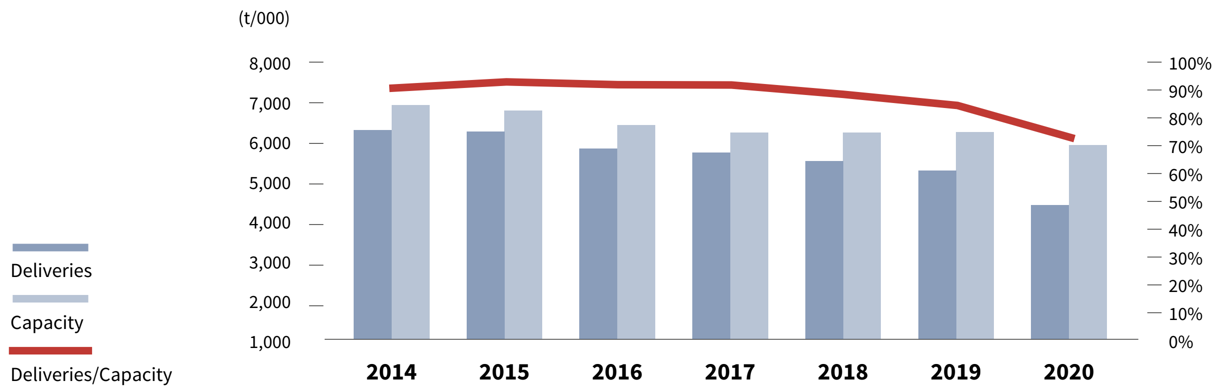
CM



CWF



UWF



Development lines and management outlook

2021 began with the fight against the pandemic still the top social priority, but with inevitable effects on economic activity. The consequences for our Group have been dual and opposing. On one hand, progress is expected in terms of growth in the containerboard and special papers sectors, with development of new products, especially environmentally sustainable ones, to be offered to the packaging and drink and food market. In these two market segments the Group finds itself in a situation with lively demand and a strong growth rate. On the other hand, the market for graphic paper, in a well-established situation with structural decline of demand, despite an initial return to growth, appears to again be moving towards a negative trend, especially for CM paper. During the coming year the effects of the closure of certain graphic paper lines in the recent past should begin to be seen, with positive effects on supply/demand balance. While the possibilities for economic development are still unclear for the year, the same amount of work stoppages seen the previous year is not expected - a factor with significant consequences during 2020.

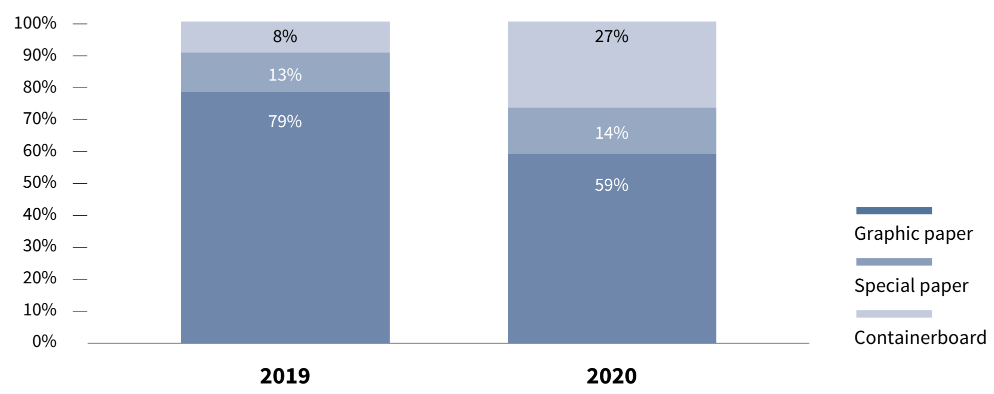
In terms of production costs, the trend seen between the end of the last year and the beginning of the new one indicates strong increases in the costs of raw materials, above all cellulose and pulp, as well as energy costs and prices for CO_2 emission rights. In this context the company will have to implement equivalent increases in the sales prices of its products to achieve adequate margins. Hence, the year in progress is likely to be a year of transition, during which the Group will see itself particularly involved, in terms of investment, in energy, with the goal of transforming its economic returns and ecological footprint, given that it will be increasingly called upon to actively participate in the transition towards more efficient use of environmental resources.

Production

Paper production, the Group's main area of business, amounted to **1,775,527 tonnes**, with a negative change of -11% with respect to the previous year.
Containerboard accounted for **473,017 tonnes** with production more than doubled with respect to the previous year, while the amount of special paper produced was stable at around **250,000 tonnes**.
Production of cellulose came to **325,983 tonnes**, down by -15.7%, while wood pulp production totalled **110,861 tonnes**, showing a decrease of -54.3%, due to the production change at Verzuolo.
Finally, electricity production amounted to **1,965,590 MWh**, a -18.5% decrease.

Production data		**2019**	**2020**	**% change**
Paper	t/000	1,994	**1,776**	- 11.0%
Cellulose	t/000	387	**326**	- 15.7%
Wood pulp and Deink	t/000	243	**111**	- 54.3%
Electricity	kWh/mln	2,411	**1,966**	- 18.5%

Type of paper



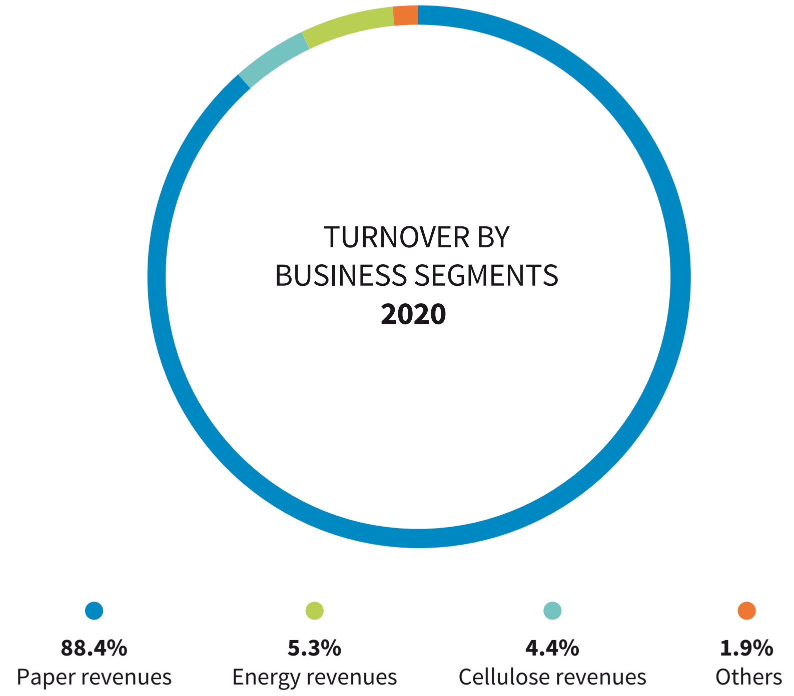
Sales

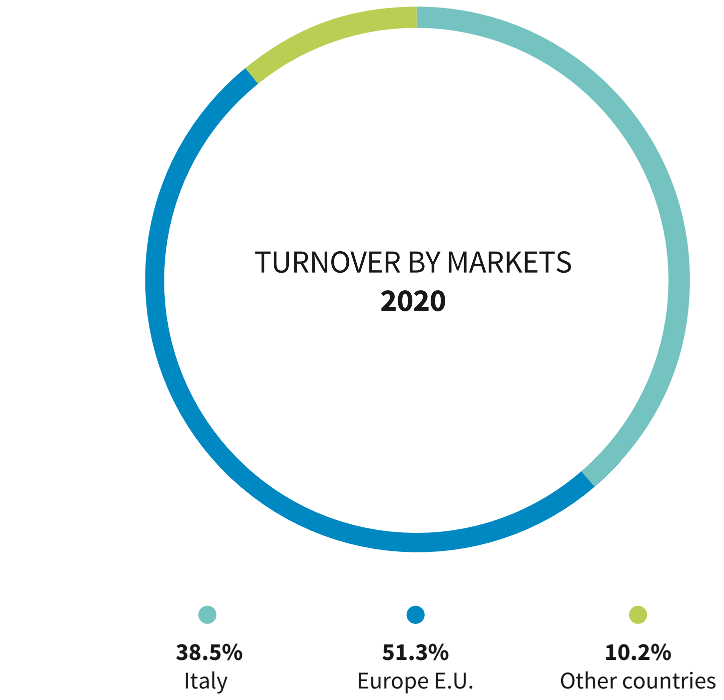
Group turnover amounted to € 1,274 million, down by -22.2% (€ -365 million) with respect to 2019, when the figure was € 1,639 million. Paper revenues totalled € 1,127 million, down by -21.8% with respect to the previous year. Cellulose revenues came to € 56 million, showing a negative change of -29.1%. Energy revenues, which totalled € 68 million, fell by -31.5%, while other revenues increased, including sales of ligninsulphonate, amounting to € 24 million, against € 20 million in 2019 (+20.4%).

Business sectors €/million	**2019**	**2020**	**% change**
Paper revenues	1,441	**1,127**	- 21.8%
% of total revenues	*87.9%*	*88.4%*	
Cellulose revenues	78	**56**	- 29.1%
% of total revenues	*4.8%*	*4.4%*	
Energy revenues	100	**68**	- 31.5%
% of total revenues	*6.1%*	*5.3%*	
Other revenues	20	**24**	20.4%
% of total revenues	*1.2%*	*1.9%*	
	1,639	**1,275**	**- 22.2%**

The breakdown of sales between the internal market and exports shows that in 2020 the decrease in sales mainly affected other countries and Europe, compared to that seen on the domestic market. The percentage of sales in Italy with respect to exports increased.

Markets €/million	**2019**	**2020**	**% change**
Italy	599	**491**	- 18.1%
% of total revenues	*36.5%*	*38.5%*	
Europe E.U.	859	**654**	- 23.9%
% of total revenues	*52.4%*	*51.3%*	
Other countries	181	**130**	- 28.1%
% of total revenues	*11.0%*	*10.2%*	
	1,639	**1,275**	**- 22.2%**





Prices

DURING 2020
IN THE MAIN EUROPEAN MARKETS (GERMANY, FRANCE AND THE UK):

data for certain reference products showed the following trends:

- Average prices for CM (coated mechanical papers) in the main European markets decreased in 2020 (-4.7% on average), after showing growth in 2019. The decline was gradual throughout the year, with some months stable and a slight acceleration in the drop during the last part of the year.
  With respect to the beginning of the year, the decline in prices at the end of the period was -5.2%.
- In the CWF (coated wood-free) segment, the trend in the main European markets saw the average price in 2020 fall with respect to 2019 (-5%), although this effect was less accentuated in certain countries. The trend saw a gradual decline in prices throughout the entire year, with the closing price approximately 4.3% less than the opening price.
- The family of UWF (uncoated wood-free) papers saw a decrease in average prices in the main European countries (-3.3%). The year opened with prices that were substantially stable, but they progressively declined during the subsequent quarters.
- The containerboard segment saw an average -5% decrease in sales prices during 2020 with respect to 2019. Prices were up and down during the first quarter, with an overall increase, stable during the second quarter, and down in the third quarter, while the final quarter of the year showed strong growth. End of year prices were +5.1% higher than the opening prices, showing recovery.
- Speciality paper saw average prices fall during 2020 with respect to 2019 (-8%), with the first half consistently down and the second half showing signs of recovery. With respect to the end of the previous year, the change was -4%.

IN ITALY:

- Prices for CM (coated mechanical papers) were on average lower in 2020 than in 2019 (-6.6%). During the year, prices fell constantly with the minimum seen at the end of the year. The change in prices between the beginning and end of the year was in line with the change in average prices.
- The family of CWF (coated wood-free) paper also saw a decrease in average prices (-7.2%). Confirming the trend, the price at the end of 2020 was lower than the price at the end of the previous year (-6.4%).
- In the UWF segment, average prices followed the same trend as the CM and CWF segments, although to a lesser extent, with a -4.9% decrease with respect to the previous year. During the year price trends were stable in the first half and down in the second. The end of the year saw lower prices with respect to the beginning of the year (-4.6%).
- In 2020, the containerboard segment saw a decrease in average prices (-11.5%) with respect to 2019. This decrease was the consequence of a first half during which prices were stable at the levels recorded at the end of 2019, followed by a second half which saw a constant increase. With respect to the end of 2019, final spot prices for the year were up (+1.8%).

Source: RISI

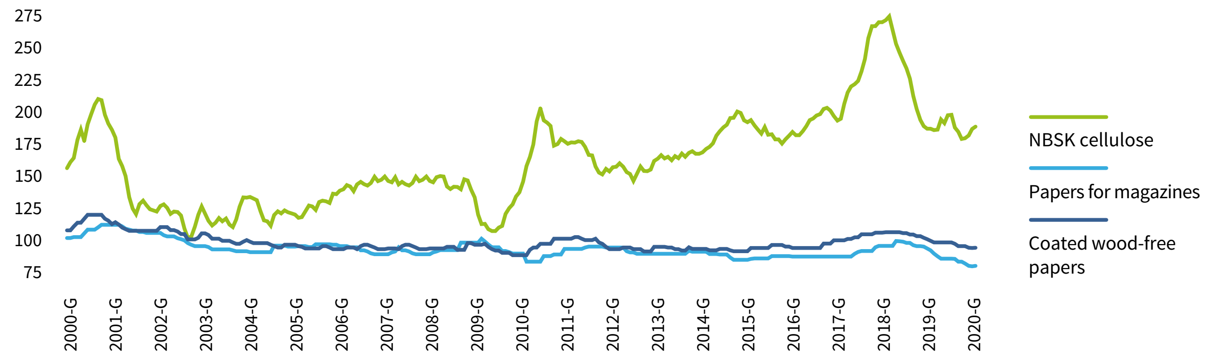
Costs

During 2020, the downward trend in the average price of cellulose continued. NSBK long-fibre ($ 850/t) fell with respect to the average 2019 price ($ 950/t), showing a -10% decrease in dollars and a -11.6% in euros. The price of eucalyptus also fell, going from an average of $ 830/t in 2019 to an average price of $ 680/t in 2020 (-18%). The price for standard latex, representing more than 80% of latex acquired, saw an average decrease of around 28% during 2020, going from € 960 in 2019 to € 690 in 2020.

The price of pulp, an increasingly important raw material for the Group with substantial impacts in terms of price trends, saw highly variable trends, with the minimum at the beginning of the year and the maximum in the second quarter. Average amounts in 2020 were -10% with respect to 2019.

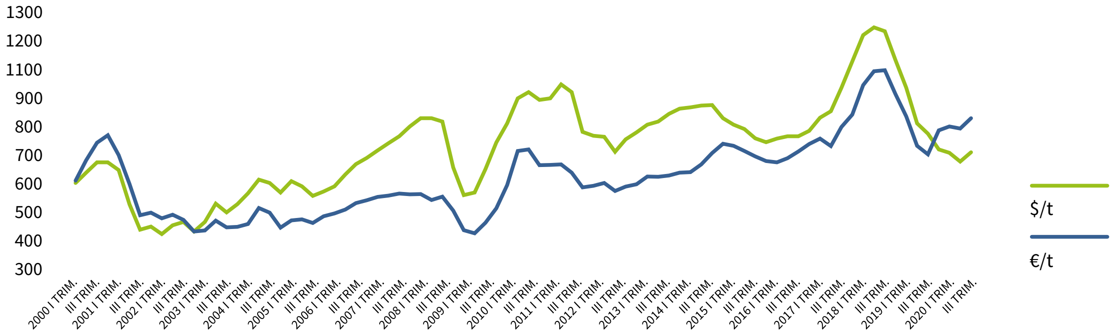
Price of cellulose and some types of paper
(€/tonne - January 1999=100)

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



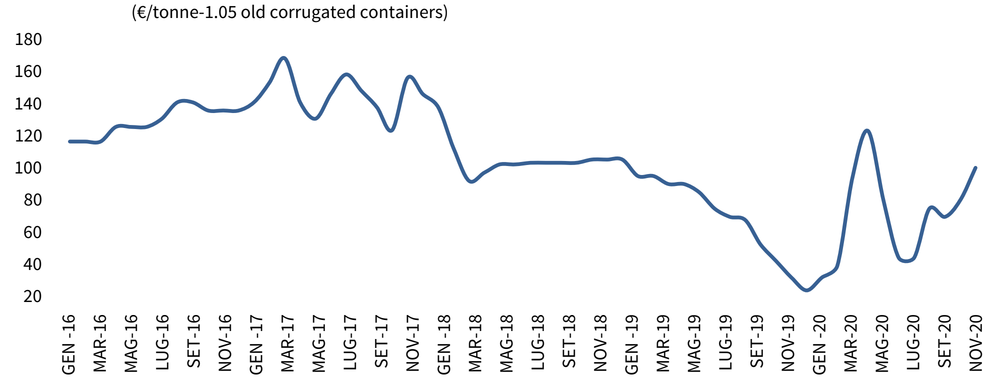
Price of NBSK cellulose
(current values)

Source: Assocarta processing of PPI data



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

Source: RISI



Energy

The Group produces electricity and steam. The subsidiary Burgo Energia srl operates in the electricity sector on the GME (day ahead and infraday markets - MGP and MI), on the EEX (futures market for French, German and Italian electricity), the IDEX (futures market for German and Italian electricity), on the German spot market and on bilateral trading platforms (Over the Counter - OTC). In this context, the subsidiary Burgo Energia srl manages the excess and gaps for the Group's plants, as well as overall energy management.

In the Trading Operation area, again in 2020 Burgo Energia continued its disposal of CCC rights to third parties, intensifying its cooperative efforts with other reliable counterparts and thereby successfully allocating a large part of the volumes assigned by Terna to Burgo Group plants, on the basis of production capacity. Additionally, it continued to optimise the production assets of Burgo and Mosaico, participating in the Shipping Interconnector and in all the Group's typical dispatching activities in the energy markets.

After Burgo Energia srl left the end customer gas and energy sales market in 2018, in 2020 Burgo Energia continued to focus its business in the industrial sector to support the plants, continuing to expand its business outside of the Burgo Group to offer highly technical services in the energy sector. In particular, we note that Burgo Energia was a driving force behind the establishment of the Consorzio Energy Paper scarl, established in February 2020, which beyond Burgo and Mosaico includes another four shareholders, to which a fifth was added at the beginning of 2021, to become the fourth largest operator in terms of electricity capacity in the Italian electricity interruptibility market, with 263 MW. This Consortium, for which Burgo Energia provides technical management, will also operate in the gas interruptibility sector for the 21-22 winter season. Also in terms of electricity asset management, Burgo Energia continued to manage participation in the UVAM project for the Group, continuing to be one of the main operators in this sector on the domestic market.

Activities in the Energy Management division continued with management of the ISO50001 Energy System at Burgo Group locations, implementation of the Energy Management System at Mosaico sites and management of activities linked to the Emission Trading System regulations.

In 2020, Burgo Energia Srl sold electricity totalling 1.4 billion kWh (1.6 billion in 2019) and gas totalling 66.5 million Smc (62 million in 2019).
The Burgo system in Italy and abroad produced a total of 2 billion kWh of electricity (2.04 billion kWh in 2019), mainly for self-consumption.

Investments

In terms of total investments in property, plant and equipment made during the course of 2020, totalling € 56.0 million (€ 94.4 million in 2019), the most strictly technical ones came to € 51.2 million.
The investments programme, consistent with the approved Industrial Plan, continued in all facilities with projects aimed at plant conservation, maintaining quality and improving production efficiency.
The packaging paper production line at Verzuolo began operating and in the same sector the design was completed for the system that will allow for production of a new product with a white cover at the Avezzano facility.

In the Mosaico division, new systems initiatives in the paper sector were mainly focussed on conserving systems and maintaining quality, while in the energy sector a programme to update systems was begun, developed using technological interventions to guarantee improved efficiency for generation as well as lower environmental impact (see the energy section).
At the Ardennes facility the project to install new parts was completed, intended to modernise the cellulose cooking department to increase cellulose production. Actions to conserve systems and maintain quality continued for the paper line.

2020 saw a heavy push towards investments to update cogeneration systems. In fact, this resulted in the completion of the study of the Tolmezzo facility, begun in previous years, leading to a project with a value of around € 17 million to create a completely new 20 MW electric and 65 MW thermal system, which will allow the facility to achieve significant improvements:

- Increased efficiency in energy generation;
- Elimination of electricity taken from the grid;
- No_x and CO emissions halved;
- An improvement in the site's carbon footprint.

The Toscolano cogeneration power station will also be modernised thanks to a € 6 million investment to replace an 8 MW gas turbine and a 4 MW steam turbine, with significant improvements in terms of energy efficiency, environmental impact and carbon footprint.
Both projects fall within the area of high-return cogeneration and will strengthen the results that this technology offers in terms of sustainability and reduced environmental impacts. At the same time, activities needed to maintain production efficiency were carried out and analysis of additional possible investments continued, with the goal of decreasing energy costs and improving energy efficiency, with special attention paid to reducing the use of fossil fuels.
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.

Research and development 2020

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

Studies regarding the use and relative development of post-consumer fibres of various types and from different sources were particularly significant, for graphic and special paper and for packaging, all with an eye to maximising utilisation with appropriate treatment.
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.

NEW PRODUCTS

In the paper with wood segment, after fully establishing the new allocation of LWC paper for offset printing, a process was begun which will make it possible to position the MWC range in more productive locations.
For the wood-free segment, the spread of inkjet and digital printing technology has led to an extension of the coated range aimed at the high graphic performance segment, where the current references are to traditional roto-offset and page printing.

Additionally, for wood-free natural paper, the range of products for offset printing and products for the pharmaceutical and editorial sectors was enhanced with different levels of surface finishing.

In the recycled packaging sector the range of corrugated paper and paperback was enhanced, offering higher performance, and multi-use papers were developed. At the same time, the new production structure in this segment made it possible to enlarge the portfolio of low-weight corrugated and paperback, still offering high performance.

Relative to special paper, the push to reduce plastic led to an increase in demand for products that can be recycled or composted, as well as for those containing recycled fibres. This requirement led developments above all in the food & beverage sector, including packaging and flexible packaging. Additionally, the range of self-adhesive labels was added to with fronts specifically for digital printing and an array of silicone supports with special coatings.

ENVIRONMENTAL SUSTAINABILITY AND CERTIFICATION

In terms of certifications, work continued to manage chains of custody relative to FSC® and PEFC™ forest certification.
In particular, relative to FSC®, after Ardennes the wood supplier (logs and chips) audit process was also carried out at the Italian sites, so as to list them is "Low risk suppliers", based on the requirements for the FSC® standards and proper application of the same.
Control activities for all purchases of wood and wood-derivative products were also ensured, based on the EU Timber Regulation, the reference EU regulation.
Relative to UNI EN 15593, for the hygiene and safety of packaging intended for use with food products, activities at the Villorba facility were completed. The location was certified, allowing it to produce paper intended for use in food packaging.
Finally, activities were completed to renew the Burgo and Mosaico Ecolabel certificates in accordance with the new criteria contained in European Commission Decision 2019/70, in effect as of the beginning of 2019, and the extension to the Villorba facility was also successfully completed.

Personnel

In 2020, around **25,000** hours of training were provided, of which **8,000** linked to worker safety and health aspects.
Group employees at 31 December 2020 totalled 3,336, compared to 3,407 at the end of 2019.

Personnel at 31 December	31 Dec 2019	31 Dec 020	Change
Burgo Group	1,620	**1,564**	(56)
Italian subsidiaries	1,141	**1,141**	-
Foreign subsidiaries	646	**631**	(15)
	3,407	**3,336**	**(71)**

The Group also makes use of temporary workers, for the most part at Burgo Ardennes, which in 2020 had 123 (FTE), compared to 124 in 2019.
The use of social safety nets in 2020 was heavily impacted by the effects of the lockdowns associated with the Covid-19 pandemic.
Redundancy fund/solidarity hours used, as reported in the table below, increased overall, going from 49,527 hours in 2019 to 254,025 hours in 2020:

Social safety net hours	31 Dec 2019	31 Dec 2019	Change	Change
CIGO "Covid 19"	-	**229,792**	229,792	100.0%
CIGO	32,621	**-**	- 32,621	- 100.0%
CIGS	4,895	**-**	- 4,895	- 100.0%
Solidarity	12,011	**24,233**	12,222	101.8%
	49,527	**254,025**	**204,498**	**412.9%**

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, 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 2020 Financial Statements provide additional quantitative information.
The disclosure required under IFRS7 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 2019, Burgo Group spa obtained certification of its credit management system with regards to the domestic UNI 44:2018 standard and the international standard TUV Rheinland CMC:2012. This certification was renewed in 2020.

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.
At 31 December 2020, exposure through securities consisted of Mediobanca shares (see the section on market risk). 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. For short-term financial needs, at 31.12.2020 credit lines were available totalling around € 217 million, of which € 192 million for BT lines and € 25 for Burgo Ardennes.
The Group can also make use of without recourse factoring with lines of € 56 million.
Total use of these lines by BT was around 40%. For long-term financial requirements, the Group has loans of around € 500 million.
Note that on 30 October 2020 Burgo Group spa signed a new long-term Loan Agreement for € 375 million. At the same time the Burgo Group spa short-term line, originally committed on 31 March 2022 for a total of € 200 million, became callable credit lines for a total of € 192 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.

INTEREST RATE RISK

Within the context of its capital intensive business, the Group makes investments, which are mainly technical, making use of debt.
In this context, it is possible to carry out cash flow hedge transactions, to neutralise or reduce 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. Medium/long-term hedges, when used, 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. Short-term loans may also be hedge, even if the duration of the flow is considered not to be significant.

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, CO_2 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

Financial year 2020 saw a reduction in **operating revenues and proceeds** from € 1,698.2 million to € 1,331.6 million, and Group results down with a **gross operating margin (EBITDA)** of € 72.7 million, compared to € 134.1 million in 2019. The year saw a significant drop in the demand for graphic paper and an upward trend in the costs of fibrous raw materials and gas, which led to a decrease in sales prices for paper. The medium-term industrial strategy aimed at increasing focus in special paper and cardboard instead of graphic paper has allowed the Group to reduce the negative impact on its overall margins, thanks to the resistance in terms of the special paper and containerboard segments.

In financial terms, **net debt** fell at the end of 2020 with respect to the previous year. The € 37 million decrease is mainly due to the increase in liquidity deriving from the capital increase (€ 70 million share capital increase).

At 31 December 2020, application of IFRS 16 led to financial liabilities of around € 7 million. The debt structure, following the refinancing operation, was made more solid through new medium-term loans maturing in 2025.

Profit and Loss Statement for the Year €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Revenues	1,639,222	1,274,717	-22.2%
Other income	59,027	56,915	-
Total operating revenues and income	**1,698,249**	**1,331,631**	**-21.6%**
Costs for materials and external services	(1,307,224)	(1,006,737)	
Personnel expenses	(197,776)	(176,424)	
Other operating costs	(49,090)	(34,208)	
Change in inventories	(10,860)	(43,513)	
Capitalised costs for internal work	821	1,910	
Total operating costs	**(1,564,128)**	**(1,258,971)**	**-19.5%**
Gross operating margin before amortisation/depreciation and non-recurring items (EBITDA)	**134,121**	**72,660**	**-45.8%**
Depreciation and amortisation	(79,195)	(72,246)	
Capital gains/losses on disposal of non-current assets	(1,482)	(664)	
Operating result before non-recurring components	**53,444**	**(250)**	
Writebacks/writedowns of non-current assets	(10,805)	-	
Income/expenses of a non-recurring nature and for restructuring	(2,644)	(22,399)	
Operating result (EBIT)	**39,994**	**(22,649)**	
Financial expenses	(30,948)	(27,553)	
Financial income	6,142	3,225	
Profit/(loss) before tax	**15,189**	**(46,977)**	
Income taxes	(5,463)	(4,050)	
Profit/(loss) for the period	**9,726**	**(51,027)**	

Revenues from ordinary operations in 2020 amounted to € 1,274.7 million, down by € 364.5 million (-22.2%) with respect to the € 1,639.2 million seen in 2019. The decrease is due to the decrease in sales following the health emergency which led to a reduction in both sales volumes and prices for paper and energy products. Paper sales fell by € 314 million mainly due to the decrease in demand for graphic paper as a consequence of the pandemic. **Other income** totalled € 56.9 million (€ 59.0 million the previous year) due, in particular, to environmental certificates and interruptibility agreements. As a whole, total operating revenue and income came to € 1331.6 million, compared to € 1,698.2 million in 2019 (-21.6%).
The amount of paper sold totalled 1,803 to, down by 9.8% with respect to the 1,998 sold in 2019. **Operating expenses** totalled € 1,259.0 million against € 1,564.1 million the previous year, a decrease of -19.5%. Within operating costs, personnel amounted to € 176.4 million, compared to € 197.8 million the previous year.
The **gross operating margin before amortisation/depreciation and non-recurring expense (EBITDA)** was € 72.7 million, against € 134.1 million in 2019. In percentage terms, EBITDA amounted to 5.5% of sales, compared to 7.9% the previous year.
Amortisation and depreciation came to € 72.2 million (€ 79.2 million in 2019).
The operating result, **before non-recurring transactions**, amounted to € -0.25 million, compared to € 53.4 million the previous year.
In terms of **net non-recurring expense** no writedowns were allocated. The Group classifies as non-recurring events or facts which do not occur frequently or derive from operations not representative of normal business, such as restructuring costs or writedowns of non-current assets.
Financial expense decreased from € 30.9 million in 2019 to € 27.5 million in the current year.
On the other hand, **financial income** came to € 3.2 million, against € 6.1 million in 2019.
As a consequence of the above, the net loss, after taxes payable for the year of € 4.1 million, came to € 51.0 million, compared to profit of € 9.7 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). The expenses in this category included those relative to the Covid-19 pandemic in 2020, determined using the criteria specified below.
- 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 2020.

Reconciliation of the profit and loss statement for 2020 €/000	PROFIT AND LOSS STATEMENT non-recurring components indicated separately	non-recurring components	PROFIT AND LOSS STATEMENT non-recurring components not indicated separately
Revenues	**1,274,717**		1,274,717
Other income	**56,915**		56,915
Total operating revenues and income	**1,331,631**	**-**	**1,331,631**
Costs for materials and external services	(1,006,737)	(11,737)	(1,018,473)
Personnel expenses	(176,424)	(10,105)	(186,529)
Other operating costs	(34,208)		(34,208)
Change in inventories	(43,513)		(43,513)
Capitalised costs for internal work	1,910		1,960
Total operating costs	**(1,258,971)**	**(21,842)**	**(1,280,813)**
EBITDA	**72,660**		
Depreciation and amortisation	(72,246)		(72,246)
Capital gains/losses on disposal of non-current assets	(664)		(664)
Income/expenses of a non-recurring nature and for restructuring	(22,399)	22,399	-
EBIT	**(22,649)**	**558**	**(22,092)**
Financial expenses	(27,553)	(558)	(28,111)
Financial income	3,225		3,225
Profit/(loss) before tax	**(46,977)**	**-**	**(46,977)**
Income taxes	(4,050)		(4,050)
Profit/(loss) for the period	**(51,027)**	**-**	**(51,027)**

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

- Stoppage of business due to the health emergency for € 13.3 million. Specifically, this involved Sora, Duino, Villorba, Sarego, Tolmezzo, Lugo, Chiampo and Ardennes facilities and includes personnel expenses for € 8.2 million and € 5.1 million in costs for materials and services included fixed facility costs;
- Share capital increase with the entry of a new shareholder and renegotiation of credit lines for € 4.7 million;
- Financial expense accrued in previous years for which the benefit ceased to exist following renegotiation of credit lines for € 0.6 million;
- Expenses for no longer operating facilities for € 0.4 million;
- Non-recurring expense for the start up of the new cookers at Burgo Ardennes for € 2.1 million;
- Costs for pre-pensions and restructuring at foreign facilities and offices for € 1.4 million.

Statement of equity/financial position: Assets €/mln	**31 Dec 2019**	**31 Dec 2020**	**Change**
Non-current assets	**844.6**	**833.3**	**(11.3)**
Property, plant and equipment	728.1	711.8	(16.3)
Intangible assets	24.8	30.9	6.0
Other non-current assets	22.8	23.8	1.0
Deferred tax assets	68.9	66.8	(2.0)
Current assets	**634.5**	**529.2**	**(105.3)**
Total assets	**1,479.1**	**1,362.5**	**(116.6)**

Statement of equity/financial position: Liabilities €/mln	**31 Dec 2019**	**31 Dec 2020**	**Change**
Shareholders' equity	**314.3**	**334.4**	**20.1**
Shareholders' equity pertaining to the Group	310.9	330.7	19.9
Shareholders' equity attributable to non-controlling interests	3.4	3.6	0.2
Non-current liabilities	**669.1**	**494.6**	**(174.4)**
Current liabilities	**495.7**	**533.5**	**37.8**
Total shareholders' equity and liabilities	**1,479.1**	**1,362.5**	**(116.6)**

Net tangible and intangible **fixed assets** fell from € 752.9 million to € 742.7 million, in particular due to the difference between investments and other capitalisation of intangible assets for € 73.5 million, disposals of € 11.5 million and amortisation/depreciation of € 72.2 million.
During 2020 the Group continued with its scheduled projects at the Verzuolo, Avezzano and Ardennes facilities, with an emphasis on investments to update the Toscolano and Tolmezzo cogeneration plants.
Warehouse inventories and **trade receivables due from customers** fell respectively by € 43.5 million and € 29.8 million while **trade payables due to suppliers** fell by € 50.4 million, leading to positive cash flow of € 22.9 million.
Working capital therefore fell as a whole by € 22.9 million, while **net financial debt** went from € 491.7 million to € 454.3 million at the end of 2020, a decrease of € 37.4 million.
Shareholders' equity increased from € 314.3 million to € 334.4 million. The main changes can be attributed to the share capital increase for € 70 million, the loss for the year for € 51 million, the negative change in the IAS 19 reserve for adjustment of defined benefit plans for € 0.5 million, the negative change for fair value adjustments in assets available for sale for € 0.2 million and the positive adjustment of the CFH reserve for € 1.9 million.

Breakdown of net financial debt €/mln	**31 Dec 2019**	**31 Dec 2020**	**Change**
Current financial assets	128.2	103.8	(24.4)
Short-term financial payables	(72.9)	(172.2)	(99.3)
Medium/long-term financial assets	4.2	4.2	(0.0)
Medium/long-term financial payables	(551.1)	(390.0)	161.1
Net financial debt	**(491.7)**	**(454.3)**	**37.4**

Capital and financial structure €/mln	**31 Dec 2019**	**31 Dec 2020**	**Change**
Intangible assets	24.8	30.9	6.0
Property, plant and equipment	728.1	711.8	(16.3)
Other non-current assets:			
Equity investments	13.6	13.2	(0.4)
Other receivables and non-current assets	5.0	6.4	1.3
Net fixed assets	**771.6**	**762.3**	**(9.3)**
Inventories	237.7	194.2	(43.5)
Trade receivables	232.2	202.4	(29.8)
Trade payables	(364.8)	(314.5)	50.4
Working capital	**105.0**	**82.1**	**(22.9)**
Equity investments in current assets	1.0	0.8	(0.2)
Other receivables and current assets	35.4	28.1	(7.4)
Deferred tax assets	68.9	66.8	(2.0)
Provisions for deferred tax liabilities	(18.2)	(17.6)	0.6
Provisions for risks and charges	(63.6)	(55.2)	8.4
Other payables and non-current liabilities	(0.8)	(0.2)	0.6
Payables for current taxes	(8.2)	(6.1)	2.1
Other payables and current liabilities	(49.8)	(40.8)	9.0
Other operating assets and liabilities	**(35.3)**	**(24.1)**	**11.2**
Working capital	**69.7**	**58.0**	**(11.7)**
Invested capital, after deducting operating liabilities	**841.3**	**820.3**	**(21.0)**
Severance indemnities and other provisions related to personnel	(35.3)	(31.6)	3.7
Invested capital, after deducting operating liabilities and severance indemnities (TFR)	**806.0**	**788.7**	**(17.3)**
Share capital	(20.0)	(90.0)	(70.0)
Reserves	(280.3)	(281.0)	(0.7)
Accumulated profits/(losses) including profit/(loss) for the period	(10.6)	40.2	50.8
Shareholders' equity attributable to non-controlling interests	(3.4)	(3.6)	(0.2)
Own capital	**(314.3)**	**(334.3)**	**(20.1)**
Financial receivables and other non-current financial assets	4.2	4.2	(0.0)
Financial receivables and other current financial assets	80.9	55.2	(25.7)
Cash on hand and other cash equivalents	47.3	48.6	1.3
Non-current financial liabilities	(551.1)	(390.0)	161.1
Current financial liabilities	(72.9)	(172.2)	(99.3)
Net financial debt	**(491.7)**	**(454.3)**	**37.4**
Total coverage	**(806.0)**	**(788.7)**	**17.3**

Analysis by index	31 Dec 2019	31 Dec 2020
ROS (EBIT/Turnover)	3.15%	-1.66%
T (Assets turnover: Turnover/Average invested capital)	1.12	0.94
ROI (EBIT/Average invested capital) = ROS x AT	**3.52%**	**-1.55%**
ROI (EBIT/Average invested capital) = ROS x AT	3.52%	-1.55%
Debt ratio (CI/CN)	4.87	4.38
Impact of non-management expense	0.18	2.31
ROE (ROI*CI/CN*RN/RO)	**3.13%**	**-15.73%**
ROCE (Operating income/Net average invested capital)	**6.68%**	**-2.77%**
PFN/Shareholders' equity	**1.56**	**1.36**
PFN/MOL	**3.67**	**6.20**

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

Profit and Loss Statement for the Year €	31 Dec 2019	31 Dec 2020	% change
Revenues	1,119,375,324	810,237,518	-27.6%
Other income	36,164,363	30,533,629	
Total operating revenues and income	**1,155,539,687**	**840,771,147**	**-27.2%**
Costs for materials and external services	(963,218,473)	(725,875,478)	
Personnel expenses	(87,307,309)	(73,709,550)	
Other operating costs	(23,930,583)	(13,483,845)	
Change in inventories	(9,774,076)	(26,392,205)	
Capitalised costs for internal work	563,020	1,119,223	
Total operating costs	**(1,083,667,421)**	**(838,341,855)**	**-22.6%**
Gross operating margin before amortisation/depreciation and non-recurring items (EBITDA)	**71,872,266**	**2,429,292**	**-96.6%**
Depreciation and amortisation	(48,347,920)	(42,240,743)	
Capital gains/(losses) on disposal of non-current assets	(1,456,832)	(208,069)	
Operating result before non-recurring components	**22,067,513**	**(40,019,520)**	
Writebacks/writedowns of non-current assets	(10,805,133)	-	
Income/expenses of a non-recurring nature and for restructuring	(2,377,221)	(13,575,441)	
Operating result (EBIT)	**8,885,158**	**(53,594,961)**	
Financial expenses	(25,845,312)	(23,052,334)	
Financial income	25,300,814	20,040,131	
Profit/(loss) before tax	**8,340,660**	**(56,607,164)**	
Income taxes	3,379,611	4,637,971	
Profit/(loss) for the period	**11,720,272**	**(51,969,193)**	

Revenues from ordinary operations in 2020 amounted to € 810.2 million, against € 1,119.4 million in 2019, a decrease of -27.6%.
Additionally, other income totalling € 30.5 million was seen, in particular coming from environmental certificates and interruptibility agreements (€ 36.2 million the previous year).
As a whole, **total operating revenue and income** came to € 840.8 million, compared to € 1,155.5 million in 2019.
Paper quantities sold came to 1,395,005 tonnes against 1,589,338 tonnes the previous year.
Total **operating costs** came to € 838.3 million against € 1,083.7 million in 2019. Within operating costs, personnel costs amounted to € 73.7 million, compared to € 87.3 million in 2019.
The **gross operating margin (EBITDA)** was € 2.4 million against € 71.9 million the previous year, while **amortisation and depreciation** amounted to € 42.2 million against € 48.3 million in 2019.
Operating income, **before non-recurring transactions** amounted to € -40 million, against the positive amount of € 22.1 million the previous year.
Therefore, **net non-recurring charges** of € 13.6 million were allocated.
The result of **financial management** was negative at € -3 million, against the negative € -0.5 million recorded in 2019. The change is mainly due to lower dividends received by subsidiaries, equal to € 18.1 million in 2020 and € 21.9 million in 2019. The **before tax result** was negative at € 56.6 million, against the positive € 8.3 million recorded the previous year.
The **net result** is a loss of € -52 million, compared to profit of € 11.8 million the previous year.

NON-RECURRING EXPENSE

Below is a schedule reconciling non-recurring components relative to 2020. For methodology, please see that indicated above in the comments on the consolidated profit and loss statement figures.

Reconciliation of the profit and loss statement for 2020 €	PROFIT AND LOSS STATEMENT non-recurring components indicated separately	non-recurring components	PROFIT AND LOSS STATEMENT non-recurring components not indicated separately
Revenues	810,237,518		810,237,518
Other income	30,533,629		30,533,629
Total operating revenues and income	**840,771,147**	**-**	**840,771,147**
Costs for materials and external services	(725,875,478)	(7,401,718)	(733,277,197)
Personnel expenses	(73,709,550)	(5,615,809)	(79,325,359)
Other operating costs	(13,483,845)		(13,483,845)
Change in inventories	(26,392,205)		(26,392,205)
Capitalised costs for internal work	1,119,223		1,119,223
Total operating costs	**(838,341,855)**	**(13,017,527)**	**(851,359,382)**
EBITDA	**2,429,292**		
Depreciation and amortisation	(42,240,743)		(42,240,743)
Capital gains/losses on disposal of non-current assets	(208,069)		(208,069)
Income/expenses of a non-recurring nature and for restructuring	(13,575,441)	13,575,441	-
EBIT	**(53,594,961)**	**557,914**	**(53,037,047)**
Financial expenses	(23,052,334)	(557,914)	(23,610,248)
Financial income	20,040,131		20,040,131
Profit/(loss) before tax	**(56,607,164)**	**-**	**(56,607,164)**
Income taxes	4,637,971		4,637,971
Profit/(loss) for the period	**(51,969,193)**	**-**	**(51,969,193)**

The non-recurring operating costs identified refer in particular to:
- Stoppage of company activities due to the health emergency for € 8 million. Specifically this involved the Duino, Villorba, Sora and Sarego facilities. This category of costs mainly includes fixed plant costs relative to plant stoppage days rendered necessary by the health emergency and the impact on demand for finished products. More specifically, this includes € 5.1 million in personnel expense and € 2.9 million in costs for materials and services, including fixed plant costs;
- Share capital increase with the entry of a new shareholder and renegotiation of credit lines for € 4.7 million;
- Expenses for no longer operating facilities for € 0.4 million;
- Financial expense accrued in previous years for which the benefit ceased to exist following renegotiation of credit lines for € 0.6 million.

Statement of equity/financial position: Assets €/million	**31 Dec 2019**	**31 Dec 2020**	**Change**
Non-current assets	**1,011.6**	**997.5**	**(14.0)**
Property, plant and equipment	460.2	446.5	(13.7)
Intangible assets	13.2	13.6	0.4
Other non-current assets	474.8	475.9	1.1
Deferred tax assets	63.4	61.5	(1.8)
Current assets	**382.1**	**318.7**	**(63.4)**
Total assets	**1,393.7**	**1,316.3**	**(77.4)**

Statement of equity/financial position: Liabilities €/million	**31 Dec 2019**	**31 Dec 2020**	**Change**
Shareholders' equity	**(408.2)**	**(426.9)**	**(18.7)**
Shareholders' equity pertaining to the Group	(408.2)	(426.9)	(18.7)
Non-current liabilities	**(586.1)**	**(420.1)**	**166.0**
Current liabilities	**(399.3)**	**(469.2)**	**(69.9)**
Total shareholders' equity and liabilities	**(1,393.7)**	**(1,316.3)**	**77.4**

During the year **technical investments** totalling € 24.4 million were made (€ 62.7 million in 2019). Together with capitalisation of financial expense, internal works and advances on plant maintenance, these bring the total to € 29.1 million. Recognition of rights of use due to application of IFRS 16 during the year amounted to € 1 million. Increases relative to intangible fixed assets amounted to € 0.9 million (€ 0.9 million in 2019). **Trade receivables** went from € 123.5 million in 2019 to € 104.9 million and **warehouse inventories** went from € 107 million to € 80.6 million. **Payables due to suppliers** decreased from € 283.8 million at the end of 2019 to € 252.4 million.
Net financial debt came to € 446 million, compared to € 488.9 million at the end of 2019, a decrease of € 42.8 million.
Shareholders' equity amounted to € 426.9 million against € 408.2 million at the end of 2019.

Breakdown of net financial debt €/mln	**31 Dec 2019**	**31 Dec 2020**	**Change**
Current financial assets	117.5	111.4	(6.1)
Short-term financial payables	(84.4)	(192.9)	(108.5)
Medium/long-term financial assets	5.4	5.5	0.1
Medium/long-term financial payables	(527.3)	(369.9)	157.4
Net financial debt	**(488.9)**	**(446.0)**	**42.8**

Capital and financial structure €/mln	31 Dec 2019	31 Dec 2020	Change
Intangible assets	13.2	13.6	0.4
Property, plant and equipment	460.2	446.5	(13.7)
Other non-current assets:			
Equity investments	464.8	464.4	(0.3)
Other receivables and non-current assets	4.6	5.9	1.3
Net fixed assets	**942.8**	**930.5**	**(12.3)**
Inventories	107.0	80.6	(26.4)
Trade receivables	123.5	104.9	(18.6)
Trade payables	(283.8)	(252.4)	31.4
Working capital	**(53.3)**	**(66.9)**	**(13.6)**
Equity investments in current assets	1.0	0.8	(0.2)
Other receivables and current assets	33.1	21.1	(12.1)
Deferred tax assets	63.4	61.5	(1.8)
Provisions for risks and charges	(37.5)	(31.4)	6.1
Other payables and non-current liabilities	-	-	-
Payables for current taxes	(4.0)	(3.4)	0.6
Other payables and current liabilities	(27.1)	(20.5)	6.6
Other operating assets and liabilities	**29.0**	**28.1**	**(0.8)**
Working capital	**(24.4)**	**(38.7)**	**(14.4)**
Invested capital, after deducting operating liabilities	**918.4**	**891.8**	**(26.7)**
Severance indemnities and other provisions related to personnel	(21.3)	(18.8)	2.5
Invested capital, after deducting operating liabilities and severance indemnities (TFR)	**897.1**	**873.0**	**(24.1)**
Share capital	(20.0)	(90.0)	(70.0)
Reserves	(350.5)	(350.7)	(0.2)
Accumulated profits/(losses) including profit/(loss) for the period	(37.7)	13.8	51.5
Own capital	**(408.2)**	**(426.9)**	**(18.7)**
Financial receivables and other non-current financial assets	5.4	5.5	0.1
Securities other than equity investments	-	-	-
Financial receivables and other current financial assets	73.3	66.0	(7.3)
Cash on hand and other cash equivalents	44.2	45.4	1.2
Non-current financial liabilities	(527.3)	(369.9)	157.4
Current financial liabilities	(84.4)	(192.9)	(108.5)
Net financial debt	**(488.9)**	**(446.0)**	**42.8**
Total coverage	**(897.1)**	**(873.0)**	**24.1**

Corporate Governance and internal audit system

GENERAL INFORMATION

The Corporate Governance Report for 2020 consists of two sections:
(i) the corporate structure up to 29 October 2020; (ii) the Governance structure after the extraordinary operation of 30 October 2020.
Therefore, it is held expedient to first explain the operation, so as to better understand its effects on the company.

EXTRAORDINARY OPERATION OF 29/30 OCTOBER 2020

1 RESTRUCTURING AGREEMENT PURSUANT TO ARTICLE 67, BANKRUPTCY LAW AND ITS RESOLUTION

On 30 July 2015 a number of agreements were signed to restore financial balance and improve the Group's debt exposure, to support and in execution of the Burgo Industrial Plan for 2015-2019, certified by Franco Carlo Papa on 29 April 2015, pursuant to and in accordance with article 67, paragraph 3, letter d) of Italian Royal Decree 267/1942 (the "Certified Plan").

By signing the agreement, the Company undertook the following with respect to the Certified Plan: (i) implementation of a programme to resize and optimise its production capacity, particularly with reference to the production of coated wood and wood free paper together with a progress reduction in costs; (ii) an increase in production, with a special focus on sectors found over the years to be more profitable and which currently appear able to offer additional margins for growth; (iii) the continuation of a development process in the special paper market; (iv) maintenance of the Loans in compliance with the established financial parameters.

This Recovery Plan also involved a commitment from the members of the Burgo Group S.p.A. Board of Directors, in concert with the Shareholder HGM S.p.A. (which currently holds the controlling interest in BG Holding S.r.l. — see below), to look for a strategic business and/or financial partner able to facilitate the completion of a merger progress functional to repositioning the Group within its reference market.
In this light, starting in 2015 and in subsequent years, various contacts were made, including those in 2019 between Burgo, HGM, QuattroR and the financial institutions which are parties to the Recovery Agreement, for the possible resolution of the Operation as defined below.

2 STRUCTURE OF THE OPERATION

The main features of the Operation carried out on 30 October 2020, which led to a substantial change in the shareholding structure of Burgo Group S.p.A., are described below:

a) The termination of the Recovery Agreement signed in 2015 which, among other things, allows the Company to amend its Governance rules, providing itself with more streamlined rules that will assist it in strengthening its position in the reference market.
b) The signing of a new Pool loan contract for a total of € 375,000,000.00. This contract has a duration of 5 years, starting on the signing date.
c) The obtaining of a revolving credit facility of € 100,000,000.00, with a 5-year duration.
d) The entry of the institutional investor QuattroR SGR S.p.A. into Burgo's shareholding structure (the company managing the "QuattroR Fund", or the "Fund"), through a newly established company BG Holding S.r.l. - ("BG"), directly invested in by the Fund itself and by HGM (which transferred to BG the entire equity investment directly and indirectly held in Burgo) each with a 50% stake, with the same providing economic resources to subscribe the capital increase of € 70,000,000.00. The establishment of BG and its entry into the shareholding structure benefiting Burgo, not only through the economic resources provided through the capital increase, but also through industrial and financial synergies deriving from the union of the knowledge of the sector held by the historic/industrial shareholder HGM and the financial skills provided by the companies of QuattroR, allowing the sharing of growth and Burgo.
e) Execution of the share capital increase reserved for BG Holding S.r.l. for € 70,000,000.00, carried out on 30 October 2020, which allowed BG to increase the stake it held in Burgo Group S.p.A., reaching 91% of equity at 31.12.2020 (91.7% after the end of financial year 2020).
f) The acquisition by the QuattroR Fund of equity financial instruments for Burgo from Pillarstone Italy Holding for a nominal value of around € 54 million.

3 BREAKDOWN OF THE BURGO GROUP SHAREHOLDING STRUCTURE AND CORPORATE GOVERNANCE THROUGH 29 OCTOBER 2020

In the light of the above, note that from 1 January 2020 to 29 October 2020, Burgo Group spa share capital totalled € 20,000,000.00, divided into 395,083,445 shares with no nominal value.

The Company does not hold any treasury shares or shares of its parent companies, including through fiduciary companies or through nominees. During the year it neither acquired nor disposed of treasury shares or shares of parent companies, including through fiduciary companies or nominees.

At 29.10.2019, share capital can be broken down as follows:

- Marchi S.p.A. Holding Group (directly and through the subsidiary Palladio Zannini Industrie Grafiche Cartotecniche spa) 50.59%;
- Mediobanca S.p.A. 22.12%;
- Italmobiliare S.p.A. 11.68%;
- Allegro (Generali Financial Holdings FCP-FIS Sub-Fund2) 11.68%;
- Unicredit S.p.A. 3.83%;
- Minority shareholders 0.10%.

Article XIX of the Company's Articles of Association in effect until the operation described requires that four sevenths of its directors in office vote in favour for issues of particular significance in order for the resolution to be valid, including the director appointed by the holders of the equity instruments convertible to ordinary and/or privileged shares of 23 December 2014 (SFP).

It subsidiaries have indicated that Burgo Group spa 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, prepares and adjusts its internal audit model and code of ethics, defines the general policies for financial, production, human resource, procurement and communication management and sets the objectives and procedures relative to workplace health and safety, quality and the environment. Additionally, certain services are managed at a centralised level, including treasury, corporate secretary, legal assistance and internal audit.

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 Burgo Group spa 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. The Company was administered through 29 October by a Board of Directors consisting of seven members, who hold the requirements of honour and professionalism envisaged in the Internal Code of Conduct applicable to listed companies. On 9 May 2018, the Shareholders' Meeting appointed 7 directors, 4 of which holding the independence requirements established in the Internal Code of Conduct applicable to listed companies. Additionally, 3 directors are executive (the Chairperson, CEO and Chief Restructuring Officer) and 4 are non-executive.

The Shareholders' Meeting has approved annual individual fees of € 40,000.00 for members of the Board of Directors.

In addition to the responsibilities pursuant to article 2365, paragraph 2 of the Italian Civil Code, the Board of Directors is granted the widest powers of ordinary and extraordinary administration and is responsible for guiding management of the company, as well as evaluating the adequacy of its organisational, administrative and accounting structure and, on the basis of the delegated bodies, general management performance.
The Board in office through 30 October 2020 took decisions with a simple majority, with the exception of cases for which article XIX of the Articles of Association required a wider majority.
The Chairperson has the power to represent and sign for the company, as established in the Articles of Association. The Chairperson is responsible for institutional and trade organisation relationships and communication with the media. The Chairperson is also responsible for internal audit activities, with Group departments in this area reporting to the Chairperson. The Chairperson works with the CEO to define company strategies.
The Chief Executive Officer is invested with the widest ordinary and extraordinary administrative powers, with the exception of that which the law and article XIX of the Articles of Association reserve expressly for the Shareholders' Meeting and the Board itself and, if not otherwise envisaged, those expressly delegated to the Chairperson and Chief Restructuring Officer.
At least once every 120 days directors who have been granted powers report to the Board on the activities carried out within the context of said powers and on transactions of greater significance carried out by the parent company or subsidiaries and on those in which they have an interest for themselves or for third parties.
On 4 December 2019 Alberto Franzone resigned as a member of the Board of Burgo Group S.p.A. Hence, on 23 April 2020 the Board of Directors, having received a favourable opinion from the Board of Statutory Auditors, noting that the Shareholders' Meeting was drawing near, resolved to delegate to the latter the appointment of the Board of Directors member, not carrying out any cooptation. On 2 July 2020, in compliance with the rules in effect at the time and, hence, with a favourable opinion from the holders of the SFP, the Burgo Group S.p.A. Shareholders' Meeting appointed Giampaolo Provaggi as an Independent Director and member of the Board of Directors. As stated, the Board in this formation remained in office until 30 October 2020. During this period, it met 7 times, with an average duration of 4 hours per meeting.

4 BREAKDOWN OF THE BURGO SHAREHOLDING STRUCTURE FROM 30 OCTOBER 2020 TO 31 DECEMBER 2020

As noted in paragraph 2, after the described Extraordinary Capital Increase Operation and the termination of the Agreement pursuant to article 67 of the Bankruptcy Law, specifically from 30 October 2020 until 31 December 2020, the company's capital was equal to € 90,000,000.00, divided into 2,168,857,500 shares with no nominal value, held as follows:

1) BG Holding S.r.l. held 1,973,660,325 Burgo shares, representing a 91% stake;
2) Mediobanca 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) Allegro S.à.r.l. (on the account of Generali Financial Holding FCP-FIS SUB) held 46,153,846 Burgo shares, representing a 2.13% stake;
5) UniCredit S.p.A. held 15,134,062 Burgo shares, representing a 0.7% stake (after 31.12.2020, this equity investment was acquired by BG Holding S.r.l.) and
6) the remaining 313,056 Burgo shares, representing 0.01%, were held by various shareholders.

The Articles of Association adopted by the Shareholders' Meeting resolution of 22 October 2020 also calls for the traditional model, consisting of the following Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

(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 Chairman 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 3 times with an average meeting duration of 2 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, 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.

For the sake of completeness, note that the Company has appointed EY S.p.A. to audit its accounts. This appointment will expire with approval of the 2021 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 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. Hence, for the purposes of this report, the description of these instruments is divided into two sections:

a) 1 January 2020 to 30 October 2020: In execution of the restoration agreement pursuant to article 67, paragraph 3, letter d) of Royal Decree 267 of 16 March 1942, with a Board of Directors resolution of 30 July 2015 the Company issued 200,000,000 equity financial instruments known as "Burgo Group S.p.A. equity instruments convertible to ordinary and/or privileged shares of 23 December 2014" (SFP), subdivided into category A and category B equity financial instruments.
These financial instruments were subscribed by certain lending institutions through the conversion of € 200 million in debt, through adherence to the cited agreement, as specified in the table below:

Equity financial instruments	**Category A**	**Category B**
Mediobanca S.p.A.		130,374,542
QuattroR SGR S.p.A.	54,096,920	
Banco BPM S.p.A.	15,528,538	
	69,625,458	**130,374,542**

Holders of SFPs are granted certain administrative rights which include, among other things, (i) the right to appoint a member of the Board of Directors pursuant to article 2351, fifth paragraph of the Italian Civil Code; (ii) the right to express approval in relation to the appointment of another 3 directors; and (iii) the right to express approval in relation to the appointment of a regular auditor.

b) 30 October 2020 to 31 December 2020: In the context of the above Refinancing and Capital Increase, the regulatory regime for the SFP issued in 2015 was also changed. More specifically, after revocation of the resolutions made in 2015 for the capital increase, including the issuing of new equity financial instruments, 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, among other things, the right to be converted into Company shares, as well as all Governance rights.
Additionally, on 30 October 2020, QuattroR acquired the equity financial instruments from Pillarstone Italy Holding S.p.A.

Privacy protection, Italian Legislative Decree 196 of 30 June and GDPR, 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 2020, 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.

Other information

Performance of subsidiaries and associated companies

SUBSIDIARIES

Burgo Ardennes sa
(reporting prepared in accordance with the international accounting standards)
Revenues amounted to € 262.6 million (€ 294.3 million the previous year).
The gross operating margin (EBITDA) was € 26.4 million, against € 17.9 million the previous year.
Net profits for the year came to € 1.1 million, against € -1.3 million the previous year.

Mosaico spa
(financial statements prepared in accordance with the international accounting standards)
Revenues amounted to € 378.6 million (€ 403.0 million the previous year).
The gross operating margin (EBITDA) was € 34.4 million, against € 32.4 million the previous year.
Net profits for the year came to € 13.8 million, against € 13.8 million the previous year.

Burgo Distribuzione srl
(financial statements prepared in accordance with the international accounting standards)
Revenues amounted to € 161.9 million (€ 199.0 million the previous year).
The gross operating margin (EBITDA) was € 2.3 million, against € 3.6 million the previous year.
Net profits for the year came to € 1.1 million, against € 1.9 million the previous year.

Burgo Energia srl
(financial statements prepared in accordance with the international accounting standards)
Revenues amounted to € 75.2 million (€ 118.4 million the previous year).
The gross operating margin (EBITDA) was € 3.1 million, against € 2.2 million the previous year.
Net profits for the year came to € 2.1 million, against € 1.3 million the previous year.

Burgo Factor spa
(financial statements prepared in accordance with the international accounting standards)
The company managed total receivables equal to € 225.6 million (€ 312.5 million the previous year).
Net profits for the year came to € 1.9 million, against € 2.9 million the previous year.

Gever spa

(financial statements prepared in accordance with the international accounting standards)

Revenues amounted to € 28.1 million (€ 47.0 million the previous year).
The gross operating margin (EBITDA) was € 4.0 million, against € 2.2 million the previous year.
Net profits for the year came to € 0.4 million, against € -0.4 million the previous year.

Consorzio Energy Paper Scarl

(financial statements prepared in accordance with national accounting standards)

Revenues totalled € 10.1 million, the gross operating margin (EBITDA) was € 0.0 million and the net result for the year was € 0.0 million.

Other foreign companies

The foreign sales companies (Burgo Central Europe, Burgo France, Burgo Ibérica Papel, Burgo UK, Burgo Benelux, Burgo North America, Sefe and Burgo Eastern Europe) achieved a negative net result as a whole, equal to € -0.25 million (€ 1.0 million the previous year).

Relations with subsidiaries, associated companies and parent companies

The parent company Burgo Group spa, 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;
- electricity and steam from Gever;
- 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;
- plant services to Gever;
- 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 and Burgo Distribuzione;
- insurance coverage to Mosaico, Burgo Factor, Burgo Distribuzione, Burgo Energia, Gever, 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.
Relative to the electricity and steam purchasing contract with Gever, the parent company guarantees the supply of gas to Gever, charging back all relative costs to it. Burgo Group spa, 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 srl, Burgo Energia srl, Gever spa, Burgo Factor spa and Mosaico spa for IRES purposes and to Burgo Distribuzione srl, Burgo Energia srl, Gever spa and Mosaico spa for VAT purposes, in relation to the current tax regulations in effect.
The above relationships are indicated quantitatively in the schedule below:

Relations with related parties €/mln	**Subsidiaries**		**Total financial statement items**			
	31 Dec 2019	**31 Dec 2020**	**31 Dec 2019**	**%**	**31 Dec 2020**	**%**
Financial receivables and other non-current financial assets	2,800	2,800	5,410	52%	5,480	51%
Trade receivables	32,925	32,427	123,527	27%	104,942	31%
Other receivables and current assets	12,433	8,079	33,139	38%	21,052	38%
Financial receivables and other current financial assets	68,234	60,515	73,265	93%	65,983	92%
Current financial liabilities	(20,062)	(33,319)	(84,446)	24%	(192,925)	17%
Trade payables	(65,710)	(88,686)	(283,814)	23%	(252,401)	35%
Other payables and current liabilities	(4,873)	(1,454)	(27,114)	18%	(20,517)	7%
Economic relationships						
Revenues	175,932	126,254	1,119,375	16%	810,238	16%
Other income	4,646	7,976	36,164	13%	30,534	26%
Costs for materials and external services	(257,506)	(235,047)	(963,218)	27%	(733,277)	32%
Other operating costs	(4,416)	(10,559)	(23,931)	18%	(13,484)	78%
Financial expenses	(122)	(16)	(25,845)	0%	(23,610)	0%
Financial income	24,068	20,033	25,301	95%	20,040	100%
Income taxes	8,378	6,108	3,380	248%	4,638	132%

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2 | Burgo Group Consolidated Financial Statements

2

Consolidated accounting schedules

Consolidated Balance Sheet

Statement of equity/financial position: Assets €/000	Note	31 Dec 2019	31 Dec 2020	Change
Non-current assets		**844,620**	**833,320**	**(11,300)**
Property, plant and equipment		**728,143**	**711,850**	**(16,293)**
Property, plant and equipment	1	719,702	704,218	(15,484)
Property investments	1	664	637	(27)
Right of use assets	1	7,778	6,995	(783)
Intangible assets		**24,829**	**30,862**	**6,033**
Goodwill and other intangible assets with undefined life	2	17,061	17,061	-
Intangible assets with defined life	2	7,768	13,801	6,033
Other non-current assets		**22,796**	**23,768**	**972**
Equity investments in other companies	3	13,600	13,240	(360)
Financial receivables and other non-current financial assets	3	4,158	4,156	(2)
Other receivables and non-current assets	3	5,038	6,372	1,334
Deferred tax assets		**68,852**	**66,840**	**(2,012)**
Deferred tax assets	4	68,852	66,840	(2,012)
Current assets		**634,476**	**529,206**	**(105,271)**
Inventories	5	237,673	194,160	(43,513)
Trade receivables	6	232,171	202,413	(29,758)
Other receivables and current assets	7	35,422	28,059	(7,363)
Equity investments	8	1,030	792	(239)
Financial receivables and other current financial assets	9	80,897	55,197	(25,700)
Cash and cash equivalents	10	47,283	48,585	1,302
Total assets		**1,479,096**	**1,362,526**	**(116,571)**

Statement of equity/financial position: Liabilities €/000	Note	31 Dec 2019	31 Dec 2020	Change
Shareholders' equity		**314,301**	**334,368**	**20,067**
Share capital	11	20,000	90,000	70,000
Reserves	11	280,294	280,966	672
Accumulated profits/(losses) including profit/(loss) for the period	11	10,587	(40,222)	(50,810)
Shareholders' equity attributable to non-controlling interests	11	3,420	3,624	204
Non-current liabilities		**669,074**	**494,625**	**(174,449)**
Non-current financial liabilities	12	551,099	390,031	(161,068)
Severance indemnities and other provisions related to personnel	13	35,334	31,628	(3,706)
Provisions for deferred tax liabilities	14	18,236	17,625	(611)
Provisions for risks and charges	15	63,593	55,167	(8,426)
Other payables and non-current liabilities	16	811	174	(637)
Current liabilities		**495,721**	**533,532**	**37,812**
Current financial liabilities	17	72,923	172,223	99,301
Trade payables	18	364,830	314,452	(50,378)
Payables for current taxes	19	8,184	6,057	(2,128)
Other payables and current liabilities	20	49,784	40,801	(8,984)
Total shareholders' equity and liabilities		**1,479,096**	**1,362,526**	**(116,571)**

Consolidated Profit and Loss Statement for the Year

Profit and Loss Statement for the Year €/000	**Note**	**31 Dec 2019**	**31 Dec 2020**	**% change**
Revenues	22	1,639,222	1,274,717	-22.2%
Other income	23	59,027	56,915	
Total operating revenues and income		**1,698,249**	**1,331,631**	**-21.6%**
Costs for materials and external services	24	(1,307,801)	(1,018,473)	
Personnel expenses	25	(198,043)	(186,529)	
Other operating costs	26	(50,890)	(34,208)	
Change in inventories	27	(10,860)	(43,513)	
Capitalised costs for internal work	28	821	1,910	
Depreciation and amortisation	29	(79,195)	(72,246)	
Capital gains/losses on disposal of non-current assets	30	(1,482)	(664)	
Writebacks/writedowns of non-current assets	31	(10,805)	-	
Total operating costs		**(1,658,255)**	**(1,353,723)**	**-18.4%**
Operating result		**39,994**	**(22,092)**	**-155.2%**
Financial expenses	32	(30,948)	(28,111)	
Financial income	33	6,142	3,225	
Profit/(loss) before tax		**15,189**	**(46,977)**	
Income taxes	34	(5,463)	(4,050)	
Profit/(loss) for the period		**9,726**	**(51,027)**	
Attributable to:				
Profit (loss) for the period pertaining to minority shareholders		*289*	*194*	
Profit (loss) for the period pertaining to the Group		*9.437*	*(51.221)*	

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

Schedule of other components of the comprehensive profit and loss statement €/000	**Note**	**31 Dec 2019**	**31 Dec 2020**	**% change**
A - Profit (loss) for the period		**9,726**	**(51,027)**	**-624.7%**
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		18	(30)	
		18	**(30)**	
Net (loss) profit from cash flow hedge	35	(2,355)	2,662	
Income taxes		657	(742)	
		(1,698)	**1,920**	
Net (loss) profit from financial assets FVOCI	35	256	(239)	
Income taxes		-	-	
		256	(239)	
B - Total other components of the comprehensive profit and loss statement to be subsequently reclassified in the annual profit and loss statement net of taxes		**(1,424)**	**1,651**	
(Losses) gains from discounting of defined benefit plans	35	(3.210)	(661)	
Income taxes		871	159	
		(2,338)	(502)	
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		**(2,338)**	**(502)**	
D - Total other components of the comprehensive profit and loss statement net of taxes (B + C)		**(3,763)**	**1,149**	
E - Total comprehensive profit (loss) net of taxes (D + A)		**5,963**	**(49,878)**	**-936.5%**
Attributable to:				
Minority shareholders		*289*	*194*	
Group (parent company shareholders)		*5,674*	*(50,072)*	

For comments on the schedule, please see note 35 "Consolidated schedule of other components of the comprehensive profit and loss statement".

Statement of Changes in Consolidated Shareholders' Equity

Changes in shareholders' equity €/000	Share capital	Legal reserve	Non-distributable reserve from share capital reduction	IAS reserve	Reserve for equity financial instruments	Non-distributable exchange gains reserve	Other reserves	Undistributed profits - Carried forward	Result for the year	Shareholders' equity, majority shareholder	Third party reserves	Profit (loss) for the year pertaining to minority shareholders	**Group shareholders' equity**
Balances at start of previous period	**20,000**	**13,149**	**138,797**	**(2,369)**	**200,000**	**1,280**	**(66,803)**	**(8,772)**	**9,583**	**304,866**	**2,767**	**326**	**307,959**
Destination of result - distribution of dividends	-	-	-	-	-	-	-	9,583	(9,583)	-	326	(326)	-
Net change profits (losses) directly recognised in shareholders' equity	-	-	-	(3,780)	-	-	-	-	-	(3,780)	-	-	(3,780)
Other changes in shareholders' equity	-	-	-	-	-	-	-	339	-	341	38	-	379
Exchange differences from translation of foreign financial statements	-	-	-	-	-	-	18	-	-	18	-	-	18
Profit/(loss) for the period	-	-	-	-	-	-	-	-	9,437	9,437	-	289	9,726
Balances at start of period	**20,000**	**13,149**	**138,797**	**(6,149)**	**200,000**	**1,280**	**(66,785)**	**1,151**	**9,437**	**310,881**	**3,131**	**289**	**314,301**
Destination of result - distribution of dividends	-	-	-	-	-	-	-	9,437	(9,437)	-	289	(289)	-
Net change in profits/(losses) directly recognised in shareholders' equity	-	-	-	1,179	-	-	-	-	-	1,179	-	-	1,179
Other changes in shareholders' equity	70,000	-	-	-	-	(475)	-	412	-	69,935	10	-	69,945
Exchange differences from translation of foreign financial statements-	-	-	-	-	-	-	(30)	-	-	(30)	-	-	(30)
Profit/(loss) for the period						-	-	-	(51,221)	(51,221)	-	194	(51,027)
Balances at period end	**90,000**	**13,149**	**138,797**	**(4,970)**	**200,000**	**805**	**(66,816)**	**10,999**	**(51,221)**	**330,744**	**3,430**	**194**	**334,368**

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

Consolidated Cash Flow Statement

Cash Flow Statement €/000	**31 Dec 2019**	**31 Dec 2020**
A - Net initial monetary availability	**(18,301)**	**984**
B- Monetary flow from operating activities		
Net profit (loss) deriving from operating activities	9,726	(51,027)
Amortisation, depreciation, write-downs and writebacks	90,000	72,246
Writedowns and writebacks of financial assets	360	360
Capital (gains) losses on disposal of non-current assets	1,482	664
Change in TFR and provisions for risks	1,904	(12,793)
Change in deferred tax assets and provision for deferred taxes	(912)	1,399
Profit (loss) for the period before changes in working capital	**102,559**	**10,849**
Change in inventories	10,783	43,513
Change in trade receivables	61,046	29,758
Change in trade payables	(53,432)	(50,378)
Change in other assets and liabilities	(18,268)	(3,647)
Change in net working capital	**129**	**19,246**
Total B- Monetary flow from operating activities	**102,688**	**30,095**
C - Monetary flow from investing activities		
Investments in property, plant and equipment	(90,104)	(51,321)
Other increases in property, plant and equipment	(4,295)	(4,772)
Investments in intangible assets	(918)	(948)
Recognition of other non-current assets	(14,672)	(13,059)
Change in equity investments	(4,298)	-
Revenues from sales of fixed assets	16,627	9,215
Total C - Monetary flow from investing activities	**(97,660)**	**(60,886)**
D - Monetary flow from financing activities		
Change in non-current securities and financial receivables	224	2
Change in financial receivables and other current financial assets	13,460	25,700
Change in current and non-current other non-financial liabilities	60	(995)
New loans	27,796	382,728
Repayment of loans	(24,990)	(550,739)
Repayment right of use loans	(2,265)	(2,553)
Changes in Shareholders' Equity	(27)	69,935
Total D - Monetary flow from financing activities	**14,258**	**(75,922)**
E - Monetary flow for the period (B + C + D)	**19,285**	**(106,713)**
Net final monetary availability (A + E)	**984**	**(105,729)**

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.

General information, accounting standards and measurement criteria

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. *(electricity and steam production)*	Altavilla Vicentina (VI)	EUR	3,120,000	100.00	Burgo Group S.p.A.
Burgo Ardennes S.a *(paper industry)*	Virton (Belgium)	EUR	75,000,000	99.99 0.01	Burgo Group S.p.A. Mosaico S.p.A.
Burgo Iberica Papel S.a. *(sales)*	Barcelona (Spain)	EUR	268,000	100.00	Burgo Ardennes S.a
Burgo Benelux S.a. *(sales)*	Brussels (Belgium)	EUR	247,900	100.00	Burgo Group S.p.A.
Burgo France S.a.r.l. *(sales)*	Champeaux (France)	EUR	600,000	100.00	Burgo Group S.p.A.
Burgo UK L.t.d. *(sales)*	Milton Keynes (UK)	GBP	250,000	100.00	Burgo Group S.p.A.
Burgo Central Europe G.m.b.h. *(sales)*	Munich (Germany)	EUR	256,000	100.00	Burgo Group S.p.A.
Burgo North America L.t.d. *(sales)*	Stamford - Connecticut (USA)	USD	100,000	100.00	Burgo Group S.p.A.
Burgo Factor S.p.A. *(factoring)*	Milan	EUR	3,000,000	90.00	Burgo Group S.p.A.
Burgo Distribuzione S.r.l. *(sales)*	Altavilla Vicentina (VI)	EUR	9,060,000	100.00	Burgo Group S.p.A.
S.E.F.E. S.a.r.l. *(forest management)*	Ecouviez (France)	EUR	76,250	99.80 0.20	Burgo Ardennes S.a Burgo Group S.p.A.
Burgo Energia S.r.l. *(energy wholesaler)*	Altavilla Vicentina (VI)	EUR	5,015,000	100.00	Burgo Group S.p.A.
Mosaico S.p.A. *(paper industry)*	Altavilla Vicentina (VI)	EUR	75,000,000	100.00	Burgo Group S.p.A.
Burgo Eastern Europe Sp zoo *(sales)*	Warsaw (Poland)	PLN	5,000	100.00	Burgo Group S.p.A.
Consorzio Energy Paper s.c.a.r.l. *(energy services)*	Altavilla Vicentina (VI)	EUR	56,817	64.01 17.80	Burgo Group S.p.A. Mosaico S.p.A.

ACCOUNTING STANDARDS AND CONSOLIDATION CRITERIA

The consolidated financial statements for Burgo Group spa at 31 December 2020 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 with the actions aimed at strengthening equity and restoring financial balance, necessary for the implementation of the *Burgo 2020 Plan*. This gave rise to the financial balance plan, pursuant to article 67, paragraph 3, letter d of the Italian Bankruptcy Law, as envisaged in the agreement reached with the lending institutions.

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. Additionally, amounts from the previous year were restated for better comparison between the two financial years;

• **Cash flow statement**: this is structured on the basis of the indirect method.

The Group ended financial year 2020 with a loss of € -51.1 million, shareholders' equity of € 334.4 million and net financial debt of € 454.3 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 spa, the parent company, and those of subsidiaries over which Burgo Group spa 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 spa 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 2019 and 31 December 2020.

Exchange rates	2019		2020	
	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	1.123	1.120	1.227	1.141
Pound sterling	0.851	0.877	0.899	0.889
Polish zloty	4.257	4.298	4.560	4.443

Accounting standards and measurement criteria

The consolidated financial statements at 31 December 2020 were prepared in compliance with the IAS/IFRS accounting standards for preparing individual financial statements at 31 December 2019, taking into account the amendments and new standards which took effect as of 1 January 2020, listed below.

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company as of 1 January 2020:

On 31 October 2018, the IASB published the document “Definition of Material (Amendments to IAS 1 and IAS 8)”. The document introduced an amendment to the definition of “material” contained in standards IAS 1 - Presentation of Financial Statements and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors. The amendment is intended to make the definition of “material” more specific and introduces the concept of “obscured information”, accompanying the concepts of omitted or misstated information already contained in the two standards amended. The amendment clarifies that information is “obscured” when it is described in such a way as to produce a similar effect in a reader as would be produced if the information had been omitted or misstated.
The adoption of this amendment had no effects on the Group's consolidated financial statements.

On 29 March 2018, the IASB published an amendment to “References to the Conceptual Framework in IFRS Standards”. The amendment is effective for periods starting on or after 1 January 2020. Early application is allowed. The Conceptual Framework defines the basic concepts for financial disclosures and guides the Board in developing the IFRS. The document helps to guarantee that the Standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in developing accounting standards when no IFRS is applicable to a given transaction and, more generally, helps interested parties to understand and interpret the Standards.
The adoption of this amendment had no effects on the Group's consolidated financial statements.

On 26 September 2019, the IASB published amendments in "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". This amended IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment changes some of the requirements established for application of hedge accounting, establishing temporary derogations to the same to mitigate the impact deriving from uncertainties about the IBOR reform on future cash flows in the period before it is completed. The amendment also requires companies to provide additional information about their hedges in the financial statements when they are directly affected by the uncertainties generated by the reform and to which the aforementioned derogations apply. The adoption of this amendment had no effects on the Group's consolidated financial statements.

On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides clarifications regarding the definition of a business, to ensure proper application of IFRS 3. In particular, the amendment clarifies that while a business generally produces an output, the presence of an output is not strictly necessary for the identification of a business in the presence of an integrated combination of activities/processes and assets. Nonetheless, to meet the definition of a business, the integrated set of activities/processes and assets must include, at a minimum, an input and a substantial process that together contribute significantly to the ability to create an output. To that end, the IASB replaced the phrase "ability to create output" with "ability to contribute to the creation of output" to clarify that a business may exist even with the presence of all the inputs and processes needed to create an output. The amendment also introduced an optional test ("concentration test"), which makes it possible to exclude the existence of a business if the price paid substantially refers to an individual asset or group of assets. The amendments apply to all business combinations and acquisitions of assets subsequent to 1 January 2020. Early application is allowed.
The adoption of this amendment had no effects on the Group's consolidated financial statements.

On 28 May 2020, the IASB published the document "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document grants lessees the ability to recognise reductions in rent connected to Covid-19 without having to evaluate, through contract analysis, whether the IFRS 16 definition of a lease modification is met. Hence, lessees who apply this right can recognise the effects of rent reductions directly in the income statement as of the date the reduction takes effect. The adoption of this amendment had no effects on the Group's consolidated financial statements.

IFRS AND IFRIC 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 2020

On 27 August 2020 the IASB published, in the light of the IBOR interbank interest reform, the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:
- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts; and
- IFRS 16 Leases.

All the amendments take effect on 1 January 2021. At present the Directors are evaluating the possible effects introduction of this amendment may have on the Group's consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

As of the reporting date of this document, the relevant bodies of the European Union had not yet completed the approval process necessary for the adoption of the amendments and standards described below.
On 23 January 2020 the IASB published an amendment titled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document is intended to clarify the process of classifying payables and other liabilities as current or non-current. The amendments take effect on 1 January 2023. Early application is allowed. At present the Directors are evaluating the possible effects introduction of this amendment may have on the Group's consolidated financial statements.

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 of IFRS 3.
- **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 portion of personnel costs and depreciation of machines used to fulfil the contract).

Annual Improvements 2018-2020: this makes amendments to IFRS 1 First- time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples for IFRS 16 Leases. At present the Directors are evaluating the possible effects introduction of this amendment may have on the Group's consolidated financial statements.

On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts which allows first time IFRS adopters to continue to recognise amounts relative to "Rate Regulation Activities" using their previously adopted accounting standards. As the Company/Group is not a first time adopter, this standard does not apply to them.

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 con-

tract 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 capitalizable 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 intragroup profits relative to minority shareholders are eliminated relative to the portion pertaining to the Group held in the investee. Unrealised intragroup 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. Profits and losses are recognised in the income statement when the asset is eliminated, amended or remeasured.

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

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

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

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

— Investments in equity instruments

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

— Financial assets at fair value through profit and loss

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

— Derecognition

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and groups of assets and liabilities for which the book value will mainly be recovered through sale, rather than through continuous use, are presented separately under other assets and liabilities in the 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 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 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 2020 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.

Notes to the 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 2019	31 Dec 2020	Change
Property, plant and equipment	719,702	704,218	(15,484)
Property investments	664	637	(27)
Right of use assets	7,778	6,995	(783)
	728,143	**711,850**	**(16,293)**

— 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	**634,314**	**2,994,537**	**20,297**	**52,142**	**121,664**	**3,822,954**
Increases during period	2,446	26,282	106	879	26,381	56,093
Disposals during period	(1,711)	(16,493)	(8)	(3,078)	-	(21,290)
Other changes	13,886	109,089	40	82	(123,104)	(7)
Historic cost at period end	**648,934**	**3,113,416**	**20,436**	**50,025**	**24,941**	**3,857,751**
Provision for amortisation/ depreciation at start of period	**421,683**	**2,613,612**	**18,629**	**49,328**	**-**	**3,103,253**
Amortisation/depreciation during period	10,221	57,058	597	1,164	-	69,040
Uses during period	(32)	(15,706)	(8)	(3,008)	-	(18,754)
Other changes in the provision	(0)	-	-	(6)	-	(6)
Provision for amortisation/ depreciation at period end	**431,872**	**2,654,965**	**19,218**	**47,478**	**-**	**3,153,533**
Net book value at period end	**217,063**	**458,451**	**1,218**	**2,546**	**24,941**	**704,218**

Capitalisation carried out during the year amounted to € 56,093 thousand (€ 94,399 thousand in 2019) and also included other increases for € 1,910 thousand (€ 821 thousand in 2019) relative to internal work; capitalisation of financial expense equal to € 320 thousand (€ 231 thousand in 2019), calculated with reference to a rate of 1.99%, implementing IAS 23; and advances on maintenance work for € 2,970 thousand (€ 3,501 thousand in 2019).

Please see the Report on Operations for comments and details on investments in 2020. The historic cost and provision for amortisation eliminated due to disposals amount respectively to € 21,290 thousand and € 18,754 thousand. The main transactions involve Burgo Group spa 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. The main sale, for € 1,650 thousand, refers to the sale of a portion of the buildable land in Bovolone. 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	**82**	**931**	**1,014**
Increases during period	-	-	-
Disposals during period	(0)	-	(0)
Revaluations, impairment during period	-	-	-
Other changes	-	-	-
Historic cost at period end	**82**	**931**	**1,014**
Provision for amortisation/depreciation at start of period	**-**	**350**	**350**
Amortisation/depreciation during period	-	26	26
Uses during period	-	-	-
Other changes in the provision	-	-	-
Provision for amortisation/depreciation at period end	**-**	**377**	**377**
Net book value at period end	**82**	**555**	**637**

With regards to real estate activities during the year, with the exception of depreciation for the period totalling € 26 thousand (€ 26 thousand in 2019), no other significant changes occurred.

— 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	**3,915**	**877**	**3,964**	**1,013**	**408**	**10,176**
Increases during period	2,014	223	803	76	234	3,350
Disposals during period	(1,851)	(114)	(197)	(48)	-	(2,210)
Historic cost at period end	**4,079**	**986**	**4,570**	**1,040**	**642**	**11,316**
Provision for amortisation/ depreciation at start of period	**608**	**194**	**1,147**	**306**	**158**	**2,413**
Amortisation/depreciation during period	601	236	1,108	310	293	2,548
Uses during period	(331)	(59)	(201)	(48)	-	(640)
Provision for amortisation/ depreciation at period end	**877**	**371**	**2,054**	**567**	**451**	**4,321**
Net book value at period end	**3,201**	**615**	**2,515**	**473**	**190**	**6,995**

During 2020 increases were recorded in the amount of € 3,350 thousand following the opening of new lease contracts. Amortisation during the period totalled € 2,548 thousand. Disposals of gross historic cost during the period totalled € 2,210 thousand, against writeoffs of the provision equal to € 640 thousand. The main changes refer to Burgo Distribuzione, which saw an increase of € 1,644 thousand and disposals of € 1,851 thousand, after the simultaneous termination of the existing contract and signing of a new loan contract for its offices in Milan.

2 INTANGIBLE ASSETS

The balance is as follows:

Intangible assets €/000	31 Dec 2019	31 Dec 2020	Change
Goodwill and other assets with undefined life			
Goodwill	**17,061**	**17,061**	**-**
	17,061	**17,061**	**-**
intangible with defined life			
Concessions, licenses, trademarks and similar rights	2,031	2,628	598
Other intangible assets	5,298	11,015	5,717
Fixed assets in progress and advances	439	157	(282)
	7,768	**13,801**	**6,033**
	24,829	**30,862**	**6,033**

The item goodwill includes that recognised through incorporation of the plants in Valchiampo and Villorba di Cartiere Marchi S.p.A. during 2006 (€ 16,647 thousand) and for the acquisition of 100% of Cavallari S.r.l. subsequently called Burgo Distribuzione S.r.l. (€ 414 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 taken into account the specific risks of the CGUs, involve the risk-free rate of 1.12% (1.90% in 2019), the market risk premium of 6% (5.5% in 2019), increased by 2.5% to incorporate other risks for certain CGUs, a variable growth rate between 1.00% and 2.50% based on the CGU, the cost of debt before taxes of 2.75% (2.25% in 2019) and the ratio between equity and debt, respectively equal to 64.46% and 35.54% (respectively 71.47% and 28.53% the previous year) derived as the average value of a panel of comparable listed companies in the same sector. During the year in question the impairment test performed did not indicate a need to carry out writedowns.

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

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

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.
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 € 13,059 thousand in the balance sheet (€ 14,672 thousand in 2019), of which € 11,015 recognised among 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	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Fixed assets in progress and advances	**Total**
Historic cost at start of period	**17,061**	**5,007**	**382**	**14,943**	**5,298**	**439**	**43,130**
Increases during period	-	-	-	923	13,059	25	14,007
Disposals during period	-	-	-	-	(7,342)	-	(7,342)
Revaluations, impairment during period	-	-	-	-	-	-	-
Other changes	-	-	-	306	-	(306)	-
Historic cost at period end	**17,061**	**5,007**	**382**	**16,173**	**11,015**	**157**	**49,795**
Provision for amortisation/ depreciation at start of period		**5,007**	**382**	**12,913**	**-**		**18,301**
Amortisation/depreciation during period		-	-	632	-		632
Uses during period		-	-	-	-		-
Other changes in the provision		-	-	-	-		-
Provision for amortisation/ depreciation at period end		**5,007**	**382**	**13,545**	**-**		**18,933**
Net book value at period end	**17,061**	**0**	**-**	**2,628**	**11,015**	**157**	**30,862**

Increases of € 14,007 thousand, in addition to the inclusion of green certificates for € 13,059 thousand, mainly incorporate software purchases of € 923 thousand, for the most part relative to the project to update and develop the company's ERP system. Decreases relate to the sales green certificates for € 7,342 thousand.

3 OTHER NON-CURRENT ASSETS

These include the items indicated below:

— Equity investments and securities

Equity investments and securities €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Equity investments in other companies	13,600	13,240	(360)
	13,600	**13,240**	**(360)**

The item "Equity investments in other companies" decreased during the year due to the € 360 thousand writedown made to the equity investment in Consorzio Interconnector Energy Italia S.c.a.r.l.
This equity investment is recognised in the financial statements with a net value of € 3,579 thousand.
The other equity investments, with a recognised value of € 9,661 thousand, include € 9,651 thousand for the portion pertaining to the Burgo Group of the Consorzio Paper Interconnector S.c.a.r.l., mainly acquired in 2017 in the context of the last capital increase.

— Financial receivables and other non-current financial assets

Financial receivables and other non-current financial assets €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Non-current financial receivables due from others	4,158	4,156	(2)
	4,158	**4,156**	**(2)**

Financial receivables due from others total € 4,156 thousand, of which € 2,680 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 2019	31 Dec 2020	Change
Non-current sundry receivables due from others	94	96	2
Non-current guarantee deposits	4,944	6,276	1,332
	5,038	**6,372**	**1,334**

The increase in other receivables and non-current assets, equal to € 1,334 thousand with respect to the previous year, is mainly due to the increase in the Terna guarantee deposit made by Burgo, relative to the portions paid monthly to the guarantee fund to carry out interconnection work between Italy and the rest of Europe as part of the Interconnector procedure.

4 DEFERRED TAX ASSETS

These amount to € 66,840 thousand, with a decrease of € 2,012 thousand. Below is a detailed explanation:

Deferred tax assets €/000	31 Dec 2019			31 Dec 2020		
	Taxable	Rate	(Debit)/ credit	Taxable	Rate	(Debit)/ credit
IRES						
Taxed provisions (allocated)	111,207	24.0	26,551	105,492	24.0	25,318
Derivatives	36	24.0	9	(1,487)	24.0	(357)
Discounting	(210)	15.3	(32)	(0)	24.0	(0)
IAS 19 discounting - actuarial G/L	5,363	23.7	1,269	5,415	24.0	1,300
Amortisation, depreciation and writedowns	(41,874)	24.0	(10,050)	(38,325)	24.0	(9,198)
30% limit financial expense	60,411	24.0	14,499	60,743	24.0	14,578
IRES losses to utilise in future financial years	175,134	24.0	42,032	173,322	24.0	41,597
Allocation of shortfall	(22,885)	24.0	(5,492)	(22,337)	24.0	(5,361)
Other items	(1,443)	24.0	(346)	(4,336)	24.0	(1,041)
	285,738		**68,439**	**278,487**		**66,837**
IRAP						
Taxed provisions (allocated)	43,944	3.8	1,652	36,860	3.9	1,438
Discounting	(103)	3.9	(4)	-	3.9	-
Amortisation, depreciation and writedowns	(8,679)	3.9	(339)	(8,698)	3.9	(339)
Allocation of shortfall	(22,885)	3.9	(893)	(22,337)	3.9	(871)
Derivatives	36	3.9	1	(1,487)	3.9	(58)
Other items	(164)	3.9	(6)	(4,407)	3.9	(172)
	12,149		**412**	**(69)**		**(3)**
Other items	5	28.0	1	21	28.0	6
			68,852			**66,840**

Deferred tax assets show the balance between positions receivable and payable deriving from companies for which offsetting is legally allowed.
The main differences seen during the year can be attributed to the following phenomena:
- provisions taxed for IRES and IRAP purposes;
- amortisation/depreciation and impairment for IRES and IRAP;
- IRES losses to be used in future financial years;
- allocation of shortfalls for IRES and IRAP.

For more details about the applicable rate, please see note 34 "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 deferred taxes, summarised by year of creation and maturity, relate to the parent company. 2002 tax losses can be used only by Burgo Group spa, while the other losses can be used within the scope of consolidation.

Tax losses €/000		2019		2020	
	maturity	loss	tax	loss	tax
2001	can be carried forward indefinitely	5,318	1,277	-	-
2002	can be carried forward indefinitely	152,738	36,657	150,980	36,235
2008	can be carried forward indefinitely	17,078	4,099	22,341	5,362
		175,134	**42,033**	**173,321**	**41,597**

CURRENT ASSETS

5 INVENTORIES

Inventories €/000	31 Dec 2019	31 Dec 2020	Change
raw materials inventories	53,775	43,792	(9,983)
stock inventories	47,102	50,131	3,029
provision for impairment of stock	(13,378)	(14,982)	(1,604)
Raw materials, subsidiary and consumable items	**87,499**	**78,941**	**(8,558)**
Products in progress and semi-finished products	36,107	27,655	(8,452)
Products in progress	**36,107**	**27,655**	**(8,452)**
Finished products and goods	117,585	91,184	(26,401)
Provision for impairment of products	(3,518)	(3,620)	(102)
Finished products	**114,067**	**87,564**	**(26,504)**
	237,673	**194,160**	**(43,513)**

Warehouse inventories decreased as a whole by € 43,513 thousand (in 2019 there was a decrease of € 10,783 thousand). More specifically:

- raw materials and stocks decreased by € 8,558 thousand (in 2019 the change was a decrease, in the amount of € 9,236 thousand). The change is mainly due to lower stock volumes and lower purchase costs due to the decrease in prices during the year, especially for cellulose;
- products in progress decreased by € 8,452 thousand (in 2019 they increased by € 152 thousand), due to both lower volumes and lower unitary carrying values;
- finished products decreased by € 26,504 thousand (in 2019 they decreased by € 1,699 thousand), due to both lower volumes and lower unitary carrying values.

The value of inventories is net of the provision for impairment of stocks, € 14,982 thousand (€ 13,378 thousand in 2019) and that for product impairment, € 3,620 thousand (€ 3,518 thousand in 2019).

These provisions were adjusted during the year on the basis of the most recent assessments of the risk of not recovering the value of inventories and the sales of obsolete materials occurring during financial year 2020.

6 TRADE RECEIVABLES

Trade receivables €/000	31 Dec 2019	31 Dec 2020	Change
Relative to customers	292,253	264,290	(27,963)
minus: provision for doubtful accounts	(60,082)	(61,877)	(1,795)
	232,171	**202,413**	**(29,758)**

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 € 3,864 thousand (€ 6,971 thousand in 2019) while uses of the provision came to € -2,069 thousand.

The table below provides a breakdown of trade receivables by geographic area.

Trade receivables by geographic area €/000	31 Dec 2019	31 Dec 2020	Change
Italy	129,124	125,488	(3,635)
Europe E.U.	87,289	60,029	(27,260)
Other countries	15,759	16,896	1,137
	232,171	**202,413**	**(29,758)**

7 OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Current tax receivables	**17,151**	**10,650**	**(6,501)**
Current sundry receivables due from others	12,436	9,436	(3,000)
Current receivables due from social security entities	100	127	27
Current derivative assets	3,273	6,757	3,483
Other sundry receivables	**15,809**	**16,319**	**511**
Other assets	**2,462**	**1,090**	**(1,372)**
	35,422	**28,059**	**(7,363)**

Other receivables and current assets decreased as a whole by € 7,363 thousand. The main changes are due to the decrease in tax receivables for € 6,501 thousand, mainly due to lower VAT credits. Additionally, other sundry receivables fell by € -3,000 thousand, above all due to a decrease in advances to suppliers. Assets relative to derivatives increased by € 3,483 thousand relative to hedging contracts for electricity, gas and emission rights.

8 EQUITY INVESTMENTS

Equity investments €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Other equity investments	1,030	792	(239)
	1,030	**792**	**(239)**

Securities in the portfolio at the end of financial year 2020 consisted of 105,000 Mediobanca shares (unchanged with respect to 31 December 2019).
Pursuant to accounting standard IFRS 9, the Mediobanca shares are classified as financial assets measured at fair value through other comprehensive income (FVOCI). Adjustment to market values is done on the basis of stock market listings as of the end of the year, specifically: Mediobanca € 7.54 (€ 9.81 at 31 December 2019). The adjustment to market value involved reducing the value of the Mediobanca shares by € -239 thousand, passing through the specific FVOCI shareholders' equity reserve.

9 FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

Financial receivables and other current financial assets €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Financial receivables due from others	80,852	54,030	(26,822)
Derivative financial assets	7	-	(7)
Other financial assets	38	1,167	1,129
	80,897	**55,197**	**(25,700)**

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 € 49,697 thousand (€ 72,864 thousand in 2019) at market rates, the average duration of which falls between 30 and 90 days;
- financial receivables due from factoring companies for without recourse transfer of receivables for € 1,855 thousand (€ 2,536 thousand in 2019);
- investments in managed savings by the parent company for € 2,453 thousand, unchanged with respect to the previous year;
- prepaid expenses of € 1,158 thousand relative to bank fees paid to obtain the new revolving credit facility at the end of October.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Bank and postal deposits	47,250	48,506	1,255
Cash and cash on hand	33	79	46
	47,283	**48,585**	**1,302**

Cash and other cash equivalents totalled € 48,585 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 2019**	**31 Dec 2020**	**Change**
Cash on hand and other cash equivalents	47,283	48,585	1,302
Current accounts and other loans	(46,299)	(154,314)	(108,015)
	984	**(105,729)**	**(106,713)**

SHAREHOLDERS' EQUITY

11 SHAREHOLDERS' EQUITY

Total consolidated shareholders' equity amounted to € 334,368 thousand (€ 314,301 thousand at 31 December 2019).
Share capital at 31 December 2020 consisted of 2,168,857,500 ordinary shares with no nominal value, for a total value of € 90,000,000.
The parent company has no treasury shares in its portfolio.
Consolidated shareholders' equity at 31 December 2020 increased by € 20,067 thousand with respect to 31 December 2019, as a consequence of the following changes:

- an increase due to the share capital increase of € +70,000 thousand;
- a decrease due to the loss for the year of € -51,027 thousand (€ +9,726 thousand in 2019);
- an increase due to net fair value changes in financial derivatives recognised using hedge accounting for € +1,920 thousand (€ -1,186 thousand in 2019);
- a decrease for net changes in the adjustment reserve for financial assets at fair value through other comprehensive income for € -239 thousand (€ +256 thousand in 2019);
- a decrease for net changes equal to € -502 thousand (€ -2,338 thousand in 2019) due to discounting of TFR and other social security plans pursuant to IAS 19;
- an increase for adjustments relative to previous years for € -65 thousand;
- a decrease for foreign exchange differences for € -30 thousand;
- an increase due to the increase in the third party reserves for Consorzio Energy Paper for € +10 thousand.

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

Reserves and profits carried forward €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Non-distributable reserve from share capital reduction	138,797	138,797	-
Legal	13,149	13,149	-
Reserve for equity financial instruments	200,000	200,000	-
Non-distributable exchange gains reserve	1,280	805	(475)
Other reserves	238	238	-
Consolidation	(67,023)	(67,054)	(30)
IAS 19 reserve	(10,064)	(10,565)	(502)
Reserve for accounting standard change - FTA	4,013	4,013	0
Reserve for adjustment to FVOCI	570	331	(239)
Cash flow hedge reserve	(666)	1,252	1,918
	280,294	**280,966**	**672**
Profits (losses) carried forward reserve	1,151	10,999	9,848
	1,151	**10,999**	**9,848**

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

Deferred taxes recognised directly to shareholders' equity €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Fair value changes in cash flow hedges	97	(645)	(742)
Actuarial gains/(losses)	3,008	3,167	159
Other	1,052	1,052	-
	4,158	**3,574**	**(583)**

NON-CURRENT LIABILITIES

12 NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Bonds	8,500	5,525	(2,975)
Converting loan	100,000	-	(100,000)
Loan payables	436,900	379,387	(57,513)
Right of use liabilities	5,699	5,119	(580)
	551,099	**390,031**	**(161,068)**

The entry of new capital allowed the parent company to repay its pre-existing financial debt, completing the recovery plan pursuant to article 67 of the Bankruptcy Law and negotiating new financial support, including new credit institutions. This agreement was signed on 30.10.2020 and involves two medium-term credit lines, one amortising with a nominal value of € 200,000 thousand and the other bullet with a nominal value of € 175,000 thousand, as well as a € 100,000 thousand revolving credit facility (see note 17 "Current financial liabilities").

Non-current financial liabilities include:

- bond loan issued by the subsidiary Burgo Ardennes for € 5,525 thousand (€ 8,500 thousand in 2019); the loan was subscribed by S.R.I.W. in 2019;
- bank loan obtained by the subsidiary Burgo Ardennes for the cooker investment of € 9,951 thousand (€ 11,721 thousand in 2019);
- amounts due to parent company shareholders for loans for € 220,998 thousand (€ 242,064 thousand at the end of the previous year) and MLT loans to others for € 144,365 thousand (€ 194,836 thousand at the end of the previous year);
- a non-interest bearing loan from HGM, granted to the parent company for € 2,598 thousand;
- FRIE mortgage granted in 2016 to the subsidiary Mosaico S.p.A. by Mediocredito FVG at a subsidised variable rate, with a residual amount of € 1,305 thousand;
- payables subscribed by S.E.F.E. for € 170 thousand;
- liabilities for rights of use of € 5,119 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 2019**	**31 Dec 2020**	**Change**
from 2 - 3 years	425,179	65,190	(359,989)
from 4 - 5 years	-	309,538	309,538
over 5 years	11,721	4,660	(7,062)
	436,900	**379,387**	**(57,513)**

Bonds - breakdown of maturity dates €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
from 2 - 3 years	4,675	3,400	(1,275)
from 4 - 5 years	3,400	2,125	(1,275)
over 5 years	425	-	(425)
	8,500	**5,525**	**(2,975)**

Converting loans - breakdown of maturity dates €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
from 2 - 3 years	100,000	-	(1100,000)
from 4 - 5 years	-	-	-
over 5 years	-	-	-
	100,000	**-**	**(100,000)**

Right of use liabilities - breakdown of maturity dates €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
from 2 - 3 years	2,941	2,695	(247)
from 4 - 5 years	1,585	1,157	(428)
over 5 years	1,172	1,267	95
	5,699	**5,119**	**(580)**

Right of use liabilities - flows €/000	Balance at start of period	Decreases	Decreases for disposals	Reclassifi-cation	Increases	Balance at end of period
Non-current right of use liabilities	5,699	(16)	(1,574)	(1,919)	2,928	5,119
Current right of use liabilities	2,090	(2,537)	-	1,919	422	1,894
Total	**7,789**	**(2,553)**	**(1,574)**	**-**	**3,350**	**7,012**

13 SEVERANCE INDEMNITIES (TFR) AND OTHER PROVISIONS RELATIVE TO PERSONNEL

Severance indemnities (TFR) €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Actuarial measurement of TFR at start of period	38,415	35,334	(3,080)
Provisions	273	56	(217)
Payments	(5,158)	(4,266)	892
TFR discounting - IAS 19 reserve	1,417	249	(1,168)
TFR discounting - financial expense (income)	561	255	(307)
Other changes - incoming (outgoing) transfers	(175)	(0)	174
	35,334	**31,628**	**(3,706)**

For actuarial measurement of the provision for severance indemnities (TFR) at 31 December 2020, 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 RG48 survival table used by the Italian General Accounting Office to estimate pension expenses for the Italian population was used;
- for probability of disability, the INPS model was adopted, differentiated 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 was used for the individual Group companies that varied between 3.00% and 6.00%;
- for the probability of TFR advances, a yearly value of 2.00% was assumed.

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used €/000	**2019**	**2020**
Annual theoretical discounting rate	0.77%	0.34%
Annual inflation rate	1.20%	0.80%
Annual TFR increase rate	2.40%	2.10%

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 € 17,625 thousand (€ 18,236 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 2019**			**31 Dec 2020**		
	Taxable	% rate	(Debit)/ credit	**Taxable**	**% rate**	**(Debit)/ credit**
IRES						
Taxed provisions (allocated)	(9,572)	22.7	(2,175)	(8,507)	23.2	(1,973)
Derivatives	(312)	24.0	(75)	314	24.0	75
IAS 19 discounting - actuarial G/L	(1,488)	24.0	(357)	(1,367)	24.0	(328)
Amortisation, depreciation and writedowns	(2,039)	24.0	(489)	(2,497)	24.0	(599)
Allocation of shortfall	16,205	24.0	3,889	15,327	24.0	3,678
Other items	(337)	24.0	(81)	324	24.0	78
	2,457		**712**	**3,594**		**931**
IRAP						
Taxed provisions (allocated)	(7,165)	3.9	(279)	(3,103)	3.9	(121)
Amortisation, depreciation and writedowns	(772)	3.9	(30)	(813)	3.9	(32)
Allocation of shortfall	16,205	3.9	632	15,327	3.9	598
Derivatives	(312)	3.9	(12)	314	3.9	12
Other items	(1,340)	3.9	(52)	324	3.9	13
	6,615		**258**	**12,049**		**470**
Deferred foreign taxes						
Taxed provisions (allocated)	73,223	25.0	18,306	70,702	25.0	17,676
Other items	(4,145)	25.1	(1,040)	(5,867)	24.8	(1,452)
	69,078		**17,266**	**64,836**		**16,223**
			18,236			**17,625**

Deferred tax liabilities refer to legal entities which have a negative balance in their individual financial statements. Specifically, these were Burgo Ardennes, Mosaico, Burgo Factor and Burgo Central Europe.
Recall that during 2018 a tax reform was approved in Belgium for direct taxes (ISOC) that involved a switch from the 33.99% rate which was valid through the end of 2017 to a rate of 29.58% for financial years 2018 and 2019, with an additional decrease to 25% in 2020. This change was taken into account when recognising deferred taxes.

15 PROVISIONS FOR RISKS AND CHARGES

Provisions for future risks and charges €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Provision for industrial charges	38,780	29,521	(9,259)
Provision for disputes in course	12,508	12,582	74
Provision for supplementary customer allowance	3,856	4,079	223
Provision for restructuring expenses	4,457	3,677	(780)
Other provisions for risks and charges	906	768	(139)
Provision for future personnel plans	3,086	4,540	1,454
	63,593	**55,167**	**(8,426)**

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

Provisions for risks and charges - changes €/000	Balance at start of period	Increases	Decreases	Discounting	**Balance at end of period**
Provision for industrial charges	38,780	16,860	(26,222)	103	29,521
Provision for disputes in course	12,508	999	(925)	-	12,582
Provision for supplementary customer allowance	3,856	344	(164)	43	4,079
Provision for restructuring charges	4,457	-	(780)	-	3,677
Other provisions for risks and charges	906	-	(139)	-	768
Provision for future personnel plans	3,086	1,213	(171)	412	4,540
	63,593	**19,417**	**(28,401)**	**558**	**55,167**

The **provision for industrial charges** is relative to:

- charges to purchase quotas for CO_2 emissions for the deficit resulting from the difference between final emissions recorded and assignments. € 14,325 thousand was allocated in 2020 (€ 7,539 thousand in 2019). Uses during the year totalled € 20,253 thousand (€ 1,805 thousand in 2019);
- covering expenses it is held will be sustained for reclamation of the sludge landfills. In 2020 € 386 million was allocated;
- charges emerging from situations directly associated with production. In 2020 € 2,252 thousand was allocated, mainly relative to Burgo Ardennes for actions to adjust systems (€ 2,232 thousand). Uses totalled € 5,969 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. Allocations during the year were mainly associated with a dispute with the Region of Abruzzo. Uses during the year were a consequence of the resolution of pre-existing disputes and the elimination of the requirements met the previous year for provisions relative to disputes.

The resolution or settlement of disputes during the year did not lead to any substantial contingent liabilities.

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** includes provisions made for expenses to be sustained to carry out the restructuring plan. During the year, the provision was used for € 780 thousand (€ 4,990 thousand in 2019) against charges expected and arising during the year in question, following the restructuring of Burgo Group SpA.

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 2020, 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;
- Note that during the year the age necessary to access the pension was increased: between 2025 and 2029 it will rise from the current 65 years to 66 years. This adjustment led to an exceptional allocation.

Financial economic hypotheses used in the measurement are described below:

Economic/financial hypotheses used €/000	**2019**	**2020**
Annual theoretical discounting rate	-0.26%	-0.20%
Annual inflation rate	1.90%	1.75%

For the actuarial assessment of the social security plan at 31 December 2020 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 2019**	**31 Dec 2020**	**Change**
Non-current payables due to suppliers	778	174	(603)
Non-current sundry payables due from others	34	-	(34)
	811	**174**	**(637)**

The payable refers to multi-year premiums paid to suppliers of wood by the subsidiary Burgo Ardennes, for € 174 thousand.

CURRENT LIABILITIES

17 CURRENT FINANCIAL LIABILITIES

Current financial liabilities €/000	31 Dec 2019	31 Dec 2020	Change
Bonds	1,250	2,013	763
Loan payables - current portion	22,658	9,990	(12,668)
Current accounts and other loans	46,299	154,314	108,015
Payables due from other lenders	56	3	(53)
Right of use liabilities	2,090	1,894	(196)
Other financial liabilities	570	4,011	3,441
	72,923	**172,223**	**99,301**

The increase in current accounts payables and other loans, of € 108,015 thousand, after a reduction seen in the previous year (€ 32,828 thousand), is due to the opening of the new revolving credit facility of € 100,000 thousand, already commented on in note 12, which at 31 December 2020 was entirely used and which due to its "revolving" nature is classified under current liabilities even if it is available for 5 years. Net of this change, the difference with respect to the previous year would be very different.
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.
The current portion of right of use liabilities amount to € 1,894 thousand.
The item "Other financial liabilities" includes interest accruing on loans and use of short-term bank 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. Also note that at the end of 2020, for short-term financial needs credit lines were available totalling around € 217 million, of which € 192 million for BT lines and € 25 for Burgo Ardennes. The Group can also make use of without recourse factoring with lines of € 56 million. Total use of these lines by BT was around 40%.

18 TRADE PAYABLES

Trade payables €/000	31 Dec 2019	31 Dec 2020	Change
Current payables due to suppliers	364,830	314,452	(50,378)
	364,830	**314,452**	**(50,378)**

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

Trade payables by geographic area €/000	31 Dec 2019	31 Dec 2020	Change
Italy	197,959	173,454	(24,505)
Europe E.U.	157,945	134,770	(23,175)
Other countries	8,927	6,228	(2,699)
	364,830	**314,452**	**(50,378)**

19 CURRENT TAX PAYABLES

These amounted to € 6,057 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 2019	31 Dec 2020	Change
Tax payables, income tax	382	44	(338)
Tax payables, VAT	283	254	(29)
Payables for withholdings	6,149	5,049	(1,100)
Tax payables for municipal taxes	7	12	5
Other tax payables	1,363	697	(666)
	8,184	**6,057**	**(2,128)**

20 OTHER PAYABLES AND CURRENT LIABILITIES

These consist of the following:

Other payables and current liabilities €/000	31 Dec 2019	31 Dec 2020	Change
Current sundry payables due to others	7,541	6,796	(746)
Payables for commissions and premiums	4,448	3,919	(529)
Payables due to personnel	18,721	16,675	(2,046)
Current payables due to social security entities	8,788	7,960	(828)
Current derivative liabilities	4,053	445	(3,608)
Deferred income from grants for plants	4,034	3,664	(371)
Deferred income from capital account grants	32	16	(16)
Other accrued expenses and deferred income	2,167	1,326	(841)
	49,784	**40,801**	**(8,984)**

The decrease of € 8,984 thousand, is due in particular to:

- decrease in payables due to personnel for € -2,046 thousand, due to a reduction in the individual amounts due for vacation and holiday not yet utilised at 31 December and for lower payments of variable bonuses achieved at the end of the year;
- decrease in payables due to social security entities for € -828 thousand, due to the same reasons indicated in the previous point;
- decrease in current derivative liabilities for € -3,608 thousand.

21 COMMITMENTS AND POTENTIAL LIABILITIES

Commitments and potential liabilities €/000	31 Dec d019	31 Dec 2020	Change
Personal guarantees provided in favour of:			
subsidiaries	11,322	9,081	(2,241)
other subjects	15,225	17,691	2,466
	26,547	**26,772**	**225**

Sureties are provided by bank and insurance institutions within the context of the Group's core business.

Notes to the 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.

22 REVENUES

Revenues €/000	31 Dec 2019	31 Dec 2020	Change
Paper	1,441,254	1,126,866	(314,388)
Cellulose	78,316	55,510	(22,805)
Energy	93,901	63,906	(29,995)
Gas	5,810	4,425	(1,384)
Others	19,941	24,009	4,068
	1,639,222	**1,274,717**	**(364,505)**

Revenues decreased by € 364,505 thousand (-22.2%). In particular, revenues from paper fell by 21.8% and those from cellulose fell by 29.1%. On the other hand, total revenues from energy (electricity and gas) decreased respectively by 31.9% and 23.8%. Other revenues increased by 20.4%, with a significant increase in revenues from lign-insulphonate (€ 1,199 thousand) and from revenues for remuneration deriving from participation in joint selective pulp collection.
Below is a breakdown of revenues by geographic area:

Markets €/000	31 Dec 2019	31 Dec 2020	Change
Italy	598,778	490,333	(108,444)
Europe E.U.	859,342	654,189	(205,153)
Other countries	181,102	130,194	(50,908)
	1,639,222	**1,274,717**	**(364,505)**

23 OTHER INCOME

Other income €/000	31 Dec 2019	31 Dec 2020	Change
Insurance settlements	1,896	2,342	446
Environmental certificates	34,112	30,108	(4,004)
Energy expense recovery and reimbursements	10,565	13,965	3,400
Sundry income and expense recovery	10,048	8,190	(1,858)
Grants for current expenses	2,406	2,310	(96)
	59,027	**56,915**	**(2,112)**

Other income decreased by € 2,112 thousand. The change is substantially due to environmental certificates for € 4,004 thousand, only partially offset by greater revenues from interruptibility services for € 2,200 thousand.
Sundry income and expense recovery fell by € 1,858 thousand. Sundry income included commissions receivable for Burgo Factor spa factoring business for € 1,443 thousand (€ 1,932 thousand the previous year), which fell due to lower Group sales.
The item "grants for current expenses" includes:

- the portion accruing for 2020 of € 475 thousand (€ 678 thousand in 2019) for capital grants accruing in previous years;
- contributions for personnel training of € 134 thousand (€ 374 thousand in 2019);
- tax credits totalling € 60 thousand for expenses linked to the health emergency.

24 PURCHASES OF MATERIALS AND EXTERNAL SERVICES

Purchases of materials and external services €/000	31 Dec 2019	31 Dec 2020	Change
Purchases of raw materials, subsidiary and consumable items and goods	834,617	609,548	(225,069)
Transport and accessory expense on purchases	32,863	25,741	(7,121)
Transport and accessory expense on sales	127,686	115,360	(12,326)
Other industrial services	30,891	37,987	7,096
Industrial maintenance	30,188	28,070	(2,117)
Electricity and methane	222,789	169,939	(52,850)
Fees to independent auditing firm	334	380	46
Fees to statutory auditors	202	193	(9)
Other general and administrative services	25,389	29,246	3,857
Rentals and leases	2,843	2,008	(835)
	1,307,801	**1,018,473**	**(289,328)**

Purchases of materials and external services decreased by € 289,328 thousand. The most significant changes involved:

- the decrease in spending to purchase raw materials, subsidiaries, consumables and goods (€ 225,069 thousand), in particular due to the decrease in purchase prices for cellulose and pulp, as well as lower volumes of purchases due to the stoppage of facilities occurring during the year;
- the decrease in the cost of electricity and methane (€ 52,850 thousand) due to the reduction in average prices in 2020 for gas, and also in this case due to lower purchase volumes as a consequence of production stoppages;
- an increase of € 7,096 thousand in other industrial services, mainly as an effect of greater costs associated with disposal of waste at the Verzuolo facility, which joined Avezzano in 2020 and which are a typical cost in the containerboard sector;
- the decrease in transport and accessory expense on purchases and sales, respectively totalling € 7,121 thousand and € 12,326 thousand, linked to the drop in sales;
- the increase in other general and administrative services due to non-recurring expenses linked to the extraordinary operation and refinancing.

Energy costs are shown net of payments the Group has the right to as a heavy energy consumption business.

Operating costs also include costs for rights of use relative to contracts of modest value and/or with durations of less than a year for € 2,008 thousand.
The table also includes non-recurring expense classified in the profit and loss statement in the Report on Operations.
Please see note 26) for a more in depth comment on the cost for CO_2.

25 PERSONNEL EXPENSE

Personnel expense €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Wages and salaries	128,497	121,085	(7,411)
Social security contributions	47,071	42,357	(4,714)
Expenses for defined benefit programs	7,309	7,055	(254)
Others	15,165	16,031	865
	198,043	**186,529**	**(11,514)**

The cost of labour decreased by € 11,514 thousand in 2020. This was an additional drop after the decrease of € 1,283 thousand in 2019.
Other costs include fees paid to directors and fees paid for temporary work provided within the companies of the Group. During 2020 fees paid for temporary work services totalled € 7,126 thousand (€ 7,693 thousand in 2019).
The item other costs includes premiums, pre-pensions and complementary insurance for employees of the subsidiary Burgo Ardennes.
The reduction in personnel expense is mainly connected to the lower number of hours worked following production stoppages due to decreased demand caused by the health crisis, as well as greater use of individual holiday and vacation hours.
The increase in other costs mainly derives from greater allocations to the unemployment provision with tax contributions from Burgo Ardennes, which increased after changes in the retirement age used in hypotheses. The table also includes non-recurring expense classified in the profit and loss statement in the Report on Operations.
For more details, please see the Report on Operations, under the item "Personnel".

26 OTHER OPERATING COSTS

Other operating costs €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Provisions			
for impairment of receivables	4,672	3,345	(1,327)
for industrial charges	5,659	2,638	(3,021)
for disputes in course	4,577	999	(3,578)
for supplementary customer allowance	428	387	(41)
for other provisions	1,885	139	(1,747)
	17,222	7,507	(9,714)
Other costs			
Corporate expenses, taxes and indirect taxes	14,622	12,936	(1,686)
Contributions, donations and sundry costs	1,396	1,257	(139)
Losses and other costs	4,293	2,316	(1,977)
	20,311	16,509	(3,803)
CO_2 certificates			
CO_2 costs net of price setting	7,615	(4,134)	(11,749)
CO_2 allocations	5,743	14,325	8,582
	13,358	10,192	(3,166)
	50,890	**34,208**	**(16,682)**

Other operating costs decreased by € 16,682 thousand overall.
More specifically:
- allocations for losses on receivables decreased to lower non-performing receivables during the year, also due to credit insurance;
- allocations to the provisions for industrial charges decreased as no future projects for plants arose outside of ordinary ones;
- allocations for disputes decreased due to the absence of new significant disputes;
- there was a generalised decrease in certain types of spending, among other things linked to lower travel, transfers and transport during the year;
- a reduction in the cost of CO_2 in terms of allocations to the provision, purchases accruing during the year and accounting effects deriving from hedging policies. During 2020, in contrast to 2019, there was no need to adjust the provision following an increase in prices.

27 CHANGE IN INVENTORIES

Change in inventories €/000	31 Dec 2019	31 Dec 2020	Change
Change in inventories	(10,860)	(43,513)	(32,653)
	(10,860)	**(43,513)**	**(32,653)**

The change in inventories led to a cost for the year of € 32,653 thousand, following the reduction in the value of stock at the end of the year. See note 5) Inventories for more details.

28 CAPITALISED COSTS FOR INTERNAL WORK

Capitalised costs for internal work €/000	31 Dec 2019	31 Dec 2020	Change
Capitalised costs	821	1,910	1,089
	821	**1,910**	**1,089**

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 Verzuolo, Avezzano and Ardennes facilities. Please see the Report on Operations for more details on the main investments made during 2020.

29 DEPRECIATION AND AMORTISATION

Depreciation and Amortisation €/000	31 Dec 2019	31 Dec 2020	Change
Buildings	10,369	10,221	(149)
Plant and machinery	64,096	56,963	(7,134)
Industrial equipment	587	597	10
Other assets	1,290	1,260	(30)
Buildings for civil use	26	26	-
Rights of use	2,281	2,548	267
Intangible assets with defined life	545	632	87
	79,195	**72,246**	**(6,948)**

Amortisation and depreciation fell due to the periodic updating of residual life. Amortisation of rights of use based on application of IFRS 16 in 2020 amounted to € 2,548 thousand.

30 CAPITAL GAINS/LOSSES ON DISPOSAL OF NON-CURRENT ASSETS

Capital gains/losses on disposal of non - current assets €/000	31 Dec 2019	31 Dec 2020	Change
Capital gains	187	67	(120)
Capital losses	(1,669)	(731)	938
	(1,482)	**(664)**	**818**

The main capital losses during the year were linked the disposal carried out by Gever after the TG1 malfunction and the disposals occurring at the Verzuolo plant due to conversion to containerboard production.

31 WRITEBACKS/WRITEDOWNS ON NON-CURRENT ASSETS

Writebacks/writedowns on assets €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Land and buildings	1,277	-	(1,277)
Plant and machinery	9,528	-	(9,528)
	10,805	**-**	**(10,805)**

During the year, no significant writedowns were made on fixed assets.

32 FINANCIAL EXPENSE

Financial expense €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Interest expense on payables due to banks	12,446	13,612	1,166
Discounting of severance indemnities (TFR)	561	255	(307)
Other financial expense	17,311	13,376	(3,935)
Exchange losses	269	508	239
Write-downs of equity investments	360	360	-
	30,948	**28,111**	**(2,836)**

Financial expense amounted to € 28,111 thousand, showing a € 2,836 thousand decrease with respect to the previous year. The main changes involved:

- financial expense from amounts due to banks increased by € 1,166 thousand, consisting of interest and charges payable on loans;
- greater exchange losses which amounted to € 508 thousand (€ 269 thousand the previous year).

Other financial expense mainly includes discounts of a financial nature for short-term client payments and charges on financial transactions, as well as the portion accruing during the year for commissions paid in advance against short-term credit lines and commissions for non-use. The greater decrease derives from lower discounts to customers for short-term payments due to lower sales.
Following application of IFRS 16, financial expense recognised in 2020 amounted to € 152 thousand (€ 158 thousand in 2019).
The table also includes non-recurring expense classified in the profit and loss statement in the Report on Operations.

33 FINANCIAL INCOME

Financial income €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Income from equity investments			
Dividends from other companies	49	-	(49)
	49	-	(49)
Other financial income			
Interest income from banks	52	6	(46)
Interest income from long-term receivables	4,381	2,787	(1,595)
Other financial income	194	237	43
Exchange gains	1,465	195	(1,270)
Exchange gains on P&L elisions	1	0	(0)
	6,093	3,225	(2,867)
	6,142	**3,225**	**(2,917)**

Financial income amounted to € 3,225 thousand, compared to € 6,142 thousand the previous year and fell with respect to the previous year by € 2,917 thousand.
The decrease is mainly due to the decrease in interest income from factor transactions receivable relative to Burgo Factor. Exchange gains fell, going from € 1,465 thousand the previous year to € 195 thousand in 2020.

34 INCOME TAXES

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

Income taxes €/000	31 Dec 2019	31 Dec 2020	Change
Current taxes - IRES	774	-	(774)
Current taxes - IRAP	2,650	1,142	(1,508)
Current taxes - foreign companies	2,193	2,041	(152)
Deferred tax assets/liabilities - IRES	1,212	1,270	58
Deferred tax assets/liabilities - IRAP	(328)	444	772
Deferred tax assets/liabilities - foreign companies	(1,038)	(847)	191
	5,463	**4,050**	**(1,413)**

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

Tax rates	2020
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%

For Belgium, the corporate tax reforms associated with Belgian Law 25/12/2017 (MB 29/12/2017) involved a reduction in the ISOC rate from 33.99% to 29.58% for 2018 and 2019, and a further reduction to 25% as of 2020, effective as of 1/1/2018.

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	31 Dec 2019	31 Dec 2020
Before tax results for the year	**15,189**	**(46,977)**
Theoretical tax (IRES) - Italian tax rate in effect: 24,0%	3,645	(11,275)
Current taxes (IRES) recognised in the financial statements	774	-
Deferred taxes (IRES) recognised in the financial statements	1,212	347
Current/deferred taxes, foreign companies	1,155	2,117
Total taxes recognised in the financial statements	**3,141**	**2,464**
Effective tax rate on before tax profit	20.7%	(5.2%)
Current taxes (IRAP) recognised in the financial statements - 3.9% rate in effect	2,650	1,142
Deferred taxes (IRAP) recognised in the financial statements - 3.9% rate in effect	(328)	444
Total (IRAP) taxes recognised in the financial statements	2,322	1,586
Effective (IRAP) tax rate on before tax profit	15.3%	(3.4%)
Total taxes recognised in the financial statements	5,463	4,050
Effective tax rate on before tax profit	36.0%	(8.6%)

35 SCHEDULE OF OTHER COMPONENTS OF THE CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT

The schedule presented on page 65 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 positive for € 2,662 thousand, which net of taxes (€ -742 thousand) is equal to € 1,920 thousand;
- adjustment of financial instruments to the market value at year end. At the end of the year, the parent company classified the Mediobanca shares held in its portfolio as FVOCI. During 2020, the change was negative for € -239 thousand (see note 8 for more details);
- profits and losses from discounting of defined benefit plans associated with defined benefit plans recognised within a specific shareholders' equity reserve: in 2020 losses of € -661 thousand were recognised which, net of tax effects of € 159 thousand, led to a negative change of € -502 thousand;
- the effects of translating the financial statements of foreign companies (€ -30 thousand).

Relations with related parties

Related party transactions, including intragroup 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 spa related parties at 31 December 2020.

Relations with related parties €/000	**Subsidiaries**		**Total financial statement items**			
	31 Dec 2019	**31 Dec 2020**	**31 Dec 2019**	**%**	**31 Dec 2020**	**%**
Financial receivables and other non-current financial assets	2,800	2,800	5,410	52%	5,480	51%
Trade receivables	32,925	32,427	123,527	27%	104,942	31%
Other receivables and current assets	12,433	8,079	33,139	38%	21,052	38%
Financial receivables and other current financial assets	68,234	60,515	73,265	93%	65,983	92%
Current financial liabilities	(20,062)	(33,319)	(84,446)	24%	(192,925)	17%
Trade payables	(65,710)	(88,686)	(283,814)	23%	(252,401)	35%
Other payables and current liabilities	(4,873)	(1,454)	(27,114)	18%	(20,517)	7%
Economic relationships						
Revenues	175,932	126,254	1,119,375	16%	810,238	16%
Other income	4,646	7,976	36,164	13%	30,534	26%
Costs for materials and external services	(257,506)	(235,047)	(963,218)	27%	(733,277)	32%
Other operating costs	(4,416)	(10,559)	(23,931)	18%	(13,484)	78%
Financial expenses	(122)	(16)	(25,845)	0%	(23,610)	0%
Financial income	24,068	20,033	25,301	95%	20,040	100%
Income taxes	8,378	6,108	3,380	248%	4,638	132%

In addition the transactions reported above, at 31 December 2020 there were medium/long-term loans, commodities pricing, interest rate and exchange rate hedging contracts and insurance policies covering industrial risks and civil liability with related parties, all stipulated at market conditions.

At 31 December 2020, loans with related parties amounted to a nominal € 228,230 thousand (€ 253,973 thousand at 31 December 2019).

Significant events after year end

Despite a highly difficult economic and social situation, due to the continued Covid-19 health emergency, the company's business is developing normally, with the exception of risks associated with a worsening of the health situation in March 2021, as a third wave of contagion became apparent.

During the initial months of 2021, the company continued to carry out its business without any significant transactions or events. Note that there was a fire in the Avezzano facility on 27 February in the continuous machine area. It was quickly brought under control and caused damages to only a limited part of the facility and the roof of the building. Production was halted for a few days to carry out repairs and then promptly started up again.

Other information

RECONCILIATION STATEMENT OF PARENT COMPANY AND GROUP RESULTS

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

Reconciliation between shareholders' equity and parent company and consolidated result €/000	**Shareholders' equity**		**Profit/(loss) for the period**	
	31 Dec 2019	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**
Parent Company Financial Statements	**408,236**	**426,944**	**11,720**	**(51,969)**
Elision of consolidated equity investments	(93,975)	(92,233)	19,127	20,089
Elimination of dividends from consolidated companies	-	-	(21,987)	(18,259)
Adjustments for adaptation to Group accounting standards	41	(399)	865	(888)
Consolidated Financial Statements	**314,301**	**334,311**	**9,726**	**(51,027)**

NUMBER OF EMPLOYEES

Number of employees	Start of year	Year end	Average 2019	Average 2020
Executives	46	45	48	47
Office Workers	894	869	900	880
Manual Workers	2,467	2,422	2,464	2,451
	3,407	**3,336**	**3,412**	**3,378**

INDEPENDENT AUDITING FEES (ARTICLE 2427, PARAGRAPH 1, NO. 16 bis, ITALIAN CIVIL CODE)

Compensation for statutory auditing pursuant to article 2427, paragraph 1, no. 16 bis, Italian Civil Code €/000	**2020 Financial Statements**
Statutory auditing services for the annual accounts:	
Parent Company	159
Italian subsidiaries	112
Foreign subsidiaries	110
	381

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), subsequently added to by Law Decree 113/2018 (Security), Law Decree 135/2018 (Simplification) and article 35 of Law Decree 34/2019, 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 2020:

CONTRIBUTIONS AND SUBSIDISED RATE LOANS

Granting entity	Purpose	Subsidised rate	Amount financed
Ministry of Environmental Development	Grant for the Sora facility project		Total amount disbursed in 2020 € 366 thousand, recognised on an accrual basis for € 293 thousand in the profit and loss statement, an additional € 370 thousand to be received in 2021, of which € 329 thousand as a subsidised loan and an additional contribution of € 41 thousand
FVG Region through Mediocredito	Investment initiative, Italian Law 908/1955	Euribor 6M reduced by 20%, floor of 0.85%	The loan was disbursed on 26/05/2016 for € 1,767,000 thousand and on 22/12/2020 for € 1,462,456. The residual value to be repaid as of 31/12/2020 was € 1,604,456.

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 € 16,113 thousand;
- hydroelectric energy production incentives for € 783 thousand.

The amounts indicated in the disclosure above are also shown in the financial statements of the relevant Group companies. Finally, during 2020 the Group received contributions which are required to be published in the National Register of Government Aid, to which the reader is referred.

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 RELATIVE 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 2019 Book value**	**31 Dec 2020 Book value**
Financial assets available for sale	1,030	792
Trade receivables and other receivables	273,516	234,244
Financial receivables	80,890	55,197
Cash and cash equivalents	47,283	48,585
Derivatives:		
Assets	3,280	6,757
Liabilities	(4,053)	(445)
Lending from banks	(205,582)	(163,811)
Right of use liabilities	(7,789)	(7,013)
Loans from associated companies	(253,976)	(225,566)
Bonds and converting loans	(109,750)	(7,538)
Trade payables and other payables	(419,612)	(361,041)
Payables due to banks	(46,869)	(158,325)
	(641,632)	**(578,163)**

Note that the values shown under the item "derivatives" include all derivatives recognised using hedge accounting rules, regardless of the type of risk covered. 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. Below additional details are provided about 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 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, 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.

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 MARKET RISK HEDGING INSTRUMENTS

Among commodity exposures, price risk deriving from volatility in electricity 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, while price risk relative to gas was managed through fixed price contracts.

As shown in the table "financial instruments", the fair value of derivatives generated financial receivables of € 6.8 million (€ 3.3 million the previous year) and financial payables for € -0.4 million (€ -4.1 million the previous year).

INVESTMENTS IN EQUITY INSTRUMENTS

The fair value of equity instruments held to maturity and financial assets 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 2019**	**31 Dec 2020**
Loans and receivables	9,196	10,529
	9,196	**10,529**

Current financial assets €/000	**31 Dec 2019**	**31 Dec 2020**
Loans and receivables	345,210	278,912
Cash and cash equivalents	47,283	48,585
Financial assets FVOCI	1,030	792
Current derivative assets	3,273	6,757
Financial assets for derivatives, current	7	-
	396,803	**335,046**

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 assets at FVOCI represent shares listed on the Milan stock market.

FINANCIAL LIABILITIES

The table below provides a breakdown of financial liabilities.

Non-current financial liabilities €/000	**31 Dec 2019**	**31 Dec 2020**
Lending from banks	(194,834)	(158,386)
Loans from associated companies	(242,066)	(221,001)
Non-current bonds	(8,500)	(5,525)
Converting loan	(100,000)	-
Right of use liabilities	(5,699)	(5,119)
Other payables	(811)	(174)
	(551,911)	**(390,205)**

Current financial assets €/000	**31 Dec 2019**	**31 Dec 2020**
Lending from banks	(10,748)	(5,425)
Loans from associated companies	(11,910)	(4,565)
Bonds	(1,250)	(2,013)
Derivatives	(4,053)	(445)
Right of use liabilities	(2,090)	(1,894)
Payables due to banks	(46,299)	(154,314)
Trade payables and other payables	(419,371)	(364,878)
	495,721	**533,532**

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.

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 2019**	**31 Dec 2020**
Financial assets FVOCI	1,030	792
Trade receivables and other receivables	354,368	288,274
Cash and cash equivalents	47,321	49,751
	402,720	**338,817**

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 2019**	**31 Dec 2020**	**Change**
Balance at start of period	(59,729)	(60,082)	(353)
Uses	6,614	2,069	(4,544)
Provisions	(6,971)	(3,834)	3,137
Other changes	4	(30)	(34)
	(60,082)	**(61,877)**	**(1,795)**

CONCENTRATION OF CREDIT RISK

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

Breakdown of risk by customer type €/000	**31 Dec 2019**	**31 Dec 2020**
End consumers	153,782	132,357
Retailers	3,277	2,782
Stock exchange	1,663	2,194
Wholesalers	28,647	27,588
Printers	49,389	41,692
Publishers	3,654	4,061
Credit institutions	47,321	49,751
Tax authorities	17,151	10,650
Others	106,076	76,003
	410,961	**347,078**

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.

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. At 31 December 2020 its exposure to securities referred to its Mediobanca shares.

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:

- Price risk for equity instruments and other listed securities;
- Exchange risk;
- Interest rate risk;
- Commodity risk.

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

PRICE RISK FOR EQUITY INSTRUMENTS AND OTHER LISTED SECURITIES

All equity investments held by the Company are shares listed on the Milan stock market, within the FTSE-MIB index, representing Mediobanca risk capital.
The amount of Mediobanca shares, 105,000 units, did not change with respect to the previous year.
Below is a table summarising the exposure of the above within the financial statements.

Shares and funds €/000	**31 Dec 2019**	**31 Dec 2020**
Shares	1,030	792
	1,030	**792**

SENSITIVITY ANALYSIS RELATIVE TO EQUITY RISK

The shares held in the portfolios of Group companies are significantly correlated with the FTSE MIB index, as they are listed on the same stock market. Sensitivity analysis was done hypothesising a +/-10% change in the value of the indices. This analysis led to a fair value change of the securities in the portfolio of € -0.05 million (€ +0.20 million in 2019) and of € -0.25 million (€ -0.05 million in 2019). All effects would be recognised with a matching entry in shareholders' equity.

EQUITY RISK MANAGEMENT METHODS

GENERAL ASPECTS

In the context of its investment activities, the Group purchases equity investments for investment purposes. In this context, the Group may carry out financial hedging transactions relative to the portion of assets held for possible sale. The general objectives of a hedging transaction therefore involve stabilising the value of the investment, neutralising the effects generated by market variability. During the year, the Group did not establish any hedges of this type.

EQUITY RISK MANAGEMENT POLICIES

Hedges are organised with reference to pre-established development strategies and with the aim of minimising exposure to unfavourable trends on the market, stabilising the impact on the annual profit and loss statement.

EXCHANGE RISK

The Group 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 2020 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 CHF, JPY, 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 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 2020 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, € -139 thousand (€ -1,083 thousand in 2019) and € +170 thousand (€ +1,323 thousand in 2019).

EXCHANGE RISK MANAGEMENT METHODS

In relation to sales activities, the Group makes currency purchases and sales, 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.
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 2019**	**31 Dec 2020**
Fixed rate financial instruments		
Fixed rate loans	(26,876)	(25,575)
	(26,876)	**(25,575)**
Variable rate financial instruments		
Financial assets		
Non-current guarantee deposits	4,944	6,276
Financial instruments with positive FV	3,280	6,757
Loans to others	4,158	4,156
Financial liabilities		
Derivatives with negative FV	(4,053)	(445)
Variable rate loans	(546,690)	(375,552)
Current account advances	(46,869)	(158,325)
Financial leasing	(3,129)	(2,929)
	(593,304)	**(526,338)**
	(620,180)	**(551,913)**

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 2020 on the annual profit and loss statement and consolidated 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 2020.
In each curve scenario, and limited to derivatives subject to hedge accounting rules, an after the fact efficacy test was done to quantify the impact on shareholders' equity

(efficacy component) and on the results for the year (any inefficacy component). In every case, for non-linear derivatives (collar) the time value change with respect to the effective market scenario was recognised in the annual profit and loss statement.
In order to determine the impacts of asset and liability items indexed at variable rates on the result for the year, a shock was also applied to cash flows effectively paid during the administrative period. These analyses made it possible to identify the greater financial expense/income that would have been recorded in the annual profit and loss statement if interest rates had been 100 bps higher or lower than those actually recorded.
The impact on the annual profit and loss statement deriving from a +/- 100 bps shock would have been, respectively, € -4.3 million and € +0.2 million (in 2019: € -3.8 million and € +0.1 million). The effect on shareholders' equity was null in that there are not financial liabilities relative to derivatives.

INTEREST RATE 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 RATE 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 5 years (up to the current maturity of the loans).

COMMODITY RISK

Commodity price risk arises for purchases of gas and, to a lesser extent, for purchases/sales of electricity and rights to issue carbon dioxide.

FUEL PRICE RISK

In order to supply its various plants with the electricity necessary for production, the Group has various contracts to purchase gas. Given the variable nature of the 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.
At 31 December 2020, 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;
- Variable price purchases on the basis of the spot gas price recorded on the European TTF market.

Hedging derivatives for fuel and electricity price risk.
Within exposures to commodities, price risk deriving from an imbalance between indexed purchases and sale was in part managed during the year through the subscription of a commodity swap. Use of derivatives was made by applying hedge accounting methodology, in accordance with that established in IAS 9. Financial instruments used were of a type that made it possible to recognise them as a cash flow hedge.

ELECTRICITY PRICE RISK

In order to supply its various plants with the electricity necessary for production, the Company has a contract to purchase electricity with the subsidiaries Burgo Energia srl and Gever spa. Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. At 31 December 2020, 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 issue carbon dioxide, needed to comply with the obligations deriving from the ETS scheme, the Company has purchase contracts with the subsidiary Burgo Energia srl. Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. At 31 December 2020, the Company had acquired fixed price issue rights through the signing of futures agreements.

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 2020. The impact on the annual profit and loss statement deriving from this type of shock would be, respectively, € -0.3 million and € +0.3 million. 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 2020, at each contractual repayment date.
Financial liabilities have been broken down into non-derivative financial liabilities and derivative financial liabilities, based on their nature. For the latter, given the difference in accounting treatment, it was necessary to carry out a further classification based on whether or not the derivative is classified as a hedging instrument according on the accounting standards. Relative to cash flow maturities, given the nature of the 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 2020.

31 dic 2020 €/000	**Book value**	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
Non-derivative financial liabilities:						
Loans	396,915	3,272	8,731	31,075	350,565	3,271
Trade payables and other payables	361,041	361,041	-	-	-	-
Right of use liabilities	7,013	1,013	890	2,701	1,356	1,053
Derivative financial liabilities:						
Derivatives	6,677	6,677	-	-	-	-
	771,645	**372,002**	**9,621**	**33,776**	**351,921**	**4,325**

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). For short-term financial needs, at 31.12.2020 credit lines were available totalling around € 217 million, used for current account payables and short-term financing for around 40% of the total. For long-term financial requirements, the Group has loans of € 500 million.

Report of the Independent Auditing Firm

Building a better working world

Burgo Group S.p.A.

Financial statements as at December 31, 2020

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

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ey.com

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, 2020, 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, 2020, 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.

EY S.p.A.
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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, 2020, 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, 2020 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, 2020 and comply with the applicable laws and regulations.

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

Verona, April 13, 2021

EY S.p.A.

Signed by: Daniele Tosi, Auditor

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

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Financial Statement accounting schedules
Balance Sheet

Statement of equity/financial position: Assets €	Note	31 Dec 2019	31 Dec 2020	Change
Non-current assets		**1,011,559,822**	**997,514,023**	**(14,045,799)**
Property, plant and equipment		**460,193,824**	**446,532,187**	**(13,661,638)**
Property, plant and equipment	1	456,755,661	443,415,162	(13,340,499)
Property investments	1	335,690	323,281	(12,409)
Right of use assets	1	3,102,474	2,793,744	(308,730)
Intangible assets		**13,207,570**	**13,598,445**	**390,875**
Goodwill and other intangible assets with undefined life	2	10,836,969	10,836,969	-
Intangible assets with defined life	2	2,370,601	2,761,476	390,875
Other non-current assets		**474,795,137**	**475,850,919**	**1,055,782**
Equity investments in subsidiaries	3	451,159,584	451,195,954	36,370
Equity investments in other companies	3	13,599,650	13,239,650	(360,000)
Financial receivables and other non-current financial assets	3	5,410,391	5,480,428	70,037
Other receivables and non-current assets	3	4,625,512	5,934,887	1,309,375
Deferred tax assets		**63,363,291**	**61,532,473**	**(1,830,818)**
Deferred tax assets	4	63,363,291	61,532,473	(1,830,818)
Current assets		**382,147,239**	**318,745,354**	**(63,401,885)**
Inventories	5	106,977,437	80,585,232	(26,392,205)
Trade receivables	6	123,527,025	104,941,764	(18,585,261)
Other receivables and current assets	7	33,139,115	21,051,595	(12,087,520)
Equity investments	8	1,030,470	791,700	(238,770)
Financial receivables and other current financial assets	9	73,265,174	65,982,980	(7,282,194)
Cash on hand and other cash equivalents	10	44,208,018	45,392,083	1,184,064
Total assets		**1,393,707,060**	**1,316,259,376**	**(77,447,684)**

Statement of equity/financial position: Liabilities €	Note	31 Dec 2019	31 Dec 2020	Change
Shareholders' equity		**408,236,090**	**426,943,693**	**18,707,603**
Share capital	11	20,000,000	90,000,000	70,000,000
Reserves	11	350,515,621	350,717,506	201,885
Accumulated profits (losses)	11	26,000,197	38,195,380	12,195,183
Profit (loss) for the year	11	11,720,272	(51,969,193)	(63,689,465)
Non-current liabilities		**586,141,653**	**420,115,735**	**(166,025,917)**
Non-current financial liabilities	12	527,290,440	369,937,748	(157,352,692)
Severance indemnities and other provisions related to personnel	13	21,346,741	18,809,511	(2,537,230)
Provisions for risks and charges	14	37,504,472	31,368,477	(6,135,995)
Current liabilities		**399,329,318**	**469,199,948**	**69,870,630**
Current financial liabilities	16	84,445,507	192,924,684	108,479,177
Trade payables	17	283,813,938	252,400,986	(31,412,952)
Payables for current taxes	18	3,955,623	3,357,526	(598,096)
Other payables and current liabilities	19	27,114,250	20,516,752	(6,597,498)
Total shareholders' equity and liabilities		**1,393,707,060**	**1,316,259,376**	**(77,447,684)**

Profit and Loss Statement for the Year

Profit and Loss Statement for the Year €	Note	31 Dec 2019	31 Dec 2020	Change
Revenues	21	1,119,375,324	810,237,518	-27.6%
Other income	22	36,164,363	30,533,629	
Total operating revenues and income		**1,155,539,687**	**840,771,147**	**-27.2%**
Costs for materials and external services	23	(963,795,695)	(733,277,197)	
Personnel expenses	24	(87,307,309)	(79,325,359)	
Other operating costs	25	(25,730,583)	(13,483,845)	
Change in inventories	26	(9,774,076)	(26,392,205)	
Capitalised costs for internal work	27	563,020	1,119,223	
Depreciation and amortisation	28	(48,347,920)	(42,240,743)	
Capital gains/losses on disposal of non-current assets	29	(1,456,832)	(208,069)	
Writebacks/writedowns of non-current assets	30	(10,805,133)	-	
Total operating costs		**(1,146,654,529)**	**(893,808,194)**	**-22.1%**
Operating result		**8,885,158**	**(53,037,047)**	
Financial expenses	31	(25,845,312)	(23,610,248)	
Financial income	32	25,300,814	20,040,131	
Profit/(loss) before tax		**8,340,660**	**(56,607,164)**	
Income taxes	33	3,379,611	4,637,971	
Profit/(loss) for the period		**11,720,272**	**(51,969,193)**	

Schedule of other components of the comprehensive profit and loss statement

Schedule of other components of the comprehensive profit and loss statement €	Note	31 Dec 2019	31 Dec 2020	Change
A - Profit (loss) for the period		**11,720,272**	**(51,969.193)**	**-543.4%**
Other components of the comprehensive profit and loss statement to be subsequently reclassified in the annual profit and loss statement:				
Net (loss) profit from cash flow hedge		(35,750)	1,397,909	
Income taxes		9,974	(390,017)	
		(25,776)	1,007,893	
Net (loss) profit from financial assets FVOCI	34	255,990	(238,770)	
Income taxes		-	-	
		255,990	(238,770)	
B - Total other components of the comprehensive profit and loss statement to be subsequently reclassified in the annual profit and loss net of taxes		**230,214**	**769,123**	
(Losses) gains from discounting of defined benefit plansti	34	(828,271)	(121,482)	
Income taxes		198,785	29,156	
		(629,486)	(92,327)	
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		**(629,486)**	**(92,327)**	
D - Total other components of the comprehensive profit and loss statement net of taxes (B + C))		**(399,272)**	**676,796**	
E - Total comprehensive profit (loss) net of taxes (D +A)		**11,321,000**	**(51,292,397)**	**-553.1%**

Statement of Changes in Shareholders' Equity

Changes in shareholders' equity €/000	Share capital	Legal reserve	Non-distributable reserve from share capital reduction	IAS reserve	Reserve for equity financial instruments	Non-distributable exchange gains reserve	Other reserves	Undistributed profits - Carried forward	Result for the year	**Total Shareholders' Equity**
Balances at start of previous period	**20,000**	**13,149**	**138,797**	**(2,550)**	**200,000**	**1,280**	**238**	**18,264**	**7,736**	**396,915**
Destination of result - distribution of dividends	-	-	-	-	-	-	-	7,736	(7,736)	-
Net change profits (losses) directly recognised in shareholders' equity	-	-	-	(399)	-	-	-	-	-	(399)
Other changes in shareholders' equity	-	-	-	-	-	-	-	-	-	-
Exchange differences from translation of foreign financial statements		-	-	-	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	-	-	-	-	11,720	11,720
Balances at start of period	**20,000**	**13,149**	**138,797**	**(2,949)**	**200,000**	**1,280**	**238**	**26,000**	**11,720**	**408,236**
Destination of result - distribution of dividends	-	-	-	-	-	-	-	11,720	(11,720)	-
Net change in profits/(losses) directly recognised in shareholders' equity	-	-	-	677	-	-	-	-	-	677
Other changes in shareholders' equity	70,000	-	-	-	-	(475)	-	475	-	70,000
Exchange differences from translation of foreign financial statements		-	-	-	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	-	-	-	-	(51,969)	(51,969)
Balances at period end	**90,000**	**13,149**	**138,797**	**(2,272)**	**200,000**	**805**	**238**	**38,195**	**(51,969)**	**426,944**

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

Cash Flow Statement

Cash Flow Statement €/000	31 Dec 2019	31 Dec 2020
A - Net initial monetary availability	**71,320**	**50,560**
B - Monetary flow from operating activities		
Net profit (loss) deriving from operating activities	11,720	(51,969)
Amortisation, depreciation, write-downs and writebacks	59,153	42,241
Writedowns and writebacks of financial assets	360	360
Capital (gains) losses on disposal of non-current assets	1,457	208
Change in TFR and provisions for risks	1,166	(8,795)
Change in deferred tax assets and provision for deferred taxes	3,221	1,860
Profit (loss) for the period before changes in working capital	**77,078**	**(16,095)**
Change in inventories	9,774	26,392
Change in trade receivables	64,035	18,585
Change in trade payables	(65,010)	(31,413)
Change in trade payables	(14,552)	4,590
Change in net working capital	**(5,753)**	**18,155**
Total B- Monetary flow from operating activities	**71,324**	**2,060**
C - Monetary flow from investing activities		
Investments in property, plant and equipment	(62,700)	(24,370)
Other increases in property, plant and equipment	(4,295)	(4,772)
Investments in intangible assets	(876)	(944)
Change in equity investments	(4,298)	(36)
Revenues from sales of fixed assets	291	1,825
Total C - Monetary flow from investing activities	**(71,879)**	**(28,298)**
D - Monetary flow from financing activities		
Change in non-current securities and financial receivables	(2,610)	(70)
Change in financial receivables and other current financial assets	(2,259)	(439)
Change in current and non-current other non-financial liabilities	(20)	(898)
New loans	7,574	381,070
Repayment of loans	(22,016)	(547,048)
Repayment right of use loans	(874)	(1,203)
Changes in Shareholders' Equity	-	70,000
Total D - Monetary flow from financing activities	**(20,205)**	**(98,588)**
E - Monetary flow for the period (B + C + D)	**(20,760)**	**(124,826)**
Net final monetary availability (A + E)	**50,560**	**(74,266)**
Additional information:		
Interest received during the period	2,271	1,961
Interest paid during the period	(25,148)	(25,411)
Taxes paid during the period	2,698	217
Dividends received during the period	21,886	18,079

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.

General information, accounting standards and measurement criteria

General information

Burgo Group spa 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 25 March 2021.

ACCOUNTING STANDARDS

The individual financial statements for Burgo Group spa at 31 December 2020 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 Company adopted the referenced accounting standards as of 1 January 2007, 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 Company and the Group which it heads continued with the actions aimed at strengthening equity and restoring financial balance, necessary for the implementation of the Burgo 2020 Plan.
This gave rise to the financial balance plan, pursuant to article 67, paragraph 3, letter d of the Italian Bankruptcy Law, as envisaged in the agreement reached with the lending institutions.

FINANCIAL STATEMENT SCHEDULES

All that illustrated in the previous section is understood to be fully referenced here.
The profit and loss statement, other components of the comprehensive profit and loss statement and the Company's equity/financial situation are presented in euro, while the cash flow statement, statement of changes in shareholders' equity and the explanatory notes are presented in thousands of euro. In fact, the euro is the functional currency used by the Company, given that it is the currency used in the economies in which the Company operates.
The Company's fiscal year coincides with the calendar year (1 January - 31 December).

Preparation of the individual financial statements of Burgo Group spa and the accounting schedules required the following choices:

- **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, this form complies with internal reporting and management methods and was therefore held to offer more reliable and significant information for the purposes of comprehending the profit (loss) for the year in question. In addition, as of 2020 the schedules included in the Notes have been updated, showing subtotals no longer found in the schedules within the Report on Operations. Additionally, amounts from the previous year were restated for better comparison between the two financial years;
- **Cash flow statement**: this is structured on the basis of the indirect method.

The Company ended 2020 with a loss of € -52 million (€ -51.1 million in consolidated losses), shareholders' equity of € 426.9 million (€ 334.4 million in consolidated shareholders' equity) and net financial debt of € 446 million (€ 454.3 million in consolidated net financial debt).
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.

Accounting standards and measurement criteria

The Company's financial statements at 31 December 2020 were prepared in compliance with the IAS/IFRS accounting standards for preparing individual financial statements at 31 December 2019, taking into account the amendments and new standards which took effect as of 1 January 2020, listed below.

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company as of 1 January 2020:

On 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced an amendment to the definition of "material" contained in standards IAS 1 - Presentation of Financial Statements and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors. The amendment is intended to make the definition of "material" more specific, introducing the concept of "obscured information" to accompany the concepts of omitted and misstated information, already contained in the amended standards. The amendment clarifies that information is "obscured" if it is described so as to produce a similar effect in readers of the financial statements to that produced if the information had been omitted or misstated.
The adoption of this amendment had no effects on the company's financial statements.

On 29 March 2018, the IASB published an amendment to "References to the Conceptual Framework in IFRS Standards". The amendment is effective for financial years starting on or after 1 January 2020. Early application is allowed. The Conceptual Framework defines the basic concepts for financial disclosures and guides the Board in developing the IFRS. The document helps to guarantee that the Standards are conceptually consistent and that similar transactions are treated in the same manner, so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework also helps companies to develop accounting standards when no specific IFRS applies to a given transaction and, more generally, helps interested parties to understand and interpret the Standards.
The adoption of this amendment had no effects on the company's financial statements.

On 26 September 2019, the IASB published amendments in "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". These amends IFRS 9 - Financial Instruments and lo IAS 39 - Financial Instruments:

Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. More specifically, the amendment changes some of the requirements established for application of hedge accounting, allowing a temporary derogation of the same, in order to mitigate impacts deriving from uncertainties about the IBOR reform regarding future cash flows in the period before it is completed. The amendment also requires companies to provide additional information in their financial statements about hedging relations which are directly impacted by uncertainties generated by the reform and to which the derogations have been applied.
The adoption of this amendment had no effects on the company's financial statements.

On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides clarifications on the definition of a business, for better application of IFRS 3. The amendment clarifies that while a business generally produces an output, the presence of an output is not strictly required to identify a business when there is an integrated set of activities and assets. However, to meet the definition of a business, the integrated set of activities and assets must include, as a minimum, an input and a substantial process that together make a significant contribution to the capacity to create an output. To that end, the IASB replaced the phrase "ability to create outputs" with "ability to contribute to the creation of outputs", to clarify that a business can exist without the presence of all the inputs and processes necessary to create output.
The amendment also introduced an optional concentration test, which makes it possible to exclude the presence of a business if the price paid substantially refers to an individual asset or group of assets. The amendments apply to all business combinations and acquisitions of assets subsequent to 1 January 2020, but early application is allowed.
The adoption of this amendment had no effects on the company's financial statements.

On 28 May 2020, the IASB published the amendment "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document grants lessees the right to recognise Covid-19 related rent reductions without having to assess, through contract analysis, whether the IFRS 16 definition of a lease modification is respected. Hence, lessees who make use of this right can recognise the effects of the rent reduction directly in the profit and loss statement as of the date the reduction takes effect. The adoption of this amendment had no effects on the company's financial statements.

IFRS AND IFRIC 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 2020

On 27 August 2020 the IASB published, in the light of the IBOR interbank interest reform, the document "Interest Rate Benchmark Reform—Phase 2" which contains amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts; and
- IFRS 16 Leases.

All the amendments take effect on 1 January 2021. At present the Directors are evaluating the possible effects introduction of this amendment may have on the company's consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

As of the reporting date of this document, the relevant European Union bodies have not yet completed the approval process for the adoption of the amendments and standards described below.
On 23 January 2020 the IASB published the amendment "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document is intended to clarify how to classify payables and other liabilities as either current or non-current. The amendments take effect as of 1 January 2023. However, early application is allowed. At present the Directors are evaluating the possible effects introduction of this amendment may have on the company's financial statements.

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 of IFRS 3.
- **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. These sales revenues and the relative costs must be recognised in the profit and loss statement.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**: amendment clarifies that when estimating the costs of a contract, all costs directly attributable to the contract must be considered. Consequently, assess-

ment of possible costs of a contract include not just incremental costs (e.g. cost of materials used directly in processing), but also all costs which a company cannot avoid due to stipulation of the contract (e.g. the portion of personnel expense and depreciation of machinery used to carry out the contract).

Annual Improvements 2018-2020: this makes amendments to IFRS 1 First- time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples for IFRS 16 Leases. At present the Directors are evaluating the possible effects introduction of this amendment may have on the company's financial statements.

On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts which allows first time IFRS adopters to continue to recognise amounts relative to "Rate Regulation Activities" using their previously adopted accounting standards. As the Company/Group is not a first-time adopter, this standard does not apply.

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 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 company capitalises financial expense attributable to the purchase, construction or production of a capitalizable 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 intragroup profits relative to minority shareholders are eliminated relative to the portion pertaining to the company held in the investee. Unrealised intragroup 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 they satisfy the definition of equity instruments pursuant to IAS 32 "Financial instruments: Presentation" and are not held for trading. Classification is done for each individual instrument.
Profits and losses resulting from these financial assets are never reversed to the income statement. Dividends are recognised as other revenues in the income statement when the right to payment has been resolved, except when the 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 associated liability are measured so as to reflect the rights and obligations that continue to apply to the company. When the entity's residual involvement is a guarantee for the transferred asset, involvement is measured on the basis of the lesser of the amount of the asset and the maximum amount of the fee received which the entity may have to repay.

— Impairment of financial assets

The company recognises impairment due to expected credit loss (ECL) for all financial assets represented by debt instruments not held at fair value through profit and loss. ECLs are based on the difference between contractual cash flows due in compliance with the contract and all the cash flows the company expects to receive, discounted by an approximation of the original effective interest rate. 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 profit and loss 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.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and groups of assets and liabilities for which the book value will mainly be recovered through sale, rather than through continuous use, are presented separately under other assets and liabilities in the 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 2020 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.

Notes to the 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 2019	31 Dec 2020	Change
Property, plant and equipment	456,756	443,415	(13,340)
Property investments	336	323	(12)
Right of use assets	3,102	2,794	(309)
	460,194	**446,532**	**(13,662)**

— 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	**440,484**	**1,873,699**	**6,142**	**31,815**	**91,144**	**2,443,283**
Increases during period	2,127	20,466	42	459	6,049	29,142
Disposals during period	(1,650)	(15,930)	-	(1,959)	-	(19,539)
Other changes	5,657	70,327	7	-	(75,992)	-
Historic cost at period end	**446,617**	**1,948,563**	**6,192**	**30,315**	**21,201**	**2,452,887**
Provision for amortisation/ depreciation at start of period	**297,012**	**1,653,446**	**5,896**	**30,175**	**-**	**1,986,527**
Amortisation/depreciation during period	6,222	33,416	137	676	-	40,450
Uses during period	-	(15,558)	-	(1,918)	-	(17,506)
Provision for amortisation/ depreciation at period end	**303,233**	**1,671,274**	**6,032**	**28,932**	**-**	**2,009,472**
Net book value at period end	**143,384**	**277,289**	**159**	**1,383**	**21,201**	**443,415**

The decrease in the net book value of property, plant and equipment, for € 13,340 thousand, originated mainly from the following components:

- increases for € 29,142 thousand (€ 66,996 thousand in 2019) relative to: investments for € 24,754 thousand during the year (the main investments were made in the Verzuolo facility for € 15,748 thousand, please see the Report on Operations for more details); other increases for € 1,119 thousand relative to internal work; capitalisation of financial expense for € 298 thousand, calculated using a 1.99% rate, in implementation of IAS 23; advances on extraordinary maintenance projects for € 2,970 thousand;
- decreases for net disposals and sales of € 19,539 thousand (€ 29,661 thousand in 2019), of which the main ones are € 15,626 thousand relative to obsolete systems after periodic inventory checks and € 1,650 thousand for the sale of a portion of the Bovolone buildable land.

The provision for depreciation saw a net change of € 22,944 thousand (€ 124,567 thousand in 2019) which can be broken down as follows:

- increases for depreciation during the year of € 40,450 thousand;
- decreases following the disposal of systems for € 17,506 thousand, as listed above.

At the end of the year, the residual life of the company's property, plant and equipment was reviewed, with the necessary changes made to the depreciation plan.
Fully depreciated assets still in use have a historic cost equal to € 1,193,912 thousand.
Pursuant to article 10 of Italian Law 72 of 19 March 1983, relative to revaluations, below is a breakdown of revaluation balances at 31/12/2020, equal to € 188,517 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	36,190	20,549	78,801
Plant and machinery	14,092	79,767		13,996	107,855
Industrial and sales equipment	89	266		83	438
Other assets	277	963		183	1,423
	18,946	**98,569**	**36,190**	**34,812**	**188,517**

— Property investments

Flow of property investments €/000	Civil land	Civil buildings	Total
Historic cost at start of period	**69**	**414**	**483**
Increases during period	-	-	-
Disposals during period	(0)	-	(0)
Revaluations, impairment during period	-	-	-
Other changes	-	-	-
Historic cost at period end	**69**	**414**	**483**
Provision for amortisation/depreciation at start of period	**-**	**147**	**147**
Amortisation/depreciation during period	-	12	12
Uses during period	-	-	-
Other changes in the provision -	-	-	
Provision for amortisation/depreciation at period end	**-**	**160**	**160**
Net book value at period end	**69**	**254**	**323**

During the year, changes involving civil real estate consisted of depreciation of € 12 thousand and the sale of land associated with the Germagnano facility for the modest amount of € 0.16 thousand, following expropriation.

— 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**	**719**	**2,334**	**430**	**144**	**4,003**
Increases during period	-	135	601	-	234	971
Disposals during period	-	(103)	(106)	(6)	-	(215)
Historic cost at period end	**376**	**751**	**2,830**	**423**	**378**	**4,758**
Provision for amortisation/ depreciation at start of period	**43**	**151**	**523**	**115**	**69**	**901**
Amortisation/depreciation during period	43	176	685	117	205	1,225
Uses during period		(49)	(106)	(6)	-	(161)
Provision for amortisation/ depreciation at period end	**85**	**278**	**1,102**	**226**	**274**	**1,964**
Net book value at period end	**291**	**473**	**1,728**	**198**	**104**	**2,794**

During 2020, increases were recorded in the amount of € 971 thousand following the opening of new lease contracts, mainly involving industrial leases for € 601 thousand and civil leases for € 135 thousand. Amortisation during the period totalled € 1,225 thousand. Disposals during the period came to € 215, of which € 161 thousand relative to natural contract maturity and the remaining € 54 thousand for early termination of contracts.

2 INTANGIBLE ASSETS

The balance is as follows:

Intangible assets €/000	31 Dec 2019	31 Dec 2020	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	1,931	2,604	673
Fixed assets in progress and advances	439	157	(282)
	2,371	**2,761**	**391**
	13,208	**13,598**	**391**

The goodwill item includes goodwill recognised for incorporation of the Villorba plant in Cartiere Marchi spa during 2006 (€ 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 taken into account the specific risks of the CGUs, involve the risk-free rate of 1.12% (1.90% in 2019), the market risk premium, increased by 5.50% from the previous year to 6.00% (increased by 2.5% to incorporate other risks for certain CGUs), a variable growth rate between 1.00% and 2.50%

based on the CGU, the cost of debt before taxes of 2.75% (2.25% in 2019) and the ratio between equity and debt, respectively equal to 64.46% and 35.54% (respectively 71.47% and 28.53% the previous year) derived as the average value of a panel of comparable listed companies in the same sector.
During the year in question the impairment test performed did not indicate a need to carry out writedowns.
Below is a breakdown of residual goodwill at the end of the year for each CGU: Villorba € 10,837 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. Increases, totalling € 944 thousand, refer to investments in software and usage licenses. In particular, among the most significant investments made during the year was € 763 thousand to update and develop the company's ERP system.
Amortisation during the year was equal to € 553 thousand.
The value of intangible assets fully amortised but still in use was € 7,995 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**	**10,501**	**439**	**21,777**
Increases during period	-	919	25	944
Disposals during period	-	-	-	-
Revaluations, impairment during period	-	-	-	-
Other changes	-	306	(306)	-
Historic cost at period end	**10,837**	**11,727**	**157**	**22,721**
Provision for amortisation/ depreciation at start of period		**8,569**		**8,569**
Amortisation/depreciation during period		553		553
Uses during period		-		-
Other changes in the provision	-		-	
Provision for amortisation/ depreciation at period end		**9,123**		**9,123**
Net book value at period end	**10,837**	**2,604**	**157**	**13,598**

3 OTHER NON-CURRENT ASSETS

— Equity investments and securities

These include the items indicated below:

Equity investments and securities €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Gever S.p.A	17,882	17,882	-
Burgo Ardennes S.a.	292,701	292,701	-
Burgo Benelux S.a.	290	290	-
Burgo France S.a.r.l.	142	142	-
Burgo UK L.t.d.	388	388	-
Burgo Central Europe G.m.b.h.	377	377	-
Burgo North America L.t.d.	110	110	-
Burgo Factor S.p.A.	4,105	4,105	-
Burgo Distribuzione S.r.l.	11,530	11,530	-
S.E.F.E. S.a.	0	0	-
Burgo Energia S.r.l.	15	15	-
Consorzio Energy Paper S.c.a.r.l.	-	36	36
Mosaico S.p.A.	123,620	123,620	-
Burgo Estern Europe Sp zoo	1	1	-
Equity investments in subsidiaries	451,160	451,196	36
Equity investments in other companies	**13,600**	**13,240**	**(360)**
	464,759	**464,436**	**(324)**

The increase in equity investments in subsidiaries is due to a new equity investment in Consorzio Energy Paper Scarl, which optimises electricity interruptibility. At 31/12/2020 the equity investment was equal to a 64.01% stake (to which can be added the portion held indirectly through the subsidiary Mosaico Spa for 17.8%).
Impairment was recognised on the equity investment in Consorzio Italia Energy Interconnector S.c.r.l for € 360 thousand, under equity investments in other companies.
At 31/12/2020, the main equity investments within the equity investments in other companies category are:

- Paper interconnector scarl (€ 9,651 thousand)
- Interconnector Energy Italia (€ 3,579 thousand)

— 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
Imprese controllate							
Gever S.p.A.	Altavilla Vicentina (VI)	EUR	3,120	23,818	355	100,00	17,882
Burgo Ardennes S.a	Virton (BE)	EUR	75,000	136,346	1.079	99.99**	292,701
Burgo Benelux S.a.	Bruxelles (BE)	EUR	248	239	(99)	100.00	290
Burgo France S.a.r.l.	Champeaux (FR)	EUR	600	67	(232)	100.00	142
Burgo UK L.t.d.	Milton Keynes (UK)	GBP	250	516	(58)	100.00	388
Burgo Central Europe G.m.b.h.	Munich (Germany)	EUR	256	676	(14)	100.00	377
Burgo North America L.t.d.	Stamford - Connecticut (USA)	USD	100	550	(67)	100.00	110
Burgo Factor S.p.A.	Milano	EUR	3,000	36,138	1,939	90,00	4,105
Burgo Distribuzione S.r.l.	Altavilla Vicentina (VI)	EUR	9,060	12,822	1,073	100.00	11,530
S.E.F.E. S.a	Ecouviez (FR)	EUR	76	375	(146)	0.20	-
Burgo Energia S.r.l.	Altavilla Vicentina (VI)	EUR	5,015	7.707	2.067	100.00	15
Mosaico S.p.A.	Altavilla Vicentina (VI)	EUR	75,000	140,620	13,845	100.00	123,620
Burgo Eastern Europe Sp zoo	Varsavia (POL)	PLN	5	3,557	1,594	100.00	1
Consorzio Energy Paper s.c.a.r.l.	Altavilla Vicentina (VI)	EUR	57	57	-	64.01	36
							451,196

(*) The figures for each investee were taken from the 2020 financial statements of 2020 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 and the relative recognisable shareholders' equity (statutory shareholders' equity plus profits from the current year), equal to € 205.4 million (€ 206.8 million at 31/12/2019), 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 on the basis of a specific exchange appraisal. At 31 December 2020, the value of the subsidiary's shareholders' equity, expressed on the basis of international accounting standards for the consolidated financial statements of Burgo Group spa, was € 136.3 million (€ 137.2 million at 31/12/2019) with a difference of € 156.4 million (€ 155.5 million at 31/12/2019) 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 spa.

— Financial receivables and other non-current financial assets

Financial receivables and other non-current financial assets €/000	31 Dec 2019	31 Dec 2020	Change
Non-current financial receivables due from subsidiaries	2,800	2,800	-
Non-current financial receivables due from others	2,610	2,680	70
	5,410	**5,480**	**70**

The receivable due from the parent company, already present the previous year, consists of a medium-term loan disbursed to the subsidiary Mosaico spa for € 2,800 thousand. On the other hand, the receivable due from other companies refers to a shareholder loan to Consorzio Italia Energy Interconnector, relative to obligations deriving from the Interconnector procedure.

— Other receivables and non-current assets

Other receivables and non-current assets €/000	31 Dec 2019	31 Dec 2020	Change
Non-current guarantee deposits	4,625	5,935	1,309
	4,626	**5,935**	**1,309**

Other receivables and non-current assets consist of guarantee deposits for € 5,935 thousand. The increase, of € 1,309 thousand, is mainly due to the increase in the guarantee deposit made with Terna relative to the Interconnector procedure, for amounts paid during 2020 to guarantee the execution of interconnection work.

4 DEFERRED TAX ASSETS

These amounted to € 61,532 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 2019			31 Dec 2020		
	Taxable	% rate	(Debit)/ credit	Taxable	% rate	(Debit)/ credit
IRES						
Taxed provisions (allocated)	87,991	24.0	21,118	83,426	24.0	20,022
Derivatives	36	24.0	9	(1,362)	24.0	(327)
Discounting	(103)	24.0	(25)	-	-	-
IAS 19 discounting - actuarial G/L	5,228	24.0	1,255	5,282	24.0	1,268
Amortisation, depreciation and writedowns	(41,588)	24.0	(9,981)	(38,034)	24.0	(9,128)
30% limit financial expense	60,411	24.0	14,499	60,743	24.0	14,578
IRES losses to be used in future financial	175,134	24.0	42,032	173,322	24.0	41,597
Allocation of shortfall	(22,885)	24.0	(5,492)	(22,337)	24.0	(5,361)
Other items	(1,514)	24.0	(363)	(4,347)	24.0	(1,043)
	262,709		**63,050**	**256,693**		**61,606**
IRAP						
Taxed provisions (allocated)	41,139	3.9	1,604	34,632	3.9	1,351
Discounting	(103)	3.9	(4)	-	-	-
Amortisation, depreciation and writedowns	(8,420)	3.9	(328)	(8,420)	3.9	(328)
Allocation of shortfall	(22,885)	3.9	(893)	(22,337)	3.9	(871)
Derivatives	36	3.9	1	(1,362)	3.9	(53)
Other items	(1,739)	3.9	(68)	(4,407)	3.9	(172)
	8,027		**313**	**(1,894)**		**(74)**
			63,363			**(61,532)**

In 2020, the Company recognised the following main effects in the item deferred tax assets:

- greater IRES tax assets for the 30% limit on financial charges for € 79 thousand;
- lower IRES tax liabilities for net changes in provisions for non-deductible impairment and amortisation/depreciation for € 853 thousand;
- lower IRES tax assets for losses to be used in future financial years for € 435 thousand;
- lower IRES and IRAP tax liabilities for depreciation of assets relative to which was allocated the shortfall from the Burgo-Marchi merge for € 153 thousand;

- greater IRES tax assets for TFR discounting pursuant to IAS 19 (actuarial gains/ losses) for € 13 thousand;
- lower IRES and IRAP tax assets on taxed provisions for € 1,349 thousand, in particular for allocations made to provisions for risks and charges;
- greater tax liabilities for € 390 thousand on derivative assets and for symmetry with liabilities, covering those subscribed, untaxed.

For more details about the applicable rate, please see note 33 "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		2019		2020	
	maturity	loss	tax	loss	tax
2001	Can be carried forward indefinitely	5,318	1,277	-	-
2002	Can be carried forward indefinitely	152,738	36,657	150,980	36,235
2008	Can be carried forward indefinitely	17,078	4,099	22,341	5,362
		175,134	**42,033**	**173,321**	**41,597**

Note that 2002 tax losses can only be used by Burgo Group spa.
The difference between the losses allocated at the end of 2019 and those allocated at the end of 2020 is due to different utilisation of tax losses at the time the 2020 CNM declaration was presented, compared to that hypothesised when the financial statements at 31/12/2019 were prepared.

CURRENT ASSETS
5 INVENTORIES

Inventories €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Raw materials inventories	25,062	17,414	(7,648)
Stock inventories	26,231	28,285	2,054
Provision for impairment of stock	(7,849)	(8,994)	(1,145)
Raw materials, subsidiary and consumable items	**43,444**	**36,705**	**(6,739)**
Products in progress and semi-finished products	12,220	8,933	(3,287)
Products in progress	**12,220**	**8,933**	**(3,287)**
Finished products and goods	52,675	35,859	(16,816)
Provision for impairment of products	(1,362)	(912)	450
Finished products	**51,313**	**34,947**	**(16,367)**
	106,977	**80,585**	**(26,392)**

The value of raw materials, consumables and finished products is shown net of the provision for obsolescence for € 9,906 thousand (€ 9,211 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 decrease in the value of raw materials, equal to € 6,739 thousand, can be attributed to both a decrease in purchases, with a consequent decrease in the average weighted cost at the end of the year, as well as to a decrease in quantities.
The decrease in the value of products in progress and in finished products, equal to € 19,654 thousand, is due both to lower quantities in stock and to a reduction in the average cost of production linked to the decrease in the cost of raw materials.

6 TRADE RECEIVABLES

Trade receivables €/000	31 Dec 2019	31 Dec 2020	Change
Relative to customers	128,721	111,628	(17,093)
minus: provision for doubtful accounts	(38,119)	(39,107)	(988)
	90,602	**72,521**	**(18,081)**
Relative to the Group companies	32,925	32,421	(504)
	32,925	**32,421**	**(504)**
	123,527	**104,942**	**(18,585)**

Trade receivables due from third parties decreased by € 18,081 thousand mainly due to lower sales during the final quarter of the year in question, compared to the previous year.

Receivables relative to other Group companies remained substantially stable. As of 2020 the new company Consorzio Energy Paper scarl entered the Group's scope of consolidation. It works to optimise the interruptibility service.

Trade receivables do not accrue interest. It is held that the value recognised (adjusted by the provision for doubtful accounts) approximates the presumable realisable value. The provision for doubtful accounts is adequate to cover risk. The table below provides a breakdown of trade receivables by geographic area, exclusive of intragroup transactions.

Trade receivables by geographic area €/000	31 Dec 2019	31 Dec 2020	Change
Italy	29,097	32,516	3,420
Europe E.U.	52,019	31,882	(20,136)
Other countries	9,487	8,122	(1,365)
	90,602	**72,521**	**(18,081)**

7 OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets €/000	31 Dec 2019	31 Dec 2020	Change
Current tax receivables	**9,219**	**3,183**	**(6,036)**
Current sundry receivables due from subsidiaries	1,504	735	(769)
Current tax consolidation receivables due from subsidiaries	7,659	5,953	(1,705)
Sundry receivables due from group companies	**9,162**	**6,688**	**(2,474)**
Current sundry receivables due from others	9,444	6,190	(3,254)
Current receivables due from social security entities	30	27	(3)
Current derivative assets	3,271	4,297	1,026
Other sundry receivables	**12,744**	**10,513**	**(2,231)**
Other assets	**2,014**	**668**	**(1,346)**
	33,139	**21,052**	**(12,088)**

Other receivables and current assets decreased by € 12,088 thousand. The main changes are described in detail below:

- tax receivables: these went from € 9,219 the previous year to € 3,183 thousand; among the most significant changes note the decrease in the VAT receivable of € 6,704 thousand;
- receivables for tax consolidation relative to subsidiaries: these decreased by € 1,705 thousand;
- other receivables due from others: these fell by € 3,254 thousand, mainly due to lower advances to suppliers;
- recognition of assets for derivatives increased by € 1,026 thousand.

8 EQUITY INVESTMENTS

Equity investments €/000	31 Dec 2019	31 Dec 2020	Change
Other equity investments	1,030	792	(239)
	1,030	**792**	**(239)**

Securities in the portfolio at the end of financial year 2020 consisted of 105,000 Mediobanca shares (unchanged with respect to 31 December 2019).
Pursuant to accounting standard IFRS 9, the Mediobanca shares are classified as financial assets measured at fair value through other comprehensive income (FVOCI). Adjustment to market values is done on the basis of stock market listings as of the end of the year, specifically: Mediobanca € 7.54 (€ 9.81 at 31 December 2019).
The adjustment to market value involved reducing the value of the Mediobanca shares by € 239 thousand, passing through the specific fair value through other comprehensive income reserve.

9 FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

Financial receivables and other current financial assets €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Financial receivables due from subsidiaries	68,236	60,515	(7,721)
Financial receivables due from others	4,989	4,307	(682)
Derivative financial assets	7	-	(7)
Other financial assets	33	1,161	1,127
	73,265	**65,983**	**(7,282)**

Among other things, the balance includes financial receivables due from subsidiaries which represent pass-through items in the context of coordinated treasury management (€ 60,515 thousand).
Specifically, receivables due from subsidiaries consist of the following positions:

- Burgo Distribuzione: € 14,921 thousand (€ 17,073 thousand at 31 December 2019);
- Burgo Factor: € 12,224 thousand (€ 36,669 thousand at 31 December 2019);
- Burgo Ardennes: € 33,369 thousand (€ 14,047 thousand at 31 December 2019).

Other assets includes prepaid expenses totalling € 1,158 thousand relative to costs for the opening of a new revolving credit facility.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Bank and postal deposits	44,187	45,369	1,182
Cash and cash on hand	21	23	2
	44,208	**45,392**	**1,184**

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.
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 2019**	**31 Dec 2020**	**Change**
Cash on hand and other cash equivalents	44,208	45,392	1,184
shared current accounts receivable	68,236	60,515	(7,721)
shared current accounts payablei	(20,062)	(33,319)	(13,257)
Current accounts and other loans	(41,822)	(146,854)	(105,032)
	50,560	**(74,266)**	**(124,826)**

SHAREHOLDERS' EQUITY

11 SHAREHOLDERS' EQUITY

Total shareholders' equity amounted to € 426,944 thousand (€ 408,236 thousand at 31 December 2019).
Share capital at 31 December 2020 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 2020 increased by € 18,708 thousand with respect to 31 December 2019, as a consequence of the following changes:

- share capital increase, for € 70,000 thousand;
- loss for the year of € 51,969 thousand;
- fair value changes, net of taxes, on equity investments and other securities classified as FVOCI, which led to an decrease of € 239 thousand from fair value adjustments;
- the recognition in the reserve, net of taxes, of actuarial gains based on that required under IAS 19, which led to a decrease of € 92 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 positive change of € 1,008 thousand.

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 2019**	**31 Dec 2020**	**Change**
Non-distributable reserve from share capital reduction	138,797	138,797	-
Legal	13,149	13,149	-
Reserve for equity financial instruments	200,000	200,000	-
Non-distributable exchange gains reserve	1,280	805	(475)
Other reserves	238	238	-
IAS 19 reserve	(7,504)	(7,597)	(92)
Reserve for accounting standard change - FTA	4,011	4,011	-
Reserve for adjustment to FVOCI	570	331	(239)
Cash flow hedge reserve	(26)	982	1,008
	350,516	**350,718**	**202**
Profits (losses) carried forward reserve	26,000	38,195	12,195
	26,000	**38,195**	**12,195**

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

Deferred taxes recognised directly to shareholders' equity €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Fair value changes in cash flow hedges	10	(380)	(390)
Actuarial losses	2,111	2,140	29
	2,121	**1,760**	**(361)**

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:				
Non-distributable reserve from share capital reduction	138,797	B	0	
SFP reserve, non-distributable	46,646	B	0	
	185,443		0	
Profit reserves:				
SFP reserve, non-distributable	153,354	B	0	
Legal reserve	13,149	B	0	
CFH reserve	982		0	(2)
IAS 19 reserves	(7,597)		0	(3) (5)
Reserve for adjustment to FVOCI	331		0	(4)
FTA reserve (Italian Legislative Decree 38/2005	4,011	B	0	
Merger surplus	238	A, B, C	238	
Exchange reserve	805	A,B	0	
	165,274		238	
Profits (losses) carried forward reserve	38,195	A, B	0	(1) (5) (6)
	38,195		0	
	203,469	238		
	388,912	**238**		

Key:

A: for capital increase
B: to cover losses
C: for distribution to shareholders
D: for other constraints 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 profits carried forward.

(6) Not available for distribution to shareholders, taking into account the loss for financial year 2020.

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 € 54.3 million at the end of the year, 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 2019	31 Dec 2020	Change
Converting loan	100,000	-	(100,000)
Loan payables	425,012	367,962	(57,051)
Right of use liabilities	2,278	1,976	(302)
	527,290	**369,938**	**(157,353)**

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	2,278	(4)	(54)	(866)	622	1,976
Current right of use liabilities	851	(1,199)	-	866	348	866
Total	**3,129**	**(1,203)**	**(54)**	**-**	**971**	**2,842**

The entry of new capital allowed the company to repay its pre-existing financial debt, completing the recovery plan pursuant to article 67 of the Bankruptcy Law and negotiating new financial support, including new credit institutions. This agreement was signed on 30.10.2020 and involves two medium-term credit lines, one amortising with a nominal value of € 200,000 thousand and the other bullet with a nominal value of € 175,000 thousand, as well as a € 100,000 thousand revolving credit facility (see note 16 “Current financial liabilities”). The medium-term lines of € 363,118 are shown net of the current portion of € 7,920 thousand.
Non-current financial liabilities also include:

- a subsidised loan of € 1,916 thousand (initial nominal value of € 2,963 thousand) and a bank loan of € 329 thousand, relative to admission to receive the benefits of the Fund for Technological Innovation, Law FIT 46/82 for the Sora plant;

- a non-interest bearing loan from HGM for € 2,598 thousand;
- liabilities for rights of use for € 1,976 thousand, following application of IFRS 16.

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 2019	31 Dec 2020	Change
from 2 - 3 years	425,015	60,941	(364,074)
from 4 - 5 years	-	306,761	306,761
over 5 years	-	263	263
	425,015	**367,964**	**(57,051)**

Right of use liabilities - breakdown of maturity dates €/000	31 Dec 2019	31 Dec 2020	Change
from 2 - 3 years	1,331	1,361	30
from 4 - 5 years	746	496	(250)
over 5 years	201	119	(82)
	2,278	**1,976**	**(302)**

13 SEVERANCE INDEMNITIES (TFR) AND OTHER PROVISIONS RELATIVE TO PERSONNEL

Severance indemnities (TFR) €/000	31 Dec 2019	31 Dec 2020	Change
Actuarial measurement of TFR at start of period	27,013	21,347	(5,667)
Provisions	-	1	1
Payments	(3,273)	(2,820)	453
TFR discounting - IAS 19 reserve	828	121	(707)
TFR discounting - financial expense (income)	370	154	(217)
Transfer	(3,398)	-	3,398
Other changes - incoming (outgoing) transfers	(195)	7	201
	21,347	**18,810**	**(2,537)**

For actuarial measurement of the provision for severance indemnities (TFR) at 31 December 2020, 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 €/000	2019	2020
Annual theoretical discounting rate	0.77%	0.34%
Annual inflation rate	1.20%	0.80%
Annual TFR increase rate	2.40%	2.10%

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 2019	31 Dec 2020	Change
Provision for industrial charges	20,541	15,360	(5,181)
Provision for disputes in course	11,866	11,708	(158)
Provision for supplementary customer allowance	641	623	(17)
Provision for restructuring charges	4,457	3,677	(780)
	37,504	**31,368**	**(6,136)**

Below is a breakdown of changes in the provisions:

Provisions for risks and charges - changes €/000	Balance at start of period	Increases	Decreases	Discounting	Balance at end of period
Provision for industrial charges	20,541	7,747	(13,031)	103	15,360
Provision for disputes in course	11,866	767	(925)	-	11,708
Provision for supplementary customer allowance	641	38	(67)	12	623
Provision for restructuring expenses	4,457	-	(780)	-	3,677
	37,504	**8,553**	**(14,804)**	**115**	**31,368**

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

- expenses expected to be incurred for reclamation of landfills and disposal of sludge and asbestos;
- charges arising from requirements relative to carbon dioxide (CO2) emissions. The decrease for the year is for the most part due to lower allocations for future purchases of black certificates, with respect to use of the provision during the year (€ -2,812 thousand);
- usage relative to costs for disposal of sludge and waste at the Verzuolo facility.

The **provision for disputes in course** is created to deal with potential liabilities that could arise in relation to legal disputes and disputed items.
The **provision for supplementary customer allowance** represents the updated estimate of the indemnities to be paid to sales agents for interruption of the agency relationship.
The **provision for restructuring costs** includes provisions made for expenses to be sustained to carry out the restructuring plan. During the year this was used for € 780 thousand, to provide redundancy incentives for employees.

15 OTHER PAYABLES AND NON-CURRENT LIABILITIES

During the year in question, as in 2019, no other payables and non-current liabilities were recognised.

CURRENT LIABILITIES

16 CURRENT FINANCIAL LIABILITIES

Current financial liabilities €/000	31 Dec 2019	31 Dec 2020	Change
Loan payables - current portion	21,229	7,920	(13,309)
Current accounts and other loans	41,822	146,854	105,032
Payables due to subsidiaries	20,062	33,319	13,257
Right of use liabilities	851	866	15
Other financial liabilities	481	3,966	3,485
	84,446	**192,925**	**108,479**

The increase in current financial liabilities can be attributed to the opening of the new revolving credit facility line of € 100,000 thousand, as already commented on in note 12, which at 31/12/2020 was used in its entirety.
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 € 866, in application of IFRS 16.
Payables due to subsidiaries of € 33,319 thousand include payables for current accounts held with Gever spa for € 5,005 thousand (€ 1,847 thousand in 2019), with Burgo Energia srl for € 316 thousand (€ 0 thousand in 2019) and with Mosaico spa for € 27,998 thousand (€ 18,215 thousand in 2019).
Other financial liabilities, equal to € 3,966 thousand, include interest expense payable accruing on 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 € 192 million, at 31 December 2020 used for a total of around € 79 million or 41%.

17 TRADE PAYABLES

Trade payables €/000	31 Dec 2019	31 Dec 2020	Change
Current payables due to suppliers	218,104	163,713	(54,391)
Current trade payables due to subsidiaries	65,710	88,688	22,978
	283,814	**252,401**	**(31,413)**

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

Trade payables by geographic area €/000	31 Dec 2019	31 Dec 2020	Change
Italy	146,362	119,195	(27,167)
Europe E.U.	65,014	40,693	(24,321)
Other countries	6,728	3,825	(2,903)
	218,104	**163,713**	**(54,391)**

18 CURRENT TAX PAYABLES

Current tax payables €/000	31 Dec 2019	31 Dec 2020	Change
Tax payables, VAT	285	250	(35)
Payables for withholdings	3,671	3,104	(566)
Other tax payables	-	3	3
	3,956	**3,358**	**(598)**

Current tax payables amount to € 3,358 thousand. This item mainly includes payables due to tax authorities for taxes to be paid in the form of replacement tax. VAT payables refer to payables due to tax authorities in European countries in which the company holds a VAT number for foreign country.

19 OTHER PAYABLES AND CURRENT LIABILITIES

Debiti vari ed altre passività correnti €/000	31 Dec 2019	31 Dec 2020	Change
Current sundry payables due to others	4,754	4,522	(232)
Current sundry payables due to subsidiaries	594	361	(233)
Current sundry payables due to parent companies	-	8	8
Payables for commissions and premiums	3,567	3,099	(468)
Current tax consolidation payables due to subsidiaries	70	-	(70)
Payables due to personnel	8,175	6,669	(1,506)
Current payables due to social security entities	4,482	3,960	(522)
Current derivative liabilities	3,157	267	(2,891)
Deferred income from grants for plants	804	695	(109)
Other accrued expenses and deferred income	1,511	938	(574)
	27,114	**20,517**	**(6,597)**

The decrease of € 6,597 thousand, is due in particular to:
- decrease in payables for commissions and premiums of € 468 thousand, following lower turnover;
- decrease in payables due to personnel for € 1,506 thousand, due to a reduction in the individual amounts due for vacation and holiday not yet utilised at 31 December and for lower payments of variable bonuses achieved at the end of the year;
- decrease in payables due to social security entities for € 522 thousand, due to the same reasons indicated in the previous point;
- decrease in current derivative liabilities for € 2,891 thousand.

20 COMMITMENTS AND POTENTIAL LIABILITIES

Commitments and potential liabilities €/000	31 Dec 2019	31 Dec 2020	Change
Personal guarantees provided in favour of:			
subsidiaries	11,322	9,081	(2,241)
other subjects	15,225	17,691	2,466
	26,547	**26,772**	**225**

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.

Notes to the 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.

21 REVENUES

Revenues €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Paper	1,036,263	752,603	(283,660)
Energy	36,854	24,482	(12,372)
Gas	36,049	17,922	(18,127)
Others	10,209	15,230	5,021
	1,119,375	**810,238**	**(309,138)**

The decrease in revenues totals € 309,138 thousand, mainly due to the decrease in paper sales. Energy sales also fell by € 12,372 thousand, and gas sales by € 18,127 thousand, due to lower reinvoicing to Gever spa. Other revenues increased by € 5,021 thousand, above all from greater intragroup sales of raw materials.
The decrease in paper turnover is due both to lower paper volumes, which fell from 1,589 t in 2019 to 1,395 t in 2020, as well as to lower average net sales prices. Note that the conversion of the Verzuolo facility to container board production, with average market prices lower than those for graphic paper, also contributed to the decline in turnover in absolute terms.

Below is a breakdown of revenues by geographic area:

Markets €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Italy	388,221	293,594	(94,627)
Europe E.U.	597,864	418,937	(178,927)
Other countries	133,291	97,707	(35,584)
	1,119,375	**810,238**	**(309,138)**

22 OTHER INCOME

Other income €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Insurance settlements	1,572	1,499	(73)
Environmental certificates	18,044	14,716	(3,329)
Energy expense recovery and reimbursements	7,848	9,452	1,603
Sundry income and expense recovery	8,187	4,227	(3,960)
Grants for current expenses	513	640	128
	36,164	**30,534**	**(5,631)**

Other income decreased by € 5,631 thousand, in particular due to a decrease in profits from environmental certificates and lower other profits and contingent assets recorded during the year.
The item "grants for current expenses" includes:
- the portion accruing for 2020 (€ 475 thousand) of grants disbursed in previous years;
- the grant from Fondimpresa, a private association for personnel training (€ 134 thousand);
- tax credits totalling € 32 thousand for expenses linked to the health emergency.

23 PURCHASES OF MATERIALS AND EXTERNAL SERVICES

Purchases of materials and external services €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Purchases of raw materials, subsidiary and consumable items and goods	661,466	491,484	(169,982)
Transport and accessory expense on purchases	11,960	8,245	(3,715)
Transport and accessory expense on sales	82,425	68,997	(13,428)
Other industrial services	21,608	27,185	5,576
Industrial maintenance	10,670	10,983	314
Electricity and methane	160,170	109,349	(50,821)
Fees to independent auditing firm	118	158	41
Fees to statutory auditors	105	105	-
Other general and administrative services	14,943	15,986	1,043
Rentals and leases	331	784	453
	963,796	**733,277**	**(230,518)**

Purchases of materials and external services decreased by € 230,518 thousand. The most significant changes involve the decrease in raw materials, subsidiary and consumable items and goods (€ 169,982 thousand), due to lower average purchase prices for cellulose, the decrease in transport and accessory expenses for sales and lower amounts acquired (€ 13,428 thousand) and in energy products (€ 50,821 thousand) due to the reduction in the average gas price in 2020 with respect to the same period the previous year and lower quantities. As with revenues, note that the conversion of the Verzuolo facility to production of containerboard contributed to the reduction in raw material costs, as these are lower than for the graphic sector (cellulose). An increase of € 5,576 thousand was also seen for other industrial services, mainly as an effect of greater costs associated with disposal of waste at the Verzuolo facility, which joined Avezzano in 2020 and which are a typical cost in the containerboard sector. The table also includes non-recurring expense classified in the profit and loss statement in the Report on Operations.

24 PERSONNEL EXPENSE

Personnel expense €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Wages and salaries	59,473	53,653	(5,820)
Social security contributions	21,227	18,575	(2,652)
Expenses for defined benefit programs	4,176	4,203	27
Others	2,431	2,894	463
	87,307	**79,325**	**(7,982)**

Personnel expenses decreased by € 7,982 thousand with respect to the previous year, accounting for 9.4% of turnover (7.6% in 2019). 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 reduction is mainly connected to the lower number of hours worked following production stoppages due to decreased demand caused by the health crisis, as well as greater use of individual holiday and vacation hours. The table also includes non-recurring expense classified in the profit and loss statement in the Report on Operations.

25 OTHER OPERATING COSTS

Other operating costs €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Provisions			
for impairment of receivables	2,306	1,097	(1,209)
for industrial charges	2,825	103	(2,722)
for restructuring expenses	1,800	-	(1,800)
for disputes in course	4,347	767	(3,580)
for supplementary customer allowance	(13)	50	64
	11,264	2,018	(9,246)
Other costs			
Corporate expenses, taxes and indirect taxes	4,744	4,883	139
Contributions, donations and fines	744	823	79
Losses and other costs	657	627	(30)
	6,145	6,333	188
CO_2 certificates			
CO_2 costs net of price setting	4,416	(2,615)	(7,031)
CO_2 allocations	3,905	7,747	3,842
	8,321	5,132	(3,189)
	25,731	**13,484**	**(12,247)**

Other operating costs decreased by € 12,247 thousand. For an analysis of allocations please see note 14 "provisions for risks and charges" and note 6 "trade receivables".
Gross allocations for impairment risks totalled € 1,441 thousand, which net of insurance compensation of € 344 thousand, amounts to € 1,097 thousand.
Net CO_2 costs for the year came to € 5,132 thousand (€ 6,946 thousand in 2019, net of resales of € 1,375 thousand). CO_2 costs are the sum of allocations during the year (€ 7,747 thousand) made to the value of end of year prices adjusted by the fair value receivable on hedges of the liability recognised (€ 2,615 thousand) and other accessory purchase costs.

26 CHANGE IN INVENTORIES

Change in inventories €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Change in inventories	(9,774)	(26,392)	(16,618)
	(9,774)	**(26,392)**	**(16,618)**

The change in warehouse inventories constitutes a cost for the year of € 26,392 thousand, as a consequence of the decrease 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 2019**	**31 Dec 2020**	**Change**
Capitalised costs	563	1,119	556
	563	**1,119**	**556**

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 Verzuolo, Duino and Avezzano facilities.
Please see the Report on Operations for more details on the main investments made during 2019.

28 DEPRECIATION AND AMORTISATION

Depreciation and Amortisation €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Buildings	6,551	6,222	(329)
Plant and machinery	39,553	33,416	(6,137)
Industrial equipment	142	137	(5)
Other assets	762	676	(86)
Buildings for civil use	12	12	-
Rights of use	901	1,225	324
Intangible assets with defined life	427	553	126
	48,348	**42,241**	**(6,107)**

Depreciation and amortisation, equal to € 42,241 thousand, decreased by € 6,107 thousand. The reduction is mainly due to the periodic review of the useful life of assets, especially at the Verzuolo, Villorba and Avezzano facilities and the offices in Altavilla.

29 CAPITAL GAINS/LOSSES ON DISPOSAL OF NON-CURRENT ASSETS

Capital gains/losses on disposal of non-current assets €/000	**31 Dec 019**	**31 Dec 2020**	**Change**
Capital gains	177	38	(139)
Capital losses	(1,634)	(247)	1,387
	(1,457)	**(208)**	**1,249**

The main capital losses during the year were linked to the disposals occurring at the Verzuolo plant due to conversion to containerboard production.

30 WRITEBACKS/WRITEDOWNS ON ASSETS

Writebacks/writedowns on assets €/000	**31 Dec 2019**	**31 Dec 2020**	**Change**
Land and buildings	1,277	-	(1,277)
Plant and machinery	9,528	-	(9,528)
	10,805	**-**	**(10,805)**

During the year, no significant writedowns were made on fixed assets.

31 FINANCIAL EXPENSE

Financial expense €/000	31 Dec 2019	31 Dec 2020	Change
Interest expense on payables due to banks	11,505	12,825	1,319
Discounting of severance indemnities (TFR)	370	154	(217)
Interest expense on intragroup current account	122	16	(106)
Other financial expense	13,487	10,213	(3,274)
Exchange losses	-	42	42
Write-downs of equity investments	360	360	-
	25,845	**23,610**	**(2,235)**

During the year, financial expense from amounts due to banks rose by € 1,319 thousand and interest expense from intragroup current accounts fell by € 106 thousand. Financial expense other than the above decreased by € 3,274 thousand. This mainly includes discounts of a financial nature for short-term client payments and charges on financial transactions, as well as the portion accruing during the year for commissions paid in advance against short-term credit lines and commissions for non-use. The greater decrease derives from lower discounts to customers for short-term payments due to lower sales.
The table also includes non-recurring expense classified in the profit and loss statement in the Report on Operations.

32 FINANCIAL INCOME

Financial income €/000	31 Dec 2019	31 Dec 2020	Change
Income from equity investments			
Dividends from subsidiaries	21,837	18,079	(3,758)
Dividends from other companies	49	-	(49)
	21,886	18,079	(3,807)
Other financial income			
Interest income from banks	38	6	(32)
Interest income on intragroup current account	2,207	1,827	(380)
Other financial income	26	128	102
Exchange gains	1,144	-	(1,144)
	3,415	1,961	(1,453)
	25,301	**20,040**	**(5,261)**

Financial income decreased by € 5,261 thousand with respect to the previous year. More specifically, the main components of this item were the following:

- dividends from subsidiaries:
  - > Burgo Ardennes € 1,600 thousand (€ 8,300 thousand in 2019);
  - > Burgo Central Europe € 200 thousand (€ 240 thousand in 2019);
  - > Burgo Distribuzione € 1,850 thousand (€ 2,200 thousand in 2019);
  - > Mosaico € 13,000 thousand (€ 10,850 thousand in 2019);
  - > Burgo Energia € 1,200 thousand (€ 0 thousand in 2019);
  - > Burgo Eastern Europe € 229 thousand (€ 247 thousand in 2019);
- interest income from intragroup current accounts relative to subsidiaries for € 1,827 thousand.

33 INCOME TAXES

Income taxes €/000	31 Dec 2019	31 Dec 2020	Change
Current taxes - IRES	(7,670)	(6,108)	1,562
Current taxes - IRAP	1,069	-	(1,069)
Deferred tax assets/liabilities - IRES	3,433	1,138	(2,296)
Deferred tax assets/liabilities - IRAP	(212)	332	545
	(3,380)	**(4,638)**	**(1,258)**

These include net income for current IRES from tax consolidation for € 6,108 thousand and deferred tax liabilities for € 1,470 thousand, while for this year there are no current IRAP charges.

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	**2019**		**2020**	
Before tax results for the year	**8,341**		**(56,607)**	
Theoretical tax (IRES) - Italian tax rate in effect: 24.0%		2,002		(13,586)
increases (temporary and permanent)	52,807		53,363	
decreases (temporary and permanent)	(65,521)		(56,210)	
	(4,373)		**(59,454)**	
Current taxes recognised in the financial statements		708		0
Charge (income) from tax consolidation		(8,378)		(6,108)
Deferred taxes (IRES) recognised in the financial statements		3,433		1,138
Total (IRES) taxes recognised in the financial statements		**(4,236)**		**(4,970)**
Current taxes (IRAP) recognised in the financial statements - 3.9% rate in effect		1.069		0
Deferred taxes (IRAP) recognised in the financial statements - 3.9% rate in effect	(212)		332	
Total (IRAP) taxes recognised in the financial statements		**857**		**332**
Total taxes recognised in the financial statements		**(3,380)**		**(4,638)**
Effective tax rate (IRES and IRAP) on before tax result		0.0%		0.0%

Increases in income 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, which are 95% exempt, uses of provisions for risks and charges taxed in previous year, and the reversal effect relative to writedowns not deducted in previous year.
Please see note 4 "deferred tax assets" for more information on deferred taxes, relative to both other increases and decreases and tax losses.

34 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 positive for € 1,398 thousand, which net of taxes (€ 390 thousand) is equal to € 1,008 thousand;
- adjustment of financial instruments to the market value at year end. At the end of the year, the parent company classified the Mediobanca shares held in its portfolio as FVOCI. During 2020, the change was negative for € 239 thousand (see note 8 for more details);
- actuarial gains (losses) during the year which, pursuant to the revised IAS 19, are allocated to a specific shareholders' equity reserve. During the year, the gross variation was negative for € 121 thousand, which net of taxes (€ 29 thousand) is equal to € 92 thousand.

Relations with related parties

Related party transactions, including intragroup 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 spa at 31 December 2020. 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 2019	**31 Dec 2020**	**31 Dec 2019**	**%**	**31 Dec 2020**	**%**
Financial receivables and other non-current financial assets	2,800	2,800	5,410	52%	5,480	51%
Trade receivables	32,925	32,427	123,527	27%	104,942	31%
Other receivables and current assets	12,433	8,079	33,139	38%	21,052	38%
Financial receivables and other current financial assets	68,234	60,515	73,265	93%	65,983	92%
Current financial liabilities	(20,062)	(33,319)	(84,446)	24%	(192,925)	17%
Trade payables	(65,710)	(88,686)	(283,814)	23%	(252,401)	35%
Other payables and current liabilities	(4,873)	(1,454)	(27,114)	18%	(20,517)	7%
Economic relationships						
Revenues	175,932	126,254	1,119,375	16%	810,238	16%
Other income	4,646	7,976	36,164	13%	30,534	26%
Costs for materials and external services	(257,506)	(235,047)	(963,218)	27%	(733,277)	32%
Other operating costs	(4,416)	(10,559)	(23,931)	18%	(13,484)	78%
Financial expenses	(122)	(16)	(25,845)	0%	(23,610)	0%
Financial income	24,068	20,033	25,301	95%	20,040	100%
Income taxes	8,378	6,108	3,380	248%	4,638	132%

In addition to the transactions reported above, at 31 December 2020 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.
At 31 December 2020, loans with related parties amounted to a nominal € 228,230 thousand (€ 253,973 thousand at 31 December 2019).
Fees paid to executives with strategic responsibilities: fees paid to the Chairperson and CEO in 2020 totalled € 1,133 thousand.
As the parent company, the Company adheres to tax consolidation, together with its subsidiaries Burgo Distribuzione srl, Burgo Energia srl, Gever spa, Mosaico srl and Burgo Factor spa. The first four subsidiaries also participate in group VAT liquidation pursuant to article 73 of Italian Presidential Decree 633/72 and the Italian Ministerial Decree of 13 December 1979.

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

Despite a highly difficult economic and social situation, due to the continued Covid-19 health emergency, the company's business is developing normally, with the exception of risks associated with a worsening of the health situation in March 2021, as a third wave of contagion became apparent.

During the initial months of 2021, the company continued to carry out its business without any significant transactions or events. Note that there was a fire in the Avezzano facility on 27 February in the continuous machine area. It was quickly brought under control and caused damages to only a limited part of the facility and the roof of the building. Production was halted for a few days to carry out repairs and then promptly started up again.

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

The financial year ended on 31 December with a loss of € 51,969,193.10.
The Board of Directors submits the following proposal to the Shareholders' Meeting to carry forward the loss for the year.

Other information

NUMBER OF EMPLOYEES

Number of employees	Start of year	Year end	Average 2020	Average 2019
Executives	25	26	26	26
Office Workers	418	407	412	417
Manual Workers	1,177	1,131	1,159	1,186
	1,620	**1,564**	**1,597**	**1,629**

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), subsequently added to by Law Decree 113/2018 (Security), Law Decree 135/2018 (Simplification) and article 35 of Law Decree 34/2019, 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 2020:

CONTRIBUTIONS AND SUBSIDISED RATE LOANS

Granting entity	Purpose	Subsidised rate	Amount financed
Ministry of Environmental Development	Grant for the Sora facility project		Total amount disbursed in 2020 € 366 thousand, recognised on an accrual basis for € 293 thousand in the profit and loss statement, an additional € 370 thousand to be received in 2021, of which € 329 thousand as a subsidised loan and an additional contribution of € 41 thousand

Note that on the basis of the most authoritative interpretations of the stated law, any payments, general measures or tax subsidies which can be used by all companies or generally by companies within specific sectors, such as the paper sector or sector of heavy energy user companies, were not considered.
While the company holds that these stances are appropriate, it also decided to indicate the following incentives in these financial statements which can be enjoyed by all companies:
- energy efficiency certificates for € 13,932 thousand
- hydroelectric energy production incentives for € 783 thousand.

Finally, during 2020 the Company received contributions which were published in the National Registry of Government Aid, to which the reader is referred.

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 2019**	**31 Dec 2020**
	Book value	**Book value**
Financial assets available for sale	1,030	792
Trade receivables and other receivables	158,021	127,632
Financial receivables	78,676	71,463
Cash and cash equivalents	44,208	45,392
Derivatives:		
Assets	3,271	4,297
Liabilities	(3,157)	(267)
Lending from banks	(192,268)	(150,319)
Right of use liabilities	(3,129)	(2,842)
Loans from associated companies	(253,973)	(225,563)
Bonds	(100,000)	-
Trade payables and other payables	(311,727)	(276,009)
Current loans from associated companies	(20,062)	(33,319)
Payables due to banks	(42,303)	(150,819)
	(641,414)	**(589,562)**

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 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.

At 31/12/2020 the company has no interest rate derivatives.

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 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 € 4,297 thousand (€ 3,277 in 2019) and financial liabilities for € 267 (€ 3,157 thousand in 2019).

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 2019**	**31 Dec 2020**
Loans and receivables	10,036	11,415
	10,036	**11,415**

Current financial assets €/000	**31 Dec 2019**	**31 Dec 2020**
Loans and receivables	226,654	187,680
Cash and cash equivalents	44,208	45,392
Financial assets FVOCI	1,030	792
Current derivative assets	3,271	4,297
Financial assets for derivatives, current	7	-
	275,170	**238,160**

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 assets available for sale represent shares listed on the Milan stock market.

FINANCIAL LIABILITIES

The table below provides a breakdown of financial liabilities.

Non-current financial liabilities €/000	**31 Dec 2019**	**31 Dec 2020**
Lending from banks	(182,949)	(146,963)
Loans from associated companies	(242,064)	(220,998)
Converting loan	(100,000)	-
Right of use liabilities	(2,278)	(1,976)
	(527,290)	**(369,938)**

Current financial liabilities €/000	**31 Dec 2019**	**31 Dec 2020**
Lending from banks	(9,320)	(3,356)
Loans from associated companies	(31,972)	(37,884)
Derivatives	(3,157)	(267)
Right of use liabilities	(851)	(866)
Payables due to banks	(41,822)	(146,854)
Trade payables and other payables	(312,208)	(279,974)
	(399,329)	**(469,200)**

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 recognised in profit and loss €/000	**31 Dec 2019**	**31 Dec 2020**
Interest income from current account	2,245	1,833
Dividends from other companies	49	-
Exchange gains	1,144	-
Other income	26	128
	3,464	**1,961**
Interest expense from current account	(798)	(1,975)
Interest expense on mortgages	(10,830)	(10,865)
Charges due to suppliers	(1)	(1)
Factoring commissions	(399)	(361)
Exchange losses	-	(42)
Other expense	(13,088)	(9,851)
	(25,115)	**(23,097)**
Dividends from subsidiaries and associated companies	21,837	18,079
Net income (expense) from discounting	(370)	(154)
	(184)	**(3,210)**

Financial income and expense recognised in shareholders' equity €/000	**31 Dec 2019**	**31 Dec 2020**
Change in cash flow hedge reserve	(26)	1,008
Change in FVOCI securities revaluation reserve	256	(239)
	230	**769**
recognised to:		
Cash flow hedge reserve	(26)	1,008
Fair value revaluation reserve	256	(239)
	230	**769**

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 2019**	**31 Dec 2020**
Financial assets FVOCI	1,030	792
Trade receivables and other receivables	236,657	197,934
Cash and cash equivalents	44,241	46,553
	281,928	**245,279**

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 2019**	**31 Dec 2020**	**Change**
Balance at start of period	(38,858)	(38,119)	739
Uses	4,273	453	(3,820)
Provisions	(3,534)	(1,442)	2,092
Other changes	0	(0)	(0)
	(38,119)	**(39,107)**	**(988)**

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 2019**	**31 Dec 2020**
End consumers	90,602	71,330
Other group companies	113,123	103,614
Credit institutions	44,241	46,553
Tax authorities	9,219	3,183
Others	24,743	20,598
	281,928	**245,279**

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 levels 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 2020, 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. At 31 December 2020, exposure through securities consisted of Mediobanca shares (see the section on market risk).

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:

- price risk for equity instruments and other listed securities;
- exchange risk;
- interest rate risk;
- commodity risk.

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

PRICE RISK FOR EQUITY INSTRUMENTS AND OTHER LISTED SECURITIES

All equity investments held by the Company are shares listed on the Milan stock market, within the FTSE-MIB index, representing Mediobanca risk capital. The amount of Mediobanca shares, 105,000 units, did not change with respect to the previous year. Below is a table summarising the exposure of the above within the financial statements.

Shares and funds €/000	**31 Dec 2019**	**31 Dec 2020**
Shares	1,030	792
	1,030	**792**

SENSITIVITY ANALYSIS RELATIVE TO EQUITY RISK

The shares held in the Company's portfolio are significantly correlated with the FTSE MIB index, as they are listed on the same stock market.
Sensitivity analysis was done hypothesising a +/-10% change in the value of the indices. This analysis led to a fair value change of the securities in the portfolio of € -0.05 million (€ +0.20 million in 2019) and of € -0.25 million (€ -0.05 million in 2019). All effects would be recognised with a matching entry in shareholders' equity.

EQUITY RISK MANAGEMENT METHODS

GENERAL ASPECTS

In the context of its investment activities, the Burgo Group purchases equity investments for investment purposes. In this context, the Company may carry out financial hedging transactions relative to the portion of assets held for potential sale. The general objectives of a hedging transaction therefore involve stabilising the value of the investment, neutralising the effects generated by market variability. During the current year, the Company did not carry out any hedging transactions.

EQUITY RISK MANAGEMENT POLICIES

Hedges are organised with reference to pre-established development strategies and with the aim of minimising exposure to unfavourable trends on the market, stabilising the impact on the annual profit and loss statement.

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 2020 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 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 2020 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, € -939 thousand (€ -2,187 thousand in 2019) and € +1,147 thousand (€ +2,673 thousand in 2019).

EXCHANGE RISK MANAGEMENT METHODS

In relation to sales activities, the Company makes purchases and sales other currencies, at present 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 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;
- 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/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 2019**	**31 Dec 2020**
Fixed rate financial instruments		
Fixed rate loans	(329)	(329)
	(329)	(329)
Variable rate financial instruments		
Financial assets		
Non-current guarantee deposits	4,625	5,935
Financial instruments with positive FV	3,277	4,297
Loans to associated companies	2,800	2,800
Loans to others	2610	2,680
Financial liabilities		
Derivatives with negative FV	(3,157)	(267)
Variable rate loans	(545,912)	(375,552)
Current account advances	(42,303)	(150,819)
Financial leasing	(3,129)	(2,842)
	(585,814)	**(519,703)**
	(586,143)	**(520,033)**

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 2020 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 2019.

In each curve scenario, and limited to derivatives subject to hedge accounting rules, an after the fact efficacy test was performed again to quantify the impact on shareholders' equity (efficacy component) and on the results for the year (any inefficacy component). In every case, for non-linear derivatives (collar) the time value change with respect to the effective market scenario was recognised in the annual profit and loss statement.
At 31 December 2020 the company did not have any derivatives.
In order to determine the impacts of asset and liability items indexed at variable rates on the result for the year, a shock was also applied to cash flows effectively paid during the administrative period. These analyses made it possible to identify the greater financial expense/income that would have been recorded in the annual profit and loss statement if interest rates had been 100 bps higher or lower than those actually recorded. The impact on the annual profit and loss statement deriving from a +/- 100 bps shock would have been, respectively, € -4.3 million and € +0.2 million (in 2019: € -3.8 million and € 0.1 million). The effect on shareholders' equity was null in that there are not financial liabilities relative to derivatives.

INTEREST RATE 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 RATE 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 5 years (up to the current 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 PRICE RISK

In order to supply its various plants with the electricity necessary for production, the Company has various contracts to purchase gas. Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. At 31 December 2020, 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.

ELECTRICITY PRICE RISK

In order to supply its various plants with the electricity necessary for production, the Company has a contract to purchase electricity with the subsidiaries Burgo Energia srl and Gever spa. Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. At 31 December 2020, 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 issue carbon dioxide, needed to comply with the obligations deriving from the ETS scheme, the Company has purchase contracts with the subsidiary Burgo Energia srl. Given the variable nature of the price of the commodity, the Company suffers risk deriving from fluctuations in the supply prices which it can partially protect itself from by using derivatives and by setting prices with counterparties. At 31 December 2020, the Company had acquired fixed price issue rights through the signing of futures agreements.

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 2020. The impact on the annual profit and loss statement deriving from this type of shock would be, respectively, € -0.2 million and € +0.2 million. 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 Company's strategic objective is to stabilise profit margins in terms of reducing risks associated with volatility in electricity purchase/sales prices and purchase prices of materials used in production processes, in order to minimise exposure to the correlated risk and losses. With an eye to continuously reducing loss risks, the Company has the simultaneous objective of minimising costs associated with obtaining its production factors.

When negotiating financial contracts for raw materials, the Company does not have the ability to take risk positions on the commodities market. These contracts will have the sole purpose of reducing the risk of an increase in the purchase prices of the production factors used in production processes.

Relative to risk monitoring, the Company applies a quantitative measure for risks, both with reference to analysing exposures and to measuring the efficacy of derivatives negotiated for hedging purposes.

COMMODITY RISK MANAGEMENT POLICIES

Management of risks associated with oscillations in the prices of commodities includes the involvement of several administrative departments within the Company. These include, in addition to those already cited, the Purchasing Department and the Sales Department. In determining its hedging strategy and with reference to the various types of supply contracts, the Company implements mitigation strategies with the objective of stabilising its profit margin.

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

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

LIQUIDITY RISK

Liquidity risk is the risk that the Company will have difficulty complying with its future obligations relative to financial liabilities. Risk analysis is done with the aim of quantifying cash flows deriving from the various types of financial liabilities held by the Company at 31 December 2020, at each contractual repayment date.

Financial liabilities have been broken down into non-derivative financial liabilities and derivative financial liabilities, based on their nature. For the latter, given the difference in accounting treatment, it was necessary to carry out a further classification based on whether or not the derivative is classified as a hedging instrument according on the accounting standards.

Relative to cash flow maturities, given the nature of the Company's monetary cycle it was held expedient to group payments into half-yearly payment buckets.

Below is a summary of analysis done on derivative financial liabilities and non-derivative financial liabilities, at 31 December 2020.

31 Dec 2020 €/000	**Book value**	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
Non-derivative financial liabilities:						
Loans	375,882	210	7,710	24,172	343,527	263
Trade payables and other payables	276,009	276,009	-	-	-	-
Right of use liabilities	2,842	453	414	1,361	541	74
Derivative financial liabilities:						
Derivatives	267	133	133	-	-	-
	654,999	**276,804**	**8,257**	**25,533**	**344,067**	**337**

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 € 192 million, at 31 December 2020 used for a total of around € 79 million or 41%. 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 long-term financial requirements, the Company has loans of around € 376 million at market rates (€ 546 million at 31 December 2019).

Report of the Independent Auditing Firm

EY
Building a better working world

Burgo Group S.p.A.

Financial statements as at December 31, 2020

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

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37126 Verona

Tel: +39 045 8312511
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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, 2020 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, 2020, 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, 2020, including its consistency with the related 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 financial statements of Burgo Group S.p.A. as at December 31, 2020 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, 2020 and comply with the applicable laws and regulations.

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

Verona, April 13, 2021

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

BURGO GROUP S.p.A.
Registered office: Via Piave 1 – Altavilla Vicentina (VI) Italy Share Capital: € 205,443,391.40, fully paid up
Companies Register of Vicenza no. 13051890153

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING pursuant to article 2429, paragraph 2 of the Italian Civil Code

Dear Shareholders,

This report was approved by the Board today, in time for it to be filed at the Company's registered offices within 15 days prior to the date of the first call of the Shareholders' Meeting to approve the financial statements commented on herein.

In this way the administrative body made available on 25 March 2021 the following documents relative to the financial year ending on 31 December 2020:

- draft financial statements, accompanied by the Explanatory Notes;

- the report on operations.

The layout of this report is similar to that used the previous year and is inspired by the law and integrated on the basis of Standard No. 7.1. of the "Norme di comportamento del collegio sindacale di società non quotate" [Code of Conduct for Boards of Statutory Auditors of Unlisted Companies], issued by Italy's National Council of Chartered Accountants and Accounting Experts (CNDCEC) and in effect since 12 January 2021.

General introduction

The Board of Statutory Auditors was appointed in its current formation on 30 October 2020. The current Board, appointed on 30 October 2020, includes two members of the previous Board of Statutory Auditors. Members of the Board of Statutory Auditors initially verified a lack of reasons for ineligibility or forfeiture, verified compliance with the principle of independence, and assessed their ability to adequately carry out the task taken on, also with regards to positions held at other companies.

As is known, the year in question was impacted by the Covid-19 health emergency, which spread through Italy starting at the end of February, heavily affecting the economic and social situation in our country and leading to limitations on the presence of personnel in the workplace.

The Board's activities, in compliance with regulatory provisions established to fight the spread of the virus, from March on were carried out remotely, without any decrease in the effectiveness, extent and quality of the controls carried out.

The Board of Statutory Auditors notes that the administrative body did not prepare the explanatory notes making use of the "XBRL taxonomy". The Company is exempt from this requirement, as it prepares its annual financial statements on the basis of the provisions of Italian Legislative Decree 38/2005, implementing the International Financial Reporting Standards (IFRS).

Knowledge of the Company, assessment of risks and report on assignments

The Board of Statutory Auditors notes that "planning" of its supervisory activities was carried out by making use of the information it has acquired over time with reference to the type of business carried out by the Company, its organisational and accounting structure, and its size and issues.

It was thus possible to confirm that:

- the core business conducted by the Company did not change during the reporting year and is consistent with the Company's purpose;
- its organisational structure and IT structures and equipment remained essentially unchanged;
- the human resources constituting its "workforce" decreased by 56, from 1,620 units to 1,564 units, in line with the scheduled restructuring plans;
- the foregoing is indirectly borne out by a comparison of the figures presented in the statements of profit or loss for the past two years, i.e., the reporting year (2020) and the previous year (2019). Consequently, our checks were carried out with these presuppositions, having verified the substantial compliance of the figures and results with those of the previous year.

This report summarises activities relative to the disclosure required under article 2429, paragraph 2 of the Civil Code and, more specifically:

- the results for the reporting year;
- the activity performed in fulfilment of the duties imposed by law;
- remarks and proposals concerning the financial statements, with particular regard to any use by the administrative body of exceptions pursuant to article 2423, paragraph 5 of the Civil Code;
- any complaints received from the shareholders pursuant to article 2408 of the Civil Code.

The activities performed by the previous Board of Statutory Auditors and subsequently shared by the Board of Statutory Auditors in its new composition, as appointed on 30 October 2020, involved the entirety of financial year 2020 in temporal terms, and during the year meetings were regularly held pursuant to article 2404 of the Italian Civil Code. The relative minutes for these meets were drafted and duly signed with unanimous approval.

Supervisory activities

During its periodic checks, the Board of Statutory Auditors inquired into the course of the Company's business, with a particular focus on matters of a contingent and/or extraordinary nature, so as to identify their impact on the Company's operating performance and financial structure, in addition to any risks, such as risks deriving from losses on receivables, which were subject to regular monitoring.

The Board of Statutory Auditors notes that during the year a new majority shareholder joined the ownership structure: the investment fund QuattroR. Through the establishment of the holding company BG Holding, QuattroR and the historic shareholder HGM obtained 91% (which increased to 91.7% in the first few days of 2021) of shares, through a € 70 million capital increase which strengthened the Group's equity and financial structure, creating the conditions to dissolve the recovery plan pursuant to article 67 of the 2015 Bankruptcy Law, for which the debt has been entirely repaid.

The Board of Statutory Auditors assessed the adequacy of the enterprise's organisational and functional structure and any changes in that structure with respect to the minimum needs established by operating performance.

Relations with persons operating within the aforementioned structure — directors, employees and external advisors — were guided by mutual collaboration, in accordance with the roles entrusted to each, with a clear understanding of those of the Board of Statutory Auditors.

For the entire year, it was determined that:

- internal administrative personnel tasked with recording company events remained essentially unchanged compared to the previous year;
- their level of technical competency remained appropriate to the nature of the ordinary operating events to be recorded and they have sufficient knowledge of the Company's concerns;
- external advisors and professionals assigned to provide accounting, tax, corporate and employment law assistance did not change and have long-standing knowledge of the business conducted and ordinary and extraordinary management concerns that affected the results presented in the financial statements.

The information required under article 2381, paragraph 5 of the Italian Civil Code was provided by the CEO even more frequently than the minimum schedule of every 6 months, both at the time of scheduled meetings with Board of Statutory Auditors members and through telephone contact/communications. From this it follows that the Executive Directors complied with the provisions of the cited regulation, both in substance and form.

In conclusion, to the extent it could be determined in the course of the activity performed, the Board of Statutory Auditors can state that:

- the decisions made by the shareholders and administrative body were compliant with the law and the Articles of Association and were not manifestly imprudent or such as to definitively compromise the Company's financial integrity;

- sufficient information regarding the Company's general performance and future outlook, as well as the transactions undertaken by the company which, by extent or characteristics, are considered highly significant, has been obtained;
- the transactions undertaken were also compliant with the law and the Articles of Association and were not in potential conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the Company's financial integrity;
- there were no specific remarks on the adequacy of the Company's organisational structure, nor on the adequacy of its managing and accounting system, or the reliability of the latter in properly representing operating events;
- the information acquired by the Oversight Committee did not indicate any problems with respect to the current Organisational and Management Model that must be highlighted in this report;
- in performing our supervisory activity, as described above, no further material information or events that would require mention in this report have been identified;
- it was not necessary to take action in response to omissions by the administrative body pursuant to article 2406 of the Italian Civil Code;
- no complaints were received pursuant to article 2408 of the Italian Civil Code;
- no complaints were made pursuant to article 2409, paragraph 7 of the Civil Code;
- during the year, the Board issued the following opinions: i) on 07.10.2020, the opinion pursuant to article 2437-ter, Civil Code; ii) on 07.10.2020, the opinion pursuant to article 2441, paragraph 6, Civil Code.

Annual financial statements

The draft financial statements for the year ending on 31 December 2020 was approved by the administrative body and consists of the profit and loss statement, comprehensive profit and loss statement, balance sheet and statement of changes in shareholders' equity, accompanied by the illustrative notes.

In addition:

- the administrative body also drafted the report on operations pursuant to article 2428 of the Civil Code;
- these documents were delivered to the Board of Statutory Auditors within the terms pursuant to article 2429 of the Civil Code;
- independent auditing was entrusted to **EY** S.p.A. which prepared its report pursuant to article 14 of Legislative Decree 39 of 27 January 2010, issued today, which does not indicate any findings of significant deviations, negative judgements or the inability to express a judgement, nor any requests for information, meaning the judgement issued was positive.

We therefore examined the draft financial statements, with regard to which we provide the following additional information:

- the annual financial statements were prepared, as in the previous year, in application of the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB") and approved by the European Union;
- the measurement criteria for assets and liabilities items were checked and were not found to be substantially different from those adopted in previous years, compliant with the provisions of article 2426 of the Civil Code;
- attention was paid to the structure given to the draft financial statements, their general compliance with the law in terms of form and structure and to that end, there are no observations worthy of note in this report;
- we verified compliance with the provisions of law governing the preparation of the Report on Operations, and there are no remarks on this subject to be presented in this report;
- the administrative body, in preparing the financial statements, did not deviate from the law pursuant to article 2423, paragraph 5 of the Civil Code;
- the financial statements were prepared by the administrative body with the assumption of the business as a going concern;
- it was verified that the financial statements are consistent with the facts and information of which we are aware
- after performing the typical duties of a Board of Statutory Auditors and to that end we have not additional observations;
- the information required under article 2427-bis of the Civil Code was provided in the Notes, relative to derivatives and for financial fixed assets recognised in amounts exceeding their fair value.

Result for the year

The net result for the year ascertained by the administrative body for the year ending on 31 December 2020 is a loss of € 51,969,193.10.

Conclusions

On the basis of that stated and that brought to the attention of the Board of Statutory Auditors, as well as that determined during the periodic checks performed, and considering the results of the activities carried out by the independent auditing firm, as contained in their report, to which the reader is referred, the Board of Statutory Auditors unanimously holds that there are no reasons to oppose the sole Shareholder's approval of the draft financial statements for the year ending at 31 December 2020, as prepared and proposed to you by the administrative body.

Milan, 13 April 2021

The Board of Statutory Auditors

Roberto Spada - Chairman (signature)

Franco Corgnati - Regular Auditor (signature)

Fedele Gubitosi - Regular Auditor (signature)

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ANNUAL FINANCIAL STATEMENTS | 2020

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